



29th ANNUAL REPORT 2008-2009



..... a touch of luxury, style and softness

KG PETROCHEM LIMITED

REGD. OFF. : C-171, ROAD NO. 9J, V.K.I. AREA, JAIPUR-302 013 (INDIA)

Ph. : 0141-2331231 • Fax : 0141-2332845

E-mail : kgbags@rediffmail.com • Website : www.bhavikterryfab.in

MISSION STATEMENT

To be the global manufacturer and supplier of the highest quality products and services at a reasonable price to satisfy customers worldwide.

VISION

We are dedicated to deliver superior stakeholder value with passion and entrepreneurial spirit

VALUE

Integrity - Never compromised

Board of Directors	<p>SHRI G.S.KANDOI, Chairman cum Managing Director SHRI MANISH SINGHAL, Executive Director SHRI AMAR CHAND GUPTA SHRI RAMESHWAR PAREEK SHRI NITIN JAIPURIA</p>
Bankers	<ul style="list-style-type: none"> • BANK OF BARODA, V. K. I. AREA, JAIPUR. • IDBI BANK, TONK ROAD, JAIPUR
Auditors	<p>M/S. A. R. VIJAY & CO. Chartered Accountants 202, Navjeevan Chambers, Vinoba Marg, M. I. Road, JAIPUR-302001</p>
Corporate Advisor	<p>MR. SANJAY KUMAR JAIN Company Secretary in Practice, 504-A, Fifth Floor, Pink Tower, Behind Sahara Chambers, Opp. Nehru Garden, Tonk Road, JAIPUR-302015.</p>
Depository, Registrar & Share Transfer Agent	<p>M/S. NICHE TECHNOLOGIES PVT. LTD. D-511, Bagree Market, 71, B. R. B. Basu Road, KOLKATA 700001</p>
Listing	<p>BOMBAY STOCK EXCHANGE LTD., MUMBAI</p>
Depository Participant	<ul style="list-style-type: none"> • NATIONAL SECURITIES DEPOSITORY LTD. • CENTRAL DEPOSITORY SERVICES (INDIA) LTD.
Works	<ul style="list-style-type: none"> • PLOT NO.SP-4/3, RIICO INDUSTRIAL AREA, Village & Post : Keswana, Teh. Kotputli, Dist : Jaipur -303108 • C-171, Road No. 9J, Vishwakarma Industrial Area, JAIPUR-302013

Registered Office & Works: C-171, Road No. 9J, Vishwakarma Industrial Area, JAIPUR-302 013
 Tel. No: 0141-2331231, Fax: 0141-2332845 email ID : kgbags@rediffmail.com

LETTER FROM THE CHAIRMAN

Dear Shareholders, I am happy to present your Company's 29th Annual Report. The year was full of activities and major decisions were taken in view of current global recession and economic scenario. The Company earned profit before tax of Rs.461.15 Lacs in comparison to Rs.265.46 lacs in previous year. The turnover also increased to Rs.5506.50 lacs in comparison to previous year Rs. 4922.64 i.e. 11.86% growth.

I would like to share with you some of the key developments during the year.

The Company reviewed the current market conditions and found that its woven sacks and health care divisions are not as much profitable as compared to textile division and agency division. Therefore the Company decided to shift its focus to textile division, agency division and phase out its woven sacks and healthcare division. The Company has started expansion of textile division from 3000 MTPA capacity to 6000 MTPA capacity. IDBI has sanctioned term loan of Rs.2550.00 lacs for the project and I am proud to inform you that construction is going on full swing. The commercial production of I phase will commence by October 2009 and II phase March 2010.

Textile Div.: During the year under review, it has achieved turnover of Rs. 4517.79 lacs including export sales of Rs. 2089.90 lacs as against Rs.3774.21 lacs previous year. A growth of 19.70%.

Agency Div. It earned commission of Rs. 35.09 lacs as compared to last year Rs.17.63 lacs. The div. earned a profit of Rs. 68.59 lacs as compared to previous year Rs.32.49 lacs.

Woven Sacks Div. During the year under review, it has achieved turnover of Rs. 909.66 lacs in comparison to previous year 1074.35 i.e. decreased 15.33%

Health Care Div. The division has not achieved good performance during the year under review. It has achieved Income from operations of Rs. 43.97 lacs in comparison to previous year Rs. 54.45 lacs i.e. decreased of 19.25%

We have steadily built our core area expertise, acquired new skills, and strengthened our management and leadership skills. The strategic investment and decision have accelerated our future growth, prospects and strongly positioned us for a big change.

Looking to overall financial position of your Company it has earned cash profit of Rs. 877.25 Lacs.

These new initiatives have provided us a new vision and a clear direction. I am confident that KG's strong foundation will continue to give us competitive edge in coming years and to achieve our mission.

In conclusion, I would thank you for patronising your confidence in the success of your Company. I also want to place on record the extraordinary contribution of Team KG. I reinforce our commitment to deliver long term and sustainable value to our shareholders.

With warm regards,

G. S. KANDOI

Chairman





NOTICE

Notice is hereby given that the 29th Annual General Meeting of **KG PETROCHEM LIMITED** will be held on Wednesday, the 23rd day of September, 2009 at 11.00 A.M. at registered office of the Company to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit & Loss Account for the year ended on that date, together with the report of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. Amar Chand Gupta who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the Next Annual General Meeting and to fix their remuneration :-

"RESOLVED that the M/S. KALANI & Co. Chartered Accountants, Jaipur from whom certificate pursuant to section 224(I-B) of the companies Act, 1956 has been received be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Audit Committee/Board of Directors of the company.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Mr. Nitin Jaipuria, who was appointed as an Additional Director in the meeting of the Board of Directors of the company held on 13th July 2009, pursuant to section 260 of the companies Act, 1956 read with Article 77 (b) of the Articles of Association of the Company and who holds office up to the date of Annual General Meeting and in respect of whom the company has received notice in writing under section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mr. Nitin Jaipuria as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the company liable to retire by rotation."

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provision of the section 198, 269, 309, 310, 314 read with schedule XIII and all other applicable provision of the Companies Act, 1956 the company be and hereby re-designate Mr. Manish Singhal as Executive Director of the company on the terms and conditions submitted to this meeting and for identification, signed by the Chairman hereof, which agreement, be and is hereby specially approved

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provision of Section 198, 269, 309, 310, 311 and other applicable provisions, if any of the Companies Act, 1956, read with schedule XIII of the Companies Act, 1956 (including any statutory reenactment thereof) and subject to such other approvals as may be necessary, for the time being in force, Mr. G. S. Kandoi, be and is hereby appointed as Chairman-cum-Managing Director of the Company for a period of three years w.e.f. 30.07.2009 as per gist of terms and conditions submitted to this meeting and for identification, signed by the Chairman hereof, which agreement, be and is hereby specially approved.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

For & on behalf of the Board

Place: JAIPUR
Date : 30th JULY 2009

(G.S.KANDOI)
CHAIRMAN

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself. A proxy need not be a member of the company. The Instrument appointing a Proxy in order to be effective should however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
2. The Register of member and Share Transfer Book of the company will remain closed from 17th September, 2009 to 23rd September, 2009 (both days inclusive).
3. Members are requested to notify change of address, if any, to the company.
4. Members are requested to put their signature at the space provided on the attendance slip annexed to the proxy form and handover the slip at the entrance of the place of the meeting.
5. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of Annual Report to the meeting.
6. Shareholders desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready at the meeting.
7. As per the provisions of the Companies Act, 1956 facility for making nomination is now available to the shareholders in respect of the shares held by them. Nomination form can be obtained from the registrar & Transfer Agent of the company.

EXPLANATORY STATEMENT (PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956)**Item No.3:**

The Retiring auditors, namely M/S. A. R. VIJAY & CO., Chartered Accountants have given notice in writing of their unwillingness to be re-appointed and that a special notice in terms of provisions of section 190 of the companies act, 1956 read with section 225 of the act has also been received from shareholders of the company for the appointment of new Auditors M/s KALANI & Co. Chartered Accountants, Jaipur, in place of the retiring auditors M/s A. R. VIJAY & CO., Chartered Accountants. A written certificate has been obtained from M/s KALANI & Co. Chartered Accountants, Jaipur to the effect that in case of their appointment as Auditors of the Company, the appointment will be in accordance with the limits prescribed under section 224 (1B) of the Act.

Your directors recommend the resolution for your approval.

None of the Director is concerned or interested in this resolution.

Item No.4:

The Board of Directors of the Company appointed Mr. Nitin Japuria as an additional Director in its meeting held on 13th July 2009. The aforesaid appointment was made as per provisions of section 260 of the Companies Act, 1956 read with article 77 (b) of the Articles of Association of the Company he holds office upto the date of Annual General Meeting the Company has received notice in writing from a member alongwith deposit of Rs.500/- signifying his intention to propose Mr. Nitin Jaipuria as Director in terms of section 257 of the Companies Act, 1956.

The Board of directors considered that it will be in the interest of the company to continue to have Nitin Jaipuria as Director liable to retire by rotation.

The Board of Directors recommends the passing of the resolution as set out as item no.5 of the accompanying notice for appointment of the said director.

No other director expects Nitin Jaipuria is interested in the resolution.

Item No.5:

As Mr. Manish Singhal has resigned from Managing Directorship in the Company. The Board of directors feels that for the sake of continuity of the present management and for the efficient working of the Company, the services of Shri, Manish Singhal should be available to the company as an Executive



Director for further 3 years w.e.f 30th July 2009 on the terms and conditions set out in the draft agreement, subject to the approval of the company by a Special Resolution:-

The material terms of appointment /remuneration payable to Shri Manish Singhal are as given hereunder :-

Period of appointment: 30th July, 2009 to 29th July, 2012

Remuneration:

Salary: Rs.50000/- p.m. with suitable increases as may determined by the Board of Directors of the Company.

Perquisite, Allowance & others benefits:

Perquisites shall be allowed in addition to salary. Perquisites in Category-A and in excess of exemption from Income Tax in Category-B shall be restricted to an amount not exceeding 100% of annual salary.

Unless the context otherwise requires, perquisites are classified into three categories 'A', 'B' and 'C' as follows:-

Category "A"

This will comprise housing, medical reimbursement, leave travel concessions, club fees and other benefits, allowances, expenses etc. these may be provided for as under:

I Housing: The expenditure incurred by the Company on hiring unfurnished accommodation subject to a Ceiling of sixty percent of the salary.

In case the accommodation is owned or taken on lease by the Company, the company shall deduct ten percent of the salary of the appointee.

II Expenditure incurred by the company on Gas, Electricity, Water etc. will be valued as per Income Tax Rules, 1962.

III Medical/Hospitalization Expenses Reimbursement of Expenses incurred for the appointee and the family in accordance with the rules of the company.

IV Leave Travel Concession: Leave Travel Concession for self and family in accordance with the rules of the company.

V Club Fees: Fees of Clubs subject to maximum of two clubs, admission and life membership fees to be paid as per rules of the Company.

VI Personal Medical/ Accident Insurance etc.: Coverage for Personal Medical/ Accident Insurance/ Keyman Insurance or any other coverage as per rules of the Company and annual premium for the same to be paid by the company.

Any other benefits, facilities, allowance and expenses as may be allowed under Company rules/schemes.

Notes : For the purpose of perquisites stated herein above, family means spouse, dependent children and dependent parents of the appointee.

Perquisites shall be evaluated as per Income Tax Rule wherever applicable and in the absence of any such rule. Perquisites shall be evaluated at actual cost.

Category B

Company's Contribution towards Provident Fund, Super-Annuation Fund or Annuity Fund as per the Rules of the Company

Contribution to Provident Fund, Super-annuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act 1961.

Gratuity payable shall be in accordance with the rule of the company.



Earned Leave: on full pay and allowances as per the rules of the Company. Leave accumulated shall be Encashable of Leave at the end of the tenure, if any, will not be included in the computation of the ceiling on perquisites.

Category "C"

Provision of car with Driver for use in Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company.

The appointee shall be entitled to reimbursement of entertainment expenses actually and properly incurred during the course of legitimate business of the company.

The appointee shall be eligible for Housing, Education and Medical Loan and other Loans or facilities as applicable in accordance with the rules of the company.

Minimum Remuneration

Where in any financial year during the currency of tenure of the managing director, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites not exceeding the limits as specified above.

The terms and conditions of appointment and remuneration given herein may be altered and varied from time to time by the Board of Directors of the Company as it may at its discretion deem fit.

The Board of Directors recommends the passing of the resolution as set out as item no.5 of the accompanying notice for appointment of the said director.

No other director except Mr. G.S. Kandoi and Mr. Manish Singhal are interested in the resolution.

Item No.6

Due to resignation of Sh. Manish Singhal from Managing Director of the Company w.e.f. 30.07.2009, it is felt mandatory to comply with the provisions under the Companies Act, 1956 to have a Managing Director in the Company. The Board decided to appoint Mr. G. S. Kandoi as Chairman-cum-Managing Director of the company with effect from 30.07.2009.

The material terms of appointment /remuneration payable to Shri G.S. Kandoi are as give as under :-

Period of appointment: 30th July, 2009 to 29th July, 2012

Remuneration:

Salary: Rs.50000/- p.m. with suitable increases as may determined by the Board of Directors of the Company.

Perquisite, Allowance & others benefits:

Perquisites shall be allowed in addition to salary. Perquisites in Category-A and in excess of exemption from Income Tax in Category-B shall be restricted to an amount not exceeding 100% of annual salary.

Unless the context otherwise requires, perquisites are classified into three categories 'A', 'B' and 'C' as follows:-

Category "A"

This will comprise housing, medical reimbursement, leave travel concessions, club fees and other benefits, allowances, expenses etc. these may be provided for as under:

- I Housing: The expenditure incurred by the Company on hiring unfurnished accommodation subject to a Ceiling of sixty percent of the salary.

In case the accommodation is owned or taken on lease by the Company, the company shall deduct ten percent of the salary of the appointee.

- II Expenditure incurred by the company on Gas, Electricity, Water etc. will be valued as per Income Tax Rules, 1962.



- III Medical/Hospitalization Expenses Reimbursement of Expenses incurred for the appointee and the family in accordance with the rules of the company.
- IV Leave Travel Concession: Leave Travel Concession for self and family in accordance with the rules of the company.
- V Club Fees: Fees of Clubs subject to maximum of two clubs, admission and life membership fees to be paid as per rules of the Company.
- VI Personal Medical/ Accident Insurance etc.: Coverage for Personal Medical/ Accident Insurance/ Keyman Insurance or any other coverage as per rules of the Company and annual premium for the same to be paid by the company.

Any other benefits, facilities, allowance and expenses as may be allowed under Company rules/schemes.

Notes: For the purpose of perquisites stated herein above, family means spouse, dependent children and dependent parents of the appointee.

Perquisites shall be evaluated as per Income Tax Rule wherever applicable and in the absence of any such rule. Perquisites shall be evaluated at actual cost.

Category B

Company's Contribution towards Provident Fund, Super-Annuation Fund or Annuity Fund as per the Rules of the Company

Contribution to Provident Fund, Super-annuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act 1961.

Gratuity payable shall be in accordance with the rule of the company.

Earned Leave: on full pay and allowances as per the rules of the Company. Leave accumulated shall be Encashable of Leave at the end of the tenure, if any, will not be included in the computation of the ceiling on perquisites.

Category "C"

Provision of car with Driver for use in Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company.

The appointee shall be entitled to reimbursement of entertainment expenses actually and properly incurred during the course of legitimate business of the company.

The appointee shall be eligible for Housing, Education and Medical Loan and other Loans or facilities as applicable in accordance with the rules of the company.

Minimum Remuneration

Where in any financial year during the currency of tenure of the managing director, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites not exceeding the limits as specified above.

The terms and conditions of appointment and remuneration given herein may be altered and varied from time to time by the Board of Directors of the Company as it may at its discretion deem fit.

RESOLVED FURTHER THAT Shri G. S. Kandoi, Director of the Company, be and is hereby authorized to file relevant eform with the Registrar of Companies/MCA Authorities in this regards and to carry out all necessary formalities under the provisions of the Companies Act, 1956 and listing guidelines and to take all such steps as may be necessary, proper and expedient to give effect to this resolution.

No other director is concerned or interested except Shri G. S. Kandoi and Shri Manish Singhal being relative of Shri G.S. Kandoi.

The Board of Directors recommends the passing of the resolution as set out as item no.6 of the



accompanying notice for appointment of the said director.

The explanatory statement together with the notice should be treated as an abstract of the terms of appointment and memorandum of concern or interest under section 302 of the Companies act, 1956.

For & on behalf of the Board

Place: JAIPUR

Date : 30th JULY 2009

(G.S.KANDOI)
CHAIRMAN

BRIEF PROFILE OF DIRECTORS AS PER CLAUSE 49 OF LISTING AGREEMENT

Particulars	Shri G. S. Kandoi	Shri Manish Singhal	Shri Amar Chand Gupta	Nitin Jaipuria
Date of Birth & Age	07.11.1943 (65 Years)	10.08.1972 (37 Years)	26.08.1944 (63 Years)	12.02.1973 (36 Years)
Date of appointment on the Board	05.09.2003	01.06.2000	26.06.2006	13.07.2009
Qualification	B.E.(Mech.) PILANI	M.S.(CHEMICAL) from University of Florida, USA & B. TEC from IIT, DELHI	B.E. (ELECTRICALS) From BITS PILANI	B. COM.
Expertise in Functional areas	Management & Finance	Management & Marketing	Production	Textile Wholesale Business
Directorship held in other companies as on 31st March 2009	Chrome International Co. Ltd. (Resigned 11.07.09)	Chrome International Co. Ltd. (Resigned 30.04.09)	NIL	NIL
Memberships / Chairmanships of committees in other public Companies	NIL	NIL	NIL	NIL
No. of Shares Held	415000	471900	NIL	NIL