

Annual Report

| 2007-08 |

Chemistry of Values
and Value Additions...



Kanoria Chemicals
& Industries Limited




KANORIA CHEMICALS & INDUSTRIES LIMITED

Registered Office: 'PARK PLAZA', 71 PARK STREET, KOLKATA-700 016

**ATTENDANCE
SLIP**
FORTY EIGHTH ANNUAL GENERAL MEETING - THURSDAY, 24TH JULY 2008 - 2.30 P.M.

Name of shareholder	Folio No. / DP ID & Client ID	No. of Shares

I/We certify that I am/We are registered shareholder/s/proxy for the registered shareholder/s of the Company.

 I/We hereby record my/our presence at the **FORTY EIGHTH ANNUAL GENERAL MEETING** of the Company at 'Shripati Singhanian Hall' in Rotary Sadan, 94/2 Chowringhee Road, Kolkata-700 020 on **Thursday, 24th July 2008**.

Member/s/Proxy Signature

Note: Please fill this attendance slip and hand it over at the ENTRANCE OF THE HALL.

(TEAR HERE)

KANORIA CHEMICALS & INDUSTRIES LIMITED

Registered Office: 'PARK PLAZA', 71 PARK STREET, KOLKATA-700 016

FORM OF PROXY

 I/We
 ofbeing a member/members of
 KANORIA CHEMICALS & INDUSTRIES LIMITED hereby appoint
 ofor failing him
of

 as my/our proxy to attend and vote for me/us on my/our behalf at the **FORTY EIGHTH ANNUAL GENERAL MEETING** of the Company to be held on **Thursday, 24th July 2008** at 2.30 P.M. and at any adjournment thereof.

Signed thisday of2008.

Folio No. / DP ID & Client ID

Signature.....

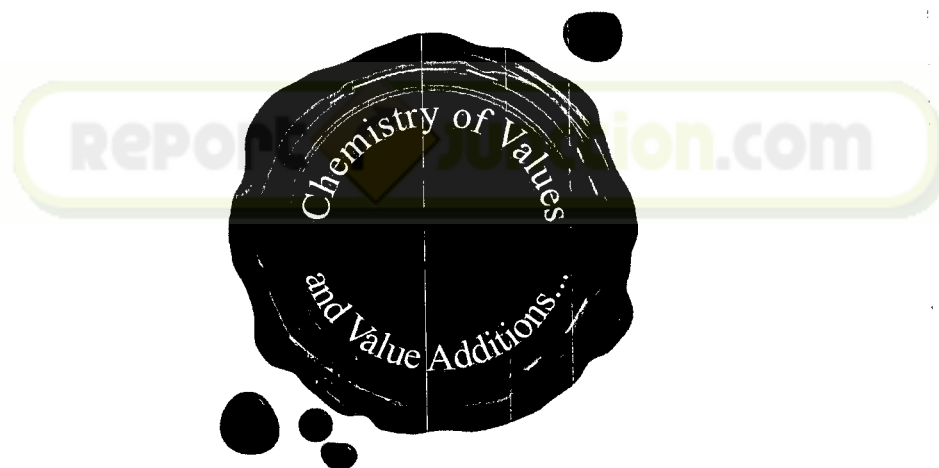
No. of Shares

 Affix a
Revenue
Stamp

Note: Proxy Form duly completed must reach the Company's Registered office/Registrars & Share Transfer Agents M/s C.B. Management Services (P) Limited, P-22 Bondel Road, Kolkata - 700019 not less than 48 hours before the time for holding the Meeting.



Kanoria Chemicals
& Industries Limited



COMPANY SECRETARY

N.K. Sethia

AUDITORS

Singhi & Co.
Chartered Accountants
1-B, Old Post Office Street
Kolkata - 700 001

BANKERS

Allahabad Bank
UCO Bank

REGISTERED OFFICE

'Park Plaza'
71, Park Street, Kolkata - 700 016



Kanoria Chemicals
& Industries Limited



KANORIA CHEMICALS & INDUSTRIES LIMITED



Kanoria Chemicals
& Industries Limited



BOARD OF DIRECTORS

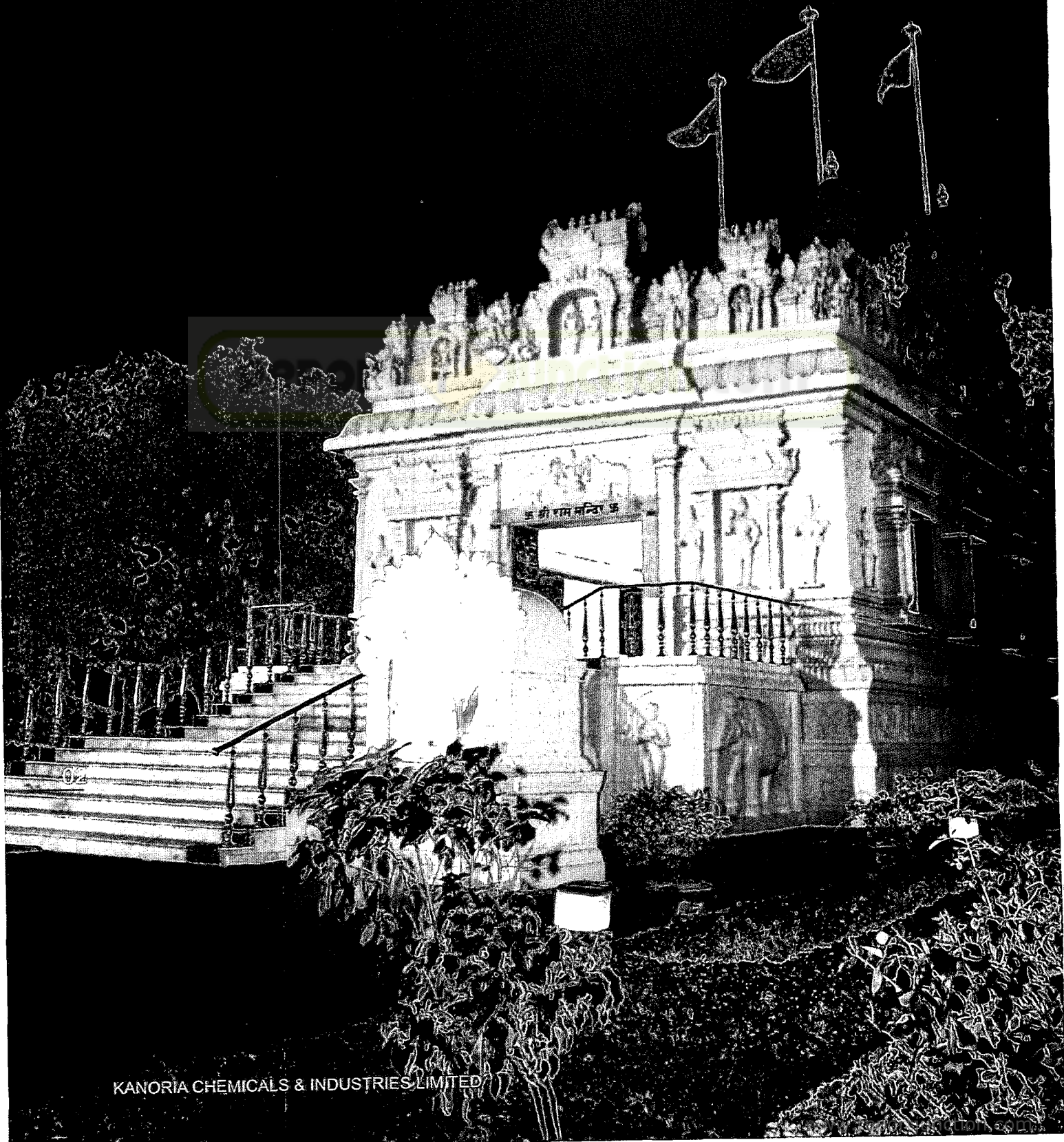


From left to right: T D Bahety, Supriya Gupta,
G Parthasarathy, A Vellayan, B D Sureka, R V Kanoria,
H K Khaitan, S L Rao, Ravinder Nath, J P Sonthalia

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KCI

Kanoria Chemicals
& Industries Limited



KANORIA CHEMICALS & INDUSTRIES LIMITED



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CHAIRMAN'S STATEMENT

The fiscal year 2007-08 was challenging in more ways than one. While the Indian economy continued to display strong fundamentals, there was pressure in the form of high inflation, ballooning costs of energy, some slowdown in trade on account of near recessionary conditions in the United States and supply side bottlenecks particularly in physical infrastructure.

India has been one of the fastest growing economies in the world in recent years. It is also rapidly integrating with the global economy. The manufacturing sector too is attracting investments and capacities are increasing albeit with a lag. The growth however is accompanied with inflationary pressures and rising input costs. Managing businesses in such a context is both a challenge and an opportunity.

Of particular concern is the record increase in crude petroleum prices over the past few months. Fuel costs have an adverse impact on virtually all manufactured products. At the time of writing this report crude prices were ruling at \$ 133 a barrel. With experts predicting that it could reach the \$ 150 mark, the share of petroleum imports in India's import basket in value terms could rise significantly. The appreciating Rupee that had helped in checking inflation is also now depreciating rapidly as a result of large trade deficits. The policy of regulating petroleum prices through subsidies is self defeating. Curbing demand through real prices is then no longer possible. At the same time higher subsidies inflict pressure on the Rupee. The strong Rupee has been able to hold the import bill and check inflation but a reverse movement could create problems.

As of now, the interest rate regime seems to be holding despite pressures for higher rates as a consequence of a depreciating Rupee. Over the last year interest adjustments as a measure for controlling inflation have not demonstrated commensurate results. A high interest regime is detrimental to investments. It significantly impacts industry in an adverse manner and is not desirable to sustain growth in the Indian economy. In any case I believe that the prevailing high inflation situation is because of supply side factors especially so in primary products. The answer lies in augmenting supply and efficient distribution instead of subsidisation and of monetary sterilisation. Curb on money supply is not an effective prescription. Re-emergence of artificial controls is reversing the path of moving to a true market economy.

During the last year at KCI, our focus was on improving operational efficiencies and smooth implementation of our Caustic Soda capacity expansion at Renukoot. I am pleased to report that the new 110 TPD Caustic Soda manufacturing plant using the environment friendly Membrane Cell technology was successfully commissioned and the plant is running well.

With a diverse product base catering to a wide range of applications, we continue to stress on a low cost structure through operational efficiencies. The implementation of Total Productive Maintenance (TPM) has helped us identify areas of operational improvements in detail. We expect that the TPM process will result in a cultural shift where efficiency will become ingrained at the

lowest levels. I am happy that we are receiving complete support from workers and employees at Renukoot where TPM is being implemented.

In keeping with our belief that the chemicals sector in the country will continue to demonstrate robust growth in the coming years as a result of increasing manufacturing activity, KCI is setting up a Greenfield project at Vizag in Andhra Pradesh for manufacturing alcohol based intermediates. Land for the project has already been acquired and construction work is expected to begin during the third quarter of 2008-09. After a spate of expansion in our Chloro Chemicals business, this project would consolidate our leadership in the Alco Chemicals sector as well.

In the month of October 2007, the Board of Directors decided to restructure the equity capital of the company. KCI stocks were split in two and the company also announced a bonus issue of shares. The move reflected our confidence in KCI's growth strategies combined with the long-term business opportunities that lie ahead. I believe that the split has made our stock more attractive to a broader investor base which has resulted in a significant increase in the number of shareholders. The company has strong reserves and since the company is on a growth trajectory which can support an expanded capital, we hope to continue to share the benefits with our shareholders.

Global slowdown notwithstanding, we at KCI look to the future with optimism. The capabilities we have developed over the past four decades for servicing the requirements of user industries and the market position we have developed in our range of products gives me confidence that KCI would forge ahead with higher productivity and profitability in the coming years.

R V Kanoria

Chairman & Managing Director

