



KOTHARI PETROCHEMICALS LIMITED

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ANNUAL REPORT 1998 - 1999



KOTHARI PETROCHEMICALS LIMITED

BOARD OF DIRECTORS

B H KOTHARI (*Chairman*)
V R DEENADAYALU
M M BHAGAT
S RAMASWAMY
P N DEVARAJAN
T DULIP SINGH

CHIEF EXECUTIVE

N CHANDRAMOULI

COMPANY SECRETARY

REKHA SURENDRHIRAN

BANKERS

STATE BANK OF INDIA
ALLAHABAD BANK
SOUTH INDIAN BANK

STATUTORY AUDITORS

M/S FRASER & ROSS
Chartered Accountants, Chennai

INTERNAL AUDITORS

M/S VENKAT ASSOCIATES
Chartered Accountants, Chennai

REGISTERED OFFICE

"KOTHARI BUILDINGS"
 115, Mahatma Gandhi Salai,
 Chennai 600 034

FACTORY

Melavanjore
 Nagore 611 002
 Karaikal Region
 Union Territory of Pondicherry

REGISTRARS & TRANSFER AGENTS

CAMEO CORPORATE SERVICES LIMITED

"Subramanian Buildings"
 1, Club House Road
 Chennai 600 002
 Phone :8528390 (5 Lines)
 Fax :044- 8520129

KOTHARI PETROCHEMICALS LIMITED

NOTICE TO THE MEMBERS

Notice is hereby given that the Tenth Annual General Meeting of the Members of Kothari Petrochemicals Limited will be held at Bala Mandir German Hall ,17 Prakasam Street, T. Nagar, Chennai - 600 017(off G N Chetty Road) on Monday, the 20th September 1999 at 10.00 A M, to transact the following Ordinary and Special Businesses:

ORDINARY BUSINESS

1. To receive,consider and adopt the audited Profit and Loss account for the year ended 31st March 1999, and the Balance Sheet as at that date and the Cash Flow Statement for the year ended 31st March 1999,together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. B.H.Kothari ,who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr.M.M.Bhagat who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

SPECIAL BUSINESS

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

"RESOLVED THAT consent be and is hereby accorded for keeping the Register of Members together with the Index of Members and copies of all returns prepared under Sections 159 and 160 of the Companies Act,1956 as also copies of certificates and documents required to be annexed thereto under Section 161 of the Companies Act,1956 at the Company`s Share Transfer Agents M/s Cameo Corporate Services Ltd`s Office at "Subramanian Building" No.1, Club House Road Chennai - 600 002."

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions if any, of the Companies Act, 1956, and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered in the following manner:

Definition of Members and Register of Members in Article 2(a) be altered as follows :

"Member" means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a beneficial owner in the records of the Depository.

"Register of Members" shall mean the Register of Members to be kept pursuant to the Companies Act,1956 and Index of Beneficial owners maintained by a depository under Section 11 of the Depositories Act.

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To insert the following Heading and Article alongwith the Marginal notes as Article 2A after Article 2 :

DEMATERIALISATION OF SECURITIES

2A For the purpose of this Article:-

- Definitions 'Beneficial Owner' means a person whose name is recorded as such with a Depository.
- 'Bye-laws' means bye-laws made by a Depository under Section 26 of the Depositories Act.
- 'Depositories Act' means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force.
- 'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.
- 'Debentureholder' means the duly registered holders from time to time of the debentures of the Company.
- 'Participant' means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992.
- 'Record' includes the records maintained in the form of books or stored in Computer or in such other form as may be determined by regulations made by SEBI in relation to the Depositories Act.
- 'Regulations' mean the regulations made by the SEBI.
- 'SEBI' means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.
- 'Security' means such security as may be specified by the SEBI.
- Words imparting persons include corporations.

To insert the following as Article 7(c).

- Intimation to Depository of allotment. 7(c) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such Securities.

To amend Article 26 as under:

26 - Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

KOTHARI PETROCHEMICALS LIMITED**To add the following to existing Article 28 (a)**

Provided the shares are not held in an electronic and fungible form under the provisions of Depositories Act, 1996.

To insert the following as Article 30 A after Article 30

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| Dematerialisation of Securities. | 30A (i) Notwithstanding anything contained in these Articles the company shall be entitled to dematerialise its securities, rematerialise its securities held in the depositories and / or offer its fresh securities in a dematerialised form pursuant to the Depositories Act and the rules framed thereunder , if any. |
| Options to receive or hold securities with Depository. | (ii) Every person subscribing to or holding securities of the Company shall have the option to receive security, certificates or to hold the securities with a Depository. <i>If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the security.</i> |
| Securities in Depositories to be in fungible form | (iii) All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B and 187C of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners. |
| Company to recognise interest in dematerialised securities under Depositories Act | (iv) Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act amended from time to time or any statutory modification thereto or re - enactment thereof. |
| Rights of Depositories and Beneficial Owners | (v) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner. (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the security held by it. (c) Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the |

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| | Depository shall be deemed to be a member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository. |
| Depository to furnish information | (vi) Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf. |
| Cancellation of certificates upon surrender by a person | (vii) Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such Certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly. |
| Option to opt out in respect of any security | (viii) If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be. |
| Provisions of Articles to apply to shares held in Depository | (ix) Except as specifically provided in these Articles, the Shares, calls, lien provisions relating to joint holders of shares, forfeiture of shares, and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act. |
| Distinctive number of securities held in Depository | (x) Nothing contained in the Act or these Articles, regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a Depository. |

To insert the following Article as 62 A after Article 62.

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| Section 108 not to apply | 62A Nothing contained in Section 108 of the Act or these Articles, shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository. Further more, where the Company has not issued any certificates and where such shares or securities are being in an electronic and fungible form, the provisions of Depositories Act, 1996, shall apply. |
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KOTHARI PETROCHEMICALS LIMITED**To replace the following as Article 16(a) instead of existing Article 16(a)**

Register
and Index
of Members/
Debenture holders/
Beneficial Owners

16 (a) The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debentureholders in accordance with Sections 151 and 152 of the Act and the Depositories Act respectively with details of shares and debentures held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, shall be deemed to be a Register and Index of Members and Register and Index of Debentureholders, as the case may be, for the purposes of the Act. The Company shall have the power to keep in any state or country outside India a Register of Members resident in that state or country.

To insert the following as Article 217A after Article 217

Service of
Documents.

217A Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions if any, of the Companies Act, 1956, and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered in the following manner:

(a) The following new Article with marginal notes as indicated be inserted as Article 73 A and 73 B after the existing Article 73

Nomination

- 73A
1. Every shareholder of the Company may at any time nominate in the prescribed manner a person to whom his share(s) in the Company shall vest in the event of his death.
 2. Where the share(s) in the Company are held by more than one person jointly, the jointholders may together nominate, in the prescribed manner, a person to whom all the rights in the share(s) of the Company shall vest in the event of death of all the jointholders.
 3. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise in respect of such share(s) in the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the share(s) in the Company, the nominee shall, on death of the shareholder or, as the case may be, on the

death of the jointholder(s), become entitled to all the rights in relation to such share(s) to the exclusion of all other persons unless the nomination is varied, cancelled in the prescribed manner.

4. Where the nominee is a minor, it shall be lawful for the holder of the share(s), to make the nomination, in the prescribed manner, to appoint any person to become entitled to share(s) in the Company, in the event of his death, during minority.

Transmission
of securities
by a nominee

- 73B A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either
- (i) to be registered himself as holder of the share(s); or
 - (ii) to make such transfer of share(s), as the deceased shareholder, could have made;
 - (iii) if the nominee elects to be registered as the holder of the share(s), himself, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder as the case may be;
 - iv) he shall be entitled to the same dividend and the other advantages to which he would be entitled to, if he were the registered holder of the share(s) except that he shall not, before being registered as a member in respect of a share(s) be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share(s), and if the notice is not complied within ninety days, the Board may thereafter withhold payment of all dividend, bonuses or other money's payable or rights accruing in respect of the share(s), until the requirements of the notice have been complied with.

(b) To Substitute the words 'Section 372A' in the place of 'Sections 370 and 372' in Article 172 (xix)

(c) To replace the following as Article 191(b) instead of existing Article 191(b).

"Any money transferred to the Unpaid dividend account of the Company shall be dealt with in the manner provided in Section 205 A of the Companies Act, 1956."

8. To consider and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of

KOTHARI PETROCHEMICALS LIMITED

the Company (hereinafter referred to as the "Board", which term shall include any committee thereof for the time being exercising the powers conferred on the Board by this resolution), consent is hereby accorded to the Board to delist its shares and all other securities from The Stock Exchange, Mumbai."

9. To consider and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions if any, of the Companies Act, 1956, Article 4 of the Articles of Association of the Company along with Marginal Note be substituted as follows:

Company can buy
back shares

4. The Company may from time to time, subject to the provisions of the Act, purchase its own shares."

On Behalf the Board

B.H. KOTHARI
Chairman

Place : Chennai
Date : 30 July, 1999

NOTES

1. A member entitled to attend and vote at the meeting of the Company is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy shall not be entitled to vote except on a poll. Proxy forms should be lodged with the Company not less than 48 hours before the time fixed for the meeting.
2. Members/Proxies are requested to fill the enclosed Attendance Slip and deposit the same at the entrance of the Meeting Hall.
3. The Share transfer agency has been entrusted to Cameo Corporate Services Ltd. Henceforth all change of address, transfer / transmission of shares etc., and other correspondence may be made directly to the Registrars & Transfer Agents.
4. Share Transfer books will be closed from 3rd August, 1999 to 16th August, 1999 both days inclusive.
5. In respect of Item Nos. 5, 6, 7, 8 & 9 of the Notice, an Explanatory Statement as required by Section 173(2) of the Companies Act, 1956 is annexed hereto.
6. Shareholders are requested to bring to the meeting copies of Annual Reports with them as the same will not be provided at the meeting.

10th ANNUAL REPORT 1998-1999**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO.5 :**

M/s Cameo Corporate Services Ltd , one of the leading Securities Transfer Agent in the Country was appointed as the Share Transfer Agents & Registrars for registration and certification of transfer of shares, maintainance of the Register of Members and Index of Members and other connected activities of your Company on 15th April 1999. To enable the Transfer Agents & Registrars to carry on their work efficiently and expeditiously , the Register and Index of Members and other related books and documents are required to be placed at their Office. Section 163 of the Companies Act, 1956 , requires that, the registers, books and documents , should be kept at the registered office of the Company unless a different place for keeping the same has been approved by a Special Resolution. The approval of the members is therefore sought by a Special Resolution to keep the registers, indexes of Members and other relevant records as also copies of the Annual Returns of the Company at the office of M/s Cameo Corporate Services Ltd at "Subramanian Building" No.1, Club House Road, Chennai - 600 002. As required under the provisions of Section 163 of the said Act , the Registrar of Companies, Tamilnadu has been given an advance copy of the proposed Special Resolution.

Your Directors recommend the Resolution for the approval of the Members.

None of the Directors of the Company is interested or concerned in the above item of the Agenda.

ITEM NO.6 :

Consequent to the introduction of the Depository System and setting up of National Securities Depository Limited (NSDL) and considering the benefits of scripless trading, your Company, with a view to provide better services to investors, has entered into an agreement with NSDL to have electronic depository facilities for the shares of the Company. The Depository System of holding securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a company. With the enactment of the Depositories Act, 1996, and amendments to certain provisions of the Companies Act, 1956, changes are required to be incorporated in the Articles of Association of the Company so as to be in line with the amended provisions of the Companies Act, 1956, read with the provisions of the Depositories Act, 1996.

The Special Resolution at Item No.6 , for the reasons stated above , is proposed, pursuant to Section 31 of the Companies Act, 1956.

Your Directors recommend the Resolution for the approval of the Members.

None of the Directors is interested or concerned in the above item of the Agenda.

ITEM NO.7 :

a. Consequent to the Companies (Amendment) Act, 1999, the holders of security of the Company have been given an option to nominate a person to whom the rights of security holders of the Company shall vest in the event of his death. It would be beneficial if such nomination clause is included in the Articles of Association of the Company.

b. The Companies (Amendment) Act, 1999 has introduced a new section 372 A for inter corporate investments and loans consequent to which the existing Sections 370 and 372 are no longer applicable to the company. Hence the existing Article 172 (ix) needs to be altered to include Section 372 A.

c. The existing Article 191 (b) is no longer applicable to the Company consequent to the amendment of Section 205 A and inclusion of Section 205 C to the Companies Act, 1956 , by the Companies (Amendment)