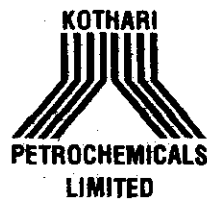


KOTHARI PETROCHEMICALS LIMITED

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11TH ANNUAL REPORT 1999 - 2000



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

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
 Phone: 8239452 / 8238895
 Fax: 044 - 8266695

FACTORY

MELAVANJORE
 Nagore 611 002
 Karaikal Region
 Union Territory of Pondicherry
 Phone: 71015 / 71017
 Fax: 04365 - 71016

REGISTRARS & TRANSFER AGENTS

CAMEO CORPORATE SERVICES LIMITED
 "Subramanian Buildings"
 1, Club House Road
 Chennai 600 002
 Phone: 8460390 (5 Lines)
 Fax: 044-8460129

KOTHARI PETROCHEMICALS LIMITED

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 11th Annual General meeting of the members of Kothari Petrochemicals Limited will be held on Friday the 15th September 2000 at 10.00 a.m. at Bala Mandir German Hall, 17, Prakasam Street, T.Nagar, Chennai - 600 017 (Off: G.N. Chetty Road) to transact the following Ordinary and Special Business :-

ORDINARY BUSINESS :-

1. To receive, consider and adopt the Profit and Loss account of the Company for the year ended 31st March 2000 and the Balance Sheet as on that date and the Cash flow Statement for the Year ended 31st March 2000 together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. Deenadayalu who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. T. Dulip Singh 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 pursuant to Sections 269, 198, 309, 386, 387 and other applicable provisions of the Companies Act, 1956, approval be and is hereby given for the re-appointment of Mr.N. Chandramouli as Manager of the Company with effect from 11.09.1999 to 10.09.2004 on the following remuneration :-

1. Remuneration by way of salary not exceeding Rs. 40,000/- per month.
2. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these are singly or put together not taxable under the Income Tax Act, 1961.
3. Gratuity payable at the rate not exceeding half month's salary for each completed year of service.
4. Encashment of leave at the end of the tenure.
5. Provision of furnished leased accommodation.
6. Provision of car with driver (for both official and personal purposes).
7. Electricity / Gas and other Allowances - Rs.2,500/- per month.
8. Other Perquisites as applicable to Senior Executives of the Company.

"RESOLVED FURTHER THAT the remuneration paid to Mr. N. Chandramouli by way of Salary, Dearness Allowance, Perquisites and other allowances shall not exceed the ceiling specified in Section II of Part II of Schedule XIII to the Companies Act, 1956.

"RESOLVED FURTHER THAT the perquisites specified in 2, 3 and 4 above shall not be included in the computation of the ceiling on remuneration.

NOTICE TO THE MEMBERS

"RESOLVED FURTHER THAT the duties of the Manager shall be the management of the whole and substantially the whole of the affairs of the Company, subject to the control, superintendence and the directions of the Board and to perform other duties as may be specified by the Board from time to time.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to revise/increase the remuneration payable to Mr. N. Chandramouli from time to time subject to Schedule XIII of the Companies Act, 1956.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, the above remuneration shall be the minimum remuneration."

On Behalf of the Board

Place : Chennai
Date : 24th July, 2000

B.H. KOTHARI
Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE 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. PROXIES SHOULD BE LODGED WITH THE REGISTERED OFFICE OF THE COMPANY AT ANY TIME NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. The Member / Proxy is requested to fill the enclosed Attendance Slip and deposit the same at the entrance of the Meeting Hall.
3. Explanatory Statement under section 173(2) of the Companies Act, 1956 is annexed hereunder.
4. All changes of addresses, mandate intimation, transfer of shares etc., and other correspondence may be made to the Registrars & Transfer Agents, Cameo Corporate Services Ltd.
5. Share Transfer books and Register of Members will be closed from 6th September 2000 to 15th September 2000, both days inclusive.
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.
7. According to the Press Release dated 29.05.2000 issued by Securities and Exchange Board of India, trading of Kothari Petrochemicals Limited shares in dematerialised form has been made compulsory for all categories of investors with effect from 24.07.2000. Tripartite agreements have already been entered into with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and Cameo Corporate Services Limited, Chennai-600 002 as the security transfer agent for the shares in electronic mode. Shareholders are advised to get their physical holdings dematerialised to avail the benefits of dematerialisation.

KOTHARI PETROCHEMICALS LIMITED

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS PER SECTION 173 (2) OF THE COMPANIES ACT, 1956 :

Mr. N. Chandramouli was reappointed as Manager of the Company under Section 269 of the Companies Act, 1956 by the Board of Directors in their meeting held on 25th October, 1999 subject to the approval of the shareholders. He has 32 years of vast experience and knowledge in the industry which, the Board felt, would be of immense use to the Company.

The terms and conditions including the remuneration as Manager of the Company are specified in the Resolution as Item No. 5 of the notice.

The Board recommends the resolution to the Shareholders to be passed as a Special Resolution.

None of the Directors is concerned or interested in this Resolution.

Place : Chennai
Date : 24th July, 2000

On Behalf of the Board
B.H. KOTHARI
Chairman



DIRECTORS' REPORT**KOTHARI PETROCHEMICALS LIMITED****REPORT OF THE DIRECTORS TO THE MEMBERS**

The Board of Directors of your Company present the 11th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March, 2000.

OPERATIONS :

The Plant had commenced its commercial production in the year 1997 attained a capacity utilisation of 84.66% in the year 1999-2000 and overall performance of the Plant operations are good. Consumption of major raw materials, chemicals and utility was lower compared to the budgeted norms. During the year the plant has produced 16763.851 MTs of Caustic Soda and the Company has consolidated its position as a reliable supplier of various products.

The Production, Sales and Financial details are furnished below:

PRODUCTION & SALES DETAILS FOR THE YEAR 1999 - 2000

(QUANTITY MTs)		
PRODUCT	PRODUCTION	SALES
Caustic Soda Lye	16763.851	15905.930
Chlorine	14852.768	11481.709
Hydrogen NM ³	4945334	359911
Hydrochloric Acid	9660.824	9254.661
Hypo	6101.508	6069.063

FINANCIAL RESULTS :

(Rs. in lakhs)

PARTICULARS	1999-2000	1998- 1999
PBIDT	264	346
Interest	582	574
PAI	(318)	(228)
Depreciation	310	308
PAID	(628)	(536)
Preliminary Expenses	15	15
PBT	(643)	(551)
Provision for Tax	NIL	Nil
PAT	(643)	(551)

KOTHARI PETROCHEMICALS LIMITED

DIRECTORS' REPORT

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WORKING CAPITAL FROM BANKS :

The working capital is being presently provided by the State Bank of India and the South Indian Bank to the tune of Rs.196 lakhs and Rs.195 lakhs respectively.

MARKETING SCENARIO :

In view of the supply being higher than the demand, there was a glut in the market this year also which has resulted in low realisation and sales.

However, in view of the excise duty exemption announced by the Central Government in the Union Budget, small scale paper industries have become active and due to this, the prices of Caustic Soda and Chlorine had shown a slight upward trend during the last quarter.

PERFORMANCE :

The Company was able to produce 16763 metric tonnes of Caustic Soda during the year under review as against 16679 metric tonnes last year. The Company sold 15906 metric tonnes of Caustic Soda during the year under review as against 15605 metric tonnes last year. The Company expects to produce more during the current year.

DIVIDEND :

As the Company has incurred a loss in the financial year 1999-2000, the Directors have not recommended any dividend this year.

ENERGY CONSERVATION :

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure A.

POWER :

By operating the electrolyser with stable load of 19KA, we achieved a considerable saving in power consumption. It is proposed to install variable speed drive for critical rotary equipments, for further conservation in energy.

WATER :

The average water consumption per day was 382 m³ against the design value of 610 m³. The annual water consumption was less than last year mainly due to recycling and utilisation of waste water to process and gardening. We are in the process of conducting energy audit by engaging a consultant to achieve optimum levels in energy consumption.

INSURANCE :

All Properties and insurable interests of the Company including Building, Plant & Machinery and Stocks have been adequately insured. Your Company has also taken necessary insurance coverage under the Public Liability Insurance Act, 1991.

As per SEBI notification dated 29-05-2000, trading of Kothari Petrochemicals Shares in dematerialised form has been made compulsory for all categories of investors with effect from **24.07.2000**. All the shareholders are therefore requested to get their physical holdings dematerialised. **A brief write-up on depositories and dematerialisation is given below for the information of the shareholders.**

WHO IS A DEPOSITORY ?

A depository is an organisation where the securities of an investor are held in electronic form. There are two depositories in India -

1. National Securities Depository Limited (NSDL), Trade World, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Phone : 022-4972964-70 Fax : 022-4972993/ 6351 E-Mail : info@nsdl.co.in

2. Central Depository Services (India) Limited (CDSL), PJ Towers, 28th Floor, Dalal Street, Fort, Mumbai - 400 023. Phone : 022-2673333 Fax : 91-22-2673199

The Securities and Exchange Board of India (SEBI) governs the functioning of both the depositories. The addresses of Depository Participants can be obtained from NSDL and CDSL.

WHO ARE DEPOSITORY PARTICIPANTS ?

A Depository Participant (DP) is an agent of the depository and offers depository services to the investors. Presently, Banks, Financial Institutions and Stock Brokers authorised by SEBI are Depository Participants. Examples of Depository Participants are : ICICI Ltd., Standard Chartered Bank, Karvy Consultants Ltd., Integrated Enterprises (India) Ltd., Cholamandalam Securities Ltd. etc. A Depository Participant will charge fees for its services.

WHAT IS DEMATERIALISATION ?

Dematerialisation is a process by which physical certificates are converted into electronic form in the depository. Dematerialisation of securities is not mandatory. Securities can be held in physical form or demat form or in partly physical and partly demat forms at the option of the shareholder. However, for selling the shares through the Stock Exchange, the shares have to be demated.

BENEFITS TO THE INVESTOR ON DEMATERIALISATION :-

- No bad deliveries and no stamp duty on transfer of shares
- No risk of loss, mutilation or theft of share certificates
- No loss in transit
- Regular account status updates available from DP at any point of time

WHAT SHOULD YOU DO NOW FOR DEMATERIALISATION :-

- Approach a Depository Participant (DP) of your choice and open an account with them.
- Submit a Demat Request Form (DRF) along with the original share certificates to the DP.
- Your DP will forward the original share certificates to our Company's Registered Office and we in turn will forward them to our Registrars and Transfer Agents, Cameo Corporate Services (India) Ltd. after verification.
- You will receive confirmation from your DP about the conversion of your physical shares into electronic form in due course.
- After dematerialisation, your depository account with your DP will be credited with the dematerialised securities.

DIRECTORS' REPORT**SAFETY AND ENVIRONMENT :**

The Company has achieved 941 continuous safe days as on 31st March, 2000 and there was no lost time due to accidents. Safety, Health and Environment protection are given utmost importance. The Company celebrated 29th National Safety day on 10th March, 2000. A bimonthly safety bulletin is being published by the Safety Committee. Periodical internal safety audit, safety training classes for the employees and contract labourers are being conducted. Special training has been given by an external agency to our employees to handle emergency situations. Periodical monitoring of ambient air quality and stack are being carried out and are well within the pollution norms. A green belt of around 12 acres is being developed in the periphery of the plant with the aid of the local agricultural department.

PUBLIC DEPOSIT :

The Company has not accepted any deposits from Members or Public.

DEPOSITORY :

The Securities and Exchange Board of India through its Circular No.SMDRP/POLICY/CIR-23/2000 dated May 29, 2000 informed that dematerialisation of our equity shares would be made compulsory for all categories of investors with effect from 24.07.2000. The Company last year entered into an agreement with the National Securities Depository Limited (NSDL). The Company signed an agreement on 06.03.2000 with Central Depository Services (India) Limited (CDSL) for joining the depository system so as to facilitate trading in the Stock Exchanges in electronic form. With this, the members have the option to hold the demat shares in the Company through the National Securities Depository Limited or Central Depository Services (India) Limited.

DIRECTORS :

Mr.V.R.Deenadayalu and Mr.T.Dulip Singh, Directors of the Company retire by rotation at this Annual General Meeting and offer themselves for re-appointment. The Board of Directors have constituted an Audit Committee which will be verifying the various financial statements and documents before they are placed for approval. The Chairman of the Committee is Mr. V.R. Deenadayalu and the members of the Committee are Mr.T. Dulip Singh and Mr. B.H.Kothari.

AUDITORS:

The Company's Auditors M/s Fraser & Ross, Chartered Accountants, retire at this Annual General Meeting and being eligible, have offered themselves for re-appointment. You are requested to appoint the Auditors and authorise your Directors to fix their remuneration.

DISCLOSURE UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956:

Statement showing the particulars of Employees, pursuant to Sec.217(2A) of the Companies Act, 1956 is given in Annexure B.

ACKNOWLEDGEMENT:

The Board acknowledges the co-operation and support extended by the Employees, consultants, suppliers and customers. The Directors also wish to place on record their appreciation of support and co-operation they have received from Financial Institutions, Banks, Central and State Governments.

On Behalf of the Board

Place : Chennai
Date : 24th July, 2000

B.H. KOTHARI
Chairman