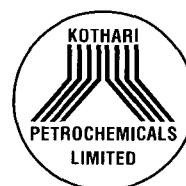


KOTHARI PETROCHEMICALS LIMITED



ANNUAL REPORT 2001 - 2002





KOTHARI PETROCHEMICALS LIMITED

BOARD OF DIRECTORS	B H KOTHARI (Chairman) V R DEENADAYALU M M BHAGAT S RAMASWAMY P N DEVARAJAN T DULIP SINGH
MANAGER	T R VENKATASUBRAMANIAN
COMPANY SECRETARY	K P KRITHIKA
BANKERS	STATE BANK OF INDIA SOUTH INDIAN BANK LTD
STATUTORY AUDITORS	R SUBRAMANIAN & Co. Chartered Accountants, Chennai
COST AUDITOR	M KRISHNASWAMY Cost Accountant, Chennai
INTERNAL AUDITORS	M/s SESA & RAJAN Chartered Accountants, Chennai
REGISTERED OFFICE	"KOTHARI BUILDINGS" 115, Mahatma Gandhi Salai, Chennai - 600 034. Phone : 8239452 / 8238895 Fax : 044 - 8266695
PLANT	KARAIKAL Melavanjore, Karaikal, Union Territory of Pondicherry Phone : 04365 - 51015/17 Fax : 04365 - 51016
REGISTRARS & TRANSFER AGENTS	CAMEO CORPORATE SERVICES LIMITED "Subramanian Buildings" 1, Club House Road, Chennai - 600 002. Phone : 8460390 (5 Lines) Fax : 044 - 8460129

NOTICE TO THE MEMBERS

Notice is hereby given that the 13th Annual General Meeting of the Members of Kothari Petrochemicals Limited will be held on Monday, the 30th September 2002 at 10.00 A.M. at BALA MANDIR GERMAN HALL, 17, Prakasam Street, (off G.N.Chetty Road), T.Nagar, Chennai – 600 017 to transact the following Ordinary Business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss account of the Company for the year ended 31st March 2002 and the Balance Sheet as on that date and the Cash Flow Statement for the year ended 31st March 2002 together with Reports of 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 fix their remuneration.

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. Member or proxy has to fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
3. All Change of Address, transfer of shares and other correspondence may be made to the Registrars & Transfer Agents, Cameo Corporate Services Ltd.
4. Share Transfer books and Register of Members will be closed from 17.09.2002 till 30.09.2002 both days inclusive.
5. Shareholders are requested to bring to the meeting copies of Annual Reports with them, as the same will not be provided at the meeting.

By Order of the Board of Directors

Place : Chennai
Date : 26.07.2002

K P KRITHIKA
COMPANY SECRETARY

ANNEXURE TO THE NOTICE

IN RESPECT OF ITEM NO. 2 & 3, THE INFORMATION ABOUT DIRECTORS SEEKING RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING ARE FURNISHED HEREUNDER

Particulars	Item no. 2	Item no. 3
Name of the Director Date of Birth Date of appointment Qualification and experience in specific functional areas	B H Kothari 11.11.1961 28.04.1989 B.Com He has more than 15 years of experience in administration and management of sugar, petrochemical and financial services industry.	M M Bhagat 21.08.1933 02.02.1995 B.Com, ACII (London) He has extensive experience in insurance and was on the Board of several leading insurance companies.
List of companies in which outside directorships held	PUBLIC COMPANIES 1) Kothari Sugars & Chemicals Ltd. 2) Kothari Safe Deposit Co. Ltd. 3) Kothari Biotech Ltd. 4) Gayatri Securities Ltd. 5) Kothari International Trading Ltd.	1) Hindalco Industries Ltd. 2) Zenith Exports Ltd. 3) VCK Share & Stock Broking Services Ltd. 4) Lark Wire & Infotech Ltd.
Chairman/ Member of the committee of the Board of Director of the company	Chairman Shareholders Grievance Committee. Member Audit Committee.	Nil
Chairman/ Member of the committees of other companies in which he is a director.	Member Shareholders Grievance Committee of M/s Kothari Sugars & Chemicals Ltd.	Chairman Audit Committee of M/s Hindalco Industries Ltd. Member Audit Committee of M/s Zenith Exports Ltd.

DIRECTORS' REPORT**Directors' Responsibility Statement:-**

The Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
3. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and;
4. That they have prepared the annual accounts on a going concern basis.

DIRECTORS:

Mr. B H Kothari and Mr.M M Bhagat, Directors of the Company retire by rotation at this Annual General Meeting and offer themselves for re-appointment.

CORPORATE GOVERNANCE

A separate report on Corporate Governance alongwith Auditor's Certificate on its compliance is attached as Annexure to this report.

AUDITORS

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

COST AUDIT

As per the Government directions, the Company's cost records are being audited by Mr. M. Krishnaswamy who was appointed by the Board as Cost Auditor and approved by the Central Government.

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.

For and on behalf of the Board

Place : Chennai
Date : 26.07.2002

B.H. Kothari
Chairman

KOTHARI PETROCHEMICALS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE A

Particulars required under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

A. Conservation of Energy :

- a) Energy Conservation measures taken:
We have installed 10 numbers of energy efficient fluorescent lamps in control room to conserve energy. As a result, there has been saving in auxiliary power consumption. Also measures have been taken to reduce the power consumption of Clarified Brine Pumps by installing VSD for these pumps.
- b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:
Offers have been received for the installation of variable speed drive for Clarified Brine Pumps in order to bring down the auxiliary power consumption.
- c) Impact of the above measures:
A saving of 55845 units per annum is expected in auxiliary power by installing the proposed equipment.
- d) Total Energy Consumption and energy consumption per unit of production:
Refer enclosed Form - A

B. Technology Absorption:

- e) Efforts made in Technology Absorption:
Refer enclosed Form-B

C. Foreign Exchange Earnings and Outgo:

- f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and service and export plans:
The company exported Liquid Chlorine of 105.300 MTs to Republic of Yemen.
- g) Total Foreign Exchange earned: Rs.11,11,274/-
- h) Total Foreign Exchange outgo: Rs. 62,56,301/-

FORM A**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSUMPTION OF ENERGY 2001-2002**

SL.NO.	PARTICULARS	2001-2002	2000-2001
A.	Power and Fuel Consumption		
1.	Electricity		
a.	Purchased	5,71,27,000	5,19,07,200
	Total amount	Rs.13,39,00,330	Rs.11,44,99,580
	Rate per unit	Rs.2.34	Rs.2.21
b.	Own Generation		
	Through Diesel generator	Nil	Nil
	Units per Ltr. of diesel		
	Cost /unit		
I	Through Steam Turbine/Generator		
	Units per Ltr. of Fuel oil/gas	Nil	Nil
	Cost/unit		
2.	Coal	Nil	Nil
	Quantity(Tonnes)		
	Total cost		
	Average Rate		
3.	Furnace Oil	Nil	Nil
	Quantity (K.Ltrs.)		
	Total Amount		
	Average Cost		
4.	Others/Internal Generation	Nil	Nil
	Quantity		
	Total cost		
	Rate/Unit		

ANNEXURE TO THE DIRECTORS' REPORT

B. Consumption Per Unit of Production :
Caustic Soda

	Standards (If Any)	Current Year	Previous Year
Products			
(with details) Units			
Electricity	2816 KWH	2783 KWH	2716 KWH
Furnace Oil	-	-	-
Coal (Specify quality)	-	-	-
Others (specify)	-	-	-

FORM B**Form for Disclosure of Particulars with respect to Technology Absorption 2001-2002****A. Research & Development (R&D) :**

- Specific Areas in which R&D is carried out by the Company: Nil
- Benefits derived as a result of the above R&D: Not Applicable
- Future Plan of Action: Not Applicable
- Expenditure on R&D: Nil

B . Technology Absorption, Adaptation & Innovation:

- Efforts in brief made towards technology absorption, adaptation and innovation:
The company has adopted the bipolar membrane cell technology and cell element from the supplier Krupp UHDE GMBH in the year 1996.
- Benefits derived as a result of the above efforts e.g. production improvement, cost reduction, product development, import substitution etc.:
A substantial saving of about 500 KWH per MT Caustic is there in the membrane cell process compared to other processes. Minimum quantity of liquid effluents generation and major reduction of load on environment, are the other benefits of using this latest membrane cell technology.
- In case of imported technology (imported during the last five years reckoned from the beginning of the year):
 - Technology imported:
Bi-polar membrane cell technology for the manufacture of Caustic Soda
 - Year of import:
1996-Membrane cell
 - Has technology been fully absorbed?
The technology for manufacture of Caustic Soda has been fully absorbed.
 - If not fully absorbed, areas where this has not taken place, the reason thereof and further action: Not Applicable

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Industry Structure and Development**

The Company is in the business of manufacture and sale of Caustic Soda Lye and its co-products Hydrogen and Chlorine. Hydrochloric Acid and Sodium Hypo which are made using the above products are also sold.

The above mentioned Chlor-Alkali products finds extensive application in viscose rayon, aluminum, paper & pulp, soaps & detergents and textiles industries.

The Indian Chlor-Alkali industry has surplus production capacity. The demand for the products have not increased significantly. Also there is dumping of the industry products from other countries resulting in a constant pressure on the prices of the product. Moreover, the power cost in India, is the highest in the world. The production cost is invariably higher in India affecting the margin.

The industry, through its association has taken anti-dumping measures for the import of caustic from certain countries. Most of the industries have also taken steps to setup captive power plants to insulate the industry from the steep increase in grid power costs. Our company also has initiated steps in the direction.

Opportunities and Threats

The Caustic Soda industry accounts for roughly 5% of the total output of the chemical process industry in India. With more than 40 manufacturers in this field, average capacity utilisation has remained at around 70% in the last few years.

Nearness to salt field, relatively lower power cost and energy efficient technology alongwith network of customers in close proximity of our plant are some of the distinct advantages we have.

Caustic imports by major consumers, steep increase in power tariff and abnormal rise in local and interstate taxes are the major threats to the industry.

Outlook

The Industry recovered early last year, thanks to Anti-dumping measures on Caustic Soda as well as the higher international price of Caustic Soda. However, international prices started coming down at the end of last year and subsequently some of the local industries resorted to importing of Caustic Soda. This significantly affected the demand and price of Caustic Soda in the local market. The Rayon industry as well as the paper industry remained stagnant. Even though the Aluminum industry is showing some signs of growth, its import of caustic soda is putting pressure on both production and price of local caustic industry.

However, on the Chlorine front, with the hardening of international EDC prices, local PVC manufacturers switched to indigenous EDC manufacturing. This created a good demand for Chlorine, resulting in a good realisation of Chlorine price. This situation is expected to continue till the end of the year, by which time in case leading Aluminum industries again resort to mobilising their Caustic requirement from the local market, the prices of Caustic Soda is expected to improve.

Risks and Concerns

The major concerns are :

- Continuous increase in power tariff is considerably increasing the production cost and since power accounts for 65 – 70 % of the production cost, contribution keeps shrinking.
- Imports resorted to by major consumers like Aluminium industries further widens the supply demand gap and local caustic industries are forced to reduce the price due to internal competition.
- Some of the consumers who have their captive caustic plant, utilise chlorine alone for their downstream industries and dump the caustic in the market at lower price which further brings under strain the existing caustic prices.
- The production of Caustic Soda in South Zone is higher than that of the local consumption. Therefore it is necessary that the south zone producers export a portion of their Caustic Soda production to other zones so that the price in this zone remains steady. This is possible only if leading Aluminium manufacturers in the Country, instead of resorting to imports of the material, source their caustic requirement from local manufacturers. In case leading Aluminium manufacturers decide to import caustic, the capacity utilisation as well as the prices of caustic and chlorine made locally will remain weak.

Internal Control Systems and their adequacy

With well defined policies on Safety, Quality and Environment and with a dedicated team of operating personnel, we have been successful in carving out a good image in the highly competitive market scenario.

Periodical audits by technical consultants, safety experts, environment specialists further help us to improve our standards.

Action has been initiated for ISO 14000 Certification, as a means of concern for environment and developing internal control systems in that direction.

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED MARCH 31, 2002

CORPORATE GOVERNANCE

(As required by Clause 49 of the Listing Agreement of the Stock Exchanges)

1) Company's Philosophy

The Company firmly believes in and has consistently endeavored to practice good Corporate Governance.

The Company firmly believes in the values of transparency, professionalism and accountability in its dealings with its customers, dealers, employees, shareholders and with every individual who comes in contact with the company.

2) Board of Directors

Composition, Attendance at the Board Meetings and last Annual General Meeting, Outside Directorships and other Board Committees

Above information as on 31st March, 2002 or for the year 2002, as applicable is tabulated hereunder:

Director	No. of Board Meetings attended	Attendance at previous AGM held on 17 th Sept, 2001	No. of Outside Directorship held (Excluding Alternate Directorships and Directorships in Private Companies)	No. of membership/ chairmanship in other Board Committees	Executive/ Non-Executive / Independent
Mr.B.H.Kothari –Chairman	4	Present	5 (of which 4 as Chairman)	1	Non-Executive & non-independent
Mr.T.Dulip Singh	5	Present	6	Nil	Non-Executive & independent
Mr.V.R.Deenadayalu	4	Present	1	Nil	Non-Executive & independent
Mr.S.Ramaswamy	5	Present	1	Nil	Non-Executive & independent
Mr.M.M.Bhagat	5	Present	4	2 (of which 1 as Chairman)	Non-Executive & independent
Mr.P.N.Devarajan	4	Present	6	Nil	Non-Executive & independent

BOARD MEETINGS HELD DURING THE YEAR 2001-2002

During the year 2001-2002, Five Board Meetings were held on 23rd April 2001, 18th July 2001, 17th September 2001, 31st October 2001 and 26th January 2002.

BOARD COMMITTEES

The Board has set up the following committees as per the requirements of code of Corporate Governance.

a. Audit Committee

The Audit Committee comprises of Mr.V.R.Deenadayalu, Mr.B.H.Kothari and Mr.T.Dulip Singh. Mr.V.R.Deenadayalu is the Chairman of the Audit Committee. Ms.K.P.Krihika, Company Secretary, acts as the Secretary of the Committee. The role and terms of reference of the Audit Committee covers the areas mentioned under clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. The Audit Committee met 4 times during the year 2001-2002 on 23rd April 2001, 18th July 2001, 31st October 2001 and 24th January 2002.

Names of the Directors	No. of Committee Meetings attended
Mr. B H Kothari	4
Mr. V R Deenadayalu	3
Mr. T Dulip Singh	4

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED MARCH 31, 2002

b. Shareholders' Grievances Committee

The shareholders' grievances committee is headed by Mr.B.H.Kothari, Director and Mr.V R Deenadayalu and Mr.T Dulip Singh are other members of the committee. Ms.K.P.Krithika , Company Secretary is the Compliance Officer.

During the year 2001-2002, all the complaints received from the shareholders and investors have generally been solved to the satisfaction of the complainants.

Nine complaints have been received from the investors and all of them have been resolved to the satisfaction of the complainants.

c. Remuneration Committee

Remuneration Committee as contemplated under the Listing Agreement is not presently required and will be constituted in due course.

DIRECTORS REMUNERATION

Remuneration Policy : The Company has not paid any remuneration to its Directors during the year 2001-2002. The details of sitting fees paid to Directors for the Board Meetings and Committee Meetings attended by them are furnished hereunder.

Sitting Fees paid to Board of Directors for Board Meetings - 2001-2002

Sl. No.	Name of Directors	23rd June 2001 Rs.	18th July 2001 Rs.	17th Sept. 2001 Rs.	31st Oct. 2001 Rs.	26th Jan 2002 Rs.	Total Sitting Fees Paid Rs.
1.	Mr. B.H. Kothari	2000	2000	2000	2000	-	8000
2.	Mr. T. Dulip Singh	2000	2000	2000	2000	2000	10000
3.	Mr. V.R. Deenadayalu	2000	-	2000	2000	2000	8000
4.	Mr. S. Ramaswamy	2000	2000	2000	2000	2000	10000
5.	Mr. M.M. Bhagat	2000	2000	2000	2000	2000	10000
6.	Mr. P.N. Devarajan	2000	2000	2000	-	2000	8000
	Total	12000	10000	12000	10000	10000	54000

Sitting Fees Paid to Board of Directors for Audit Committee 2001-2002

Sl. No.	Name of Directors	23rd June 2001 Rs.	18th July 2001 Rs.	31st Oct. 2001 Rs.	24th Jan 2002 Rs.	Total Sitting Fees Paid Rs.
1.	Mr. V.R. Deenadayalu	Nil	-	Nil	2000	2000
2.	Mr. B.H. Kothari	Nil	Nil	Nil	2000	2000
3.	Mr. T. Dulip Singh	Nil	Nil	Nil	2000	2000
	Total	Nil	Nil	Nil	6000	6000

GENERAL BODY MEETINGS

Location and time of last three Annual General Meetings are as under:

Year	Venue	Date	Time
2000 -2001	Bala Mandir German Hall No.17, Prakasam Street, T.Nagar, Chennai – 600 017	17.09.2001	10.00 A.M
1999-2000	Bala Mandir German Hall No.17, Prakasam Street, T.Nagar, Chennai – 600 017	15.09.2000	10.00 A.M
1998-1999	Bala Mandir German Hall No.17, Prakasam Street, T.Nagar, Chennai – 600 017	20.09.1999	10.00 A.M

There was no other General Body Meeting in the last three years and no resolution was put through postal ballot.