

KOTHARI PETROCHEMICALS LIMITED

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14

ANNUAL REPORT 2002 - 2003



KOTHARI PETROCHEMICALS LIMITED

BOARD OF DIRECTORS

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

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 : 28334513 / 28334514
Fax : 044-28334560

PLANT

KARAIKAL
Melavanjore, Karaikal,
Union Territory of Pondicherry
Phone : 04365-256015 / 256017
Fax : 04365-256016

REGISTRARS & TRANSFER AGENTS

CAMEO CORPORATE SERVICES LIMITED
"Subramanian Buildings"
1, Club House Road,
Chennai - 600 002.
Phone : 28460390 (5 Lines)
Fax : 044 - 28460129

NOTICE TO THE MEMBERS

Notice is hereby given that the 14TH Annual General Meeting of the Members of Kothari Petrochemicals Limited will be held on Friday, the 26th September 2003 at 2.30 P.M. at BALA MANDIR GERMAN HALL, 17, Prakasam Street, (off G.N.Chetty Road), T.Nagar, Chennai – 600 017 to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss account of the Company for the year ended 31st March 2003 and the Balance sheet as on that date and the Cash Flow Statement for the year ended 31st March, 2003 together with Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.T.Dulip Singh who retires by rotation and being eligible, offers himself for re- appointment.
3. To appoint a Director in the place of Mr.V.R.Deenadayalu 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.

Special Business:

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

" RESOLVED THAT subject to the provisions of the Companies Act, 1956 and pursuant to SEBI (Delisting of Securities) Guidelines 2003, and subject to such other 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 the Company (herein after referred to as "the Board", which term shall be deemed to include any Committee appointed by the Board), consent is hereby accorded to delist its Equity shares from the Madras Stock Exchange Limited and The Stock Exchange, Mumbai without giving an exit opportunity to the Investors".

For and on behalf of the Board

Place : Chennai
Date : 28.07.2003

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 AT ANY TIME NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
2. A member or proxy should fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
3. All correspondence concerning change of address, transfer of shares etc may be made to the Registrars and Transfer Agents, Cameo Corporate Services Limited.
4. Share Transfer books and Register of Members will remain closed from 16.09.2003 to 24.09.2003, (both days inclusive).
5. Shareholders are requested to bring copies of their Annual Reports since additional copies will not be provided at the meeting.
6. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed here under.

Item No.5

Presently the Company's securities are listed on the following Stock Exchanges:

National Stock Exchange of India Limited, Mumbai

The Madras Stock Exchange Limited, Chennai

The Stock Exchange, Mumbai

A reference is invited to the Special Resolution passed by the shareholders on 20th September 1999 for delisting the securities with The Stock Exchange, Mumbai as a part of cost reduction measures. The resolution was not acted upon fully in view of the tough guidelines prescribed by the Stock Exchanges. In view of SEBI (Delisting of securities) Guidelines 2003, we once again recommend the resolution for delisting of shares.

SEBI has announced new guidelines i.e. SEBI (Delisting of Securities) Guidelines 2003, " which provides for the delisting of securities without exit opportunity to the investors. For this purpose the shares of the company should continue to be listed either in National Stock Exchange of India Limited or The Stock Exchange, Mumbai having nationwide trading terminals.

As a cost reduction measure, the Company wants to delist the shares from The Madras Stock Exchange, Chennai and The Stock Exchange, Mumbai. In accordance with SEBI regulations for voluntary delisting of company's securities by the company, members approval is sought through a Special Resolution for delisting its securities from The Madras Stock Exchange, Chennai and The Stock Exchange, Mumbai. The proposed delisting is in the interest of the company.

None of the Directors of the company is concerned or interested in this resolution except to the extent of the shares held by him.

The Board recommends the resolution for your approval.

ANNEXURE TO THE NOTICE

INFORMATION IN RESPECT OF ITEM NO.2 & 3, PURSUANT TO SEBI CODE OF CORPORATE GOVERNANCE 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.	T. Dulip Singh 31-05-1933 14-05-1998 B.Sc, B.L He has experience of more than 40 years as an advocate. He is a senior partner of M/s. King & Partridge for more than 20 years.	V.R.Deenadayalu 24-05-1932 02-02-1995 B.E (Mechanical) He was the Chief Executive of BHEL, Trichy for over 8 years and was the Chairman & Managing Director of Madras Refineries Limited. He is the recipient of Sir Jahangir Gandhi medal for Industrial peace instituted by XLRI, Jamshedpur. He is the Chairman of Bharathidasan Institute of Management, Trichy and a member of the Board of Governors, of XIME-Bangalore, Institute of Energy- Trichy and Xavier Institute of Management, Bhubaneswar
List of other Companies in which Directorship held	1. Nagapattinam Industrial & Finance Co. Ltd. 2. M.K Eletronic India Ltd 3. India Cements Capital & Finance Ltd 4. Roots Multiclean Ltd 5. Interfit Techno Products India Ltd	1. Meltrack (I) Ltd
Chairman/ Member of the Committee of the Board of Director of the Company	Member of the Audit Committee Member - Shareholders Grievances Committee	Chairman – Audit Committee Member - Shareholders Grievances Committee
Chairman/ Member of the Committee of the other companies in which he is a Director	—	—

REPORT OF THE DIRECTORS TO THE MEMBERS

The Board of Directors of your Company present the 14th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March, 2003.

OPERATIONS:

The Production Sales and Financial details are furnished below:

PRODUCTION & SALES DETAILS:

(Quantity in MTs)		
Product	Production	Sales
Caustic Soda Lye	20250.937	19356.869
Chlorine	18427.882	14975.545
Hydrogen NM ³	5974.016	635.122
Hydrochloric Acid	8018.606	7006.180
Hypo	7609.667	7605.160

FINANCIAL RESULTS:

(Rs. in lacs)

Particulars	2002-2003	2001-2002
PBIDT (Profit before Interest, Depreciation & Tax)	325	891
Interest	(117)	(99)
PAI (Profit after Interest)	208	792
Depreciation	(311)	(308)
PAID (Profit after interest and depreciation)	(103)	484
Preliminary Expenses	—	(92)
PBT (Profit before Tax)	(103)	392
Excess provision of earlier year written back	-	13
Exceptional Item- Bank Dues written back	212	—
Provision for Tax	-	NIL
PAT (Profit after Tax)	109	405

PERFORMANCE FOR THE YEAR 2002-2003

During the year, the plant produced 20250MT of Caustic Soda, thus maintaining production above 20,000 MT for the second year in succession. Capacity utilization stood at 92.47%. We have crossed 1 (one) lakh tons of Caustic Soda production in the sixth year of operation. The sales of Caustic Soda this year was higher at 19356 MT compared to 19134 MT last year.

Plant operations were smooth & operations efficiencies were kept at peak levels. Production costs were kept under control by constant monitoring

MARKET SCENARIO:

Right from the first quarter of the year, the International prices for Caustic Soda Lye began decreasing and touched 90 USD per MT. On account of this, major consumers like Aluminium industries sourced their entire annual requirement from outside India.

DIRECTORS REPORT

This has significantly affected the sales quantity as well as prices.

To partially off set the drop in Caustic Soda Lye realisation, all the Chloralkali units were under compulsion to produce more Chlorine which in turn resulted the Caustic Soda Lye available in abundance.

DIVIDEND:

The Directors have not recommended any dividend this year.

SALE OF CAUSTIC SODA BUSINESS TO CHEMPLAST SANMAR LIMITED

The proposal for the sale of Caustic Soda business situated at Melavanjore, Karaikal to Chemplast Sanmar Limited was approved by the members through Postal Ballot in June 2003 and 81.53% of the votes cast were in favour of the resolution.

The Company is in the process of completing the formalities for the transfer of Caustic Soda business to Chemplast Sanmar Limited. The Company is exploring the possibilities of carrying on some other business as permitted by its Memorandum of Association

ENERGY CONSERVATION:

Energy Saving by the installation of variable speed drive in cooling tower fan, energy saving tube lights and Electronic ballast contributed to 49,160 units. A study was conducted in lean brine pump by providing VSD for 5 months. Energy saved by this exercise was 16,258 units. Total energy saved for the year was 65,418 units.

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 the Annexure A

POWER:

Power consumption in the sixth year of operation stood at 2874 KWH / MT of Caustic and it is expected to come down after completion of Re-membraning.

WATER:

Water consumption was maintained at around 340 m³ / day and continuous efforts are being taken to maximize recycling and reuse of water wherever possible.

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.

SAFETY AND ENVIRONMENT:

Your company was awarded the "Chief Minister Safety Award" of the Pondicherry Government for the third consecutive year. Your Company was also awarded the 'Safety Appreciation Award' from the National Safety Council - Tamil Nadu chapter. The Company also achieved 'One Million Safe Man Hours'. The Company bagged the III prize for Industrial garden, awarded by the Agriculture Department of Pondicherry for well maintained Green Belt.

PUBLIC DEPOSIT:

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

DIRECTORS:

Mr T.Dulip Singh and Mr V.R.Deenadayalu, Directors of the Company retire by rotation at this Annual General Meeting and offer themselves for re-appointment.

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.

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

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

All the above products find extensive application in Rayon, Aluminum, Paper & Pulp, Soaps & Detergents and Textiles Industries.

The Indian Chlor-Alkali industry has surplus production capacity with only marginal increases in product demand. Dumping of the above products by the countries where power cost is relatively cheaper makes our products non-competitive.

The industry, through its Association, has restricted dumping by resorting to anti dumping measures. Plants with higher capacities have gone in for captive power plants.

Opportunities and Threats

The Caustic Soda industry accounts for roughly 5% of the output of the chemical process industry in India. Average capacity utilization is around 70-72% with more than 40 manufactures active in the field.

Nearness to salt fields, technology that utilizes lesser power, high degree of automation and network of customers in close proximity of our plant are some of the distinct advantages we have.

High Power cost, uncertainty in power tariff revisions and unpredictable local and inter-state taxes are the major threats to our industry.

Outlook

Prices of caustic soda did not improve the way it was expected. There were momentary ups and downs in local market prices. Compared to caustic, chlorine prices were better to some extent and remained stable through out the year.

Risks and Concerns:

The major concerns are :

- a) Power cost being 70-75% of the production cost, there is hardly any margin left when the product comes to market.
- b) Manufacturers with small capacity plants are neither able to go for captive power plant nor can continuously meet the increasing power tariff costs.

DIRECTORS REPORT

- c) Cost of Natural Gas is also increasing which adds to the overall energy cost and causing further strain to the margins.

Internal Control Systems and their adequacy

With well-defined policies on safety, quality and environment and with a self-motivated team of operating personnel, we have been successful in maintaining a good image with our customers.

Periodical audits by technical consultants and safety experts help us to further improve our existing standards.

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

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.

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

During the year no employee has drawn salary in excess of the amounts prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

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 the 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: 28-07-2003

B H KOTHARI
CHAIRMAN

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:**

A study was conducted in lean brine pump by providing VSD from June 02' to Oct 02' to conserve energy. As a result, there was a saving in auxiliary power consumption.

b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

Based on the above, offers have been received from various parties for VSD, for lean brine pump to bring down auxiliary power consumption.

c) Impact of the above measures:

A saving of 35770 units per annum is expected in auxiliary power by installing VSD in lean brine pump.

Refer enclosed Form-A

B. Technology Absorption:**a) Efforts made in Technology Absorption:**

Refer enclosed Form-B

C. Foreign Exchange Earnings and Outgo:**a) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and service and export plans:****b) The company exported Liquid Chlorine of 210.600 MTs & 22.00 MTs of Caustic Soda Flakes to Republic of Yemr****c) Total Foreign Exchange earned : Rs. 27,76,405/-****d) Total Foreign Exchange outgo : Rs. 8,83,092/-**

Delegation Fees Rs. 6,67,326

Spares Rs. 2,15,766

FORM A**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSUMPTION OF ENERGY 2002-2003**

SL. NO.	PARTICULARS	2002-2003	2001-2002
A. 1.	Electricity :		
	Purchased	5,82,07,400	5,71,27,000
	Total amount	17,36,95,988	13,39,00,330
	Rate per unit	2.99	2.34
b.	Own Generation :		
	Through Diesel generator	Nil	Nil
	Units per Ltr. of diesel		
	Cost /unit		
II	Through Steam Turbine/Generator		
	Units per Ltr. of Fuel oil/gas		
	Cost/unit	NIL	NIL
2.	Coal :		
	Quantity (Tonnes)		
	Total cost		
	Average Rate	NIL	NIL
3.	Furnace Oil :		
	Quantity (K.Ltrs.)		
	Total Amount		
	Average Cost		
4	Others/Internal Generation	Nil	Nil
	Quantity		
	Total cost		
	Rate/Unit		