



**KOTHARI
PETROCHEMICALS
LIMITED**

15th ANNUAL REPORT 2003 - 2004



KOTHARI PETROCHEMICALS LIMITED

BOARD OF DIRECTORS

B H KOTHARI (Chairman)
V R DEENADAYALU (UPTO 26.09.2003)
M M BHAGAT
S RAMASWAMY
P N DEVARAJAN (UPTO 26.09.2003)
T DULIP SINGH
N CHANDRA MOULI (FROM 26.09.2003)
P S BALASUBRAMANIAM (FROM 26.09.2003)

STATUTORY AUDITOR

M/S.R SUBRAMANIAN AND COMPANY
Chartered Accountants, Chennai

COST AUDITOR

M KRISHNASWAMY
Cost Accountant, Chennai

INTERNAL AUDITOR

M/S. SESA & RAJAN
Chartered Accountants, Chennai

REGISTERED OFFICE

"KOTHARI BUILDINGS"
115, Mahatma Gandhi Salai,
Chennai - 600 034.
Phone : 28334513 / 28334514
Fax : 044-28334560

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 15th Annual General Meeting of the members of Kothari Petrochemicals Limited will be held on Monday, the 19th day of July 2004 at 4.00 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 2004 and the Balance sheet as on that date and the Cash Flow Statement for the year ended 31st March, 2004 together with Reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. S. Ramaswamy who retires by rotation and being eligible offers himself for re- appointment.
3. 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

4. To consider and if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

“RESOLVED THAT Mr.N.Chandramouli, be and is hereby appointed as Director, liable to retire by rotation.

For and on behalf of the Board

Place : Chennai
Date : 23.04.2004

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 01.07.2004 to 07.07.2004, (both days inclusive).
5. Shareholders are requested to bring copies of their Annual Reports since additional copies will not be provided at the meeting.



ANNEXURE TO THE NOTICE

IN RESPECT OF ITEM NO.2 & 4 THE INFORMATION ABOUT DIRECTORS SEEKING RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING ARE FURNISHED HEREUNDER

Particulars	Item No.2	Item No.4
Name of the Director	S.Ramaswamy	N Chandramouli
Date of Birth	27.07.1931	06.02.1943
Date of Appointment	02.02.1995	26.09.2003
Qualification and experience in specific functional areas.	<p>P.G. in Science & Advance Course in Management from the University of Dublin.</p> <p>Mr.S.Ramaswamy is a Deputy Director General of the Directorate General of Technical Development, Government of India. He has experience of nearly three and half decades in the planning and development of various industries such as agro based industries, petrochemicals, petro products, polymers, food processing and Chemical industries. He also has served as a Director in IPC, Baroda and HOCL and other public sector organisations.</p>	<p>B.E.Chemical Engg.</p> <p>Mr.N Chandramouli has over 38 years of experience at various levels in both public under taking (NLC/IPCL/CPCL) and private sector (Parry and Kothari's) Experienced in implementation of various chemical Projects and senior management positions. Travelled to various countries on business trips. Participated in many committees appointed by Government.</p>
List of other Companies in which Directorship held	1) Bambino Agro Industries Limited	1)Kothari International Trading Limited
Chairman/ Member of the Committee of the Board of Director of the Company	None	1) Audit Committee – Member 2) Share Transfer cum Shareholders Grievances Committee – Member
Chairman/ Member of the Committee of the other companies in which he is a Director	None	None

ANNEXURE TO THE NOTICE



Explanatory Statement: Pursuant to Section 173 of the Companies Act, 1956

Item No.4

Mr.N.Chandramouli was appointed as a Director by the Board of Directors in accordance with Section 262 of the Companies Act, 1956 in the casual vacancy caused by the resignation of Mr.P.N. Devarajan who is liable to retire by rotation at this Annual General Meeting. Hence Mr.N Chandramouli shall have to be re-appointed at this Annual General Meeting.

The company has received valid notice and requisite deposit from a member of the company under Section 257 of the Companies Act, 1956 proposing the candidature of Mr.N.Chandramouli, as a Director. Your directors recommend the resolution for approval of members.

Except Mr.N Chandramouli who is interested in the resolution concerning his appointment, no other Director is interested in the resolution.

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**DIRECTORS REPORT****REPORT OF THE DIRECTORS TO THE MEMBERS**

The Board of Directors of your Company present the 15th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March, 2004. Since the Caustic Soda business of the Company was sold to M/s. Chemplast Sanmar Limited on 1st August 2003, our report on the manufacturing operations of the Company pertains to the period of 4 months only, ie, from 1st April 2003 to 31st July 2003.

OPERATIONS:

The Production, Sales and Financial details for the period 1st April 2003 to 31st July 2003 are furnished below:

PRODUCTION AND SALES DETAILS:

(Quantity in MTs)		
Product	Production	Sales
Caustic Soda Lye	6267.17	5828.63
Chlorine	5707.95	4808.75
Hydrogen NM ³	1848.82	172.82
Hydrochloric Acid	1793.32	1584.03
Hypo	2725.57	2730.08

FINANCIAL RESULTS:

(Rs. in lacs)

Particulars	2003-2004	2002-2003
PBIDT	189	325
Interest	(28)	(117)
PAI	161	208
Depreciation	(105)	(311)
PAID	56	(103)
PBT	56	(103)
Exceptional Item (Income)	565	212
Exceptional Item (Loss)	(1563)	—
PAT	(942)	109

PERFORMANCE FOR THE YEAR 2003-2004

During the year (4 months ie, from 1st April 2003 to 31st July 2003), the plant produced 6267.17 MT of Caustic Soda with a capacity utilization of 86.68%. The sales of Caustic Soda was at 5828.63 MT.

Plant operations were smooth and the operational efficiency was kept at peak levels. Production costs were kept under control with constant monitoring.

DIVIDEND:

The Directors have not recommended any dividend this year.

FUTURE BUSINESS:

The surplus funds of the company have been deployed in safe investments which have yielded good returns. The company is in the process of taking agency business for trading in chemicals and hopes to successfully carry on its trading activities.



DIRECTORS REPORT

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 the Annexure A.

POWER:

Power consumption in the seventh year of operation for the period of 4 months from 1st April 2003 to 31st July 2003 stood at 2937 KWH / MT of Caustic.

WATER:

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

SAFETY AND ENVIRONMENT:

The Company had adhered to all the safety measures during the operational tenure of the Company from 1st April 2003 to 31st July 2003.

PUBLIC DEPOSIT:

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

DIRECTORS:

Mr.S.Ramaswamy is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr.P N Devarajan and Mr.V R Deenadayalu resigned from the Board on 26.09.2003. The Board of Directors wish to place on record its appreciation of the valuable services rendered by Mr. P N Devarajan and Mr.V R Deenadayalu during their tenure.

Mr.P S Balasubramaniam was appointed as a Director on 26.09.2003 in the casual vacancy caused by the resignation of Mr.V R Deenadayalu and Mr.N.Chandramouli was appointed as a Director on 26.09.2003 in the casual vacancy caused by the resignation of Mr. P N Devarajan.

Mr.P N Devarajan was liable to retire by rotation at the ensuing Annual General Meeting. Hence Mr.N Chandramouli, who was appointed in the casual vacancy of Mr. P N Devarajan, shall have to be re-appointed in the ensuing Annual General Meeting. Mr.N.Chandramouli being eligible, offers himself for re-appointment. A notice has been received from a member proposing Mr.N.Chandramouli as a Director in terms of Section 257 of the Companies Act, 1956.

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 Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and;



4. That the Accounts have not been prepared on a going concern basis since the Caustic Soda Business of the company was sold to Chemplast Sanmar Limited. Reference is invited to notes B(1) of Schedule M of the Accounts.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Due to the sale of Caustic Soda Business to Chemplast Sanmar Limited, the Management Discussion and Analysis Report of the company pertains to the period of 4 months only from 1st April 2003 to 31st July 2003.

Industry Structure and Development

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

Proximity 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 the company had.

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.

Risks and Concerns

The major concerns are:

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



DIRECTORS REPORT

Internal Control Systems and their adequacy

With well-defined policies on safety, quality and environment and with a self-motivated team of operating personnel, the company was successful in maintaining a good image with its customers.

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

Human Resources / Industrial Relations

Personnel development programs were being conducted periodically for Staff and Executives of the company. The industrial relations maintained with the employees are satisfactory.

CORPORATE GOVERNANCE

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

AUDITORS:

The Company's Auditors M/s.R.Subramanian and Company 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.

ACKNOWLEDGMENT:

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: 23-04-2004

B H KOTHARI
CHAIRMAN



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:

Nil

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

Nil

c) Impact of the above measures:

Nil

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) Total Foreign Exchange earned: Rs. Nil

c) Total Foreign Exchange outgo : Rs. Nil

FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSUMPTION OF ENERGY 2003-2004

SL. NO.	PARTICULARS	2003-2004	2002-2003
A. 1)	Electricity :		
	Purchased	1,84,11,600	5,82,07,400
	Total amount	5,58,10,695	17,36,95,988
	Rate per unit	3.20	2.99
b.	Own Generation:		
I	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		