



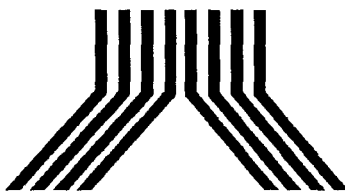
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17th ANNUAL REPORT 2005 - 06



KOTHARI PETROCHEMICALS LIMITED

BOARD OF DIRECTORS

B H KOTHARI (Chairman)
T DULIP SINGH
G NARAYANASWAMY (w.e.f. 26.10.2005)
N CHANDRAMOULI
P S BALASUBRAMANIAM

COMPANY SECRETARY

S SHANMUGA PRIYA

STATUTORY AUDITOR

M/s.R SUBRAMANIAN AND COMPANY
Chartered Accountants, Chennai - 600 004.

INTERNAL AUDITOR

M/s. K. R. SARANGAPANI & CO.,
Chartered Accountants, Chennai - 600 083.

REGISTERED OFFICE

"KOTHARI BUILDINGS"
115, Mahatma Gandhi Salai,
Chennai - 600 034.
Phone : 30225616 / 30225507
Fax : 044 - 28334560

REGISTRAR & TRANSFER AGENT

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 17th Annual General Meeting of the members of Kothari Petrochemicals Limited will be held on Monday, the 28th day of August 2006 at 11.00 A.M. at The Music Academy, Mini Hall, Old No.306, New No.168, T.T.K.Road, Chennai - 600 014 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 2006 and the Balance sheet as on that date and the Cash Flow Statement for the year ended 31st March, 2006 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 Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration as determined by the Board of Directors.

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.G Narayanaswamy, Additional Director be and is hereby appointed as a Director."

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

"RESOLVED THAT pursuant to section 94 and other applicable provisions of companies Act, 1956, clause V of the memorandum of association and Article 5 (a) of the Article of the Association of the company, the Authorised equity share capital of the company is increased from Rs. 40 Crores to Rs. 66 Crores (Rupees Sixty Six Crores only) divided into 6,00,00,000 (Six Crores only) Equity Shares of Rs.10/- (Rupees Ten only) each and 6,00,000 (Six Lakhs) Redeemable Preference shares of Rs.100/- (Rupees One Hundred only) each, by issuing 2,27,50,000 equity shares of Rs.10 each ranking paripassu with the existing equity shares."

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

"RESOLVED that pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the consent of the members of the company be and is hereby accorded to the Board of Directors of the company (hereinafter referred to as the "Board" which term shall be deemed to include a duly constituted committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the company, on such movable and immovable properties, both present and future, and in such manner as may the Board may deem fit, together with the power take over the management and concern of the company in certain events, in favour of Banks / Financial Institutions and / or other Lenders / Investing Agencies / Trustees for Debentures / Bonds to secure borrowings from time to time provided that the aggregate of borrowings so secured shall not exceed Rs.100 Crores (Rupees One Hundred Crores only) outstanding at any time exclusive of interest, additional interest, compound interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the company in respect of such borrowings.

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised and empowered to finalise, settle and execute requisite agreements, documents, deeds, indemnities, guarantees, declarations or other legal undertakings and to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages / charges as aforesaid".

By order of the Board

Place : Chennai
Date : 12.06.2006

S Shanmuga Priya
Company Secretary



Notice to the Members

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 shall be made to the Registrar and Transfer Agent, M/s. Cameo Corporate Services Limited.
4. Share Transfer books and Register of Members will remain closed from 17.08.2006 to 24.08.2006 (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 hereunder.

EXPLANATORY STATEMENT: PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No.4

Mr.G Narayanaswamy was appointed by the Board of Directors of the Company as an Additional Director with effect from 26.10.2005, in accordance with Section 260 of the Companies Act, 1956 ("the Act") read with Article 133 of the Articles of Association of the Company ("the Articles").

Pursuant to the provisions of Section 260 of the Act, the Additional Director shall hold office only upto date of the ensuing Annual General Meeting of the Company and is eligible for appointment as Director.

Due notice under section 257 of the Act has been received from a member along with the requisite deposit, proposing the appointment of Mr.G Narayanaswamy as Director of the Company at the ensuing Annual General Meeting who is liable to retire by rotation.

None of the Directors, except Mr.G Narayanaswamy is concerned or interested in the proposed resolution.

The Board of Directors of your company recommends the resolution for your approval.

Item No.5

The Company has received a proposal from M/s. Primetra Technologies Private Limited (PPL) for merger with the company. PPL has its polyisobutene manufacturing unit at Manali with a capacity of 8400 mt per annum. If the merger is approved by all the prescribed authorities viz., the Shareholders, Stock Exchange, Registrar of Companies, High Court etc the shareholders of PPL have to be issued shares in the company. Hence the present authorised sharecapital of Rs.40 Crores divided into 3,40,00,000 Equity Shares of Rs. 10 each & 6,00,000 preference shares of Rs. 100/- each be increased to Rs. 66 Crores divided into 6,00,00,000 Equity shares of Rs.10 each & 6,00,000 preference shares of Rs. 100/- each.

None of the Directors, except Mr B H Kothari is concerned or interested in the proposed resolution.

The Board of Directors of your company recommends the resolution for your approval.

The documents pertaining to the above resolution are available for members inspection at the Registered Office between 11.00 A.M. and 1.00 P.M. on any working day upto the Annual General Meeting.

Item No.6

The Company has been considering various new business proposals including amalgamation of M/s.Primetra Technologies Private Limited with the company. The project requires huge capital resources. The shareholders have already granted their consent to the company to borrow for its financial requirements upto Rs. 100 Crores at the Extra Ordinary General Meeting held on 04th December 1995. For financing the new projects the company proposes to approach various Banks, financial institutions, lending agencies which necessitates creation of charge / mortgage / hypothecation of the assets of the company both movable and immovable, whether present or future, wherever situated or on such other security as may be agreed to by the Company.

The creation of charges / mortgages / hypothecation requires the approval of the shareholders under Companies Act, 1956. Accordingly, Ordinary resolution set out under item no.6 of the notice is submitted to the meeting.

None of the directors is interested or concerned in the resolution.

The Board of Directors of your company recommends the resolution for your approval.

By order of the Board
S Shanmuga Priya
 Company Secretary

Place : Chennai
 Date : 12.06.2006

Annexure to the Notice

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

Particulars	Item No.2	Item No.4
Name of the Director	T Dulip Singh	G Narayanaswamy
Date of Birth	31.05.1933	27.04.1928
Date of Appointment	14.05.1998	26.10.2005
Qualification	B.Sc, B.L	B.Sc., FCA
Experience in specific functional areas	He has experience of more than 4 decades as an advocate. He is a senior partner of M/s.King and Partridge, Advocates & Notary	He has experience of more than 5 decades in the Accounting and Auditing profession. He is a senior partner of M/s. S.Venkatraman & Co., Chartered Accountants.
List of other Companies in which Directorship held	1. Sundaram Brake Linings Ltd 2. Novar India Ltd 3. India Cements Capital & Finance Ltd 4. Roots Multiclean Ltd 5. Interfit Technoproducts Ltd 6. Needle Industries India Pvt Ltd 7. Milton Roy India (P) Ltd 8. K P Legal and Allied Services Pvt Ltd 9. W S Test Systems Ltd 10. Western Thomas (I) Ltd 11. Rotork Controls (I) Ltd 12. Nagapattinam Industries & Finance Co., Ltd. 13. Interfit India Limited	1. Southern Electronics Bangalore Pvt Ltd 2. Grams Electronics Bangalore Pvt Ltd 3. Watanmal India Pvt Ltd 4. Conster Chemicals Limited
Chairman/ Member of the Committee of the Board of Director of the Company	Chairman – Audit Committee Member – Share transfer cum shareholders' grievances committee	Member – Audit Committee
Chairman/ Member of the Committee of the other companies in which he is a Director	Chairman – Audit Committee of Sundaram Brake Linings Ltd Novar India Ltd Interfit Technoproducts Ltd	Nil
Details of Shareholding in the Company	Nil	Nil

**REPORT OF THE DIRECTORS TO THE MEMBERS**

The Board of Directors of your Company present the 17th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March, 2006.

FINANCIAL RESULTS :

(Rs in lacs)

Particulars	2005 - 2006	2004 - 2005
PBIDT	16.65	48
Interest	---	---
PAI	16.65	48
Depreciation	2.04	2
PAID	14.61	46
PBT	14.61	46
PAT	14.61	46

PERFORMANCE FOR THE YEAR 2005-2006

During the year under review, the Company involved itself in the business of Trading in Light Polymers. The Company has sold 618.88 MT for value of Rs.145.74 Lacs. The Company has also sold 42.950 MT of LPG at a value of Rs. 11.49 lacs. The surplus funds available with the Company were invested in Bank deposits, mutual fund units and shares and the company has realized satisfactory revenue therefrom.

DIVIDEND:

The Directors have not recommended any dividend for this year, in view of the accumulated losses.

FUTURE BUSINESS:

The Company has identified Chemicals business as one, which has potential for high growth. Towards this end the Board has considered a proposal for Merger of M/s. Primetra Technologies Private Limited (PPL) with the Company. PPL carries on the manufacture of Polyisobutylene (PIB). The PIB product finds major application in the market of 2T oil formulation. PPL has an established manufacturing and distribution facilities, which if merged with the company will channelise synergies and shall lead to optimum utilization of available resources. The Company will soon make an application to the High Court at Madras to seek permission for the merger.

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 not applicable to the Company since the company does not have any manufacturing activities.

PUBLIC DEPOSIT:

The Company has not accepted any fixed deposits from Members or Public and has no outstanding Public Deposits.

DIRECTORS:

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

Mr. G. Narayanaswamy was appointed as an Additional Director on the Board of your Company with effect from October, 26, 2005. The Company has received a notice in writing from a member of the Company under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. G. Narayanaswamy as a Director of the Company.

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 they have prepared the annual Accounts on a going concern basis.

Director's Report**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Structure and Development**

Light Polymer, which is ubiquitous in today's world, is a by-product that emerges during the production of Polyisobutylene (PIB) with specific characteristics and has wide range of applications. The company has taken all steps not only to expand the existing business but also to create markets for tomorrow that will effectively thwart competition.

Opportunities and Threats

In this dynamic regime, where the only constant factor is change, the application for light polymer keeps expanding and it has huge potential in the solvents and fuel additive market. It finds application even in rubber compounds, used for automobiles and structural materials, including its use in coatings and adhesives. Earlier we had marketed the product only in the local markets and now the distribution network has expanded to cover other states too, which is gradually picking up and holds promise for the future.

However the major threat is in the increase in raw material cost of the main product and competitive pressure, which puts forth the compulsion to adjust the price of light polymer.

Outlook

The combination of aptitude with the attitude of doing business is determining factor for growth. The present day marketing policies cannot ignore the decisive factors of customer, competition and change. The outlook for the trading in Light Polymer looks brighter. In order to sustain continuous growth, the company concentrates on enhanced customer care, export potential, operational economy and access to superior technology.

Risks and Concerns

The company is expanding its international footprint and establishing trading operations in other states. The risks and concerns of your company are largely focused on the International crude oil price, which plays a major role in the volatility of the price of light polymer.

Internal Control Systems and their adequacy

The company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

The company has an audit committee, which reviews the Audit report submitted by the internal auditors. The suggestions for improvement are considered and implemented wherever deemed necessary. The well-defined policies of the company with a self motivated team of operating personnel and periodical audit by technical consultants and safety experts has helped us to further improve our standards.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

The company is presently involved only in trading activities and hence the number of employees has been reduced considerably.

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

There being no manufacturing activities carried on by the Company, the appointment of the Cost Auditor for the year 2005-2006 is not required.

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, customers, business associates and the Government authorities.

For and On Behalf of the Board

Place : Chennai
Date : 12.06.2006

B H Kothari
Chairman



Corporate Governance for the Year Ended March 31, 2006

CORPORATE GOVERNANCE

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

1) COMPANY'S PHILOSOPHY

The Company firmly believes in and has consistently endeavoured to practice good corporate governance. The Company will continue to focus its resources, strengths and strategies in conducting its business in an efficient and transparent manner and in meeting its obligation to shareholders and other stakeholders without compromising with laws and regulations.

2) BOARD OF DIRECTORS

The present strength of the Board is five directors including of two non-executive independent directors. The present composition of the Board meets the requirements of SEBI guidelines and the Companies Act, 1956, as amended.

Details about the Board of Directors as on 31st March, 2006 are tabulated hereunder:

Name of the Director	Category	No. of Equity Shares held	No. of Board Meetings attended	Attendance at previous AGM held on 14th September 2005	No. of Directorship in other public companies	No. of Committee positions (as member / chairman) held in other public companies
Mr.B.H.Kothari Chairman	Non-Executive & Non-Independent	57,400	5	Present	3	1
Mr.T.Dulip Singh	Non-Executive & Independent	Nil	4	Not Present	10	3
Mr. N.Chandramouli	Non-Executive & Non-Independent	300	5	Present	2	Nil
Mr.P.S.Balasubramaniam	Non-Executive & Non-Independent	1000	5	Present	4	4
Mr.G. Narayanaswamy (with effect from 26.10.2005)	Non-Executive & Independent	Nil	1	Not Applicable	1	Nil

Board Meetings held during the year 2005-2006

Board of Directors met Five times during the year 2005-2006 on 13th April, 2005, 25th July, 2005, 14th September 2005, 26th October, 2005 & 23rd January, 2006

3. BOARD COMMITTEES

The Board has set up the following committees as per the code of conduct for Corporate Governance:

a. Audit Committee

The Audit Committee comprised of Mr.T.Dulip Singh (Chairman), Mr.B.H.Kothari, Mr.N.Chandramouli and Mr. P.S.Balasubramaniam. The Board of Directors reconstituted the Audit committee on 26.10.2005 with Mr.T.Dulip Singh (Chairman), Mr G Narayanswamy and Mr.N.Chandramouli.

The powers and role of the Audit committee are as specified in clause 49 of the listing agreement and Section 292A of the Companies Act, 1956. However the broad terms of reference of the committee includes the following :

- To review the weakness in internal controls, if any, with the management internal auditors and statutory auditors and report to the Board the recommendations relating thereto;
- To select and establish accounting policies;

Corporate Governance for the Year Ended March 31, 2006

- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Reviewing the company's financial and risk management policies.
- To approve the Quarterly Unaudited Financial Results for publication in accordance with Stock Exchange requirements.
- To review Management Discussion and analysis of financial condition and results of operations.
- To review Statement of significant related party transactions submitted by management.

The Audit Committee met 4 times during the year 2005-2006 on 13.04.2005, 25.07.2005, 26.10.2005 and 23.01.2006.

Names of the Directors	Number of Committee Meetings attended
Mr. B H Kothari	3
Mr. T Dulip Singh	4
Mr G Narayanaswamy	1
Mr. N.Chandramouli	4
Mr. P.S.Balasubramaniam	3

The audit committee meetings are usually attended by the statutory auditor, internal auditor and others, as required. The Company Secretary acts as the Secretary of the Audit committee.

b. Share Transfer Cum Shareholders' Grievances Committee

The Share Transfer cum Shareholders' Grievances Committee comprises of Mr.B.H.Kothari, Mr. T Dulip Singh, Mr. N. Chandramouli and Mr. P.S.Balasubramaniam. Ms. S. Shanmuga Priya, Company Secretary acts as the compliance officer.

During the period under review, the committee met 17 times and the details of attendance is as follows :

Names of the Directors	Number of Committee Meetings attended
Mr. B H Kothari	11
Mr. T Dulip Singh	16
Mr. N.Chandramouli	13
Mr. P.S.Balasubramaniam	17

Nature of Shareholder complaints received during the year from April 01, 2005 to March 31, 2006

Table A				
Sl No	Subject of Complaints	Total Complaints received	Complaints redressed	Redressal under process at the year end
1	Non receipt of Dividend	10	10	—
2	Transfer of shares	—	—	—
3	Dematerialisation matters	—	—	—
4	Non receipt of annual reports	10	10	—
5	Others	3	3	—
	TOTAL	23	23	—



Corporate Governance for the Year Ended March 31, 2006

Table B

Sl No	Source of Complaints	Total Complaints received	Complaints redressed	Redressal under process at the year end
1	SEBI	1	1	—
2	Dept of Company affairs	—	—	—
3	National Stock Exchange	—	—	—
4	ROC	3	3	—
5	Consumer forum	—	—	—
6	Shareholders / others	19	19	—
	TOTAL	23	23	—

c. Remuneration Committee

The remuneration committee as contemplated under the listing agreement is presently not required and will be constituted at an appropriate time in due course.

4. DIRECTORS' REMUNERATION

The company has not paid any remuneration to its directors during the year 2005-2006 except for the sitting fees to attend the Board meetings. The details are furnished hereunder :

Sl No.	Name of the Directors	13.04.05 Rs.	25.07.05 Rs.	14.09.05 Rs.	26.10.05 Rs.	23.01.06 Rs.	Total Sitting Fees paid Rs.
1	Mr B.H.Kothari	2000	2000	2000	2000	2000	10000
2	Mr T.DulipSingh	2000	2000	LOA	2000	2000	8000
3	Mr.N.Chandramouli	2000	2000	2000	2000	2000	10000
4	Mr.P.S.Balasubramaniam	2000	2000	2000	2000	2000	10000
5	Mr G Narayanaswamy	—	—	—	—	2000	2000
TOTAL							40000

The directors are not paid sitting fees for attending the Committee Meetings

5. GENERAL BODY MEETINGS

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

Year	Venue	Date	Time
2004-2005	The Music Academy, Old No306, New No 168 T T K Road, Chennai – 600 014	14.09.2005	10.00 A.M
2003-2004	Bala Mandir German Hall No.17, Prakasam Street T.Nagar, Chennai – 600 017	19.07.2004	4.00 P.M.
2002-2003	Bala Mandir German Hall No.17, Prakasam Street T.Nagar, Chennai – 600 017	26.09.2003	2.30 P.M.