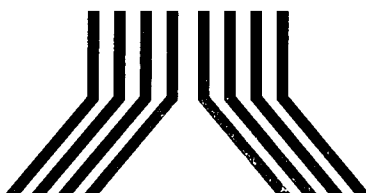




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*18th ANNUAL REPORT 2006 - 07*



## KOTHARI PETROCHEMICALS LIMITED

BOARD OF DIRECTORS	B.H.Kothari - Chairman & Managing Director N.Chandramouli P.S.Balasubramaniam G.Narayanaswamy V.R.Deenadayalu P.K.Rudra
STATUTORY AUDITORS	R.Subramanian and Company Chartered Accountants, Chennai – 600 004.
INTERNAL AUDITORS	K.R.Sarangapani & Co Chartered Accountants, Chennai – 600 083.
LEGAL ADVISORS	S.Ramasubramaniam & Associates Advocates, Chennai – 600 004
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 to 28460394 Fax: 044 – 28460129
LISTING	The National Stock Exchange of India (NSE), Mumbai,

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Stock Code : Kotharipet

ISIN No.: INE720A01015

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**NOTICE TO THE MEMBERS**

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of the Members of Kothari Petrochemicals Limited will be held on Thursday, September 20, 2007 at 11.30 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 & Loss Account of the Company for the year ended March 31, 2007 and the Balance Sheet as on the date together with Director's Report and the Auditor's Report thereon.
2. To appoint a Director in the place of Mr. N. Chandramouli, who retires by rotation and being eligible offers himself for re- appointment.
3. To appoint Auditors and fix their remuneration.

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

"RESOLVED THAT M/s. R.Subramanian and Company, Chartered Accountants, Chennai, the retiring Auditors be and are hereby appointed as Auditors of the Company, to hold Office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration be fixed by the Board".

**Special Business**

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

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof for the time being in force, Mr. V.R.Deenadayalu, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act 1956, be and is hereby appointed as a Director of the Company, subject to retirement by rotation".

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

RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII, and/or any statutory modification(s) or re-enactment(s) thereof, Mr. B.H. Kothari be and is hereby appointed as Managing Director of the Company for a period of 5 (five) years with effect from December 01, 2006 to November 30, 2011 without any remuneration, subject however that Mr. B.H Kothari, Managing Director be paid sitting fees at such rate as paid to the other directors for attending the Board and Committee Meetings.

On behalf of the Board  
for Kothari Petrochemicals Limited

**B.H. Kothari**  
Chairman and Managing Director

Place : Chennai  
Date : July 30, 2007



## 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 WITH REGISTERED OFFICE OF THE COMPANY AT ANY TIME NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
2. The relevant Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted is annexed hereto.
3. A member or proxy should fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
4. All correspondence concerning change of address, transfer of shares etc may be made to the Registrars and Transfer Agents, M/s. Cameo Corporate Services Limited.
5. Share Transfer books and Register of Members will remain closed from Friday, 14.09.2007 to Thursday, 20.09.2007 (both days inclusive).
6. Shareholders are requested to bring the Annual Report, no additional copies will be provided.

### Explanatory Statement as required under Section 173(2) of the Companies Act, 1956

#### Item No.4

Mr.V.R.Deenadayalu was appointed by the Board as an Additional Director with effect from December 05, 2006, in accordance with Section 260 of the Companies Act 1956.

Pursuant to the said provisions, the Additional Director shall hold Office only upto the date of the ensuing Annual General Meeting and is eligible for appointment as a Director

A notice under Section 257 of the Company's Act, 1956 has been received from a member along with the requisite deposit, proposing the appointment of Mr. V.R.Deenadayalu as Director of the Company at the ensuing Annual General Meeting who is liable to retire by rotation.

None of the Directors is interested in the resolution except Mr.V.R.Deenadayalu, the proposed appointee.

#### Item No.5

Mr. B.H. Kothari has been appointed as the Managing Director of the Company for a period of 5 (five) years with effect from December 01, 2006 by the Board on December 05, 2006 subject to Shareholders approval.

No remuneration is to be paid except sitting fees of Rs.5000/- or any amount fixed by the Board from time to time for attending a meeting of the Board or Committees thereof.

Mr. B.H. Kothari is concerned and is interested in this resolution as it relates to his appointment. No other director is directly or, indirectly, interested or concerned in this resolution.

The Board of Directors recommend the passing of the proposed resolution.

On behalf of the Board  
for Kothari Petrochemicals Limited

Place : Chennai  
Date : July 30, 2007

**B.H. Kothari**  
Chairman and Managing Director

**ANNEXURE TO THE NOTICE**

THE INFORMATION IN RESPECT OF ITEM NO.2 & 4 PURSUANT TO SEBI CODE FOR CORPORATE GOVERNANCE ABOUT DIRECTORS SEEKING RE-APPOINTMENT IN THIS ANNUAL GENERAL MEETING ARE FURNISHED HEREUNDER

Particulars	Item No.2	Item No.4
Name of the Director	Mr.N.Chandramouli	Mr.V.R.Deenadayalu
Date of Birth	February 06, 1943	May 24, 1932
Date of Appointment	September 26, 2003	February 02, 1995
Qualification	B.E. Chemical Engineering	B.E. Mechanical Engineering
Experience in specific functional areas	Mr. N Chandramouli has over 40 years of experience at various levels in both Public Sector undertaking (NLC/IPCL/CPCL) and private sector ( EID Parry and KSCL) experienced in implementation of various chemical projects and has held senior management positions. Travelled to various countries on business trips. Participated in many committees appointed by Government.	He was the Chief Executive of BHEL, Trichy for 8 years and was the Chairman & Managing Director of Madras Refineries Limited. He was the recipient of Sir Jahangir Gandhi medal for Industrial peace instituted by XLRI, Jamshedpur. He Chairman of Bharathidasan Institute was former 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. Kothari Biotech Limited 2. Kothari International Trading Limited	1. Meltraack (I) Limited
Chairman/ Member of the Committee of the Board of Directors of the Company	1. Audit Committee - Member 2. Share Transfer cum Shareholder Grievances Committee - Member	Audit Committee - Member
Chairman/ Member of the Committee of the other companies in which he is a Director	Nil	Nil



Dear Shareholders,

The Board of Directors of your company present the 18th Annual Report on the business and operations, together with Audited Financials for the year ended 31st March 2007.

### Financial Performance

(Rs. in lacs)

Particulars	2006-2007	2005-2006
PBIDT	733.97	16.65
Interest	—	—
PAT	733.97	16.65
Depreciation & Goodwill	180.84	2.04
Profit after Depreciation & Goodwill	553.13	14.61
Fringe Benefit Tax	1.26	—
Profit After Tax	551.87	14.61

### Performance for the financial year 2006-07

The Company has achieved a turnover of Rs.7,335.57 lacs for the year ended March 31, 2007.

The plant adheres to excellent safety norms and conducts periodical audits, training programme on chemical and safety exercises. The entire plant area is covered with green belt and additional efforts for improving the same will continue in the coming years. The plant adopts zero effluent concepts.

Today the plant is accredited with QMS (ISO 9001 - 2000) and EMS (ISO 14001) after a surveillance audit was conducted by M/s.Det Naorske Veritas, Germany.

### Scheme of Merger

The Hon'ble High Court of Judicature at Madras, by its Order dated November 10, 2006 approved the Scheme of Merger under Sections 391-394 of the Companies Act, 1956 (The Scheme) for acquisition of Primetra Technologies Private Limited, a polymer manufacturing Company. The Scheme became effective from April 1, 2006 under the said Court order.

In terms of the sanctioned Scheme 2,66,40,000 numbers of equity shares of Rs.10/- each were allotted during the year to the Promoters and their shareholding has increased to 66.61% from 38.99%.

### Dividend

The Directors do not recommend a dividend for this year, in view of accumulated losses.

### Future Businesses

The Plant is in the process of enhancing its capacity from 8400 TPA to 22000 TPA to augment the growing demand for special grades of PIB in India. The Company has also identified potential markets to export PIB during the current financial year.

### Energy Conversion

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 furnished in 'Annexure 1'

### Public Deposit

The Company has not accepted any Public Deposit during the year and there was no outstanding deposit anytime during the year.



## DIRECTORS' REPORT

### Directors

Mr.N.Chandramouli, director is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.P.K.Rudra was appointed as a director in a casual vacancy on December 5, 2006 arising on account of the sudden demise of Mr.T.Dulip Singh, director.

Late Mr.T.Dulip Singh was a director of the Company from May 14, 1998 and Board acknowledges and places on record the invaluable services rendered by him.

### 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 the directors had selected such accounting policies and applied them consistently and made judgment 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 the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
4. that the directors had prepared the annual accounts on a going concern basis.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Industry Structure and Development

This industry comprises units primarily engaged in manufacturing of petrochemicals used for a variety of commercial purposes, which are chemicals derived from petroleum and natural gas. The product, Poly Isobutene (PIB) is a substance composed of molecules with large molecular mass composed of repeating structural units connected by covalent chemical bonds. PIB is extensively utilized by the automotive lub-oil and additives manufactures. The demand is stable over the past 5 years. The proposed enhancement of production capacity would place our Company as a leader in this Industry.

The PIB is being used in many other industrial applications apart from additives and lubricants such as cable jelly, cattle feed preservation and emulsification, in Chemical, Rubber, Plastics and Paper Industries. These diversified applications, versatile usage of PIB would enhance its demand in the coming years.

#### Opportunities and Threats

Across the globe, PIB (special grades) has a potential demand because of its versatile applications. There is a good export potential in the regions of Asia Pacific, Middle East, Far Eastern Countries and USA.

Giants like Infineum, Castrol have accepted our products because of its quality, which could enhance our presence in the global market. The growing international demand is a good sign and would improve the PIB sales and the margins too. With a few customers we are trying to tie up on LPG linked prices, which could add to our stability in pricing of PIB. The buoyant price of feed stock (LPG) results in low realization for our product (PIB).

#### Outlook

Presently the raw material (feedstock) is sourced from a Private Company in Hazira in addition to the feedstock supplied by Chennai Petroleum Corporation Limited.

The estimated demand of PIB in India would be constant in the coming years at current levels. Additionally the international market is expected to expand its requirements for special grades of PIB produced by the Company.

**Risks and Concerns**

The buoyant raw material price is an absolute threat to maintain a competitive price for PIB in the market. Further, in the export market, the realisation is affected by rupee appreciation and additional cost of quality to match with other big players in the global industry. Competitors exert pressure on the prices of PIB in the Indian market as well.

**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 internal Controls implemented by the Company, ensures achieving efficiency of operations, optimum utilization of resources and effective monitoring thereof and compliances with all applicable statutes.

The Company ensures adherence to all internal control policies and procedures. The Audit Committee of the Company comprising of qualified and independent directors reviews the adequacy of internal controls.

**Human Resources / Industrial Relations**

The Company has a team of able and experienced professionals among a total of 90 employees. The relationship between the management and employees is cordinal.

**Corporate Governance**

We believe that Corporate Governance is at the heart of Shareholder value creation. Our governance practices along with the Auditor's Certificate on its compliance are attached hereto as an Annexure to this report.

**Re-appointment of Auditors**

The Auditors, M/s.R.Subramanian and Company, Chartered Accountants, Chennai, retire at the Annual General Meeting and have confirmed their eligibility to accept Office, if re-appointed.

**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 and all its business associates.

The Directors place on record their appreciation for the continued support and co-operation they have received from Financial Institutions, Banks, Central and State Government.

On behalf of the Board  
for Kothari Petrochemicals Limited

Place : Chennai  
Date : July 30, 2007

**B.H. Kothari**  
Chairman and Managing Director



**DIRECTORS' REPORT****Annexure I****FORM A****Form for disclosure of particulars with respect to conservation of energy****A. Power and fuel consumption**

<b>1. Electricity</b>	Current year
<b>(a) Purchased</b>	
Unit (Kwh)	46,02,750
Total Amount (Rs.)	1,68,90,848
Rate/unit (Rs.)	3.67
<b>(b) Own generation</b>	
(i) Though diesel generator	
Units	—
Unit per-litre of diesel oil	—
Cost/Units	—
(ii) Through steam turbine/generator	
Units	1,72,140
Units per-litre of fuel oil/gas	3.188
Cost/units	10.79
<b>2. Coal (specify quality and where used)</b>	
Quantity (k.litres)	—
Total cost	—
Average rate	—
<b>3. Furnace oil</b>	
Quantity (K.litres)	—
Total amount	—
Average rate	—
<b>4. Others/internal generation (please give details)</b>	
Quantity	—
Total cost	—
Rate/unit	—

**B. Consumption per unit of production**

	<b>Standard (If any)</b>	<b>Current year</b>
Products (with details) in MT	—	10,667.50
Electricity (Unit per MT)	—	447.11
Furnace oil	—	—
Coal (specify quality)	—	—
Others (specify)	—	—

**Note:** Previous year figures are not applicable since the Scheme of Merger commenced from April 1, 2006.

**B. TECHNOLOGY ABSORPTION****FORM B**

(Form for disclosure of Particulars with respect to Technology Absorption)

Research and Development (R &amp; D) Nil

Expenditure on R &amp; D Nil

Technology absorption, adoption and innovation: Nil

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Total Foreign Exchange used and earned

Rs. in lacs

a.	Total Foreign Exchange earned	Nil
b.	Total Foreign Exchange outflow	7.36

**CORPORATE GOVERNANCE :**

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

**1. Company's Philosophy**

The Company takes feedback into account, by its periodic reviews of the guidelines to ensure continuing relevance and responsiveness to the needs of investors and other stakeholders. In our commitment to practice Corporate Governance, we are guided by core principles i.e. accountability, compliances, disclosures, ethical conduct, transparency and promote the interests of stakeholders including customers, employees, lenders, vendors, governments, Institutions and the Society.

**2. Board of Directors**

The present strength of the Board is six, comprising of three independent directors, and it meets the requirements of the Clause 49 of the Listing Agreement.

The Board of Directors details as on March 31, 2007 are tabulated hereunder:

Name of the Director	Category	No. of Board Meeting Attended	Attendance at presents AGM held on Aug. 28, 2006	No. of Director ship in other public companies	No. of Committee positions (as member/ chairman) held in other public Companies	
					Member	Chairman
Mr.B.H.Kothari	Chairman & Managing Director	7	Present	03	01	Nil
Mr.N.Chandramouli	Non-Independent	6	Present	02	Nil	Nil
Mr.P.S.Balasubramaniam	Non-Independent	7	Present	04	01	01
Mr.G.Narayanaswamy	Independent	5	Present	01	Nil	Nil
Mr.V.R.Deenadayalu	Independent	2	-	01	Nil	Nil
Mr.P.K.Rudra	Independent	2	-	Nil	Nil	Nil
Late Mr.T.Dulip Singh	Independent	3	Present	-	NA	NA

**Notes:**

- Mr.V.R.Deenadayalu was appointed as additional director on December 05, 2006
- Mr.P.K.Rudra was appointed as a director in casual vacancy on December 05, 2006
- Mr.T.Dulip Singh expired on November 19, 2006