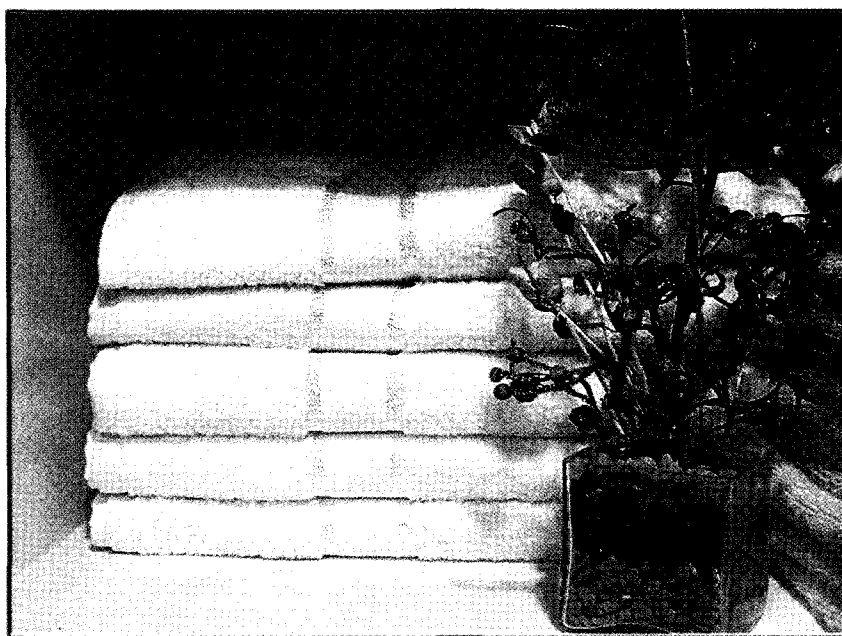




32nd ANNUAL REPORT 2011-2012



..... a touch of luxury, style and softness

KG PETROCHEM LIMITED

REGD. OFF. : C-171, ROAD NO. 9J, V.K.I. AREA, JAIPUR-302 013 (INDIA)

Ph. : 0141-2331231 • Fax : 0141-2332845

E-mail : admin@bhavikterryfab.com • Website : www.bhavik.biz



BOARD OF DIRECTORS

Mr. G.S. Kandoi : Chairman cum Managing Director
Mr. Manish Singhal : Executive Director
Mr. R. C. Maheswari : Whole Time Director
Mr. Nitin Jaipuria : Independent Director
Mr. Rameshwar Pareek : Independent Director
Mr. Amar Chand Gupta : Independent Director

MANAGEMENT EXECUTIVE

Mr. Vimal Tank : Company Secretary &
Compliance Officer

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BANKER

BANK OF BARODA, VKI AREA, JAIPUR
STATE BANK OF BIKANER & JAIPUR, M.I ROAD, JAIPUR

AUDITORS

M/S. KALANI & CO.
Chartered Accountants
Bapu Nagar, Jaipur-302015

CORPORATE ADVISOR

MR. SANJAY KUMAR JAIN
Company Secretary inPractice,
504-A, Fifth Floor, Pink Tower,
Tonk Road, Jaipur-302015

REGISTRAR & SHARE TRANSFER AGENT

M/s. Niche Technologies Pvt. Ltd
D-511, Bagree Market, 71, B. R. B. Basu Road
Kolkatta – 700001

DEPOSITORY PARTICIPANT

National Securities Depository Ltd.
Central Depository Services (India) Ltd

LISTING

Bombay Stock Exchange Ltd, Mumbai

WORKS

1. Plot No. SP-4/3, RIICO Industrial Area, Village & Post Keswana, Tehsil Kotputli, District Jaipur-303108
2. C-171, Road No.9 J, VKI Area, Jaipur 302013



MISSION STATEMENT

To be the global manufacturer and supplier of the highest quality products and services at a reasonable price to satisfy customers worldwide

VISION

We are dedicated to deliver superior stakeholder value with passion and entrepreneurial spirit

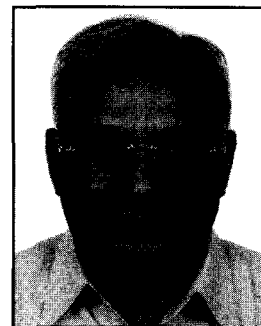
VALUE

Integrity - Never compromised

CHAIRMAN'S MESSAGE

Dear Fellow Shareowners,

My Colleagues on the Board and I extend warm welcome and express their gratitude to the all present here at this 32nd Annual General Meeting of your Company. The Audited Annual Accounts together with the Director's Report of the Company for the year 2011-12 and the Notice to the Shareholders have been in your hands for some time and with your permission I take them as read.



Looking at the market scenario and demand of terry garment, your company has decided to start up a new unit namely MANTIKA GARTEX at Jaipur, as woven sacks division has been closed. The unit will start commercial production from November 2012. The company continued its efforts in developing new market and acquiring new clients which lead to exponential growth in both domestic and export markets.

In view of current global economic growth slowing, growth level of India is likely to be impacted. Despite of challenging environment, KG PETROCHEM LIMITED (KGPL) performed reasonably well and grew its revenues. KGPL revenue from operation for the year ended 31st March 2012 was Rs.9704.62 lacs as against 7976.80 lacs in FY 2010-11, an increase of 21.66% on a year to year basis. KGPL also achieved its record level of exports (FOB) which were higher by 85.55% at Rs.4921.15 lacs as against Rs.2652.23 lacs FY 2010-11. Profit after tax was Rs.250.87 lacs as against Rs.98.07 lacs in previous year.

Textile Division: - During the year under review, its revenue from operations was Rs.8995.22 lacs including export (FOB) sales of Rs. 4921.15 lacs as against Rs.7239.57 lacs including export (FOB) of Rs.2652.23 Lacs in previous year, growth of 24.25%.

Agency Division: - The division has sold HDPE\LLDPE Granules 20911 MT amounting to Rs.17470 lacs in comparison of 16325 MT amounting to Rs. 12325 lacs and earned commission of Rs.85.51 lacs as compared to last year Rs. 68.68 lacs.

Woven Sacks Division - During the year under review, its revenue from operations was Rs.623.89 lacs only in comparison to previous year Rs.668.55 lacs. During current financial year the company has completely phased out from woven sack division to make room for new Garment Unit in the name & Style "Mantika Gartex".

Looking to overall financial position of your company it has earned cash profit of Rs. 1030.73 lacs.

I am grateful to the Board of Directors for their unwavering support and guidance. I take this opportunity to express my gratitude to all our shareholders, who have reposed trust in us and extended their constant support.

With best wishes

G.S. KANDOI

Chairman

21st June, 2012



NOTICE

Notice is hereby given that the 32nd Annual General Meeting of **KG PETROCHEM LIMITED** will be held on Wednesday, the 18th day of July, 2012 at 10.30 A.M at Registered Office of the Company to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Statement of Profit & Loss for the year ended on that date, together with the report of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. Amar Chand Gupta who retires by rotation in this annual general meeting and expressed his unwillingness for re-appointment.
3. To appoint Mr. Kamlesh Sharma, as a Director of the company whose period of office will be liable to retire by rotation.
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 to fix their remuneration:-
"RESOLVED that the M/s. P.C Modi & Co. Chartered Accountants, Jaipur from whom certificate pursuant to section 224(l-B) of the companies Act, 1956 has been received be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Audit Committee/Board of Directors of the company.

SPECIAL BUSINESS:

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

Resolved that in partial modification of the resolution passed and ratified by the share holders in Annual General Meeting held on 30.08.10 and in accordance with the provision of section 198, 309, 310, and other applicable provisions, if any of the Companies Act, 1956, read with schedule XIII of the Companies Act, 1956 (including any statutory reenactment thereof) and subject to such other approvals as may be necessary, for the time being in force, as amended from time to time the consent be and is here by accorded to the payment of the enhanced remuneration to Shri G.S Kandoi Chairman Cum Managing Director, of the company of **Rs. 2,00,000 Per Month** with effect from 01.04.2012 and other terms and condition as approved in the meeting of Remuneration committee.

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

Resolved that in partial modification of the resolution passed and ratified by the share holders in Annual General Meeting held on 30.08.10 and in accordance with the provision of section 198, 309, 310, and other applicable provisions, if any of the Companies Act, 1956, read with schedule XIII of the Companies Act, 1956 (including any statutory reenactment thereof) and subject to such other approvals as may be necessary, for the time being in force, the consent be and is here by accorded to the payment of the enhanced remuneration to Shri Manish Singhal, Executive Director of the company of **Rs. 2,00,000 per month** with effect from 01.04.2012 and other terms and condition as approved in the meeting of Remuneration committee

7. **To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution.**

Resolved that pursuant to section 314 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory reenactment thereof) and subject to such other approvals as may be necessary, for the time being in force, the consent be and is here by accorded to the payment of the enhanced remuneration from **Rs 35,000/- per month to Rs.100,000/- per month**, to Smt. Prity Singhal, (Relatives of Shri Manish Singhal, Executive Director and Shri G.S Kandoi. Chairman cum Managing Director) Chief Executive Officer of the Mantika Gartex Proposed Unit of the company with effect from 01.04.2012 and other terms and condition as approved by Remuneration committee."

8. **To consider and if thought fit, to pass with or without modification(s), the following resolution as Special resolution.**

"RESOLVED THAT pursuant to provisions of section 198, 269, 309, 310 and 311 read with schedule XIII & all other applicable provisions of the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force, and subject to the approval of Central Government or



such other approval, as may be necessary Shri Gauri Shanker Kandoi , Chairman Cum Managing Director of the Company whose tenure of appointment is going to expire on 29th July, 2012 be and is hereby re-appointed as Chairman-cum- Managing Director of the Company for a further period of three years commencing from 30th July, 2012 to 29th July, 2015 as per gist of terms and conditions submitted to this meeting and for identification, signed by chairman hereof, which agreement, be and is hereby specially approved."

"RESOLVED FURTHER THAT the board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution.

"RESOLVED THAT pursuant to provisions of section 198, 269, 309, 310 and 311 read with schedule XIII & all other applicable provisions of the Companies Act, 1956 1956 including any statutory modification or re-enactment thereof for the time being in force, and subject to the approval of Central Government or such other approval, as may be necessary Shri Manish Singhal, Executive Director of the Company whose tenure of appointment is going to over on 29th July,2012 be and is hereby re-appointed as Executive Director of the Company for a further period of three years commencing from 30th July,2012 to 29th July,2015 as per gist of terms and conditions submitted to this meeting and for identification, signed by chairman hereof, which agreement, be and is hereby specially approved."

"RESOLVED FURTHER THAT the board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

For & on behalf of the Board

Place: **JAIPUR**
Date : **21st June, 2012**

(**G.S Kandoi**)
Chairman Cum Managing Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself. A proxy need not be a member of the company. The Instrument appointing a Proxy in order to be effective should however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
2. The Register of member and Share Transfer Book of the company will remain closed from 13th July 2012 to 18th July, 2012 (both days inclusive).
3. Members are requested to notify change of address, if any, to the company.
4. Members are requested to put their signature at the space provided on the attendance slip annexed to the proxy form and handover the slip at the entrance of the place of the meeting.
5. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of Annual Report to the meeting.
6. Shareholders desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready at the meeting.
7. As per the provisions of the Companies Act, 1956 facility for making nomination is now available to the shareholders in respect of the shares held by them. Nomination form can be obtained from the Registrar & Transfer Agent of the company.

For & on behalf of the Board

Place: **JAIPUR**
Date : **21st June, 2012**

(**G.S Kandoi**)
Chairman Cum Managing Director



**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS
OF SECTION 173 OF THE COMPANIES ACT, 1956**

Item No. 3

The company has received notice under Section 257 of the Companies Act, 1956 from a member along with deposit of Rs. 500/- signifying the intention to Propose Mr. Kamlesh Sharma as Director of the company whose period of office will be liable to retire by rotation and accordingly the resolution was set out as item No. 3 of the accompanying notice for appointment of said director as liable to retire by rotation.

Item No. 4

The retiring auditors, namely M/s. Kalani & Co. , Chartered Accountant have express their unwillingness to be re-appointed and that a special notice in terms of provisions of section 190 of the Companies Act, 1956 read with section 225 of the act has also been received from shareholders of the company for the appointment of new auditors M/S P.C Modi & Co. , Chartered Accountants, Jaipur to the effect that in case of their appointment as Auditors of the Company, the appointment will be in accordance with the limits prescribed under Section 224(1B) of the Act.

Your directors are recommended the resolution for your approval.

None of the director if concerned or interested in this resolution.

Item No.5:

As Mr. G.S Kandoi Chairman Cum Managing Director of the company is providing their valuable & admirable service to the company, further **considering the inflationary trend and the substantially increase in the business activities of the company resulting the increase in the workload & Responsibilities of CMD and also the amount of remuneration payable to other similar position officials in other companies**, the Remuneration Committee had decided to increase the remuneration of Mr. G,S Kandoi from Rupees One Lac to Rupees Two Lac per month w.e.f.01.04.2012 for the remaining period of his tenure of appointment. The proposed remuneration is within the limit of schedule XIII of Companies Act, 1956, and other terms and condition as approved by the remuneration committee.

Your directors recommend the resolution for your approval.

No other director except Mr. G. S. Kandoi himself and Mr. Manish Singhal, being son of Mr. G. S. Kandoi is interested in the resolution.

Item No.6:

As Mr. Manish Singhal Executive Director of the company is providing their valuable service to the company, further he having vast experience in the field of Management and Marketing provided their admirable service to the company **and considering the inflationary trend and the substantially increase in the business activities of the company resulting the increase in the workload & responsibilities of Executive Director and also the amount of remuneration payable to other similar position officials in other companies**, the Remuneration Committee had decided to increase the remuneration of Mr. Manish Singhal from Rupees One Lac to Rupees Two Lac per month w.e.f.01.04.2012 for the remaining period of his tenure of appointment. The proposed remuneration is within the limit of schedule XIII of Companies Act, 1956, and other terms and condition as approved by the remuneration committee.

Your directors recommend the resolution for your approval.

No other director except Mr. Manish Singhal himself and Shri G. S. Kandoi, being father of Mr. Manish Singhal is interested in the resolution.

Item No.7 :

The Special resolution relates to payment of the enhanced remuneration of Rs. 100,000 per month to Smt. Prity Singhal, (Relatives of Shri Manish Singhal, Executive Director and Shri G.S Kandoi. Chairman cum Managing Director) Chief Executive officer of proposed unit of Mantika Gartex of the company with effect from 01.04.2012 and other terms and condition as approved by Remuneration committee.

Your directors recommend the resolution for your approval.

In view of the facts stated above and also as stated in the resolution, the special resolution is being placed for your approval. None of the Directors except Shri G.S Kandoi and Mr. Manish Singhal are concerned or interested in the said resolution.

Item No. 8.

As the tenure of Mr. G.S Kandoi, as Chairman and Managing Director of the Company is going to expire on 29th July,2012. Therefore remuneration committee at its meeting held on 6th June, 2012 recommended re-appointment of Mr. G. S. Kandoi as Chairman Cum Managing Director for further period of three years effective from 30th July, 2012 to 29th July, 2015. On the terms and condition set out in the draft agreement, subject to the approval of the company by way of special resolution:-

Period of appointment: 30th July, 2012 to 29th July, 2015

Remuneration:

Salary: Rs.2,00,000/- p.m. with suitable increases as may determined by the Board of Directors of the Company.

Perquisite, Allowance & others benefits:

Perquisites shall be allowed in addition to salary. Perquisites in Category- A and in excess of exemption from Income Tax in Category-B shall be restricted to an amount not exceeding 100% of annual salary.

Unless the context otherwise requires, perquisites are classified into three categories 'A', 'B' and 'C' as follows:-

Category "A"

This will comprise housing, medical reimbursement, leave travel concessions, club fees and other benefits, allowances, expenses etc. these may be provided for as under:

- I Housing: The expenditure incurred by the Company on hiring unfurnished accommodation subject to a Ceiling of sixty percent of the salary.
In case the accommodation is owned or taken on lease by the Company, the company shall deduct ten percent of the salary of the appointee.
- II Expenditure incurred by the company on Gas, Electricity, Water etc. will be valued as per Income Tax Rules, 1962.
- III Medical/Hospitalization Expenses Reimbursement of Expenses incurred for the appointee and the family in accordance with the rules of the company.
- IV Leave Travel Concession: Leave Travel Concession for self and family in accordance with the rules of the company.
- V Club Fees: Fees of Clubs subject to maximum of two clubs, admission and life membership fees to be paid as per rules of the Company.
- VI Personal Medical/ Accident Insurance etc.: Coverage for Personal Medical/ Accident Insurance/ Keyman Insurance or any other coverage as per rules of the Company and annual premium for the same to be paid by the company.

Any other benefits, facilities, allowance and expenses as may be allowed under Company rules/schemes.

Notes:

For the purpose of perquisites stated herein above, family means spouse, dependent children and dependent parents of the appointee.

Perquisites shall be evaluated as per Income Tax Rule wherever applicable and in the absence of any such rule. Perquisites shall be evaluated at actual cost.

Category B

Company's Contribution towards Provident Fund, Super-annuation Fund or Annuity Fund as per the Rules of the Company

Contribution to Provident Fund, super-annuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act 1961.

Gratuity payable shall be in accordance with the rule of the company.

Earned Leave on full pay and allowances as per the rules of the Company, leave accumulated shall be encashable of Leave at the end of the tenure, if any, will not be included in the computation of the ceiling on perquisites.

Category "C"

Provision of car with Driver for use in Company's business and telephone at residence will not be considered as

perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company. The appointee shall be entitled to reimbursement of entertainment expenses actually and properly incurred during the course of legitimate business of the company. The appointee shall be eligible for Housing, Education and Medical Loan and other Loans or facilities as applicable in accordance with the rules of the company.

Minimum Remuneration

Where in any financial year during the currency of tenure of the managing director, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites not exceeding the limits as specified above.

The terms and conditions of appointment and remuneration given herein may be altered and varied from time to time by the Board of Directors of the Company as it may at its discretion deem fit.

The board of directors recommends the passing of the resolution as set out as item no.8 of the accompanying notice for appointment of said director.

Further in accordance with the provisions of section 302 of the Companies Act, 1956, above said may kindly be treated as abstract of the terms of agreement as referred to above

No other director except Mr. G.S Kandoi, Chairman Cum Managing Director and Mr. Manish Singhal, Executive Director of the company are interested in this resolution.

Item No. 9

As the tenure of Mr. Manish Singhal, as Executive Director of the Company is going to expire on 29th July, 2012. Therefore remuneration committee at its meeting held on 06.06.2012 recommended re-appointment of Mr. Manish Singhal as Executive Director for further period of three years effective from 30th July, 2012 to 29th July, 2015. On the terms and condition set out in the draft agreement, subject to the approval of the company by way of special resolution:-

Remuneration:

Salary: Rs.2,00,000/- p.m. with suitable increases as may determined by the Board of Directors of the Company.

Perquisite, Allowance & others benefits:

Perquisites shall be allowed in addition to salary. Perquisites in Category-A and in excess of exemption from Income Tax in Category-B shall be restricted to an amount not exceeding 100% of annual salary.

Unless the context otherwise requires, perquisites are classified into three categories 'A', 'B' and 'C' as follows:-

Category "A"

This will comprise housing, medical reimbursement, leave travel concessions, club fees and other benefits, allowances, expenses etc. these may be provided for as under:

Housing: The expenditure incurred by the Company on hiring unfurnished accommodation subject to a Ceiling of sixty percent of the salary.

In case the accommodation is owned or taken on lease by the Company, the company shall deduct ten percent of the salary of the appointee.

- II Expenditure incurred by the company on Gas, Electricity, Water etc. will be valued as per Income Tax Rules, 1962.
- III Medical/Hospitalization Expenses Reimbursement of Expenses incurred for the appointee and the family in accordance with the rules of the company.
- IV Leave Travel Concession: Leave Travel Concession for self and family in accordance with the rules of the company.
- V Club Fees: Fees of Clubs subject to maximum of two clubs, admission and life membership fees to be paid as per rules of the Company.
- VI Personal Medical/ Accident Insurance etc.: Coverage for Personal Medical/ Accident Insurance/ Keyman Insurance or any other coverage as per rules of the Company and annual premium for the same to be paid by the company.

Any other benefits, facilities, allowance and expenses as may be allowed under Company rules/schemes.



Notes: For the purpose of perquisites stated herein above, family means spouse, dependent children and dependent parents of the appointee.

Perquisites shall be evaluated as per Income Tax Rule wherever applicable and in the absence of any such rule. Perquisites shall be evaluated at actual cost.

Category B

Company's Contribution towards Provident Fund, Super-Annuation Fund or Annuity Fund as per the Rules of the Company

Contribution to Provident Fund, Super-annuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act 1961.

Gratuity payable shall be in accordance with the rule of the company.

Earned Leave on full pay and allowances as per the rules of the Company. Leave accumulated shall be Encashable of Leave at the end of the tenure, if any, will not be included in the computation of the ceiling on perquisites.

Category "C"

Provision of car with Driver for use in Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company.

The appointee shall be entitled to reimbursement of entertainment expenses actually and properly incurred during the course of legitimate business of the company.

The appointee shall be eligible for Housing, Education and Medical Loan and other Loans or facilities as applicable in accordance with the rules of the company.

Minimum Remuneration

Where in any financial year during the currency of tenure of the managing director, the company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites not exceeding the limits as specified above.

The terms and conditions of appointment and remuneration given herein may be altered and varied from time to time by the Board of Directors of the Company as it may at its discretion deem fit.

The board of directors recommends the passing of the resolution as set out as item no. 9 of the accompanying notice for appointment of said director.

Further in accordance with the provisions of section 302 of the Companies Act, 1956, above said may kindly be treated as abstract of the terms of agreement as referred to above

No other director except Mr. G.S Kandoi, Chairman Cum Managing Director and Mr. Manish Singhal, Executive Director of the company are interested in this resolution.

For & on behalf of the Board

Place: JAIPUR
Date : 21st June, 2012

(G.S Kandoi)
Chairman Cum Managing Director



**BRIEF DETAILS OF DIRECTORS SEEKING
APPOINTMENT / RE-APPOINTMENT AS REQUIRED UNDER
CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE(S)**

Name of Director	Shri Gauri Shanker Kandoi	Shri Manish Singhal	Shri Amar Chand Gupta	Shri Kamlesh Sharma
Date of Birth and Age	07.11.1943 (68 Years)	10.08.1972 (40 Years)	26.08.1944 (66 Years)	06.09.1969 (42 Years)
Nationality	Indian	Indian	Indian	Indian
Date of Appointment on the Board	05.09.2003	01.06.2000	26.06.2006	Proposed in ensuing AGM
Qualification	B.E (Mechanical) From Bits Pilani	M.S Chemical Form University of Florida USA & B.Tech. from IIT Delhi	B.E. (Electricals) From Bits Pilani)	Hr. Secondary
Expertise in Functional Areas	Management & Finance	Management & Marketing	Production	Insurance
Share Holding in Company	904250	789000	Nil	Nil
Directorship held in other companies	Nil	Nil	Nil	Chrome International Co. Ltd
Chairmanships/ Memberships of Committees of Board of Directors of other Companies	Nil	Nil	Nil	Nil
Relationship With Directors inter-se	Nil	Nil	Nil	Nil

DIRECTORS' REPORT

Dear Shareholders,

Your directors are pleased to present their 32nd Annual Report and audited MT accounts for financial year ended on 31st March, 2012.

FINANCIAL RESULTS

The financial performance of the Company for the year ended March 31, 2012 is summarized below:-

Particulars	(Rs. in Lacs)	
	2011-2012	2010-2011
Sales/income from operation	9704.62	7976.80
Add : Other Income	127.94	118.70
Less : Total Expenditure (Including variation in stock)	8219.33	7058.21
Profit before Interest, Depreciation & Tax	1613.23	1037.29
Less : Financial Expenses	588.91	351.64
Profit before depreciation & Tax	1024.32	685.65
Less : Depreciation	669.36	567.41
Add : Withdrawal from Capital Reserve	15.02	41.94
Provision for Taxation (including Defferred Tax)	119.11	62.11
Profit/(Loss) after Tax	250.87	98.07

RESULT OF OPERATIONS

During the year under review the company was able to improve its performance in revenues from operations. Despite of challenging environment, the company has performed reasonably well and grew its revenues. The revenue from operation of the company for the year ended 31st March 2012 was Rs.9704.62 lacs as against Rs.7976.80 lacs in FY. 2010-11, an increase of 21.66% on a year to year basis. Profit after tax was Rs.250.87 lacs as against Rs.98.07 lacs in previous year.

Further Segment wise result of operation is as under:-

Textile Division:- During the year under review, its revenue from operations was Rs. 8995.22 lacs including export sales of Rs. 4921.15 lacs (FOB) as against Rs 7239.57 lacs including export of Rs 2652.22 Lacs (FOB) in previous year, growth of 24.25 %.The division has performed well during the year under review. The division had also achieved its record level of exports (FOB) which were higher by 85.55% at Rs.4921.15 lacs as against Rs.2652.23 lacs FY 2010-11. Due to increase in demand of embroidered Towel, Company has decided to add more embroidery machine along with other Machineries.

Agency Division- The division has sold HDPE/LLDPE Granules 20911 MT amounting to Rs.17470 lacs in comparison of 16325 MT amounting to Rs. 12325 lacs and earned commission of Rs. 85.51 lacs as compared to last year Rs. 68.68 lacs.

Woven Sacks Division:- During the year under review, its revenue from operations was Rs. 623.89 Lacs in comparison to previous year Rs.668.55 Lacs i.e. decreased 6.68%. During the current financial year the company completely closed manufacturing activities of the division.

New unit: Looking at the market scenario and demand of terry garment, Board has decided to start up a new unit namely MANTIKA GARTEX at Jaipur, as woven sack division has been closed. The unit will start commercial production from November 2012 onwards.

NET WORTH

The year saw your Company's Net worth growing from Rs. 1792.28 lacs in the previous year to Rs. 2058.42 lacs as on 31st March, 2012.

PERSONNEL

During the year under review, industrial relations continue to be cordial. The Board wishes to place on record its appreciation for the valuable services rendered by the entire work force, during the year under review, achieved good quality production.

There were no employees whose remuneration was in excess of the limits prescribed under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIVIDEND

In order to conserve the resource of the company, your Directors express their inability to recommend a dividend for the financial year ended on 31st March, 2012.

DIRECTORS: In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Amar Chand Gupta who retire by rotation at the ensuing AGM has tendred his unwillingness to be continued a director with effect from 18.07.2012 for reappointment.

The Company has received notice under section 257 of Companies Act,1956 from a member along-with his deposit of Rs. 500/- signifying the intention to propose Mr. Kamlesh Sharma as Independent Director of the company whose period of office is liable to retire by rotation.

Further the board in its meeting held on 21.06.2012 recommended for reappointment of Mr. G.S.Kandoi, as Chairman Cum

Managing Director and Shri Manish Singhal as Executive Director subject to approval of Shareholders in their ensuing Annual General Meeting. w.e.f. 30.07.2012 respectively for further period of three years.

Brief resume of the above appointee Directors are given elsewhere in the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

In terms of section 217 (2AA) of the Companies Act, 1956, your Directors confirm as under:-

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments 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 as at 31st March, 2012 and of the profit of the Company for the year;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. That the annual accounts were prepared on a going-concern basis.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Reports on Corporate Governance and Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement are separately given in the Annual Report and forms part of the Director Report.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Management continuously review the internal control systems and procedure for the efficient conduct of the company's business. The Internal Auditors of the company conducts the audit on regular basis and the audit committee actively reviews internal audit reports and effectiveness of internal control systems.

AUDITORS & AUDITOR'S REPORT

The Company's Auditors, M/s. Kalani and Co., Chartered Accountants, Jaipur who retire at the ensuing AGM, have express their unwillingness to be reappointed as Auditor of the company.

A Special notice in terms of provision of Section 190 of the Companies Act, 1956 read with section 225 of the Act has also been received from share holders of the company for the appointment of new auditor M/s. P.C Modi & Co., Chartered Accountants in place of the retiring auditors M/S Kalani & Co., Chartered Accountant from the conclusion of ensuing AGM. M/s. P.C Modi has confirmed their eligibility under section 224 of the Companies Act, 1956 for appointment as Auditors of the company.

The auditor report is self explanatory and their observation have been substantial dealt with the notes to the accounts and do not require any further clarification.

COST AUDITORS

As per order no. F.No. 52/26/CAB-2010 dated 24.01.2012 issued by Ministry of Corporate Affairs (Cost Audit Branch) it is necessary for the company to appoint the Cost Auditor for the financial year 2012-13.

On the recommendation of the Audit committee, the Board of Directors of the Company in their meeting held on 21.06.2012 has appointed M/s Chittora & Co., Cost Accountant as Cost Auditor of the Company to audit the cost record of the company for the financial year 2012-13.

PUBLIC DEPOSITS: During the year, the Company has not accepted any deposits under Section 58A of the Companies Act, 1956.

COMPLIANCE REPORT

Towards, company's commitment to transparency and due compliance of applicable laws, (the Board is pleased to enclose compliance report in annexure "A" for the year 2011-2012 as a part of the Director Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with Sec. 217(1)(e) of the companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rule,1988 is given in Annexure 'B' forming of this report.

ACKNOWLEDGEMENTS

Your Directors would like to express their appreciation for the assistance and co operation received from Central and State Government Authorities, Regulatory Bodies, Banks. The Board also recognized the contribution of the esteemed customers, vendors, bankers and business associates in the growth of the Company.

The Director also wish to acknowledge the committed and dedicated team of KG Petrochem whose unstinted hard work, efforts and ideas have taken the Company on a path of steady growth and Development. We take this opportunity to thank the employees for their contribution to the growth and success of your company. We would also like to thank all other stakeholders and business associate for their report.

For & on behalf of the Board of Director

Place: JAIPUR
Date : 21st June, 2012

(G.S Kandoi)
Chairman

**Annexure 'A' Annexed to Directors Report
COMPLIANCE REPORT**

To

The Members

We are pleased to confirm that the Company has:

- Maintained all the books of accounts and statutory registers required under the Companies Act, 1956 ("the Act") and the rules made there under.
- Filed all the forms and returns and furnished all the necessary particulars with the Bombay Stock Exchange, SEBI, Ministry of Corporate Affairs and the Registrar of Companies, Rajasthan, as required by the Act and relevant Rules.
- Issued all notices required to be given for convening of Board/ Committee Meetings and General Meeting, within the time limit prescribed by law.
- Conducted the Board/Committee Meetings and Annual General Meeting as per the Act.
- The Board of Directors of the company is duly constituted. The appointment of directors has been made in accordance with the provisions of the Act.
- Complied with all the requirements relating to minutes of the proceedings of the meeting of the Directors/ Committee and the shareholders.
- Made due disclosure required under the Act.
- Not exceeded the borrowing powers.
- No penalties or strictures have been imposed on the company by the Stock Exchange, Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter related to Capital Markets during the last three years.
- The company has generally complied with the applicable provisions of the Listing Agreements with the Stock Exchanges.

For KG Petrochem Ltd.

Place: **JAIPUR**
Date : **21st June, 2012**

(G.S Kandoi)
Chairman

Annexure "B" Annexed to the Directors' Report

Annexure "B" Annexed to the Directors' Report

Particulars as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended 31st March, 2012.

CONSERVATION OF ENERGY

The Company's efforts at energy conservation through close monitoring and control are continue.

(a) The Energy Conservation measures taken are:

- (i) Providing energy efficient motors to reduce the consumption of power.
- (ii) Using Variable Frequency Drive (VFD) on compressor to reduce power consumption.
- (iii) Providing efficient lighting to reduce the light load.
- (iv) Providing transparent sheets on the roof where there is no false ceiling to switch off lights during the day time.
- (v) Using agro waste to generate steam in the Boiler which improves the environment

(b) Impact of the above measures for reduction of energy consumption and consequent impact on the cost of production of goods.

This will reduce the consumption as well as cost of power.

(c) Total energy consumption and energy consumption per unit of production in respect of industries specified in the schedule thereto. Impact of the above measures for reduction of energy and consequent impact on the cost of production of goods, as per Form 'A' below.

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

	<u>Current Year</u>	<u>Previous Year</u>
1. Electricity		
(a) Purchased		
Units	10905642 KWH	9104742 KWH
Total Amount (Rs.)	52128410.00	39301790.00
Rate/Unit (Rs.)	4.78	4.32
(b) Own generation		
Through Diesel Generator		
Units	243354	523269
Units per Ltr. of diesel oil	3.13	3.07
Cost/Unit	11.29	10.65
2. Coal, Petcoke, Husk, etc.		
(Used for Generation of Steam in Boiler)		
Steam (MT)	45010.73	444.72
Total Amount (Rs.)	34665013	26596223
Average Rate/MT (Rs.)	770.15	598.04

B. TECHNOLOGY ABSORPTION:

The company is using indigenous technology. However research & development (R&D) activities are carried out in the following areas, as per Form 'B' below.



FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

1. Research & Development (R&D)

- (a) Specific areas in which R&D carried out by the Company.
The company gives major emphasis on Research & Development in Production Development Activities relating to Manufacturing like designing of Towel, baby garments & Embroidery.
- (b) Standardization of raw material sources and process parameters to match best quality standard conforming to the product division.

2. Benefit derived as a Result of the above R&D

The continuous product development has helped the company to expand the market base. This also helped the company in reduction of cost and process scrap where ever possible.

3. Further plan and action

The growing competition and frequently changing market trends have made Research and Development a 'thrust area'. For the company, Research and Developments a continuous process and the company proposes to reinforce its R&D activities in the current and the coming years as well.

4. Expenditure on R & D

R & D expenditure have not been accounted for separately.

Technology Absorption, Adoption and Innovation

- (i) **Efforts in brief made towards Technology absorption, adoption being imparted and innovation.**
In-house training is being imparted to plant personnel to get conversant with The Technology Employed.
- (ii) **Benefits derived as a result of improvement cost reduction product development, import substitution etc.**
Up gradation and standardization in process parameters that helped in reducing process scrap and productivity improvement
- (iii) **Particulars of Technology Imported**
None

5. Foreign Exchange Earnings / Out go :

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The Company is engaged in the manufacture and export of Terry Towel. Your company is making efforts to increase export markets in the countries like South Africa, U.S.A., Canada and Europe. We foresee good potential in these countries.

Total foreign exchange earnings and outgo:

	<u>2011-12</u>	<u>2010-11</u>
Earnings	4931.17 Lacs	2652.23 lacs
Out go	279.28 Lacs	244.60 Lacs

For & on behalf of the Board

Place: **JAIPUR**
Date : **21st June, 2012**

(G.S Kandoi)
Chairman



MANAGEMENT DISCUSSION & ANALYSIS

The Report on Management discussion and Analysis in compliance with the Clause 49 of the Listing Agreement with the Stock Exchange is as under:

BUSINESS OF THE COMPANY

Your company is engaged in the business of manufacturing and services as well.

- (A) Manufacturing and marketing of Terry Towel, Made-ups, etc. in the domestic market as well as abroad- Textile Division
- (B) Manufacturing and marketing of HDPE/PP Woven Sacks- Woven Sack Division- The application of product covers cement, sugar, fertilizers etc.
- (C) Consignment Stockiest of GAIL (I) LTD. for marketing and distribution of polymers in Rajasthan- Agency Division

SEGMENT ANALYSIS AND REVIEW

A. TEXTILE DIVISION:

The Indian Textile industry is one of the largest and important sector in Indian Economy because of its contribution to the industrial output, employment and foreign exchange earnings.

Textile division of the Company has performed well. During the year, the division booked remarkable growth in revenue from operations by 24.25%. The division also accelerates its growth in the export (fob) turnover increased from Rs.2652.23 lacs to Rs.4921.15 lacs, i.e. growth of 85.55%. Due to increase in demand of embroidered towels, it has decided to add more embroidery machines. The management of your company is hopeful with regard to increase in turnover of division.

Looking at the market scenario and demand of terry garment, it has decided to start up a new unit namely MANTIKA GARTEX at Jaipur. The unit will start commercial production from November 2012.

On the other hand, prospect of higher domestic inflation, depreciating rupee and increase in interest rates are some of the challenges facing the industry at large.

B. WOVEN SACK DIVISION:

During the year under review, it revenue from operations was Rs. 623.89 in comparison to previous year Rs.668.55 Lacs i.e. decreased 6.68%. During the current financial year the company completely closed manufacturing activities of the division to make room for Mantika Gartex as Company wants to concentrate on Textile Division.

C. AGENCY DIVISION:

The division has sold HDPE/LLDPE Granules 20911 MT amounting to Rs.17470 lacs in comparison of 16325 MT amounting to Rs. 12325 lacs and earned commission of Rs. 85.51 lacs as compared to last year Rs. 68.68 lacs. The company is receiving good response from customers in this sector and is hopeful with regard to increase in turnover of agency division as the use of polymer product has become a necessity in day to day life.

BUSINESS OUTLOOK

With the efficient management and employee strength to boast of, the Company constantly endeavors to keep with the trend of increase in the turnover and reduction in expenses. We therefore hope to keep this trend going with ongoing efforts to increase the domestic as well as new foreign markets, adequately training the manpower to effect the reduction in costs and increase in productivity and efficiency. International as well as domestic competitive market environment continues to put pressure on the company's selling price of the product.

INTERNAL CONTROL SYSTEM

Commensurate with the size of the Company and nature of business, the Company has adequate system of internal control procedures. All the assets are safeguarded, protected against loss and all transaction are authorized, recorded and recorded correctly. The internal control system of the company are monitored and evaluated by external auditors and their internal audit report is periodically placed and reviewed by the Audit Committee of the Board of Directors.

FINANCE & FINANCIAL RISKS

During the year under review your company has maintained high liquidity position. It regularly makes payment of term loan installment.

STATUTORY COMPLIANCE

On obtaining confirmation of having complied with all the statutory requirements, a declaration regarding compliance of the provisions of various statutes is made elsewhere in this report.

INDUSTRIAL RELATIONS

As in the past, Industrial relations continued to remain cordial at the manufacturing units of the company.

HUMAN RESOURCES

The employees of the company are working in a healthy atmosphere. The Company is constantly endeavoring to source and develop skilled manpower at all levels. Lack of skilled manpower availability is a challenge of today. But the Company is constantly recruiting fresher and trains them to become suitably skilled.

For & on behalf of the Board

Place : JAIPUR
Date : 21st June, 2012

(G. S. Kandoi)
CHAIRMAN

CORPORATE GOVERNANCE REPORT

Corporate Governance Philosophy:

Corporate Governance is about credibility, transparency and accountability of the Board and Management towards shareholders and other investors of the Company. We believe in a Board of appropriate size, composition and commitment to adequately discharge its responsibilities and duties. We consistently review on a periodical basis all systems, policies and delegations so as to establish adequate and sound system of risk management and internal control. Given below is a brief report for the period 1st April 2011 to 31st March 2012 on the practice followed at KG Petrochem Limited toward achievement of good Governance Report:

(A) Composition of Board and record of other directorship held:

The Company is managed and controlled through a professional body of Board of Directors, which comprise of an optimum combination of Executive and Non-Executive Independent Directors headed by the Chairman. The present strength of Board of Directors is six, out of which three are Non-executive Independent Directors,. The independent directors do not have any pecuniary relationship or transactions with Company, which may affect independence in any manner.

The composition of the Board of Directors of the Company is in conformity with the provision of Clause 49 of the Listing Agreement. All the directors bring with them rich and varied experience in different facets of corporate functioning. The structure of the Board and record of their directorship, Committee membership, chairmanship and shareholding in the Company as on 31st March 2012 is as under:

Name of the Director	Category	Designation	No. of Other Directorships and Committees Memberships/ Chairmanships excluding KGPL			Share holding as on 31 st March 2012
			Director ship	Committee		
				Chairmanship	Membership	
Mr. G. S. Kandoi	Promoter Director	Chairman & Managing Director	-	-	-	904250
Mr. Manish Singhal	Executive Director	Whole Time Director	-	-	-	789000
Mr. Amar Chand Gupta	Non-Executive Independent Director	Director	-	-	-	-
Mr. Rameshwar Pareek	Non-Executive Independent Director	Director	7	2	3	-
Mr. Nitin Jaipuria	Non-Executive Independent Director	Director	-	-	-	-
Mr. Ramesh Chand Maheswari	Executive Director	Whole Time Director	-	-	-	-

(B) Board Meeting:

The Board of Directors of the Company met four times on 28.05.2011, 11.08.2011, 11.11.2011 and 13.02.2012 during the financial year ended 31st March 2012. The maximum time gap between two meetings was less than four months. The attendance of each Director at these meetings and the last Annual General Meeting was as under:

Name of the Director	Number of Board Meetings held during the tenure of directorship and attended by them		Attendance at last AGM held on 29.09.2011
	Held	Attended	
Mr. G. S. Kandoi	4	4	Yes
Mr. Manish Singhal	4	4	Yes
Mr. Amar Chand Gupta	4	4	Yes
Mr, Rameshwar Pareek	4	4	Yes
Mr. Nitin Jaipuria	4	4	Yes
Mr. Ramesh Chand Maheswari	2	2	Yes

The Board of the Company is provided with detailed notes along with the agenda papers in advance in respect of various items discussed in the Board meetings including particularly the followings:

1. Annual Business Plan including financial and operational plan.
2. Quarterly / Yearly financial statement.
3. Review of operation of Division.
4. Quarterly statutory compliance report.
5. Minutes of meeting of Audit Committee and other committees of the Board.
6. Appointment of senior executives.
7. Show cause, demand and other notices, which are materially important.

(C) Tenure:

Tenure of directorship of Mr. Amar Chand Gupta, who has been longest in the office, is liable to retire by rotation under section 255 of the Companies Act, 1956 at the 32nd Annual General Meeting and being eligible, offers himself for reappointment.

(D) Relationship among Directors:

Sr. No	Name of Director	Relationship
1.	Mr. G.S Kandoi (CMD)	Mr. Manish Singhal-Son
2.	Mr. Manish Singhal (Executive Director)	Mr. G.S Kandoi –Father

Except as details above, other Directors do not have any relationship with each other.

(E) Board Level Committees:

In accordance with the Listing Agreement with the stock exchange on Corporate Governance, the following committees, comprising highly experienced and professional board members, were in operation:

1. Audit Committee
2. Remuneration Committee
3. Investors' Grievance Committee
4. Share Transfer Committee
5. Finance Committee

AUDIT COMMITTEE: As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibility, an Audit Committee has been constituted, headed by an Independent Directors. All members are Non-Executive and independent Directors and each member has rich experience in financial sector. The terms of reference of Audit Committee include inter-alia appointment of cost auditor, systematic review of Accounting policies & practices, financial reporting process, adequacy of internal control systems and internal audit function, quarterly/ half-yearly financial statements and risk management policies. it also recommends appointment of Statutory Auditors and Internal Auditors and fixation of audit fees and discussion on audit reports.

The Audit Committee, as on 31st March 2012 consisted of the following three director:-

Chairman:- Mr. Amar Chand Gupta
Members:- Mr. Rameshwar Pareek
Mr. Nitin Jaipuria

The composition and term of reference of the Audit Committee are in conformity with the Listing Agreement and Companies Act, 1956.

The audit committee met four times during the financial year 2011-12 on 28.05.2011, 11.08.2011, 10.11.2011 and 13.02.2012. All the members of committee have attended all the four committee meetings. Audit Committee meetings are attended by Chief Executive Officer, Senior Executives of Accounts Department. The minutes of the meetings of the Audit Committee are placed before the Board for their information and confirmation.

REMUNERATION COMMITTEE:- The Board has set up the Remuneration Committee to determine on their behalf and on behalf of the share holders with agreed term of reference, the company's policy on specific remuneration packages for executive directors and any compensation payment.

The Remuneration Committee has been constituted of the following three directors:-

Chairman:- Mr. Amar Chand Gupta
Members:- Mr. Rameshwar Pareek
Mr. Nitin Jaipuria

Details of remuneration paid to Executive Directors for the year as approved by the Remuneration Committee is as under:

1.	Mr. G. S. Kandoi	Rs. 12.00 Lacs
2.	Mr. Manish Singhal	Rs. 12.00 Lacs
3.	Mr. Ramesh Chand Maheshwari	Rs. 1.13 Lacs

Investors' Grievance & Share Transfer Committees:

The Committee comprised of Mr. Amar Chand Gupta-Chairman, Mr. G. S. Kandoi & Mr. Manish Singhal- Members. Information's relating to Shareholders\ Investors complaints are regularly placed before the committee. No complaints received during the year, hence no any pendency for disposal as on 31.03.2012.

The Company Secretary of the Company acts as a Compliance Officer of the Company.

The minutes of the meetings of the Committee are placed before the Board for their information.

FINANCE COMMITTEE: Considering the volume of the Company's transactions with banks according to requirement of workings of the Company the Finance Committee comprising the following Directors: -

Chairman - Mr. G. S. Kandoi
Members - Mr. Manish Singhal
- Mr. Amar Chand Gupta

Terms of Reference of the said Committee are as follows:

1. Borrow moneys and exercise all powers to borrow moneys (otherwise than by issue of debentures) not exceeding Rs.100 Crore in aggregate at any time and taking all necessary actions connected therewith within the limit prescribed under law.
2. Provide guarantee including performance guarantee, issue letter of comfort and providing securities and taking all necessary actions connected therewith (subject to compliances u/s 372 A of Companies Act, 1956).
3. Review of banking arrangement and taking all necessary actions connected therewith including refinancing for optimization of borrowing costs (subject to overall limit of borrowing).
4. Review of the Company's financial policies, strategies and capital structure.
5. Review of Term loan/working capital and cash flow management.
6. Consider viability for issuance of new modes of securities including foreign funds subject to laws applicable.
7. Advise on financial matters/policies in overall interest of Company.

The minutes of the meetings of the Committee are placed before the Board for their information.

(F) CODE OF CONDUCT: All Directors and Senior Management Personnel of the Company have affirmed compliance with the provisions of the code of conduct for the financial year ended on March 31, 2012.

(G) CEO / CFO Certificate: Certificate from CEO / CFO for the financial year ended on March 31, 2012 has been provided elsewhere in the Annual Report.

(H) DISCLOSURES : Related party transactions as per AS-18 have been dealt with in note no. 3.1 of Financial Statement. These transactions are not in conflict with the interest of Company.

1. The Stock exchanges or The Securities and Exchange Board of India (SEBI) or any statutory authority on any matter related to capital markets have not imposed any strictures /penalties on the Company during the last three years.
2. The Company has adopted a Whistle Blower Policy and has established the necessary mechanism in line with clause 7 of Annexure1D to clause 49 of the Listing Agreement with the stock exchange, for employees to report concerns about unethical behavior. No personnel have been denied access to the audit Committee.

(I) MEANS OF COMMUNICATION

The annual, half-yearly and quarterly results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and published in newspapers accordingly i.e. The Financial Express & Khabron Ki Dunia. The company will also take necessary steps to display various disclosures / information on its website in due course. The Management Discussions and Analysis Report forms part of this Annual Report and is captioned "Management Discussion and Analysis" in Directors' Report

GENERAL SHAREHOLDER INFORMATION

a. Annual General Meeting

Date : 18th July,2012
Time : 10.30 A.M
Place : C-171, Road No 9J, VKI Area, Jaipur.

b. Book Closure Date : 13th July, 2012 To 18th July, 2012
(Both days inclusive)

c. Financial Calendar : Tentative Schedule for financial results is as under:

d. Dividend : No dividend being recommended by the Board.

e. Listing : Shares of the Company are listed on Bombay Stock Exchange. The Stock code no. is 531609 and Listing fees for the year upto Financial year 2012-13 has been paid.

Particulars	Tentative Schedule
Financial Results for the 1 st Quarter ending June 30,2012	Before Mid August 2012
Financial Results for the 2nd Quarter and half year ending September 30,2012	Before Mid November 2012
Financial Results for the 3rd Quarter and nine months ending December 31,2012	Before Mid February 2013
Financial Results for the last Quarter and financial year ending March 31,2013	End of May 2013

- f. **Demat** : The Company has signed agreement with **NSDL** and **CDSL** for dematerialization of shares. ISIN No. of the Company for dematerialization of equity shares is INE902G01016 and 63.56% of issued share capitals of the Company have been dematerialized as on 31.3.2012.
- g. **Registrar & Share Transfer Agent** : M/s Niche Technologies Pvt. Ltd.,
D-511, Bagree Market, 71, B.R.B. Basu Road, Kolkata- 700 001
- h. **Share Transfer System/ Listing** : The Company's shares are traded in the Bombay Stock Exchange in compulsory Demat mode. Physical shares, which are lodged for transfer, are processed at Niche Technologies Private Limited (RTA) and returned to the shareholders within 30 days from the date of receipt subject to documents being valid and complete in all respects.
- i. **Location of works** :
- Textile Division** : SP4/3, RIICO Industrial Area, Vili & Post: Keswana, Tehsil: Kotputli, Distt: Jaipur- 303108
- Woven Sacks & Agency Division** : C-171, Road No. 9J, VKI Area, Jaipur
- j. **details of last three AGM**

Year	Venue	Date	Time	Special Resolution passed*
2011-31 st	C-171, Road No. 9J, V.K.I. Area, Jaipur- 302013	29.09.2011	11.00 A.M	Nil
2010 – 30 th	C-171, Road No. 9J, V.K.I. Area, Jaipur- 302013	30.08.2010	11.00 A.M	One
2009 – 29 th	C-171, Road No. 9J, V.K.I. Area, Jaipur- 302013	23.09.2009	11.00 A.M	Nil

*During the year under review the Company has not passed any Resolution through Postal Ballot

k. Distribution of shareholding as on 31st March 2012

No. of Share Holders	Shareholders %	Number of Shares	No. of Shares Held	Shareholding Percentage
115	46.748	1 - 500	41500	0.7958
95	38.6179	501 - 1000	84500	1.6185
12	4.8780	1001 - 5000	21700	0.4156
1	0.4065	5001 - 10000	6400	0.1226
5	2.0325	10001 - 50000	154400	2.9573
4	1.6260	50001 -100000	308200	5.9031
14	5.6911	100001 & above	4604250	88.1871
246	100.00		5221000	100.00

l. Category wise Distribution of shareholding by ownership as on 31.03.2012

Category	Number of Shares	Shareholding Percentage
Promoters	2955850	56.615
Corporate Bodies	600800	11.507
Indian Public	1664250	31.876
TOTAL	5221000	100.00

m. Market Price Data: Monthly high and low prices of the equity shares of the company traded at BSE is given below.

Months	KG PETROCHEM LTD		BSE Sensex	
	High(Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2011	21.50	19.45	19811.14	18976.19
May 2011	17.45	17.45	19253.87	17786.13
Feb2012	18.30	18.30	18523.78	17061.55
March 12	24.00	24.00	18040.69	16920.61

* No transaction took place from the month of June ,2011 to January 2012.



n. Investor Correspondence:

The Shareholders may address their communication to the Registrar and Share Transfer Agent at their address mentioned above or to the Company Secretary, C-171, Road No. 9 J, VKI Area, Jaipur-302013.

- o. Correspondence Address:** C-171, Road No. 9J, VKI Area, Jaipur-302013

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the company has adopted a code of conduct for its board members and senior management of the company.

I confirm that the company has in respect of the financial year ended March 31, 2012, received from the members of the Board and senior management team of the company a declaration of compliance with the Code of Conduct as applicable to them.

sd/-

Place: **JAIPUR**
Date : **28th May, 2012**

(G.S Kandoi)
Chairman

CERTIFICATE BY CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)

As required under Clause 49 of the listing agreement with the stock exchange, the undersigned hereby confirm the followings:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2012 and that to the best of our knowledge and belief;
 - ❖ These statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading,
 - ❖ These statements together present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct;
3. We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify the identified deficiencies;
4. We have informed the auditors and the audit committee of:
 - i. Significant changes in internal control for financial reporting during the year.
 - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, and
 - iii. There have been no instances of significant fraud of which we have become aware.

sd/-

(Manish Singhal)
CFO

sd/-

(G. S. Kandoi)
CEO

Place: **JAIPUR**
Date : **28th May, 2012**



AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE:

To,

The Members,
KG Petrochem Ltd.

We have examined the compliance of conditions of corporate governance by KG Petrochem Ltd. for the year ended on 31st March 2012 as stipulated in clause 49 of the listing agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management; our examination was limited to procedures and implementation thereof adopted by the company for ensuring the compliance of the conditions of corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above- mentioned listing agreement.

We further state that such compliance is neither an assurance as to future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For Kalani & Company
Chartered Accountants
FRN 00722C**

Place : **JAIPUR.**
Date : **28th May, 2012**

(Bhupendra Mantri)
Partner
(M. No. 108170)

AUDITOR'S REPORT

To,
The Members
KG Petrochem Limited

1. We have audited the attached Balance Sheet of KG PETROCHEM LIMITED as at 31st March 2012, the Statement of Profit and Loss and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the company, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of accounts as required by the law have been kept by the company as far as appears from our examination of those books.
 - iii) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - iv) In our opinion, the Balance Sheet and Statement of Profit and Loss dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of Companies Act, 1956.
 - v) On the basis of the written representations received from the directors as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the director is disqualified from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 as on 31st March 2012.
 - vi) Attention is drawn that Sales have been accounted for as soon as material is dispatched from factory gate as per Accounting Policy No.1.4 of Note No. 1 of the Financial statements.
 - vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of Balance Sheet, of the state of affairs as at 31st March, 2012;
 - b) In the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Kalani & Company
Chartered Accountants
FRN 000722C

Place : JAIPUR.
Date : 28th May 2012

(K.L. Jhanwar)
Partner
(M. No. 14080)

ANNEXURE TO THE AUDITOR'S REPORT

Statement referred to in paragraph (3) of our report of even date to the members of the KG PETROCHEM LTD. on the accounts for the year ended 31st March 2012.

- (i.) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which, in our opinion is reasonable, having regard to the size of the company and nature of the assets. No material discrepancies were noticed on such verification.
- (c) During the year, Company has not disposed off any substantial /major part of fixed assets; hence the going concern status of the company is not affected.
- (ii.) (a) As informed to us the inventory has been physically verified by the management during the year at reasonable intervals. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The company is maintaining proper records of the inventory. The discrepancies noticed by the management on verification between the physical stocks and the book records were not material.
- (iii.) (a) The company has not granted any unsecured loan to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly clause 4 (iii) (a) to (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (b) Unsecured loans taken from 2 (Two) persons covered in the register maintained under section 301 of the Companies Act, 1956 amounting to Rs. 148.00 Lacs outstanding at the year end and the maximum amount involved is Rs. 148.00 Lacs.
- (c) Interest and other terms and condition of loan taken are not prima facie prejudicial to the interest of the company.
- (d) Company is regular in payment of principal amount and interest.
- (iv.) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to the purchase of inventories, fixed assets, other assets and with regard to sale of goods. During the course of our audit, we have not observed any major weakness in internal controls
- (v.) (a) On the basis of checks carried out by us and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been entered.
- (b) In our opinion and according to the explanations and information given to us, the transactions in pursuance of the contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of rupees five lacs in respect of a party during the year have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- (vi.) According to the information and explanations given to us, company has not accepted deposits under provisions of Sections 58A and of the Companies Act, 1956.
- (vii.) In our opinion the company has internal audit system commensurate with the size and nature of its business.
- (viii.) According to information and explanation given to us, prima facie the company has maintained the cost records in respect of the products manufactured by it, as prescribed by Central Government under Section 209(1)(d) of the Companies Act 1956.
- (ix.) (a) According to the records examined by us the company is generally regular in depositing with appropriate authorities all applicable undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess & any other statutory dues applicable to it.
- According to the information and explanations given to us there were no undisputed amount payable in respect of Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess & any other statutory dues were in arrears, as at 31.03.12 for the period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Sales tax, Income tax, Customs duty, Wealth tax, Excise duty, Service tax & cess which have not been deposited on account of any dispute except the following.

Nature of Statue	Nature of Dues	Amount (In Rs.)	Period to which the amount relates (F.Y.)	Forum which dispute pending
Sercive Tax, 1961	Service Tax	37,35,730/-	2005-06 to 2008-09	CESTAT
Central Excise Act, 1944	Excise Duty	2,43,190/-	2001-02 to 2004-05 (Upto Feb-05)	CESTAT

- (x) There are no accumulated losses at the end of the financial year. Therefore, the provisions of clause 4 (x) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institutions or bank.
- (xii) According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or a nidhi/mutual benefit society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) The company is not dealing in or trading in the shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanation given to us, the company has prima facie applied the sum raised on term loans for the purposes for which the loans were obtained.
- (xvii) According to the records examined by us and information and explanations given to us and on overall examination of Balance Sheet and Cash Flow Statement of the company, we report that no funds raised on short-term basis have been used for long-term investments.
- (xviii) The company has not made any allotment of shares to the parties covered in register maintained under section 301 of the Companies Act, 1956.
- (xix) The company has not issued debentures during the year.
- (xx) The company has not raised any money through public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For KALANI & COMPANY,

Place : JAIPUR.
Date : 28th May 2012

Chartered Accountants
FRN 000722C

[K.L. JHANWAR]
Partner
M.No.14080

**KG PETROCHEM LIMITED
JAIPUR**



BALANCE SHEET AS AT 31ST MARCH 2012

Amount in Rs.

Particulars	Note No.	As at 31st March, 2012	As at 31st March, 2011
<u>EQUITY AND LIABILITIES</u>			
<u>Shareholders Funds</u>			
a) Share Capital	2.1	58,152,500	58,152,500
b) Reserves & Surplus	2.2	147,689,182	121,075,386
		205,841,682	179,227,886
<u>Non-Current Liabilities</u>			
a) Long Term Borrowings	2.3	279,259,950	306,696,031
b) Deferred Tax Liability (Net)	2.4	41,166,549	31,618,892
		320,426,499	338,314,923
<u>Current Liabilities</u>			
a) Short Term Borrowings	2.5	217,868,637	216,919,278
b) Trade Payable	2.6	28,278,681	68,082,653
c) Other Current Liabilities	2.7	146,175,641	144,514,139
d) Short Term Provisions	2.8	-	358,911
		392,322,959	429,872,981
		918,591,140	947,415,790
<u>ASSETS</u>			
<u>Non Current Asstes</u>			
a) Fixed Assets			
(i) Tangible Assets	2.9	487,375,669	505,070,789
(ii) Capital Work-in-Progress	2.10	361,884	5,812,643
b) Long Term Loan and Advances	2.11	6,773,711	10,792,873
		494,511,264	521,677,305
<u>Current Assets</u>			
a) Inventories	2.12	197,158,623	213,057,187
b) Trade Receivables	2.13	171,820,925	168,359,753
c) Cash and Cash Equivalents	2.14	1,653,514	4,333,610
d) Short Term Loan and Advances	2.15	1,225,021	3,304,962
e) Other Current Assets	2.16	52,221,793	36,682,974
		424,079,876	425,738,485
		918,591,140	947,415,790
<u>Contingent Liabilities</u>	2.17		

Significant Accounting Policies and Notes on
Financial Statements

1 to 3

In terms of our Audit Report of even date :
FOR KALANI & COMPANY
Chartered Accountants
FRN 000722C

(K.L. JHANWAR)
Partner
M. No. 14080

Place : JAIPUR
Date : 28.05.2012

For & on behalf of the Board
FOR KG PETROCHEM LTD.

(G. S. KANDOI)
Chairman Cum Managing Director

(MANISH SINGHAL)
Director

(VIMAL TANK)
Company Secretary



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON 31ST MARCH 2012

Amount in Rs.

Particulars	NOTE No.	Current Year 31st March, 2012	Previous Year 31st March, 2011
Revenue from Operation	2.18		
Sale of Product & Services		955,446,968	782,409,041
Other Operating Revenue		<u>43,982,227</u>	<u>25,097,889</u>
		999,429,195	807,506,930
Less : Excise Duty		<u>28,966,953</u>	<u>9,826,514</u>
Revenue From Operations (Net)		970,462,242	797,680,416
Other Income	2.19	<u>12,793,949</u>	<u>11,869,948</u>
Total Revenue		983,256,191	809,550,364
Expenses			
Cost of Materials consumed	2.20	559,791,076	545,757,330
Change in Inventory of Finished Goods and Work in Progress	2.21	(32,664,400)	(54,971,653)
Manufacturing Expenses	2.22	154,029,412	116,103,023
Employees Benefits Expenses	2.23	77,864,714	67,214,163
Finance Costs	2.24	58,890,846	35,164,244
Depreciation	2.9	66,936,293	56,741,067
Other Expenses	2.25	<u>62,912,525</u>	<u>31,718,201</u>
		947,760,456	797,726,376
Profit Before Exceptional & Extraordinary items and tax		35,495,725	11,823,988
Withdrawal from Capital Reserve (refer note no 2.2 : Reserve & Suplus)		1,502,031	4,194,309
Profit before Tax		<u>36,997,756</u>	<u>16,018,297</u>
Tax Expenses			
Current Tax (Net of MAT credit of Rs. 7,402,418) (Previous Year Rs. 2,356,580)			
Deferred Tax		9,547,658	6,110,185
Earlier Year Tax		<u>2,362,921</u>	<u>100,680</u>
		11,910,579	6,210,865
Profit for the year after Tax		25,087,177	9,807,431
Earning per Equity Shares :	2.26		
1. Basic		4.81	1.26
2. Diluted		4.81	1.26

Significant Accounting Policies and Notes on Financial Statements

1 to 3

In terms of our Audit Report of even date :

FOR KALANI & COMPANY
Chartered Accountants
FRN 000722C

(K.L. JHANWAR)
Partner
M. No. 14080

Place : JAIPUR
Date : 28.05.2012

For & on behalf of the Board
FOR KG PETROCHEM LTD.

(G. S. KANDOI)
Chairman Cum Managing Director

(MANISH SINGHAL)
Director

(VIMAL TANK)
Company Secretary



CASH FLOW STATEMENT FOR THE YEAR 2011-12

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	2011-12		2010-11	
	DETAILS	AMOUNT	DETAILS	AMOUNT
A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax as Per Profit & Loss A/c	36,997,755		16,018,297	
Adjusted for :-				
Interest paid	58,890,846		35,164,244	
Interest received	(8,609,649)		(4,183,351)	
Rent Income	(3,078,470)		(3,392,503)	
Loss/(Profit) on Sale of Fixed Assets	1,804,797		288,350	
Withdrawal from capital reserve	(1,502,031)		(4,194,309)	
Depreciation	66,936,293		56,741,067	
Operating Profit before Working Capital Changes	151,439,541		96,441,795	
Adjusted for:-				
(Increase) / Decrease in Trade Payables	(39,803,973)		(52,953,487)	
(Increase)/(Decrease) in Other Current Liabilities	1,304,592		4,004,925	
(Increase) / Decrease in Inventory	15,898,564		(126,444,788)	
(Increase) / Decrease in Trade Receivables	(3,461,172)		(25,043,639)	
(Increase) / Decrease in Loans and Advances	4,101,770		14,305,393	
(Increase) / Decrease in Other current assets	(9,619,897)		(18,539,650)	
Cash Generated From Operations	119,859,426		(108,229,450)	
Net Cash used in Operating Activities Before Extraordinary Items	119,859,426.00		(108,229,450)	
Less:- Extraordinary Items	-		12,600,000	
Cash Generated From Operations	119,859,426.00		(95,629,450)	
Less:- Taxes Paid	(6,284,510)		(601,000)	
Net Cash Flow/(used)From Operating Activities		113,574,916.00		(96,230,450)
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(51,554,999.00)		(160,451,204)	
(Increase)/decrease to CWIP	5,450,759.00		114,366,778	
Proceeds From Sales/written off of Fixed Assets	510,028.00		850,000	
Rent Income	3,078,470.00		3,392,503	
Net Cash Flow/(used) in Investing Activities		(42,515,742.00)		(41,841,923)
C) CASH FLOW FROM FINANCING ACTIVITIES				
Procurement of Borrowings	33,310,254.00		204,542,202	
Repayment of Borrowings	(59,796,976.00)		(36,899,907)	
Interest received	8,609,649.00		4,183,351	
Capital Subsidy under Tuf	3,028,649.00		5,407,559	
Interest paid	(58,890,846.00)		(35,164,244)	
Net Cash Flow/(used) From Financing Activities		(73,739,270.00)		142,068,961
Net Increase/(Decrease) in Cash and Cash Equivalent		(2,680,096)		3,996,588
Opening balance of Cash and Cash Equivalent		4,333,610.00		337,022
Closing balance of Cash and Cash Equivalent		1,653,514.00		4,333,610

NOTE : Cash and Cash Equivalent consists of following:-

	Rs.	Rs.
Cash on hand	323,460	318,223
Balances with Banks	1,330,054	4,015,387
Closing balance of Cash and Cash Equivalent	1,653,514	4,333,610

In terms of our audit report of even date
For Kalani & Company
Chartered Accountants
FRN: 000722C

For & on behalf of the Board
FOR KG PETROCHEM LTD.

(K.L. Jhanwar)
Partner
M. No. 14080

(G. S. Kandol)
Chairman cum Managing Director

(Manish Singhal)
Director

Place : JAIPUR
Dated: 28.05.2012

(Vimal Tank)
Company Secretary



KG PETROCHEM LIMITED

OVERVIEW

The company was originally incorporated on 29.2.1980 under Companies Act, 1956 as KG Petrochem Private Limited. The name of the company changed to KG Petrochem Limited as per fresh Certificate of Incorporation dated 24.8.1995 issued by Registrar of Companies, Rajasthan, Jaipur.

"Presently the company is engaged in the business of manufacturing and services as Under:- (i) Textile Division:- Manufacturing and marketing of terry towels, made-ups etc. in the domestic and inter-national market. (ii) Woven Sack Division : Manufacturing and marketing of PP/HDPE Woven Sacks and (iii) Agency Division : Consignment Stockiest of GAIL (India) Ltd. for marketing and distribution of polymers in Rajasthan."

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS

1) SIGNIFICANT ACCOUNTING POLICIES

1.1 System of Accounting and use of estimates.

The Company follows the mercantile system of accounting by following accrual concept in the preparation of accounts. The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

1.2 Valuation of Inventories (AS-2)

Inventories are valued at lower of cost and net realizable value. Cost is measured on first in first out basis.

1.3 Depreciation (AS-6)

Depreciation on fixed assets is provided for on straight line method in accordance with the provisions of Section 205(2) (b) of the Companies Act, 1956. Depreciation on additions/disposals during the year is provided on pro-rata basis. Individual asset costing less than Rs 5000/- has been fully depreciated in the year of purchase.

1.4 Revenue Recognition (AS-9)

Turnover are inclusive of excise duty and other related realisation but exclusive of Value Added Tax charged. Export sale has been recognised at the time of removal of goods from factory at invoice value (whether FOB or CIF) on the basis of exchange rates declared by Custom Department for that particular month.

"Duty Drawback Scheme are accounted for in the year of export at FOB value. Import Licence under DEPB Scheme and Focus Product Scheme are accounted for at net realisable value on accrual basis."

1.5 Fixed Assets (AS-10)

Value of Gross Block of fixed assets represent cost of acquisition, including non-refundable taxes & duties, expenditure on installations, attributable borrowing cost and other identifiable direct expenses incurred upto the date of commencement of commercial use of the assets.

1.6 Foreign Currency Transaction (AS-11)

"(i) Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of transaction.

(ii) Monetary items denominated in foreign currency at the year end and not covered by forward exchange contracts are translated at the year end rates and those covered by forward contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction such difference having been recognised over the life of the contract. Foreign exchange financial instruments in hand at the year end are valued mark to market. Any income or expenses on account of exchange difference either on settlement or on translation is recognised in the Statement of Profit & Loss Account."

1.7 Employee retirement benefits (AS-15)

Company's contribution paid / payable during the year towards provident fund scheme and employee state insurance scheme are recognized in the profit & loss account. Leave encashment is accounted for on cash basis.

1.8 Borrowing Cost (AS-16)

Borrowing cost that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying assets is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing cost are charged to revenue.

1.9 Taxes on Income (AS-22)

Current tax is determined as the amount of tax payable to the Taxation Authorities in respect of taxable income for the year. Deferred tax is recognized, subject to consideration of prudence, in respect of deferred tax assets, on timing differences being difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years.

In respect of unabsorbed depreciation / carry forward of losses under the tax laws, deferred tax assets are recognized only to the extent that there is virtual certainty that future taxable income will be available against which such deferred tax assets can be realized.

Credit in respect of Minimum Alternative Tax under Income Tax Act 1961 (MAT Credit – Entitlement) is recognized in accordance with guidance note issued by the Council of the Institute of Chartered Accountants of India.

1.10 Except where stated, accounting policies are consistent with the generally accepted accounting principles and have been consistently applied.

2) Notes On Accounts

"The previous year figures have been reworked, regrouped, rearranged and reclassified wherever necessary. Accordingly amounts and other disclosure for the preceding years are included as an integral part of the current year financial statement and are to be read in relation to the amounts and other disclosure relating to the current year."

NOTE NO 2.1: SHARE CAPITAL

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
Authorised :		
70,00,000 (70,00,000) Equity Shares of Rs.10/- each	70,000,000	70,000,000
Issued & Subscribed		
63,35,200 (63,35,200) Equity shares of Rs.10 each/-	63,352,000	63,352,000
Paid Up		
52,21,000 (52,21,000) Equity Shares of Rs.10/-each fully paid	52,210,000	52,210,000
Forefeited Equity Shares		
11,14,200 (11,14,200) Equity Shares (* figures in bracket are of Previous Year)	5,942,500	5,942,500
Total	58,152,500	58,152,500

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10 each. Holder of equity shares is entitled to one vote per share and Dividend as and when declared by the Company.

In case of partly paid up share the shareholder shall be entitled to dividend only on the paid up share capital.

In case any shareholder makes any default in payment of any call he shall not be entitled to vote in annual general meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts.

Reconciliation of the number of shares outstanding :-

	As at 31st March, 2012 No of shares	As at 31st March, 2011 No of shares
At the beginning of the year	6,335,200	6,335,200
Add: Issued during the year	-	-
Less: Bought Back during the year	-	-
At the end of the year	6,335,200	6,335,200

a) Shares held by each shareholder holding more than 5 percent of number of shares

Name of Shareholder	As at 31st March, 2012		As at 31st March, 2011	
	No.of Shares held	Percentage of holding	No.of Shares held	Percentage of holding
Mr. Gauri Shanker Kandoi	904,250	17.32%	904,250	17.32%
Mr. Manish Singhal	789,000	15.11%	789,000	15.11%
Mrs. Savitri Kandoi	401,000	7.60%	401,000	7.60%
Mr. Manish Singhal HUF	340,000	6.54%	340,000	6.54%
M/s. Baldevdas Gauri Shanker Kandoi- HUF	302,900	5.80%	302,900	5.80%

NOTE NO. 2.2: RESERVES & SURPLUS

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
a) Capital Reserve -Capital Subsidy (Under TUF Scheme)		
At the beginning of the year	7,890,986	6,677,736
Add; Additions during the year	3,028,649	5,407,559
Less: withdrawals/transfer	1,502,031	4,194,309
Balance at the year end	9,417,604	7,890,986
b) General Reserve		
At the beginning of the year	3,646,600	3,646,600
Add; Additions during the year	-	-
Less: withdrawals/transfer	-	-
Balance at the year end	3,646,600	3,646,600
c) Surplus		
At the beginning of the year	109,537,800	99,730,369
Add; Additions during the year	25,087,177	9,807,431
Less: withdrawals/transfer	-	-
Balance at the year end	134,624,978	109,537,800
Total	147,689,182	121,075,386

- i) The receipt of capital subsidy is for the processing machinery under the Technology Up gradation Fund Scheme (TUFS) circular no. 2 (2005-06 series) of Govt. of India Ministry of Textiles, office of the Textile commissioner, Mumbai. It is credited to Capital Subsidy under the head Reserve & Surplus subject to fulfillment of conditions.
- ii) As mentioned above the Company has availed Capital Subsidy forming part of cost of process Machinery. Proportionate amount of such capital subsidy is being withdrawn from Capital Reserve (Capital Subsidy) equal to relative depreciation. During the year Rs.1,502,031 (Previous year Rs.960,633) has been withdrawn from Capital Subsidy and for the prior period relevant amount of Rs NIL (Previous year Rs.3,233,676) of such capital subsidy is being withdrawn from Capital Reserve.

NOTE NO. 2.3 : LONG TERM BORROWINGS

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
Term Loan		
Secured		
From Bank		
1. Bank of Baroda		
Term Loan I (Repayable in 7 Quaterly installment)	45,500,000	72,300,000
Term Loan II (Repayable in 7 Quaterly installment)	11,400,000	17,800,000
Term Loan III (Repayable in 29 Quaterly installment)	249,218,750	-
Term Loan IV (Repayable in 32 Quaterly installment)	30,316,200	-
Total	336,434,950	90,100,000
Less : Current maturities of long term borrowings	71,975,000	33,200,000
	264,459,950	56,900,000
2. IDBI Bank	-	275,000,000
Less : Current maturities of long term borrowings	-	25,800,000
	-	249,200,000
3. HDFC Bank	660,814	1,476,541
(Repayable in 9 Monthly installment)		
Less : Current maturities of long term borrowings	660,814	880,510
	-	596,031
Loan from Directors	14,800,000	-
Total	279,259,950	306,696,031

1. The term loan of Rs.336,434,950 from Bank of Baroda is secured by way of equitable mortgage in favour of bank against all existing and future assets of the Company's textile division named as Bhavik Terryfab and further guaranteed by Mr. G. S. Kandoi and Mr. Manish Singhal, Directors of the company in their personal capacity.
3. Car Loan from HDFC Bank Ltd is secured by way of hypothecation of vehicle financed by HDFC Bank.

NOTE NO. 2.4 : DEFERRED TAX LIABILITIES

Considering accounting procedure prescribed by the standard, the following amounts have been worked out and provided in books:

	As at 31st March, 2012	As at 31st March, 2011
Major components of deferred tax balances		
Deferred Tax Liabilities		
Difference between accounting and tax depreciation	42,981,629	48430148
Deferred Tax Assets		
Unabsorbed Depreciation	1,815,079	16811256
Net Deferred Tax Liabilities	41,166,549	31,618,892

Net current deferred tax liability of Rs. 9,547,658 (Previous year Rs. 6,110,185) has been charged to Statement of Profit & Loss besides current tax of Rs.7,402,418 (Previous year Rs. 2,356,580) as per Income Tax Act, 1961.


NOTE NO. 2.5 : SHORT TERM BORROWINGS

		(Amount in Rs)	
		As at 31st March, 2012	As at 31st March, 2011
Loan payable on demand from Banks :			
Secured			
Bank of Baroda			
a. Cash Credit Account		199,961,405	182,975,589
b. FCNR Loan		-	29,565,743
State Bank of Bikaner & Jaipur (SBBJ)			
a. Over Draft Account		27,352	-
b. Bill Purchase Limit		17,879,880	-
iDBi Bank			
		-	4,377,946
Total		217,868,637	216,919,278

"Loans payable on demand from Bank of Baroda are secured by way of hypothecation of stock of Raw Material, Finished goods, Work in process, Store & spares, Book Debts and First charge on Fixed assets of the company. The loan is further personal guaranteed of Mr. G. S. Kandoi and Mr. Manish Singhal Directors of the company. Overdraft Limit from State Bank of Bikaner & Jaipur is secured by pledge of FDR of Rs. 100,000 and Bill purchased limit is secured against Letter of Credit."

NOTE NO. 2.6 : TRADE PAYABLE

		(Amount in Rs)	
		As at 31st March, 2012	As at 31st March, 2011
For Goods			
-Micro, Small & Medium Enterprises*			
		-	-
-Others			
		28,278,681	68,082,653
Total		28,278,681	68,082,653

Details of Dues to Micro Enterprises and Small Enterprises *

		As at 31st March, 2012	As at 31st March, 2011
1. Principal amount and the interest due there On (to be shown Separately) remaining unpaid to any suppliers as at the end of the accounting year (No amount is due for more than 45 days)		-	-
2. The amount of interest paid by the buyer in terms of section 16 of the micro small and medium enterprises Development Act, 2006, along with the amounts of the payment made to the supplier beyond appointed day during the accounting year.		-	-
3. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under micro small and medium enterprises Development Act, 2006.		-	-
4. The amount of interest accrued and remaining unpaid at the end of the accounting year.		-	-
5. The amount of Further interest remaining due and payable even in the succeeding year. Until such date when the interest due as above are actually paid to the small enterprises for the purpose of Disallowances as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006		-	-
* Above disclosure is made to the extent information received from the parties.			

NOTE NO. 2.7 :- OTHER CURRENT LIABILITIES

		(Amount in Rs)	
		As at 31st March, 2012	As at 31st March, 2011
a) Current maturities of long term borrowings (refer Note No. 2.3)		72,635,814	59,880,510
b) Statutory Liabilities		6,513,432	3,740,586
c) Liabilities for expenses		17,215,338	11,463,946
d) Advance from Customers		10,835,012	3,287,188
e) Security Deposit		1,433,204	310,825
f) Current Accountf		37,542,841	65,831,084
Total		146,175,641	144,514,139

NOTE NO. 2.8 : SHORT TERM PROVISIONS

		(Amount in Rs)	
		As at 31st March, 2012	As at 31st March, 2011
Provision for Income Tax	7,402,419	-	2,356,581
Less: Advance Tax (As per contra)	7,402,419	-	1,999,670
Total		-	356,911

Accounting Standard 29:- "Provisions , Contingent Liabilities and Contingent Assets" : Movement of Provisions:

Nature of Provision	Provision outstanding at the beginning of the year	Provision made during the year	Short Provision charged to Statement of Profit and Loss	Provision utilized during the year	Provision outstanding at the end of the year
Provision for Taxation	2,356,581	7,402,419	258,561	2,615,142	7,402,419



KG PETROCHEM LIMITED

NOTE NO. 2.9 FIXED ASSETS

S. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK				
		Opening balance As on 01.04.2011	Purchases/ Additions during the year	Sales/ Adjustments during the year	Total Cost As At 31.03.2012	Up to 31.03.2011	for the period	Written back	Reversed	Up to 31.03.2012	As At 31.03.2012	As At 31.03.2011
1.	Land	6,686,553	-	-	6,686,553	-	-	-	-	-	6,686,553	6,686,553
2	Factory Building	79,186,869	4,530,762	-	83,717,631	10,920,509	2,648,044	-	-	13,568,553	70,149,078	68,266,630
3	Staff & Labour Quarters	-	5,080,000	-	5,080,000	-	226	-	-	226	5,079,774	-
4	Plant & Machinery	585,567,883	37,551,080	9,503,466	613,624,497	193,247,041	61,300,788	-	9,028,293	245,519,536	368,104,961	392,329,842
5	Weighing Scale	87,814	-	-	87,814	57,935	4,171	-	-	62,106	25,708	29,879
6	Misc. Fixed Assets	9,150,114	-	-	9,150,114	1,730,861	426,515	-	-	2,157,376	6,992,738	7,419,253
7	Lab Equipment	1,340,984	154,415	-	1,495,400	290,018	67,364	-	-	357,382	1,138,018	1,050,966
8	Elect. & Water Fitting	17,614,514	1,077,233	-	18,691,747	3,708,839	860,385	-	-	4,569,224	14,122,523	13,905,675
9	DG Set	1,749,953	-	-	1,749,953	342,308	83,123	-	-	425,431	1,324,522	1,407,645
10	Weighbridge	608,543	-	-	608,543	152,925	28,906	-	-	183,831	426,712	455,618
11	Furniture & Fixtures	3,971,547	1,249,330	-	5,220,877	1,094,918	562,095	-	-	1,657,013	3,563,864	2,876,629
12	Vehicles	4,338,067	1,315,056	-	5,653,123	992,146	507,792	-	-	1,499,938	4,153,185	3,345,921
13	Office Equipment	1,111,778	395,140	-	1,506,918	358,717	70,056	-	-	428,773	1,078,145	753,061
14	Computer	2,383,192	101,570	-	2,484,762	1,473,766	346,376	-	-	1,820,142	664,620	909,426
15	IT Equipments	1,294,782	-	-	1,294,782	1,230,043	-	-	-	1,230,043	64,739	64,739
16	Office Building	820,700	-	-	820,700	70,770	13,377	-	-	84,147	736,553	749,930
17	Canteen Appliances	85,537	100,413	-	185,950	19,491	6,194	-	-	25,685	160,265	66,046
18	Medical Equipments	8,065,995	-	3,225,330	4,840,664	3,463,801	-	-	1,385,678	2,078,123	2,762,541	4,602,193
19	A.C. Equipments	229,072	-	-	229,072	77,019	10,881	-	-	87,900	141,172	152,053
TOTAL		724,302,896	51,554,999	12,728,796	763,129,099	669,362,93	66,936,293	-	10,413,971	275,753,429	487,375,669	505,071,769
Previous Year		565,493,478	165,307,095	6,497,677	724,302,897	56,831,847	56,831,847	5,359,561	90,780	219,231,109	505,071,788	397,643,875

NOTE NO. 2.10 CAPITAL WORK IN PROGRESS

DESCRIPTION OF ASSETS	Gross Block	
	As at 01.04.2011	As at 31.03.2012
Capital Work in Progress for Plant & Machinery	5,812,643	361,884
Total	5,812,643	361,884
Previous Year	120,179,421	5,812,643

NOTE NO 2.11 : LONG TERM LOAN & ADVANCES

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
Unsecured and considered good		
a) Security Deposits	6,758,511	4,620,788
b) Prepaid Expenses	15,200	-
c) Mat Credit Entitlement	-	6,172,085
Total	6,773,711	10,792,873

NOTE NO. 2.12 INVENTORIES

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
Raw Material	19,044,440	73,969,799
Work In process	89,490,714	78,191,975
Finished Goods		
Bags	-	35,628
Towel	59,615,442	38,175,248
Waste	166,378	205,283
Stores & Spares and Consumables	15,004,578	12,482,495
Dyes & Chemicals	11,651,975	8,015,082
Packing Material	2,185,095	1,981,677
Total	197,158,623	213,057,187

NOTE NO. 2.13 : TRADE RECEIVABLES

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
UNSECURED & CONSIDERED GOOD		
Exceeding six months	1,014,283	12,889,178
Others	170,806,642	155,470,574
Total	171,820,925	168,359,752

NOTE NO. 2.14 : CASH & CASH EQUIVALENTS

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
Bank Balance		
- In Current Account and Deposit Account	49,423	3,113,286
- In Fixed Deposit Account*	1,280,631	902,101
Cash on Hand	323,460	318,223
Total	1,653,514	4,333,610

*Margin against Bank Guarantee of Rs.23,000,000 (Previous year Rs 20,000,000) issued by Bank of Baroda and overdraft limit of Rs 85,000 with SBBJ (Previous year NIL)

*Deposit account with more than 12 months maturity Rs.100,000 (Previous year NIL)

*Balance with bank held as margin money Rs.1,180,631 (Previous year Rs. 902,101)

NOTE NO. 2.15 : SHORT TERM LOANS & ADVANCES

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
Unsecured & considered good		
a) Advances recoverable in cash or in kind or for value to be received	1,198,804	3,270,504
b) Advances to Employees & Workers	26,217	34,458
Total	1,225,021	3,304,962

NOTE NO. 2.16: OTHER CURRENT ASSETS

(Amount in Rs)

	As at 31st March, 2012	As at 31st March, 2011
Unsecured & considered good		
Prepaid Expenses	749,737	672,754
Less : Transfer to long term loan & advances (refer note no. 2.10)	15,200	-
Income Tax (Under Protest)	-	672,754
Income Tax Refundable	2,140,447	2,658,066
Advance Income Tax and TDS	7,437,006	1,999,669
Less: Provision for Current Tax (As Per Contra)	7,402,419	1,999,669
Vat Receivable	5,468,226	6,516,810
Excise & Service Tax Receivable	2,036,716	948,109
Excise & Service Tax (Under Protest)	178,015	178,015
Interest Receivable Under TUF Scheme	12,238,366	15,722,237
Receivables Against Export	15,509,219	7,525,027
Accrued Interest	307,176	-
MAT Credit (as per Provisions of Income Tax Act, 1961)	13,574,504	-
Total	52,221,793	36,682,974

NOTE NO. 2.17: CONTINGENT LIABILITIES (AS-29)

Contingent liabilities not provided in respect of:

Gaurantees given by the bank Rs.230,00,000 (Previous year Rs. 200,00,000) for which Company has provided Counter Gaurantee to bank and also secured by the securities as mentioned in Note No. 2.3 Long Term Borrowings.

Disputed excise duty of Rs. 243,190 (Previous year Rs. 243,190) for the period F.Y. 2001-02 to 2004-05 (Upto Feb.05) for which appeal is pending before CESTAT

Disputed Service Tax of Rs. 3,375,730 (Previous year NIL) for the year 2005-06 to 2008-09 for which appeal is pending before CESTAT.

NOTE NO. 2.18: REVENUE FROM OPERATIONS

(Amount in Rs)

	Current Year	Previous Year
(a) Sale of Products:		
Woven Sacks	68,928,837	73,741,546
Terry Towels (Net)	874,051,352	696,980,867
(b) Sale of Services:		
Commission Income	8,551,073	6,867,961
Processing Charges	3,915,706	4,818,667
(c) Other Operating Revenues:		
Duty Drawback	18,512,259	18,769,744
import Licences (DEPB/FPS/MLFPS)	25,469,968	6,328,145
Total	999,429,195	807,506,930

NOTE NO. 2.19: OTHER INCOME

(Amount in Rs)

	Current Year	Previous year
Interest Income	8,609,649	4,183,351
Other non-operating income :		
Foreign Exchange Gain	-	3,334,191
Godown Rent	3,078,470	3,392,503
Sampling Charges	1,083,982	439,907
Other Miscellaneous income	21,848	519,996
Total	12,793,949	11,869,948

NOTE NO. 2.20 : COST OF MATERIALS CONSUMED

(Amount in Rs)

	Current Year	Previous year
Raw Material Consumed		
Opening Stock	73,969,798	8,831,410
Add: Purchases	438,389,606	546,175,563
Freight	84,241	82,648
	512,443,704	555,089,621
Less: Closing Stock	19,044,440	73,969,798
	493,399,264	481,119,823
Dyes & Chemicals Consumed		
Opening Stock	8,015,082	7,040,632
Add: Purchases	68,643,543	64,369,670
Freight	1,385,163	1,242,288
	78,043,788	72,652,590
Less: Closing Stock	11,651,975	8,015,082
	66,391,813	64,637,507
Total	559,791,076	545,757,330

NOTE NO. 2.21 : CHANGE IN INVENTORY OF FINISHED GOODS AND WORK IN PROGRESS

(Amount in Rs)

	Current Year	Previous year
Finished Goods (Bags)		
Closing	-	35,628
Opening	35,628	(35,628)
	(35,628)	35,628
Finished Goods (Towel)		
Closing	59,615,442	38,175,248
Opening	38,175,248	185,16,982
	21,440,194	19,658,266
Work in progress		
Closing	89,490,714	78,191,975
Opening	78,191,975	42,565,229
	11,298,739	35,626,746
Saleable Waste		
Closing	166,378	205,283
Opening	205,283	(38,905)
	(38,905)	199,596
5,687		
Total	32,664,400	54,971,653

NOTE NO. 2.22 : MANUFACTURING EXPENSES

(Amount in Rs)

	Current Year	Previous year
Consumable Stores	16,712,797	12,381,816
Packing Material	16,129,019	14,169,498
Power & Fuel	89,600,278	71,544,335
Repairs & Maintenance- Building	694,334	1,158,709
Repairs & Maintenance- Plant & Machinery	1,762,101	1,621,940
Stores & Spares	9,996,085	5,960,128
Other Manufacturing Expenses	19,134,799	9,266,598
Total	154,029,412	116,103,023

NOTE NO. 2.23: EMPLOYEES BENEFITS EXPENSES

(Amount in Rs)

	Current Year	Previous year
Salaries & Wages	72,045,862	59,764,114
Contribution to		
Provident Fund	752,964	1,478,532
ESIC	21,564	35,103
	774,528	1,513,635
Staff welfare Expenses	5,044,324	5,936,413
Total	77,864,714	67,214,163

As per Accounting Standard 15 - "Employee Benefits", the disclosure of Employee Benefits as defined in the accounting standard are given below:

- Defined Contribution Plan : Employer's contribution to provident fund provided Rs. 752,964 (Previous year Rs. 1,478,532) has been recognized as expenses for the year.
- Defined Benefit Plan : No employees has rendered a service for a period of 5 years. No provision is required under Payment of Gratuity Act, 1972. Company has not made any rules for gratuity payable to employees other than covered by Payment of Gratuity Act 1972.

NOTE NO. 2.24: FINANCE COST

(Amount in Rs)

	Current Year	Previous year
a) Interest Expenses	56,039,932	33,836,157
b) Other Borrowing Costs	2,850,914	1,328,087
Total	58,890,846	35,164,244

NOTE NO. 2.25 :OTHER EXPENSES

(Amount in Rs)

	Current Year	Previous year
Insurance	1,204,204	1,107,940
Rent	829,108	1,159,289
Clearing & Forwarding Charges	18,207,147	8,367,422
Commission on sale	20,101,417	8,829,162
Payment to Auditors		
- As Auditor	90,000	90,000
- for other matters		
For Tax Audit	20,000	20,000
For Tax matters	15,000	15,000
For out of Pocket Expenses	19,600	153,498
Miscellaneous Expenses	22,426,050	12,100,890
Total	62,912,525	31,718,201

NOTE NO. 2.26 : EARNING PER SHARE

Particulars	Unit	Current Year	Previous year
a) Amount used as the numerator profit after tax, dividend on preference shares	Rs. In Lacs	250.87	65.73
b) Weighted average number of equity shares used As the denominator in	Nos	5221000	5221000
c) Nominal Value per share	Rs.	10	10
d) Earning per share			
Basic	Rs.	4.81	1.26
Diluted	Rs.	4.81	1.26

3) OTHER NOTES
3.1 Related party Disclosure (AS-18)

The company has identified all the related parties as per details given below.

Relationship:

a) Key Management Personnel and their enterprises

Shri G.S Kandoi

Shri Manish Singhal

Shri Ramesh Chand Maheshwari

b) Relative of Key Management Personnel and their enterprises

Shri Vivek Singhal

Shri Baldev das Gauri Shanker HUF

Smt. Savitri Kandoi

Smt. Preety Singhal

Shri Manish Singhal HUF

Miss Mantika Singhal

c) Transaction carried out with related parties referred in 1, in ordinary Course of business:

(Amount in Rs)

Nature of Transaction	Related Party			
	Referred in 1(a) above		Referred in 1(b) above	
	Current Year	Previous year	Current Year	Previous year
Expenses				
Rent	-	-	-	-
Remuneration	2,513,447	2,400,000	420,000	420,000
Interest	2,211,575	1,755,693	2,654,091	2,194,324
Loan from Directors	14,800,000	-	-	-
Outstanding Balance Payable	8,187,866	28,260,917	27,183,059	35,946,278



3.2 Export obligation against EPCG License Rs. 24,751,999 (Previous year Rs 8,63,84,391)

3.3 Segment Information

Information About Business Segment

As required by Accounting Standard- 17 on segment reporting

a) The company is collectively organized into two major business segments namely

Textile Division

Woven Sacks Division

Segments have been identified and reported taking into account the nature of the product and services, the organization structure and internal financial reporting system.

b) Information based on primary segment (Business Segment)

(Amount in Rs)

Particular	Current Year	Previous year
Segment Revenue (Net Sale / Income From each segment)		
Woven Sacks	62,388,765	66,855,410
Textile	899,522,404	723,957,045
Others	8,551,073	6,867,961
Total	970,462,242	797,680,416
Less: Inter Segment Revenue	-	-
Net Sales/ Income From Operation	970,462,242	797,680,416
Segment Profit before Tax and Interest From each Segment		
Woven Sacks	310,558	2,677,377
Textile	29,519,850	6,174,171
Others	12,306,783	7,977,766
Total	42,137,191	16,829,314
II) Unallocable interest portion	5,139,436	4,044,693
Total Profit before Tax	36,997,755	12,784,622
Segment Assets		
Woven Sacks Division	50,747,445	53,790,588
Textile	819,079,963	868,451,014
Others	48,763,732	25,174,187
Total	918,591,140	947,415,789
Segment Liabilities		
Woven Sacks Division	11,926,073	17,209,296
Textile	572,585,959	628,680,252
Others	34,728,036	24,848,378
Unallocated Liability	52,342,841	65,831,084
Total	671,582,909	736,569,011
Total Cost Incurred during the period to acquire segment assets that are expected to be used during more than one period (tangible and intangible fixed assets)		
Woven Sacks	2,144,824	24,848,378
Textile	49,504,545	165,307,095
Others	-	-
Total	51,649,369	190,155,473
Total amount of Expenses included in the segment result for depreciation and amortization in respect of segment assets for the period		
Woven Sacks	736,076	770,529
Textile	66,200,354	55,970,538
Others	-	-
Total	66,936,430	56,741,067

Note:-The Company's manufacturing operation are only in india. Hence there is no geographical segment.

3.4 Accounting Standard 28- "Impairment of Assets"-

The company assessed potential generation of economic benefits from its business units and is of the view that assets employed in continuing businesses are capable of generating adequate returns over their useful lives in the usual course of business, there is no indication to the contrary and accordingly the management is of the view that no impairment provision is called for in these accounts.

3.5 Financial and Derivatives Instruments

Company has entered into following foreign exchange financial instruments

a) The company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments on forecasted as transactions as approved by Board of Directors. The company does not use forward contracts for speculation purpose.

Outstanding forward exchange financial instruments entered into by the company.



Particular	As at 31.03.2012	As at 31.03.2011
No. of contracts	10	3
US Dollar equivalent	1,772,387	355,825
INR equivalent	91,134,284	1,648,547

Foreign currencies exposure that are not hedged by financial instruments or forward contracts as at 31st March, 2012 amounting to NIL (Previous Year Japanese Yen 160,00,000 equivalent to Rs. 89,33,000 and USD 6,29,000 equivalent to Rs 2,79,26,000 for import of machinery).

Company has also converted its CC limit into FCNR loan, in this arrangement company have to pay NIL (Previous year \$657,606.31.)

3.6 Value of imports on CIF basis:-

(Amount in Rs)

Particular	Current Year	Previous year
Spare parts	3,047,578	3,086,405
Capital Goods	17,310,100	13,951,365

3.7 Value of Raw Material, Components, & Spare Parts consumed

(Amount in Rs)

Particular	Current Year		Previous year	
	Amount	%	Amount	%
Raw material				
Imported	-	-	-	-
Indigenous	559,791,076	100	545,757,330	100
Spare parts				
Imported	3,408,725	34.10	2,725,258	45.72
Indigenous	6,587,360	65.90	3,234,869	54.28
Dyes and Chemical				
Imported	-	-	-	-
Indigenous	56,984,128	100	56,714,397	100

3.8 Expenses in foreign currency in respect of

(Amount in Rs)

Particulars	Current year	Previous year
Director Travelling	250,927	312,952
Commission	7,076,132	5,114,174
Product Development Exp	-	203,984
Marketing/ Exhibition Exp.	243,965	1,473,450
Testing Fee	-	319,621

3.9 Earning in Foreign Currency

(Amount in Rs)

Particulars	Current year	Previous year
Export of Goods on FOB Basis	492,114,606	265,222,529
Sampling Charges	1,003,357	-

3.10 All assets and liabilities are presented as Current and Non current as per the criteria set out in the Revised Schedule VI of The Companies Act 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation, the company has ascertained its operating cycle less than 12 months, accordingly 12 months period has been considered for the purpose of Current/ Non-current classification of assets and liabilities.

3.11 The Revised Schedule VI became effective from April 1, 2011 for the preparation of Financial Statements. Hence, current year Financial Statements are prepared in accordance with Revised Schedule VI. Since previous year presentation was made as per Old Schedule VI, the previous year figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

In terms of our Audit Report of even date

FOR KALANI & COMPANY

Chartered Accountants
FRN: 000722C

(K.L.Jhanwar)
Partner

M. No. 14080

Place : JAIPUR

Dated: 28.05.2012

(G. S. KANDOI)
Chairman Cum Managing Director

For & on behalf of the Board
FOR KG PETROCHEM LTD.

(MANISH SINGHAL)
Director

(VIMAL TANK)
Company Secretary

KG PETROCHEM LIMITED

REGD. OFF. : C-171, ROAD NO. 9J, V.K.I. AREA, JAIPUR-302 013 (INDIA)

PROXY FORM

I/We Of.....

being a member (s) of KG Petrochem Limited hereby appoint

.....
.....

..... of or failing him/her
..... of as my/our proxy to Vote for
me/us and on my / our behalf at the Thirty Two Annual General Meeting of the Company to be held
on Wednesday the 18th day of July, 2012 and adjournment thereof.

As Witness my/our hand (s) this day of 2012

Signed by the said

Affix
1 Rs.
Rev-
enue
Stamp



Folio No. No. of Shares held

DPID No. Client ID No.

Note : The proxy must be deposited at the Registered Office of the Company not less than 48
hours before the time for holding of the aforesaid meeting.

KG PETROCHEM LIMITED

REGD. OFF. : C-171, ROAD NO. 9J, V.K.I. AREA, JAIPUR-302 013 (INDIA)

ATTENDANCE SLIP

I hereby record my presence at the Thirty Two Annual General Meeting of the Company to be held
at the Regd. Off. : C-171, Road No. 9J, Vishwakarma Industrial Area, Jaipur-302 013 On
Wednesday the 18th day of July 2012 at 10.30 A.M.

Name of the Shareholder
(in block Letters)

Folio No. No. of the Shares held

DPID No. Client ID No.

Signature of the Shareholder/Proxy

Note : Only Shareholders of the Company or their Proxies will attend the meeting.

Book Post

If undelivered please return to :

KG PETROCHEM LIMITED

C-171, Road No. 9 J, V.K.I. Area,
Jaipur-302 013.