



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 stake holder value with passion and Entrepreneurial spirit

VALUE

Integrity - Never compromised



BOARD OF DIRECTORS

Mr. G.S.Kandoi	-	Chairman cum Managing Director
Mr. Manish Singhal	-	Executive Director
Mr. Amar Chand Gupta	-	Director
Mr. Rameshwar Pareek	-	Director
Mr. Nitin Jaipuria	-	Director

BANKERS

BANK OF BARODA, V.K.I.AREA, JAIPUR
IDBI BANK, TONK ROAD, JAIPUR

AUDITORS

M/S. KALANI & CO.
Chartered Accountants
S-23A, Mangal Marg,
Bapu Nagar, Jaipur-302015

CORPORATE ADVISOR

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

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Vimal Tank

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

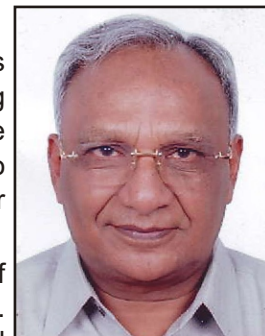
1. Plot No. SP-4/3, RIICO Industrial Area, Village & Post Keswana, Tehsil Kotputli, District Jaipur-303108
2. C-171, Road No.9 J, VKI Area, Jaipur-302013



CHAIRMAN'S MESSAGE

Dear Shareholders,

My Colleagues on the Board and I extend warm welcome and express their gratitude to the all present here at this 31st Annual General Meeting of your Company. The Audited Annual Accounts together with the Director's Report of the Company for the year 2010-11 and the Notice to the Shareholders have been in your hands for some time and with your permission I take them as read.



During the year the company had completed the expansion of II Phase of its Textile Division and started commercial production from Sept 2010. Besides expansion of capacity, we are also introducing value added products.

In view of current global economy growth slowing, growth levels of India are likely to be impacted. However, as we know, the fundamental of Indian economy remain strong. The country recorded almost twice the global growth rate. These have a bearing on your Company's growth and performance. For the financial year 2010-11, your company's turnover has increased to Rs.7976.80 lacs in comparison to previous year Rs.6196.06 lacs i.e. registered 28.74 % growth. However the margin have been under pressure during the year resulting into reduction in profit after tax from Rs. 98.54 lacs to Rs. 65.74 lacs due to increase in depreciation, interest cost and steep increase in yarn prices.

Textile Division:- After expansion, the capacity of division has been increased from 3000 MTPA to 6000 MTPA. During the year under review, it has achieved income from operation of Rs. 7220.78 lacs including export sales of Rs. 2652.23 lacs (FOB) as against Rs.5363.27 lacs including export of Rs.2964.78 Lacs (FOB) in previous year, growth of 34.63%.

Agency Division:- The division has sold HDPELLDPE Granules 16325 MT amounting to Rs.12325 lacs in comparison of 9790 MT amounting to Rs. 7408 lacs and earned commission of Rs. 68.68 lacs as compared to last year Rs. 39.77 lacs The div. earned a profit of Rs.79.78 lacs as compared to previous year Rs.53.38 lacs i.e. increased by 49.46%.

Woven Sacks Division:- As already informed to you in the last AGM that the division is not much more profitable and intend to close in phased manner. During the year under review, it has achieved turnover of Rs. 737.42 lacs only in comparison to previous year Rs.829.28 Lacs i.e. decreased 11.07%.

Looking to overall financial position of your company it has earned cash profit of Rs. 685.65 lacs. The new initiatives have provided us a new vision and a clear direction. I am confident that KG's strong foundation will continue to give us competitive edge in coming year and to achieve our mission.

And I thank you, my shareholders for continuing to have faith in us. I assure you that my team and I remain committed to living up to the trust you have placed in us. I reinforce our commitment to deliver long term and sustainable value to our shareholders.

With warm regards

G.S. KANDOI
Chairman



NOTICE

Notice is hereby given that the 31st Annual General Meeting of **KG PETROCHEM LIMITED** will be held on Thursday, the 29th day of September, 2011 at 11.00 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, 2011 and Profit & Loss Account 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. Nitin Jaipuria who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint Mr. Ramesh Chand Maheshwari 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 M/S. KALANI & Co. Chartered Accountants, Jaipur be and are hereby re-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 ordinary resolution.
"RESOLVED THAT in accordance with the provision of the Section 198, 269, 309, 310, 314 read with schedule XIII and all other applicable provision of the Companies Act, 1956 the company be and hereby re-designate Mr. Ramesh Chand Maheswari as Whole Time Director of the company on the terms & conditions submitted to this meeting and for identification, signed by the 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, and expedient to give effect of this resolution.

For & on behalf of the Board

Place: **JAIPUR**
Date : **11th August 2011**

(Vimal Tank)
Company Secretary & Compliance Officer

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 Members and Share Transfer Book of the Company will remain closed from 22nd September 2011 to 29th September, 2011 (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.



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

Item No. 5:

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. Ramesh Chand Maheswari 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 the said director as liable to retire by rotation. Further after Mr. Ramesh Chand Maheswari's appointment as Director of the company liable to retire by rotation, to broad base the Board of Directors it was considered by the Board that it will be in the interest of the company that the services of Mr. Ramesh Chand Maheswari should be available to the company as an Whole Time Director for three years w.e.f.29th September, 2011 on the terms and conditions set out in the draft agreement, subject to the approval of the company by ordinary resolution:-

The material terms of appointment/remuneration payable to Mr. Ramesh Chand Maheswari are as given hereunder:-

Period of appointment: 29th September 2011 to 28th September 2014

Remuneration: Salary Rs 18,700/- Per Month with suitable increases as may be determined by the Board of Directors of the company

Retire by Rotation : His period of office will be liable to retire by rotation.

Minimum Remuneration:

Where in any financial year during the currency of tenure of the Whole Time Director the company has no profits or its profits are inadequate the Company will pay remuneration by way of salary.

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. 5 of the accompanying notice for appointment of the said director.

No other person except Mr. Ramesh Chand Maheswari is interested in the resolution.

For & on behalf of the Board

Place: **JAIPUR**
Date : **11th August 2011**

(Vimal Tank)
Company Secretary & Compliance Officer

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

In accordance with the provision of the Companies Act, 1956 and the Article of Association of the Company, Shri Nitin Jaipuria retires by rotation at the forthcoming Annual General Meeting being eligible have offered themselves for re- appointment at the ensuing Annual General Meeting and Mr. Ramesh Chand Maheswari is proposed by Member and the same was recommend by the Board for appointment as a Director. The brief resume, experience, functional expertise and the details of the membership on various Board and Committees are as under.

Name of Director	Shri Nitin Jaipuria	Shri Ramesh Chand Maheswari
Date of Birth	12.02.1973	18.05.1960
Nationality	Indian	Indian
Date of Appointment	29.05.2008	Proposed in ensuing AGM
Qualification	B.Com	B. Com
Expertise in Functional Area	Textile Whole Sale Business	Marketing
Share Holding in Co.	Nil	Nil
List of Directorship in other Company	Nil	Nil
Chairman/ Member of Committees of Board of Directors of other Companies	Nil	Nil
Relationship With Directors inter-se	Nil	Nil



DIRECTORS' REPORT

Dear Shareholders,

Your directors have pleasure in presenting the 31st Annual Report and Audited Accounts along with Auditor's Report thereon of the company for the year ended on 31st March, 2011.

FINANCIAL RESULTS

	<u>2010-2011</u>	(Rs. in Lacs) <u>2009-2010</u>
Sales/income from operation	7976.80	6196.06
Other Income	118.70	102.92
Total Expenditure (Including variation in stock)	7058.21	5447.10
Profit before Interest, Depreciation & Tax	1037.29	851.87
Financial Expenses	351.64	171.68
Profit/(Loss) before depreciation & Tax	685.65	680.19
Extraordinary Item	0.00	126.00
Depreciation	567.41	439.52
Withdrawal from Capital Reserve	9.61	0.00
Provision for Taxation including deferred	62.11	16.13
Profit/(Loss) after Tax	65.74	98.54
Profit & Loss brought forward	997.30	898.76
Withdrawal from Capital Reserve	32.34	0.00
Balance Carried to Balance Sheet	1095.38	997.30

RESULT OF OPERATIONS

During the year the company was able to improve its performance in terms of sales. The overall total income from operation had increased from Rs. 6196.06 lacs to Rs. 7976.80 lacs, a growth of 28.74% over the previous financial year. However the margin has been under pressure during the year resulting into reduction in profit after tax from Rs. 98.54 lacs to Rs. 65.74 lacs due to increase in depreciation, interest cost and steep increase in yarn prices.

Further Segment wise result of operation is as under:-

Textile Division:-

During the year under review, it has achieved income from operation of Rs. 7220.78 lacs including export sales of Rs. 2652.23 lacs (FOB) as against Rs 5363.27 lacs including export of Rs.2964.78 Lacs (FOB) in previous year, growth of 34.63%. The division has performed well during the year under review. Besides expanding the capacity, the division has also introduced value added product like embroidered towels, bath robes, bath mat, baby hood and hand gloves etc. The division has processed 2847.98 MT yarn during 2010-11 in comparison to 2452.97 MT yarn during 2009-10. The management is confident to increase its present performance in future.

Agency Division:-

The division has sold HDPE\LLDPE Granules 16325 MT amounting to Rs.12325 lacs in comparison of 9790 MT amounting to Rs. 7408 lacs and earned commission of Rs. 68.68 Lacs as compared to last year Rs. 39.77 Lacs

Woven Sacks Division:-

During the year under review, it has achieved turnover of Rs. 737.42 lacs in comparison to previous year Rs.829.28 Lacs i.e. decreased 11.07%.



NET WORTH

The year saw your Company's Net worth growing from Rs. 1682.07 lacs in the previous year to Rs. 1792.28 Lacs as on 31st March, 2011.

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, 2011.

DIRECTORS:

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Nitin Jaipuria retires by rotation at the ensuing AGM and is eligible for re-appointment and being eligible offer himself for reappointment.

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. Ramesh Chand Maheshwari as Director of the company whose period of office will be liable to retire by rotation Further after Mr. Ramesh Chand Maheshwari appointment as Director of the company liable to retire by rotation, to broad base the Board of Directors, it is also recommended that services of Mr. Ramesh Chand Maheshwari should be available to the company as an Whole Time Director for three years w.e.f. 29th September, 2011 on the terms and conditions set out in the draft agreement, subject to the approval of the company by ordinary resolution. Board of Directors recommends his appointment as Director and thereafter re-designation as Whole Time Director of the Company.

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, 2011 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

The Company's Auditors, M/s. Kalani and Co., Chartered Accountants, Jaipur who retire at the ensuing AGM, and being eligible, offer themselves for re-appointment, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, Certificates from the Auditors has been received to the effect that their reappointment, if made, would be within the limit prescribed under section 224(1B) of the Companies Act, 1956.

AUDITORS' REPORT

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.

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 2010-2011 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

The Board of Directors takes this opportunity to thank to the Central and State Government Authorities, Regulatory Bodies, Banks for their continuous support and assistance. 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 Directors

Place: **JAIPUR**
Date : **11th August 2011**

(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 Limited

Place: **JAIPUR**
Date : **11th August 2011**

(G. S. Kandoi)
CHAIRMAN



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, 2011.

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	9104742 KWH	5897259 KWH
Total Amount (Rs.)	39301790.00	25693238.00
Rate/Unit (Rs.)	4.32	4.36
(b) Own generation		
Through Diesel Generator		
Units	523269	710608
Units per Ltr. of diesel oil	3.07	3.49
Cost/Unit	10.65	8.10
2. Coal, Petcoke, Husk, etc. (Used for Generation of Steam in Boiler)		
Steam (MT)	44472.00	30905.49
Total Amount (Rs.)	26596223	18360228
Average Rate/MT (Rs.)	598.04	594.07

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.
- (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

C. Foreign Exchange Earnings / Out go :

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products, 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>2010-11</u>	<u>2009-10</u>
Earnings	2652.23 Lacs	2964.78 lacs
Out go	244.60 Lacs	2144.34 Lacs

For & on behalf of the Board

Place: JAIPUR
Date : 11th August, 2011

(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.

- (i) Manufacturing and marketing of Terry Towel, Made-ups, etc. in the domestic market as well as abroad- Textile Division
- (ii) Manufacturing and marketing of HDPE/PP Woven Sacks- Woven Sack Division- The application of product covers cement, sugar, fertilizers etc.
- (iii) 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.

During the year the company had completed the expansion of II Phase of its Textile Division and started commercial production from Sept 2010. Now, the capacity of textile division increased from 3000 MTPA to 6000 MTPA.

Textile division of the Company has performed well. During the year under review, it has achieved income from operation of Rs. 7220.78 lacs including export sales of Rs. 2652.23 lacs (FOB) as against Rs. 5369.52 lacs previous year including export sales of Rs. 2964.78 lacs(FOB), growth of 34.47%.

The quality of the division's products is well recognized. The long term outlook for terry towel is encouraging. The Company continued its emphasis on technology up gradation, modernization and product & market development. Its quality is well established and accepted in the international market. The Company is focusing on value added products such as embroidered terry towels, bath mat, bath robe, hand gloves and baby hood, which are fetching higher price realization.

On the other hand, sharp increase in raw material prices, prospect of higher domestic inflation, imposition of mandatory levy on branded garment and increase in interest rates are some of the challenges facing the industry at large. Further Govt. policies also play major role for the industry, for instance, withdrawal of interest subvention of 2% on pre and post shipment.

B. WOVEN SACK DIVISION:

The division is not much more profitable and intends to close in phased manner. During the year under review, it has achieved turnover of Rs. 737.42 lacs only in comparison to previous year Rs. 829.28 Lacs i.e. decreased 11.07%.

C. AGENCY DIVISION:

The division has sold HDPE/LLDPE Granules 16325 MT amounting to Rs. 12325 Lacs in comparison of 9790 MT amounting to Rs. 7408 Lacs and earned commission of Rs. 68.68 Lacs as compared to last year Rs. 39.77 Lacs. The company is receiving good response from customers in this sector. The management of your company is hopeful with regard to increase in turnover of agency division as the use of polymer product has become a necessity of the market.

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. With the implementation of expansion project, which increased the capacity from 3000 MT to 6000 MT terry towel, company expects to increase its turnover substantially in next coming years.

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 : 11th AUGUST, 2011

(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 2010 to 31st March 2011 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 five, out of which three are Non-executive Independent Directors, constituting more than 50% of its total strength. 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 2011 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 2011
			Director ship	Committee		
				Chairmanship	Membership	
Mr. G. S. Kandoi	Promoter Director	Chairman & Managing Director	-	-	-	904250
Mr. Manish Singhal	Executive Director	Whole Time Director	-	-	-	1129000
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	-	-	-	-

(B) Board Meeting:

The Board of Directors of the Company met four times on 29.05.2010, 14.08.2010, 13.11.2010 and 14.02.2011 during the financial year ended 31st March 2011. 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 30.08.2010
	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

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:

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. Nitin Jaipuria, who has been longest in the office, is liable to retire by rotation under section 255 of the Companies Act, 1956 at the 31st 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 Directors and each member has rich experience in financial sector. The terms of reference of Audit Committee include inter-alia 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.

The Audit Committee, as on 31st March 2011 consisted of the following three directors:-

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 2010-11 on 29.05.2010, 14.08.2010, 13.11.2010 and 14.02.2011. 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:

Mr. G. S. Kandoi	Rs. 12.00 Lacs
Mr. Manish Singhal	Rs. 12.00 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 31.03.2011.

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, 2011.

(G) CEO / CFO Certificate:

Certificate from CEO / CFO for the financial year ended on March 31, 2011 has been provided elsewhere in the Annual Report.

(H) DISCLOSURES :

1. Related party transactions as per AS-18 have been dealt with in note no. 6 of the Schedule 21 (Notes to the Accounts). These transactions are not in conflict with the interest of Company.
2. 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.
3. 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 SHAREHOLDERS' INFORMATION

a. Annual General Meeting

Time : 11.00 A.M.
Date : 29th September 2011
Venue : C-171, Road No. 9J, VKI Area, Jaipur.

b. Book Closure date : Thursday, 22nd Sept. 2011 to Thursday, 29th Sept. 11
(Both days inclusive)

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

Particulars	Tentative Schedule
Financial Results for the 1 st Quarter ending June 30,2011	Before Mid August 2011
Financial Results for the 2nd Quarter and half year ending September 30,2011	Before Mid November 2011
Financial Results for the 3rd Quarter and nine months ending December 31,2011	Before Mid February 2012
Financial Results for the last Quarter and financial year ending March 31,2012	End of May 2012

d. Dividend : No Dividend being recommended by the Board during the year.

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 2011-12 has been paid.

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 63.54% of issued share capitals of the Company have been dematerialized as on 31.3.2011.

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, Vill & Post: Keswana,
Tehsil: Kotputli, Distt: Jaipur-303108

Woven Sacks : C-171, Road No. 9J, VKI Area, Jaipur-302013
& Agency Division



j. Details of last three AGM

Year	Venue	Date	Time	Special Resolution passed
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
2008 – 28 th	C-171, Road No. 9J, V.K.I. Area, Jaipur- 302013	27.08.2008	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 2011

No. of Share Holders	Shareholders %	Number of Shares	No. of Shares Held	Shareholding Percentage
113	46.1224	1 - 500	40450	0.7748
96	39.1837	501 - 1000	85000	1.6280
12	4.8980	1001 - 5000	22300	0.4271
1	0.4082	5001 - 10000	6400	0.1226
6	2.4490	10001 - 50000	167000	3.1986
4	1.6327	50001 -100000	308200	5.9031
13	5.3061	100001 & above	4591650	87.9458
245	100.00		5221000	100.00

l. Category wise Distribution of shareholding by ownership as on 31.03.2011

Category	Number of Shares	Share holding Percentage
Promoters	2956850	56.634
Corporate Bodies	614200	11.764
Indian Public	1649950	31.602
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 2010	21.50	19.45	18047.86	17276.80
May 2010	20.40	20.40	17536.86	15960.15
June 2010	21.40	21.40	17919.62	16318.39
July 2010	18.40	18.40	18237.56	17395.58
August 2010	17.50	18.35	18475.27	17819.99

* No transaction took place from the month of September 2010 Onwards.

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.

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, 2011, 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.

For & on behalf of the Board

Place : JAIPUR
Date : 28th May, 2011

(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, 2011 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, and
 - 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 during the year, if any,
 - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, if any, and
 - iii. There have been no instances of significant fraud of which we have become aware.

(Manish Singhal)
CFO

(G. S. Kandoi)
CEO

Place: **JAIPUR**
Date : **28th May, 2011**



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 2011 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 review procedures and implementation thereof adopted by the company for ensuring the compliance with 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, 2011**

(Vikas Gupta)
Partner
(M. No. 77076)



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 2011, the Profit and Loss Account 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, Profit and Loss Account, 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 Profit and Loss Account 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 2011 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 2011.
 - vi) Attention is drawn that Sales have been accounted for as soon as material is dispatched from factory gate as per Accounting Policy No.5 of schedule no.20 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, 2011;
 - b) In the case of Profit and Loss Account, 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 2011**

(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 2011.

- (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)to(g) The company has not granted/taken any loans secured or unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Act. Accordingly paragraph (iii) (a) to (g) is not applicable.
- (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, the Central Government has not prescribed under Section 209(1)(d)of the Companies Act 1956 maintenance of the cost records in respect of products manufactured by the company.
- (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 31.03.11 for the period of more than six months



- (b) from the date they became payable.
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 Statute	Nature of Dues	Amount (In Rs.)	Period to which the amount relates (F.Y.)	Forum which dispute pending
Income Tax Act, 1961	Income Tax	1,07,026/-	1998-1999	CIT (A)
Central Excise Act, 1944	Excise Duty	2,43,190/-	2001-02 to 2004-05 (up to 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**
Chartered Accountants
FRN 000722C

Place : **JAIPUR.**
Date : **28th May 2011**

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

KG PETROCHEM LIMITED



BALANCE SHEET AS AT 31ST MARCH 2011

Particulars	Schedule No.	As at 31st March, 2011		As at 31st March, 2010	
SOURCES OF FUNDS:					
Shareholders Funds					
Share Capital	1	58,152,500		58,152,500	
Reserves & Surplus	2	<u>121,075,387</u>	179,227,887	<u>110,054,705</u>	168,207,205
Deferred Tax Liability			31,618,892		25,508,707
Loan Funds					
Secured Loans	3		<u>583,495,818</u>		<u>437,410,773</u>
			<u>794,342,597</u>		<u>631,126,684</u>
APPLICATION OF FUNDS:					
Fixed Assets					
Gross Block	4	724,302,897		565,493,477	
Less: Depreciation		<u>219,231,109</u>		<u>167,849,602</u>	
		505,071,788		397,643,875	
Add : Capital Work in Progress		<u>5,812,643</u>		<u>120,179,421</u>	
Net Block			510,884,431		517,823,296
Current Assets, Loans & Advances					
Inventories	5	213,057,187		86,612,399	
Sundry Debtors	6	168,359,754		143,316,114	
Cash & Bank Balances	7	4,333,610		337,022	
Loans & Advances	8	17,444,468		21,650,946	
Other Current Assets	9	<u>33,336,340</u>		<u>24,395,616</u>	
		436,531,359		276,312,097	
Less: Current Liabilities & Provisions					
Current Liabilities	10	152,716,282		163,008,709	
Provisions	11	356,911		-	
		<u>153,073,193</u>		<u>163,008,709</u>	
Net Current Assets			<u>283,458,166</u>		<u>113,303,388</u>
			<u>794,342,597</u>		<u>631,126,684</u>
Accounting Policies & Notes on Accounts		21			

Schedule 1 to 11 and notes in schedule 21 form part of Balance Sheet.
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. Kandoi)
Chairman Cum Managing Director

(Manish Singhal)
Director

Place : JAIPUR
Date : 28.05.2011

(Vimal Tank)
Company Secretary

KG PETROCHEM LIMITED



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011

Particulars	Schedule No.	Current Year 31st March, 2011	Previous Year 31st March, 2010
INCOME :			
Income From Operations			
Turnover	12	807,506,930	626,104,094
Less: Excise Duty		<u>9,826,514</u>	<u>6,498,517</u>
Other Income	13	11,869,948	10,292,291
Accretion/(Decretion) to stock	14	<u>54,971,653</u>	<u>18,419,663</u>
		864,522,017	648,317,531
EXPENDITURE :			
Materials	15	545,757,330	394,783,209
Manufacturing Expenses	16	116,103,023	92,955,604
Payments to and Provisions for Employees	17	64,814,163	44,053,811
Administrative Expenses	18	10,744,801	11,441,548
Selling & Distribution Expenses	19	23,373,400	19,895,919
Financial Expenses	20	<u>35,164,244</u>	<u>17,168,363</u>
		795,956,961	580,298,454
Profit Before Extraordinary items		68,565,056	68,019,077
Extraordinary Items		-	12,600,000
Depreciation		<u>56,741,067</u>	<u>43,952,485</u>
Profit after Depreciation but before tax		11,823,989	11,466,592
Withdrawal from Capital Reserve (refer note no. 6A(ii) to Schedule 21)		960,633	-
		<u>12,784,622</u>	<u>11,466,592</u>
Profit from Continuing operation before tax		12,784,622	14,214,394
Loss from discontinuing operation before tax		-	(2,747,802)
		<u>12,784,622</u>	<u>11,466,592</u>
Taxes on Income			
Current Tax		2,356,580	1,947,171
Deferred Tax		6,110,185	3,471,884
Earlier Year Tax		<u>100,680</u>	<u>9,281</u>
		8,567,446	5,428,335
Less: MAT credit entitlement		<u>2,356,580</u>	<u>3,815,505</u>
		6,210,866	1,612,830
Net Profit For The Year		6,573,756	9,853,762
Add : Balance Brought Forward withdrawal from capital reserve (refer note no. 6A(ii) to schedule 21)		99,730,369	89,876,607
		3,233,676	-
Balance Carried to Balance Sheet		109,537,801	99,730,369
Earning Per Share Basic & Diluted (Rs.)		1.26	1.89

Schedule 12 to 20 and notes in schedule 21 form part of this Profit & Loss Account
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. Kandoi)
Chairman Cum Managing Director

(Manish Singhal)
Director

Place : JAIPUR
Date : 28.05.2011

(Vimal Tank)
Company Secretary

KG PETROCHEM LIMITED



	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE-1: SHARE CAPITAL		
Authorised :		
70,00,000 Equity Shares of Rs.10/- each	<u>70,000,000</u>	<u>70,000,000</u>
Issued & Subscribed		
63,35,200 Equity shares of Rs.10/- each	<u>63,352,000</u>	<u>63,352,000</u>
Paid Up		
52,21,000 Equity Shares of Rs.10/-each	52,210,000	52,210,000
Forefeited Equity Shares (11,14,200 Equity Shares)	<u>5,942,500</u>	<u>5,942,500</u>
	<u>58,152,500</u>	<u>58,152,500</u>
SCHEDULE-2 RESERVES & SURPLUS		
General Reserve	3,646,600	3,646,600
Capital Reserve		
Capital Reserve (Under TUF Scheme) 12,085,295		6,677,736
Less Withdrawl against Depreciation (refer note no. 6 A(ii) to Schedule 21) <u>4,194,309</u>	7,890,986	
Profit & Loss A/c	<u>109,537,801</u>	<u>99,730,369</u>
	<u>121,075,387</u>	<u>110,054,705</u>
SCHEDULE-3: SECURED LOANS		
Term Loan: From Scheduled Bank		
i. Bank Of Baroda (Loan repayable within 1 year Rs. 332.00 Lacs prev. Year Rs. 332.00 Lacs)	90,100,000	123,300,000
ii. IDBI Bank (Loan repayable within 1 year Rs. 257.82 Lacs prev. Year Rs. NIL Lacs)	275,000,000	191,676,140
ii. HDFC Bank (Car Loan) (Loan repayable within 1 year Rs. 815726.00 Lacs prev. Year Rs. 746825.62)	1,476,541	2,223,336
	<u>366,576,541</u>	<u>317,199,506</u>
Working Capital Loan From Bank		
Bank of Baroda		
i. Cash Credit Account	182,975,589	99,876,750
ii. FCNR Loan	29,565,743	19,220,724
IDBI Bank	4,377,946	1,113,794
	<u>216,919,278</u>	<u>120,211,267</u>
	<u>583,495,818</u>	<u>437,410,773</u>
Securities :		
(i) For Term Loans		
<p>The above term loans of Bank of Baroda and IDBI Bank are secured by way of equitable mortgage in favour of these banks against all existing and future assets of the company's Textile Division named as BHAVIK TERRYFAB except hypothecation of movable assets subject to prior charge in favour of company's Banker on stock of Raw Material, Finished goods, Work in process, Store & spares, Book Debts for working capital. The term loan is further guaranteed by Mr. G. S. Kandoi and Mr. Manish Singhal, Directors of the company and Mrs. Preety Singhal, relative of Directors of Company in their personal capacity.</p> <p>Car Loan from HDFC Bank Ltd secured by way of hypothecation of vehicle finance by HDFC Bank.</p>		
(ii) For Working Capital Loans :		
<p>The working capital loans is 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 and Mrs. Preety Singhal, relative of directors of the Company.</p>		

SCHEDULE-4 FIXED ASSETS

KG PETROCHEM LIMITED

S. No.	Description	GROSS BLOCK				DEPRECIATION					NET BLOCK	
		Opening balance As on 01.04.2010	Purchases/ Additions during the year	Sales/ Adjustments during the year	Total Cost As At 31.03.2011	Up to 31.03.2010	for the period	Written back	Reversed	Up to 31.03.2011	As At 31.03.2011	As At 31.03.2010
1.	Land	6,686,553	-	-	6,686,553	-	-	-	-	-	6,686,553	6,686,553
2	Factory Building	72,501,669	6,685,200	-	79,186,869	8,383,947	2,536,562	-	-	10,920,509	68,266,360	64,117,721
3	Plant & Machinery	439,568,085	151,750,251	5,741,453	585,576,883	146,442,642	51,898,668	5,005,058	89,211	193,247,041	392,329,842	293,125,443
4	Weighing Scale	87,814	-	-	87,814	53,764	4,171	-	-	57,935	29,879	34,050
5	Misc. Fixed Assets	7,975,700	1,201,209	26,795	9,150,114	1,333,584	398,846	-	1,569	1,730,861	7,419,253	6,642,116
6	Lab Equipment	1,193,979	147,005	-	1,340,984	229,707	60,311	-	-	290,018	1,050,966	964,272
7	Elect. & Water Fitting	13,090,906	4,523,608	-	17,614,514	2,976,348	732,491	-	-	3,708,839	13,905,675	10,114,558
8	DG Set	1,749,953	-	-	1,749,953	259,185	83,123	-	-	342,308	1,407,645	1,490,768
9	Weighbridge	608,543	-	-	608,543	124,019	28,906	-	-	152,925	455,618	484,524
10	Furniture & Fixtures	3,328,867	642,680	-	3,971,547	866,519.00	228,399	-	-	1,094,918	2,876,629	2,462,348
11	Vehicles	5,067,496	-	729,429	4,338,067	906,635	440,014	354,503	-	992,146	3,345,921	4,160,861
12	Office Equipment	1,073,628	38,150	-	1,111,778	299,143	59,574	-	-	358,717	753,061	774,485
13	Computer	2,064,200	318,992	-	2,383,192	1,141,305	332,461	-	-	1,473,766	909,426	922,895
14	IT Equipments	1,294,782	-	-	1,294,782	1,230,043	-	-	-	1,230,043	64,739	64,739
15	Office Building	820,700	-	-	820,700	57,393	13,377	-	-	70,770	749,930	763,307
16	Canteen Appliances	85,537	-	-	85,537	15,428	4,063	-	-	19,491	66,046	70,109
17	Medical Equipments	8,065,995	-	-	8,065,994.60	3,463,801	-	-	-	3,463,801	4,602,193	4,602,193
18	A.C. Equipments	229,072	-	-	229,072	66,138	10,881	-	-	77,019	152,053	162,933
TOTAL		565,493,478	165,307,095	6,497,677	724,302,897	167,849,602	56,831,847	5,359,561	90,780	219,231,109	505,071,788	397,643,875
Capital Work in Progress		120,179,421	64,717,629	179,084,407	5,812,643.00	-	-	-	-	-	5,812,643	120,179,421
GRAND TOTAL		685,672,899	230,024,725	185,582,084	730,115,540	167,849,602	56,831,847	5,359,561	90,780	219,231,109	510,884,430	517,823,296
Previous Year (Rs.)		379,165,311	322,487,785	15,980,197	685,672,899	136,759,339	43,984,482	12,862,221	31,997	167,881,600	517,791,299	242,405,972



KG PETROCHEM LIMITED



	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE-5: INVENTORIES		
Raw Material	73,969,799	8,831,410
Stores & Spares	12,482,495	7,507,175
Dyes & Chemicals	8,015,082	7,040,632
Packing Material	1,981,677	1,596,701
Work In process	78,191,975	42,565,229
Finished Goods		
Bags	35,628	354,674
Towel	38,175,248	18,516,982
Scrap	205,283	199,596
	<u>213,057,187</u>	<u>86,612,399</u>
SCHEDULE-6: SUNDRY DEBTORS (UNSECURED & CONSIDERED GOOD)		
i. Outstanding Exceeding Six Months	12,889,178	1,245,884
ii. Others	155,470,576	142,070,230
	<u>168,359,754</u>	<u>143,316,114</u>
SCHEDULE-7: CASH & BANK BALANCES		
Cash on Hand	318,223	258,063
Bank Balance with Schedule Banks		
- In Current Account	3,113,286	78,959
- In Fixed Deposit Account	902,101	-
TOTAL	<u>4,333,610</u>	<u>337,022</u>
SCHEDULE-8: LOANS & ADVANCES (Unsecured-Considered Good)		
Advances recoverable in cash or in Kind or for value to be received :		
Loans to Employees & Workers	12,789,222	16,922,926
Securities Deposits With Govt. Deptt & Others	34,458	80,217
	4,620,788	4,647,803
	<u>17,444,468</u>	<u>21,650,946</u>
SCHEDULE-9: OTHER CURRENT ASSETS		
Prepaid Expenses	672,754	516,342
Mat Credit Entitlement	6,172,085	3,815,505
Income Tax Refundable	2,461,956	1,374,839
Advance Income Tax and TDS	1,999,670	3,896,341
Less: Provision for Current Tax (As Per Contra)	<u>1,999,670</u>	<u>1,947,171</u>
VAT Input Tax Credit	1,010	1,058,829
Accrued Intt. on NSC	-	2,868
Excise & Service Tax Balance	781,271	485,767
Interest Receivable Under TUF Scheme	15,722,237	9,161,990
Receivable Against Export	7,525,027	6,030,307
TOTAL	<u>33,336,340</u>	<u>24,395,616</u>
Grand Total	<u>50,780,808</u>	<u>46,046,562</u>

KG PETROCHEM LIMITED



	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE-10: CURRENT LIABILITIES		
Sundry Creditors		
For Goods		
-Micro, Small & Medium Enterprises*	---	236,222
-Others	60,178,685	26,191,858
For Expenses		
-Micro, Small & Medium Enterprises*	-	-
-Others	3,048,172	3,781,645
For Capital Goods		
-Micro, Small & Medium Enterprises*	-	-
-Others	4,855,796	85,970,619
Advance From customers	3,287,188	6,311,932
Statutory Liabilities	3,740,586	1,767,088
Outstanding Liabilities	11,463,946	20,131,670
Security Deposits	310,826	277,526
Other Current Accounts	65,831,084	18,340,150
TOTAL	152,716,282	163,008,709
 SCHEDULE-11: PROVISIONS		
Provision for Income Tax	2,356,580	1,947,171
Less: Advance Tax (As per Contra)	1,999,670	356,911
	356,911	1,947,171
	-	-
Grand Total	153,073,193	163,008,709
 * To the extent information received for status under the Micro, Small and Medium Enterprises Development Act, 2006		
SCHEDULE-12: TURNOVER		
Bags	73,741,546	82,928,270
Terry Towels (Net)	696,980,867	510,922,291
Commission Income (Agency Division)	6,867,961	3,977,518
Consultancy Receipt	-	2,245,423
Processing Charges	4,818,667	1,284,607
	782,409,041	601,358,109
Add:- Duty Drawback	18,769,744	24,120,159
Add :- Import Licences (DEPB/FPS/MLFPS)	6,328,145	625,826
	807,506,930	626,104,094
 SCHEDULE-13: OTHER INCOME		
Foreign Exchange Gain	3,334,191	3,487,909
Godown Rent	3,392,503	1,599,779
Interest Income (TDS Deducted Rs. 325382/-)	4,183,351	3,851,844
Profit on Sales of Fixed Assts	-	1,134,227
Bad Debts Receivable	35,372	-
Service Tax Refund	166,954	-
Sampling Charges	439,907	-
Liabilities no longer required Witten Back (net)	303,917	167,053
Excise Duty Provision on Stock written back	11,788	-
Other / Misc.	1,965	51,480
	11,869,948	10,292,291

KG PETROCHEM LIMITED



	Current Year 31.03.2011	Previous Year 31.03.2010
SCHEDULE-14-: (ACCRETION / DECRETION IN STOCK)		
Closing Stock		
Bags	35,628	354,674
Towel	38,175,248	18,516,982
Work In process	78,191,975	42,565,229
Scrap	205,283	199,596
	<u>116,608,134</u>	<u>61,636,481</u>
Opening Stock		
Bags	354,674	37,342
Towel	18516,982	15,960,489
Work In process	42,565,229	27,020,060
Scrap	199,596	198,928
	<u>61,636,481</u>	<u>43,216,818</u>
Accretion in Stock	<u>54,971,653</u>	<u>18,419,663</u>
SCHEDULE-15: MATERIALS		
Raw Material Consumed		
Opening Stock	8,831,410	8,812,295
Add: Purchases	546,175,563	342,309,504
Freight	82,648	38,675
	<u>555,089,621</u>	<u>351,160,474</u>
Less: Closing Stock	73,969,799	8,831,410
	<u>481,119,823</u>	<u>342,329,063</u>
Dyes & Chemicals Consumed	64,637,507	52,312,095
Material For Sale	-	142,050
	<u>545,757,330</u>	<u>394,783,209</u>
SCHEDULE-16: MANUFACTURING EXPENSES		
Boiler Operating Expenses	420,250	403,000
Consumable Stores	12,381,816	10,805,973
Drawing Expenses	360,000	104,000
ETP Expenses	267,583	111,737
Hydro Extrating Expenses	173,000	-
Freight & Cartage (Others)	2,076,302	1,454,487
Fuel (Husk, Petcoke, etc.)	26,596,223	22,760,950
Job Charges	4,842,143	8,353,578
Packing Material	14,169,498	9,409,859
Power & Fuel	44,948,112	31,776,772
Knotting Expenses	1,116,950	-
Repairs & Maintenance of (Building)	1,158,709	344,419
Repairs & Maintenance of (Plant & Machinery)	1,621,940	1,286,576
Stores & Spares	5,960,128	6,126,114
Water Charges	10,370	18,139
	<u>116,103,023</u>	<u>92,955,604</u>
SCHEDULE-17: PAYMENT TO AND PROVISION FOR EMPLOYEES		
Salaries, Wages, Allowances & Bonus etc.	57,364,114	38,937,818
Workmen & Staff welfare Expenses	5,936,413	4,211,904
Contribution to Provident Funds and Other Funds	1,513,635	904,089
	<u>64,814,163</u>	<u>44,053,811</u>

KG PETROCHEM LIMITED



	Current Year 31.03.2011	Previous Year 31.03.2010
SCHEDULE-18: ADMINISTRATIVE EXPENSES		
Payment to Auditors		
- As Auditor	90,000	80,000
- for other matters		
For Tax Audit	20,000	20,000
For Tax matters	15,000	10,000
For out of Pocket Expenses	28,498	-
Consultancy & Diagnostic Expenses	-	657,529
Credit Rating Fee	106,540	158,548
Director's Foreign Travelling Exp.	386,533	463,156
Directors Remuneration	2,400,000	1,083,726
Director's Travelling Exp.	108,504	173,157
Donation	21,001	15,000
Electrification Written Off	-	820,901
Insurance Expenses	1,107,940	814,150
Interior Witten Off	-	297,808
Communication Expenses	989,684	813,198
Preliminary Expenses Written Off	-	71,837
Printing & Stationary	386,797	326,884
Professional Expenses	599,613	424,259
Rent	1,159,289	1,745,143
Repairs & maintenance (others)	44,739	162,617
Rates & Taxes	97,108	124,479
Service Charge RIICO	173,507	160,522
Testing Fee	524,705	284,438
Travelling Expenses	449,110	387,553
Vehicle Running & Maintenance	500,791	457,706
Water & Electricity Charges	188,750	180,292
Loss on Sales of Fixed Assets	288,350	-
Other Expenses	1,058,343	1,708,644
	<u>10,744,801</u>	<u>11,441,548</u>
SCHEDULE-19: SELLING & DISTRIBUTION EXPENSES		
Bad - Debts	-	1,266,012
Brokerage on Rent	-	267,000
Business Promotion	185,881	116,607
Clearing & Forwarding Charges	8,367,422	9,577,301
Commission On sale	8,829,162	5,816,098
Discount	532,988	-
Exhibition Expenses	325,000	644,202
Excise Duty on Finished Goods	-	33,120
Freight (Outward)	398,690	468,220
Marketing Expenses	1,808,812	250,973
Product Development	214,738	170,875
Rebate & Deductions	2,533,877	768,229
Other Expenses	176,830	180,946
Service Tax (Reject)	-	336,336
TOTAL	<u>23,373,400</u>	<u>19,895,919</u>
SCHEDULE-20: FINANCIAL EXPENSES		
Interest on		
Term Loans	18,400,425	8,291,884
Bank & Others	15,435,732	7,404,735
	<u>33,836,157</u>	<u>15,696,619</u>
Bank Charges	1,328,087	1,471,744
	<u>35,164,244</u>	<u>17,168,363</u>



SCHEDULE-21: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

(A) ACCOUNTING POLICIES

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.

2) Fixed Assets

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

3) Depreciation:

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 assets costing less than Rs 5000/- has been fully depreciated in the year of purchase.

4) Valuation of Inventories :

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

5) Turnover

Turnovers are inclusive of excise duty, refund and other related realization but exclusive of value added tax charged. Export sale has been recognized at the time of removal of goods from factory gate at invoice value (whether FOB or CIF) on the basis of exchange rates declared by the Customs department for that particular month.

During the year export sale of Rs 122.58 Lacs (Previous Year Rs.103.32 Lacs) booked on the basis of removal of goods at invoice value however let export order date of the same was after 31st March 2011.

6) Benefits receivable against export and its obligation

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 at net realizable value on accrual basis.

7) Foreign Currency Transaction:

(i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the 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 recognized 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 recognized in the profit & loss account.

8) Employee retirement benefits:

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

9) Taxes on Income

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.



10) Borrowing Cost

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.

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

(B) NOTES ON ACCOUNTS

- 1) Contingent liabilities not provided in respect of:
- a) Gaurantees given by the bank Rs.200.00 Lacs (Previous year Rs. 100.00 Lacs) for which Company has provided Counter Gaurantee to bank and also secured by the securities as mentioned in Schedule 3 for Term Loans and other facilities.
 - b) Disputed income tax demand of Rs. 1.07 lacs (previous year Rs. 2.05 lacs) on account of penalties levies u/s 271(1) (c) of Income Tax Act, 1961 for A.Y 99-00 & 03-04 for which appeals are pending before Commissioner (Appeals).
 - c) Disputed excise duty of Rs. 2.43 lacs (previous year Rs. 2.43 lacs) for the period F.Y. 2001-02 to 2004-05 (Upto Feb.05) for which appeal is pending before CESTAT.
- 2) Export obligation against EPCG License Rs. 863.83 lacs (Previous year Rs 2379.84 lacs)
- 3) In terms of accounting policy no. 2 Borrowing cost Rs 53.34 lacs (Previous year Rs.41.42 lacs) and Salary and wages Rs.8.99 lacs (Previous year Rs.17.60 lacs) incurred during the construction / installation of fixed assets have been capitalized.
- 4) Excise duty shown under the head expenditure represents the provision made for excise duty on closing stock of finished goods.
- 5) The receipt of capital subsidy 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 is credited to Capital Subsidy under the head Reserve & Surplus subject to fulfillment of conditions.
- 6) Disclosure as required by Accounting Standards:-**
- A. Accounting Standard 6- "Depreciation Accounting"-**
- (i) Company has reassessed the useful life of its certain category of plant and machinery comprising of looms and other related machinery and rate of depreciation has been restored and applied prospectively complying Para 11 of Accounting Standard 6 "Depreciation Accounting. The rates restored are adopted as provided in schedule XIV to the Companies Act,1956. Such application of restored rates has resulted in lower provision of depreciation by Rs.318.31 Lacs and consequential profit for the year has been increased by this amount.
 - (ii) As mentioned in Note No.5 Company has availed Capital Subsidy forming part of cost of process Machinery.Proportionate amount of such capital subsidy is being withdraw from Capital Reserve (Capital Subsidy) equal to relative depreciation.During the year Rs. 9.61 Lacs has been withdrawn from Capital Subsidy and for the prior period relevant amount of such capital subsidy is also being withdrawn from Capital Reserve Rs.32.34 Lacs equal to the depreciation of those relevant years.
- B. Accounting Standard 15 "Employee Benefits", the disclosure of Employee Benefits as defined in the accounting standard are given below:**
- a) **Defined Contribution Plan**
Employer's contribution to provident fund provided Rs. 14.79 Lacs (Previous year 8.32Lacs) has been recognized as expenses for the year.
 - b) **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 then covered by Payment of Gratuity Act 1972.



C. Segment Information

Information About Business Segment

As required by Accounting Standard- 17 on segment reporting

1. The company is collectively organized into two major business segments namely
Terry Towel 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.

2. Information based on primary segment (Business segment)

(Rs. in Lacs)

S.No	Particular	2010-11	2009-10
1	Segment Revenue (Net Sale / Income From each segment)		
a.	Woven Sacks	668.55	764.30
b.	Textile	7239.57	5369.53
c.	Others	68.68	62.23
	Total	7976.80	6196.06
	Less: Inter Segment Revenue	-	-
	Net Sales/ Income From Operation	7976.80	6196.06
2	Segment Profit before Tax and Interest From each Segment		
a.	Woven Sacks	26.77	3.62
b.	Textile	61.75	98.00
c.	Others	79.78	25.90
	Total	168.30	127.52
	ii) Unallocable interest portion	40.45	12.94
	Total Profit before Tax	127.85	114.58
3.	Segment Assets		
a.	Woven Sacks Division	537.90	472.14
b.	Textile	8684.51	7285.75
c.	Others	251.74	183.46
	Total	9474.15	7941.35
4	Segment Liabilities		
a.	Woven Sacks Division	172.10	309.43
b.	Textile	6286.80	5531.19
c.	Others	248.48	163.57
	Total	6708.38	6004.19
5	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)		
a.	Woven Sacks	-	-
b.	Textile	1653.07	2129.62
c.	Others	-	-
	Total	1653.07	2129.62
6	Total amount of Expenses included in the segment result for depreciation and amortization in respect of segment assets for the period		
a.	Woven Sacks	7.71	6.39
b.	Textile	559.70	423.96
c.	Others	-	9.17
	Total	567.41	439.52

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

**D. Accounting Standard 18 -“Related party Disclosure”**

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

1. Relationship:**a) Key management Personnel and their enterprises**

Shri G.S Kandoi
Shri Manish Singhal

b) Relative of key Management Personnel and their enterprises where transaction have taken Place

Shri Vivek Singhal
Shri Baldev das Gauri Shanker HUF
Smt. Savitri Kandoi
Smt Preety Singhal
Shri Manish Singhal HUF
Miss Mantika Singhal

Note: Related party relationship is as identified by the company and relied upon by the Auditors.

2. Transaction carried out with related parties referred in 1, in ordinary Course of business:**(Rs. in Lacs)**

Nature of Transaction	Related Parties			
	Referred in 1(a) above		Referred in 1(b) above	
	2010-11	2009-10	2010-11	2009-10
Expenses				
Rent	--	--	--	9.65
Remuneration	24.00	10.84	--	--
Interest	17.56	7.87	21.95	4.43
Salary	--	--	4.20	2.35
Current Accounts				
Amount Payable	282.61	111.95	359.46	65.20

E. Accounting standard 20: _“Earning Per Share “

Required Disclosure are given below:

a. Amount used as the numerator profit after tax, dividend on preference shares and tax thereon	Unit Rs. In Lacs	2010-11 65.73	2009-10 98.54
b. Weighted average number of equity shares used As the denominator in computing basic Earning Per Share	Nos.	5221000	5221000
c. Nominal Value per share	Rs.	10	10
d. Earning per share			
- Basic	Rs.	1.26	1.89
- Diluted	Rs.	1.26	1.89



F. Accounting Standard 22 “ Taxes on Income”

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

Major components of deferred tax balances

Particulars	(Rs. In Lacs)	
	31st March, 2011	31st March, 2010
Deferred tax liabilities		
Difference between accounting and tax WDV	1492.70	806.47
DTL on above	484.31	255.09
Deferred Tax Assets		
Unabsorbed Depreciation	518.16	Nil
DTA on above	168.12	Nil
Net Deferred Tax Liabilities	<u>316.19</u>	<u>255.09</u>

Net current deferred tax liability of Rs 61.10 lacs has been charged to Profit and Loss Account besides current tax Rs 23.57 Lacs as per Income Tax Act, 1961.

G. Accounting Standard -24 “Discontinue Operation”

The Revenue and Expenses of Continuing and Discounting Operation are as follows

(Rs. in Lacs)

Particulars	Continuing Operation		Discontinuing Operation		Total	
	2011	2010	2011	2010	2011	2010
Total Income	8645.22	6,460.72	-	22.45	8645.22	6483.17
Total Expense (excluding depreciation & tax)	7598.31	5716.54	-	40.76	7598.31	5757.30
Interest Exp	351.64	171.68	-	--	351.64	171.68
Depreciation	567.41	430.35	-	9.17	567.41	439.52
Profit Before Tax	127.84	142.15	-	(27.48)	127.84	114.67
Taxation	62.10	16.13	-	--	62.10	16.13
Profit (loss) after Tax	65.74	126.02	-	(27.48)	65.74	98.54

H. 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.

I. Accounting Standard 29- “Provisions Contingent Liabilities and Contingent Assets”-

(Amount in Lacs)

Sr. No.	Nature of Provision & Expected time of outflow	Provision outstanding at the beginning of the year	Provision made during the year	Provision utilized during the at the year	Provision reversed during the year	Provision outstanding at the end of the year
1.	Provision for Taxation	19.47	23.57	19.47	--	23.57

J 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.

(Currency in Lacs)

As at	No. of Contracts	US Dollar Equivalent	INR Equivalent
31.03.2011	03	3.56	164.85

b) Foreign currencies exposure that are not hedged by financial instruments or forward contracts as at 31st March,2011 amounting to Japanese Yen 160.00 lacs (Equivalent to Rs. 89.33 lacs) for import of machinery and USD 6.29 lacs (Equivalent to Rs 279.26Lacs)

C.) During the year company has also converted its CC limit into FCNR loan, in this arrangement company have to pay \$6.58Lacs as on 22.07.2011. The exchange fluctuation on translation of the above loan have been credited to Profit & Loss account.

7 Details of Dues to Micro Enterprises and Small Enterprises*

	(Rs. in lacs)	
	31st March 2011	31st March 2010
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)	-	2.36
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.

8 Advance includes due from directors Rs. Nil (Previous Year Rs. Nil) with maximum debit balance Rs. Nil (Previous year Rs. 8.63 lacs).

9) Fixed monthly remuneration of directors has been paid within the limits specified in schedule XIII of the Companies Act, 1956 as under:

	2010-11	Rs in lacs 2009-10
Chairman and Managing director	12.00	4.03
Whole Time Director	12.00	6.81

10. Information in respect of :

	2010-11	2009-10
a) Licensed Capacity	NA	NA
b) Information in regard to Installed Capacity		



Item	Unit	Current Year 2010-2011 Installed Capacity	Capacity Increased during the year	Previous Year 2009-2010 Installed Capacity
Bags	Stitching Machine	15	--	15
Yarn Processed	MT	6000	1500	4500
Towel	Stitching Machine	66	--	66

11. Quantitative Details in respect of manufactured and other Goods

(In MT)

Goods	Opening Stock	Production	Purchase/ Transfer	sales/ Utilized	Closing Stock
Bags	3.72	669.90	--	673.27	0.35
	(0.47)	(856.54)	--	(853.29)	(3.72)
Scrap	14.55	19.82	--	19.81	14.56
	(15.83)	(27.11)	--	(28.39)	(14.55)
Terry Towel	80.48	2029.97	1.55	1984.35	127.65
	(79.09)	(1844.95)	--	(1843.56)	(80.48)
Scrap	4.386	146.021	-	149.153	1.254
	(2.01)	(120.45)	-	(118.07)	(4.386)

*Previous year's figures are given in brackets.

12. (A) Quantitative Detail in respect of Raw material :-

(In MT)

Raw Material	Opening Stock	Purchase/ Transfer	Consumption*	Sales	Closing Stock
Yarn	69.41	3163.475	2847.983	--	384.902
	(71.98)	(2450.40)	(2452.97)	--	(69.41)
PP/Mater batch	0.0	0.0	0.0	-	0
	(24.80)	(3.15)	(25.95)	(2.00)	0
Fabric	4.17	668.90	670.02	-	3.05
	(15.21)	(845.51)	(856.55)	-	(4.17)
Tape	0.74	20.00	19.71	-	1.03
	(10.03)	(20.81)	(30.09)	-	(0.74)

* Includes material Consumed out of internal transfers/Job.

**Previous year's figures are given in brackets.

(B) Value of Imports on CIF basis:-	(Rs. in Lacs)			
	Current Year	Previous Year		
(i) Spare parts	30.86	11.13		
(ii) Capital Goods	139.51	2104.49		
(C) Value of Raw Material, Components, & Spare Parts consumed	Rs. (Lacs)		Percentage(%)	
	Current Year	Previous Year	Current Year	Previous Year
Raw Material				
(i) Imported	0.00	(Nil)	0.00	0.00
(ii) Indigenous	5457.57	3947.83	100.00	100.00
Spare Parts				
(i) Imported	27.25	11.13	45.72	18.24
(ii) Indigenous	32.35	49.93	57.28	81.76



(D) Expenses in Foreign Currency (in respect of)	Current Year	Previous Year	(Rs. in Lacs)
(i) Foreign Director Travelling	3.13	4.67	
(ii) Exhibition Exp.	Nil	1.33	
(iii) Commission	51.14	33.85	
(iv) Product Development Exp.	2.03	Nil	
(v) Marketing Exp.	14.74	Nil	
(vi) Testing Fee	3.19	Nil	

(E) Earning in Foreign Currency	Current Year	Previous Year	(Rs. in Lacs)
Export of Goods on FOB Basis	2652.23	2964.78	

Signature to schedules 1 to 21 and Balance Sheet Abstract.

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
Place : JAIPUR
Dated: 28.05.2011

(G. S. Kandoi)
Chairman Cum Managing Director

(Manish Singhal)
Director

(Vimal Tank)
Company Secretary



BALANCE SHEET ABSTRACT AND COMPANYS GENERAL BUISNESS PROFILE

I. Registration Details
Registration Number 001999 State Code 17 Balance sheet Date 31.03.11

II. Capital raised during the year (Amount in Rupees In Thousands)
Public Issue Right Issue Bonus Issue Private Placement
Nil Nil Nil Nil

III. Position of mobilization and deployment of Funds (Amounts in Rupees in Thousand)
Total Liabilities 794342 Total Assets 794342

Sources of Funds:

Paid up Capital	58152	Share Application money	--
Reserve & Surplus	121075	Deferred Tax liability	31619
Secured Loan	583496	Unsecured loan	--

Application of Funds

Net Fixed Assets	510884	Investment	--
Net Current Assets	283458	Misc. Expenditure	--
Accumulated Losses	--		

IV. Performance of the Company (Amount in Rs Thousands)
Turnover 797680 Total Expenditure 784896
Profit before Tax 12784 Profit After Tax 6574
Earning per Share in Rs. Basic 1.26 Diluted 1.26
Dividend Per Share in Rs.

V. Generic names of Three principal products/ Services of Company
Item Code No. (ITC Code) 39230000
Product Descriptions HDPE/PP Woven Sacks/ Fabric
Item Code No. (ITC Code) 63029100
Product Description Cotton Terry Towel

Signature to schedules 1 to 21 and Balance Sheet Abstract.

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. Kandoi)
Chairman Cum Managing Director

(Manish Singhal)
Director

Place : JAIPUR
Date : 28.05.2011

(Vimal Tank)
Company Secretary

KG PETROCHEM LIMITED



CASH FLOW STATEMENT FOR THE YEAR 2010-11

(Rs. in Lacs)

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	2010-11		2009-10	
	DETAILS	AMOUNT	DETAILS	AMOUNT
A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax as Per Profit & Loss A/c	127.85		114.67	
<u>Adjusted for :-</u>				
Preliminary Expenses	-		0.72	
Interest paid	351.64		171.68	
Interest received	(41.83)		(38.52)	
Rent Income	(33.93)		(16.00)	
Loss/(Profit) on Sale of Fixed Assets	2.88		(11.34)	
Withdrawal from capital reserve	(9.61)			
Depreciation	567.41		439.52	
Operating Profit before Working Capital Changes	964.42		660.73	
<u>Adjusted for:-</u>				
Increase/(Decrease) in Current Liabilities	(273.91)		1,060.88	
(Increase) / Decrease in Loans and Advances	(42.34)		(49.22)	
(Increase) / Decrease in Inventory	(1,264.45)		(200.17)	
(Increase) / Decrease in Sundry Debtors	(250.44)		(213.17)	
Net Cash used in Operating Activities Before Extraordinary Items	(866.72)		1,259.05	
Less:- Extraordinary Items	126.00		(126.00)	
Cash Generated From Operations	(740.72)		1,133.05	
Less:- Taxes Paid	(6.01)		(31.08)	
Net Cash Flow/(used)From Operating Activities		(746.73)		1,101.96
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(1,604.51)		(2,129.62)	
(Increase)/decrease to CWIP	1,143.67		(1,095.26)	
Proceeds From Sales/written off of Fixed Assets	8.50		42.52	
Rent Income	33.93		16.00	
Net Cash Flow/(used) in Investing Activities		(418.42)		(3,166.36)
C) CASH FLOW FROM FINANCING ACTIVITIES				
Procurement of Borrowings	1,829.85		14,904.91	
Repayment of Borrowings	(369.00)		(12,723.31)	
Interest received	41.83		38.52	
Capital Subsidy under Tuf	54.08		-	
Interest paid	(351.64)		(171.68)	
Net Cash Flow/(used) From Financing Activities		1,205.12		2,048.44
Net Increase/(Decrease) in Cash and Cash Equivalent		39.97		(15.96)
Opening balance of Cash and Cash Equivalent		3.37		19.33
Closing balance of Cash and Cash Equivalent		43.34		3.37

NOTE : Cash and Cash Equivalent consists of following:-

	Rs.	Rs.
Cash on hand	3.18	2.58
Balances with Banks	40.16	0.79
	43.34	3.37

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. Kandoi)
Chairman cum Managing Director

(Manish Singhal)
Director

Place : JAIPUR
Dated: 28.05.2011

(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/WeOf.....

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

.....

.....

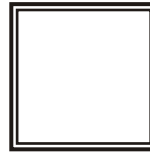
..... of

..... or failing him/her
..... of as my/our proxy to Vote for
me/us and on my / our behalf at the Thirtyfirst Annual General Meeting of the Company to be held
on Thursday the 29th day of September, 2011 and adjournment thereof.

As Witness my/our hand (s) this day of 2011

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 Thirtyfirst 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 Thrusday the 29th day of September 2011 at 11.00 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.