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5TH ANNUAL REPORT 1996-97

**BOARD OF DIRECTORS**

Shri Prem Seth
 Shri Sandeep Seth
 Shri A. Prasad (I.A.S.)
 Shri Ramu S. Deora
 Shri Sanjay Khaitan
 Shri Jaideep Seth

Managing Director
Executive Director
Nominee Director - G.I.I.C. Ltd.

ADVISOR

Shri H. R. Patankar

COMPANY SECRETARY

Shri R. Madhava Kaimal

AUDITORS

M/s. S. M. Kapoor & Co.

BANKERS

Indian Overseas Bank
 Punjab National Bank
 Indian Bank

REGISTERED OFFICE AND FACTORY

Plot No. 321, G.I.D.C.,
 Panoli, Tal. Ankleshwar,
 Dist. Bharuch
 Gujarat.

CORPORATE OFFICE

10, Luthra Industrial Premises
 Ground Floor, Andheri Kurla Road,
 Safed Pool, Mumbai-400 072.

NOTE : The Company has started inhouse share transfer, members are requested to make the correspondence at the Corporate Office of the Company.

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NOTICE

NOTICE is hereby given that the 5th Annual General Meeting of Laffans Petrochemicals Limited will be held on Tuesday the 23rd September 1997, at 3.30 P.M. at the Registered Office of the Company to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt Profit and Loss Account for the year ended 31st March, 1997 and Balance sheet as on that date together with Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri Ramu S. Deora who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following resolutions as ordinary resolution.
"Resolved that Mr. Sanjay Khaitan Solicitor, Khaitan & Co., who has consented to act as a Director be and is hereby appointed as Director of the Company and that Mr. Sanjay Khaitan's period of office shall be liable to determination by retirement of Directors by rotation.
5. "RESOLVED that Mr. Jaideep Seth who has consented to act as a Director be and is hereby appointed as a Director of the Company and that Mr. Jaideep Seth's period of office shall be liable to determination by retirement of Directors by rotation.

BY ORDER OF THE BOARD

SANDEEP SETH
EXECUTIVE DIRECTOR

Registered Office :

Plot No. 321, GIDC,
Panoli, Tal. Ankleshwar,
Dist. Bharuch,
Gujarat.

Date : 27th July, 1997.

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 and the Proxy need not be a member of the Company.
2. The Proxy form duly signed should reach the

Company's Registered office at least 48 hours before the time fixed for the meeting.

3. Register of members and share transfer books of the Company shall remain closed from 19th September, 1997 to 23rd September, 1997, both days inclusive.
4. Shareholders seeking any information with regard to accounts are requested to write to the Company early so as to enable the management to keep the information ready.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956.**

4. The Board of Director of the Company, at their meeting held on 27.07.97 appointed Mr. Sanjay Khaitan as additional Director U/S 260 of the Companies Act 1956. As per the said section Mr. Sanjay Khaitan holds office only upto this Annual General Meeting. Notice has been received from a member U/S 257 (1) of the Companies Act 1956, proposing the name of Mr. Sanjay Khaitan for appointment as a Director. Hence the above resolution is proposed as an ordinary resolution.
5. The Board of Directors of the Company at their meeting on 27.07.97 appointed Mr. Jaideep Seth, U/S 262 of the Companies Act 1956 as a Director to fill the casual vacancy resulted in vacation of office of Director by Mr. Shiv Kumar. By virtue of sub-section (2) of Section 262 Mr. Jaideep Seth holds office upto which Mr. Shiv Kumar could have continued in office if he had not vacated the office as aforesaid. Since Mr. Shiv Kumar's term expires at the ensuing AGM. Mr. Jaideep Seth office comes to an end at this AGM. Notice has been received from some member U/S 257(1) proposing Mr. Jaideep Seth's name for appointment as Director of the Company. The above resolution is proposed for passing as an ordinary resolution.

Mr. Jaideep Seth is the son of Mr. Prem Seth, Managing Director and brother of Mr. Sandeep Seth, Executive Director and to that extend they are deemed to be interested Directors.

BY ORDER OF THE BOARD

SANDEEP SETH
EXECUTIVE DIRECTOR

Registered Office :

Plot No. 321, GIDC,
Panoli, Tal. Ankleshwar,
Dist. Bharuch,
Gujarat.

Date: 27th July, 1997.



DIRECTORS' REPORT

TO THE MEMBERS

Your directors have pleasure in presenting the fifth Annual Report with the Audited Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS

	1996-97	Rs. in Lacs 1995-96
Gross sales	4126.99	3005.38
Profit before depreciation and interest	379.98	296.44
Interest	150.78	106.92
Profit after interest	229.20	189.52
Depreciation	28.08	27.03
Profit before tax	201.12	162.49
Provision for tax	24.00	NIL
Profit for the year	177.12	162.49
Balance in P & L A/c	99.83	136.38
Previous year adjustment	NIL	0.96
Balance available for appropriation	276.95	299.83
Transfer to Capital Reserve	15.00	—
Transfer to General Reserve	—	200.00
Balance Carried to Balance Sheet	261.95	99.83
EPS (Rs.)	2.52	2.31
CEPS	2.93	2.70

ACTUAL V/S PROJECTED PERFORMANCE :

Actual versus Projected results of the Company for the year (1996-97) as stated in the prospectus dated 3rd February, 1994 for the Public Issue of 47,50,000 Equity shares of Rs. 10/- each for cash at par aggregating Rs. 4,75,00,000.

	PROJECTED 1996-97	Rs. in Lacs ACTUALS (As per Prospectus) 1996-97
Sales	2878.30	4126.99
Depreciation	71.03	28.08
Tax	162.79	24.00
P A T	288.11	177.12
Equity	701.00	701.00

The sales of your company surpassed the projection made in the prospectus. However the margin was under pressure due to increase in cost of input and financial charges and delay in sanction of working capital requirement.

TURNOVER AND PROFIT

The Gross Sale of the company increased from Rs. 3005.38 Lacs to Rs. 4126.99 Lacs reflecting an increase of 37.32 % . The Gross Profit has increased from Rs. 296.44 lacs to Rs. 379.98 reflecting an increase of 28.18% .

EXPANSION :

The Company's expansion plan to expand its Glycol Ether capacity to 10,000 M.T. p.a. is as per schedule and under an advanced stage of implementation. The total investment outlay of Rs. 800 Lacs is being funded with institutional loan component of Rs. 465 Lacs from GILC. The Company has already invested its share of Rs. 335 Lacs in the said project. LPL is already the largest Glycol Ether Producer in the Country.

COLLABORATION AND JOINT VENTURES

The Company's collaboration with Akzo Nobel (US \$ 15 Billion Dutch Conglomerate and a Fortune 500 Company) for manufacturing viscose chemicals has become operational with LPL having directly received the first consignment of goods in June, 1997 from Akzo in Sweden for the first phase of production activity. The final product will be supplied to Akzo for the viscose industry. The projected sales by Akzo in this area is Rs. 4 Crores for the current year.

FUTURE PROSPECTS

As earlier mentioned, the Company has undertaken an expansion in capacity under the 1995-2000 Scheme for a total outlay of Rs. 800 Lacs. It has already obtained critical licences/quota pertaining to industrial Alcohol, GEB, GPCB. The expansion schedule is to be completed in the last quarter of 1997-98 and would increase the plant capacity by 100 % which would result into additional profits and favourable economic balance.

Your Company is maintaining its leadership in its product range of Glycol Ethers and Ethoxylates. In a short span of 3 years it has become the largest consumer of Ethylene Oxide in the country.

It is an undisputed leader in the Glycol Ether range of products catering mainly to the Brake Fluid and paint industry. Ambitious expansions undertaken by its strong customers mainly in the Paint and Brake Fluid industry has had a direct bearing on the Company's product demand. Its existing Customer range includes various multinationals where it is an OEM supplier to Castrol, IOC, HPCL, ONGC, GULF Oil, Asian Paints, Goodless Nerolac, Berger, etc. Its Ethoxylate range of products are supplied to major Pharmaceutical, textile and the Agro

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Industry which include Bayer, Hindustan Lever, ICI, Torrent, Forseco, Tata Pharma, Sandoz, Hoechst, Reliance, Shriram Rayon etc.,

It is the only manufacturer of Butyl Ethers and Glycol Ether Acetates in the Country, a wholly import substitute product.

Its main strength lies in its strategic location between IPCL and Reliance which ensures an uninterrupted supply of its basic feedstock namely Ethylene Oxide which cannot be imported due to its Hazardous nature. It maintains its own fleet of specially fabricated EO tankers, giving it a distinct cost advantage.

STATE SUBSIDIES

The Company is also eligible for 100% incentive under sales tax deferment scheme promulgated by Government of Gujarat as interest free loan which would enable the Company to service its debt obligations comfortably.

Under 1990-95 scheme the company is further eligible for Rs. 15 Lacs cash subsidy and 60 % of investments made till 15.08.95 under sales tax deferment scheme for which the necessary application has been made to Directorate of Industries Government of Gujarat, Gandhinagar. This will enable the company to augment long term resources for a period of six years which is an interest free loan and is payable in six installments to the Government.

EXPORTS

Your company is the first to be approved by the South African Bureau of Road Transportation for its Dot 4 grade of Brake Fluid.

The modalities for exports are being finalised.

DIVIDEND

Your Directors, propose to plough back the entire earning to finance the expansion as mentioned else where. Your Directors are confident that this will be appreciated by the members as the expansions are being implemented without any increase in equity.

DIRECTORS

Shri Ramus S. Deora, Director who retires by rotation and being eligible offers himself for reappointment.

AUDITORS

The Auditors M/s. S.M.Kapoor & Co., Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for reappointment.

PERSONNEL

There is no employee drawing salary in excess of limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules 1975 as amended.

FIXED DEPOSIT

Your Company has not accepted any deposit within the meaning of Section 58 (A) of the Companies Act, 1956 and the rules made there under. The company did not accept or renew any deposits from the public.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Information pursuant to Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the report of Board of Director) Rules 1988 is annexed and forms a part of this report.

APPRECIATION

The Board of Directors of the Company take this opportunity to place on record its appreciation and sincere thanks to the valuable support given by various Government Departments, Financial Institutions, Banks, Project consultants, Equipment Suppliers and all others who have extended their full co-operation to make the project a success. The Board also wishes to place on record its appreciation for all the employees at all levels who have worked as an efficient team making a significant contribution to the project and to achieve its planned target despite depressionary trends in Petrochemical Industry.

ACKNOWLEDGEMENT

Your directors acknowledge with gratitude the co-operation and assistance given by the Bankers of the Company during the year under review.

For and on Behalf of The Board of Directors.

PREM SETH
Managing Director

SANDEEP SETH
Executive Director

Place : Mumbai.

Date : 27th July, 1997.