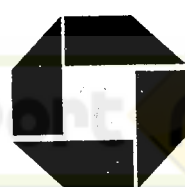


MD	✓		BKC	✓
CS	NA		DPY	NA
RO	✓		EV	NA
TRA	NA	✓	AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓



Laffans

PETROCHEMICALS LIMITED

certified true copy

WITNESSED BY

[Signature]

6th ANNUAL REPORT 1997-98

**BOARD OF DIRECTORS**

Shri Prem Seth	(Managing Director)
Shri Sandeep Seth	(Executive Director)
Shri A. Prasad (I.A.S.)	(Nominee Director)
Shri Sanjay Khaitan	(Solicitor)
Shri Jaideep Seth	(Director)
Shri Sanjay Seth	(Director)

ADVISOR

Shri H. R. Patankar

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.

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NOTICE:

NOTICE is hereby given that the Annual General Meeting of Laffans Petrochemicals Limited will be held on Wednesday the 30th December 1998, 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 18 months period ended 30th September 1998 and Balance-sheet as on that date together with Directors and Auditors Report thereon.
2. To reappoint a Director who retires by rotation and being eligible offers himself for reappointment.
3. To appoint auditors of the company who shall hold office from conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

1. To consider and if thought fit to pass with or without modification the following resolution as a ordinary resolution.

"Resolved that Mr. Sanjay Seth who was appointed as an additional Director of the company and who ceases to hold office as such in terms of Section 260 of the Companies Act, 1956 but is eligible for appointment be and is hereby appointed a Director of the company".

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

"Resolved that subject to all applicable provisions of the Companies Act, 1956 (including any statutory modifications guidelines or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals/permissions and sanctions as may be necessary from the Securities and Exchange Board of India (SEBI), Stock Exchanges, Central Government or such other authorities and subject to such conditions and modifications as may be prescribed or enforced while granting such approvals, permissions and sanctions which maybe agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") the consent of the company be and is hereby accorded to the Board to de-list the Equity shares of the company from Ahmedabad Stock Exchange and Delhi Stock Exchange.

"Resolved further that the Board be and is hereby authorised to do all such acts,deeds,matters and things that may be necessary, desirable or expedient

for giving effect for this resolution"

BY ORDER OF THE BOARD

SANDEEP SETH

Place :**Registered Office:**

Plot No 321,GIDC
Panoli,Tal Ankaleshwar."
Dist Bharuch.Gujrat.

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 29th December 1998 to 30th December 1998(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.

BY ORDER OF THE BOARD

SANDEEP SETH
EXECUTIVE DIRECTOR

Registered office:

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

Date : 1/12/98.

EXPLANTORY STATEMENT

Item NO 2 (Special business).

Presently the Equity shares of the company are listed on Mumbai Stock exchange, Ahmedabad Stock Exchange and Vadodara Stock Exchange. It has been observed by the Board of directors that even though the shares are listed at Delhi and Ahmedabad stock exchanges, the shares of the company have remained infrequently traded since listing at these stock exchanges. The listing fees of these exchanges have been substantially increased and the burden of listing fees is much more than what was prescribed at the time when listing was sought in these



exchanges. Additionally the company continues its listing at the Regional stock exchange at Vadodara and also at Mumbai stock exchange, which has also undertaken expansion of its BOLT facilities to many parts.

Thus the shareholders at these centres will have the facilities for trading on the premier exchange of the country. Keeping these in view, the management proposes to get the shares de-listed from Delhi and Ahmedabad stock exchanges in order to curtail the cost and formalities to be followed in this regard. The company proposes to complete all the legal formalities and rules as may be formed by the relevant authorities in this respect.

None of the directors of the Company are in any way concerned or interested in the Resolution.

ANNEXTURE TO NOTICE

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

The Board of Directors of the Company, at their meeting held on 11.7.98 appointed Mr. Sanjay Seth as additional Director u/s 260 of the Companies Act, 1956. As per the said section Mr. Sanjay Seth holds office upto the conclusion of 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 Seth for appointment as a Director. Hence the above resolution is proposed as an Ordinary Resolution.

Mr. Sanjay Seth is the son of Shri Prem Seth, Managing Director and brother of Shri Sandeep Seth, Executive Director & brother of Shri Jaideep Seth, director of the company and to that extent they are deemed to be interested directors in this resolution.

BY ORDER OF THE BOARD

SANDEEP SETH
EXECUTIVE DIRECTOR.

Registered office
Plot No. 321, G.I.D.C.
Panoli, Tal Ankaleshwar
Dist. Bharuch
Gujrat.

DIRECTORS' REPORT

TO THE MEMBERS

Your directors have pleasure in presenting the sixth Annual Report with the Audited Accounts of the Company for the 18 months ended 30th September 1998.

FINANCIAL RESULTS

	1-4-97 30/9/98	Rs. in Lacs 1-4-96 to 31-3-97
	(18 MONTHS)	
Gross sales	6705.65	4126.99
Profit before depreciation and interest	<u>432.56</u>	<u>379.98</u>
Interest	211.24	150.78
Profit after interest	221.32	229.20
Depreciation	50.62	28.08
Profit before tax	170.70	201.12
Provision for tax	15.00	24.00
Profit	155.70	177.12
Balance in P & L A/c	52.04	99.83
Balance c/fd	<u>207.74</u>	<u>276.95</u>
Balance available for appropriation	207.74	276.95
Transfer Capital Reserve	0.00	15.00
Transfer to General Reserve	0	0
Balance Carried to	207.74	261.95
Balance Sheet		

LAFFANS PETROCHEMICALS LTD.

The Company has extended the current financial year from 12 months to 18 months i.e. 1-4-1997 to 30-9-98, on account of New expansion Project which commenced operations.

TURNOVER AND PROFIT

The Gross Sale of the company increased from Rs. 4126.99 Lacs to Rs. 6705.65 Lacs reflecting an increase of 62.48% for 18 months term. The Gross Profit is Rs. 432.56 lacs.

EXPANSION

The Company's expansion plan to expand its plant capacity is as per schedule and under an advanced stage of implementation. The total investment outlay of Rs. 800.00 Lacs is being funded with institutional loan component of Rs. 465.00 Lacs from GIIC. The Company has already invested its share of Rs. 335.00 Lacs in the said project. The partial commencement has already been effected and full utilisation will be available from January 1999.

DEVELOPMENT WITH AKZO NOBEL

The Company's pursuit with Akzo Nobel for manufacturing viscose chemicals & other products has taken a positive drive with LPL received the first consignment of goods in June 1998 from Akzo Sweden for the first phase of activity. The Akzo team has scheduled a line of activities which is being followed. The technical team will con

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duct the trial batches in 1st week of December 98 to ascertain products quality.

FUTURE PROSPECTS

The company has maintained a consistent growth trend with emerging markets. The new expansion having commenced within the stipulated time period with no cost overrun, will have a positive impact in the future years.

STATE SUBSIDIES

The Company is also eligible for 100% incentive under sales tax deferment scheme under 1995-2000 promulgated by Government of Gujarat as interest free loan for 7 years which would enable the Company to service its debt obligations comfortably. The company has taken all effective steps for complying the stipulated terms. The company has also received deferment loan scheme entitlement under 1990-95 scheme.

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 from the retained profits.

DIRECTORS

Shri Sandeep Seth, who retires by rotation and being eligible offers himself for reappointment.

The Board of Directors of the company at their meeting held on 11/7/1998 appointed Mr. Sanjay Seth as additional director under Section 260 of the Companies Act, 1956. As per the said section, Mr. Sanjay Seth holds office only upto this Annual General Meeting, & is eligible for appointment as a Director of the Company.

Shri Ramu S. Deora has resigned due to other commitments w.e.f. 11/7/1998. The Board places on record their warm appreciation of the valuable guidance and co-operation extended by him during the tenure of his office as Director of the Company.

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.

PREFERENTIAL SHARE ALLOTMENT

The Board of Directors at an Extra Ordinary General Meeting held on 8th January 1998 Considered the issuance of unissued portion of 9,90,000 Equity Shares on a preferential basis to the promoters/friends & relatives.

The Promoters presently hold 31.56% of Equity Capital & with the proposed allotment of unissued Equity Shares to promoters the holding of promoters in the enhanced capital will be 40.05%.

This issue was done to part finance the project as stipulated by GIDC i.e., (Gujarat Industrial Investment Corp. Ltd.)

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 Petrochemicals Industry.

ACKNOWLEDGEMENT

Your directors acknowledge with gratitude the co-operation and assistance given by the Bankers of the Company during the 18 months period under review.

For and on Behalf of The Board of Directors,

SHRI PREM SETH
(Managing Director)

SHRI SANDEEP SETH
(Executive Director)

SHRI JAIDEP SETH
(Director)

SHRI SANJAY SETH
(Director)

Place : Mumbai.

Date : 27/11/1998.



**ANNEXURE TO THE DIRECTOR'S REPORT
PARTICULARS REQUIRED UNDER THE COMPANIES
(DISCLOSURE OF PARTICULARS IN THE REPORT OF
BOARD OF DIRECTORS) RULES, 1988.**

Information pursuant to Section 217 (I) (E) of Companies Act, 1956.

I. CONSERVATION OF ENERGY

The company has taken several measures for conservations of energy which resulted in uninterrupted power supply. This has resulted in substantial reductions in the cost of energy per unit of production. Similarly the productivity has been increased due to better energy utilisation.

FORM A

A. Disclosures of Particulars in respect of Conservation of Energy Consumption.

	1997-98	1996-97
1. ELECTRICITY		
Units (in thousands)	2808.00	1437.00
Total Amount (Rs. in Lacs)	89.48	39.33
Rate/Unit (Rs.)	3.18	2.73
2. OIL		
(a) Consumed units (in Lacs)	2.37	1.42
Total amount Rs in lacs	137.69	73.71
Average Rate (per 1 ltr)	5.80	5.17
3. GAS		
(a) Consumed Units (in thousand Kgs.) Internal generation		
Total Amount (Rs. in lacs)	0	0

B. Consumption per unit of production N.A.

Electricity (KWH)		Furnace Oil		
1997-98	Rupees	Units	Amount	Average
Units	in Lacs	in Lacs	Rs.in Lacs	per ltr.
2808	89.48	2.37	137.69	5.80
1437	39.33	1.42	73.71	5.17

FORM B

II. TECHNOLOGY ABSORPTION ADOPTION AND INNOVATION.

1. RESEARCH AND DEVELOPMENT

The Company has Research and Development department at Bombay and also at Panoli Factory. The Company has well equipped quality control department to check the quality of different products manufactured.

- Benefits derived as a result of the above Research and Development. The continuous research and development has resulted in improving the quality of its products. The improvement in efficiency and cost reduction have been direct result of the above efforts. The company successfully developed and marketed a range of speciality products.

III. FOREIGN EXCHANGE EARNINGS AND OUTGOING

Foreign Exchange Earnings were Nil (Previous year Nil)

Foreign Exchange outgoings were Rs. 126.17 Lacs (Previous year 13.21 Lacs) including foreign travel expenses of Rs 4.27 lacs.

For and on Behalf of The Board of Directors,

SHRI PREM SETH

(Managing Director)

SHRI SANDEEP SETH

(Executive Director)

SHRI JAIDEEP SETH

(Director)

SHRI SANJAY SETH

(DIRECTOR)

Place : Mumbai.

Date : 27/11/98.