

2001-2002

10<sup>th</sup>

ANNUAL REPORT

ADVISOR

ADVISORS

BANKERS

CORPORATE OFFICE

REGISTERED OFFICE



Laffan

PETROCHEMICALS LIMITED

(AN ISO 9002 FIRM)

Andher (E) Mumbai - 400 072

Said Naka,

E-73, Andher Industrial Estate,

S. S. Services Pvt Ltd

Die Branch, Gujarat

321, GIDC, Paroli, Tal. Ankleshwar,

Sated Pool, Mumbai - 400 072

Ground Floor, Andher Kurla Road,

10, Luthra Industrial Premises,

48

Indian Overseas Bank

Indian Bank

Punjab National Bank

S. M. Kapoor & Co.

Shri H. P. Patankar



Kumar Gupta (Director)

Shri Sanjay Sethi (Director)

Shri Sambhaji Sethi (Executive Director)

Shri Prem Sethi (Chairman)

**LAFFANS PETROCHEMICALS LIMITED**

**BOARD OF DIRECTORS**

Shri Prem Seth	(Chairman)
Shri Sandeep Seth	(Executive Director)
Shri Sanjay Seth	(Director)
Dr. Alok Kumar Gupta	(Director)

**ADVISOR**

Shri H.R. Patankar

**AUDITORS**

S. M. Kapoor & Co.

**BANKERS**

Indian Overseas Bank  
Indian Bank  
Punjab National Bank

**CORPORATE OFFICE**

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

**REGISTERED OFFICE**

321, GIDC, Panoli, Tal. Ankleshwar,  
Dis. Bharuch, Gujrat.

**REGISTRAR &  
TRANSFER AGENTS**

Big Shares Services Pvt Ltd.  
E/2/3, Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri (E), Mumbai - 400 072.

**NOTICE**

**NOTICE** is hereby given that the Tenth Annual General Meeting of the Members of Laffans Petrochemicals Limited will be held at the Registered Office of the Company situated at Plot No.321, GIDC Panoli, Tal Anleshwar Dist Bharuch, Gujarat on Saturday March 29, 2003 at 5.00 P.M. to transact the following business.

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended September 30, 2002 and the Balance Sheet as on that date and Report of the Directors and Auditors thereon.
2. To reappoint Mr. Prem Seth, Director who retires by rotation and being eligible offers himself for reappointment.
3. To reappoint Mr. Sanjay Seth, Director who retires by rotation and being eligible offers himself for reappointment.
4. To appoint the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS :**

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

"RESOLVED THAT pursuant to provision of Section 257 of the Companies Act, 1956, Dr. Alok Kumar, Who was appointed as an Wholetime Director at the Board Meeting held on 1st April 2002 and whose term of office expires at the commencement of this meeting and in respect of whom notice under section 257 of the Companies Act, 1956, has been received from a members signifying his intention to propose Dr. Alok Kumar, as a candidate for the office of the Director of the Company, together with necessary deposits, be and is hereby appointed as Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Mr. Sanjay Khaitan 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 determine by retirement of Director by rotation."

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

"RESOLVED THAT Mrs. Urmilla Seth who has consented to act as a Director be and is hereby appointed as Director of the company and that Mrs. Urmilla Seth's period of office shall be liable to determine by retirement of Director by rotation."

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, 314 and other applicable provisions, if any, and subject to schedule XIII of the Companies Act 1956 and any re-enactment thereof for the time being in force or as may be enacted from time to time and subject to permissions or approvals as may be required from the Financial Institutions and banks who have rent term loans to the Company, consent of the Company be and hereby accorded to the re-appointment of Mr. Sandeep Seth as Whole Time Director of the Company, designated as Executive Director for a period of 5 years with effect from 10th October 2002 on the following terms and conditions.

Salary : Rs 48900/- per month

**I. PERQUISITE**

- a) Housing I - The expenditure by the company on hiring unfurnished accommodation for the appointee subject to a ceiling of 50% of salary.
- b) Housing II - In case the accommodation is owned by the Company, ten percent of the salary of the appointee shall be deducted by the company.
- c) Housing III - In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance subject to the ceilings laid down in House I.

**EXPLANATION** - The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall however be subject to a ceiling of ten percentage of the salary.

- i) Medical Reimbursement - Expenses incurred by self and his family, subject to a ceiling of one months salary in a year or three months salary over a period of three years.

**LAFFANS PETROCHEMICALS LIMITED**

- ii) Leave travel - For self and family, once in a year incurred in accordance with the rules of the Company.
- iii) Club Fees - Fees of club subject to a maximum of two clubs. This will not include admission and life membership fees.
- iv) Personal Accident Insurance - Premium not to exceed Rs. 1,000/- per annum.
- v) Contribution to Provident Fund, Superannuation fund or Annuity Fund to the extent these singly or put together are not taxable under the Income Tax Act, Gratuity payable should not exceed 15 days for each completed year of service without any ceiling.
- vi) Enhancement of leave at the end of the tenure as per the rules of the company.
- vii) Provision of car for use on Company's business and telephone at residence.

FURTHER RESOLVED THAT the Board of Directors be given the authority to alter and vary the terms and conditions of the said appointment so as not to exceed the limits specified in schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments and / or modifications the may hereafter be made thereto by thereto as may be agreed to between the Board of Directors and Mr. Sandeep Seth or as may be varied by the General Meeting.

In case the company makes loss or the profit is inadequate, the company may pay minimum remuneration as prescribed in schedule XIII of the Companies Act 1956.

FURTHER RESOLVED THAT any of the Director be and is hereby authorised to take such steps as may be necessary to give effect to the above resolution."

**BY ORDER OF THE BOARD**

**SANDEEP SETH**  
(Executive Director)

Place :  
Corporate Office  
10, Luthra Industrial Premises,  
Andheri Kurla Road,  
Safed Pool, Mumbai - 400 072.  
Date : 29/01/2003

**NOTES**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be deposited at the registered office of the company not later than 48 hours before the commencement of the meeting.
3. Register of Members and Share Transfer Books of the Company shall remain closed from 21st March, 2003 to 29th March, 2003 (both days inclusive)
4. Share holders 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)

Place :  
Corporate Office  
10, Luthra Industrial Premises,  
Andheri Kurla Road,  
Safed Pool, Mumbai - 400 072.  
Date : 29/01/2003

**EXPLANATORY STATEMENT :****Item No. 5**

The Board of Directors of the Company, at their meeting held on 1st April, 2002 appointed Dr. Alok Kumar As Additional Director U/s 260 of the Companies Act 1956. As per the said section Dr. Alok Kumar holds office 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 Dr. Alok Kumar. Hence the above resolution is proposed as an Ordinary Resolution.

Except for Mr. Alok Kumar, none of the other Directors are interested in the resolution except as the members of the Company.

**Item No. 6**

The members of the Extra Ordinary General Meeting held on 31st January, 1998 approved the appointment of Mr. Sandeep Seth as the Executive Director for a period of 5 years from 10th October 1997 on the terms and conditions as approved by the board and members. Mr. Sandeep Seth, Executive Director has been devoting all his time to look after the affairs of the company. His active involvement has substantially contributed to the performance of the Company. The duration of office of Mr. Sandeep Seth ended on 9th October, 2002. The Board of Directors in their meeting held on 28th October, 2002 have reappointed Mr. Sandeep Seth, as Executive Director for a further period of 5 years commencing from 10th October, 2002 as per the terms and conditions as set out in the Resolution.

Mr Prem Seth is the father of Mr. Sandeep Seth and Mr. Sanjay Seth is the brother of Mr. Sandeep Seth, hence to that extend they are deemed to be interested in the resolution.

**BY ORDER OF THE BOARD**

**SANDEEP SETH**  
(Executive Director)

Place :  
Registered Office : Plot No. 321, GIDC Panoli,  
Tal. Ankleshwar Dist. Bharuch. Gujrat.  
Date : 13/2/2002

**DIRECTOR'S REPORT**

Your Directors have pleasure in presenting the 10th Annual Report and the Audited Accounts of the Company for the year ended 30th September 2002.

**FINANCIAL RESULTS**

<b><u>PARTICULARS</u></b>	<b>(Rs in lacs)</b>	
	<b>1-10-2001 to 30-09-2002</b>	<b>1-10-2000 to 30-09-2001</b>
Gross Income	7754.71	7554.53
Profit before tax, depreciation and interest	583.83	513.28
Interest	17.71	23.99
Profit before depreciation & tax	566.12	489.29
Depreciation	101.24	80.78
Profit before Tax	464.88	408.51
Provision for Tax	143.00	115.00
Profit after tax	321.88	293.51
Prior Year Tax Adjustments	18.26	33.26
Balance in P & L Account	740.11	479.85
Balance available for appropriation	851.57	740.11
Transfer to General Reserve	NIL	NIL
Balance C/D to Balance sheet	851.57	740.11

**FUTURE PROSPECTS**

The present market for Glycol Ethers and Ethoxylates have become extremely competitive as a result the margins remain under pressure. However the company is constantly trying to improve the technology and endeavouring introduction of new products which receive good market appreciation.

**DIVIDEND :**

Your Directors do not propose to declare a dividend due to commitments in its new project and lower level of borrowings from the institutions / banks.

**DIRECTORS :**

Mr. Prem Seth and Mr. Sanjay Seth retire by rotation from the Board and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

In exercise of powers accorded by the members to the Board of Directors in the Extraordinary General Meeting Held on 21st January, 1998 the board of directors in their meeting held on 1st April, 2002 has increased remuneration of Executive Director Mr. Sandeep Seth from Rs. 23900/- up to Rs. 48900/-.

Mr. Sajay Khaitan resigned from the Directorship of the company w.e.f. 21st September, 2002, Mr. Jaideep Seth has resigned from the Directorship of the company w.e.f. 29th July, 2002 and Mrs. Urmilla Seth has resigned from the Directorship of the company w.e.f. 1st April, 2002.

**DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956 as inserted vide The Companies (Amendment) Act, 2000 the Directors of the Company hereby confirm that :

1. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the annual accounts on going concern basis.

**LAFFANS PETROCHEMICALS LIMITED****CORPORATE GOVERNANCE :**

A separate report on Corporate Governance is attached as a part of the Annual Report.

**DEPOSITORY SYSTEM :**

Equity Shares of the Company were dematerialized from 21st November, 2000, as mandated by the Securities and Exchange Board of India (SEBI). As on 30th September 2002, Equity Shares representing about 32.39% of the equity Share Capital have been dematerialized.

The ISIN number allotted to the Company is INE919B01011.

**AUDITORS :**

The Statutory Auditors of the Company M/s. S.M. Kapoor & Company, Chartered Accountants retire at the ensuing Annual General Meeting of the Company and are eligible for re-appointment.

**AUDITORS REPORT :**

The observations made in the Auditors Report are Self - explanatory and therefore do not call for any further comments.

**AUDIT COMMITTEE :**

Pursuant to the provisions of section 292A of the Companies Act, 1956 as inserted vide the Companies Amendment Act, 2000, the Board of Directors has constituted an Audit Committee of its Directors. Mr. Prem Seth, Mr. Sandeep Seth and Mr. Sanjay Seth, Directors of the Company have been appointed as the members of the audit Committee.

**OPERATIONS :**

Your Company has earned gross income of Rs.7754.71 Lacs as compared to Rs. 7554.53 Lacs in the Previous year and the net profit is Rs. 321.88 Lacs as compared to Rs. 293.51 Lacs in the previous year.

**INFORMATION PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 :**

Statement of Particulars of the Employees pursuant to the provisions of the Section 217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975, do not form part of the report.

**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :**

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

**PERSONNEL :**

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, Equipments suppliers and all other who have extended their full co-operation. 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 targets.

**ACKNOWLEDGEMENTS :**

Your Directors acknowledge with gratitude the co-operation and assistance given by the Financial Institutions / Bankers of the Company during the year ended 30th September, 2002.

For and on behalf of the Board of Directors

**Prem Seth**  
Chairman

**Sandeep Seth**  
Executive Director

Place : Mumbai  
Date : 29.1.2003

**CORPORATE GOVERNANCE**

Pursuant to the directives issued by the SEBI, Stock Exchanges added new clause 49 on Corporate Governance. This is applicable to your Company Latest by 31.03.2003.

**A. MANDATORY REQUIREMENTS****1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :**

Your company is committed to good corporate governance and hence strives to attain the highest levels of transparency, accountability and equity in all facts of operations.

**2 BOARD OF DIRECTORS : Composition of Board**

Your company has optimum combination of Board of Directors with more than 50% of the Board of Directors being Non-Executive Directors. The present strength of the Board is 4 Directors.

Director	Executive / Independent	No. of outside Directorship held
Mr. Prem Seth	Non-Executive w.e.f. 1st January, 2003	One
Mr. Sandeep Seth	Executive	One
Mr. Sanjay Seth	Non-Executive	One
Dr. Alok Kumar	Executive	Nil

**Board Meetings**

The Board of the Company held 7 meetings during 2001-2002 i.e. on 31.12.2001, 28.01.2002, 18.02.2002, 01.04.2002, 27.04.2002, 27.07.2002, and 02.09.2002.

The maximum interval between any two Board Meetings was not more than 4 months and the meeting was held in every quarter of the financial year.

**Attendance of Directors**

Details of attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) are as follows :

Director	No. of Meetings		Attendance at the last AGM
	Held	Attended	
Mr. Prem Seth	7	7	No
Mr. Sandeep Seth	7	6	Yes
Mr. Sanjay Seth	7	7	Yes
Dr. Alok Kumar	4	4	No

**Details of Directors being appointed / re-appointed**

**Mr. Alok Kumar** (39), the Wholetime Director of the Company is Ph. D Chemistry and has 11 years of experience in this business. He is looking after marketing of the Company.

**Mr. Sandeep Seth** (39), the Executive Director of the Company is a Masters in Business Administration from Boston University and has over 13 years experience in this business.

**3. COMMITTEE OF DIRECTORS****a) Audit Committee**

The Board of Directors of the Company at their meeting held 30.01.2001 constituted the Audit Committee and there after re-constituted the same on 13th February 2002, 1st April, 2002 and 29th July 2002. The Audit Committee comprises Mr. Prem Seth, Chairman of the committee and Mr. Sandeep Seth and Mr. Sanjay Seth, two being Non-Executive and one Executive. The Terms and reference of this committee are wide enough covering the matters specified for audit committees under the listing agreements.

Three meetings of Audit Committee were held during the financial year 2001-2002.

**LAFFANS PETROCHEMICALS LIMITED****b) Shareholders Grievance Committee**

Board of Directors of the Company at their meeting held on 2nd September, 2002 constituted the Shareholders Grievance Committee. The Shareholders Grievance Committee comprises Mr. Sanjay Seth - Chairman, being Non - Executive Director and Mr. Sandeep Seth, Executive Director of the Company and the said Committee has entrusted with same powers and scope as prescribed under clause 49 of the Listing Agreement under corporate governance.

**(C) Share Transfer Committee**

The Share Transfer Committee comprises of One Executive Director and Two Non-Executive Director namely Mr. Prem Seth, Chairman of the committee, Mr. Sandeep Seth and Mr. Sanjay Seth.

The Committee meets every 15 days to take on record share transfer received from shareholders in physical mode.

**4 DIRECTOR'S INTEREST IN THE COMPANY**

Details of Remuneration to all Directors for the Financial Year 2001-2002 are as follows :

<u>Director</u>	<u>Sitting Fees</u>	<u>Salary &amp; Perks</u>	<u>Conunission</u>	<u>Total</u>
*Mr. Prem Seth	-	336600	-	336600
Mr. Sandeep Seth	-	644885	-	644885
Mr. Sanjay Seth	-	-	-	-
Dr. Alok Kumar	-	437461	105996	543457

\*Mr. Prem Seth was an executive director upto 31st December, 2002, however since 1st January, 2003 he has seized to be executive director and remains as non executive director.

**5. INFORMATION PLACED BEFORE THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE**

The followings information is regularly placed before the Board of Directors :

- \* Quarterly results for the company.
- \* Compliance with all regulatory and statutory requirements.

**6. GENERAL BODY MEETINGS**

The last 3 Annual General Meeting were held as under :

<u>Year</u>	<u>Location</u>	<u>Date</u>	<u>Time</u>
1998-1999	Plot No.321, GIDC, Panoli, Pal Ankleshwar, Dist. Bharuch, Gujarat	28/12/1999	3.00 P.M.
1999-2000	Plot No.321, GIDC, Panoli, Pal Ankleshwar, dist. Bharuch, Gujarat	30/12/2000	3.00 P.M.
2000-2001	Plot No.321, GIDC, Panoli, Pal Ankleshwar, Dist. Bharuch, Gujarat	30/03/2002	3.30 P.M.

- \* No resolution is passed through postal ballot till date.
- \* No Spacial Resolution is being put through postal ballot as there in no such business which statutorily requires voting through postal ballotin ensuing AGM.

**7. MEANS OF COMMUNICATION****Recommendation**

Quarterly results : Whether published

Whether it also displays official news releases and presentations made to intitutional investors / analysts

Whether shareholders information section forms part of the Annual Report

**Compliance**

Yes ✓

No

Yes