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PETROCHEMICALS LIMITED

(AN ISO 9002 FIRM)

LAFFANS PETROCHEMICALS LIMITED

BOARD OF DIRECTORS'

Shri Prem Seth	Chairman (Honorary)
Shri Sandeep Seth	(Executive Director)
Shri Sanjay Seth	(Director)
Shri Ravinder Jethani	(Director)
Dr. Alok Kumar Gupta	(Director)
Shri Atul Sharad Kumar	(Director)

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,
Safeed Pool, Mumbai - 400 072.

REGISTERED OFFICE

321, GIDC Panoli Tal. Ankleshwar,
Dist. Bharuch, Gujarat.

REGISTRARS & TRANSFER AGENTS

BIG SHARES SERVICES PVT. LTD.

E-2, Ansa Industrial Estate,
Saki Vihar Road, Saki Naka,
Andheri (East), Mumbai - 400 072.

NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the Members of **LAFFANS PETROCHEMICALS LIMITED** will be held on Wednesday, 30th March 2005, at 5.00 P.M. at the Registered Office of the Company situated at Plot No. 321, G.I.D.C., Panoli, Tal. Ankleshwar, Dist. Bharuch, Gujarat to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 30th September 2004, the Balance Sheet as at that date and the Reports of the Directors' and Auditors' thereon.
2. To reappoint Mr. Sanjay Seth Director, who retires by rotation at ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To reappoint Mr. Ravinder Jethani, Director who retires by rotation at ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
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, pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contract (Regulation) Act, 1956 and rules framed there under, the Listing agreement of the Delhi Stock Exchange, SEBI (Delisting of Securities) Guideline, 2003 and such other applicable laws, rules regulations, guidelines and subject to such other applicable laws, rules regulations, guidelines and subject to such other approvals, permissions and actions, as may be necessary, the Board of the Directors of the Company be and is hereby authorized to seek voluntarily delisting of its securities from The Delhi Stock Exchange Association Limited.

RESOLVED FURTHER THAT securities of the Company shall continue to be listed on the Stock Exchange having nation wide trading terminal vis the Stock Exchange Mumbai and therefor as per the said guidelines issued by the Securities and Exchange Board of India, no exit opportunity need to be given to the shareholders of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable, and to execute all such deeds and documents as may be considered expedient to give effect to the above mentioned resolution".

BY ORDER OF THE BOARD
For LAFFANS PETROCHEMICALS LIMITED

SANDEEP SETH
Executive Director

Registered Office :

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

Place : Mumbai

Date : 15th February, 2005

NOTES :

- (a) 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.
- (b) Proxies, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

LAFFANS PETROCHEMICALS LIMITED

- (c) Register of Members and Share Transfer Books of the Company shall remain closed from 19th March, 2005 to 30th March 2005 (both days inclusive).
- (d) Shareholders seeking any information with regard to the 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
For LAFFANS PETROCHEMICALS LIMITED

SANDEEP SETH
Executive Director

Registered Office :

Plot No. 321, G.I.D.C., Panoli,
Tal. Ankleshwar, Dist. Bharuch, Gujarat
Place: Mumbai
Date : 15th February, 2005

EXPLANATORY STATEMENT**Item No 5 :**

The Securities & Exchange Board of India (SEBI) notified guidelines for voluntary Delisting of securities from the stock exchange. As per clause 5.2 of SEBI (Delisting of Securities) Guidelines, 2003 as exit opportunity to the shareholders need not be given where securities of the Company remain listed on the stock exchange having nation wide trading terminal.

At present the equity shares of the Company are listed at Vadodara, Ahemdabad, Delhi and Mumbai Stock Exchange.

Considering the negligible volume of trading and as part of its cost reduction measure, the consent of members is sought for getting its securities delisted from Delhi Stock exchange as proposed in the special Resolution. The Securities of the Company shall continue to be listed on the Stock Exchange, Mumbai.

The Board recommends the Resolution for approval of members.

None of the director is, in any way, concerned or interested in the said resolution.

BY ORDER OF THE BOARD
For LAFFANS PETROCHEMICALS LIMITED

SANDEEP SETH
Executive Director

Registered Office :

Plot No. 321, G.I.D.C., Panoli,
Tal. Ankleshwar, Dist. Bharuch, Gujarat
Place: Mumbai
Date : 15th February, 2005

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 12th Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 30th September 2004. The summarized financial result for the year ended 30th September 2004 as compared with the earlier year as under :

FINANCIAL RESULTS

(Rs. In lacs)

PARTICULARS	30.09.2004	30.09.2003
Gross Income	10789.45	8998.71
Profit before Depreciation, Tax and interest	448.59	522.17
Interest	18.50	16.27
Profit before Depreciation and Tax	430.09	505.89
Depreciation for the year	107.87	103.90
Profit Before Tax	322.22	401.99
Provision for Tax	108.00	132.00
Profit after Tax	214.22	269.99
Prior Year Tax Adjustment	0.00	3.52
Deferred Tax Liability	9.14	89.70
Balance in P&L Account	1035.37	851.57
Balance available for appropriation	1240.45	1035.38
Transfer to General Reserve	Nil	Nil
Balance carried to Balance Sheet	1240.45	1035.38

OPERATIONS :

Your Company has achieved a gross income of Rs10789.45 Lacs as compared to Rs.8998.71 Lacs in the Previous year and the net profit is Rs 322.22 Lacs as compared to Rs.401.49.Lacs in the previous year. This reflects growth in sales turnover, however the profitability is under tremendous pressure due to upswing in Raw Material Prices.

DIVIDEND :

Due to exorbitant increase in Raw Material prices mainly by Reliance Industries Ltd. it has been difficult to propose any dividend for the financial year 2003-2004. Furthermore, the repayment of loan amount continues to be burden on the company's cash flow.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Sanjay Seth and Mr. Ravinder Jethani retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

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 :

In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures. 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 and of the profit of the Company for that period. 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. The Directors have prepared the annual accounts on going concern basis.

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 2004, Equity Shares representing about 45.04 % 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.

AUDITOR'S REPORT :

The observation made in the Auditor's Report are self – explanatory and therefore do not call for any further comments.

LAFFANS PETROCHEMICALS LIMITED**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. Sanjay Seth, Mr. Ravinder Jethani, Mr. Atul Sharad Kumar, Directors of the Company have been appointed as the members of the Audit Committee.

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

Since there is no the employee of the company in receipt of remuneration in excess of limit specified under the provisions of the Section 217(2A) of the Companies Act, 1956, read with companies (Particulars of Employees) Rules 1975, Statement of Particulars of the Employees 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 part of the report.

Company is implementing ISO 14001.

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 others 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, 2004.

For and on behalf of the Board of Director

Place : Mumbai

Date : 15th February 2005

SANDEEP SETH
EXECUTIVE DIRECTOR

SANJAY SETH
DIRECTOR

ANNEXURE TO THE DIRECTORS' REPORT**PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.****I CONSERVATION OF ENERGY :**

The company has taken several measures for conservation of energy under its modernization programmes that will result in higher yields per unit cost.

FORM A

Disclosure of Particulars in respect of Conservation of Energy Consumption.

1. ELECTRICITY	2003-04	2002-03
Unit (in thousands)	2524.75	2628.62
Total Amount (Rs in Lacs)	116.82	118.96
Rate / Unit	4.62	4.52
2. OIL/DIESEL		
Consumed Units	0.55	0.18
Total Amount (Rs in Lacs)	16.50	4.20
Average Rate (per 1 Liter)	29.99	23.30
3. GAS		
Consumed Units	3444.30	2902.96
(in thousand Kgs)		
Internal Generation	Nil	Nil
Total Amount	312.50	262.14

FORM B :

Technology absorption, adoption and innovation.

1. Research and Development :

The Company is now catering to emulsifiers for Agrochemicals industry. It is expanding its presence by introduction of new products. It has also introduced products based on propylene oxide where the demand is expected to grow.

II. Foreign Exchange Earnings and Outgoing :

Foreign Exchange Earnings were 10.09 lacs (previous year 77.02 lacs)

Foreign Exchange Outgoings were 568.12 lacs (previous years 99.27 lacs)

For and on behalf of the Board of Director

Place : Mumbai

Date : 15th February 2005

SANDEEP SETH
EXECUTIVE DIRECTOR

SANJAY SETH
DIRECTOR

MANAGEMENT DISCUSSION AND ANALYSIS

During 2003-2004, the Company remained committed to maximizing its synergies and enhancing the corporate and product awareness of the Company.

Turnover for 2003-2004 was Rs 1074.66, 22.66 % increase from the previous year 2002-2003.

Profit before tax for the current year was Rs. 322.22 as compared to Rs. 401.99 in the previous year 2002-2003. This decline was due to gradual increase in raw material price and decrease in margins, due to competition.

The inventory turnover ratio increased by 0.77 % as compared to the previous year 2002-2003.

The working capital of your company during 2003-2004 was Rs.2205.99 lacs up 18.13 % over 2002-2003. The current ratio is 3.03 %, which compares favorably to the Industry norms.

The capital gearing ratio of your company during the current year was 0.28 which remains well ahead of the industry average.

We will strive to improve upon your profitability and enhance the overall operating efficiency and the Shareholders value.

CORPORATE GOVERNANCE

Pursuant to the directives issued by the SEBI, Stock Exchange added new clause 49 on Corporate Governance.

A. MANDATORY REQUIREMENTS :

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

Your Company is committed to good corporate governance and strives to attain the highest levels of transparency, accountability, fairness and equity in all facets of operations.

All operations are committed to enhance shareholder's value, over a sustained period of time.

2. BOARD OF DIRECTORS :

Composition of Board

Your company has an optimum combination of Board of Directors with 50% of the Directors being Non-Executive Directors. The present strength of the Board is 5 Directors.

Directors	Executive/Non-Executive / Independent	No. of outside directorship held
Mr. Sandeep Seth	Executive	One
Mr. Sanjay Seth	Non Executive	One
Mr. Ravinder Jethani	Independent	Nil
Dr. Alok Kumar	Executive	Nil
Mr. Atul Sharad Kumar	Independent	One

Board Meeting :

The Board of the Company met 8 times during 2003-2004 i.e. on 3.12.2003, 31.12.2003, 31.01.2004, 16.02.2004, 28.04.2004, 28.05.04, 28.07.04 and 24.09.2004.

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 Meeting and the last Annual General meeting (AGM) are as follows :

Director	No. of Meeting		Attendance at the last AGM
	Held	Attended	
Mr. Sandeep Seth	8	8	Yes
Mr. Sanjay Seth	8	7	Yes
Mr. Ravinder Jethani	8	7	No
Dr. Alok Kumar	8	8	Yes
Mr. Atul Sharad Kumar	8	7	No

LAFFANS PETROCHEMICALS LIMITED**Details of Directors Being appointed/re-appointed :**

Mr. Sanjay Seth (38) is a commerce graduate & is in this business for last 11 years.

Mr. Ravinder Jethani (35), is a commerce graduate and has 13 years experience in stock broking.

3. COMMITTEE OF DIRECTORS**A. AUDIT COMMITTEE :**

The Board of Directors of the Company at their meeting held on 30.01.2001 constituted an Audit Committee and thereafter re-constituted the same on 8.9.2003 The Audit Committee comprise of Mr. Ravinder Jethani, Chairman of the committee and Mr. Sanjay Seth and Mr. Atul Sharad Kumar all being Non-Executive Directors. The terms and reference of this committee are wide enough covering the matters specified for audit committees under the listing agreement.

Three meetings of Audit Committee were held during the financial year 2003-2004

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 of Mr. Sanjay Seth Chairman, being Non-Executive Director, and Mr. Sandeep Seth, Executive Director of the Company and the said Committee is 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 One Executive Director, Mr. Sandeep Seth and two Non-Executive Directors namely, Mr. Sanjay Seth and Mr. Ravinder Jathani

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

4. DIRECTORS' INTEREST IN THE COMPANY

Details of Remuneration to all Directors for the Financial Year 2003-2004 are as follows :

Director	Sitting Fees	Salary & Perks	Commission	Total
Mr. Sandeep Seth	NIL	688190	NIL	688190
Mr. Sanjay Seth	NIL	NIL	NIL	NIL
Mr. Ravinder Jethani	NIL	NIL	NIL	NIL
Dr. Alok Kumar	NIL	456666	192757	649423
Mr. Atul Sharad Kumar	NIL	NIL	NIL	NIL

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

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

Quarterly results of the company.

Information on recruitment and remuneration of senior officials just below the board level.

Material communication from Government bodies.

Fatal or serious accidents, dangerous occurrences, any material effluents, pollution problems.

Labour relations.

Material transaction which are not in the ordinary course of business.

Disclosures by the management of material transactions, if any, with potential for conflict of interest.

Compliance with all regulatory and statutory requirements.

6. GENERAL BODY MEETING :

The last 3 Annual General Meetings were held as under :

Year	Location	Date	Time
2000-2001	Plot No. 321 GIDC, Panoli Ankleshwar, Dist. Bharuch, Gujarat	30/03/2002	3.30 pm
2001-2002	Plot No. 321 GIDC, Panoli Ankleshwar, Dist. Bharuch, Gujarat	29/03/2003	5.00 pm
2002-2003	Plot No. 321 GIDC, Panoli Ankleshwar, Dist. Bharuch, Gujarat	31/03/2004	5.00 pm