

2004 - 2006
(18 Months)

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PETROCHEMICALS LIMITED

(AN ISO 9001 : 2000 COMPANY)

LAFFANS PETROCHEMICALS LIMITED

BOARD OF DIRECTORS

Shri Prem Seth	Chairman (Honorary)
Shri. Sandeep Seth	Executive Director
Shri. Sanjay Seth	Director
Shri Ravinder Jethani up to 25.07.05	Director
Dr. Alok Kumar upto 04.06.05	Director
Shri. Atul Sharad Kumar upto 28.10.05	Director
Shri Ambalal C. Patel from 28.10.05	Director
Shri Nivedan Bhardwaj from 24.05.06	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

Plot No. 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 Thirteenth Annual General Meeting of the members of LAFFANS PETROCHEMICALS LIMITED will be held on Monday, the, 31st July 2006 at 2.30 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 & Loss Account for 18 months' period ended 31st March 2006, the Balance Sheet as on that date and Report of the Directors and Auditors thereon.
2. To reappoint Mr Sandeep Seth, Director who retires by rotation at ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. 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.

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 : 24th June 2006

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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 member and share transfer books of the company shall remain closed from 27th July 2006 to 31st July 2006 (both day inclusive)
4. 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
Ex. Director.

Registered Office:

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

Place : Mumbai
Date : 24th June 2006

LAFFANS PETROCHEMICALS LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the 13th Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the 18 months period ended 31st March 2006. The summarized financial result for the period ended 31st March 2006 as compared with the earlier year as under :"

FINANCIAL RESULTS

(Rs. In lacs)

PARTICULARS	31.03.2006	30.09.2004
	(18 Months)	(12 Months)
Gross Income	21507.24	10789.45
Profit before Depreciation, Tax and interest	945.50	448.59
Interest	85.47	18.50
Profit before Depreciation and Tax	860.03	430.09
Depreciation for the year	175.40	107.87
Profit Before Tax	684.63	322.22
Provision for Tax	333.50	108.00
Provision for Wealth Tax	0.22	—
Provision for FBT	2.53	—
Deferred Tax Liability	(19.01)	9.14
Profit after Tax	367.40	205.08
Prior Year Tax Adjustment	11.24	—
Prior Year Adjustment	0.32	—
Balance in P&L Account	1240.44	1035.37
Balance available for appropriation	1618.77	1240.44
Transfer to General Reserve	Nil	Nil
Balance carried to Balance Sheet	1618.77	1240.44

OPERATIONS :

Your Company has achieved a gross income of Rs21507.24 Lacs as compared to Rs10789.45 Lacs in the Previous year and the net profit is Rs 684.63 Lacs as compared to Rs.322.22.Lacs in the previous year. This reflect growth in Sales Turnover and profitability

FIXED ASSETS :

Revalued amount of the Fixed Assets of the company as on 31st March 2006 as per report of V.V.DESHPANDE & CO., Government Approved Valuer is Rs. 2852.02 lacs against net block of Rs. 1573.45 lacs. However as per prudent accounting policy ,the company has not accounted for the revalued amounts.

DIVIDEND :

Due to expansion plans under implementation your Directors do not propose any payment of dividend for the period 2004-06.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Sandeep Seth retires by rotation at the ensuing Annual General Meeting and being eligible offer himself 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 31st March 2006, Equity Shares representing about 50.41 % 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.

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 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. Mr. Ravinder Jethani resigned on 25th July, 2005. Mr. Atul Sharad Kumar resigned on 28th Oct. 2005. The Board appointed Mr. Ambalal C. Patel as Chairman of Audit Committee w.e.f. 28.10.2005 and included Mr. Nivedan Bharadwaj as member of Audit Committee from 24.05.2006.

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

Since there is no 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 period ended 31st March, 2006.

For and on behalf of the Board of Director

Place : Mumbai

SANDEEP SETH

SANJAY SETH

Date : 24th June, 2006

EXECUTIVE DIRECTOR

DIRECTOR

LAFFANS PETROCHEMICALS LIMITED**ANNEXURE TO THE DIRECTORS' REPORT****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

ADisclosure of Particulars in respect of Conservation of Energy Consumption.

1. ELECTRICITY

	2004-06 (18Months)	2003-04 (12Months)
Unit (in thousands)	4695.59	2524.75
Total Amount (Rs in Lacs)	213.46	116.82
Rate / Unit	4.54	4.62

2. OIL/DIESEL

Consumed Units	0.18	0.55
Total Amount (Rs in Lacs)	6.43	16.50
Average Rate (per 1 Liter)	34.97	29.99

3. GAS

Consumed Units	6197.38	3444.30
(in thousand Kgs)		
Internal Generation	Nil	Nil
Total Amount	582.09	312.50

FORM B :**II. Technology absorption, adoption and innovation****1. Research and Development:**

The company is now catering to emulsifiers for Agrochemicals Industry. It is expanding it's presence by introduction of new products. It has also introduced products based on propylene oxide where the demand is expected to grow.

III. Foreign Exchange Earnings and Outgoing :

Foreign Exchange Earnings were 506.23 lacs (previous year 10.09 lacs)

Foreign Exchange Outgoings were 1074.83lacs (previous years 568.12 lacs)

For and on behalf of the Board of Director

Place : Mumbai
Date : 24th June, 2006

SANDEEP SETH
EXECUTIVE DIRECTOR

SANJAY SETH
DIRECTOR

DECLARATION

The Board has laid down a code of conduct for all Board Members and Senior Management of the Company. The Board Members and Senior Management have affirmed compliance with the code of conduct.

For Laffans Petrochemicals Ltd.

Sandeep Seth
Executive Director

ED/CFO CERTIFICATION

The Executive Director, appointed in terms of the Companies Act,1956 and Deputy General Manager(Accounts) certify to the Board that:

- The Financial Statements and the Cash Flow Statement for the period have been reviewed and to the best of their knowledge and belief are true and fair view of the company's affairs
- To the best of their knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's Code of Conduct.
- They accept the responsibility of establishing and maintaining internal controls for the financial reporting and that they have evaluated the effectiveness, disclosing the deficiencies to the Auditors and the Audit Committee and take steps or proposed to take steps to rectify these deficiencies.
- They indicated to the Auditors and the Audit Committee:
 - Significant changes in the internal Control Process during the period.
 - Significant changes in Accounting Policies
 - Instances of significant fraud of which they have become aware.

This statement is in accordance with the fact that the Board including the Audit Committee shall provide the necessary superintendence and control over the Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

During 2004-2006 (18 months) the Company remained committed to maximizing its synergies and enhancing the corporate and product awareness of the Company.

Turnover for 2004-2006(18 months) was Rs 21427.30 lacs, as compared to Rs.10741.66 in the previous year 2003-2004 (12 months).

Profit before tax for the current period(18 months) was Rs. 684.63 as compared to Rs. 322.22 in the previous year 2003-2004(12 months).

The working capital of your company during 2004-2006 (18 months) was Rs.2575.76 lacs as compared to Rs.2205.99 lacs in the previous year 2003-2004(12 months).. The current ratio is 3:35%, which compares favorably to the Industry norms.

The capital gearing ratio of your company during the current period(18 months) was 0.27 which remains well ahead of the industry average.

We will strive to improve upon your profitability further 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 4 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 (upto 25.07.05)	Independent	Nil
Dr. Alok Kumar (upto 04.06.05)	Executive	Nil
Mr. Atul Sharad Kumar(upto 28.10.05)	Independent	One
Mr. Ambalal Chhitabhai Patel (from 28.10.05)	Independent	Eight
Mr.Nivedan Bharadwaj (from 24.05.06)	Independent	Five

Board Meeting :

The Board of the Company met 8 times during 1.10.2004 to 31.03.2006 i.e. on 31.12.2004, 29.01.2005, 15.02.2005, 30.04.2005, 04.06.2005, 30.07.2005, 28.10.2005 and 30.01.2006.

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 Held	No. of Meeting Attended	Attendance at the last AGM
Mr. Sandeep Seth	8	8	Yes
Mr. Sanjay Seth	8	8	Yes
Mr. Ravinder Jethani	5	4	No
Dr. Alok Kumar	4	4	Yes
Mr. Atul Sharad Kumar	6	6	No
Mr. Ambalal Patel	2	2	No

LAFFANS PETROCHEMICALS LIMITED

Details of Directors Being appointed/re-appointed:

Mr. Sandeep Seth (42) is a B.Com., MBA(USA) and is one of the promoters of the company .He is managing the affairs of the company in the capacity of Executive Director for several years .

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. Mr. Ravinder Jethani resigned on 25th July, 2005. Mr.Atul Sharad Kumar resigned on 28th Oct.2005.The Board appointed Mr.Ambalal C. Patel as Chairman of Audit Committee w.e.f. 28.10.2005 and included Mr.Nivedan Bharadwaj as member of Audit Committee from 24.05.2006. The terms and reference of this committee are wide enough covering the matters specified for audit committee under the listing agreement. Six meetings of Audit Committee were held during the period 1.10.2004 to 31.03.2006.

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. Mr. Ravinder Jethani resigned on 25th July, 2005.

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 period 1.10.2004 to 31.03.2006 are as follows:

Director	Sitting Fees	Salary & Perks	Commission	Total
Mr. Sandeep Seth	NIL	1005323	NIL	1005323
Mr. Sanjay Seth	NIL	NIL	NIL	NIL
Mr. Ravinder Jethani	NIL	NIL	NIL	NIL
Dr. Alok Kumar	NIL	291000	NIL	291000
Mr. Atul Sharad Kumar	NIL	NIL	NIL	NIL
Mr.Ambalal Patel	NIL	NIL	NIL	NIL
Mr.Nivedan Bharadwaj	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
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
2003-2004	Plot No. 321 GIDC, Panoli Ankleshwar, Dist. Bharuch, Gujarat	30/03/2005	5.00 pm