

16th ANNUAL REPORT



PETROCHEMICALS LIMITED

(AN ISO 9001:2000 COMPANY)

2008-2009

**BOARD OF DIRECTORS**

Shri Prem Seth	Chairman - Emeritus
Shri Sandeep Seth	Managing Director
Shri Sanjay Seth	Director
Shri Ambalal C. Patel	Director
Shri Nivedan Bharadwaj	Director
Shri P.P. Joshi	Director - Operations

AUDITORS

S.M. Kapoor & CO.

BANKERS

Indian Overseas Bank

HDFC Bank Ltd

Punjab National Bank

CORPORATE OFFICE

10 Luthra Industrial Premises
Ground Floor, Andheri Kurla Road
Safed Pool, Mumbai 400072

REGISTERED OFFICE

Plot No.321, GIDC Panoli, Tal Ankleshwar
Dist. Bharuch, Gujarat Pin.394116

REGISTRARS & TRANSFER AGENTS

Big Share Services Pvt. Ltd
E-2 Ansa Industrial Estate
Saki Vihar Road, Saki Naka
Andheri (East) Mumbai 400072.
Tel: 28470652/28475207

NOTICE

Notice is hereby given that an Extra Ordinary General Meeting of the members of Laffans Petrochemicals Ltd., will be held on 26th September, 2009, immediately after the Annual General Meeting being held on the same day at 3.00 p.m. at the Regd. Office of the Company situated at Plot No.321,GIDC, Panoli, Tal. Ankleshwar, Dist. Bharuch, Gujarat to transact the following business.

1. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

RESOLVED THAT pursuant to the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Authorised Share Capital of the Company of Rs.8,00,00,000 (Rupees eight crore) divided into 80,00,000 (eighty lac) equity shares of Rs.10 (Rupees ten) each be and is hereby increased to Rs.11,00,00,000 (Rupees eleven crore) by addition of Rs 3,00,00,000 (Three crore) divided in to 30,00,000 (Thirty lac) Equity Shares of Rs.10/-

RESOLVED FURTHER THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing clause V thereof by the following clause V:

"V. The Authorised Share Capital of the Company is Rs.11,00,00,000 (Rupees eleven crore) divided into 1,10,00,000 (one crore ten lac) equity shares of Rs.10 (Rupees ten) each. The said Capital may be increased, consolidated, decreased or divided in accordance with the regulations of the Company and legislative provisions for the time being in force in that behalf.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolution the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions as it may in its absolute discretion deem necessary and to settle any question that may arise in this regard.

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

RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) the existing Articles of Association of the Company be and is hereby altered by substituting the existing Articles 3 with the following Article.

- "3. The authorized Share Capital of the Company is Rs.11,00,00,000 (Rupees eleven crores) divided into 1,10,00,000 (One crore ten lacs) Equity Shares of Rs.10/- (Rupees ten) each.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolution the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard.

By order of the Board

Mumbai
Dated: 31st August 2009

Sandeep Seth
Managing Director

Notes:

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of herself/himself and the proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the registered office of the company not later than 48 hours before the commencement of the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956.**Item 1 & 2**

The Company in order to meet its growth objects and to strengthen its financial position, may be required to generate long term resources through issue of securities. It is therefore deemed appropriate to increase the Authorised Share Capital of the Company from Rs.8 crores to Rs,11 Crores and for that purpose the Memorandum of Association and the Articles of Association of the Company are proposed to be suitably altered as set out at item No.1 & 2.

The Provisions of the Companies Act, 1956 require the Company to seek the approval of the Members for increase in the Authorised Share Capital and for the alteration of capital clause of the Memorandum of Association and the Articles of Association of the Company.

The Board of Directors accordingly recommend the resolution set out at Item Nos. 1 & 2 of the accompanying notice for the approval of the Members. None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

By order of the Board

Mumbai
Dated: 31st August 2009

Sandeep Seth
Managing Director

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LAFFANS PETROCHEMICALS LIMITED

(Regd. Office: Plot No.321, G.I.D.C., Panoli, Tal. Ankleshwar, Dist. Bharuch)

ATTENDANCE SLIP

Folio No.: _____ No. of Shares held: _____

Name of the Member/Proxy attending the meeting _____

Address: _____

Full name of the sole/First-Joint Shareholder: _____

Address: _____

I hereby record my presence at the Extra Ordinary General Meeting of the Company held on Saturday the 26th September, 2009 immediately after the Annual General Meeting at the registered office of the company situated at Plot No.321, D.I.D.C. Panoli, Tal. Ankleshwar, Dist. Bharuch, Gujarat.

Shareholder's / Proxy Signature: _____

Proxy's full name: _____

(in block letters)

Notes: Please fill in this attendance slip and hand it over at the entrance of the Hall



LAFFANS PETROCHEMICALS LIMITED

(Regd. Office: Plot No.321, G.I.D.C., Panoli, Tal. Ankleshwar, Dist. Bharuch)

FORM OF PROXY

I/We _____ of _____

_____ being Member/Members of LAFFANS

PETROCHEMICALS LIMITED do hereby appoint Mr./Mrs/Miss _____

_____ of _____ or failing him/her/

Mr./Mrs./Miss _____ of _____ as my/our

proxy to vote for me/us on my/our behalf at the Extra Ordinary General of the Company to be held on Saturday the 26th September, 2009 immediately after the Annual General Meeting and at any adjournment thereof.

Signed this _____ day of _____ September 2009

Regd. Folio No. : _____

No. of Shares : _____

**Affix
a Re.1
Revenue
Stamp**

NOTE:

Signature of the member across the stamp

Proxies must be deposited at the Registered Office of the Company not less than 48 hours before the scheduled time for holding the meeting.

NOTICE

Notice is hereby given that the sixteenth Annual General Meeting of the members of Laffans Petrochemicals Limited will be held on 26th September, 2009 at 3.00 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 & Loss Account for the year ended 31st March 2009, the Balance Sheet as on that date and Report of the Directors and Auditors thereon.
2. To appoint Mr. Prakash P. Joshi, Director, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint M/s. S.M. Kapoor & Co., Chartered Accountants as statutory 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:

4. Revision of Remuneration to Managing Director:

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

RESOLVED THAT consent of the members be and is hereby accorded to partial modification of remuneration package of Mr. Sandeep Seth, Managing Director, as modified by the Board at their meeting held on 30th January 2009 with effect from 1st January 2009 subject to the provisions of Section 198; 269, 309, 310 read with Schedule XIII and other application provisions, if any, of the Companies Act, 1956, including any statutory modifications or reenactment.:

By order of the Board

For LAFFANS PETROCHEMICALS LTD.

Place: Mumbai

SANDEEP SETH

Date: 8th July, 2009.

Managing Director

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 less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer books of the Company Shall remain closed from 22nd to 26th September 2009 (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.



Your company has upgraded its production facilities, installed balancing equipments, for almost all of its product lines to meet the increased demand of its local and global customers. Your company has laid special emphasis on safety as it continues to be the largest buyer of Ethylene Oxide in India.

EXPORTS DIVISION :

Laffans has identified Exports as a key feature for growth drive. Your company started focusing on export market as India was looked upon as major competitive markets for sourcing of products among BRIC countries.

Exports of goods was started with the objective to earn the valuable Foreign exchange for the country which would further lead to increase profitability to company. Your company earned foreign exchange equal to Rs.1915.55 lacs during the year under review. Your company is aiming to increase the export from the present 10% to 20% of turnover within the next three years through the following:

1. Value creation and volume creation, will bring it's full force into play in terms of organisation, technology, finance, synergy and specialisation
2. Manufacturer of quality products with ongoing innovations and R & D
3. Preferred choice of target clients through timely delivery, transparent commercial environment and automated pre-defined processes.
4. Applying cost effective manufacturing processes and thus ensuring optimal utilization of manpower, money, material, machines and minutes (time).
5. Value addition to all stakeholders viz., customers, employees, suppliers, investors and society at large through consistent growth, positive attitude and readiness to invest resources, skills, stake and welfare. Exports driven by the company's ability to provide cost effective, quality products responsible for substantial growth in sales.

The figure represents our exports marketing globally .

Region	Sales Value (Rs /Lacs)	% Share
South East Asia	361.77	19%
Neighboring countries	187.14	10%
Middle east	828.30	43%
Africa	240.32	13%
Europe	63.70	3%
USA /Latin America	234.32	12%

THEIC (Tris Hydroxyl ethyl isocynurate) is one of major product which Laffans has started exporting to some of the large customers in Europe, Turkey, SouthEast Asia, USA and Latin America.

FOREIGN COLLABORATION

Your company achieved a major milestone by establishing a commercial and manufacturing alliance with global U.S major Huntsman Chemicals to share know how, expertise and resources for specialty chemicals. The agreement was inked after detailed plant visits. Audits were conducted by the Huntsman global teams in areas of EHS, Process, Plant design and flexibility, reliability of feed stock, technical capability and ability to manufacture products as per Huntsman International standards. The collaboration is a significant step to expand our presence in the critical Asia Pacific region and to build support for key global Huntsman customers. The planned technology transfer will include specialty nonionic surfactants, glycol ethers and amines for a wide range of markets including Agrochemicals, Household, Personnel care, Oil& Gas and Brake fluids. The parties intend to use this agreement to advance a potential joint venture for the manufacture of EOD Products for sale in India by leveraging on Laffans

capabilities in manufacturing and raw material sourcing and Huntsman's capabilities in commercial infrastructure, product range, branding, product approvals, technology and manufacturing processes. The licensing agreement grants a royalty free license under Huntsman EOD Technology to make licensed products in India.

FINANCE:

The finance of your Company was under pressure. However, no additional finance was sought during the financial year thereby avoiding High interest cost

FIXED ASSETS:

The Company has added fixed asset of Rs.643.86 lacks during the year and the net block at 31st March 2009 stood at Rs.2847.10 lacks. The addition of fixed asset has gone in for expansion and manufacture of value added products as stated in our last Report. The full result of this expansion will be reflected in the years to come.

IN HOUSE RESEARCH AND DEVELOPMENT:

Your company has in-house research facility to make new products and also expand the application of products to new areas. The association with Huntsman Chemicals further enhance the research and development activities of the company and to add new and value added products to its range of products. The products of the company are well accepted even in overseas market and the company could earn foreign exchange equal to Rs.1915.55 lacks during the year under review.

DIVIDEND:

The Board, after a careful review of the need for funds for expansion and creating balancing equipment to debottle the production facilities without heavy interest burden to the company, decided to skip payment of dividend for 2008-09. The members will appreciate that through a planned financing of the expansion through plough back the shareholders wealth is enhanced in the long run.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Prakash P. Joshi 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:

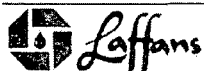
In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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 the 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 to 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 & Exchange Board of India (SEBI). As on 31st March 2009 equity shares representing 70.75% of the Equity 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 reappointment.

AUDITORS REPORT:

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

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

Since no employee is receiving remuneration in excess of limit specified under the provisions of 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 the Companies Act, 1956, read with 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:

Industrial relations in the Plant were very cordial through out the year. The Board wish to place on record its appreciation of the sincere and hard work put by the employees at all level as a team and making a significant contribution for the successful working of the Company..

ACKNOWLEDGEMENTS:

Yours Directors acknowledge with gratitude the co-operation and assistance given by the Central & State Governments, Financial Institutions/Bankers, Project Consultants, and Suppliers etc. for effective working of the Company.

Place: Mumbai

Date: 8th July 2009

For & on behalf of the Board of Directors

Sandeep Seth

Managing 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.****1. CONSERVATION OF ENERGY:**

The company has taken several measures for conservation of energy under its modernization programmes that has resulted in lower unit of electricity consumption per ton of products.

FORM A**A, Disclosure of particulars in respect of Conservation of Energy consumption.**

1. ELECTRICITY	2008-09	2007-08
Units (in thousands)	5884.05	3888.90
Total amount (Rs. in lacs)	328.84	192.25
Rate/Unit	5.58	4.94
2. OIL/DIESEL		
Consumed Unit	6264	3059.00
Total amount (Rs. in lacs)	2.22	1.13
Average rate (per liter) Rs.	35.50	37.00
3. GAS		
Consumed Units (in thousand kgs)	5041.81	4592.28
Internal Generation	Nil	Nil
Total amount	668.33	476.79

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 its presence by introduction of new products. The tie up with Huntsman Chemicals to manufacture value added specialty chemicals further expand the scope of in house research. The company has absorbed technology for manufacture of products based on propylene oxide where the demand is expected to grow.

III Foreign exchange earnings and outgoings:

Foreign Exchange Earnings were Rs.1915.55 lacs (previous year Rs.1837.71 lacs) Foreign Exchange Outgoings were Rs.21.75 lacs (previous year Rs.1.40 lac)

For & on behalf of the Board of Directors

Place: Mumbai

Dated: 8th July 2009

Sandeep Seth
Managing Director

Sanjay Seth
Director

DECLARATION

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

For Laffans Petrochemicals Ltd

Sandeep Seth
Managing Director