

17th
ANNUAL REPORT



(AN ISO 9001:2000 COMPANY)

2009-2010

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

Punjab National Bank
Indian Overseas Bank
HDFC Bank Ltd

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 the seventeenth Annual General Meeting of the members of Laffans Petrochemicals Limited will be held on 30th September 2010 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 2010, the Balance Sheet as on that date and Report of the Directors and Auditors thereon.
2. To appoint Mr. Sanjay Seth, Director, who retires by rotation at the 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 pass the following resolution.

RESOLVED THAT M/s. S. M. Kapoor & Co., Chartered Accountants, Mumbai be and is hereby reappointed as auditors of the company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company..

By order of the Board
For LAFFANS PETROCHEMICALS LTD.

SANDEEP SETH
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 28.09.2010 to 30.09.2010 (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.

Place: Mumbai
Date: 30th July, 2010.

Registered Office:

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

DIRECTORS' REPORT

Dear fellow members,

Your Directors have pleasure in presenting the 17th Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS:

PARTICULARS	31.03.2010	31.03.2009 (Rs. In lacs)
Sales and other income	22658.44	21038.87
Profit before depreciation, Tax and interest	1141.59	1532.30
Interest	398.83	406.06
Profit before depreciation and tax	742.76	1126.24
Depreciation for the year	231.62	201.08
Profit before tax	514.72	925.16
Provision for tax	120.30	276.12
Provision for Wealth Tax	0.00	0.01
Provision for FBT	0.00	5.00
Deferred tax liability	64.12	44.08
Profit after tax	327.13	599.97
Prior Year Tax adjustment	0.42	0.01
Balance in P & L Account	2833.39	2233.43
Balance available for appropriation	3160.53	2833.40
Transfer to General Reserve	Nil	Nil
Balance carried to Balance Sheet	3160.53	2833.40

OPERATIONS:

Your company has generated gross income of Rs.22658.44 lacs as compared to Rs.21038.87 lacs for previous year resulting in annualized growth of 7.7%. However, due to all-round increase in input cost and limitation in product mix which could not be passed to the customers, the profit margin was under pressure thereby resulting in lower before tax profit of Rs.514.72 lacs as compared to Rs.925.16 lacs in the previous year. The profit after tax for the year stood at Rs.327.13 lacs as compared to Rs.599.97 lacs for the previous. Your company continues to cater to the export market in a signification manner and the products of the company is well accepted in the international market. Your company earned foreign exchange equal to Rs.1903.62 lacs during the year as against Rs.1915.15 lacs for the previous year. The company is taking steps to widen the export markets.

During the year, your company has structured its business operations into two divisions as discussed below:

A) Manufacturing Division:

The Manufacturing Division will comprise of existing manufacturing & marketing of Ethylene Oxide Derivative business operations located at Ankleshwar &

B) Logistic, Warehousing and Trading Division:

This division will cater to logistic, warehousing and trading including agency business of various other chemicals including ethylene oxide, ethylene oxide derivatives. This division with current facilities of Ethylene Oxide Tankers (4) and Warehousing space has commenced activities during the year .

CORPORATE RE ORGANISATION :

New developments and innovations in the field wherein your company exists for its manufacturing division have necessitated major reorganisation of the business strategies. The first move in this direction was taken up in December 2009 wherein a Manufacturing Alliance was entered into between Huntsman Group.

The management is of the view that to maintain the status of dominant player in the field the manufacturing division should be demerged as a going concern into a corporate entity. The strength of a global network is becoming a critical success factor in our industry, and the Huntsman reputation is a substantial asset in this global arena.

Your company has signed a definitive agreement with Huntsman Investments (Netherlands) B.V. under which Huntsman will acquire the chemicals business of Laffans post demerger. The acquisition is subject to certain terms and conditions and is expected to occur in the first half of 2011.

We look forward to avail of the different opportunities that could further strengthen Laffans position both in the local and international markets under this new relationship. Your company has created a new division which will cater to the logistic, warehousing and agency business for Huntsman **as stated above**.

FINANCE:

The Company, during the year, has raised its authorized capital to Rs.11, 00, 00,000/-.

CRISIL RATING :

CRISIL has upgraded its ratings on Laffans Petrochemicals Ltd' (Laffans's) bank facilities to 'BBB+/Stable/P2' from 'BBB/Positive/P3' during last year.

FIXED ASSETS:

The Company has added fixed asset of Rs.494.34 lacs during the year and the net block at 31st March 2010 stood at Rs.3086.91 lacs. 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. As a result the company has produced value added products. These products are well accepted in overseas market and the company could earn foreign exchange equal to Rs.1903.62 lacs during the year under review.

DIVIDEND:

The Board, after a careful review of the need for funds for expansion under implementation without heavy interest burden to the company, decided to skip payment of dividend for 2009-10. 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. Sanjay 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 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 2010 equity shares representing 89.18% 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.

For & on behalf of the Board of Directors

Place: Mumbai

Date: 30th July 2010

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 988.****1. CONSERVATION OF ENERGY:**

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

FORM A

Disclosure of particulars in respect of Conservation of Energy consumption.

1. ELECTRICITY	2009-10	2008-09
Units (in thousands)	6723.28	5884.05
Total amount (Rs. in lacs)	384.72	328.84
Rate/Unit	5.72	5.58
2. OIL/DIESEL		
Consumed Unit (lit)	3210	6264
Total amount (Rs. in lacs)	1.28	2.22
Average rate (per liter)	38.96	36.50
3. GAS		('000kgs)
Consumed Units (in thousand kgs)	195694	5041.81
Internal Generation	Nil	Nil
Total amount (Rs. In Lacs)	882.00	668.33
Unit rate	450.70	

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. It has also introduced products based on propylene oxide where the demand is expected to grow.

III Foreign exchange earnings and outgoings:

Foreign Exchange Earnings were Rs.1903.62 lacs (previous year Rs.1915.15lacs) Foreign Exchange Outgoings were Rs.1787.44 lacs (previous year Rs.2268.39 lacs)

For & on behalf of the Board of Directors

Place: Mumbai
Dated: 30th July 2010

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

ED/CFO CERTIFICATION

The Managing Director, appointed in terms of the Companies Act, 1956, certifies to the Board that:

- a) 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.
- b) To the best of my knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's code of Conduct.
- c) They accept the responsibility of establishing and maintaining internal controls for the financial report 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.
- d) They indicated to the Auditors and the Audit Committee:
 - i) Significant changes in the internal Control Process during the period.
 - ii) Significant changes in Accounting Policies
 - iii) 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 Managing Director.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review the company remained committed to maximizing its synergies and enhancing the corporate and product awareness which indirectly enhance the share holder value.

The Company has achieved gross income of Rs.22658.44 lacs, during the year 2009-10 as compared to Rs.21038.87 lacs for the previous year. The company has entered international market and earned foreign exchange worth Rs.1903.62 lacs during the year as compared to Rs.1915.55 lacs for the previous year.

Profit before tax for the current year was Rs.514.72 lacs as compared to Rs.925.16 lacs for the previous year. Though the company achieved enhanced turnover during the year substantial increase in input cost which could not be passed on to the customer, put pressure on the margin and resulted in reduction of gross profit. The current ratio is which compares very favorably with the Industry norms and expectation of bankers extending working capital.

Your company will strive to improve upon the profitability and its contribution to the nation building by enhancing the overall operating efficiency and improving the share holder value by concentrating in new areas of activities of Logistics, Warehousing and Trading division.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to the provisions of Listing Agreements entered into with the Stock Exchanges)

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 number and combination of Directors on the Board. The strength of Board is

5 with 3 non-executive including 2 independent directors. Thus 60% members of the Board are Non-executive which is in compliance with the stipulation.

Directors:	Executive/Non-Executive /Independent	No. of outside Directorship
Mr. Sandeep Seth	Executive	One
Mr. Sanjay Seth	Non-Executive	One
Mr. Ambalal Chhitabhai Patel	Independent	Eight
Mr. Nivedan Bhardwaj	Independent	Five
Mr. P.P. Joshi	Executive	Nil

Board Meeting:

The Board of the Company met 7 times during the year i.e. on 25.04.09, 11.06.09, 08.07.09, 30.07.09, 31.08.09, 30.10.09 and 30.01.10. The maximum interval between any two Board Meetings was not more than 4 months and at least one meeting was held in every quarter of the financial year. The Board meetings are generally held at its company's corporate office in Mumbai.

Attendance of Directors:

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

Director	Held	No. of meetings Attended	Attendance at the last AGM
Mr. Sandeep Seth	7	7	Yes
Mr. Sanjay Seth	7	7	Yes
Mr. Ambalal C. Patel	7	4	No
Mr. Nivedan Bharadwaj	7	2	No
Mr. P.P. Joshi	7	7	Yes

Details of Directors being appointed/re-appointed.

Mr. Sanjay Seth is due to retire by rotation, being eligible, seek reappointment. Mr. Sanjay Seth is B.Com and is associated with the Company since its inception. The Board is of the opinion that his presence on the Board helps the company on the smooth operation.

3. COMMITTEE OF DIRECTORS:

A. Audit Committee:

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges. The terms of reference of the Committee are vide enough covering the matters specified for audit committee under the listing agreement. During the year 4 meetings were held on 25.04.09, 30.07.09, 30.10.09 and 30.01.10 and the attendance of each member is as given below:

Name of Director	No. of meetings attended
Mr. Sanjay Seth	4
Mr. Ambalal C. Patel	4
Mr. Nivedan Bharadwaj	2

B. Shareholders' Grievance Committee:

The Share holder's grievance committee comprises of Mr. Sanjay Seth as Chairman being non executive Director and Mr. Sandeep Seth, Managing Director. The committee is entrusted with the same powers and scope as prescribed under clause 49 of the Listing Agreement under corporate governance.