

24th Annual Report

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Milestones
to Success

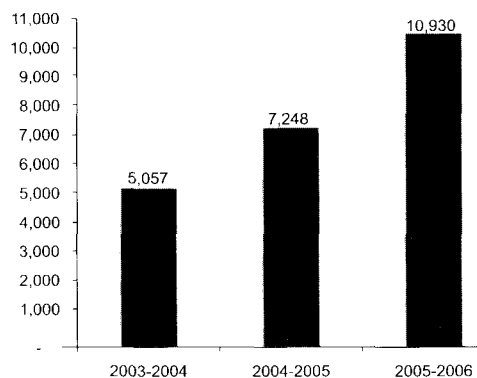
2005-06



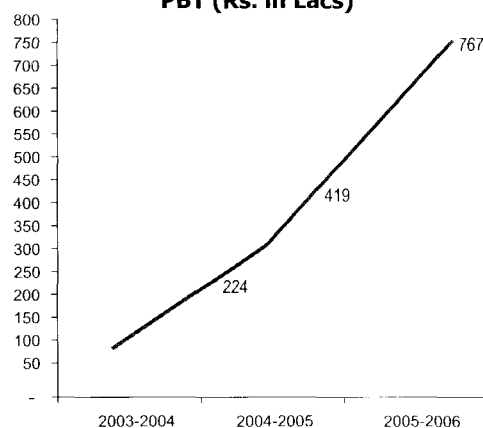
Panama
PETROCHEM LTD.

Working Results at a glance

Sales (Rs. in Lacs)

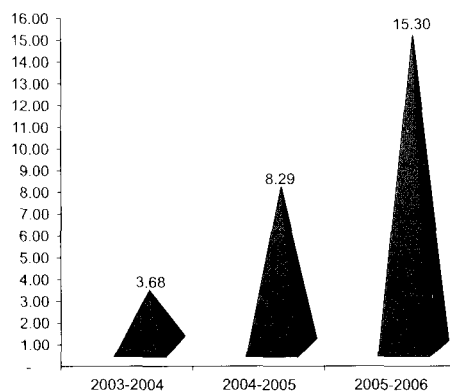


PBT (Rs. in Lacs)

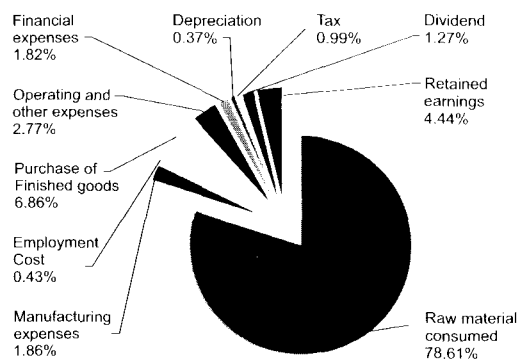


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EPS (Rs.)



Analysis of Distribution of Income



Board of Directors

MR. BADRUDIN KASAMALI	<i>Chairman - Director (Independent)</i>
MR. AMIRALI RAYANI	<i>Managing Director & C.E.O.</i>
MR. S. K. UKANI	<i>Wholetime Director(Administration)</i>
MR. DILIP PHATARPHEKAR	<i>Director(Independent)</i>
MR. MADAN MOHAN JAIN	<i>Director(Independent)</i>
MR. M.V. ISANI	<i>Director(Independent)</i>
MR. VAZIRALI RAYANI	<i>Director</i>
MR. SALIMALI RAYANI	<i>Director</i>
MR. AMIN RAYANI	<i>Director</i>
MR. SAMIR RAYANI	<i>Director</i>
MR. MUKESH MEHTA	<i>Director(Independent)</i>
MR. RAJENDRA THAKKER	<i>Director(Independent)</i>

Senior Executives

MR. AKBERALI RAYANI	<i>Executive- Operations & Sales</i>
MR. P.V. NIKAM	<i>General Manager</i>
MR. D. N. CHAUHAN	<i>Manager - Plant, Ankleshwar</i>
MR. ANIL DIXIT	<i>Manager - Plant, Daman</i>
MR. S. R. SAWANT	<i>Manager - Plant, Mumbai</i>
MR. S.T. CHHATRIWALA	<i>Manager- Marketing (Lubricants)</i>
MR. ANIL DHOMSE	<i>Manager- Marketing (Speciality Products)</i>

Company Secretary

MS. KRUPALI DARU	ACS, LL.B.
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Auditors

M/S. HABIB & COMPANY	<i>Chartered Accountants, Mumbai</i>
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Bankers

INDIAN BANK
DEVELOPMENT CREDIT BANK LIMITED
CANARA BANK
HSBC BANK
STANDARD CHARTERED BANK

Listed at

THE STOCK EXCHANGE, MUMBAI

Insurer

ORIENTAL INSURANCE CO. LTD.

Mumbai Divisional Office No. 6

Corporate Office

5, Mahavir Darshan, 416
Narshi Natha Street, Mumbai 400 009
Tel: 91-22-2342 7700, Fax: 91-22-2342 8702
E-mail: panama@vsnl.co

Registered Office

Plot No: 3303, G.I.D.C. Estate,
Tel: 91-2646-221 068, Fax: 91-2646-250281
Website: panamapetro.com
Email: panamaoils@satyam.net.in

Plants

Ankleshwar, Daman & Mumbai

Registrar & Share Transfer Agents

Bigshare Services Private limited
E-2, Ansa Industrial Estate,
sakinaka, Saki- Vihar Road,
Andheri (E), Mumbai 400 072, Maharashtra.
Tel: 91-22-2847 3474, FAX: 91-22-2847 5207
E-mail: Bigshare@sify.com



24th ANNUAL GENERAL MEETING

Date : 29th September, 2006
Day : Friday
Time : 11.00 a.m.
Place : Conference Hall, Panama Petrochem Limited,
Plot No: 3303, GIDC Estate,
Ankleshwar-393 002, Gujarat

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Destiny Is No Matter Of Chance.
It Is A Matter Of Choice.
It Is Not A Thing To Be Waited For,
It Is A Thing To Be Achieved

-William Jennings Bryan

Notice

Notice is hereby given that the **TWENTY FOURTH ANNUAL GENERAL MEETING** of the Members of **PANAMA PETROCHEM LIMITED** will be held at the Conference Hall of the Registered Office of the Company at Plot No. 3303, G.I.D.C. Estate, Ankleshwar - 393 002, Gujarat, on Friday, 29th September, 2006 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the audited Balance Sheet as at March 31, 2006 and Profit & Loss Account for the year ended as on date and the Reports of the Directors and Auditors thereon.
2. To declare 30% dividend on Equity Shares.
3. To appoint a Director in place of Mr. Mansoorali Isani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vazirali Rayani who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Amin Rayani who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s Habib & Company, Chartered Accountants, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Dilip Phatarphekhar, who was appointed as an Additional Director pursuant to the provisions of Sections of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company subject to retirement by rotation under the provisions of the Articles of Association of the Company."

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Madan Mohan Jain, who was appointed as an Additional Director pursuant to the provisions of Sections of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company subject to retirement by rotation under the provisions of the Articles of Association of the Company."

9. To consider and if thought fit, to pass with or without modification the following resolution as a **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of section 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, consent of the Company be and is hereby given for the appointment of Mr. S.K.Ukani, as the Director-Administrator of the Company for the residual period of his appointment, w.e.f. 01/10/2006 on the same terms and conditions except revision of his remuneration from Rs. 12,000/-

to Rs. 25,000/- per month with authority to the Board of Directors of the Company to grant such increments as it may determine from time to time.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration and perquisites including the monetary value thereof as specified above, to the extent the Board of Directors may consider appropriate, as may be permitted or authorized in accordance with any provisions of the Companies Act, 1956 or schedules appended thereto, for the time being in force or any statutory modification or re-enactment thereof and/or any rules or regulations there under."

Date: 29th July, 2006

By Order of the Board of Directors

REGISTERED OFFICE:

Plot No. 3303, G.I.D.C. Estate,
Ankleshwar - 393 002, Gujarat

Krupali Daru

Company Secretary

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 of the company. The proxy form should be lodged with the company at its registered office at least 48 hours before the commencement of the meeting.
2. Explanatory statement pursuant to Sections 173 (2) of the Companies Act, 1956, in respect of the special businesses proposed to be transacted at the Meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 26th September 2006 to 29th September 2006 (both days inclusive).
4. Payment of dividend as recommended by the Board of Directors, if declared at the Annual General Meeting will be payable to those Shareholders whose names stand on the Register of Members of the Company as on 29th September 2006. In respect of shares held in the electronic form, the dividend will be payable on the basis of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose. Dividend will be paid within 30 days from the date of declaration of dividend.
5. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Wednesday and Public Holidays between 11.00 A.M. and 1.00 P.M. up to the date of Annual General Meeting.
6. Members are requested to bring their copies of the Annual Report to the Annual General Meeting.



Explanatory Statement

Pursuant To Section 173(2) Of The Companies Act, 1956:

Item No. 6

The Statutory Auditors of the Company M/s. Habib & Company, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and have expressed their willingness to be re-appointed as Statutory Auditors of the Company for the financial year 2006-07.

Your Directors have proposed to re-appoint M/s. Habib & Company, Chartered Accountants, as the Statutory Auditors of the Company, subject to your approval in the ensuing Annual General Meeting, to conduct audit for the financial year 2006-07.

The Directors recommend the passing of this resolution. None of the Directors is interested in the passing of this resolution.

Item No. 7&8

The Board of Directors of the Company (the Board), has appointed, pursuant to the provisions of Section 260 of the Companies Act, 1956 (the Act) and Article 3 of the Articles of Association of the Company, Mr. Dilip Phatarphekar and Mr. Madan Mohan Jain, as Additional Directors of the Company with effect from 30th December, 2005.

Item No. 9

In supersession of the earlier resolution passed by the members of the Company at its Annual General Meeting held in 2004, and pursuant to approval obtained by the remuneration committee of the Company it is proposed to increase the remuneration of Mr. S.K.Ukani, Director-Administration of the Company from Rs.12,000/- to Rs.25,000/- per month for the residual period of his appointment, w.e.f. 01/10/2006 on the same terms and conditions, with authority to the Board of Directors of the Company to grant such increments as it may determine from time to time.

Further, as required by clause 49 of the Standard Listing Agreement, it is mandatory to obtain approval of members of the Company for any such revision in the salary of Director.

Your Directors commend the resolutions for your approval. Except Mr. S.K.Ukani, none of the Directors are interested in the resolutions.

Place: Mumbai
Date: 29th July, 2006

By Order of the Board of Directors
Krupali Daru
Company Secretary

REGISTERED OFFICE:

Plot No. 3303, G.I.D.C. Estate,
Ankleshwar - 393 002, Gujarat

Report

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Entering 25th Year!!!

Silver 25 Jubilee

Celebrating our past and claiming our future

Dear Valued Shareholders,

Good news, your Company has entered into the Silver Jubilee year 2006 for which your Directors convey their hearty thanks to one and all for your valued long association with the Company.

Completing 24 years and entering 25th year is a watershed event in anybody's life. The journey of 24 years has been a symphonic marathon as all our team have worked whole heartedly and showed spectacular results year after year.

The Company has come across many transformations during these years and have witnessed many happy events.

PANAMA PETROCHEM LIMITED was incorporated as a Private Limited Company in the year 1982. Since then there was no looking back. The company was converted to a Public Limited company and in the year 1995, a listed company.

Company ventured into many projects and spread its business Internationally also. The profits of the company have increased manifold from about 13 Lacs in the year 1999 to 441 Lacs in the current year.

The recent achievement of the Company is the arrangement with the Malaysian giant, PETRONAS, for marketing and distribution of their Automotive Lubricants products in Western Regions of India effective from January, 2006.

A great Corporation must live hundreds of years and therefore we are still babies. These past years have taught us several lessons to grow steadfast with dedication and clear goals which are valuable for our future journey.

Yes, all our valued shareholders deserve hearty greetings and

Congratulations!



Beneficial Notes For Members

1. Members are requested to promptly notify any changes in their addresses to (a) the Depository Participants in case of shares held in electronic form; or (b) the Company's Registrar & Share Transfer Agent, M/s Bigshare Services Private Limited, E-2, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka, Andheri (E), Mumbai: 400 072 in case of shares held in physical form.
2. In view of the numerous advantages offered by the Depository System, members are & requested to avail of the facility of dematerialisation of the Company's shares on either of the preserve Depositories as aforesaid.
3. The Members are requested to encash the Dividend Warrants immediately on receipt of future the same, as dividends remaining unclaimed for seven years from the date they first reference became due for payment are now required to be transferred to the "Investor Education and Protection Fund" established by the Central Government under the amended provisions of the Companies Act, 1956. Members shall not be able to claim any unpaid dividend from the said Fund or the Company thereafter.
4. Members holding shares in the same set of names under different folios are requested to apply for consolidation of such folios alongwith Share Certificates to the Company.
5. The Securities and Exchange Board of India, vide its Circular No: MRD/Dop/SE/Dep/Cir-4/2005 dated 28th January,

2005 has reviewed the dematerialisation charges being levied to investors. According to the said Circular, w.e.f. 1st April 2005, the Depositories will collect the custody charges from the Issuers on per folio (ISIN position) basis and the same will not be levied on any investor. Accordingly, the Company has paid the custody charges levied by the National Securities Depository Ltd. and Central Depository Services (India) Limited for the financial year 2005-06.

6. In order to exercise strict control over the transfer documents, Members are requested to send the transfer documents/correspondence, if any, directly to:

BIGSHARE SERVICES PRIVATE LIMITED

Unit: **PANAMA PETROCHEM LIMITED**

E-2, Ansa Industrial Estate, Saki-Vihar Road,
Sakinaka, Andheri (E), Mumbai: 400 072

Tel No's: 91-22-2847 3474

Fax-no- 91-22-2847 5207

E-mail: bigshare@sify.com

7. Members are requested to quote the Folio Number or the Client ID on the correspondence with the Company and also to send the same by Registered A.D.
8. Members are also requested to submit their PAN Card copy to their depositories before 30th September, 2006 in order to keep their accounts activated. Non compliance will result in deactivation of your Demat accounts.



**PANAMA PETROCHEM LIMITED**

Plot No. 3303, GIDC Industrial Estate, Ankleshwar - 393 002, Gujarat

Date: 29th July, 2006

Dear Shareholder,

Re: Payment of Dividend by Electronic Clearing System (ECS)

The Securities and Exchange Board of India vide its Circular No. DCC/FITT/CIR - 3/2001 dated October 15, 2001 has directed companies to use ECS facility wherever possible, for distributing dividend. It is therefore, proposed to pay Dividend through the ECS facility so as to enable you to receive Dividend through Electronic Mode as a direct credit to your Bank Account. This will not only increase the convenience for the recipient by eliminating unwarranted correspondence for revalidation / issuance of duplicate Dividend Warrants and would ensure Increase protection against fraudulent interception and encashment of Dividend Warrant, apart from eliminating loss / damage of dividend warrant in transit.

Under this facility, your mandated bank account will directly receive credit of the dividend amount on the due date and the same shall be indicated as a credit entry "ECS" in your Pass / Bank Statement.

The ECS facility is available for the remittance of dividend up to Rs. 5 lac only and is free of charge to the recipient.

In order to avail the ECS facility, the shareholders holding shares in physical mode are requested to fill and sign the ECS mandate form printed overleaf. The duly completed form is to be sent to our Registrars at the following address:

BIGSHARE SERVICES PRIVATE LIMITEDUnit : **PANAMA PETROCHEM LIMITED**

E-2, Ansa Industrial Estate,

Saki-Vihar Road, Sakinaka,

Andheri (E), Mumbai : 400 072.

All information should be accurate and complete so that you get the credit of dividend in time. Kindly attach a photocopy of a Cheque issued by your bank for verifying the accuracy of the MICR Code indicated at the bottom of the Cheque. Please note that these instructions will supersede all your previous bank mandates/details registered with the Company. Shareholders holding shares in demate mode are requested to intimate the ECS details to their respective Depository participants.

Please note that the ECS intimation provided by your will be considered for payment of dividend provided the Bank agrees to undertake this job /or if your Bank is covered under the scheme.

Yours truly,

For **PANAMA PETROCHEM LIMITED****BADRUDIN KASAMALI**

CHAIRMAN



Director's Report

Dear Members,

Your Directors have pleasure in presenting the Twenty Fourth Annual Report together with the Audited Statements of Accounts of the Company for the year ended March 31, 2006.

Your Directors congratulate you on entering the Silver Jubilee year and thank you for your regular support.

FINANCIAL HIGHLIGHTS

PARTICULARS	As on March 31, 2006 (Rs. In Lacs)	As on March 31, 2005 (Rs. In Lacs)
Net Profit before Tax	767.61	419.52
Less: Provision for Tax	110.00	70.35
Add: Deferred Tax	5.66	4.36
Profit After Tax	654.12	353.54
Less: Transfer to Statutory Reserve	66.83	35.35
Less: Proposed Dividend / Interim Dividend (Including Tax on Distr. Profits)	145.79	111.42
Prior period Adjustments	2.38	0.59
Profit b/f	602.09	395.93
Profit carried to Balance Sheet	1041.21	602.10

DIVIDEND

In view of the continual satisfactory performance of the Company during the Financial Year 2005-06, your Directors are pleased to recommend a dividend @ 30% for the year ended March 31, 2006.

OPERATIONS

The performance of the Company during the financial year 2005-06 has shown an improvement over the previous financial year 2004-05. The Company has achieved a sales turnover of Rs. 10929.82 Lakhs as against Rs. 7248.34 Lakhs in the financial year 2004-05 thereby showing a growth in turnover of 50.79%. With the increase in sales, the Profit after Tax for the year 2005-06 has gone up to Rs. 654.12 Lakhs as against Rs. 353.54 Lakhs in the year 2004-05. The Company has achieved a growth in Profit after tax of 85%. This increase is mainly due to the improved sales, addition to the customers, improved marketing conditions and aggressive management decisions.

The Company has entered into an agreement with PETRONAS, a Malaysian giant, in January, 2006, for marketing its Automotive Lubricants in Western regions of India. Company is expecting good business from them and has already earned good revenue since the last few months.

With the increasing operations of the Company, it was necessary to raise further funds to augment its working capital requirements. For raising the additional funds, during the year under operation, the Company issued 5,00,000 Warrants carrying an option /entitlement to subscribe to equivalent number of Equity Shares of Rs. 10 each on a future date, not exceeding 18 (Eighteen) months from the date of issue of such warrants to Acme Craft Private Limited. The Company received the approval from members in its Extra- Ordinary General Meeting of members held on 26th

June, 2006. The company has also received the In-principle Listing Approval for the above 5,00,000 convertible warrants from The Stock Exchange, Mumbai vide their letter dated 10th July, 2006 and allotted the Warrant on receipt of 10% of the value on the even date.

LISTING OF SHARES

Your Company's shares are listed on The Stock Exchange, Mumbai.

CORPORATE GOVERNANCE

A detailed compliance report on Corporate Governance is annexed to this report. The Auditors' Certificate on compliance with the conditions of corporate governance under Clause 49 of the Listing Agreement is also annexed to this report.

PUBLIC DEPOSITS

Your Company has not invited any deposits from public/shareholders in accordance with Section 58A of the Companies Act, 1956.

DIRECTORS

As per Article 39 of the Articles of Association Mr. Mansoorali Isani, Mr. Vazirali Rayani and Mr. Amin Rayani retire by rotation in the forth coming Annual General Meeting. All of them offer themselves for re-appointment.

Further, we inducted Mr. Dilip Phatarphekar and Mr. Madan Mohan Jain as additional directors of the company. Their appointment requires the approval of the members at the ensuing annual general meeting.

AUDITORS

M/s. Habib & Company, Chartered Accountants, Mumbai, who are the Statutory Auditors, of the Company have expressed their willingness to be reappointed as Statutory Auditors for the financial year 2006-07. Your Board has proposed to reappoint M/s. Habib & Company, Chartered Accountants, Mumbai as Statutory Auditors of the Company to conduct the audit for the financial year 2006-07, subject to the approval of the members in the forthcoming Annual General Meeting. Members are requested to approve the same.

PARTICULARS OF EMPLOYEES

The Company has no employees of the specified categories under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended upto date.

EXPLANATION UNDER SECTION 217(3) OF THE COMPANIES ACT, 1956

Note 1 of Schedule W of Notes forming part of Financial Statements

The raw materials lying in bonded warehouse are valued inclusive of customs duty. This practice is in accordance with section 145A of the Income Tax Act & in contravention of Accounting Standard - 2 on valuation of Inventories issued by the Institute of Chartered Accountants of India. The same has no impact on profits of the company.

Finished goods are valued inclusive of excise duty. This practice is in accordance with section 145A of the Income Tax Act & in contravention of

