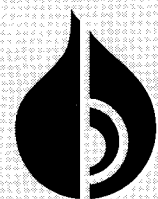


Sustaining Growth...



PANAMA PETROCHEM LIMITED

**27th Annual Report
2008 - 2009
(ABRIDGED)**

BOARD OF DIRECTORS

MR. AMIRALI E. RAYANI	(Chairman)
MR. AMIN A. RAYANI	(M.D. & CEO)
MR. SAMIR A. RAYANI	
MR. DILIP S. PHATARPHEKAR	
MR. MADAN MOHAN JAIN	
MR. MUKESH T. MEHTA	
MR. RAJENDRA V. THAKKER	

COMPANY SECRETARY

MS. NIDHI GUPTA

AUDITORSM/S. HABIB & COMPANY
Chartered Accountants, Mumbai**BANKERS**

- INDIAN BANK • D C B LIMITED • CANARA BANK
- HSBC BANK • STANDARD CHARTERED BANK
- HDFC BANK • CITI BANK • DBS BANK LIMITED
- ICICI BANK LIMITED • YES BANK

LISTED AT

BOMBAY STOCK EXCHANGE LIMITED

PLANTS

ANKLESHWAR, DAMAN, TALOJA & MUMBAI

CORPORATE OFFICE

401, Aza House, 24, Turner Road.
Bandra (W) , Mumbai 400 050
Tel: 91-22-4217 7777, Fax: 91-22-4217 7788
E-mail: panama@vsnl.com

REGISTERED OFFICE

Plot No: 3303, G.I.D.C. Estate,
Ankleshwar - 393002, Gujarat.
Tel: 91-2646-221 068, Fax: 91-2646-250281
Website: panamapetro.com
Email: panamaoils@satyam.net.in

REGISTRAR & SHARE TRANSFER AGENTS**BIGSHARE SERVICES PRIVATE LIMITED**

E-2, Ansa Industrial Estate, Sakinaka, Saki-Vihar Road, Andheri(E), Mumbai - 400 072, Maharashtra.
Tel.: 91-22-28473474 • Fax: 91-22-2847 5207 • Email: info@bigshareonline.com

Contents	Page No.
Notice	1
Directors' Report	6
Management Discussion & Analysis Report	8
Corporate Governance Report	9
CEO Certification	14
Auditors' Report on Abridged Financial Statements	15
Auditors' Report & Annexure	15
Abridged Balance Sheet	18
Abridged Profit & Loss Accounts	19
Schedules To Abridged Accounts	20
Abridged Cash Flow Statement	28
ECS Mandate Form	31
Proxy Form/Attendance Slip	32

Notice

Notice is hereby given that the **TWENTY SEVENTH ANNUAL GENERAL MEETING** of the Members of **PANAMA PETROCHEM LIMITED** will be held on Tuesday, 29th September, 2009 at 11:30 A.M. at the Conference Hall of the Registered Office of the Company at Plot No. 3303, G.I.D.C. Estate, Ankleshwar, Gujarat 393 002 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2009 and Profit and Loss Account for the year ended on that date together with the Reports of the Auditors' and Directors' thereon.
2. To declare dividend on Equity Shares
3. To appoint a Director in place of Mr. Dilip Sobhag Phatarphekar, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Madan Mohan Jain, who retires by rotation and, being eligible, offers himself for re-appointment.
5. 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:

6. 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 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 and the Articles of the Association of the Company, and other applicable provisions, if any, the consent of the members of the Company, be and is hereby given for the appointment of Mr. Amin A Rayani, as a Managing Director of the Company for a period of 5 (five) years with effect from 29th June 2009 on a monthly remuneration of Rs. 50,000 (Rupees fifty thousand only) whether paid as salary, allowance(s), perquisites or a combination thereof.

Provided further that payment/re-imbursement of telephone and/or mobile phone(s) bills, conveyance, credit card expenses, fuel expenses or other out of pocket expenses incurred in course of the official duties will not be included in the aforesaid remuneration.

Resolved further that in the event of loss, absence or inadequacy of profits, the aforesaid remuneration shall be the minimum remuneration.

Resolved further that the Board of Directors of the Company (including any committee/sub-committee of the Board) be and is hereby authorised to assign and delegate, from time to time, such work, duties, power and authorities to the Managing Directors as it may deem fit and proper.

Resolved further that the Board of Directors and the Remuneration Committee of the Company be and are hereby severally authorised to fix such remuneration and to work out various components of the remuneration package as it may deem fit and proper within the overall limits of the remuneration as approved above.

Resolved further that the Board of Directors of the Company (including any committee/sub-committee of the Board) be and is hereby authorised to take all necessary steps to give effect to the aforesaid resolution."

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

"Resolved that pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 and the Articles of the Association of the Company, and other applicable provisions, if any, the consent of the members of the Company, be and is hereby given for the re-appointment of Mr. Amirali Rayani, Whole Time Director designated as Director and Chairman of the Company with effect from 29th June 2009 on a monthly remuneration of Rs. 50,000 (Rupees fifty thousand only) whether paid as salary, allowance(s), perquisites or a combination thereof.

Provided further that payment/re-imbursement of telephone and/or mobile phone(s) bills, conveyance, credit card expenses, fuel expenses or other out of pocket expenses incurred in course of the official duties will not be included in the aforesaid remuneration.

Resolved further that in the event of loss, absence or inadequacy of profits, the aforesaid remuneration shall be the minimum remuneration.

Resolved further that the Board of Directors be and are hereby authorised to increase, augment and/or enhance or vary the remuneration to be paid and provided from time to time to Mr. Amirali Rayani in accordance with the provisions of the Companies Act, 1956, and/or any statutory modification or re-enactment thereof, and/or the Guidelines for Managerial Remuneration issued on by the Central Government or other appropriate authority in that behalf as in force and as amended from time to time.

Resolved further that the Board of Directors of the Company (including any committee/sub-committee of the Board) be and is hereby authorised to take all necessary steps to give effect to the aforesaid resolution."

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

"Resolved that pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 and the Articles of the Association of the Company, and other applicable provisions, if any, the consent of the members of the Company, be and is hereby given for the re-appointment of Mr. Samir Rayani, Whole Time Director designated as Director of the Company on a monthly remuneration of Rs. 50,000 (Rupees fifty thousand only) whether paid as salary, allowance(s), perquisites or a combination thereof.

Provided further that payment/re-imbursement of telephone and/or mobile phone(s) bills, conveyance, credit card expenses, fuel expenses or other out of pocket expenses incurred in course of the official duties will not be included in the aforesaid remuneration.

Resolved further that in the event of loss, absence or inadequacy of profits, the aforesaid remuneration shall be the minimum remuneration.

Resolved further that the Board of Directors be and are hereby authorised to increase, augment and/or enhance or vary the remuneration to be paid and provided from time to time to Mr. Samir Rayani in accordance with the provisions of the Companies Act, 1956, and/ or any statutory modification or re-enactment thereof, and/ or the Guidelines for Managerial Remuneration issued on by the Central Government or other appropriate authority in that behalf as in force and as amended from time to time.

Resolved further that the Board of Directors of the Company (including any committee/sub-committee of the Board) be and is hereby authorised to take all necessary steps to give effect to the aforesaid resolution."

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

"Resolved that pursuant to the provisions of Section 314 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactments thereof for the time being in force, the consent of the members of the Company be and is hereby given for the increase in remuneration of Mr. Hussein Rayani, relative of Mr. Amirali E Rayani, Director and Chairman of the Company, to render services as Manager - Exports of the Company with effect from October 1, 2009 at a remuneration of Rs.45,000/- (Rupees Forty Five Thousand only) per month.

Resolved further that Mr. Amin A Rayani, Managing Director of the Company be and is hereby authorized to do all such acts, deeds, matters and things, as he may in its absolute discretion deem necessary and think fit to give effect to this resolution."

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

"Resolved that pursuant to the provisions of Section 314 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactments thereof for the time being in force, the consent of the members of the Company be and is hereby given for the increase in remuneration of Mr. Vazirali E Rayani, relative of Mr. Amirali E Rayani, Director and Chairman of the Company, to render services as Manager- Marol Plant of the Company with effect from October 1, 2009 at a remuneration of Rs.45,000/- (Rupees Forty Five Thousand only) per month.

Resolved further that Mr. Amin A Rayani, Managing Director of the Company be and is hereby authorized to do all such acts, deeds, matters and things, as he may in its absolute discretion deem necessary and think fit to give effect to this resolution."

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

"Resolved that pursuant to the provisions of section 17 of the Companies Act, 1956 and other applicable provisions, if any, and subject to the approval of the Registrar of Companies and other competent authorities, if required, clause III of the Memorandum of Association of the Company be and is hereby altered in the following manner:

- a. Part C of Clause III containing the "Other Objects" be and is hereby altered by inserting the following clauses as sub-clause 75 and 76 immediately after the existing sub-clause 74:
 75. To acquire and takeover as a going concern, any entity including Indian as well as foreign entity together with all or any part of the property and other assets comprised in that business or associates with it, and to discharge all or any of the liabilities of that business.
 76. To carry on the business of an investment company and to invest, subscribe, acquire, hold, buy, sell, trade, dispose off or otherwise deal in shares, securities and financial products of all kinds including shares, debentures, bonds, units, government securities, treasury bills, commercial papers, other negotiable instruments.

Resolved further that the Board of Directors of the Company be and is hereby authorised to agree to such

changes/modifications as may be suggested by the Registrar of Companies or other competent authority or that may otherwise deem fit by the Board and to take such other steps as may be required to give effect to this resolution."

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

"Resolved that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and subject to the approval, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for substitution of Article No. 5 of the Articles of Association of the Company with the following:

"Article 5 (a): The Authorised Share Capital of the Company shall be such amount, and be divided into such shares as may, from time to time, be provided in Clause V of the Memorandum of Association of the Company.

Article 5(b): The Company in General Meeting may from time to time, increase the capital by the creation of new Shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the resolution shall prescribe and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at general meetings of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act.

Article 5(c): Subject to the applicable provisions of the Act and/or any other applicable Rules, Guidelines or other statutory provisions, the Company acting through its Board of Directors shall have power to issue equity share capital with differential rights as to dividend, voting and/or otherwise in such manner and on such terms and conditions as may be prescribed by the resolution authorising such issue.

Article 5(d): Except so far otherwise provided by the conditions of issue or by these present, any Capital raised by the creation of new shares, shall be considered as part of the existing Capital; and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise

Article 5(e): The Company may (subject to the provisions of Sections 100 to 105, inclusive, of the Act) from time

to time by Special Resolution, reduce its Capital in any manner for the time being authorised by law, and in particular Capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.

Article 5(f): Subject to the provisions of Section 94 of the Act the Company in General Meeting may from time to time consolidate and divide or sub-divide its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other. Subject as aforesaid the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 5(g): Notwithstanding anything contained in these articles, the Board of Directors may, when and if thought fit, buy-back such of the company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and in accordance with the provisions of Sections 77A, 77AA and 77B of the Act or any Statutory Modification thereto and such other regulations and guidelines as may be issued in this regard.

Resolved further that the Board of Directors of the Company be and is hereby authorised to agree to such changes/modifications as may be suggested by the Registrar of Companies or other competent authority or that may otherwise deem fit by the Board and to take such other steps as may be required to give effect to this resolution."

By Order of the Board of
Directors
For Panama Petrochem Ltd.

Place : Mumbai
Date : 30th July, 2009

Nidhi Gupta
Company Secretary

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

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. **Corporate Members:** Corporate Members intending to send their authorised representatives are requested

to send a duly certified copy of the Board Resolution authorizing the representatives to attend and vote at the Annual General Meeting.

3. Members/Proxies attending the meeting are requested to bring their copy of Annual Report to the Meeting.
4. 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.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Friday the 25th day of September 2009 to the Tuesday the 29th day of September 2009 (both days inclusive).
6. 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 25th September, 2009. 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.
7. Members are requested to notify any change in their address/mandate/bank details immediately to the share transfer Agent of the Company- M/s. Bigshare Services Pvt. Ltd.
8. 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.
9. Members desirous of obtaining any information as regards accounts and operations of the Company are requested to write at least one week before the meeting so that the same could be complied in advance.

Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956

Item No. 6

The Board of Directors of the Company at their meeting held on 29th June 2009 have appointed Mr. Amin A Rayani as the Managing Director & CEO of the Company in place of Mr. Amirali E Rayani who resigned from the Managing Director of the Company for a period of five year w.e.f. 29.06.2009.

Mr. Amin A Rayani, aged 37 years is Commerce Graduate and is associated with the Company for more than 10 years. He has vast experience and expertise in finance, production

and marketing fields. The Board of Directors has as per the recommendation of the Remuneration Committee (hereinafter referred to as "the Board of Directors") in its meeting held on 29th June 2009 felt it desirable in the interest of the Company to appoint Mr. Amin A Rayani as the Managing Director & CEO of the company for a period of five (5) years with effect from 29th June 2009 to 28th June 2014 at a monthly remuneration of Rs. 50000/- subject to the approval of the members at the ensuring Annual General Meeting.

Your Directors recommend the resolution for your approval.

None of the Directors except Mr. Amin A Rayani (directly interested) and Mr. Amirali E Rayani and Mr. Samir Rayani (indirectly interested) is concerned or interested in the said resolution.

This Explanatory statement is and should be treated as an abstract under Section 302 of the Companies Act. 1956.

Item No. 7

Mr. Badrudin Kasamali resigned from the directorship and chairmanship of the Company w.e.f 8th June 2009. So the Board of Directors of the Company at their meeting held on 29th June 2009 has appointed Mr. Amirali E Rayani as the Chairman of the Company.

Mr. Amirali E Rayani, aged 65 years is the main promoter of the Company and is actively associated with the Company since its inception and has played a key role in bringing the Company to its present heights. Mr. Amirali Rayani is having more than 35 years of experience in Petroleum industry. The Board of Directors has as per the recommendation of the Remuneration Committee (hereinafter referred to as "the Board of Directors") in its meeting held on 29th June 2009 felt it desirable in the interest of the Company to appoint Mr. Amirali E Rayani as the Chairman of the company with effect from 29th June 2009 at a monthly remuneration of Rs. 50000/- subject to the approval of the members at the ensuring Annual General Meeting.

Your Directors recommend the resolution for your approval.

None of the Directors except Mr. Amirali E Rayani (directly interested) and Mr. Amin A Rayani and Mr. Samir Rayani (indirectly interested) is concerned or interested in the said resolution.

Item No. 8

The Board of Directors of the Company in their meeting held on 29th June 2009 has also appointed Mr. Samir Rayani as Director (Administration). Mr. Samir Rayani is B.E. (Mech.) and has wide knowledge of production and marketing of Petroleum Products. He is associated with the Company from last five years. He shall be paid a monthly remuneration of Rs. 50,000/- .

Your Directors recommend the resolution for your approval.

None of the Directors except Mr. Samir Rayani (directly interested) and Mr. Amin A Rayani and Mr. Amirali E Rayani (indirectly interested) is concerned or interested in the said resolution.

Item No. 9 & 10

9. Mr. Hussein Rayani has fruitful experience in the field of export of petroleum products. As the Company is engaged in the export and import of its products to various countries, the services rendered by Mr. Hussein Rayani could immensely benefit the Company in fostering the growth of exports of the Company. The Board has appointed Mr. Hussein Rayani as Manager-Exports w.e.f. 1st April, 2009 at a monthly remuneration of Rs. 19,000/- per month. It is now proposed to increase the remuneration of Mr. Hussein Rayani from Rs. 19,000 to Rs. 45,000 per month.

Since Mr. Hussein Rayani is relative of Mr. Amirali Rayani, Chairman and Director of the Company, in terms of Section 314 (1) (b) of the Companies Act, 1956, the proposed increase in remuneration need approval from the shareholders of the Company.

The Board of Directors recommends approval of the resolution by the Shareholders of the Company.

None of the Directors except Mr. Amirali E Rayani, Mr. Amin A Rayani and Mr. Samir Rayani (indirectly interested) is concerned or interested in the said resolution.

10. Mr. Vazirali E Rayani is a an expert in business planning and raw material procurement. He has been in the business of petrochemical for nearly two decades. The Board has appointed Mr Vazirali E Rayani as Manager-Marol Plant w.e.f. 1st April, 2009 at a monthly remuneration of Rs. 19,000/- per month. It is now proposed to increase the remuneration of Mr Vazirali E Rayani from Rs. 19,000 to Rs. 45,000 per month.

Since Mr. Vazirali E Rayani is relative of Mr. Amirali Rayani, Chairman and Director of the Company, in terms of Section 314 (1) (b) of the Companies Act, 1956, the proposed increase in remuneration need approval from the shareholders of the Company.

The Board of Directors recommends approval of the resolution by the Shareholders of the Company.

None of the Directors except Mr. Amirali E Rayani, Mr. Amin A Rayani and Mr. Samir Rayani (indirectly interested) is concerned or interested in the said resolution.

Item No. 11 & 12

The Company is planning to expand its business from Indian market to international market also. For this purpose Company may acquire some overseas company or invest in some overseas business. It is, therefore, deemed appropriate to suitable alter the other object clause of the Memorandum of Association of the Company set out at Item No. 11 of the accompanying notice.

The Authorised Capital of the Company is Rs. 13,16,00,000 (Rupees Thirteen Crore sixteen lacs only). However the Company has not the power in their articles to consolidate or sub-divide its shares. So the Board decides to alter the articles and incorporate the articles related to sub-division, consolidation of share capital and buy back of share capital.

In accordance with the provisions of Companies Act, 1956, the proposal regarding change in Memorandum and Articles of Association of the Company requires approval of Members of the Company.

The Board of Directors of the Company accordingly recommend the resolutions set out at Item No. 11 and 12 of the accompanying notice for approval of the Members.

None of the Directors of the Company may be considered concerned or interested in the proposed resolutions.

By Order of the Board of
Directors
For **Panama Petrochem Ltd.**

Place : Mumbai
Date : 30th July, 2009

Nidhi Gupta
Company Secretary

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the **Twenty Seventh** Annual Report of the company together with the Audited Statement of Accounts for the Financial Year ended March 31, 2009 for your consideration and approval.

Your Directors congratulate you on successful completion of the 26 years and thank you for your continuous support.

FINANCIAL HIGHLIGHTS

(Rs. In Lacs)

Particulars	As on March 31, 2009	As on March 31, 2008
Net Profit before Tax & Extra – Ordinary Items	1699.08	1625.58
Prior Period Adjustments	34.95	(58.37)
Net Profit Before Tax	1664.13	1683.95
Less: Provision for Taxes	496.60	204.20
Net Profit After Tax	1167.53	1479.75
Less: Transfer to Reserves	116.75	147.98
Less: Proposed Dividend including Corporate Dividend Tax	273.31	222.85
Net Profit After Appropriations	777.47	1108.92
Profit Brought Forward	2943.07	1835.79
Profit Carried Forward to Balance Sheet	3720.54	2944.71

OPERATIONS

The Company has achieved a sales turnover of Rs. 36,739.24 lacs as against Rs. 23,391.22 lacs in the financial year 2007-08 thereby showing a growth in turnover of 57%. Profit before Tax & Extra – Ordinary Items was Rs. 1699.08 lacs as against Rs. 1625.58 lacs during the previous year. After taking into account the interest, Depreciation and provision for tax there was a Net Profit of Rs. 1664.13 lacs as against Rs. 1683.95 lacs in the previous year.

The performance during the year was affected due to sharp downturn of business and global economic slump which affected every industry worldwide including India. The prices of raw materials and the finished products tumbled due to fall in international crude prices.

The detailed Management Discussion & Analysis Report is attached hereto with the Director's Report and should be read as part of this Directors Report.

DIVIDEND

In view of the continual satisfactory performance of the Company during the Financial Year 2008-09, your Directors are pleased to recommend a dividend @ 40% i.e. Rs. 4/- per share for the year ended March 31, 2009.

CARE RATING

We are glad to announce that your Company has conducted the credit rating from one of the leading credit rating agency CARE and is assigned a "CARE A+" rating for to the Long Term Facilities and "PR1+" rating to the Short Term Facilities.

MERGER & AMALGAMATION

The Hon'ble High Court of Gujarat and Bombay, vide its order dated 14th November, 2008 approved the Scheme of Arrangement for De-merger of securities investment business of Mobil Petrochem Pvt Ltd into Ittefaq Ice and Cold Storage Co. Pvt. Ltd; and Amalgamation of Mobil Petrochem Pvt. Ltd. (residual business) with Panama Petrochem Ltd. Copies of the Hon'ble High Court Order have already been filed with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli at Ahmedabad and Registrar of Companies, Mumbai and the Transferor Company was dissolved without the process of winding-up.

In terms of the Scheme of Arrangement, as approved by the Hon'ble High Court of Bombay and Gujarat, the amalgamation is operative with effect from the Appointed Date i.e. 1st January 2008. Accordingly, it has been given effect to in the audited annual accounts for the financial year ended 31st March, 2009.

Pursuant to the Scheme of Arrangement as approved by the High Court of Gujarat and Bombay, the Company has issued and allotted 10,78,240 equity shares to the shareholders of the Transferor Company- Mobil Petrochem Pvt. Ltd. in the Board Meeting held on 19th May 2009.

Requisite information about the amalgamation is given in **Schedule 'Z' of 'Notes on Accounts'**.

LISTING OF SHARES

Your Company's shares are listed on the Bombay Stock Exchange Ltd. The Company has paid the listing fees for the year 2008-2009.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement with the Bombay Stock Exchange Limited the following have been made a part of the Annual Report:

- Management discussion and Analysis
- Corporate Governance Report
- Auditors Certificate regarding compliance of conditions of Corporate Governance.
- Declaration on compliance with code of Conduct.

PUBLIC DEPOSITS

During the year under report, your Company did not accept any deposits from the public in terms of the provisions of section 58A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY

ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A. CONSERVATION OF ENERGY:

The Company is aware about energy consumption and environmental issue related to it and is continuously making sincere efforts towards conservation of energy. The Company is in fact engaged in the continuous process of further energy conservation through improved

operational and maintenance practices. Information as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure A, forming part of this Report.

B. Technology Absorption:

The Company has an updated R & D Center at its Ankleshwar Plant. It is equipped with all the advanced technological facilities with the latest instruments. The Center is operated by the team of well qualified and experienced technocrats.

C. Foreign exchange earnings and outgo:

i. **Export Activities:** During the year under review the Company have made Import/Export as given in (ii) below.

ii. **Foreign Exchange Earnings and Outgo:**

(Amount in Rs Lacs)

Total Foreign Exchange Inflow	7788.21 Lacs
Total Foreign Exchange outflow	27143.45 Lacs

PARTICULARS OF EMPLOYEES

During the financial year under review, none of the Company's employees was in receipt of remuneration as prescribed under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and hence no particulars are required to be disclosed in this Report.

DIRECTORS

After the last Annual General Meeting, Mr. Badrudin Kasamali and Mr. S K Ukani resigned from the Board w.e.f. 8th June, 2009.

Mr. Amirali E Rayani, Managing Director has taken over as the Chairman of the Board and of the Company w.e.f. 29th June 2009. Mr. Amin Rayani, Director has taken over as the Managing Director & CEO of the Company w.e.f. 29th June 2009.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Dilip Sobhag Phatarphekar and Madan Mohan Jain are liable to retire by rotation and being eligible offer themselves for re-appointment. Directors recommend their re-appointment.

AUDITORS

M/s Habib & Co., Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. A certificate under section 224(1) of the Companies Act, 1956 regarding their eligibility for the proposed re-appointment has been obtained from them. Your Directors recommend their re-appointment.

AUDITORS' REPORT

Comments made by the Statutory Auditors in the Auditors' Report are self-explanatory and do not require any further clarification except the following:

Note No.4 of the main Auditor's Report states that the Company has not provided for the Leave Encashment payable to employees which is not in accordance with the Accounting Standard 15 as notified by the Companies (Accounting Standards) Rules 2006.

We would like to state that the Company do not have such Human Resource Policy for the payment of Leave Encashment, but we are in the process to incorporate the policy of leave encashment payable to the employees so as to make it in compliance with the Accounting Standard 15 (Revised).

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of section 217(2AA) of the Companies Act, 1956, and to the best of their knowledge and belief and according to the information and explanations obtained by them and save as mentioned elsewhere in this Report, the attached Annual Accounts and the Auditors' Report thereon, your Directors confirm that:

- in preparation of the annual accounts, the applicable accounting standards have been followed;
- 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 as at 31st March, 2009 and of the profit of the Company for the year ended on that date;
- the Directors have 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; and
- the Directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENTS

We thank our Clients, Investors, Dealers, Suppliers and Bankers for their continued support during the year. We place on record our appreciation of the contribution made by employees at all levels. Our consistent growth was made possible by their hard work, solidarity, co-operation and support.

By Order of the Board of
Directors
For **Panama Petrochem Ltd.**

Place : Mumbai
Date : 30th July, 2009

Amirali E. Rayani
Chairman

FORM 'A'

(Amount in Rs.)

Particulars	As on March 31, 2009	As on March 31, 2008
A) Power & Fuel Consumption		
1. Electricity		
a) Purchase of Units	3,21,453	3,03,045
Total Cost	21,57,033	16,72,418
Rate per Unit	6.71	5.52
b) Own Generation		
1) Through Diesel Generator	NIL	NIL
2) Through Steam Turbine/Generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil	NIL	NIL
4. Diesel Oil	NIL	NIL
5. Others (Gas)		
Quantity	47,642	37,679
Total Cost	3,78,753	4,99,272
Rate per Unit	7.95	13.25

Management Discussion And Analysis Report

Cautionary Statement

The management Discussion and Analysis Report may contain certain statements that address expectations or projections about future and might be considered forward looking. These statements are subject to certain risks and uncertainties. The Company's actual performance or results may differ materially from those expressed in the statement as important factors could influence Company's operations such as Government policies, economic development, political factors and such other factors beyond the control of the Company.

Industry Structure and Development

The Economic Situation was buoyant during the first half of the year due to exponential rise in international crude oil prices and high inflation rate. However due to a sudden global economic recession witnessed after September 2008 there was a fall in price of crude oil which resulted in downfall of all the downstream petro products worldwide Transformer Oil, Liquid Paraffin, Petroleum Jelly, Cable Jelly, Ink Oil, Rubber Process Oil, and Antistatic Coning Oil our finished product.

The recession in US and the global economic meltdown through had its repercussions in India, there would not be a significant impact on the growth prospects in Indian industrial due to government's continued thrust on infrastructure and huge investments in related industries. The country's GDP which was 8% during the last fiscal would grow at a slower rate in the current fiscal and is expected to be around 5-5.5% which is considered to be better among the developing countries. The international crude price has come down significantly as well as the inflation rate.

The Volatility in the international crude prices has the direct impact on the raw materials and finished prices of the Company. This results in uncertain margins, mis-match in demand and supply position etc. Moreover government policies and duty changes also affects the prices of the products and the working of the company.

Future Outlook

There are signs of early recovery of the economy worldwide which would help the

Indian industries to perform better. The product prices which have recovered since January 2009 is expected to remain stable for some time and improve further. The Company foresees an uninterrupted production and sale of its entire produce and better price realization in the current year.

The Company is planning to expand its operations to withstand against the negative market forces. During the year 2008-2009, the Company has achieved a remarkable increase in the turnover. There are considerable profits from all the four plants of the company and the Company is hopeful to override the adverse effects of the price fluctuations in the petroleum industry by resorting to bulk purchases and cost control measures.

The Company had been allotted a plot in Dahej SEZ bearing no.Z/23 admeasuring 9,375 sq. mtrs. The Company plans to start the Phase I of the plant by FY2009-10 with capex of Rs.15 Crores and 15000MT capacity and the Phase II of the plant by FY2010-11 with capex of Rs.15 Crores and 15000MT capacity.

Opportunities

With increasing industrialization, focus on infrastructure development, quota free regime in textiles and out sourcing boom, the demand for the petroleum products manufactured by the company is likely to further improve in the coming years. The relationship established by the company with the above said clientele would augur further growth in its business. Moreover, the company has been increasing its presence in the export markets of USA, Africa, Europe and Asia.

The Company has developed a new product i.e. Mining Oil. This product is still in its testing stage and will than be introduced in the market for the consumption in the Mining Industries.

Threats

Changes in Government policies, especially regarding import of Base Oil will have an adverse impact on the performance of the company. However, considering the multifarious purposes for which the Base Oil is used and the domestic supplies are not adequate to meet the domestic Demand, the possibilities for such adverse changes in Government policies appear to be remote.

Risks and Concerns

The performance of the Company is subject to the Government Policies for tax structure, interest rates, Export incentives etc. The profitability of the Company depends on the prices and availability of the Base Oils. The prices of base oil have increased during the last year and have resulted in corresponding increase in cost of production. However as a general practice in the industry, the higher input costs are passed on to the customers.

Human resource / Industrial relations

The Company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people.

The Company has cordial relations with employees and staff. There are no industrial relations problems during the year and the Company does not anticipate any material problems on this count in the current year.

The management is also committed to help the employees and workers to sharpen their skills and to improve their knowledge base for which continuous efforts are made on training and development.

Internal Control System and their adequacy

The Company has an effective and adequate system of internal control to ensure that all assets are safeguarded against loss and all transactions are authorised, recorded and reported correctly. The Company has set up an Internal Audit Committee to review the operational efficiencies. The Internal Auditors evaluates the performance of the Company and puts forth its findings and suggestions before the Audit Committee for its review.

For **Panama Petrochem Ltd.**

Mr. Amin A Rayani
Managing Director & CEO

Place: Mumbai

Date: 30th July, 2009