

19th  
Annual Report  
2009-2010



**PARAS  
PETROFILS LTD.**

**19th  
Annual  
Report  
2009-2010**

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**BOARD OF DIRECTORS**

SHRI JIVABHAI A. PATEL (Chairman)  
SHRI ASHOKKUMAR R. JAIN (Managing Director)  
SHRI SIDDHARTH C. PATEL  
SHRI KAILASHCHAND R. JAIN  
SHRI ANANDKUMAR R. JAIN  
SHRI HARSHAD J. PATEL  
SHRI PRAVINCHAND JARIWALA  
SHRI ANIL BANSAL  
SHRI HARIKISHAN PANPALIYA  
SHRI MURLI MANOHAR MODANI

**COMPANY SECRETARY**

SHRI RAJENDRA PARAKH

**AUDITORS**

M/s. RKG & CO.  
Chartered Accountants, Surat.

**REGISTERED OFFICE & FACTORY**

PARAS PETROFILS LTD.  
Block No. 529, N.H. No. 8,  
Village Palsana, Dist. Surat - 394315

**REGISTRAR & SHARE TRANSFER AGENT**

M/s. BIGSHARE SERVICES PVT LTD  
E-2, Ansa Industrial Estate  
Sakivihar Road  
Sakinaka, Andheri (E)  
Mumbai – 400 072

**ANNUAL GENERAL MEETING**

30th September, 2010

**TIME**

3:00 P.M.

**VENUE**

Block No. 529, N.H. No. 8, Village Palsana Dist. Surat

**NOTICE**

NOTICE is hereby given that the **19th** Annual General Meeting of the Members of Paras Petrofils Limited will be held at its Registered office of the Company at Block No.529, N H 8, Village Palsana District Surat – 394 315 on 30th September,2010 at 3.00 P.M. to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the audited Balance Sheet as at 31st March, 2010, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Siddharth Patel who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Anand Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Jivabhai Patel who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors till next Annual General Meeting and fix their remuneration.

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

“RESOLVED THAT M/s R.K.G. & CO. 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.”

**NOTES:**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend (and on a poll, vote) instead of him/her. A proxy need not be a member. Proxies in order to be effective must be received by the Company not later than forty eight hours before the time for commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 24th September, 2010 to 30th September, 2010 (both days inclusive).
3. Members are requested to handover the enclosed Attendance slip, duly signed in accordance with their specimen signatures registered with the Company for admission to the meeting hall.
4. Members are requested to bring their copy of the Annual Report to the meeting.

**Registered Office:**

Block No. 529, N.H.No.8,  
Village: Palsana, Dist. Surat.  
Place : Palsana  
Date : 15.05.10

**By order of the Board of Directors**

**Ashok R. Jain**  
Managing Director

Information required under Clause 49 IV (G) of the Listing Agreement, with respect to the re-appointment of Shri Siddharth Patel, Shri Anand Jain and Shri Jivabhai Patel has been disclosed in the statement forming a part of the report on Corporate Governance.



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 19th Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2010.

### SUMMARISED FINANCIAL RESULTS

The Summarised Financial Results of the Company for the year ended 31st March, 2010 were as follows.

	<b>2009-2010</b> <b>(Rs.in lacs)</b>	<b>2008-2009</b> <b>(Rs.in lacs)</b>
Gross Turnover	<b>10804.35</b>	9151.03
Gross Profit before Interest & Depreciation	<b>937.29</b>	807.79
Less: Interest	<b>127.00</b>	200.53
Less: Depreciation	<b>451.00</b>	442.61
<b>Net Profit/(Loss) for the Year</b>	<b>359.29</b>	164.65
Provision for tax	<b>148.44</b>	45.14
<b>Profit After Tax</b>	<b>210.85</b>	119.51
Add Balance Brought Forward from previous year	<b>324.90</b>	205.39
<b>Balance available for appropriation</b>	<b>535.75</b>	324.90
Transfer to Reserves	<b>NIL</b>	NIL
Surplus Carried to Balance Sheet	<b>535.75</b>	324.90

### DIVIDEND

In view of the meager profits, and the tremendous growth potential which the Directors believe is there in the Yarn industry which is also ascertainable from the tremendous change in the performance of the Company and for expanding and strengthening the reserves and networks of the Company, the Board of Directors have decided not to propose any dividend for the year ended on 31st March, 2010.

The Directors believe this would increase shareholder value and eventually lead to a higher return threshold.

### OPERATIONS

Your Director's are pleased to inform that the trend of growth which started in the previous year ended 31st March, 2009 continued this year also and the turnover of the Company, operating profit, profit after tax all of them showed an increase in the positive direction.

Your Directors are pleased to report that during the year under review the profits of the Company before tax increased to Rs. 359.29 lacs in comparison to 164.65 lacs for the previous year ended on 31.03.2009. The gross turnover of the company for the year ended on 31.03.2010 was Rs. 10804.35 lacs as compared to Rs. 9151.03 lacs for the corresponding year ended on 31.03.2009.

### BOARD OF DIRECTORS

Under section 256 of the Companies Act, 1956 Shri Siddharth Patel, Shri Anand Jain, and Shri Jivabhai Patel retire by rotation and being eligible offer themselves for re-appointment. The board recommends reappointment of retiring directors.

A brief resume of the Directors proposed to be re-appointed, nature of their expertise in specific functional areas etc. as stipulated under Clause 49 of the Listing Agreement entered into with the various Stock Exchanges are provided in the report of Corporate Governance forming part of the Annual Report.

### DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors state that:

- (i) In preparation of the annual accounts for the financial year ended 31 March, 2010, the applicable accounting standards have been followed along with proper explanations relating to material departures.

- (ii) 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 31 March 2010 and of the profit of the Company for the year ended on that date.
- (iii) Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

## **FIXED DEPOSIT**

As reported in the year 2008-2009 your Company continued to accept/renew deposits during the year 2009-2010 and maintained a high standard of service. As on 31st March, 2010 there have been no defaults in payment of Deposits and also no deposits remained unclaimed after maturity.

## **PARTICULARS OF EMPLOYEES**

Particulars of employees required u/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employee is qualified for such of the disclosure.

## **AUDITORS AND AUDITORS REPORT**

M/s R. K. G. & Co., Chartered Accountants, 409, Ajanta Shopping & Textile Arcade, Ring Road, Surat – 395 002 will cease to hold the office at the conclusion of the ensuing Annual General Meeting and are recommended for the reappointment.

The Company has received a certificate from the retiring auditors to the effect that the appointment if made, will be in accordance with the limits specified in section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment.

Notes forming part of the accounts, which are specifically referred to by the Auditors in their report are self-explanatory and therefore, do not call for any further comments.

## **ENERGY CONSERVATION**

Information required u/s 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption are as per the Annexure forming part of this Report.

## **SAFETY HEALTH & ENVIRONMENT**

Your company is committed to being proactive to Safety, Health and Environment. Continued safety awareness was maintained through several activities such as training, competitions, awards, etc. where there is high worker participation.

## **CORPORATE GOVERNANCE**

A separate section on Corporate Governance containing all the information as mandated by the Listing Agreement is attached herewith and forms a part of this report.

Certificate from the Practicing Company Secretary of your Company regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange is attached herewith and forms a part of the Corporate Governance report.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis on matters relating to business performance, as stipulated in Clause 49 of the listing agreement with the stock exchanges, is given as a separate statement in the Annual Report.

## **ACKNOWLEDGEMENTS**

Your Directors would take this opportunity to express their gratitude to the Government authorities, Institutions, business constituents and Shareholders for the faith, guidance and support to the Company during the year under review. Your Directors also wish to sincerely appreciate the spirit of dedication and commitment of all the employees during the year under review.

**For and on behalf of the Board**

Place : Palsana  
Date : 15.05.2010

<b>Ashok R. Jain</b>	<b>Jivabhai A. Patel</b>
Managing Director	Chairman

## ANNEXURE TO DIRECTORS REPORT

Form for disclosure of particulars with respect to Conservation of Energy

<b>A) ENERGY CONSUMPTION</b>	<b>2009-10</b>	<b>2008-09</b>
1. (a) Electricity:		
Purchased Units	<b>8,56,014</b>	10,58,454
Total Amount (Rs.)	<b>60,43,882</b>	72,66,113
Average rate/unit (Rs.)	<b>7.06</b>	6.86
(b) Through Gas Generator		
Unit	<b>1,14,74,234</b>	76,99,834
Total Amount	<b>5,06,15,720</b>	2,63,22,189
Cost/Unit	<b>4.41</b>	3.42

## **B) DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT.**

1. Specifies areas in which R&D carried by the Company : Nil
2. Future plan of action : Not Specified
3. Expenditure on R&D : Nil

### **Technology absorption, adoption and innovation:**

1. Efforts, in brief, made towards technology absorption, adoption and innovation.

The Company has adopted latest technology to improve quality, increase efficiency and reduce cost of production. During the year under consideration Company has replaced 4 end winder of POY line purchase in the year 1996 by 8/12 end winder of latest technology.

2. Benefits derived as a result of the above efforts, e.g, product improvement; cost reduction, product development, import substitution etc.

Adoption of latest technology as stated above have resulted in high productivity and accuracy of good quality, reduction of production cost and also help in optimum utilisation of the production capacity.

3. Particulars of Imported Technology :

As stated above.

## **C) FOREIGN EXCHANGE EARNING AND OUTGO :**

The information of Foreign exchange earning and outgo is contained in Schedule 14 para C (f) to C (I) of the Accounts.

**MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRY STRUCTURE & DEVELOPMENTS:**

The company is engaged in the manufacturing of Polyester Filament Yarn products namely Polyester Partially Oriented Yarn (POY), Fully Draw Yarn (FDY) and Texturised Yarn. The demand for synthetic yarn is showing a continuous growth since last few years in both domestic and international markets.

The growth in textile industry on the whole has shown rise in the year 2009. The textile industry has started getting momentum and has registered a marginal growth. The primarily consuming economy of United States of America (U.S.A.) has started showing signs of marginal growth and recovery during the end of 2009. The domestic industry is continuously striving to increase exports by providing best quality product at competitive prices, to ensure better utilization of capacities. The news from domestic scenario in terms of overall growth of the economy as well as the growth of textile sector was also encouraging for our industry. Looking at the abovementioned facts it is expected that the growth in this sector is expected to be significant in the coming period.

**SWOT ANALYSIS:**

The manufacturing set-up of our company is in the heart of the synthetic yarn market of Surat which is the biggest yarn consumption city in the whole country. This facilitates us in providing cheaper goods in comparison to few other big players as there is less time consumption during transport, less cost of packing and transporting of goods. The overall economic scenario and the increasing demand of polyester cloth creates a tremendous market for the smooth functioning and expansion of the whole polyester industry.

The major yarn industry till few years ago was regulated by the decisions of few big players in the market. However the situation has now changed and there is a whole lot of small players which contribute an important share in the market. The increase in the number of players in the market may affect the margins or the demand negatively. However the Company is trying to expand its customer base and improve its profitability.

There is non-integration in the product line, the company may have cyclical ups and down on its margins. The integration helps in more stable operations as compared to stand-alone units. However the difference is marginal over product life cycle.

The performance of the Company will depend on the availability of raw materials and the price of the same. However it is expected that the increase in production of Chips in the Country will not cause problems in supply of raw materials and increase in prices of raw materials may also be absorbed by the increase in the prices of the Company's finished products.

**ADEQUACY OF INTERNAL CONTROL:**

The company has an internal control system commensurate with its size and nature of business and meeting with the following objectives,

- Efficient use and safeguarding of resources.
- Compliance with statutes, policies and procedures.
- Transactions being accurately recorded and promptly reported.

Company has a proper, strong independent and adequate system of internal controls to ensure that all the assets are safeguarded, protected against loss from unauthorized use or disposition and the transactions are authorised, recorded and reported correctly.

The internal control systems are also designed to ensure that the financial and other records are reliable for preparing financial statements and other data.

The company having audit committee looking after internal controls, its procedures and policies adopted by the company and is reported to the board of directors in their meeting.

**HUMAN RESOURCE DEVELOPMENT:**

The company believes that the quality of its employees is the key to success in the long run. It realizes the importance of a component and motivated manpower in achieving its goals. The Company's work environment is challenging and provides opportunity for skill enrichment. A systematic performance appraisal system is used for motivating the performance of officers and staff at all levels. Industrial relation has continued to be harmonious throughout the year.

**ENVIRONMENT AND SAFETY**

The Company is conscious of the need for an environmentally clean and safe operations. The Company's policy requires the conduct of all operations in such manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

**CAUTIONERY STATEMENT:**

Statement in the Management Discussion & Analysis Report which seeks to describe the company's objectives, projections, estimates or predictions may be considered to be "forward-looking statements" within the meaning of applicable securities laws and regularities. Actual results could differ materially from those expressed of implied.

The company undertakes no obligation to publicly update or revise any forward looking statements whether as a result of new information, future events or otherwise. Even though the management believes that they have been prudent in making such assumptions, we cannot guarantee that these forward looking statements will be realized. We request readers to bear this in mind while reading this report.

## **REPORT ON CORPORATE GOVERNANCE**

**(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange)**

The Securities and Exchange Board Of India (SEBI) regulated corporate governance practices of companies listed on the Indian Stock Exchanges. These regulations are notified under Clause 49 of the Listing Agreement. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, our Company is required to incorporate a separate segment on Corporate Governance in the Annual Report of the Company. Moreover, with the increase in participation of shareholders in the performance and other various activities of the Company the Corporate Governance has become the centre stage.

### **1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

The Company's philosophy on corporate governance is based on envisaging the attainment of highest levels of integrity, transparency and accountability in all fields of operations. The Company believes in adoption of policies, processes and procedures for the Good Corporate Governance, in line with the highest standards of management and business integrity. It believes that all its actions must serve the underlying goal of enhancing the overall shareholder value on a sustained basis. Your Company is committed to execute sustainable business practices and creating long-term value for all its shareholders. Together, these constitute "Code of Corporate Governance" which is implemented to ensure transparency, consistency and uniformity of processes and actions. The Company is in full compliance with the requirements of Clause 49 of the Listing Agreement.

### **2. BOARD OF DIRECTORS:**

The Company's policy is to maintain optimum combination of Executive and Non-Executive Directors. The composition of the Board was in conformity with Clause 49 of the Listing Agreement, which stipulates that 50% of the Board should comprise of Non Executive Directors. It further stipulates that if the Chairman is Executive Director than 50% of the Board should be of independent Directors and if not than atleast one third of the Board should be independent. The Board of Directors along with the Committees provide leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company. As on March 31, 2010 the Company's Board of Directors consists of Ten Directors out of whom one is Managing Director and nine are non-executive directors. The Chairman of the company is a Non-Executive director.

During the Financial year 2009-2010 the Board of Directors met 4 times on 30.06.2009, 31.07.2009, 31.10.2009, and 30.01.2010.

The maximum time gap between any two meetings was not more than four months.

The company holds minimum of four meetings in each year after the end of each quarter. Besides, additional Board Meeting may be convened at any time for the specific requirements of the company.



## PARAS PETROFILS LTD.

The following table provides details of directors, attendance of directors at the board meeting and at the last annual general meeting, number of membership held by them in the board/committees of other public limited companies.

Name of the Directors	Category	No. of Board Meeting attended during the year held on 30.09.2009	Whether attended last AGM of Public Companies	No. of Outside Directorships Companies	No. of Committee positions held in other Public
		Held	Attended		Chairman Member
Shri Jivabhai A Patel	Chairman/ Non Executive	4	4	Yes	- -
Shri Ashok R Jain	Managing Director	4	4	Yes	- -
Shri Siddharthbhai C Patel	Non Executive/ Independent	4	2	No	- -
Shri Kailashchand Jain	Non Executive	4	4	Yes	- -
Shri Harshad J Patel	Non Executive	4	1	No	- -
Shri Anandkumar Jain	Non Executive	4	3	No	- -
Shri Pravinchand Jariwala	Non Executive/ Independent	4	2	No	- -
Shri Murli Manohar Modani	Non Executive/ Independent	4	3	No	- -
Shri AnilKumar Bansal	Non Executive/ Independent	4	2	No	- -
Shri Harikishan Panpaliya	Non Executive/ Independent	4	3	No	- -

### CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The Board has laid down a Code of Conduct has been circulated to all the members of the Board, Executive as well as Non Executive and the members of the Senior Management also to whom the said code is applicable as defined in Clause 49 of the Listing Agreement. All Board members and senior management persons have affirmed compliance with the Code of Conduct Further as per the requirements of the above mentioned clause the Managing Director has also confirmed and certified the same. A declaration to this certification signed by the Managing Director of the Company is attached to this report as an annexure.

A copy of the Code has also been kept on the website of the Company which is [www.paraspetrofilms.com](http://www.paraspetrofilms.com).

### C.E.O. / C.F.O. CERTIFICATION

The Managing Director of the Company has furnished the requisite certificate to the Board of Directors under Clause 49 V of the Listing Agreement which is attached at the end of the report.

### 3. AUDIT COMMITTEE:

The Audit committee has been constituted as per the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The role of the Audit Committee is to supervise the Company's reporting process and disclosure of its financial information, to recommend the appointment of Statutory Auditors and fixation of their remuneration, to review and discuss with the Auditors about adequacy of internal control systems, the scope of Audit including the observations of the Auditors, major accounting policies, practices and entries, compliances with accounting standards and listing agreement with the stock exchanges, reviewing with the management the annual financial statements before submission of the same to the Board for approval with reference to matters to be included in

the Directors Responsibility Statement, adjustments to be made in the financial statements arising out of Audit findings, qualifications in the Draft Audit Report, Disclosure of any related party transaction and other legal requirements concerning financial statements, if any, to review the Company's financial and risk management policies and discuss with the internal auditors and significant findings for follow-up thereon, to review the quarterly, half yearly and annual financial statements before they are submitted to the Board of Directors.

The Audit Committee comprises 3 non executive directors. The committee met 6 times during the year and attendance of members at the meetings was as follows:

Name of the Member	Status	No. of Meetings
Shri Siddharthbhai Patel	Chairman	4
Shri Jivabhai Patel	Member	4
Shri Pravinchandra Jariwala	Member	4

#### 4. REMUNERATION TO DIRECTORS:

The company does not have formal remuneration committee. No remuneration is paid to Directors.

Details of remuneration paid or payable to Directors for the financial year ended 31st March, 2010 are Not Applicable as no remuneration is paid to any of the Directors.

#### 5. SHARE TRANSFER-CUM-INVESTORS GRIEVANCE COMMITTEE:

The company has constituted a "Share Transfer-cum-investors Grievance Committee" comprised of following Directors:

1. Shri Jivabhai Patel (Chairman)
2. Shri Pravinchandra Jariwala

The Board has delegated to the committee powers to inter alia approve the transfer/transmission of share, issue of duplicate share certificate and review of all matters connected with Investors complaints/Grievances if any and redressal of the same. The committee also approves requests for issue of new share certificates on spilt / consolidation / renewal / rematerialisation etc.

The committee also sees the overall performance of the Registrar and Share Transfer agent, and recommend to the Board of director for improvement in the investor service.

The Company Secretary is the Compliance officer. He also acts as the Secretary to the Committee and is responsible for convening and holding of the meetings of the Committee. The Committee met 24 times in the previous year that is it meets once in a fortnight to ensure proper services to the stakeholders of the Committee. There was no pending complaint as on 01st April, 2009, the total number of complaints received and resolved during the year ended 31st March, 2010 were 12 (Twelve) respectively. There was no complaint pending as on 31st March 2010.

The Minutes of the committee meeting are placed at the Board Meeting from time to time.

#### 6. GENERAL BODY MEETING:

The last three Annual General Meetings and Extra-ordinary General Meetings were held as under:

Year	Place		Date	Time
2008-2009	Block No.529, N.H.No.8 Village Palsana Surat	AGM	30-09-2009	3.00 P.M.
2007-2008	-do-	AGM	30-09-2008	3.00 P.M.
2006-2007	-do-	AGM	29-09-2007	3.00 P.M.

No special resolution was passed in the previous three Annual General Meetings.

No special resolution was passed last year through Postal Ballot and similarly there is no special resolution proposed to be passed through Postal Ballot.