

20th
Annual Report
2010-2011



PARAS
PETROFILS LTD.

**20th
Annual
Report
2010-2011**

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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

CORPORATE OFFICE

PARAS PETROFILS LIMITED
301, JEEVANDEEP APPT., OPP. SUB JAIL,
RING ROAD SURAT

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, 2011

TIME

3:00 P.M.

VENUE

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

NOTICE

NOTICE is hereby given that the **20th Annual General Meeting** of the Members of Paras Petrofils Limited will be held at its Registered office at Block No.529, N H 8, Village Palsana District Surat – 394 315 on 30th September, 2011 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, 2011, 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 Murli Manohar Modani who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Pravinchandra Jariwala who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Harikishan Panpaliya who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri Anil Kumar Bansal who retires by rotation and being eligible offers himself for re-appointment.
6. 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.”

SPECIAL BUSINESS

7. To consider and if thought fit to pass with or without modification following resolution as ordinary resolution

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 317 read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof, approval of the Company be and is hereby accorded to re-appoint Shri Ashok Jain as Wholetime Director designated as Managing Director of the Company for a period of 5 (five) years with effect from 1st July, 2012 on the terms and conditions as set out in the explanatory statement annexed to the Notice convening this meeting.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

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 of the Company. 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, 2011 to 30th September, 2011 (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 as the same will not be distributed at the meeting.
5. Corporate members intending to send their authorised representatives are requested to send a certified copy of the resolution with them authorising the member to attend the meeting on their behalf.



6. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least seven days before the date of the meeting so that the information required may be made available at the meeting.
7. Members who are holding shares in identical order of names in more than one folio are requested to send the Company the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the members after making requisite changes thereon.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following Explanatory Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

ITEM NO. 7

The Board of Directors of the Company (the Board) at its meeting held on 30th May, 2011 has, subject to the approval of Members re-appointed Shri Ashok Jain as Wholetime Director designated as Managing Director for a period of 5 (five) years from the expiry of his present term which will expire on 30.06.2012.

It is proposed to seek Members approval for the re-appointment of Shri Ashok Jain as Wholetime Director designated as Managing Director, in terms of the applicable provisions of the Act..

Broad particulars of the terms of re-appointment of Shri Ashok Jain are as under

- (i) The office of the Wholetime Director may be terminated by the Company or the concerned Director by giving the other 6 (six) months prior notice in writing.
- (ii) The Wholetime Director will perform his duties as such with regard to all work of the Company and he will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.
- (iii) The Wholetime Director shall adhere to the Company's Code of Business Conduct and Ethics for Directors and Management personnel.

Shri Ashok Jain is interested in the resolution as set out at Item No. 7 of the Notice which pertains to his re-appointment. Shri Kailaschand Jain and Shri Anand Jain may be deemed to be interested in the resolution pertaining to the re-appointment of, Shri Ashok Jain as they are related to each other. Save and except the above, none of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

The Board commends the Resolutions as set out at Item No. 7 of the Notice for your approval.

Registered Office:

Block No. 529, N.H.No.8,
Village: Palsana, Dist. Surat.
Place : Palsana
Date : 30.05.11

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 Murli Manohar Modani, Shri Pravinchandra Jariwala, Shri Harikishan Panpaliya and Shri Anil Kumar Bansal has been disclosed in the statement forming a part of the report on Corporate Governance.

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the same with the Company/ the registrar and transfer agent.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 20th Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2011.

SUMMARISED FINANCIAL RESULTS

The Summarised Financial Results of the Company for the year ended 31st March, 2011 are as follows.

	2010-2011 (₹ in lacs)	2009-2010 (₹ in lacs)
Gross Turnover	13152.68	10804.35
Gross Profit before Interest & Depreciation	934.37	937.29
Less: Interest	68.09	127.00
Less: Depreciation	453.90	451.00
Net Profit/(Loss) for the Year	412.38	359.29
Less: Provision for tax	223.79	148.44
Less: MAT Credit Entitlement	(174.63)	0.00
Profit after Tax	363.19	210.85
Add Balance Brought Forward from previous year	535.76	324.90
Balance available for appropriation	898.95	535.76
Transfer to Reserves	NIL	NIL
Surplus Carried to Balance Sheet	898.95	535.76

REVOCATION OF TRADING

Your management is extremely proud to inform you that the suspension imposed by N.S.E. on the trading of the shares of the Company has been taken back by them. Earlier N.S.E. had kept the company under surveillance for monitoring the compliances of the company. As the same were found satisfactory the respected stock exchange authorities decided to lift the suspension for which the management is extremely thankful. The trading on N.S.E. has commenced from 30.08.2010.

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, 2011.

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

OPERATIONS

Your Director's are extremely pleased to inform that this year also that the trend of growth which started in the two years before in the ended 31st March, 2009 continued 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 ₹ 412.38 lacs in comparison to ₹ 359.29 lacs for the previous year ended on 31.03.2010. The Gross Turnover of the company for the year ended on 31.03.2011 was ₹ 13152.68 lacs as compared to ₹ 10804.35 lacs for the corresponding year ended on 31.03.2010.

Your Directors are extremely glad to announce that to better utilize the potential of the textile industry which the city and the company have, the company has made modifications in its existing capacities which have allowed the company to manufacture nylon yarn along with the traditional polyester yarn which the company has been manufacturing since years. This will make your company more diversified. Accordingly the management is expecting much better performance from the company and the modification is expected to yield results from the year 2011-2012.



BOARD OF DIRECTORS

Under section 256 of the Companies Act, 1956 Shri Murli Manohar Modani, Shri Pravinchandra Jariwala, Shri Harikishan Panpaliya and Shri Anil Bansal retire by rotation and being eligible offer themselves for re-appointment. The board recommends reappointment of retiring directors.

Shri Ashok Jain, who was appointed as Whole-time director designated as Managing Director in the Annual General Meeting held on 29.09.2007 for a period of five years ending on 30.06.2012. Accordingly he is proposed to be re-appointed as Wholetime director for a period of five year w.e.f. 01.07.2012 to 30.06.2017

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, 2011, 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 2011 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 2010-2011 your Company continued to accept/renew deposits and maintained a high standard of service. As on 31st March, 2011 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.

COST AUDITOR

The cost accounts of the Company for the year ended 31st March, 2011 will be audited by V SRINIVASAN, FICWA and whose report is due for submission before 30th September, 2011.

As cost audit was not applicable in the year 2009-10, filing information of the same is not applicable.

CASH FLOW ANALYSIS

The Cash Flow statement for the year ended on 31st March, 2011, in terms of clause 32 of the Listing Agreement entered by the company with the stock exchanges where the shares of the Company are listed forms part of the Annual Report.

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 : 30.05.2011

Ashok R. Jain **Kailashchand Jain**
Managing Director Director

ANNEXURE TO DIRECTORS REPORT

Form for disclosure of particulars with respect to Conservation of Energy

A) ENERGY CONSUMPTION	2010-11	2009-10
1. (a) Electricity:		
Purchased Units	7,26,762	8,56,014
Total Amount (₹)	44,09,065	60,43,882
Average rate/unit (₹)	6.07	7.06
(b) Through Gas Generator		
Unit	1,19,84,166	1,14,74,234
Total Amount	6,60,87,493	5,06,15,720
Cost/Unit	5.51	4.41

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.
2. Benefits derived as a result of the above efforts, e.g, product improvement; cost reduction, product development, import substitution etc.
High productivity and accuracy with good quality.
3. Particulars of Imported Technology
Not applicable



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 company has also commenced production of Nylon yarn from the year end. The demand for synthetic yarn is showing a continuous growth since last few years in both domestic and international markets.

The textile industry in the year ended 31st March, 2011, showed a marginal growth. The growth of Indian markets for Partially Oriented Yarn (P.O.Y.) was only 1%. However the exports market gave some kind of relief to the industry. The strong performance of the export market was mainly due to the less availability and higher prices of cotton globally.

The growth in textile industry on the whole has been showing rise since 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 since last year. Despite increase in business volume, the overall contributions and margins remained under pressure due to fluctuation in raw material prices coupled with competitive pressures on the business activity.

OVERVIEW OF ECONOMY

The country's economic growth was around 8.6% in 2010-11, compared to 7.4% expansion in the previous year. Growth is projected around 9% in the next two fiscals with the government trying to push the same into double digits. The domestic growth could be even faster than what is expected.

However the root problems which impacted growth in the 2010-11 fiscal seem to chase the Indian economy in the coming fiscal also. Rising inflation and the rise in interest rates to prevent the previous one has hampered the economic growth as well as the whole economy. These problems are still existing and even growing as on today.

SWOT ANALYSIS:

Per capita consumption of yarn in India is still much behind the world average. The present growth in Indian economy, decrease in poverty, increase in standard of living of people, rising prices of cotton etc. are expected to contribute a lot in the growth of yarn consumption and the company which will provide a huge opportunity for the company to grow in the coming years.

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 create 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 be impacted largely by the developments in the industry. Increase in prices of raw materials, reduction in prices of finished goods, large capacity expansions by other players, availability of raw materials etc will impact largely the overall performance of the Company. 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.

Your company is gearing up to meet the challenges through continuous improvement in quality, reduction in costs, better marketing arrangements for higher value added 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.

RISKS & CONCERNS

The Company in its day to day operations has exposure to various types of risks. The most significant of them is the risk of fluctuation of prices. The Company has been managing the same through better relations with its suppliers, proper inventory management, market analysis etc.

BUSINESS OUTLOOK

The performance of the whole industry would largely depend on raw material prices of yarn that is chips and further P.T.A. and M.E.G. from which chips are made. Apart from this raw material prices of cotton will also make a huge impact on the industry. The performance of the Company would largely depend on the whole industry scenario.

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 relations have continued to be harmonious throughout the year.

ENVIRONMENT AND SAFETY

The Company is conscious of the need for an environmentally clean and safe operation. 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.

CAUTIONARY STATEMENT:

This Report contains forward-looking statements that involve risks and uncertainties. When used in this Report, the words anticipate, believe, estimate, expect, intend, will and other similar expressions as they relate to the Company and/or its business are intended to identify such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new formation, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

For and on behalf of the Board

Place : Palsana
Date : 30.05.2011

Ashok R. Jain
Managing Director

Kailashchand Jain
Director



REPORT ON CORPORATE GOVERNANCE

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

Corporate Governance refers to a set of laws, regulations and good practices that enable an organisation to perform efficiently and ethically generate long term wealth and create value for all its stakeholders.

The demands of corporate governance require professionals to raise their competency and capability levels to meet the expectations in managing the enterprise and its resources effectively with the highest standards of ethics.

In line with this philosophy, Paras Petrofils Limited continuously strives for excellence through adoption of best governance and disclosure practices.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance is a set of systems and practices to ensure that the affairs of the company are being managed in a way which ensures accountability, transparency, and fairness in all its transactions in the widest sense and meet its stakeholder's aspirations and social expectations.

We, at the Paras Petrofils Limited, are committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices are self-driven, reflecting the culture of the trusteeship that is deeply ingrained in our value system and reflected in our strategic growth progress.

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 provides leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company. As on March 31, 2011 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 2010-2011 the Board of Directors met 4 times on 15.05.2010, 31.07.2010, 31.10.2010, and 31.01.2011.

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.