

21st
Annual Report
2011-2012



PARAS
PETROFILS LTD.

**21st
Annual
Report
2011-2012**

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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

29th September, 2012

TIME

3:00 P.M.

VENUE

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

NOTICE

NOTICE is hereby given that the **21st 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 29th September, 2012 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, 2012, Statement of Profit and Loss 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 Ashok Jain who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Kailaschand Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Harshad J. 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^{rs} R.K.G. & CO. Chartered Accountants, having firm registration number 103366W 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.”

EXPLANATORY STATEMENT

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 22nd September, 2012 to 29th September, 2012 (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.
8. Non-Resident Indian Members are requested to inform to the Registrars and Transfer Agents of the Company, of:
 - a) Change in their residential status on return to India for permanent settlement.
 - b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.

Registered Office:

Block No. 529, N.H.No.8,
Village: Palsana, Dist. Surat.
Place : Palsana
Date : 31st August, 2012

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 Ashok Jain, Shri Kailaschand Jain and Shri Harshad Patel 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 21st Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2012.

SUMMARISED FINANCIAL RESULTS

The Summarized Financial Results of the Company for the year ended 31st March, 2012 were as follows.

| | 2010-2011 (Rs. in lacs) | 2011-2012 (Rs.in lacs) |
|--|----------------------------|---------------------------|
| Total Revenue | 11412.95 | 10424.96 |
| Gross Profit before Interest & Depreciation | 934.37 | (464.70) |
| Less: Interest | 68.09 | 24.04 |
| Less: Depreciation | 453.90 | 449.49 |
| Net Profit/(Loss) for the Year | 412.38 | (938.23) |
| Less: Provision for tax | 223.82 | (337.96) |
| Less: MAT Credit Entitlement | (174.63) | 0.00 |
| Profit after Tax | 363.19 | (600.27) |
| Add Balance Brought Forward from previous year | 535.76 | 898.95 |
| Balance available for appropriation | 898.95 | 298.68 |
| Transfer to Reserves | NIL | NIL |
| Surplus Carried to Balance Sheet | 898.95 | 298.68 |

DIVIDEND

In view of the loss incurred during the financial year 2011-12, the Board expresses their inability to declare any dividend for the current financial year.

OPERATIONS

During the year under review the company successfully manufactured nylon yarn along with its existing capacities of polyester yarn. This has made the company more diversified.

Your Directors hereby report that during the year under review, the gross turnover of the company was marginally lower at Rs. 12096.03 lacs for the year ended 31.03.2012 as compared to Rs. 13152.68 lacs for the corresponding year ended on 31.03.2011.

Fluctuation in raw material prices coupled with competitive pressures continued to hamper the profitability of the Company. Moreover, the increase in the cost of major inputs could not be entirely passed on to the customers.

Under the present scenario the Company is focusing on increased productivity through optimal utilization of production capacity and reduction in operating costs.

BOARD OF DIRECTORS

Under section 256 of the Companies Act, 1956 and as per the provisions of Articles of Association of the Company, Shri Ashok Jain, Shri Kailaschand Jain and Shri Harshad 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, 2012, 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 2012 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 2011-2012 your Company continued to accept/renew deposits and maintained a high standard of service. As on 31st March, 2012 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.

INSURANCE

The properties and insurable assets and interests of your Company, like building, plant and machinery and stocks, among others, are adequately insured.

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

As per the requirement of the Central Government and pursuant to the provisions of Section 233B of the Companies Act, 1956, the audit of the cost accounts relating to textiles is being carried out every year. The Central Government has approved the appointment of M/s M Goyal & Co, Cost Accountants having firm registration No. 00051/07/2008 as Cost Auditors for conducting cost audit for the financial year 2011-12. The cost audit report in respect of financial year 2011-12 will be filed on or before the due date. The cost audit report for the Financial Year 2010-11 which was due to be filed with the Ministry of Corporate Affairs on 30th September, 2011 was filed on 26th September, 2011.

CASH FLOW ANALYSIS

The Cash Flow statement for the year ended on 31st March, 2012, 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.

Your Company has ensured eco-friendly disposal of various hazardous waste at the designated disposal site recognized by Pollution Control Board. In addition, the Company has complied with the environmental norms.

CORPORATE GOVERNANCE

Your Company complies with all the mandatory requirements pertaining to Corporate Governance, in terms of clause 49 of the Listing Agreement with the Stock Exchanges. A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, forms part of the annual report.

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 place on record their appreciation for the continued support and co-operation received from customers, suppliers, dealers, banks and government authorities. The Board also, expresses its appreciation for the understanding and support extended by the shareholders and employees of the Company.

For and on behalf of the Board

Place : Palsana

Date : 31st August, 2012

Ashok R. Jain
Managing Director

Jivabhai A. Patel
Director

ANNEXURE TO DIRECTORS REPORT

Form for disclosure of particulars with respect to Conservation of Energy

| A) ENERGY CONSUMPTION | 2011-12 | 2010-11 |
|--------------------------|-------------|-------------|
| 1. (a) Electricity: | | |
| Electric Units Purchased | 29,45,790 | 7,26,762 |
| Total Amount (Rs.) | 2,06,97,748 | 44,09,065 |
| Average rate/unit (Rs.) | 7.03 | 6.07 |
| (b) Natural Gas Consumed | | |
| Purchase Unit (Scm) | 36,21,243 | 31,83,170 |
| Amount Paid | 8,56,46,037 | 6,60,87,493 |
| Average rate/unit (Rs.) | 23.65 | 20.76 |

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 Partially Oriented Yarn (POY), Fully Draw Yarn (FDY) OF Polyester and Nylon. The demand for synthetic yarn is showing a continuous growth since last few years in both domestic and international markets.

The Indian textile industry is currently passing through a turbulent phase. With the global downturn ravaging economies, the textile sector is one of the worst hit. The prospect of synthetic textile industry in short term is linked with the domestic demand growth viz-a-viz the movement of crude oil prices in international markets. The production growth in case of PFY was low due to sluggish demand. In the whole Yarn market, the domestic supply has increased with the start-up of new Plants and outstrips demand. This has put pressure on sales and margins.

In the budget 2012-13, the Central Excise Duty has been raised to 12% from the existing level of 10%. However the increase in duty could not be passed on to the customers. Inflation continued to play a vital role in the economic growth. The increase in raw material prices and input costs during the year has been the major cause of concern.

As per CRISIL research, demand growth for Polyester Staple Fiber (PSF) and Viscose Staple Fiber (VSF) is expected to be moderate, while consumption of Partially Oriented Yarn (POY) and Viscose Filament Yarn (VFY) is expected to decline due to overall slowdown in textile consumption in both the domestic and global markets.

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 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 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:

Your Company has adequate internal control procedures commensurate with the size of operations and the nature of the business. These controls ensure efficient use and protection of Company's financial and non-financial resources. They also have ensured compliance of stipulated policies, procedures and statutes, ensuring accuracy of accounting records and corporate governance. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

RISKS & CONCERNS

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates, commodity prices, business risk, compliance risks and people risks. The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all of its products. The Company proactively manages these risks in inputs through inventory management, proactive management of vendor development and relationships. The Company's strong reputation for

quality, product differentiation and services, the existence of a powerful brand image and a robust marketing network mitigates the impact of price risk on finished goods. The Company is exposed to risks attached to various statutes and regulations including the Competition Act, 2002. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.

BUSINESS OUTLOOK

The performance of the whole industry would largely depend on raw material prices of yarn that is chips. Apart from this raw material prices of cotton will make a huge impact on the industry. The performance of the Company would largely depend on the whole industry scenario.

The production growth in case of Polyester Filament Yarn was low due to sluggish demand. In Polyester Chips, the domestic supply has increased and outstrips demand. This has put pressure on sales and margins. However in case of Nylon Filament Yarn there is huge demand and the competition is less as compare to polyester.

HUMAN RESOURCE DEVELOPMENT:

Your Company recognizes human resources as the backbone of its long term success and has tried continuously to provide a challenging work environment thereby adding value to their professional growth. Our relationships with the employees are continuous to remain cordial.

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 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:

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could, however, differ materially from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

For and on behalf of the Board

Place : Palsana
Date : 31st August, 2012

Ashok R. Jain
Managing Director

Jivabhai A. Patel
Director



REPORT ON CORPORATE GOVERNANCE

The Company's corporate governance policy is the ideology of transparency and openness in the effective working of the management and the Board. Your Company strongly believes in fair, efficient and transparent business operations, fairness to all stakeholders in the Company, proper disclosure of relevant financial and non financial information and enhancing shareholder value on a continuing basis.

Your Company confirms the compliance of corporate governance as contained in clause 49 of the Listing Agreement, the details of which are given below.

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, 2012 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 2011-2012 the Board of Directors met 5 times on 30.05.2011, 30.07.2011, 30.09.2011, 14.11.2011 and 10.02.2012.

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.