

22nd  
Annual Report  
2012-2013



**PARAS**  
**PETROFILS LTD.**

**22nd  
Annual  
Report  
2012-2013**

<b>CONTENTS</b>	<b>PAGE</b>
Notice	1-2
Directors' Report	3-5
Management Discussion & Analysis	6-7
Report on Corporate Governance	8-15
Independent Auditors' Report	16-18
Balance Sheet	19
Statement of Profit and Loss	20
Cash Flow Statement	21
Notes Forming Part of Financial Statements	22-32

**BOARD OF DIRECTORS**

SHRI JIVABHAI A. PATEL (Chairman)  
SHRI ASHOKKUMAR JAIN (Managing Director)  
SHRI SIDDHARTH C. PATEL  
SHRI KAILASHCHAND JAIN  
SHRI ANANDKUMAR 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**

30<sup>th</sup> September, 2013

**TIME**

3:00 P.M.

**VENUE**

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

**NOTICE**

**NOTICE** is hereby given that the 22<sup>nd</sup> **Annual General Meeting** of the Members of Paras Petrofils Limited will be held at Registered office of the Company at Block No.529, N H 8, Village Palsana District Surat – 394 315 on 30th September, 2013 at 3.00 P.M. to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2013, 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 Jivabhai Patel who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Anand Kumar Jain who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Siddharth 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, 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 23<sup>rd</sup> September, 2013 to 30<sup>th</sup> September, 2013 (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 : 31<sup>st</sup> May, 2013

**By order of the Board of Directors**

**Ashok Kumar Jain**  
Managing Director



Information required under Clause 49 IV (G) of the Listing Agreement, with respect to the re-appointment of Shri Jivabhai Patel, Shri Anand Kumar Jain and Shri Siddharth 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 22<sup>nd</sup> Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2013.

**SUMMARISED FINANCIAL RESULTS**

The Summarized Financial Results of the Company for the year ended 31<sup>st</sup> March, 2013 were as follows.

<b>PARTICULARS</b>	<b>2012-2013 (Rs. in lacs)</b>	<b>2011-2012 (Rs. in lacs)</b>
Total Revenue	<b>11851.93</b>	10424.96
Gross Profit before Interest & Depreciation	<b>(1435.88)</b>	(464.86)
Less: Interest	<b>15.34</b>	24.04
Less: Depreciation	<b>456.25</b>	449.49
<b>Net Profit/(Loss) for the Year</b>	<b>(1907.47)</b>	(938.39)
Less: Provision for tax	<b>(588.88)</b>	(338.12)
Less: Previous Year Tax	<b>0.11</b>	0.00
<b>Profit after Tax</b>	<b>(1318.70)</b>	(600.27)
Add Balance Brought Forward from previous year	<b>298.68</b>	898.95
<b>Balance available for appropriation</b>	<b>(1020.02)</b>	298.68
Transfer to Reserves	<b>NIL</b>	NIL
Surplus Carried to Balance Sheet	<b>(1020.02)</b>	298.68

**DIVIDEND**

In view of the continuous loss incurred during the financial year 2012-13 also, the Board regrets and expresses their inability to declare any dividend for the current financial year.

**OPERATIONS**

FY 2012-13 witnessed a severe slowdown in the Indian economy, which affected the polyester as well as the nylon industry. Moreover, high consumer price inflation and weak rural consumption further squeezed demand, which has now faced a slowdown for two consecutive years. The year also saw a significant increase in polyester polymer and filament yarn capacities, leading to weaker industry margins compared to the previous year.

Your Directors hereby report that during the year under review, the gross turnover of the company was Rs. 11851.93 lacs for the year ended 31.03.2013 as compared to Rs. 10424.96 lacs for the corresponding year ended on 31.03.2012.

Accordingly looking at the present scenario, the company has temporarily suspended the manufacturing operations of the company from 9<sup>th</sup> March, 2013 as they felt that it was unviable for the company to do so. However the Board continuously reviews the present market scenario and is looking for an opportunity to start the operations again.

**BOARD OF DIRECTORS**

Pursuant to the provisions of Sections 255 and 256 of the Companies Act, 1956 and as per the provisions of Articles of Association of the Company, Shri Jivabhai Patel, Shri Anand Kumar Jain and Shri Siddharth Patel retire by rotation and being eligible offer themselves for re-appointment. The board recommends reappointment of retiring directors.

Details of the Directors seeking reappointment as required under Clause 49 (VI) of the Listing Agreements are provided in Notice forming part of this Annual Report. None of the Directors are disqualified under Section 274(1) (g) of the Companies Act, 1956.

**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, 2013, 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 2013 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 2012-2013 your Company continued to accept/renew deposits and maintained a high standard of service. As on 31st March, 2013 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. Based on the recommendations of the Audit Committee, the Board of the directors of the company proposes the re-appointment of M/s R. K. G. & Co., Chartered Accountants.

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 2012-13 will be filed on or before the due date. The cost audit report for the Financial Year 2011-12 which was due to be filed with the Ministry of Corporate Affairs on 28<sup>th</sup> February, 2013 was filed on 25<sup>th</sup> February 2013.

#### **CASH FLOW ANALYSIS**

The Cash Flow statement for the year ended on 31<sup>st</sup> March, 2013, 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 : 31<sup>st</sup> May, 2013

**Ashok Kumar Jain**  
Managing Director

**Jivabhai A. Patel**  
Director

**ANNEXURE TO DIRECTORS REPORT**

Form for disclosure of particulars with respect to Conservation of Energy

		2011-12	2012-13
<b>A) ENERGY CONSUMPTION</b>			
1. (a) Electricity:			
Electric Units Purchased	29,45,790		<b>52,19,352</b>
Total Amount (Rs.)	2,06,97,748		<b>3,92,88,865</b>
Average rate/unit (Rs.)	7.03		<b>7.53</b>
(b) Natural Gas Consumed			
Purchase Unit (Scm)	36,21,243		<b>30,85,537</b>
Amount Paid	8,56,46,037		<b>9,20,69,009</b>
Average rate/unit (Rs.)	23.65		<b>29.84</b>

**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.  
No expenditure during the current year.
2. Benefits derived as a result of the above efforts, e.g. product improvement; cost reduction, product development, import substitution etc.  
Not applicable
3. Particulars of Imported Technology  
Not applicable



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE & DEVELOPMENTS:

The company is engaged in the manufacturing of man-made filament yarn, products namely Partially Oriented Yarn (POY), Fully Draw Yarn (FDY) of Polyester and Nylon and trading of textile products.

This year was characterized by global slowdown, weak retail demand, at home, rising input cost coupled with lower growth in industrial production continuing high rate of inflation and depreciation of rupee.

### SWOT ANALYSIS:

Large fluctuations in crude oil prices and the consequent impact on raw material and polyester prices hurt growth and margins. Large volatility in the international markets especially on the downside will have adverse temporary effects on the man-made fiber industry

Capacity additions by new and existing players may have a temporary effect on your Company's margins. The substantial expansion in production capacity of PFY by the major producers and with the rationalization of import duty structure, the PFY prices are expected to remain under pressure.

The Company perceives threat from imports and consequent pressure on domestic prices, apart from the increase in cost of raw materials and other inputs due to spurt in crude oil prices.

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 performance of the Company will depend on the availability of raw materials and the price of the same. Prices of raw materials are also affected by prices of many other factors like the price of crude, currency value etc. The industry scenario doesn't seem much promising especially with the presence of currency depreciation on a daily basis.

### ADEQUACY OF INTERNAL CONTROL:

Your Company's internal control system is commensurate with its scale of operations. Roles and responsibilities are clearly defined and assigned. Standard operating procedures are in place and have been designed to provide a reasonable assurance. Internal audits and checks from time to time ensure that responsibilities are executed effectively. The Audit Committee reviews the adequacy and effectiveness of internal control systems and suggests ways of further strengthening them, from time to time. Apart from having all policies, procedures and internal audit mechanism in place, your Company also periodically engages outside experts to carry out an independent review of the effectiveness of various business processes. The observations and good practices suggested are reviewed by the Management and the Audit Committee and appropriately implemented for strengthening the controls of various business processes.

### RISKS & CONCERNS

Risk Management is an important aspect in today's business environment. The aim of Risk Management is to identify, monitor and take mitigation measures in respect of the events that may pose risks for the businesses. The Company's Risk Management is embedded in the business processes.

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 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. Further 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. But Nylon Filament Yarn industry is dependent highly on international market and foreign exchange conversion rate.

**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:**

Statement in this "Management 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 and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

**For and on behalf of the Board**

Place : Palsana  
Date : 31<sup>st</sup> May, 2013

**Ashok Kumar Jain**  
Managing Director

**Jivabhai A. Patel**  
Director

## REPORT ON CORPORATE GOVERNANCE

Corporate Governance refers to a combination of regulations, procedures and voluntary practices that enable Companies to maximize shareholder's value by attracting financial and human capital and efficient performance. The Company believes that good corporate governance contemplates that corporate actions balance the interest of all shareholders and satisfy the tests of accountability and transparency.

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:

Your Company is continuously working towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate governance, viz. integrity, equity, transparency, fairness, disclosures, accountability and commitment to values.

The Company is in full compliance with the requirements of Clause 49 of the Listing Agreement.

### 2. BOARD OF DIRECTORS:

Your Company's Board comprises of 10 Directors, having considerable professional experience in their respective fields. The management team comprises of one Managing Director and nine are non-executive directors. The Chairman of the company is a Non-Executive director. 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.

During the Financial year 2012-2013 the Board of Directors met 6 times on 15.05.2012, 13.08.2012, 31.08.2012, 15.11.2012, 11.02.2013 and 09.03.2013.

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.

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.