

17th
ANNUAL REPORT



Laffans

PETROCHEMICALS LIMITED

(AN ISO 9001:2000 COMPANY)

2009-2010

BOARD OF DIRECTORS

Shri Prem Seth	Chairman - Emeritus
Shri Sandeep Seth	Managing Director
Shri Sanjay Seth	Director
Shri Ambalal C. Patel	Director
Shri Nivedan Bharadwaj	Director
Shri P.P. Joshi	Director - Operations

AUDITORS

S.M. Kapoor & CO.

BANKERS

Punjab National Bank
Indian Overseas Bank
HDFC Bank Ltd

CORPORATE OFFICE

10 Luthra Industrial Premises
Ground Floor, Andheri Kurla Road
Safed Pool, Mumbai 400072

REGISTERED OFFICE

Plot No.321, GIDC Panoli, Tal Ankleshwar
Dist. Bharuch, Gujarat Pin.394116

REGISTRARS & TRANSFER AGENTS

Big Share Services Pvt. Ltd
E-2 Ansa Industrial Estate
Saki Vihar Road, Saki Naka
Andheri (East) Mumbai 400072.
Tel: 28470652/28475207

NOTICE

Notice is hereby given that the seventeenth Annual General Meeting of the members of Laffans Petrochemicals Limited will be held on 30th September 2010 at 3.00 P.M. at the registered office of the company situated at Plot No.321 G.I.D.C. Panoli, Tal. Ankleshwar, Dist. Bharuch, Gujarat to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March 2010, the Balance Sheet as on that date and Report of the Directors and Auditors thereon.
2. To appoint Mr. Sanjay Seth, Director, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to pass the following resolution.

RESOLVED THAT M/s. S. M. Kapoor & Co., Chartered Accountants, Mumbai be and is hereby reappointed as auditors of the company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company..

By order of the Board
For **LAFFANS PETROCHEMICALS LTD.**

SANDEEP SETH
Managing Director

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer books of the Company shall remain closed from 28.09.2010 to 30.09.2010 (both days inclusive)
4. Share holders seeking any information with regard to accounts are requested to write to the Company early so as to enable the management to keep the information ready.

Place: Mumbai
Date: 30th July, 2010.

Registered Office:

Plot No.321, G.I.D.C. Panoli
Tal. Ankleshwar, Dist. Bharuch, Gujarat

DIRECTORS' REPORT

Dear fellow members,

Your Directors have pleasure in presenting the 17th Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS:

PARTICULARS	31.03.2010	31.03.2009 (Rs. In lacks)
Sales and other income	22658.44	21038.87
Profit before depreciation, Tax and interest	1141.59	1532.30
Interest	398.83	406.06
Profit before depreciation and tax	742.76	1126.24
Depreciation for the year	231.62	201.08
Profit before tax	514.72	925.16
Provision for tax	120.30	276.12
Provision for Wealth Tax	0.00	0.01
Provision for FBT	0.00	5.00
Deferred tax liability	64.12	44.08
Profit after tax	327.13	599.97
Prior Year Tax adjustment	0.42	0.01
Balance in P & L Account	2833.39	2233.43
Balance available for appropriation	3160.53	2833.40
Transfer to General Reserve	Nil	Nil
Balance carried to Balance Sheet	3160.53	2833.40

OPERATIONS:

Your company has generated gross income of Rs.22658.44 lacs as compared to Rs.21038.87 lacs for previous year resulting in annualized growth of 7.7%. However, due to all-round increase in input cost and limitation in product mix which could not be passed to the customers, the profit margin was under pressure thereby resulting in lower before tax profit of Rs.514.72 lacs as compared to Rs.925.16 lacs in the previous year. The profit after tax for the year stood at Rs.327.13 lacs as compared to Rs.599.97 lacs for the previous. Your company continues to cater to the export market in a signification manner and the products of the company is well accepted in the international market. Your company earned foreign exchange equal to Rs.1903.62 lacs during the year as against Rs.1915.15 lacs for the previous year. The company is taking steps to widen the export markets.

During the year, your company has structured its business operations into two divisions as discussed below:

A) Manufacturing Division:

The Manufacturing Division will comprise of existing manufacturing & marketing of Ethylene Oxide Derivative business operations located at Ankleshwar &

B) Logistic, Warehousing and Trading Division:

This division will cater to logistic, warehousing and trading including agency business of various other chemicals including ethylene oxide, ethylene oxide derivatives. This division with current facilities of Ethylene Oxide Tankers (4) and Warehousing space has commenced activities during the year .

CORPORATE RE ORGANISATION :

New developments and innovations in the field wherein your company exists for its manufacturing division have necessitated major reorganisation of the business strategies. The first move in this direction was taken up in December 2009 wherein a Manufacturing Alliance was entered into between Huntsman Group.

The management is of the view that to maintain the status of dominant player in the field the manufacturing division should be demerged as a going concern into a corporate entity. The strength of a global network is becoming a critical success factor in our industry, and the Huntsman reputation is a substantial asset in this global arena.

Your company has signed a definitive agreement with Huntsman Investments (Netherlands) B.V. under which Huntsman will acquire the chemicals business of Laffans post demerger. The acquisition is subject to certain terms and conditions and is expected to occur in the first half of 2011.

We look forward to avail of the different opportunities that could further strengthen Laffans position both in the local and international markets under this new relationship. Your company has created a new division which will cater to the logistic, warehousing and agency business for Huntsman **as stated above**.

FINANCE:

The Company, during the year, has raised its authorized capital to Rs.11, 00, 00,000/- .

CRISIL RATING :

CRISIL has upgraded its ratings on Laffans Petrochemicals Ltd' (Laffans's) bank facilities to 'BBB+/Stable/P2' from 'BBB/Positive/P3' during last year.

FIXED ASSETS:

The Company has added fixed asset of Rs.494.34 lacs during the year and the net block at 31st March 2010 stood at Rs.3086.91 lacs. The addition of fixed asset has gone in for expansion and manufacture of value added products as stated in our last Report. The full result of this expansion will be reflected in the years to come.

IN HOUSE RESEARCH AND DEVELOPMENT:

Your company has in-house research facility to make new products and also expand the application of products to new areas. As a result the company has produced value added products. These products are well accepted in overseas market and the company could earn foreign exchange equal to Rs.1903.62 lacs during the year under review.

DIVIDEND:

The Board, after a careful review of the need for funds for expansion under implementation without heavy interest burden to the company, decided to skip payment of dividend for 2009-10. The members will appreciate that through a planned financing of the expansion through plough back the shareholders wealth is enhanced in the long run.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Sanjay Seth retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment at the ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956 as inserted vide The Companies (Amendment) Act 2000 the Directors of the Company hereby confirm that:

In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period.

The Directors had taken proper and sufficient care for the maintenance of adequate accounting records; in accordance with the provisions of the Act for safeguarding the assets of the Company and to preventing and detecting fraud and other irregularities. The Directors have prepared the annual accounts on going concern basis.

CORPORATE GOVERNANCE:

A separate report on corporate Governance is attached as a part of the Annual Report.

DEPOSITORY SYSTEM:

Equity Shares of the company were dematerialized from 21st November 2000 as mandated by the Securities & Exchange Board of India (SEBI). As on 31st March 2010 equity shares representing 89.18% of the Equity Capital have been dematerialized. The ISIN number allotted to the Company is INE919B01011.

AUDITORS:

The Statutory Auditors of the company M/s S.M. Kapoor & Company, Chartered Accountants retire at the ensuing Annual General Meeting of the Company and are eligible for reappointment.

AUDITORS REPORT:

The observations made in the Auditor's Report are self explanatory and therefore do not call for any further comments.

INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956.

Since no employee is receiving remuneration in excess of limit specified under the provisions of section 217(2A) of the Companies Act, 1956, read with companies (Particulars of Employees) Rules 1975, statement of Particulars of the Employees do not form part of the report.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

Information pursuant to section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is annexed and forms part of the report.

Company is implementing ISO 14001.

PERSONNEL:

Industrial relations in the Plant were very cordial through out the year. The Board wish to place on record its appreciation of the sincere and hard work put by the employees at all level as a team and making a significant contribution for the successful working of the Company.

ACKNOWLEDGEMENTS:

Yours Directors acknowledge with gratitude the co-operation and assistance given by the Central & State Governments, Financial Institutions/Bankers, Project Consultants, and Suppliers etc. for effective working of the Company.

Place: Mumbai

Date: 30th July 2010

For & on behalf of the Board of Directors

Sandeep Seth

Managing Director

Sanjay Seth

Director

ANNEXURE TO THE DIRECTORS' REPORT**PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 988.****1. CONSERVATION OF ENERGY:**

The company has taken several measures for conservation of energy under its modernization programme that has resulted in lower unit of electricity consumption per tone of products.

FORM A

Disclosure of particulars in respect of Conservation of Energy consumption.

1. ELECTRICITY	2009-10	2008-09
Units (in thousands)	6723.28	5884.05
Total amount (Rs. in lacs)	384.72	328.84
Rate/Unit	5.72	5.58
2. OIL/DIESEL		
Consumed Unit (lit)	3210	6264
Total amount (Rs. in lacs)	1.28	2.22
Average rate (per liter)	38.96	36.50
3. GAS		('000kgs)
Consumed Units (in thousand kgs)	195694	5041.81
Internal Generation	Nil	Nil
Total amount (Rs. In Lacs)	882.00	668.33
Unit rate	450.70	

FORM B**II Technology absorption, adoption and innovation.****1. Research and Development**

The company is now catering to emulsifiers for Agrochemicals Industry.; it is expanding its presence by introduction of new products. It has also introduced products based on propylene oxide where the demand is expected to grow.

III Foreign exchange earnings and outgoings:

Foreign Exchange Earnings were Rs.1903.62 lacs (previous year Rs.1915.15lacs) Foreign Exchange Outgoings were Rs.1787.44 lacs (previous year Rs.2268.39 lacs)

For & on behalf of the Board of Directors

Place: Mumbai
Dated: 30th July 2010

Sandeep Seth
Managing Director

Sanjay Seth
Director

DECLARATION

The Board has laid down a code of conduct for all Board Members and Senior Management personnel of the Company. The Board Members and Senior Management personnel have affirmed compliance with the code of conduct.

For Laffans Petrochemicals Ltd

Sandeep Seth
Managing Director

ED/CFO CERTIFICATION

The Managing Director, appointed in terms of the Companies Act, 1956, certifies to the Board that:

- a) The Financial Statements and the Cash Flow Statement for the period have been reviewed and to the best of their knowledge and belief are true and fair view of the company's affairs.
- b) To the best of my knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's code of Conduct.
- c) They accept the responsibility of establishing and maintaining internal controls for the financial report and that they have evaluated the effectiveness, disclosing the deficiencies to the Auditors and the Audit Committee and take steps or proposed to take steps to rectify these deficiencies.
- d) They indicated to the Auditors and the Audit Committee:
 - i) Significant changes in the internal Control Process during the period.
 - ii) Significant changes in Accounting Policies
 - iii) Instances of significant fraud of which they have become aware.

This statement is in accordance with the fact that the Board including the Audit Committee shall provide the necessary superintendence and control over the Managing Director.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review the company remained committed to maximizing its synergies and enhancing the corporate and product awareness which indirectly enhance the share holder value.

The Company has achieved gross income of Rs.22658.44 lacs, during the year 2009-10 as compared to Rs.21038.87 lacs for the previous year. The company has entered international market and earned foreign exchange worth Rs.1903.62 lacs during the year as compared to Rs.1915.55 lacs for the previous year.

Profit before tax for the current year was Rs.514.72 lacs as compared to Rs.925.16 lacs for the previous year. Though the company achieved enhanced turnover during the year substantial increase in input cost which could not be passed on to the customer, put pressure on the margin and resulted in reduction of gross profit. The current ratio is which compares very favorably with the Industry norms and expectation of bankers extending working capital.

Your company will strive to improve upon the profitability and its contribution to the nation building by enhancing the overall operating efficiency and improving the share holder value by concentrating in new areas of activities of Logistics, Warehousing and Trading division.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to the provisions of Listing Agreements entered into with the Stock Exchanges)

A. MANDATORY REQUIREMENTS:

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Your Company is committed to good corporate governance and strives to attain the highest levels of transparency, accountability, fairness and equity in all facets of operations.

All operations are committed to enhance shareholder's value over a sustained period of time.

2. BOARD OF DIRECTORS:

Composition of Board:

Your company has an optimum number and combination of Directors on the Board. The strength of Board is

5 with 3 non-executive including 2 independent directors. Thus 60% members of the Board are Non-executive which is in compliance with the stipulation.

Directors:	Executive/Non-Executive /Independent	No. of outside Directorship
Mr. Sandeep Seth	Executive	One
Mr. Sanjay Seth	Non-Executive	One
Mr. Ambalal Chhitabhai Patel	Independent	Eight
Mr. Nivedan Bhardwaj	Independent	Five
Mr. P.P. Joshi	Executive	Nil

Board Meeting:

The Board of the Company met 7 times during the year i.e. on 25.04.09, 11.06.09, 08.07.09, 30.07.09, 31.08.09, 30.10.09 and 30.01.10. The maximum interval between any two Board Meetings was not more than 4 months and at least one meeting was held in every quarter of the financial year. The Board meetings are generally held at its company's corporate office in Mumbai.

Attendance of Directors:

Details of attendance of each Director at the Board Meeting and the last Annual General Meeting are as follows:

Director	No. of meetings		Attendance at the last AGM
	Held	Attended	
Mr. Sandeep Seth	7	7	Yes
Mr. Sanjay Seth	7	7	Yes
Mr. Ambalal C. Patel	7	4	No
Mr. Nivedan Bharadwaj	7	2	No
Mr. P.P. Joshi	7	7	Yes

Details of Directors being appointed/re-appointed.

Mr. Sanjay Seth is due to retire by rotation, being eligible, seek reappointment. Mr. Sanjay Seth is B.Com and is associated with the Company since its inception. The Board is of the opinion that his presence on the Board helps the company on the smooth operation.

3. COMMITTEE OF DIRECTORS:

A. Audit Committee:

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges. The terms of reference of the Committee are vide enough covering the matters specified for audit committee under the listing agreement. During the year 4 meetings were held on 25.04.09, 30.07.09, 30.10.09 and 30.01.10 and the attendance of each member is as given below:

Name of Director	No. of meetings attended
Mr. Sanjay Seth	4
Mr. Ambalal C. Patel	4
Mr. Nivedan Bharadwaj	2

B. Shareholders' Grievance Committee:

The Share holder's grievance committee comprises of Mr. Sanjay Seth as Chairman being non executive Director and Mr. Sandeep Seth, Managing Director. The committee is entrusted with the same powers and scope as prescribed under clause 49 of the Listing Agreement under corporate governance.

C. Share Transfer Committee:

The Share Transfer Committee comprises of Managing Director, Mr. Sandeep Seth and 1 non executive Director namely Mr. Sanjay Seth Committee meet every 15 days as may be required to take on record share transfer received from shareholders in physical mode.

4. DIRECTORS INTEREST IN THE COMPANY;

Details of remuneration to all Directors for the year ended 31st March, 2010.

Director	Sitting fees	Salary Rs.	Perks Rs.	Commission	Total Rs.
Mr. Sandeep Seth	nil	18,00,000	1,80,000	nil	19,80,000
Mr. Sanjay Seth	nil	nil	nil	nil	nil
Mr. Ambalal C. Patel	nil	nil	nil	nil	nil
Mr. Nivedan Bharadwaj	nil	nil	nil	nil	nil
Mr. P.P. Joshi	nil	4,92,812	3388	nil	4,96,200

SHARES HELD BY THE DIRECTORS: 31.03.2010

Name of Director	No. of shares held	% of holding
Sandeep Seth	3030118	37.87
Sanjay Seth	127000	1.58

5. INFORMATION PLACED BEFORE THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

The following information is regularly placed before the Board of Directors Quarterly results of the Company. Information on recruitment and remuneration of senior officials just below the Board level. Material communication from Government bodies. Fatal or serious accidents, dangerous occurrences, any material effluents, pollution problems and Labour relations. Material transaction which are not in the ordinary course of business. Disclosures by the management of material transactions, if any, with potential for conflict of interest. Compliances with all regulatory and statutory requirements.

6. GENERAL MEETING:

The last 3 years Annual General Meetings were held as under:

Year	Location	Date	Time
2006-07	Plot No.321, G.I.D.C Panoli Ankleshwar, Dist.Bharuch, Gujarat	28.09.07	2.30 p.m.
2007-08	Plot No.321, G.I.D.C Panoli Ankleshwar, Dist.Bharuch, Gujarat	28.09.2008	2.30 p.m.
2008-09	Plot No.321, G.I.D.C Panoli Ankleshwar, Dist.Bharuch, Gujarat	26.09.2009	3.00 p.m.

No Special Resolution is being put through postal ballot as there is no such business that statutorily required voting through postal ballot in ensuring AGM. The transactions with related parties were undertaken in the normal course of business and were at terms and conditions, which were not prejudicial to the interest of the company and consent of members was accorded wherever required.

7. MEANS OF COMMUNICATION:

Recommendation	Compliance
Quarterly Results –whether published	Yes
Whether it also displays official news releases and presentation made to institutional investors/analysts	No.
Whether shareholders' information section forms part of the Annual Report.	Yes

8. GENERAL SHARE HOLDERS INFORMATION:

All the required information is furnished here below:

Financial calendar:

Financial report for the quarter ending 30.06.2009	30.07.09
Financial report for the quarter ending 30.09.2009	30.10.09
Financial report for the quarter ending 31.12.2009	30.01.10
Financial report for the quarter ending 31.03.2010	15.05.10

Listing of Equity Shares on Stock Exchanges at

: Vadodara, Delhi & Bombay Stock Exchanges. Necessary resolution has been passed for delisting from Delhi Stock Exchanges.

Status of listing fee

: Paid for Bombay and Vadodara Stock Exchanges

Depositories

- i) National Securities Depository Ltd
4th Floor, Trade World
Kamala Mills Compound,
Lower Parel, Mumbai 400013
Tel: 91-22-24972964-70
Fax: 91-22-24972993
- ii) Central Depository Services
(India) Limited
Phiroze Jeejebhooy Towers
20th floor, Dalal Street
Mumbai 400023
Tel: 91-22-22721234/33
Fax: 91-22-22722061/41/39

Registrar & Transfer Agents

(Share transfer and communication regarding share certificates, dividends change of address etc. be sent to this address)

: Bigshare Services Pvt. Ltd.
E-2 Ansa Industrial Estate,
Sakivihar Road, Saki Naka
Andheri (E) Mumbai 400072

Stock Code:

Bombay Stock Exchange Ltd

: BSE Code-524522

Share Transfer system

: Share transfer forms are registered within 15 days from date of receipt, if documents are clear in all respects. The total number of Shares transferred during the period 1st April 2009 to 31st March 2010 was 4930750.

Dematerialization

Your Company has entered into an Agreement with the National Securities Depository Ltd. for dematerialization of your company's securities in accordance with the provisions of the Depositories Act 1996. The Securities & Exchange Board of India (SEBI) mandated trading in shares in demand form for all investors from 25.09.2000 onwards. As on 31st March 2010, 7134240 Shares representing 89.18% were held in dematerialized form

Complaints received during the period	Received	Cleared
a) Complaints from investors	9	9
b) Letters received from Stock Exchange/SEBI	7	6

Distribution of Shareholding as on 31st March 2010

No. of shares	No. of shareholders	% of shareholders	No. of share held	% of total
Upto 5000	3742	80.39	9448150	11.81
5001 – 10000	540	11.60	4617640	5.77
10001 – 20000	153	3.28	2509410	3.14
20001 – 30000	48	1.03	1293830	1.62
30001 – 40000	28	0.60	979600	1.22
40001 – 50000	41	0.88	1969150	2.46
50001 – 100000	52	1.12	3829690	4.79
100001 & above	51	1.10	55352530	69.19

Categories of shareholders as on 31st March 2010.

Category	No. of shares	Voting strength (%)
Promoter, Relatives & Associates	4369868	54.62
Public	3007401	37.59
NRI/FII/OCBs	18382	0.23
FIs/MFs	10800	0.14
Body Corporates	564993	7.06
Others – Clearing members	28556	0.36
Total	8000000	100.00

Compliance Officer

Mr. Adesh Jadhav
 Manager, Accounts & Finance
 Laffans Petrochemicals Ltd.
 Corporate Office
 10 Luthra Industrial Premises
 Andheri Kurla Road
 Safed Pool, Andheri (E)
 Mumbai 400072
 Tel: 28511919/28511918
 Fax: 28513186

B Non Mandatory requirements:

Non Executive Chairman should be Entitled to maintain a Chairman's office at Company's expenses and also allowed reimbursement of expenses incurred in performance of his duties.

The Board has not appointed any one as Chairman. The Managing Director is usually elected as Chairman at each meeting. Hence there is no Separate office of Chairman.

Remuneration Committee

Since formation of remuneration Committee is non mandatory under Clause 49 of the listing agreement The company has not formed a Remuneration Committee.

Shareholders Right

The half year declaration of financial Performance including the summary of Significant events in last six months Should be sent to each shareholder

As the company's half year results is published in an English Newspaper and in Gujarati Newspaper, the same are not sent to the share-Holders of the company.

CERTIFICATE

To:

The Members of Laffans Petrochemicals Ltd

We have examined the compliance of conditions of corporate governance by Laffans Petrochemicals Ltd. for the period ended 31st March, 2010 as stipulated in clause 49 of the listing Agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per record maintained by the Shareholder's/Investor's Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S.M. KAPOOR & Co.**
Chartered Accountants

Place: Mumbai
Date: 30th July, 2010

Shekar Gupta
Partner.

AUDITOR'S REPORT

To the Members of **Laffans Petrochemicals Ltd.**

1. We have audited the attached Balance Sheet of M/s **Laffans Petrochemicals Ltd.** as on 31st March, 2010 and also the Profit & Loss Account of the Company and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act 1956, we give in the enclosure a statement on the matters specified in paragraph 4 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - (c) The Balance Sheet, Profit & Loss Account and the cash flow statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit & Loss Account and cash flow statement dealt with by the report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, except AS 15 regarding provision for gratuity, which has been provided on estimate basis.
 - (e) On the basis of the written representation received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, subject to note "S" regarding provision for gratuity on estimate basis, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of Profit & Loss Account of the Profit for the year ended on that date.
 - (iii) in the case of the cash flow statement for the year ended on that date.

FOR S.M. KAPOOR & CO.

Chartered Accountants

(Shekhar Gupta)

Partner

Membership No. 15622

Place: Mumbai

Date : 30th July, 2010

Re: Laffans Petrochemicals Ltd.

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business/activities during the period is such that clauses (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the period ended.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has physically verified certain assets during the period in accordance with a programme of verification, which in our opinion provides for physical verification of the fixed assets at reasonable intervals. According to the information and explanations given to no material discrepancies were noticed on such verification.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not made any substantial disposals during the period.
- (iii) In respect of its Inventories:
 - (a) As explained to us, inventories were physically verified during the period by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) Since the company has not taken or granted loan from or to companies, firms or other parties covered under register maintained u/s 301 of the Companies Act, 1956, clause no. (iii) of para (4) is not applicable.
- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India and according to the information and explanation given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (vi) In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act 1956;
 - (a) To the best of our knowledge and belief and according the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
 - (b) According to the information and explanations given to us, there is no transaction in excess of Rs. 5 lakhs in respect of any party and hence the question of reasonable prices in respect of such transactions regards to the prevailing market prices does not arise, except a transaction of sale of asset made as per the agreement entered between the parties.
- (vii) In our opinion and according to the information and explanation given to us, the company has not accepted deposits from the public as per section 58A and 58AA of the Act.

- (viii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (ix) According to information and explanation given to us, the maintenance of cost records has been prescribed by the Central Government under clause (d) of sub section (1) of section 209 but the same are not maintained.
- (x) According to the information and explanations given to us in respect of statutory and other dues:
 - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities during the period outstanding for more than six months as at the last day of the financial year.
 - (b) The company does not have any disputed amount in respect of income tax, sales tax, custom duty etc., except (i) Excise duty liability of Rs.75,000 for financial year 1994-95, against which appeal is pending, (ii) Service tax liability of Rs.16,33,802, for financial years 2005-06 and 2006-07 against which appeals are pending and (iii) Sales tax liabilities of Rs.1,09,461 for financial year 1995-96, Rs.6,37,740 for financial Year 1996-97, Rs.18,55,996 for financial year 2003-04 and Rs.14,34,846 for financial year 2004-05 against which appeals are pending.
- (xi) According to the information and explanations given to us, the company does not have accumulated losses at the end of the financial year. Further, the company has not incurred cash losses in the current year or in the immediate preceding financial year.
- (xii) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks.
- (xiii) According to information and explanations given to us, the company has not granted any loan and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) With respect to investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. Also the shares and other securities have been held by the company in its own name.
- (xv) In our opinion and according to the information and explanation given to us, the company has not given any guarantee to any banks for loans taken by others.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the period for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xvii) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the period for long term investment and vice versa, other than temporary deployment pending application.
- (xviii) The Company has not made any preferential allotment during the period.
- (xiv) According to the information and explanations given to us, the company has not issued any debentures and hence clause xix is not applicable.
- (xx) The Company has not raised any money by public issue during the period.

(xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

FOR S.M. KAPOOR & CO.

Chartered Accountants

(Shekhar Gupta)

Partner

Place: Mumbai

Date : 30th July, 2010

Membership No. 15622

BALANCE SHEET AS AT 31ST MARCH 10

PARTICULARS	SCHEDULES	AS AT	
		31ST MARCH 2010 Rs. In '000	31ST MARCH 2009 Rs. In '000
SOURCES OF FUNDS			
SHAREHOLDERS' FUND			
Share Capital	1	80,000.00	80,000.00
Reserve & Surplus	2	376,890.20	343,939.50
LOAN FUNDS			
Secured Loans	3	237,252.30	166,834.05
Unsecured Loans	4	39,638.48	52,258.36
Deferred Tax Liability		40,880.13	34,468.19
TOTAL		774,661.11	677,500.11
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block		461,134.09	414,775.75
Less: Depreciation		152,443.33	130,065.68
Net Block	5	308,690.76	284,710.07
Investments	6	1,188.59	1,188.59
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	176,687.83	147,142.72
Sundry Debtors	8	412,257.85	335,141.40
Cash & Bank Balances	9	3,723.01	8,515.96
Loans & Advances	10	79,371.56	73,094.51
		672,040.24	563,894.59
CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	206,306.96	169,676.15
Provisions	12	951.52	2,617.00
		207,258.48	172,293.15
NET CURRENT ASSETS		464,791.76	391,601.45
TOTAL		774,661.11	677,500.11
Accounting Policies & Notes to Accounts	20		

As per our report of even date
For **S.M.KAPOOR & CO.**
Chartered Accountants

For and on behalf of the Board

SHEKHAR GUPTA
Partner

Sandeep Seth
Managing Director

Sanjay Seth
Director

Dated: 30.07.2010
Place: Mumbai

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

PARTICULARS	SCHEDULES	CURRENT YEAR	PREVIOUS YEAR
		31ST MARCH 2010 Rs. In '000	31ST MARCH 2009 Rs. In '000
INCOME			
Sales		2,247,549.75	2,088,594.08
Less: - Excise Duty		180,793.09	227,283.08
- Sales Tax		51,475.28	45,240.06
		2,015,281.37	1,816,070.95
Other Operating Income	13	18,294.99	15,312.80
Increase/(Decrease) in Stock	14	66,359.62	(4,984.85)
TOTAL		2,099,935.99	1,826,398.89
EXPENDITURE			
Purchase & Manufacturing Expenses	15	1,893,739.65	1,572,672.41
Payment to and Provision for Employees	16	27,099.14	24,270.18
Office Administration & Selling Expenses	17	65,383.51	64,808.66
Finance Expenses	18	39,883.45	40,606.25
Foreign Currency Rate Difference		(804.25)	11,416.49
Depreciation	19	23,162.49	20,108.39
TOTAL		2,048,463.99	1,733,882.38
Profit Before Taxation		51,472.00	92,516.52
Provision for Income Tax- Current		12,151.00	27,612.50
Provision For Income Tax-Deffered		6,411.94	4,407.74
Provision For Wealth Tax		-	0.44
Provision For Taxation-FBT		-	500.00
Prior Year tax adjustments		41.64	1.17
Profit After Taxation		32,950.70	59,997.01
Add: Balance B/f from Previous Year		283,339.50	223,342.50
Amount available for appropriation		316,290.20	283,339.50
Balance C/f to Balance Sheet		316,290.20	283,339.50
Basic & Diluted Earning Per Equity Shares of Rs.10/- each (See Note P to the Notes to Account)			
Accounting Policies & Notes to Accounts	20		

As per our report of even date
For **S.M.KAPOOR & CO.**
Chartered Accountants

For and on behalf of the Board

SHEKHAR GUPTA
Partner

Sandeep Seth
Managing Director

Sanjay Seth
Director

Dated: 30.07.2010.
Place: Mumbai

SCHEDULE FORMING PART OF THE ACCOUNTS

PARTICULARS	31ST MARCH 2010	31ST MARCH 2009
	Rs. In ,000	Rs. In ,000
SCHEDULE '1'		
SHARE CAPITAL		
AUTHORISED:		
8,000,000 Equity Shares of Rs. 10/- each	80,000.00	80,000.00
ISSUED, SUBSCRIBED & PAID UP:		
8,000,000 Equity Shares of Rs. 10/- each fully paid up	80,000.00	80,000.00
SCHEDULE '2'		
RESERVE & SURPLUS		
General Reserve (As per Last Year)	60,600.00	60,600.00
Balance in Profit & Loss Account	316,290.20	283,339.50
	<u>376,890.20</u>	<u>343,939.50</u>
SCHEDULE '3'		
SECURED LOANS		
Cash Credit from PNB, Fort Branch	109,879.53	65,267.91
Cash Credit from HDFC Bank	54,550.18	43,512.00
Cash Credit from Indian Overseas Bank, Fort Branch	69,503.62	56,472.71
Bill Discounting with Punjab National Bank	3,318.97	1,581.43
Packing Credit With Punjab National Bank (See Note "e" to the Notes to Account)		-
	<u>237,252.30</u>	<u>166,834.05</u>
SCHEDULE '4'		
UNSECURED LOANS		
Deposits from Agents	2,151.15	5,399.20
Sales tax Defferments (Repayable in next one year Rs.93.72 lacs)	37,487.33	46,859.17
	<u>39,638.48</u>	<u>52,258.36</u>

SCHEDULE '5'
DEPRECIATION CHART AS AT 31ST MARCH 2010

Rs. In '000

PARTICULARS	GROSS BLOCK			DEPRECIATION				NETBLOCK		
	AS ON 1/4/2009	ADDITION	SALES/ ADJ.	AS ON 31/03/10	AS ON 31/03/2009	FOR THE YEAR	W/BACK/ ADJ.	AS ON 31/03/10	AS ON 31/03/10	AS ON 31/03/09
Leasehold Land	3,571	-	-	3,571	-	-	-	3,571	3,571	2,371
Building	55,372	6,402	3,076	58,699	11,734	1,892	785	12,842	45,857	43,637.30
Computers	2,777	341	-	3,119	2,331	480	-	2,811	307	446.40
Plant & Machinery	304,981	39,217	-	344,197	95,236	17,337	-	112,573	231,625	209,744.47
Office Equipments	10,528	873	-	11,401	4,128	573	-	4,701	6,700	6,399.89
Electrical fittings	24,337	1,715	-	26,052	10,343	1,770	-	12,113	13,939	13,993.47
Furniture & Fixtures	5,976	168	-	6,144	2,387	382	-	2,769	3,375	3,588.98
Vehicle	7,234	719	-	7,952	3,905	729	-	4,635	3,317	3,328.33
Total	414,776	49,434	3,076	461,134	130,066	23,162	785	152,443	308,691	284,710
Previous Year	35,039	64,386	-	414,776	109,957	20,108	-	130,066	284,710	240,433

SCHEDULE FORMING PART OF THE ACCOUNTS

PARTICULARS	31ST MARCH 2010	31ST MARCH 2009
	Rs. In ,000	Rs. In ,000
SCHEDULE '6'		
INVESTMENTS		
(At Cost, unless otherwise stated)		
In Unquoted Shares		
Rabbi Finance & Leasing Co. P. Ltd.	-	46.40
Nil (PY4640) Equity Shares of Rs.10/- each		
Bharuch Eco Aqua Infra Ltd.	1,185.09	1,185.09
118,509 (P.Y.118,509) Equity Shares of Rs.10/- each fully paid up (P.Y.Rs.10/- paid up)		
Bharuch Enviro Infra Ltd.	3.50	3.50
350 (P.Y.350) Equity Shares of Rs.10/- each	1,188.59	1,234.99
Less: Provision for diminution	-	46.40
	<u>1,188.59</u>	<u>1,188.59</u>
SCHEDULE '7'		
INVENTORIES		
(As per inventory taken, valued and certified by the Director of the Company)		
Raw Materials	42,047.07	67,755.95
Stock in Process	130,430.51	65,489.70
Finished Goods	1,418.81	-
Packing Material	2,099.30	6,242.89
Stores & Spares	692.15	656.41
Stock in Transit	-	6,997.78
	<u>176,687.83</u>	<u>147,142.72</u>
SCHEDULE '8'		
SUNDRY DEBTORS		
(Unsecured Considered Good)		
Over Six Months	3,739.24	4,991.87
Less than six months	408,518.61	330,149.53
	<u>412,257.50</u>	<u>335,141.40</u>
SCHEDULE '9'		
CASH & BANK BALANCES		
Cash in Hand	214.97	297.71
Balance with Scheduled Banks		
In Current Accounts	3,241.42	8,037.42
In Margin Money	266.62	180.83
	<u>3,723.01</u>	<u>8,515.96</u>

SCHEDULE FORMING PART OF THE ACCOUNTS

PARTICULARS	31ST MARCH 2010 Rs. In ,000	31ST MARCH 2009 Rs. In ,000
SCHEDULE '10'		
LOANS & ADVANCES		
(Unsecured Considered Good)		
Advance recoverable in cash or in kind or for value to be recd.	49,119.86	34,081.48
Deposits	24,650.37	37,586.87
Advance Income Tax including TDS (Net of Provision)	5,601.32	1,426.16
	79,371.56	73,094.51
SCHEDULE '11'		
CURRENT LIABILITIES		
Sundry Creditors for goods (See Note No.n to the Notes to Account)	161,898.47	125,342.31
Sundry Creditors for Expenses	32,173.30	28,798.05
Sundry Creditors for Capital Goods	5,379.95	9,428.38
Other Liabilities	6,855.23	6,107.41
	206,306.96	169,676.15
SCHEDULE '12'		
PROVISIONS		
Provisions for Expenses	951.52	2,616.56
Provision for Income Tax A.Y. 09-10	-	-
Provision for I. TAX A.Y. 10-11	-	-
Provision for Wealth Tax	-	0.44
	951.52	2,617.00
SCHEDULE '13'		
OTHER INCOME		
Interest Received (Gross)	127.06	110.69
Bad Debts Recovered	0.95	240.46
Logistic Charges	129.00	-
Dividend	0.35	-
Miscellaneous Income	4,113.51	8,037.17
Export Benefit Recd./Receivable	13,924.12	6,924.48
	18,294.99	15,312.80
SCHEDULE '14'		
INCREASE/(DECREASE) IN STOCK		
Closing Stock of Finished Goods	1,418.81	-
Closing Stock of WIP	130,430.51	65,489.70
Opening Stock of Finished Goods	-	3,364.15
Opening Stock of WIP	65,489.70	67,110.40
	66,359.62	(4,984.85)

SCHEDULE FORMING PART OF THE ACCOUNTS

PARTICULARS	31ST MARCH 2010 Rs. In ,000	31ST MARCH 2009 Rs. In ,000
SCHEDULE '15'		
PURCHASE AND MANUFACTURING EXPENSES		
Opening Stock of Raw Material	74,753.73	131,029.51
Add: Purchases Raw Material	1,603,786.15	1,322,080.36
Less: Closing Stock of Raw Material	42,047.07	67,755.95
Less: Closing Stock of Raw Material-in Transits	-	6,997.78
Raw Material Consumed	1,636,492.81	1,378,356.15
Opening Stock of Packing Material	6,242.89	6,645.19
Add: Purchases Packing Material	75,637.72	52,963.53
Less: Closing Stock of Packing Material	2,099.30	6,242.89
Packing Material Consumed	79,781.31	53,365.83
Opening Stock of Stores & Spares	656.41	618.32
Add: Purchase Stores & Spares	3,540.36	4,909.41
Less: Closing Stock of Stores & Spares	692.15	656.41
Stores Consumed	3,504.62	4,871.32
Power & Fuel	130,907.18	101,885.72
Clearing & Forwarding Charges	8,947.60	8,585.45
Service Charges	2,946.40	1,219.06
Pollution Control Expenses	2,758.86	1,141.48
Laboratory Expenses	1,078.88	1,935.87
Labour Charges	9,577.99	9,080.65
Water Charges	1,212.50	3,133.36
Carriage Inward	16,471.96	9,046.39
Other Manufacturing Expenses	59.54	51.13
	<u>1,893,739.65</u>	<u>1,572,672.41</u>
SCHEDULE '16'		
PAYMENT TO & PROVISION FOR EMPLOYEES		
Salaries & Wages	23,812.26	21,765.43
Contribution to PF and Other Funds	873.33	700.21
Gratuity	188.82	288.56
Staff Welfare Exp.	2,224.73	1,515.98
	<u>27,099.14</u>	<u>24,270.18</u>

SCHEDULE FORMING PART OF THE ACCOUNTS

PARTICULARS	31ST MARCH 2010 Rs. In ,000	31ST MARCH 2009 Rs. In ,000
SCHEDULE '17'		
OFFICE , ADMINISTRATION & SELLING EXPENSES		
Auditors' Remuneration	200.00	200.00
Directors' Remuneration	1,998.01	1,313.10
Diwali Expenses	126.96	63.12
Electricity Expenses	711.00	782.77
Entertainment Expenses	237.47	180.53
Insurance Charges	1,195.82	917.84
Legal & Professional Charges	2,107.41	1,649.85
Motor Car Expenses	1,174.51	958.39
Insurance Car FBT	59.73	105.53
Liquidated Damage Charges	-	493.43
Other Expenses	3,211.33	2,313.21
Postage, Telephone & Telegraph Expenses	2,195.09	2,393.10
Printing & Stationery	1,840.92	1,150.21
Rent, Rates & Taxes	4,397.01	1,407.16
Loss on Sale of Fixed Assets	790.91	-
Advertisement Expenses	281.38	244.44
Bad debts	-	8,585.29
Carriage Outward	19,203.24	11,619.06
Clearing & Forwarding Exports	7,207.43	5,590.86
Commission & Brokerage	3,020.64	4,949.19
Drainage Charges	134.72	194.01
Exhibition Charges	234.31	222.58
Freight & Forwarding Exports	8,462.04	7,350.21
Insurance Exports	84.28	82.07
Sales Pramotion Exp.	322.99	324.69
Travelling & Conveyance	3,226.79	3,238.19
Repairs & Maintencenance	2,959.51	8,479.83
	65,383.51	64,808.66
SCHEDULE '18'		
FINANCE CHARGES		
Bank Charges & Commission	7,969.61	12,437.99
Cash Discount Allowed	2,855.76	-
Interetst Paid	29,058.08	28,168.26
	39,883.45	40,606.25
SCHEDULE "19"		
DEPRECIATION		
Depreciation	23,162.49	20,108.39
	23,162.49	20,108.39

SCHEDULE : 20**NOTES OF THE FINANCIAL STATEMENT AS AT 31st MARCH 2010****1. SIGNIFICANT ACCOUNTING POLICIES**

- a) **Basis of Accounting:**
- i) Financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.
 - ii) The Company adopts the accrual concept in the preparation of accounts unless otherwise stated.
- b) **Use of Estimates:**
The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/ materialized.
- c) **Fixed Assets**
Fixed Assets are stated at cost of acquisition less depreciation and impairment of asset. The Company Capitalizes all costs relating to acquisitions and installations of fixed assets till the date of Commissioning and starting of commercial production.
- d) **Depreciation:**
Depreciation on fixed assets is being provided on straight Line Method at the rates prescribed under Schedule XIV of the Companies Act, 1956.
- e) **Inventories:**
Components are valued at cost. Raw Materials, Consumable and Packing materials are valued at lower of cost and net realizable value at first in first out basis. Semi Finished goods are valued at cost of materials and labour together with relevant factory overhead. Finished goods are valued at the lower of cost and net realizable value; cost includes material cost, direct labour and allocable overheads.
- f) **Revenue Recognition:**
- I. The revenue is recognized on dispatch of material to customers or on completion of Job.
 - II. Other income is recognized on accrual basis.
- g) **Sales:**
Sale comprises amounts invoiced for goods sold net of excise duty, sales tax, returns and rebates.
- h) **Excise Duty:**
Liability of Excise duty on finished goods accounted as and when they are cleared from the factory premises. No provision is made in the accounts for goods manufactured and lying in factory premises. However the effect of the same in Profit & Loss account is Nil.
- i) **Modvat Benefit:**
Modvat benefit is accounted on accrual basis on purchase of materials and appropriated against payments of excise duty on clearance of the finished goods.
- j) **Investments:**
Current Investments are valued at cost or market value whichever is lower. Long-term investments are valued at cost. However provision for diminution is made, if the same is permanent in nature.
- k) **Foreign Currency Transaction:**
The foreign currency transaction involving foreign exchange on revenue accounts are accounted at the exchange rates prevailing on the date of transaction. Foreign currency remained unsettled at the year-end are translated at the year-end rate and the difference is charged to profit & loss account.
- l) **Retirement Benefit Scheme:**
Employer's Contribution to P.F. has been charged to P & L A/c. and deposited with concerned authority. Gratuity is accounted for on estimate basis and charged to P & L account on accrual basis. However as per AS-15 issued by Institute of Chartered Accountant of India, Retirement benefit to be provided on the basis of actuarial valuation but the same is not implemented by the company.
- m) **Borrowing Cost:**
Borrowing cost incurred in relation to the acquisition, construction of assets are capitalized as the part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowings cost are charged as an expense in the year in which these are incurred.
- n) **Taxes on Income:**
Current tax is determined as the amount of tax payable in respect of taxable income for the financial year ending 31st March, Deferred tax is recognized, subject to consideration of prudence in respect of deferred tax assets, on timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more periods.
- o) **Export benefits :-**
Duty free imports of raw materials under advance license for import and export policy are matched with the exports made against the said licenses and the net benefit / obligation has been accounted by making suitable adjustments in raw material consumption.

p) **Impairment of Assets:**

An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged for when an assets is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

2. **NOTES TO ACCOUNTS:**

a) **Contingent Liability :**

- i) Excise Duty Rs. 75,000/- (P.Y. 75,000/-) for which appeal is pending.
- ii) Letter of Credit Rs.5,98,49,693/- (P.Y.3,67,31,801/-) and Letter of Guarantee Rs.1,99,49,427/- (P.Y. 7,91,88,169/-).
- iii) Service Tax liability of Rs. 16,33,802/- against which appeal is pending
- iv) Sales Tax Liability of Rs. 40,38,043/- against which appeal is pending

b) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.Nil (P.Y. Nil).

c) **Auditors remuneration**

Audit Fees	60,000	(60,000)
Tax Audit Fees	40,000	(40,000)
Other matters	151,000	(2,25,000)
Service Tax	25,853	(33,475)
	2,76,853	(3,58,475)

d) **Directors Remuneration:**

Salary & Benefits	22,92,812	(13,30,362)
Commission	NIL	NIL
Contribution to Provident Fund	NIL	NIL
Perquisites	1,83,388	(2,44,837)
	24,76,200	(15,75,199)

e) **Working Capital from Indian Overseas Bank, HDFC Bank and Punjab National Bank.**

i) Secured against hypothecation of stocks of raw materials, packing materials, in process goods, finished goods, consumables, stores and spares, Book debts and other current assets to the extent of Rs.3000 lacs as fund based and non fund based Rs 2500 lacs secured against document of title of goods and counter indemnity of the company.

ii) Personal Guarantee of Managing Director.

iii) Collateral Security by way of second charge on the fixed assets of the company.

f) **Sales Tax Deferment Loan Account: Outstanding as on 31.03.2010 Rs. 374.87 Lacs**

Under Sales Tax Diversification Scheme. Payable in equal annual installments of Rs. 93.72 Lacs each.

Payable in Next one Year Rs.93.72 Lacs on 31.05.2010. Secured by personal guarantee of the Managing Director.

g) **LICENSED AND INSTALLED CAPACITIES AND PRODUCTION:**

	Installed Capacity	Licensed Capacity PA-MTs.	Actual Production
Ethoxylate & Glycol Ethers / Speciality Chemicals	55000 MT	55000 MT	30864.801 MT
Previous Year	31000 MT	31000 MT	25,575.252 MT

** Above capacity includes production / blending capacities and varies with the product type

INVENTORIES AND SALES (SPECIALITY CHEMICALS/OTHER CHEMICALS)

(Licensed Capacity is based on a single product ,actual production varies with each Combination)

	Opening Stock		Closing Stock		Sales	
	Qty MT	Value Lacs	Qty MT	Value Lacs	Qty MT	Value Lacs
Ethoxylates & Glycol Ethers/ Speciality Chem- -cals	0.000	0.00	19.530	14.19	29857.430	20152.81
W.I.P	1020.010	654.90	1396.508	1304.31		
Previous Year Ethoxylates & Glycol Ethers/ Speciality Chemi- -cals	64.705	33.64	0.000	0.00	25232.365	18,160.71
W.I.P	1019.924	671.10	1020.010	654.90		

RAW MATERIALS CONSUMED (E.O/N.P/SDS/CASTOR OIL/METHANOL/ BUTANOL AND OTHERS)

	MT.	RS.
Industrial Chemicals	31,451.282	16,364.93 Lacs
Previous Year Industrial Chemicals	25,234.780	13,783.56 Lacs

h) IMPORTED AND INDEGENIOUS RAW MATERIALS CONSUMED.

	% OF TOTAL (Rs. In Lacs)	VALUE
Raw material Consumption		
Imported	15.00 (17.19)	2,454.74 (2,239.48)
Indigenous	85.00 (82.81)	13,910.19 (11,544.08)
Total	100.00 (100.00)	16,364.93 (13,783.56)
Stores & Spares		
Imported	0.00 (0.00)	0.00 (0.00)
Indigenous	100.00 (100.00)	35.05 (48.71)
Total	100.00 (100.00)	35.05 (48.71)

i) VALUE OF IMPORTS ON CIF BASIS Rs in Lacs

Raw material 1,772.49 (2,256.64)

j) Expenditure in foreign Currency

Commission (Rs in lacs) 10.84 (8.46)
 Fees & Subscription 0.00 (1.16)
 Foreign Traveling 4.11 (2.13)

k) Earning in foreign currency (Rs in lacs)

F.O.B Value of exports 1903.62 (1,915.55)

l) Sundry Debtors, Sundry Creditors & advances are subject to confirmation by the respective parties. Necessary Adjustments in account will be made in the year in which discrepancy, if any, may be noticed.**m) Sundry Loan & Advances and other assets are, in the opinion of management stated at the amount realizable in the ordinary course of business and provision for all known and determined liabilities are adequate and not in excess of the amounts reasonably required.****n) There are no delays in payments to Micro, Small and Medium enterprises as required to be disclosed under Micro, Small & Medium enterprises Act 2006. The total amount of Rs.4,10,868/- payable to Micro & Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditors.****o) The Company has during the year in accordance with Accounting Standard AS-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, recognized in the profit & Loss account a difference of Rs. 64,11,936/- between net , deferred tax liabilities of Rs.4,08,80,127/- as on 31st March 2010 and on the deferred tax liabilities of Rs.3,44,68,191/- as on 31st March 2009.**

Deferred tax Liabilities and assets are on account of the following timing differences

Deferred Tax Liability	
Depreciation	4,47,20,907/-
Total	4,47,20,907/-
Deferred Tax Assets	
Employee Benefits	8,17,024/-
Excise Duty	28,52,446/-
Other Timing Differences	1,71,310/-
Total	38,40,780/-
Deferred Tax Liability (Net)	4,08,80,127/-

p) Earnings per Share.

Net Profit available for equity share holders	Rs. 3,29,50,699
Weighted Average No. equity Shares	80,00,000
Basic & Diluted Earning per Share (Rs.)	4.12
(Equity Share of face value of Rs. 10 each)	

q) Related Parties Disclosures:
List of related parties with whom transaction have been taken place and Relationships:

Name of the related party	Relationship
Laffans India Ltd.	Associate Companies
Sandeep Seth	Key Management Personnel
Prem Seth	Relative of Director
Jaideep Seth	Relative of Director
P.P.Joshi	Director

Transactions during the year with related parties:

Expenditure

Payment to and provisions			
Key Management Personnel	Directors Remuneration	Rs.19,80,000	(11,19,311)
Director	Directors Remuneration	Rs. 4,96,200	(4,55,888)
Relative of Director	Commission	Rs 1,80,000	(1,80,000)

Income

Key Management Personnel	Sale of Office Premises	Rs.15,00,000/-	(0)
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Deposit taken

	Rs.	Rs.
Associate Companies		
Opening Balance	2,91,345	(3,40,832)
Taken during the year	626	
Repaid during the year	0	(49,487)
Closing Balance	2,91,719	(2,91,345)

Deposit Granted

	Key Management Personnel	Director
Opening Balance	588 (800)	50,010 (1,50,006)
Granted during the year	10,96,668 (8,25,000)	0 (0)
Recovered during the year	14,82,458 (8,25,700)	50,010 (99,996)
Closing Balance	(-)3,85,202 (588)	0 (50,010)

r) Current Taxation (Net Of Provision) represent (Rs.)

Taxes Paid	1,77,52,323	(2,95,38,662)
Less: Provision for Taxation	1,21,51,000	(2,81,12,500)
	56,01,323	(14,26,162)

s) The Company has made provision for gratuity on estimate basis which is not in accordance with Accounting Standard 15 "Retirement Benefits". As per AS 15, Gratuity should have been provided on the basis of actuarial valuation.

t) Previous year figures have been regrouped/ reclassified wherever necessary.

u) Since the Company is dealing in one segment, No separate Segment reporting is given.

v) Figures into bracket pertains to previous year.

As per our report of even date
For **S.M.KAPOOR & CO.**
Chartered Accountants

For and on behalf of the Board

SHEKHAR GUPTA
Partner

Sandeep Seth
Managing Director

Sanjay Seth
Director

Dated: 30.07.2010
Place: Mumbai

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

1.	Registration Details	
	Registration No	: 04-18626 / TA
	State Code	: 04
	Balance Sheet date	: 31.03.2010
2.	Capital raised during the year (Amounts in thousand)	
	Public Issue	: NIL
	Rights Issue	: NIL
	Bonus Issue	: NIL
	Private Placement	: NIL
3.	Position of Mobilisation and deployment of Funds (Amount in thousand)	
	Total Liabilities	: 774661
	Total Assets	: 774661
	Sources of funds	
	Paid up Capital	: 80000
	Reserves & Surplus	: 376890
	Secured Loans	: 237252
	Unsecured Loans	: 39639
	Deferred Tax Liability	: 40880
	Application of Funds	
	Net Fixed Assets	: 308691
	Investments	: 1188
	Net Current Assets	: 464782
	Misc Expenditure	: 0
4.	Performance of the Company (Amount in thousand)	
	Turnover	: 2033576
	Total Expenditure	: 1982104
	Profit before tax	: 51472
	Profit after tax	: 32951
	Earning per share	: Rs. 4.12
5.	Genetic name of Principal Products/Item Code No.(ITC Code) :	
	Item Code No. (ITC Code)	: 290944
	Product Description	: Ethoxylates
	Item Code No. (ITC Code)	: 290943
	Product Description	: Glycol Ether
	Item Code No. (ITC Code)	: 290950
	Product Description	: Ether Phenols

For and on behalf of the Board

Sandeep Seth
Managing Director

Sanjay Seth
Director

Dated: 30.07.2010
Place: Mumbai

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	Rs.	Rs.
	31st March 2010	31st March 2009
A. Cash Flow from Operating Activities		
Net Profit before Tax	51,471,996	92,516,518
Adjustments for:		
Depreciation	23,162,487	20,108,388
Interest (Net)	39,756,394	40,495,559
Loss on Sale of Assets	790,913	-
Dividend	(350)	-
Operating Profit before Working Capital Changes	115,181,440	153,120,465
Adjustments for:		
Trade & Other receivables	(79,218,335)	29,906,860
Inventories	(29,545,106)	61,624,848
Trade Payables	34,965,772	(36,871,411)
Cash generated from Operations	41,383,771	207,780,762
Interest paid	39,756,394	40,495,559
Taxes Paid	16,284,962	28,881,966
Net Cash from Operating activities	(14,657,585)	138,403,237
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	47,934,091	64,385,688
Dividends	(350)	-
Net Cash used in Investing Activities	47,933,741	64,385,688
C. Cash Flow from Financing Activities		
Proceeds from Long /Short term borrowings	48,426,537	(79,985,960)
Repayment of long term borrowings	9,371,834	9,374,834
Net Cash used in Financing Activities	(57,798,371)	70,611,126
Net Increase in Cash & equivalents	(4,792,954)	3,406,423
Opening Balance of Cash & Cash equivalents	8,515,959	5,109,536
Closing Balance of Cash & Cash equivalents	3,723,005	8,515,959
	(4,792,954)	3,406,423

For & on behalf of the Board

Place : Mumbai
Date : 30.07.2010

Sandeep Seth
Managing Director

Sanjay Seth
Director

AUDITORS CERTIFICATE

We have verified the above Cash Flow Statement of M/S. Laffans Petrochemicals Limited, derived from Audited Financial Statements for the period ended 31st March, 2010 and found the same to be drawn in accordance herewith and also with the requirements of clause 32 of the listing agreements with Stock Exchanges.

For S.M. Kapoor & Co
Chartered Accountants

Place : Mumbai
Dated : 30.07.2010

Shekhar Gupta
Partner



LAFFANS PETROCHEMICALS LIMITED
(Regd. Office : Plot No. 321, G.I.D.C., Panoli, Tal. Ankleshwar, Dist. Bharuch)

ATTENDANCE SLIP

Folio No. : _____ No. Shares hold _____

Name of the Member/Proxy Attending the meeting _____

Address : _____

Full Name of the sole / First-Joint Shareholder _____

Address : _____

I hereby record my presence at the 17TH ANNUAL GENERAL MEETING of the Company held on Thursday the 30th day of September 2010 at 3.00 P.M. at the registered office of the company situated at Plot No.321 G.I.D.C. Panoli,Tal. Ankleshwar, Dist. Bharuch, Gujarat.

Shareholder's / Proxy Signature _____

Proxy's Full Name : _____
(in Block Capitals)

NOTES : Please fill in this Attendance slip and hand it over at the entrance of the Hall.

TEAR HERE

TEAR HERE



LAFFANS PETROCHEMICALS LIMITED
(Regd. Office : Plot No. 321, G.I.D.C., Panoli, Tal. Ankleshwar, Dist. Bharuch)

FORM OF PROXY

I/We _____ of _____

Being a Member/Members of LAFFANS

PETROCHEMICALS LTD. do hereby appoint Mr./Mrs. /Miss. _____

_____ of _____ or failing him/her Mr./Mrs./

Miss _____ of _____ as my/our

proxy to vote for me/us on my/our behalf at the 17TH ANNUAL GENERAL MEETING of the Company to be held on Thursday the 30th day of September 2010 at 3.00 P.M. and at any adjournment thereof.

Signed this _____ day of _____ 2010.

Reg. Folio No. _____

No. of Shares _____

**Affix
a Re 1/-
Revenue
Stamp**

Signature of the member across the stamp

NOTE :

Proxies must be deposited at the Registered Office of the Company not less than 48 Hours before the Meeting.

BOOK - POST

TO,



PETROCHEMICALS LIMITED

10, Luthra Industrial Premiese,
Ground Floor, Andheri - Kurla Road,
Safed Pool, Mumbai - 400 072

CRYSTAL (022) 6614 0900/918