



Panama
PETROCHEM LTD.

We provide - Consistency, Quality, Service, Economy



30TH ANNUAL REPORT 2011-12

Board of Directors

| | |
|---------------------------|-------------------------|
| MR. AMIRALI E. RAYANI | Chairman |
| MR. AMIN A. RAYANI | Managing Director & CEO |
| MR. HUSSEIN V. RAYANI | Joint Managing Director |
| MR. SAMIR A. RAYANI | Whole-Time Director |
| MR. DILIP S. PHATARPHEKAR | Independent Director |
| MR. MADAN MOHAN JAIN | Independent Director |
| MR. MUKESH T. MEHTA | Independent Director |
| MR. MOIZ H. MOTIWALA | Independent Director |

Company Secretary

MS. GAYATRI SHARMA

Auditors

M/S. S. R. BATLIBOI & CO.
Chartered Accountants, Mumbai, India

Bankers

INDIAN BANK
D C B LIMITED
IDBI Bank
YES BANK
HSBC BANK
STANDARD CHARTERED BANK
HDFC BANK
CITI BANK
DBS BANK LIMITED

Listed at

BOMBAY STOCK EXCHANGE LIMITED
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
LUXEMBOURG STOCK EXCHANGE (GDRs)

Registered Office

Plot No: 3303, G.I.D.C. Estate,
Ankleshwar 393 002, Gujarat, India.
Tel: 91-2646-221 068,
Fax: 91-2646-250281
Email: panamaoils@satyam.net.in

Corporate Office

401, Aza House, 24, Turner Road.
Bandra (W), Mumbai 400 050, India.
Tel: 91-22-42177777
Fax: 91-22-42177788
Website: panamapetro.com
E-mail: panama@vsnl.com

Plants

Ankleshwar, Daman, Taloja,
& Dahej

Registrar & Share Transfer Agents

Bigshare Services Private Limited
E-2, Ansa Industrial Estate,
Sakinaka, Saki - Vihar Road,
Andheri (E), Mumbai 400 072
Maharashtra, India.
Tel: 91-22-2847 3474,
FAX: 91-22-2847 5207
E-mail: info@bigshareonline.com

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NOTICE

Notice is hereby given that the **THIRTIETH ANNUAL GENERAL MEETING** of the Members of **PANAMA PETROCHEM LIMITED** will be held on Monday, 6th August, 2012 at 11:30 A.M. at the Conference Hall of the Registered Office of the Company at Plot No. 3303, G.I.D.C. Estate, Ankleshwar, Gujarat 393 002 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2012 and Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To confirm the interim dividend already paid, and declare the final dividend on Equity Shares for the financial year ended 31st March 2102.
3. To appoint a Director in place of Mr. Dilip Sobhag Phatarphekar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Madan Mohan Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of section 224 and other applicable provisions if any, of the Companies Act 1956 M/s Bhuta Shah & Co, Chartered Accountants, Mumbai be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the Company in place of S.R. Batliboi & Co Chartered Accountants, the retiring Auditors of the Company, on such remuneration as may be fixed by the Board of Directors of the Company.

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 of the company. The proxy form should be lodged with the company at its registered office at least 48 hours before the commencement of the meeting.
2. **Corporate Members:** Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing the representatives to attend and vote at the Annual General Meeting.

3. Members/Proxies attending the meeting are requested to bring their copy of Annual Report to the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday the 2nd day of August 2012 to Monday the 6th day of August 2012 (both days inclusive).
5. Payment of dividend as recommended by the Board of Directors, if declared at the Annual General Meeting will be payable to those Shareholders whose names stand on the Register of Members of the Company as on 2nd August, 2012. In respect of shares held in the electronic form, the dividend will be payable on the basis of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose. Dividend will be paid within 30 days from the date of declaration of dividend.
6. Members are requested to notify any change in their address/mandate/bank details immediately to the share transfer Agent of the Company- M/s Bigshare Services Pvt. Ltd.
7. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Sunday and Public Holidays between 11.00 A.M. and 1.00 P.M. up to the date of Annual General Meeting.
8. Members desirous of obtaining any information as regards the accounts and operations of the Company are requested to write at least one week before the meeting so that the same could be complied in advance.

**By Order of the Board of Directors
For Panama Petrochem Ltd.**

**Place : Mumbai
Date : 29th June, 2012**

**Gayatri Sharma
Company Secretary**

**Registered office:
Plot No. 3303, G. I. D. C. Estate,
Ankleshwar - 393 002, Gujarat**

DIRECTORS' REPORT

Dear Members

Your Directors have pleasure in presenting the **Thirtieth Annual Report** of the company together with the Audited Statement of Accounts for the Financial Year ended March 31, 2012 for your consideration and approval.

FINANCIAL HIGHLIGHTS

(₹ In Lakhs)

| Particulars | As on March 31 st , 2012 | As on March 31 st , 2011 |
|---|---|---|
| Net Profit before Tax | 3932.50 | 5026.73 |
| Less: Provision for Taxes | 869.43 | 1,346.18 |
| Net Profit After Tax | 3063.07 | 3,680.55 |
| Add :Profit Brought Forward | 8,565.78 | 5,589.15 |
| Add: Balance transferred Pursuant to scheme of amalgamation | Nil | 22.22 |
| Less: Dividend paid for the previous year including Dividend distribution tax | 142.80 | Nil |
| Profit available for appropriation | 11486.05 | 9291.92 |
| Interim Dividend paid | 258.58 | Nil |
| Proposed Final Dividend | 172.39 | 308.10 |
| Dividend distribution tax | 69.92 | 49.98 |
| Less: Transfer to Reserves | 306.31 | 368.06 |
| Profit Carried Forward to Balance Sheet | 10,678.85 | 8,565.78 |

OPERATIONS

The Company had a revenue from operations of ₹. 58,422.22 lakhs during the financial year 2011-12 as against ₹. 46,437.34 lakhs in the financial year 2010-11 showing a growth of 25% as compared to last year. Earnings before Interest, Depreciation, tax & amortization were ₹. 4,828.94 lakhs as against ₹. 5,794.00 lakhs during the previous year. The Company posted a Net Profit of ₹. 3,063.07 lakhs as against ₹. 3,680.55 lakhs in the previous year.

MANAGEMENT DISCUSSION & ANALYSIS

The detailed Management Discussion & Analysis Report is attached hereto with the Director's Report and should be read as part of this Report.

DIVIDEND

The Company has paid an interim dividend @ 30% i.e. ₹. 3/- per share during the year and directors have further recommend a final dividend @ 20% i.e ₹. 2/-per share, thereby making the total dividend 50% i.e. ₹. 5/- per share (previous year ₹. 5/- per share) for the year ended March 31, 2012.

CREDIT RATING

We are glad to announce that your Company got conducted credit rating from one of the leading credit rating agency CARE and is assigned a "CARE A+" rating to the Long Term Facilities and "CARE A1+" rating to the Short Term Facilities.

SUBSIDIARY

Your Company is in process of setting up its subsidiary in United Arab Emirates for further expansion of its business and to cater to the international demand more economically & promptly. In this regard, in-principle approval of Board of Directors has already been taken in its meeting held on 13th February, 2012. Various statutory permissions, approvals & sanctions are being obtained for incorporation of subsidiary.

COST AUDITORS

Mr. Girikrishna S. Maniar, Cost Accountant (Membership No. 8202) was re-appointed as Cost Auditor of the Company for conducting an audit of the cost accounting records of the Company for financial year commencing from 01st April, 2012 to 31st March, 2013. Due date for filing of cost audit report for financial year ending on 31st March, 2012 is 27th September 2012.

LISTING OF SHARES

Your Company's shares are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Company has paid the listing fees for the year 2011-2012. The GDRs of the Company are listed on Luxembourg Stock Exchange.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement with the Bombay Stock Exchange Limited & National Stock Exchange of India Limited the following have been made a part of the Annual Report:

- Management discussion and Analysis Report
- Corporate Governance Report
- Practicing Company Secretary Certificate regarding compliance of conditions of Corporate Governance.
- Declaration on compliance with Code of Conduct.

PUBLIC DEPOSITS

During the year under report, your Company did not accept any deposits from the public in terms of the provisions of section 58A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO
A. Conservation of Energy:

The Company is aware about energy consumption and environmental issues related to it and is continuously making sincere efforts towards conservation of energy. The Company is in fact engaged in the continuous process of further energy conservation through improved operational and maintenance practices. Information as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure A, forming part of this Report .

B. Technology Absorption:

The Company has an updated R & D Center at its Ankleshwar Plant. It is the technical centre of Panama and has been the backbone for most of our major product breakthroughs. This Centre at Ankleshwar is fully equipped with modern testing & analytical equipments. The Centre is operated by the team of well qualified technocrats, as a result, the in – house R& D unit of Panama has been recognized by the **Ministry of Science & Technology & the Department of Scientific and Industrial Research(DSIR)**. With this recognition Company will spend more on R& D activities and get more new products which will be of better quality. It will also assist in research for import substitution, energy conservation and control of pollution. The in-house R& D facility has enabled us to develop new products which have resulted in the evolution of the Dahej Plant.

Expenditure on research & development

The expenditure on R& D activities incurred during the year is given hereunder:

| Particulars | Amount (₹. In lakhs) |
|--|-------------------------|
| Capital | 33.14 |
| Revenue | 38.70 |
| Total R& D Expenditure | 71.84 |
| Total Turnover | 58,422.22 |
| Total R& D Expenditure as a Percentage of total turnover | 0.12% |

C. Foreign exchange earnings and outgo:

i. **Export Activities:** During the year under review the Company has made Import/Export as given in (ii) below.

ii. **Foreign Exchange Earnings and Outgo:**

(Amount in ₹. Lakhs)

| | |
|--------------------------------|-----------|
| Total Foreign Exchange Inflow | 23,397.84 |
| Total Foreign Exchange outflow | 43,515.85 |

PARTICULARS OF EMPLOYEES

During the financial year under review, none of the Company's employees was in receipt of remuneration as prescribed under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and hence no particulars are required to be disclosed in this Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Madan Mohan Jain and Mr. Dilip Sobhag Phatarphekar retire by rotation and being eligible offer themselves for re-appointment. Directors recommend their re-appointment.

AUDITORS

M/s S.R. Batliboi & Co., Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting, have expressed their inability to continue as auditors of the Company and, accordingly, do not seek reappointment as auditors, at the forthcoming Annual General Meeting.

The Company has received a special notice from a member of the Company, under the provisions of section 190(1) of the Companies Act, 1956, requesting that M/s Bhuta Shah & Co, Mumbai, be appointed as the statutory auditors of the Company, from the completion of the forthcoming Annual General Meeting on 6th August, 2012, to the completion of the next Annual General Meeting. A certificate under section 224(1) of the Companies Act, 1956 regarding their eligibility for the proposed appointment has been obtained from them. Your Directors recommend their appointment.

AUDITORS' REPORT

Comments made by the Statutory Auditors in the Auditors' Report are self-explanatory and do not require any further clarification.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of section 217(2AA) of the Companies Act, 1956, and to the best of their knowledge and belief and according to the information and explanations obtained by them and same as mentioned elsewhere in this Report, the attached Annual Accounts and the Auditors' Report thereon, your Directors confirm that: :

- a. in preparation of the annual accounts, the applicable accounting standards have been followed;
- b. 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 as at 31st March, 2012 and of the profit of the Company for the year ended on that date;
- c. the Directors have 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 for preventing and detecting fraud and other irregularities; and
- d. the Directors have prepared the Annual Accounts on a going concern basis

ACKNOWLEDGEMENT

We thank our Clients, Investors, Dealers, Suppliers and Bankers for their continued support during the year. We place on record our appreciation for the contributions made by employees at all levels. Our consistent growth was made possible by their hard work, solidarity, co-operation and support.

**By Order of the Board of Directors
For Panama Petrochem Ltd**

**Place : Mumbai
Date : 29th June, 2012**

**Amirali E Rayani
Chairman**

Form 'A'

| Particulars | As on March 31, 2012 | As on March 31, 2011 |
|--|----------------------------|----------------------------|
| A) Power & Fuel Consumption | | |
| 1. Electricity | | |
| a) Purchase of Units | 1,036,198 | 293,647 |
| Total Cost | 5,972,370 | 1,897,270 |
| Rate per Unit | 5.76 | 6.46 |
| b) Own Generation | | |
| 1) Through Diesel Generator | NIL | NIL |
| 2) Through Steam Turbine / Generator | NIL | NIL |
| 2. Coal | NIL | NIL |
| 3. Furnace Oil | NIL | NIL |
| 4. Diesel Oil | NIL | NIL |
| 5. Others (Gas) | | |
| Quantity | 36,631 | 31,332 |
| Total Cost | 853,764 | 381,513 |
| Rate per Unit | 23.31 | 12.18 |

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Panama Petrochem Ltd. presents the analysis of company for the year ended on 31st March 2012 and its outlook for the future. This outlook is based on assessment of current business environment. It may vary due to future economic and other developments both in India and abroad.

This management discussion and analysis ("MD&A") of Panama Petrochem Ltd. for the year ended on 31st March 2012 contains financial highlights but does not contain the complete financial statements of the Company. It should be read in conjunction with the Company's audited financial statements for the year ended on 31st March 2012.

BUSINESS AND INDUSTRY OVERVIEW

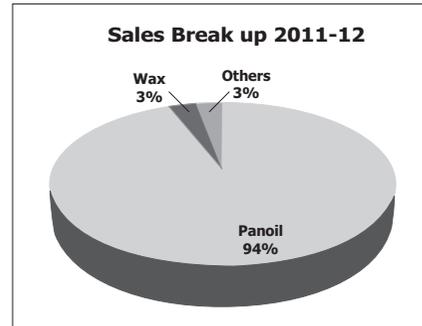
Panama Petrochem Ltd. is one of the leading manufacturers and exporters for various kinds of Petroleum Specialties since 1982. The Company has an International presence for its products including Mineral Oils, Liquid Paraffins, Transformer Oils, Petroleum Jellies, Ink Oils and other Petroleum Specialty Products. At present the company has four manufacturing units in India located in Ankleshwar (Gujarat), Daman (Union Territory), Taloja (Dist. Raigadh) and Dahej (Gujarat). The Company exports its products to more than 40 countries worldwide.

The Company has adequate manufacturing capacity to cater to the domestic as well as International requirements. The Company develops customized products as per client specifications in the field of petroleum and feeds to various Industries like Printing Ink and Resin Industries, Cosmetic Industries, Rubber Industries, Pharmaceutical Industries, Engineering Industries, Textile Industries, Machinery Manufacturing Industries, Chemical Industries as well as Petro Chemical Industries. The Company has a fully equipped Research and Development Center too at its Ankleshwar unit where it endeavours to continuously put its efforts to formulate new and value-added products.

The Company has captured a significant share in the market for the various grade of petroleum specialty.

The Company manufactures more than 80 product variants used across 6 to 7 broad industry segments. These products are manufactured in state-of-the-art manufacturing facilities located at Ankleshwar, Daman, Taloja and Dahej Plant (SEZ) in Gujarat. Over the years, the Company has nurtured strong relationships with the leaders in their respective segments. The products are usually manufactured according to the client's individual specifications, thus enhancing the probability of repeat orders from the clients.

Product wise sales break up for the financial year 2011-12



Pan oil is the key product of the Company, it has various variants depending upon its end use application.

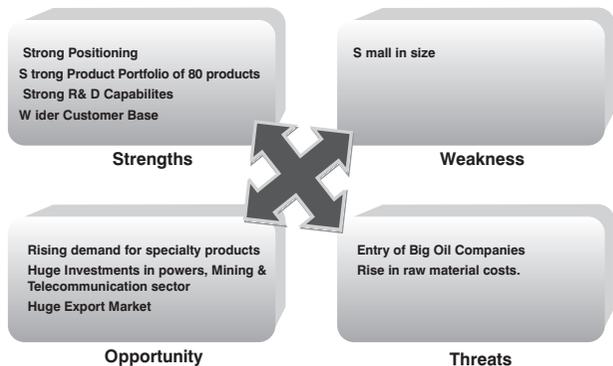
Future Outlook

The aggregate demand of all the key segments in the petrochemical industry is likely to regain a sharp positive trajectory over the next 12 months, with key players aiming to ramp up scale.

The Company is planning to expand its operations to withstand against the negative market forces. There are considerable profits from all the four plants of the company and the Company is hopeful to override the adverse effects of the price fluctuations in the petroleum industry by resorting to bulk purchases and cost control measures.

It is management's view that the Company will continue to strengthen its financial position with stable production volumes and positive improvements in Commodity prices.

SWOT Profile



Opportunities:

With increasing industrialization, focus on infrastructural development and outsourcing boom, the demand for the petroleum products manufactured by the Company is likely to further improve in the coming years. Demand for intermediates, dyes, specialty chemicals etc. will increase the demand for petrochemicals. This will result in a significant growth for this industry. Growing demand from the plastic

industry will lead to a strong demand in petrochemicals. The relationship established by the company with the clientele would augur further growth in its business. Moreover, the company has been increasing its presence in the export markets like USA, Africa, Europe and Asia.

Threats:

A steep rise in raw material costs on account of a drastic hike in crude oil prices may affect the profit margins of the company. Changes in Government policies, especially regarding import of Base Oil will have an adverse impact on the performance of the company. However, considering the multifarious purposes for which the Base Oil is used and the domestic supplies are not adequate to meet the domestic Demand, the possibilities for such adverse changes in Government policies appear to be remote.

Risks and Concerns**• ENVIRONMENTAL RISKS**

All phases of the oil business present environmental risks and hazards. As a result, they are subject to environmental regulation pursuant to a complex blend of federal, provincial, and municipal laws and regulations. Although the Company believes that it is in material compliance with current applicable environmental rules and regulations.

• FINANCIAL RISKS

Financial risks associated with the petroleum industry include fluctuation in commodity prices, interest rates, and currency exchange rates and profitability of the Company depends on the prices and availability of the base oils. The prices of base oil have increased during the last year and have resulted in corresponding increase in cost of production. However, as a general practice in the industry, the higher input costs are passed on to the customers.

• OPERATIONAL RISKS

Operational risks include competitive environmental factors, reservoir performance uncertainties and dependence upon third parties for commodity transportation & processing and a complex regulatory environment. The Company closely follows the applicable government regulations. The Company carries insurance coverage to protect itself against those potential losses that could be economically insured against.

Performance

Revenue from operations of the Company rose from ₹. 46,437.34 (lakhs) in the financial year 2010-11 to ₹. 58,422.22 (lakhs) in the financial year 2011-12 showing a growth of over 25% as compared to the last financial year.

The profit after tax has come down to ₹. 3,063.07 (lakhs) against ₹. 3,680.55 (lakhs) during the previous year. The profits of the company were affected because of the fluctuating raw materials cost coupled with sharp depreciation of the rupee's exchange rate. A large part of the raw materials used for the production of various products is imported and the steep increase in the cost of global commodities has affected the bottom-line as well as the operating profit margin of the company.

Human resource / Industrial relations

The Company recognizes the importance and contribution of its human resources for its growth & development and values their talent, integrity and dedication. Company offers a highly entrepreneurial culture with a team based approach that we believe encourages growth and motivates its employees. The Company has been successful in attracting and retaining key professionals and intends to continue to seek fresh talent to further enhance and grow our business.

Internal Control System and their adequacy

The Company has an effective and adequate internal audit and control system to ensure that all assets are safeguarded against loss and all transactions are authorised, recorded and reported correctly. The Internal audits are conducted by firm of Chartered Accountants, ably supported by an internal team staffed with qualified and experienced people. All operational activities are subject to internal audits at frequent intervals. The existing audit and inspection procedures are reviewed periodically to enhance their effectiveness, usefulness and timeliness.

Cautionary Statement

Readers are cautioned that this Management Discussion and Analysis may contain certain forward looking statements based on various assumptions on the Company's present and future business strategies and the environment in which it operates. Company's Actual performance may differ materially from those expressed or implied in the statement as important factors could influence Company's operations such as effect of political conditions in India and abroad, economic development, new regulations and Government policies and such other factors beyond the control of the Company that may impact the businesses as well as its ability to implement the strategies.

For Panama Petrochem Ltd.

**Place : Mumbai
Date : 29th June, 2012**

**Amirali E Rayani
Chairman**

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement a Report on Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Our Company's Corporate Governance philosophy is to continuously strive to attain higher levels of accountability, transparency, responsibility and fairness in all aspects of its operations. Our business culture and practices are founded upon a common set of values that govern our relationships with customers, employees, shareholders, suppliers and the communities in which we operate.

The Company is conscious of its responsibility as a good corporate citizen. The Company values transparency, professionalism and accountability.

2. BOARD OF DIRECTORS

(a) Composition

As of the year ended 31st March, 2012, the Board had a composition of total 8 directors, 4 Executive Directors and 4 Non Executive (Independent) Directors. The chairman of the Board is an Executive Director.

(b) Meetings and attendance during the year

5 Board Meetings were held during the financial year 1st April 2011 to 31st March 2012. All relevant and materially significant information, are submitted as part of the agenda papers well in advance of the Board Meetings. The Company Secretary, in consultation with the Chairman & Managing Director, drafts the agenda of the meetings.

Details of attendance of Directors in the Board Meetings during the financial year 1st April 2011 to 31st March 2012 are as under:

| Sr. no. | Name of the Director | Category of Directorship | Attendance details | | |
|---------|--|--------------------------|-------------------------|--|----------|
| | | | Board Meetings Attended | % of total meetings attended during the tenure as a Director | Last AGM |
| 1 | Mr. Amirali E. Rayani | ED | 5 | 100 | Yes |
| 2 | Mr. Amin A. Rayani | ED | 5 | 100 | Yes |
| 3 | Mr. Hussein V. Rayani (appointed w.e.f 30 th May, 2011) | ED | 4 | 80 | No |
| 4 | Mr. Samir A. Rayani | ED | 3 | 60 | No |
| 5 | Mr. Mukesh T. Mehta | NED | 5 | 100 | No |
| 6 | Mr. Dilip S. Phatarphekar | NED | 4 | 80 | No |
| 7 | Mr. Madan Mohan Jain | NED | 5 | 100 | Yes |
| 8 | Mr. Moiz H. Motiwala | NED | 3 | 60 | Yes |

ED - Executive Director

NED - Non-Executive Director

(c) Number of Board Meetings held and the dates of the Board Meeting

During the Financial Year April 1, 2011 to March 31, 2012, 5 (Five) meetings were held on the following dates:

30th May, 2011, 20th July, 2011, 8th August, 2011, 14th November, 2011 and 13th February, 2012.

(d) Number of Other Companies or Committees the Director is a Director/ Member/Chairman:

| Name of the Director & Designation | Category | No. of positions held in other Public Companies | | |
|------------------------------------|--|---|-------------|---------------|
| | | Board | Committee | |
| | | | Member-ship | Chairman-ship |
| Mr Amirali E Rayani | Executive Director (Chairman) | Nil | Nil | Nil |
| Mr Amin A Rayani | Executive Director (Managing Director & CEO) | Nil | Nil | Nil |
| Mr Hussein V Rayani | Executive Director (Joint Managing Director) | Nil | Nil | Nil |
| Mr Samir A Rayani | Executive Director | Nil | Nil | Nil |
| Mr Dilip Sobhag Phatarphekar | Independent & Non Executive Director | 1 | 2 | Nil |
| Mr Madan Mohan Jain | Independent & Non Executive Director | 1 | Nil | Nil |
| Mr Mukesh Mehta | Independent & Non Executive Director | Nil | Nil | Nil |
| Mr. Moiz H. Motiwala | Independent & Non Executive Director | Nil | Nil | Nil |

3. AUDIT COMMITTEE

(a) Terms of Reference of Audit Committee

The Audit Committee of the Company has been constituted as per the requirements of clause 49 of the Listing Agreement. The Audit Committee shall have the authority to investigate into any matter that may be prescribed and the matters listed below and for this purpose the Audit Committee shall have full access to information contained in the records of the Company and external professional advice, if necessary:

- i. To review financial reporting process, all financial statements.
- ii. To recommend appointment/re-appointment/replacement/ removal/ Audit fees/any other fees of Statutory Auditor.
- iii. Reviewing along with management, the listing compliances, related party disclosures, qualifications in draft

audit report, matters required to be included in Directors Responsibility Statement, quarterly financial statements before its submission to the Board, changes in accounting policies, major accounting entries based on estimate of management.

- iv. To look into all matters relating to internal control system, internal audit system and the reasons for substantial defaults in the payment to the depositors.
- v. To review Management Discussion and Analysis of financial condition and results of operation, statement of significant Related Party Transactions as submitted by management.

(b) Composition, name of Members, chairman and their attendance at meetings during the year

4 meetings were held during the financial year April 1, 2011 to March 31, 2012. The attendance of each member of the committee is given below.

| Name of the Member | Attendance at the Audit Committee Meeting | % of total meetings attended during the tenure as a Director / Secretary |
|---------------------------------|---|--|
| Mr. Moiz H. Motiwala (Chairman) | 3 | 80 |
| Mr. Madan Mohan Jain | 4 | 100 |
| Mr. Mukesh Mehta | 4 | 100 |
| Company Secretary | | |
| Ms. Gayatri Sharma | 4 | 100 |

4. REMUNERATION COMMITTEE

(a) Terms of Reference of Remuneration Committee

The Remuneration Committee shall have the power to determine the Company's policy on specific remuneration packages including pension rights and other compensation for executive directors and for this purpose, the Remuneration Committee shall have full access to information contained in the records of the Company and external professional advice, if necessary.

(b) Composition, name of Members, chairman and their attendance at meetings during the year

1 meeting on 30th May 2011 was held during the financial year 1st April 2011 to 31st March 2012. The attendance of each member of the committee is given below.

| Name of the Member | Attendance at the Remuneration Committee Meeting | % of total meetings attended during the tenure as a Director |
|-----------------------------------|--|--|
| Mr. Dilip Phatarphekar (Chairman) | 1 | 100 |
| Mr. Moiz H. Motiwala | 0 | 0 |
| Mr. Mukesh Mehta | 1 | 100 |
| Company Secretary | | |
| Ms. Gayatri Sharma | 1 | 100 |

(c) Remuneration Policy of the Company

The Managing Director and the Executive Directors of the Company are entitled for payment of Remuneration as decided by the Board and approved by the members as per the provisions of the Companies Act, 1956. No remuneration is paid to any Non-Executive Directors during the financial year 1st April 2011 to 31st March 2012 except sitting fee for attending Board meetings and committee meetings sending Board meetings and committee meetings.

(d) Details of the Executive Directors Remuneration for the financial year ended 31st March, 2012

(₹. in Lakhs)

| REMUNERATION | DIRECTORS | | | | |
|---|---|------------------------|---------------------------|-------------------------|------------------------------|
| | Executive Directors | | | | Non-Executive Directors (₹.) |
| | Mr. Amirali E Rayani (₹.) | Mr. Amin A Rayani (₹.) | Mr. Hussein V Rayani (₹.) | Mr. Samir A Rayani (₹.) | |
| (a) Salary & Allowances (fixed) | 24 | 21.25 | 16.50 | 18.25 | Nil |
| (b) Benefits & Perquisites | 0.19 | 5.06 | Nil | 0.15 | Nil |
| (c) Bonus / Commission Additional Salary | 4.00 | 3.25 | 1.15 | 2.75 | Nil |
| (d) Pension, Contribution to Provident fund & Superannuation Fund | Nil | Nil | Nil | Nil | Nil |
| (e) Stock Option Details (if any) | The Company has not offered any Stock Options to its employees. | | | | |

Note:

- i. The agreement with each Executive Director is for a period of 5 years.
- ii. There are no performance linked incentive paid to the directors for the year 2011-12.

(e) Details of the Sitting Fees paid to Non-Executive Directors for the financial year ended 31st March, 2012

| Name of the Non-Executive Director | Amount of Sitting Fees Paid |
|------------------------------------|-----------------------------|
| Mr. Madan Mohan Jain | Rs. 80,000 |
| Mr. Dilip Phatarphekar | Rs. 85,000 |
| Mr. Moiz Motiwala | Rs. 60,000 |
| Mr. Mukesh Mehta | Rs. 90,000 |

(f) Shareholdings of Non-Executive Directors

Details of Shares held by Non-Executive Directors as on 31st March, 2012

| Name | No. of Shares held |
|----------------------|--------------------|
| Mr. Moiz H. Motiwala | 100 |

5. SHAREHOLDERS GRIEVANCE COMMITTEE

(a) Terms of Reference of Shareholders' Grievance Committee

In compliance with the requirement of the clause 49 of Listing Agreement, the Company has constituted a "Shareholders Grievance Committee" to look into redressing the shareholders and investors' complaints and to expedite the process of redressal of complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

(b) Composition of Shareholders' Grievance Committee

| Sr. No. | Name of the Director | Category & Designation |
|---------|------------------------|---|
| 1 | Mr. Dilip Phatarphekar | Independent & Non Executive Director- Chairman of the committee |
| 2 | Mr. Mukesh Mehta | Independent & Non Executive Director- Member |
| 3 | Mr. Amin A Rayani | Managing Director & CEO- Member |
| 4 | Mr Amirali E Rayani | Executive Director- Member |
| 5 | Ms. Gayatri Sharma | Secretary of the Committee |

(c) Meetings of the Committee

4 meetings were held during the financial year April 1, 2011 to March 31, 2012.

(d) Name & Designation of the Compliance Officer

Ms. Gayatri Sharma, Company Secretary is the Compliance Officer of the Company

(e) Redressal of Complaints

Shareholders may send their complaint for redressal to the email ID: cs@panamapetro.com

(f) No of Complaints received, resolved and pending during the financial year:

During the financial year, the company has received 8 complaints from the shareholders, all of which have been resolved to the satisfaction of the shareholders to the date. There was no pending complaint from any shareholder as on 31st March 2012. There are no transfer requests pending as on 31st March, 2012.

6. GENERAL BODY MEETINGS

(a) Particulars of past three Annual General Meetings of the Company

| Year | Date | Venue | Time | No. of Special Resolution(s) passed |
|------|----------------------------------|---|------------|-------------------------------------|
| 2009 | 29 th September, 2009 | Plot No. 3303, G.I.D.C. Estate, Ankleshwar - 393 002, Gujarat | 11:30 A.M. | 4 |
| 2010 | 25 th September, 2010 | Plot No. 3303, G.I.D.C. Estate, Ankleshwar - 393 002, Gujarat | 11:00 A.M. | 1 |
| 2011 | 26 th September, 2011 | Plot No. 3303, G.I.D.C. Estate, Ankleshwar - 393 002, Gujarat | 11:30 A.M. | 1 |

(b) Postal Ballot

Special Resolution for amending object clause of Memorandum of Association of the Company under Section 17 of Companies Act 1956 & Special Resolution for commencement of new business under section 149 (2A) Companies Act 1956 were put through Postal Ballot in the last year.

i Details of voting pattern :

| PARTICULARS | RESOLUTION NO.1 | RESOLUTION NO.2 |
|---------------------------------------|-----------------|-----------------|
| % Votes in favour of the Resolution | 99.85 | 99.84 |
| % Votes in against of the Resolution. | 0.15 | 0.16 |

ii Person who conducted Postal Ballot exercise: Mr. Milind Nirkhe, Practicing Company Secretary was appointed as Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.

iii None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

iv Procedure for Postal Ballot: The Postal Ballots along with the Notice & Explanatory Statement was posted to all the shareholders of the Company. The Scrutinizer forwarded the results of the Postal Ballot to the Chairman and the same was published on 10th January, 2012, in the

Financial Express & Aajakal newspapers. The entire Postal Ballot process was carried out pursuant to section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011.

(c) Disclosure Regarding Re-appointment of Directors in the ensuing AGM

Mr. Madan Mohan Jain and Mr. Dilip Sobhag Phatarphekar, Directors who shall be retiring in this AGM, being eligible have offered themselves for re-appointment. Brief particulars of these gentlemen are as follows:

i. Mr. Madan Mohan Jain:

Mr. Madan Mohan Jain holds a bachelors degree in science from Agra University. He was earlier associated with ONGC as a Chief Geologist. He has an experience of over 35 years in field geological operations, petroleum exploration.

ii Mr. Dilip Sobhag Phatarphekar:

Mr. Dilip Sobhag Phatarphekar holds a Bachelors degree in law & arts from Mumbai University. He has worked with Firestone Tyre & Rubber Co. of India Limited, Pfizer Limited and Essar Group of Companies. He has an extensive knowledge and experience in the field of Law. He handled various legal commercial and corporate matters.

| Particulars | Mr. Madan Mohan Jain | Mr. Dilip Sobhag Phatarphekar |
|---|--|--|
| DIN | 00003580 | 00002600 |
| Father's Name | Mr. Satya Prakash, Jain | Mr. Sobhag Phatarphekar |
| Date of Birth | 01/03/1944 | 24/01/1938 |
| Address | 422, Shivkala Apartments, Plot No. D-19, Sector 51, Noida, U.P | B/502,Surya Apartments, 53, Bhulabhai Desai Road, Mumabi 400 026 |
| Designation | Independent Director | Independent Director |
| Education | B.Sc. | B.A. ,LL.B. |
| Companies in which holds Directorship | Ess Dee aluminum Ltd. | Ess Dee aluminum Ltd. |
| Companies in which holds membership of committees | Nil | Ess Dee aluminum Ltd. |
| Shareholding in the Company (No. & %) | Nil | Nil |

7. Code of Conduct

The Company has laid down the Code of Conduct for all Board Members and Senior Management of the company. The Code is also posted on the Company's website.

All the Board members and Senior Management of the Company have affirmed compliance with their Code

of Conduct for the financial year ended March 31, 2012. The Chairman and Managing Director has also confirmed and certified the same. The certification is annexed at the end of this Report.

8. DISCLOSURES

(a) Related Party Transactions

There are no materially significant related party transactions with its Promoters, the Directors or the Management, their Subsidiaries or Relatives etc., which may have potential conflict with the interest of the company at large. The other related party transactions are given in Notes to Accounts annexed to and forming the part of Balance Sheet and Profit and Loss Account of the Company.

(b) Disclosure of Accounting treatment

In the preparation of the financial statements, the Company has followed the accounting standards issued by the Companies (Accounting Standards) Rules 2006 (as amended), to the extent applicable.

(c) Non-compliance by the Company, Penalties, Strictures

There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

(d) Disclosure of Risk management

The Company has initiated the risk assessment and minimization procedure.

(e) Details of compliance with mandatory requirements and adoption of non mandatory requirements of clause 49 of the Listing Agreement

The Company has complied with all mandatory requirements as mandated under Clause 49 of the Listing Agreement. A certificate from the practicing Company Secretary to this effect has been included in this report.

9. CEO Certification

In terms of the requirements of Clause 49 (v) of the Listing Agreement, the CEO has submitted necessary certificate to the Board stating the particulars specified under the said clause.

10. MEANS OF COMMUNICATION

(a) Quarterly Results / Annual Results

The Quarterly / Annual Results and notices as required under clause 41 of the Listing

Agreement are normally published in Economic times (English & Gujarati editions)

(b) Posting of Information on the website of the Company:

The Annual / Quarterly results of the Company, Share Holding Pattern, presentations made by the Company to analysts are regularly posted on its website www.panamapetro.com

(c) The Management Discussion and Analysis Report forms a part of the Annual Report.

11. GENERAL SHAREHOLDERS INFORMATION

(a) Annual General Meeting

Day & Date : Monday, August 6th, 2012
Time : 11.30 A.M.
Venue : Plot No. 3303, G.I.D.C. Estate, Ankleshwar - 393 002.

(b) Financial Year: April 2012 to March 2013

Financial Calendar

| Events | Tentative time frame |
|--|--|
| Financial Reporting for the first quarter ended 30 th June, 2012 | 2 nd week of August, 2012 |
| Financial Reporting for the second quarter ending 30 th September, 2012 | 2 nd week of November, 2012 |
| Financial Reporting for the third quarter ending 31 st December, 2012 | 2 nd week of February, 2013 |
| Financial Reporting for the fourth quarter ending 31 st March, 2013 | Last Week of May, 2013 |

(c) Dates of Book Closure:

2nd August, 2012 to 6th August, 2012 (Both days inclusive)

(d) Dividend Payment Date:

Interim - 9th December, 2011
 Final - within 30 days from the declaration of the dividend

(e) Listing on Stock Exchanges:

Equity Shares

The Shares of the Company are listed on the Bombay Stock Exchange Limited & National Stock Exchange of India Ltd.

Stock Code:

Bombay Stock Exchange Limited: 524820
 National Stock Exchange of India Limited: PANAMAPET
 Demat ISIN Number for NSDL & CDSL: INE305C01011

Global Depository Receipts(GDRs)

The GDRs of the Company are listed on Luxembourg Stock Exchange.

Security codes of GDRs

COMMON CODE : 065195372
 ISIN : US6982941055
 CUSIP : 698294105

(f) Market Price Data:

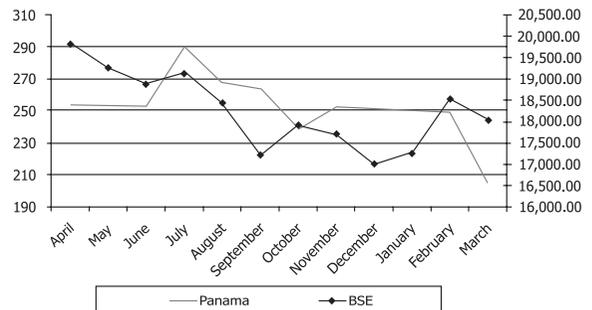
High/low of market price of the Company's equity shares traded on BSE during the last financial year 1st April 2011 to 31st March 2012 were as follows:

| Month | High (₹.) BSE | High (₹.) NSE | Low (₹.) BSE | Low (₹.) NSE |
|-----------|---------------|---------------|--------------|--------------|
| April | 254 | *- | 188 | - |
| May | 252.4 | - | 210 | - |
| June | 252.8 | - | 220 | - |
| July | 290 | - | 232 | - |
| August | 268 | - | 213.2 | - |
| September | 263.9 | 264.1 | 222 | 232 |
| October | 238.8 | 250 | 221.2 | 220 |
| November | 252.2 | 253.9 | 198 | 197.1 |
| December | 251 | 244.5 | 204 | 176 |
| January | 249.7 | 248.1 | 228 | 223.01 |
| February | 248.9 | 258 | 185 | 175.7 |
| March | 204.9 | 201.8 | 179.1 | 180 |

Source: www.bseindia.com & www.nseindia.com

*Equity shares of the company has been listed & admitted to dealing on NSE w.e.f. September 30, 2011

(g) Performance in comparison to BSE SENSEX



(h) Registrar and Share Transfer Agent & Share Transfer System

The Company has constituted Registrar & Share Transfer Agent Committee which normally meets twice in a month to process the share transfer. The shares of the Company can be transferred by lodging Transfer Deeds and

Share Certificates with the Registrars & Share Transfer Agents viz. M/s Bigshare Services Pvt. Ltd. (Address as mentioned below). The Shareholders have option of converting their holding in dematerialized form and effecting the transfer in dematerialized mode.

| | |
|---------------|---|
| Name | Bigshare Services Pvt. Ltd. |
| Address | E-2, Ansa Industrial Estates, Sakivihar Road, Saki Naka, Andheri (East), Mumbai 400 072 |
| Telephone No. | 91-22-2847 0652 91-22-4043 0200 |
| E mail | info@bigshareonline.com |

(i) Share Transfer System

The Company's shares are traded in the Bombay Stock Exchange Ltd. & National Stock exchange of India Limited, compulsorily in Demat mode. Physical shares which are lodged with the Registrar & Transfer Agent or/Company for transfer are processed and returned to the shareholders duly transferred within the time stipulated under the Listing Agreement subject to the documents being in order.

(j) Distribution of Shareholding as on 31st March 2012:

| Shareholding of Nominal Value of | | Shareholders | | Share Amount | |
|----------------------------------|---------|--------------|------------|-----------------|------------|
| ₹. | ₹. | Number | % to Total | In ₹. | % to Total |
| (1) | (2) | (3) | (4) | (5) | (6) |
| Up to 5,000 | | 4,281 | 89.08 | 4727550 | 5.48 |
| 5,001 | 10,000 | 203 | 4.22 | 1569080 | 1.82 |
| 10,001 | 20,000 | 135 | 2.81 | 2067660 | 2.40 |
| 20,001 | 30,000 | 56 | 1.17 | 1405510 | 1.63 |
| 30,001 | 40,000 | 27 | 0.56 | 958220 | 1.11 |
| 40,001 | 50,000 | 14 | 0.29 | 644160 | 0.75 |
| 50,001 | 100,000 | 28 | 0.58 | 2130020 | 2.47 |
| 100,001 and Above | | 62 | 1.29 | 72691150 | 84.34 |
| Total | | 4,806 | 100 | 86193350 | 100 |

(k) Dematerialization of shares and liquidity:

As on 31st March 2012 about 96.83% of the Company's equity paid-up capital had been dematerialized. Trading in equity shares of the Company at the Stock Exchange is permitted compulsorily in demat mode.

(l) Corporate Ethics:

The constant endeavor of Panama Petrochem Ltd is to enhance the reputation of the Company and irrespective of the goals to be achieved, the means are as important as the end. The

Company has adopted "The Code of Conduct for prevention of insider trading", which contains policies prohibiting insider trading.

(m) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity:

Outstanding GDRs as on 31st March, 2012 are 491469 representing 2457345 Equity shares constituting 28.507 of the paid up share capital of the Company.

(n) Plant Locations:

The Company has the following units located at:

- Plot No: 3303, GIDC Industrial Estate, Ankleshwar-393 002, Gujarat.
Tel: 91-2646-221 068 / 250 281
Email: panamaoils@satyam.net.in
- Survey No: 78/2, Daman Industrial Estate, Unit III, Poly Cab Road, Village Kadaiya, Dist. Daman, Daman (UT)-396 210.
Tel: 91-260-309 1311
Email: daman@panamapetro.com
- Plot No. H-12, M.I.D.C., Taloja, Navi Mumbai - 410208.
Tel: 91-22-27411456
Email:taloja@panamapetro.com
- Plot No. 23 & 24 SEZ, Dahej, Bharuch District, Gujarat-392110.
Tel:91-02641-320980
Email: dahej@panamapetro.com

(o) Address for Correspondence:

The shareholders may send their communication grievances/ queries to the Registrar and Share Transfer Agents at their Address mentioned above or to the Company at:

Corporate Office:

Panama Petrochem Ltd.

401, Aza House, 4th Floor,
24, Turner Road, Bandra (W),
Mumbai 400 050

Phone: 022- 42177777 Fax: 022- 42177788

e-mail: cs@panamapetro.com

**On behalf of the Board of Directors
For Panama Petrochem Ltd.**

**Place : Mumbai
Date : 29th June 2012**

**Amirali E Rayani
Chairman**

CEO Certificate on Corporate Governance

To
The Members of Panama Petrochem Ltd.

It is hereby certified and confirmed that as provided in Clause 49 I (D) of the listing agreement with the stock exchanges, the Board members and the senior management personnel of the Company have affirmed compliance with the Code of conduct of the Company for the financial year ended 31st March, 2012.

For PANAMA PETROCHEM LIMITED

Place : Mumbai
Date : 29th June, 2012

Amin A. Rayani
Managing Director & CEO

Registered Office :
Plot No.3303, GIDC Estate,
Ankleshwar - 393 002. Gujarat.

Certificate on Corporate Governance

To
The Members of Panama Petrochem Limited

We have examined the compliance of conditions of corporate governance by Panama Petrochem Limited, for the year ended on 31st March, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Clause 49 of the above mentioned Listing Agreement.

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 MILIND NIRKHE & ASSOCIATES
Company Secretaries

Place : Mumbai
Date : 29th June, 2012

MILIND NIRKHE
Membership No: 4156
CP NO : 2312

To,
The Board of Directors,
Panama Petrochem Ltd.,
401, Aza House, 24, Turner Road,
Bandra (W), Mumbai - 400 050

CEO & CFO CERTIFICATION

We hereby certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2012 and that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For PANAMA PETROCHEM LTD.

Amin A Rayani
Managing Director & CEO

Place : Mumbai
Date : 29th June, 2012

Pramod Maheshwari
CFO

Registered Office
Plot No.3303, GIDC Estate,
Ankleshwar - 393 002.

Auditors' Report

To

**The Members of
Panama Petrochem Limited**

1. We have audited the attached Balance Sheet of Panama Petrochem Limited ('the Company') as at March 31, 2012 and also the Statement of profit and loss 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 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. 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 those books;
 - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
 - b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per Ravi Bansal
Partner

Place: Mumbai

Date : May 24, 2012.

Membership No.: 49365

Annexure referred to in paragraph 3 of our report of even date

Re: Panama Petrochem Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

- (c) The Company is maintaining proper records of inventory. Discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.
- (iii) (a) The Company has granted loans to two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.111.48 lakhs and the year- end balance of loans granted to such parties was ₹. nil.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) The loans granted are re-payable on demand. During the year, the company has demanded the repayment of loans and the same has been received thus there has been no default on the part of the parties to whom the money has been lent. The payment of interest has been regular.
- (d) There is no overdue amount of loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) The Company had taken loan from two persons covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹. 2.78 lakhs and the year-end balance of loans taken from such parties was ₹. nil.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (g) The loans taken are re-payable on demand and have been paid regularly and thus, there has been no default on the part of the company. The loans taken are interest free.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system 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 and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, related to manufacture of speciality petroleum products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales-tax, wealth tax, customs duty, excise duty and cess

which have not been deposited on account of any dispute except in case of income-tax and service tax which has not been deposited. The details are given as under:

| Name of the Statute | Nature of dues | Amount (₹. lakhs) | Amount paid (₹. lakhs) | Period to which the amount relates | Forum where dispute is pending |
|---------------------|---|-------------------|------------------------|------------------------------------|------------------------------------|
| Income Tax Act 1961 | Dispute relating to provisions of Section 145A and others | 24.96 | 24.61 | AY 06-07 | Income Tax Appellate Tribunal |
| Service Tax | Service tax demand raised on certain items | 10.88 | - | September 08 to November 09 | Deputy Commissioner of Service Tax |

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The company has not taken any term loans during the year. Accordingly we are not required to comment on the same. In case of term loans taken in the previous year and repaid during the year, the company has utilized the said loans completely in the previous year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) We have verified that the end use of money raised from issuance of Global Depository Receipt's is as disclosed in note 41 to the financial statements.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S. R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

per Ravi Bansal
Partner

Place: Mumbai

Date : May 24, 2012. Membership No.: 49365

Balance Sheet as at 31st March, 2012

(₹ In lakhs)

| PARTICULARS | Notes | As at 31.03.2012 (₹) | As at 31.03.2011 (₹) |
|--|-------|----------------------------|----------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| Share Capital | 3 | 861.93 | 584.02 |
| Share capital suspense (refer note 43) | | - | 32.18 |
| Reserves and surplus | 4 | 21,565.41 | 13,242.08 |
| | | 22,427.34 | 13,858.28 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | - | - |
| Deferred tax liabilities (net) | 6 | 55.25 | 91.76 |
| Long-term provision | 7 | - | - |
| | | 55.25 | 91.76 |
| Current liabilities | | | |
| Short-term borrowings | 8 | 1,048.71 | 712.17 |
| Trade payables | 9 | 24,820.41 | 17,709.40 |
| Other Current liabilities | 9 | 607.89 | 1,392.67 |
| Short-term provisions | 7 | 203.81 | 442.48 |
| | | 26,680.82 | 20,256.72 |
| TOTAL | | 49,163.41 | 34,206.76 |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | | | |
| Tangible assets | 10 | 5,777.03 | 5,737.96 |
| Intangible assets | 11 | - | 0.10 |
| Capital work-in-progress | | 344.53 | 84.01 |
| Non-current investments | | | |
| Non-current investments | 12 | 3.34 | 3.34 |
| Long-term loans and advances | | | |
| Long-term loans and advances | 13 | 1,006.59 | 789.05 |
| Trade receivables | | | |
| Trade receivables | 14.1 | - | - |
| Other non-current assets | | | |
| Other non-current assets | 14.2 | 88.11 | 88.17 |
| | | 7,219.60 | 6,702.63 |
| Current assets | | | |
| Inventories | | | |
| Inventories | 15 | 14,828.00 | 15,053.76 |
| Trade receivables | | | |
| Trade receivables | 14.1 | 10,388.92 | 9,069.71 |
| Cash and bank balances | | | |
| Cash and bank balances | 16 | 15,448.75 | 1,975.02 |
| Short-term loans and advances | | | |
| Short-term loans and advances | 13 | 1,169.66 | 1,370.39 |
| Other current assets | | | |
| Other current assets | 14.2 | 108.48 | 35.25 |
| | | 41,943.81 | 27,504.12 |
| TOTAL | | 49,163.41 | 34,206.76 |
| Summary of significant accounting policies | 2.1 | | |
| The accompanying notes are an integral part of the financial statements. | | | |

**For and on behalf of the Board of Directors of
Panama Petrochem Ltd.**
**Amirali E. Rayani
Chairman**
**Amin A. Rayani
Managing Director & CEO**
**Gayatri Sharma
Company Secretary**
**Place : Mumbai
Date : 24/05/2012**

As per our report of even date

**For S.R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants**
**per Ravi Bansal
Partner
Membership No : 49365**
**Place : Mumbai
Date : 24/05/2012**

Profit And Loss Account for the Year Ended March 31st, 2012

(₹ In lakhs)

| PARTICULARS | Notes | As at 31.03.2012 (₹) | As at 31.03.2011 (₹) |
|--|--------------|-------------------------------------|-------------------------------------|
| INCOME | | | |
| Revenue from operations (gross) | 17 | 63,009.77 | 50,224.01 |
| Less : excise duty | | 4,587.55 | 3,786.67 |
| Revenue from operations (net) | | 58,422.22 | 46,437.34 |
| Other income | 18 | 471.07 | 398.26 |
| Total revenue (I) | | 58,893.29 | 46,835.60 |
| Expenses | | | |
| Cost of material consumed | 19 | 49,375.35 | 36,634.75 |
| Purchase of traded goods | 20 | 1,669.68 | 1,668.64 |
| (Increase)/decrease in inventories of finished goods and Traded goods | 21 | 171.78 | 139.61 |
| Employee benefits expense | 22 | 318.86 | 226.07 |
| Other expenses | 23 | 2,528.68 | 2,372.53 |
| Total (II) | | 54,064.35 | 41,041.60 |
| Earnings before interest, tax, depreciation and amortization (EBITDA) (I)-(II) | | 4,828.94 | 5,794.00 |
| Depreciation and amortization expense (including prior period adjustment) | 24 | 106.65 | 233.64 |
| Finance costs | 25 | 789.79 | 533.63 |
| Profit/(loss) before tax | | 3,932.50 | 5,026.73 |
| Tax expenses | | | |
| Current tax | | 1,020.00 | 1,227.00 |
| Deferred tax | | (36.50) | 117.27 |
| Short/(Excess) Provision of tax relating to earlier years | | (114.07) | 1.91 |
| Total tax expense | | 869.43 | 1,346.18 |
| Profit/(loss) for the year | | 3,063.07 | 3,680.55 |
| Earnings per equity share [nominal value of share ₹ 10] (31 March 2011 ₹ 10) | 26 | | |
| Basic | ₹ | 38.87 | 63.02 |
| Diluted | ₹ | 38.87 | 59.73 |
| Summary of Significant accounting policies | 2.1 | | |
| The accompanying notes are an integral part of the financial statements. | | | |

As per our report of even date

**For S.R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants**
**per Ravi Bansal
Partner
Membership No : 49365**
**Place : Mumbai
Date : 24/05/2012**
**For and on behalf of the Board of Directors of
Panama Petrochem Ltd.**
**Amirali E. Rayani
Chairman**
**Amin A. Rayani
Managing Director & CEO**
**Gayatri Sharma
Company Secretary**
**Place : Mumbai
Date : 24/05/2012**

Notes to the financial statement for the year ended March 31, 2012**1. Corporate Information**

Panama Petrochem Limited (the company) is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is engaged in the manufacture of specialty petroleum products for diverse user industries like printing, textiles, rubber, pharmaceuticals, cosmetics, power and other industrial oil.

2. Basis of preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year except change in accounting policy as explained below.

2.1 Summary of significant accounting policies**(a) Change in accounting policy**

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has a significant impact on the presentation and disclosures made in the financial statements. The company has also reclassified previous year figures in accordance with the requirements applicable in the current year.

(b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon

management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in the future periods.

(c) Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(d) Depreciation/Amortization

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act 1956 whichever is higher.

Leasehold land is amortized on a straight line basis over the period of lease.

Fixed assets costing ₹. 5,000 or less are depreciated fully in the year of acquisition.

(e) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Notes to the financial statement for the year ended March 31, 2012

Intangible assets namely computer software is amortized at the rate of 33.33 % on a straight line basis over the estimated useful economic life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(f) Impairment of tangible and intangible assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

(g) Leases**Company is the lessee**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

Company is the lessor

Leases in which the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

(h) Investments

Investments that are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

(i) Inventories

Inventories are valued as follows:

Raw materials: Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out (FIFO) basis. Cost of raw

Notes to the financial statement for the year ended March 31, 2012

materials comprises of cost of purchase and other cost in bringing the inventory to their present location and condition excluding Cenvat credit / Countervailing duty. Customs duty on stock lying in bonded warehouse is included in cost.

Work-in-progress and Finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a First In First Out (FIFO) basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(j) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest income is included under the head "other income" in the statement of profit and loss.

Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the reporting date.

(k) Borrowing Cost

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(l) Foreign currency translation**(i) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Notes to the financial statement for the year ended March 31, 2012**(iv) Forward Contracts**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(m) Retirement and other employee benefits

- i. Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective fund are due. There are no other obligations other than the contribution payable to the respective fund.
- ii. Gratuity liability is a defined benefit obligation. The costs of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end using the projected unit credit method.
- iii. Actuarial gains and losses for the defined benefit plan are recognized in full in the period in which they occur in the statement of profit and loss.

(n) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax

liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(o) Segment Reporting Policies

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

(p) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year.

Notes to the financial statement for the year ended March 31, 2012

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(q) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

(s) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(t) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures

EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the company does not include depreciation and amortization expense, finance costs and tax expense.

3. Share capital

| | 31 March 2012 | 31 March 2011 |
|---|--------------------------|--------------------------|
| | ₹ In lakhs | ₹ In lakhs |
| Authorized shares 25,550,000 (31 March 2011 : 25,550,000) equity shares of ₹ 10/- each | 2,555 | 2,555 |
| Issued, subscribed and fully paid-up shares 8,619,335 (31 March 2011 : 5,840,240) equity shares of ₹ 10/- each | 861.93 | 584.02 |
| | 861.93 | 584.02 |

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

| Equity shares | 31 March 2012 | | 31 March 2011 | |
|--|------------------|---------------|------------------|---------------|
| | No of shares | ₹ In lakhs | No of shares | ₹ In lakhs |
| At the beginning of the year | 5,840,240 | 584.02 | 5,840,240 | 584.02 |
| Issued during the year :- In pursuant to the scheme of amalgamation of Monaco Petroleum Private Limited (refer note 43) | 321,750 | 32.18 | - | - |
| Issued during the year by way of Global Depository Receipt (Refer note 41) | 2,457,345 | 245.73 | - | - |
| Outstanding at the end of the year | 8,619,335 | 861.93 | 5,840,240 | 584.02 |

b. Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share, however the holders of global depository receipts (GDR's) do not have any voting rights in respect of shares represented by the GDR's till the shares are held by the custodian bank (Refer Note 41). The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

The amount of per share dividend recognized as distributions to equity shareholders is ₹ 5/- (31 March 2011 : ₹ 5/-)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive assets in

Notes to the financial statement for the year ended March 31, 2012

proportion to the number of equity shares held by the shareholders.

c. Share issued for consideration other than cash during the period of five years immediately preceding the reporting date:

| | 31 March 2012 No of shares | 31 March 2011 No of shares |
|--|----------------------------------|----------------------------------|
| Equity shares allotted in pursuant to the scheme of amalgamation of Monaco Petroleum Private Limited | 321,750 | - |
| Equity shares allotted in pursuant to the scheme of amalgamation of Mobil Petrochem Private Limited | 1,078,240 | 1,078,240 |

d. Details of shareholders holding more than 5% shares in the company

| | 31 March 2012 | | 31 March 2011 | |
|--|---------------|------------------------|---------------|------------------------|
| | No of Shares | % holding in the class | No of Shares | % holding in the class |
| Equity Shares of Rs 10 each fully paid up | | | | |
| Ms. Shelina Arifali Rayani | 557,655 | 6.47% | 557,655 | 9.55% |
| Mr. Madhukar Seth | 459,003 | 5.33% | 356,000 | 6.10% |
| Mr. Vazirali E Rayani | 343,000 | 3.98% | 343,000 | 5.87% |
| Ms. Nabatbanu A Rayani | 295,950 | 3.43% | 295,950 | 5.07% |
| Shares held by Custodian as against which global depository receipts have been issued (Citi Bank N.A.) | 2,457,345 | 28.51% | - | - |

4. Reserves and surplus

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|--------------------------------|--------------------------------|
| Other Reserves | | |
| Investment Allowance Reserve | | |
| Balance as per the last financial statements | 0.24 | 0.24 |
| | 0.24 | 0.24 |

| Securities Premium Account | | |
|--|----------|----------|
| Balance as per the last financial statements | 3,473.96 | 3100.73 |
| Add : Balance transferred pursuant to the scheme of amalgamation with Monaco Petroleum Private Limited | - | 373.23 |
| Add : Premium on issue of GDR (Refer Note 41) | 5,988.06 | - |
| Less:- Expense incurred on issue of GDR (Refer Note 41) | 84.11 | - |
| | 9,377.91 | 3,473.96 |

| | 31 March 2012 | 31 March 2011 |
|--|------------------|------------------|
| General reserve | | |
| Balance as per the last financial statements | 1,202.10 | 823.31 |
| Add : amount transferred from surplus balance in the statement of profit & loss | 306.31 | 368.06 |
| Add : Balance transferred pursuant to the scheme of amalgamation with Monaco Petroleum Private Limited | - | 10.73 |
| | 1,508.41 | 1,202.10 |

| | 31 March 2012 | 31 March 2011 |
|---|------------------|------------------|
| Surplus/(deficit) in the statement of profit and loss | | |
| Balance as per last financial statements | 8,565.78 | 5,589.15 |
| Profit for the year | 3,063.07 | 3,680.55 |
| Add : Balance Transferred pursuant to the scheme of amalgamation (Monaco Petroleum Private Limited) | - | 22.22 |
| Less : Appropriations | | |
| Dividend of previous year (note 42) | 122.87 | - |
| Tax on dividend of previous year (note 42) | 19.93 | - |
| Interim equity dividend (amount per share ₹ 3 (March 11 ₹ Nil)) | 258.58 | - |
| Tax on interim equity dividend | 41.95 | - |
| Proposed final equity dividend (amount per share ₹ 2 (March 11 ₹ 5)) | 172.39 | 308.10 |
| Tax on proposed final equity dividend | 27.97 | 49.98 |
| Transfer to general reserve | 306.31 | 368.06 |
| Total appropriations | 950.00 | 726.14 |
| Net surplus in the statement of profit and loss | 10,678.85 | 8,565.78 |
| Total reserves and surplus | 21,565.41 | 13,242.08 |

5. Long Term Borrowings

| | Non-current portion | | Current Portion | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Foreign Currency Loans from Banks (unsecured) | - | - | - | 80.35 |
| | - | - | - | 80.35 |
| The above amount includes | | | | |
| Unsecured Borrowings | | | | |
| Amount disclosed under the head "Other current liabilities" (Note 9) | - | - | - | 80.35 |
| | - | - | - | - |

Foreign Currency Loans carries interest at the rate of LIBOR + 2.5 %. The loan is repayable after 18 Months

Notes to the financial statement for the year ended March 31, 2012

from the date of its origination viz Dec 1, 2009. The loan is unsecured.

6. Deferred tax liabilities (Net)

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|---|---|
| Deferred tax liability | | |
| Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting | 165.52 | 120.28 |
| Gross deferred tax liability | 165.52 | 120.28 |
| Deferred tax asset | | |
| Impact of expenditure charged to the statement of profit and loss in the Current year but allowed for tax purposes on payment basis | 72.61 | 8.43 |
| Provision for doubtful debt | 37.66 | 20.09 |
| | 110.27 | 28.52 |
| Net deferred tax liability | 55.25 | 91.76 |

7. Provisions

| | Long-term | | Short-term | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | ₹ In lakhs | ₹ In lakhs | ₹ In lakhs | ₹ In lakhs |
| Provision for employee benefits | | | | |
| Provision for gratuity (Note 27) | - | - | 2.28 | - |
| | - | - | 2.28 | - |
| Other provisions | | | | |
| Proposed equity dividend | - | - | 172.39 | 308.10 |
| Provision for tax on proposed equity dividend | - | - | 27.97 | 49.98 |
| Provision for Wealth Tax | - | - | 1.17 | 1.08 |
| Provision for Current Tax (net of advance tax) | - | - | - | 83.32 |
| | - | - | 203.81 | 442.48 |

8. Short-term borrowings

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|---|---|
| Cash credit from banks (secured) | 1,048.71 | 709.42 |
| Interest free loan from related parties repayable on demand (Unsecured) | - | 2.75 |
| | 1,048.71 | 712.17 |
| The above amount includes | 1,048.71 | 709.42 |
| Secured borrowings | - | - |
| Unsecured borrowings | - | 2.75 |

Cash credit from banks is secured against the hypothecation of Stocks, Book debts and Plant & Machineries (both present & future), Pledge of Fixed Deposit Receipts, Further secured by Equitable Mortgages of Company's present Immoveable Property situated at Daman, Marol industrial estate, property of group companies situated at Navi Mumbai, and property belonging to the Directors. The cash credit is repayable on demand and carried an interest rate of 12% to 16% p.a.

9. Other Current liabilities

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|---|---|
| Trade payable (refer note 34 for details of dues to micro and small enterprises) | 24,820.41 | 17,709.40 |
| Other liabilities | | |
| Current maturities of long-term borrowings (Note 5) | - | 80.12 |
| Interest accrued but not due on long term borrowing | - | 0.23 |
| Capital Creditors | 30.18 | 127.66 |
| Investor Education and Protection Fund will be credited by following amount (as and when due) | | |
| Unpaid dividend | 18.07 | 13.92 |
| Other payables | | |
| Statutory Dues payable | 378.27 | 944.79 |
| Forward Contract (net) | 137.57 | 63.87 |
| Advance received against orders | 42.80 | 62.46 |
| Bank overdraft as per books | - | 98.44 |
| Deposits | 1.00 | 1.18 |
| | 607.89 | 1,392.67 |
| | 25,428.30 | 19,102.07 |

Balance Sheet as at March 31st 2012
10. Tangible assets

| | Freehold land | Leasehold Land | Factory Building | Non Factory Building | Plant & Equipment | Office Equipment | Computers | Furniture and fixtures | Vehicles | Total |
|--|---------------|-----------------|------------------|----------------------|-------------------|------------------|--------------|------------------------|---------------|-----------------|
| Cost or valuation At 1 April 2010 | 6.19 | 223.54 | 2,333.86 | 1,012.36 | 494.79 | 16.32 | 39.26 | 101.95 | 184.47 | 4,412.74 |
| Additions | - | 19.88 | 745.71 | 18.31 | 799.51 | 8.73 | 7.86 | 12.96 | 107.97 | 1,720.93 |
| Additions pursuant to Amalgamation Scheme | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | 385.00 | 29.77 | - | (1.50) | - | 3.15 | - | (24.74) | 417.92 |
| Other adjustments | - | - | - | - | 4.56 | - | - | - | - | (26.24) |
| - Borrowing costs | - | - | - | - | - | - | - | - | - | 4.56 |
| At 31 March 2011 | 6.19 | 628.42 | 3,109.34 | 1,030.67 | 1,297.36 | 25.05 | 50.27 | 114.91 | 267.70 | 6,529.91 |
| Additions | - | - | 14.46 | - | 80.68 | 4.85 | 6.39 | 5.94 | 33.30 | 145.62 |
| Other adjustments | - | - | (1,910.79) | - | - | - | - | - | - | - |
| Reclassification (refer note 4 below) | - | 1,910.79 | - | - | - | - | - | - | - | - |
| At 31 March 2012 | 6.19 | 2,539.21 | 1,213.01 | 1,030.67 | 1,378.04 | 29.90 | 56.66 | 120.85 | 301.00 | 6,675.53 |
| Depreciation | | | | | | | | | | |
| At 1 April 2010 | - | - | 200.98 | 10.78 | 238.71 | 5.58 | 24.37 | 20.84 | 68.41 | 569.67 |
| Acc Depreciation pursuant to Amalgamation Scheme | - | - | 3.95 | - | - | 1.24 | 3.00 | - | - | 6.95 |
| Charge for the year | - | 40.00 | 91.64 | 16.70 | 51.83 | - | 4.51 | 6.86 | 20.61 | 233.39 |
| Disposals | - | - | - | - | (0.47) | - | - | - | (17.59) | (18.06) |
| At 31 March 2011 | - | 40.00 | 296.57 | 27.48 | 290.07 | 6.82 | 31.88 | 27.70 | 71.43 | 791.95 |
| Charge for the year (includes prior period adjustment, refer note 5 below) | - | 33.08 | (47.80) | 16.80 | 63.24 | 1.33 | 5.10 | 7.33 | 27.47 | 106.55 |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| Other adjustments | - | - | (116.98) | - | - | - | - | - | - | - |
| Reclassification (refer note 4 below) | - | 116.98 | - | - | - | - | - | - | - | - |
| At 31 March 2012 | - | 190.06 | 131.79 | 44.28 | 353.31 | 8.15 | 36.98 | 35.03 | 98.90 | 898.50 |
| Net Block | | | | | | | | | | |
| At 31 March 2011 | 6.19 | 588.42 | 2,812.77 | 1,003.19 | 1,007.29 | 18.23 | 18.39 | 87.21 | 196.27 | 5,737.96 |
| At 31 March 2012 | 6.19 | 2,349.15 | 1,081.22 | 986.39 | 1,024.73 | 21.75 | 19.68 | 85.82 | 202.10 | 5,777.03 |

Notes:-

- Capitalized borrowing costs
The borrowing cost capitalized during the year ended 31 March 2012 was ₹ Nil (31 March 2011: ₹ 4.56). The company capitalized the borrowing cost in the capital work in progress (CWIP). The amount of borrowing cost shown as other adjustments in the above note reflects the amount of borrowing cost transferred from CWIP.
- Factory Building includes those constructed on leasehold land:
Gross block ₹ 1,143.00 lakhs (31 March 2011: ₹ 3,039.34 lakhs)
Depreciation charge for the year ₹ 39.11 lakhs (31 March 2011: ₹ 89.30 lakhs)
Accumulated depreciation ₹ 202.23 lakhs (31 March 2011: ₹ 280.10 lakhs)
Net book value ₹ 940.77 lakhs (31 March 2011: ₹ 2,759.24 lakhs)
- Non Factory Building includes those constructed on leasehold land:
Gross block ₹ 29.82 lakhs (31 March 2011: ₹ 29.82 lakhs)
Depreciation charge for the year ₹ 0.49 lakhs (31 March 2011: ₹ 0.42 lakhs)
Accumulated depreciation ₹ 3.31 lakhs (31 March 2011: ₹ 2.82 lakhs)
Net book value ₹ 26.51 lakhs (31 March 2011: ₹ 27 lakhs)
- In 2008, pursuant to the scheme of amalgamation of the Company with Mobil Petrochem Private Limited, the company had taken over property comprising of leasehold land and factory building amounting to ₹ 2,034.07 lakhs which was erroneously grouped under factory building and was depreciated accordingly. During the current year, based on valuation carried out by a competent valuer as on the date of amalgamation, the company has reclassified ₹ 1,910.79 lakhs representing the cost of the lease hold land from factory building to leasehold land and accordingly recalculated depreciation. The resultant excess depreciation of ₹ 89.31 lakhs charged in the earlier years has been netted as a prior period adjustment in the depreciation charge for the year.
- Depreciation Charge for the year
Depreciation charge for the year before adjusting the prior period excess depreciation ₹ In lakhs
Prior period adjustment (net of tax ₹ nil) 195.86
Depreciation charge for the year as disclosed in note 24 106.55

Notes to the financial statement for the year ended March 31, 2012
11. Intangible Assets

| | ₹ In lakhs Software | ₹ In lakhs Total |
|--------------------------|------------------------|---------------------|
| Cost or valuation | | |
| At 1 April 2010 | 7.11 | 7.11 |
| Additions | - | - |
| Disposals | - | - |
| At 31 March 2011 | 7.11 | 7.11 |
| Additions | - | - |
| At 31 March 2012 | 7.11 | 7.11 |
| Depreciation | | |
| At 1 April 2010 | 6.76 | 6.76 |
| Charge for the year | 0.25 | 0.25 |
| Disposals | - | - |
| At 31 March 2011 | 7.01 | 7.01 |
| Charge for the year | 0.10 | 0.10 |
| At 31 March 2012 | 7.11 | 7.11 |
| Net Block | | |
| At 31 March 2011 | 0.10 | 0.10 |
| At 31 March 2012 | - | - |

12. Non-current investments

| Non Trade investments (valued at cost unless stated otherwise) | | |
|--|------|------|
| Unquoted Equity Instruments | | |
| 1,850 (Prev year 1,850) fully paid equity shares of ₹.10/- each of Bharuch Enviro Infrastructure Ltd. | 0.18 | 0.18 |
| 975 (Prev year 975) Fully paid equity shares of ₹ 100/- each of Marol Co-Op Ind. Estate | 0.98 | 0.98 |
| Quoted equity instruments | | |
| 6,200 (Prev year 6,200) fully paid equity shares of face value of ₹ 10/- each of Development Credit Bank Ltd. (Market Value as on 31.03.2012 ₹ 2.79/-, P.Y. ₹ 2.84/-) | 2.18 | 2.18 |
| | 3.34 | 3.34 |
| Aggregate amount of quoted investments (Market Value ₹ 2.79) (As on March 2011- ₹ 2.84) | 2.18 | 2.18 |
| Aggregate amount of unquoted investments | 1.16 | 1.16 |

13. Loans and advances

| | Non - current | | Current | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Capital advances | | | | |
| Unsecured, considered good | 981.35 | 770.22 | - | - |
| (A) | 981.35 | 770.22 | - | - |
| Security deposit | | | | |
| Unsecured, considered good | 20.19 | 15.46 | 42.46 | 282.69 |
| (B) | 20.19 | 15.46 | 42.46 | 282.69 |
| Loan and advances to related parties | | | | |
| Unsecured, considered good | - | - | - | 110.46 |
| (C) | - | - | - | 110.46 |

| | Non - current | | Current | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Advances recoverable in cash or kind | | | | |
| Unsecured, considered good | - | - | 292.39 | 520.02 |
| (D) | - | - | 292.39 | 520.02 |
| Other loans and advances | | | | |
| Unsecured, considered good | - | - | 120.58 | 82.40 |
| Prepaid expenses | | | | |
| Balance with PPL Group Gratuity Trust (Net) (Note 27) | - | - | - | 3.65 |
| Current Tax (net of provisions) | - | - | 145.09 | - |
| Loans to employees | 5.05 | 3.37 | 6.43 | 2.98 |
| Balance with statutory/ government authorities | - | - | 562.71 | 368.19 |
| (E) | 5.05 | 3.37 | 834.81 | 457.22 |
| Total (A+B+C+D+E) | 1,006.59 | 789.05 | 1,169.66 | 1,370.39 |

| | Non - current | | Current | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Loans and advances to related parties include (Refer note 36) | | | | |
| Dues from companies under same management in which directors are interested | | | | |
| Ittefaq Ice & Cold Storage Co. Pvt Ltd. | - | - | - | 22.77 |
| Panama Builders & Developers Pvt Ltd. | - | - | - | 87.69 |
| | - | - | - | 110.46 |

14. Trade receivables and other assets
14.1 Trade receivables

| | Non - current | | Current | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Unsecured, considered good unless stated otherwise | | | | |
| Outstanding for a period exceeding six months from the date they are due for payment | - | - | 55.70 | 53.16 |
| Unsecured, considered good | - | - | 116.07 | 61.91 |
| Doubtful | | | | |
| Provision for doubtful receivables | - | - | 171.77 | 115.07 |
| (A) | - | - | 116.07 | 61.91 |
| Other receivables | | | | |
| Unsecured, considered good | - | - | 10,333.22 | 9,016.55 |
| (B) | - | - | 10,333.22 | 9,016.55 |
| Total (A+B) | - | - | 10,388.92 | 9,069.71 |

Notes to the financial statement for the year ended March 31, 2012
14.2 Other assets

| | | Non - current | | Current | |
|---|-----|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Non current bank balance (Note 16) | (A) | 88.11 | 88.17 | - | - |
| Unamortized expenditure Unamortized premium on forward contract | | - | - | 23.80 | 21.61 |
| | (B) | - | - | 23.80 | 21.61 |
| Others Interest accrued on fixed deposits | | - | - | 84.68 | 13.64 |
| | (C) | - | - | 84.68 | 13.64 |
| Total (A+B+C) | | 88.11 | 88.17 | 108.48 | 35.25 |

15. Inventories (valued at lower of cost and net realizable value)

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|-----------------------------|-----------------------------|
| Raw Material (Refer Note 19) (Includes Goods In transit ₹ 23.29, PY- ₹ 267.21) | 13,793.21 | 13,853.53 |
| Finished Goods (Refer Note 21) (Includes Goods In transit ₹ 146.55, PY- ₹ 16.36) | 454.88 | 345.35 |
| Traded Goods (Refer Note 21) | 525.64 | 806.95 |
| Packing Material (Refer Note 21) | 54.27 | 47.93 |
| | 14,828.00 | 15,053.76 |

16. Cash and bank balances

| | | Non - current | | Current | |
|---|-----|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Cash and cash equivalents Balance with banks: On current accounts Deposits with original maturity of less than three months On unpaid dividend account Cash on hand | | - | - | 9,124.59 | 1,509.69 |
| | (A) | - | - | 13,343.29 | 1,678.02 |
| Other bank balances Deposits with original maturity for more than 12 months Deposits with original maturity for more than 3 months but less than 12 months | | 88.11 | 88.17 | 100.07 | 297.00 |
| | | - | - | 2,005.39 | - |
| | | 88.11 | 88.17 | 2,105.46 | 297.00 |
| Amount disclosed under "non current asset" (Note 14.2) | | (88.11) | (88.17) | - | - |
| | (B) | - | - | 2,105.46 | 297.00 |
| Total (A+B) | | - | - | 15,448.75 | 1,975.02 |

17. Revenue from operations

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---------------------------------|-----------------------------|-----------------------------|
| Revenue from operations | | |
| Sale of products | | |
| Finished Goods | 61,094.03 | 48,298.91 |
| Traded Goods | 1,800.39 | 1,894.56 |
| Other Operating revenue | 115.35 | 30.54 |
| Revenue from operations (gross) | 63,009.77 | 50,224.01 |
| Less : Excise duty # | 4,587.55 | 3,786.67 |
| Revenue from operations (net) | 58,422.22 | 46,437.34 |

Excise duty on sales amounting to ₹ 4,587.55 lakhs (31 March 2011 : ₹ 3,786.67 lakhs) has been reduced from sales in profit and loss and excise duty on increase decrease in stock amounting to ₹ (21.60) lakhs (31 March 2011 : ₹ 2.84 lakhs) has been considered as (income)/expense in note 23 of financial statements.

| Details of product sold | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--------------------------|-----------------------------|-----------------------------|
| Finished Goods | 59,094.41 | 46,507.60 |
| Panoil | 1,999.62 | 1,791.31 |
| Others | | |
| | 61,094.03 | 48,298.91 |
| Traded goods sold | | |
| Wax | 1,726.17 | 1,894.56 |
| Others | 74.22 | - |
| | 1,800.39 | 1,894.56 |

18. Other income

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|-----------------------------|-----------------------------|
| Interest income on Bank deposits Others | 228.33 14.84 | 55.15 30.08 |
| Dividend income on Long - term investment | 0.02 | 0.02 |
| Net gain on sale of current investment | - | 10.49 |
| Exchange Gain (net) | 205.17 | 258.00 |
| Others | 22.71 | 44.52 |
| | 471.07 | 398.26 |

19. Cost of material consumed

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|-----------------------------|-----------------------------|
| Raw material consumed Inventory at the beginning of the year Add : Purchases | 13,853.53 48,578.60 | 8,452.59 41,412.09 |
| | 62,432.13 | 49,864.68 |
| Less : Inventory at the end of the year | 13,793.21 | 13,853.53 |
| Cost of raw material consumed | 48,638.92 | 36,011.15 |
| Packing material consumed Inventory at the beginning of the year Add : Purchases | 47.93 742.77 | 27.14 644.39 |

Notes to the financial statement for the year ended March 31, 2012

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|--------------------------------|--------------------------------|
| Less : Inventory at the end of the year | 790.70 54.27 | 671.53 47.93 |
| Cost of packing material consumed | 736.43 | 623.60 |
| Total material consumed | 49,375.35 | 36,634.75 |
| Details of raw material consumed | | |
| Base Oil | 42,246.99 | 33,410.85 |
| Others | 6,391.93 | 2,600.29 |
| | 48,638.92 | 36,011.14 |
| Details of inventory | | |
| Base oil | 13,793.21 | 13,853.53 |
| Packing material | 54.27 | 47.93 |
| | 13,847.48 | 13,901.46 |

20. Purchase of traded goods

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--------|--------------------------------|--------------------------------|
| Wax | 1,604.38 | 1,668.64 |
| Others | 65.30 | - |
| | 1,669.68 | 1,668.64 |

21. (Increase)/decrease in inventories

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | (Increase)/ decrease ₹ in lakhs 31 March 2012 |
|---|--------------------------------|--------------------------------|---|
| Inventories at the end of the year | | | |
| Traded goods | 525.64 | 806.95 | 281.31 |
| Finished goods | 454.88 | 345.35 | (109.53) |
| | 980.52 | 1,152.30 | 171.78 |
| Inventories at the beginning of the year | | | |
| Traded goods | 806.95 | 940.12 | 133.17 |
| Finished goods | 345.35 | 351.79 | 6.44 |
| | 1,152.30 | 1,291.91 | 139.61 |
| | 171.78 | 139.61 | |

| Details of inventory of traded goods | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--------------------------------------|--------------------------------|--------------------------------|
| Traded goods | 525.64 | 806.95 |
| Wax | | |
| | 525.64 | 806.95 |
| Finished Goods | 454.88 | 345.35 |
| Panoil | | |
| | 454.88 | 345.35 |

22. Employee benefit expense

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|--------------------------------|--------------------------------|
| Salaries, wages and bonus | 298.85 | 221.03 |
| Contribution to provident and other fund | 8.08 | 3.08 |
| Gratuity expense (note 27) | 6.52 | (4.18) |
| Staff welfare expenses | 5.41 | 6.14 |
| | 318.86 | 226.07 |

23. Other expenses

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|--------------------------------|--------------------------------|
| Power and fuel | 68.26 | 32.77 |
| Water Charges | 5.41 | 3.82 |
| Increase/(decrease) of excise duty on inventory | (21.60) | 2.84 |
| Repairs and maintenance | | |
| Buildings | 5.10 | 1.83 |
| Machinery | 36.27 | 3.48 |
| Others | 24.04 | 40.87 |
| Insurance | 99.79 | 113.84 |
| Rent, Rates & Taxes | 81.61 | 61.34 |
| Loss on sale of fixed assets (net) | - | 5.78 |
| Communication costs | 27.37 | 21.18 |
| Legal and professional fees | 74.55 | 118.08 |
| Payment to auditor (Refer details below) | 21.14 | 17.48 |
| Clearing and Forwarding Expenses | 1,074.82 | 975.08 |
| Freight Outwards | 355.72 | 337.55 |
| Travelling and Conveyance | 133.59 | 95.81 |
| Advertising and Sales Promotion | 47.47 | 48.13 |
| Brokerage and Commission | 123.60 | 58.05 |
| Security Charges | 16.35 | 14.72 |
| Bad Debts and Sundry balances Written Off | 16.41 | 166.26 |
| Provision for Doubtful Debts | 54.16 | 56.47 |
| Donation & Charity | 26.02 | 28.83 |
| Premium on forward exchange contract amortized | 106.36 | 28.49 |
| Miscellaneous expenses | 152.24 | 139.83 |
| | 2,528.68 | 2,372.53 |

| Payment to auditor (excluding service tax) | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|--------------------------------|--------------------------------|
| As auditor: | | |
| Audit fee | 12.20 | 10.00 |
| Limited review | 6.80 | 6.00 |
| In other capacity: | | |
| Certification fees | 2.00 | 1.00 |
| Reimbursement of expenses | 0.14 | 0.48 |
| | 21.14 | 17.48 |

Notes to the financial statement for the year ended March 31, 2012
24. Depreciation and amortization expense

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|---|---|
| Depreciation of tangible assets (refer note 10) | 106.55 | 233.39 |
| Amortization of intangible assets (refer note 11) | 0.10 | 0.25 |
| | 106.65 | 233.64 |

25. Finance costs

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--------------|---|---|
| Interest | 392.85 | 263.42 |
| Bank charges | 396.94 | 270.21 |
| | 789.79 | 533.63 |

26. Earnings per share (EPS)

| The following reflects the profit and share data used in the basic and diluted EPS computations: | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|---|---|
| Profit after tax | 3,063.07 | 3,680.55 |
| Net profit for calculation of basic and diluted EPS | 3,063.07 | 3,680.55 |
| | No of shares | No of shares |
| Weighted average number of equity shares in calculating basic EPS | 7,880,549 | 5,840,240 |
| Effect of dilution: | | |
| Weighted average number of shares to shareholders of Monaco Petroleum Private Limited | - | 321,750 |
| Weighted average number of equity shares in calculating diluted EPS | 7,880,549 | 6,161,990 |
| Basic Earnings per share | 38.87 | 63.02 |
| Diluted Earnings per share | 38.87 | 59.73 |

27. Employee Benefits
**General Description of Defined Benefit plan
Gratuity**

The Company operates single type of Gratuity plans wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service depending on the date of joining and eligibility terms. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service.

The following tables summaries the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

| Statement of Profit & Loss | | |
|--|---|---|
| | Gratuity | |
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Net Employee Benefit Expense recognized in the employee cost | | |
| Current service cost | 4.39 | 3.84 |
| Interest cost on benefit obligation | 2.14 | 2.25 |
| Past service Cost | - | - |
| Expected return on plan assets | (2.67) | (3.67) |
| Net actuarial (gain) / loss recognized in the year | 2.66 | (6.60) |
| Net Benefit Expense | 6.52 | (4.18) |
| Actual Return on Plan Assets | 1.06 | 2.84 |

| Balance sheet Benefit asset/liability | Gratuity | |
|--|---|---|
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Present Value of defined benefit obligation | 32.99 | 25.98 |
| Fair value of plan assets | 30.71 | 29.63 |
| Plan assets/(liability) | (2.28) | 3.65 |

Changes in Present Value of Defined Benefit Obligation are as follows:

| | Gratuity | |
|---|---|---|
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Opening defined benefit obligation | 25.98 | 27.31 |
| Current service cost | 4.39 | 3.84 |
| Interest cost | 2.14 | 2.25 |
| Actuarial (gains) / losses on obligation | 1.05 | (7.42) |
| Past Service Cost | - | - |
| Benefits paid | (0.58) | - |
| Closing defined benefit obligation | 32.98 | 25.98 |

Changes in Fair Value of Plan Assets are as follows:

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|---|---|
| Opening fair value of planned assets | 29.63 | 26.74 |
| Expected return | 2.69 | 3.72 |
| Actuarial gain / (loss) | (1.60) | (0.83) |
| Contributions by employer | - | - |
| Benefits paid | - | - |
| Closing fair value of plan assets | 30.72 | 29.63 |

The company expects to contribute ₹ 2.69 lakhs to gratuity in the next year (31 March 2011: ₹ 3.71 lakhs).

Notes to the financial statement for the year ended March 31, 2012

The major category of plan assets as a percentage of the fair value of total plan assets are as follows:

| | Gratuity | |
|---------------------|-----------------------------|-----------------------------|
| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
| Policy of Insurance | 100% | 100% |

The principal assumptions used in determining gratuity for the Company's plans are shown below:

| | Gratuity | |
|-----------------------------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 |
| Discount rate | 8.50% | 8.25% |
| Expected rate of return on assets | 9% | 9% |
| Age of Retirement | 58 | 58 |
| Annual increase in salary cost | 6% | 6% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The over all expected rate of return on assets is determined based on the market prices prevailing as on that date, applicable to the period over which the obligation is expected to be settled.

Amounts for the current and previous three period are as follows:

| Gratuity: | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs | 31 March 2010 ₹ In lakhs | 31 March 2009 ₹ In lakhs |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Defined Benefit Obligation | 32.98 | 25.98 | 27.31 | 2.67 |
| Plan Assets | 30.72 | 29.64 | 27.91 | - |
| Surplus/(deficit) | (2.28) | 3.65 | 0.60 | (2.67) |
| Experience adjustment on plan liabilities (gain)/loss | 1.05 | 7.42 | 3.71 | - |
| Experience adjustment on plan assets loss/(gain) | (1.60) | 0.83 | (1.23) | - |

28. Leases

Operating Lease: company as lessee

The Company has entered into arrangements for taking on leave and license basis certain office premises and warehouses. The specified disclosure in respect of these agreements is given below :

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|-----------------------------|-----------------------------|
| Lease payments recognized in the statement of profit and loss for the year | 35.08 | 36.95 |

Notes:

(i) There is no escalation clause in the lease agreement

(ii) There are no restrictions imposed by lease arrangements
(iii) There are no subleases

29. Capitalization of expenditure

During the year, the company has capitalized the following expenses to the cost of fixed assets. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the company.

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---------------------------|-----------------------------|-----------------------------|
| Salaries, wages and bonus | - | 3.41 |
| Power & Fuel | - | 34.29 |
| Finance Cost | - | 4.56 |
| Others | - | 6.92 |
| | - | 49.18 |

30. Segment Information

Business Segments:

As the Company is in the business of manufacturing of specialty petroleum products, the Company has considered petroleum products as the only business segment for disclosure in this context of accounting standard 17.

Geographical Segments :

The following table shows the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced:

| Year ended 31 March 2012 | India | Outside India | Total |
|--|-----------|---------------|-----------|
| Revenue | | | |
| Sales to external customers | 34,445.71 | 23,976.51 | 58,422.22 |
| Other segment information | | | |
| Segment assets | 46,703.67 | 2,459.75 | 49,163.41 |
| Capital Expenditure: | | | |
| Additions to tangible & intangible fixed assets (Including CWIP) | 406.15 | - | 406.15 |

| Year ended 31 March 2011 | India | Outside India | Total |
|--|-----------|---------------|-----------|
| Revenue | | | |
| Sales to external customers | 30,436.09 | 15,970.71 | 46,406.81 |
| Other segment information | | | |
| Segment assets | 32,472.95 | 1,733.81 | 34,206.76 |
| Capital Expenditure: | | | |
| Additions to tangible & intangible fixed assets (Including CWIP) | 2,111.57 | - | 2,111.57 |

Notes to the financial statement for the year ended March 31, 2012
Notes :
Geographical Segment :

- a) For the purpose of geographical segment the sales are divided into two segments - India and outside India.
- b) The accounting policies of the segments are the same as those described in Note 2.1

31. Capital and other commitments

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 228.76 | 531.13 |

32. Contingent Liabilities

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|---|---|
| Claims against the Company not acknowledged as debts: | | |
| i) Income Tax Matter in appeal with tribunal (AY 06-07) (Amount paid ₹. 24.61) (Dispute relating the provisions of Section 145 A of the Income Tax Act, 1961 relating to the AY 06-07 pending in the Income Tax Appellate Tribunal.)" | - | 24.96 |
| ii) Service tax Matter disputed with the Deputy Commissioner of Service Tax (Dispute regarding demand raised on service tax payable on interest on usance charges for the period September 2008 to November 2009) | 10.88 | - |
| | 10.88 | 24.96 |

(The contingent liabilities, if materialized, shall entirely be borne by the company, as there is no likely reimbursement from any other party.)

33. Derivative Instruments and unhedged foreign currency exposure
a) Forward contract outstanding as at Balance Sheet date

₹ In lakhs

| Particulars | Purpose |
|---|--|
| Forward Contract to buy US \$ US \$ 78.62 lakhs (31 March 2011: US \$ 63.38 lakhs) ₹ 4,159.70 lakhs (31 March 2011: ₹ 2,890.02 lakhs) | Hedge of expected future payments to trade payable |

b) Particulars of unhedged foreign currency exposure as at the reporting date

| | 31 March 2012 \$ In lakhs | 31 March 2012 ₹ In lakhs | 31 March 2011 \$ In lakhs | 31 March 2011 ₹ In lakhs |
|--------------------------------|--|---|--|---|
| Trade Receivables | 47.67 | 2,459.75 | 38.89 | 1,733.81 |
| Advance from Trade Receivables | 0.78 | 39.78 | 1.36 | 60.75 |
| Trade Payables | 388.65 | 19,749.35 | 318.44 | 14,134.28 |
| Balance with Banks | 154.13 | 7,884.74 | 23.40 | 1,043.40 |

34. Details of dues to micro and small enterprises as defined under the MSMED Act 2006 *

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|---|---|
| a. The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year - Principal amount due to micro and small enterprises - Interest due on above | 4.71 - | 24.04 0.09 |
| b. The amount of interest paid by the buyer in terms of section 16 of the Micro and Small Enterprise Development Act, 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year. | - | - |
| c. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro and Small Enterprise Development Act, 2006. | - | - |
| d. The amount of interest accrued and remaining unpaid at the end of each accounting year; | - | 0.09 |
| e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro and Small Enterprise Development Act, 2006. | - | - |

*The company has initiated the process of identification of suppliers registered under Micro and Small Enterprise Development Act, 2006, by obtaining confirmations from all suppliers. Information has been collated only to the extent of information received as at balance sheet date.

Notes to the financial statement for the year ended March 31, 2012
35. Value of imports calculated on CIF basis (accrual)

| | 31 March 2012 | 31 March 2011 |
|---|------------------|------------------|
| | ₹ In lakhs | ₹ In lakhs |
| Raw materials (Includes Goods in transit) | 39,967.21 | 35,540.08 |
| Finished goods | 1,149.92 | 1,032.01 |
| Capital goods | 18.58 | 22.07 |
| | 41,135.71 | 36,594.16 |

36. Related party disclosures as required under AS-18, "Related Party Disclosures", are given below:

| (a) | Names of related parties with whom transactions have taken place during the year |
|-----|---|
| | Key Management Personnel |
| | Amirali E Rayani Amin A Rayani Samir Rayani Hussein Rayani |
| | Relatives of key management personnel |
| | Akbarali Rayani (Brother of Mr. Amirali E Rayani) Vazirali Rayani (Brother of Mr. Amirali E Rayani) Salimali Rayani (Brother of Mr. Amirali E Rayani) Arif Rayani (Brother of Mr. Amin Rayani) Nilima Kheraj (Sister of Mr. Samir Rayani) Iqbal Rayani (Brother of Mr. Hussien Rayani) Munira Rayani (Wife of Hussein Rayani) |
| | Enterprises owned or significantly influenced by key management personnel or their relatives |
| | Anirudh Distributors Pvt. Ltd Ittefaq Ice & Cold Storage Co. Pvt. Ltd Panama Petroleum Products (Partnership Firm) Panama Builders & Developers Pvt. Ltd |

| (b) Transactions with Related Parties | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|--------------------------------|--------------------------------|
| Recovery of Advance | | |
| Anirudh Distributors Pvt. Ltd | - | 3.78 |
| Ittefaq Ice & Cold Storage Co. Pvt. Ltd | 22.98 | - |
| Panama Builders & Developers Pvt. Ltd | 88.50 | - |
| Interest Received | | |
| Ittefaq Ice & Cold Storage Co. Pvt. Ltd | - | 2.03 |
| Panama Builders & Developers Pvt. Ltd | - | 8.05 |
| Payment of Rent | | |
| Panama Petroleum Products | 1.20 | 1.20 |
| Expense paid on behalf of amalgamating company (Monaco Petroleum Private Limited) | | |
| Asiatic Corporation | - | 7.67 |

| (b) Transactions with Related Parties (Cont.) | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|--------------------------------|--------------------------------|
| Amount of expense reimbursed on behalf of amalgamating company (Monaco Petroleum Private Limited) | | |
| Asiatic Corporation | - | 7.67 |
| Payment of Outstanding Amount | | |
| Ittefaq Ice & Cold Storage Co. Pvt. Ltd | - | 4.38 |
| Repayment of advance taken | | |
| Salim Ali Rayani | 2.50 | - |
| Arif Rayani | 0.25 | - |
| Transaction with Key Managerial Persons and relatives of Key Managerial Person | | |
| Remuneration Paid to Directors | | |
| Amirali E Rayani | 28.19 | 32.03 |
| Amin A Rayani | 29.56 | 23.95 |
| Samir Rayani | 21.15 | 16.00 |
| Hussein Rayani | 17.65 | - |
| Remuneration Paid to others | | |
| Akbarali Rayani | 1.26 | 1.08 |
| Vazirali Rayani | 6.30 | 5.40 |
| Salimali Rayani | 1.26 | 0.27 |
| Nilima Kheraj | 1.33 | 0.86 |
| Hussein Rayani | 0.90 | 5.40 |
| Iqbal Rayai | 1.26 | 0.27 |
| Munira Rayani | 1.33 | 1.14 |
| Arif Rayani | 0.33 | - |
| Payment of Rent | | |
| Amin A Rayani | 6.64 | 6.64 |
| Samir Rayani | 7.84 | 7.84 |
| Hussein Rayani | 1.20 | 1.20 |
| Arif Rayani | 3.06 | 3.06 |
| Loans Taken by amalgamating company (Monaco Petroleum Private Limited) | | |
| Salimali Rayani | - | 2.50 |
| Arif Rayani | - | 22.25 |
| Loans Repaid by amalgamating company (Monaco Petroleum Private Limited) | | |
| Arif Rayani | - | 22.00 |
| Surrender Value of Keyman Insurance Policies amount received | | |
| Amirali E Rayani | - | 29.73 |
| Salimali E Rayani | - | 13.63 |
| Vazirali E Rayani | - | 17.27 |
| Balance outstanding at the year end* | | |
| Salimali E Rayani | - | (2.50) |
| Arif Rayani | - | (0.25) |
| Ittefaq Ice & Cold Storage Co. Pvt. Ltd | - | 22.98 |
| Panama Builders & Developers Pvt. Ltd. | - | 88.50 |

* Balance in Brackets represent payable by Company.

Notes to the financial statement for the year ended March 31, 2012
37. Expenditure in foreign currency (accrual basis)

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|---|--------------------------------|--------------------------------|
| Sales Promotion Expenses | 1.64 | 21.56 |
| Brokerage & Commission | 55.46 | 8.86 |
| Bank Interest & Charges | 395.28 | 226.45 |
| Professional Fees | 1.99 | 0.67 |
| Others | 7.63 | 12.04 |
| Expenses related to GDR issue (adjusted against securities premium) (refer note 41) | 77.10 | - |
| | 539.10 | 269.58 |

38. Imported and indigenous raw materials consumed

| | % of total consumption 31 March 2012 | ₹ In lakhs 31 March 2012 | % of total consumption 31 March 2011 | ₹ In lakhs 31 March 2011 |
|------------|---|-----------------------------------|---|-----------------------------------|
| Imported | 88% | 42,976.76 | 94% | 33,751.82 |
| Indigenous | 12% | 5,662.16 | 6% | 2,259.33 |
| | 100% | 48,638.92 | 100% | 36,011.15 |

Consumption of raw materials includes consumption on account of manufacturing of samples

39. Net dividend remitted in foreign exchange

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|--|---|---|
| Period to which it relates | April 1, 2011 to 31 March 2012 | April 1, 2010 to 31 March 2011 |
| Number of non resident shareholders | - | - |
| Number of equity shares in lakhs held on which dividend was due | - | - |
| Amount remitted in USD | - | - |

40. Earnings in foreign exchange (accrual basis)

| | 31 March 2012 ₹ In lakhs | 31 March 2011 ₹ In lakhs |
|------------------------|--------------------------------|--------------------------------|
| Exports at F.O.B Value | 23,397.84 | 15,970.71 |
| | 23,397.84 | 15,970.71 |

41. Global Depository Receipts ('GDRs') issued during the year

On July 20, 2011, the Company raised USD 13,999,985 (₹ 6,233.79 lakh) through issuance of 491,469 GDRs representing 2,457,345 equity shares of ₹10 each at a price of ₹ 253.72 per equity share of ₹ 10 each. The issue price of each GDR is USD 28.486

and the GDRs are listed on the Luxembourg Stock Exchange. The holders of GDR do not have voting rights with respect to the shares represented by the GDRs, but rank pari passu with the existing share holders in all respect including entitlement of dividend declared. The Company has incurred ₹ 97.30 lakhs on account of issue expenses towards the issue of Global Depository Receipts of which ₹ 84.11 lakhs incurred in the current year, has been adjusted against Securities Premium.

Given below are the details of utilization of proceeds from issue of Global Depository Receipts

| | 31 March 2012 ₹ In lakhs |
|--|-----------------------------|
| I Sources of Funds | |
| Proceeds from issue of GDR's | 6,233.79 |
| Issue expenses | 97.30 |
| Net Proceeds | 6,136.49 |
| II Utilization of funds | - |
| III Unutilized funds as on March 31, 2012 | 6,136.49 |
| IV Interim Utilization of Balance Funds | |
| Balance in banks in Current Account outside India # | |
| # After adjustment of exchange gain | 7,033.52 |

42. Dividend in respect to previous year represent dividend of ₹ 5/- per share paid to the holders of GDR, which were issued subsequent to the declaration of dividend and adoption of account for the year ended March 31, 2011, and were outstanding on the book closure date.

43. Amalgamation of Monaco Petroleum Private Limited with the Company

a) In previous year ended March 31, 2011 pursuant to the scheme of amalgamation (the Scheme) of the erstwhile Monaco Petroleum Private Limited (MPPL) (hereinafter referred to as transferor company) with Panama Petrochem Limited (PPL) (hereinafter referred as transferee company), as approved by the members at a court convened meeting approved by the shareholders of the Company and MPPL and subsequently sanctioned by the Hon'ble High Courts of Gujarat vide its order dated 23rd March 2011, the assets and liabilities of MPPL have been transferred to and vested in the Company with retrospective effect from April 01, 2010 (the Appointed date). The Scheme has accordingly been given effect to in the accounts in the previous year.

Notes to the financial statement for the year ended March 31, 2012
The assets and liabilities of MPPL as on the 'Appointed date' are as set out below:

| Particulars | ₹ In lakhs | ₹ In lakhs |
|--|-------------------|-------------------|
| Assets Taken Over | | |
| Fixed Assets | 417.92 | |
| Capital Work in Progress | 47.23 | |
| Deferred Tax Assets | 1.53 | |
| Cash & Bank Balance | 8.58 | |
| Trade Receivables | 44.85 | |
| Loans and advance | 4.82 | 524.93 |
| Particulars | ₹ In lakhs | ₹ In lakhs |
| Liabilities & Reserves taken over | | |
| Accumulated Depreciation | 6.95 | |
| Provision for Tax | 8.13 | |
| Trade Payables | 70.21 | |
| Other Current Liabilities | 1.28 | |
| Profit & Loss A/c | 22.22 | |
| Security Premium | 373.23 | 482.02 |
| Net Assets taken over | | 42.91 |
| Consideration of 321,750 shares of Rs 10 each as per scheme | | 32.18 |
| Surplus Adjusted in General Reserve | | 10.73 |

In accordance with the scheme of amalgamation, the difference between the share capital issued and the net assets taken over is adjusted in general reserve.

Had the treatment based on Accounting Standard 14- "Accounting for Amalgamation" been followed, Security Premium would have been higher by ₹ 1,022.71 Lakhs and General Reserve would have been lower by ₹ 1,022.71 Lakhs.

- b) Monaco Petroleum Private Limited (MPPL), (the amalgamating company) engaged in manufacturing of Petrochemicals, having plant in Taloja.
- c) The arrangement has been accounted for under the "pooling of interest" method as prescribed by Accounting Standard (AS 14), "Accounting for Amalgamation". Accordingly the assets,

liabilities and other reserve of MPPL as on April 1, 2010 have been aggregated at their book value as specified in the Scheme. The difference between the amount recorded as share capital issued by the Company as consideration for the merger and the amount of share capital of the MPPL has been adjusted in the General Reserve Account of the Company in accordance with the scheme.

- d) 321,750 Equity Shares of ₹ 10/- each fully paid up are to be issued to the equity share holder of the MPPL whose names are registered in the register of members on record date, without payment being received in cash. Pending allotment, the face value of such shares has been shown as "Share Capital Suspense Account" which has been allotted in the current year.

44. Previous year figures

Till the year ended March 31, 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable for the company. The company has reclassified previous year figures to conform to this year's classification.

As per our report of even date

For S. R. BATLIBOI & CO.
Firm registration No.: 301003E
Chartered Accountants

For and on behalf of
Board of Director of
PANAMA PETROCHEM LTD.

per Ravi Bansal
Partner
Membership No.: 49365

Amirali E Rayani
Chairman

Amin A Rayani
Managing Director & CEO

Place : Mumbai
Date : 24/05/2012

Gayatri Sharma
Company Secretary
Date : 24/05/2012

Cash Flow Statement for the Year Ended on 31st March 2012

(₹ in Lakhs)

| PARTICULARS | 31st March 2012 (₹) | 31st March 2011 (₹) |
|--|------------------------|------------------------|
| Cash Flow from operating activities | | |
| Profit before tax | 3,932.50 | 5,026.73 |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| Depreciation/amortization | 106.65 | 233.64 |
| Provision for bad and doubtful debt | 54.16 | 56.47 |
| Loss/(profit) on sale of fixed assets | - | 5.78 |
| Loss/(profit) on sale of non trade investment | - | (10.49) |
| Unrealized foreign exchange loss/(gain) | (1,376.21) | 274.94 |
| Interest expense | 789.79 | 533.63 |
| Interest income | (243.16) | (85.23) |
| Dividend Income | (0.02) | (0.02) |
| Operating profit before working capital changes | 3,263.71 | 6,035.45 |
| (Increase)/decrease in Trade Receivables | (1,373.37) | (1,436.59) |
| (Increase)/decrease in Inventory | 225.76 | (5,282.12) |
| (Increase)/decrease in Loans and advances and other assets | 121.08 | (534.64) |
| Increase/(decrease) in Trade Payables | 7,500.72 | 3,435.14 |
| Increase/(decrease) in other liabilities and provisions | (786.55) | 1,379.24 |
| Cash generated from/(used in) operations | 8,951.35 | 3,596.49 |
| Direct taxes paid (Net of refunds) | 989.24 | 1,382.82 |
| Net cash flow from/(used in) operating activity (A) | 7,962.11 | 2,213.67 |
| Cash flows from investing activities | | |
| Purchase of fixed assets, including intangible assets, CWIP and capital advances | (617.27) | (1,639.48) |
| Proceeds from sale of fixed assets | - | 2.40 |
| Proceeds from sale/maturity of non-trade investments | - | 75.75 |
| Investments in bank deposits (having original maturity of more than three months) | (2,005.39) | (297.00) |
| Redemption/maturity of bank deposits (having original maturity of more than three months) | 196.99 | 1,176.88 |
| Interest received | 243.16 | 85.23 |
| Dividend received | 0.02 | 0.02 |
| Net cash flow from/(used in) investing activities (B) | (2,182.49) | (596.20) |
| Cash flows from financing activities | | |
| Proceeds from issuance of share capital | 6,149.69 | - |
| Repayment of long-term borrowings | - | (321.41) |
| Proceeds/ (Repayment) from/of short-term borrowing (net) | 336.54 | (608.61) |
| Interest paid | (789.79) | (533.63) |
| Dividend and tax on dividend paid on Equity Shares | (797.26) | (338.29) |
| Refund of share application money | - | (2.17) |
| Net cash flow from/(used in) financing activities (C) | 4,899.18 | (1,804.11) |

Cash Flow Statement (Cont....)

(₹ in Lakhs)

| PARTICULARS | 31st March 2012 (₹) in Lakhs | 31st March 2011 (₹) in Lakhs |
|---|---------------------------------|---------------------------------|
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 10,678.80 | (186.64) |
| Effect of exchange differences on cash & cash equivalents held in foreign currency | 986.48 | 12.68 |
| Cash and cash equivalents due to merger of Monaco Petroleum Private Limited | - | 8.58 |
| Cash and cash equivalents at the beginning of the year | 1,678.02 | 1843.40 |
| Cash and cash equivalents at the end of the year | 13,343.29 | 1,678.02 |
| Components of Cash and Cash Equivalents | | |
| Cash on hand | 0.63 | 4.41 |
| With banks | | |
| - on current account | 9,124.59 | 1,509.69 |
| - on deposit account | 4,200.00 | 150.00 |
| - on unpaid dividend account * | 18.07 | 13.92 |
| Total Cash and Cash Equivalents (note 16) | 13,343.29 | 1,678.02 |
| * The company can utilize these balances only towards the settlement of the respective unpaid dividend. | | |

Summary of significant accounting policies

2.1

As per our report of even date.

**For and on behalf of Board of Directors of
Panama Petrochem Limited**
**For S.R.Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants**
**(Amirali E. Rayani)
Chairman**
**(Amin A. Rayani)
Managing Director & CEO**
**per Ravi Bansal
Partner
Membership No : 49365**
**(Gayatri Sharma)
Company Secretary**
**Place : Mumbai
Date : 24/05/2012**
Date : 24/05/2012

Ecs Mandate Form

BIGSHARE SERVICES PRIVATE LIMITED

Unit : **PANAMA PETROCHEM LIMITED**

E-2, Ansa Industrial Estate,
Saki-Vihar Road, Sakinaka,
Andheri (E), Mumbai : 400 072.

Dear Sir,

Payment of Dividend through Electronic Clearing System (ECS)

With reference to the circular date _____ received from Panama Petrochem Ltd., I/We hereby give my/our mandate to credit my/our Dividend on the shares held by me/us under the folio mentioned, directly to my/our bank account through the Electronic Clearing System (ECS). The details of the Bank Account are given below.

Name of the First / Sole Shareholder:
(In block letters)

Folio No:

Name of the Bank in Full and Branch:

Address and Telephone No. of the Bank:

9 Digit Code No. of the Bank and Branch as
appearing on the MICR Cheque issued
by the Bank

Type of Account with Code

Account No. as appearing on the Cheque book

Bank Ledger No. / Bank Ledger Folio No. if any
(as appearing in the Cheque book)

I/We enclose a blank cancelled Cheque / photocopy to enable you to verify the details mentioned above.

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed or lost because of incomplete or incorrect information. I/We would not hold the Company / the user institution responsible.

Signature of First / Sole Holder

Place :

Date :

PANAMA PETROCHEM LIMITED

Plot No. 3303, GIDC Industrial Estate, Ankleshwar - 393 002, Gujarat

Proxy Form

I/We _____

of _____

being a member / members of above named company, hereby appoint _____

of or failing him _____

of _____ or failing him _____

of _____

as my/our proxy to vote for me/us on my/our behalf at 30th Annual General Meeting of the Company to be held at 11.30 a.m. on Monday, 6th August, 2012 at the Conference Hall, Plot No. 3303, GIDC Industrial Estate, Ankleshwar - 393 002, Gujarat and any adjournment thereof.

Regd Folio No.: _____

Signed _____

Date _____

Please Affix
Re.1.
Revenue
Stamp

Note:

- a) The form should be signed across the stamp as per specimen signature registered with the Company.
- b) The Companies Act, 1956 lays down that the instrument, appointing a proxy shall be deposited at the Registered Office of the Company not less than Forty Eight Hours before commencement of the meeting.
- c) A Proxy need not be a member.

Attendance Slip

(To be handed over at the entrance of the Meeting Hall)

30th Annual General Meeting - August 6th, 2012.

I hereby record my presence at the Twenty Seventh Annual General Meeting of the Company held at the Registered Office of the Company at Conference Hall, Plot No. 3303, GIDC Industrial Estate, Ankleshwar - 393 002, Gujarat on Monday, August 6th 2012 at 11.30 a.m.

Full name of Member (In Block letters) _____

Regd. Folio No. _____

No. of Shares held _____

Full name of Proxy (In Block letters) _____

Member's / Proxy's Signature _____

Note: Persons attending the Annual General Meeting are requested to bring their copies of Annual Report, since no separate copies will be distributed at the Annual General Meeting.

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Email: panama@vsnl.com **website:** www.panamapetro.com