



We provide - Consistency, Quality, Service, Economy



31ST ANNUAL REPORT 2012-13

Board of Directors

| | |
|---------------------------|-------------------------|
| MR. AMIRALI E. RAYANI | Chairman |
| MR. AMIN A. RAYANI | Managing Director & CEO |
| 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 |

Company Secretary

MS. GAYATRI SHARMA

Auditors

M/S. BHUTA SHAH & 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

BSE 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: 91-2646-250 281
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 **THIRTY - FIRST ANNUAL GENERAL MEETING** of the Members of **PANAMA PETROCHEM LIMITED** will be held on Friday, 27th September, 2013 at 11:00 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, 2013 and Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Amirali E. Rayani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Samir A. Rayani, 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 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, on such remuneration as shall 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 Monday the 23rd day of September 2013 to Friday the 27th day of September 2013 (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 23rd September, 2013. 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 May, 2013

Gayatri Sharma
Company Secretary

DIRECTORS' REPORT

Dear Members

Your Directors have pleasure in presenting the **Thirty-First** Annual Report of the company together with the Audited Statement of Accounts for the Financial Year ended March 31, 2013 for your consideration and approval.

FINANCIAL HIGHLIGHTS (Stand Alone Basis)

(₹ In Lakhs)

| Particulars | As on March 31 st , 2013 | As on March 31 st , 2012 |
|---|---|---|
| Net Profit before Tax | 1,293.90 | 3,932.50 |
| Less: Provision for Taxes | 105.79 | 869.43 |
| Net Profit After Tax | 1,188.11 | 3,063.07 |
| Add : Profit Brought Forward | 10,678.85 | 8,565.78 |
| Profit available for appropriation | 11,866.96 | 11,628.85 |
| Dividend of previous year including Dividend distribution tax | - | 142.80 |
| Interim Dividend paid | - | 258.58 |
| Proposed Final Dividend | 344.30 | 172.39 |
| Dividend distribution tax | 55.85 | 69.91 |
| Less : Transfer to Reserves | 119.99 | 306.32 |
| Profit Carried Forward to Balance Sheet | 11346.82 | 10,678.85 |

OPERATIONAL PERFORMANCE

The Company had revenue from operations of ₹ 63,474.96 Lakhs during the financial year 2012-13 as against ₹ 58,422.22 Lakhs in the financial year 2011-12 showing a growth of 9% as compared to last year. Earnings before Interest, Depreciation, tax & amortization were ₹ 2,363.33 Lakhs as against ₹ 4,828.94 Lakhs during the previous year. The Company posted a Net Profit of ₹ 1,188.11 Lakhs as against ₹ 3,063.07 Lakhs in the previous year.

The profit of the company was affected because of the fluctuating raw materials cost. Consequently, margin on the finished product plunged sharply. Further, profitability was adversely impacted due to the 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.

MANAGEMENT DISCUSSION & ANALYSIS

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

DIVIDEND

Considering the profit earned during the year under review as compared to the previous year, your Directors have recommended a dividend of 40% i.e. ₹ 4/- per share for the year ended March 2013.

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.

BUY BACK OF EQUITY SHARES

As a policy of constantly rewarding and enhancing the shareholders value, your Company vide Board Resolution dated February 14th, 2013 has approved the proposal of buyback of fully paid up equity shares of the Company from open market through stock market mechanisms, at a price not exceeding 160/- per share, upto an amount not exceeding ₹ 17.87 crore being 7.97 % of the aggregate of the Company's paid up equity share capital and free reserves as at March 31st 2012.

The buyback commenced on March 20th, 2013. The Company has bought back 11,765 equity share upto March 31st 2013 and all the shares bought back in the buyback offer upto March 31st, 2013 have been extinguished as on date. Further, 62040 Equity shares were bought back as on the date of the report.

SUBSIDIARY

During the year, Panol Industries RMZ FZE, UAE was formed as a wholly owned subsidiary of the Company.

Pursuant to the General Circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, the Board of Directors of the Company has accorded its consent for not attaching the accounts of the aforesaid Subsidiary Company along with the accounts of your Company. However, the financial information pertaining to the aforesaid Company, as required in the aforesaid Circular, is provided in the Annual Report of your Company. The accounts of aforesaid Company are kept for inspection by any shareholders at the registered office of your Company. Your Company further undertakes that the Annual Accounts of the Subsidiary Company and the related detailed information

shall be made available to Shareholders of the Company on demand.

The Consolidated Audited Annual Accounts of your Company together with its subsidiary for the Financial Year 2012-2013 are being published pursuant to Clause 32 of the Listing Agreement.

COST AUDITORS

Based on the Audit Committee recommendation at its meeting held on 29th May, 2013, Mr. Girikrishna S. Maniar, Cost Accountant (Membership No. 8202) was re-appointed by the Board as the Cost Auditor of the Company for conducting an audit of the cost accounting records of the Company for financial year commencing from 1st April, 2013 to 31st March, 2014.

Cost Audit Report for the Financial Year 2012-2013 will be submitted by Cost Auditor along with his observations and suggestions, and annexure to the Central Government within the stipulated time period.

The Cost Audit Report for the financial year 2011-2012 was submitted to the Central Government within the stipulated time.

LISTING OF SHARES

Your Company's shares are listed on the BSE Limited and National Stock Exchange of India Limited. The Company has paid the listing fees for the year 2012-2013. The GDRs of the Company are listed on Luxembourg Stock Exchange.

CORPORATE GOVERNANCE

Your company has implemented all the mandatory requirements pursuant to Clause 49 of the Listing Agreement. A separate report on Corporate Governance is given as a part of the Annual Report along with the certificate received from the practicing Company Secretary, M/s. Milind Nirkhe & Associates, Company Secretaries, confirming the compliance.

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.

INSURANCE

Your Company has taken adequate insurance cover for all its assets.

CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible Company, your Company has a strong sense of community responsibility.

As its operations have expanded, your Company has retained a collective focus on the various areas of corporate sustainability that impact people, environment and the society at large. Founded on the philosophy that society is not just another stakeholder in its business, but the prime purpose of it, the Company, across its various operations is committed to making a positive contribution.

As a policy, your Company promotes and encourages economic and social development within its communities while providing active support to local initiatives for upliftment of society in general.

In discharge of social obligations, your company regularly contributes to trusts formed for charitable purpose.

TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the provisions of Section 205C of the Companies Act, 1956, the amounts of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the unpaid dividend account of the Company are required to be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India. Consequently no claim shall lie against the Company in respect of any such amounts.

The amount of unpaid / unclaimed dividend up to the financial year 2004-2005 has been transferred to IEPF. The unpaid / unclaimed dividend amount of equity shares of the Company for the financial year 2005-2006 are due for transfer to the said fund in the month of November, 2013. Members who have not yet encashed their warrant (s) are requested to make their claims to the Company without any delay.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A. Conservation of Energy:

The Company is aware of 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 | 0.31 |
| Revenue | 29.13 |
| Total R & D Expenditure | 29.44 |
| Total Turnover | 63,474.96 |
| Total R & D Expenditure as a Percentage of total turnover | 0.05% |

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 | 22,149.60 |
| Total Foreign Exchange outflow | 43,681.11 |

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 the Companies (Particulars of Employees) Amendment Rules, 2011. Hence, no particulars are required to be disclosed in this Report.

CONSOLIDATED FINANCIAL STATEMENTS

The Audited Consolidated Financial Statements have been prepared in accordance with the Accounting Standard (AS) 21 on Consolidated Financial Statement read with Accounting Standard (AS) 23 on Accounting for Investment in Associates, notified under section 211 (3C) of the Companies Act, 1956.

DIRECTORS

After the last Annual General Meeting, Mr. Moiz H. Motiwala and Mr. Hussein V. Rayani have resigned from the Board.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Amiral E. Rayani and Mr. Samir A. Rayani retire by rotation and being eligible offer themselves for re-appointment. Directors recommend their re-appointment.

AUDITORS

M/s Bhuta Shah & Co., Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible to offer themselves for re-appointment.

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, 2013 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 May, 2013

Amirali E Rayani
Chairman

Form 'A'

(Amount in ₹)

| Particulars | As on March 31, 2013 | As on March 31, 2012 |
|--|-----------------------------|-----------------------------|
| A) Power & Fuel Consumption | | |
| 1. Electricity | | |
| a) Purchase of Units | 8,20,683 | 1,036,198 |
| Total Cost | 47,90,820 | 5,972,370 |
| Rate per Unit | 5.84 | 5.76 |
| 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 | 49839 | 36631 |
| Total Cost | 1647430 | 853764 |
| Rate per Unit | 33.06 | 23.31 |

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Panama Petrochem Ltd. presents the analysis of company for the year ended on 31st March 2013 and its outlook for the future. This outlook is based on assessment of the 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 2013 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 2013.

INDUSTRY OVERVIEW

The petroleum specialty product industry in India has been one of the fastest growing industries in the country. Since the beginning, the industry has shown an enviable rate of growth. The sector has a significant growth potential. However, for last couple of years, global oil sector was affected by high feedstock Prices and slower growth in demand. Although the current per capita consumption of petroleum products is low, the demand for the same is growing.

India is at a threshold of growth in consumption of petrochemicals due to increased domestic demand, booming middle class, still nascent retail sector, and focus on infrastructure. The demand for Automobiles, Packaging and Medicare is likely to remain strong. Combining all the petrochemical sectors, demand in India is expected to be robust in coming years. This industry also has immense importance in the growth of economy of the country and the growth and development of manufacturing industry as well. It provides the foundation for manufacturing industries like cosmetic, packaging, pharmaceuticals, agriculture, textiles etc.

BUSINESS OVERVIEW

Established in 1982, Panama Petrochem Ltd., today is one of the leading manufacturers and exporters for various kinds of Petroleum specialties. Company's diverse range of products includes Mineral Oils, Liquid Paraffins, Transformer Oils, Petroleum Jellies, Ink Oils, and other Petroleum Specialty Products.

MANUFACTURING FACILITIES

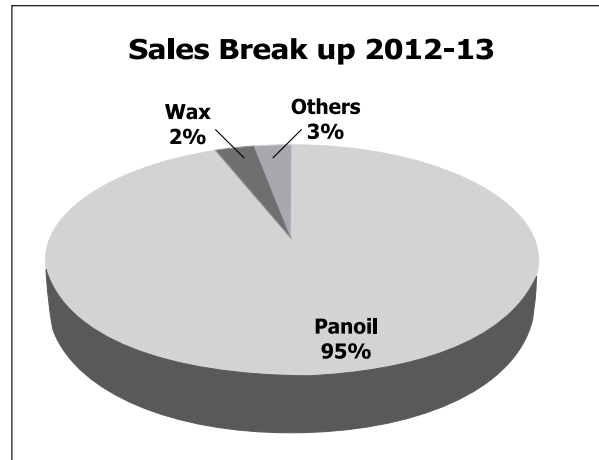
The Company has adequate manufacturing capacity to cater the domestic as well as International requirements. Its four manufacturing units, all located in western India, namely in Ankleshwar (Gujarat), Daman (Union Territory), Taloja

(Raigadh, Maharashtra) and Dahej (Bharuch, Gujarat). The Company's products are exported to more than 40 countries globally. The Company has a fully equipped state-of-the-art Research and Development Center at its Ankleshwar unit where it formulates new and value-added products. The Company manufactures more than 80 product variants used across 6-7 broad industry segments.

The Company develops customised products as per client specification in the field of petroleum and feeds to various industries like Printing Ink, Resin, Cosmetics, Rubber products, Pharmaceuticals, Engineering, Texturising and Chemicals including Petro Chemicals.

Over the years, the Company has forged strong relations with its clientele, comprising of leading names across sectors. Its ability to offer customised products complying with global quality standards has enabled to generate not only repeat business from existing clients, but also general referral business from new clients.

PRODUCT WISE SALES BREAK UP FOR THE FINANCIAL YEAR 2012-13



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

FUTURE OUTLOOK

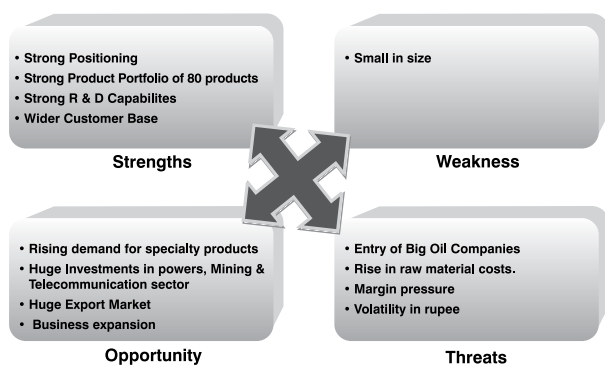
Though the outlook for the Indian economy at present looks somewhat gloomy in line with the world economies, the future may not be as bleak as it is made out to be. This is because the Indian economy has certain inherent strengths and resilience to withstand these downturns. The power sector as in the past continues to show growing demand. However, the volatile base oil prices, slowing automotive sector and depreciating rupee could dampen the demand for the petroleum products. With slowing down

of the economy, the spending of the general masses may not increase much, which in turn may affect the growth potential for other petroleum specialty products.

The Company is planning to expand its operations to withstand against the negative market forces. In view of that, the company has opened a wholly owned subsidiary in UAE. 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 petroleum specialty products. This will result in a significant growth in this industry. Growing demand from the plastic industry, rubber industry, personal care industry, and power sector will lead to a strong demand in petroleum products. 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. The Company believes that it is in 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 ₹ 58,422.22 Lakhs in the financial year 2011-12 to ₹ 63,474.96 Lakhs in the financial year 2012-13 showing a growth of over 9% as compared to the last financial year.

The profit after tax has come down to ₹ 1,188.11 Lakhs against ₹ 3,063.07 Lakhs during the previous year.

The year under review was a challenging year. The extreme volatility of the Indian Rupee, significant slowdown in the economy, acute tightness of the financial markets, and inflationary pressures were amongst the main reasons for reduced Profit of the year.

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.

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

Place : Mumbai
Date : 29th May, 2013

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

Your Company's Board comprises of 6 Directors with considerable experience in their respective fields. Of these 3 are Executive Directors and 3 Non Executive (Independent) Directors. The Chairman of the Board is an Executive Director.

(b) Meetings and attendance during the year

4 Board Meetings were held during the financial year 1st April 2012 to 31st March 2013. 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 2012 to 31st March 2013 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 | 4 | 100 | Yes |
| 2 | Mr. Amin A. Rayani | ED | 4 | 100 | Yes |
| 3 | Mr. Hussein V. Rayani (resigned w.e.f 25 th March, 2013) | ED | 4 | 100 | No |
| 4 | Mr. Samir A. Rayani | ED | 2 | 50 | No |
| 5 | Mr. Mukesh T. Mehta | NED | 3 | 75 | No |
| 6 | Mr. Dilip S. Phatarphekar | NED | 4 | 100 | No |
| 7 | Mr. Madan Mohan Jain | NED | 4 | 100 | No |
| 8 | Mr. Moiz H. Motiwala (resigned w.e.f 15 th October, 2012) | NED | 2 | 100 | 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, 2012 to March 31, 2013, 4 (Four) meetings were held on the following dates:

24th May, 2012, 13th August, 2012, 30th October, 2012 and 14th February, 2013.

(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:

- To review financial reporting process, all financial statements.
- To recommend appointment / re-appointment / replacement / removal/ Audit fees / any other fees of Statutory Auditor.
- 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, 2012 to March 31, 2013. 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. Madan Mohan Jain (Chairman w.e.f. 30 th October, 2012) | 4 | 100 |
| Mr. Moiz H. Motiwala (resigned w.e.f. 15 th October, 2012) | 2 | 100 |
| Mr. Mukesh Mehta | 3 | 75 |
| Mr. Samir A. Rayani (appointed w.e.f. 30 th March 2013) | NA | NA |
| Mr. Hussein V. Rayani (appointed w.e.f. 17 th October, 2012 & resigned on 25 th March 2013) | 2 | 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 24th May, 2012, was held during the financial year 1st April 2012 to 31st March 2013. 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 (resigned w.e.f. 15 th October, 2012) | 1 | 100 |
| Mr. Mukesh Mehta | 1 | 100 |
| Mr. Madan Mohan Jain (appointed w.e.f. 30 th October, 2012) | NA | NA |
| 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 2012 to 31st March 2013 except sitting fee for attending Board meetings and committee meetings.

(d) Details of the Executive Directors Remuneration for the financial year ended 31st March, 2013

(₹. in Lakhs.)

| REMUNERATION | DIRECTORS | | | | |
|---|---|------------------------|---|-------------------------|------------------------------|
| | Executive Directors | | | | Non-Executive Directors (₹.) |
| | Mr. Amirali E Rayani (₹.) | Mr. Amin A Rayani (₹.) | Mr. Hussein V Rayani (resigned w.e.f. 25 th March 2013) (₹.) | Mr. Samir A Rayani (₹.) | |
| (a) Salary & Allowances (fixed) | 24.00 | 21.00 | 18.00 | 18.00 | Nil |
| (b) Benefits & Perquisites | Nil | Nil | Nil | Nil | Nil |
| (c) Bonus / Commission Additional Salary | 2.00 | 1.75 | 1.50 | 1.50 | 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 2012-13.

- (e) **Details of the Sitting Fees paid to Non-Executive Directors for the financial year ended 31st March, 2013**

| Name of the Non-Executive Director | Amount of Sitting Fees Paid (Amount in ₹) |
|------------------------------------|---|
| Mr. Madan Mohan Jain | 80,000 |
| Mr. Dilip Phatarphekar | 85,000 |
| Mr. Moiz Motiwala | 45,000 |
| Mr. Mukesh Mehta | 80,000 |

- (f) **Shareholdings of Non-Executive Directors**

None of the Non-Executive Directors held shares in the Company as on 31st March, 2013.

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, 2012 to March 31, 2013.

- (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 6 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 2013.

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 |
|------|----------------------------------|---|------------|-------------------------------------|
| 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 |
| 2012 | 6 th August, 2012 | Plot No. 3303, G.I.D.C. Estate, Ankleshwar - 393 002, Gujarat | 11:30 A.M. | 0 |

- (b) **Postal Ballot**

The Company had not conducted any postal ballot during the year and there is no resolution proposed to be passed by postal ballot at the ensuing Annual General Meeting.

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

Mr. Amirali E. Rayani and Mr. Samir A. Rayani, Directors who shall be retiring in this AGM, being eligible have offered themselves for re-appointment. Brief particulars of these gentlemen are as follows:

- **Mr. Amirali E. Rayani :**

Mr. Amirali E. Rayani is a matriculate. He is the main promoter of the Company and has been actively associated with the Company since its inception and has played a key role in bringing the Company to its present heights. He has an experience of over 35 years in Petroleum industry. He oversees the entire operations.

- **Mr. Samir A. Rayani :**

Mr. Samir Rayani holds a bachelors degree in engineering (Chemical) from Mumbai University. He has been associated as a Whole-Time Director overseeing the administrative aspects of the Company. He has a wide knowledge of production and marketing of Petroleum Products.

| Particulars | Mr. Amirali E. Rayani | Mr. Samir Rayani |
|---|---|--|
| DIN | 00002616 | 00002674 |
| Father's Name | Essabhai Rayani | Akbarali E Rayani |
| Date of Birth | 26/02/1944 | 19/12/1975 |
| Address | Rayani House, 30, Mount Mary Road, Bandra (W), Mumbai - 50. | 5 th Floor, Rayani House, 30, Mount Mary Road, Bandra (W), Mumbai - 50. |
| Designation | Chairman | Director |
| Education | SSC | B.E. |
| Companies in which holds Directorship | Nil | Nil |
| Companies in which holds membership of committees | Nil | Nil |
| Shareholding in the Company (No. & %) | 164,800 (1.91%) equity shares | 218,500 (2.54%) equity shares |

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. SUBSIDIARIES

Your Company does not have any Indian Subsidiary Company. However, the Company has one Subsidiary Company incorporated abroad.

9. 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.

(f) Details of compliance with mandatory requirements

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. It is also confirmed that no personnel has been denied access to the Audit Committee.

(g) Adoption of non mandatory requirements

• Remuneration /Nomination Committee

The Board has set up a nomination/remuneration Committee, details whereof are furnished in point no. 4 of this report.

• Audit qualifications

The financial results of the Company are unqualified.

• Whistle Blower Policy

The Company has formulated a policy for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. The policy also lays down the mechanism to prohibit managerial personnel from taking adverse action against employees, who are disclosing in good faith alleged wrongful conduct on matter of public concern involving violation of law, mismanagement, misappropriation of public funds etc.

Employees aware of any alleged wrongful conduct are encouraged to make a disclosure to the Audit Committee. The policy shall also provide for direct access to the Chairman of the Audit Committee.

10. 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.

11. 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.

12. GENERAL SHAREHOLDERS INFORMATION

(a) Annual General Meeting

Day & Date : Friday, September 27th, 2013
 Time : 11.00 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, 2013 | 2 nd week of August, 2013 |
| Financial Reporting for the second quarter ending 30 th September, 2013 | 2 nd week of November, 2013 |
| Financial Reporting for the third quarter ending 31 st December, 2013 | 2 nd week of February, 2014 |
| Financial Reporting for the fourth quarter ending 31 st March, 2014 | Last Week of May, 2014 |

(c) Dates of Book Closure:

23rd September, 2013 to 27th September, 2013 (Both days inclusive)

(d) Dividend Payment Date:

Interim - N.A
 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 BSE Limited & National Stock Exchange of India Ltd.

Stock Code:

BSE 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

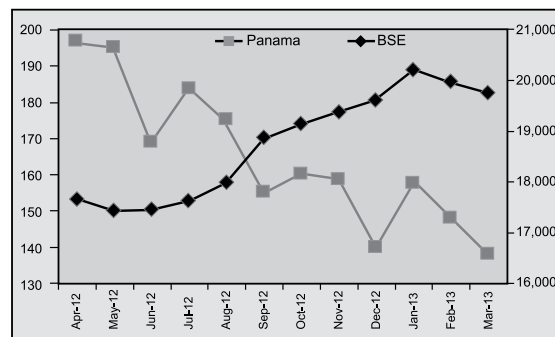
(f) Market Price Data:

High/ low of market price of the Company's equity shares traded on BSE during the last financial year 1st April 2012 to 31st March 2013 were as follows

| Month | High (₹) BSE | High (₹) NSE | Low (₹) BSE | Low (₹) NSE |
|-----------|--------------|--------------|-------------|-------------|
| April | 196.8 | 195.9 | 181.8 | 178.6 |
| May | 195.0 | 190.0 | 151.8 | 135.6 |
| June | 168.8 | 167.9 | 144.2 | 144.0 |
| July | 183.5 | 184.5 | 145.0 | 147.8 |
| August | 175.0 | 154.0 | 139.1 | 138.0 |
| September | 155.0 | 168.0 | 133.0 | 131.3 |
| October | 160.0 | 159.9 | 140.1 | 140.1 |
| November | 158.5 | 147.9 | 132.5 | 131.7 |
| December | 139.7 | 139.5 | 127.0 | 126.1 |
| January | 157.5 | 158.4 | 129.1 | 130.1 |
| February | 148.0 | 145.0 | 122.1 | 120.1 |
| March | 137.8 | 139.9 | 125.1 | 130.4 |

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

(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 BSE 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 2013:

| Shareholding of Nominal Value of | | Shareholders | | Share Amount | |
|----------------------------------|---------|--------------|------------|-----------------|------------|
| ₹. | ₹. | Number | % to Total | In ₹. | % to Total |
| (1) | (2) | (3) | (4) | (5) | (6) |
| Up to 5,000 | | 4244 | 90.01 | 4676350 | 5.43 |
| 5,001 | 10,000 | 187 | 3.97 | 1501960 | 1.74 |
| 10,001 | 20,000 | 124 | 2.63 | 1846650 | 2.14 |
| 20,001 | 30,000 | 40 | 0.85 | 1023370 | 1.18 |
| 30,001 | 40,000 | 18 | 0.38 | 645410 | 0.75 |
| 40,001 | 50,000 | 13 | 0.28 | 591700 | 0.69 |
| 50,001 | 100,000 | 25 | 0.53 | 1789870 | 2.08 |
| 100,001 and Above | | 64 | 1.36 | 74086040 | 85.99 |
| Total | | 4715 | 100 | 86161350 | 100 |

(k) Dematerialization of shares and liquidity:

As on 31st March 2013 about 96.98% 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, 2013 are 491469 representing 2457345 Equity shares constituting 28.52 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:91-2641-320980
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, Opp. Andhra Bank,
Bandra (W), Mumbai 400 050
Phone: 022- 42177777
Fax: 022- 42177788
e-mail: cs@panamapetro.com

On behalf of the Board of Directors

Place : Mumbai
Date : 29th May, 2013

Amirali E. Rayani
Chairman

CEO Certificate on Corporate Governance

To
The Members of
PANAMA PETROCHEM LIMITED

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, 2013.

For PANAMA PETROCHEM LIMITED

Place : Mumbai
Date : 29th May, 2013

Amin A. Rayani
Managing Director & CEO

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

Practicing Company Secretary's 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, 2013, 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 May, 2013

MILIND NIRKHE
Membership No: 4156
CP NO : 2312

**To,
The Board of Directors,
Panama Petrochem Limited,
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, 2013 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 LIMITED

**Amin A Rayani
Managing Director & CEO**

**Place : Mumbai
Date : 29th May, 2013**

**Pramod Maheshwari
CFO**

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

Independent Auditors' Report

To

The Members of

Panama Petrochem Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Panama Petrochem Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility on Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid

financial statements give the information required by the Act 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 31 March 2013;
- (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 the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. 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.
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in section 211(3C) of the Act;
 - e. On the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of section 274(1)(g) of the Act.
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Bhuta Shah & Co.
Chartered Accountants
Firm Registration No.: 101474W

CA. Mitesh Kothari
Partner
Membership No.: 110822

Place: Mumbai
Date : 29th May, 2013

**Annexure to Independent Auditors' Report
Referred to in paragraph 1 under the heading of
"Report on Other Legal and Regulatory Requirements"
of our Report of even date**

- (i) In respect of fixed Assets
- (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - (b) As explained to us, all the fixed assets have not been physically verified by the management during the year but there is 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) In our opinion and according to the information and explanations given to us, no fixed asset has been disposed during the year and therefore does not affect the going concern assumption
- (ii) In respect of its inventories:
- (a) As explained to us, inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) In our opinion and on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
- (iii) In respect of the loans, secured or unsecured, granted or taken by the company to / from companies, firms or other parties covered in the register maintained under section 301 of the Act:
- (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act. Consequently, the provisions of Clause 4 (iii) (b), (c) and (d) of the Order are not applicable to the Company.
 - (b) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Act. Thus, the provisions of Clause 4 (iii) (f) & (g) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories and fixed assets and payment for expenses and for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
- (v) In respect of the contracts or arrangements referred to in section 301 of the Act:
- (a) In our opinion and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
 - (b) In our opinion and as per information and explanations given to us, the transaction entered into by the company with parties covered u/s 301 of the Act and exceeding the value of ₹ five Lakhs in respect of each party during the year has been made at prices which appear reasonable as per information available with the company.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of Clause 4 (vi) of the Order are not applicable to the company.
- (vii) As per information and explanations given by the management, the Company has an internal audit system commensurate with its size and the 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 Act, 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) In respect of statutory dues:
- (a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax,

Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31 March 2013 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes except:

| Nature of the Statute | Nature of Dues | Amount (₹. Lakhs) | Amount paid (₹. Lakhs) | Period to which the amount relates | Forum where dispute is pending |
|-----------------------|--|-------------------|------------------------|------------------------------------|------------------------------------|
| Service Tax | Service tax demand raised on certain items | 10.88 | - | September 08 to November 09 | Deputy Commissioner of Service Tax |

- (x) The Company does not have any accumulated losses and has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before 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 Order 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 Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from a bank or financial institution.
- (xvi) The Company has not taken any term loan during the year and previous year. Accordingly, we are not required to comment on its utilization.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31 March 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company does not have any outstanding debentures during the year.
- (xx) The Company has not raised any monies by way of public issues during the year.
- (xxi) Based on the audit procedures performed and the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

**For Bhuta Shah & Co.
Chartered Accountants
Firm Registration No.: 101474W**

**CA. Mitesh Kothari
Partner
Membership No.: 110822**

**Place: Mumbai
Date : 29th May, 2013**

Balance Sheet as at 31st March, 2013

| Particulars | Notes | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|-------|-----------------------------|-----------------------------|
| Equity and liabilities | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 860.75 | 861.93 |
| Reserves and surplus | 4 | 22,338.67 | 21,565.41 |
| | | 23,199.42 | 22,427.34 |
| Non-current liabilities | | | |
| Deferred tax liabilities (net) | 5 | 220.84 | 55.25 |
| Long-term provision | 6 | - | - |
| | | 220.84 | 55.25 |
| Current liabilities | | | |
| Short-term borrowings | 7 | 2,189.89 | 1,048.71 |
| Trade payables | 8 | 16,076.64 | 24,820.41 |
| Other current liabilities | 8 | 106.12 | 607.89 |
| Short-term provisions | 6 | 409.10 | 203.81 |
| | | 18,781.76 | 26,680.82 |
| TOTAL | | 42,202.01 | 49,163.41 |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 9 | 7,297.02 | 5,777.03 |
| Intangible assets | 10 | - | - |
| Capital work-in-progress | | - | 344.53 |
| Non-current investments | 11 | 2,707.09 | 3.34 |
| Long-term loans and advances | 12 | 30.48 | 1,006.59 |
| Trade receivables | 13.1 | - | - |
| Other non-current assets | 13.2 | 88.18 | 88.11 |
| | | 10,122.77 | 7,219.60 |
| Current assets | | | |
| Inventories | 14 | 12,786.46 | 14,828.00 |
| Trade receivables | 13.1 | 11,902.66 | 10,388.92 |
| Cash and bank balances | 15 | 5,434.61 | 15,448.75 |
| Short-term loans and advances | 12 | 1,904.56 | 1,169.66 |
| Other current assets | 13.2 | 50.96 | 108.48 |
| | | 32,079.25 | 41,943.81 |
| TOTAL | | 42,202.01 | 49,163.41 |
| 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 Bhuta Shah & Co.

 Firm Registration No. 101474W
 Chartered Accountants

CA. Mitesh Kothari

 Partner
 Membership No : 110822

Place : Mumbai

 Date : 29th May, 2013

**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 : 29th May, 2013

Profit And Loss Account for the Year Ended March 31st, 2013

| Particulars | Notes | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------|-------------------------------------|-------------------------------------|
| Income | | | |
| Revenue from operations (gross) | 16 | 69,365.52 | 63,009.77 |
| Less : excise duty | | 5,890.56 | 4,587.55 |
| Revenue from operations (net) | | 63,474.96 | 58,422.22 |
| Other income | 17 | 232.64 | 471.07 |
| TOTAL REVENUE (I) | | 63,707.60 | 58,893.29 |
| Expenses | | | |
| Cost of material consumed | 18 | 55,674.76 | 49,375.35 |
| Purchase of traded goods | 19 | 2,072.64 | 1,669.68 |
| (Increase)/decrease in inventories of finished goods and Traded goods | 20 | 87.45 | 171.78 |
| Employee benefits expense | 21 | 318.67 | 318.86 |
| Other expenses | 22 | 3,190.74 | 2,528.68 |
| TOTAL (II) | | 61,344.27 | 54,064.35 |
| Earnings before interest, tax, depreciation and amortization (EBITDA) (I)-(II) | | 2,363.33 | 4,828.94 |
| Depreciation and amortization expense (including prior period adjustment) | 23 | 223.11 | 106.65 |
| Finance costs | 24 | 846.32 | 789.79 |
| Profit/(loss) before tax | | 1,293.90 | 3,932.50 |
| Tax expenses | | | |
| Current tax | | 260.00 | 1,020.00 |
| MAT credit entitlement | | (311.66) | - |
| Deferred tax | | 165.57 | (36.50) |
| Short/(Excess) Provision of tax relating to earlier years | | (8.12) | (114.07) |
| Total tax expense | | 105.79 | 869.43 |
| Profit/(loss) for the year | | 1,188.11 | 3,063.07 |
| Earnings per equity share [nominal value of share ₹ 10] (31 March 2012 ₹ 10) | 25 | | |
| Basic | ₹ | 13.78 | 38.87 |
| Diluted | ₹ | 13.78 | 38.87 |
| 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 Bhuta Shah & Co.

Firm Registration No. 101474W
Chartered Accountants

CA. Mitesh Kothari

Partner
Membership No : 110822

Place : Mumbai
Date : 29th May, 2013

**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 : 29th May, 2013

Notes to the financial statement for the year ended March 31, 2013

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.

2.1 Summary of significant accounting policies

(a) 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.

(b) 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.

(c) 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.

(d) 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.

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.

(e) 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

Notes to the financial statement for the year ended March 31, 2013

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.

(f) 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.

(g) 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.

(h) 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 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.

(i) Revenue Recognition

Revenue is recognized to the extent that

Notes to the financial statement for the year ended March 31, 2013

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.

(j) 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.

(k) 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.

(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.

(l) 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

Notes to the financial statement for the year ended March 31, 2013

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.

(m) 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.

Minimum Alternate Tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The company recognizes MAT credit available as an asset only to the extent there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT Credit is allowed to be carried forward. In the year in which the Company recognizes MAT Credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT Credit Entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the sufficient period.

(n) 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.

(o) 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

Notes to the financial statement for the year ended March 31, 2013

weighted average number of equity shares outstanding during the year.

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.

(p) 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

(q) 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.

(r) 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.

(s) 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 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Authorized shares 25,550,000 (31 March 2012 : 25,550,000) equity shares of ₹ 10/- each | 2,555 | 2,555 |
| Issued, subscribed and fully paid-up shares 8,607,570 (31 March 2012 : 8,619,335) equity shares of ₹ 10/- each | 860.75 | 861.93 |
| | <u>860.75</u> | <u>861.93</u> |

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

| Equity shares | 31 March 2013 | | 31 March 2012 | |
|---|-------------------------|----------------------|-------------------------|----------------------|
| | No of shares | ₹ In Lakhs | No of shares | ₹ In Lakhs |
| At the beginning of the year | 8,619,335 | 861.93 | 5,840,240 | 584.02 |
| Issued during the year :- In pursuant to the scheme of amalgamation of Monaco Petroleum Private Limited | - | - | 321,750 | 32.18 |
| Issued during the year by way of Global Depository Receipt (Refer note 40) | - | - | 2,457,345 | 245.73 |
| Buy-back of shares during the year (refer note 42) | (11,765) | (1.18) | - | - |
| Outstanding at the end of the year | <u>8,607,570</u> | <u>860.75</u> | <u>8,619,335</u> | <u>861.93</u> |

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 40). 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.

Notes to the financial statement for the year ended March 31, 2013

The amount of per share dividend recognized as distributions to equity shareholders is ₹ 4/- (31 March 2012 : ₹ 5/-).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive assets in 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 2013 No of shares | 31 March 2012 No of shares |
|--|----------------------------------|----------------------------------|
| Equity shares allotted in pursuant to the scheme of amalgamation of Monaco Petroleum Private Limited | 321,750 | 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 2013 | | 31 March 2012 | |
|--|---------------|------------------------|---------------|------------------------|
| | No of Shares | % holding in the class | No of Shares | % holding in the class |
| Equity Shares of ₹ 10 each fully paid up | | | | |
| Ms. Shelina Arifali Rayani | 557,655 | 6.48% | 557,655 | 6.47% |
| Mr. Madhukar Seth | 356,475 | 4.14% | 459,003 | 5.33% |
| Shares held by Custodian as against which global depository receipts have been issued (Citi Bank N.A.) | 2,457,345 | 28.55% | 2,457,345 | 28.51% |

4. Reserves and surplus

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Other Reserves | | |
| Investment Allowance Reserve | | |
| Balance as per the last financial statements | 0.24 | 0.24 |
| | 0.24 | 0.24 |
| Capital Redemption Reserves | | |
| Balance as per the last financial statements | - | - |
| Add : Transfer from profit & loss account on buy back of shares | 1.18 | - |
| | 1.18 | - |
| Securities Premium Account | | |
| Balance as per the last financial statements | 9,377.91 | 3,473.96 |
| Add : Premium on issue of GDR (Refer Note 40) | - | 5,988.06 |
| Less:- Expense incurred on issue of GDR (Refer Note 40) | - | 84.11 |
| | 9,377.91 | 9,377.91 |

General reserve

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Balance as per the last financial statements | 1,508.41 | 1,202.10 |
| Add : amount transferred from surplus balance in the statement of profit & loss | 118.81 | 306.31 |
| Less:- Premium paid on buy back of equity shares | 14.70 | - |
| | 1,612.52 | 1,508.41 |

Surplus/(deficit) in the statement of profit and loss

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| Balance as per last financial statements | 10,678.85 | 8,565.78 |
| Profit for the year | 1,188.11 | 3,063.07 |
| Less : Appropriations | | |
| Dividend of previous year (note 41) | - | 122.87 |
| Tax on dividend of previous year (note 41) | - | 19.93 |
| Interim equity dividend (amount per share ₹ Nil (March 12 ₹ 3)) | - | 258.58 |
| Tax on interim equity dividend | - | 41.95 |
| Proposed final equity dividend (amount per share ₹ 4 (March 12 ₹ 2)) | 344.30 | 172.39 |
| Tax on proposed final equity dividend | 55.85 | 27.97 |
| Transfer to capital redemption reserve on buy back of shares | 1.18 | - |
| Transfer to general reserve | 118.81 | 306.31 |
| Total appropriations | 520.14 | 950.00 |
| Net surplus in the statement of profit and loss | 11,346.82 | 10,678.85 |
| Total reserves and surplus | 22,338.67 | 21,565.41 |

5. Deferred tax liabilities (Net)

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Deferred tax liability | | |
| Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting | 238.82 | 165.52 |
| Gross deferred tax liability | 238.82 | 165.52 |
| 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 |
| Provision for doubtful debt | 17.98 | 37.66 |
| | 17.98 | 110.27 |
| Net deferred tax liability | 220.84 | 55.25 |

Notes to the financial statement for the year ended March 31, 2013
6. Provisions

| | Long-term | | Short-term | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| | ₹ In Lakhs | ₹ In Lakhs | ₹ In Lakhs | ₹ In Lakhs |
| Provision for employee benefits | | | | |
| Provision for gratuity (Note 27) | - | - | 7.59 | 2.28 |
| | - | - | 7.59 | 2.28 |
| Other provisions | | | | |
| Proposed equity dividend | - | - | 344.30 | 172.39 |
| Provision for tax on proposed equity dividend | - | - | 55.85 | 27.97 |
| Provision for Wealth Tax | - | - | 1.36 | 1.17 |
| | - | - | 409.10 | 203.81 |

7. Short-term borrowings

| | 31 March 2013 | 31 March 2012 |
|----------------------------------|---------------|---------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Cash credit from banks (secured) | 2,189.89 | 1,048.71 |
| | 2,189.89 | 1,048.71 |

The above amount includes

| | | |
|----------------------|----------|----------|
| Secured borrowings | 2,189.89 | 1,048.71 |
| Unsecured borrowings | - | - |

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.

8. Other Current liabilities

| | 31 March 2013 | 31 March 2012 |
|---|---------------|---------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Trade payable (refer note 33 for details of dues to micro and small enterprises) | 16,076.64 | 24,820.41 |
| Other liabilities | | |
| Capital Creditors | - | 30.18 |
| Investor Education and Protection Fund will be credited by following amount (as and when due) | | |
| Unpaid dividend | 17.11 | 18.07 |
| Other payables | | |
| Statutory Dues payable | 43.85 | 378.27 |
| Forward Contract (net) | 13.76 | 137.57 |
| Advance received against orders | 30.90 | 42.80 |
| Deposits | 0.50 | 1.00 |
| | 106.12 | 607.89 |
| | 16,182.76 | 25,428.30 |

Balance Sheet as at March 31st 2013
9. 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 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 |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| Other adjustments | - | - | (1,910.79) | - | - | - | - | - | - | - |
| Reclassification (refer note 3 below) | - | 1,910.79 | - | - | - | - | - | - | - | - |
| - Borrowing costs | - | - | - | - | - | - | - | - | - | - |
| 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 |
| Additions | - | 73.30 | 52.53 | 1,347.18 | 92.22 | 14.25 | 2.55 | 121.45 | 39.62 | 1,743.10 |
| Other adjustments | - | - | - | - | - | - | - | - | - | - |
| At 31 March 2013 | 6.19 | 2,612.51 | 1,265.54 | 2,377.85 | 1,470.26 | 44.15 | 59.21 | 242.30 | 340.62 | 8,418.63 |
| Depreciation At 1 April 2011 | - | 40.00 | 296.57 | 27.48 | 290.07 | 6.82 | 31.88 | 27.70 | 71.43 | 791.95 |
| Charge for the year | - | 33.08 | (47.80) | 16.80 | 63.24 | 1.33 | 5.10 | 7.33 | 27.47 | 106.55 |
| Other adjustments | - | - | - | - | - | - | - | - | - | - |
| Reclassification (refer note 3 below) | - | 116.98 | (116.98) | - | - | - | - | - | - | - |
| At 31 March 2012 | - | 190.06 | 131.79 | 44.28 | 353.31 | 8.15 | 36.98 | 35.03 | 98.90 | 898.50 |
| Charge for the year | - | 33.82 | 43.08 | 27.80 | 66.85 | 3.63 | 5.44 | 11.35 | 31.14 | 223.11 |
| At 31 March 2013 | - | 223.88 | 174.87 | 72.08 | 420.16 | 11.78 | 42.42 | 46.38 | 130.04 | 1,121.61 |
| Net Block | | | | | | | | | | |
| 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 |
| At 31 March 2013 | 6.19 | 2,388.63 | 1,090.67 | 2,305.77 | 1,050.10 | 32.37 | 16.79 | 195.92 | 210.58 | 7,297.02 |

Notes:-

- Factory Building includes those constructed on leasehold land:
 Gross block ₹ 1,074.73 Lakhs (31 March 2012: ₹ 1,143.00 Lakhs)
 Depreciation charge for the year ₹ 36.71 Lakhs (31 March 2012: ₹ 39.11 Lakhs)
 Accumulated depreciation ₹ 133.44 Lakhs (31 March 2012: ₹ 202.23 Lakhs)
 Net book value ₹ 925.48 Lakhs (31 March 2012: ₹ 940.77 Lakhs)
- Non Factory Building includes those constructed on leasehold land:
 Gross block ₹ 29.28 Lakhs (31 March 2012: ₹ 29.82 Lakhs)
 Depreciation charge for the year ₹ 0.48 Lakhs (31 March 2012: ₹ 0.49 Lakhs)
 Accumulated depreciation ₹ 4.00 Lakhs (31 March 2012: ₹ 3.31 Lakhs)
 Net book value ₹ 25.76 Lakhs (31 March 2012: ₹ 26.51 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 previous 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 previous year.
- Gross block includes fixed assets in research & development (R&D) unit
 Furniture ₹ 4.08 Lakhs (31 March 2012: ₹ 4.08 Lakhs)
 Lab Equipments ₹ 52.26 Lakhs (31 March 2012: ₹ 51.95 Lakhs)
 Computer ₹ 00.55 Lakhs (31 March 2012: ₹ 00.55 Lakhs)
 Air Conditioner ₹ 1.14 Lakhs (31 March 2012: ₹ 1.14 Lakhs)

Notes to the financial statement for the year ended March 31, 2013
10. Intangible Assets

| | ₹ In Lakhs Software | ₹ In Lakhs Total |
|--------------------------|---------------------------|------------------------|
| Cost or valuation | | |
| At 1 April 2011 | 7.11 | 7.11 |
| Additions | - | - |
| Disposals | - | - |
| At 31 March 2012 | 7.11 | 7.11 |
| Additions | - | - |
| At 31 March 2013 | 7.11 | 7.11 |
| Depreciation | | |
| At 1 April 2011 | 7.01 | 6.76 |
| Charge for the year | - | 0.25 |
| Disposals | - | - |
| At 31 March 2012 | 7.01 | 7.01 |
| Charge for the year | 0.10 | 0.10 |
| At 31 March 2013 | 7.11 | 7.11 |
| Net Block | | |
| At 31 March 2012 | - | - |
| At 31 March 2013 | - | - |

11. 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 31.03.2013 ₹ 2.64/-, P.Y. ₹ 2.79/-) 2.18 2.18

Trade investments (valued at cost unless stated otherwise)
Unquoted Equity Instruments

18,338 (Prev Year Nil) Fully Paid Equity Shares of AED 1000/- each of Panol Industries RMC FZE 2,703.75 -
2,707.09 3.34

Aggregate amount of quoted investments (Market Value ₹ 2.64) (As on March 2012- ₹ 2.79) 2.18 2.18

Aggregate amount of unquoted investments 2,704.91 1.16

12. Loans and advances

| | Non -current | | Current | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Capital advances | | | | |
| Unsecured, considered good (A) | 5.00 | 981.35 | - | - |
| Security deposit | | | | |
| Unsecured, considered good (B) | 20.19 | 20.19 | 52.79 | 42.46 |
| Advances recoverable in cash or kind | | | | |
| Unsecured, considered good (C) | - | - | 157.59 | 292.39 |
| Other loans and advances | | | | |
| Unsecured, considered good | | | | |
| Prepaid expenses | - | - | 98.48 | 120.58 |
| Current Tax (net of provisions) | - | - | 161.97 | 145.09 |
| MAT credit entitlement (Refer note 43) | - | - | 311.66 | - |
| Loans to employees | 5.29 | 5.05 | 6.55 | 6.43 |
| Balance with statutory/ government authorities (D) | - | - | 1,115.52 | 562.71 |
| Total (A+B+C+D) | <u>30.48</u> | <u>1,006.59</u> | <u>1,904.56</u> | <u>1,169.66</u> |

13. Trade receivables and other assets
13.1 Trade receivables

| | Non -current | | Current | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Unsecured, considered good unless stated otherwise | | | | |
| Outstanding for a period exceeding six months from the date they are due for payment | - | - | 447.72 | 55.70 |
| Unsecured, considered good | - | - | 12.78 | 116.07 |
| Doubtful | - | - | 460.50 | 171.77 |
| Provision for doubtful receivables (A) | - | - | 12.78 | 116.07 |
| Other receivables | | | | |
| Unsecured, considered good (B) | - | - | 11,454.94 | 10,333.22 |
| Total (A+B) | <u>-</u> | <u>-</u> | <u>11,902.66</u> | <u>10,388.92</u> |

13.2 Other assets

| | Non -current | | Current | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Bank balance (Note 15) (A) | 88.18 | 88.11 | - | - |
| Unamortized expenditure | | | | |
| Unamortized premium on forward contract (B) | - | - | 9.10 | 23.80 |
| Others | | | | |
| Interest accrued on fixed deposits (C) | - | - | 41.86 | 84.68 |
| Total (A+B+C) | <u>88.18</u> | <u>88.11</u> | <u>50.96</u> | <u>108.48</u> |

Notes to the financial statement for the year ended March 31, 2013
14. Inventories (valued at lower of cost and net realizable value)

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| Raw Material (Refer Note 18) (Includes Goods In transit ₹ 390.68, PY- ₹ 23.29) | 11,837.92 | 13,793.21 |
| Finished Goods (Refer Note 20) (Includes Goods In transit ₹ Nil, PY- ₹ 146.55) | 274.24 | 454.88 |
| Traded Goods (Refer Note 20) | 618.83 | 525.64 |
| Packing Material (Refer Note 18) (Includes Goods In transit ₹ 3.36, PY- ₹ Nil) | 55.47 | 54.27 |
| | 12,786.46 | 14,828.00 |

15. Cash and bank balances

| | Non - current | | Current | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Cash and cash equivalents | | | | |
| Balance with banks: | | | | |
| On current accounts | - | - | 5,014.18 | 9,124.59 |
| Deposits with original maturity of less than three months | - | - | - | 4,200.00 |
| On unpaid dividend account | - | - | 17.11 | 18.07 |
| Cash on hand | - | - | 3.32 | 0.63 |
| (A) | - | - | 5,034.61 | 13,343.29 |
| Other bank balances | | | | |
| Deposits with original maturity for more than 12 months | 88.18 | 88.11 | 100.00 | 100.07 |
| Deposits with original maturity for more than 3 months but less than 12 months | - | - | 300.00 | 2,005.39 |
| | 88.18 | 88.11 | 400.00 | 2,105.46 |
| Amount disclosed under "non current asset" (Note 13.2) | (88.11) | (88.11) | - | - |
| (B) | - | - | 400.00 | 2,105.46 |
| Total (A+B) | - | - | 5,434.61 | 15,448.75 |

16. Revenue from operations

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---------------------------------|--------------------------------|--------------------------------|
| Revenue from operations | | |
| Sale of products | | |
| Finished Goods | 67,615.65 | 61,094.03 |
| Traded Goods | 1,749.87 | 1,800.39 |
| Other Operating revenue | - | 115.35 |
| Revenue from operations (gross) | 69,365.52 | 63,009.77 |
| Less : Excise duty # | 5,890.56 | 4,587.55 |
| Revenue from operations (net) | 63,474.96 | 58,422.22 |

Excise duty on sales amounting to ₹ 5,890.56 Lakhs (31 March 2012 : ₹ 4,587.55 Lakhs) has been reduced from sales in profit and loss and excise duty on increase/decrease in stock amounting to ₹ 9.68 Lakhs (31 March 2012 : ₹ (21.60) Lakhs) has been considered as (income)/expense in note 22 of financial statements.

Details of product sold

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--------------------------|--------------------------------|--------------------------------|
| Finished Goods | | |
| Panoil | 65,778.64 | 59,094.41 |
| Others | 1,837.01 | 1,999.62 |
| | 67,615.65 | 61,094.03 |
| Traded goods sold | | |
| Wax | 1,476.62 | 1,726.17 |
| Others | 273.25 | 74.22 |
| | 1,749.87 | 1,800.39 |

17. Other income

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|------------------------|--------------------------------|--------------------------------|
| Interest income on | | |
| Bank deposits | 158.62 | 228.33 |
| Others | 7.20 | 14.84 |
| Dividend income on | | |
| Long - term investment | 0.03 | 0.02 |
| Exchange Gain (net) | - | 205.17 |
| Others | 66.79 | 22.71 |
| | 232.64 | 471.07 |

18. Cost of material consumed

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Raw material consumed | | |
| Inventory at the beginning of the year | 13,793.21 | 13,853.53 |
| Add : Purchases | 52,773.70 | 48,578.60 |
| | 66,566.91 | 62,432.13 |
| Less : Inventory at the end of the year | 11,837.92 | 13,793.21 |
| Cost of raw material consumed | 54,728.99 | 48,638.92 |
| Packing material consumed | | |
| Inventory at the beginning of the year | 54.27 | 47.93 |
| Add : Purchases | 946.97 | 742.77 |
| | 1,001.24 | 790.70 |
| Less : Inventory at the end of the year | 55.47 | 54.27 |
| Cost of packing material consumed | 945.77 | 736.43 |
| Total material consumed | 55,674.76 | 49,375.35 |
| Details of raw material consumed | | |
| Base Oil | 48,638.89 | 42,246.99 |
| Others | 6,090.10 | 6,391.93 |
| | 54,728.99 | 48,638.92 |
| Details of inventory | | |
| Base oil | 11,837.92 | 13,793.21 |
| Packing material | 55.47 | 54.27 |
| | 11,893.39 | 13,847.48 |

Notes to the financial statement for the year ended March 31, 2013
19. Purchase of traded goods

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--------|--------------------------------|--------------------------------|
| Wax | 1,820.49 | 1,604.38 |
| Others | 252.15 | 65.30 |
| | <u>2,072.64</u> | <u>1,669.68</u> |

20. (Increase)/decrease in inventories

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | (Increase)/ decrease ₹ in Lakhs 31 March 2012 |
|---|-----------------------------------|-----------------------------------|---|
| Inventories at the end of the year | | | |
| Traded goods | 618.83 | 525.64 | (93.19) |
| Finished goods | 274.24 | 454.88 | 180.65 |
| | <u>893.07</u> | <u>980.52</u> | <u>87.46</u> |
| Inventories at the beginning of the year | | | |
| Traded goods | 525.64 | 806.95 | 281.31 |
| Finished goods | 454.88 | 345.35 | (109.53) |
| | <u>980.52</u> | <u>1,152.31</u> | <u>171.78</u> |
| | <u>87.45</u> | <u>171.78</u> | |

| Details of inventory of traded goods | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Traded goods | | |
| Wax | 618.83 | 525.64 |
| | <u>618.83</u> | <u>525.64</u> |
| Finished Goods | | |
| Panoil | 274.24 | 454.88 |
| | <u>274.24</u> | <u>454.88</u> |

21. Employee benefit expense

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| Salaries, wages and bonus | 296.09 | 298.85 |
| Contribution to provident and other fund | 11.72 | 8.08 |
| Gratuity expense (note 27) | 5.32 | 6.52 |
| Staff welfare expenses | 5.54 | 5.41 |
| | <u>318.67</u> | <u>318.86</u> |

22. Other expenses

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Power and fuel | 63.85 | 68.26 |
| Water Charges | 4.37 | 5.41 |
| Increase/(decrease) of excise duty on inventory | 9.68 | (21.60) |
| Repairs and maintenance | | |
| Buildings | 19.77 | 5.10 |
| Machinery | 41.84 | 36.27 |
| Others | 39.18 | 24.04 |

| | | |
|--|-----------------|-----------------|
| Insurance | 92.85 | 99.79 |
| Rent | 47.06 | 61.31 |
| Rates & Taxes | 21.68 | 20.30 |
| Communication costs | 31.15 | 27.37 |
| Legal and professional fees | 75.23 | 74.55 |
| Payment to auditor (Refer details below) | 12.50 | 21.14 |
| Clearing and Forwarding Expenses | 1,211.51 | 1,074.82 |
| Freight Outwards | 449.91 | 355.72 |
| Travelling and Conveyance | 165.32 | 133.59 |
| Advertising and Sales Promotion | 38.68 | 47.47 |
| Brokerage and Commission | 125.71 | 123.60 |
| Security Charges | 18.73 | 16.35 |
| Bad Debts and Sundry balances | | |
| Written Off | 29.53 | 16.41 |
| Provision for Doubtful Debts | (103.29) | 54.16 |
| Donation & Charity | 28.56 | 26.02 |
| Premium on forward exchange contract amortized | 141.75 | 106.36 |
| Exchange Loss (net) | 475.47 | - |
| Miscellaneous expenses | 149.70 | 152.24 |
| | <u>3,190.74</u> | <u>2,528.68</u> |

Payment to auditor (excluding service tax)
As auditor:

| | | |
|----------------|-------|-------|
| Audit fee | 12.50 | 12.20 |
| Limited review | - | 6.80 |

In other capacity:

| | | |
|---------------------------|--------------|--------------|
| Certification fees | - | 2.00 |
| Reimbursement of expenses | - | 0.14 |
| | <u>12.50</u> | <u>21.14</u> |

23. Depreciation and amortization expense

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Depreciation of tangible assets (refer note 9) | 223.11 | 106.55 |
| Amortization of intangible assets (refer note 10) | - | 0.10 |
| | <u>223.11</u> | <u>106.65</u> |

24. Finance costs

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--------------|--------------------------------|--------------------------------|
| Interest | 416.93 | 392.85 |
| Bank charges | 429.39 | 396.94 |
| | <u>846.32</u> | <u>789.79</u> |

25. Earnings per share (EPS)

| | | |
|--|--------------------------------|--------------------------------|
| The following reflects the profit and share data used in the basic and diluted EPS computations: | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Profit after tax | 1,188.11 | 3,063.07 |
| Net profit for calculation of basic and diluted EPS | 1,188.11 | 3,063.07 |
| | No of shares | No of shares |
| Weighted average number of equity shares in calculating basic EPS | 8,619,088 | 7,880,549 |
| Basic Earnings per share | 13.78 | 38.87 |
| Diluted Earnings per share | 13.78 | 38.87 |

Notes to the financial statement for the year ended March 31, 2013
26. Expenses on Scientific Research

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---------|--------------------------------|--------------------------------|
| Capital | 0.31 | 38.70 |
| Revenue | 29.13 | 33.14 |
| | <u>29.44</u> | <u>71.84</u> |

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 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Net Employee Benefit Expense recognized in the employee cost | | |
| Current service cost | 4.65 | 4.39 |
| Interest cost on benefit obligation | 2.80 | 2.14 |
| Past service Cost | - | - |
| Expected return on plan assets | (2.76) | (2.67) |
| Net actuarial (gain) / loss recognized in the year | 0.63 | 2.66 |
| Net Benefit Expense | 5.32 | 6.52 |
| Actual Return on Plan Assets | (2.79) | 1.06 |

Balance sheet Benefit asset/liability

| | Gratuity | |
|---|--------------------------------|--------------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Present Value of defined benefit obligation | 41.40 | 32.99 |
| Fair value of plan assets | 33.80 | 30.71 |
| Plan assets/(liability) | (7.60) | (2.28) |

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

| | Gratuity | |
|---|--------------------------------|--------------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Opening defined benefit obligation | 32.98 | 25.98 |
| Current service cost | 4.65 | 4.39 |
| Interest cost | 2.80 | 2.14 |
| Actuarial (gains) / losses on obligation | 1.07 | 1.05 |
| Past Service Cost | - | - |
| Benefits paid | (0.10) | (0.58) |
| Closing defined benefit obligation | 41.40 | 32.98 |

Changes in Fair Value of Plan Assets are as follows:

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| Opening fair value of planned assets | 30.72 | 29.63 |
| Expected return | 2.76 | 2.69 |
| Actuarial gain / (loss) | 0.44 | (1.60) |
| Contributions by employer | - | - |
| Benefits paid | (0.11) | - |
| Closing fair value of plan assets | 33.81 | 30.72 |

The company expects to contribute ₹ 2.76 Lakhs to gratuity in the next year (31 March 2012: ₹ 2.69 Lakhs).

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

| | Gratuity | |
|---------------------|--------------------------------|--------------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ 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 2013 | 31 March 2012 |
| Discount rate | 8.10% | 8.50% |
| 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:

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2011 ₹ In Lakhs | 31 March 2010 ₹ In Lakhs |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Gratuity: | | | | |
| Defined Benefit Obligation | 41.40 | 32.98 | 25.98 | 27.31 |
| Plan Assets | 33.81 | 30.72 | 29.64 | 27.91 |
| Surplus/(deficit) | (7.60) | (2.28) | 3.65 | 0.60 |
| Experience adjustment on plan liabilities (gain)/loss | 1.07 | 1.05 | 7.42 | 3.71 |
| Experience adjustment on plan assets loss/(gain) | (0.03) | (1.60) | 0.83 | (1.23) |

Notes to the financial statement for the year ended March 31, 2013
28. Leases

Operating Lease: company as lessee

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

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| Lease payments recognized in the statement of profit and loss for the year | 27.25 | 35.08 |

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. 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 2013 | India | Outside India | Total |
|--|-----------|---------------|-----------|
| Revenue | | | |
| Sales to external customers | 41,325.36 | 22,149.60 | 63,474.96 |
| Other segment information | | | |
| Segment assets | 40,019.67 | 2,182.35 | 42,202.02 |
| Capital Expenditure: | | | |
| Additions to tangible & intangible fixed assets (Including CWIP) | 1,743.10 | -- | 1,743.10 |
| 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 |

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

30. Capital and other commitments

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 40.98 | 228.76 |

31. Contingent Liabilities

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| i) 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 |
| | <u>10.88</u> | <u>10.88</u> |

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

32. 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 \$ 40.84 Lakhs (31 March 2012: US \$ 78.62 Lakhs) | Hedge of expected future payments to |
| ₹ 2,221.28 Lakhs (31 March 2012: ₹ 4,159.70 Lakhs) | trade payable |

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

| | 31 March 2013 \$ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 \$ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| Trade Receivables | 40.12 | 2,182.35 | 47.67 | 2,459.75 |
| Advance from Trade Receivables | 0.52 | 28.10 | 0.78 | 39.78 |
| Trade Payables | 281.78 | 15,325.68 | 388.65 | 19,749.35 |
| Balance with Banks | 76.78 | 4,176.28 | 154.13 | 7,884.74 |

Notes to the financial statement for the year ended March 31, 2013
33. Details of dues to micro and small enterprises as defined under the MSMED Act 2006 *

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ 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 | - | 4.71 |
| - Interest due on above | - | - |
| 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; | - | - |
| 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.

34. Value of imports calculated on CIF basis (accrual)

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Raw materials (Includes Goods in transit) | 41,686.31 | 39,967.21 |
| Finished goods | 1,590.98 | 1,149.92 |
| Capital goods | - | 18.58 |
| | 43,277.29 | 41,135.71 |

35. 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 Builders & Developers Pvt. Ltd.

(b) Transactions with Related Parties

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|-----------------------------------|-----------------------------------|
| Recovery of Advance | | |
| Ittefaq Ice & Cold Storage Co. Pvt. Ltd | - | 22.98 |
| Panama Builders & Developers Pvt. Ltd | - | 88.50 |
| 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 | 26.00 | 28.19 |
| Amin A Rayani | 22.75 | 29.56 |
| Samir Rayani | 19.50 | 21.15 |
| Hussein Rayani | 19.50 | 17.65 |
| Remuneration Paid to others | | |
| Akbarali Rayani | 1.17 | 1.26 |
| Vazirali Rayani | 5.85 | 6.30 |
| Salimali Rayani | 1.17 | 1.26 |
| Nilima Kheraj | 1.14 | 1.33 |
| Hussein Rayani | - | 0.90 |
| Iqbal Rayani | 1.17 | 1.26 |
| Munira Rayani | 1.24 | 1.33 |
| Arif Rayani | 1.24 | 0.33 |
| Payment of Rent | | |
| Amin A Rayani | 6.64 | 6.64 |
| Samir Rayani | 7.84 | 7.84 |
| Hussein Rayani | 1.20 | 1.20 |
| Vazir Rayani | 1.20 | 1.20 |
| Arif Rayani | 3.06 | 3.06 |

Notes to the financial statement for the year ended March 31, 2013
36. Expenditure in foreign currency (accrual basis)

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Sales Promotion Expenses | 0.71 | 1.64 |
| Brokerage & Commission | 34.12 | 55.46 |
| Bank Interest & Charges | 368.23 | 395.28 |
| Professional Fees | - | 1.99 |
| Others | 0.76 | 7.63 |
| Expenses related to GDR issue (adjusted against securities premium) (refer note 41) | - | 77.10 |
| | 403.82 | 539.10 |

37. Imported and indigenous raw materials consumed

| | % of total consumption 31 March 2013 | ₹ In Lakhs 31 March 2013 | % of total consumption 31 March 2012 | ₹ In Lakhs 31 March 2012 |
|------------|---|-----------------------------------|---|-----------------------------------|
| Imported | 89% | 48,638.89 | 88% | 42,976.76 |
| Indigenous | 11% | 6,090.10 | 12% | 5,662.16 |
| | 100% | 54,728.99 | 100% | 48,638.92 |

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

38. Net dividend remitted in foreign exchange

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|---|---|
| Period to which it relates | April 1, 2012 to 31 March 2013 | April 1, 2011 to 31 March 2012 |
| Number of non resident shareholders | - | - |
| Number of equity shares in Lakhs held on which dividend was due | - | - |
| Amount remitted in USD | - | - |

39. Earnings in foreign exchange (accrual basis)

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|------------------------|--------------------------------|--------------------------------|
| Exports at F.O.B Value | 22,149.60 | 23,397.84 |
| | 22,149.60 | 23,397.84 |

40. 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 ₹ 253.68 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 ₹ Nil (Previous Year ₹ 97.30 Lakhs) on account of issue expenses towards the issue of Global Depository Receipts, has been adjusted against Securities Premium.

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

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| I Sources of Funds | | |
| Opening Balance in banks in Current Account outside India | 7,033.52 | - |
| Proceeds from issue of GDR's | - | 6,233.79 |
| Issue expenses | - | 97.30 |
| Net Proceeds | 7,033.52 | 6,136.49 |
| II Utilization of funds | 3,308.61 | - |
| III Unutilized funds | 3,724.91 | 6,136.49 |
| IV Interim Utilization of Balance Funds | | |
| Balance in banks in Current Account outside India # | 3,724.91 | 7,033.52 |
| # After adjustment of exchange gain | | |

41. 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.

42. In accordance with section 77A, 77AA and 77B of the Companies Act, 1956 and pursuant to the buy back announcement made by the Company on 1st March 2013, the Company has bought back from open market through stock exchanges 11,765 equity shares of ₹ 10 each during the year for a total consideration of ₹ 15.88 Lakhs. of this, the Company has extinguished 3200 equity shares till 31st March, 2013 and 8,565 equity shares have been extinguished subsequent to the balance sheet date. Consequently, an amount of ₹ 1.18 Lakhs being the nominal value of equity shares bought back has been transferred to Capital Redemption Reserve from profit & loss account. An amount of ₹ 14.70 Lakhs being the premium on buyback has been appropriated from General Reserve.

43. Taxation

"Minimum Alternate Tax (MAT) :- The Company has during the year, provided the current year tax liability of ₹ 260 Lakhs (previous year ₹ Nil) calculated in accordance with the provisions of Section 115JAA of the Income Tax Act, 1961. The MAT credit entitlement in respect of MAT liability for the current and earlier years has been assessed ₹ 312.79 Lakhs as at March 31, 2013 and is disclosed under 'Loans and advances'.

44. Previous year figures

The company has reclassified previous year figures to conform to this year's classification.

As per our report of even date

For Bhuta Shah & Co
Firm registration No.: 101474W
Chartered Accountants

CA. Mitesh Kothari
Partner
Membership No : 110822

Place : Mumbai
Date : 29th May, 2013

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

Amirali E Rayani
Chairman

Amin A Rayani
Managing Director & CEO

Gayatri Sharma
Company Secretary
Place : Mumbai
Date : 29th May, 2013

Cash Flow Statement for the Year Ended on 31st March 2013

| PARTICULARS | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|-----------------------------|-----------------------------|
| Cash Flow from operating activities | | |
| Profit before tax | 1,293.90 | 3,932.50 |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| Depreciation/amortization | 223.11 | 106.65 |
| Provision for bad and doubtful debt | (103.29) | 54.16 |
| Unrealized foreign exchange loss/(gain) | 1,542.85 | (1,376.21) |
| Interest expense | 846.32 | 789.79 |
| Interest income | (165.82) | (243.16) |
| Dividend Income | (0.03) | (0.02) |
| Operating profit before working capital changes | <u>3,637.06</u> | <u>3,263.71</u> |
| (Increase)/decrease in Trade Receivables | (1,410.45) | (1,373.37) |
| (Increase)/decrease in Inventory | 2,041.54 | 225.76 |
| (Increase)/decrease in Loans and advances and other assets | (349.08) | 121.08 |
| Increase/(decrease) in Trade Payables | (9,383.58) | 7,500.72 |
| Increase/(decrease) in other liabilities and provisions | <u>(495.32)</u> | <u>(786.55)</u> |
| Cash generated from/(used in) operations | (5,959.83) | 8,951.35 |
| Direct taxes paid (Net of refunds) | 268.77 | 989.24 |
| Net cash flow from/(used in) operating activity (A) | <u>(6,228.59)</u> | <u>7,962.11</u> |
| Cash flows from investing activities | | |
| Purchase of fixed assets, including intangible assets, CWIP and capital advances | (422.22) | (617.27) |
| Investments in bank deposits | - | (2,005.39) |
| Investment in Subsidiary (having original maturity of more than three months) | (2,703.75) | - |
| Redemption/maturity of bank deposits (having original maturity of more than three months) | 1,705.39 | 196.99 |
| Interest received | 165.82 | 243.16 |
| Dividend received | 0.03 | 0.02 |
| Net cash flow from/(used in) investing activities (B) | <u>(1,254.73)</u> | <u>(2,182.49)</u> |
| Cash flows from financing activities | | |
| Proceeds from issuance of share capital | - | 6,149.69 |
| Buy back of Shares | (15.88) | - |
| Proceeds/ (Repayment) from/of short-term borrowing (net) | 1,141.18 | 336.54 |
| Interest paid | (846.32) | (789.79) |
| Dividend and tax on dividend paid on Equity Shares | <u>(201.31)</u> | <u>(797.26)</u> |
| Net cash flow from/(used in) financing activities (C) | <u>77.66</u> | <u>4,899.18</u> |

Cash Flow Statement (Cont....)

| PARTICULARS | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|-------------------------------------|-------------------------------------|
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | (7,405.66) | 10,678.80 |
| Effect of exchange differences on cash & cash equivalents held in foreign currency | (903.02) | 986.48 |
| Cash and cash equivalents at the beginning of the year | 13,343.29 | 1678.02 |
| Cash and cash equivalents at the end of the year | 5,034.61 | 13,343.29 |
| Components of Cash and Cash Equivalents | | |
| Cash on hand | 3.32 | 0.63 |
| With banks | | |
| - on current account | 5,014.18 | 9,124.59 |
| - on deposit account | - | 4,200.00 |
| -on unpaid dividend account * | 17.11 | 18.07 |
| Total Cash and Cash Equivalents (note 16) | 5,034.61 | 13,343.29 |
| * 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 Bhuta Shah & Co.
Firm Registration No. 101474W
Chartered Accountants

CA. Mitesh Kothari
Partner
Membership No : 110822

Place : Mumbai
Date : 29th May, 2013

**For and on behalf of Board of Directors of
Panama Petrochem Limited**

(Amirali E. Rayani)
Chairman

(Amin A. Rayani)
Managing Director & CEO

(Gayatri Sharma)
Company Secretary

Place : Mumbai
Date : 29th May, 2013

Independent Auditors' Report

To
**The Members of
Panama Petrochem Limited**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Panama Petrochem Limited ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility on Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the Group preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the reports of other auditors on the financial statements of the subsidiary, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;
- (b) In the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) In the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matters

1. Financial statements of the subsidiary which reflects total assets (net) of ₹ 2,713.02 Lakhs as at 31 March 2013, total revenue (net) of ₹ Nil and net cash flows amounting to ₹ 16.38 Lakhs for the year then ended, have been audited by other auditors.
2. We have relied on the audited financial statements of the subsidiary.

Our opinion is not qualified in respect of other matters.

**For Bhuta Shah & Co.
Chartered Accountants
Firm Registration No.: 101474W**

**Place: Mumbai
Date : 29th May, 2013**

**CA. Mitesh Kothari
Partner
Membership No.: 110822**

Consolidated Balance Sheet as at 31st March, 2013

| Particulars | Notes | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|-------|-----------------------------|-----------------------------|
| Equity and liabilities | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 860.75 | 861.93 |
| Reserves and surplus | 4 | 22,347.93 | 21,565.41 |
| | | 23,208.68 | 22,427.34 |
| Non-current liabilities | | | |
| Deferred tax liabilities (net) | 5 | 220.84 | 55.25 |
| Long-term provision | 6 | - | - |
| | | 220.84 | 55.25 |
| Current liabilities | | | |
| Short-term borrowings | 7 | 2,189.89 | 1,048.71 |
| Trade payables | 8 | 16,076.64 | 24,820.41 |
| Other current liabilities | 8 | 106.12 | 607.89 |
| Short-term provisions | 6 | 409.10 | 203.81 |
| | | 18,781.76 | 26,680.82 |
| TOTAL | | 42,211.27 | 49,163.41 |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 9 | 7,297.02 | 5,777.03 |
| Intangible assets | 10 | - | - |
| Capital work-in-progress | | 562.54 | 344.53 |
| Non-current investments | 11 | 3.33 | 3.34 |
| Long-term loans and advances | 12 | 249.45 | 1,006.59 |
| Trade receivables | 13.1 | - | - |
| Other non-current assets | 13.2 | 88.18 | 88.11 |
| | | 8,200.52 | 7,219.60 |
| Current assets | | | |
| Inventories | 14 | 12,786.46 | 14,828.00 |
| Trade receivables | 13.1 | 11,902.66 | 10,388.92 |
| Cash and bank balances | 15 | 5,450.99 | 15,448.75 |
| Short-term loans and advances | 12 | 1,916.75 | 1,169.66 |
| Other current assets | 13.2 | 1,953.90 | 108.48 |
| | | 34,010.75 | 41,943.81 |
| TOTAL | | 42,211.27 | 49,163.41 |
| 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 Bhuta Shah & Co.

 Firm Registration No. 101474W
 Chartered Accountants

CA. Mitesh Kothari

 Partner
 Membership No : 110822

Place : Mumbai

 Date : 29th May, 2013

**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 : 29th May, 2013

Consolidated Profit And Loss Account for the Year Ended March 31st, 2013

| Particulars | Notes | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|-------|-----------------------------|-----------------------------|
| Income | | | |
| Revenue from operations (gross) | 16 | 69,365.52 | 63,009.77 |
| Less : excise duty | | 5,890.56 | 4,587.55 |
| Revenue from operations (net) | | 63,474.96 | 58,422.22 |
| Other income | 17 | 232.64 | 471.07 |
| TOTAL REVENUE (I) | | 63,707.60 | 58,893.29 |
| Expenses | | | |
| Cost of material consumed | 18 | 55,674.76 | 49,375.35 |
| Purchase of traded goods | 19 | 2,072.64 | 1,669.68 |
| (Increase)/decrease in inventories of finished goods and Traded goods | 20 | 87.45 | 171.78 |
| Employee benefits expense | 21 | 318.67 | 318.86 |
| Other expenses | 22 | 3,190.74 | 2,528.68 |
| TOTAL (II) | | 61,344.27 | 54,064.35 |
| Earnings before interest, tax, depreciation and amortization (EBITDA) (I)-(II) | | 2,363.33 | 4,828.94 |
| Depreciation and amortization expense (including prior period adjustment) | 23 | 223.11 | 106.65 |
| Finance costs | 24 | 846.32 | 789.79 |
| Profit/(loss) before tax | | 1,293.90 | 3,932.50 |
| Tax expenses | | | |
| Current tax | | (51.66) | 1,020.00 |
| Deferred tax | | 165.57 | (36.50) |
| Short/(Excess) Provision of tax relating to earlier years | | (8.12) | (114.07) |
| Total tax expense | | 105.79 | 869.43 |
| Profit/(loss) for the year | | 1,188.11 | 3,063.07 |
| Earnings per equity share [nominal value of share ₹ 10] (31 March 2012 ₹ 10) | 25 | | |
| Basic | ₹ | 13.78 | 38.87 |
| Diluted | ₹ | 13.78 | 38.87 |
| 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 Bhuta Shah & Co.

Firm Registration No. 101474W
Chartered Accountants

CA. Mitesh Kothari

Partner
Membership No : 110822

Place : Mumbai

Date : 29th May, 2013

**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 : 29th May, 2013

Notes to the consolidated financial statement for the year ended March 31, 2013

1. Corporate Group Information

Panama Petrochem Limited is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Panama Petrochem Limited and its subsidiary (collectively referred as "the group"). The Group's principal operations are located in India and it has operation in Unite Emirates Arab. The Group 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 of consolidated financial statements

These consolidated financial statements have been prepared and presented under the historical cost convention, except as disclosed in the financial statements, on the accrual basis of accounting in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standard (AS)-21 'Consolidated Financial Statements' to the extent applicable. The consolidated financial statements are presented in Indian rupees.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous.

2.1 Summary of significant accounting policies

(a) 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.

(b) Principles of consolidation

- 1) The consolidated financial statements include the financial statements of Panama Petrochem Limited, the parent company (hereinafter referred to as 'the Company') and its subsidiary (collectively referred to as the 'Group').

The consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the parent company and the subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealized profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post acquisition increase in the relevant reserves of the subsidiaries.
- ii. The excess of the cost of acquisition of investments in the subsidiaries over the acquired portion of equity in the subsidiaries is recognized in the financial statements as 'goodwill'. The excess of acquired portion of equity in subsidiaries over the cost of acquisition of investments in the subsidiaries is recognized in the financial statements as 'capital reserve'.
- iii. Minority interest in the net assets of consolidated subsidiaries consists of:
 - (a) the amount of equity attributable to minorities at the date on which investment in subsidiary is made; and
 - (b) the minorities share of movements in equity since the date the parent and subsidiary relationship came into existence.
- iv. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.
- v. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances to the extent possible.

Notes to the consolidated financial statement for the year ended March 31, 2013

- 2) The subsidiary companies considered in the consolidated financial statements are:

| Name of the Subsidiary | Country of incorporation | Extent of holding (%) | Reporting currency | Effective date of becoming subsidiary |
|--------------------------|-------------------------------|-----------------------|--------------------|---------------------------------------|
| Panol Industries RMC FZE | United Arab Emirates (U.A.E.) | 100 | AED | 01/01/2013 |

(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.

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.

Notes to the consolidated financial statement for the year ended March 31, 2013

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

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.

Notes to the consolidated financial statement for the year ended March 31, 2013**(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.

(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.

(v) Translation of overseas subsidiary

The translation of functional currency of overseas subsidiaries into Indian Rupees is performed for assets and liabilities (excluding share capital) using the exchange rate as at the balance sheet date and for revenues, costs and expenses (except depreciation and opening and closing inventories) using average of exchange rates during the reporting year. Share capital are carried at historical cost. Depreciation is translated at the rates used for the translation of the values of the assets on which depreciation is calculated. Opening and closing inventories are translated at the rates prevalent at the commencement of the accounting year and at the balance sheet date respectively. Resultant currency translation exchange gain / loss is disclosed as "Translation Reserve" in reserves and surplus. Contingent liabilities are translated at the closing rate.

(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.

Notes to the consolidated financial statement for the year ended March 31, 2013

- 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.

Minimum Alternate Tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The company recognizes MAT credit available as an asset only to the extent there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT Credit is allowed to be carried forward. In the year in which the Company recognizes MAT Credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT Credit Entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the sufficient period.

(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.

For the purpose of calculating diluted earnings per share, the net profit or

Notes to the consolidated financial statement for the year ended March 31, 2013

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 2013 | 31 March 2012 |
|---|------------------|------------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Authorized shares 25,550,000 (31 March 2012 : 25,550,000) equity shares of ₹ 10/- each | 2,555 | 2,555 |
| Issued, subscribed and fully paid-up shares 8,607,570 (31 March 2012 : 8,619,335) equity shares of ₹ 10/- each | 860.75 | 861.93 |
| | <u>860.75</u> | <u>861.93</u> |

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

| Equity shares | 31 March 2013 | | 31 March 2012 | |
|---|-------------------------|----------------------|-------------------------|----------------------|
| | No of shares | ₹ In Lakhs | No of shares | ₹ In Lakhs |
| At the beginning of the year | 8,619,335 | 861.93 | 5,840,240 | 584.02 |
| Issued during the year :- In pursuant to the scheme of amalgamation of Monaco Petroleum Private Limited | - | - | 321,750 | 32.18 |
| Issued during the year by way of Global Depository Receipt (Refer note 40) | - | - | 2,457,345 | 245.73 |
| Buy-back of shares during the year (refer note 42) | (11,765) | (1.18) | - | - |
| Outstanding at the end of the year | <u>8,607,570</u> | <u>860.75</u> | <u>8,619,335</u> | <u>861.93</u> |

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 40). 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 ₹ 4/- (31 March 2012 : ₹ 5/-).

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

Notes to the consolidated financial statement for the year ended March 31, 2013

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 2013 No of shares | 31 March 2012 No of shares |
|--|----------------------------------|----------------------------------|
| Equity shares allotted in pursuant to the scheme of amalgamation of Monaco Petroleum Private Limited | 321,750 | 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 2013 | | 31 March 2012 | |
|--|---------------|------------------------|---------------|------------------------|
| | No of Shares | % holding in the class | No of Shares | % holding in the class |
| Equity Shares of ₹ 10 each fully paid up | | | | |
| Ms. Shelina Arifali Rayani | 557,655 | 6.48% | 557,655 | 6.47% |
| Mr. Madhukar Seth | 356,475 | 4.14% | 459,003 | 5.33% |
| Shares held by Custodians against which global depository receipts have been issued (Citi Bank N.A.) | 2,457,345 | 28.55% | 2,457,345 | 28.51% |

4. Reserves and surplus

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Other Reserves | | |
| Investment Allowance Reserve | | |
| Balance as per the last financial statements | 0.24 | 0.24 |
| | 0.24 | 0.24 |
| Capital Redemption Reserves | | |
| Balance as per the last financial statements | - | - |
| Add : Transfer from profit & loss account on buy back of shares | 1.18 | - |
| | 1.18 | - |
| Securities Premium Account | | |
| Balance as per the last financial statements | 9,377.92 | 3,473.96 |
| Add : Premium on issue of GDR (Refer Note 40) | - | 5,988.06 |
| Less:- Expense incurred on issue of GDR (Refer Note 40) | - | 84.11 |
| | 9,377.92 | 9,377.92 |
| General reserve | | |
| Balance as per the last financial statements | 1,508.41 | 1,202.10 |
| Add : amount transferred from surplus balance in the statement of profit & loss | 118.81 | 306.31 |
| Less:- Premium paid on buy back of equity shares | 14.70 | - |
| | 1,612.51 | 1,508.41 |

Foreign currency translation reserve

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------------|--------------------------------|
| Balance as per the last financial statements | - | - |
| Add:- Foreign Currency Translation during the year | 9.27 | - |
| | 9.27 | - |

Surplus/(deficit) in the statement of profit and loss

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Balance as per last financial statements | 10,678.84 | 8,565.78 |
| Profit for the year | 1,188.11 | 3,063.07 |
| Add : Balance Transferred pursuant to the scheme of amalgamation (Monaco Petroleum Private Limited) | - | - |
| Less : Appropriations | | |
| Dividend of previous year (note 41) | - | 122.87 |
| Tax on dividend of previous year (note 41) | - | 19.93 |
| Interim equity dividend (amount per share ₹ Nil (March 12 ₹ 3)) | - | 258.58 |
| Tax on interim equity dividend | - | 41.95 |
| Proposed final equity dividend (amount per share ₹ 4 (March 12 ₹ 2)) | 344.30 | 172.39 |
| Tax on proposed final equity dividend | 55.85 | 27.97 |
| Transfer to capital redemption reserve on buy back of shares | 1.18 | - |
| Transfer to general reserve | 118.81 | 306.31 |
| Total appropriations | 520.14 | 950.00 |
| Net surplus in the statement of profit and loss | 11,346.82 | 10,678.85 |
| Total reserves and surplus | 22,347.95 | 21,565.41 |

5. Deferred tax liabilities (Net)

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Deferred tax liability | | |
| Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting | 238.82 | 165.52 |
| Gross deferred tax liability | 238.82 | 165.52 |
| 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 |
| Provision for doubtful debt | 17.98 | 37.66 |
| | 17.98 | 110.27 |
| Net deferred tax liability | 220.84 | 55.25 |

Notes to the consolidated financial statement for the year ended March 31, 2013
6. Provisions

| | Long-term | | Short-term | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| | ₹ In Lakhs | ₹ In Lakhs | ₹ In Lakhs | ₹ In Lakhs |
| Provision for employee benefits | | | | |
| Provision for gratuity (Note 27) | - | - | 7.59 | 2.28 |
| | - | - | 7.59 | 2.28 |
| Other provisions | | | | |
| Proposed equity dividend | - | - | 344.30 | 172.39 |
| Provision for tax on proposed equity dividend | - | - | 55.85 | 27.97 |
| Provision for Wealth Tax | - | - | 1.36 | 1.17 |
| | - | - | 409.10 | 203.81 |

7. Short-term borrowings

| | 31 March 2013 | 31 March 2012 |
|----------------------------------|---------------|---------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Cash credit from banks (secured) | 2,189.89 | 1,048.71 |
| | 2,189.89 | 1,048.71 |
| The above amount includes | | |
| Secured borrowings | 2,189.89 | 1,048.71 |
| Unsecured borrowings | - | - |

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.

8. Other Current liabilities

| | 31 March 2013 | 31 March 2012 |
|---|---------------|---------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Trade payable (refer note 33 for details of dues to micro and small enterprises) | 16,076.64 | 24,820.41 |
| Other liabilities | | |
| Capital Creditors | - | 30.18 |
| Investor Education and Protection Fund will be credited by following amount (as and when due) | | |
| Unpaid dividend | 17.11 | 18.07 |
| Other payables | | |
| Statutory Dues payable | 43.85 | 378.27 |
| Forward Contract (net) | 13.76 | 137.57 |
| Advance received against orders | 30.90 | 42.80 |
| Deposits | 0.50 | 1.00 |
| | 106.12 | 607.89 |
| | 16,182.76 | 25,428.30 |

Notes to the consolidated financial statement for the year ended March 31, 2013
09. 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 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 |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| Other adjustments | - | - | - | - | - | - | - | - | - | - |
| Reclassification (refer note 3 below) | - | 1,910.79 | (1,910.79) | - | - | - | - | - | - | - |
| - Borrowing costs | - | - | - | - | - | - | - | - | - | - |
| 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 |
| Additions | - | 73.30 | 52.53 | 1,347.18 | 92.22 | 14.25 | 2.55 | 121.45 | 39.62 | 1,743.10 |
| Other adjustments | - | - | - | - | - | - | - | - | - | - |
| At 31 March 2013 | 6.19 | 2,612.51 | 1,265.54 | 2,377.85 | 1,470.26 | 44.15 | 59.21 | 242.30 | 340.62 | 8,418.63 |
| Depreciation | | | | | | | | | | |
| At 1 April 2011 | - | 40.00 | 296.57 | 27.48 | 290.07 | 6.82 | 31.88 | 27.70 | 71.43 | 791.95 |
| Charge for the year | - | 33.08 | (47.80) | 16.80 | 63.24 | 1.33 | 5.10 | 7.33 | 27.47 | 106.55 |
| Other adjustments | - | - | - | - | - | - | - | - | - | - |
| Reclassification (refer note 3 below) | - | 116.98 | (116.98) | - | - | - | - | - | - | - |
| At 31 March 2012 | - | 190.06 | 131.79 | 44.28 | 353.31 | 8.15 | 36.98 | 35.03 | 98.90 | 898.50 |
| Charge for the year | - | 33.82 | 43.08 | 27.80 | 66.85 | 3.63 | 5.44 | 11.35 | 31.14 | 223.11 |
| At 31 March 2013 | - | 223.88 | 174.87 | 72.08 | 420.16 | 11.78 | 42.42 | 46.38 | 130.04 | 1,121.61 |
| Net Block | | | | | | | | | | |
| 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 |
| At 31 March 2013 | 6.19 | 2,388.63 | 1,090.67 | 2,305.77 | 1,050.10 | 32.37 | 16.79 | 195.92 | 210.58 | 7,297.02 |

Notes:-

- Factory Building includes those constructed on leasehold land:
Gross block ₹ 1,074.73 Lakhs (31 March 2012: ₹ 1,143.00 Lakhs)
Depreciation charge for the year ₹ 36.71 Lakhs (31 March 2012: ₹ 39.11 Lakhs)
Accumulated depreciation ₹ 133.44 Lakhs (31 March 2012: ₹ 202.23 Lakhs)
Net book value ₹ 925.48 Lakhs (31 March 2012: ₹ 940.77 Lakhs)
- Non Factory Building includes those constructed on leasehold land:
Gross block ₹ 29.28 Lakhs (31 March 2012: ₹ 29.82 Lakhs)
Depreciation charge for the year ₹ 0.48 Lakhs (31 March 2012: ₹ 0.49 Lakhs)
Accumulated depreciation ₹ 4.00 Lakhs (31 March 2012: ₹ 3.31 Lakhs)
Net book value ₹ 25.76 Lakhs (31 March 2012: ₹ 26.51 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 previous 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 previous year.
- Gross block includes fixed assets in research & development (R&D) unit
Furniture ₹ 4.08 Lakhs (31 March 2012: ₹ 4.08 Lakhs)
Lab Equipments ₹ 52.26 Lakhs (31 March 2012: ₹ 51.95 Lakhs)
Computer ₹ 00.55 Lakhs (31 March 2012: ₹ 00.55 Lakhs)
Air Conditioner ₹ 1.14 Lakhs (31 March 2012: ₹ 1.14 Lakhs)

Notes to the consolidated financial statement for the year ended March 31, 2013
10. Intangible Assets

| | ₹ In Lakhs Software | ₹ In Lakhs Total |
|--------------------------|------------------------|---------------------|
| Cost or valuation | | |
| At 1 April 2011 | 7.11 | 7.11 |
| Additions | - | - |
| Disposals | - | - |
| At 31 March 2012 | 7.11 | 7.11 |
| Additions | - | - |
| At 31 March 2013 | 7.11 | 7.11 |
| Depreciation | | |
| At 1 April 2011 | 7.01 | 6.76 |
| Charge for the year | - | 0.25 |
| Disposals | - | - |
| At 31 March 2012 | 7.01 | 7.01 |
| Charge for the year | 0.10 | 0.10 |
| At 31 March 2013 | 7.11 | 7.11 |
| Net Block | | |
| At 31 March 2012 | - | - |
| At 31 March 2013 | - | - |

11. 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 31.03.2013 ₹ 2.64/-, P.Y. ₹ 2.79/-)

2.18 2.18

3.33 3.34

Aggregate amount of quoted investments (Market Value ₹ 2.64) (As on March 2012- ₹ 2.79)

2.18 2.18

Aggregate amount of unquoted investments

1.15 1.16

12. Loans and advances

| | Non -current | | Current | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Capital advances | | | | |
| Unsecured, considered good | 223.96 | 981.35 | - | - |
| (A) | 223.96 | 981.35 | - | - |
| Security deposit | | | | |
| Unsecured, considered good | 20.19 | 20.19 | 52.79 | 42.46 |
| (B) | 20.19 | 20.19 | 52.79 | 42.46 |
| Advances recoverable in cash or kind Unsecured, considered good | | | | |
| (C) | - | - | 157.86 | 292.39 |
| | - | - | 157.86 | 292.39 |
| Other loans and advances | | | | |
| Unsecured, considered good | | | | |
| Prepaid expenses | - | - | 110.40 | 120.58 |
| Current Tax (net of provisions) | - | - | 161.97 | 145.09 |
| MAT credit entitlement (Refer note 43) | - | - | 311.66 | - |
| Loans to employees | 5.29 | 5.05 | 6.55 | 6.43 |
| Balance with statutory/ government authorities | - | - | 1,115.52 | 562.71 |
| (D) | 5.29 | 5.05 | 1,706.10 | 834.81 |
| Total (A+B+C+D) | 249.45 | 1,006.59 | 1,916.75 | 1,169.66 |

13. Trade receivables and other assets
13.1 Trade receivables

| | Non -current | | Current | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Unsecured, considered good unless stated otherwise | | | | |
| Outstanding for a period exceeding six months from the date they are due for payment | - | - | 447.72 | 55.70 |
| Unsecured, considered good | - | - | 12.78 | 116.07 |
| Doubtful | - | - | 460.50 | 171.77 |
| Provision for doubtful receivables | - | - | 12.78 | 116.07 |
| (A) | - | - | 447.72 | 55.70 |
| Other receivables | | | | |
| Unsecured, considered good | - | - | 11,454.94 | 10,333.22 |
| (B) | - | - | 11,454.94 | 10,333.22 |
| Total (A+B) | - | - | 11,902.65 | 10,388.92 |

13.2 Other assets

| | Non -current | | Current | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Bank balance (Note 15) | (A) 88.18 | 88.11 | 1,902.94 | - |
| Unamortized expenditure | | | | |
| Unamortized premium on forward contract | - | - | 9.10 | 23.80 |
| (B) | - | - | 9.10 | 23.80 |
| Others | | | | |
| Interest accrued on fixed deposits | - | - | 41.86 | 84.68 |
| (C) | - | - | 41.86 | 84.68 |
| Total (A+B+C) | 88.18 | 88.11 | 1,953.90 | 108.48 |

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

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|--------------------------|--------------------------|
| Raw Material (Refer Note 18) (Includes Goods In transit ₹ 390.68, PY- ₹ 23.29) | 11,837.92 | 13,793.21 |
| Finished Goods (Refer Note 20) (Includes Goods In transit ₹ Nil, PY- ₹ 146.55) | 274.24 | 454.88 |
| Traded Goods (Refer Note 20) | 618.83 | 525.64 |
| Packing Material (Refer Note 18) (Includes Goods In transit ₹ 3.36, PY- ₹ Nil) | 55.47 | 54.27 |
| | 12,786.46 | 14,828.00 |

15. Cash and bank balances

| | Non - current | | Current | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
| Cash and cash equivalents | | | | |
| Balance with banks: | | | | |
| On current accounts | - | - | 5,030.57 | 9,124.59 |
| Deposits with original maturity of less than three months | - | - | - | 4,200.00 |
| On unpaid dividend account | - | - | 17.11 | 18.07 |
| Cash on hand | - | - | 3.32 | 0.63 |
| (A) | - | - | 5,051.00 | 13,343.29 |

Notes to the consolidated financial statement for the year ended March 31, 2013

| | Non - current | | Current | |
|--|---------------|---------------|-----------------|-----------------|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| | ₹ In Lakhs | ₹ In Lakhs | ₹ In Lakhs | ₹ In Lakhs |
| Other bank balances | | | | |
| Deposits with original maturity for more than 12 months | 88.18 | 88.11 | 100.00 | 100.07 |
| Deposits with original maturity for more than 3 months but less than 12 months | - | - | 2,202.94 | 2,005.39 |
| | <u>88.18</u> | <u>88.11</u> | <u>2,302.94</u> | <u>2,105.46</u> |
| Amount disclosed under "non current asset" (Note 14.2) | (88.18) | (88.11) | (1,902.95) | - |
| (B) | - | - | 399.99 | 2,105.46 |
| Total (A+B) | - | - | 5,450.99 | 15,448.75 |

16. Revenue from operations

| | 31 March 2013 | 31 March 2012 |
|---------------------------------|------------------|------------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Revenue from operations | | |
| Sale of products | | |
| Finished Goods | 67,615.65 | 61,094.03 |
| Traded Goods | 1,749.87 | 1,800.39 |
| Other Operating revenue | - | 115.35 |
| Revenue from operations (gross) | 69,365.52 | 63,009.77 |
| Less : Excise duty # | 5,890.56 | 4,587.55 |
| Revenue from operations (net) | <u>63,474.96</u> | <u>58,422.22</u> |

Excise duty on sales amounting to ₹ 5,890.56 Lakhs (31 March 2012 : ₹ 4,587.55 Lakhs) has been reduced from sales in profit and loss and excise duty on increase/decrease in stock amounting to ₹ 9.68 Lakhs (31 March 2012 : ₹ (21.60) Lakhs) has been considered as (income)/expense in note 22 of financial statements.

| | 31 March 2013 | 31 March 2012 |
|--------------------------------|------------------|------------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Details of product sold | | |
| Finished Goods | | |
| Panoil | 65,778.64 | 59,094.41 |
| Others | 1,837.01 | 1,999.62 |
| | <u>67,615.65</u> | <u>61,094.03</u> |
| Traded goods sold | | |
| Wax | 1,476.62 | 1,726.17 |
| Others | 273.25 | 74.22 |
| | <u>1,749.87</u> | <u>1,800.39</u> |

17. Other income

| | 31 March 2013 | 31 March 2012 |
|------------------------|---------------|---------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Interest income on | | |
| Bank deposits | 158.62 | 228.33 |
| Others | 7.20 | 14.84 |
| Dividend income on | | |
| Long - term investment | 0.03 | 0.02 |
| Exchange Gain (net) | - | 205.17 |
| Others | 66.79 | 22.71 |
| | <u>232.64</u> | <u>471.07</u> |

18. Cost of material consumed

| | 31 March 2013 | 31 March 2012 |
|---|------------------|------------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Raw material consumed | | |
| Inventory at the beginning of the year | 13,793.21 | 13,853.53 |
| Add : Purchases | 52,773.70 | 48,578.60 |
| | <u>66,566.91</u> | <u>62,432.13</u> |
| Less : Inventory at the end of the year | 11,837.92 | 13,793.21 |
| Cost of raw material consumed | <u>54,728.99</u> | <u>48,638.92</u> |
| Packing material consumed | | |
| Inventory at the beginning of the year | 54.27 | 47.93 |
| Add : Purchases | 946.97 | 742.77 |
| | <u>1,001.24</u> | <u>790.70</u> |
| Less : Inventory at the end of the year | 55.47 | 54.27 |
| Cost of packing material consumed | <u>945.77</u> | <u>736.43</u> |
| Total material consumed | <u>55,674.76</u> | <u>49,375.35</u> |
| Details of raw material consumed | | |
| Base Oil | 48,638.89 | 42,246.99 |
| Others | 6,090.10 | 6,391.93 |
| | <u>54,728.99</u> | <u>48,638.92</u> |
| Details of inventory | | |
| Base oil | 11,837.92 | 13,793.21 |
| Packing material | 55.47 | 54.27 |
| | <u>11,893.39</u> | <u>13,847.48</u> |

19. Purchase of traded goods

| | 31 March 2013 | 31 March 2012 |
|--------|-----------------|-----------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Wax | 1,820.49 | 1,604.38 |
| Others | 252.15 | 65.30 |
| | <u>2,072.64</u> | <u>1,669.68</u> |

20. (Increase)/decrease in inventories

| | 31 March 2013 | 31 March 2012 | (Increase)/decrease |
|---|---------------|-----------------|---------------------|
| | ₹ In Lakhs | ₹ In Lakhs | ₹ in Lakhs |
| | | | 31 March 2012 |
| Inventories at the end of the year | | | |
| Traded goods | 618.83 | 525.64 | (93.19) |
| Finished goods | 274.24 | 454.88 | 180.65 |
| | <u>893.07</u> | <u>980.52</u> | <u>87.46</u> |
| Inventories at the beginning of the year | | | |
| Traded goods | 525.64 | 806.95 | 281.31 |
| Finished goods | 454.88 | 345.35 | (109.53) |
| | <u>980.52</u> | <u>1,152.31</u> | <u>171.78</u> |
| | <u>87.45</u> | <u>171.78</u> | |

Notes to the consolidated financial statement for the year ended March 31, 2013

| Details of inventory of traded goods | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--------------------------------------|-----------------------------|-----------------------------|
| Traded goods | | |
| Wax | 618.83 | 525.64 |
| | <u>618.83</u> | <u>525.64</u> |
| Finished Goods | | |
| Panoil | 274.24 | 454.88 |
| | <u>274.24</u> | <u>454.88</u> |

21. Employee benefit expense

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|-----------------------------|-----------------------------|
| Salaries, wages and bonus | 296.09 | 298.85 |
| Contribution to provident and other fund | 11.72 | 8.08 |
| Gratuity expense (note 27) | 5.32 | 6.52 |
| Staff welfare expenses | 5.54 | 5.41 |
| | <u>318.67</u> | <u>318.86</u> |

22. Other expenses

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|-----------------------------|-----------------------------|
| Power and fuel | 63.85 | 68.26 |
| Water Charges | 4.37 | 5.41 |
| Increase/(decrease) of excise duty on inventory | 9.68 | (21.60) |
| Repairs and maintenance | | |
| Buildings | 19.77 | 5.10 |
| Machinery | 41.84 | 36.27 |
| Others | 39.18 | 24.04 |
| Insurance | 92.85 | 99.79 |
| Rent | 47.06 | 61.31 |
| Rates & Taxes | 21.68 | 20.30 |
| Communication costs | 31.15 | 27.37 |
| Legal and professional fees | 75.23 | 74.55 |
| Payment to auditor (Refer details below) | 12.50 | 21.14 |
| Clearing and Forwarding Expenses | 1,211.51 | 1,074.82 |
| Freight Outwards | 449.91 | 355.72 |
| Travelling and Conveyance | 165.32 | 133.59 |
| Advertising and Sales Promotion | 38.68 | 47.47 |
| Brokerage and Commission | 125.71 | 123.60 |
| Security Charges | 18.73 | 16.35 |
| Bad Debts and Sundry balances Written Off | 29.53 | 16.41 |
| Provision for Doubtful Debts | (103.29) | 54.16 |
| Donation & Charity | 28.56 | 26.02 |
| Premium on forward exchange contract amortized | 141.75 | 106.36 |
| Exchange Loss (net) | 475.47 | - |
| Miscellaneous expenses | 149.70 | 152.24 |
| | <u>3,190.74</u> | <u>2,528.68</u> |

Payment to auditor (excluding service tax)
As auditor:

| | | |
|----------------|-------|-------|
| Audit fee | 12.50 | 12.20 |
| Limited review | - | 6.80 |

In other capacity:

| | | |
|---------------------------|--------------|--------------|
| Certification fees | - | 2.00 |
| Reimbursement of expenses | - | 0.14 |
| | <u>12.50</u> | <u>21.14</u> |

23. Depreciation and amortization expense

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|-----------------------------|-----------------------------|
| Depreciation of tangible assets (refer note 10) | 223.11 | 106.55 |
| Amortization of intangible assets (refer note 11) | - | 0.10 |
| | <u>223.11</u> | <u>106.65</u> |

24. Finance costs

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--------------|-----------------------------|-----------------------------|
| Interest | 416.93 | 392.85 |
| Bank charges | 429.39 | 396.94 |
| | <u>846.32</u> | <u>789.79</u> |

25. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|-----------------------------|-----------------------------|
| Profit after tax | 1,188.11 | 3,063.07 |
| Net profit for calculation of basic and diluted EPS | 1,188.11 | 3,063.07 |

| | No of shares | No of shares |
|---|--------------|--------------|
| Weighted average number of equity shares in calculating basic EPS | 8,619,088 | 7,880,549 |
| Basic Earnings per share | 13.78 | 38.87 |
| Diluted Earnings per share | 13.78 | 38.87 |

26. Expenses on Scientific Research

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---------|-----------------------------|-----------------------------|
| Capital | 0.31 | 38.70 |
| Revenue | 29.13 | 33.14 |
| | <u>29.44</u> | <u>71.84</u> |

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.

Notes to the consolidated financial statement for the year ended March 31, 2013

Statement of Profit & Loss

| | Gratuity | |
|--|---------------|---------------|
| | 31 March 2013 | 31 March 2012 |
| | ₹ In Lakhs | ₹ In Lakhs |
| Net Employee Benefit Expense recognized in the employee cost | | |
| Current service cost | 4.65 | 4.39 |
| Interest cost on benefit obligation | 2.80 | 2.14 |
| Past service Cost | - | - |
| Expected return on plan assets | (2.76) | (2.67) |
| Net actuarial (gain) / loss recognized in the year | 0.63 | 2.66 |
| Net Benefit Expense | 5.32 | 6.52 |
| Actual Return on Plan Assets | (2.79) | 1.06 |

| Balance sheet Benefit asset/liability | Gratuity | |
|---|---------------|---------------|
| | 31 March 2013 | 31 March 2012 |
| | ₹ In Lakhs | ₹ In Lakhs |
| Present Value of defined benefit obligation | 41.40 | 32.99 |
| Fair value of plan assets | 33.80 | 30.71 |
| Plan assets/(liability) | (7.60) | (2.28) |

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

| | Gratuity | |
|---|---------------|---------------|
| | 31 March 2013 | 31 March 2012 |
| | ₹ In Lakhs | ₹ In Lakhs |
| Opening defined benefit obligation | 32.98 | 25.98 |
| Current service cost | 4.65 | 4.39 |
| Interest cost | 2.80 | 2.14 |
| Actuarial (gains) / losses on obligation | 1.07 | 1.05 |
| Past Service Cost | - | - |
| Benefits paid | (0.10) | (0.58) |
| Closing defined benefit obligation | 41.39 | 32.98 |

Changes in Fair Value of Plan Assets are as follows:

| | Gratuity | |
|--|---------------|---------------|
| | 31 March 2013 | 31 March 2012 |
| | ₹ In Lakhs | ₹ In Lakhs |
| Opening fair value of planned assets | 30.72 | 29.63 |
| Expected return | 2.76 | 2.69 |
| Actuarial gain / (loss) | 0.44 | (1.60) |
| Contributions by employer | - | - |
| Benefits paid | (0.11) | - |
| Closing fair value of plan assets | 33.80 | 30.72 |

The company expects to contribute ₹ 2.76 Lakhs to gratuity in the next year (31 March 2012: ₹ 2.69 Lakhs).

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

| | Gratuity | |
|---------------------|---------------|---------------|
| | 31 March 2013 | 31 March 2012 |
| | ₹ In Lakhs | ₹ 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 2013 | 31 March 2012 |
| Discount rate | 8.10% | 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 2013 | 31 March 2012 | 31 March 2011 | 31 March 2010 |
|---|---------------|---------------|---------------|---------------|
| | ₹ In Lakhs | ₹ In Lakhs | ₹ In Lakhs | ₹ In Lakhs |
| Defined Benefit Obligation | 41.40 | 32.98 | 25.98 | 27.31 |
| Plan Assets | 33.81 | 30.72 | 29.64 | 27.91 |
| Surplus/(deficit) | (7.60) | (2.28) | 3.65 | 0.60 |
| Experience adjustment on plan liabilities (gain)/loss | 1.07 | 1.05 | 7.42 | 3.71 |
| Experience adjustment on plan assets loss/(gain) | (0.03) | (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 2013 | 31 March 2012 |
|--|---------------|---------------|
| | ₹ In Lakhs | ₹ In Lakhs |
| Lease payments recognized in the statement of profit and loss for the year | 27.25 | 35.08 |

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

Notes to the consolidated financial statement for the year ended March 31, 2013
29. 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 2013 | India | Outside India | Total |
|--------------------------|-------|---------------|-------|
|--------------------------|-------|---------------|-------|

Revenue

| | | | |
|-----------------------------|-----------|-----------|-----------|
| Sales to external customers | 41,325.36 | 22,149.60 | 63,474.96 |
|-----------------------------|-----------|-----------|-----------|

Other segment information

| | | | |
|----------------|-----------|----------|-----------|
| Segment assets | 40,019.67 | 2,182.35 | 42,202.02 |
|----------------|-----------|----------|-----------|

Capital Expenditure:

| | | | |
|--|----------|----|----------|
| Additions to tangible & intangible fixed assets (Including CWIP) | 1,743.10 | -- | 1,743.10 |
|--|----------|----|----------|

| 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 |
|--|--------|---|--------|

Notes :
Geographical Segment :

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

30. Capital and other commitments

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|-----------------------------|-----------------------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 257.72 | 228.76 |

31. Contingent Liabilities

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|-----------------------------|-----------------------------|
| i) 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 |
| | 10.88 | 10.88 |

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

32. 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 \$ 40.84 Lakhs (31 March 2012: US \$ 78.62 Lakhs) | Hedge of expected future payments to |
| ₹ 2,221.28 Lakhs (31 March 2012: ₹ 4,159.70 Lakhs) | trade payable |

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

| | 31 March 2013 \$ In Lakhs | 31 March 2013 ₹ In Lakhs | 31 March 2012 \$ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| Trade Receivables | 40.12 | 2,182.35 | 47.67 | 2,459.75 |
| Advance from Trade Receivables | 0.52 | 28.10 | 0.78 | 39.78 |
| Trade Payables | 281.78 | 15,325.68 | 388.65 | 19,749.35 |
| Balance with Banks | 76.78 | 4,176.28 | 154.13 | 7,884.74 |

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

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ 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 | - | 4.71 |
| - Interest due on above | - | - |
| 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. | - | - |

Notes to the consolidated financial statement for the year ended March 31, 2013

- 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; - -
- 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.

34. Value of imports calculated on CIF basis (accrual)

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Raw materials (Includes Goods in transit) | 41,686.31 | 39,967.21 |
| Finished goods | 1,590.98 | 1,149.92 |
| Capital goods | - | 18.58 |
| | 43,277.29 | 41,135.71 |

35. 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 Builders & Developers Pvt. Ltd.

(b) Transactions with Related Parties

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|-----------------------------------|-----------------------------------|
| Recovery of Advance | | |
| Ittefaq Ice & Cold Storage Co. Pvt. Ltd | - | 22.98 |
| Panama Builders & Developers Pvt. Ltd | - | 88.50 |
| 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 | 26.00 | 28.19 |
| Amin A Rayani | 22.75 | 29.56 |
| Samir Rayani | 19.50 | 21.15 |
| Hussein Rayani | 19.50 | 17.65 |
| Remuneration Paid to others | | |
| Akbarali Rayani | 1.17 | 1.26 |
| Vazirali Rayani | 5.85 | 6.30 |
| Salimali Rayani | 1.17 | 1.26 |
| Nilima Kheraj | 1.14 | 1.33 |
| Hussein Rayani | - | 0.90 |
| Iqbal Rayani | 1.17 | 1.26 |
| Munira Rayani | 1.24 | 1.33 |
| Arif Rayani | 1.24 | 0.33 |
| Payment of Rent | | |
| Amin A Rayani | 6.64 | 6.64 |
| Samir Rayani | 7.84 | 7.84 |
| Hussein Rayani | 1.20 | 1.20 |
| Vazir Rayani | 1.20 | 1.20 |
| Arif Rayani | 3.06 | 3.06 |

36. Expenditure in foreign currency (accrual basis)

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| Sales Promotion Expenses | 0.71 | 1.64 |
| Brokerage & Commission | 34.12 | 55.46 |
| Bank Interest & Charges | 368.23 | 395.28 |
| Professional Fees | - | 1.99 |
| Others | 0.76 | 7.63 |
| Expenses related to GDR issue (adjusted against securities premium) (refer note 41) | - | 77.10 |
| | 403.82 | 539.10 |

37. Imported and indigenous raw materials consumed

| | % of total consumption 31 March 2013 | ₹ In Lakhs 31 March 2013 | % of total consumption 31 March 2012 | ₹ In Lakhs 31 March 2012 |
|------------|---|-----------------------------------|---|-----------------------------------|
| Imported | 89% | 48,638.89 | 88% | 42,976.76 |
| Indigenous | 11% | 6,090.10 | 12% | 5,662.16 |
| | 100% | 54,728.99 | 100% | 48,638.92 |

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

Notes to the consolidated financial statement for the year ended March 31, 2013
38. Net dividend remitted in foreign exchange

| Period to which it relates | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|---|---|
| | April 1, 2012 to 31 March 2013 | April 1, 2011 to 31 March 2012 |
| Number of non resident shareholders | - | - |
| Number of equity shares in Lakhs held on which dividend was due | - | - |
| Amount remitted in USD | - | - |

39. Earnings in foreign exchange (accrual basis)

| Exports at F.O.B Value | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|------------------------|--------------------------------|--------------------------------|
| | | 22,149.60 |
| | 22,149.60 | 23,397.84 |

40. 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 ₹ 253.68 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 ₹ Nil (Previous Year ₹ 97.30 Lakhs) on account of issue expenses towards the issue of Global Depository Receipts, has been adjusted against Securities Premium.

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

| | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|---|--------------------------------|--------------------------------|
| I Sources of Funds | | |
| Opening Balance in banks in Current Account outside India | 7,033.52 | - |
| Proceeds from issue of GDR's | - | 6,233.79 |
| Issue expenses | - | 97.30 |
| Net Proceeds | 7,033.52 | 6,136.49 |
| II Utilization of funds | 3,308.61 | - |
| III Unutilized funds | 3,724.91 | 6,136.49 |
| IV Interim Utilization of Balance Funds | | |
| Balance in banks in Current Account outside India # | 3,724.91 | 7,033.52 |
| # After adjustment of exchange gain | | |

41. 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.

42. In accordance with section 77A, 77AA and 77B of the Companies Act, 1956 and pursuant to the buy back announcement made by the Company on 14th February 2013, the Company has bought back from open market through stock exchanges 11,765 equity shares of ₹ 10 each during the year for a total consideration of ₹ 15.88 Lakhs. of this, the Company has extinguished 3200 equity shares till 31st March, 2013 and 8,565 equity shares have been extinguished subsequent to the balance sheet date. Consequently, an amount of ₹ 1.18 Lakhs being the nominal value of equity shares bought back has been transferred to Capital Redemption Reserve from profit & loss account. An amount of ₹ 14.70 Lakhs being the premium on buyback has been appropriated from General Reserve.

43. Taxation

"Minimum Alternate Tax (MAT) :- The Company has during the year, provided the current year tax liability of ₹ 260 Lakhs (previous year ₹ Nil) calculated in accordance with the provisions of Section 115JAA of the Income Tax Act, 1961. The MAT credit entitlement in respect of MAT liability for the current and earlier years has been assessed ₹ 312.79 Lakhs as at March 31, 2013 and is disclosed under 'Loans and advances'.

44. Previous year figures

The company has reclassified previous year figures to conform to this year's classification.

As per our report of even date

For Bhuta Shah & Co
Firm registration No.: 101474W
Chartered Accountants

CA. Mitesh Kothari
Partner
Membership No : 110822

Place : Mumbai
Date : 29th May, 2013

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

Amirali E Rayani
Chairman

Amin A Rayani
Managing Director & CEO

Gayatri Sharma
Company Secretary

Place : Mumbai
Date : 29th May, 2013

Consolidate Cash flow statement for the year ended 31st March 2013

| PARTICULARS | 31 March 2013 ₹ In Lakhs | 31 March 2012 ₹ In Lakhs |
|--|-------------------------------------|-------------------------------------|
| Cash Flow from operating activities | | |
| Profit before tax | 1,293.90 | 3,932.50 |
| Non-cash adjustment to reconcile profit before tax to net cash flows | | |
| Depreciation/amortization | 223.11 | 106.65 |
| Provision for bad and doubtful debt | (103.29) | 54.16 |
| Unrealized foreign exchange loss/(gain) | 1,542.85 | (1,376.21) |
| Interest expense | 846.32 | 789.79 |
| Interest income | (165.82) | (243.16) |
| Foreign currency translation reserve | 9.27 | - |
| Dividend Income | (0.03) | (0.02) |
| Operating profit before working capital changes | 3,646.33 | 3,263.71 |
| (Increase)/decrease in Trade Receivables | (1,410.45) | (1,373.37) |
| (Increase)/decrease in Inventory | 2,041.54 | 225.76 |
| (Increase)/decrease in Loans and advances and other assets | (2,483.17) | 121.08 |
| Increase/(decrease) in Trade Payables | (9,383.58) | 7,500.72 |
| Increase/(decrease) in other liabilities and provisions | (495.32) | (786.55) |
| Cash generated from/(used in) operations | (8,084.65) | 8,951.35 |
| Direct taxes paid (Net of refunds) | 268.77 | 989.24 |
| Net cash flow from/(used in) operating activity (A) | (8,353.42) | 7,962.11 |
| Cash flows from investing activities | | |
| Purchase of fixed assets, including intangible assets, CWIP and capital advances | (984.76) | (617.27) |
| Investments in bank deposits (having original maturity of more than three months) | - | (2,005.39) |
| Redemption/maturity of bank deposits (having original maturity of more than three months) | 1,705.39 | 196.99 |
| Interest received | 165.82 | 243.16 |
| Dividend received | 0.03 | 0.02 |
| Net cash flow from/(used in) investing activities (B) | 886.47 | (2,182.49) |
| Cash flows from financing activities | | |
| Proceeds from issuance of share capital | - | 6,149.69 |
| Buy back of Shares | (15.88) | - |
| Proceeds/ (Repayment) from/of short-term borrowing (net) | 1,141.18 | 336.54 |
| Interest paid | (846.32) | (789.79) |
| Dividend and tax on dividend paid on Equity Shares | (201.31) | (797.26) |
| Net cash flow from/(used in) financing activities (C) | 77.66 | 4,899.18 |

Cash Flow Statement (Cont....)

| PARTICULARS | 31 March 2013 ₹ In Lakhs. | 31 March 2012 ₹ In Lakhs. |
|--|--|--|
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | (7,389.28) | 10,678.80 |
| Effect of exchange differences on cash & cash equivalents held in foreign currency | (903.01) | 986.48 |
| Cash and cash equivalents at the beginning of the year | 13,343.29 | 1678.02 |
| Cash and cash equivalents at the end of the year | 5,051.00 | 13,343.29 |
| Components of Cash and Cash Equivalents | | |
| Cash on hand | 3.32 | 0.63 |
| With banks | | |
| - on current account | 5,030.57 | 9,124.59 |
| - on deposit account | - | 4,200.00 |
| - on unpaid dividend account * | 17.11 | 18.07 |
| Total Cash and Cash Equivalents (note 16) | 5,051.00 | 13,343.29 |

As per our report of even date.

For Bhuta Shah & Co.
Firm Registration No. 101474W
Chartered Accountants

CA. Mitesh Kothari
Partner
Membership No : 110822

Place : Mumbai
Date : 29th May, 2013

**For and on behalf of Board of Directors of
Panama Petrochem Limited**

(Amirali E. Rayani)
Chairman

(Amin A. Rayani)
Managing Director & CEO

(Gayatri Sharma)
Company Secretary

Place : Mumbai
Date : 29th May, 2013

**Statement regarding subsidiary company
Panol Industries RMZ FZE,UAE Pursuant to section 212
of the Companies Act,1956**

| | | |
|---|--|--------------------------------------|
| 1 | Name of the Subsidiary | Panol Industries RMZ FZE, UAE |
| 2 | Financial Year Ended | March 31,2013 |
| 3 | Holding Company Interest | |
| | Equity Capital | |
| | Number of shares (AED 1000/- Each) | 18,338 |
| | Extent of holding | 100% |
| 4 | The net aggregate profit and loss of the subsidiary company as is so far it concerns the members of the holding company. | |
| | a. Not dealt with the accounts of the company for the year ended 31 March 2013 | |
| | (i) For the subsidiary financial year ended March 31,2013 | Nil |
| | (ii) For the previous financial year of the company | Nil |
| | b. dealt with the accounts of the company for the year ended 31 March 2013 | |
| | (i) For the subsidiary financial year ended March 31,2013 | Nil |
| | (ii) For the previous financial year of the company | Nil |

**Information of the subsidiary company Panol Industries
RMZ FZE, UAE For the financial year ended March 31,2013**

(₹ in Lakhs)

| SR. NO | PARTICULARS | AMOUNT |
|---------------|-------------------------------------|---------------|
| 1 | Issued and subscribed share capital | 2703.75 |
| 2 | Reserves | 9.27 |
| 3 | Total assets | 2713.02 |
| 4 | Total liabilities | Nil |
| 5 | Details of investments | Nil |
| 6 | Turnover | Nil |
| 7 | Profit before taxation | Nil |
| 8 | Provision for taxation | Nil |
| 9 | Profit after taxation | Nil |
| 10 | Proposed dividend | Nil |

Important Communication to Members

Usage of Electronic Payment Modes for making payments to Investors

SEBI vide its circular No CIR/MRD/DP/10/2013 dated 21st March, 2013 directed that in view of the advancements in the field of electronic payment system viz. NEFT, RTGS etc. for making cash payments to the investors, Companies whose securities are listed on the Stock Exchanges shall use RBI approved electronic mode of payment. The said circular also provides that in cases where either the bank details such as MICR, IFSC code etc. are not available or the electronic payment instructions have failed or have been rejected by the bank, Companies may use the physical payment instrument for making cash payments to the investors and Companies shall mandatorily print the bank account details of the investors on such payment instruments.

In view of the above and to comply with the SEBI directions, members who have not submitted their bank details are requested kindly fill the enclosed format and send it to Bigshare Services Pvt. Ltd. before 10th September, 2013 to update mandate details in the system for future payments to you.

Shareholder's authorisation to receive dividends through Electronic Credit Clearing Mechanism

| | |
|---|--|
| Unit: | |
| Registered Folio No | |
| Name of the first/sole shareholder | |
| Telephone Number of investor | |
| Email id of investor | |
| Bank Name | |
| Branch Address & Telephone No. of Branch | |
| Bank Account Number (As appearing on the Cheque Books) | |
| Branch Code | |
| 9 digit code number of the Bank and Branch appearing on the MICR cheque issued by the Bank. (Please attach a blank cancelled cheque, or a photocopy (Xerox copy) of a cheque issued to you by your Bank, for verification of the above particulars) | |
| Account Type | |

I hereby, declare that the particulars given above are correct and complete. If the payment transaction is delayed or not effected at all for any reasons, including but not limited to incomplete or incorrect information, I will not hold the Company/ RTA responsible. I agree to discharge the responsibility expected of me as a participant under the scheme.

I, further undertake to inform the Company of any subsequent change(s) in the above particulars.

Signature of First / Sole Holder

- 1.
- 2.
- 3.

Place :

Date :

Note:

1. Please fill in the information in CAPITAL LETTERS in ENGLISH ONLY.
2. In case of shareholders holding the equity shares in demat form, the shareholders are requested to provide details to their respective Depository participants.
3. **KINDLY RETURN THE ABOVE DULY ATTESTED BY YOUR BANKERS TOGETHER WITH THE SELF-ATTESTED COPY OF THE PAN CARD**

Important Communication to Members

Green Initiative in the Corporate Governance

The Ministry of Corporate Affairs undertook a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the companies and has issued circular Nos. 17/2011 dated 21-4-2011 and 18/2011 dated 29-4-2011 stating that service of notice / documents including Annual Report can be sent by electronic mode to its members. To support this Green initiative of the Government in full measure, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses and changes therein from time to time along with their name, address and Folio No./Client Id No., in respect of their shareholding with :

- i) The Registrar and Share Transfer Agents Viz. Bigshare Services Pvt. Ltd. for shares held in physical form and;
- ii) The concerned Depository Participants in respect of shares held in electronic / demat mode

Upon registration of e-mail address(es), the Company would send Notices / Circulars / Documents including Annual Report and other communications via electronic mode.

In case any Member opts / insists for physical copies of above documents, the same would be sent to him by post free of cost at the address registered with the Company.

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 falling him _____

of _____ or falling him _____

of _____

as my/our proxy to vote for me/us on my/our behalf at 31st Annual General Meeting of the Company to be held at 11:00 A.M. on Friday, 27th September, 2013 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)

31st Annual General Meeting - 27th September, 2013 .

I hereby record my presence at the 31st Annual General Meeting 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 Friday, 27th September, 2013 at 11:00 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.

Book Post

If undelivered please return to:



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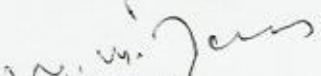


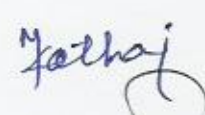
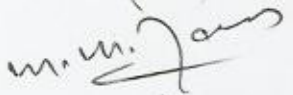
Corp. Office: 401, Aza House, 24, Turner Road, Bandra (W), Mumbai 400 050.

Tel.: +91 (22) 4217 7777 Fax: +91 (22) 4217 7788

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

Form A

Covering letter of the annual audit report to be filed with the stock exchanges.

| | | |
|----|---|---|
| 1. | Name of the Company | Panama Petrochem Limited |
| 2. | Annual financial statements for the year ended | 31 st March 2013 |
| 3. | Type of Audit observation | Un-qualified |
| 4. | Frequency of observation | Repetitive |
| 5. | To be signed by- Amin A. Rayani (Managing Director & CEO) Pramod Maheshwari (CFO) CA. Mitesh Kothari (Partner, Bhuta Shah & Co.) Auditor of the Company  Madan Mohan Jain (Audit Committee Chairman) |     |