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15th
ANNUAL REPORT
PERIOD ENDED
30th JUNE, 2002

PHOENIX INTERNATIONAL LIMITED

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PHOENIX INTERNATIONAL LIMITED



BOARD OF DIRECTORS

MANAGING DIRECTOR

Shri Ajay Kalsi

DIRECTORS

Shri V.B. Oberoi
Shri Pramod Kumar Manocha

COMPANY SECRETARY

Narender Makkar

AUDITORS

Khanna & Annadhanam

BANKERS

State Bank of Patiala
Punjab & Sind Bank
State Bank of Indore
Oriental Bank of Commerce
Punjab National Bank

Registered Office

3rd Floor, Gopala Tower,
25, Rajendra Place,
New Delhi - 110 008.

Works

A-37, Sector-80,
Noida - 201 301,
Distt. Gautam Budh Nagar,
Uttar Pradesh

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PHENIX INTERNATIONAL LIMITED



DIRECTOR'S REPORT

Dear Shareholders,

The Directors of your company present the 15th Annual Report alongwith the Audited Statement of Accounts of the company for the year ended 30th June, 2002.

FINANCIAL RESULTS

	YEAR ENDED 30.06.2002 (Rs.in Lacs)	PERIOD ENDED 30.06.2001 (Rs.in Lacs)
Sales & Other Income	1065.70	4684.78
(Loss) / Profit, before depreciation	(1937.72)	(9782.63)
Less: Depreciation	268.05	359.89
(Loss) / Profit before Taxation	(2205.77)	(10142.52)
Less: Prov. for Taxation/paid for earlier year	0.43	8.43
	(2206.20)	(10150.95)

APPROPRIATIONS

Provision For Dividend and

Dividend Tax Written Back

Balance Carried to Balance Sheet

	112.34
	(10038.61)
(2206.60)	(10150.95)

OPERATIONAL PERFORMANCE

The Current year figures being for 12 months are not comparable with the previous period figures which are for 15 months.

As already informed in the Directors Report of the last period, that our shoe manufacturing activities had been closed since 7th July, 2000 due to labour problems and no manufacturing activities were carried out during the year under review. However, the company has carried out shoe related business activity at a very low level during the financial year under review. The company has suffered a net loss of Rs. 22.06 crs as compared to net loss of Rs. 101.50 crs during the previous financial period.

Your directors propose to lease out / utilise the surplus land and building situated at Noida for other purpose.

The cement project of the subsidiary company could not be taken up because of the technical defect in the plant and machinery and non availability of finance from institution/market. Thus the investment made by the company in the subsidiary company also became unproductive, which has attributed a major loss to the company.

One of the bank and a financial institution have filed case with the Debt Recovery Tribunal (DRT). Settlement has already been arrived with the bank and the company is trying to get mutually acceptable settlement plan with the financial institution. One other bank has also reached settlement plan.

FIXED DEPOSITS

The Company has not accepted or invited deposits covered under the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules 1975 from any person.

DIVIDEND

In view of the losses for the current year, your Directors are not in position to recommend any dividend for the year ended 30th June, 2002.

EXPORTS

Export sales in FOB terms were Rs. 5.34 crores, in the year 2001-2002.

PARTICULARS OF EMPLOYEES

During the year under review, the Company had no employees in respect of whom informations as per Section 217 (2A) of the Companies Act, 1956 is required to be given in the directors report.

CORPORATE GOVERNANCE

The code of corporate governance has already been implemented as per the Listing Agreements and a separate note on Corporate Governance is annexed herewith. The Company has obtained a certificate from the Statutory Auditors regarding compliance of conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreements and the same is annexed.

DELISTING

The company is proposing to Delist its equity shares from the stock exchanges at Calcutta, Jaipur and Ahmedabad, for which a special resolution is proposed to be passed in the ensuing Annual General Meeting.

CONSOLIDATED FINANCIAL STATEMENTS

As required by the Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, the audited consolidated financial statements of the company are enclosed.

DIRECTORS

The Board of Directors of the Company has appointed Shri V.B. Oberoi as an additional director of the Company. As per Section 260 of the Companies Act, 1956 the additional director ceases to be the director of the Company at the date of the Annual General Meeting. In accordance with the provision of Section 257 of the Companies Act, 1956 Shri V.B. Oberoi has given notice for the re-appointment as Director of the Company liable to retire by rotation.

The Board of Director of the Company has also appointed Shri Pramod Manocha as an additional director of the Company. As per Section 260 of the Companies Act, 1956 the additional director ceases to be the director of the company at the date of the Annual General Meeting. In accordance with the provision of Section 257 of the Companies Act, 1956 Shri Pramod Manocha has given notice for the re-appointment as Director of the Company liable to retire by rotation.

PHOENIX INTERNATIONAL LIMITED



DIRECTOR'S RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to information and explanation obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956.

- That in preparation of Annual Accounts for the year ended June 30, 2002 the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- That such accounting policies as mentioned in the Notes to the Accounts have been selected and applied consistently and judgement and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended June 30, 2002 and of the loss of the Company for the year.
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Annual Accounts for the year ended June 30, 2002 have been prepared on a going concern basis.

AUDIT REPORT

The qualification made by the auditors in their report vide clause 4(i), 4(ii)a, 4(ii)b, 4(iii), 4(iv), 4(v), 4(vi), 4(vii), 4(viii), 4(ix) and 4(x) of audit report and clause 6, 7, 9 of the Annexure to the Audit Report have been explained and clarified vide note no. 2(a), 2(b), (c), (d) (f), 2(e), 3, 4, 5, 6, 7(a), and 7(c), 8, 10 and 7(b) of notes to the accounts respectively, which are self explanatory and do not require any further explanation.

With reference to clause 1 of the Annexure to the Audit Report regarding updation of records with regard of fixed assets. The records could not be updated as planned due to shifting of fixed assets from one location to another location and steps have already been taken to complete the same and identification of discrepancies, if any.

With reference to the clause 3 of the Annexure to the Audit Report regarding physical verification of the goods lying with fabricators/third parties, the certificates conforming the materials lying with fabricators / third parties have been obtained from them and provided to the Auditor of the company.

In relation to the query regarding streamlining the procedure of physical verification by drawing up a written programme referred in clause 4 of the Annexure to the Audit Report, proper instruction were given for physical verification of stocks as done in the previous year. Further steps are being taken for drawing up the programme/procedure in writing.

Regarding clause 5 of the annexure to the Audit Report that discrepancies can not be ascertained in respect of stocks which were not physically verified. As stated above goods lying with the fabricators and third parties, certificates have been obtained from individual parties and provided to the auditors. On the basis of these certificates there had been no discrepancies between the stock records and material lying with fabricators/third parties.

In relation to clause 10 of the Annexure to the Audit Report regarding cash balance, the manufacturing activities were not carried by the company because of lock-out, declared by the management. The company was making full and final payment to the workers in cash. In view of the above the company was keeping cash balance.

Regarding clause 15 of the Annexure to the Audit Report regarding internal audit system, the internal audit system was in existence up to the time the manufacturing activities were being carried and after the closure of the factory, the manufacturing activities were completely stopped and other activities were low. Moreover, due to tight financial position of the company, the person connected with the internal audit work left the company. Steps are being taken in this regard.

AUDITORS

M/s Gupta Mahesh & Associates, Chartered Accountants, New Delhi are proposed to be appointed as auditors of the Company at the forthcoming annual general meeting till the conclusion of the next annual general meeting in place of M/s Khanna & Annadham, Chartered Accountants, New Delhi who have expressed their inability to continue as Statutory Auditors of the Company after the conclusion of the ensuing Annual General Meeting. A certificate to the effect that appointment of M/s Gupta Mahesh & Associates, Chartered Accountants, if made will be within the limits prescribed under section 224(1B) of the Companies Act, 1956 has been received from them.

SUBSIDIARY COMPANIES

Statement regarding subsidiary companies pursuant to provision of Section 212 of the Companies Act, 1956 forming part of the Balance Sheet as at 30.06.2002 is attached.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Annexure "A" to this report gives information in respect of Conservation of Energy, Technology Absorption and Foreign Exchange earning and outgo, required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 and forms a part of the Directors Report.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the assistance and support extended by all Government Authorities, Financial Institutions, Banks, Solicitors, Shareholders of the Company. Your Directors express their appreciation for the dedicated and sincere service rendered by employees of the Company.

For and on behalf of the Board.
PHOENIX INTERNATIONAL LIMITED

Place : New Delhi
Date : 09 July, 2003

(Director)

(Director)

PHOENIX INTERNATIONAL LIMITED



ANNEXURE "A" FORMING PART OF THE DIRECTORS' REPORT

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo.

Since the manufacturing activities were not carried out during the year, steps taken are Nil.

	Current period	Previous Year
A. CONSERVATION OF ENERGY		
1. (a) Energy conservation measures undertaken	Nil	Nil
(b) Proposed energy conservation measures	Nil	Nil
2. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods	Nil	Nil
3. The details of energy consumption :		
a.) Power and Fuel consumption	Nil	Nil
b.) Consumption per unit of production	Nil	Nil
B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :		
1. Specific areas in which R&D was carried out by the Company	Nil	Nil
2. Benefits derived as a result of the above R&D	Nil	Nil
3. Future Plan of Action	Nil	Nil
4. Expenditure on R&D	Nil	Nil
C. FOREIGN EXCHANGE EARNING & OUTGO		
The foreign Exchange Earning & Outgo during the period, are as under :		
Foreign Exchange Earning	534.00 lacs	2725.63
Foreign Exchange Outgo	198.33 lacs	1028.46

REPORT ON CORPORATE GOVERNANCE

(1) Company's Philosophy

Phoenix International Ltd., a member of the Phoenix Group, firmly believes in and has consistently practiced good corporate governance. The Company will endeavor to improve on these aspects on ongoing basis.

A brief report on Corporate Governance for the year ended 30/06/2002 is given below :

(2) Board of Directors

(A) Composition and category of Directors

The Board of Directors comprises of 4 Directors which includes two Executive Directors, out of which one is Promoter Director and two Non Executive Directors. The composition of Directors, their attendance at Board Meeting during the Financial Year 2001-2002 and last Annual General Meeting and their other Directorships/Committee Memberships in other Companies as on 30th June, 2002 are as follows :

Name of Directors	Category	No. of Board Meetings Attended	Attendance at last AGM	No. of other Directorships in other Companies	As Member in Committees of other companies	As Chairman in Committees of other companies
Mr. Ajay Kalsi	Promoter and Managing Director	2	NO	15*	5	NIL
Mr. V.B. Oberoi	Non Executive Director	5	YES	18**	3	3
Mr. Pramod Manocha	Whole-time Director****	5	YES	6	2	3
Mr. S. Lahiri***	Non Executive Director	1	NO	3	1	NIL

* Out of them 4 Directorships are in Private Companies

** Out of them 5 Directorships are in Private Companies

*** Mr. S. Lahiri (Nominee of IFCI) resigned from the Board w.e.f. 02.06.2003

**** Mr. Pramod Manocha ceased to be the Whole Time Director and became an Additional Director w.e.f 9th October, 2002.

None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Companies (as specified in Clause 49) across the Companies in which he is a Director.

(B) Details of Meetings of Board of Directors held during the year

Date	No. of Directors present
29.09.2001	5
15.12.2001	2
05.01.2002	2
11.02.2002	3
05.04.2002	2

PHOENIX INTERNATIONAL LIMITED



The maximum time gap between any two meetings did not exceed four calendar months.

(C) Remuneration to Directors

Name of the Director	Designation	Salary(Rs.)	Perks(Rs.)	Contribution to Provident and other fund (Rs.)	Total
Mr. Ajay Kalsi	Managing Director	10,63,178	33,867	1,00,846	11,97,891
Mr. P. Manocha	Whole-time Director	3,27,606	1,70,480	54,023	5,52,029

The Company pays sitting fee to all the Directors other than Managing Director and Whole-time Director. No remuneration other than sitting fee is being paid to Non-Executive Directors. The sitting fee paid to the Directors for meeting of Board of Directors for the year ended 30th June, 2002 is as follows:

Name of Director	Amount of Sitting Fee (Rs.)
Mr. V.B. Oberoi	12000/-
Mr. S. Lahiri	2000/-
Total	14000/-

(D) Details of Directors seeking re-appointment at the ensuing Annual General Meeting

In respect of Directors seeking appointment or re-appointment, the notice for the AGM contains the relevant information, like brief resume of the Directors, nature of their expertise in specific functional areas and names of the Companies in which they hold Directorship and Membership of any Committee of the Board.

(3) Audit Committee

(A) Constitution

The Audit Committee of the Board was constituted in the year 2000-2001. The following were the members of the Committee during the year:

(A) Mr. V.B. Oberoi Independent Director

(B) Mr. P. Manocha Whole-time Director

(C) Mr. S. Lahiri Nominee of IFCI

Mr. Narender Makkar, Company Secretary, is the Secretary of the meeting.

(B) Terms of Reference

Keeping in view the provisions of Section 292 A of the Companies Act, 1956 and matters specified under clause 49 of the Listing Agreement with stock exchanges, terms of reference are as under:

- To select and recommend appointment of statutory auditors
- To review reports of the internal audit department and decide about the scope of work
- To meet statutory and internal auditors periodically and discuss their findings, suggestions and other related matters.
- To review financial statements and to seek clarifications etc. from the statutory / internal auditors.
- To review the internal control system.
- To select and establish accounting policies.
- To act as a link between the statutory and internal auditors and the Board of Directors.
- To review the financial statements before submission to the Board of Directors.
- Generally to ensure that tendencies for extravagance, if any, are avoided.

(C) Meetings and Attendance during the year

Three meetings of the Committee were held during the year 2001-2002, (i.e.) on 29th September, 2001, 05th January 2002 and 05th April, 2002.

The attendance particulars are as follows:

Name of the Chairperson / Member	Meetings	
	Held	Attended
Mr. V.B. Oberoi - Chairman	3	3
Mr. Pramod Manocha	3	3
Mr. S. Lahiri	3	0

(4) Share Transfer and Shareholders' / Investors' Grievance Committee

The Company has structured a system of reviewing the Shareholders'/Investor' Grievance at every Board Meeting. However, a Committee was constituted in the financial year 2001 with a specific authority to look into the Investors / Shareholders' Grievance. The following were the members of the Committee during the year:

(A) Mr. V.B. Oberoi Independent Director

(B) Mr. P. Manocha Whole-time Director

Shri Narender Makkar, Company Secretary is the Secretary of the Committee and is also Compliance Officer.

During the financial year ten meetings of the committee were held on the following dates:

16.07.2001, 16.08.2001, 15.09.2001, 16.10.2001, 15.12.2001, 15.01.2002, 15.02.2002, 15.03.2002, 15.04.2002 and 15.05.2002.

The number of complaints received during the year were 125 and there were no pending complaints or share transfer as at the end of the year.

(5) General Body Meetings

(A) The venue, date and time of the last 3 Annual General Meetings were as follows:

Date & Time	Location
24th September, 1999 at 11.30 a.m.	MPCU, Shah Auditorium, 2 Raj Niwas Marg, Delhi - 110 054.
24th January, 2001 at 10:30 a.m.	MPCU, Shah Auditorium, 2 Raj Niwas Marg, Delhi - 110 054.
16th August, 2002 at 9:30 a.m.	MPCU, Shah Auditorium, 2 Raj Niwas Marg, Delhi - 110 054.

(B) No resolution has been moved through Postal Ballot during the year.

PHOENIX INTERNATIONAL LIMITED



(6) Disclosure

- (A) The details of materially significant related party transactions are discussed in notes to the financial statements.
- (B) Due to lock out and other problems, there were instances of non-compliance of Stock Exchange Requirement. Due to financial constraints there are some outstanding fees payable to the Stock Exchanges, where the Company is listed. However, steps have been taken to clear the dues and to comply with the non-compliance at the earliest.
- (C) There are no pecuniary relationships or transactions with the Non-Executive Directors other than sitting fees paid to them.

(7) Means of Communication

(A) Half Yearly report sent to each Household of Shareholders	Due to lock out and other internal problems, the annual, half-yearly and quarterly results were not published and half-yearly results could not be sent to the shareholders. Steps are being taken to publish the same and to display it on website at the earliest. The notice of the Annual General Meeting along with the Annual Report are sent to the shareholders well in advance.
(B) Quarterly results	
(C) Newspaper where quarterly results are published	
(D) Website where quarterly results are displayed	
(E) Whether the website also displays official news releases and presentations to institutional investors/analysts	
(F) Newspaper where Audited Financial Results are published.	YES
(G) Whether Management Discussion and Analysis is a part of Annual Report or not	

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company was having expertise in the product line in which it was operating. The Company was a continuously profit earning & dividend paying Company. Your company is well aware of the opportunities, threats and risks involved in the business and it takes every effort to convert the threats and risks into opportunities.

As members are aware that our shoe manufacturing activities had been closed since 7th, July, 2000 due to labour problems. The project could not succeed on account of many reasons mainly because of the commitments made by our buyers to the Government at the time of seeking FIPB clearance for Export of USD 1000 million could not be fulfilled. The Company had set up the project mainly for manufacturing of Reebok shoes, but the Reebok could not achieve the expected sales in the domestic market as well as in International market because the productivity of the labour was very low. Further, the company could not receive order from Russia because of low export prices offered by other countries like China.

There has not been any major business activities since then. The Company operates only in one segment namely footwear and footwear components. It carried out shoe business during the year at a small level.

But your company is consistently trying to overcome the situation in the best possible manner. The surplus land and building at Noida is proposed to be leased out / utilised for other purpose. The company has contacted various Indian / International estate agents to get customers for the surplus building at Noida.

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

(8) General Shareholder Information

(a) Annual General Meeting

Date & Time: 18/08/2003 at 9:30 A.M.
Place: MPCU, Shah Auditorium, 2 Raj Niwas Marg, Delhi - 110 054.

(b) Financial Calendar: 2002-2003 (Tentative)

Financial Results for the Quarter Ended:

30th September, 2002	30th August, 2003
31st December, 2002	30th August, 2003
31st March, 2003	30th August, 2003
Approval of Audited Results for the year ending 30.06.2003	30th November, 2003
(c) Date of Book Closure	18th August, 2003

(d) Listing on Stock Exchanges:

The shares of the Company are listed on the following stock exchanges:

S. No.	STOCK EXCHANGE	ADDRESSES
(a)	Mumbai Stock Exchange	Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai-400 021
(b)	Calcutta Stock Exchange	7, Lyons Range, Calcutta-700 001
(c)	Delhi Stock Exchange	The Delhi Stock Exchange Association Ltd., DSE House, 3/1, Asaf Ali Road, New Delhi-110 002
(d)	Ahmedabad Stock Exchange	Ahmedabad Stock Exchange Association Ltd., Manek Chock, Ahmedabad-380 001
(e)	Jaipur Stock Exchange	Rajasthan Chamber Bhawan, MI Road, Jaipur-302 001

The Company has paid Annual Listing fees to Mumbai stock exchange and Delhi stock exchange. However steps are being taken to pay Annual Listing fees to Calcutta stock exchange, Ahmedabad stock exchange and Jaipur stock exchange. Steps are also being taken for the delisting of securities from the Calcutta, Jaipur and Ahmedabad Stock Exchanges.



PHOENIX INTERNATIONAL LIMITED

(e) Market Price Data: High/Low During each Month* in Last Financial Year 2001-02

(In Rs.)

Month	Stock Exchange Delhi (DSE)	
	High	Low
March	5.00	5.00
April	4.25	4.25

*During the year trading has been done only in the months of March and April

(f) Share Transfer System:

The Company has out sourced share transfer function to M/s Mas Services Pvt. Ltd., which is registered with SEBI as a Category I Registrar and Transfer Agent.

(g) Dematerialization of Shares

As per SEBI guidelines the shares in the Company have come under compulsory dematerialized trading. The Company has entered into agreement with NSDL and CDSL for the purpose. The Company's ISIN No. is INE245B01011

(h) Distribution of Shareholding :

Shareholding of Nominal Value (Rs.)	Shareholders		Share Amount	
	Number	% to Total	Rs.	% to Total
Upto 5000	10816	93.09	20469720	12.19
5001-10,000	512	4.41	3949710	2.35
10,001-20,000	166	1.43	2436470	1.45
20,001-30,000	45	0.39	1138880	0.68
30,001-40,000	24	0.21	862700	0.51
40,001-50,000	13	0.11	592570	0.33
50,001-1,00,000	15	0.13	1099750	0.66
1,00,001 and above	28	0.24	137345800	81.80
	11619	100.00	167895600	100.00

(i) Registrar and Transfer Agents

Mas Services Pvt. Ltd. AB-4, Safdarjung Enclave, New Delhi - 110 029

(j) Plant Location

A - 37, Sector - 60, Noida, District Gautam Budh Nagar, Uttar Pradesh.

(k) Address for Correspondence

Phoenix International Ltd.,
3rd Floor, Gopala Tower,
Rajendra Place,
New Delhi - 110 008.

For PHOENIX INTERNATIONAL LIMITED

(Director)

(Director)

AUDITORS REPORT ON CORPORATE GOVERNANCE

To The Members of Phoenix International Limited

We have examined the compliance of conditions of corporate governance by M/s. Phoenix International Limited ("Company") for the year ended on 30th June, 2002 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 of the Company. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. 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, subject to the following :

1. The audit committee has two non executive directors and one executive director.
2. The Company has not complied with the requirements of stock exchanges regarding publishing of quarterly, half yearly and annual financial results in the newspaper, and half yearly limited review of accounts.

We certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no shareholders' grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

For KHANNA AND ANNADHANAM
Chartered Accountants

Place : New Delhi
Date : 09th July, 2003

(Jitender Dhillon)
Partner



PHOENIX INTERNATIONAL LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

NAME OF SUBSIDIARY	PHOENIX INDUSTRIES LTD.	PARK LEATHER INDUSTRIES LTD.	PHOENIX CEMENT LTD
1. Financial year of the subsidiary	June 30, 2002	March 31, 2002	June 30, 2002
2. Holding Company's Interest	Holding of 84,32,300 shares of Rs. 10/- each out of the total issued and subscribed share Capital of 94,32,300 shares	Holding of 3,000 shares of each out of the total issued and subscribed share capital of 3,000 shares.	Rs. 829,535,100/- Holding of 20,10,010 shares of Rs. 10/- fully paid and Rs. 22,29,90,000 shares of Rs. 10/- each Rs. 6.50 paid up out of the total issued share capital of 22,50,00,070 Shares of Rs. 10/- each out of which 22,29,90,000 shares are Rs. 6.50 paid up less adjustment due to proposed reduction of share capital by Rs. 640,000,000/-
3. Net aggregate amount of subsidiary's profits/losses so far as they concern member of the Holding Company and not dealt within the Holding Company's accounts i) For Subsidiary's financial year ii) For Subsidiary previous financial year since it became Subsidiary	Rs. (1310.21) lacs Rs. 359.09 lacs	Rs. 13 lacs Rs. (34.25) lacs	Rs. (1321.34) lacs Rs. (1011.58) lacs
4. Net aggregate amount of subsidiary's profits/losses so far as they concern member of the Holding Company and dealt within the Holding Company's accounts. i) For Subsidiary previous financial year since it became Subsidiary	Nil	Nil	Nil
5. Change in the interest of Holding Company between the end of Subsidiary financial year and the end of Holding Company's financial Year.	Not applicable	Not applicable	Not applicable
6. Material change between the end of Subsidiary financial year and the Holding Company's financial year i) Fixed Assets ii) Investments iii) Monies lent by the subsidiary iv) Monies borrowed by the subsidiary other than for meeting current liabilities	Not applicable Not applicable Not applicable Not applicable	Not applicable Not applicable Not applicable Not applicable	Not applicable Not applicable Not applicable Not applicable

Narender Makkar
Company Secretary

Pramod Manocha
Director

V.B. Oberoi
Director

Ajay Kalsi
Managing Director

Place : New Delhi
Date : 09th July, 2003



PHOENIX INTERNATIONAL LIMITED

AUDITORS' REPORT

TO THE MEMBERS

1. We have audited the attached Balance Sheet of Phoenix International Limited as at 30th June, 2002 and the annexed Profit & Loss Account of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in paragraph 3 above, we report that :
 - i) *The factories of the Company relating to shoe manufacturing facilities have been shut down since July, 2000. The Company's subsidiaries have also discontinued / substantially reduced business operations / abandoned projects. The management has decided to sell major part of the Plant & Machinery and other assets (other than land and building) belonging to the Company. These factors along with other matters set out in Notes to Accounts raise substantial doubt whether the company will be able to continue as a going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business. [Refer to Note 2 (a)]*
The financial statements do not include all the adjustments relating to the recoverability and classification of records assets and liabilities that may be necessary if the Company is unable to continue as a going concern.
 - ii) a) *Due to discontinuance of shoe manufacturing business by the company, its fixed assets with a written down value of Rs. 6273.52 lacs have been significantly impaired. A provision of Rs. 1000 lacs towards loss due to impairment has been made on adhoc basis. The Company intends to use some of the fixed assets (mostly land & building) of the written down value of Rs. 4998. 14 lacs for other activities. However, no formal restructuring of business has taken place and hence the future benefits from the continuing use to these assets can not be determined. We are therefore, unable to form an opinion regarding adequacy of the provision made for impairment towards fixed assets and the values at which these are carried in the books. [Refer Note 2(b), (c) (d) and (f)].*
 b) *The company had imported a cement plant for Phoenix Cement Limited a wholly owned subsidiary of the Company in the year 1999-2000 value at Rs. 1779.88 lacs which is lying at the customs bonded warehouse. A DG set imported in the year 1997-98 valued at Rs. 130.46 lacs is also lying at customs bonded warehouse. The physical condition of the cement plant and the DG set and impairment in their value has not been assessed by the management. No provision for loss of value or for payment of customs dues has been made in the accounts. [Refer Note 2(e)].*
 - iii) *The Company has investments amounting to Rs. 9776.20 lacs in two subsidiary companies. In the case of Phoenix Cement Limited (PCL), the company has abandoned its cement project. A provision of Rs. 2379.64 lacs (including Rs. 1321.34 lacs made during the year) has been made in the accounts in respect of investments in PCL. The entire plant and machinery of PCL is held for sale and the actual shortfall in the value of investments can not be ascertained at this state. In the case of Phoenix Industries Limited (PIND), the company has substantially reduced operations. A provision of Rs. 295.87 lacs has been made in the accounts during the year in respect of investments in PIND. The Plant and machinery of PIND is held for sale and the actual shortfall in the value of investments can not be ascertained at this stage. From the available information we are unable to quantify the diminution in the value of investments in the subsidiary companies (Refer Note 3).*
 - iv) *Inventories of the book value of Rs. 1004.70 lacs have been valued at Rs. 191.11 lacs on the basis explained in the Note No. 4 by the Management and a provision of Rs. 813.59 lacs is held in the accounts towards inventory write down. Since no inventories have been sold subsequent to the close of the year, it is not possible to ascertain the net-realizable value of these inventories (Refer Note 4).*
 - v) *In the case of Sundry Debtors amounting to Rs. 4246.39 lacs (net of provision of Rs. 4029.92 lacs) considered good by the management, the realisation during the year and subsequent to the close of the year are not significant. These include amounts due from a foreign associate company of Rs. 3096.82 lacs (net of provision of Rs. 3094.92 lacs). From the available information we are unable to form an opinion regarding ultimate recovery of the amounts (Refer Note 5).*
 - vi) *Loans and advances include Rs. 869 lacs due from a foreign associate company which are considered good by the management. The amount is overdue for payment and there has been no realisation subsequent to the close of the year. From the available information we are unable to form an opinion regarding ultimate recovery of the amount. (Refer Note 6).*
 - vii) *In respect of secured borrowings amounting to Rs. 6026.97 lacs, some of the banks have filed recovery suits against the company while in some cases settlement is in progress. In the absence of statement of accounts, bank borrowing accounts have not been reconciled nor balance confirmation obtained. [Refer Note 7(a) and 7(c)].*
 - viii) *In the absence of necessary information as to the exact nature of transactions, we are unable to ascertain whether the amounts due to associated companies amounting to Rs. 3067.26 lacs ('shown under current Liabilities'), are in the nature of loans and advances or current liabilities. [Refer Note 8].*
 - ix) *Dividend payable account 1998-99 has not been reconciled. [Refer Note 10].*
 - x) *The company has not provided Rs. 1551.66 lacs (including Rs. 995.90 lacs for the current year) being interest payable on loans from banks/financial institutions. [Refer Note 7(b)].*
5. Subject to our comment in paragraph 4 (i) to 4 (x) above, 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 accounts as required by law have been kept by the company so far as appears from our examination of books;
 - c) The Balance Sheet and Profit And Loss Account referred to in this Report are in agreement with the Books of Accounts;