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16th
ANNUAL REPORT
YEAR ENDED
30th JUNE, 2003

PHOENIX INTERNATIONAL LIMITED

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PHOENIX INTERNATIONAL LIMITED



BOARD OF DIRECTORS

MANAGING DIRECTOR

Shri Ajay Katar

DIRECTORS

Shri V.B. Oberoi

Shri Pramod Kumar Manocha

COMPANY SECRETARY

Narender Mehta

AUDITORS

Gupta Mahesh & Associates

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-60,

Noida - 201 301,

Distt. Gautam Budh Nagar,

Uttar Pradesh

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PHOENIX INTERNATIONAL LIMITED



DIRECTOR'S REPORT

Dear Shareholders,

The Directors of your company present the 16th Annual Report along with the Audited Statement of Accounts of the company for the year ended 30th June, 2003.

FINANCIAL RESULTS

	YEAR ENDED 30.06.2003 (Rs.in Lacs)	YEAR ENDED 30.06.2002 (Rs.in Lacs)
Sales & Other Income	636.05	1065.70
(Loss) / Profit, before depreciation	(844.20)	(1937.72)
Less: Depreciation	256.60	268.05
(Loss) / Profit before Taxation	(1100.81)	(2205.77)
Less: Prov. for Taxation/paid for earlier year.	0.35	0.43
	(1101.16)	(2206.20)

OPERATIONAL PERFORMANCE

As already informed in the Directors Report of the last year, our shoe manufacturing activities in Noida plant had been closed since 7th July, 2000 due to labour problems. However, the company has carried out shoe related business activities at a very low level during the financial year under review. The company has suffered a net loss of Rs.11.01 crs as compared to net loss of Rs. 22.06 crs during the previous financial year.

Your directors propose to lease out / utilise the surplus land and building situated at Noida for other purpose and utilise a part for re-starting shoe activity at comparatively lower level. The Company propose to sell part of plant & machinery and land & building at A-31 to A-33, sector-60, Noida and pay the proceeds to IFCI under interim settlement proposal so that IFCI can settle its dues and make the balance payment to Rabo Bank under ECB.

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 resulted in major loss to the company.

One of the bank and a financial institution have filed case with the Debt Recovery Tribunal (DRT). The Company has already entered into one time settlement with the bank and the same is in process of being filed with DRT. In respect of the financial institution, the Company is hopeful of getting approval of interim settlement proposal and will be requesting for final settlement proposal with the financial institution.

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, 2003.

EXPORTS

Export sales in FOB terms were Rs.1.75 crores, in the year 2002-2003.

PARTICULARS OF EMPLOYEES

During the year under review, the Company had no employees in respect of whom information's 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.

DIRECTORS

Mr. V.B. Oberoi, Director of the Company retire by rotation and being eligible offer himself for re-appointment. The term of Mr. Ajay Kalsi, as Managing Director of the company expires on 30th November, 2003. In accordance with the provision of section 269 Shri Ajay Kalsi is re-appointed as Managing Director for a further period of five years w.e.f 1st December, 2003 to 30th November, 2008. Due to financial crunch and on the request of Shri Ajay Kalsi, the Board of Director has proposed the appointment of Shri Ajay Kalsi as Managing Director without the payment of any remuneration.

DIRECTOR'S RESPONSIBILITY

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, 2003 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, 2003 and of the loss of the Company for the year.



PHOENIX INTERNATIONAL LIMITED

- c) 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.
- d) That the Annual Accounts for the year ended June 30, 2003 have been prepared on a going concern basis.

AUDIT REPORT

The qualification made by the auditors in their report vide clause 4 f (i), 4 f (ii), 4 f (iii), 4 f (iv) and clause 5 of audit report have been explained and clarified vide note no. 2, 3, 5, 6(b) and 9 of notes to the accounts respectively, which are self explanatory and do not required any further explanation.

With reference to clause 1 of the Annexure to the Audit Report regarding updation of records with regard of fixed assets. Steps are already been taken to complete the same.

Regarding clause 15 of the Annexure to the Audit Report regarding internal audit system. The Company has an adequate internal audit system considering the operations of the company, however necessary steps are also taken by the Company to further strengthen the internal audit system.

AUDITORS

The auditors, M/s Gupta Mahesh & Associates, Chartered Accountants retire at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. A certificate required under Section 224 (1B) of the Companies Act, 1956 to the effect that their appointment if made, shall be within the limits specified in the said section, has been obtained 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 30.06.2003 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.

ACKNOWLEDGMENT

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 : 29.11.2003

(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	175.21lacs	534.00 lacs
Foreign Exchange Outgo	59.40lacs	198.33 lacs

REPORT ON CORPORATE GOVERNANCE

(1) Company's Philosophy

Phoenix International Limited (PIL) firmly believes that the implementation of code on corporate governance would go a long way in attainment of the highest levels of transparency, accountability and equity in all facets of operations and interactions with stakeholders including shareholders, employees, the government and lenders as well as enhancement of the value of stakeholders. PIL is committed to meeting the highest standards of corporate governance and disclosures. PIL belongs to a group, which has a reputation for integrity, fair play and sound business practices. PIL believes that corporate governance is not just about complying with a set of norms and regulations but is an article of faith and an integral part of core values.

A brief report on Corporate Governance for the year ended 30/06/2003 is given below:

(2) Board of Directors

((A) Composition and Category of Directors

The Board of Directors comprises of 4 Directors which includes Executive Promoter Director and three Non Executive Directors. The composition of Directors, their attendance at Board Meetings during the Financial Year 2002-2003 and last Annual General Meeting and their other Directorships/Committee Memberships in other Companies as on 30th June, 2003 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	5	NO	15*	5	NIL
Mr. V.B. Oberoi	Non Executive Director	6	YES	18**	3	3
Mr. Pramod Manocha***	Non Executive Director	6	YES	5	2	3
Mr. S. Lahiri****	Non Executive Director	0	NO	3	1	NIL

* Out of them 4 Directorships are in Private Limited Companies

** Out of them 5 Directorships are in Private Limited Companies

*** Mr. Pramod Manocha was Whole-time Director till 30th September 2002.

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

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
15.07.2002	3
09.10.2002	3
01.01.2003	3
05.02.2003	3
22.03.2003	3
28.06.2003	2

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



PHOENIX INTERNATIONAL LIMITED

(C) Remuneration to Directors

As there is lockout in the Company since 7th July 2000 and due to financial crunch faced by the Company, Managing Director had foregone his salary for the whole year ending 30th June, 2003 and so no salary was paid to him during the year.
Mr. Pramod Manocha was Whole-time Director of the Company till 30th September 2002.
The remuneration received by Mr. Pramod Manocha till 30th September 2002 is as follows:

Name of the Director	Designation	Salary(Rs.)	Perks(Rs.)	Contribution to Provident and other fund (Rs.)	Total
Mr. P. Manocha	Whole-time Director	81,900	45,628	9,000	1,36,528

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. However Mr. Pramod Manocha had foregone his part of sitting fees. The sitting fee paid to the Directors for meeting of Board of Directors for the year ended 30th June 2003 is as follows:

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

(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 Independent Director
- (C) Mr. S. Lahiri* Nominnee of IFCI

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

*Mr. S. Lahiri resigned from the Committee w.e.f. 2/06/2003.

(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 :

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

(C) Meetings and Attendance during the year

Six meetings of the Committee were held during the year 2002-2003, (i.e.) on 05th July 2002, 15th July 2002, 25th September 2002, 13th October 2002, 08th January 2003 and 28th June 2003.

The attendance particulars are as follows:

Name of the Chairperson / Member	Meetings	
	Held	Attended
Mr. V.B. Oberoi - Chairperson	6	6
Mr. Pramod Manocha	6	6
Mr. S. Lahiri	6	1

(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 Independent Director

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

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

16.08.2002, 16.09.2002, 16.12.2002, 15.02.2003, 14.03.2003, 16.04.2003, 14.05.2003 and 16.06.2003.

The number of complaints received during the year were 59 and there were one pending complaint 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 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.
18th August, 2003 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.

(6) Disclosure

(A) The details of materially significant related party transactions are discussed in notes to the financial statements.



PHOENIX INTERNATIONAL LIMITED

(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

Economic slow down in major economies of the world including India continued during the year. International trade has slowed down during the year in comparison to previous period. Due to depressed Indian market and slowness in the economic development, Financial crises and closed manufacturing unit, your company could not do much business. Your company is no exception to above condition of the world and country; however, the Company is trying its best to overcome the situation despite of prevailing adverse conditions. Your directors are hopeful of revival of business opportunity in the subsequent years. Your Company has documented structural systems and procedures in every area. Periodical reviews are conducted to assess the performance and provide speedy solutions for problems founded.

Your company is always striving to create a favorable work environment with the available resources at its command and is doing its best to retain the available talents within the company.

The Company was having expertise in the product line in which it was operating. The Company was a continuously profit earning and 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 Rs. 1000/- crores 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, further the productivity of the labour was very low. The company could not also receive order from Russia because of low export prices offered by other countries like China.

There have 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.

Despite above, 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 / utilized for other purpose. The Company has contacted various Indian / International Estate agents to get customers for the surplus of Noida.

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

(8) General Shareholder Information

(a) Annual General Meeting

Date & Time : 31/12/2003 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, 2003 : 31st January, 2004
31st December, 2003 : 31st January, 2004
31st March, 2004 : 30th April, 2004

Approval of Audited Results for the year ending 31.03.2004 : 30th June, 2004

(c) Date of Book Closure : 31st December, 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)	Kolkata Stock Exchange	7, Lyons Range, Kolkata-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 only. However steps are being taken to pay Annual Listing fees to Kolkata stock exchange, Ahmedabad stock exchange and Jaipur stock exchange.



PHOENIX INTERNATIONAL LIMITED

Due to some non-compliance, Mumbai Stock Exchange had suspended the trading of securities of Company. However Company is taking steps to get suspension revoked as soon as possible.

As per the statement received from Delhi Stock Exchange, there was nil trading of shares of the Company during July 2002 to June 2003. Steps are also being taken for the de-listing of shares from Kolkata Stock Exchange, Ahmedabad Stock Exchange and Jaipur Stock Exchange.

(e) 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

(f) Distribution of Shareholding :

Shareholding of Nominal Value (Rs.)	Shareholders		Share Amount	
	Number	% to Total	Rs.	% to Total
1	2	3	4	5
Upto 5000	10492	92.75	19872110	11.84
5001-10,000	522	4.61	4049550	2.41
10,001-20,000	173	1.53	2610630	1.55
20,001-30,000	40	0.35	1048140	0.62
30,001-40,000	27	0.24	948180	0.56
40,001-50,000	11	0.10	577760	0.31
50,001-1,00,000	20	0.18	1527090	0.91
1,00,001 and above	27	0.24	137322140	81.79
	11312	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,
25, Rajendra Place,
New Delhi - 110 008.

Place: New Delhi
Date: 29.11.2003

For PHOENIX INTERNATIONAL LIMITED
(Director) (Director)

AUDITORS REPORT ON CORPORATE GOVERNANCE

To The Members of Phoenix International Limited

We have examined the compliance of Report on Corporate Governance by M/s Phoenix International Ltd. ("Company") for the year ended on 30th June, 2003 as stipulated in the Clause 49 of the Listing Agreement of the said Company with respective stock exchanges.

The compliance of conditions of Corporate Governance is the sole responsibility of the management of the Company. Our examination was limited to review of the 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 and records maintained by the Company.

On the basis of the above and according to the information and explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the respective Stock Exchanges, subject to the following:

1) Due to resignation on 02nd June, 2003 by one of the member of audit committee, the audit committee consist of only two members from 02nd June, 2003 till end of the year.

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 except for one complaint.

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

For GUPTA MAHESH & ASSOCIATES,
Chartered Accountants

Place : New Delhi
Date : 29.11.2003

(R.K. SETH)
Partner

PHOENIX INTERNATIONAL LIMITED



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

NAME OF SUBSIDIARY	PHOENIX INDUSTRIES LTD.	PHOENIX CEMENT LTD
1. Financial year of the subsidiary	June 30, 2003	June 30, 2003
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	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. (804.38) lacs Rs. (445.29) lacs	 Rs. (73.56) lacs Rs. (1085.14) 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
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
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

Narender Makkar
Company Secretary

Pranod Manocha
Director

V.B. Oberoi
Director

Ajay Kalsi
Managing Director

Place : New Delhi
Date : 29.11.2003



PHOENIX INTERNATIONAL LIMITED

AUDITORS' REPORT

TO THE MEMBERS

1. We have audited the attached Balance Sheet of **PHOENIX INTERNATIONAL LIMITED** as at 30th June, 2003 and the annexed Profit and 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 the 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:
 - 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 the books ;
 - c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account ;
 - d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ;
 - e) On the basis of written representations received from the Directors as on 30th June, 2003 and taken on record by the Board of Directors, none of the Directors of the Company is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 ;
 - f)
 - (i) Due to discontinuation of shoe manufacturing activities by the Company, its fixed assets with a net book value of Rs. 7814.27 lacs including Plant & Machinery have been significantly impaired. The management has decided to sell major part of the Plant & Machinery and other fixed assets belonging to the Company. The loss that may arise on realisation / impairment of assets cannot be ascertained at this stage. However, a provision of Rs. 1000.00 lacs towards loss due to impairment has been made in the books of account as per estimate made by management based on valuation report. 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 fixed assets are carried in the books. [Refer Note- 2]
 - (ii) The Company has sold its investments in one of the subsidiary company namely Park Leather Industries Limited, manufacturing leather at Agra. In addition to that, the Company is having investments amounting to Rs. 9776.20 lacs in its two subsidiary companies. Phoenix Cement Limited (PCL), a wholly owned subsidiary which has abandoned its cement project. The most of the cement machinery of PCL have been re-exported. The actual shortfall in the value of investments can not be ascertained at this stage. However, a provision of Rs. 2453.20 lacs (including Rs.73.55 lacs during the year) has been made in the books of account in respect of diminution in the value of investments in PCL. The other subsidiary company Phoenix Industries Limited (PIND) has substantially reduced the business operations. The actual shortfall in the value of investments can not be ascertained at this stage. However, a provision of Rs. 1014.97 lacs (including Rs.719.10 lacs during the year) has also been made in the books of account in respect of diminution in the value of investments in PIND (Refer Note 3).
 - (iii) Sundry Debtors amounting to Rs. 3739.22 lacs (Net of Provision of Rs.4023.69 lacs) has been considered Good by the management. There has been some realisations from these debtors during the year and subsequent to the close of the year. From the available information, we are unable to form an opinion regarding adequacy of the provision made in the books of account towards outstanding Sundry Debtors. [Refer Note 5].
 - (iv) Since the company's request for waiver of interest on secured loan borrowings from banks / financial institution are under the active consideration of the respective banks / financial institutions, therefore, the Company has not provided for Rs.2490.55 lacs (including Rs.1407.07 lacs for the current year) being interest payable thereon till 30/6/2003. [Refer Note 6(b)]
5. In our opinion and to the best of our information and according to the explanations given to us, " Subject to our remarks in para 4-f (i) to f (iv) above with corresponding effects on the loss for the year and the year end net assets", the said accounts read together with the accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2003 ;and
 - ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For GUPTA MAHESH & ASSOCIATES
Chartered Accountants

Place : New Delhi
Date : 29.11.2003

(R.K.Seth)
Partner