

# 22<sup>nd</sup> Annual Report 1996-97

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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## FENOPLAST LIMITED

306-308, CHENOY TRADE CENTRE, PARKLANE,  
SECUNDERABAD - 500 003. A.P., INDIA.



## FENOPLAST LIMITED

### Board of Directors

Sri H. Narsaiah, *Chairman*  
 Sri H. Kishen, *Managing Director*  
 Sri H. Dayakiran, *Director*  
 Sri H. Krishna Kumar, *Director*  
 Sri Daljit Singh, *Nominee of IDBI*  
 Sri S.K. Sethi, *Nominee of IFCI*

### Bankers

Canara Bank  
 Syndicate Bank  
 Lakshmi Vilas Bank Ltd.

### Auditors

M/s. M. Anandam & Co.  
 6549, R.P. Road,  
 Secunderabad.

### Registered Office

306-308, Chenoy Trade Centre,  
 Parklane, Secunderabad - 500 003,  
 Andhra Pradesh, India.

### Factories

#### Unit-I

Plot No.21/A,  
 Industrial Development Area,  
 Patancheru - 502 319.  
 Medak Dist., A.P.

#### Unit-II

Survey No.133,  
 Nandigaon Village,  
 Near Ghanapur, Sangareddy Tq.,  
 Medak Dist., A.P.

#### Unit-III

Survey No.165 & 166,  
 Nandigaon Village,  
 Near Ghanapur, Sangareddy Tq.,  
 Medak Dist., A.P.

### Branch Offices

#### Mumbai

A-8/103  
 Veena Nagar, Opp. Gabriel,  
 L.B.S. Marg, Mulund (West),  
 Mumbai - 400 080.

#### Calcutta

14-A, Canal Street,  
 Calcutta - 700 014.

#### New Delhi

35B & 36  
 Samaspur Village,  
 Patpargunj  
 Delhi - 110 091.

## FENOPLAST LIMITED

### NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the members of Fenoplast Limited will be held on Monday, 29th September, 1997 at 2.00 p.m. at Kapu Sangam, 1-7-155, M.G.Road, Secunderabad-500 003, to transact the following business:

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1997, the Profit & Loss account for the year ended 31st March 1997 together with the Directors' report and Auditor's report thereon.
2. To appoint a Director in place of Sri.H.Narasaiah who retires by rotation and being eligible, offers himself for reappointment.
3. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary resolution:

Resolved that M/s.M.Anandam & Co., Chartered Accountants, Secunderabad, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company and that the Board of Directors of the Company be and are hereby authorised to fix their remuneration and out of pocket expenses.

#### SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:

RESOLVED That the existing Article 126(2) of the Articles of Association of the Company be and is hereby substituted by the following:

126(2): Save with the consent in writing of all the Directors not less than seven days notice in writing shall be given for every meeting of the Board, such notice shall be given to every Director for the time being in India, and at his usual address in India to every other Director. Notice of the date of such meeting shall also be given by cable to every Director not for the time being in India. No meeting of the Directors shall be competent to enter upon discussion or trans-

act any business which has not been mentioned in the notice/notices upon which it was convened, except with the permission/consent of the Chairman of such meeting.

5. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

RESOLVED THAT the Board of Directors, be and is hereby authorised to borrow money and obtain loans, under section 293(1)(d) of Companies Act, 1956, for the business of the Company, which together with the money already borrowed and outstanding (excluding temporary loans/cash credit/working capital limits obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the Paid up Capital and Free Reserves, that is Reserves not set apart for any specific purpose, provided that the total of such borrowing outstanding at any time shall not exceed a sum of Rupees Sixty Crores.

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as a special resolution:

RESOLVED THAT the Authorised Share Capital of the Company be and is hereby increased to Rs.10,00,00,000 (Rupees Ten Crores only) consisting of 80,00,000 Equity Shares of Rs.10/- each and 20,00,000 Preference Shares of Rs.10/- each.

FURTHER RESOLVED that the existing Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following :

"V. The Authorised Share Capital of the Company is Rs.10,00,00,000 (Rupees Ten Crores only) divided into 80,00,000 Equity Shares of Rs.10/- each and 20,00,000 Preference Shares of Rs.10/- each to be increased or reduced in accordance with the provisions of the Companies Act, 1956."

FURTHER RESOLVED that the existing Article 3 of the Articles of Association of the Com-

**FENOPLAST LIMITED**

pany be and is hereby substituted by the following :

"3. The Authorised Share Capital of the Company is Rs.10,00,00,000 (Rupees Ten Crores only) divided into 80,00,000 Equity Shares of Rs.10/- each and 20,00,000 Preference Shares of Rs.10/- each to be increased or reduced in accordance with the provisions of the Companies Act, 1956."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution.

"RESOLVED THAT the consent be and is hereby accorded under Section 81(1-A) of the Companies Act, 1956 to the Board of Directors of the Company to issue up to 20,00,000 Preference Shares of Rs. 10/- and/or 20,00,000 Equity Shares of Rs.10/- each for cash at par or at premium as the Board of Directors may deem fit, through Public Issue/Rights Issue/Private Placement

and or in any other manner to individuals/ Bodies Corporate/Financial Institutions/NRIs/ OCBs, Mutual Funds/General Public whether or not such persons/authorities are Shareholders of the Company at the time of the Issues/Offer and for such amount and on such terms and conditions as the Board of Directors may deem fit subject to statutory guidelines being in force at the time of the Issue/Offer."

8. To consider and, if thought fit, with or without modification, to pass the following resolution as a ordinary resolution.

"RESOLVED THAT consent be and is hereby accorded to the Board of Directors of the Company to buy back such number of equity shares of the Company and on such terms and conditions as they deem fit, subject to the statutory guidelines/provisions prevailing at the time of the buy back."

Report Junction

By order of the Board  
For FENOPLAST LIMITED

Place : Secunderabad

Dated : 29-08-1997

**H. KISHEN**

*Managing Director*

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the company. Instruments of Proxy in order to be effective must be received at the company's Registered Office at least 48 hours before the commencement of the meeting.
2. Members are requested to notify immediately changes in their residential address, if any, to the Company's Registered Office quoting the folio number.
3. Members/Joint Members/Proxies are requested to bring the attendance slip with them. Duplicate slip will not be issued at the entrance of the meeting place.
4. Members are requested to come to the venue of the meeting well in advance for registration. No registration will be entertained after fifteen minutes of the commencement of the meeting.
5. Members are requested to bring their copy of the Annual Report. Additional copy of the Annual Report will not be distributed at the place of meeting.
6. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the special business of the meeting is annexed hereto.
7. Any query relating to the Accounts must be sent to the Company's Registered Office at least 7 days before the meeting.

## FENOPLAST LIMITED

8. **Members are requested to note the change of transfer agents of the company. M/s. Sriven Corporate Services Pvt. Ltd., have been appointed as transfer agents from the closure of the meeting. Any future correspondence should be addressed to M/s. Sriven Corporate Services Pvt. Ltd., 8-3-952/10/2, Srinagar Colony Road, Punjagutta, Hyderabad-500 016.**

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

**Item No.4 :** The existing Article 126(2) of the Articles of Association is being amended to serve Board Meeting notices with a lesser time limit and also to enhance the Chairman's power to transact more business at the Meeting, depending on the exigencies of the matter pertaining to the Company. None of the Directors is interested in the resolution.

**Item No.5:** To meet the Company's enlarged activities, the borrowing limits has to be increased. The members approval is required for any borrowings exceeding the limits prescribed by the Companies Act, 1956. Hence this resolution. None of the Directors is interested in the resolution.

**Item No.6:** Your Company is planning for expansion/modernisation /diversification involving certain capital expenditure. To part finance the implementation of these plans, it is proposed to issue Equity Shares, Preference Shares either at par or at premium as may be decided by the Board of Directors. As the existing Authorised

Capital of the Company is not sufficient for issue of Equity Shares and does not have provision for issue of Preference Shares , a proposal for increasing the Authorised Capital and consequently amending the Capital clause in Memorandum & Articles of Association is proposed in Item No.6.

None of the Directors is interested in the resolution excepting to the extent of his/their share holdings, if any, in the company.

**Item No.7:** As already mentioned, your company is considering various schemes for expansion/modernisation/diversification and with a view to part financing the above activities, your Company is planning to issue Equity Shares, Preference Shares, either at par or at premium as may be decided by the Board of Directors. To enable your Board of Directors to make such an issue, members consent under Section 81(1-A) of the Companies Act, 1956 is required.

None of the Directors is interested in the resolution excepting to the extent of his/their share holdings, if any, in the Company.

**Item No.8:** As the Members are aware that the Government is contemplating, by amending the Companies Act 1956, to empower Companies to buy back their own shares. As the buy back of the shares would enable the Company to increase its net worth and dividend paying capacity, your Company would like to avail of this facility as and when the amendments come into effect. Accordingly, an enabling resolution is proposed. None of the Directors is interested in the resolution.

By order of the Board  
For **FENOPLAST LIMITED**

**H. KISHEN**  
Managing Director

Place : Secunderabad  
Dated : 29-08-1997

**FENOPLAST LIMITED****DIRECTORS' REPORT**

To  
THE MEMBERS OF  
FENOPLAST LIMITED

Your Directors are pleased to present the Twenty Second Annual Report of the Company and the Audited Statement of Accounts for the year ended 31st March 1997.

**Financial Results :**

During the year under review company's total income was Rs.2667.86 lacs as compared to Rs.4424.68 lacs of previous year. During the year under review the capacity utilisation was lower compared to previous year. The lower capacity utilisation was on account of liquidity crunch faced by the Company. The financial results of the Company are as under :

	(Rs. in Lacs)	
	For the Year 1996-97	For the Year 1995-96
Income	2667.86	4424.68
Less : Expenditure	1970.44	3485.34
Less : Excise Duty	355.89	651.69
Gross Profit	341.53	287.65
Less : Interest & Finance charges	469.79	505.90
Less : Depreciation & Misc.exp.w/off	98.52	98.47
Loss for the year	226.78	316.72
Add: Prior period adjustments	5.25	68.00
Loss after prior period adjustments	232.03	384.72
Profit brought forward	44.35	429.07
Profit/Loss carried forward	-187.68	44.35

**Operations :**

For the year under review production of PVC Leather Cloth was 37.51 lakh sq. mts. as against the previous year's production of 55.09 lakh sq. mts. Production of PVC Film was 1026.54 MT as against the previous year's production of 2144.26 MT.

**Listing agreement Compliance :**

Projections for the year ended 31st March 1997 as per the prospectus dated 19th September 1994 and its comparison with the actuals, for the year ended 31st March 1997, pursuant to Clause 43 of the listing agreement with the Stock Exchanges, are given below :

Particulars	Projections	Actuals
	( R s . i n l a k h s )	
Gross Sales	5680	2644.71
Other Income	33	23.16
Gross Profit	962	341.53
Interest	268	469.79
Depreciation	140	93.45
Profit before Tax	554	-226.78
Profit after Tax	554	-226.78
Equity share capital	460	459.66
Reserves & Surplus	1893	207.64
Net Worth	2353	667.31
Book value per share (Rs.)	51.15	14.51
E.P.S. (Rs.)	12.04	-

## FENOPLAST LIMITED

### Exports :

During the year under review, your Company made exports aggregating to Rs 867.49 lakhs to various countries such as Hong Kong, Kuwait, Mauritius, Mozambique, Netherlands, Saudi Arabia, Sri Lanka, South Africa, Sudan, United Arab Emirates and United Kingdom.

### Pending Legal Cases :

#### 1) Central Excise Duty :

As informed to you in the previous year's report, there was a notice of demand of Rs. 524 lakhs during 94-95 on the Company, from the Central Excise authorities. The matter has been contested before the Customs, Excise & Gold Control Appellate Tribunal (CEGAT) and the Company has made its representation. Final decision of the CEGAT, on the maintainability of the demand, is awaited. The Company has been advised by its legal counsel that it has a reasonable case and as such the management is of the opinion that no provision for this liability is necessary in the Books of Account.

### 2) Sales Tax Case :

As informed to you in the previous year's report, the Company has filed a case against the Sales Tax Authorities against the levy of Sales Tax on PVC leather cloth. The Company has also obtained a stay from the Supreme Court. The Company is paying additional excise duty in lieu of sales tax. In the opinion of the legal counsel of the Company and of the management, the demand is not maintainable and hence no provision is made in the Books of Account.

### Personnel :

Your Directors are pleased to record their appreciation of the devotion and sense of commitment shown by the employees at all levels and acknowledge their contribution towards the performance of the company.

Particulars required under Sec.217(2-A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, for the year under review are as under :

Name of employee	Designation	Gross remuneration Rs.	Qualifications	Age/ Experience	Commencement of employment	Previous employment
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#### (i) Employed for whole of the year :

Sarvasri/ H.Kishen	Managing Director	5,18,138	B.Com.	56/37	16.10.75	Textile business
H.Dayakiran	Director	3,46,516	B.Sc.	40/18	10.07.79	Textile business
H.Krishna Kumar	Director	3,45,520	M.A.	39/15	01.09.82	--
H.Raviraj	Senior executive	3,00,000	B.A.	33/10	01.07.87	--

#### (ii) Employed for part of the year :

K.Nagender Rao	Managing Director	2,26,189	B.Sc.,	58/38	16.10.75	Textile business
K.Seshagiri Rao	Director	3,40,152	Inter	44/27	16.10.75	Textile business
K.Sreenivasa Rao	Director	1,71,723	B.Com,LLB	36/15	01.11.82	--

## FENOPLAST LIMITED

### Subsidiary :

Your company's subsidiary, Rex-O-Knits Ltd., achieved a total income of Rs.165.60 lakhs as against previous year's total income of Rs.336.43 lakhs. The working of the subsidiary is satisfactory.

The audited financial results of the subsidiary for the year ending 31st March 97 is annexed to this report. Additionally, the financial results of the subsidiary for the year ending 31st March 96, is also annexed to this report as the same was not furnished earlier.

### Directors:

Industrial Development Bank of India has nominated Sri Daljit Singh as its nominee in place of Sri.K.P.Ramakrishnan. Sri Narendra I Bhuvaregined from the Board. The Board places on record its appreciation to Sri K.P. Ramakrishnan and Sri Narendra I Bhuvaregined for the contribution made by them during their tenure.

Sri H.Narsaiah, will retire by rotation at this Annual General Meeting and is eligible for reappointment.

**Matters required to be reported as per Company's (Disclosure of Particulars in the Board of Directors) Rules, 1988.**

### A. Energy Conservation :

Presently the consumption of energy in the process of manufacturing is not substantial. During the year under review, consumption of power, per square meter of leather cloth, increased from 0.08 kwh to 0.13 kwh. The consumption of coal is decreased from 0.33 Kgs. to 0.30 Kgs. per square meter of production. Power consumption for PVC film increased from 0.96 Kwh to 1.43 Kwh for one Kg production. The increase of power consumption was on account of volumes below optimum levels. Details are enclosed herewith in Form A.

### B. Technology Absorption :

On the technology absorption, the Company employees were fully trained on the machines by Battenfeld, Germany. The machines are being operated without any technical problems.

### C. Foreign exchange earnings and out-go :

The Company has used Rs.317.91 lakhs on foreign exchange for its imports during the year, out of its total export earnings Rs. 827.14 lakhs. Previous year the company has used Rs.457.43 lakhs out of Rs.1130.18 lakhs earned.

### Auditors :

The auditors, M/s.M.ANANDAM & CO., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The observation of the Auditors are explained wherever necessary in the appropriate Notes to the Accounts.

### Acknowledgements :

The Directors thank IDBI, IFCI and ICICI for having extended financial support to the Company and also Canara Bank, Syndicate Bank and Lakshmi Vilas Bank Ltd., for the financial support extended to the Company.

Your Directors thank dealers and customers for the support and cooperation extended to the company.

At the same time your Directors acknowledge the support and cooperation received by the Company from the suppliers of plant and machinery and other suppliers of capital goods and materials.

For and on Behalf of the  
Board of Directors

Place: Secunderabad  
Date : 29-08-1997

**H.NARSAIAH**  
(Chairman)

**FENOPLAST LIMITED****ANNEXURE TO DIRECTORS' REPORT****FORM-A**

Form for Disclosure of Particulars with respect to Conservation of Energy.

**A. Power and Fuel Consumption :**

		<b>CURRENT YEAR</b>		<b>PREVIOUS YEAR</b>	
		<b>PVC LEATHER CLOTH</b>	<b>PVC FILM</b>	<b>PVC LEATHER CLOTH</b>	<b>PVC FILM</b>
1) Electricity :					
a) Purchased from APSEB					
No. of Units	Kwh	<b>374593</b>	<b>1155198</b>	328729	1715541
Total Amount	Rs.	<b>1701788</b>	<b>3943050</b>	1321160	4699120
Rate per Unit	Rs.	<b>4.54</b>	<b>3.41</b>	4.02	2.74
b) Own generation through diesel generator :					
No. of Units	Kwh	<b>122000</b>	<b>313950</b>	101600	348000
Units per ltr. of diesel		<b>3.05</b>	<b>3.45</b>	3.09	3.50
Cost per Unit	Rs.	<b>2.82</b>	<b>2.49</b>	2.61	2.30
2) Coal :					
(Round coal used in Heat treatment)					
Quantity consumed	M.T.	<b>1131</b>	<b>Nil</b>	1802	Nil
Total Cost	Rs.	<b>1450813</b>	<b>Nil</b>	2103284	Nil
Average Rate (per ton)	Rs.	<b>1283</b>	<b>Nil</b>	1167	Nil

**B. Consumption per unit of production:**

		<b>Unit</b>	<b>Standards (if any)</b>	<b>Current Year</b>	<b>Previous Year</b>
1. Electricity :					
a) PVC Leather Cloth	Kwh/Sq.mtr.			<b>0.13</b>	0.08
b) PVC Film	Kwh/Kg.			<b>1.43</b>	0.96
2. Coal :					
a) PVC Leather Cloth	Kg/Sq.mtr.			<b>0.30</b>	0.33