

28th
Annual Report
2002-2003



FENOPLAST LIMITED

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

FENOPLAST LIMITED**Board of Directors**

Shri H.Narsaiah, Chairman
 Shri H.Kishen, Managing Director
 Shri H.Dayakiran, Whole-time Director
 Shri H.Krishna Kumar, Whole-time Director
 Shri R.Shankaranarayanan
 Shri B.Kamalaker Rao

Company Secretary

Shri B. Chandra Sekhara Reddy

Bankers

Canara Bank
 Syndicate Bank
 The Lakshmi Vilas Bank
 UTI Bank

Auditors

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

**Registrar & Share Transfer Agent
and Demat Registrar**

Sathguru Management Consultants Pvt. Ltd.
 Plot No.15, Hindi Nagar Colony, Behind Saibaba Temple,
 Punjagutta, Hyderabad - 500 034.

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.
 Medak Dist., Andhra Pradesh

Unit-II

Survey No.132 & 133,
 Nandigaon Village,
 Patancheru Mandal,
 Medak Dist., Andhra Pradesh

Unit-III

Survey No.165 & 166,
 Nandigaon Village,
 Patancheru Mandal,
 Medak Dist., Andhra Pradesh

Depot/Marketing Offices**Mumbai**

4/2, Chandrodaya Co-op. Hsg. Scty.,
 CST Road, Opp. Swastik Chambers,
 Chembur,
 Mumbai - 400 071.

Calcutta

P-175,
 Kalindi Housing Estate,
 Calcutta - 700 089.

New Delhi

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

Hosur

2, 3 & 4,
 Sri Lakshmi Narasimhaswamy Complex,
 Venkateswara Temple Road,
 Hosur - 635 109, Tamilnadu

Gurgaon

Shiv Ashram,
 Near Jwala Mills,
 Palam-Gurgaon Road,
 Dundaheera, Gurgaon - 15.

Ahmedabad

544/B, Sitaram Chowk,
 Moti Hamam Pole,
 Gheekanta,
 Ahmedabad - 360 001.

FENOPLAST LIMITED**NOTICE**

Notice is hereby given that the 28th Annual General Meeting of the Members of Fenoplast Limited will be held on Saturday, the 30th day of August, 2003 at 11.30 A.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, 2003, the Profit & Loss Account for the year ended 31st March, 2003, Cash Flow statement for the year ended 31st March, 2003, together with the Auditors' Report and Directors' Report thereon.
2. To appoint a director in place of Shri H. Dayakiran, who retires by rotation and is eligible for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sec.257 and other applicable provisions, if any, of the Companies Act, 1956, Shri R. Shankaranarayanan be and is hereby appointed as director of the Company, who is liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Sec.257 and other applicable provisions, if any, of the Companies Act, 1956, Shri B. Kamalaker

Rao be and is hereby appointed as director of the Company, who is liable to retire by rotation."

By order of the Board of Directors
for **FENOPLAST LIMITED**

Place : Secunderabad
Date : 12-07-2003

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.
2. Instrument 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.
3. Members are requested to send all communications relating to shares to the address of Registrar & Share Transfer Agent or to the Company's Registered Office. The members are requested to intimate immediately any change in the address registered with the Company. Members holding shares in identical order of names in more than one folio are requested to write to the Company/Registrar & Share Transfer Agent enclosing the share certificates to enable the Company to consolidate their holding into one folio.
4. Members/Proxies are requested to bring their copies of Annual Report to the meeting and the attendance slip duly filled in for attending the meeting. Additional copy of Annual Report and duplicate slip will not be issued at the place of the meeting.
5. 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.

FENOPLAST LIMITED

6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company at least seven days before the date of the meeting, so that the information required by them may be made available at the meeting.
7. The Register of Members and Share Transfer Books of the Company will remain closed during the period from 28th August, 2003 to 1st September, 2003 (both days inclusive).
8. Trading in the equity shares of the Company is compulsorily in dematerialised form for all investors. The ISIN (International Securities Identification Number) allotted to the Company's equity shares is **INE138D01014**.
9. The members who hold shares in dematerialised form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
10. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No.4**

Shri R.Shankaranarayanan has been appointed as an additional director, who is an independent non-executive director as per clause 49 of the listing agreement, at the Board Meeting held on 10th March, 2003. He holds office of director up to the date of ensuing Annual General Meeting of the Company. Company received a notice under

Sec.257 of the Companies Act, 1956 together with a deposit of Rs.500/- from a member proposing Shri R.Shankaranarayanan candidature for the directorship in the Company.

Approval of the members is being sought to the appointment of Shri R.Shankaranarayanan as director of the Company. The ordinary resolution set out in item No.4 of the Notice is intended for the purpose.

No other director except Shri R.Shankaranarayanan, being concerned, is interested in this resolution.

Item No.5

Shri B.Kamalaker Rao has been appointed as an additional director, who is an independent non-executive director as per clause 49 of the listing agreement, at the Board Meeting held on 29th March, 2003. He holds office of director up to the date of ensuing Annual General Meeting of the Company. Company received a notice under Sec.257 of the Companies Act, 1956 together with a deposit of Rs.500/- from a member proposing Shri B.Kamalaker Rao candidature for the directorship in the Company.

Approval of the members is being sought to the appointment of Shri B.Kamalaker Rao as director of the Company. The ordinary resolution set out in item No.5 of the Notice is intended for the purpose.

No other director except Shri B.Kamalaker Rao, being concerned, is interested in this resolution.

By order of the Board of Directors
for **FENOPLAST LIMITED**

Place : Secunderabad
Date : 12-07-2003

H. KISHEN
Managing Director

FENOPLAST LIMITED**DIRECTORS' REPORT**

TO
THE MEMBERS OF
FENOPLAST LIMITED

Your Directors are pleased to present the 28th Annual Report of the Company and the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS:

During the year under review company's total income was Rs.7465.77 lakhs as compared to Rs. 6425.56 lakhs in the previous year. The Financial details of the Company are as under:

	2002-2003 Rs. in lakhs	2001-2002 Rs. in lakhs
Income	7465.77	6425.56
Less: Excise Duty	934.89	796.3
Less: Expenditure	5798.49	4895.16
Gross Profit	732.39	734.05
Less: Interest & Finance charges	476.48	499.78
Less: Depreciation & Misc. Exp. W/off	104.81	102.28
Profit for the year	151.10	131.99
Less: Provision for taxation	52.21	9.00
Profit after tax	98.89	122.99
Add: Prior Period adjustments	1.50	0.29
Profit available for appropriations	100.39	123.28
Profit brought forward	307.15	373.01
Deferred tax liability	33.61	189.14
Balance carried forward	373.93	307.15

Your Directors are pleased to inform that your Company earned a Profit of Rs.151.10 lakhs during the year under review. During the year the Interest & Finance charges were less by Rs.23.30 lakhs in spite of higher amount of loans. This was on account of part debt restructure. During the year the raw-material cost was more compared to the previous year. Part of the increased raw-material cost was offset by increase in the sale price of the Company products. Your Company could achieve a growth of 16% over the previous year on account of enlarging the customer base and increasing the volume to the existing customers

with growth in the passenger automobile industry and pharmaceutical industry. Deferred tax liability was more on account of reduction of un-absorbed depreciation.

For the year 2003-04, the raw-material prices should stabilize on account of stable petroleum prices. Major raw materials of the company are derived from petroleum products. Your Company is having 96% capacity utilization for PVC Leather Cloth Plants. There is a need to increase the capacity further since the demand is good. The debt restructure further will reduce the interest cost further.

FENOPLAST LIMITED**OPERATIONS:**

For the year under review production of PVC Leather Cloth was 57.89 lakh Ln.Mtrs. as against the previous year's production of 54.43 lakh Ln.Mtrs. Production of PVC Film was 3428.26 MT as against the previous year's production of 3071.63 MT.

MARKETING:

It is heartening to state that the demand for PVC Leather Cloth and PVC Film are showing healthy signals, as both automobile and pharmaceutical industries are doing well. Efforts are being made to increase the Company's share in both the segments.

EXPORTS:

During the year 2002-2003, your Company made exports to various countries aggregating to Rs.1192.61 lakhs as against the previous year's exports of Rs.1239.67 lakhs. The lower exports during the year were on account of Gulf disturbance.

ISO 9001 : 2000 CERTIFICATION:

We are pleased to inform you that your Company has been awarded on 1st June, 2003 with ISO 9001:2000 certificate by IQNET and KEMA Netherlands for its Management System. This certificate will enhance the confidence of the customers and suppliers and enable your company to enter into the markets which are restricted to ISO certified entities.

PENDING LEGAL CASE:

The Income tax authorities have issued a tax demand on the Company, which was contested before the Honourable High Court of Andhra Pradesh. Based on the legal opinion the demand is not maintainable. Hence, no provision is made in the books of account.

PUBLIC DEPOSITS:

The Company has not accepted any deposits from the public during the year.

DIRECTORS:

Shri H. Dayakiran will retire by rotation at this Annual General Meeting and is eligible for re-appointment.

Shri R.Shankaranarayanan and Shri B.Kamalaker Rao, were inducted as Additional Directors with effect from 10-03-2003 and 29-03-2003 respectively, are holding office up to the date of ensuing Annual General Meeting. Your approval is sought for appointing them as directors, whose office shall be liable to retire by rotation.

During the year Shri H.Sampath Kumar has resigned as director with effect from 29-03-2003 due to his preoccupation with his other businesses. Shri H.Sampath Kumar has been on the Board since 1998. The Board places on record its appreciation of the valuable contribution made by him during his tenure as director.

PERSONNEL:

Your Directors are pleased to record their appreciation for the devotion and sense of commitment shown by the employees at all levels and acknowledge their contribution for the growth of the Company.

CORPORATE GOVERNANCE:

A separate section on Corporate Governance and Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange is given elsewhere in this Annual Report.

FENOPLAST LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A separate section on Management Discussion and Analysis Report is given elsewhere in this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As per Section 217(2AA) of the Companies Act, 1956, we hereby state:

- (i) that in the preparation of the annual accounts for the year ended 31st March, 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgements 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, 2003 and of the profit of the company for the year ended 31st March, 2003;
- (iii) that the directors have taken proper and sufficient care 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;
- (iv) that the directors have prepared the annual accounts for the financial year ended 31st March, 2003 on a going concern basis.

INFORMATION AND EXPLANATIONS REQUIRED TO BE GIVEN AS PER SEC.217(3) OF THE COMPANIES ACT, 1956:

Your directors have taken note of the Auditors' observations/qualifications like non-provision of gratuity on actuarial valuation, non-reconciliation, non-confirmation and non-provisioning in respect of certain debtors, creditors, loans and advances, strengthening of internal control procedures and delay in payment of income tax to the tune of Rs.1.18 lakhs.

The observations/qualifications of the Auditors are explained in the appropriate notes to the accounts. Steps are being taken to strengthen the

internal control procedures and to reconcile and confirm the debtors, creditors, loans and advances. The reconciliation & confirmation process is already commenced and the same would be completed during the current year i.e. 2003-2004. The income tax dues are since paid.

PARTICULARS REQUIRED UNDER SEC.217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, FOR THE YEAR UNDER REVIEW ARE AS UNDER :

No employee of the Company was in receipt of remuneration during the financial year 2002-2003, in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended.

MATTERS REQUIRED TO BE REPORTED AS PER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003:

A. Energy Conservation:

The consumption of energy in the process of manufacturing is not substantial. During the year under review, consumption of power, per Ln.Mtr. of leather cloth, was 0.17 KWh (Previous year 0.17 KWh per Ln.Mtr.). The consumption of coal was 0.40 Kg. per Ln.Mtr. of production (Previous year 0.39 Kg. per Ln.Mtr.). Power consumption for PVC film has decreased from 1.01 KWh to 0.91 KWh per each Kg. of production. Details are enclosed herewith in Form A.

B. Technology Absorption:

On the technology absorption, the Company's employees are well conversant with the changes adopted in the production process to consume similar/same raw material with different specifications/parameters. The machines are being operated without any technical problems.

C. Foreign exchange earnings and out-go:

Your Company used Rs.647.74 lakhs on foreign exchange for its imports and foreign tours during

FENOPLAST LIMITED

the year, out of its total export earnings of Rs.1141.23 lakhs. Previous year your Company has used Rs.344.24 lakhs out of Rs.1198.56 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 re-appointment.

INFORMATION REQUIRED TO BE DISCLOSED UNDER CLAUSE 43A OF THE LISTING AGREEMENT:

The Shares of the Company are listed on:

1. The Hyderabad Stock Exchange Limited (HSE - Regional Stock Exchange)
3-6-275, Himayath Nagar,
Hyderabad - 500 029.

2. The Stock Exchange, Mumbai (BSE)
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
3. The Calcutta Stock Exchange Association Limited (CSE), 7, Lyons Range,
Kolkata - 700 001.

The annual listing fees was paid to all the above mentioned Stock Exchanges.

ACKNOWLEDGEMENTS:

We thank Canara Bank, Syndicate Bank, Lakshmi Vilas Bank, UTI Bank and APSFC for the financial support extended to the Company. We place on record our appreciation for the continued patronage of dealers, customers and suppliers extended to the Company. We thank shareholders and other business associates.

For and on behalf of
the Board of Directors

Place : Secunderabad

Date : 12.07.2003

H.NARSAIAH

(Chairman)



FENOPLAST LIMITED**FORM-A****A. Power and Fuel Consumption :**

		2002-2003		2001-2002	
		PVC Leather Cloth/ Cellular Sheets	PVC Film	PVC Leather Cloth/ Cellular Sheets	PVC Film
1) Electricity :					
a) Purchased from APSEB:					
No. of Units	Kwh	938969	2963345	863716	2911601
Total Amount	Rs.	4525734	12585748	4162606	12526548
Rate per Unit	Rs.	4.82	4.25	4.82	4.30
b) Own generation through Diesel generator:					
No. of Units	Kwh	46359	196510	64460	205470
Units per lit. of diesel		1.84	3.33	1.86	3.29
Cost per Unit of Kwh	Rs.	10.97	6.06	9.93	5.61
2. Coal:					
(Round coal used in Heat treatment)					
Quantity consumed	M.T.	2313	NIL	2097	NIL
Total Cost	Rs.	6051500	NIL	5260300	NIL
Average Rate (per ton)	Rs.	2616	NIL	2508	NIL

B. Consumption per unit of production:

		Unit	2002-2003	2001-2002
1. Electricity:				
a) PVC Leather Cloth / Cellular Sheets	Kwh/Ln.mtr.		0.17	0.17
b) PVC Film	Kwh/Kg.		0.91	1.01
2. Coal:				
a) PVC Leather Cloth / Cellular Sheets	Kg/Ln.mtr.		0.40	0.39

FENOPLAST LIMITED

AUDITORS' CERTIFICATE
(Under Clause 49 of the Listing Agreement)

To
THE MEMBERS OF FENOPLAST LIMITED

We have examined the compliance of the conditions of Corporate Governance by Fenoplast Limited (the Company) for the year ended March 31, 2003 as stipulated in clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to the procedure 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 an 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, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that based on our verification of records no investor grievance matters against the Company remaining unattended/pending for more than 30 days.

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 **M. ANANDAM & CO.,**
Chartered Accountants

Place : Secunderabad
Date : 12-07-2003

S. VENKATESWARLU
Partner