

30th
Annual Report
2004-2005

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FENOPLAST LIMITED

Board of Directors

Mr. H.Narsaiah, Chairman
 Mr. H.Kishen, Managing Director
 Mr. H.Dayakiran, Whole-time Director
 Mr. H.Krishna Kumar, Whole-time Director
 Mr. R.Shankarnarayanan
 Mr. B.Kamalaker Rao
 Dr. K.Malhar Rao

Company Secretary

Mr. Sk. Khadar Vali

Bankers

Canara Bank
 Syndicate Bank
 Lakshmi Vilas Bank
 Union Bank of India

Auditors

M/s.M.Anandam & Co.
 Chartered Accountants,
 7A, Surya Towers, S.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
 Nandigoan Village
 Patancheru Mandal
 Medak Dist., Andhra Pradesh.

Unit-III

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

Depot/Marketing Offices**Mumbai**

A/11, Parle Colony, CHS,
 Near Garware House,
 Sahakar Road, Vile Parle (East)
 Mumbai - 400 057.

Kolkata

P-175
 Kalindi Housing Estate
 Kolkata - 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 - 635109, Tamilnadu.

Gurgaon

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

Ahmedabad

544/B, Sitaram Chowk,
 Moti Hamam Pole,
 Gheekanta,
 Ahmedabad - 360001.

FENOPLAST LIMITED**NOTICE**

Notice is hereby given that the 30th Annual General Meeting of the Members of Fenoplast Limited will be held on Wednesday, the 28th September 2005 at 3.00 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, 2005, the Profit & Loss Account for the year ended 31st March, 2005, Cash Flow statement for the year ended 31st March, 2005, together with the Auditor's Report and Directors' Report thereon.
2. To appoint a director in place of Mr. H. Dayakiran, who retires by rotation and being eligible for re-appointment.
3. To appoint a director in place of Mr. B. Kamalaker Rao, who retires by rotation and being eligible for re-appointment.
4. 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.

For and on behalf of
the Board of Directors

Place : Secunderabad

Date : 30.07.2005

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 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 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.
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 22nd September, 2005 to 28th September, 2005 (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.

For and on behalf of
the Board of Directors

Place : Secunderabad

Date : 30.07.2005

H.Kishen

Managing Director

DIRECTORS' REPORT

TO
THE MEMBERS OF
FENOPLAST LIMITED

Your Directors are pleased to present the 30th Annual Report of the Company and the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS:

During the year under review company's total income was Rs.9567.94 lakhs as compared to Rs. 7911.90 lakhs in the previous year. The Financial details of the Company are as under:

	2004-2005 Rs. in lakhs	2003-2004 Rs. in lakhs
Income	9567.94	7911.90
Less: Excise Duty	930.78	914.95
Less: Expenditure	8017.82	6338.55
Gross Profit	619.34	658.40
Less: Interest & Finance charges	472.71	506.59
Less: Depreciation & Misc. Exp. W/off	108.61	107.98
Profit before Tax	38.02	43.83
Less: Current Tax	27.05	30.76
Less : Deferred Tax	(11.48)	8.61
Prior Period adjustments	1.01	2.07
Profit available for appropriations	23.45	2.39
Profit brought forward	376.32	373.93
Balance carried forward	399.77	376.32

Your Directors are pleased to inform that your Company earned a Profit of Rs.38.02 Lakhs during the year under review. During the year the raw-material cost was more compared to the previous year. Your Company achieved growth of 21% over the previous year on account of enlarging the customer base and increasing the volume with the existing customers due to fair growth in the passenger automobile industry and pharmaceutical industry.

Your directors are pleased to inform that your Company is having 96% capacity utilization for PVC Leather Cloth Plants on capacity and also informing that your Company is having 85% capacity utilization for PVC Film Plants on capacity during the current financial Year 2004-05. The debt restructure will continue to reduce the interest cost.

OPERATIONS:

For the year under review production of PVC Leather Cloth was 71.88 lakh Ln.Mtrs. as against the previous year's production of 64.96 Lakh Ln.Mtrs. Production of PVC Film was 4264.93 MT as against the previous year's production of 3711.52 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 industry are doing well. Efforts are being made to increase the Company's share in both the segments.

EXPORTS:

During the year 2004-2005, your Company made exports to various countries aggregating to

FENOPLAST LIMITED

Rs.1407.19 lakhs as against the previous year's exports of Rs.1329.81 lakhs.

FIXED DEPOSITS:

Your Company has not accepted any fixed deposits during the year under review and, as such, no amount of principal or interest was outstanding as on the balance sheet date.

DIRECTORS:

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. H. Dayakiran and Mr. B. Kamalaker Rao retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

PERSONNEL:

Your Company's employees are integral to the Company's success. They have played a significant role and enabled the company to deliver credible performance year after year. The Board of Directors acknowledges the contribution and efforts put in by the employees 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.

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, 2005, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

- (ii) that the directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

- (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, 2005 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, updation of fixed assets register and delay in payment of income tax.

The observations/qualifications of the Auditors are explained in the appropriate notes to the accounts. The updation, reconciliation & confirmation process is already commenced and the same would be completed during the current year. The Income Tax dues will be paid shortly.

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 2004-2005 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.

FENOPLAST LIMITED**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, 2005:****A. Energy Conservation:**

The consumption of energy in the process of manufacturing is not substantial. During the year under review, consumption of power, per Linear Metre of PVC leather cloth, was 0.16 KWh (previous year 0.17 KWh per Ln.Mtr.). The consumption of coal was 0.40 Kg. per Ln.Mtr. of production (Previous year 0.44 Kg. Per Ln.Mtr.). Power consumption for PVC film has decreased from 0.85 KWh to 0.77 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:

The Company used Rs.883.34 lakhs on foreign exchange for its imports and foreign tours during the year, out of its total export earnings of Rs.1348.66 lakhs. Previous year the Company has used Rs.492.22 lakhs out of Rs.1282.60 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) Somajiguda, Hyderabad - 500 082.
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 Listing fees for the year 2005-2006 have been paid to all the above-mentioned Stock Exchanges.

ACKNOWLEDGEMENTS:

Your Directors place on record their sincere gratitude to Canara Bank, Syndicate Bank, Lakshmi Vilas Bank and Union Bank of India for the financial support extended to the Company. Your Directors place on record their appreciation of the continued patronage of dealers, customers, suppliers and shareholders extended to the Company.

For and on behalf of
the Board of Directors

H.NARSAIAH
Chairman

Place : Secunderabad

Date : 30.07.2005

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

		2004-2005		2003-2004	
		PVC Leather Cloth/ Cellular Sheets	PVC Film	PVC Leather Cloth/ Cellular Sheets	PVC Film
1) Electricity:					
a) Purchased from APSEB:					
No. of units	Kwh	1084314	3263044	1034535	2950947
Total Amount	Rs.	4887571	12852534	4792805	12176464
Rate per Unit	Rs.	4.51	3.94	4.63	4.13
b) Own generation through Diesel generator:					
No. of Units	Kwh	52471	22948	50880	214412
Units per lit. of diesel		1.86	3.05	1.96	3.09
Cost per Unit of Kwh	Rs.	14.35	8.76	11.94	7.58
2) Coal:					
(Round coal used in Heat treatment)					
Quantity consumed	M.T.	2900	Nil	2831	Nil
Total Cost	Rs.	8055179	Nil	7386525	Nil
Average Rate (per ton)	Rs.	2778	Nil	2609	Nil

B. Consumption per unit of production:

		Unit	2004-2005	2003-2004
1. Electricity:				
a) PVC Leather Cloth / Cellular Sheets	Kwh/Ln.mtr.		0.16	0.17
b) PVC Film	Kwh/Kg.		0.77	0.85
2. Coal:				
a) PVC Leather Cloth / Cellular Sheets	Kg/Ln.mtr.		0.40	0.44

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, 2005 as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of the Conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance with 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 Clause 49 of the above mentioned Listing Agreement.

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 : 30-07-2005

S. VENKATESWARLU
Partner
M.No. 22790

FENOPLAST LIMITED**CORPORATE GOVERNANCE**

In compliance with clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in said clause and lists the practices followed by the Company.

(1) Company's Philosophy on Corporate Governance:

The Company's philosophy on Corporate Governance is to practice fair and transparent governance to the benefit of its Shareholders, Lending Institutions, Customers, Employees and Society at large.

(2) Board of Directors:

During the year under review, 5 Board Meetings were held on April 30, 2004, July 29, 2004, August 25, 2004, October 30, 2004 and January 31, 2005. The composition of the Board, attendance at Board meetings (BM), Shareholders' / Investors' Grievance Committee meetings (SIGCM), Audit Committee meetings (ACM) and Remuneration Committee Meeting (RCM), held during the financial year under review and attendance at the last Annual General Meeting (AGM), number of Directorships and memberships / chairmanships in public limited companies and Committees (including the Company) are given below: -

Name of the Director	Category	FY 2004-2005 Attendance at					No. of Directorships	As on date	
		BM	SIGCM	ACM	RCM	Last AGM		Committee Positions	
								Member	Chairman
Sarvashri/H.Narsaiah	Non-executive Chairman, Promoter	5	NA	3	NA	Yes	2	1	NIL
H.Kishen	Managing Director, Promoter	5	NA	NA	NA	Yes	1	NIL	NIL
H.Dayakiran	Wholetime Director, Promoter	5	4	NA	NA	Yes	2	1	NIL
H.Krishna Kumar	Wholetime Director, Promoter	4	4	NA	NA	Yes	2	1	NIL
R.Shankaranarayanan	Non-executive Director, Independent	2	3	2	1	No	1	3	1
B.Kamalaker Rao	Non-executive Director, Independent	4	NA	3	1	Yes	2	3	1
Dr. K.Malhar Rao	Non-executive Director, Independent	5	NA	NA	1	Yes	1	1	1

As may be seen from the above, the Non-executive Directors constitute more than half of the total number of Directors. The Company has a Non-Executive Chairman and more than one third of the total strength of the Board comprises of Independent Directors.

None of the directors of the company was a member of more than ten committees nor was the Chairman of more than five committees across all the companies in which he was a director.

a) Details of Board Meeting held during the year 2004-2005:

Date of the meeting	Board strength	No. of Directors present
30-04-2004	7	5
29-07-2004	7	6
25-08-2004	7	5
30-10-2004	7	7
31-01-2005	7	7

b) Remuneration of Directors

In respect of the financial year 2004-05, the following sitting fees was paid to the Directors: -

Non-Executive Directors:

Name of the Director	Sitting fee paid during F.Y.2004-2005 (Rs.)
Mr. H.Narsaiah	14500
Mr. R.Shankaranarayanan	16500
Mr. B.Kamalaker Rao	14500
Dr. K. Malhar Rao	12000

Wholetime Directors:

Name of Director	Salary & allowances	Other benefits	Designation	Gross remuneration Rs.
Sarvasri/ H.Kishen	1344000	224195	Managing Director	1568195
H.Dayakiran	1260000	64751	Whole-time Director	1324751
H.Krishna Kumar	1260000	101927	Whole-time Director	1361927

c) Board Procedure

Your Company holds minimum of four Board Meetings in each year with a maximum time gap of four months between any two meetings. Additional Board Meetings will be convened by giving appropriate notice to address the urgent needs of the Company. The Board may also approve permitted matters by passing resolutions by circulation.

Audit Committee Meetings held during the year 2004-2005 and attendance details:

Date of the meeting	Committee Strength	No. of Directors present
26-06-2004	3	3
29-07-2004	3	2
31-01-2005	3	3

The details of the audit committee meetings held during the financial year under review and attendance by each of the members are as shown earlier in tables under board of directors.

The audit committee has adequate powers and detailed terms of reference to play effective role as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges.

(3) Audit Committee

The Audit Committee consists of three members (two non-executive independent directors and one promoter non-executive director) viz. Mr. B.Kamalaker Rao, Chairman, (having financial, banking and accounting knowledge), Mr. R.Shankaranarayanan and Mr. H.Narsaiah.

The composition of the audit committee:

Mr. B.Kamalaker Rao	Chairman, Independent Non-Executive Director
Mr. R.Shankaranarayanan	Member, Independent Non-Executive Director
Mr. H.Narsaiah	Member, Promoter Non-Executive Director

(4) Remuneration Committee

Remuneration committee was duly constituted in accordance with the requirements of Schedule XIII to the Companies Act, 1956 and Listing Agreement. The remuneration committee is authorised subject to the provisions of Companies Act, 1956 and the consent of members, to negotiate, finalize and approve the terms of appointment for Managing Directors/Wholetime Directors on behalf of the company. The composition of committee: