

**31<sup>st</sup>**  
**Annual Report**  
**2005-2006**

Report  Junction.com

**FENOPLAST LIMITED**

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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  
 The Lakshmi Vilas Bank Limited  
 Union Bank of India

**Auditors**

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,  
 Panjagutta, 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**

A/ 11, Parle Colony, CHS,  
 Near Garware House  
 Sahakar Road, Vile Parle (East)  
 Mumbai-400057

**Kolkata**

P-175  
 Kalindi Housing Estate  
 Kolkata – 700 089

**New Delhi**

35B & 36  
 Samaspur Village  
 Patpargunj,  
 New Delhi – 110091.

**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 Thirty First Annual General Meeting of FENOPLAST LIMITED will be held on Wednesday, the 27<sup>th</sup> September, 2006 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 2006, the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon;
2. To appoint a Director in place of Mr. H. Narsaiah, who retires by rotation and being eligible for re-appointment.
3. To appoint a Director in place of Mr. R. Shankarnarayanan, 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.

**SPECIAL BUSINESS:**

5. **To consider and if thought fit to pass with or with out modification(s) the following resolution as a Special Resolution.**

“RESOLVED THAT pursuant to the provisions of Sec 314 and other applicable provisions, if any of the Companies Act, 1956, consent of the Company be and is hereby accorded to appoint Mr. H. Ravi Raj as General Manager with effect from 01.04.2006 on such remuneration and terms mentioned below:

- a) Remuneration shall not exceed Rs. 6.00 lakhs per Annum, as decided and approved by the Board.
- b) During his tenure, he will be governed by the rules and regulations of the company as may be applicable to the employees of the company from time to time including change in designation and responsibilities.
- c) The revised remuneration will be effective from 01.04.2006, subject to necessary approvals in this regard.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the resolution and to settle any questions, difficulties or doubts that may arise in this regard.”

6. **To consider and if thought fit to pass with or with out modification(s) the following resolution as a Special Resolution.**

“RESOLVED THAT pursuant to the provisions of Sec 314 and other applicable provisions if any of the Companies Act, 1956, consent of the Company be and is hereby accorded to appoint Mr. H. Mahesh Kumar as General Manager with effect from 01.04.2006 on such remuneration and terms mentioned below:

- a) Remuneration shall not exceed Rs. 6.00 lakhs per Annum, as decided and approved by the Board.
- b) During his tenure, he will be governed by the rules and regulations of the company as may be applicable to the employees of the company from time to time including change in designation and responsibilities.
- c) The revised remuneration will be effective from 01.04.2006, subject to necessary approvals in this regard.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the resolution and to settle any questions, difficulties or doubts that may arise in this regard.”

7. **To consider and if thought fit to pass with or with out modification(s) the following resolution as a Special Resolution.**

“RESOLVED THAT pursuant to the provisions of Sec 314 and other applicable provisions if any of the Companies Act, 1956, consent of the Company be and is hereby accorded to appoint Mr. H. Praveen Kumar as General Manager with effect from 01.04.2006 on such remuneration and terms mentioned below:

- a) Remuneration shall not exceed Rs. 6.00 lakhs per Annum, as decided and approved by the Board.

**FENOPLAST LIMITED**

- b) During his tenure, he will be governed by the rules and regulations of the company as may be applicable to the employees of the company from time to time including change in designation and responsibilities.
- c) The revised remuneration will be effective from 01.04.2006, subject to necessary approvals in this regard."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the resolution and to settle any questions, difficulties or doubts that may arise in this regard."

For and on behalf of  
the Board of Directors

Place : Secunderabad

**H.Kishen**

Date : 27.05.2006

Managing Director

**NOTES:**

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than forty-eight hours before the meeting.
- b) The Register of Members and Share Transfer Books of the Company will remain closed during the period from 20<sup>th</sup> September, 2006 to 27<sup>th</sup> September, 2006 (both days inclusive)
- c) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
- d) 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.

- e) 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.
- f) 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.
- g) Consequent upon the introduction of Section 109 A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in Form No. 2B in duplicate to the Company.
- h) 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.
- i) Pursuant to the requirements on the Corporate Governance under the listing agreement entered into with stock exchanges, the information about the Directors proposed to be re-appointed is given in the annexure to the notice.
- j) Trading in the Equity shares of the Company is compulsorily in dematerialized form for all investors. The ISIN (International Securities Identification Number) allotted to the Company's equity shares is **INE138D01014**.
- k) The Members who hold shares in dematerialized 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

**H.Kishen**

Date : 27.05.2006

Managing Director

**FENOPLAST LIMITED****ANNEXURE TO THE NOTICE:****EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM No. 5**

Mr. H. Raviraj, brother of Mr. H. Dayakiran-Wholtime Director is associated with the company for the last 20 years working as Sr. Executive- Administration.

It is now proposed to appoint Mr. H. Raviraj as General Manager – Administration, as the experience and knowledge of Mr. H. Raviraj would be beneficial for the company. The Board felt that considering his vast experience and dedication, he should be suitably promoted and remunerated.

As per the Provisions of Section 314 of the Companies Act, 1956 the appointment of a relative of a Director, drawing such remuneration shall not be made except with the approval of shareholders by a special resolution passed at the General Meeting of the Company.

Your Directors recommend the above resolution for your approval.

No other Director except Mr. H. Dayakiran-Wholtime Director, being related to Mr. H. Raviraj, is interested in the resolution at item No. 5.

**ITEM No. 6 & 7**

Mr. H. Mahesh Kumar, s/o Mr. H. Kishen-Managing Director, had been appointed as an executive to look after production at Unit-I and II in the 18<sup>th</sup> Annual General Meeting held on 30/09/1993 for a salary scale of Rs. 9000-1000-13000 with perquisites and subsequently in 27<sup>th</sup> Annual General Meeting held on 23/12/2002 the remuneration was increased to Rs. 18500 and the same has not been revised since then. The Board felt that considering his experience and dedication at the work, he should be suitably remunerated.

Mr. H. Praveen Kumar, s/o Mr. H. Kishen-Managing Director, had been appointed as an executive to look after production at Unit-III in the 18<sup>th</sup> Annual General Meeting held on 30/09/1993 for a salary scale of Rs. 9000-1000-13000 with perquisites and subsequently in 27<sup>th</sup> Annual General Meeting held on 23/12/2002 the remuneration was increased to Rs. 18500 and the same has not been revised since then. The Board felt that considering his experience and dedication at the work, he should be suitably remunerated.

As per the Provisions of Section 314 of the Companies Act, 1956 the appointment of a relative of a Director, drawing such remuneration shall not be made except with the approval of shareholders by a special resolution passed at the General Meeting of the Company.

Your Directors recommend the above resolution for your approval.

No other Director except Mr. H. Kishen-Managing Director, being related to Mr. H. Mahesh Kumar and Mr. H. Praveen Kumar is interested in the resolution at item No. 6 & 7.

For and on behalf of  
the Board of Directors

Place : Secunderabad

Date : 27.05.2006

**H.Kishen**  
Managing Director

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

TO  
THE MEMBERS OF  
FENOPLAST LIMITED

Your Directors are pleased to present the 31st Annual Report of the Company with Audited Balance Sheet and Statement of Accounts for the year ended 31st March 2006.

**FINANCIAL RESULTS:**

During the year under review company's total income was Rs.11072.24 lakhs as compared to Rs. 9567.94 lakhs in the previous year. The Financial details of the Company are as under:

	<b>2005-2006</b> <b>Rs. in lakhs</b>	<b>2004-2005</b> <b>Rs. in lakhs</b>
Income	<b>11072.24</b>	9567.94
Less: Excise Duty	<b>1038.53</b>	930.78
Less: Expenditure	<b>9284.50</b>	8017.82
Gross Profit	<b>749.21</b>	619.34
Less: Interest & Finance charges	<b>449.26</b>	472.71
Less: Depreciation	<b>112.40</b>	108.61
Profit Before Tax	<b>187.55</b>	38.02
Less: Current Tax	<b>82.87</b>	27.05
Less: Fringe Benefit Tax	<b>8.35</b>	0
Less : Differed Tax	<b>(16.60)</b>	(11.48)
Prior Period adjustments	<b>0.35</b>	1.01
Profit available for appropriations	<b>112.58</b>	23.45
Profit brought forward	<b>399.77</b>	376.32
Balance carried forward	<b>512.35</b>	399.77

Your Directors are pleased to inform that your Company earned a Profit of Rs.187.55 Lakhs during the year under review. Your Company achieved growth of 16% over the previous year on account of enlarging the customer base and increasing the volumes 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 maximum capacity utilization for PVC Leather Cloth Plants and for PVC Film Plants on Installed capacity during the current financial Year 2005-06.

**OPERATIONS:**

For the year under review production of PVC Leather Cloth was 74.64 lakh Ln.Mtrs. as against the previous year's production of 71.88 Lakh Ln.Mtrs. Production of PVC Film was 5360.39 MT as against the previous year's production of 4264.93 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 2005-2006, your Company made exports to various countries aggregating to

**FENOPLAST LIMITED**

Rs.1438.54 lakhs as against the previous year's exports of Rs.1407.19 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. Narsaiah and Mr. R. Shankarnarayanan 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:**

As a listed Company, necessary measures have been taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors, forms part of this Report.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

A separate section on Management Discussion and Analysis Report is given separately 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 31<sup>st</sup> March, 2006, 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 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 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 31<sup>st</sup> March, 2006 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 and non-payment of Advance tax amounting to Rs 37.29 lacs.

The observations/qualifications of the Auditors are explained in the appropriate notes to the accounts. The Advance Tax dues will be 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 2005-2006, 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, 2006:**



## FENOPLAST LIMITED

### 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 0.16 KWh (previous year 0.16KWh per Ln.Mtr.). The consumption of coal was 0.42 Kg. per Ln.Mtr. of production (Previous year 0.40Kg. Per Ln.Mtr.). The consumption of coal was more on account of poor quality of coal during the year. Power consumption for PVC film has decreased from 0.77 KWh to 0.69 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 969.67 lakhs on foreign exchange for its imports and foreign tours during the year, out of its total export earnings of Rs.1408.35 lakhs. Previous year the Company has used Rs.888.71 lakhs out of Rs.1348.66 lakhs earned.

### 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)  
# 6-3-654, Adj. to Erramanjil Colony.  
Somajiguda, Hyderabad - 500 082.
2. The Bombay Stock Exchange Limited (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 2006-2007 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 Limited and Union Bank of India for their 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

Place : Secunderabad

Date : 27.05.2006

**H.NARSAIAH**  
Chairman

**FENOPLAST LIMITED****ANNEXURE TO THE DIRECTORS' REPORT****FORM-A****A. Power and Fuel Consumption :**

		<b>2005-2006</b>		<b>2004-2005</b>	
		<b>PVC Leather Cloth/ Cellular Sheets</b>	<b>PVC Film</b>	<b>PVC Leather Cloth/ Cellular Sheets</b>	<b>PVC Film</b>
1) Electricity:					
a) Purchased from APSEB:					
No. of units	Kwh	<b>1163975</b>	<b>3608220</b>	1084314	3263044
Total Amount	Rs.	<b>4993399</b>	<b>12576962</b>	4887571	12852534
Rate per Unit	Rs.	<b>4.29</b>	<b>3.49</b>	4.51	3.94
b) Own generation through Diesel generator:					
No. of Units	Kwh	<b>70566</b>	<b>107820</b>	52471	22948
Units per lit. of diesel		<b>1.73</b>	<b>2.84</b>	1.86	3.05
Cost per Unit of Kwh	Rs.	<b>18.79</b>	<b>11.43</b>	14.35	8.76
2) Coal:					
(Round coal used in Heat treatment)					
Quantity consumed	M.T.	<b>3141</b>	<b>Nil</b>	2900	Nil
Total Cost	Rs.	<b>8631287</b>	<b>Nil</b>	8055179	Nil
Average Rate (per ton)	Rs.	<b>2748</b>	<b>Nil</b>	2778	Nil

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

		<b>Unit</b>	<b>2005-2006</b>	<b>2004-2005</b>
1. Electricity:				
a) PVC Leather Cloth / Cellular Sheets	Kwh/Ln.mtr.		<b>0.16</b>	0.16
b) PVC Film	Kwh/Kg.		<b>0.69</b>	0.77
2. Coal:				
a) PVC Leather Cloth / Cellular Sheets	Kg/Ln.mtr.		<b>0.42</b>	0.40