

32nd
Annual Report
2006-2007

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FENOPLAST LIMITED

Contents	Page No.
Notice	2
Directors' Report	3
Corporate Governance	8
Management Discussion and Analysis Report	14
Auditors' Report	15
Balance Sheet as at 31st March, 2007	18
Profit and Loss Account for the year ended 31st March, 2007	19
Cashflow Statement for the year ended 31st March, 2007	20
Schedules to the Accounts	21
Balance Sheet Abstract	32

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. P. Surya Prakash

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 Second Annual General Meeting of FENOPLAST LIMITED will be held on Saturday, the 29th September, 2007 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 March 31, 2007, 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. Krishna Kumar, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Dr. K. Malhar Rao, who retires by rotation and is 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 : 28.06.2007

H.Kishen
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 Saturday, 22nd September to Saturday, 29th September, 2007 (both days inclusive)
- c) Members are requested to send all communications relating to shares and any change of address

to the Registrar and Share Transfer Agent, M/s Sathguru Management Consultants Pvt. Ltd. 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.

- d) 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.
- e) 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.
- f) 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.
- g) 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.
- h) 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.
- i) 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**.
- j) 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
Date : 28.06.2007

H.Kishen
Managing Director

FENOPLAST LIMITED**DIRECTORS' REPORT**

TO
THE MEMBERS OF
FENOPLAST LIMITED

Your Directors are pleased to present the 32nd Annual Report of the Company with Audited Balance Sheet and Statement of Accounts for the year ended 31st March 2007.

FINANCIAL RESULTS:

During the year under review company's total income was Rs. 11103.06 lakhs as compared to Rs. 11072.24 lakhs in the previous year. The Financial details of the Company are as under:

	2006-2007 Rs. in lakhs	2005-2006 Rs. in lakhs
Income	11103.06	11072.24
Less: Excise Duty	1021.93	1038.53
Less: Expenditure	9147.92	9284.50
Gross Profit	933.21	749.21
Less: Interest & Finance charges	482.64	449.26
Less: Depreciation	116.17	112.40
Profit before Tax	334.40	187.55
Less: Current Tax	137.00	82.87
Less: Fringe Benefit Tax	7.32	8.35
Less : Differed Tax	(22.28)	(16.60)
Prior Period adjustments	(0.16)	0.35
Profit available for appropriations	212.52	112.58
Profit brought forward	512.35	399.77
Balance carried forward	724.87	512.35

Your Directors are pleased to inform that your Company earned a Profit of Rs.334.40 lakhs during the year under review as against Rs.187.55 lakhs in previous year by optimizing raw materials utilization and other cost control measures.

Your directors are pleased to inform that your Company is having maximum capacity utilization for PVC Leather Cloth Plants and also for PVC Film Plants on installed capacity during the current financial Year 2006-07.

OPERATIONS:

For the year under review production of PVC Leather Cloth was 65.72 lakhs Ln.Mtrs. as against the previous year's production of 74.64 Ln.Mtrs. Production of PVC Film was 5919.11 MT as against the previous year's production of 5360.39.

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 2006-2007, your Company made exports to various countries aggregating to Rs.1323.16 lakhs as against the previous year exports of Rs.1438.54 lakhs.

FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits during the year under review and, as such, no

FENOPLAST LIMITED

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. Krishna Kumar and Dr. K. Malhar 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:

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 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, 2007, 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, 2007 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.42.99 lakhs.

The observations/qualifications of the Auditors are explained in the appropriate notes to the accounts. The advance 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 2006-2007, 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, 2007:

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 0.16 per

FENOPLAST LIMITED

Ln.Mtr.). The consumption of coal was 0.47 Kg. per Ln.Mtr. of production (Previous year 0.42 Kg. 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 0.69 to 0.56/ 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 1409 lakhs on foreign exchange for its imports and foreign tours during the year, against its total export earnings of Rs.1301.06 lakhs. Previous year the Company has used Rs.969.67 lakhs out of Rs.1408.35 lakhs earned.

AUDITORS:

M/s M. ANANDAM & CO., Chartered Accountants retires as Auditors in this Annual General Meeting and are eligible for reappointment.

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 2007-2008 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

H.NARSAIAH

Chairman

Place : Secunderabad

Date : 28.06.2007

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

		2006-2007		2005-2006	
		PVC Leather Cloth/ Cellular Sheets	PVC Film	PVC Leather Cloth/ Cellular Sheets	PVC Film
1) Electricity:					
a) Purchased from APSEB:					
No. of units	Kwh	1116880	3336750	1163975	3608220
Total Amount	Rs.	4714826	11588236	4993399	12576962
Rate per Unit	Rs.	4.22	3.47	4.29	3.49
b) Own generation through Diesel generator:					
No. of Units	Kwh	82109	179266	70566	107820
Units per lit. of diesel		1.86	2.86	1.73	2.84
Cost per Unit of Kwh	Rs.	18.76	12.18	18.79	11.43
2) Coal:					
(Round coal used in Heat treatment)					
Quantity consumed	M.T.	3062	Nil	3141	Nil
Total Cost	Rs.	9593983	Nil	8631287	Nil
Average Rate (per ton)	Rs.	3133	Nil	2748	Nil

B. Consumption per unit of production:

		Unit	2006-2007	2005-2006
1. Electricity:				
a) PVC Leather Cloth / Cellular Sheets	Kwh/Ln.mtr.		0.17	0.16
b) PVC Film	Kwh/Kg.		0.56	0.69
2. Coal:				
a) PVC Leather Cloth / Cellular Sheets	Kg/Ln.mtr.		0.47	0.42

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, 2007 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 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

S. VENKATESWARLU
Partner
M.No. 22790

Place : Secunderabad
Date : 28.06.2007

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, four (4) Board Meetings were held on 27th May, 2006, 28th July, 2006, 18th November, 2006 and 31st January, 2007. The composition of the Board, attendance at Board meetings (BM), Shareholders'/ Investors' Grievance Committee meetings (SIGCM) and Audit Committee meetings (ACM), 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 2006-2007 Attendance at			As on date			
		BM	SIGCM	ACM	Last AGM	No. of Directorships	Committee Positions	
							Member	Chairman
Sarvashri /								
H.Narsaiah	Non-executive Chairman, Promoter	4	NA	4	Yes	2	1	NIL
H.Kishen	Managing Director, Promoter	4	NA	NA	Yes	1	NIL	NIL
H.Dayakiran	Wholetime Director, Promoter	4	4	NA	Yes	2	1	NIL
H.Krishna Kumar	Wholetime Director, Promoter	4	4	NA	Yes	1	1	NIL
R.Shankar Narayanan	Non-executive Director, Independent	1	1	1	No	1	2	1
B.Kamalaker Rao	Non-executive Director, Independent	4	NA	4	Yes	2	2	1
Dr.K.Malhar Rao	Non-executive Director, Independent	4	NA	4	Yes	1	1	NIL

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 is a member of more than ten committees and Chairman of more than five committees across all the companies in which they are directors.

a) Details of Board Meeting held during the year 2006-2007:

Date of the meeting	Board strength	No. of Directors present
27-05-2006	7	6
28-07-2006	7	6
18-11-2006	7	7
31-01-2007	7	6