

34th Annual Report

2008 - 2009



FENOPLAST LIMITED

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FENOPLAST LIMITED**Board of Directors**

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

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,
 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 & Unit – III Expansion

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-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 – 635 109, Tamilnadu.

Gurgaon

Shed No.2, Saraya Ka Rasta
 Behind Prince Vatika
 Opp. Sector-5 Petrol Pump,
 Gurgaon - 122 001 (Haryana)

Roorkee

D.K. Cold Storage Compound
 Sunhera Road, Kashipuri,
 Pragna & Tehsil Roorkee - 247 667
 Dist. Haridwar (Uttarakhand)

Baddi

Bhud Road, Vill. Gullarwala
 Tehsil. Nalagarh, P.O. Karuana,
 Dist. Solan, Baddi (HP)

FENOPLAST LIMITED**NOTICE**

NOTICE IS HEREBY GIVEN THAT the Thirty Fourth Annual General Meeting of FENOPLAST LIMITED will be held on Wednesday, the 23rd September 2009 at 10.30 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, 2009, the Profit & Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon;
2. To appoint a Director in place of Mr. H. Narsaiah who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. R.Shankamaryanan 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.

SPECIAL BUSINESS :

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

RESOLVED THAT in accordance with the provisions of Sections 198, 269,309,310,314 and other applicable provisions, if any, read with Schedule XIII, of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the re-appointment of Sri H. Kishen as Managing Director of the Company, not liable to retire by rotation, for a period of 5 years with effect from 1.4.2009 and payment of remuneration and other perquisites to him as detailed in the explanatory statement attached hereto, with liberty to the Board of Directors to alter or vary the same so as not to exceed the limits set out in the said provisions of the Companies Act, 1956 or any amendments thereto, as may be agreed upon between him and the Board of Directors

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

RESOLVED THAT in accordance with the provisions of Sections 198, 269,309,310,314 and other applicable provisions, if any, read with Schedule XIII, of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the re-appointment of Sri H. Krishna Kumar as Whole Time Director of the Company, liable to retire by rotation, for a period of 5 years with effect from 1.4.2009 and payment of remuneration and other perquisites to him as detailed in the explanatory statement attached hereto, with liberty to the Board of Directors to alter or vary the same so as not to exceed the limits set out in the said provisions of the Companies Act, 1956 or any amendments thereto, as may be agreed upon between him and the Board of Directors

7. To consider and if thought fit to pass with or without modification(s) the following resolution, as a Special Resolution :

RESOLVED THAT pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approval as may be required from Government of India, consent of the Company be and is hereby accorded to the payment of revised remuneration, to Mr. H. Mahesh Kumar, General Manager, on the terms and conditions set out below and that the Board be and is hereby authorized to do all such acts, deeds, things and matters as may be required in this regard :

- a. Remuneration shall not exceed Rs 1,00,000 per month, as decided and approved by the Board.
 - b. The revised remuneration will be effective from 1st April 2010 and subject to such other approvals as may be required.
 - c. During his tenure he shall be governed by the rules and regulations of the Company, from time to time.
8. To consider and if thought fit to pass with or without modification(s) the following resolution, as a Special Resolution :

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RESOLVED THAT pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approval as may be required from Government of India, consent of the Company be and is hereby accorded to the payment of revised remuneration, to Mr. H. Praveen Kumar, General Manager, on the terms and conditions set out below and that the Board be and is hereby authorized to do all such acts, deeds, things and matters as may be required in this regard :

- a. Remuneration shall not exceed Rs 1,00,000 per month, as decided and approved by the Board.
- b. The revised remuneration will be effective from 1st April 2010 and subject to such other approvals as may be required.
- c. During his tenure he shall be governed by the rules and regulations of the Company, from time to time.

For and on behalf of the
Board of Directors

Place : Secunderabad
Date : 30.06.2009

H. KISHEN
Managing Director

NOTES

- 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.
- The Register of Members and Share Transfer Books of the Company will remain closed during the period from 17th September 2009 to 23rd September 2009 (both days inclusive).
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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**.
- 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.
- Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 5 :**

On the recommendations of the Remuneration Committee the Board of Directors at its meeting held on 30.6.2009 has re-appointed Sri H. Kishen as Managing Director of the Company for a period of 5 years with effect from 1.4.2009 subject to the approval of the members of the Company. Sri H. Kishen is associated with the Company since inception and is responsible for its growth over the years. In view of his vast experience and knowledge, the Board is of the view that his continued appointment will benefit the Company and accordingly recommends his re-appointment and payment of remuneration as per terms and conditions mentioned below.

The principal terms and conditions of his appointment, inter-alia, contains the following:

Remuneration and perks of Sri H. Kishen:-

1] Basic Salary: Rs.1,15,720/- (Rupees One lakh fifteen thousand seven hundred twenty only) per month.

2] Perquisites: In addition to the basic salary, he shall be entitled to the following perquisites classified into three categories A, B & C.

Category-A

- (i) **House rent allowance:** House rent allowance at the rate of forty per cent of salary (Basic Salary)

The expenditure incurred by the company on gas, electricity, water and furnishings shall be evaluated as per the Income-Tax Rules 1962 subject to a ceiling of ten percent of the salary.

- (ii) **Medical Reimbursement:** Expenses incurred for self and family, subject to a ceiling of one month salary in a year or three months salary over a period of three years.

- (iii) **Security Charges:** Expenses incurred on security at the residence subject to a ceiling of fifteen percent of salary.

- (iv) **Club fees:** Fees of club subject to a maximum of two clubs. This will not include admission and life membership fees.

- (v) **Personal Accident Insurance:** as per the rules of the company subject to premium not exceeding Rs.4000/- per annum.

Category-B

- (i) The company's contributions to provident fund, superannuation fund or annuity fund shall be payable in accordance with the rules and regulations of the company.

- (ii) Gratuity shall be payable in accordance with the rules and regulations of the company.

Such contributions / Gratuity shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are exempt under the Income Tax act, 1961.

Category-C

Chauffeur driven Car and telephone at residence. All personal long distance calls on the telephone shall be recovered by the company. The provisions for car and telephone will not be considered as perquisites.

3] Others:

- (i) **Leave:** One month's leave with full pay allowance for every eleven months service. Leave accumulated but not availed of at the time of retirement or superannuation or otherwise shall be allowed to be encashed. This encashment shall not be included in the computation of the aforesaid ceiling on perquisites and / or salary.

- (ii) **Reimbursement of expenses:** Reimbursement of reasonable entertainment and other expenses actually and properly incurred in connection with the business of the company.

- (iii) **Director's Fees:** Sri H. Kishen shall not so long as he functions as the Managing Director be entitled to receive any fee for attending any meeting of the Board or a Committee thereof.

In case of loss or inadequacy of profit in any financial year the Managing Director shall be paid the remuneration as stated above, subject to the limits set out in section 198 and 309 read

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with Schedule XIII to the Companies Act, 1956 or any amendments thereto.

4] Sri H. Kishen shall not while continuing to be the Managing Director, be subject to retirement by Rotation.

5] The appointment can be terminated by either party giving three months notice in writing.

Approval of the members is being sought to the re-appointment of Sri H. Kishen as Managing Director of the company for a period of five years from April 2009 on the terms and conditions set out in the draft agreement. The ordinary resolution set out in item No. 5 of the Notice is intended for the purpose.

Sri H. Kishen, being concerned is interested in this resolution.

Sri H. Narsaiah, Chairman, Sri H. Krishna Kumar, Director & Dr. H. Anuradha, Director, being relation of Sri H. Kishen may also be regarded as concerned or interested in the resolution.

A copy of the draft agreement referred to in the resolution will be available for inspection of the members at the Company's Registered Office on any working day between 11 a.m. and 1.00 p.m. prior to the date of the meeting and will also be available at the meeting. This explanatory statement together with the accompanying Notice is and may be treated as an extract under Section 302 of the Companies Act, 1956.

Item No. 6 :

On the recommendations of the Remuneration Committee the Board of Directors at its meeting held on 30.6.2009 has re-appointed Sri H. Krishna Kumar as Whole Time Director of the Company for a period of 5 years with effect from 1.4.2009 subject to the approval of the members of the Company. Sri H. Krishna Kumar is associated with the Company since 1982 and is responsible for its growth over the years. In view of his vast experience and knowledge, the Board is of the view that his continued appointment will benefit the Company and accordingly recommends his re-appointment and payment of remuneration as per terms and conditions mentioned below.

Remuneration and perks of Sri H. Krishna Kumar:-

1] **Basic Salary:** Rs.1,10,720/- (Rupees One lakh ten thousand seven hundred twenty only) per month.

2] **Perquisites:** In addition to the basic salary, he shall be entitled to the following perquisites classified into three categories A, B & C.

Category-A

(i) **House rent allowance:** House rent allowance at the rate of forty per cent of salary (Basic Salary)

The expenditure incurred by the company on gas, electricity, water and furnishings shall be evaluated as per the Income-Tax Rules 1962 subject to a ceiling of ten percent of the salary.

(ii) **Medical Reimbursement:** Expenses incurred for self and family, subject to a ceiling of one month salary in a year or three months salary over a period of three years.

(iii) **Security Charges:** Expenses incurred on security at the residence subject to a ceiling of fifteen percent of salary.

(iv) **Club fees:** Fees of club subject to a maximum of two clubs. This will not include admission and life membership fees.

(v) **Personal Accident Insurance:** as per the rules of the company subject to premium not exceeding Rs.4000/- per annum.

Category-B

(i) The company's contributions to provident fund, superannuation fund or annuity fund shall be payable in accordance with the rules and regulations of the company.

(ii) Gratuity shall be payable in accordance with the rules and regulations of the company.

Such contributions / Gratuity shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are exempt under the Income Tax act, 1961.

Category-C

Chauffeur driven Car and telephone at residence. All personal long distance calls on the telephone shall be recovered by the company. The provisions for car and telephone will not be considered as perquisites.

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3] Others:

- (i) Leave: One month's leave with full pay allowance for every eleven months service. Leave accumulated but not availed of at the time of retirement or superannuation or otherwise shall be allowed to be encashed. This encashment shall not be included in the computation of the aforesaid ceiling on perquisites and / or salary.
- (ii) Reimbursement of expenses: Reimbursement of reasonable entertainment and other expenses actually and properly incurred in connection with the business of the company.
- (iii) Director's Fees: Sri H. Krishna Kumar shall not so long as he functions as the Wholetime Director be entitled to receive any fee for attending any meeting of the Board or a Committee thereof.

In case of loss or inadequacy of profit in any financial year the Wholetime Director shall be paid the remuneration as stated above subject to the limits set out in section 198 and 309 read with Schedule XIII to the Companies Act, 1956 or any amendments thereto.

4] Sri H. Krishna Kumar shall while continuing to be the Wholetime Director, be subject to retirement by rotation.

5] The appointment can be terminated by either party giving three months notice in writing.

Approval of the members is being sought to the re-appointment of Sri H. Krishna Kumar as Wholetime Director of the company for a period of five years from April 2009 on the terms and conditions set out in the draft agreement. The ordinary resolution set out in item No. 6 of the Notice is intended for the purpose.

Sri H. Krishna Kumar, being concerned is interested in this resolution.

Sri H. Narsaiah, Chairman, Sri H. Kishen, Managing Director & Dr. H. Anuradha, Director, being relation of Sri H. Krishna Kumar may also be regarded as concerned or interested in the resolution.

A copy of the draft agreement referred to in the resolution will be available for inspection of the

members at the Company's Registered Office on any working day between 11 a.m. and 1.00 p.m. prior to the date of the meeting and will also be available at the meeting. This explanatory statement together with the accompanying Notice is and may be treated as an extract under Section 302 of the Companies Act, 1956.

Item No. 7

Mr. H. Mahesh Kumar, Son of Mr. H. Kishen, Managing Director had been appointed as a General Manager in the 31st Annual General Meeting held on 27th September 2006 with a remuneration not exceeding Rs. 0.50 lakhs per month. He has been associated with the Company for the past 16 years looking after Unit I & II. His knowledge and experience would be beneficial to the Company. It has been proposed to revise his remuneration, to an amount not exceeding Rs. 1 lakh per month, with effect from 1.4.2010, subject to the approval of Government of India, in compliance with the provisions of Section 314 of the Companies Act, 1956.

Item No. 8

Mr. H. Praveen Kumar, Son of Mr. H. Kishen, Managing Director had been appointed as a General Manager in the 31st Annual General Meeting held on 27th September 2006 with a remuneration not exceeding Rs. 0.50 lakhs per month. He has been associated with the Company for the past 16 years, looking after Unit III. His knowledge and experience would be beneficial to the Company. It has been proposed to revise his remuneration, to an amount not exceeding Rs. 1 lakh per month, with effect from 1.4.2010, subject to the approval of Government of India, in compliance with the provisions of Section 314 of the Companies Act, 1956.

Your directors recommend the relevant resolutions for your approval.

None of the Directors, other than Mr. H. Kishen, Managing Director, is concerned or interested in the resolutions.

For and on behalf of the
Board of Directors

H. KISHEN
Managing Director

Place : Secunderabad
Date : 30.06.2009

FENOPLAST LIMITED**DIRECTORS' REPORT**

To
THE MEMBERS OF
FENOPLAST LIMITED

Your Directors are pleased to present the 34th Annual Report of the Company with Audited Balance Sheet and Statement of Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS:

During the year under review company's total income was Rs.12031.23 lakhs as compared to Rs. 10793.43 lakhs in the previous year. The Financial details of the Company are as under:

	2008-2009 Rs. in lakhs	2007-2008 Rs. in lakhs
Income	12031.23	10793.43
Less: Excise Duty	930.30	1001.71
Less: Expenditure	9834.31	8818.91
Gross Profit	1266.62	972.81
Less: Interest & Finance charges	815.07	558.63
Less: Depreciation	190.54	118.76
Profit before Tax	261.01	295.42
Less: Current Tax	29.57	39.95
Less: Fringe Benefit Tax	10.31	8.59
Less : Deferred Tax	38.72	(24.14)
Prior Period adjustments	0.43	(1.62)
Profit available for appropriations	131.98	272.64
Profit brought forward	997.51	724.87
Balance carried forward	1129.49	997.51

Your Directors are pleased to inform that your Company earned a Profit before tax of Rs.261.01 lakhs during the year under review as against Rs.295.42 lakhs in previous year. The reduction in profit is on account of on going recession and prevailing economic scenario. The Company has taken every effort to optimize its production and reduce its overhead costs by taking various cost control measures.

OPERATIONS:

For the year under review production of PVC Leather Cloth was 52.50 lakhs Ln.Mtrs. as against the previous year's production of 60.21 lakhs Ln.Mtrs as company concentrated on high margin items. Production of PVC Film was 6911.71 MT as against the previous year's production of 6285.91 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 opening up by overcoming the recession. Efforts are being made to increase the Company's share in both these segments.

EXPORTS:

During the year 2008-2009, your Company made exports to various countries aggregating to Rs.1514.65 lakhs as against the previous year exports of Rs.1115.68 lakhs.

FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits during the year under review and, as such,

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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, Sri H. Narsaiah and Sri R. Shankarnarayanan retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Re-appointment of Sri H. Kishen as Managing Director and Sri H. Krishna Kumar as Whole Time Director, for a further period of 5 years, are also proposed at the ensuing Annual General Meeting.

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, 2009, 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, 2009 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 and non-confirmation in respect of certain debtors, creditors, loans and advances and non-payment of Income Tax amounting to Rs. 106.90 lakhs, on account of various disputes. In respect of Income-tax and Fringe Benefit Tax dues, your Directors would like to inform that the Fringe Benefit Tax dues were cleared as on date and the income-tax amount will get adjusted against refunds due for the earlier year assessments.

The observations/qualifications of the Auditors are explained in the appropriate notes to the accounts.

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 2008-2009, 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.