



SHIN HO PETROCHEMICAL (INDIA) LIMITED

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**Twelfth Annual Report
2000-2001**



SHIN HO PETROCHEMICAL (INDIA) LIMITED

BOARD OF DIRECTORS

Chairman	:	Mr. S.K. LEE
Managing Director	:	Mr. V. RAMESH
Joint Managing Director	:	Mr. C.S. CHANG
Director (TIDCO Nominee)	:	Mr. N. BHAGAVATHY
Director	:	Mr. G.E. HWANG
Director	:	Mr. S.H. SHIN
Director	:	Mr. DAL SEON OH
Company Secretary	:	Mr. P. KRISHNASAMY
Auditors	:	M/s. FRASER & ROSS
Bankers	:	BANK OF INDIA
Registered Office	:	47, Greams Road Chennai - 600 006
Works	:	Ammullavoyil Village Andarkuppam Post Manali New Town Chennai - 600 103
Depository Registrar & Share Transfer Agent	:	M/s. CAMEO CORPORATE SERVICES LTD "Subramanian Building", No.1, Club House Road, Chennai - 600 002.

ANNUAL GENERAL MEETING

Time	:	10.00 A.M.
Date	:	30th November 2001 (Friday)
Venue	:	ASCA CONFERENCE HALL (Andhra Club), No. 44, Vijayaraghava Road, T.Nagar, Chennai - 600 017.



SHIN HO PETROCHEMICAL (INDIA) LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that **Twelfth Annual General Meeting** of the Company will be held at **ASCA CONFERENCE HALL (Andhra Club), No.44, Vijayaraghava Road, T.Nagar, Chennai 600 017** on **Friday, the 30th day of November 2001** at **10.00 a.m.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Statement of Accounts for the financial year ended 30th June 2001 and to consider the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr S H Shin, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr G E Hwang, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as ordinary resolution:

RESOLVED THAT Mr Dal Seon Oh, who was appointed as Director of the Company on 24.10.2001 and who holds Office upto the date of this Annual General Meeting and, being eligible for appointment as a Director of the Company, be and is hereby appointed as a Director of the Company.

6. 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 31 of the Companies Act, 1956 and other applicable provisions, if any, approval of the members of the Company be and is hereby accorded for amendment of the Articles of Association as follows:

Insertion of new article 24A after article 24 (e) as follows:

- 24A(1) Notwithstanding any thing contained in these Articles, the Company shall be entitled to dematerialise its existing securities and to offer securities in a dematerialized form pursuant to the provisions of the Depositories Act, 1996 or otherwise.
- (2) Notwithstanding anything contained in these Articles, an issue of security by the Company also be in the dematerialized form and the Company shall intimate the details of allotment to the depository immediately on allotment of such securities. Investors in a new issue and the beneficial owners shall have the option to rematerialise the securities subsequent to the allotment or dematerialisation, as the case may be, in which event the Company shall issue to the investor/beneficiary the required certificates of securities subject to the provisions of applicable laws, rules, regulations and guidelines. The shares so rematerialized shall bear new distinctive numbers so as to identify them from the shares not dematerialized.
 - (3) All securities held in the depository mode with a depository shall be dematerialized and be in fungible form. To such securities held by a depository on behalf of a beneficial owner, nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372 of the Act shall apply.
 - (4) (i) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of the beneficial owner.
 - (ii) Save as otherwise provided in (i) above, the depository as the registered owner of the securities shall not have other membership rights in respect of the securities held by it.
 - (iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the register maintained by a depository shall be deemed to be a member of the Company. The beneficial owner of securities shall alone be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities held in depository mode of which he is the beneficial owner.

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- (5) Notwithstanding anything contained in the Act or these Articles to the Company, where securities are held in a depository mode, the records of the beneficial owner may be served by the depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (6) Nothing contained in Section 108 of the Act or these Articles shall apply to transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owner in the register maintained by a depository under the Depositories Act 1996.
- (7) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in the depository mode.
- (8) The Register and index of beneficial owners maintained by the depository under the Depositories Act 1996 shall be deemed to be the Register and index of members and holders of securities for the purposes of these Articles and the Act.

By Order of the Board

Place : Chennai
Date : 24.10.2001

P. KRISHNASAMY
SECRETARY

NOTE:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote instead of himself and such Proxy or Proxies need not be a Member of the Company. The proxy is entitled to vote only on poll. The proxy form, duly signed, must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
2. A proxy can be in any of the forms set out in Schedule IX of the Companies Act, 1956.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 22.11.2001 to 30.11.2001 (Both days inclusive).
4. Members are requested to intimate changes, if any, in their addresses immediately.
5. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
6. The Company informs you that your Company's shares are in Dematerialised form with effect from 1.07.2001, by the order of Bombay Stock Exchange. All the Shareholders are requested to send the Demat request forms along with Share Certificates to our Depository Registrar & Share Transfer agent M/s. Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai-600 002.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956:**ITEM NO. 5:**

Mr Dal Seon Oh was co-opted as a Director on 24th October 2001 Under Section 260 of the Companies Act 1956. Mr Dal Seon Oh holds office upto the date of forthcoming Annual General Meeting, but is eligible for appointment as Director of the Company. The Company has received a Notice in writing from a member (along with the deposit of Rs.500/-) proposing the candidature of Mr. Dal Seon Oh for the Office of the Director Under the Provisions of Sec-257 of the Companies Act, 1956. Mr. Dal Seon Oh, is the Managing Director of Korean Felt India Ltd, Chennai and Executive Secretary of the Korean Residents Association, Chennai. He brings with him the wide experience in International business which will be beneficial to the Company. The directors, therefore, commend the resolution for your approval.

None of the Directors, except Mr Dal Seon Oh, is interested in the Resolution.

ITEM NO. 6:

In terms of the directive issued by the Stock Exchange, Mumbai, the shares of the Company were compulsorily dematerialized with effect from 1.07.2001. As per changes in the Companies Act and insertion of Depositories Act, article 24 needs to be amended to provide for dematerialisation of shares.



SHIN HO PETROCHEMICAL (INDIA) LIMITED

DIRECTORS' REPORT

Your Directors present the Twelfth Annual Report together with the Audited Accounts for the year ended 30th June 2001

FINANCIAL RESULTS:

Rs. in lakhs

Sales	3447.21
Other Income	25.13
Profit / (Loss) before interest and depreciation	(159.98)
Interest charges	55.05
Profit / (Loss) before depreciation	(215.03)
Depreciation	77.24
Operating Profit / (Loss)	(292.27)
Adjustments of prior years	872.29
Profit carried forward for Adjustment	580.02

Your Directors are happy to report that they successfully negotiated with the foreign lender to write-off a substantial part of the ECB loan of US\$ 3 million, and the accumulated interest thereon. This resulted in a one-time adjustment of Rs.872.29 lakhs to the Profit and Loss account as shown above. An application has been made to the Government of India for the necessary approvals to conclude this transaction.

FUTURE PROSPECTS:

During the past year, prices of the essential raw material, namely Styrene Monomer, have been very volatile. This has had an adverse impact on all Styrene Monomer based industries in India. Sales have also suffered due to the recessionary trends in the economy. However, your Directors are happy to inform you that Styrene Monomer prices appear to have stabilized, and your Company expects to make operational profits in the current financial year.

Yours Directors expect a significant increase in sales during the current financial year, and this, coupled with stable Styrene Monomer prices, should result in reasonable profits for the year. Your Directors also expect an increase in sales of cutting oils.

As part of the ongoing efforts to expand and diversify the activities of your Company, Your Directors are exploring a new concept in building technology. This involves usage of EPS building panels for insulated construction. Your Company has an exclusive technology transfer arrangement with a Korean Firm, which has patent rights in India and other countries for this specialized technology.

DIRECTORS:

During the year under review, Mr. C. Satyanarayana resigned from the Board due to ill health, and TIDCO withdrew the nomination of Mr G Davidly Moses from your Board. Your Directors place on record their appreciation for the services rendered by them during their tenure of Office.

Mr. N. Bhagavathy, nominee of TIDCO and Mr Dal Seon Oh were co-opted as Directors during the year under review.

Mr S H Shin and Mr G E Hwang, Directors, retire by rotation and, being eligible, offer themselves for reappointment.

DEMATERIALISATION:

The shares of your Company have been compulsorily dematerialized with effect from 1.7.2001. Accordingly the Company

entered into agreements with National Securities Depository Limited, Mumbai, Central Depository Services (India) Limited, Mumbai and Cameo Corporate Services Limited, Chennai. Cameo Corporate Services Limited, Chennai was appointed as Depository Registrar and Share Transfer Agent.

AUDITORS:

M/s Fraser & Ross, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The observations of the Auditors contained in the Auditors' Report read with the Notes on Accounts are self-explanatory and require no further clarification.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

As required under Sec.217(1)(e) of the Companies Act 1956, read with rule 2 of the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption etc. are appended to this Report.

PARTICULARS OF EMPLOYEES:

The statement required under Sec.217 (2A) of the Companies Act, 1956, has not been appended to this Report as there are no employees to be covered under the statement.

FIXED DEPOSITS:

The Company has not accepted any deposits from the public.

DISCLOSURE AS PER LISTING AGREEMENT:

Clause 32:

The Cash Flow Statement in accordance with the Accounting Standard is appended to this Annual Report.

Clause 43A:

The Company's Shares are listed on Madras Stock Exchange Limited and The Stock Exchange, Mumbai. It is further informed that the Annual listing fees to both the Stock Exchanges for the year 2001 - 2002 have been paid.

Clause 49:

Pursuant to Clause 49A of the Listing Agreement, a report on Corporate Governance, as applicable to your Company, is given below:

1. Company philosophy on code of governance:

The Company's philosophy of corporate governance is aimed at assisting the top management of the Company in the efficient conduct of its business and in meeting its obligations to its shareholders.

2. Board of Directors:

Composition: The present strength of the Board is seven Directors. The Board comprises of Executive and Non-Executive Directors. The non-Executive Directors bring independent judgement to the Board's deliberations and decisions. The Managing Director and Joint Managing Director are the two Executive Directors. The remaining five are non-Executive Directors including one Nominee Director from TIDCO.

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Five Board Meetings were held during the year on the dates mentioned below:

27th July 2000, 31st October 2000, 24th November 2000, 30th January 2001, and 27th April 2001

3. Audit Committee:

The Audit Committee was formed on 30th January 2001 and it presently comprises of Mr. N. Bhagavathy (Chairman of the Committee), Mr. C.S. Chang, Mr. S.H. Shin, Mr. G.E. Hwang and Mr. Dal Seon Oh. Mr. N. Bhagavathy, Mr. S.H. Shin and Mr. Dal Seon Oh are all independent Directors. Mr. P. Krishnasamy is the Secretary to the Committee. The Statutory Auditors, Internal Auditors are the Invitees to the Meeting. The terms of reference of this Committee are wide enough, covering matters specified for Audit Committees under the Listing Agreement.

4. Remuneration to the Directors:

(a) The details of the remuneration paid to the Managing Director and Joint Managing Director during the Financial Year 2000 - 2001 are given below:

Name and Designation	Salary & Perquisites etc (Rs. in lakhs)
1. Mr. V. Ramesh Managing Director	2.98
2. Mr. C.S. Chang Joint Managing Director	5.90

For the Financial Year 2000-2001, Directors' Sitting Fees paid to non-Executive Directors amounted to Rs.0.02 lakhs.

5. Investors / Shareholders grievance Committee:

The Company has formed an Investors / Shareholders Grievances Committee, consisting of Mr. N. Bhagavathy, Mr. C.S. Chang and Mr. Dal Seon Oh. Mr P Krishnasamy, Company Secretary is the Compliance Officer. During the year, 2 Nos. of complaints were received from the Investors and both were disposed off. The details are given below:

Details of Shareholders' Complaints

Nature of Complaint	Received	Disposed	Pending
Non-receipt of Annual Reports	2	2	Nil

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under the Companies Act 1956, your Directors wish to state:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that they have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review.
- that they have taken proper and sufficient care for the 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 and
- that they have prepared the accounts for the year ended 30th June 2001 on a "going concern" basis

ACKNOWLEDGEMENT:

Yours Directors gratefully acknowledge the continued support received from Bank of India, Shin Ho Petrochemical Co Ltd, Korea, Suppliers, Customers and Employees.

BY ORDER OF THE BOARD

Place : Chennai
Date : 24.10.2001

C.S. CHANG
Joint Managing Director

V. RAMESH
Managing Director



SHIN HO PETROCHEMICAL (INDIA) LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

Information pursuant to Sec.217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in Report of Board of Directors) Rules 1988, and forming part of the Directors' Report for the period ended 30th June 2001:

FORM - A

	Year ended 30.6.2001	Year ended 30.6.2000
A. CONSERVATION OF ENERGY POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY:		
a. Purchased power (Kwh)	1520576	965784
Total amount (Rs. in lakhs)	71.92	49.24
Rate/KWH(Rs.)	4.73	5.10
b. Own generation (Kwh) (Diesel generator)	63757	60992
Kwh per litre of diesel oil	2.45	2.44
Cost/Kwh(Rs)	5.14	5.66
2. FURNACE OIL		
Qty. (Litre)	340548	215683
Amount (Rs.in lacs)	35.41	19.99
Rate (Rs/litre)	10.39	9.27
B. CONSUMPTION PER UNIT OF PRODUCTION		
Expandable Polystyrene Resin (Production in MT)	4345	2683
Electricity (Kwh/Tonne)	365	383
C. TECHNOLOGY ABSORPTION:		
The Company has a continuing technical collaboration with Shin Ho Petrochemical Co Ltd, Korea for EPS Resin and with Buhmwoo Chemical Industries Co. Ltd Korea for Metal Working Lubricant.		
D. FOREIGN EXCHANGE EARNINGS (Rs. in lacs)	25.36	17.63
E. FOREIGN EXCHANGE OUTGO (Rs. in lacs)	1590.47	1538.07

By Order of the Board

Place : Chennai
Date : 24.10.2001

C.S. CHANG
Joint Managing Director

V. RAMESH
Managing Director

TWELFTH ANNUAL REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF SHIN HO PETROCHEMICAL (INDIA) LIMITED

We have audited the attached Balance Sheet of Shin Ho Petrochemical (India) Limited as at 30th June 2001 and the annexed Profit and Loss account for the year ended on that date and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above we state that
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
 - d. The Profit and Loss Account and Balance Sheet referred to in this report comply with the Accounting Standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956, except for the accounting of Exchange Differences and Duty Drawback on cash basis referred to in Notes 2.
 - e. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts together with the Notes thereon and subject to Notes: 1, 9, 11 and 12 in Schedule 11 regarding.
 - i. Pending submission of application to Reserve Bank of India and payment under one time settlement of External Commercial Borrowing, credit for Rs. 872.29 lakhs has been taken in the Profit and Loss account for the year towards waiver of Principal and Interest. Had this credit not been taken, the accounts would have shown a loss of Rs. 292.27 lakhs for the year and carried forward loss of Rs. 869.58 lakhs.

Non provision of

- ii. Rs. 18.14 Lakhs being Customs Duty paid under protest
- iii. Loss of Rs. 66.22 Lakhs arising on account of variation in exchange rate as at 30.6.2001.

The above have resulted in understatement of Loss for the year by Rs. 956.65 Lakhs and the overstatement of assets by Rs. 18.14 Lakhs and understatement of liabilities by Rs. 938.51 Lakhs as on 30th June 2001.

Give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view of

- (i) In so far as it relates to the Balance Sheet, the State of Affairs of the Company as at 30th June 2001 and
 - (ii) In so far as it relates to the profit and Loss Account, the Profit of the Company for the year ended on that date.
- f. On the basis of written representations received from the Directors of the Company as on 31st March 2001 and taken on record by the Board of Directors, We report that none of the Directors of the Company is, prima facie disqualified from being appointed as director of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For FRASER & ROSS

N. SETHURAMAN

Partner

Chartered Accountants

Place : Chennai
Date : 28.9.2001