



SHIN HO PETROCHEMICAL (INDIA) LIMITED

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**Fourteenth Annual Report
2002-2003**

**BOARD OF DIRECTORS**

| | | |
|---|---|--|
| Chairman | : | Mr S K Lee |
| Managing Director | : | Mr Y S Kim |
| Director (TIDCO Nominee) | : | Mr N Bagavathy |
| Director | : | Mr G E Hwang |
| Alternate Director | : | Mr S Arun (alternate to Mr. G.E. Hwang) |
| Director | : | Mr Dal Seon OH |
| Director | : | Mr Gowri R Shanker |
| Company Secretary | : | Mr P K Sankara Narayanan |
| Auditors | : | M/s Fraser & Ross |
| Bankers | : | Bank of India Chennai Corporate Banking Branch Chennai 600 002 |
| Registered Office & Works | : | Ammullavoyil Village Andarkuppam Post Manali New Town Chennai 600 103 |
| Depository Registrar & Share Transfer Agents | : | M/s CAMEO CORPORATE SERVICES LTD "Subramanian Building" No.1, Club House Road Chennai 600 002 |

ANNUAL GENERAL MEETING

| | | |
|-------|---|---|
| Time | : | 10.00 AM |
| Date | : | 4 th December 2003 |
| Venue | : | Registered Office Ammullavoyil Village Andarkuppam Post Manali New Town Chennai 600 103 |



SHIN HO PETROCHEMICAL (INDIA) LIMITED

NOTICE TO SHAREHOLDERS

Notice is hereby given that **Fourteenth Annual General Meeting** of the company will be held at the registered office of the company at **Ammullavoyil village, Andarkuppam Po., Manali New Town, Chennai 600 103** on Thursday the 4th December at 10.00 am, 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 2003 and to consider the Report of the Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr G E Hwang, who retires by rotation and being eligible, offers himself for reappointment..
- 3) To appoint a Director in place of Mr S K Lee, 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. The retiring Auditors Messrs Fraser & Ross, Chartered Accountants, Chennai are eligible for reappointment.

SPECIAL BUSINESS:

- 5) To consider and, if thought fit, to pass with or without modification the following resolution as ORDINARY RESOLUTION:

RESOLVED THAT Mr Gowri R Shankar who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

Place : Chennai

Date : 7th October 2003

BY ORDER OF THE BOARD

P K Sankara Narayanan
Company Secretary

NOTES:

- 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 Book of the Company will remain closed from 20.11.2003 to 04.12.2003 (both days inclusive).
- 4) Members are requested to intimate change, 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.

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

Mr Gowri R Shanker was appointed as an Additional Director of the Company with effect from 30th April 2003 vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956. The notice under Section 257 of the said Act has been received from a member proposing the name of Mr Gowri R Shanker as a candidate for the office of Director of the Company.

Mr. Gowri R Shanker holds degree in M.S. Electronic Commerce, MBA - specialization in Finance, M.S. in Industrial Engineering and B.S. in Chemical Engineering. The Board feels that his expertise in Finance and Industrial experience will definitely contribute to the growth of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this resolution for approval of the shareholders.

None of the Directors other than Mr Gowri R Shanker to the extent of his appointment as Director, is concerned or interested in the above resolution.





SHIN HO PETROCHEMICAL (INDIA) LIMITED

REPORT OF BOARD OF DIRECTORS:

Your Directors have pleasure in presenting the 14th Annual Report of the Company together with the Audited Accounts for the year ended 30.06.2003.

PART – I : PERFORMANCE / OPERATIONS**FINANCIAL RESULTS:**

(Rs in lakhs)

| | Year ended 30.06.2003 | Year ended 30.06.2002 |
|---------------------------------------|--------------------------|--------------------------|
| Sales | 3374.95 | 3504.95 |
| Other Income | 134.97 | 8.66 |
| Profit before interest & depreciation | 123.18 | 179.88 |
| Interest Charges | 99.42 | 48.98 |
| Profit before depreciation | 23.76 | 130.90 |
| Depreciation | 81.10 | 78.46 |
| Operating Profit / Loss | (57.34) | 52.44 |
| Exchange Loss | - | 127.11 |
| Loss for the year | (57.34) | (74.67) |

DIVIDEND:

Considering the performance for the year under review, no dividend is recommended.

REVIEW OF OPERATIONS :

Your Company's performance was affected adversely due to significant increase / fluctuations in material cost which could not be fully passed on due to competition.

FUTURE PROSPECTS:

During the year customs duty on imported finished goods has been reduced to 25%. Since imports have been freed your company had to compete with cheap imports (all imports are subsidised), as a result the margins have been squeezed.

The country is still reeling under recessionary trends in Packing Industry but your Directors feel that there may be a slight improvement in market conditions in the coming year. One of our major clients for Cutting Oil , Hyundai Motors is increasing one more line, so your company can expect better sale of oil in the coming year. The Company is in the process of pushing the Cutting Oil sales, now that Hyundai Motors has tested and certified our oil, we hope that in this current financial year oil sales would be significant.

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 and foreign exchange earnings and outgo wherever applicable are furnished in Annexure.

PART-II : CORPORATE AFFAIRS**CORPORATE GOVERNANCE:**

In pursuance to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Management discussion and Analysis Report are given elsewhere and form part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by Sec.217(2AA) of the Companies Act 1956, your Directors wish to state:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

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- b) 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 the year under review.
- c) 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 and
- d) The directors have prepared the accounts for the year ended 30th June 2003 on a 'going concern' basis.

DIRECTORS:

Mr S K Lee and Mr G E Hwang, Directors retire by rotation and being eligible, offer themselves for reappointment. Mr Gowri R Shanker was co-opted as a Director at the Board Meeting held on 30.04.2003.

AUDITOR'S REPORT:

As regards observations of the Auditors in their report for the year under review, the Notes appended to the Accounts are self-explanatory.

DIRECTORS REMARKS ON AUDITORS' REPORT

Sundry Debtors includes Rs.138.92 lakhs outstanding more than 3 years, Rs.356.19 lakhs covered by court cases, Loans and Advances includes Rs.84.09 lakhs towards claim lodged with Insurance Company and referred to National consumer Redressal commission. The directors are fairly confident and taking necessary steps for collection of sundry debtors and hopeful with regard to the claim made with the insurance company.

With regard to clause 49 of the Listing Agreement with stock exchanges the company has not conducted Audit Committee Meeting because of the reason that company could not appoint an independent Director with suitable qualifications. However, in the board meeting held on 30.4.2003, the company appointed Mr. Gowri R Shanker as an independent director and the Audit Committee Meeting was held on 7.10.2003.

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.

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.

LISTING WITH STOCK EXCHANGE

The Company's securities are listed at: Madras Stock Exchange Ltd., 11, Second Line Beach, Chennai 600 001. Bombay Stock Exchange Ltd, Mumbai. The Listing fees to the Exchanges has been paid upto date.

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

Pace : Chennai

Date : 7th October 2003

Y.S. Kim
Managing Director

Gowri R. Shanker
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 2003:

FORM – A

| | Year ended 30.06.2003 | Year ended 30.06.2002 |
|---|----------------------------------|----------------------------------|
| A. CONSERVATION OF ENERGY | | |
| POWER AND FUEL CONSUMPTION: | | |
| 1. ELECTRICITY: | | |
| a. Purchased power (Kwh) | 1478700 | 1666480 |
| Total amount (Rs in lakhs) | 81.48 | 81.74 |
| Rate/KWH(Rs) | 5.51 | 4.90 |
| b. Own generation | 45928 | 89994 |
| (Diesel generator) | | |
| Kwh per litre of diesel oil | 2.52 | 2.69 |
| Cost/Kwh (Rs) | 3.79 | 6.18 |
| 2. FURNACE OIL | | |
| Qty (Litre) | 304237 | 404668 |
| Amount (Rs in lacs) | 36.45 | 40.45 |
| Rate (Rs/litre) | 11.98 | 9.99 |
| B. CONSUMPTION PER UNIT OF PRODUCTION | | |
| Expandable Polystyrene Resin (Production in MT) | 4276 | 5209 |
| Electricity (Kwh/Tonne) | 357 | 337 |
| C. TECHNOLOGY ABSORPTION | | |
| : The Company has a continued 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) | 0.38 | 0 |
| E. FOREIGN EXCHANGE OUTGO (Rs in lacs) | 1689.90 | 1364.19 |

By order of the Board

Place : Chennai
Date : 7th October 2003

Y.S. Kim
 Managing Director

Gowri R. Shanker
 Director

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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 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 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.

Further to our comments in the annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) **Attention is invited to the following:-**
 - (i) **Note No (10)(II)(5) regarding debts outstanding for more than three years amounting to Rs 138.92 lakhs and Rs 356.19 lakhs covered by court cases considered good and recoverable by the management.**
 - (ii) **Note No (10)(II)(6) regarding disputed insurance claims for raw materials damaged in storage amounting to Rs 84.09 lakhs, in respect of which a case has been lodged with the National Consumer Redressal Commission and which is considered recoverable by the management.**
 - (iii) **Subject to Paragraph (e) (i) above regarding non provisioning of debts outstanding for more than three years amounting to 138.92 lakhs and Rs 356.19 lakhs covered by court cases and (e) (ii) above regarding non provisioning of disputed insurance claims for raw materials damaged in storage amounting to Rs 84.09 lakhs, in relation to which a case has been lodged with the National Consumer Redressal Commission, respectively and which are considered good and recoverable by the management in respect of which we are unable to express our opinion, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:**
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June 2003;
 - ii) in the case of Profit and Loss Account, of the loss for the year ended on that date and;
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
- f) On the basis of the written representations received from the directors, as on 30th June 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Fraser & Ross
Chartered Accountants
Bhavani Balasubramanian
Partner
Membership No.22156

Place: Chennai
Date : 7th October 2003

**ANNEXURE REFERRED TO THE REPORT OF EVEN DATE**

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets. The company has physically verified certain fixed assets during the year and no discrepancies were found on such verification. In our opinion the frequency of verification is reasonable.
2. Free hold land has been revalued at the year end and the surplus has been credited to Revaluation reserve vide note no10. II.1. None of the other assets have been revalued during the year.
3. Physical verification of stocks of finished goods and raw materials was conducted by the company at the year end. In our opinion the frequency of verification is reasonable.
4. Procedures for physical verification of stocks followed by the company are reasonable and adequate, in relation to the size of the company and the nature of its business.
5. No material discrepancies have been noticed on physical verification of stocks as compared to book records.
6. In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
7. The Company has not taken any loans, secured or unsecured loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We have been informed that there are no companies under the same management.
8. The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As referred to in paragraph (7) above we have been informed that there are no companies under the same management.
9. Interest free advances have been given to employees who are repaying the amounts as stipulated.
10. According to the information and explanations given to us, and having regard to the explanation that some of the items are of special nature for which no alternative quotations are available, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and for the sale of goods.
11. In our opinion and having regard to the explanation given in note 10 above, the transaction of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs 50,000/- or more in respect of each party, have been made at prices which are reasonable, having regard to prevailing market prices for such goods, materials or services or the prices at which transaction for similar goods or services have been made with other parties.
12. As explained to us, the Company determines unserviceable or damaged stores each financial year. On such basis adequate amounts are written off after review in the accounts.
13. The Company has not accepted any deposits from the public to which provisions of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, apply.
14. The Company has maintained reasonable records for the sale and disposal of its scrap. As informed to us there are no by-products.

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15. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
16. We have been informed that the Central Government has not prescribed maintenance of cost accounting records under Section 209!(d) of the Companies Act, 1956, for the products manufactured by the company.
17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited during the year, with the appropriate authorities.
18. To the best of our knowledge and according to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, customs duty, excise duty which are outstanding as on 30th June 2003 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of Clause (o) Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. There were no damaged goods as at June 30, 2003 in respect of goods traded by the company.

For FRASER & ROSS
Chartered Accountants

Bhavani Balasubramanian
Partner
Membership No.22156

Place : Chennai
Date : 7th October 2003