



SHIN HO PETROCHEMICAL (INDIA) LIMITED

Report  junction.com

Fifteenth Annual Report
2003-2004

**BOARD OF DIRECTORS**

Chairman	:	Mr S K Lee
Managing Director	:	Mr Y S Kim
Director (TIDCO Nominee)	:	Mr B Ramakrishnan
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	:	Andhra Bank Mount Road 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	:	Wednesday 15 th December 2004
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 **Fifteenth 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 Wednesday the 15th 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 2004 and to consider the Report of the Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr Dal Seon Oh, who retires by rotation and being eligible, offers himself for reappointment.
- 3) To appoint a Director in place of Mr Gowri R Shanker, 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.

BY ORDER OF THE BOARD

Place : Chennai
Date : 29.09.2004

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 29.11.2004 to 14.12.2004 (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.

Details of the Directors seeking re-appointment in the forthcoming Annual General Meeting Pursuant to Clause 49 of the Listing Agreement

Name of the Director	Mr Dal Seon Oh	Mr Gowri R Shanker
Date of Birth	10.09.1955	01.07.1956
Expertise in Specific Functional areas	Production & Adminstraton	Finance
Qualifications	B.A. (Textile Technology)	MS in Electronic Commerce MBA – specialisation in Finance MS in Industrial Engineering BS in Chemical Engineering
List of other companies in which directorship held as on 30th June 2004	Dalsun & Co Dalsun Hotels Pvt Ltd	Satellite Town Development P Ltd Sri Vallabha Investments P Ltd Mascon Global Ltd
Chairman / Member of the committees of the Board of the Companies on which he is a Director as on 30th June 2004	–	Antares Publishing Services P Ltd – Chairman

FIFTEENTH ANNUAL REPORT**REPORT OF BOARD OF DIRECTORS:**

Your Directors have pleasure in presenting the 15th Annual Report of the Company together with the Audited Accounts for the year ended 30.06.2004.

PART – I : PERFORMANCE / OPERATIONS**FINANCIAL RESULTS:****(Rs in lakhs)**

	Year ended 30.06.2004	Year ended 30.06.2003
Sales	1983.16	2962.09
Other Income	27.35	159.54
Profit / (Loss) before interest & depreciation	(112.54)	123.18
Interest Charges	60.83	99.42
Profit / (Loss) before depreciation	(173.37)	23.76
Depreciation	79.87	81.10
Operating Profit / (Loss)	(253.24)	(57.34)
Loss for the year	253.24	57.34

DIVIDEND:

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

REVIEW OF OPERATIONS :

The operation for the year under report reflects an adverse note as the cost of inputs recorded very high due to volatile fluctuations of the Petroleum products in the global level. The company suffered for Working Capital as it was in the process of shifting the facilities from Bank of India to Andhra Bank and was operating only to the extent of 38% of capacity. On the whole, it was yet another difficult year for the company.

As almost all the Petrochemical raw material prices have gone up because of rise in crude oil price, most of endusers of Petrochemical raw materials curtailed their production ratios. During the non-operative period, the Company has procured the finished product from the parent company to maintain the supply to the customers in the market. Once the raw material price of the stabilises the company will start production. The company made a contract with Hyundai Motor (I) Ltd for CMS (Coolant Management System) and in the coming months, we, foresee the sales of cutting oil will become more than double.

FUTURE PROSPECTS

Though the installed capacity of EPS in the domestic market was well above the demand, manufacturers were not able to find market for their products due to all time high prices of EPS. EPS processors were neither able to utilise the additional new capacities which they added during the year nor they can continue their production due to unremunerative prices from their end-users. The growth in demand for the EPS was between 10% - 15% in the last three years. However, this trend has been reversed in last year because of higher prices of EPS. We are confident that a growth in demand between 20% to 25% is expected in the coming years due to the setting up of manufacturing bases in India by Consumer Durable Majors like Samsung and computers hardware giants viz., Intel, IBM, etc. Hence, in the coming years, there will be increase in demand for EPS, thereby giving a better price for the EPS manufacturers. Apart from the above, the government's thrust on packaged fruits exports and marine products will open new avenues for thermocole usage. The Company is also initiating various business development activities for use of thermocole in construction sector which would help the company in increasing the demand for its product.

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:

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 2004 on a 'going concern' basis.

DIRECTORS:

Mr Dal Seon OH and Mr Gowri R Shanker, Directors retire by rotation and being eligible, offer themselves for reappointment.

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.

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., Chennai & Bombay Stock Exchange Ltd, Mumbai.

ACKNOWLEDGEMENT:

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

BY ORDER OF THE BOARD

Pace : Chennai

Date : 29.09.2004

Y.S. Kim
Managing Director

Dal Seon Oh
Director

FIFTEENTH ANNUAL REPORT

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 2004:

FORM – A

	Year ended 30.06.2004	Year ended 30.06.2003
A. CONSERVATION OF ENERGY POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY:		
a. Purchased power (Kwh)	794512	1478700
Total amount (Rs in lakhs)	53.58	81.48
Rate/KWH(Rs)	6.74	5.51
b. Own generation	21924	45928
(Diesel generator)		
Kwh per litre of diesel oil	2.21	2.52
Cost/Kwh (Rs)	9.21	8.25
2. FURNACE OIL		
Qty (Litre)	157446	304237
Amount (Rs in lacs)	18.69	36.45
Rate (Rs/litre)	11.87	11.98
B. CONSUMPTION PER UNIT OF PRODUCTION		
Expandable Polystyrene Resin (Production in MT)	2282	4276
Electricity (Kwh/Tonne)	358	357
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)	0	0.38
E. FOREIGN EXCHANGE OUTGO (Rs in lacs)	1016.49	1689.90

By order of the Board

Y.S. Kim
Managing Director

Dal Seon Oh
Director

Place : Chennai
Date : 29.09.2004



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 (the "Company"), as at 30th June 2004, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. 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 the 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 Companies (Auditor's Report) Order, 2003 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:

- (i) 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;
- (ii) 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;
- (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) **Attention is invited to the following notes in Schedule 10 to the financial statements:-**
 - a) **Note No. (II)(4) regarding debts outstanding for more than three years amounting to Rs. 207.55 lakhs (2002-03 Rs. 138.92 lakhs) and Rs. 315.80 lakhs (2002-03 Rs. 356.19 lakhs) covered by court cases considered good and recoverable by the management.**
 - b) **Note No. (II)(6) regarding disputed insurance claims for raw materials damaged in storage amounting to Rs. 84.09 lakhs (2002-03 Rs. 84.09 lakhs), and considered recoverable by the management.**

We are unable to comment on the ultimate shortfall, if any, on settlement of the above debts and advances.

- (vi) In our opinion and to the best of our information and according to the explanations given to us, and **subject to paragraphs (v)(a) and (b) above, the effect of which on the loss for the year, accumulated debit balance in the profit and loss account and assets and liabilities could not be determined,** 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:

FIFTEENTH ANNUAL REPORT

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 30th June, 2004;
 - (b) in the case of the profit and loss account, of the loss for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.
- (vii) On the basis of the written representations received from the directors, as on 30th June 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2004 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 : 29.09.2004

ANNEXURE REFERRED TO THE REPORT OF EVEN DATE

1. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
2. In respect of its inventories:
 - (a) Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) In our opinion and according to the information and explanation given to us, the Company has maintained proper record of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956.



4. In our opinion and 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 for the purchase of inventory and fixed assets and for the sale of goods and we have not observed any continuing failure to correct major weaknesses in such internal controls.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year.
7. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
8. The Central Government has not prescribed maintenance of Cost Accounting Records under Section 209(1) (d) of the Companies Act, 1956 for the products manufactured by the Company.
9. In respect of Statutory dues:
 - (a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Custom duty, Excise duty, Cess and any other material statutory dues with the appropriate authorities and there were no undisputed amounts payable in respect of above statutory dues as at 30th June 2004 for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us, there were no disputed Sales tax, Income tax, Customs duty, Wealth tax, Excise duty and Cess, which have not been deposited as on 30th June 2004, on account of any dispute.
10. The accumulated losses of the Company, without considering the effect of our observations in paragraphs v (a) and (b) above, have not exceeded fifty per cent of its net worth as at the end of the year. **The Company has incurred cash loss during the financial year covered by our audit.** However, the Company has not incurred cash loss in the immediately preceeding financial year.
11. In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in payment of dues to banks.
12. In our opinion no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or nidhi mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities and debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.

FIFTEENTH ANNUAL REPORT

15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not raised any Term Loan during the year.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, **Rs. 46.23 lakhs, being funds raised on short-term basis, have been used for long-term investment.** No long-term funds have been used to finance short-term assets other than temporary deployment pending application.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures.
20. The Company has not raised money through public issues.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For FRASER & ROSS

Chartered Accountants

Bhavani Balasubramanian

Partner

Membership No.22156

Place : Chennai

Date : 29.09.2004