



SHIN HO PETROCHEMICAL (INDIA) LIMITED

Report  Junction.com

**Sixteenth Annual Report
2004-2005**



SHIN HO PETROCHEMICAL (INDIA) LIMITED

BOARD OF DIRECTORS

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
Director	:	Mr Choong Sik Lee
Company Secretary	:	Mr V Thayalan, M.Com., B.Ed., FCS., AICWA.
Auditors	:	M/s Fraser & Ross Chartered Accountants Temple Towers, II Floor, 672, Anna Salai, Nandanam, Chennai -600 035.
Bankers	:	M/s. Andhra Bank Mount Road Branch, Chennai 600 002
Registered Office & Works	:	Ammullavoyil Village, Andarkuppam Post Manali New Town, Chennai 600 103 Phone : 044-25943457, 25942216 Fax : 044-25941442 E-mail : shinho@sigsmid01.vsnl.net.in
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 : 27 th December 2005

Venue : Registered Office:
Shin Ho Petrochemical (India) Limited
Ammullavoyil Village, Andarkuppam Post
Manali New Town, Chennai 600 103

SIXTEENTH ANNUAL REPORT**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of **Shin Ho Petrochemical (India) Limited** will be held at the Registered Office of the Company at Ammullavoyil Village, Andarkuppam Po., Manali New Town, Chennai 600 103 **on Tuesday the 27th day of December 2005 at 10.00 AM**, to transact the following business:

ORDINARY BUSINESS:

- 1) To consider and adopt the Audited Statement of Accounts for the year ended 30th June 2005 and 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 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 not offered themselves for reappointment.

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

RESOLVED that pursuant to the provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956 M/s. Gopalaiyer and Subramanian, Chartered Accountants having office at No 11, Rajan Street, T.Nagar, Chennai - 17 in respect of whom the Company has received a special notice from a member under Section 190 of the Companies Act signifying his intention to propose them as a Statutory Auditor of the Company be and are hereby appointed as the Statutory Auditors of the Company in place of the retiring Auditors M/s. Fraser & Ross, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the company.

SPECIAL BUSINESS

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

"RESOLVED that Mr Choong Sik Lee, whose term of office as Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr Choong Sik Lee for the office of the Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retirement by rotation.

- 6) To consider and if thought fit, to pass with or without modifications. the following resolution as an **ORDINARY RESOLUTION**.

RESOLVED that pursuant to article 45 of the Articles of Association of the Company and the provisions of section 198, 269, 309, 314 read with Schedule XIII and other applicable provisions, if any, of the



SHIN HO PETROCHEMICAL (INDIA) LIMITED

Companies Act, 1956 (including any statutory modifications and / or re-enactments of the Companies Act, 1956 and / or any notifications which the Central Government may issue from time to time and subject to the approval of the Central Government, if necessary, and such other approvals as may be required and such alteration / modification, if any, that may be effected by the above mentioned bodies in that behalf, approval of the members be and is hereby accorded for the re-appointment of Mr Y S Kim, as a Managing Director of the Company not liable to retire by rotation for a term of three (3) years commencing from 01.11.2005 to 31.10.2008 on the following terms and conditions.

- 1) Salary : Rs 60000/- per month (Rupees Sixty thousand only)
- 2) Perquisites : Perquisites will be in addition to salary and will be subject to the condition that the monetary value of those under Part A shall be restricted to an amount equal to the Annual Salary.

PART A

- 1) **Housing I:** The expenditure by the Company on hiring unfurnished accommodation will be subject to the ceiling of 60% of the salary.

Housing II: In case accommodation is owned by the Company 10% of the salary of the Managing Director shall be deducted by the Company.

Housing III: In case no accommodation is provided by the Company the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

- 2) **Medical Reimbursement:** Expenses incurred for self and family subject to a ceiling of one months' salary in a year or 3 months salary over a period of 3 years.
- 3) **Leave Travel Concession:** For self and family once in a year subject to one months' salary per annum.
- 4) **Personal Accident Insurance:** Premium not to exceed Rs 6000/- per annum.

PART B:

Contributions to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on the perquisites to the extent these either singly or put together are not taxable under the Income Tax Act 1961.

PART C:

Provision of a Car with driver and telephone at residence. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

RESOLVED FURTHER that where in any financial year during the currency of the term of office, the Company has no profits or its profits are inadequate it may pay to Mr Y S Kim, minimum remuneration by way of salary and perquisites as specified above, subject to the approval of the Central Government or in the alternative within the limits laid down in Section-II, Part II of Schedule XIII of the Companies Act, 1956, as in force from time to time.

SIXTEENTH ANNUAL REPORT

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board/ Committee be and is hereby authorised to take all such actions and give all such directions, or do all such acts, deeds, matters and things as may be necessary in this regard and further to execute all such deeds, documents and writings as may be necessary in this regard.

- 7) To consider and if thought fit, to pass with or without modifications, the following resolution as a **SPECIAL RESOLUTION**.

"RESOLVED that in accordance with the provisions of the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 and other applicable laws, if any, the company hereby accords its approval to de-list the equity share capital of the Company, comprising of 1,17,96,000 equity shares of Rs 10/- each, from the Madras Stock Exchange Limited".

BY ORDER OF THE BOARD

Place : Chennai
Date : 31.10.2005

V.Thayalan
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.
- 2) The proxy form is enclosed. The proxy form duly stamped and executed should be deposited at the registered office of the company not less than 48 hours before the time of holding the meeting.
- 3) The Register of Members and Share Transfer Book of the Company will remain closed from 15.12.2005 to 27.12.2005 (both days inclusive).
- 4) Shareholders seeking information on accounts published herein are requested to kindly furnish their queries to the company at least 10 days before the date of Meeting to facilitate satisfactory replies.
- 5) Members / Proxies who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the Meeting hall.
- 6) The shares of the company are now available for dematerialisation. The ISIN is INE 615D01011. The shareholders may avail the facility of dematerialisation of the physical shares held by them.
- 7) Members are requested to intimate the Registrar and Share Transfer Agent / Company immediately of any change in their address
- 8) Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
- 9) An explanatory statement pursuant to section 173(2) of the Companies Act 1956 in respect of special business is annexed hereto.
- 10) M/s. Fraser & Ross the retiring statutory auditor of the company has not offered their consent to act as statutory auditor of the company for the year 2005-06. Hence, the company has received a special notice from a member in terms of section 190 of the Companies Act 1956 proposing M/s. Gopalaiyer and Subramanian Chartered Accountants for appointment as Statutory Auditor of the Company.
- 11) Brief resume of Directors on their appointment / re-appointment is given as under pursuant to Listing Agreement.



SHIN HO PETROCHEMICAL (INDIA) LIMITED

Name of the Director	Mr G E Hwang	Mr Gowri R Shanker	Mr Choong Sik Lee
Date of Birth	20.11.1948	01.07.1956	20.01.1957
Expertise in specificFunctional areas	Chemical Engineering	Finance	Finance, Due Diligence Works, Court Receivership, Merger & Amalgamation
Qualifications	BS in Chemical Engineering	MS in Electronic Commerce MBA – specialisation in Finance MS in Industrial Engineering BS in Chemical Engineering	BA – Business Administration Certified Public Accountant(KICPA) Certified Tax Accountant
List of other companies in which directorship held as on 30 th June 2005	Vice Chairman Shin Ho Petrochemical Co Ltd, Korea	Satellite Town Development P Ltd Sri Vallabha Investments Pvt Ltd Mascon Global Ltd	President – Shin Ho Petrochemical Co Ltd., Korea
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on 30 th June 2005	Director of Shin Ho Petrochemical (China) Ltd China	Antares Publishing Services P Ltd – Chennai	Nil

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No: 5

Mr Choong Sik Lee was appointed on the Board as Additional Director of the Company effective 29.09.2005. He is the national of the Republic of Korea. He was born on January 20, 1957. He has wide experience in the areas of Fund raising, Court receivership investigation, Due-diligence works and Merger and Amalgamation etc. He is a graduate in Business Administration (BA) from Sungkyunkwan University.

The Reserve Bank of India clarified that under the Foreign Exchange Management Act 1999, appointment of foreign national as a Director on the Board of Directors of an Indian Company does not require RBI approval.

It is further clarified that the Reserve Bank has also granted general powers to an Indian Company to make payment in Rupees towards Sitting Fees or Commission or Remuneration and travel expenses to and from within India to its non whole time director who is resident outside India and is on a visit to India for the Company's work. Non of the Directors of the Company is interested or concerned in the Resolution.

Item No: 6

Mr Y S Kim representing the major shareholder and Promoter M/s Shin Ho Petrochemical Co Limited, Korea was appointed as Managing Director of the Company from 01.11.2002 to 31.10.2005 for a period of three years with the approval of Shareholders at the Annual General Meeting held on 16th December 2002 and the Central Government.

SIXTEENTH ANNUAL REPORT

The present term of office of Managing Director will expire on 31.10.2005. The Board of Directors at their meeting held on 29.09.2005 re-appointed Mr Y S Kim as Managing Director of the Company for a term of three (3) years commencing from 01.11.2005 to 31.10.2008 subject to the approval of shareholders and compliance under Schedule XIII of the Companies Act, 1956. The remuneration packages were considered by the remuneration committee and also by the Board of Directors of the Company. The remuneration packages extended in the previous term of office will be continued in the re-appointment period. Mr Y S Kim is a national of Republic of Korea and he is resident in India for more than three (3) years. The conditions of Schedule XIII of the Companies Act were complied with for re-appointment of Mr Y S Kim as Managing Director of the Company.

Mr Y S Kim was born on 10.01.1957 and aged about 48 years. He is a graduate in Business Management and has been with the Korean Company for more than a decade. He has wide experience in Overseas Export market of EPS. His experience in EPS and other related plastics will be of immense use to the Company. Mr Y S Kim has created many reforms in the company during his term of office as Managing Director. He strengthened the company both internally and externally. Your Directors, therefore, recommend this resolution for your approval.

The remuneration aforesaid including the perquisites will be paid and allowed as minimum remuneration for any year in the event of loss or inadequacy of profits though it exceeds the ceiling limit prescribed in the Section 198 and 309 of the Companies Act, 1956 and within the limits prescribed in Schedule XIII of the Companies Act.

The above may be treated as an abstract under section 302 of the Companies Act, 1956. None of the Directors except Mr Y S Kim is interested in the resolution.

Item No: 7

The equity shares of your company are listed on the Madras Stock Exchange Limited (MSE), being the regional stock exchange, and the Stock Exchange – Mumbai (BSE), a stock exchange having nation wide terminals. While the shares of your company have been frequently traded on BSE, there was no such trading on MSE. In fact there was no trading of shares of the company for the last three years with effect from 1.7.2002 to 30.6.2005 as per information furnished by M/s Madras Stock Exchange Limited vide their letter dated 23.9.2005.

The Securities and Exchange Board of India has issued Guidelines for de-listing of securities which inter-alia provides for voluntary de-listing of shares by a company from the stock exchanges.

It is therefore, proposed to de-list the equity shares of your company from the MSE after obtaining your approval. However, the equity shares of your company will continue to be listed on the BSE.

Accordingly, a Special Resolution is submitted for your consent. Necessary application will be made to the MSE, as required.

None of the Directors of the Company is interested or concerned in the Resolution.

BY ORDER OF THE BOARD

Place : Chennai
Date : 31.10.2005

V.Thayalan
Company Secretary



SHIN HO PETROCHEMICAL (INDIA) LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 16th Annual Report of the Company together with the Audited Statement of Accounts for the year ended 30.06.2005.

PART - I : PERFORMANCE / OPERATIONS

FINANCIAL RESULTS:

	Year ended 30.06.2005	Year ended 30.06.2004
	(Rs in lakhs)	
Sales	1498.91	1983.16
Other Income	110.83	27.35
Profit/Loss before interest & depreciation	(42.24)	(112.54)
Interest Charges	31.37	60.83
Profit/Loss before depreciation	(73.61)	(173.37)
Depreciation	79.95	79.87
Operating Profit/(Loss)	(153.56)	(253.24)
Loss for the year	154.41	253.24

DIVIDEND:

Considering the performance for the year under review, no dividend is recommended for the year 2005-06.

REVIEW OF OPERATIONS:

The manufacturing operations for the year continued to be a set back for the company as the cost of input was recorded very high due to volatile price fluctuations of the Petroleum products in the global level. The Styrene Monomer raw material used for the manufacture of Company's product Expandable Polystyrene Resin (EPS) was priced at a higher rate in the international market. Further the Company suffered for Working Capital finance. The present Bank finance is not sufficient to support the required letter of Credit facility to import the Raw materials at a higher price level prevailing in the international market. In view of these constraints, the company was able to operate only to the extent of 19.63% of capacity. There was no production of EPS for about 6 months on account of non-availability of funds for working capital requirements. In order to keep the market share, your Company imported 493 MTs of EPS and supplied to the customers. Despite the constraints as discussed above the loss for the current year was minimised as compared to earlier years.

FUTURE PROSPECTS:

The Indian economy continued on its sustained growth path. Concurrently the global economic revival has also continued spearheaded by strong growth in China and good growth in North America. The trend towards global shrinkage led by advances in communication and IT continues. Oil prices have continued their record upward trend. In consequence the sectors which critically affect your company's business namely manufacture of EPS.

The installed capacity of EPS in the domestic market was well above the demand. The growth in demand for the EPS resin was between 10% - 15% in the last four years. We are confident that a growth in demand between 20% to 25% is expected in the coming year due to the setting up of manufacturing bases by LG/ Samsung / Nokia in India. Hence, in the years to come, the demand for EPS resin will exceed the supply thereby giving a better price for the resin manufacturers.

SIXTEENTH ANNUAL REPORT

Apart from the above, the government's thrust on packaged fruits exports and marine products will open up new avenues for thermocole usage. The company is also initiating various business development activities for use of thermocole in construction sector, etc which would help the company in increasing the demand for its product.

In addition, the infrastructure sector has now come to the forefront of investments in India. Simultaneously, the sustained trends towards globalization are resulting in a blurring of the dividing line between domestic and international sectors in terms of markets, competition, opportunities and threats.

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:

Your Company has been complying with all the requirements of the code of Corporate Governance, as specified by SEBI. A detailed report on Corporate Governance, together with a certificate from the Statutory Auditors in compliance of clause 49 of the Listing Agreement is attached forming part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

In accordance with the listing agreement, the management's Discussion and Analysis forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by Sec.217(2AA) of the Companies Act 1956, your Directors confirm that.

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures if any.
- 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 2005 on a 'going concern' basis.



SHIN HO PETROCHEMICAL (INDIA) LIMITED

DIRECTORS:

Mr S K Lee, Director of the Company vacated the office of Director under section 283(1)(g) of the Companies Act 1956 and the Board of Directors approved the same at their meeting held on 29.09.2005.

Mr G E Hwang and Mr Gowri R Shanker, Directors retire by rotation and being eligible, offer themselves for reappointment. Mr Choong Sik Lee was appointed as Additional Director of the Company on the Board effective 29.09.2005. He is a national of Republic of Korea. He holds the office until the conclusion of 16th Annual General Meeting. The Company has received a notice proposing the candidature of Mr Choong Sik Lee for the office of Director and liable to retire by rotation.

AUDITORS & AUDITORS REPORT

M/s. Fraser & Ross the retiring statutory auditor of the company has not offered their consent to act as statutory auditor of the company for the year 2005-06. Hence, the company has to receive a special notice in terms of section 190 of the Companies Act 1956 for appointment of new statutory Auditor. In terms of Section 224 of the Companies Act, 1956, the appointment of new Auditor needs to be confirmed and their remuneration has to be fixed.

The observations of Auditors contained in para V of Auditors Report to the Accounts as on 30.6.2005, your directors clarifies that a scheme of financial restructuring will be carried out subject to necessary approvals as required and the manufacturing activities will also be improved to wipe out the accumulated losses.

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

PARTICULARS OF EMPLOYEES:

Particulars of the employees in terms of requirement of under Section 217 (2A) of the Companies Act, 1956, as amended in the Companies (Amendment Act) Act, 1988, the company does not have any employees drawing

1. Rs.2, 00,000/- or more per month and /or
2. Rs 24,00,000/- or more per annum.

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 Company has paid Listing Fees for the year 2004 – 05.

ACKNOWLEDGEMENT:

Your Directors gratefully acknowledge the continued support received from Shareholders, Andhra Bank, Shin Ho Petrochemical Co Ltd, Korea, Suppliers, Customers and Employees.

By order of the Board

Place : Chennai
Date : 6.10.2005

Y.S. Kim
Chairman and Managing Director