



VINYOFLEX LIMITED
12TH ANNUAL REPORT
2004-2005

12th ANNUAL REPORTS

2004-2005

VINYOFLEX LIMITED

Regd. office : 307, Silver Chambers,
Tagore Road,
Rajkot - 300 002.

Factory : Survey No. 241, N H, 8-B,
Near G.E.B. Sub-station,
Shaper (Taluka Kotda Sangani)

BOARD OF DIRECTORS

Shri Mansukhlal Premji Patel (*Chairman & M.D.*)
Shri Bhupatlal Lalji Tilva
Shri Vinod Khimji Tilva
Shri Mansukhlal Jeramdas Patel
Shri Mansukhlal Bhanjibhai Makadia

AUDITORS

M/s. Gadhia Karachiwala & Co.
Chartered Accountants
307, Hira-Panna, 3rd Floor,
Dr. Yagnik Road,
Rajkot - 360 001.

BANKERS

State Bank of Saurashtra
Gymkhana,
Rajkot - 360 001.

SHARE TRANSFER AGENT

M.C.S. LTD.
101, Shatdal Complex,
1st Floor, Opp. Bata Show Room,
Ashram Road, Ahmedabad - 380 009.
Phone : (079) 26582878

NOTICE

NOTICE is hereby given that the 12th Annual General Meeting of the Members of M/s. VINYOFLEX LIMITED will be held at the Registered Office of the Company at 307, Silver Chambers, Tagore Road, Rajkot-360 002 on Tuesday, the 20th day of September, 2005 at 11:00 a.m. to transact the following business:-

ORDINARY BUSINESS :

1. To consider, approve and adopt the Balance Sheet as on 31st March, 2005, Profit and Loss Account for the year ended on that date and the reports of the Board of Directors' and Auditors' thereon.
2. To appoint the Auditors of the Company, who shall hold the office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.
3. To appoint a Director in place of Shri Vinod K. Tilva who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri Mansukhlal Jeramdas Patel who retires by rotation and being eligible offers himself for reappointment

SPECIAL BUSINESS :

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, and 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the re-appointment of Shri Mansukhlal P. Patel as the Chairman & Managing Director of the Company for a period of 5 (five) years at a remuneration of Rs. 5,000/- (Rupees Five Thousand Only) p.m. w.e.f. 1.11.2004 and other terms & conditions set out in the Agreement to be entered into between the Company & Shri Mansukhlal P. Patel a draft whereof is placed before this meeting which Agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which terms shall be deemed to include any committee which the Board may constitute to exercise its powers including the power conferred by this resolution) to alter and vary the terms & conditions of the said appointment &/or remuneration &/or Agreement including any statutory modification or re-enactment thereof for the time being in force or any amendments &/or modification that may hereafter be made thereto by the Central Government in that behalf from time to time or any amendments

Explanatory statement pursuant to section 173 (2) of the companies Act 1956 forming part of the Notice.

The Board of Directors has re-appointed Shri Mansukhlal P. Patel for the period of 5 years from the expiry of his terms at the meeting of Board of Directors held on 1.11.2004 at a remuneration of Rs. 5,000/- (Rupees Five Thousand Only) p.m. the terms and conditions set out for reappointment and payment of remuneration herein and/or in the respective Agreements may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit so as not to exceed the limits specified in Schedule or reenactment thereof for the time being in force) or any amendments made thereto.

The Agreement may be terminated by either party (Company or the Chairman and Managing Director) by giving the other three months prior notice of termination in writing.

The draft Agreement to be entered into between the Company and Shri Mansukhlal P. Patel are available for inspection at the Registered Office of the company on any working day excluding Saturday upto the date of 12th Annual General Meeting between 11.00 a.m. to 1.00 p.m.

You Directors commend the resolutions set out at item No. 5 of the notice for your approval.

The above may also be treated as an abstract of the terms of contract/Agreement between the company and Shri Mansukhlal P. Patel pursuant to Section 303 of the Company Act, 1956.

None of the directors of the company except Shri Mansukhlal P. Patel Chairman and Managing Director are in any way, concerned or interested in the resolutions.

Shri Mansukhlal P. Patel Chairman and Managing Director of the company be considered as interested Director for this resolution as the proposed agenda item is relating to his re-appointment and apyment of remuneration.

Registered Office :
307, Silver Chambers,
Tagore Road, Rajkot-360 002.

By order of the Board of Directors

Place : Rajkot
Dated : 28-06-2005

Sd/-
Mansukhbhai Patel
Director

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member. Proxy in order to be effective must be received by the company not less than 48 hours before the meeting.
2. All documents referred to in the accompanying Notice are open for inspection at the Regd. Office of the Company during the office hours on all working days between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
3. Members are requested to intimate the change, if any, in their registered address at the earliest, quoting their folio number.
4. Members are requested to bring along-with them their copy of Annual Report at the meeting.
5. Members are requested to quote Folio Number(s) in their correspondence.
6. Members are requested to send their queries, if any, atleast ten days before the date of meeting so that the information can be made available at the meeting.
7. The Register of Members and the Share Transfer Books of the Company will remain closed for four days from 17/09/2005 to 20/09/2005
8. Members are requested to send the share transfer forms to the Share transfer Agent, M.C.S. Ltd., 1st floor, Opp. Bata Show Room, Ashram Road, Ahmedabad-380 009. Ph. : (079) 26582878

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the 12th Annual Report with the audited statements of the Company for the year ended on 31st March, 2005

FINANCIAL RESULTS :

The financial results of the Company for the year under review are summarised below :

| | (Rs. in lacs) | |
|--|-----------------|------------------|
| | Current Year | Previous Year |
| | 2004-2005 | 2003-2004 |
| Profit/Loss before depreciation, Interest and taxes | 7371216 | 4085971 |
| Less : Interest | 3262314 | 3079101 |
| Depreciation | 1985137 | 1959760 |
| Profit before tax | 2123765 | (952890) |
| Provision for tax | 170000 | 000000 |
| Profit after tax | 1953765 | 952890 |
| Add : Bal. brought forward from previous year | (164764) | 339742 |
| Less : Deferred Tax Liability | 628891 | 448384 |
| Balance carried to Balance sheet | 1160110 | (164764) |

OPERATIONS :

Your management has put great efforts to increase the hold in the market. In spite of all efforts, the company could not post expected turnover.

The Company has posted sales of Rs. 11,59,84,145/- against previous year's sales of Rs. 10,08,21,304/- The sales of the company increased by Rs. 1,51,62,841/- which is very Low compared to the efforts made by the management on marketing front. Company has tried to cut other expenses. However, after meeting all expenses and providing depreciation the company made Profit before taxation Rs. 2123765/- Considering earlier years accumulated marginal loss of Rs.164764/- and adjusting the Deferred Tax Liabilities of Rs. 6,28,891/- the resultant Profit comes to Rs. 11,60,110/- and the same is carried to the balance sheet.

The company has faced raw material problem and frequent fluctuation in the prices of raw materials. Besides the above, the company has to face competition from small scale manufacturers. In spite of all odds and temptations in the market at large, the company had not made any compromise in the quality.

Your management is hopeful that on the basis of maintaining good quality, the company expect to reap real benefits in the coming years.

The company lays more and more emphasis for betterment of all India market by adopting different strategies and schemes, personal visits, under the supervision by Chairman of the company, from time to time. Your management is hopeful to generate more markets of other states.

DIVIDEND :

As the Company has earned a Profit during the year under consideration, to augment the resources, the directors of your company not recommended any dividend to the Equity Shareholders of the Company for the year under consideration.

DIRECTORS :

Pursuant to Articles of Association of the Company read with Section 256 of the Companies act, 1956 Shri Mansukhlal Jeramdas Patel and Shri Vinod K. Tilva, Director of the company is due to retire at the ensuing Annual General Meeting and being eligible offers himself for the reappointment.

CORPORATE GOVERNANCE :

A report on Corporate Governance including Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the listing agreement, is contained elsewhere in the Annual Report.

The Company has Board Committees viz., Audit Committee and Investors' Grievance Committee to assist the Board of Directors in fulfilling its oversight responsibilities.

FIXED DEPOSITS :

Fixed deposit from the shareholders at the end of the Financial year stood at Rs. 95,05,000 which was Rs. 91,05,000 in the last year.

INSURANCE : All the properties of the Company including building, plant and machineries and stocks have been adequately insured against fire, earthquake, strike and riot damages/risks etc.

AUDITORS OBSERVATION :

Relevant notes to the accounts concerning Auditors Observations thereon are self explanatory.

AUDITORS :

M/s. Gadhia Karachiwala & Co., Chartered Accountants, Rajkot retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment as the Auditors of the Company, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES :

Since there is no employee drawing salary as specified in section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 the particulars required to be given under the said Rules are not applicable.

DIRECTOR'S RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217(2AA) of the Companies' Act, 1956, as amended by the Companies' (Amendment) Act, 2000, your Directors state:

- that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that 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 ended on 31-3-2005;
- that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the directors have prepared annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO :

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

VINYOFLEX LIMITED

ACKNOWLEDGEMENT :

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Bankers, mainly State Bank of Saurashtra and various Government organisations & Agencies of Central as well as State levels during the year under review.

Your Directors would also like to place on record the appreciation of the valued customers of the company's product for continuous support and co-operation. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the executives and employees of the Company for putting whole hearted efforts for day to day working of the Company. Your Directors wish to place on record the appreciation of the services of the Bakers and co-operation of various official of central and state Government extended to the Company from time to time.

For and behalf of the Board of Directors,
FOR VINYOFLEX LIMITED

Sd/-
MANSUKHBHAI P. PATEL

Director

Place : Rajkot
Dated : 28 / 06 / 2005

ANNEXURE TO THE DIRECTORS' REPORT**FORM "A"**

FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO CONSERVATION OF ENERGY

A. Power and Fuel consumption 2004-2005

| | |
|---------------------------------|----------------------|
| 1. Electricity | |
| Total unit Consumed | 18,48,746 |
| Total amount (Rs.) | 94,44,173 |
| Rate/Unit(Rs.) | 5.10 |
| 2. G.N. Husk (Fotari) | |
| Total Quantity Consumed | 7,68,020 Kgs. |
| Total amount paid | 9,97,367 |
| Rate per Kgs. | 1.29 |
| Total Production of PVC Film | |

b) Own Generation

| | |
|------------------------------------|------------|
| 1) Through Diesel | |
| Generator Unit (Nos.) | Nil |
| Unit per ltr. of diesel Oil (Nos.) | |
| Cost/ Unit (Rs.) | |
| 2) Through wind turbine/generator | |
| Units / Nos. | Nil |
| Total Cost (Rs. in thousands) | |
| Average Rate (Rs.) | |

| | |
|--|------------|
| 3. Coal (Specify quality and where used) | |
| Units/Nos. | Nil |
| Cost/Unit (Rs.) | |
| Amount (Rs.) | |
| 4. Furnace Oil | |
| Quantity (k.litres.) | |
| Total amount | Nil |
| Average Rate | |
| 5. Others / internal generation (please give details) | |
| Quantity | |
| Total cost | Nil |

B. Consumption per unit of Production

Products (with details) unit
For the production of 1 Kg. PVC Film

| | |
|---|------------------|
| I. Electricity | |
| Production PVC Film Kg. | : 2412.915 |
| Total Electricity Unit consumed | : 1848746 |
| (1848746/2412.915) = | : 0.76 Units |
| II. G.N. Husk (Fotari) | |
| Production PVC film Kg. | : 2412.915 |
| Total G.N. Husk (Fotri) Kg. consumed | : 768020 |
| 768020/2412.915 | : 0.31 |
| III. Furnace Oil | |
| Coal (Specify quality) | : |
| Others (Specify) | : Not applicable |

FORM-B

FORM FOR DISCLOSURE OF PARTICULARS
WITH RESPECT TO TECHNOLOGY ABSORPTION

Research and Development Nil

A. Technology Absorption. Adoption and Innovation

The company lays great emphasis on saving of energy. Achieving reduction of energy per unit of production is an ongoing exercise in the company. The company shall take effective measures to minimise the loss of energy at the factory.

B. Benefits derived as a result of the above efforts.

The cost of the project go down.

C. Foreign Exchange Earning & Outgo

The Company earned Foreign Exchange income of Rs 2750922/- The Company expanded Foreign Exchange of Rs. 643611/- during the financial year 2004-2005.

4. Expenditure on Research & Development - Nil

ANNEXURE TO DIRECTORS' REPORT
Report on Corporate Governance

A. MANDATORY REQUIREMENTS :

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Company has always been committed to the principles of good corporate governance which inter alia includes protection of shareholders rights, enhancement of shareholder value, equitable treatment of all shareholders, stakeholders such as suppliers, customers and employees and to report financial information adequately and transparently. A continuous process of delegation of powers commensurate to accountability, coupled with trust, faith and transparency has been embedded in the day to day functioning. A system to effectively manage risks has been implemented. The Company has been disclosing detailed information on different issues concerned the Company's performance from time to time.

2. BOARD OF DIRECTORS :

(i) Composition :

The Board of Directors comprises of a combination of Executives and Non-Executives who are professionals in their respective fields and bring in a wide range of skills and experience. The composition and attendance at the Board meetings held during the financial year and last Annual General Meeting were as under :-

| Sr. No. | Name of Director | Executive/ Non-Executive | No. of Board Meetings Attended | Last A.G.M.No. Attendance (Yes/No) |
|---------|---------------------------|------------------------------------|--------------------------------|------------------------------------|
| 1 | Mansukhlal P. Patel | Executive Chairman | 11 | Yes |
| 2 | Vinod K. Tilwa | Non-Executive Director | 11 | Yes |
| 3 | Bhupat L. Tilwa | Non-Executive Director | 11 | Yes |
| 4 | Mansukhlal B. Mankadia | Non-Executive Independent Director | 11 | Yes |
| 5 | Mansukhlal Jeramdas Patel | Non-Executive Independent Director | 11 | Yes |

(ii) MEETINGS OF THE BOARD :

Board Meetings were held during the year ended 31.3.2005. These were held on :

(1) 29-4-2004 (2) 28-6-2004 (3) 30-7-2004 (4) 31-7-2004 (5) 09-8-2004 (6) 20-9-2004 (7) 30-10-2004
 (8) 23-12-2004 (9) 31-12-2004 (10) 29-1-004 (11) 10-2-2005

(iii) OTHER DIRECTORSHIPS :

The details of other directorships and chairmanships held by the Directors of the company are given below :-

| Sr. No. | Name(s) of Director | No. of Directorship excluding directorship in Pvt. companies/firms & cos. incorporated u/s. 25 of the Companies Act. | Chairman of the Board | No of other Board Committees in which he/she is a member or chairperson |
|---------|---------------------------|--|-----------------------|---|
| 1 | Mansukhlal P. Patel | One | Nil | Nil |
| 2 | Vinod K. Tilwa | One | Nil | Nil |
| 3 | Bhupat L. Tilwa | One | Nil | One-Committee of the Company |
| 4 | Mansukhlal B. Mankadia | Nil | Nil | One-Committee of the Company |
| 5 | Mansukhlal Jeramdas Patel | Nil | Nil | One- Committee of the Company |

(iv) Reappointment of Directors (as required under Listing Agreement) :

The brief particulars of the Directors of the Company, retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting are as under :-

Shri Bhupatlal Lalji Tilwa, adult, joined the Board of the Company since incorporation. He is looking after the General Administration of the Company. He is a Director of the Board of the Company since incorporation. He normally sits at office of the Company & look after general administration of the company.

Shri Mansukhlal Bhanjibhai Mankadia adult, joined the Board of the Company before tow years. He is having rich business experience. His suggestion and guidance is helpful for production planning and factory management.