

**36<sup>th</sup> Annual Report**  
**2010 - 2011**

**FENOPLAST LIMITED**

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**Board of Directors**

Mr. B Kamalaker Rao, Chairman  
 Mr. H Narsaiah  
 Mr. H Kishen, Managing Director  
 Mr. H Krishna Kumar, Whole-time Director  
 Dr. K Malhar Rao  
 Mr. R Shankarnarayanan  
 Dr. H Anuradha  
 Mr. P Niroop

**Bankers**

Canara Bank  
 State Bank of India  
 Corporation Bank  
 Syndicate Bank

**Auditors**

M. Anandam & Co.  
 Chartered Accountants,  
 7A, Surya Towers, S.P. Road,  
 Secunderabad.

**Registrar & Share Transfer Agent  
and Demat Registrar**

Sathguru Management Consultants Pvt Ltd  
 Plot No. 15, Hindi Nagar Colony,  
 Behind Saibaba Temple,  
 Punjagutta, Hyderabad – 500 034.

**Registered Office**

306-308, Chenoy Trade Centre,  
 Parklane, Secunderabad – 500 003.  
 Andhra Pradesh, India.

**Factories:****Unit-I**

Plot No. 21/A  
 Industrial Development Area  
 Patancheru  
 Medak Dist.,  
 Andhra Pradesh

**Unit-II**

Survey No. 132 & 133  
 Nandigaon Village  
 Patancheru Mandal  
 Medak Dist.,  
 Andhra Pradesh

**Unit-III & Unit – III Expansion**

Survey No. 165 & 166  
 Nandigaon Village  
 Patancheru Mandal  
 Medak Dist.,  
 Andhra Pradesh.

**Depot/ Marketing Offices:****Kalyan**

Plot No.681,  
 At Post Kon (Near Water Tank)  
 Kon Village, Kalyan  
 Bhiwandi Road, Taluka-Bhiwandi  
 Dist. Thane – 421 302

**Kolkata**

P-175  
 Kalindi Housing Estate  
 Kolkata – 700 089

**New Delhi**

35B & 36  
 Samaspur Village  
 Palpar Ganj,  
 Delhi – 110 091.

**Hosur**

No.6, Sidco Industrial Estate,  
 Phase-III, Hosur – 635 126,  
 Krishnagiri Dist.  
 Tamilnadu.

**Gurgaon**

Shed No.02, Saraya Ka Rasta,  
 Behind Prince Vatika,  
 Opp.Sector-05,  
 Gurgaon (Haryana) – 122 001

**Roorkee**

D.K. Cold Storage Compound,  
 Sunhera Road, Kashipuri  
 Pragna & Tehsil Roorkee-247 667  
 Distt.Hardwar (Uttarakhand)

**Baddi**

Bhud Road, Vill. Gullarwala  
 Teshil. Nalagarh, P.O. Karuana,  
 Dist. Solan, Baddi (HP)

**Ludhiana**

Street No.8, Baba Deep Singh Nagar,  
 Ambala Bye Pass Road,  
 Near Transport Nagar Crossing,  
 Ludhiana – 141 010, Punjab.

**Mumbai**

A/11, Parle Colony, CHS,  
 Near Garware House,  
 Sahakar Road, Vile Parle (East)  
 Mumbai-400 057.

# FENOPLAST LIMITED

## NOTICE

Notice is hereby given that the Thirty Sixth Annual General Meeting of the members of the Company will be held on Thursday, the 4th day of August 2011 at 10.30 A.M at, Kapu Sangam, 1-7-155, M.G.Road, Secunderabad – 500 003., to transact the following items of Business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date along with report of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. B. Kamalaker Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. H. Anuradha, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### **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 supersession of resolution passed U/s 293(1)(d) by the shareholders of the Company at the 17th Annual General Meeting and in pursuance of Sec. 293(1)(d) of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the Board of Directors for borrowing monies from time to time at its discretion either from Company's Banker(s) or any Financial Institution(s) or from any other prospective Lender(s) for the purpose of the Company in excess of the aggregate of the paid up capital and it's free reserves (excluding those reserves set apart for any specific purpose), provided that the total amount of such borrowings together with the amount already borrowed and outstanding shall not exceed a sum of Rs. 200 (Two Hundred) Crores.”

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

“RESOLVED THAT pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956 the consent of the members be and is hereby accorded to authorize the Board to mortgage and/or create charge to the extent of new borrowing limits of the Board of Directors U/s.293(1)(d), of all or any of the movable or immovable properties both present and future or the whole or substantially the whole of the undertakings of the Company to or in favour of any Financial Institutions, Banks or other lenders to secure their loan facilities and other financial facilities/assistance including guarantees that has been or may in future be granted by them to the Company from time to time.”

By Order Of The Board Of Directors

Place : Secunderabad  
Date : 27-05-2011

Sd/-  
**H. KISHEN**  
Managing Director

**NOTES**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than Forty-eight hours before the meeting.
2. The register of members and Share Transfer Books of the Company will remain closed during the period from 28-07-2011 to 04-08-2011 (both days inclusive).
3. Members are requested to send all communications relating to shares and any change in address to the Registrar and Share Transfer Agent, M/s Sathguru Management Consultants Pvt. Ltd. Members holding shares in identical order of names in more than one folio are requested to write to the Company enclosing the share certificates to enable the Company to consolidate their holding into one folio.
4. Members/ Proxies are requested to bring their copies of Annual Report to the meeting and the attendance slip duly filled in for attending the meeting. Additional copy of Annual Report and duplicate slip will not be issued at the place of the meeting.
5. Members are requested to come to the venue of the meeting well in advance for registration. No registration will be entertained after fifteen minutes of the commencement of the meeting.
6. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in form No. 2B in duplicate to the Company.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company at least seven days before the date of the meeting, so that the information required by them may be made available at the meeting.
8. Pursuant to the requirements on the Corporate Governance under the Listing Agreement entered into with the Stock Exchanges, The information about the directors proposed to be re-appointed is given in the *annexure to the notice*.
9. Trading in the Equity shares of the Company is compulsorily in dematerialized form for all investors. The ISIN (International Securities Identification Number) allotted to the Company's equity shares is **INE138D01014**.
10. The members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
11. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of special business is annexed hereto.

**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM Nos. 5 & 6 :**

As per the provisions of Section 293 (1)(d) of the Companies Act, 1956, the Board of Directors of the Company shall not except with the consent of the Company in general meeting borrow monies, together with the monies already borrowed by the Company, in excess of the paid-up capital and free reserves of the Company. The present borrowings are within the approved limits of the Company as consented by the members at the 17th Annual general meeting. However, the Banks are insisting to pass a fresh resolution of members including the working capital credit facilities. In view of this the Board has commended this resolution for the approval of the members considering all the future borrowings including the working capital credit facilities.

In line with the above resolutions it is also proposed to take consent of the shareholders U/s.293(1)(a) of the Companies Act, 1956 to create charge on the assets of the Company to the extent of borrowings of the Company in favour of lenders.

The Board of Directors of the Company at its meeting held on the 14th February, 2011 has approved the above proposals and recommends the proposed Ordinary Resolutions for consent of members.

None of the Directors is interested or concerned in the above-said resolutions.

For and on behalf of the Board of Directors

Sd/-  
H. Kishen  
Managing Director

Place : Secunderabad  
Date : 27-05-2011

# FENOPLAST LIMITED

## Details of Directors seeking re-appointment at the up-coming 36<sup>th</sup> Annual General Meeting ( pursuant to Clause 49 of the Listing Agreement )

As required under the listing Agreement, the particulars of Directors, **Mr. B. Kamalaker Rao** and **Dr. H. Anuradha** who are proposed to be re-appointed are given below:

a	Name	Mr. B. Kamalaker Rao	Dr. H. Anuradha
b	Brief Resume		
	i) Age	62	49
	ii) Qualification	B.Tech, M.B.A, F.I.E	M.B.B.S, DCP, DMRT
	iii) Experience in specific functional area	More than 35 Years in Finance and Management	More than 20 years
	iv) Date of appointment on the board of the Company (Fenoplast Limited)	28/09/2005	02/03/2008
c	Nature of expertise in functional area	He is well versed with the Industrial and Financial sector of the Companies. He has gained good expertise in various operational functions of the Companies as he was attached to various Public and Private Sectors since long time.  He was a Director of Vijaya Bank and Oriental Bank of Commerce during 1985-95 and 1995-99 respectively. He was a member of Micro Finance Committee of Reserve Bank of India.	She has been working as Civil Assistant Surgeon in the department of Radiology in Gandhi Medical College, Hyderabad.
d	Name(s) of the other Companies in which directorship held (as per Section 275 and 278 of the Companies act, 1956)	1. Pennar Industries Limited. 2. Aishwarya Holdings Private Limited	Nil
e	Name(s) of Companies in which committee Membership(s) held	Nil	Nil
f	No. of shares of Rs.10/- each held by the Director	Nil	1,72,400
g	Relationship between Directors inter se (As per Section 6 and Schedule 1A of the Companies Act, 1956)	Nil	Related to Mr.H.Kishen, M.D, Mr. H.Krishna Kumar, Whole Time Director and Mr. H.Narasaiah, Director.

## DIRECTORS' REPORT

To  
THE MEMBERS OF  
FENOPLAST LIMITED

Your directors are pleased to present the 36th Annual Report of the Company with Audited Balance Sheet and Statement of Accounts for the year ended 31st March 2011.

### FINANCIAL RESULTS:

During the year under review company's total income was Rs.19284.67 lakhs as compared to Rs. 15493.76 lakhs in the previous year. The financial details of the Company are as under:

	<b>2010-2011</b> <b>Rs. in lakhs</b>	2009-2010 Rs. in lakhs
Income	19284.67	15493.76
Less: Excise Duty	1535.18	954.51
Less: Expenditure	16186.46	12954.69
Gross Profit	1563.03	1584.56
Less: Interest & Finance Charges	1012.33	1031.94
Less: Depreciation	177.80	219.72
Profit before Tax	372.90	332.90
Less: Current Tax	103.30	63.23
Less: Deferred Tax	20.56	49.92
Profit available for appropriations	249.04	219.75
Profit brought forward	1349.24	1129.49
Balance carried forward	1598.28	1349.24

Your Directors are pleased to inform that your Company earned a Profit before tax of Rs.372.90 lakhs during the year under review as against Rs 332.90 Lakhs in previous year. The new calendaring line has contributed significantly towards higher production of PVC Film. Efforts are being made to attain optimum capacity utilization during the current year.

### OPERATIONS:

For the year under review production of PVC Leather Cloth was 70.67 Ln. Mtrs. as against the previous year's production of 63.79 lakhs Ln. Mtrs. Production of PVC Film was 10907.75 MT as against the previous year's production of 10309.26 MT.

### MARKETING

The continuous growth in automobile and pharma sectors augurs well for the Company and efforts are being made to further increase the Company's share in both these sectors.

### EXPORTS:

During the year 2010-2011, your Company made exports to various countries aggregating to Rs. 1444.79 lakhs as against the previous exports of Rs. 1405.13 Lakhs.

### FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits during the year under review and, as such, no amount of principal or interest was outstanding as on the balance sheet date.

### DIRECTORS:

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Sri B. Kamalaker Rao and Dr. H. Anuradha retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

# FENOPLAST LIMITED

## PERSONNEL:

Your Company's employees are integral to the Company's success. They have played a significant role and enabled the Company to deliver credible performance year after year. The Board of Directors acknowledges the contribution and efforts put in by the employees of the Company.

## CORPORATE GOVERNANCE:

As a listed Company, necessary measures have been taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a report of compliance from the Auditors, forms part of this Report.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A separate section on Management Discussion and Analysis Report is given elsewhere in this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT:

As per Section 217(2AA) of the Companies Act, 1956, we hereby state:

- i. That in the preparation of the annual accounts for the year ended 31st March, 2011, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. That the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimate 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 that period.
- iii. That 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.;
- iv. That the directors have prepared the annual accounts for the financial year ended 31st March, 2011 on a going concern basis.

## INFORMATION AND EXPLANATIONS REQUIRED TO BE GIVEN AS PER SEC. 217(3) OF THE COMPANIES ACT, 1956:

Your directors have taken note of the Auditors observations/qualifications like non-provision of gratuity and leave encashment on actuarial valuation and the observations/qualifications of the Auditors are explained in the appropriate notes to the accounts.

## PARTICULARS REQUIRED UNDER SEC. 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975, FOR THE YEAR UNDER REVIEW ARE AS UNDER:

No employee of the Company was in receipt of remuneration during the financial year 2010-2011, in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended.

## MATTERS REQUIRED TO BE REPORTED AS PER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011:

- A. Energy Conservation:** The consumption of energy in the process of manufacturing is not substantial. During the year under review, consumption of power, per Ln.Mtr. of leather cloth was 0.20 KWh (previous year 0.20 KWh. Per Ln.Mtr). The consumption of coal was 0.44 kg per Ln Mtr of production (previous year 0.48 kg. Per Ln.Mtr.). Power consumption for PVC film has remained at 0.55 KWh per each Kg of production. Details are enclosed herewith in Form A.
- B. Technology Absorption:** On the technology absorption, the company's employees are well conservant with the changes adopted in the production process to consume similar/same raw material with different specifications/parameters. The machines are being operated without any technical problems.
- C. Foreign exchange earnings and out-go:** The Company used Rs. 3714.81 lakhs on foreign exchange for its imports during the year, against its total export earnings of Rs. 1385.15 lakhs . Previous Year the Company has used Rs. 2445.17 Lakhs as against Rs.1359.49 lakhs earned.



**AUDITORS:**

M. Anandam & Co., Chartered Accountants retire as auditors in this General Meeting and are eligible for re-appointment.

**COMPANY SECRETARY CERTIFICATE:**

Secretarial compliance certificate issued by a practicing Company Secretary is annexed to this report.

**INFORMATION REQUIRED TO BE DISCLOSED UNDER CLAUSE 43A OF THE LISTING AGREEMENT:**

The shares of the Company are listed on:

1. The Bombay Stock Exchange Limited (BSE),  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai- 400001
2. The Calcutta Stock Exchange Association Limited(CSE)  
#7, Lyons Range,  
Kolkata- 700001.

The listing fee for the year 2011-2012 has been paid to both the above mentioned Stock Exchanges.

**ACKNOWLEDGEMENTS:**

Your Directors place on record their sincere gratitude to Canara Bank, State Bank of India, Syndicate Bank, Corporation Bank, for their financial support extended to the Company. Your Directors place on record their appreciation of the continued patronage extended to the Company by dealers, customers, suppliers, employees and shareholders.

For and on behalf of the Board of Directors

Sd/-  
B Kamalaker Rao  
Chairman

Place : Secunderabad  
Date : 27.05.2011

# FENOPLAST LIMITED

## ANNEXURE TO THE DIRECTOR'S REPORT

### FORM-A

#### A. Power and Fuel Consumption:

		2010-2011		2009-2010	
		PVC Leather cloth/ Cellular sheets	PVC Film	PVC Leather cloth/ Cellular sheets	PVC Film
<b>1) Electricity:</b>					
a) Purchased from APCPDCL:					
No. of units	Kwh	1273805	5803323	1103377	5606218
Total Amount	Rs.	5859219	23405335	4651909	19865122
Rate per Unit	Rs.	4.60	4.03	4.22	3.54
b) Own generation through Diesel generator.					
No. of Units.	Kwh	158849	245705	172942	81657
Units per lit. of diesel		2.09	2.64	1.97	1.80
Cost per Unit of Kwh	Rs.	19.19	15.18	18.33	19.70
<b>2) Coal:</b>					
(Round coal used in Heat treatment)					
Quantity consumed	M.T	3089	NIL	3093	NIL
Total Cost	Rs.	21190386	NIL	15857879	NIL
Average Rate (per ton)	Rs.	6861	NIL	5127	NIL

#### B. Consumption per unit of production:

		Unit	2010-2011	2009-2010
<b>1) Electricity:</b>				
a) PVC Leather cloth/ Cellular Sheets	Kwh/Ln.mtr.		0.20	0.20
b) PVC Film	Kwh/Kg.		0.55	0.55
<b>2) Coal:</b>				
PVC Leather cloth/ Cellular Sheets	Kg/Ln.mtr.		0.44	0.48

**P.S. Rao & Associates**  
Company Secretary

Flat No. 10, 4th Floor  
# 6-3-347/22/2, Ishwarya Nilayam  
Opp. Saibaba Temple  
Dwarakapuri Colony  
Punjagutta  
Hyderabad - 500 082

## COMPLIANCE CERTIFICATE

CIN : **L25209AP1975PLC001942**  
Authorised Capital : Rs. 1200.00 lakhs  
Paid up Capital : Rs. 459.67 lakhs

To  
Members,  
**FENOPLAST LIMITED**

We have examined the registers, records, books and papers of FENOPLAST LIMITED (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial Year ended 31st March, 2011. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, and its officers, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all Registers as stated in Annexure 'A' to this certificate, as per the provisions and rules made there under and all entries therein have been duly recorded;
2. The Company has filed the requisite forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Andhra Pradesh as prescribed under the Act and the rules made there under;
3. The Company is a Public Limited Company and has the minimum prescribed Paid-up Capital;
4. The Board of Directors has met 5 times on 13.05.2010, 30.06.2010, 13.08.2010, 12.11.2010, 14.02.2011 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in Minutes book maintained for the purpose;
5. The Company closed its Register of Members from 14th August, 2010 to 20th August, 2010 and necessary compliances of Section 154 of the Act has been made;
6. The 35th Annual General Meeting for the financial year ended 31.03.2010 was held on 20.08.2010, after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose;
7. No Extra-Ordinary General Meeting was held during the year under review;
8. The Company has not given any loans/advances during the year to entities/firms/companies, referred in Section 295 of the Act.
9. In respect of matters referred under section 299 of the Act, the Company has made entries in the Register maintained under section 301 of the Act.
10. The Company has obtained necessary approvals from the members pursuant to Section 314 of the Act, wherever applicable;
11. The duly constituted committee of Directors has approved the issue of duplicate Share Certificates;
12. The Company has:
  - a) In respect of transfer/ transmission of shares, during the year under review, the Company has delivered the Share Certificates and has complied with the provisions of the Act;
  - b) The need to deposit any amount of dividend in a separate bank account did not arise as no dividend was declared during the financial year;
  - c) The Company was not required to pay/post warrants for dividend to any member as no dividend was declared during the financial year;
  - d) The Company has duly complied with the requirements of Section 217 of the Act;

## FENOPLAST LIMITED

13. The Board of Directors of the Company is duly constituted. During the year Mr.P.Niroop was co-opted as Additional Director on 13-05-2010 and his appointment was regularized by the shareholders at their meeting held on 20th August, 2010. There was no appointment of alternate directors and/or directors to fill the casual vacancies, during the year under review;
14. The Company has not re-appointed Managing Director, Whole-time Director/Manager during the financial year under review.
15. The Company has not appointed any sole-selling agent during the year under review;
16. There were no instances wherein the Company was required to obtain any approval from the Central Government, Company Law Board, Regional Director, Registrar or such other authorities, under the various provisions of the Act during the financial year under review.
17. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under;
18. The Company has not issued any shares during the year under review;
19. The Company has not bought back any shares during the year under review;
20. The Company has not redeemed any preference shares during the year under review;
21. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares during the year under review;
22. The Company has not invited/ accepted any deposits falling within the purview of Section 58A of the Act;
23. The Company has made borrowings, during the year under review, and has duly complied with the provisions of Section 293 of the Act;
24. During the year under review the Company has not made loans and investments to other bodies corporate under the provisions of section 372A of the Act. The Company has been maintaining a proper register under the provisions of said section;
25. The Company has not altered the provisions of Memorandum of Association with respect to change or situation of the Company's Registered Office from one state to another, during the year under review;
26. The Company has not altered the provisions of the Memorandum of Association with respect to its Objects, during the year under review;
27. The Company has not altered the provisions of the Memorandum of Association with respect to its Name, during the year under review.
28. The Company has not altered the provisions of the Memorandum of Association with respect to the Share Capital, during the year under review;
29. The Company has not altered the Article of Association, during the year under review;
30. There are no prosecution initiated against or show cause notices received by the Company for alleged offences under the Act and also no fines, penalties or any other punishment were imposed on the Company, during the year under review;
31. The Company has not received any amount as security from its employees, during the year under review;
32. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

For RS. Rao & Associates  
Company Secretaries

Sd/-  
P.S.Rao  
Company Secretary  
C.P. No.:3829

Place: Secunderabad.  
Date: 27-05-2011

**ANNEXURE A**

**STATUTORY REGISTERS AS MAINTAINED BY THE COMPANY**

1. Register of Members u/s 150 of the Act.
2. Minutes book of the Directors Meeting, Annual and Extra Ordinary General Meetings u/s 193 of the Act.
3. Register of Directors u/s 303 of the Act.
4. Register of Directors shareholding u/s 307 of the Act.
5. Register of Contract u/s 301 of the Act.
6. Books of account u/s 209 of the Act.
7. Register of Investments u/s 49 and 372A of the Act.
8. Register of Charges u/s 143 of the Act.
9. Register of Directors Attendance u/s 287 of the Act.
10. Register of Fixed Assets u/s 209 of the Act.

**ANNEXURE B**

**Forms and Returns as filed by the Company with the Registrar of Companies, Andhra Pradesh, during the financial year ending on 31st March, 2011**

SI. No	Forms/Returns	Section	Purpose
1.	Form-32	264(2)	Appointment of Directors
2.	Form-20B	159	Annual Return
3.	Form-23AC & 23ACA	220	Balance Sheet & Profit and Loss Account
4.	Form-66	383A	Compliance Certificate
5.	Form-8	125	Creation of Charge
6.	Form-8	125	Creation of Charge

For P.S. Rao & Associates  
Company Secretaries

Sd/-  
P.S.Rao  
Company Secretary  
C.P. No.:3829

Place: Secunderabad.  
Date: 27-05-2011

**AUDITORS' REPORT ON CORPORATE GOVERNANCE**

**To**

The Board of Directors  
Fenoplast Limited

We have examined the compliance of conditions of Corporate Governance by Fenoplast Limited for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of condition of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2011, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M. ANANDAM & CO.,  
Chartered Accountants  
(Firm Regn. No. 000125S)

Place : Secunderabad  
Date : 27th May, 2011

M.V.Ranganath  
Partner  
Membership No.28031

**CORPORATE GOVERNANCE**

In Compliance with Clause 49 of Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in said clause and lists the practices followed by the Company.

**(1) Company’s Philosophy on Corporate Governance:**

The company’s philosophy on Corporate Governance is to practice fair and transparent governance to the benefit of its shareholders, Lending Institutions, Customers, Employees and Society at large.

**(2) Board of Directors:**

The Board of Directors presently comprises of 8 (eight) Directors, having rich experience and specialized skills in their respective fields, out of which 6 (six) are Non-executive Directors. The Company has a Non-executive Independent Chairman and 4 (four) Non-executive Independent Directors including Chairman. The composition of the board, attendance at Board meetings (BM) held during the financial year under review and attendance at the last Annual General Meeting (AGM), number of Directorships and memberships in public limited companies and committees (including the Company) are given below:-

Name of the Director	Category	FY 2010-2011		As on date		
		Attendance at		No. of other Directorships <sup>2</sup>	Committee Positions <sup>3</sup>	
		BM	Last AGM		Member	Chairman
B. Kamalaker Rao	Non-executive Chairman, Independent	5	Yes	1	2	1
H. Narsaiah	Non-executive Director, Promoter	5	Yes	1	1	NIL
H. Kishen	Managing Director, Promoter	5	Yes	NIL	NIL	NIL
H. Krishna Kumar	Wholetime Director, Promoter	5	Yes	NIL	1	NIL
R. Shankarnarayanan	Non-executive Director, Independent	1	Yes	NIL	2	1
Dr. K.Malhar Rao	Non-executive Director, Independent	4	Yes	NIL	1	NIL
Dr. Anuradha	Non Executive Director, Promoter	0	Yes	NIL	NIL	NIL
P. Niroop <sup>1</sup>	Non-Executive Director, Independent	4	Yes	NIL	NIL	NIL

1. Appointed as Additional Director on 13th May, 2010 and As Director on 20th August, 2010

2. Other than Directorships in Private Limited Companies, Section 25 Companies, Foreign Companies and Associations

3. Only Audit Committee and Shareholders Grievance Committee positions

As may be seen from the above, the Non-executive Directors constitute more than half of the total number of Directors. The Company has a Non-Executive Independent Director as Chairman and more than one third of the total strength of the Board comprises of Independent Directors.

During the year under review, five (5) Board meetings were held on 13th May, 2010, 30th June, 2010 13th August, 2010, 12th November, 2010 and 14th February, 2011.

None of the Directors of the Company is a member of more than ten committees and Chairman of more than five committees across all the companies in which they are Directors.

Your Company holds minimum of four board meetings in each year with maximum time gap of three months between any two meetings. Additional Board Meetings will be convened by giving appropriate notice to address the urgent needs of the Company. The Board may also approve permitted matters by passing resolutions by circulation.

# FENOPLAST LIMITED

## (3) Committees of Directors:

### a) Audit Committee

The Company constituted a Qualified and Independent Audit Committee comprising of Three Non-Executive Independent Directors and One Non-Executive Director in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

The Committee is empowered with the powers as prescribed under Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956. The Committee also acts in terms of reference and directions of the Board from time to time. The Audit Committee has adequate powers to play effective role as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges.

The composition of the Audit Committee and the attendance of each Member of the Committee at the meetings were as follows:

S.No.	Name of the Director	Designation	No. of meetings held during the year	No. of Meetings attended
1.	Mr. B.Kamalaker Rao	Chairman	5	5
2.	Mr. R.Shankarnarayanan	Member	5	1
3.	Dr. K.Malhar Rao	Member	5	5
4.	Mr. H.Narsaiah	Member	5	5

Chairman of the Audit Committee also attended the last Annual General meeting of the Company.

Managing Director, Whole-time Director, GM – Finance and Statutory Auditors are also invited to the meetings, as required, to brief the Committee Meetings.

Audit Committee meetings were held during the year under review on 13th May, 2010, 30th June 2010, 13th August, 2010, 12th November, 2010 and 14th February, 2011. A Practicing Company Secretary will act as Secretary for the meetings.

### b) Remuneration Committee

Remuneration Committee was duly constituted in accordance with the requirements of Schedule XIII to the Companies Act, 1956 and Listing Agreement. The Remuneration Committee is authorized subject to the provisions of Companies Act, 1956 and the consent of members, to negotiate, finalize and approve the terms of appointment for Managing

The details of remuneration and other benefits paid during the year to the Managing Director and Whole-time Directors are as follows:

(Amt in Rs.)

Name of the Director	Salary & allowances	Other Benefits	Designation	Gross Remuneration
Mr.H.Kishen	19,44,000	5,94,610	Managing Director	25,38,610
Mr. H.Krishna Kumar	18,60,000	4,63,656	Wholetime Director	23,23,656



**For Non-Executive Directors:**

An amount of Rs.5000/- is being paid for each of Board, Committee Meetings and reimbursement of expenses and incidental expenses. The details of Sitting Fee paid to Non-executive directors and their shareholding are as follows:

Name of the Director	Sitting Fee paid during F.Y.2010-2011 (Rs.)	No. of shares held on 31-03-2011
Mr. H.Narsaiah	35,000	272392
Mr. R.Shankarnarayanan	9,000	NIL
Mr. B.Kamalaker Rao	35,000	NIL
Dr. K.Malhar Rao	21,000	NIL
Mr. P.Niroop	20,000	NIL
Dr.H.Anuradha	-	172400

Other than the sitting fees to Non-executive Directors, there was no material pecuniary relationship or transaction with the Company. The company has not issued any stock options to its Directors/ Employees.

**(c) Shareholders/ Investors' Grievance Committee**

The present composition of the Shareholders/ Investors' Grievance Committee is as under:

Name of the Director	Designation
Mr. R.Shankarnarayanan	Chairman
Mr.H.Krishna Kumar	Member

The Committee is empowered to oversee the redressal of investor complaints pertaining to share transfer, non-receipt of Annual Reports, issue of duplicate share certificate, transmission of shares and other miscellaneous complaints. In accordance with Clause 49 of the Listing Agreement with Stock Exchanges, the Board has authorized the Compliance Officer, to approve share transfers/transmissions and comply with other formalities in relation thereto.

All investor complaints, which cannot be settled at the level of the Compliance Officer, will be placed before the Committee for final settlement.

The Company has received 46 investor complaints during the year under review and the same have been addressed at the level of Compliance Officer itself. There were no pending investor complaints pertaining to the Financial Year ended 31st March, 2011.

**(4) General Body Meetings**

Year	Place of Meeting	Date & Time	Special Resolutions
2009-2010	Kapu Sangam, 1-7-155, M.G.Road, Secunderabad – 3	20-08-2010 12.30 P.M	NIL
2008-2009	Kapu Sangam, 1-7-155, M.G.Road, Secunderabad – 3	23-09-2009 10.30 A.M	Two Resolutions appointing Mr.Mahesh Kumar and Mr.Praveen Kumar U/s.314 of the Companies Act, 1956.
2007-2008	Kapu Sangam, 1-7-155, M.G. Road, Secunderabad- 3	20-09-2008 11:00 A.M	NIL

# FENOPLAST LIMITED

## (5) Disclosures on materially significant related party transactions.

Besides the transactions mentioned elsewhere in the Annual Report, there were no materially significant related party transactions during the year conflicting with the interest of the Company.

### **Details of Non-Compliance and Penalties:**

There was no non-compliance during the last three years by the Company on any matter related to Capital Market. There were no penalties imposed nor strictures passed on the Company by any Stock Exchanges, Securities and Exchange Board of India or any Statutory Authority relating to the capital markets.

### **Whistle Blower Policy:**

As per the Internal Code of Conduct the employees have been given access to the Audit Committee.

### **CEO/CFO Certification:**

The Managing Director (CEO) and Chief Financial Officer have certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March, 2011.

### **Compliance Certificate:**

Compliance Certificate for Corporate Governance from Auditors of the Company is annexed hereto and forms part of this Report.

### **Code of Conduct:**

The Company has posted the Code of Conduct for Directors and Senior Management on its website. The Code of Conduct is applicable to all Directors and Senior Management Personnel of the Company. All the members of the Board and Senior Management of the Company have affirmed compliance with their respective Codes of Conducts for the Financial Year ended 31st March, 2011. A declaration to this effect, duly signed by the Managing Director is given below:

#### **To the Shareholders of Fenoplast Limited**

Sub: Compliance with Code of Conduct

I hereby declare that all the Board Members and Senior management personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Secunderabad,  
27-05-2011

H. Kishen  
Managing Director

## **Details of Compliance with Mandatory Requirements and Adoption of the Non-mandatory Requirements:**

The Company has complied with the mandatory requirement of Clause 49 and is in the process of implementation of Non-mandatory requirements.

### **Relationships inter-se among Directors:**

In accordance with the provisions of Section 6 read with Schedule 1A of the Companies Act, 1956, Managing Director H.Kishen, Whole-time Director H.Krishna Kumar, H.Narsaiah and Dr.H.Anuradha belongs to promoter group and are related to each other.

## **(6) Means of Communication**

Your Company complied with the requirements of Clause 41 of the Listing Agreement. Quarterly Results, Half Yearly and Annual Results are normally published in the Business Standard (English Newspaper) and Andhra Prabha (Telugu-Regional).

The Financial Results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and simultaneously displayed on the Company's website [www.fenoplast.com](http://www.fenoplast.com).

Management Discussion & Analysis forms part of the Annual Report.

## **(7) General Shareholder Information**

### **(I) Registered Office**

306-308, Chenoy Trade Centre, Parklane, Secunderabad- 500003.

### **(II) Annual general Meeting Date, Time and Venue**

Thursday, the 4th day of August, 2011 at 10.30 A.M at Kapu Sangam, 1-7-155, M.G.Road, Secunderabad – 500 003.

### **Financial Calendar**

Financial Results will be announced in accordance with the provisions of clause 41 of the Listing Agreement with the Stock Exchanges.

### **(III) Date of Book Closure:**

28-07-2011 to 04-08-2011 (both days inclusive)

### **(IV) Listing on the Stock Exchanges:**

- Bombay Stock Exchange Limited (BSE)
- The Calcutta Stock Exchange Association Limited (CSE)

**(V) Stock Codes:**

- BSE - 526689
- CSE - 16021

The listing fee and custodial fee has been paid up to date to the stock Exchanges and Depositories.

**(VI) Market Price Data:** High, Low and No. of shares traded during each month in last Financial Year:

Month	High (Rs)	Low (Rs)	Monthly Volume
Apr - 2010	39.90	27.10	2,46,894
May - 2010	44.20	36.20	94,086
June - 2010	44.50	37.50	1,11,302
July - 2010	48.80	40.20	3,58,084
Aug - 2010	58.00	46.55	1,15,132
Sept - 2010	54.35	37.15	45,089
Oct - 2010	50.50	37.10	78,649
Nov - 2010	50.50	37.00	46,725
Dec - 2010	61.45	40.15	1,42,194
Jan - 2011	64.00	44.10	53,012
Feb - 2011	54.00	39.70	5,890
Mar - 2011	53.00	40.55	42,154

**(IX) Shareholding pattern as on 31-03-2011:**

Category	No. of shareholders	No. of shares held	Percentage of shareholding
<b>A. Promoters' holding</b>			
1. Indian Promoters &	60	2711589	58.95
2. Persons Acting in Concert			
<b>Sub- Total</b>			
<b>B. Non- Promoters' holding</b>			
3. Institutional Investors			
a) Mutual Funds & UTI	--	--	--
b) Banks, Financial Institutions, Insurance Companies.	--	--	--
c) Foreign Institutional Investors	--	--	--
<b>Sub- Total</b>			
4. Others			
a) Private Corporate Bodies	51	180478	3.92
b) Indian Public	3361	1583533	34.43
c) NRIs/OCBs	142	124300	2.70
d) Clearing Members	1	100	0.00
<b>Sub-Total</b>	<b>3555</b>	<b>1888411</b>	<b>41.05</b>
<b>GRAND TOTAL</b>	<b>3615</b>	<b>4600000</b>	<b>100</b>

**VII) Registrar and Transfer Agents:**

M/s Sathguru Management Consultants Pvt. Limited acts as Registrar and Share Transfer Agent and Demat Registrar.

**Address:**

M/s. Sathguru Management Consultants Private Limited  
Plot No. 15, Hindi Nagar Colony, Behind Saibaba Temple,  
Punjabgutta, Hyderabad - 500034.

Telephone No. 040-30160333

**(VIII) Share Transfer System**

To expedite the share transfer process in the physical segment, authority has been delegated to the share transfer committee, which comprises of:

Mr. H.Krishna Kumar	Chairman
Mr. V.B.V.R Ratnaji	Member

Share transfer/transmissions approved by the Committee are placed at the Board Meeting from time to time.

Demat requests are normally confirmed within 21 days from the date of receipt of request.

Pursuant to Clause 47(C) of the Listing Agreement with the Stock Exchanges, certificates, on half-yearly basis, have been obtained from a Practicing Company Secretary certifying due compliance of shares transfer formalities.

## **FENOPLAST LIMITED**

### **(X) Dematerialization of Shares and liquidity:**

Your Company's shares are under compulsory demat. Therefore, shareholders are requested to demat their physical shares for the liquidity benefit. About 29.09% of total shares (i.e. 4600000 equity shares) were dematerialized as on 31/03/2011.

### **(XI) Outstanding GDRs/ADRs/Warrants or any Converting Instruments conversion date and likely impact on equity:**

Your Company had not issued any GDRs/ADRs/warrants or any Convertible instruments.

### **(XII) Plant Locations:**

Company has four units and its locations are as follows:

#### **Unit-I**

Plot No. 21/A, Industrial Development Area  
Patancheru, Medak Dist., Andhra Pradesh.

#### **Unit- II**

Survey No.132 & 133,  
Nandigaon Village, Patancheru Mandal,  
Medak Dist., Andhra Pradesh.

#### **Unit-III & Unit III Expansion**

Survey No. 165 & 166, Nandigaon Village,  
Patancheru Mandal,  
Medak Dist., Andhra Pradesh.

### **(XIII) Address for Correspondence:**

- (i) For all matters relating to Shares:  
Sathguru management Consultants  
Private Limited  
Plot No. 15,  
Hindi Nagar Colony,  
Behind Saibaba Temple,  
Punjagutta, Hyderabad – 500034.  
Telephone No. : 040-30160333,  
Fax No : 40040554  
E-mail : sta@sathguru.com
- (ii) For any other general matters or in case of any difficulties/grievances:  
The Compliance Officer  
Fenoplast Limited,  
306-308,  
Chenoy Trade Center,  
Parklane,  
Secunderabad- 500003, India.  
Telephone No : 27840322, 27840722 and  
27814651  
Fax No : 27721739  
E-mail : inbox@fenoplast.com

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### **(a) Industry Structure and developments**

The Company succeeded in exploring new uses for its PVC Film Division in the non-pharma sector. This is in addition to its established market segment of pharmaceuticals where it continues to be amongst the leaders.

In the leather cloth segment, the Company's products continue to enjoy the customer's confidence. OEM business is growing along with the trend of Automobile Business in the country.

### **(b) Opportunities and Threats**

Growth in automobile sector coupled with the customers' preferences towards the furnished items the demand for leather cloth segment is creating new opportunities to the Company to grow further. Rapid growth of retail outlets/malls opened up an opportunity to visual packaging of garments, electronic hardware, etc and the PVC Film unit, with its enhanced production capacity, is well equipped to service this segment. Similarly, in the leather cloth segment, the Company is developing products to explore the footwear markets. Replacement market is also growing rapidly furthering the product demand.

Wide fluctuations in raw material prices, erratic power supply, un-organized players and cheaper imports are major threats. The Company is exploring ways to source power from private players. Continuous product development and stringent cost control methods are followed to offset cheaper imports.

### **(c) Segment-wise performance**

The booming automobile sector helped the Company in achieving higher capacity utilization as compared to previous year and the future looks bright with automobile companies coming out with various models at different levels. Exports, though stagnant at present, are showing signs of improvement.

The PVC Film segment showed substantial improvement with the help of the additional capacity installed.

### **(d) Outlook**

Though there is good market demand for the products the volatility in the raw-material prices are disturbing the Company's plans. However, the

Company is confident of good demand for its products in the new future.

### **(e) Risks and Concerns**

The Company's major raw material prices fluctuate widely, due to fluctuation in global petroleum prices. The erratic power supply in Andhra Pradesh is another area of concern.

### **(f) Internal control systems and their adequacy**

The internal control mechanism established by the Company is comprehensive enough to safeguard the Company's assets and ensure required authorization for financial transactions. This mechanism provides a reasonable degree of assurance regarding the effectiveness and efficiency of operations and compliance with laws and regulations.

The Audit Committee meets four times in a year and all significant audit observations were discussed therein.

The Company is implementing SAP as the ERP programme and the same is in the final stage of process after initial teething problems.

### **(g) Discussion on financial performance with respect to operational performance**

Despite increase in raw material costs and operational costs, the Company made profits due to raw material optimization and better financial management. The additional capacity of PVC Film resulted in economies of scale and contribute towards improved profit margins.

### **(h) Material developments in Human Resources/Industrial Relations front, including number of people employed.**

The industrial relations continued to be good with its workforce. The Company would be imparting training to employees at all levels for proper implementation and running of the new ERP package SAP and to get maximum benefit out of the same. The number of employees are 261.

### **(i) Cautionary Statement**

Statements in the Management Discussion and Analysis describing the Company's expectations may be "forward-looking statements". Actual results could differ materially from those expressed or implied.

# FENOPLAST LIMITED

## AUDITORS' REPORT

To,  
The Members of  
Fenoplast Limited,  
Secunderabad.

We have audited the attached Balance Sheet of Fenoplast Limited as at 31st March 2011 and also the Profit & 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.

1. 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.
  2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
  3. Further to our comments in the annexure referred to in paragraph 2 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) In our opinion, the Balance Sheet, Profit and Loss account and Cash flow statement dealt with by this report comply with requirements of the accounting standards referred to in Sub-section (3C) of section 211 of the Companies Act, 1956 except as referred in clause (f) below;
  - d) The Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account;
  - e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors of Company are disqualified from being appointed as a director of the Company under clause (g) of subsection (1) of section 274 of the Companies Act, 1956;
  - f) Subject to - Accounting Policy No.8 read with Note No.7 in Schedule No. XVII regarding provision of gratuity and leave encashment – the company has not provided liability in accordance with the Accounting Standard - 15 "Employee Benefits".
  - g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to Para 3 (f) above and consequential effect not ascertainable on the profit for the year, assets and liabilities of the company and read together with the Company's accounting policies and notes thereto, 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 31st March 2011;
    - ii. In the case of the Profit & Loss account, of the Profit of the company 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.

For M. ANANDAM & CO.,  
Chartered Accountants  
(Firm Regn.No.000125S)

(M.V.Ranganath)  
Partner  
Membership. No.028031

Place: Secunderabad  
Date: 27th May, 2011

ANNEXURE referred to in paragraph 2 of our Report of even date:

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the Company has a phased programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its business.
- (c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
- ii. (a) As per the information and explanations given to us, physical verification of inventories are carried out by the Company at regular intervals during the year. In our opinion the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company is maintaining proper records of inventory. As informed by the Management, the discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. (a) The company has granted interest free advance to one entity covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 20.88 Lakhs and the year-end balance is Rs.20.88 lakhs.
- (b) According to the information and explanations given to us and in our opinion, the terms and conditions on which advances have been given to company are not prima facie prejudicial to the interest of the company.
- (c) As explained by the management, the Company is in the process of taking reasonable steps for recovery of the principal amount.
- (e) The company has taken an interest free loan from one party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs 55.00 Lakhs and the year-end balance is Rs.28.84 Lakhs.
- (f) The company is regular in repaying the principal amounts as stipulated
- iv. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956, exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. The Company has not accepted deposits from the public within the meaning of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- vii. In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- viii. The Central Government has not prescribed rules for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
- ix. (a) According to the information and explanations given to us, and on the basis of our examination of books of account, the Company has been regular in depositing with the appropriate authorities undisputed

## FENOPLAST LIMITED

statutory dues including provident fund, employee state insurance, sales-tax, customs duty, wealth tax, service tax, Excise duty, Cess and other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid

dues are outstanding as at 31st March, 2011 for a period of more than 6 months from the date they become payable.

- (b) The disputed statutory dues aggregating to Rs.113.84 Lakhs have not been deposited on account of disputed matters pending before the appropriate authorities are as under

Name of the statute	Nature of dues (Rs in Lakhs)	Amount not deposited	Financial Year	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	41.23	1986-1995	High Court of Andhra Pradesh
Income Tax Act, 1961	Income Tax	28.72	1999-2000	The Commissioner of Income Tax (Appeals) –II
Income Tax Act, 1961	Income Tax	3.61	2002-2003	The Commissioner of Income Tax(Appeals) –II
Central Sales Tax Act, 1956	CST	40.28 *	2006-2007	Deputy Commissioner of Sales Tax Appeals
<b>Total</b>		<b>113.84</b>		

### \* Bank Guarantee is given for the equivalent amount

- x. The Company does not have accumulated losses as at 31st March 2011 and has not incurred cash losses during the year covered by our audit and immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii. According to the information and explanation given to us and based on the documents and records produced to us, the company has not granted loans and advances on the basis of securities by way of pledges of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments.
- xv. 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. Accordingly, the provisions of Clause 4 (xv) of the companies (Auditor's report) order, 2003 are not applicable to the company.
- xvi. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- xvii. In our opinion and according to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis were applied for long-term investment.
- xviii. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in register maintained under section 301 of the Companies Act, 1956.



- xix. According to the information and explanations given to us, there were no debentures issued by the company during the period. Accordingly, Clause 4 (xix) of Companies (Auditor's Report) Order, 2003 is not applicable.
- xx. According to the information and explanations given to us, the Company has not raised any funds on public issue and hence disclosure on the end use of money raised by the public issue is not applicable to the Company.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit..

For M. ANANDAM & CO.,  
Chartered Accountants  
(Firm Regn.No.000125S)

Place : Secunderabad  
Date : 27th May, 2011

(M.V.Ranganath)  
Partner  
Membership. No.28031

**FENOPLAST LIMITED****BALANCE SHEET AS AT 31st March 2011**

	Schedule No.	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Share Holders Fund :</b>			
Share Capital	I	45967500	45967500
Reserves & Surplus	II	269546935	254225690
<b>Loan Funds :</b>			
Secured Loans	III	483758289	463005151
Unsecured Loans	IV	18353971	36047058
Deferred Tax Liability	V	35776797	33720357
<b>Total</b>		<b>853403493</b>	<b>832965756</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets :</b>			
Gross Block	VI	640318954	625863025
Less: Depreciation		315038835	287959249
Net Block		325280118	337903776
Capital Work-in-Progress including advances		2610002	74001
Investments	VII	4672800	5172800
Current Assets, Loans & Advances	VIII		
Inventories		228076883	164563234
Sundry Debtors		559267511	524872860
Cash and Bank Balances		35150584	25784334
Loans and Advances		117971959	121615417
		940466938	836835845
Less: Current Liabilities & Provisions	IX		
Current Liabilities		403870258	332027982
Provisions		15756108	14992684
		419626366	347020666
Net Current Assets		520840572	489815179
<b>Total</b>		<b>853403493</b>	<b>832965756</b>
Accounting Policies	XVI		
Notes to Accounts	XVII		

Schedules I to XVII annexed hereto form part of these accounts

As per our report of even date  
For **M. Anandam & Co.**,  
Chartered Accountants,

For and on behalf of the Board Of Directors

**H.V.Ranganath**  
Partner  
M No: 028031

**H.Kishen**  
Managing Director

**H. Krishna Kumar**  
Wholetime Director

Place: Secunderabad  
Date: 27.05.2011

**V.B.V.R. Ratnaji**  
General Manager (Finance)

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2011**

	Schedule No	Year Ended 31.03.2011	Year Ended 31.03.2010
		Rs.	Rs.
<b>INCOME</b>			
Domestic Sales		1771817493	1395910955
Export Sales		<u>144478878</u>	<u>140512808</u>
Gross Sales		1916296371	1536423763
Less: Excise Duty		<u>153517666</u>	<u>95450546</u>
Net Sales		1762778705	1440973217
Other Income	X	<u>12170683</u>	<u>12951933</u>
		<u>1774949388</u>	<u>1453925150</u>
<b>EXPENDITURE</b>			
Materials	XI	1334959873	1060052412
Manufacturing Expenses	XII	93359708	81995845
Employee Cost	XIII	85776941	68556388
Administrative and Selling Expenses	XIV	104549692	84864443
Interest & Finance Charges	XV	101232559	103193889
Depreciation		17780285	21972101
		<u>1737659058</u>	<u>1420635079</u>
<b>PROFIT BEFORE TAX</b>		<b>37290330</b>	<b>33290071</b>
Provision for Tax			
- Current Tax		10330475	6323656
- Deferred Tax Liability		2056440	4991640
<b>PROFIT AFTER TAX</b>		<b>24903415</b>	<b>21974775</b>
Balance Brought Forward from Previous Year		134924133	112949358
Balance Carried to Balance Sheet		159827548	134924133
Earnings per Share (Equity Shares, par value of Rs.10 each)			
Basic		5.41	4.78
Diluted		5.41	4.78
Accounting Policies	XVI		
Notes to Accounts	XVII		

Schedules I to XVII annexed hereto form part of these accounts.

As per our report of even date

For and on behalf of the Board Of Directors

For **M. Anandam & Co.,**

Chartered Accountants,

**M.V.Ranganath**

Partner

M No: 028031

**H.Kishen**

Managing Director

**H. Krishna Kumar**

Wholetime Director

Place: Secunderabad

Date: 27.05.2011

**V.B.V.R. Ratnaji**

General Manager (Finance)

# FENOPLAST LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	2010-2011 Current Year Rs.	2009-2010 Previous year Rs.
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit/(loss) before tax and Extra-ordinary items	37290330	33290072
Adjustments for:		
Add: Depreciation	17780285	21972101
Add: Loss on Retirement of Asset	42421	223350
Add: Interest debited	84191267	82740416
Add: Bad Debts Written Off	541567	2066750
Less: Provision Written Back	-	(1759192)
Less: Other income	(12170683)	(11192741)
Operating profit before working capital changes	127675187	127340756
Adjustments for working capital changes:		
Add: (Increase)/Decrease in inventories	(63513649)	(45398846)
Add: (Increase)/Decrease in sundry debtors	(34936218)	(140532083)
Add: (Increase)/Decrease in loans and advances	4643458	24718780
Add: Increase/(Decrease) in current liabilities	62068867	108139622
Cash generated from operations	95937644	74268229
Less: Income-Tax Paid	(1000000)	(6000000)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>94937644</b>	<b>68268229</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Less: Purchase of Fixed Assets	(14871219)	(10665463)
Less: Advance for Capital Goods for Expansion	(2536001)	-
Less :Investments	639174	-
Add: Sale of asset	90000	236929
Add: Other income	12031509	11192741
<b>NET CASH USED IN INVESTING ACTIVITIES (B)</b>	<b>(4646537)</b>	<b>764207</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Add: Proceeds from New borrowings (incl.increase in working Capital)	36395025	45587167
Less: Repayments of Borrowings (incl.decrease in working capital)	(33334974)	(36933652)
Less: Interest paid	(83984908)	(82740416)
<b>NET CASH USED IN FINANCING ACTIVITIES (C)</b>	<b>(80924857)</b>	<b>(74086901)</b>
<b>NET CASH FLOW DURING THE YEAR (A+B+C)</b>	<b>9366250</b>	<b>(5054465)</b>
<b>CASH AND CASH EQUIVALENTS (OPENING BALANCE)</b>	<b>25784334</b>	<b>30838800</b>
<b>CASH AND CASH EQUIVALENTS (CLOSING BALANCE)</b>	<b>35150584</b>	<b>25784335</b>

As per our report of even date

For **M. Anandam & Co.,**

Chartered Accountants,

**M.V.Ranganath**

Partner

M No: 028031

Place: Secunderabad

Date: 27.05.2011

For and on behalf of the Board Of Directors

**H.Kishen**

Managing Director

**H. Krishna Kumar**

Wholetime Director

**V.B.V.R. Ratnaji**

General Manager (Finance)

### Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard -3 issued by the Institute of Chartered Accountants of India
- The Previous years figures have been regrouped wherever necessary in order to conform to this year's presentation.
- Cash and cash equivalents include margin money with banks.

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	AS AT 31.03.2011	AS AT 31.03.2010
	Rs.	Rs.
<b>SCHEDULE I</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
60,00,000 Preference Shares of Rs. 10/- each	<b>60000000</b>	60000000
60,00,000 Equity Shares of Rs. 10/- each	<b>60000000</b>	60000000
Issued, Subscribed and Called Up		
46,00,000 Equity Shares of Rs.10/- each	<b>46000000</b>	46000000
Less: Calls in Arrears	<b>32500</b>	32500
	<b><u>45967500</u></b>	<b><u>45967500</u></b>
<b>SCHEDULE II</b>		
<b>RESERVES &amp; SURPLUS</b>		
Securities Premium	<b>36000000</b>	36000000
Revaluation Reserve	<b>79767894</b>	87963670
Less: Depreciation on assets to the extent of revaluation	<b><u>9582170</u></b>	<b><u>8195776</u></b>
Investment Allowance Reserve (Utilised)	<b>70185724</b>	79767894
General Reserve	<b>1096084</b>	1096083
Profit & Loss Account	<b>2437579</b>	2437579
	<b>159827548</b>	134924133
	<b><u>269546935</u></b>	<b><u>254225690</u></b>
<b>SCHEDULE III</b>		
<b>SECURED LOANS</b>		
Term Loans From Banks*	<b>85455464</b>	118790438
Working Capital finance from Banks**	<b>395182385</b>	339114951
Loans from others	<b>3120440</b>	5099762
* Refer Note No. 2 **Refer Note No. 3	<b><u>483758289</u></b>	<b><u>463005151</u></b>
<b>SCHEDULE - IV</b>		
<b>UNSECURED LOANS</b>		
From Corporates	-	3793231
From Directors	<b>2884612</b>	4855882
From Financial Institutions	<b>15469359</b>	27397945
	<b><u>18353971</u></b>	<b><u>36047058</u></b>
<b>SCHEDULE - V</b>		
<b>DEFERRED TAX</b>		
Deferred tax - Asset	-	
Deferred tax - liability	<b>35776797</b>	33720357
Deferred tax - liability	<b><u>35776797</u></b>	<b><u>33720357</u></b>

# FENOPLAST LIMITED

SCHEDULE - VI FIXED ASSETS AS ON 31.03.2011															
Sl. No.	Name Of The Asset	Gross Block As On 01.04.2010		Additions During The Year		Deletions During The Year		Gross Block As On 31.03.2011		Depreciation For The Year		Total Upto 31.03.2011		Net Block As On 31.03.2011	
		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
1	Land & Land Development	9167073		0	0	0	0	0	9167073	0	0	0	9167073	9167073	
2	Buildings *	95296038		4700075	0	99996113	0	3172574	31042673	3172574	34215247	65780867	642533365	65780867	
3	Plant & Machinery *	458136146		7979864	0	466116010	0	21375922	219548689	21375922	240924611	225191399	238587457	225191399	
4	Electrical Installations	29776094		78000	0	29854094	0	1193495	22477961	1193495	23671456	6182638	7298133	6182638	
5	Office Equipment	7358257		974534	0	8332791	0	377250	4801299	377250	5178549	3154242	2556958	3154242	
6	Furniture & Fixtures	1970952		264037	0	2234989	0	144826	1574854	144826	1719680	515309	396098	515309	
7	Bore Well	455215		0	0	455215	0	9922	264272	9922	274194	181021	190943	181021	
8	Motor Vehicles	17579422		429770	415290	17593902	415290	831294	6854728	282869	7403153	10190749	10724694	10190749	
9	Factory Equipment	6123829		444938	0	6568767	0	257172	1394775	0	1651947	4916820	4729054	4916820	
	Less: Amount transferred to Revaluation Reserve	625863026		14871218	415290	640318954	415290	27362455	287959251	282869	315038837	325280118	337903775	325280118	
	<b>Total</b>	<b>625863026</b>		<b>14871218</b>	<b>415290</b>	<b>640318954</b>	<b>415290</b>	<b>9582170</b>	<b>287959251</b>	<b>282869</b>	<b>315038837</b>	<b>325280118</b>	<b>337903775</b>	<b>325280118</b>	
	Previous year as on 31.03.10	616403739		10664150	1204863	625863026	1204863	30167878	258535958	744584	287959252	337903774	357867781	337903774	
	Less: Amount transferred to Revaluation Reserve							8195776							
	Total for previous year	616403739		10664150	1204863	625863026	1204863	21972102	258535958	744584	287959252	337903774	357867781	337903774	
	*Gross block includes Rs.16,43,14,426/- towards revaluation of Building and Plant & Machinery. The revaluation was done on 31st March, 2001														

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	AS AT 31.03.2011	AS AT 31.03.2010
	Rs.	Rs.
<b>SCHEDULE - VII</b>		
<b>INVESTMENTS</b>		
Long-term, Unquoted, Non-traded at Cost (Share application money for allotment of 4,67,280 Equity shares of Rs.10/- each of Feno Fiber Ltd)	4672800	4672800
Short-term, Quoted at Cost (ICICI Prudential Mutual Fund)	-	500000
	<u>4672800</u>	<u>5172800</u>
<b>SCHEDULE - VIII</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
INVENTORIES (As taken, certified & valued by Management)		
Raw Materials	108876851	93229631
Stock in Process	44150927	14833541
Finished Goods	61328281	47899704
Stock in Transit	6720824	3080196
Stock of Spares	7000000	5520162
SUNDRY DEBTORS (Unsecured, considered good)		
Outstanding for more than 6 months	12605987	13003927
Others	546661524	511868933
CASH & BANK BALANCES		
Cash in hand	1786944	2393456
Cash at bank - in current A/c.	4008849	4027035
- in fixed deposits	29354791	19363843
LOANS & ADVANCES		
Deposits with Government	41093898	45248305
Advance in cash or in kind for value to be received	76878062	76367112
	<u>940466938</u>	<u>836835845</u>
<b>SCHEDULE - IX</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS:</b>		
CURRENT LIABILITIES:		
SUNDRY CREDITORS		
For Trade	318800823	243614402
For Expenses, Capital Goods & Others	67732248	40627536
For Micro, Small and Medium Enterprises		
Advances from Customers	10654135	38678748
Other Liabilities	6683051	9107296
PROVISIONS:		
Provision for Income tax	14756108	14492684
Provision for Gratuity	1000000	500000
	<u>419626366</u>	<u>347020666</u>

**FENOPLAST LIMITED****SCHEDULES FORMING PART OF THE ACCOUNTS**

	<b>YEAR ENDED 31.03.2011</b>	<b>YEAR ENDED 31.03.2010</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE - X</b>		
<b>OTHER INCOME:</b>		
Exchange Fluctuation - Gain	<b>5461582</b>	8279865
Interest from others	<b>319538</b>	319538
Interest on Fixed Deposits	<b>1159959</b>	1554906
Interest received on Investments	<b>139174</b>	-
Miscellaneous Income	<b>5090430</b>	2797624
	<b><u>12170683</u></b>	<b><u>12951933</u></b>
<b>SCHEDULE - XI</b>		
<b>MATERIALS:</b>		
Opening Stocks	<b>93229631</b>	51607171
Add: Purchases	<b>1393353056</b>	1104749262
	<b><u>1486582687</u></b>	<b><u>1156356433</u></b>
Less: Closing Stock of raw material and Packing Materials	<b>108876851</b>	93229631
Consumption of Raw Material and Packing Materials	<b><u>1377705836</u></b>	<b><u>1063126802</u></b>
Opening Stock of Stock in Process	<b>14833541</b>	18789276
Closing Stock of Stock in Process	<b>44150927</b>	14833541
(Increase) / Decrease of Stock in Process	<b><u>(29317386)</u></b>	<b><u>3955735</u></b>
Opening Stock of Finished Goods	<b>47899704</b>	40869579
Closing Stock of Finished Goods	<b>61328281</b>	47899704
(Increase) / Decrease of Finished goods	<b><u>(13428577)</u></b>	<b><u>(7030125)</u></b>
Consumption of Materials	<b><u>1334959873</u></b>	<b><u>1060052412</u></b>
<b>SCHEDULE - XII</b>		
<b>MANUFACTURING EXPENSES:</b>		
Power, Fuel & Consumable Stores	<b>66738333</b>	61224158
Repairs to Plant & Machinery	<b>8769454</b>	7005276
Repairs to Buildings	<b>3143472</b>	1647529
Factory Maintenance	<b>14708449</b>	12118882
	<b><u>93359708</u></b>	<b><u>81995845</u></b>



**SCHEDULES FORMING PART OF THE ACCOUNTS**

	YEAR ENDED 31.03.2011 Rs.	YEAR ENDED 31.03.2010 Rs.
<b>SCHEDULE - XIII</b>		
<b>EMPLOYEE COST</b>		
Salaries, Wages & Other Benefits (Factory)	55635443	44572822
Salaries & Other Benefits	25279232	19281701
Remuneration to Directors	4862266	4701865
	<b>85776941</b>	<b>68556388</b>
<b>SCHEDULE - XIV</b>		
<b>ADMINISTRATIVE &amp; SELLING EXPENSES:</b>		
<b>A) ADMINISTRATIVE EXPENSES :</b>		
Insurance	2340735	2073544
Conveyance & Vehicle Maintenance	6661195	6071573
Travelling Expenses - Directors	2551630	1192594
Office Maintenance	4417725	3304253
Subscriptions & Journals	117963	52633
Postage, Telegrams & Telephones	3854902	3167104
Printing & Stationery	1100870	1193425
General Expenses	220655	1044991
Bad Debts Written Off	541567	2066750
Licences, Taxes & duties	3043135	2746440
Loss on sale of asset	42421	223350
Professional & Consultancy Charges	2769287	2031763
Donations	38000	3251
Audit fees:		
Audit fees	350000	350000
Tax audit fees	150000	150000
Certification Fees	100000	100000
Other Services	330900	-
Out of pocket expenses	19800	16350
SUB - TOTAL (a)	<b>28650785</b>	<b>25788021</b>
<b>B) SELLING EXPENSES:</b>		
Advertisements	160431	186785
Discounts	1055134	852773
Travelling Expenses - Domestic Travel	5306269	4052303
Foreign Travel	103296	-
Carriage Outwards	53103474	41401549
Sales Promotion Expenses	4391331	3805590
Export Expenses	11778972	8777421
SUB - TOTAL (b)	<b>75898907</b>	<b>59076421</b>
TOTAL (a + b)	<b>104549692</b>	<b>84864442</b>
<b>SCHEDULE - XV</b>		
<b>INTEREST &amp; FINANCE CHARGES:</b>		
Interest on Working Capital finance	68192066	61702097
Interest on Term Loans	15999201	21038319
Bank Charges	17041292	20453473
	<b>101232559</b>	<b>103193889</b>

# FENOPLAST LIMITED

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE XVI:

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. ACCOUNTING CONVENTION:

The financial statements are prepared in accordance with Generally Accepted Accounting Principles under the historical cost convention on the accrual basis and mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956.

##### 2. REVENUE RECOGNITION:

- a) Sale of goods is recognized at the point of dispatch of finished goods to customers.
- b) Domestic: Sales value is inclusive of excise duty but does not include other recoveries such as handling charges, transport, octroi, sales tax, etc.,
- c) Exports: Sales value is inclusive of freight, insurance and finance charges wherever included in the invoice and exchange fluctuations on export receivables.

##### 3. FIXED ASSETS:

- a) Fixed assets are stated at cost of acquisition less depreciation except for certain fixed assets which have been stated at revalued costs as of 31.03.2001. Cost of acquisition is inclusive of freight, duties (net of Cenvat/Modvat credit wherever applicable), taxes and other directly attributable cost incurred to bring the assets to their working condition for intended use. The revalued fixed assets are restated at their estimated current replacement values as on date of revaluation as determined by the valuers.
- b) Capital Work-in-Progress: The Cost of fixed assets and expenses incurred for acquiring and which are under erection are shown under Capital Work-in-Progress. The advances given for acquiring/development of fixed assets are shown under Capital Work-in-Progress.

##### 4. DEPRECIATION:

Depreciation is provided on Written Down Value Method for assets commissioned before 01.04.1993; and on Straight Line Method for assets acquired on or after 01.04.1993 as per the provisions of Schedule XIV of the Companies Act, 1956. Depreciation for the year arising on revaluation of fixed assets is withdrawn from Revaluation Reserves.

##### 5. INVESTMENTS:

Long term investments are stated at cost. The diminution in the market value of such investments not recognized unless such diminution is considered permanent in nature.

##### 6. FOREIGN CURRENCY TRANSACTIONS:

- a) Foreign currency transactions in case of purchase of materials and sale of goods, the exchange gain/losses on settlements during the year are adjusted to respective accounts.
- b) Current Assets, Loans & Other Liabilities denominated in foreign currencies are translated at the rate prevailing on the date of Balance Sheet or on the basis of Forward contracts. Exchange gain/loss on those Assets & Liabilities including Fixed Assets are dealt with in the profit & loss account.

##### 7. INVENTORIES:

- a) Raw materials and packing materials are valued at cost on First in First Out (FIFO) basis.
- b) Stocks in process are valued at cost based on technical estimate made by the company.
- c) Finished goods are valued at cost (which includes average manufacturing overheads) or net realisable value whichever is lower. Finished goods value includes Excise Duty Paid / Payable on such goods.

##### 8. EMPLOYEE BENEFITS:

- a) Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation and projected unit credit method. The company has created an approved gratuity

fund which has taken a group gratuity cum insurance policy with Life Insurance Corporation of India (L.I.C of India.), for future payment on gratuity to employees.

- b) Leave encashment is accounted when it becomes due and payable. Contributions to Provident Fund and Family Pension Scheme are accounted on accrual basis and charged to Profit and Loss account.

#### **9. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:**

The company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of the resources is remote, no provision or disclosure is made.

#### **10. TAXES ON INCOME:**

The provision for taxation is based on the assessable profits determined under the Income Tax Act, 1961. Deferred tax is accounted for by computing tax effect of timing differences, which arisen during the year and reverse in subsequent periods.

#### **11. EARNINGS PER SHARE:**

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic earning per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

#### **12. IMPAIRMENT OF ASSETS:**

The company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account.

### **SCHEDULE XVII :**

#### **NOTES TO ACCOUNTS:**

1. Contingent liabilities not provided for in respect of:
  - a) Letters of Credit, Bank Guarantees and other Guarantees of Rs 974.80 lakhs  
(Previous year: Rs.493.19 lakhs)
  - b) Claims against the company not acknowledged as debts:  
Income tax matter under appeal Rs.73.55 lakhs (Previous year Rs.90.32 lakhs).
2. Term Loans from Canara Bank is secured by first charge on all existing and future assets of the company on pari passu basis and personal guarantees of Directors of the company and second charge on Current Assets.
3. Working Capital from Banks is secured by hypothecation of movable assets including Inventories and assignment of receivables and personal guarantees of Directors of the company and second charge on the Fixed Assets.
4. Investments of Rs.46.73 lakhs (Previous year Rs.46.73 lakhs) in equity share application money pending allotment with Feno Fiber Limited, a company in which directors are interested.
5. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006, to whom the company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

# FENOPLAST LIMITED

## 6. Remuneration to Directors: (including Managing Director)

	<u>2010-2011</u>	<u>2009-2010</u>
	Rs.	Rs.
Salaries	<b>38,04,000</b>	38,04,000
Perquisites	<b>10,58,266</b>	8,97,865
<b>Total</b>	<b>48,62,266</b>	47,01,865

7. During the year the company has taken a group gratuity cum insurance policy with LIC of India. The company has paid current service cost of Rs. 4.58 Lakhs. The company has agreed to contribute the past service cost in five annual installments.
8. During the year the company has sent balance confirmations to substantial number of Debtors and Creditors. Based on the responses received the company has reconciled major balances. The Company shall endeavor to reconcile the other balances on a priority basis.
9. Related party disclosure – as per AS-18 issued by the ICAI.

### A. LIST OF RELATED PARTIES

#### I) Key Management Personnel \ Personnel having Significant Influence:

- 1) Sri H. Kishen – Managing Director                      2) Sri H. Krishna Kumar – Whole time Director  
3) Sri H. Praveen Kumar – General Manager      4) Sri H. Mahesh Kumar – General Manager

#### II) Related Persons/Entities

- 1) Sri H. Narsaiah – Brother of Managing Director      2) Feno Foams Private Ltd.,  
3) Feno Fiber Ltd.,    4) Feno Investments Ltd.,  
5) H. Gangaram - Cloth Merchant                      6) Ganga Bros Spinning Private Ltd.,  
7) Rex - O - Knits Pvt.Ltd.,

### B. DETAILS OF TRANSACTIONS WITH THE RELATED PARTIES:

S.No.	Nature of Transaction	Nature of Relationship	<b>2010-2011 Amount Rs. In Lakhs</b>	2009-2010 Amount Rs. In Lakhs
1	Purchases or Sale of Goods	Related Entities	-	0.30
2	Receiving of Services	Related Entities	<b>104.74</b>	108.81
3	Loans Taken	Key Management Personnel	<b>20.25</b>	-
4	Loans adjusted	Related Entities	<b>43.40</b>	-
	Loans Repaid	Key Management Personnel	<b>39.08</b>	-
5	Outstanding (Dr.)	Related Entities	<b>274.85</b>	345.50
6	Outstanding (Cr.)	Related Entities	<b>0.14</b>	38.07
7	Receiving of Services	Key Management Personnel/ Personnel having significant Influence	<b>80.90</b>	73.36
8	Outstanding (Cr.)	Key Management Personnel/	<b>10.60</b>	50.30
	Outstanding (Dr.)	Personnel having significant Influence	-	-

**10. SEGMENT REPORTING:**

**I. INFORMATION ABOUT PRIMARY BUSINESS SEGMENT**

Particulars	2010-2011				2009-2010			
	PVC Leather Cloth	PVC Film	Other Products	Total	PVC Leather Cloth	PVC Film	Other Products	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>1 Segment Revenue:</b>								
External Turnover	867929395	1048366976	0	1916296371	645054601	891369162	0	1536423763
Other External Sales	0	0	0	0	0	0	0	0
Inter Segment Sales	0	0	0	0	0	0	0	0
Total Revenue	867929395	1048366976	0	1916296371	645054601	891369162	0	1536423763
External Turnover (Net Sales)	807935227	954843478	0	1762778705	613582782	827390435	0	1440973217
<b>Segment Result Before Interest, Extra</b>								
Ordinary Items And Taxes	138078696	124089847	0	262168543	129744908	104894611	0	234639519
Other Segment Result	0	0	0	0	0	0	0	0
<b>Un Allocated</b>								
Corporate Expenses	0	0	0	135816336	0	0	0	111107491
Operating Profit	138078696	124089847	0	126352208	129744908	104894611	0	123532028
<b>Unallocable:</b>								
Interest Income	0	0	0	1618671	0	0	0	1874444
Other Income	0	0	0	10552012	0	0	0	11077489
Interest Paid	0	0	0	101232559	0	0	0	103193889
Income Tax	0	0	0	12386915	0	0	0	11315296
Prior Period Adjustments	0	0	0	0	0	0	0	0
Net Profit	0	0	0	24903417	0	0	0	21974776
<b>2. Other Information</b>								
a) Segment Asset	373958976	728582774	0	1102541750	294230150	720837600	0	1015067750
Add Unallocable								
Corporate Asset	0	0	170488110	170488110	0	0	0	164918673
Total Assets	373958976	728582774	170488110	1273029860	294230150	720837600	0	1179986423
b) Segment Liabilities	87494553	352662300	0	440156853	71968797	233819962	0	305788759
Add Unallocable								
Corporae Liabilities	0	0	517358570	517358570	0	0	0	574004473
Total Liabilities	87494553	352662300	517358570	957515423	71968797	233819962	0	879793232
c) Capital Expenditure	8605577	4597301	0	13202878	421731	4325897	0	4747628
Un Allocable								
Capital Expenditure	0	0	0	1668341	0	0	0	5916523
Total Capital Expenditure	8605577	4597301	0	14871219	421731	4325897	0	10664151
d) Allocable Depreciation	2624374	23612935	0	26237309	3099961	24808434	0	27908395
Unallocable Depreciation	0	0	1125146	1125146	0	0	0	2259482
Total Depreciation	2624374	23612935	1125146	27362455	3099961	24808434	0	30167877
e) Unallocable Other								
Non Cash Expenses	0	0	0	0	0	0	0	0

**II. Information About Secondary Business Segment**

Particulars	2010-2011			2009-2010		
	Within The Country	Out Of The Country	Total	Within The Country	Out Of The Country	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
External Sales	1771817493	144478878	1916296371	1395910955	140512808	1536423763
Inter Segment Sales	0	0	0	0	0	0
Total Sales	1771817493	144478878	1916296371	1395910955	140512808	1536423763
External Sales (Net)	1618299827	144478878	1762778704	1300460409	140512808	1440973218
Carrying Amount Of Segment Asset	1273029859	0	1273029859	1179986422	0	1179986422
Additions To Fixed Assets	14871219	0	14871219	10664150	0	10664150

# FENOPLAST LIMITED

## 11. Deferred Tax Liability

Item	2010-2011 (Rs)	2009-2010 (Rs)
Computation of Timing difference - Depreciation	20,56,440	49,91,640
Net Deferred Tax Liabilities at the beginning of the year	3,37,20,357	2,87,28,717
Net Deferred Tax Liabilities at the end of the Year	3,57,76,797	3,37,20,357

## 12. Earnings per Share:

Earning per share is calculated by dividing the net profit after taxation as per accounts for the year, which is attributable to the equity shareholders by average number of equity shares outstanding during the year. The basis adopted for calculation of the basic earnings per equity share is stated below:

	2010-2011	2009-2010
Profit After Tax (Rs.)	2,49,03,415	2,19,74,776
Weighted average number of shares outstanding for the year	46,00,000	46,00,000
Basic Earnings per Equity Share of Nominal Value of Rs. 10/- per share (Rs.)	5.41	4.78
Diluted Earnings per Equity Share of Nominal Value of Rs. 10/- per share (Rs.)	5.41	4.78

## 13. Additional information pursuant to the provisions of Schedule VI to the Companies Act 1956.

A) Value of Imported and Indigenous Raw Materials and Stores and Spares consumed and percentage thereof

PARTICULARS	2010-2011		2009-2010	
	Amount Rs. In lakhs	% to Total Consumption	Amount Rs. In lakhs	% to Total Consumption
<b>a) Raw Materials</b>				
Imported	4030.59	29.26	2460.36	23.14
Indigenous	9746.47	70.74	8170.91	76.86
<b>Total</b>	<b>13777.06</b>	<b>100.00</b>	<b>10631.27</b>	<b>100.00</b>
<b>b) Stores &amp; Spares</b>				
Imported	38.78	24.23	0.00	0.00
Indigenous	121.26	75.77	131.87	100.00
<b>Total</b>	<b>160.04</b>	<b>100.00</b>	<b>131.87</b>	<b>100.00</b>

# FENOPLAST LIMITED

## B) Consumption of raw materials:

(Rupees in lakhs)

PARTICULARS	UNIT	2010-2011		2009-2010	
		QTY	VALUE	QTY	VALUE
PVC Resin	Tons	12887.77	7544.82	12135.47	6019.58
Plasticizers	Tons	1602.53	1480.52	1437.63	1015.44
Knitted Cloth/Cloth	Tons / Mtrs.		1955.38		1217.42
Others			2796.33		2378.83
<b>TOTAL</b>			<b>13777.06</b>		<b>10631.27</b>

## C) Particulars of Installed capacity, Production, Turnover, Opening and Closing Stock: (As taken, verified and Valued by Management)

Year ended	31.03.2011			31.03.2010		
	PVC Leather Cloth / Cellular Sheets	PVC Film	Total Rs. In Lakhs	PVC Leather Cloth / Cellular Sheets	PVC Film	Total Rs. In Lakhs
	(LLM)	(MT)		(LLM)	(MT)	
a) Installed Capacity *	75.00	15000.00		75.00	15000.00	
b) Production Quantity	70.67	10907.75		63.79	10309.26	
c) Turnover Quantity	70.39	10923.72		62.31	10649.79	
Value (Rs. Lakhs)	8679.29	10483.67	19162.96	6456.54	8907.94	15364.48
d) Opening Stock Qty	1.51	443.36		1.52	340.53	
Value (Rs. Lakhs)	127.14	351.86	479.00	123.57	285.13	408.70
e) Closing Stock Qty	1.95	445.49		1.51	443.36	
Value (Rs. Lakhs)	221.58	391.70	613.28	127.14	351.86	479.00

Notes: (LLM - Lakhs Ln.Meters, MT = Metric Tons)\* Being technical matter, not verified by auditors.

## D) Particulars of CIF value of Imports:

	2010-2011 (Rs)	2009-10 (Rs)
i) Raw material	37,05,62,460	24,43,27,529
ii) Machinery	9,18,827	1,89,139
iii) Stores & Spares	0	0
<b>Total</b>	<b>37,14,81,287</b>	<b>24,45,16,668</b>
<b>E. Particulars of earnings in Foreign currency:</b>		
Export of goods on FOB basis	13,85,15,331	13,59,49,216
<b>F. Particulars of expenditure in foreign currency:</b>		
On Foreign Travel	34,076	-
On Export Expenses		-

14. Previous year figures have been regrouped / rearranged wherever necessary to conform to this year classification

### Signatures to Schedule I to XVII

As per our report of even date

For **M. Anandam & Co.,**

Chartered Accountants,

**M.V.Ranganath**

Partner

M No: 028031

Place: Secunderabad

Date: 27.05.2011

For and on behalf of the Board Of Directors

**H.Kishen**  
Managing Director

**H. Krishna Kumar**  
Wholetime Director

**V.B.V.R. Ratnaji**  
General Manager (Finance)

# FENOPLAST LIMITED

## STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details:-

Registration No. (CIN) : L25209AP1975PLC001942 State Code : 01  
Balance Sheet Date : 31/03/2011

### II. Capital raised during the year (Amount Rs.in thousands):

Public Issue : Nil Right Issue : Nil  
Bonus Issue : Nil Private Placement : Nil

### III. Position of Mobilisation and Deployment of Funds (Amounts Rs. In thousands):

Total liabilities	:	853403	Total Assets	:	853403
Sources of funds	:				
Paid up Capital	:	45968	Reserves & Surplus	:	269547
Secured Loans	:	483758	Unsecured Loans	:	18354
			Deferred Tax Liability	:	35777
Application of funds:					
Net Fixed Assets	:	327890	Investments	:	4673
Net Current Assets	:	520841	Misc. Expenditure	:	0

### IV. Performance of the Company (Amounts Rs. In thousands):

Turnover & Other Income : 1774949  
Total Expenditure : 1737659  
Profit/(Loss) Before Tax : 37290  
Profit/(Loss) After Tax : 24903  
Earnings per Share (in Rs.) : 5.41  
Dividend Rate (%) : Nil

### V. Generic Names of Three Principal Products/Services of the Company (As per monetary terms):-

Item ITC Code No.	Product Description
59031000	Textile fabrics coated with PVC (PVC Leather Cloth)
39211200	PVC Cellular Sheets
39204100	PVC Film & Sheets (Rigid)
39204200	PVC Film & Sheets (Flexible)

As per our report of even date  
For **M. Anandam & Co.**,  
Chartered Accountants,

**M.V.Ranganath**

Partner

M No: 028031

Place: Secunderabad

Date: 27.05.2011

For and on behalf of the Board Of Directors

**H.Kishen**

Managing Director

**H. Krishna Kumar**

Wholetime Director

**V.B.V.R. Ratnaji**

General Manager (Finance)



FENOPLAST LIMITED

306-308, Chenoy Trade Centre, Parklane, Secunderabad – 500 003

ATTENDANCE SLIP

36th Annual General Meeting - 4th August, 2011 at 10.30 A.M.

(Please complete this Attendance Slip and hand it over at the entrance of the meeting hall)

DP. ID \* \_\_\_\_\_

Regd. Folio No. \_\_\_\_\_

Client ID\* \_\_\_\_\_

I Certify that I am a member/ (proxy for the member) of the company. I hereby record my presence at the 36th Annual General Meeting of the Company being held on Thursday, the 4th August, 2011 at 10.30 A.M. at Kapu Sangam, 1-7-155, M.G. Road, Secunderabad - 500 003.

Name of the Member \_\_\_\_\_

Name of Proxy \_\_\_\_\_

(To be filled in case proxy attends instead of shareholder)

Signature of Member/ Proxy \_\_\_\_\_

\* Applicable for Investors holding shares in Electronic Form

FENOPLAST LIMITED

306-308, Chenoy Trade Centre, Parklane, Secunderabad – 500 003

PROXY FORM

36th Annual General Meeting, 4th August, 2011 at 10.30 A.M.

DP. ID \* \_\_\_\_\_

Regd. Folio No. \_\_\_\_\_

Client ID\* \_\_\_\_\_

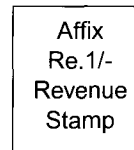
I/We \_\_\_\_\_

of \_\_\_\_\_ being a member/ members

of FENOPLAST LIMITED hereby appoint \_\_\_\_\_

of \_\_\_\_\_ as my/ our proxy to vote for me/us and on my/ our behalf at the 36th Annual General Meeting of the Company to be held on Thursday, the 4th August, 2011 or any adjournment thereof.

Signed this.....day of.....2011.



Signature

**Note:** The proxy form must be received at the Registered Office of the Company atleast 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.

\* Applicable for Investors holding shares in Electronic Form.

*If undelivered, please return to:*

**FENOPLAST LIMITED**

306-308, Cheney Trade Centre, Parklane,  
Secunderabad - 500 003, India.