DCL POLYESTERS LIMITED

Annual Report
1996 - 97

DCL POLYESTERS LIMITED

Board of Directors

M.B.Raju	Chairman & Managing Director
P.Venugopal Raju	Executive Director
P.V.R.Raju	Wholetime Director (Exports & Projects)
Jaykrishna Harivallabhdas	
V.N.Nadkarni	
Dr. N.C.B.Nath	
G.K.Rathi	
A.V.Rajwade	Nominee Director of SICOM
Richard O Wada	Nominee Director of ADB
B.Virupaksha Goud	Nominee Director of IDBI
D.R. Mehta	Nominee Director of ICICI
Khalid Hamad Al-Roumi	Nominee Director of KREIC
V.V.Subramanian	Alternate to Mr Richard O Wada
D.R.K.Rao	

Senior Executives

Dr. S. C. Basu	Vice President (Works)
V. Sambasiva Rao	Vice President (Finance)
G.B.B.Babuji	Company Secretary

Auditors

M.Bhaskara Rao & Co.
Chartered Accountants
5-D, Fifth floor, "Kautilya"
6-3-652, Somajiguda
Hyderabad - 500 082.

Bankers

State Bank of India
State Bank of Patiala
State Bank of Mysore
State Bank of Travancore
Andhra Bank
Allahabad Bank
ICICI Banking Corporation Ltd.

Works

Dahali
Mouda Taluq
Nagpur Dist.
Maharashtra State
Pin - 441 104.

Registered Office

1st Floor, Saptak Plaza
18, Shivaji Nagar
Nagpur - 440 010.

Texturising Division

Rahadi
Mouda Taluk
Nagpur Dist.
Maharashtra State
Pin - 441 104.

Head Office & Shares Department

"Deccan Chambers"
6-3-666/B, Somajiguda
Hyderabad - 500 082.

Notice of the Eleventh Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of DCL POLYESTERS LIMITED will be held on Thursday, the 11th September, 1997 at 3.00 p.m. at Hotel Centre Point, 24, Central Bazar Road, Ramdaspeth, Nagpur - 440 010 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 1997, the Audited Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.

2. To appoint a Director in place of Mr V N Nadkarni, who retires by rotation and is eligible for reappointment.

3. To appoint a Director in place of Mr Jaykrishna Harivallabhdas, who retires by rotation and is eligible for reappointment.

4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto 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, the following resolution as an Ordinary resolution:

   "RESOLVED THAT Mr D R K Rao (an Additional Director appointed pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company) be and is hereby appointed as a Director of the Company pursuant to Section 255 of the Companies Act, 1956."

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

   "RESOLVED THAT Mr Khalid Hamad Al-Roumi (an Additional Director appointed pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company) be and is hereby appointed as a Director of the Company pursuant to Section 255 of the Companies Act, 1956."

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

   "RESOLVED THAT Mr P V R Raju (an Additional Director appointed pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company) be and is hereby appointed as a Director of the Company pursuant to Section 255 of the Companies Act, 1956."

8. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special resolution:

   "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 and other applicable provisions if any, the consent of the Company be and is hereby accorded for the appointment of Mr P V R Raju as Wholetime Director (Exports & Projects) for a period of 5 years with effect from 07.03.1997, subject to retirement by rotation, at the following remuneration."

   "RESOLVED FURTHER THAT Mr. P V R Raju when reappointed as a Director immediately on retirement by rotation, he shall continue to hold his office of Wholetime Director and such reappointment as such Director shall not be deemed to constitute a break in his appointment as a Wholetime Director."

   I. Salary: Rs. 15,000/- (Rupees fifteen thousand only) per month in the scale of Rs.15,000-1000-20,000.

   II. Perquisites:

   PART A

   i. Housing:

      a. Company owned/leased free furnished accommodation.

      b. Where the Company does not provide accommodation to the Wholetime Director (Exports & Projects), House Rent Allowance may be paid by the Company @ 60% of the basic salary.

DCL POLYESTERS LIMITED

"9A power to issue shares with non-voting and disproportionate rights.

Notwithstanding anything contained in any other Article, but subject to the provisions of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the Company may from time to time and at any time issue to any person(s) as it may deem proper shares, whether Equity, Preference or any other class or any other Financial Instruments or Securities, by whatever name called, with non-voting rights and the Shares/ Instruments/Securities so issued may carry rights as to voting, dividend, capital or otherwise which may be disproportionate to the rights attached to the other Shares or Securities of the Company."

By Order of the Board
for DCL POLYESTERS LIMITED

Hyderabad,
27th June, 1997.

G.B.B. BABUJI
Company Secretary

Regd. Office:
1st Floor
Saptak Plaza
18 Shivaji Nagar
NAGPUR - 440 010

Head Office & Shares Department
"Deccan Chambers"
6-3-666/B, Somajiguda
Hyderabad - 500 082

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 and such proxy need not be a Member of the Company.
2. Proxy, in order to be effective, must be deposited at the Company's Registered Office at 1st Floor, Saptak Plaza, 18 Shivaji Nagar, Nagpur - 440 010, not less than 48 hours before the meeting.
3. Members are requested to notify immediately any change in their address to the Company's Shares Department at the Head Office with their ledger folio number(s).
4. The Register of Members and Share Transfer Books of the Company will be closed from 02.09.1997 to 11.09.1997 (both days inclusive).
5. The Company has already transferred unclaimed dividend declared upto the financial year ended 31st March, 1993 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Maharashtra, Everest, 100 Marine Drive, Mumbai - 400 002.

   The unpaid dividend for the financial year ended 31st March, 1994 is also due for transfer to Central Government during the month of October, 1997. Members who have not encashed their dividend warrants for the aforesaid financial year are requested to contact the Shares Department at the Head Office of the Company for issue of Duplicate Dividend Warrants or for revalidation of the Dividend Warrants, as the case may be.
6. In order to service the Shareholders effectively and for administrative convenience, Members are requested to notify regarding multiple folios standing in their name for consolidation, to the Shares Department at the Head Office of the Company immediately.

By Order of the Board
for DCL POLYESTERS LIMITED

Hyderabad,
27th June, 1997.

G.B.B. BABUJI
Company Secretary

c. The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income Tax Rules, 1962.

ii. Medical Reimbursement:

Expenses incurred for self and family subject to a ceiling of one month salary per year or three months salary in a period of three years.

iii. Leave Travel concession:

For self and family once in a year in accordance with any rules specified by the Company.

iv. Club Fees:

Fees of Clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

v. Personal Accident Insurance:

For an amount the annual premium of which does not exceed Rs. 4000/-.

PART B

i. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.

ii. Gratuity payable in accordance with an approved scheme of the Company.

PART C

i. Free use of Company car on Company's business.

ii. Residential telephone shall be provided. All long distance personal calls shall be duly logged and paid for by the Wholetime Director (Exports & Projects).

iii. Earned/ Privilege Leave - On full pay and allowances as per rules of the Company. Leave accumulated but not availed of during his tenure, may be allowed to be encashed as per the rules of the Company."

"RESOLVED FURTHER THAT in pursuance of the provisions of Section 198(4) of the Companies Act, 1956, the above may be paid as the minimum remuneration to Mr P V R Raju, Wholetime Director (Exports & Projects) in the absence of or inadequacy of profits in any year."

9. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special resolution:

"RESOLVED THAT subject to the confirmation of Company Law Board, the Registered Office of the Company presently situated at Nagpur in the State of Maharashtra be shifted and be situated at Hyderabad in the State of Andhra Pradesh".

"RESOLVED FURTHER that Clause-II of the Memorandum of Association of the Company be altered by substituting the words "State of Maharashtra" by the words "State of Andhra Pradesh"."

10. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special resolution:

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the Articles of Association of the Company be and is hereby altered as under:

(a) In lieu of Article 22, the following new Article be inserted:

"22. Power of Company to purchase or re-sell its own shares.

Subject to the provisions of the Companies Act, 1956 as amended from time to time permitting the Company in this behalf and notwithstanding anything contained in any other Articles, the Company may from time to time, subject to such approvals as may be necessary, purchase such quantity or quantities of the fully paid shares of the Company whether or not they are redeemable, at such rate and on such terms as the Board may deem proper and make payment(s) for such purchases and to cancel them or keep them alive and/or re-sell from time to time such number(s) of the shares so purchased, at such rate(s) and on such terms and the Board may deem proper."

(b) After the existing Article 9 following new Article be inserted:

Annexure to Notice

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No:5

Mr D R K Rao was appointed as an Additional Director by the Board of Directors at its meeting held on 07.03.1997. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956, the Company has received a notice from a Member signifying his intention to propose the appointment of Mr D R K Rao as a Director along with a deposit of Rs.500/-.

Mr D R K Rao is a Technical Specialist in the Polyester Industry and war actively associated with the Company as a Technical Consultant since the inception of the project till its completion.

He has over 30 years of industrial experience in respect of the design, detailed engineering, erection and supervision of the man-made fibre projects. He is also fellow Member of Institute of Engineers and Institute of Measurements and Control, U.K.

Your Board considered it expedient to appoint Mr D R K Rao as a Director, whose vast and varied experience in the man-made fibre industry will be beneficial to the Company.

Your Directors commend the resolution for your approval.

None of the Directors excepting Mr D R K Rao is interested in the resolution.

Item No.6

Mr Khalid Hamad Al-Roumi was appointed in place of Mr Khalid Ali Al-Mosallam by KREIC as its Nominee on the Board of Directors of the Company w.e.f. 07.03.1997. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting.

As required under Section 257 of the Companies Act, 1956, the Company has received a notice from a Member signifying his intention to propose the appointment of Mr Khalid Hamad Al-Roumi as a Director along with a deposit of Rs.500/-.

Your Directors commend the resolution for your approval.

None of the Directors excepting Mr Khalid Hamad Al-Roumi is interested in the resolution.

Item No. 7 & 8

Mr P V R Raju was appointed as an Additional Director and as Wholetime Director (Exports & Projects) by the Board of Directors at the meeting held on 07.03.1997. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956, the Company has received a notice from a Member signifying his intention to propose the appointment of Mr P V R Raju as a Director along with a deposit of Rs.500/-.

Mr P V R Raju, a relative of Mr M B Raju, Chairman & Managing Director, is an Engineering Graduate and a Post Graduate in Science, has been working with the Company for the past 10 years and has experience in the areas of exports, export market development and basic project work. He was General Manager (Exports & Projects) of the Company and has been principally looking after the exports of POY/Processed Yarn/Twisted Yarn and is a part of the Management team, which is presently working on various projects, corporate planning and strategies in the wake of economic liberalisation and globalisation.

As the exports constitute the thrust area of the Company in view of the domestic competition, it has become inevitable to integrate exports with the future plans of the Company. In view of this, it has been decided to strengthen the export department and considered necessary to have one full time Director heading the export functioning of the Company.

Having regard to the valuable services rendered to the Company by Mr P V R Raju, the Board of Directors at the meeting held on 7th March, 1997 considered and approved the elevation of Mr P V R Raju to the Board as Wholetime Director (Exports & Projects) for a period of 5 years.

The proposed resolution set out at item No.8 and this explanatory statement may be treated as an abstract of the terms and conditions of the appointment of Mr P V R Raju as Wholetime Director (Exports & Projects) in terms of Section 302 of the Companies Act, 1956.

Your Directors commend the resolution for your approval.

None of the Directors excepting Mr M B Raju and Mr P V R Raju, is interested in the resolution.

Item No.9:

The Registered Office of the Company is presently situated at Nagpur in the State of Maharashtra. Often it becomes difficult to coordinate and monitor the operations and the Company can comfortably administer the control from Head Office at Hyderabad, if the Registered Office of the Company can be shifted to Andhra Pradesh. The Company has therefore given serious thought to change the Registered Office of the Company from Nagpur to Hyderabad in view of operational convenience and in order to ensure better coordination and employ the guidance and expertise of top executives positioned at Hyderabad. This change will also ensure better investor services.

Since all other Companies of DCL Group are situated in one premises at Hyderabad from the point of view of economy and administrative convenience and in order to make use of common infrastructural facilities that are already available under one roof at Hyderabad, it is therefore considered necessary and desirable to shift the Registered Office of the Company from the State of Maharashtra to the State of Andhra Pradesh to carry on the business more economically and efficiently under the existing circumstances.

Your Directors commend the resolution for your approval.

None of the Directors is interested in the resolution.

Item No.10:

The existing provisions of the Companies Act, 1956 prohibits the Company to purchase its own shares and prohibits the issue of non-voting shares or issue of shares with disproportionate voting rights. Whereas this is not so as in the case of most of the European Countries and New Zealand whose Laws permit the companies to purchase their shares subject to certain safeguards and issue of shares with non-voting rights.

The Working Group which has been set up to redraft the Companies Act, 1956 has submitted its report and recommended that the companies could buy back its own shares subject to prior approval of the shareholders and permits the companies, the issue of non-voting shares or issue of shares with disproportionate voting rights.

This recommendation for the buy-back of shares will be beneficial both to the Company and to the shareholders, particularly when they are confronting with the problem of disposing off their odd lot shares. The issue of shares with non-voting rights is also beneficial both to the shareholders and to the Company. However, these powers to purchase shares of the Company and issue of shares with non-voting rights can be exercised, by providing enabling provisions in the Articles of Association and which come into effect only after the Companies Act, 1956 is amended permitting the companies to exercise these powers.

It is therefore, thought fit to insert these enabling provisions in the Articles of Association of the Company keeping in view the recommendations of the working group set up to redraft the Companies Act, 1956.

Your Directors commend the resolution for your approval.

None of the Directors is interested in the resolution.

By Order of the Board
for DCL POLYESTERS LIMITED

Hyderabad,
27th June, 1997.

G.B.B. BABUJI
Company Secretary

Regd. Office:
1st Floor
Saptak Plaza
18 Shivaji Nagar
NAGPUR - 440 010

Head Office & Shares Department
"Deccan Chambers"
6-3-666/B, Somajiguda
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DCL POLYESTERS LIMITED

Directors' Report

Your Directors present this Eleventh Annual Report together with the Audited Accounts and the Report of the Auditors for the year ended March 31, 1997.

Operational Results :

	1996-97	1995-96
	Quantity in Tonnes	
Production		
Polyester Filament Yarn	29024	25451
Draw Texturised/Twisted Yarn	2383	1590
Polyester Chips	5528	1498
Sales		
Polyester Filament Yarn	28519	26418
Draw Texturised/Twisted Yarn	2336	1755
Polyester Chips	5672	2380

Financial Results :

	1996-97	1995-96
	Rupees in Crores	
Gross Turnover	321.11	428.99
Turnover net of Excise duty and Sales tax	222.60	283.96
Other Income	6.32	7.12
Total Expenditure	200.03	238.57
Profit before interest and depreciation	28.89	52.51
Interest	26.52	30.12
*Depreciation	15.29	15.09
Provision for Taxation	—	—
Profit/ (Loss) after Tax	(12.92)	7.25
Add : Balance brought forward from the previous years	14.87	11.38
Net Profit available for appropriation	1.95	18.63

* On straight line basis

Appropriations :

	1996-97	1995-96
Transfer to Debenture Redemption Reserve	—	3.76
Transfer to General Reserve	—	—
Proposed Dividend on Equity Share Capital	—	—
	—	3.76
Leaving a balance to be carried forward	1.95	14.87
T O T A L	1.95	18.63

Review of Operations for the Year 1996-97:

The year 1996-97 has witnessed a slow down in the corporate performance in almost all the sectors. This is particularly predominant in the synthetic textiles and polyester industry. Many units have either closed down their operations or are working at reduced capacities.

Though the demand for Polyester Filament Yarn has grown by about 25%, the supply growth was by about 40%, because of creation of additional capacities. This has resulted in cut-throat competition, lower selling prices and severe pressure on the margins over the past two years. This was further aggravated by the global phenomenon of declining prices of POY.

In this scenario of over supply and consequent lower selling prices, on the operational front, your Company's performance was satisfactory in terms of volume registering an increase of 29% over the previous year. Yet the margins of your Company remained under severe pressure with a continuous decline in end-product prices.

Your Company has however made all out efforts to overcome the above adverse factors and achieve the most optimal performance in the prevailing adverse conditions. Your Board therefore, in view of the negative impact on the profitability on account of adverse market conditions, is unable to recommend dividend for the year 1996-97.

Outlook for the Current Year:

Despite the general slow down in exports, the PFY industry is the only category which has sustained export tempo and recorded an increase of 29.21% during the first 8 months of the fiscal year 1996-97. Further, the reduction in excise duty from 46% to 34.5% announced in the Union Budget 1997, is expected to boost the consumption of PFY by a healthy growth of 20%-25%, which may positively influence the performance of the Company during the year 1997-98. For an industry plagued with over-capacity and depressed profitability, the increase in consumption of PFY has come as a welcome relief.

On the raw material front, with the commissioning of Hazira plant by Reliance Industries Ltd. and new capacities by South East Asian countries like Korea, Indonesia, China, Taiwan, etc. PTA is freely available both in domestic as well as international markets and therefore, your Company does not foresee any problem in the near future for procurement for PTA. However, MEG position is hardening and your Company has taken precautions to ensure continuous supplies

With the steady growth in demand for PFY and the increase in supply of raw materials coupled with the decline in their prices, will offset the fall in prices of PFY and relieve the PFY industry of the over-capacity scenario, which it has been facing for the last two years. Your Company, accredited by BVQI, UK for quality standards under ISO 9002, is confident of retaining its market even during the existence of over-supply situation in the country and therefore, the outlook for the current year is expected to be better than 1996-97.

Texturising Division :

The texturising division, is performing well, despite the adverse market conditions prevailing in the POY industry. The sustained fall in prices of POY has led to better margins for the texturisers. Further, the demand for quality texturised yarn has also been generated. With a view to cater to the growing PTY market, the Company made timely investments in expanding the existing capacity by adding two texturising machines, which has positioned the division well to compete effectively in domestic as well as international markets.

Diversification Plans :

With a view to attain sustained growth, your Company is exploring various avenues for diversification and will take necessary steps to enter into some of these areas at an appropriate time.

Performance Vs. Promises :

As required by Clause 43 of the Listing Agreement of the Stock Exchanges, we give below a statement of actual results for the year 1996-97 compared to those projected in the Letter of Offer dated 10.12.1993 for Rights Issue.

(Rs. in crores)

Particulars	Projections	Actuals for the year 1996-97
Net Turnover	243.31	222.60
Gross Profit	76.70	28.89
Interest	28.31	26.52
Depreciation	26.53	15.29
Net Profit/(Loss)	21.71	(12.92)

As explained earlier, the margins of the Company remained under severe pressure with continual decline in the end-product prices on account of capacity overhang both domestically and globally, which was beyond the control of the Company.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Expenditure :

Information on conservation of energy, technology absorption, foreign currency earnings and outgo as required under Section 217 (1) (e) of the Companies Act.1956, is set out in Annexure-1 which forms part of this Report.

Environment :

Your Company is glad to report that it continues to ensure that the air, water and other environmental standards are achieved as per prescribed norms.

Annexure II to this report presents a summary of the standards achieved in relation to those prescribed.

Fixed Deposits :

The Company has not accepted any fixed deposits and the provisions of Section 58 A of the Companies Act, 1956 are not applicable to the Company.

Insurance :

All the properties of the Company including its buildings, plant and machinery and stocks have been adequately insured.

Employee Relations :

The employee relations continue to be satisfactory during the year also.

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Head Office of the Company.

Auditors :

The Statutory Auditors, M/s. M Bhaskara Rao & Company, Chartered Accountants, Hyderabad, retire at the conclusion of the ensuing Annual General Meeting and, being eligible, are recommended for reappointment. They have furnished a certificate stating that their appointment, if made, will be within the limits laid down under Section 224 (1B) of the Companies Act, 1956.