

DCL POLYESTERS LIMITED

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**Annual Report
1998 - 99**



**DCL
POLYESTERS
LIMITED**

Board of Directors

M.B. Raju
P. Venugopal Raju
P.V.R. Raju
Jaykrishna Harivallabhdas
V.N.Nadkarni
Dr. N.C.B.Nath
A.V. Rajwade
S. Srinivasan
D.R. Mehta
Khalid Hamad Al-Roumi
D.R.K.Rao
K. Jayabharath Reddy, IAS

Chairman & Managing Director
Joint Managing Director
Wholtime Director (Exports & Projects)

Nominee Director of SICOM
Nominee Director of IDBI
Nominee Director of ICICI
Nominee Director of KREIC

Senior Executives

Dr. S.C.Basu
V. Sambasiva Rao
G.B.B. Babuji

Sr. Vice President (Works)
Vice President (Finance)
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 :

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

Texturising Division

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

Registered Office

8th Floor, "Deccan Chambers"
6-3-666/B, Somajiguda,
Hyderabad - 500 082.



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Notice of the Thirteenth Annual General Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of DCL POLYESTERS LIMITED will be held on Friday, the 17th day of September, 1999, at 10.00 a.m. at Hari Hara Kala Bhavan, MCH Complex, Sardar Patel Road, Secunderabad - 500 003, 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, 1999, the Audited Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Mr P V R Raju 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 a Director in place of Mr V N Nadkarni who retires by rotation and is eligible for reappointment.
5. 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:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the limits specified in Schedule XIII of the said Act, Mr P Venugopal Raju be and is hereby reappointed as the Joint Managing Director of the Company for a period of 5 years with effect from 1st May, 1999 on the following terms and conditions:

Salary:

Rs.50,000 p.m. in the grade of Rs.50,000-2,00,000 p.m.

Commission:

Commission @ 0.5% of the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956.

Perquisites and Allowances:

i. Housing:

- a. Company owned/leased free furnished accommodation.
- b. Where the Company does not provide accommodation to the Joint Managing Director, House Rent Allowance may be paid by the Company @ 60% of basic salary.
- c. The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income Tax Rules, 1962. This will, however, be subject to a ceiling of 10% of salary of the Joint Managing Director.

ii. Medical Reimbursement:

Expenses incurred for self and family subject to a ceiling of one month's 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 as per the rules of the Company.

Other Perquisites:

- i. Company's contribution towards Provident Fund as per rules of the Company.
- ii. Company's contribution towards Pension/ Superannuation Fund, as per rules of the Company - such contribution together with the contribution to the Provident Fund shall not exceed the limits prescribed in the Income Tax Act, 1961.



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- iii. Gratuity - payable in accordance with an approved scheme and shall not exceed one half month's salary for each completed year of service.

Contribution to Provident Fund and Superannuation Fund to the extent they are exempted under the Income Tax Act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. All long distance personal calls shall be duly logged and paid for by the Joint Managing Director. Earned/Privilege Leave on full pay and allowances as per the 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 where in any financial year, the Company has no profits or its profits are inadequate, the Company may pay to Mr P Venugopal Raju, remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit of Rs.10,50,000 per annum or Rs.87,500 per month and in addition thereto the perquisites not exceeding the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956, including any statutory modification thereof, for the time being in force."

By Order of the Board
for **DCL POLYESTERS LIMITED**

Hyderabad,
29th May, 1999

G B B BABUJI
Company Secretary

Regd. Office:

8th Floor, "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 8th Floor, Deccan Chambers, 6-3-666/B, Somajiguda, Hyderabad - 500 082, 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 Registered Office with their ledger folio number(s).
4. The Register of Members and Share Transfer Books of the Company will be closed from 6th September, 1999 to 17th September, 1999 (both days inclusive).
5. The Company's Equity Shares are listed on - 1. The Hyderabad Stock Exchange Limited, Hyderabad; 2. The Stock Exchange, Mumbai; 3. The Ahmedabad Stock Exchange Association Limited, Ahmedabad; 4. The Calcutta Stock Exchange Association Limited, Calcutta; 5. The Delhi Stock Exchange Association Limited, New Delhi; 6. Pune Stock Exchange Limited, Pune; 7. National Stock Exchange of India Limited, Mumbai. The listing fee in respect of all these Stock Exchanges has been paid up to date.
6. The Company has already transferred unclaimed dividend declared upto the financial year ended 31st March, 1995 to the General Revenue account of the Central Government as required by the Company's Unpaid Dividend (Transfer to General Revenue Account of 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, Andhra Pradesh, 3-5-398, II Floor, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad - 500 095.
7. Members are requested to notify to the Shares Department at the Registered Office of the Company regarding the multiple folios standing in their names immediately.



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Annexure to Notice

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

Item No.6:

Mr P Venugopal Raju was holding the position of Executive Director of your Company. His term of appointment expired on the 26th May, 1999.

Mr P Venugopal Raju, a relative of Mr M B Raju, Chairman & Managing Director, holds a Bachelors Degree in Commerce and is an Associate Member of the Institute of Chartered Accountants of India. He has also successfully completed PG Course in Master of Science in Management from the Sloan School of Management, Massachusetts Institute of Technology (MIT), Boston, USA.

Mr P Venugopal Raju has joined the Company in the year 1988 and held various positions, gained considerable experience and has exposure to all the activities of the Company. As Director (Commercial) and Executive Director he is incharge of all the commercial functions including raw material procurement and marketing of finished products, Corporate personnel administration, Finance and other areas. With his experience in all the facets of

the Company's operations, Mr P Venugopal Raju is geared up to shoulder additional responsibilities.

In view of the above, your Board considered the appointment of Mr P Venugopal Raju as Joint Managing Director for a period of 5 years with effect from 1st May, 1999 on the terms and conditions set out in the Notice and commend for your approval.

The proposed resolution as set out in the Notice and this Explanatory Statement may be treated as an abstract of the terms and conditions of the appointment of Mr P Venugopal Raju as Joint Managing Director in terms of Section 302 of the Companies Act, 1956.

Excepting Mr P Venugopal Raju himself and Mr M B Raju, being the relative of Mr P Venugopal Raju, no other Director is interested in this resolution.

By Order of the Board
for **DCL POLYESTERS LIMITED**

Hyderabad,
29th May, 1999

G B B BABUJI
Company Secretary

Regd. Office:

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Directors' Report

Your Directors have pleasure in presenting the Thirteenth Annual Report together with Audited Statement of Accounts for the year ended 31st March 1999.

Physical Performance:

	1998-99	1997-98
	Quantity in Tonnes	
Production :		
Polyester Filament Yarn	32,849	31,117
Draw Texturised/Twisted Yarn	6,467	4,625
Polyester Chips (Net of Captive Consumption)	6,004	2,056
TOTAL	45,320	37,798

Sales :

Polyester Filament Yarn	32,113	31,175
Draw Texturised/Twisted Yarn	6,407	4,612
Polyester Chips	6,073	2,667
TOTAL	44,593	38,454

Financial Performance:

	1998-99	1997-98
	Rupees in Crores	
Gross Turnover	270.37	297.86
Net Turnover (Net of Excise Duty & Sales Tax)	202.38	223.36
Other Income	2.55	4.61
Total Expenditure	193.07	196.21
Profit before Interest and Depreciation	11.86	31.76
Interest	27.48	25.97
Depreciation	16.25	15.73
Provision for Taxation	—	—
Profit/(Loss) After Tax	(31.87)	(9.94)

Review of Operations:

The textile industry has witnessed severe demand recession during the year 1998-99. The off-take of fabric was sluggish through most part of the year due to general economic recession. The demand supply gap for Polyester Filament Yarn (PFY) has narrowed down considerably with a steady growth in demand of over 25% recorded in the past couple of years.

PFY manufacturers in South East Asian countries, who were reeling under pressure from currency crisis, have turned out to be the desperate sellers in the international market at unbelievably low prices unheard of in the history of Polyester industry.

The poor off-take of fabric in the domestic market and the threat of cheaper imports from South East Asian Countries have drastically pulled down the selling prices of PFY. This has seriously affected the operating margins of all polyester manufacturers in the country. In this scenario, increased productivity through optimal utilisation of production facilities and reduction in operating costs are the only key factors for survival. Your Directors are happy to inform you that despite the adverse market conditions, your Company, which was already operating at full capacity, has improved its productivity further and achieved higher volumes of production and sales of all its products.

Volume growth over 1997-98 %

Particulars	Production	Sales
Polyester Filament Yarn	5.6	3.0
Draw Texturised/Twisted Yarn	39.8	38.9
Polyester Chips	192.0	127.7

On the cost reduction front, your Company has initiated and implemented several cost reduction exercises, significant among them being the conversion of 3 extruder lines to direct spinning lines, resulting in significant savings in consumption of power and reduction of waste etc.

During the year under review, your Company has also installed two more texturising machines to achieve higher value addition to its products.

The prudent steps initiated by your Company have started yielding positive results. However, in view of severe adverse market conditions, your Company could not avoid posting a negative result for the year 1998-99 as well. Given the negative impact on the Company's profitability on account of adverse market conditions, your Directors express their inability to recommend any dividend.

Expansion of Spinning Capacity :

During the last year, your Company has planned for expansion of spinning capacity by about 10,000 MTs per annum to achieve optimal utilization of surplus



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polymerization capacity. However, keeping in view, the general economic recessionary situation prevailing in the country and the pressure on the margins for Company's end products, your Directors have thought it fit to put on hold the expansion plans for some time.

Restructuring of Existing Loans and Issue of NCDs:

During the year under review, the All India Financial Institutions (AIFIs) led by Industrial Development Bank of India (IDBI) have restructured the term loan repayments and interest payments and agreed to subscribe to Non Convertible Debentures on private placement basis aggregating to Rs. 62.30 Crores. The Financial Institutions have also reduced the interest rates on all the existing term loans and NCDs. This would give much desired relief in terms of cash flows and also reduces the interest burden on your Company. These NCDs shall be redeemed in 26 quarterly instalments commencing from 1st April, 2001.

Outlook for the Current Year :

The domestic demand for Polyester Filament Yarn (PFY) has been growing at a steady pace over the past two to three years. With the product demand raising and no major additional polyester capacities getting added in the country in the immediate future, the demand is expected to exceed the supply during the current financial year. The domestic industry already started experiencing the impact of growing demand for PFY and the prices have started firming up in the recent months. The international selling prices have already firmed up to reasonable levels giving further scope for improvement in the domestic selling prices of PFY. Your Company therefore, expects to improve its operating margins and profitability during the current financial year.

Y2K Compliance:

Your Directors are happy to inform you that your Company has taken appropriate/effective steps to secure Y2K compliance of all Equipment, Data Processing Systems and Main Applications. Significant progress has been made in this direction and the Company would become Y2K Compliant by July, 1999.

The expenditure for achieving Y2K compliance is not significant.

The Company does not envisage any disruptions of its operations due to Y2K problem.

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 - I 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 :

Your 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.

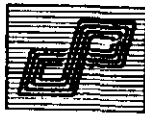
Employee Relations :

The employee relations continued to be cordial during this year also.

None of the employees of the Company are in receipt of remuneration of more than Rupees Six Lacs per annum or Rupees Fifty Thousand per month, where the employment is for a part of the year, and as such the list of employees as contemplated under Section 217 (2A) of the Companies Act, 1956 is not enclosed to this report.

Auditors :

The statutory auditors, M/s. M Bhaskara Rao & Co., 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.



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Directors :

During the year under review, Mr. G K Rathi has vacated his office in terms of Section 283 of the Companies Act, 1956.

Pursuant to Article 123 of the Articles of Association of the Company, Mr P V R Raju, Mr V N Nadkarni and Mr Jaykrishna Harivallabhdas, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Acknowledgements:

Your Directors convey their sincere thanks to the Government of India, the Government of Maharashtra, the Government of Andhra Pradesh, the SICOM Ltd., the Industrial Development Bank of India, the Industrial

Finance Corporation of India Ltd., the ICICI Ltd., the Unit Trust of India, the Industrial Investment Bank of India, the Life Insurance Corporation of India, the State Bank of India and other Consortium Member Banks, the Company's customers, marketing agents and suppliers for the support and assistance provided to the Company.

Yours Directors thank all the employees of the Company for their dedicated service.

For and on behalf of the Board

Hyderabad,
29th May, 1999.

M B RAJU
Chairman &
Managing Director

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Annexure - I

Disclosure of particulars in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under Companies (Disclosure of particulars in the Directors' Report) Rules, 1988.

A) Conservation of Energy:

a) Energy conservation measures taken under implementation:

1. a) Three Extruder Spinning Lines were converted to Direct Melt Spinning Lines.
b) Change of electrical heating of Spinning Lines 7 and 8 reboiler to primary heating. Implementation of both the above systems has resulted in saving of approx. 10000 KWH per day.
2. Installation of Enthlpy Control System in all air washers of Direct Melt Spinning Lines. This has resulted in saving in chilled water consumption and reduction in load on chillers thereby reducing energy consumption.
3. Recycle of soft water used for cooling of agitator and pumps in polymerisation section back to cooling tower. This has resulted in overall reduction in soft water consumption to the tune of 150 cu.m./day.
4. Providing open channel gravity flow for discharge nutrapit water of DM Plant. A separate pump was operated for this purpose, which has now been stopped. This has resulted in saving of approx. 100 KWH/day.
5. Impellers of 03 No. chilled water pumps were modified for lower head and higher flow to suit plant requirement. This has resulted in saving of 15 KWH per pump.
6. Operation of UPS Air Washer Chilled Water Pump was optimised by providing inter connection through AHU Chilled Water Pump which is adequate for refrigeration load of AHU and UPS Air Washer together. UPS Air Washer Pump is now used sparingly.
7. Provision for Auto Drain Valve in all air compressors to minimise compressed air loss.
8. Installation of energy saver for lighting circuit.
9. Energy Management System has been installed in utility area which has helped in optimising utility plant operations.

b) Additional investments and proposals for reduction in consumption of energy :

1. Installation of FRP fan blades in main cooling tower in Texturising Division.
2. Installation of raw water pump in Officer's Colony for gardening purpose. This will reduce consumption of filter water and chemicals used for water treatment.
3. Modification of impeller of AHU Chilled Water Pump for lower head and higher flow to suit plant requirement thereby reducing energy consumption of pump installed for this purpose.
4. Installation of Variable Speed Drive for ID Fan of boiler.
5. Corrective measures to further improve condensate recovery and reduce steam losses.

c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods:

The measures taken above have resulted in savings of about Rs.150 Lakhs per annum.

d) The total energy consumption and energy consumption per unit of production:

Information is furnished as per Form A enclosed.

B) Technology Absorption:

Efforts made in Research and Development and Technology Absorption, adaptation and innovation are furnished in the prescribed Form B enclosed.

C) Foreign Exchange Earnings and Outgo:

a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services, and export plans:

The Company exported 860 MTs of Polyester Yarn, Chips and Texturised Yarn in 1998-99 and achieved an export turnover of Rs.570.27 lakhs.

b) Total foreign exchange used and earned:

	<u>Rupees in lakhs</u>
Total foreign exchange used (including cost of raw materials, stores, spare parts and other expenditures in foreign currency)	647.11
Total foreign exchange earned (FOB value of exports)	570.27



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Form - A

Form for disclosure of particulars with respect to Conservation of Energy

	Current Year (1998-99)	Previous Year (1997-98)
A) Power and Fuel Consumption:		
1. Electricity:		
a) Purchased		
Units/Kwh	38018931	34643396
Total Amount (Rs.lakhs)	1384.29	1086.90
Rate/Unit (Rs./Kwh)	3.64	3.14
b) Own Generation		
Through Diesel Generator		
Unit/Kwh	14575020	16153492
Unit/Kwh per Ltr.of Diesel Oil	3.95	3.96
Cost/Unit (Rs./Kwh)	2.36	2.35
2. Coal (For steam generation)		
Quantity (MTs)	9000.50	11455.00
Total Amount (Rs.lakhs)	109.84	142.47
Average Rate (Rs./MT)	1220.38	1243.74
3. Furnace Oil		
Quantity (MTs)	2889.79	2526.65
Total Amount(Rs.lakhs)	174.10	167.37
Average Rate(Rs./MT)	6024.66	6624.19
B) Consumption per unit of production:		
Production-POY/Chips (MT)	38853	33173
Electricity (Units/MT)	1003.08	1233.50
Furnace Oil (MT/MT)	0.0744	0.0761
Coal (MT/MT)	0.2317	0.3453
Production - Processed Yarn (MT)	6467	4625
Electricity (Units/MT)	2106.25	2135.78