



DCL POLYESTERS LIMITED

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**Annual Report
1999 - 2000**



**DCL
POLYESTERS
LIMITED**

Board of Directors

M.B. Raju
P. Venugopal Raju
P.V.R. Raju
V.N.Nadkarni
Dr. N.C.B.Nath
K.X.M. John
D.R. Mehta
Khalid Hamad Al-Roumi
D.R.K.Rao
K. Jayabharath Reddy, IAS

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

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

Senior Executives

Dr. S.C.Basu
G.B.B. Babuji

Sr. Vice President (Works)
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 Fourteenth Annual General Meeting

Notice is hereby given that the Fourteenth Annual General Meeting of DCL POLYESTERS LIMITED will be held on Monday, the 18th day of September, 2000 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 & Loss Account for the year ended 31st March, 2000, the Audited Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Dr. N.C.B. Nath, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. K. Jayabharat Reddy, 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 the Shareholders of the Company hereby take note of the fact that though the Company has a positive net worth as on the 31st March, 2000, this meeting has been convened, inter alia, to comply with the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, since 50% of the peak net worth of the Company during the immediately preceding four financial years stands eroded.

RESOLVED further that the shareholders also take note of the causes for such erosion and the steps being taken by the Board of Directors to improve the performance of the Company".

By Order of the Board,
For **DCL POLYESTERS LIMITED**

G D B Babuji
Company Secretary

Regd Office:

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

Dated 22nd June, 2000

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 the 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 Share Department at the Registered Office with their ledger folio number.
4. The Register of members and Share Transfer Books of the Company will be closed from 8th September, 2000 to 18th September, 2000 (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 Ltd., Ahmedabad. 4. The Calcutta Stock Exchange Association Limited, Calcutta, 5. The Delhi Stock Exchange Association Limited, New Delhi 6. Pune Stock Exchange Limited, Pune and 7. The National Stock Exchange of India Limited, Mumbai. The listing fee in respect of all these Stock Exchanges has been paid up to date.



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Annexure to Notice

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

Item No.5:

According to the provisions of Section 23 of the Sick Companies (Special Provisions) Act, 1985, if the accumulated losses of the Company at the end of the financial year has resulted in erosion of 50% or more of its peak net worth during the immediately preceding four financial years, then the Company is required to comply with the provisions of the said Section for considering such erosion. The accumulated losses of the Company at the 31st March, 2000 amounted to Rs. 7042 lacs, which has reduced the net worth to Rs. 6238 lacs and is more than 50% of the peak net worth of the Company of Rs.16240 lacs during the immediately preceding four financial years. The members are therefore requested to consider such erosion of net worth and pass the resolution set out at item 5 of the Notice. In terms of Section 23(1)(a)(i) of the Act, the Company is taking necessary

steps to report the fact of such erosion to the Board for Industrial and Financial Reconstruction within the prescribed period.

None of the Directors is concerned or interested in the resolution.

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

G B B BABUJI
Company Secretary

Regd Office:

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

Dated 22nd June, 2000.

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Directors' Report

Your Directors present the 14th Annual Report together with the Audited Accounts and the Report of the Auditors for the year ended 31st March, 2000.

Physical Performance:

	1999-2000	1998-1999
	Quantity	in Tonnes
Production :		
Polyester Filament Yarn	32,816	32,849
Draw Texturised/Twisted Yarn	6,912	6,467
Polyester Chips (Net of Captive Consumption)	6,835	6,004
TOTAL	46,563	45,320
Sales :		
Polyester Filament Yarn	32,188	32,113
Draw Texturised/Twisted Yarn	7,171	6,407
Polyester Chips	6,570	6,073
TOTAL	45,929	44,593

Financial Performance:

	1999-2000	1998-1999
	Rupees	in Crores
Gross Turnover	295.17	270.37
Net Turnover (Net of Excise Duty & Sales Tax)	223.34	202.38
Other Income	1.01	2.55
Total Expenditure	229.92	193.07
Profit/(Loss) before Interest & Depreciation	(5.57)	11.86
Interest	23.26	27.48
Depreciation	16.56	16.25
Provision for Taxation	—	—
Profit/(Loss) After Tax	(45.39)	(31.87)

Review of Operations:

The financial year 1999-2000 also has been a difficult year for the Company and the problems persisted through out. During the year the prices of raw materials went up, viz. PTA by around 30% and MEG nearly 55%. Due to the continued recessionary conditions and the import of fabric at cheaper rates

mainly from the South East Asian countries, the domestic PFY industry could not pass on the cost increases to the consumers. PFY prices on an average could be raised only by about 13%, which was less than half the increase in the raw material prices. As a result the margins were considerably eroded leading to huge losses.

Further the Union Budget 2000-2001 gave a serious blow to the Polyester industry by reducing the import duty on PFY from 35% to 20%. The import duty on raw materials, i.e. PTA & MEG continues to remain high at 25%, resulting in negative protection to the domestic industry.

During the year under review, the production and sales quantities have increased and the turnover has also increased. However, due to the factors explained above, your Company has incurred a net loss of Rs. 45.39 crores, after providing for interest of Rs. 23.26 crores and depreciation of Rs. 16.25 crores.

Provisions of the Sick Industrial Companies (Special Provisions) Act, 1985:

The provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) are applicable to the Company as the accumulated loss of the Company amounting to Rs. 70.42 crores as at 31st March, 2000, has brought down the net worth to Rs. 62.38 crores and resulted in erosion of more than 50% of the peak net worth of Rs. 162.40 crores during the immediately preceding four financial years and the Company has become a 'Potentially Sick Company'. The causes for such erosion are the losses incurred by the Company due to (i) excess domestic capacity, (ii) global recession in demand for textiles, (iii) inadequate protection against cheaper imports and high incidence of excise duty on domestic PFY, (iv) increase in raw material prices without corresponding increase in sales realisations, as explained in the earlier paragraphs.

Your Board of Directors have reviewed the situation and are of the opinion that in view of the anticipated improvement in demand-supply situation in the near future, coupled with the measures adopted by the Company to bring down the costs and the financial restructuring package being worked out in consultation with the Company's lenders, it is possible to overcome the situation.



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Promoters:

Mr. M.B. Raju and Associates and Deccan Cements Limited, promoters of your Company, have entered into an agreement with M/s. Synergy Synthetics Private Limited (SSPL) on the 29th May, 2000, to sell their entire shareholding aggregating to 24.46% of the equity share capital of the Company, subject to approval of the financial institutions, banks and other statutory authorities. SSPL is in the process of complying with the requirements of the SEBI (Substantial Acquisition of Shares) Regulations, 1997 of making an Open Offer to your Company's shareholders.

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

Information on conservation of energy, technology absorption, foreign exchange 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 the prescribed norms. Annexure-II to this report presents a summary of the standard 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.

Employees:

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 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 with this report.

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

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.

Directors:

Mr. S.Srinivasan, Nominee Director of IDBI has been replaced by Mr K X M John. SICOM has withdrawn the nomination of Mr. A.V. Rajwade. Mr. Jaykrishna Harivallabhdas ceased to be a Director on resignation.

Your Directors place on record their appreciation of the valuable advice and guidance provided by Mr. S. Srinivasan, Mr. A.V. Rajwade and Mr. Jaykrishna Harivallabhdas during their tenure of office as Directors of the Company.

Pursuant to Article 123 of the Articles of Association of the Company, Dr. N.C.B. Nath and Mr K. Jayabharat Reddy, 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 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.

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

Hyderabad,
22nd June, 2000.

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. The impeller of AHU chilled water pump was modified to get higher flow & lower head to suit plant requirement thereby reducing energy consumption.
2. Variable Speed drive was installed for ID fan for Boiler with a change over facility such that the same drive could be utilised for any of the two boilers. This has helped in running the ID fan at reduced speed as per draft requirement and load on the boiler thereby reducing energy consumption of ID fan.
3. One raw water pump was installed in officers' colony for gardening purpose. This has reduced consumption of filtered water and chemicals used for water treatment.
4. Lag area supply air fan and return air fan pulley was modified to match the air flow requirement of the plant. This has resulted in reduction in energy consumption of both the fans.
5. Line No. 11 : Chips Dryer exhaust air blower pulley was modified to match the air flow requirement in the Dryer. This has resulted in reduction in energy consumption of blower.
6. Arrangements was made for recycling of cooling water required for vacuum pump of EG recovery area. By this modification about 90% of the water is recycled and only 10% of fresh water is taken for make-up. Earlier, total quantity of water was discharged as waste water to effluent treatment plant. This has resulted in saving of about 150 M³ of soft water per day.
7. FRP fan blades were installed in place of Aluminium blades in
 - i) D. G. Cooling tower
 - ii) Main Cooling tower in Texturising Division
8. Compressed Air consumption was reduced by optimising plant operations and by taking effective measures to reduce losses.
9. All the Air washers were run continuously on Enthalpy Control System to take full advantage of favourable weather conditions during Winters. This has resulted in considerable savings in chilled water consumption and reduction in load on chillers thereby reducing energy consumption.
10. Effective measures were taken to further improve condensate recovery. The average condensate recovery is now more than 60%.
11. Effective measures were taken to bringdown steam consumption by optimising plant operations and reducing losses.



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B) Additional Investments and proposals for reduction in consumption of energy

1. Installation of variable speed drives for cooling water pumps of utility section. These pumps are present run at full speed but the total requirement of cooling water can be met by running pumps at reduced speed through inverter. This will give substantial saving in terms of power consumption.
2. Switching off one of the four modules of 400 KVA capacity of each of the UPS system to reduce power losses. By suitable modification in power distribution, 3 modules of both the UPS system can safely share the connected load. Thus, one module can be switched-off to reduce power losses of UPS.
3. Switching-off standby equipment to reduce power losses
4. Installation of Variable Speed Drive for FD fans of Boiler
5. Installation of FRP fan blades—
 - (i) In Return Air Fan of Air washer in POY division
 - (ii) In Return Air Fan of Air Handling Unit in Texturising Division
6. Installation of Variable Speed Drive for Air Compressors. Trials of running compressors on Inverter have already been taken and substantial savings have been recorded.

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. 125 lacs.

D) Foreign Exchange 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 575.48 MTs of Polyester Yarn, Chips and Texturised Yarn in 1999-2000 and achieved an export turnover of Rs.401.37 lacs.

b) Total foreign exchange used and earned :

	Rupees in lacs
Total foreign exchange used (including cost of raw materials, stores, spare parts and other expenditure in foreign currency)	306.07
Total foreign exchange earned (FOB value of exports)	401.37



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Form - A

Form of disclosure of particulars with respect to Conservation of Energy

	Current Year (1999-2000)	Previous Year (1998-1999)
A. Power & Fuel Consumption:		
1. Electricity:		
(a) Purchased		
Units/Kwh	38758555	38018931
Total Amount (Rs/Lacs)	1473.76	1384.29
Rate/Unit (Rs/Kwh)	3.80	3.64
(b) Own Generation		
Through Diesel Generator		
Units/Kwh	6894346	14575020
Unit/Kwh per Ltr. of Diesel Oil	3.48	3.95
Cost/Unit (Rs/Kwh)	3.00	2.36
2. Coal (for Steam Generation) :		
Quantity (Mts)	6687.83	9000.50
Total Amount (Rs/Lacs)	94.88	109.84
Average rate (Rs/Mt)	1418.70	1220.38
3. Furnace Oil :		
Quantity (Mts)	2845.67	2889.79
Total Amount (Rs/Lacs)	260.38	174.10
Average rate (Rs/Mt)	9150.04	6024.66
B. Consumption per unit production :		
Production - POY/CHIPS (Mt)	39651	38853
Electricity (Units/Mt)	815.58	1003.08
Furnace Oil (Mt/Mt)	0.0718	0.0744
Coal (Mt/Mt)	0.1687	0.2317
Production - Processed Yarn	6912	6467
Electricity (Units/Mt)	1926.27	2106.25



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Form - B

Form for disclosure of particulars with respect to Technology Absorption

A. Research and Development:

1. The specific areas in which Research & Development was carried out by the Company are:

- Production of some new deniers has been started and added to the existing product range of POY.
- Improvement in the polymer characteristics by suitably modifying the process and equipment for increasing productivity in polymerisation and spinning.
- Other R & D activities under progress include development of Mass-colored yarn, Cationic dyeable yarn and studies on technological viability of side product and waste recycling systems. Market research for studying developments in the fabric market and to produce POY to cater to these requirements is also under progress.

2. Benefits derived as a result of above Research & Development :

- The POY produced has a better quality.
- Increase in percentage first quality, increase in productivity due to higher processing speeds, decrease in the breakage rates during processing.

3. Future Plan of Action :

- Development of suitable spin finished for enhancing runnability on high-speed texturising machines.
- Modification and optimization in the polymerization section for improving polymer quality.
- To increase the productivity of existing POY spinning by suitable modification / conditioning of polymer. The additive dosing can be optimized to increase the POY capacity by more than 25% so that the POY Spinning capacity without installing additional spinning lines.
- To increase the production of one of the extruder spinning lines by utilizing the available spinning equipment from one of the high throughput lines.

The spinning equipment is spare due to conversion of three spinning line from extruder to direct.

- Hydraulic splitting of spinnerettes to increase the productivity in the existing spinning line with additional take up winders.

4. Expenditure on Research & Development :

(a) Capital Expenditure	Nil
(b) Recurring Expenditure	Nil
(c) Percentage of Expenditure on turn over	Nil

B. Technology, Absorption, Adaptation and Innovations:

1. Efforts made towards technology absorption, adaptation and innovation:

The Company has continuous interaction with the Collaborators as well as main spinning-equipment suppliers.

2. Benefits derived as a result of the above efforts:

The Company has been able to increase productivity, increase first quality production and reduce waste generation.

3. Information relating to the technology imported during the last 5 years :

The Company has obtained process know-how / technology from Inventa-Fischer AG, Switzerland and Barmag for the manufacture of POY and related specialities.

for and on behalf of the Board

Hyderabad,
22nd June, 2000.

M.B.RAJU
Chairman &
Managing Director