

EIGHTEENTH ANNUAL REPORT 2003-2004



CENTRAL INDIA POLYESTERS LIMITED

**EIGHTEENTH ANNUAL GENERAL MEETING**

Friday, the 16th day of July, 2004 at 11.00 a.m. at the Company's Officers Club, Village Dahali, Mouda Ramtek Road, Tehsil Mouda - 441 104. District Nagpur, Maharashtra.

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REGISTERED OFFICE AND WORKS

Village Dahali,
Mouda Ramtek Road,
Tehsil Mouda - 441 104.
District Nagpur, Maharashtra.
Tel No : 07115-281218-22
Fax No : 07115-281240, 281226

BOARD OF DIRECTORS

I.F. Sheth	-	Chairman
V.V. Kolte	-	Managing Director
U.P.S. Gill	-	Director
V.N. Nadkarni	-	Director
U.P. Singh	-	Nominee Director of IDBI

COMPANY SECRETARY

G.B.B. Babuji

AUDITORS

Shah Baheti Chandak & Co.
Chartered Accountants

BANKERS

State Bank of India
HDFC Bank Limited

REGISTRAR & TRANSFER AGENTS

Karvy Computershare Private Limited
46, Avenue 4, Street No. 1
Banjara Hills
Hyderabad 500 034

Tel No : 040-23320666/23320711
Fax No : 040-23323058
Website : www.karvy.com



NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of **Central India Polyesters Limited** will be held on Friday, the 16th day of July, 2004 at 11.00 a.m. at the Company's Officers Club, Village Dahali, Mouda Ramtek Road, Tehsil Mouda - 441 104, District Nagpur, Maharashtra, to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the audited Balance Sheet as at 31st March, 2004, Profit & Loss Account for the year ended on that date, and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri I. F. Sheth, who retires by rotation and is eligible for re-appointment.
3. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Shah Baheti Chandak & Co., Chartered Accountants, the retiring Auditors of the Company, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company upon such remuneration, in addition to the reimbursement of travelling and other out-of-pocket expenses incurred incidental to their functions, as may be agreed to between the Board of Directors of the Company and the Auditors and that the Board of Directors be and is hereby authorised to fix the remuneration as aforesaid."

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

Mumbai,
Date : June 11, 2004.

By Order of the Board
For **Central India Polyesters Limited**

G. B. B. Babuji
Company Secretary

NOTES

1. A member entitled to attend and vote at the above 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. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out the material facts in respect of the business under Item Nos. 3 and 4 is annexed hereto.
3. Shareholders are requested to bring their copy of Annual Report to the Meeting.
4. Members/Proxies should fill the Attendance Slip for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
7. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Saturdays, between 11.00 a.m. and 1.00 p.m., upto the date of the Annual General Meeting.
8. The Register of Members and Share Transfer Books shall remain closed from Monday, the 12th July, 2004 to Friday, the 16th July, 2004 (both days inclusive).
9. Shareholders seeking any information with regard to accounts are requested to write to the Company at the earliest to keep the information ready.
10. Shareholders are requested to note that pursuant to the approval granted by the Securities and Exchange Board of India, the license of the Registrar and Share Transfer Agents of the Company has been changed from Karvy Consultants Limited to Karvy Computershare Private Limited. Accordingly Karvy Computershare Private Limited, having their address at: 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034, are the Registrar & Transfer Agents of the Company.
11. 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 requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited.
12. Appointment / Re-appointment of Director :
At the ensuing Annual General Meeting, Shri I. F. Sheth, retires by rotation and being eligible, offers himself for re-appointment. The details required to be provided pursuant to Clause 49 of the Listing Agreement are furnished in the statement on Corporate Governance published elsewhere in this Annual Report.



Explanatory Statement

The Explanatory Statement under Section 173(2) of the Companies Act, 1956, for Item Nos. 3 and 4 of the accompanying notice is as under :

Item No. 3

Section 224A of the Companies Act, 1956, inter alia, provides that in the case of a Company in which not less than 25% of the subscribed share capital is held either singly or in any combination by Public Financial Institutions, Government Companies etc., appointment or re-appointment at each Annual General Meeting of an Auditor or Auditors shall be made by a Special Resolution. The subscribed share capital of the Company held collectively by Public Financial Institutions and Nationalised Banks is more than 25% thereof. It is, therefore, necessary that the re-appointment of Auditors be made by a Special Resolution. Also the Board of Directors is being authorized to fix the remuneration of the Auditors.

The Special Resolution is accordingly, recommended for approval of the Members.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Item No. 4

The Board of Directors, at their meeting held on 17th October, 2003, have appointed Shri Vinay Vishnu Kolte as Managing Director of the Company for period of three (3) years with effect from 1st October, 2003 on the remuneration determined by the Remuneration Committee of the Board of Directors, subject to the approval of shareholders by way of a Special Resolution.

The information required to be disclosed to the shareholders as per Schedule XIII to the Companies Act, 1956 is as under :

The Company is engaged in the manufacture of Polyester Filament Yarn. The Company has started commercial production in December, 1989. At present the installed capacity is 31,500 tonnes per annum. During the financial year ended 31st March, 2004, the total production of Polyester Filament Yarn was 38,384 tonnes and the sales was 38,337 tonnes. Gross value of sales was Rs. 35,300.78 lacs. The Company has earned a net profit of Rs. 666.08 lacs. Though due to tough competition in the commodity sector, the operating margins are under pressure, the Company has operated at more than its installed capacity. The yarn throughput increased with addition of suitable modifier in the polymer. In addition to the normal products, specialty products like dope dyed yarns, coarse and super coarse deniers were developed to cater to the changing demands of the market.

There are no foreign investment or collaborations in the Company except investment by Non-Resident Indians / Other Corporate Bodies / Foreign Institutional Investors. The Company has not made any exports during the financial year ended on 31st March, 2004.

Shri V.V. Kolte aged about 58 years is a B. Tech. in Chemical Engineering. He has more than 34 years experience in Organic Chemicals, Petrochemicals and Polyesters Industries in Process Plant Management and General Management. He has been holding the position of Manager of the Company within the meaning of Section 269 of the Companies Act, 1956 since 1st February, 2002, without remuneration.

The remuneration payable to Shri V.V. Kolte will comprise of salary, allowances and perquisites, the aggregate monetary value of such salary, allowances and perquisites being limited to Rs. 21,00,000 (Rupees twenty one lacs) per annum. Shri V.V. Kolte will be entitled to annual increments as may be

decided by the Board of Directors in accordance with the Company's policy such that the increased remuneration of the said Managing Director during his tenure shall be within the limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956.

The perquisites and allowances payable to Shri V.V. Kolte will include accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses/or allowances for utilisation of gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for self and his family including dependants; club fees, medical insurance and such other perquisites and/or allowances, within the amounts specified above, subject to overall ceiling of remuneration stipulated in Sections 198 and 309 read with Schedule XIII to the Companies Act, 1956. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force). However, Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company, shall not be included in the computation of limits for the remuneration which includes salary and perquisites.

The terms and conditions set out for appointment and payment of remuneration herein and/or in the Agreement may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit. The Agreement may be terminated by either party (the Company or the Managing Director) by giving three months' prior notice in writing.

The remuneration payable to Shri V.V. Kolte is in consonance with the remuneration being paid by the other companies of similar size in the industry to their Chief Executive Officers.

Shri V.V. Kolte does not have direct or indirect pecuniary relationship with the Company other than getting remuneration as the Managing Director of the Company.

The draft Agreement to be entered into between the Company and Shri V.V. Kolte incorporating the above particulars of remuneration, are available for inspection at the Registered Office of the Company on all working days excluding Saturdays, upto the date of the General Meeting between 11.00 a.m. and 1.00 p.m.

The above may also be treated as an abstract to the terms of the contract / agreement between the Company and Shri V.V. Kolte pursuant to Section 302 of the Companies Act, 1956.

Your Directors commend the resolution set out at Item No. 4 of the Notice for your approval.

Save and except Shri V.V. Kolte, none of the Directors of the Company is, in any way, concerned or interested in the resolutions.

By Order of the Board
For Central India Polyesters Limited

Mumbai,
Date : June 11, 2004.

G. B. B. Babuji
Company Secretary



DIRECTORS' REPORT

Dear Shareholders,

Your directors have pleasure in presenting the Eighteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2004.

Financial Results

	(Rs. in lacs)	
	For the year ended 31 st March, 2004	For the year ended 31 st March, 2003
Gross Sales	35,300.78	32,480.57
Less: Excise Duty	7,713.58	8,301.24
Net Sales	27,587.20	24,179.33
Gross Profit before Interest, depreciation and write off	3,548.58	2,045.01
Less: Interest	-	0.87
Depreciation	2,868.92	1,698.74
Miscellaneous Expenditure written off	13.58	13.57
Net Profit for the year	666.08	331.83

Dividend

Your directors regret their inability to propose any dividend in view of the accumulated losses of the Company.

Operations

During the year under review, the total production of polyester filament yarn was 38,384 MTs (previous year 36,632 MTs) and the sales of yarn was 38,337 MTs (previous year 35,345 MTs). Gross turnover for the year was Rs. 35,300.78 lacs compared to Rs. 32,480.57 lacs for the previous year.

Financial Condition and Results of Operation

Management Discussion and Analysis of Financial Condition and Results of Operation of the Company for the year under review, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement in this Annual Report.

Directors

Shri I. F. Sheth, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. The Company has received the requisite Form 'DD-A' from Shri Sheth, in terms of Companies (Disqualification of Directors under 274(1)(g) of the Companies Act, 1956) Rules, 2003, confirming his eligibility for such re-appointment. The Board recommends the re-appointment of Shri I. F. Sheth at the ensuing Annual General Meeting.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the annual accounts for the financial year ended 31st March, 2004, the applicable accounting standards had been followed;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 of the Company for the year under review;

- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a "going concern" basis.

Fixed Deposits

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure forming part of this report.

Personnel

None of the employees of the Company are in receipt of remuneration prescribed under Section 217 2(A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Auditors & Auditors' Report

The Statutory Auditors Messrs. Shah Baheti Chandak & Company, retire at the conclusion of the ensuing Annual General Meeting. The Company has received a consent letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956 and also that they are not otherwise disqualified within the meaning of sub-section (3) of Section 226 of the Companies Act, 1956, for such appointment. The Notes to Accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

Corporate Governance

The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements of the Stock Exchanges are complied with. A separate section on Corporate Governance and a certificate of the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

Quality

During the year under review your Company has obtained ISO / 9001 - 2000 certification for its upgraded quality systems.

During the year under review, your Company had framed its environmental policy. During the current financial year, your Company proposes to obtain the EMS 14001 certification, for which Internal and Pre Assessment Audits have been completed.

Shifting of Registered Office

The Registered Office of the Company has been shifted from Hyderabad in the State of Andhra Pradesh to Village Dahali, Tehsil Mouda, District Nagpur in the State of Maharashtra with effect from 10th June, 2004, consequent to the Order dated



13th May, 2004 of the Hon'ble Company Law Board, Southern Region Bench, Chennai.

Acknowledgements

Your directors place on record their appreciation of the assistance and support extended by all financial institutions, banks, government authorities, suppliers, service providers,

customers and shareholders. Your directors express their appreciation for the dedicated and sincere services rendered by all the employees of the Company.

For and on behalf of the Board

Mumbai,
Date : June 11, 2004.

I. F. Sheth
Chairman

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 :

A) CONSERVATION OF ENERGY:

(d) Total energy consumption and consumption per unit of production as per Form A - attached hereto.

(a) Energy conservation measures taken during the year 2003-2004:

- FRP fan blades were installed to reduce the energy consumption.
- Vapour absorption chiller was installed to reduce energy consumption.
- Centrifugal compressor was installed in place of reciprocating compressor for achieving better specific energy consumption.
- Conversion of some extruder spinning lines to direct melt spinning was completed.
- Optimization of quench air system to reduce operating cost.
- Optimising energy consumption of Process Cooling Water Pump.
- Optimising Energy Consumption in VAHP Cooling Water Pumps.
- Increase in Lag Area temperature.
- Incentive of 7% was obtained for second consecutive year by maintaining Unity PF.
- Optimising of Lighting load in the plant and taking adequate measures to contain Maximum Demand.

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

- Optimising Cooling Towers Utilisation during lean season.
- Effluent recycling and thereby reducing raw water pumping.
- Improvement in Coal handling plant to reduce losses.

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

- As a result of various energy conservation measures taken, the Company has saved energy equivalent to Rs. 144 lacs per annum.
- The additional investment / proposals which will be implemented for reduction in energy consumption has the potential to reduce energy consumption equivalent to Rs. 24 lacs per annum.

FORM A

Form of disclosure of particulars with respect to Conservation of Energy

	Current Year (2003-04)	Previous Year (2002-03)
(A) POWER & FUEL CONSUMPTION :		
1. ELECTRICITY :		
(a) Purchased		
Units-Kwh	31772410	36194400
Total amount (Rs. lacs)	928.49	1182.48
Rate/Unit (Rs./Kwh)	2.92	3.27
(b) Own generation through		
Diesel Generator		
Units-Kwh	26658	131072
Units-Kwh per Ltr of diesel	3.34	3.55
Cost/Unit (Rs./Kwh)	6.54	5.02
2. COAL (FOR STEAM GENERATION) :		
Quantity (Mt)	7960.000	6502.500
Total Amount (Rs. lacs)	116.30	91.90
Average rate (Rs./Mt)	1461	1413
3. FURNACE OIL :		
Quantity (Mt)	2845.700	3207.291
Total Amount (Rs. lacs)	336.36	301.83
Average rate (Rs./Mt)	11820	9411
(B) CONSUMPTION PER UNIT OF PRODUCTION :		
Production-POY/Chips/FDY (MT)	50046	51595
Electricity (units/Mt)	635.40	704.05
Furnace Oil (Mt/Mt)	0.0569	0.062
Coal (Mt/Mt)	0.159	0.126

**B) TECHNOLOGY ABSORPTION**

Efforts made in technology absorption - as per Form B given below

FORM B**1. Research and Development (R & D) :****a. Specific areas in which R&D carried out by the Company**

- i. Standard Operating Conditions were suitably modified to reduce cost of quenching.
- ii. Production of some new deniers in commodity POY category as well as in specialty and micro has been started.
- iii. Improvement in the polymer characteristics by optimizing the process parameters.
- iv. Studies conducted on finish system and Standard Operating Conditions were suitably modified.
- v. Suitable changes done in the packing system which has a potential to reduce the cost of packing and to facilitate transportation of bobbins for minimizing defects generating during transportation.
- vi. Suitable changes in components were done to improve spinning performance and reduce cost.
- vii. Other R & D activities under progress include development of different dope dyed yarns. Market research for studying developments in the fabric & industrial market and to produce :POY and FDY to cater to these requirements is also under progress.
- viii. Dual route provision (direct as well as extruder) done in a spinning line to produce specialty yarn as per market requirement.

b. Benefits derived as a result of the above R&D.

- i. Product and Process improvements.
- ii. New products in commodity POY, Dope Dyed POY and flat FDY yarns developed were found acceptable in market and higher contributions were achieved.
- iii. Spinning performance with respect to breaks and 1st

quality yield have improved and cost per spin track has reduced significantly.

- iv. Improvement in POY quality and run-ability at high speeds in downstream process was established.
- v. Process stability and product performance has improved.

c. Future Plan of Action:

- i. Dope dyed yarn capacity to be increased for producing coarse dope dyed product on extruder route.
- ii. Production of coarse denier in one of the spinning lines for new applications.
- iii. Further de-bottlenecking of CP plant for enhancing the capacity.
- iv. Production of specialty flat yarns on draw winder.

d. Expenditure on Research and Development.

R&D activities are carried out for development of cost effective additives / product development / Process development by concerned departments in collaboration with Reliance Technology Center. No separate accounts are kept since it is difficult to identify costs solely attributable to R&D activities.

2. Technology Absorption, Adaptation and Innovation

Constant watch is kept on Market trends. Processes are adapted to improve product quality and also for meeting the requirements at customers end. The Company has continuous interaction with collaborators as well as main spinning equipment suppliers for new developments.

C) FOREIGN EXCHANGE EARNINGS & OUTGO

- (a) Activities relating to exports, initiatives to increase exports, development of new export markets for products and services and export plans : Not applicable.
- (b) Total Foreign exchange used and earned
 - (i) Total foreign exchange earned : Nil.
 - (ii) Total foreign exchange used : Rs. 546.21 lacs.

For and on behalf of the Board

Mumbai,
Date : June 11, 2004.

I. F. Sheth
Chairman

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Central India Polyesters Limited

We have examined the compliance of the conditions of Corporate Governance by Central India Polyesters Limited, for the year ended on 31st March 2004, as stipulated in clause 49 of the Listing Agreement of the same Company with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with 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 explanation given to us, and representations made by the Directors and the Management;

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance note issued by the Institute of Chartered Accountants of India, we have to state that as on 31st March, 2004 there were no investor grievances remaining unattended/ pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Shah Baheti Chandak & Co.
Chartered Accountants

Manoj Agrawal
Partner

Membership No. 104546

Mumbai,
Date : May 14, 2004.



MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

The major producers of PFY in India are Reliance Industries Limited and Indo Rama Synthetics Limited. The other producers having between 5% to less than 10% market share are Recron Synthetics Limited, Century Enka Limited, Sanghi Polyester Limited and Modern Syntex Limited. Your Company has less than 5% market share.

Rest of the market consists of Chip based producers who are also thriving due to comparatively low chip prices. (excess chip capacity and reduced import duty).

During the current financial year the major players are substantially increasing their production capacities of Commodity PFY with state of art technologies. Due to economies of scale their cost of production will also be lower and thus they will be able to reduce the selling prices of their products. Consequently your Company will be under pressure to maintain even the same volume of despatches which was achieved during the year under review.

Opportunities and threats

Implementation of WTO in January 2005, will open EU and US markets to Indian Producers. Further domestic consumption has been growing at a 5 year CARG of 10% and it is expected that this trend will be maintained.

Due to the global shortages of PTA & MEG, the prices of Raw Materials are expected to be on the higher side. However, due to market conditions it may not be possible to increase the selling prices for compensating the increase in Raw Material costs. PFY prices are expected to remain under pressure due to rationalisation in import duty structure and substantial expansion in production capacity of commodity PFY by the major producers.

Productwise performance

The Company produces on a regular basis specialty products such as Micro Deniers. New products such as Dope Dyed were also launched during the year. The Company hopes to improve its profit margins with the regular introduction of new products.

Outlook

Margins during the current financial year 2004-05 will be lower on account of increase in prices of raw materials and increase in supply of PFY.

The Company is in the process of setting up a captive power plant which will help in reducing Power and Fuel costs. Further 6 sigma management tool is proposed to be implemented for improving quality and profitability. Other cost cutting measures have been taken / proposed to be taken which will result in reduction of costs in all areas. 'Automated Packing' is being planned for no touch packing till customer end leading to better product performance. A high percentage of packing materials used will be in returnable units leading to overall reduction in packing costs.

Risks and concerns

The Company will have to face competition from large producers who are in the process of substantially increasing their production capacities. Since they will be using the latest state of the art technology and also due to the economies of scale, their cost of production will also be low. Consequently, they will also be in a position to reduce their selling prices without affecting their profitability. To a lesser extent the Company will have to face competition from the Chip based manufacturers operating with low overheads and low Raw Material costs.

Challenges

The challenges before the Company are :

- To drastically reduce costs in all areas, and
- To take up large scale manufacture of specialty products.

Internal Control system and its adequacy

The Company is following a proper and adequate system of internal controls in respect of all its activities including safeguarding and protecting its assets against loss from unauthorized use or disposition. Further, all transactions entered into by the Company are duly authorized, recorded and reported correctly.

The Company is using the advanced ERP (Enterprise Resource Planning) tool, namely SAP duly customized and incorporating comprehensive structure of authorization controls. The internal control system is supplemented by exhaustive scope covered by the internal auditors and ISO auditors, periodical review by the management and documented policies, guidelines and procedures.

The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining proper accounting records of assets.

Financial performance with respect to operational performance

During the year under review, the plant operated at more than full capacity and the total production of PFY was 38,384 MT as against 36,632 MT of the previous year i.e an increase of 4.8%. Similarly, the sales of yarn was also higher at 38,337 MT as against the previous year's sale of 35,345 MT. i.e., an increase of 8.5% over the previous year. The gross turnover for the year was Rs. 35,301 lacs as against the previous year figure at Rs. 32,481 lacs. During the year under review the sale of Chips were lower at Rs. 3,984 lacs as against Rs. 5,029 lacs during the previous financial year. The lower sales of Chips were on account of conversion of 3 extruder spinning lines to direct melt spinning. Consequently the production of chips during the year under review were also lower at 11,662 MT as against 14,963 MT in the previous financial year. The higher gross turnover was achieved in spite of reduction of excise duty and lower sale of Chips, due to increase of 12.5 % in selling prices of Yarn (Net of excise) and increase in despatches of Yarn by 8.5 %.

Profits for the year after providing additional depreciation of Rs. 1,141 lacs and compensation paid under the voluntary retirement scheme amounting to Rs. 416 lacs was Rs. 666 lacs as against a profit of Rs. 332 lacs which includes extra ordinary income of Rs. 105 lacs in the preceding financial year. Higher profits could be achieved due to increase in volume of despatches and selling prices of Yarn. Further cost cutting measures taken in different areas contributed to the improvement in profitability.

Material developments in Human Resources / Industrial Relations front

In order to develop the human resources more emphasis has been placed on training of employees. The training system has been strengthened with a well structured module at the in-house training centre which has all the necessary infrastructure. The training system is constantly reviewed and upgraded for integrating the individual and the plant requirements. Special efforts are being made through various training programmes, seminars and competitions for all levels of employees for upgrading their skills and knowledge. Training in the use of 6 sigma management tool has been started for some executives during the current financial year.

The Company has implemented a Key Result Area oriented performance appraisal scheme and a performance linked incentive scheme.

The relationship with the workers/employees remained cordial during the year. The existing Long Term Settlement with the Union which was valid up to January 2003 is likely to be finalised very soon during the current financial year.

The number of persons employed in the Company at the close of the financial year was 466 persons.



CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said Clause and practice as followed by the Company:

1. Company's Philosophy on Code of Governance

Philosophy of Central India Polyester Limited (CIPL) on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and all interactions with its stakeholders, including the shareholders, employees, the government and the lenders.

CIPL is committed to achieving the highest standards of corporate governance.

CIPL believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

2. Board of Directors

The Board of Directors consists of 5 Directors out of whom one is a Managing Director and four are Non-Executive Directors. Out of four Non-Executive Directors, one is a Nominee Director representing Industrial Development Bank of India. All the Non-Executive Directors are independent Directors.

During the year 2003-04, the Board met five times (as against the minimum requirement of four meetings) on the following dates, namely, 20th May, 2003, 22nd July, 2003, 9th August, 2003, 17th October, 2003 and 17th January, 2004.

The maximum time gap between any two meetings was not more than four months.

The Company holds minimum of four Board Meetings in each year after the end of each financial quarter. Besides, additional Board Meetings may be convened at any time to address the specific needs of the Company. The Board may also approve permitted urgent matters by passing resolutions by circulation.

Agenda papers are circulated to the Directors in advance, in the defined Agenda format. All material information is incorporated in the Agenda papers to facilitate meaningful, informed and focussed discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same is placed on the table at the meeting with specific reference to this effect in the Agenda.

In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted. Sensitive subject matters may be discussed at the meeting without written material being circulated in advance or at the meeting.

The Company Secretary records the minutes of the proceedings of each Board and Committee Meetings. Draft minutes are circulated to all the members of the Board/Committee. The minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of the meeting.

The Company Secretary while preparing the Agenda, notes on Agenda, minutes etc. of the meeting(s) and holding and conducting the meetings, is responsible for and is required to ensure adherence to all the applicable provisions of law including the Companies Act, 1956 and the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

The following table gives details of Directors, attendance of Directors at the Board Meetings and at the last Annual

General Meeting, number of memberships held by Directors in the Board / Committees of various companies:-

Name	Category	Attendance Particulars		No. of other directorships and all committee memberships/ Chairmanships		
		Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
I. F. Sheth	C, NE & ID	5	Yes	6	5	5
U. P. S. Gill	NE & ID	4	No	None	3	None
V. V. Kolte	MD	3	Yes	None	1	None
V. N. Nadkarni	NE & ID	5	Yes	9	6	3
U. P. Singh	NE & ID*	5	Yes	3	2	None

C : Chairman

MD : Managing Director

NE & ID: Non-Executive and Independent Director

Nominee Director - Industrial Development Bank of India (IDBI)

None of the directors is a member in more than ten committees and acts as a chairman in more than five committees across all companies in which he is a director.

Brief Resume of the Director being re-appointed at the ensuing Annual General Meeting, nature of his expertise in specific functional areas and names of companies in which he hold directorship and the membership of the committees of the Board are furnished hereunder:

Shri I. F. Sheth, a Director and also the Chairman of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. His resume, in brief, is furnished hereunder:

Shri I.F. Sheth is a Director of the Company since 18th September, 2000. He was appointed as the Chairman from 30th June, 2001. Shri Sheth is a senior business executive, having an exposure in various areas of operations in Reliance Group of Companies for more than 40 years. During his stint in Reliance, he has attained expertise in locating the areas of weakness of sick industrial enterprises, planning and implementing tailor made revival and restructuring plans to suit the enterprise and achieving the objective of converting the sick units into viable and profitable entities.

He is a Director on the Boards of Dhir & Dhir Asset Reconstruction & Securitisation Company Limited, Gujarat Chemical Port Terminal Company Limited, India Polyfibres Limited, Orissa Polyfibres Limited, Pipeline Infrastructure (India) Limited, Recron Synthetics Limited, Akshar Traders Private Limited, Anmol Shipping Private Limited, Arundhati Traders Private Limited, Bhagirath Traders Private Limited, Charishma Inv. Private Limited, Deep Mercantile Private Limited, Eminent Commercial Private Limited, Gaiety Mercantile Private Limited, Giga Solutions Private Limited, Kalpavriksha Trading Private Limited, Khodiyar Trading & Inv. Private Limited, Neelam Mercantile Private Limited, Reliance Land Private Limited, Smruti Mercantile Private Limited, Sunbright Cement Agencies Private Limited, Suprabhat Tradecom Private Limited, Third Wave Systems Private Limited, Third Wave Technologies Private Limited and Vanraj Mercandise Private Limited. He is the Chairman of the Audit Committee, Shareholders'/Investors' Grievance Committee and Remuneration Committee of the Company and Audit Committee and Shareholders'/Investors' Grievance Committee of Recron Synthetics Limited. He is a member of the Audit Committee and Remuneration Committee of India Polyfibres Limited and Orissa Polyfibres Limited and the Audit Committee of Pipeline Infrastructure (India) Limited.