

# **CENTURY ENKA LIMITED**



**37th Annual Report 2002-03**

## FINANCIAL HIGHLIGHTS

## OPERATING RESULTS

(Rupees in Crores)

	2002-03	2001-02	2000-01	1999 - 00	1998-99
<b>INCOME</b>					
Sales / Income from Operations	933.78	891.53	960.20	937.91	760.93
Less: Excise Duty	197.64	182.83	194.04	196.52	175.19
	736.14	708.70	766.16	741.39	585.74
Other Income	7.44	26.32	14.54	5.82	12.65
	743.58	735.02	780.70	747.21	598.39
<b>EXPENDITURE</b>					
Materials & Overheads (+/- Stock Adj.)	622.54	595.83	641.70	620.99	486.22
<b>PROFIT BEFORE INTEREST</b>	121.04	139.19	139.00	126.22	112.17
Less : Interest (Net)	4.26	9.65	21.48	24.41	33.53
<b>GROSS PROFIT</b>	116.78	129.54	117.52	101.81	78.64
Less : Current Depreciation (Net)	39.08	38.70	41.98	44.05	43.60
Less : Additional Depreciation	-	36.11	-	-	-
Less : Current Tax (Net)	5.61	4.21	5.07	5.75	(1.06)
Less : Deferred Tax	14.00	16.00	-	-	-
<b>NET PROFIT</b>	58.09	34.52	70.47	52.01	36.10
<b>DIVIDEND (%)</b>	55%	60%	50%	40%	25%
<b>EARNINGS PER SHARE (Rs.)</b>	20.28	11.69	23.48	17.33	12.03
<b>CASH EARNINGS PER SHARE (Rs.)</b>	33.92	37.02	37.48	32.01	26.56

## SOURCE AND APPLICATION OF FUNDS

(Rupees in Crores)

	2002-03	2001-02	2000-01	1999-00	1998-99
<b>SOURCE OF FUNDS</b>					
Shareholders' Funds					
Share Capital	28.64	28.64	30.01	30.01	30.01
Reserves & Surplus (including Revaluation)	462.72	422.61	499.79	446.07	407.59
	491.36	451.25	529.80	476.08	437.60
Loan Funds	100.64	112.71	195.87	291.93	375.15
Funds Employed	592.00	563.96	725.67	768.01	812.75
<b>APPLICATION OF FUNDS</b>					
Fixed Assets (Gross)	1155.73	1156.37	1128.16	1129.47	1130.82
Depreciation	611.79	603.90	547.48	509.07	469.76
Fixed Assets (Net)	543.94	552.47	580.68	620.40	661.06
Investments	3.06	3.06	3.97	11.95	4.09
Current Assets (Net)	161.00	110.43	141.02	135.66	147.60
Net Deferred Tax Liability	(116.00)	(102.00)	-	-	-
Net Assets Employed	592.00	563.96	725.67	768.01	812.75

## Thirty Seventh Annual Report 2002-03

# CENTURY ENKA LIMITED

### BOARD OF DIRECTORS

Mr. B. K. Birla  
Mr. Peter Wack  
(Alternate : Mr R. A. Shah)  
Mr. P. A. J. Grimmelikhuijsen  
(Alternate : Mr. K. R. V. Subrahmanian)  
Mr. B. S. Mehta  
Mr. V. Dixit  
Mr. D. Y. Gaitonde

### MANAGER OF THE COMPANY & SENIOR PRESIDENT

Mr. G. M. Singhvi

### SECRETARY

Mr. C. B. Gagrani

### AUDITORS

Messrs. Price Waterhouse

### SOLICITORS

Messrs. Crawford Bayley & Co.

### BANKERS

Bank of Maharashtra	Punjab National Bank
State Bank of India	ABN AMRO Bank NV
Citibank N A	UTI Bank Limited

### REGISTERED OFFICE

Birla Building, 7th-Floor  
9/1, R. N. Mukherjee Road  
Kolkata - 700 001  
Tel No. 033 - 2243 6003  
Fax No. 033 - 2243 6005

### HEAD OFFICE

'Bakhtawar'  
7th Floor, Nariman Point  
Mumbai - 400 021.  
Tel No. 022 - 2202 7375  
Fax No. 022 - 2287 3952

### FACTORIES

Bhosari, Pune -411 026  
Tel No. 020 - 7120423/4127350  
Fax No. 020 - 7120113

Rajashree Polyfil  
Rajashree Nagar, Post:Umalla-393120, Dist.:Bharuch  
Tel No. 02645 - 234438 to 234444  
Fax No. 02645 - 234395

Konkan Synthetic Fibres - Processed Yarn Unit  
Plot No. C-61, Part-A, MIDC Area,  
Mahad - 402 309, Dist. Raigad  
Tel No. 02145-232136  
Fax No. 02145 - 232142

Konkan Synthetic Fibres - POY Unit  
Plot No. C-61, Part-B, MIDC Area  
Mahad - 402 309, Dist. Raigad  
Tel No. 02145 - 232141  
Fax No. 02145 - 232360

### SHARE TRANSFER AGENT

MCS LIMITED

Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, MIDC Area, Andheri (E), Mumbai-400 093  
Tel No. 022-28215235 Fax No. 022-28350456

### CONTENTS

Notice .....	2-3
Directors' Report .....	4-7
Management's Discussion and Analysis .....	8-11
Corporate Governance Report .....	12-17
Auditors' Report .....	18-19
Balance Sheet .....	20
Profit & Loss Account .....	21
Schedules 'A' to 'I' .....	22-36

## CENTURY ENKA LIMITED

**NOTICE TO THE SHAREHOLDERS**

**NOTICE** is hereby given that the Thirty-Seventh Annual General Meeting of the Shareholders of CENTURY ENKA LIMITED will be held at Kala Kunj, 48, Shakespeare Sarani, Kolkata - 700 017 on Saturday, the 28th June, 2003 at 10.30 A.M. to transact the following business:

**ORDINARY BUSINESS**

1. To consider the Report of the Auditors and Directors and to receive, consider and adopt the Audited Statements of Accounts for the year ended 31st March, 2003.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr.B.S.Mehta who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr.V Dixit who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS**

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

**AS ORDINARY RESOLUTION**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be necessary, the Company hereby approves the reappointment of Mr.G.M.Singhvi as Manager of the Company as defined in Section 2(24) of that Act for a period of 3 (Three) years with effect from 1st July, 2003 upon the terms and subject to the conditions as set out hereunder, with further liberty to the Directors, from time to time, to alter and vary the said terms and conditions, in such manner as may be agreed upon between the Directors and Mr.G.M.Singhvi in the best interests of the Company but subject to the provisions contained in Schedule XIII to the Companies Act, 1956, as amended from time to time."

**(A) Salary :**

- (i) Salary : Rs.77,500/- per month
- (ii) Entertainment Allowance: Rs.18,000/- per month with authority to the Board to fix such annual increments in salary (total salary not exceeding Rs.1,25,000/- per month) and allowances (total allowances not exceeding Rs.40,000/- per month) from time to time as it may deem appropriate.

**(B) Perquisites :**

- (i) Furnished residential accommodation or house rent allowance of Rs.15,000/- per month with an authority to the Board of Directors to fix such higher house rent allowance not exceeding Rs.25,000/- per month.
- (ii) Expenses on electricity and water will be borne/ reimbursed by the Company.
- (iii) Leave travel and medical expenses / allowances as per the Rules of the Company.
- (iv) Leave on full pay and allowances as per the Rules of the Company.
- (v) Fees of the clubs subject to maximum of two clubs. This will not include admission and life membership fees.
- (vi) Personal Accident Insurance as per the Company's Policy as applicable to Senior Executives of the Company.
- (vii) Company's contribution towards Provident Fund and Superannuation Fund as per the

Rules applicable to Senior Executives of the Company.

- (viii) Gratuity and Ex-gratia as per the Rules/ Policies of the Company as applicable to Senior Executives of the Company.

**(C) Amenities :**

- (i) A chauffeur driven car provided and maintained by the Company for use of Company's business and personal use.
- (ii) Telephone, telefax and other communication facilities at residence as applicable to Senior Executives of the Company."

"RESOLVED FURTHER THAT Mr.G.M.Singhvi shall continue to perform such functions within the meaning of Section 2(24) of the Companies Act, 1956 subject to the superintendence, control and direction of the Board of Directors."

"RESOLVED FURTHER THAT for administrative convenience the designation of Mr.G.M.Singhvi will be Senior President of the Company."

"RESOLVED FURTHER THAT the aforesaid re-appointment may be terminated by either party giving to the other three months notice in writing."

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

**AS SPECIAL RESOLUTION**

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities, the Articles of Association of the Company be and are hereby amended in the manner and to the extent as set out hereinbelow :-

- (i) The existing Article 101 and its Margin Note be deleted.
- (ii) The following Article and Margin Note be inserted and shall be numbered as Article 101 :

**Article 101:** So long as Acordis Overseas Investment BV, The Netherlands (hereinafter referred to as "Acordis") and/or its holding company or subsidiaries hold not less than 35% of the Equity Shares, Acordis shall be entitled to appoint in writing addressed to the Company under the hand of its authorised representative, one nominee on the Board of Directors of the Company who shall be called a Special Director and he will not be liable to retirement by rotation or be subject to the provisions of Article 110 herein. The Special Director so appointed may be removed by Acordis by a writing addressed by it to the Company under the hand of its authorised representative and it shall also have the right to appoint any other person in place of the Director so removed. As and when a Special Director vacates office by reason of death, resignation or otherwise, Acordis shall, by a writing addressed by it in a similar manner as aforesaid, be entitled to appoint another Special Director in his place. Subject as

Appointment of Special Director by Acordis and/or its holding company or subsidiaries.

aforesaid, a Special Director shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

*Explanation:* In computing the above shareholding of 35%, any fraction in excess of half shall be treated as one and any fraction less than half shall be ignored."

By Order of the Board

Mumbai  
Dated : 2nd May, 2003

**C B Gagrani**  
Secretary

#### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Share Transfer Register of the Company will remain closed from Wednesday, the 11th June, 2003 to Wednesday, the 18th June, 2003, both days inclusive.
3. The payment of dividend, if declared at the said meeting, will be made to those shareholders whose names shall appear on the Company's Register of Members on 18th June, 2003 or to their nominees. In respect of shares in dematerialised form, dividend will be paid to the beneficial owners as at the end of business on 10th June, 2003, as per details to be furnished by the Depositories for the purpose. Dividend Warrants will be despatched on or after 2nd July, 2003.
4. Members desirous of getting any information about the accounts and operations of the Company are requested to address their query to the Secretary at the Registered Office well in advance so that the same may reach him at least 10 days before the date of the meeting to enable the management to keep the required information readily available at the meeting.
5. (i) The unclaimed dividend upto financial years 1994-95 have been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those shareholders who have so far not claimed their dividend for the financial years upto 1994-95 may claim their dividend from the Registrar of Companies, West Bengal by submitting an application in the prescribed form.
- (ii) Those members who have not received / encashed dividend warrants for the financial years 1995-96 to 2001-2002 may return the time barred dividend warrants or write to Company's **Share Transfer Agent, M/s.MCS Ltd., Sri Venkatesh Bhavan, Plot No.27, Road No.11, MIDC Area, Andheri (East), Mumbai - 400 093** for issue of duplicate dividend warrant.
- (iii) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 1995-96 and thereafter which remain unpaid/unclaimed for a period of 7 (seven) years will be transferred to the Investor Education and Protection Fund constituted by the Central Government under Section 205C of the Companies Act, 1956.  
It may kindly be noted that once the unpaid/unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.

6. Shareholders may avail the facility of Electronic Clearing Service (ECS) for receiving direct credit of dividend to their accounts with Banks. This will enable expeditious credit of dividend amount and protect from loss, theft and postal delay of dividend warrants. Bank details for the purpose may be given in the proforma annexed herewith.
7. In terms of provisions of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholder. The shareholders who are desirous of availing this facility may kindly write to Company's **Share Transfer Agent, M/s.MCS Ltd., Sri Venkatesh Bhavan, Plot No. 27, Road No.11, MIDC Area, Andheri (East), Mumbai - 400 093** for nomination form quoting their folio number.
8. Members who are holding shares in identical order of names in more than one folio, are requested to write to the Company's Share Transfer Agent at the address mentioned hereinabove in Note 7 to consolidate their holding in one folio.
9. Members are requested to notify change in address, if any, to the Company's Share Transfer Agent at the address mentioned hereinabove in Note 7 quoting their folio number.

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

##### Item No.6

Mr.G.M.Singhvi was appointed Manager of the Company within the meaning of Section 2(24) of the Companies Act, 1956 effective from 1st July, 2000 for a period of three years. His tenure of three years will expire on 30th June, 2003. The Board has considered reappointment of Mr.G.M.Singhvi as Manager of the Company for three years effective from 1st July, 2003 subject to approval of the shareholders of the Company. Mr.G.M.Singhvi's performance eminently qualifies him for reappointment as Manager of the Company. Accordingly, the resolution in this item of the Notice, reappointing him as Manager of the Company upon the terms and conditions set out in the resolution, is being proposed for the consideration of the members. Liberty is also reserved to alter / vary the said terms and conditions in conformity with the requirements of Schedule XIII to the Companies Act, 1956 or any amendments thereto. The Board, therefore, recommend this item of the accompanying notice for approval of the members.

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

##### Item No.7

Akzo Nobel had undergone restructuring of its world wide fiber operations and spinned off its world wide fiber operations into a separate group Acordis. The Equity Shares which were earlier held by Akzo Group, now stand in the name of Acordis Overseas Investment BV, The Netherlands and there is no Technology Agreement existing between Akzo Nobel and the Company. In view of this, Article 101 of the Articles of Association which empowered Akzo Nobel to appoint Special Director not liable to retirement by rotation needs to be deleted and in place of it a new Article is to be introduced empowering Acordis Overseas Investment BV, The Netherlands and/or its holding company / subsidiary companies to appoint Special Director not liable to retirement by rotation.

The Board, therefore, recommend this item of accompanying notice for approval of the members.

Mr.Peter Wack and Mr.P.A.J.Grimmelikhuisen with their employment with Acordis Group may be considered as interested in the resolution.

No other Director is interested or concerned with this resolution.



## CENTURY ENKA LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 31ST MARCH, 2003

Dear Shareholders

We have pleasure in presenting the 37th Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 2003. The prices of raw material continued to increase at regular intervals throughout the year and substantially in the fourth quarter of the year. A part of this increase could not be passed on in sales prices due to prevailing market conditions, thus affecting margins adversely. With this background, the performance of your Company could be considered as satisfactory.

## FINANCIAL RESULTS

	Rs./Crores	
	This Year	Previous Year
<b>Income from Operations</b>	<b>933.78</b>	891.53
<b>Profit before Interest, Depreciation and Taxation</b>	<b>121.04</b>	121.52
Add/(Less) :		
Profit on sale of shares of Centak Chemicals Ltd.	-	17.67
Interest (Net)	(4.26)	(9.65)
Depreciation : Current	(39.08)	(38.70)
: Additional (due to change in method)	-	(36.11)
Taxation (Net)	(19.61)	(20.21)
<b>Net Profit</b>	<b>58.09</b>	34.52
Add : Balance brought forward from previous year	34.90	25.43
Transfer from/(to) Debenture Redemption Reserve	(2.15)	(1.50)
Transfer to Capital Redemption Reserve	-	(1.36)
Profit available for appropriation	90.84	57.09
Less : Dividend	15.75	17.19
Tax on Dividend	2.02	-
General Reserve	10.00	5.00
<b>Balance carried forward to next year</b>	<b>63.07</b>	34.90

The turnover was higher by 4.7% on account of improvement in sales prices consequent to increase in raw material prices. However, in terms of volume it was lower by 5.4% and the same was on account of lower sale of Polyester Chips. Demand for Polyester Chips has fallen because some of the medium size spinners have installed their own plants for manufacture of chips. The lower interest cost, mainly on account of repayment of outstanding loans and lower interest rates prevailing during the year, has also contributed in improving the net profit.

## DIVIDEND

We recommend a dividend of Rs.5.50 per Equity Share of Rs.10/- each for the year ended 31st March, 2003 (Previous year Rs.6.00 per Equity Share of Rs.10/- each; subject to deduction of tax at source).

## SEGMENT REPORTING

On a review of all relevant aspects including, in particular, the relative "risks and returns" governing the operations and products, your Company has identified a single segment viz. Synthetic Yarn without distinguishing between the nature of

potential purchasers and this has been also confirmed by the advice that the Company has received from an independent professional accounting firm.

## COURSE OF BUSINESS AND OUTLOOK

As required under Corporate Governance, the Management's Discussion and Analysis Report which is forming a part of this report, is a reflection of the current state of business. It also deals with the opportunities and challenges faced by your Company and the outlook in future.

The year 2003-04 has begun with lot of uncertainties in terms of market behaviour about extension of CENVAT (Excise duty) chain upto the stage of ready made garments, proposed introduction of VAT by State Governments and volatility in raw material prices. Consequently, the Company had to temporarily shut down its Polyester Yarn operations at all the three sites in the second half of April 2003 and the situation is still continuing. The result of the first quarter will be affected adversely. However, it is felt that the intensity of the above issues will reduce and things would get to normal in the second quarter. The overall performance of the Company for the current year remains uncertain.

## EXPANSION &amp; MODERNISATION

Your Company's first plant at Pune was commissioned with an annual capacity of about 1000 Tonnes per annum in the year 1969. Under the licensing era, the capacities were added in small lots as per the permission received from the government from time to time. This resulted in compromises at number of places in terms of operational efficiency, economic size and optimum utilisation of manpower resource.

During the last 3-4 years, a lot of work has been done to modernise old machinery and equipment. The first phase of the modernisation involving replacement of old machinery in Nylon Tyre Cord conversion plant was completed in the year as per schedule. The second phase which mainly consists of modernisation of Textile Yarn plant is progressing satisfactorily and is likely to be completed by December, 2003. Your Company is now taking steps to revamp its polymerisation capacity at Pune.

Your Company is also undertaking an expansion of Nylon Tyre Cord Fabric capacity by about 2000 Tonnes per annum. The fabric from this new capacity is expected to find improved product acceptance by the tyre industry.

Regarding increasing the speed of POY spinning machines at Rajashree Polyfil, Bharuch site, your Directors are glad to inform you that, at last, the Company has been able to partially achieve some breakthrough with the use of new polymer additives. The Company is now in the process of installing dosing equipment on spinning machines for achieving higher production by about 15% and Draw Warping machines to produce flat yarns and is actively considering to convert its surplus chips manufacturing capacity into POY capacity.

## HUMAN RESOURCE DEVELOPMENT AND ENVIRONMENT

The Report on "Management's Discussion and Analysis" includes your Company's policies on Human Resources, Safety, Environment and Pollution Control. We would like to place on record our appreciation for the efforts made by the Management and the keen interest taken by the employees of the Company in continuous improvements all around and responding to the call of changing environment.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Energy conservation measures, progress made in technology absorption and foreign exchange earnings and outgo, as required by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are set out in a separate statement attached hereto and forming part of the report.

## CORPORATE GOVERNANCE

Your Company believes in coherent and self regulatory approach in the conduct of its business to achieve highest standard of Corporate Governance. It has complied with the requirements of Corporate Governance as stipulated by SEBI.

The certificate of the Statutory Auditors dated 2nd May, 2003 in line with clause 49 of the Listing Agreement with Stock Exchanges supports our claim. This certificate is annexed to and forms a part of the Directors' Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956 and on the basis of explanation and compliance certificate given by the executives of the Company and subject to disclosures in the Annual Accounts and also on the basis of discussions with the Statutory Auditors of the Company from time to time, we state as under :

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the directors had prepared the annual accounts on a going concern basis.

## DIRECTORS

In accordance with the Articles of Association of the Company, Mr. B. S. Mehta and Mr. V. Dixit will retire by rotation and being eligible offer themselves for reappointment.

## AUDITORS

Messrs. Price Waterhouse, the Auditors of the Company, will retire from the office of the Auditors and being eligible offer themselves for reappointment. Their remuneration for the current year is to be fixed by you.

## COST AUDITORS

The Cost Accounts Records maintained by your Company for both the products - Polyester and Nylon are subject to yearly audit by qualified Cost Auditors. Your Company has appointed M/s.N.I. Mehta & Co., a firm of Cost Auditors for conducting the audit of such records for the financial year 2002- 03.

## PARTICULARS OF EMPLOYEES

There was no employee employed throughout the financial year who was in receipt of remuneration in aggregate of not less than Rs.24,00,000/- per annum or employed for part of the year who was in receipt of remuneration at the rate of not less than Rs.2,00,000/- per month and therefore no particulars are given under Section 217 (2A) of the Companies Act, 1956.

Place : Mumbai

Date : 2nd May, 2003

For and on behalf of the Board of Directors

**B. K. BIRLA**  
**PETER WACK**  
 Directors

## CENTURY ENKA LIMITED

**ANNEXURE TO THE DIRECTORS' REPORT**

(Additional information given in terms of Notification 1029 of 31.12.1988 issued by the Department of Company Affairs)

**A) CONSERVATION OF ENERGY**

The Company is continuously engaged in the process of energy conservation through improved operational and maintenance practices. Energy Cell constituted at all the factories of the Company are actively working on the generation of energy conservation proposals and their implementation. The proposals which emerged out of Energy re-audit at Bharuch site have been implemented.

Various task force teams have been formed to explore energy savings proposals in various utility requirements. Process energy audit was carried out at Bharuch site. Their proposals are under study / implementation.

**a) Energy Conservation measures taken :**

1. Eliminating pumps by elevating Mixed Condenser in recovery plant.
2. Revamping of insulation in NTC and Textile spinning machines to reduce the insulation losses.
3. Stoppage of Cyclones on SDW machines.
4. Stoppage of Air Handling Unit in IY Fabric area.
5. Installation of new energy efficient Nitrogen plant to reduce ammonia & energy cost.
6. Installation of steam preheating system for Caprolactam for reduction of electrical energy.
7. Rationalisation of compressor system and installation of low pressure air compressors in place of existing high pressure air system.
8. Replacement of inefficient centrifugal fans with axial fans in spinning air washer.
9. Installation of waste heat recovery boiler for Power Generating Set.
10. Installation of superheat temperature control system for steam boiler.
11. Automation in vacuum system in Poly dryers.
12. Conversion of single skin type AHU to double skin type AHU.
13. Installation of variable frequency drive for cooling tower fan.
14. Installation of fan coil unit in Textile Lab in place of AHU.
15. Corrocoating of centrifugal pumps of cooling towers for efficiency improvement.
16. Installation of vapor absorption chiller for refrigeration using excess steam from waste heat recovery boiler.
17. Segregating high head & low head users of process cooling water and installing a new pump for low head user.
18. Conversion of Power Generating Sets for using alternate cheaper fuel (Light Diesel Oil to Furnace Oil).

**b) Additional Investment & Proposals, if any, being implemented for conservation of Energy :**

1. Substitution of electrical heating in polymerisation columns with thermic fluid heating.
2. Use of DM water as cooling media for all air compressors.
3. Installation of harmonic filters to improve quality and voltage stability with energy savings.
4. Variable frequency drives for balance cooling tower fans.
5. Replacement of inefficient centrifugal fans in Air conditioning by installing aerodynamic design fans.
6. Installation of building management software for chilled water system.
7. Increasing the chilled water temperature by 1° C.

8. Heat recovery from vapors of ethylene glycol distillation column.

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

The above measures have resulted in reduction in consumption of electricity and fuel-oils with consequent reduction in the cost of production and is reflected in Form-A given hereunder.

**B) TECHNOLOGY ABSORPTION****a) Research & Development (R&D)**

- (1) Specific areas in which R & D is carried out by the Company :

- Development of various new shades through dope dyeing route in polyester.
- Development of optical brightened polyester yarns.
- Improvement in spinning performance through usage of high speed centrifuge for TiO2.
- Usage of polymer modifier in melt spinning of Polyester to improve productivity.
- Import of FO sludge as a fuel in HTM heater.
- Optimisation of winding process parameters to increase POY package weight from 15 kgs to 16 kgs.
- Modification of weighing system to increase chips bag weight from 1000 kgs. to 1100 kgs.
- Conversion of ETP sludge into usable manure through vermiculture.

- (2) Benefits derived as a result of the above R & D :

- Fulfillment of customer needs and requirements through development of new products.
- Reduction in waste as a result of better TiO2 dispersion.
- Increased productivity through use of polymer modifiers.
- Cost saving and easy availability due to indigenisation of spin finish chemicals.
- Reduction of packing and transport costs in view of increased weight of products.
- Cleaner and ecofriendly environment through conversion of sludge into manure.

- (3) Future plan of action :

- Development of deep dyeable nylon yarns.
- Reuse of metallic sand used for filtering the polymer.
- Development of very low shrinkage nylon yarns.
- Introduction of nylon draw warped beams for sizing sector.
- Improvement of depolactam through oil removal.

Expenditure on R & D :		Rs./crores
(i) Capital		Refer Note below
(ii) Recurring		0.86
(iii) Total		0.86
(iv) Total R & D expenditure as a percentage of total turnover		0.12 %

Note - Capital expenditure incurred for R & D activities are also used for normal operations and hence considered as part of normal capital expenditure. Therefore, they have not been shown separately above.



**ANNEXURE TO THE DIRECTORS' REPORT(CONTD.)****b) Technology absorption, adaptation and innovation****(1) Efforts in brief, made towards technology absorption, adaptation and innovation:**

- Simulation of continuous extraction column for nylon chips in order to enhance productivity.
- Replacement of impeller pumps with screw pumps for PTA slurry.
- Use of extended area spinnerettes in order to increase productivity.
- Replacement of gland packings with mechanical seal for polymerisation reactors for quality improvements.
- Modernisation of conventional instrumentation to DCS based control system for batch polyester units.

**(2) Benefits derived as a result of above efforts:**

- Simulation of chips extraction process resulted in productivity increase of 6%.
- Introduction of screw pumps for PTA slurry have led to substantial reduction in maintenance cost.
- Use of extended area spinnerette have resulted in doubling the throughput on some of the nylon products.
- Installation of mechanical sealing system on BPUs have reduced polymer degradation.
- DCS control system for batch units have resulted in quality improvements and reduced downtime of the reactors.

**(C) INFORMATION REGARDING IMPORTED TECHNOLOGY**

(Imported during the last 5 years from the beginning of the Financial year)

(a) Technology Imported	(b) Year of Import	(c) Technology Absorption
Know-how and state of the art technology pertaining to the manufacture of Polyester and Nylon Textile Filament Yarns, Polyester and Nylon Industrial Yarns, Tyre cord and Tyrecord Fabric	2000-01	Continuous access to technical know-how including all improvements, innovations and significant break-through during the period of the agreement.
Know-how and state of the art technology pertaining to the manufacture of Polyester and Nylon Textile Filament Yarns, Polyester and Nylon Industrial Yarns, Tyre cord and Tyrecord Fabric.	2001-02	Continuous access to technical know-how including all improvements, innovations and significant break-through during the period of the agreement.

**(D) FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information on Foreign Earnings and Outgo is contained in Schedule I items 16 (b), (c), (d) and (e) in Notes on Accounts.

**(PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956)****FORM - A (See Rule 2)****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

	Current Year 2002-03	Previous Year 2001-02		Current Year 2002-03	Previous Year 2001-02
<b>A. POWER AND FUEL CONSUMPTION</b>					
<b>1. ELECTRICITY</b>					
(a) Purchased					
Units (KWH)	113534500	119386265			
Total Amount (Rs. in Lacs)	3945.28	4372.26			
Rate per Unit (Rs.)	3.47	3.66			
(b) Own Generation					
Through diesel generators					
Units (KWH)	64079506	55496127			
Units per Litre of fuel oil	3.93	3.90			
Cost per unit (Rs.)	2.94	3.10			
(c) L.D.O./ F.O.					
(For Own Generation)					
Quantity (Litres)	16317910	14229509			
Total Amount (Rs. in Lacs)	1882.58	1650.37			
Rate/Unit (Rs.)	11.54	11.60			
<b>2. FURNACE OIL / L.S.H.S. / L.D.O.</b>					
(For Steam Generation)					
Quantity (Litres)	7595419	7711476			
Total Amount (Rs. in Lacs)	859.74	720.33			
Rate/Unit (Rs.)	11.32	9.34			
STEAM (COST PER TON)					
Units (TON)	130757	127351			
Units per Ton of fuel	17.22	16.51			
Cost per unit (Rs.)	658	557			
<b>3. NITROGEN</b>					
Units (NM <sup>3</sup> )					
Total Amount (Rs. in Lacs)	2175787	2341460			
Cost per unit (Rs.)	0.99	1.39			
<b>B. ENERGY CONSUMPTION PER UNIT OF PRODUCTION</b>					
<b>PRODUCTS (With Details) UNIT</b>					
<b>1. ELECTRICITY (Kwh/Ton of Product)</b>					
(a) SyntheticTextile Yarns	2131	2066			
(b) Industrial Yarn / Fabric	4082	4436			
(c) Polyester Chips	147	142			
<b>2. FURNACE OIL/LSHS (Ltrs/Ton of Product)</b>					
(For Steam Generation)					
(a) SyntheticTextile Yarns	62	72			
(b) Industrial Yarn / Fabric	274	315			
(c) Polyester Chips	84	79			
<b>3. NITROGEN (NM<sup>3</sup>/Ton of Product)</b>					
(a) SyntheticTextile Yarns	24	26			
(b) Industrial Yarn / Fabric	36	32			
(c) Polyester Chips	7	9			

For and on behalf of the Board of Directors

**B. K. BIRLA**  
**PETER WACK**  
 Directors

Place : Mumbai

Date : 2nd May, 2003

## CENTURY ENKA LIMITED

**MANAGEMENT'S DISCUSSION AND ANALYSIS****1. OVERALL REVIEW**

The prices of major raw materials increased gradually during the year primarily due to rising crude oil prices in the international market. The increase was substantial in the fourth quarter of the financial year. The hike in octroi duty rates further increased the raw material cost at the Pune plant. The sales realisation was not commensurate with the increase in raw material prices due to market conditions. Domestic oversupply position in Polyester Chips affected sales volume. In spite of these adverse factors, the performance of the Company during the year 2002-03 was satisfactory mainly due to following reasons:

- a) Increase in sale of Nylon Tyre Cord Fabric due to improved demand from tyre industry.
- b) Increase in productivity and reduction in conversion cost of Industrial Yarns resulting from modernisation.
- c) Reduction in energy cost due to rationalisation of electricity tariffs by Maharashtra State Electricity Board, modernisation of utilities, conversion of Power Generating sets for using cheaper alternate fuels, installation of waste heat recovery boilers and various other energy conservation measures.
- d) Product development and improved product mix.
- e) Cost reduction initiatives involving focus on procurement efficiencies and control over overheads.
- f) Rationalisation and optimisation of manpower.
- g) Reduction in interest cost due to repayment of loans and cheaper working capital borrowings.

**2. INDUSTRY OUTLOOK**

Since the raw material cost is a major component of overall cost of manufacture, the outlook of the industry mainly depends upon the stability in raw material prices in domestic as well as international market.

The demand for Synthetic Textile Yarn during the last decade has shown a compounded annual growth of 14 %. In the year 2002-03, the growth was 9% as compared to 3% in the previous year. The capacity utilisation in the industry is quite satisfactory and the demand and supply position matches, barring temporary fluctuations. The Industry is expected to continue to grow in the foreseeable future mainly due to the following:

- a) Globalisation of Indian Textile Industry and positive reform packages announced by the Government from time to time. In the recent Union Budget, Government has reduced the excise duty on Polyester Filament yarn from effective rate of 36.80% to 28.60% and customs duty on specified Polyester Filament Yarn machinery and equipment from 25% to 5%. Excise duty is expected to come down further in coming years.
- b) The extension of CENVAT (Excise duty) upto ready made garments stage and proposed introduction of VAT (Value Added Tax) by State Governments will have favourable impact in the long run.
- c) Replacement of cotton by synthetic yarns. Today the share of Polyester in the overall fibre consumption is about 35% which is expected to reach 50% by 2008.

The Tyre Industry recorded impressive growth in production in the year 2002-03. The major consumption of Nylon Tyre Cord Fabric (NTCF) is in Bus and Truck tyres. This sector has grown by about 15% during the year mainly due to increase in exports, improved demand from the replacement market as well as original equipment manufacturers i.e. Automobile Industry. This is expected to continue during the current year also. However, the margins will be under pressure due to volatility in the prices of raw material and competition from imports especially from China.

**3. OPPORTUNITIES**

The Indian economy is a growing economy and there is enough scope for growth in Textile as well as Tyre Industry. Although the 10th five year plan (2002-07) has envisaged a growth rate of 8 %, the economy can certainly grow at least in the range of 5-6% per annum for the next few years. Moreover, the per capita consumption of textiles and use of road transport services still remains amongst the lowest in the world. The population growth in India is still continuing at a rate higher than world average. These factors are expected to provide enough growth opportunities for both the industries. In addition, since there is a gap between the domestic demand for Nylon Tyre Cord Fabric and the domestic supplies, which is being met by imports, there is an opportunity to increase the domestic production.

**4. CHALLENGES**

In case of Textile Yarns, the market share of the Company is low at about 6%. In Polyester Chips, the domestic supply is outstripping the demand significantly and the margins are under pressure. To counter these challenges, the Management is actively pursuing investment for conversion of surplus Chips capacity at Bharuch plant into Polyester Yarn. Another major challenge before the Company is of near monopolistic situation in supply of its main raw material in India. In case of Nylon Tyre Cord Fabric, there is a threat from cheap imports, especially from China.

**5. COMPANY OUTLOOK**

In view of ongoing modernisation of the manufacturing plants including utilities, debottlenecking of existing capacities, selective capacity enhancements, development of new and value added products, control over costs, energy conservation measures, sound financial position, the Management is optimistic about the future outlook of the Company in the medium to long term perspective.