

# **CENTURY ENKA LIMITED**



**38th Annual Report 2003-04**

## FINANCIAL HIGHLIGHTS

## OPERATING RESULTS

(Rupees in Crores)

	2003-04	2002-03	2001-02	2000-01	1999 - 00
<b>INCOME</b>					
Sales / Income from Operations	<b>980.40</b>	946.21	891.53	960.20	937.91
Less: Excise Duty	<b>168.09</b>	197.64	182.83	194.04	196.52
	<b>812.31</b>	748.57	708.70	766.16	741.39
Other Income	<b>9.60</b>	7.34	26.32	14.54	5.82
	<b>821.91</b>	755.91	735.02	780.70	747.21
<b>EXPENDITURE</b>					
Materials & Overheads (+/- Stock Adj.)	<b>694.93</b>	634.87	595.83	641.70	620.99
<b>PROFIT BEFORE INTEREST</b>	<b>126.98</b>	121.04	139.19	139.00	126.22
Less : Interest (Net)	<b>1.58</b>	4.26	9.65	21.48	24.41
<b>GROSS PROFIT</b>	<b>125.40</b>	116.78	129.54	117.52	101.81
Less : Current Depreciation (Net)	<b>40.78</b>	39.08	38.70	41.98	44.05
Less : Additional Depreciation	-	-	36.11	-	-
Less : Exceptional Item - VRS Compensation	<b>5.97</b>	-	-	-	-
Less : Current Tax (Net)	<b>17.15</b>	5.61	4.21	5.07	5.75
Less : Deferred Tax	<b>4.50</b>	14.00	16.00	-	-
<b>NET PROFIT</b>	<b>57.00</b>	58.09	34.52	70.47	52.01
<b>DIVIDEND (%)</b>	<b>60%</b>	55%	60%	50%	40%
<b>EARNINGS PER SHARE (Rs.)</b>	<b>19.90</b>	20.28	11.69	23.48	17.33
<b>CASH EARNINGS PER SHARE (Rs.)</b>	<b>34.14</b>	33.92	37.02	37.48	32.01

## SOURCE AND APPLICATION OF FUNDS

(Rupees in Crores)

	2003-04	2002-03	2001-02	2000-01	1999-00
<b>SOURCE OF FUNDS</b>					
Shareholders' Funds					
Share Capital	<b>28.64</b>	28.64	28.64	30.01	30.01
Reserves & Surplus (including Revaluation)	<b>500.14</b>	462.72	422.61	499.79	446.07
	<b>528.78</b>	491.36	451.25	529.80	476.08
Loan Funds	<b>95.54</b>	100.64	112.71	195.87	291.93
Net Deferred Tax Liability	<b>120.50</b>	116.00	102.00	-	-
<b>Funds Employed</b>	<b>744.82</b>	708.00	665.96	725.67	768.01
<b>APPLICATION OF FUNDS</b>					
Fixed Assets (Gross)	<b>1196.23</b>	1155.73	1156.37	1128.16	1129.47
Depreciation	<b>634.03</b>	611.79	603.90	547.48	509.07
<b>Fixed Assets (Net)</b>	<b>562.20</b>	543.94	552.47	580.68	620.40
Investments	<b>39.04</b>	3.06	3.06	3.97	11.95
Current Assets (Net)	<b>143.58</b>	161.00	110.43	141.02	135.66
<b>Net Assets Employed</b>	<b>744.82</b>	708.00	665.96	725.67	768.01

## Thirty Eighth Annual Report 2003-04

# CENTURY ENKA LIMITED

### BOARD OF DIRECTORS

Mr. B. K. Birla  
Mr. Peter Wack  
(Alternate : Mr R. A. Shah)  
Mr. P. A. J. Grimmlikhuizen  
(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	HDFC Bank
State Bank of India	ABN AMRO Bank NV
Citibank N A	UTI Bank

### 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 - 27120423/4127300  
Fax No. 020 - 27120113

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

## NOTICE TO THE SHAREHOLDERS

**NOTICE** is hereby given that the Thirty-Eighth 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 26th June, 2004 at 10.00 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, 2004.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr.B.K.Birla who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. A. J. Grimmeli-khuizen who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

## AS SPECIAL BUSINESS

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

## AS SPECIAL RESOLUTION

"RESOLVED THAT subject to the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and other applicable Acts, Rules and Regulations, if any, (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approval, permissions and sanctions from such authorities as may be required and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the voluntary delisting of Securities of the Company from the Calcutta Stock Exchange Association Limited."

"RESOLVED FURTHER THAT the Board of Directors of the Company (to include any Committee of Directors that may be appointed by the Board of Directors) be and is hereby authorised to agree such terms and conditions which they may consider appropriate and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to execute all such applications, documents and writings as are considered necessary or proper for giving effect to this resolution."

By Order of the Board

**C. B. GAGRANI**  
Secretary

Mumbai  
Dated : 3rd May, 2004

## 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 Tuesday, the 15th June, 2004 to Monday, the 21st June, 2004, both days inclusive on account of Annual General Meeting and Dividend payment.
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 21st June, 2004 or to their nominees. In respect of shareholding in dematerialised form, dividend will be paid to the beneficial owners as at the end of business on 14th June, 2004, as per details to be furnished by the Depositories for the purpose. Dividend Warrants will be despatched on or after 30th June, 2004.
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 atleast 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 encashed dividend warrants for the financial years 1997-98 to 2002-2003 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 1997-98 and thereafter which remain unpaid/unclaimed for a period of 7 (seven) years will be transferred to the Investor Education and Protection Fund (the Fund) constituted by the Central Government under Section 205C of the Companies Act, 1956. Unpaid/unclaimed interim equity dividend for the financial year 1997-98 will fall due for transfer to the said Fund on 4th January, 2005.

It may kindly be noted that once the unpaid/unclaimed dividend is transferred to the abovesaid Fund of the Central Government as above, no claim shall lie in respect thereof.

6. Dividend in respect of shares held in dematerialised form shall be credited to the beneficial owner's bank account directly through Electronic Clearing Services (ECS) subject to availability of bank account details and 9 digits code number. In case the said details have not been provided to the concerned Depository Participant or there is any change, the same may please be intimated to the concerned Depository Participant immediately.

Shareholders holding shares in physical form and desirous of availing ECS facility, should provide the bank details and 9 digits code number in the proforma annexed herewith. Shareholders who have already given their Bank details to avail the ECS facility should furnish the same only if there is any change.

7. In terms of provisions of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholder. The shareholders who are holding shares in physical form and 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. Shareholders holding shares in dematerialised form, should write to their Depository Participant for the purpose.
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 who are holding shares in physical form 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. Shareholders holding shares in dematerialised form, should intimate change of their address, if any, to their Depository Participant.

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

##### Item No. 6

Presently the Company's Securities are listed on The Stock Exchange, Mumbai, National Stock Exchange of India Limited, Mumbai and The Calcutta Stock Exchange Association Limited, Kolkata. The Calcutta Stock Exchange Association Limited is considered as Regional Stock Exchange for the Company.

The Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, permits a Company to get its Securities delisted even from the Regional Stock Exchange provided the Securities continue to be listed on a Stock Exchange having nationwide trading terminals. The Securities of your Company are listed on The Stock Exchange, Mumbai and National Stock Exchange of India Limited having nationwide trading terminals and investors can easily access to online dealings in the Company's Securities across the country.

In the last few years, there was negligible trading in the Company's Securities at the Calcutta Stock Exchange Association Limited. The listing fees paid to the Calcutta Stock Exchange Association Limited do not have any cost benefit for the listing facilities. Also no particular benefit is available to the Security holders of the Company from continued listing on this Stock Exchange.

It is, therefore, proposed to delist voluntarily the Securities of the Company from The Calcutta Stock Exchange Association Limited.

Pursuant to Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, a Special Resolution is required to be passed for voluntary delisting of Securities.

In view of the abovesaid, the Board recommends the resolution for your approval.

None of the Directors and Manager of the Company are concerned or interested in the resolution except as securityholder of the Company wherever applicable.



**DIRECTORS' REPORT****FOR THE YEAR ENDED 31ST MARCH, 2004**

Dear Shareholders

We have pleasure in presenting the 38th Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 2004. In the last annual report, we had informed you about a lot of uncertainties which were prevailing in the market at that time on account of closure of units by customers opposing introduction of CENVAT (Excise Duty) chain upto the stage of ready-made garments, proposal to introduce VAT by the State Governments, transporters' strike and volatility in raw material prices and expressed our concern about the performance for the year 2003-04. We are now glad to inform you that from the beginning of June 2003, there has been gradual improvement in market sentiments, as a result of which we are able to report satisfactory performance for the current year.

**FINANCIAL RESULTS**

	Rs./Crores	
	<b>This Year</b>	<b>Previous Year</b>
<b>Income from Operations</b>	<b>980.40</b>	946.21
<b>Profit before Interest, Depreciation and Taxation</b>	<b>126.98</b>	121.04
Add/(Less):		
Voluntary Retirement Scheme compensation	(5.97)	-
Interest (Net)	(1.58)	(4.26)
Depreciation	(40.78)	(39.08)
Taxation (Net)	(21.65)	(19.61)
<b>Net Profit</b>	<b>57.00</b>	58.09
Add: Balance brought forward from previous year	63.07	34.90
Transfer from/(to) Debenture Redemption Reserve	-	(2.15)
<b>Profit available for appropriation</b>	<b>120.07</b>	90.84
Less: Dividend	17.19	15.75
Tax on Dividend	2.20	2.02
General Reserve	10.00	10.00
<b>Balance carried forward to next year</b>	<b>90.68</b>	63.07

**DIVIDEND**

We recommend a dividend of Rs.6.00 per Equity Share of Rs.10/- each for the year ended 31st March, 2004 (Previous year Rs.5.50 per Equity Share of Rs.10/- each).

**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.

We would like to add that in the era of increasing globalisation, the competition will continue to increase further and margins are likely to remain under pressure. Although your Company is constantly engaged in improving its operational efficiencies, value addition activities, improving product mix, etc., it is intensifying its efforts for pursuing growth strategies particularly in the areas of Nylon Textile and Industrial Yarns.

**MODERNISATION AND EXPANSION**

You are aware that your Company has been focusing on energy conservation and modernisation of its plants and equipment at Pune and Mahad for the last three years. Various schemes which were undertaken in two phases are almost complete and have started bearing good results in improving operational efficiencies and savings in labour cost.

During the year under review, your Company has also undertaken steps to revamp its polymerisation capacity at Pune and embarked upon Polyester Partially Oriented Yarn (POY) capacity expansion at Bharuch by converting its surplus Polyester Chips capacity. It is expected to be completed in the first quarter of 2005. The Nylon Tyre Cord Fabric (NTCF) capacity expansion of about 2000 Tons per annum is nearing completion. Your Company has also decided to revamp its captive power generating capacity by installing two Diesel Generating (DG) Sets of 6 MW capacity each at Pune to take care of frequent voltage dips, interruptions in power supply from Maharashtra State Electricity Board and old D.G. Sets.

Your Company is now initiating steps for further expansion of NTCF capacity by 7500 Tons per annum and hope to complete the same by end of the last quarter of 2005.

The estimated investment on all these schemes would be about Rs.280 crores.

Although your company's attempt to increase speed of POY Spinning machines at Rajashree Polyfil, Bharuch plant with the use of new polymer additives met with initial success, subsequent trials carried over a fairly long period, both in-house as well as with customers were not upto the desired expectations. It was decided to drop this project and go for new capacity expansion as stated above which is more viable.

**HUMAN RESOURCE DEVELOPMENT AND ENVIRONMENT**

The Report on "Management's Discussion and Analysis" includes your Company's policies on and approach to all round Human Resource Development, Safety, Health and Environmental matters. 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 bringing improvements at all its factories and offices and responding to 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 forms a part of the report.

**CORPORATE GOVERNANCE**

Your Company believes in pursuing the best corporate practices and is consistently complying with the stipulations set-out by Securities and Exchange Board of India on Corporate Governance. The certificate of Statutory Auditors of the Company dated 3rd May, 2004 is the testimony of the compliance of the conditions stipulated under clause 49 of the Listing Agreement on Corporate Governance. This certificate is annexed hereto and forms a part of the 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.K.Birla and Mr.P.A.J.Grimmelikhuisen 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 2003-04.

**PARTICULARS OF EMPLOYEES**

There was no employee employed throughout the financial year who was in receipt of remuneration in aggregate of Rs.24,00,000/- or more per annum or employed for part of the year who was in receipt of remuneration at the rate of Rs.2,00,000/- or more per month and therefore no particulars are given under Section 217 (2A) of the Companies Act, 1956.

For and on behalf of the Board of Directors

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

Place : Mumbai

Date : 3rd May, 2004

Report Junction.com

**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**

Energy Cell at all the three sites of the Company is actively working on the generation of in-house proposals and their implementation. Various task force teams are formed to explore and implement energy saving potentials in utility and process requirements.

**a) Energy Conservation measures taken :**

1. Conversion of DG sets for using alternate cheaper fuel.
2. Stoppage of Brine system by converting to chilled water system.
3. Modification in Enthalpy control on LTG air handling units.
4. Use of DM water as cooling media for all air compressors.
5. Use of DG sludge in thermopack HTM boiler.
6. Installation of AHU for reducing compressor suction air temperature.
7. Installation of harmonic filters to improve power quality and voltage stability.
8. Use of new type of Insulation on spinning machine and poly header.
9. Use of false ceiling for optimisation of air conditioning system.
10. Replacement of inefficient centrifugal fans with axial fans in spinning air washer.
11. Corrocoating of centrifugal pumps of cooling towers for better efficiency.
12. Installation of new steam line to reduce condensation losses.
13. Reduction in plant air generation pressure.
14. Reduction in Instrument air generation pressure.
15. Installation of Star Delta Star converter for lightly loaded motors.
16. Installation of super efficiency motors on draw winder machines.
17. VFD installation for HTM pumps.

**b) Additional Investment and Proposals, if any, being implemented for conservation of energy :**

1. Replacement of old inefficient refrigeration chiller with latest technology energy efficient chiller.
2. Installation of waste heat recovery boiler for DG sets.
3. Installation of vapor absorption chiller for refrigeration using excess steam from waste heat recovery boiler and using process waste heat.
4. Replacement of additional centrifugal fans with Axial & Aerodynamic design fans in air washers and AHUs.
5. Study of pumps through reputed pump supplier to improve efficiency.
6. VFDs for Cooling water, Chilled water pumps and cooling tower fans.
7. Increasing the chilled water generation temperature.

**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 hereafter.

**B) TECHNOLOGY ABSORPTION****a) Research & Development (R&D)****(1) Specific areas in which R & D is carried out by the Company :**

- Direct refeeding of oligomers into depoly reactor.
- Development of additional three shades through dope dyeing route in polyester.
- Quality improvement in  $\text{TiO}_2$  suspension for polyamide through increased settling time.
- Introduction of on line product changeover in BPUs and modification in BPU cleaning procedure.
- Import substitution of spin finish oil for industrial yarn.
- Introduction of nylon draw warped beams for sizing sector.

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

- Improvement in lactam recovery productivity and yield.
- New products and improvements to broaden market base.
- Quality improvement
- Cost reduction.
- Import substitution and inventory control.
- Improvement to broaden market base

**(3) Future plan of action :**

- Recycling of polyester waste to produce polyester chips.
- Direct recycling of Effluent Glycol.
- Introduction of specialty products for Nylon cotton fabric.
- Development of stabilised nylon polymer for textile end use.

**(4) Expenditure on R & D :**

	<u>Rs./crores</u>
(i) Capital	Refer Note below
(ii) Recurring	0.50
(iii) Total	0.50
(iv) Total R & D expenditure as a percentage of total turnover	0.06%

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.

**b) Technology absorption, adaptation and innovation****(1) Efforts in brief, made towards technology absorption, adaptation and innovation:**

- Replacement of vacuum system by nitrogen purging system for spinning of industrial yarn.
- Development of deep dyeing nylon yarn.
- Simulation of lactam recovery for improvement in yield.
- Improved recipe management in polyester CPU for capacity enhancement.

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

- Improvement in quality and cost reduction.
- Customer satisfaction.
- Cost benefit.
- Increase in productivity.



**ANNEXURE TO THE DIRECTORS' REPORT(CONTD.)****(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 exchange earnings and outgo is contained in Schedule I items 14 (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 2003-04	Previous Year 2002-03		Current Year 2003-04	Previous Year 2002-03
<b>A. POWER AND FUEL CONSUMPTION</b>			<b>B. ENERGY CONSUMPTION PER UNIT OF PRODUCTION</b>		
<b>1. ELECTRICITY</b>			<b>PRODUCTS (With Details) UNIT</b>		
(a) Purchased			<b>1. ELECTRICITY</b>		
Units (KWH)	111577375	113534500	(Kwh/Ton of Product)		
Total Amount (Rs. in Lacs)	3761.28	3945.28	(a) Synthetic Textile Yarns	2126	2131
Rate per Unit (Rs.)	3.37	3.47	(b) Industrial Yarn / Fabric	4070	4082
(b) Own Generation			(c) Polyester Chips	141	147
Through diesel generators					
Units (KWH)	54122128	64079506	<b>2. FURNACE OIL/LSHS</b>		
Units per Litre of fuel oil	3.99	3.93	(Ltrs/Ton of Product)		
Cost per unit (Rs.)	2.68	2.94	(For Steam Generation)		
(c) F.O. / L.D.O.			(a) Synthetic Textile Yarns	65	62
(For Own Generation)			(b) Industrial Yarn / Fabric	279	274
Quantity (Litres)	13562600	16317910	(c) Polyester Chips	79	84
Total Amount (Rs. in Lacs)	1448.99	1882.58			
Rate/Unit (Rs.)	10.68	11.54	<b>3. NITROGEN</b>		
<b>2. FURNACE OIL/L.S.H.S.</b>			(NM <sup>3</sup> /Ton of Product)		
(For Steam Generation)			(a) Synthetic Textile Yarns	25	24
Quantity (Litres)	7507898	7595419	(b) Industrial Yarn / Fabric	36	36
Total Amount (Rs. in Lacs)	790.77	859.74	(c) Polyester Chips	7	7
Rate/Unit (Rs.)	10.53	11.32			
<b>STEAM (COST PER TON)</b>					
Units (TON)	128418	130757			
Units per Ton of fuel	17.10	17.22			
Cost per unit (Rs.)	616	658			
<b>3. NITROGEN</b>					
Units (NM <sup>3</sup> )	2064202	2175787			
Total Amount (Rs. in Lacs)	15.21	21.61			
Cost per unit (Rs.)	0.74	0.99			

For and on behalf of the Board of Directors

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

Directors

Place : Mumbai

Date : 3rd May, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 1. OVERALL REVIEW

The polyester operations of the Company at all the three sites were partially stopped for about 4-6 weeks during April-May 2003 due to poor sales on account of closure of units by textile industry in general protesting introduction of CENVAT, proposed introduction of VAT, transporters' strike and volatility in raw material prices. This adversely affected the results of the first quarter ended 30th June, 2003. The situation returned to normalcy from first week of June 2003 on withdrawal of protest by the textile industry and postponement of introduction of VAT by the Government.

The prices of PTA and MEG, the raw material for Polyester Partially Oriented Yarn (POY) and Polyester Chips, after declining in May 2003 were relatively stable for a major part of the year. However, in the last quarter, the prices shot up primarily due to sharp increase in global crude oil prices. The prices of Caprolactam, the raw material for Nylon Tyre Cord Fabric (NTCF) and Nylon Textile Yarn moved up gradually throughout the year.

Barring first quarter, the demand for all the products of the Company was firm during the year. The margins in Polyester Partially Oriented Yarn (POY) and Polyester Chips saw a healthy improvement on account of excise duty reduction and stable raw material prices for a major part of the year. In case of Nylon Tyre Cord Fabric (NTCF), there was a gradual shrinkage in margins due to low price imports from China, increase in caprolactam prices and appreciation of the Rupee. Reduction in import duties further aggravated the situation of low price imports from China. The Company continued its focus on Nylon Textile Yarn and was able to increase its market share. In Polyester Flat Yarns, the demand and margins were unsatisfactory.

The response to Voluntary Retirement Scheme (VRS) announced in November 2003 was satisfactory. An amount of Rs. 5.97 crores towards VRS compensation has been charged to the Profit and Loss Account for the year 2003-04.

The overall performance of the Company during the year 2003-04 was satisfactory amidst abovementioned challenging environment.

### 2. INDUSTRY OUTLOOK

The year 2003-04 was quite good for the domestic economy and in particular the manufacturing sector. A large number of industries have performed well and there is a revival of demand in almost all sectors. This trend is expected to continue.

The demand outlook for Synthetic Yarn in domestic market remains positive in view of the following:

a. Positive fiscal measures taken by the Government :

- i) Reduction of excise duty on Polyester Filament yarn.
- ii) Completion of CENVAT chain in the textile industry.
- iii) Reduction of customs duty on capital goods.

b. Low per capita consumption in India, economic growth translating into increase in disposable income, continued population growth, replacement of cotton and silk by synthetic yarn, expected to lead to growth in domestic consumption.

c. End of quotas for textile products in 2005 expected to benefit all sections of the textile industry in India.

d. Recovery in transport sector and increase in production of bus and truck tyres.

Excise duty is still high and expected to come down in coming years.

The margins will continue to be under pressure due to increasing exposure of domestic economy to global competition, creation of large capacities particularly in China, low price imports of NTCF and volatility in raw material prices.

### 3. OPPORTUNITIES

The per capita consumption of textiles in India is comparatively very low as compared to many other developing countries. On account of its cost advantage, synthetic yarn will continue to replace natural fibres. Nylon Textile Yarn is establishing itself as a fashion fibre and a cheaper substitute to silk yarn. There is a gap between the domestic demand for Nylon Tyre Cord Fabric and the domestic supplies, which is being met by imports. These factors provide opportunity to increase domestic production. Lower interest cost, reduced customs duty on capital goods and buoyant demand provide appropriate environment for investment in new capacities.

### 4. CHALLENGES

The low market share of the Company coupled with volatility in raw material prices and low price imports, particularly of NTCF, continue to put pressure on margins.

The major challenge before the Company is to increase its market share. The Company has undertaken projects for conversion of surplus chips capacity at Bharuch plant into Polyester Filament Yarn, expansion of NTCF capacity and increase in Nylon Textile Yarn capacity. In case of Polyester Filament Yarn, domestic competition is likely to increase significantly with creation of new capacities which may adversely affect margins.

### 5. COMPANY OUTLOOK

The Company is well positioned in the industry due to its efficient operations, competitive cost structure, good acceptance of its products and sound financial position. The plants of the Company have been largely modernised. The Company is now actively pursuing investments in new capacity / increasing value addition. The demand outlook for all the products of the Company remains positive.