

# CENTURY ENKA LIMITED



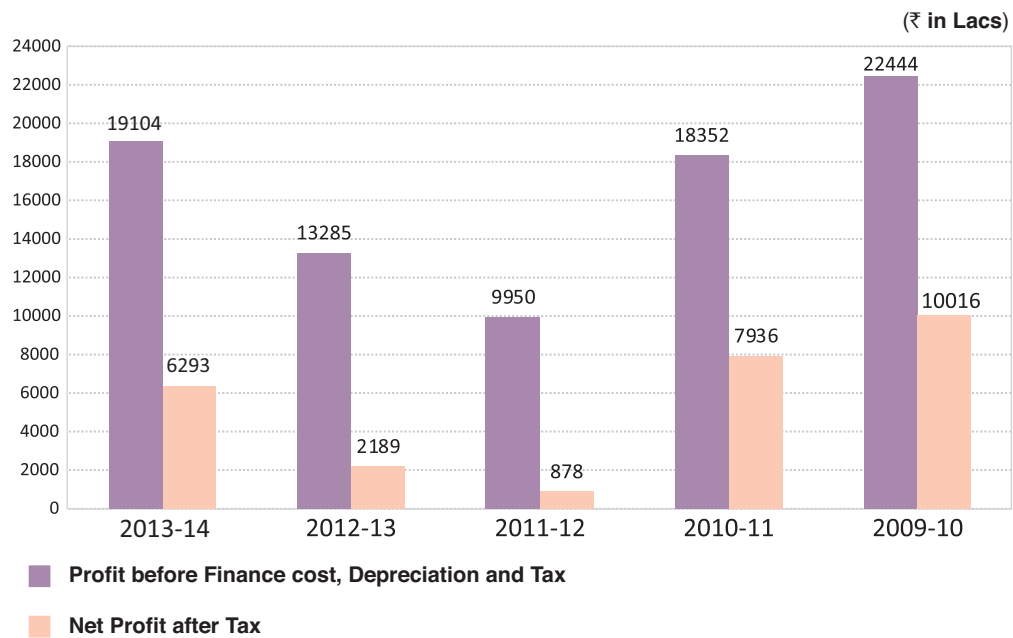
**48th Annual Report 2013-2014**

**QUALITY driven!**



**Mr. B.K. Birla - Chairman**

## PROFIT





## Forty Eighth Annual Report 2013-14 CENTURY ENKA LIMITED

### BOARD OF DIRECTORS

Mr. B. K. Birla (Chairman)  
Mrs. Saraladevi Birla  
Mr. R. A. Shah  
Mr. B. S. Mehta  
Mr. S. K. Jain  
Mr. G. M. Singhvi (Whole-time Director)

### SECRETARY

Mr. C. B. Gagrani

### AUDITORS

Messrs. Price Waterhouse

### SOLICITORS

Messrs. Crawford Bayley & Co.

### BANKERS

Bank of Maharashtra	HDFC Bank
State Bank of India	The Royal Bank of Scotland N.V.
Axis Bank	

### HEAD OFFICE

'Bakhtawar', 7th Floor  
Nariman Point  
Mumbai-400 021.  
Tel. No. 022-4321 5300 / 2202 7375  
Fax No. 022-4321 5353 / 2287 3952

### REGISTERED OFFICE

Century Arcade, 2nd Floor  
Narangi Baug Road  
Pune - 411 001.  
Tel. No. 020-2616 6511  
Fax No. 020-2616 6511

### KOLKATA OFFICE

Birla Building, 8th Floor  
9/1, R. N. Mukherjee Road,  
Kolkata-700 001.  
Tel. No. 033-2243 6003

### FACTORIES

Bhosari, Pune-411 026  
Tel. No. 020-66127300 / 27120423  
Fax No. 020-27120113

Raigad Processors  
(Not in Operation)  
Plot No. C-61, Part-A, MIDC Area,  
Mahad-402 309, Dist.: Raigad  
Tel. No. 02145-232136

Rajashree Polyfil  
Rajashree Nagar, Post: Umalla-393120  
Dist.: Bharuch  
Tel. No. 02640-308555  
Fax No. 02640-308510

Konkan Synthetic Fibres  
(Not in Operation)  
Plot No. C-61, Part-B, MIDC Area  
Mahad-402 309, Dist.: Raigad  
Tel. No. 02145-232137

### SHARE TRANSFER AGENT

#### LINK INTIME INDIA PRIVATE LIMITED

C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai-400 078  
Tel. No.: 022-2594 6970; Fax No.: 022-2594 6969

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2014

### Dear Shareholders,

Your Directors present the 48th Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 2014.

The overall performance of the Company was quite satisfactory inspite of lower production and sales resulting on account of suspension of Continuous Process Plant (Polyester) at Bharuch site in November 2013 which was incurring financial losses. In addition to this, saving in energy cost, production of high value added products, better product mix and general improvement in operational efficiency also helped in improving the financial results for the year.

### FINANCIAL RESULTS

	(₹ / Lacs)	
	This Year	Previous Year
<b>Net Sales / Income from Operations (Less Excise Duty)</b>	<b>146679</b>	155217
<b>Profit before Depreciation, Finance Cost, Exceptional Items and Tax</b>	<b>19324</b>	14788
Add / (Less) :		
Depreciation	(7071)	(7191)
Finance Cost	(2452)	(2946)
Exceptional Items	(220)	(1503)
Taxation (Net)	(3288)	(959)
<b>Net Profit</b>	<b>6293</b>	2189
Add : Balance brought forward from previous year	23346	22921
<b>Profit available for appropriation</b>	<b>29639</b>	25110
Less : Dividend	1311	1311
Tax on Dividend	228	233
General Reserve	630	220
<b>Balance carried forward to next year</b>	<b>27470</b>	23346

### DIVIDEND

We recommend a dividend at the rate of 60% (i.e. ₹ 6/- per Equity Share of ₹ 10/- each) for the year ended 31st March, 2014 (Previous year at the rate of 60% i.e. ₹ 6/- per Equity Share of ₹ 10/- each).

### COURSE OF BUSINESS AND OUTLOOK

The Management's Discussion and Analysis Report, as required under Corporate Governance, is forming a part of this report and gives a reflection of the current state of business. As indicated in the said report, re-engineering and modification work in making a part of the Continuous Process Plant into Non-continuous Process Plant has been satisfactory. Your Company has been able to produce value added products of different polymers with good quality. In view of this accomplishment, in the current year, your Company is concentrating on enlarged area of restructuring its operations by re-engineering and modification work of the remaining part of Continuous Process Plant. The Management is hopeful of converting the said plant into a better versatile plant capable of producing different

polymers with increased operational efficiency at lower cost.

The commissioning of additional dipping capacity will help the Company to satisfy tyre companies with the increased supply of dipped fabric in place of greige fabric.

### EXCISE DEMAND

With reference to the observation of the Statutory Auditors in their report on the order of the Excise Department raising a demand of ₹ 229.27 Crs. alongwith an equal amount of penalty and interest thereon, your Company has been advised by the legal experts that it has a strong case. The Company has filed an Appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT) Mumbai and expects a favourable outcome and accordingly no provision has been made in the accounts for the year.

### EXPANSION AND MODERNISATION

The study of the Consultant on Polyester products particularly Partially Oriented Yarn (POY) and Chips suggests that the existing capacity will continue to remain surplus for another 2-3 years with thin to negative margins. Your Directors will take a cautious approach before committing any new investment in this area. The Company is exploring the possibilities of entry into polyester tyre cord fabric and other polymers used in non-tyre application.

### SAFETY AND ENVIRONMENT

The report on Management's Discussion and Analysis includes observations on safety and environment.

Considerable emphasis is given by your Company on conservation and preservation of water, reducing the effluent as well as better management of effluent to keep the surrounding area clean and healthy.

All Plant sites of the Company are environment regulations compliant.

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

Particulars in respect of conservation of energy, 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 reaffirms its commitment to Corporate Governance and is fully compliant with the conditions of Corporate Governance stipulated in clause 49 of the Listing Agreement with Stock Exchanges. A separate section on compliance with the conditions of Corporate Governance and a Certificate from the firm of practicing Company Secretaries dated 5th May, 2014 in this regard 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 for 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

Mr. B. K. Birla, who will retire by rotation and being eligible offers himself for re-appointment

Mrs. Saraladevi Birla has been appointed as an Additional Director of the Company w.e.f. 5th May, 2014. Mrs. Saraladevi Birla will hold the office upto the date of ensuing Annual General Meeting. Notices have been received under Section 160 of the Companies Act, 2013 from members of the Company signifying the candidature of Mrs. Saraladevi Birla for the office of Director liable to retire by rotation.

Mr. R. A. Shah, Mr. B. S. Mehta and Mr. S. K. Jain, the Independent Directors of the Company are seeking their appointments under Section 149 of the Companies Act, 2013 for a term of five years upto 31st March, 2019.

## ANNEXURE TO THE DIRECTORS' REPORT

(Additional information given in terms of Notification G.S.R. No.1029 of 31.12.1988 issued by the Department of Company affairs)

### (A) CONSERVATION OF ENERGY

The Company is engaged in the continuous process of energy conservation through improved operational and maintenance practices:

#### a) Energy Conservation measures taken :

1. Replacement of winder cooling fans with PVC fans.
2. Utilisation of process heat to generate chilled water through vapor absorption chiller.
3. Relocation of after treatment machines to reduce energy for hall conditioning.

Notices under Section 160 of the Companies Act, 2013 from members of the Company signifying their candidatures for the office of the Directors have been received.

## AUDITORS

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

## COST AUDITORS

The Cost Audit Reports for the products Polyester and Nylon for the financial year ended 31st March, 2013 signed by M/s. N.I. Mehta & Co., Cost Auditors were filed within due date with the Ministry of Corporate Affairs.

Your Company has also appointed M/s. N.I. Mehta & Co., Cost Auditors for conducting the cost account records for the products Polyester and Nylon for the financial year ended 31st March, 2014.

## PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all members of the Company. Any member, who is interested in obtaining such particulars about employees may write to the Company Secretary at the Registered Office of the Company.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : May 5, 2014

**B. S. MEHTA**  
**G. M. SINGHVI**  
(Directors)

4. Installation of partitions in winding hall and after treatment hall.
5. Replacement of old motors with energy efficient motors.
6. Installation of air drying system on air booster line for FDY spinning machines.
7. Installation of tangling air solenoid valve.
8. Provision of insulation at uninsulated points of steam lines.
9. Replacement of old pumps with energy efficient pumps.
10. Installation of mist condenser in place of steam ejector with vacuum pump system.
11. Use of motorised yarn stripping system in place of compressed air.
12. Combining old and new AHU of loom section.

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

1. Installation of biomass fired boiler.
2. Use of dowtherm heating in place of steam heating for polymer melt.
3. Replacement of LP compressor with oil free screw compressor.
4. Installation of harmonic filter for power boards.
5. Steam economy improvement in IY Poly evaporation unit.
6. Installation of capacitance bank on 11KV bus to improve power factor.

**c) Impact of Measures at (a) and (b) above for reduction of energy consumption and on the cost of production of goods :**

The above measures have resulted in :

1. Reduction in consumption of electricity and fuel oils with consequent reduction in cost of production.
2. Reduction in steam consumption.
3. Increase use of cleaner / renewable fuel to replace furnace oil.

**d) Total energy consumption and energy consumption per unit of production as per prescribed Form - A given hereafter.****(iv) Expenditure on R & D :**

(₹ / Lacs)

	2013-14	2012-13
1. Capital	(See Note Below)	
2. Recurring	324	223
3. Total	324	223
4. Total R & D expenditure as a percentage of total income from operation (Net)	0.22%	0.14%

Note: The Company has spent ₹ 41 Lacs (Previous year ₹ 36 Lacs ) and shown as normal Capital Expenditure, although it is also used for R & D activities.

**b) Technology Absorption, Adaptation & Innovation****(i) Efforts in brief, made towards technology absorption, adaptation & innovation :**

1. Installation of pilot machine.
2. Installation of mist type combo vacuum condenser for vacuum system for Lactam recovery.
3. Upgradation in draw warper to enhance productivity.
4. Furnace oil based boiler converted to gas based boiler.

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

1. New product developments trials.
2. Improvement in operating performance.

**(iii) Future Plan of Action :**

1. Upgradation of IY poly DCS system.

**(iv) Information regarding imported technology :**

[Imported during the last 5 years (from the beginning of the financial year)]

1. Technology Imported : NIL
2. Year of Import : Not applicable
3. Has the technology been fully absorbed : Not applicable

**(B) TECHNOLOGY ABSORPTION****Efforts made in Technology absorption as per Form - B****a) Research & Development (R & D)****(i) Specific areas in which R & D is carried out by the company :**

1. Modification in spinning machines for conversion from Polyester to Nylon Yarn.
2. Modifications in spinning machines to improve quality of products.
3. Replacement of catalyst for improvement in polymer quality.
4. Installation of creep speed interlock PLC/SCADA system for spinning machines.
5. Installation of PLC & SCADA for Boilers and N2 plants.
6. Use of recycled waste for polymer trials.

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

1. Flexibility for product mix.
2. Reduction in operating and maintenance cost.
3. Improvement in quality, customer satisfaction and enlargement of market base.
4. Import substitution.

**(iii) Future Plan of Action :**

1. Modification in spinning lines for FDY production.
2. Development of speciality products.

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

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

Your company has successfully created a market in USA for its 'Green' Polymer chips.

Your company has also successfully developed markets for product of non tyre application in USA and Partially Oriented Yarns in Europe. Your company is making constant efforts to expand to other new markets in Europe, South America and Iran by developing special products.

In the year 2013-14, your company received a 'Certificate of Recognition' as an Export House.

During the year 2013-14, Company's exports increased to ₹ 2644 Lacs as against ₹ 845 Lacs in previous year. The Company has also sold Nylon Textile Yarn to domestic 100% EOU and SEZ units worth ₹ 523 Lacs during the year (previous year ₹ 57 Lacs).

2. Total foreign exchange used and earned is contained in Note 42(c), (d), (e) and (f) to the Financial Statement.





## (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 2013-14	Previous Year 2012-13		Current Year 2013-14	Previous Year 2012-13
<b>A. POWER AND FUEL CONSUMPTION</b>					
<b>POWER</b>			(iii) Purchased		
1. ELECTRICITY			Units (Ton)	73605	66445
(a) Purchased			Total Amount (₹ in Lacs)	1304.35	1186.19
Units (KWH)	148178807	100757194	Cost per unit (₹)	1772	1785
Total Amount (₹ in Lacs)	8239.83	5784.78	4. FURNACE OIL CONSUMPTION (For Steam)		
Rate per Unit (₹)	5.56	5.74	Quantity (Kgs)	2949342	1432538
(b) Own Generation Through Co-Generation Power Plants			Total Amount (₹ in Lacs)	1191.48	594.99
(i) Furnace Oil Based			Rate/Unit (₹)	40.40	41.53
Units (KWH)	4598700	11581104	5. OTHER FUEL (Used for process heating)		
Units per Litre of fuel oil	4.31	4.35	(i) Furnace Oil		
Cost per unit (₹)	9.95	9.65	Quantity (Kgs)	2468721	5228702
(ii) Natural Gas Based			Total Amount (₹ in Lacs)	1027.21	2161.16
Units (KWH)	27044783	73899368	Rate/Unit (₹)	41.61	41.33
Units per SCM of Natural Gas	4.28	4.23	(ii) Natural Gas		
Cost per unit (₹)	8.31	7.41	Quantity (SM3)	2419913	1517070
2. FUEL CONSUMPTION (For Own generation- Electricity)			Total Amount (₹ in Lacs)	1019	506.23
(i) Furnace Oil			Rate/Unit (₹ )	42.12	33.37
Quantity (Kgs)	1065790	2661916	(iii) Heat Purchase		
Total Amount (₹ in Lacs)	457.35	1117.68	Units (K.Cal in Lacs)	179471	154571
Rate/Unit (₹)	42.91	41.99	Total Amount (₹ in Lacs)	549.38	475.10
(ii) Natural Gas Consumption			Cost per unit (₹)	306.11	307.37
Quantity (SCM)	6324950	17486095	<b>B. ENERGY CONSUMPTION PER UNIT OF PRODUCTION</b>		
Total Amount (₹ in Lacs)	2248.45	5472.69	PRODUCTS (With Details) UNIT		
Rate/Unit (₹)	35.55	31.30	1. ELECTRICITY (Kwh/Ton of Product)		
3. STEAM			(i) Nylon Yarn	5234	6536
Steam Generation			(ii) Polyester Yarn	1049	969
(i) Own Generation Through Boiler			(iii) Industrial Yarn / Fabric(Including Dipping)	3207	3170
Units (Ton)	35856	18717	2. STEAM (Tons / Ton of Product)		
Units per Ton of fuel	12.16	13.07	(i) Nylon Yarn	8.3	9.1
Cost per unit (₹)	3323	3179	(ii) Polyester Yarn	0.3	0.3
(ii) Own Generation Through Waste Heat recovery from Co-Generation Power Plants			(iii) Industrial Yarn / Fabric(Including Dipping)	2.2	2.2
Units (Ton)	21872	58556			

Note: Figures for previous year have been regrouped wherever necessary.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 1. OVERALL REVIEW

The year under review was an eventful year. Among the major things happened during the year; closing down of Mahad site, transfer of part of the plant and machinery from Mahad to other sites of the Company and sale of a major part of the remaining machineries, suspension of Continuous Polymer Operation (Polyester) at Bharuch site in November 2013 which continued till the year end, re-engineering & modification work in Continuous Polyester Plant at Bharuch on large scale by making a part of it as non continuous plant, taking effective steps in implementing the project of doubling the dipping plant capacity, receipt of an order from Central Excise Department raising a demand of ₹ 229.27 Crs. along with equal amount of penalty and interest thereon (Refer Note 31(b) of the Financial Statements) were the important events.

In addition to this, the Company concentrated on energy saving, higher production of dipped tyre cord fabric, change in product mix with an eye on high value added products and prioritising various activities in the plant to improve the overall operational efficiency. The combined outcome of the above events and the initiatives taken by the Management as stated above, the financial performance of the Company improved with a net profit of ₹ 62.93 Crs. for the year 2013-14 as against net profit of ₹ 21.89 Crs. in the previous year.

### 2. INDUSTRY STRUCTURE, DEVELOPMENT, THREATS, OPPORTUNITIES & OUTLOOK

#### (a) Industry Status

After global financial crisis of 2008, the Government of India gave stimulus package to the Indian economy through reduced excise duty, additional export incentives and financial support with liberal terms. Synthetic Fibre Industry was one of the major beneficiaries. Indian economy recovered very fast and registered substantial growth. These stimuli coupled with lower crude oil & raw material prices helped the industry to make good profits in 2009-10 & 2010-11. The high cotton prices also stimulated the demand of Synthetic Fibre. Consequently, substantial investments in Synthetic Fibre Industry were committed by the existing as well as new players.

Expansions by existing players and the new plants started getting commissioned in 2011-12 & 2012-13. By this time, the global economy went through a severe recession. The Euro Zone crisis in particular and the slow recovery of developed economies had its impact on exports from China and India. Exports of textiles from China and India to the developed countries were badly hit. New capacities that came up across the value chain of synthetic fibres in both the countries became hugely surplus.

The slowdown of the Indian economy, double digit inflation, falling demand for textiles, zooming imports of Chinese textiles and surplus domestic capacity severely affected the synthetic fiber industry. The situation was further aggravated because of the cut-throat competition

and a very aggressive pricing policy followed by the new players to establish themselves in the market.

Even though the raw material was surplus in the international market, a stable to firm crude oil prices helped maintain raw material prices in a comparative narrow band in the international market. On the other hand, for Indian consumers raw material prices were volatile because of a fluctuating Dollar-Rupee exchange rate.

In a volatile raw material prices scenario, the end-consumers defer procurement decisions and the burden of carrying inventory falls on the supplier industry. These adverse developments changed the market economy and the behaviour. The net result was eroding margins and tremendous pressures on capacity utilisation.

The Government of India has given substantial import duty concessions to Association of South East Asian Nations (ASEAN) countries under the Free Trade Agreement (FTA). Under FTA, Most Favoured Nation (MFN) tariff rates for imports will be Zero on Nylon Tyre Cord Fabric (NTCF) in January 2017.

Anti Dumping Duty on Nylon Tyre Cord Fabric (NTCF) imports from China is valid upto April 2014. The Designated Authority, Ministry of Commerce has accepted the industry application, initiated preliminary investigation against China and extended the earlier dumping duty rates pending final investigation. If the Anti Dumping Duty on China is not extended or the dumping duty rates are reduced, it will be a big threat to the Nylon Tyre Cord Fabric domestic industry.

#### (b) Company Status

In November 2013, the Continuous Process Plant (Polyester) operation at Bharuch site was stopped for scheduled preventive maintenance. During this period, some modifications were carried out by making a part of the said plant into a non continuous plant, to improve flexibility in product mix and yarn lustre. The trial runs were satisfactory. Encouraged by the result of the trial runs and the market feed-back on the quality of the products, the Company stepped up production in a phased manner. Production of several new value added products and lustres including those which were hitherto produced at Mahad, was undertaken on regular basis. This is helping the Company to recapture the market which was lost due to closure of Mahad site operations. In addition to that, in view of the financial losses in Polyester operation, the Company engaged a reputed firm of management consultants to evaluate business prospects and advise on future course of action. As per the study of the consultants, Polyester POY & Chips capacity will continue to remain surplus for another 2-3 years and margins would be thin to negative due to substantial surplus capacity and lower than anticipated growth in demand. Taking a prudent view, the Company has decided to defer start-up of continuous process plant for another 4-6 months.

The project of doubling the existing capacity of Dipping Plant is expected to be commissioned towards end of





August 2014. With this, the Company would be able to supply about 80% of the total fabric production in the form of dipped fabric. So far as demand of Nylon Tyre Cord Fabric (NTCF) is concerned, it is expected to remain stable in the near future.

Introduction of Value Added Tax (VAT) @5% on NTCF in Maharashtra and increase in Local Body Tax (LBT) @2.4% on all inputs including the main raw material as compared to Octroi rate of 1.55% for Pune plant is affecting profit margin. This has put the Pune site at a great disadvantage vis-à-vis its competitors in other states where they have their presence.

In spite of all threats and concerns, the outlook in near term as well as long term is cautiously positive. India growth story with higher GDP rate is intact. Rising population and lower per capita consumption, strongly back-up high growth rate.

### 3. RISK MANAGEMENT

During the year, the Company, under its well defined Risk Management Policy gave special attention to the following risk areas:

#### (a) Technological Business Risk

At present, the Company has about 20 - 22% of total tyre cord capacity on conventional lines involving two step processing. This is cost inefficient. The tyre companies are increasingly demanding dipped fabric made out of single step on spindraw technology. The Company is evaluating feasibility of upgrading this capacity on the basis of latest technology.

#### (b) Foreign Exchange Risk & Financial Leverage

The Company continued to follow a conservative policy of regularly hedging foreign currency exposure and also followed a very safe debt equity and high interest coverage ratio. In the year 2013-14, the interest coverage including foreign currency hedging cost has improved to 8 times as against 5 times in the Financial Year 2012-13.

#### (c) Risk involved with Critical Plant Processes

During the year, the Company stopped producing gas and furnace oil based power because of the high prices and started purchasing power from open market and the State Electricity Boards. Consequently, being a Continuous Process Plant, the risk associated with voltage fluctuation, power cuts and breakdowns of the transmission line etc. increased. The Company has identified critical equipment and has provided safeguards by installing battery backups or small size of generating sets to mitigate the risk.

The Board of Directors is apprised of the developments in Risk Management in periodical meetings where the quarterly results are approved.

### 4. SAFETY, HEALTH AND ENVIRONMENT

The Company, as a matter of policy lays great importance to Safety, Health and Environment and also ensures compliance with applicable legislative requirements.

The Company is increasing the capacity of biomass based steam generation by installing a new biomass fired boiler. This will reduce Furnace Oil consumption and lead to reduction of green house gas emissions and saving in the energy cost.

The Company has a state of art Effluent Treatment Plant (ETP) that ensures zero discharge. The water recycled in the ETP is used for gardening, toilets, etc.

The Company has a well laid out plan for Fire Safety. Fire drills are conducted at regular intervals. In case of any emergency, Company's Fire Tender provides service to nearby localities.

Safety Audits are periodically undertaken through external professional agencies. Gujarat Safety Council has awarded 'Certificate of Honour' for safe working to Bharuch Plant. National Safety Week as well as World Environment Day is regularly celebrated at plant sites to increase awareness on safety matters.

The Company conducts programme for First Aid Training to employees.

### 5. HUMAN RESOURCE AND INDUSTRIAL RELATIONS

The Company recognises the importance of Human Resource (HR) in achieving its objectives & strategies. Human Resource plays an important part in the success & growth of the Company. To further the cause of participative management and improve operational efficiency, incentive-linked suggestion scheme was given renewed thrust. The response was quite encouraging. The Company felicitates the winning workmen & staff on special occasions.

The Company gives priority in honing and utilising their skills through various training programmes and practical guidance on the shop floor. With the closing down of factories at Mahad, suspending Continuous Process Plant (Polyester) at Bharuch site and in re-engineering and modification work of machines at Bharuch, several steps have been taken to optimise Human Resource.

The workers 3 years wage agreement of Pune site has expired on 30th April 2014. The management has received a charter of demand from the workmen's union and has started negotiations with the union. The industrial relations at both Pune and Bharuch sites are cordial.

The strength of permanent employees was 1472 Nos. on 31st March, 2014 as against 1496 Nos. as on 31st March, 2013.

### 6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Management Information System (MIS) is the backbone of the internal control mechanism through which all operating parameters are monitored and controlled regularly. Systems & procedures are reviewed periodically and thereby management ensures that all assets of the Company are safeguarded against losses and that all transactions are properly accounted for and meet with legal compliance.



The Company has engaged two professional firms of Chartered Accountants to conduct internal audit as required under law. These internal auditors also review the control procedures adopted by the Company and suggest improvements. Their observations and suggestions are thoroughly examined by the management. The Auditors have expressed their satisfaction that the internal control systems and procedures are adequate and commensurate with the size and the nature of business of the Company.

The Audit Committee of Directors takes keen interest in the presentations made by the auditors and gives their suggestions for improvement. This further enhances the level and the quality of control systems within the organisation.

## 7. INFORMATION TECHNOLOGY(IT)

The Company continues to leverage Information Technology (IT) as a key enabler of its strategy, business growth and competitiveness. The Company wide Enterprise Resource Planning (ERP) platform, the backbone of IT, encompasses all core business processes of the Company. ERP on 'cloud' is used to collaborate with the suppliers and customers.

The Company strengthened the usage of IT in manufacturing, supply chain, quality processes, cost analysis and treasury functions to improve the effectiveness of its IT services.

The Company is focussing on upgrading the present ERP system to leverage the latest functionality and technology enhancements to deliver business efficiencies.

A Disaster Recovery Plan has been put in place for the Company's IT systems to prevent disruptions and minimise losses. IT security, software integrity and adequate data protection is given high priority and regularly monitored.

## 8. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

### Highlights

(₹ / Lacs)

	2013-14	2012-13
Net Sales / Income from Operations	146679	155217
Profit Before Depreciation, Financial Cost, Exceptional Items and Tax	19324	14788
Depreciation	(7071)	(7191)
Finance Cost	(2452)	(2946)
Exceptional Items	(220)	(1503)
Taxation (Net)	(3288)	(959)
Net Profit After Tax	6293	2189
Earnings Per Share (in ₹ )	28.80	10.02
Cash Earnings Per Share (in ₹ )	61.16	42.93

### Sales:

Due to suspension of Continuous Process Plant (Polyester) at Bharuch site, the sales volume was down by 22% whereas the reflection of the same in net sales was only 6%. The fall in volume was compensated by change in the ratio of value added products. In addition to this, sale of dipped Nylon Tyrecord Fabric was higher than the previous year.

### Profit before depreciation, finance cost, exceptional items and tax (PBDFT):

PBDFT was higher as compared to last year because of the proactive steps taken by the Company namely, closing down of Mahad site, stoppage of non-profitable operations at Bharuch, production of high value added products, better product mix, reduction in energy cost and general improvement in operational efficiency etc.

## 9. CORPORATE SOCIAL RESPONSIBILITY

During the year, the Company organised medical camps including camps for Orphanage Home Children and eye check-up in the neighbouring villages and distributed medicines, study books, stationery items etc. in several areas and schools. Safety Training workshops are organised for employees of other factories located in the vicinity.

The Ministry of Corporate Affairs has recently issued a set of rules on Corporate Social Responsibility, which has been made mandatory with effect from 01.04.2014.

The Company is in the process of prioritising its activities and will draw appropriate action plan in the current year.

## 10. CAUTIONARY STATEMENT

The report contains forward looking statements describing expectations, estimates, plans or words with similar meaning. The Company's actual results may differ from those projected, important factors that could make the difference to the Company operations include prices of raw material, energy and finished goods, changes in government regulations, economic developments globally and within india and labour negotiations. The Company cannot guarantee that the assumptions and estimates in the 'forward looking statements' are accurate or will be realized.