

33RD ANNUAL REPORT 1998-99



CENTURY ENKA LIMITED

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FINANCIAL HIGHLIGHTS

OPERATING RESULTS

	1998-99	1997-98	1996-97	1995-96	1994-95
	(Rupees in Lacs)				
INCOME					
Sales	75645	72527	53456	60393	38808
Other Income	2504	2138	1492	1440	1281
	78149	74665	54948	61833	40089
Less : Excise Duty	17519	16608	13441	16456	11434
	60630	58057	41507	45377	28655
EXPENDITURE					
Materials & Overheads (+/- Stock Adj.)	48622	49699	34056	37045	23927
Profit Before Interest	12008	8358	7451	8332	4728
Interest	4144	3956	967	1714	1726
Gross Profit	7864	4402	6484	6618	3002
APPROPRIATIONS					
Opening Balance	(2074)	(1955)	(1957)	(1580)	(1896)
Depreciation (Net)	4360	3815	1675	1939	2116
Provision for Taxation (Net)	(106)	(193)	1701	2210	120
Proposed Final/Interim Dividend	750	419	1047	1052	982
Tax on Dividends	83	42	63	0	0
Transferred to Reserves	2611	200	2000	1040	100
Closing Balance	2240	2074	1955	1957	1580
	7864	4402	6484	6618	3002
Earning per Share (Rs.) #	12.03	2.60	13.36	10.60	3.30

EPS calculated on face value of Rs. 10 each Share.

SOURCE AND APPLICATION OF FUNDS

	1998-99	1997-98	1996-97	1995-96	1994-95
	(Rupees in Lacs)				
SOURCE OF FUNDS					
Shareholders' Fund					
Share Capital	3001	3001\$	2326	2326	2366
Reserves & Surplus (*)	40759	38002	25304	24012	23382
	43760	41003	27630	26338	25748
Loan Funds	37515	40829	5633	9963	12811
Funds Employed	81275	81832	33263	36301	38559
APPLICATION OF FUNDS					
Fixed Assets (Gross)	113082	111595	57746	56387	54792
Depreciation	46976	43226	39128	37039	34466
Fixed Assets (Net)	66106	68369	18618	19348	20326
Investments	409	413	4897	4897	5087
Current Assets (Net)	14760	13050	9748	12056	13146
Net Assets Employed	81275	81832	33263	36301	38559

(\$) Including Share Capital Suspense.

(*) Including Revaluation

Y2K ISSUE - YEAR 2000 COMPLIANCE

SCOPE OF INFORMATION TECHNOLOGY SYSTEMS

All systems connected with Y2K issue are broadly categorised into 2 areas : (a) Data Processing and Net Working and (b) Process Control. In the area of Data Processing and Net Working, most of the application software systems have been developed/redeveloped, identifying the year in 4 Digit Format during the last 4 years. In Process Control area majority of the systems are found to be Y2K compatible and for others, actions have been initiated.

RISK FACTOR ANALYSIS

In Data Processing and Net Working area, test runs have been conducted with actual simulation of the year 2000. Procedure for modification has been properly documented. The Company intends to complete shortly, certification from User Departments in absolute simulated environment. It is expected that there will not be any problem in running of normal operations. Risk factor is practically NIL.

In Process Control area, it has been found that a majority of the process control equipment do not store the date and time parameters. Only the last process control parameters are stored. We do not expect any failure in this respect during the switch over of the century. Dry runs initiated with changed year parameters have given no failures.

COST

An expenditure of about Rs. 40 lacs has been planned for up-gradation of the systems. Total compliance is expected to be achieved by end of October, 1999.

CONTINGENCY PLAN

Most of the suppliers of main raw materials are large manufacturers and are known Y2K Compliant. Management has also constituted a Team of Departmental Managers to minimise risk of failure of critical equipment and to ensure that there is no material impact on the financial position of the Company as an on-going concern.



Thirty-Third Annual Report 1998-99

CENTURY ENKA LIMITED

BOARD OF DIRECTORS

Mr B K Birla
Mr Peter Wack
(Alternate : Mr R A Shah)
Dr H G Huether
(Alternate : Mr A V Iyengar)
Mr B S Mehta
Mr V Dixit
Mr D Y Gaitonde
Mr V R Mehta
(Nominee of ICICI)

MANAGER OF THE COMPANY & SENIOR PRESIDENT

Mr Krishen Dev

SECRETARY

Mr C B Gagrani

AUDITORS

Messrs Price Waterhouse

BANKERS

Bank of Maharashtra

State Bank of India	Punjab National Bank
Citibank N A	Deutsche Bank AG
ANZ Grindlays Bank p.l.c.	ABN AMRO Bank NV

REGISTERED OFFICE HEAD OFFICE

Circular Court	'Bakhtawar'
8, AJC Bose Road	7th Floor
Calcutta - 700 017	Nariman Point, Mumbai - 400 021.

FACTORIES

Bhosari, Pune - 411 026
Konkan Synthetic Fibres, Mahad Rajashree Polyfil, Rajashree Nagar,
Dist. Raigad - 402 301 Post : Umalla - 393 120, Dist. : Bharuch

TRANSFER AGENTS

MCS Limited, Sri Venkatesh Bhavan, Plot No. 27, Road No. 11, M.I.D.C. Area,
Andheri (East), Mumbai 400 093.

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NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Thirty-third Annual General Meeting of the Shareholders of CENTURY ENKA LIMITED will be held at Kala Kunj, 48, Shakespeare Sarani, Calcutta 700 017 on Thursday, the 5th August, 1999 at 10.00 A.M. to transact the following 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, 1999.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. B. S. Mehta who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. D. Y. Gaitonde who retires by rotation but 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 A SPECIAL RESOLUTION

*RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of the other statutes as applicable, and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby amended or altered or new articles be incorporated in the manner and to the extent as set out herein below :

- (i) The following interpretation be added at appropriate places in Article 2(b) :
 "Beneficial owner" means beneficial owner as defined in clause (a) of sub-section 1 of Section 2 of the Depositories Act, 1996.
 "Depositories Act, 1996" includes any statutory modification or re-enactment thereof for the time being in force.
 "Member(s)" or Shareholder(s) — unless otherwise provided, means the duly registered holder, from time to time of the shares of the Company and also every person holding equity share(s) of the Company and shall also include the beneficial owner of shares as appearing in the records of the Depository.
 "Registered Owner" means a depository whose name is entered as such in the register of members of the Company.
- (ii) In Article 11 of the Articles of Association of the Company, after sub-clause (a), the following proviso shall be inserted.
 "Provided however that no share certificate(s) shall be issued for shares held with a Depository."
- (iii) The following Article and Margin Note shall be added after Article 38 of the Articles of Association and shall be numbered as Article 38A.
38A "The Company shall maintain a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of every share held in a material form." **Register of Transfers**
- (iv) The following Title, Articles and Margin Notes be inserted after Article 58 and be numbered as Article 58 (A) to 58 (F).

Dematerialisation of Shares

- 58(A)** Notwithstanding anything contained in these Articles, the Company shall, in accordance with the provisions of the Depositories Act, be entitled to dematerialise any or all its Shares or rematerialise any or all its Shares held with a Depository and/or offer its Shares for subscription in a dematerialised form pursuant to the Depositories Act. **Dematerialisation/Rematerialisation of Shares**
- 58(B)** The Company shall be required to maintain a Register and Index of Members in accordance with Sections 150 and 151 of the Act and the Depositories Act, with details of shares held in material and dematerialised forms, in any media (including electronic media) as may be permitted by law. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members holding shares in a dematerialised form for the purposes of the Act. **Register and Index of Members**
- 58(C)** Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears as the beneficial owner of the shares in the records of the Depository as the absolute owner thereof and accordingly the Company shall not (except by an order of a Court of competent jurisdiction or as required by law) be bound to recognise any benami trust or equitable, contingent or other interest in such shares on the part of any other person whether or not it shall have express or implied notice thereof.
 Provided further that the Depository as the registered owner shall not have any voting rights or any other rights in respect

Recognition of the rights of beneficial owners

of the shares held by the Depository and the beneficial owner shall be entitled to all such voting rights and other rights and benefits in respect of its shares held with a Depository.

- 58(D)** "Notwithstanding anything provided hereinabove, in the case of transfer of Shares, where the Company has not issued of any certificates and where such Shares, are being held in an electronic and fungible form, the provisions of the Depositories Act shall apply and accordingly the Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Shares, on behalf of the beneficial owner. Furthermore, nothing contained in Section 108 of the Act or in these Articles shall apply to a transfer of shares effected by a transferor and transferee, both of whom are entered as Beneficial Owners in the records of a Depository." **Applicability of Depositories Act**
- 58(E)** In respect of Shares, held by the Depository on behalf of a beneficial owner, the provisions of Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall not apply. **Non applicability of certain provisions of the Act**
- 58(F)** Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for shares issued by the Company shall apply to shares held with a Depository." **Distinctive Numbers of Shares held with a Depository**

By Order of the Board

Mumbai
Dated : 28/5/1999

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 of the Company will remain closed from Wednesday, the 21st July, 1999 to Thursday, the 5th August, 1999, both days inclusive.
3. The payment of dividend on Equity Shares if declared at the said meeting will be made to those members whose names shall appear on the Company's Register of Members on 5th August, 1999 or to their nominees and Dividend Warrants will be despatched on or after the 5th August, 1999.
4. The unclaimed final dividend for the year ended 31st March, 1995 amounting to Rs. 1,92,038/- has already 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 or collected their dividend for the said financial year may claim their dividend from the Registrar of Companies, West Bengal by submitting an application in the prescribed form.
5. Members desirous of getting any information about the accounts and operation 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 seven days before the date of the meeting to enable the management to keep the information required readily available at the meeting.
6. Members who are holding shares in identical order of names in more than one folio, are requested to write to Company's Registrar and Share Transfer Agent M/s. MCS Ltd., at their address Sri Venkatesh Bhavan, Plot No. 27, Road No.11, MIDC Area, Andheri (East), Mumbai 400 093. Phone No. 8215235 to consolidate their holding in one folio.
7. Members are requested to notify change in address, if any, immediately to the Company's Registrar and Share Transfer Agent MCS Ltd., at their address mentioned herein above in Note 6 quoting their folio numbers.
8. Those members who have so far not provided their Bank Account details are requested to inform their Bank Account Number, name of the Bank and Branch of the Bank to the Company's Registrar and Share Transfer Agent MCS Ltd., at their address mentioned herein above in Note 6 quoting their folio numbers.
9. The Equity Shares of the Company are listed at Stock Exchanges at Mumbai, Calcutta, Delhi, Pune and National Stock Exchange, Mumbai and 14.5% Secured Redeemable Non-convertible (Part) of Debentures of Rs. 300/- each at Mumbai and Calcutta Stock Exchanges.
10. Those shareholders of erstwhile Rajaashree Polyfil Ltd. who have not exchanged their share certificate(s) of Rajaashree Polyfil Ltd. with the share certificate(s) of Century Enka Ltd. consequent upon amalgamation, should get it exchanged at the earliest from the Registrar and Share Transfer Agent M/s. MCS Ltd., at their address herein above mentioned in Note 6.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 Item No.6

Consequent to the passing of the Depositories Act, 1996 and with the introduction of the Depository System (the System), certain provisions of the Companies Act, 1956 (the Act) and the Securities Contracts (Regulation) Act have been amended to facilitate the implementation of the System. Suitable modifications accordingly require to be made in the Articles of Association of the Company pertaining to the issue, holding, transfer and transmission of Shares and other related matters. It is therefore proposed to pass a Special Resolution to give effect to the changes in Articles of Association as referred in item no. 6. The Board of Directors, therefore, recommend the shareholders approval of this item of the accompanying Notice.

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



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DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 1999

Dear Shareholders,

We have pleasure in presenting the Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 1999. We trust you will find the result of the Company quite satisfactory under the prevailing scenario for Polyester Filament Yarn Industry in the country which has been strongly influenced by the financial crisis in the South East Asian countries and the slowdown of the economic growth in India.

FINANCIAL RESULTS

	This Year Rs./Lacs	Previous Year Rs./Lacs
Turnover	75645.52	72526.77
Profit before Interest, Depreciation and Taxation (PBIDT)	12007.98	8357.82
Add/(Less) : Interest	(4143.94)	(3955.46)
: Depreciation	(4359.81)	(3815.28)
(Net of transfer from Revaluation Reserve)		
: Provision for taxation	105.70	192.94
(Net of Excess provision in respect of earlier Years)		
Net Profit	3609.93	780.02
Add : Balance brought forward from previous year	2074.40	1954.85
Profit available for appropriation	5684.33	2734.87
Less : Interim Dividend (Paid)	—	418.61
: Tax on Interim Dividend	—	41.86
: Proposed Equity Dividend	750.15	—
: Tax on Proposed Equity Dividend	82.52	—
: General Reserve	2400.00	200.00
: Transfer to Debenture Redemption Reserve (Net)	211.03	—
Balance carried forward to next year	2240.63	2074.40

The turnover of the Company has increased by 4% from Rs. 725 crores to Rs. 756 crores. The profit before Interest, Depreciation and Taxation has increased by 44%. This was mainly due to better capacity utilisation and improved operations at Rajashree Nagar (Bharuch) and lower raw material prices.

DIVIDENDS

We recommend a dividend @ Rs. 2.50 per Equity Share of Rs. 10/- each on 3,00,05,880 Equity Shares for the year ended 31st March, 1999 against Rs. 1.80 per Equity Share in previous year. Necessary provision of Rs. 750.15 lacs for dividend and Rs. 82.52 lacs for tax on dividend have been made.

INTEGRATION ON RAJASHREE POLYFIL

Amalgamation of Rajashree Polyfil Ltd. with the Company with effect from 1st April, 1997 was completed towards the end of the previous financial year. Integration of the two companies – operations, employees and systems was indeed a challenging task for the Management. We are glad to report that this integration was achieved in a very quick, efficient and harmonious manner. The three sites of the Company at Pune, Mahad and Rajashree Nagar (Bharuch) operate very smoothly and efficiently under the overall guidance of the Corporate Management.

Collective Technical and Managerial resources of the amalgamated Company have contributed very much towards consolidation of your Company's position in the market and also effected considerable economy in operations.

We are pleased to report that benefits envisaged to arise out of amalgamation have been realised. Your Company has emerged as a strong and major player in the Partially Oriented Yarn (POY)/ Polyester Filament Yarn (PFY) and polymer chips business while retaining its strong position in the Nylon Tyre Cord Fabrics business.

COURSE OF BUSINESS

Polyester Filament Yarn industry is passing through a difficult phase. Requests have been made to the Government to provide it a level playing field by checking dumping imports. Representations have been submitted again to remove disparity in excise duty vis-a-vis other competing yarns.

The Union Budget 1999-2000, while restructuring the rates of excise duties into three main categories of merit, mean and demerit, has provided no relief to PFY which is considered as common man's fibre and an item of mass consumption. PFY continues to be burdened with 34.5% advalorem rate which is higher than even the demerit rate which is 24%.

South East Asian countries have been offering POY and PFY at prices far below costs due to economic meltdown in these countries. Cheap imports from these countries have forced domestic prices down to unremunerative levels causing injury to the domestic producers. An application for initiating anti-dumping proceedings has been filed by Association of Synthetic Fibre Industry (ASFI).

Large quantities of imported POY/PFY had come into Surat market in the last few months and were sold at unexplainably low prices. There are reports of misuse of provisions of the Exim Policy by some Export Oriented Units. Representations have been made by ASFI to the authorities to curb such practices. This has also made an unfavourable impact on our flat yarn business which has a large share in Surat market.

Operations at Rajashree Nagar (Bharuch) have been normalised. The Central Polymer Unit (CPU) is operating at 110% of the rated capacity. The capacity of POY plant has also been increased during the year. Efforts are still continuing to increase the speed of spinning machines, so as to achieve optimum capacity. The products of this division are very well accepted in the market and we are able to sell full production of chips and POY.

The recession in the automobile industry has reflected in negative growth in the large tyres segment and negligible growth in tyre production on the whole. Imports of Nylon Tyre Yarn and Nylon Tyre Cord Fabrics continue at high level. There was pressure on margins due to low demand growth and fall in international prices, compelling price reduction from November, 1998.

ASFI has initiated anti-dumping proceedings against imports of Nylon Tyre Cord Fabrics from Thailand, Indonesia, Taiwan and South Korea, which adversely affects domestic production.

Availability of major raw materials i.e. PTA, DMT, MEG and Caprolactam remained satisfactory throughout the year. After some temporary increase during June – August 1998, prices of all raw materials declined and stayed more or less stable. However, since May, 1999 the prices have started moving up.

Margins of Polyester Filament Yarn i.e. POY/PFY which is by far the largest business of your Company, are likely to remain under pressure due to domestic oversupply situation and competition from imports.



Recession in the automobile industry and increased imports are affecting the Nylon Tyre Cord Fabrics business.

Your Company has undertaken intensive measures for comprehensive control of costs. It is also taking measures to operate all its plants at highest efficiency. The benefits of these measures are partially reflected in the Financial Results of the year under review.

SALE OF ENGINEERING PLASTICS BUSINESS

Engineering Plastics Business was set up with Technical Know-how from erstwhile Akzo Plastics. Akzo Plastics divested this business to DSM of the Netherlands, in 1992.

Volume of business of Engineering Plastics had stagnated at a low level. Development of new products and growth in volumes would have needed substantial investment and purchase of fresh foreign technology. Considering these constraints, we had taken your approval to withdraw from this business already in 1994.

DSM Engineering Plastics (India) Pvt. Ltd. which is a subsidiary of DSM of the Netherlands, evinced keen interest in acquiring this business. The Directors therefore, have divested the Engineering Plastics business to them based on the valuation done by a reputed firm of Valuers. This transaction has been appropriately reflected in the statement of accounts for the year.

EXPANSION AND MODERNISATION

Addition of new capacities involve heavy expenditures. In view of high cost of finance and very low margins on Polyester Filament Yarn, the Company for the time being, considers it prudent to hold further expansion in abeyance and to focus on consolidation of existing operations.

Measures are being taken to add balancing equipment for cording and weaving to improve capacity utilisation for Nylon Tyre Cord Fabrics.

PARTICIPATION IN CENTAK CHEMICALS LTD.

The overall performance of Centak Chemicals Ltd. was encouraging and future outlook is good.

HUMAN RESOURCE DEVELOPMENT

Your Company recognises employees as its most valuable resource and lays considerable emphasis on their training and development with the view to create a culture of learning, trust and fairness.

The process implementation of Total Quality Management (TQM) initially started at the Pune site has been extended to other sites and offices also. This process has generated considerable enthusiasm and motivation among the employees of the Company improving team work.

Extensive programmes under Human Resources Development are being conducted to help employees realise their potential and facilitate their development by appropriate inputs.

ISO-9002

Konkan Synthetic Fibres division of your Company had already received BVQI Certification for ISO-9002. Final audits for certifications by the same agency are scheduled by end July, 1999 for Pune and Rajashree Nagar (Bharuch) sites.

INDUSTRIAL RELATIONS

Industrial relations at all sites Pune, Mahad and Rajashree Nagar (Bharuch) remained cordial.

A three year wage agreement for workers at Pune Plant was concluded during the year.

Negotiations are under progress for a new wage settlement for Mahad site.

We would like to acknowledge our appreciation for the efforts and

contribution made by our sincere and motivated employees which has enabled the Company to weather the challenge faced by the industry.

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

Energy conservation measure, 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.

SAFETY, HEALTH AND ENVIRONMENT

Your Company continues to maintain a high level of awareness for Safety, Health and Environment amongst the employees at all the sites. Regular training programmes are conducted for safe working procedures and practices.

Safety Audits have been carried out during the year by National Safety Council (NSC) for all the three sites. Required actions have been taken to implement NSC recommendations.

Continued efforts in improving safety performance has resulted in the award of the First Prize instituted by the Directorate of Industrial Safety and Health, Pune and the Rotary Club of Pune North for 1998 for overall safety performance amongst Chemical and Pharmaceutical factories in Pune and Satara regions.

Your Company continues to conduct fire fighting training for the small and medium scale industrial units located in Pune region. Fire tenders of the Company have also during emergencies assisted local authorities and other industrial units on a number of occasions.

Y2K PREPAREDNESS

Your Company has taken effective steps to meet Y2K compliance in respect of all its plant, equipment and computerised systems. The compliance of Y2K problem is expected to be completed by October, 1999.

The cost of upgradation is likely to be Rs. 40 lacs.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. B.S. Mehta and Mr. D.Y. Gaitonde 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.

GENERAL

Details of remuneration paid to employees as required by Section 217(2A) of the Companies Act, 1956, are set out in a separate statement attached hereto and forming part of the report.

B.K. Birla
Peter Wack
H.G. Huether
B.S. Mehta
V. Dixit
D.Y. Gaitonde
V.R. Mehta

Directors

Date : 28th May, 1999

Place : Mumbai