

CENTURY ENKA LIMITED



39th Annual Report 2004-05

FINANCIAL HIGHLIGHTS

OPERATING RESULTS

(Rupees in Crores)

	2004-05	2003-04	2002-03	2001-02	2000-01
INCOME					
Sales / Income from Operations	1123.52	980.40	946.21	891.53	960.20
Less: Excise Duty	168.39	168.09	197.64	182.83	194.04
	955.13	812.31	748.57	708.70	766.16
Other Income	13.28	9.10	7.34	26.32	14.54
	968.41	821.41	755.91	735.02	780.70
EXPENDITURE					
Materials & Overheads (+/- Stock Adj.)	863.96	694.93	634.87	595.83	641.70
	104.45	126.48	121.04	139.19	139.00
Less : Interest (Net)	0.97	1.58	4.26	9.65	21.48
	103.48	124.90	116.78	129.54	117.52
GROSS PROFIT					
Less : Current Depreciation (Net)	43.60	40.78	39.08	38.70	41.98
Less : Additional Depreciation	-	-	-	36.11	-
Exceptional Item	-	-	-	-	-
Less : VRS Compensation	-	5.97	-	-	-
Add : Provision for Contingencies written back	5.50	0.50	-	-	-
Less : Current Tax (Net)	6.32	17.15	5.61	4.21	5.07
Less : Deferred Tax	6.50	4.50	14.00	16.00	-
	52.56	57.00	58.09	34.52	70.47
NET PROFIT					
	60%	60%	55%	60%	50%
DIVIDEND (%)					
	18.35	19.90	20.28	11.69	23.48
EARNINGS PER SHARE (Rs.)					
	33.58	34.14	33.92	37.02	37.48
CASH EARNINGS PER SHARE (Rs.)					
	191.67	180.18	166.97	152.89	172.06
BOOK VALUE PER SHARE (Rs.)					

SOURCE AND APPLICATION OF FUNDS

(Rupees in Crores)

	2004-05	2003-04	2002-03	2001-02	2000-01
SOURCE OF FUNDS					
Shareholders' Funds					
Share Capital	28.64	28.64	28.64	28.64	30.01
Reserves & Surplus (including Revaluation)	532.84	500.14	462.72	422.61	499.79
	561.48	528.78	491.36	451.25	529.80
Loan Funds	227.30	95.54	100.64	112.71	195.87
Net Deferred Tax Liability	127.00	120.50	116.00	102.00	-
	915.78	744.82	708.00	665.96	725.67
Funds Employed					
	1374.14	1196.23	1155.73	1156.37	1128.16
APPLICATION OF FUNDS					
Fixed Assets (Gross)	675.58	634.03	611.79	603.90	547.48
Depreciation					
Fixed Assets (Net)	698.56	562.20	543.94	552.47	580.68
Investments	17.24	39.04	3.06	3.06	3.97
Current Assets (Net)	199.98	143.58	161.00	110.43	141.02
	915.78	744.82	708.00	665.96	725.67
Net Assets Employed					

Thirty Ninth Annual Report 2004-05 CENTURY ENKA LIMITED

BOARD OF DIRECTORS

Mr. B. K. Birla
Mr. P. Wack
(Alternate : Mr. R. A. Shah)
Mr. E. Molennar
(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 - 56127300 / 27120423 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	02
Directors' Report	03-07
Management's Discussion and Analysis	08-11
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-Ninth Annual General Meeting of the Shareholders of CENTURY ENKA LIMITED will be held at Kala Kunj, 48, Shakespeare Sarani, Kolkata - 700 017 on Tuesday, the 28th June, 2005 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, 2005.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. B. S. Mehta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. D. Y. Gaitonde who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

By Order of the Board

Mumbai
Dated : 3rd May, 2005

C. B. GAGRANI
Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Share Transfer Register of the Company will remain closed from Wednesday, the 15th June, 2005 to Wednesday, the 22nd June, 2005, 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 22nd June, 2005 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, 2005, as per details to be furnished by the Depositories for the purpose. Dividend Warrants will be despatched on or after 2nd July, 2005.
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 1998-99 to 2003-04 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 1998-99 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 Equity Dividend for the financial year 1998-99 will fall due for transfer to the said Fund on 17th September, 2006.**

As regards unclaimed dividend for the financial years 1995-96 to 1997-98, the same have already been transferred to the said Fund.

It may kindly be noted that once the unpaid/unclaimed dividend is transferred to the abovesaid Fund of the Central Government, 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.

DIRECTORS' REPORT**FOR THE YEAR ENDED 31ST MARCH, 2005**

Dear Shareholders

We are presenting the 39th Annual Report and Audited Statements of Accounts of the Company for the year ended 31st March, 2005. The net profit has fallen from Rs.57 crores to Rs. 52.56 crores. This is mainly due to high raw material prices, oversupply of Polyester POY and 40 days illegal strike by workmen at Pune plant. The year in retrospect was a very difficult year for the industries in general using petroleum based products as "input". The raw material prices are increasing continuously for the last 3 years in a row and the increase is almost 80% to 85% over 2001-02. The increase in raw material costs could not be fully passed on to customers. This has created pressure on margins, particularly in case of Polyester POY. Since market behaviour is beyond control, especially in case of commodity products like Polyester POY, the performance of your Company could be considered as satisfactory but for the illegal strike by workmen at Pune plant.

FINANCIAL RESULTS

	Rs./Crores	
	This Year	Previous Year
Income from Operations (Gross)	1,123.52	980.40
Profit before Interest,		
Depreciation and Taxation	104.45	126.48
Add/(Less) :		
Voluntary Retirement Scheme compensation	—	(5.97)
Provision for Contingencies written back	5.50	0.50
Interest (Net)	(0.97)	(1.58)
Depreciation	(43.60)	(40.78)
Taxation (Net) : Current	(6.32)	(17.15)
: Deferred	(6.50)	(4.50)
Net Profit	52.56	57.00
Add : Balance brought forward from previous year	90.68	63.07
Transfer from Debenture Redemption Reserve	4.15	—
Profit available for appropriation	147.39	120.07
Less : Dividend	17.19	17.19
Tax on Dividend	2.45	2.20
Contingency Reserve	7.50	—
General Reserve	10.00	10.00
Balance carried forward to next year	110.25	90.68

DIVIDEND

We recommend a dividend of Rs.6.00 per Equity Share of Rs.10/- each for the year ended 31st March, 2005 (Previous year Rs. 6.00 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 for the future.

Since fuel oil prices are likely to remain firm in the current year and may scale new heights due to continuous spurt in international demand and fluctuating global inventory levels, the pressure on margins is likely to continue in the near future. However, your Company will continue to remain aggressively engaged in improving its operational efficiencies, product mix and enlarging its areas of operations in the market place.

MODERNISATION & EXPANSION

The capacity expansion of Polyester Partially Oriented Yarn (POY), after a short delay, has been commercially commissioned in the 3rd week of April 2005 and is expected to achieve full capacity utilisation shortly.

During the year, Nylon Polymerisation capacity has been increased by 14600 M.T. per annum and new Fully Drawn Yarn (FDY) capacity for Nylon Textile Yarn has been commissioned.

Your Company has now finalised Nylon Tyre Cord Fabric expansion project and hope to complete by the last quarter of 2006 at an estimated investment of Rs.160 crores.

During the year, two Diesel Generating Sets each of 6 MW Capacity and one 4 MW Capacity have been added at Pune and Bharuch Plants respectively for captive power generation. This has taken care of frequent voltage dips and interruptions in power supply from Maharashtra State Electricity Board (MSEB) at Pune. The overall impact of savings in energy cost and other operational efficiencies in terms of lower substandard production and waste will get fully reflected in the year 2005-06.

HUMAN RESOURCE DEVELOPMENT AND ENVIRONMENT

The report of the Management on Discussion and Analysis of performance of the Company also includes its observations on human relations and approach to Human Resource Development. Unfortunately at Pune Plant your Company faced an illegal strike by workmen covering a period of 40 days. Except this incident, overall industrial relations are good at all locations of the Company. We would like to place on record our appreciation for loyal and devoted services rendered by staff at Pune Plant who were continuously engaged in running the critical section of Plant during the strike period.

On Safety, Health and Environmental matters, your Company has decided to enhance its activities in response to public awareness and changing environment.

AWARDS AND RECOGNITION

We are glad to report that your factory Rajashree Polyfil, Bharuch won the Government of India (Ministry of Labour) National Safety Award for achieving longest "Accident Free Period" and Gujarat State Safety Award - 2003 for maintaining lowest "Disability Injury Index" for the second time in a row.

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

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

CORPORATE GOVERNANCE

Your Company is fully committed to good Corporate Governance Practices and take initiative in adopting their appropriate standards. During the year under review, your Company has voluntarily laid down Code of Conduct for the Board Members and Senior Management of the Company and Guidelines for Risk Management, though SEBI has deferred their implementation till 31st December, 2005.

Your Company has been consistently complying with the conditions stipulated by SEBI in Clause 49 of the Listing Agreement. The Statutory Auditors, vide their certificate dated 3rd May, 2005 have certified the compliance of the conditions of Corporate Governance during the year 2004-05 and the same 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

Mr. P. A. J. Grimmelikhuijzen resigned from the directorship of the Company with effect from 30th July, 2004. The Directors placed on record their appreciation for the valuable advice, particularly in the matter related to Accounting Standards, Internal Control Systems and Procedures and various investment proposals, given by him during his tenure as a director of the Company.

Mr. E. Molenaar has been appointed with effect from 30th July, 2004 as a Director of the Company in the casual vacancy caused by the resignation of Mr. P. A. J. Grimmelikhuijzen. Mr. E. Molenaar has a considerable expertise in Technology and Research & Development having worked for more than 32 years with Akzo Nobel and Acordis.

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.

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 2004 - 05.

PARTICULARS OF EMPLOYEES

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

For and on behalf of the Board of Directors

B. K. BIRLA

P. WACK

Directors

Place : Mumbai

Date : 3rd May, 2005

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 three sites of the Company is actively working to explore the energy saving potentials in various utility requirements through various task force teams. During the year 2004-05, more emphasis was given on generation of in-house proposals and their implementation.

Most of the findings were implemented and few of them are under study.

a) Energy Conservation measures taken :

1. Replacement of existing energy inefficient chillers with new high capacity chiller.
2. Replacement of inefficient centrifugal fans with axial fans in various air washers.
3. Corrocoating of balance centrifugal pumps of cooling towers for efficiency improvement.
4. Further reduction of plant air generation pressure.
5. Revamping of old cold insulation to recover the heat loss.
6. Stoppage of air handling units by utilising excess capacity in other air handling units.
7. Stopping of centrifugal compressor by installing new reciprocating compressor for compressed air.
8. Use of more compact flourescent lamps in Plant area.
9. Installation of variable frequency drive for draw warper air compressors and air handling unit motors.
10. Optimisation of heat transfer medium circulation pump through change in impeller.
11. Replacement of old invertors with modern technology invertors.

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

1. To provide demineralised water for intercoolers and after coolers of air compressors.
2. Electronic loading / unloading of compressors.
3. Auto control of chiller of compressed air system.
4. Substitution of electrical heating in polymerisation columns with thermic fluid heating.
5. Use of jacket water heat from diesel generator sets for refrigeration by installation of vapour absorption chiller.
6. Variable frequency drives for balance cooling tower fans.
7. Replacement of inefficient centrifugal fans in air conditioning by installing aerodynamic design fans.
8. Steam turbine in place of pressure reducing valve to generate electricity.
9. Replacement of old motors with energy efficient motors.

c) Impact of 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 :**

- Increase in Nylon and Polyester Yarn production through process optimisation and modifications.
- Increase in Depolactam productivity by process modification.
- Recycling of effluent Mono Ethylene Glycol in Batch Processing Unit (BPU) process.
- Recycling of Poly Ethylene Terephthalate (PET) Chips uncuts and strands in BPU process.
- Development of Nylon chips packing method for better storage and transportation.
- Development of spin finish for Nylon Yarn texturing feed.

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

- Increased productivity in Nylon and Polyester Yarn.
- Improvement in lactam recovery productivity and yield.
- Quality improvement, customer satisfaction.
- New products to broaden market base.
- Cost reduction.

(3) Future plan of action :

- Improvement in dyeability of Nylon Yarn.
- Further improvement in textile parameters of Nylon Yarn.
- Production of Nylon dyed chips through mass dyeing route.

(4) Expenditure on R & D :

	<u>Rs./crores</u>
(i) Capital	Refer Note below
(ii) Recurring	0.49
(iii) Total	<u>0.49</u>
(iv) Total R & D expenditure as a percentage of total turnover	0.05 %

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:**

- Commissioning of new polymerisation column with modern technology.
- Conversion of Industrial Yarn LOY Spinning machine to Spin Draw Winding machine.
- Commissioning of Fully Drawn Yarn (FDY) machines for Nylon Yarn.
- Introduction of fine deniers in Nylon Yarn.
- Trial production of dope dyed Nylon Yarn.

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

- Commissioning of new polymerisation column with modern technology resulted in capacity increase in Nylon chips production along with improvement in polymer quality, consistency and improved yields leading to cost saving.
- Introduction of fine deniers in polyamide has resulted in expansion of product range.

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 15 (c), (d), (e) and (f) 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 2004-05	Previous Year 2003-04		Current Year 2004-05	Previous Year 2003-04
A. POWER AND FUEL CONSUMPTION			B. ENERGY CONSUMPTION PER UNIT OF PRODUCTION		
1. ELECTRICITY			PRODUCTS (With Details) UNIT		
(a) Purchased			1. ELECTRICITY		
Units (Kwh)	94094088	111577375	(Kwh/Ton of Product)		
Total Amount (Rs. in Lacs)	3168.42	3761.28	(a) Synthetic Textile Yarns	2082	2126
Rate per Unit (Rs.)	3.37	3.37	(b) Industrial Yarn / Fabric	4089	4070
(b) Own Generation			(c) Polyester Chips	131	141
Through diesel generators					
Units (Kwh)	68495031	54122128	2. FURNACE OIL / LSHS		
Units per Litre of fuel oil	4.17	3.99	(Ltrs/Ton of Product)		
Cost per unit (Rs.)	2.62	2.68	(For Steam Generation)		
(c) F.O. / L.D.O. ,			(a) Synthetic Textile Yarns	76	65
(For Own Generation)			(b) Industrial Yarn / Fabric	283	279
Quantity (Litres)	16443359	13562600	(c) Polyester Chips	69	79
Total Amount (Rs. in Lacs)	1796.51	1448.99			
Rate/Unit (Rs.)	10.93	10.68	3. NITROGEN		
2. FURNACE OIL / L.S.H.S.			(NM ³ /Ton of Product)		
(For Steam Generation)			(a) Synthetic Textile Yarns	26	25
Quantity (Litres)	7581454	7507898	(b) Industrial Yarn / Fabric	36	36
Total Amount (Rs. in Lacs)	836.72	790.77	(c) Polyester Chips	7	7
Rate/Unit (Rs.)	11.04	10.53			
STEAM (COST PER TON)					
Units (TON)	131602	128418			
Units per Ton of fuel	17.36	17.10			
Cost per unit (Rs.)	636	616			
3. NITROGEN					
Units (NM ³)	2110171	2064202			
Total Amount of Fuel (Rs. in Lacs)	18.38	15.21			
Cost per unit (Rs.)	0.87	0.74			

Place : Mumbai
Date : 3rd May, 2005

For and on behalf of the Board of Directors
B. K. BIRLA
P. WACK
Directors

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT CONTAINING INFORMATION AS PER SECTION 217(2A) READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005

Name, Designation/Nature of Duties, Remuneration Received(Rs.), Qualification, Experience(Years), Date of Commencement of Employment, Age(Years), Last Employment held.

(a) Employed throughout the year and were in receipt of remuneration for the year in aggregate of not less than Rs.24,00,000.

-G.M.Singhvi, Sr. President, 2811547, B.Com.,LL.B., F.C.A., 39, 11.9.1997, 63, In practice as Chartered Accountant

(b) Employed for part of the year and were in receipt of remuneration at the rate of not less than Rs.2,00,000 per month.

NIL

NOTES:

1. Remuneration includes salaries, house rent allowance, medical reimbursement, hospitalisation, leave travel assistance, Company's Contribution to Provident & Superannuation Funds and the monetary value of perquisites calculated in accordance with the provisions of the Income-tax Act, 1961 and the Rules made thereunder and excludes terminal payments and contribution to approved Gratuity Fund.
2. Nature of Employment- Contractual.
3. Other Terms and Conditions:
 - Gratuity (As per Company's scheme)
4. The above employee is not a relative of any Director of the Company.

For and on behalf of the Board of Directors

B. K. BIRLA

P. WACK

Directors

Place : Mumbai

Date : 3rd May, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. OVERALL REVIEW

The year 2004-05 has been an unprecedented year for the industries using petroleum based products as "inputs". The fuel oil prices remained at a very high level (over US\$ 50 per barrel for the most part of the year) driven by the increase in the global demand and wide fluctuation in inventory levels with fuel oil producing / consuming countries. The prices are expected not only to remain high during 2005-06 but may scale new peak. The high fuel oil prices and the upturn in petrochemical cycle has led to spurt in prices of petroleum intermediaries like Benzene and Ethylene in the international market. Consequently, the prices of Purified Terephthalate Acid (PTA) and Mono Ethylene Glycol (MEG), the main raw material for Polyester, has gone up by about 18% on year to year basis and the Caprolactam, the main raw material for Nylon, recorded a whopping rise of over 48% during the year.

The overall raw material cost is increasing continuously for the last 3 years in a row and the increase is almost 80% to 85% when compared with the cost level of 2001-02. Although initially we succeeded in passing the burden to our customers, but later on we could do so only partially.

The commissioning of Polyester Filament Yarn capacities (PFY) during the year 2004-05 by many small and medium sized plants have increased the overall capacity by 1,50,800 M.T. per annum equivalent to 13% of the overall capacity. This has changed the situation from balanced supply - demand position to excess supply leading to stiff competition among PFY producers.

The 40 days illegal strike by workmen at Pune plant resulted in production loss of about 3% for the Company as a whole for the year.

The combined effect of all these factors finally resulted in the form of a lower operating profit for the year.

This was partially compensated by better performance in Nylon Textile Yarn and Tyre Cord Fabric. The demand of Nylon Textile Yarn which was stagnant during the period 1997 to 2001 took an upturn in 2002 and is continuously growing since then. The strategy of the Company to convert its Polyester Textile Yarn machines at Pune and Mahad to Nylon Textile Yarn machines has helped in increasing its market share in Nylon Textile Yarn.

In terms of capital expenditure programme, the year has been an eventful one for the Company. The gross cash outflow on this account was Rs.173 crores.

2. INDUSTRY OUTLOOK

Despite threats and challenges discussed hereinafter and high raw material prices, the overall demand outlook for the industry remains positive in view of the following:

- a. Positive fiscal measures taken by the Government i.e.,
 - i. Reduction in excise duty on Polyester Filament Yarn from 24% to 16%.
 - ii. Reduction in excise duty on Tyres for replacement market.
 - iii. Rationalisation of excise duty structure after yarn stage.
- b. Dismantling of textile quota regime from January 2005.
- c. The growth of economy in the range of 6.5% to 8% on sustainable basis is expected to improve purchasing power of a large section of population (middle class in the age group of 20 - 35 years).
- d. Growth potential in per capita textile consumption.

The per capita consumption in India is much lower as compared to other developing and developed countries.
- e. Continuing recovery of Road Transport Sector and healthy growth in Bus and Truck tyre production.
- f. Emergence of new end uses of Nylon Yarn creating additional demand.

3. THREATS AND CHALLENGES

Although the industry is continuously growing, the following threats & challenges still persist and are coming in the way of robust growth :-

- a. Volatile and high raw material prices.
- b. Import of Nylon Textile Yarn and Nylon Tyre Cord Fabric at unreasonably low prices from China and other countries.
- c. Unhealthy competition from small and medium sized Polyester POY plants.
- d. Bumper cotton production resulting in inter-fibre competition.
- e. Higher Excise duty of 16% on synthetic yarn as against 8% on cotton yarn and natural fibre.

4. OPPORTUNITIES

Threats and Challenges also provide opportunities for growth. Since industry is growing, we have a fair chance of improving our position as reliable supplier of good quality yarn and tyre cord fabric and increase our market share. Expansion of Nylon Textile Yarn capacity will also enable us to explore export market.