



INDUSTRIES LTD.

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			

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# ELEVENTH ANNUAL REPORT 1995-97

**BOARD OF DIRECTORS**

MR. SITARAM SINGHANIA	<i>CHAIRMAN</i>
MR. I.P. SHROFF	<i>DIRECTOR</i>
MR. M.R. HOSANGADY	<i>DIRECTOR</i>
MR. R.G. NIRMAL	<i>NOMINEE DIRECTOR (IFCI)</i>
MR. M.L. PUROHIT	<i>NOMINEE DIRECTOR (IDBI)</i>
MR. I.L. NAGPAL	<i>NOMINEE DIRECTOR (UTI)</i>
DR. R.C. VAISH	<i>DIRECTOR</i>
MR. V.B. HARIBHAKTI	<i>DIRECTOR</i>
MR. H.S. MAJUMDER	<i>DIRECTOR</i>
MR. A.P. SARWAN	<i>DIRECTOR</i>
MR. STEFAN POCKRANDT	<i>DIRECTOR</i>
MR. A.K. SINGHANIA	<i>MANAGING DIRECTOR</i>
MR. A.K. NEWATIA	<i>EXECUTIVE DIRECTOR</i>

**COMPANY SECRETARY**

MR. SANJAY KUMAR JAIN

**STATUTORY AUDITORS**

M/S ARUN K. GUPTA & ASSOCIATES, NEW DELHI  
M/S JAIN ARORA TREHAN, NEW DELHI

**CONCURRENT AUDITORS**

M/S T.R. CHADHA &amp; COMPANY, NEW DELHI

**BANKERS**

BANK OF INDIA  
BANK OF BARODA  
UNION BANK OF INDIA  
CANARA BANK  
STATE BANK OF BIKANER & JAIPUR

**HEAD OFFICE**

75-76 AMRIT NAGAR  
BEHIND N.D.S.E. PART - I  
NEW DELHI - 110 003

**REGISTERED OFFICE & WORKS**

SOHAN NAGAR  
P.O. CHARUBETA  
KHATIMA - 262 308  
DISTT. UDHAMSINGH NAGAR  
UTTAR PRADESH

**REGISTRAR & SHARE TRANSFER AGENTS**

MCS LIMITED  
SRI VENKATESH BHAVAN  
212 A, SHAHPURJAT  
BEHIND PANCHSHEEL CLUB  
NEW DELHI - 110 049

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## NOTICE

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting of the members of Ester Industries Limited will be held at Sohan Nagar, P.O. Charubeta, Khatima-262 308, Distt. Udham Singh Nagar, Uttar Pradesh on Thursday, the 4th September, 1997 at 9.30 a.m. to transact the following business:

### ORDINARY BUSINESS

- 1 To receive, consider and adopt the audited balance sheet as at 31st March, 1997 and the profit and loss account for the period ended on that date together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri V.B. Haribhakti who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri A.P. Sarwan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  

"RESOLVED THAT pursuant to the provisions, *inter alia*, of Section 257 of the Companies Act, 1956 and Article 157 of the Articles of Association of the Company, Shri Stefan Pockrandt be and is hereby appointed Director of the Company, liable to retire by rotation."
6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  

"RESOLVED THAT pursuant to the provisions, *inter alia*, of Section 257 of the Companies Act, 1956 and Article 158 of the Articles of Association of the Company, Shri Ashok Kumar Newatia be and is hereby appointed Director of the Company."
7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  

"RESOLVED THAT pursuant to the provisions, *inter alia*, of Section 198, 269, and 309 and other applicable provisions, if any, of the Companies Act, 1956 or any modification or re-enactment thereof and subject to the approvals of the Central Government and financial institutions, if required, and such other approvals as may be necessary, the approval of the Company be and is hereby accorded to the appointment of Shri Ashok Kumar Newatia as Whole

Time Director designated Executive Director of the Company for a period of 3 years w.e.f. 1st July, 1997 and be paid remuneration in the manner and to the extent set out:

- A) Salary Rs. 25,000/- per month with suitable increases as may be determined by the Company through its Chairman/Managing Director.
- B) Perquisites as may be agreed to between the Company through its Chairman/Managing Director, comprising provisions of furnished residential accommodation or house rent allowance together with gas, electricity and water, reimbursement of medical expenses incurred and leave travel assistance for self and family, club fees, premium on personal accident insurance, contribution to provident fund, superannuation fund or annuity fund and gratuity as specified at item (D) hereunder, encashment of leave at the end of the tenure, and other benefits and allowances.  

The Company shall also provide a car with driver to the Executive Director for Company's business and also telephone at his residence. The perquisite value of these will be determined according to the Income Tax Rules, 1962.
- C) The remuneration comprising salary, perquisites and other benefits and allowances of the Executive Director shall be subject to the overall ceiling laid down in Sections 198, 269 and 309 of the Companies Act, 1956 or any modification or re-enactment thereof.
- D) In the event of absence or inadequacy of profits, Shri Ashok Kumar Newatia would be paid the remuneration subject to a ceiling as laid down in schedule XIII of the Companies Act, 1956 and/or as decided by the Chairman/Managing Director of the Company and the following shall not be included for computation of ceiling on remuneration:
  - a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
  - b) Gratuity payable at the rate of half-a-month's salary for each completed year of service; and
  - c) Encashment of leave at the end of the tenure;

RESOLVED FURTHER THAT the Chairman/Managing Director of the Company be and is hereby authorised to vary and/or revise the remuneration of the Executive Director within the overall limits as specified in Schedule XIII of the Companies Act, 1956 and settle any question or difficulties in connection therewith or incidental thereto."

8. To consider and, if thought fit, to pass with or without



modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 or any modification or re-enactment thereof, and subject to the approvals of the Central Government and financial institutions, if required, and such other approvals as may be necessary, the approval of the Company be and is hereby accorded to the reappointment of Shri Arvind Kumar Singhania as Managing Director of the Company for a period of 5 years w.e.f. 1st December, 1997 and be paid the remuneration in the manner and to the extent set out below:

Salary : Rs. 40,000/- per mensem.

Perquisites : In addition to the aforesaid salary, Shri Arvind Kumar Singhania shall also be entitled to perquisites like furnished residential accommodation, gas, electricity, water and furnishings, medical reimbursements and leave travel concession for self and family, club fees, premium on personal accident insurance and other benefits and allowances in accordance with the rules of the Company, the monetary value of such perquisites being limited to Rs. 25 lakhs per annum, for the purposes of this limit:

- i. perquisites shall be evaluated as per Income Tax Rules, 1962, wherever applicable, in the absence of any such rule, perquisites shall be evaluated at actual cost;
- ii. use of Company's car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included;
- iii. Company's contribution to Provident Fund and Superannuation Fund not exceeding 25% of the salary shall not be included in the computation of limits for perquisites;

The remuneration comprising salary, perquisites and other benefits and allowances of the Managing Director shall be subject to the overall ceiling laid down in Sections 198, 269 and 309 of the Companies Act, 1956 or any modification or re-enactment thereof;

In the event of absence or inadequacy of profits, Shri Arvind Kumar Singhania would be paid the remuneration subject to a ceiling as laid down in

schedule XIII of the Companies Act, 1956 and/or as decided by the Board of Directors of the Company and the following shall not be included for computation of ceiling on remuneration:

- a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- b) Gratuity payable at the rate of half-a-month's salary for each completed year of service; and
- c) Encashment of leave at the end of the tenure;

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary and/or revise the remuneration of the Managing Director within the overall limits as specified in Schedule XIII of the Companies Act, 1956 and settle any question or difficulties in connection therewith or incidental thereto."

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals, consents, permissions and/or sanctions as may be necessary, of the Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and any other appropriate authorities, institutions or bodies and subject to such conditions as may be prescribed by any one of them in granting any such approval, consent, permission or sanction and subject to finalisation of acceptable terms and conditions with the proposed subscriber(s), the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee of the Board for the time being, exercising the powers conferred by the Board) be and is hereby authorised on behalf of the Company to offer, issue and allot 574600 equity shares of Rs. 10/- each at a price not less than Rs. 18.83 per share aggregating to an amount not less than Rs. 1,08,19,718/- to Saraswati Trading Company Limited on preferential basis by private placement, at such time or times, in such tranch or tranches, in such manner and on such other terms and conditions as may be decided and considered appropriate by the Board at the times of such offer/issue considering the prevailing market conditions and other relevant factors;

RESOLVED FURTHER THAT the new equity shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing equity shares of the Company, save and except that they shall rank for dividend, if any, which may be declared in proportion to the amount paid up and *pro-rata* for the period from the date of allotment till the end of relevant financial year in which the new equity shares are issued;

RESOLVED FURTHER THAT the new equity shares to be issued and allotted shall be listed in all or any of the Stock Exchanges in India as may be decided by the Board thereof;

RESOLVED FURTHER THAT for the purpose of giving effect to this proposal and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of the issue proceeds, to any issue or allotment of equity shares in terms of this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable."

10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals, consents, permissions and/or sanctions as may be necessary, of the Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and any other appropriate authorities, institutions or bodies and subject to such conditions as may be prescribed by any one of them in granting any such approval, consent, permission or sanction and subject to finalisation of acceptable term and conditions with the proposed subscriber(s), the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee of the Board for the time being, exercising the powers conferred by the Board) be and is hereby authorised on behalf of Company to convert 120000 10% Cumulative Convertible Preference Shares of Rs. 100/- each into 1200000 equity shares of Rs. 10/- each at par and issue thereof to The Industrial Finance Corporation of India Limited (IFCI), Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India Limited (ICICI), Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), The New India Assurance Company Limited (NIA), The Oriental Insurance Company Limited (OIC), United India Insurance Company Limited (UII), Bank of India (BOI), Union Bank of India (UBI) and Canara Bank (CB) in proportion thereof as the Board may, in its absolute discretion, determine in consultation with preference shareholders, at such time or times, in such tranche or tranches, in such manner and on such other terms and conditions as may be decided and considered appropriate by the Board at the times of such offer/issue considering the prevailing market conditions and other relevant factors;

RESOLVED FURTHER THAT the new equity shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing equity shares of the

Company, save and except that they shall rank for dividend, if any, which may be declared in proportion to the amount paid up and *pro-rata* for the period from the date of allotment till the end of the relevant financial year in which the new equity shares are issued;

RESOLVED FURTHER THAT the new equity shares to be issued and allotted shall be listed in all or any of the Stock Exchanges in India as may be decided by the Board thereof;

RESOLVED FURTHER THAT for the purpose of giving effect to this proposal and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of the issue proceeds, to any issue or allotment of equity shares in terms of this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable."

By order of the Board of Directors

New Delhi  
30th June, 1997

S. K. JAIN  
COMPANY SECRETARY

**Registered Office:**

Sohan Nagar, P.O. Charubeta,  
Khatima-262 308,  
Distt. Udham Singh Nagar,  
UTTAR PRADESH.

**NOTES:**

1. A member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company. Proxies in order to be effective must be received at Sohan Nagar, P.O. Charubeta, Khatima-262 308, Distt. Udham Singh Nagar, Uttar Pradesh not less than 48 hours before this Annual General Meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 26th August to Thursday, 4th September, 1997 (both days inclusive).
4. The members are requested to:
  - a. bring their copy of Annual Report at the Annual General Meeting.
  - b. notify immediately the change of address, if any, to the Company at 75-76 Amrit Nagar, Behind N.D.S.E. Part-I, New Delhi-110 003 or to the Registrar and Share Transfer Agents of the Company, MCS Limited, Srivenkatesh Bhawan, 212 A, Shahpurjat, Behind Panchsheel Club, New Delhi-110 049 quoting their folio number.





- c. send, in case of those members who have multiple accounts in identical names or joint names in same order, all the share certificates to the Registrar and Share Transfer Agents of the Company, MCS Limited at the aforesaid address for consolidation of all such shareholding into one account to facilitate better service.
5. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
6. Members desiring any information on the accounts are requested to write to the Company at 75-76 Amrit Nagar, Behind N.D.S.E. Part-I, New Delhi-110 003 atleast one week before the meeting so as to enable the management to keep information ready. Replies will be provided only at the meeting.
7. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all working days except Saturdays upto the date of the Annual General Meeting.

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

##### Item No. 5

Shri Stefan Pockrandt was appointed as Additional Director of the Company w.e.f. 14th February, 1997 pursuant to the provisions contained in Article 143 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. According to the provisions of the said Article and the Act, he holds office upto the date of this Annual General Meeting.

As required under Section 257 of the said Act, Notice has been received together with necessary deposit from the member of the Company signifying his intention to propose Shri Stefan Pockrandt as a candidate for the office of the Director. Shri Stefan Pockrandt is representing DEG-Deutsche Investitions Und Entwicklungsgesellschaft mbH, Germany (DEG) with whom the Company has signed the Subscription Agreement dated 15th January, 1997. As per Article 3 of the said Agreement there will be a representative of DEG on the Board of Directors of the Company as long as DEG is a shareholder of the Company.

None of the Directors except Shri Stefan Pockrandt is, in any way, concerned or interested in the resolution.

The Board of Directors of your Company recommends this resolution for your approval.

##### Items No. 6 & 7

Shri Ashok Kumar Newatia - President was co-opted as Additional Director of the Company w.e.f. 30th June, 1997 pursuant to the provisions contained in Article 143 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and he was appointed Whole

Time Director designated Executive Director as per Article 158 of the Articles of Association of the Company and Section 269 of the Companies Act, 1956 w.e.f. 1st July, 1997. According to the provisions of Article 143 of the Article of Association and Section 260 of the Companies Act, 1956, he holds office upto the date of this Annual General Meeting.

As required under Section 257 of the said Act, Notice has been received together with necessary deposit from the member of the Company signifying his intention to propose Shri Ashok Kumar Newatia as a candidate for the office of the Director. Shri Ashok Kumar Newatia is a Master of Science in Chemical Engineering and has more than 34 years of experience in the related areas with leading industrial houses. He is associated with the company since last 3 years and looking after day-to-day affairs of the plant, marketing, purchase, exports etc.. In recognition of contribution made by Shri Ashok Kumar Newatia in bringing the Company to its present state, your Directors have decided to elevate him to the level of a Whole Time Director designated Executive Director.

The appointment and remuneration payable to Shri Ashok Kumar Newatia are well within the ceiling laid down under Section 198, 269 and 309 of the Companies Act, 1956 and are subject to the approval of the financial institutions and members of the Company.

None of the Directors except Shri Ashok Kumar Newatia is, in any way, concerned or interested in the resolution.

The Board of Directors of your Company recommends this resolution for your approval.

##### Item No. 8

The members of the Company at their Annual General Meeting held on 29th day of April, 1993 had approved the appointment of Shri Arvind Kumar Singhania as Managing Director for a period of 5 years w.e.f. 1st December, 1992. Pursuant to the delegations of powers as approved by the members of the Company, the Board of Directors at their meeting held on 27th June, 1994 revised the monthly salary of Shri Arvind Kumar Singhania from Rs. 15,000/- to Rs. 40,000/- and perquisites thereon subject to the provisions of Section 198, 269 and 309 of the Companies Act, 1956. The present term of appointment expires on 30th November, 1997. Further, the Board of Directors at its meeting held on 30th June, 1997 re-appointed Shri Arvind Kumar Singhania, Managing Director for a period of 5 years w.e.f. 1st December, 1997 at the same monthly salary of Rs. 40,000/- and perquisites subject to the approval of the financial institutions and members of the Company.

None of the Directors except Shri Sitaram Singhania, Shri I.P. Shroff and Shri Arvind Kumar Singhania are, in any way, concerned or interested in the resolution.

The Board of Directors of your Company recommends this resolution for your approval.

**Item No. 9**

As the members are aware that the Company has undertaken an expansion cum modernisation programme *inter alia* involving expansion of Polyester Film capacity from 6000 tpa to 18000 tpa, modernisation, debottlenecking, technical upgradation of Polyester Chips plant increasing capacity from 24000 tpa to 36000 tpa and modernisation, addition of utility and support facility for cost reduction with a capital outlay of Rs. 125 crores. The means of finance for the expansion cum modernisation programme includes a contribution of Rs. 19 crores from the promoters of the Company. The Company has allotted 9515600 equity shares of Rs. 10/- each at Rs. 18.83 per share, the price arrived at according to the formula prescribed by the Securities and Exchange Board of India (SEBI) for preferential allotment in accordance with Reserve Bank of India's approval for preferential allotment vide their letters No. EC.CO.FITT.375/12.51.00/E-145/96-97 dated 17th January, 1997 and EC.DEL.FITT/3578/06.01.(e-1357)/96-97 dated 13th February, 1997 to Saraswati Trading Company Limited in the Board Meeting held on 14th February, 1997. Further, the Company has to make allotment of 574600 equity shares of Rs. 10/- each at Rs. 18.83 against the balance share application money of Rs. 1,08,21,252/- to Saraswati Trading Company Limited to make promoters contribution to Rs. 19 crores in the expansion cum modernisation programme.

The allotment will not amount to change in the control over the Company and present promoters will continue to be in control of day-to-day affairs of the Company.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the listing agreement executed by the Company with various stock exchanges in India where the Company's securities are listed.

None of the Directors except Shri Sitaram Singhania, Shri I.P. Shroff and Shri Arvind Kumar Singhania are, in any way, concerned or interested in the resolution.

The Board of Directors of your Company recommends this resolution for your approval.

**Item No. 10**

As the members are aware that the Company was sanctioned rehabilitation through financial restructuring by financial institutions lead by The Industrial Finance Corporation of India Limited (IFCI) vide their letter No. C.II.1877/93-61229 dated 24th November, 1993. The financial institutions waived compound interest of Rs. 8.93 crores and penal interest/liquidated damages of Rs. 4.47 crores aggregating to Rs. 13.40 crores.

The terms of rehabilitation package consist a clause that the institutions shall have the right to recompense for the sacrifices undertaken by them under the scheme and to accelerate the repayment schedule if the cash flow position and other conditions for the Company so warrant.

In terms of the rehabilitation package, the Company had issued 1003330 10% Redeemable Cumulative Preference Shares (RCPS) of Rs. 100/- each aggregating to Rs. 10,03,33,000/- to financial institutions/banks by adjustment against the part of the simple interest of Rs. 27.37 crores. The 10% Redeemable Cumulative Preference Shares are redeemable in three yearly instalments of Rs. 2.25 crores, Rs. 4.63 crores and Rs. 3.15 crores in 1996-97, 1997-98 and 1998-99 respectively.

The Company has convened the General Meeting of Preference Shareholders to pass necessary resolution to change the nature of 120000 10% Redeemable Cumulative Preference Shares of Rs. 100/- each to 10% Cumulative Convertible Preference Shares of Rs. 100/- each.

In view of good working and excellent result of the Company, the institutions are insisting the Company to recompense them for the sacrifices undertaken. The Company has made a proposal to the institutions, to comply with the terms of the rehabilitation package, to convert 120000 10% Cumulative Convertible Preference Shares of Rs. 100/- each into 1200000 equity shares of Rs. 10/- each aggregating to Rs. 1.20 crores at par to which the institutions have agreed. The conversion shall be made from the first instalment of redemption of 10% Redeemable Cumulative Preference Shares due in 1996-97.

The conversion and allotment will not amount to change in the control over the Company and present promoters will continue to be in control of day-to-day affairs of the Company.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the listing agreement executed by the Company with various stock exchanges in India where the Company's securities are listed.

None of the Directors of the Company is, in any way, concerned or interested in the resolution except in their capacity as nominee of financial institutions holding any of the aforesaid shares.

The Board of Directors of your Company recommends this resolution for your approval.

By order of the Board of Directors

New Delhi  
30th June, 1997

**S. K. JAIN**  
**COMPANY SECRETARY**

**Registered Office:**

Sohan Nagar, P.O. Charubeta,  
Khatima-262 308,  
Distt. Udham Singh Nagar,  
UTTAR PRADESH.



## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting the 11th Annual Report together with Audited Statement of Accounts for the 17 months period ended 31st March, 1997.

The Company had obtained special permission from the competent authorities to change the Financial Year from ending 31st October followed earlier to ending 31st March and consequently in the year of change, the period under report is for the 17 months from 1st November, 1995 to 31st March, 1997.

### FINANCIAL HIGHLIGHTS

	For the period from 01.11.1995 to 31.03.1997 (Rs. in lacs)	For the year ended 31.10.1995 (Rs. in lacs)
<b>Sales &amp; Other Income</b>	<b>3,87,48.79</b>	<b>2,66,24.84</b>
<b>Operating Profit before Interest, Depreciation &amp; Tax</b>	<b>60,05.43</b>	<b>51,28.47</b>
<b>Less: Interest</b>	<b>30,62.46</b>	<b>21,00.27</b>
<b>Gross Profit</b>	<b>29,42.97</b>	<b>30,28.20</b>
<b>Less: Depreciation</b>	<b>10,38.33</b>	<b>6,33.50</b>
<b>Misc. Expenditure</b>		
<b>Written Off</b>	<b>15.08</b>	<b>10.64</b>
<b>Provision for Income Tax</b>	<b>1,95.70</b>	<b>—</b>
<b>Net Profit for the Period</b>	<b>16,93.86</b>	<b>23,84.06</b>
<b>Add: Balance brought forward</b>	<b>12,06.73</b>	<b>(11,77.33)</b>
<b>Balance Carried to Balance Sheet</b>	<b>29,00.59</b>	<b>12,06.73</b>

### DIVIDEND

Even though the Company has registered a net profit for the period, in view of the expansion-cum-modernisation programme being implemented by the Company, your Directors feel that it would serve the interests of your Company better if the surplus accumulated is ploughed back into the operations of the Company to ensure long term strength and stability. Therefore, your Directors do not recommend any dividend for the period.

### OPERATIONS

The Sales excluding excise duty during the period under report is **Rs.3,10,07.67 lacs** compared to **Rs.2,07,25.53 lacs** in the previous year recording an increase of **5.6% pro-rata** on 12 months basis despite decrease in per unit

selling price.

**Operating profit** before Interest, Depreciation and Taxes in the period under report is **Rs.60,05.43 lacs** as compared to **Rs.51,28.47 lacs** in the previous year, i.e. a decrease of **17.3%, pro-rata** on 12 months basis. Despite better production and sales volume, the net income and operating profits have come down because the previous year represented an abnormal situation with shortages of material all over the world and rising prices. This trend got reversed in the period under report with its corresponding impact on profitability. The situation has now stabilised and consistent performance is expected.

During the 17 months period under review, the production of all products increased significantly when compared on a 12 months basis as shown below:-

Item	For the period from 01.11.1995 to 31.03.97 (MT)	For the year ended 31.10.95 (MT)	% increase on 12 months basis
<b>Chips</b>	<b>42709</b>	<b>24316</b>	<b>24</b>
<b>Film</b>	<b>7953</b>	<b>5075</b>	<b>11</b>
<b>Yarn</b>	<b>7846</b>	<b>3324</b>	<b>67</b>
<b>Engg. Plastics</b>	<b>400</b>	<b>205</b>	<b>38</b>
<b>Methanol</b>	<b>13897</b>	<b>7958</b>	<b>23</b>

The various modernisation and de-bottlenecking measures implemented last year have started yielding tangible results in improved output and quality, reduced rejections and better conversion efficiencies, all contributing to more economic operations enabling the Company to hold on to favourable financial results despite highly competitive market situation.

During the period, the industry faced downtrend in prices of raw materials and finished goods, resulting in fluctuating market conditions. However, your Directors are pleased to inform you that with the foresight shown and timely steps taken by the Company's Management, unfavourable situations were avoided. As already seen, both domestically and internationally, the raw material prices have now stabilised.

### EXPORTS

The major item of export was Polyester Film during the 17 months period under review, your Company exported **2598 MT** of Film of value **Rs.32,71.01 lacs** as compared to an export of **2352 MT** of value **Rs.29,42.94 lacs** in the previous 12 months period. On 12 months basis, it indicates a **22% fall** in export volume.

This was because of the unusually up-beat situation in the export markets in the previous year. Despite general fall in prices, it is gratifying to note that the per unit realisation was not sacrificed and your Company pursued a balanced policy for domestic/export sales mix in order to maximise the value addition in the given situation. However, it is seen that the international situation has also stabilised and improvements are visible.





With the completion of the on-going expansion programme of Polyester Film, your Company will be in a position to produce a larger variety of Films at lower costs and thereby be in a position to command a larger share of the export market at remunerative prices.

### COST REDUCTION

Your Directors are glad to report that your Company Management has responded to the tight market situation faced during the period under report by several cost cutting measures. Compared to the previous year, on 12 months basis, the employment related costs have been reduced by 8.1% and administration and other expenses reduced by 5.6%. The specific consumption of energy has also been reduced considerably as explained in detail later in this report. With various measures taken for improved productivity of the human resources, even with increasing Film production to 4 times by the on-going expansion/modernisation scheme, there will be no increase in employment related or general administration costs. All these and the continuing efforts in these directions are expected to make your Company much healthier and fitter to face a highly competitive market in the future.

### ISO 9002

The ISO 9002 programme for restructuring its technological and engineering management and all facets of administration on a professional and system-based manner with a view to ensure high level of quality and zero defect in manufacture and full customer satisfaction has been successfully implemented and the ISO Certification has been obtained. This is being maintained with great enthusiasm at all levels and the results are evident from the improved productivity and reduced wastages.

### MODERNISATION & EXPANSION

The most significant achievement during the period under report was the successful completion of the exercise of raising resources for the long cherished expansion with an investment of **Rs.125 crores** for increasing the annual production capacities of **Chips** from **20000 MT** to **36000 MT** and of **Polyester Film** from **4000 MT** to **18000 MT**. Your Company has mobilised the financial resources by an equity investment of **DM 5 million** by **DEG of Germany** and **Rs.190 million** by the **Promoters**, at **Rs.18.83 per share**, a loan of **DM 15 million** by **DEG** and **Foreign Currency Convertible Bond** of **US\$ 10 million** by **The Commonwealth Development Corporation** of the **U.K.** with option to convert to equity shares at **Rs.18.83 per share** within a period of **5 years**.

The interest cost on these Foreign Loans/Bonds is relatively low. Additional loan of **Rs.200 million** is being arranged from existing consortium of banks. The requirement of additional working capital has also been tied up.

The expansion is covered by the EPCG Scheme with

facility to import capital equipment duty-free ensuring better competitiveness for your Company.

All equipments have been ordered and most of the major items have been delivered and are under erection. It is expected that the additional facilities will start trial operations by August, 1997 bringing substantial benefits in terms of value addition, quality, energy saving and waste reduction, all leading to better competitiveness and quantum jump in scale of operation.

### DIRECTORS

Shri V.B. Haribhakti and Shri A.P. Sarwan retire by rotation in accordance with the requirement of Companies Act, 1956 and the provisions of Articles of Association of the Company, and being eligible, offer themselves for re-appointment.

During the period under report, Unit Trust of India has nominated Shri I.L. Nagpal as their Nominee Director in place of Shri C.K. Mangeshkar w.e.f. 29th June, 1996 and The Industrial Finance Corporation of India Limited has also nominated Shri R.G. Nirmal as their Nominee Director in place of Shri S.C. Kumar w.e.f. 30th September, 1996. Shri C.K. Mangeshkar and Shri S.C. Kumar have provided valuable support and advice which significantly contributed towards the growth of the Company. The Directors record their appreciation of the contribution made by Shri C.K. Mangeshkar and Shri S.C. Kumar to the Company.

Your Company has co-opted Shri Stefan Pockrandt representing DEG as Additional Director of the Company w.e.f. 14th February, 1997 and also appointed Shri Ashok Kumar Newatia as Whole Time Director designated Executive Director w.e.f. 1st July, 1997. The Company has also reappointed Shri Arvind Kumar Singhania as Managing Director w.e.f. 1st December, 1997.

### AUDITORS' REPORT

The comments in the Auditors' Report read with the notes to the accounts in Schedule 16 are self-explanatory and do not call for further explanations.

### AUDITORS

The Company's Auditors, M/s. Arun K. Gupta & Associates and M/s. Jain Arora Trehan, retire at the forthcoming Annual General Meeting and being eligible, are willing to be re-appointed.

### PARTICULARS OF EMPLOYEES

The details as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the Annexure and form part of this Report.

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

The prescribed details as required under Section 217(1)(e)



of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure forming part of this Report.

The various energy saving measures implemented during the period under report have yielded significant results. The % saving in consumption of various forms of energy per MT of Chips, Yarn and Film during the period under report as compared to previous year are given below:-

	<u>% Saving/MT of Product</u>		
	Chips	Yarn	Film
Power	26	14	11
Steam	17	—	—
Refrigeration	7	42	12

These significant improvements are of long term benefit to your Company.

#### EMPLOYEE RELATIONS, DEVELOPMENT & WELFARE

The considerable interest taken by your Company on employee development and welfare was continued and several training schemes have been conducted and a good cross-section of employees at all levels were given exposure to these schemes. These and successful implementation of TQM programme have helped in improving human resources productivity.

The Industrial Relations continued to be cordial and harmonious. Your Directors wish to place on record their sincere appreciation for the devoted services rendered by the workers, staff and executives of the Company at all levels which have in no small way contributed to the efficient and successful management of the Company.

#### ACKNOWLEDGEMENT

Your Directors take this opportunity to offer their sincere thanks to various departments of Central and State Governments, Indian and Foreign Financial Institutions, Banks and Investors for their unstinted support and assistance and valuable guidance.

On behalf of the Board

New Delhi  
30th June, 1997.

**SITARAM SINGHANIA**  
**CHAIRMAN**

#### Registered Office:

Sohan Nagar, P.O. Charubeta,  
Khatima - 262 308,  
Distt. Udham Singh Nagar,  
UTTAR PRADESH.

#### ANNEXURE-1

#### STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

##### FORM - A

(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy.

	For the period from 01.11.1995 to 31.03.1997		For the year ended 31.10.1995
A. Power & Fuel consumption			
1. Electricity			
a) Purchased unit (kwh)	15722330		16301650
Total amount (Rs.)	4,97,08,300		4,58,19,131
Rate per unit (Rs./kwh)	3.16		2.81
b) Own Generation :			
i) Through Diesel Generator			
Unit (kwh)	34076780		19248806
Unit/Ltr. of Diesel			
Oil (HSD)	3.53		3.47
Cost per unit (Rs./kwh)	2.68		2.55
ii) Through Steam Turbine/Generator			
	N.A.		N.A.
2. Coal			
	N.A.		N.A.
3. Furnace Oil Qty. (K. Ltr.)			
i) Primary Heating (HSD/RFO)			
KL	5460		3486
ii) Boiler (HSD/RFO/FO)			
KL	2433		2441
Total	KL 7893		5927
Total amount (Rs.)	3,55,11,400		3,27,22,672
Avg. Rate/K. Ltr. (Rs.)	4,499		5,521
4. Husk			
Quantity (MT)	30687		15031
Total amount (Rs.)	2,18,76,100		1,21,22,089
Avg. Rate/MT (Rs.)	713		806
(Steam through Husk)			
B. Consumption per unit of production			
i) Electricity			
Product	Unit	Per Ton	Per Ton
Polyester Chips	kwh	246	316
Polyester Film	kwh	1246	1575
Polyester Yarn	kwh	1271	1384
ii) Furnace Oil			
Product	Unit	Per Ton	Per Ton
Polyester Chips	KL	0.139	0.118
Polyester Film	KL	0.157	0.106
Polyester Yarn	KL	—	—