

# Annual Report 2002-03

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**Polyn**



# CONTENTS

Board of Directors -----	02
Notice -----	03
Directors' Report -----	06
Management Discussion & Analysis -----	08
Annexure to Directors' Report-----	10
Corporate Governance Report -----	14
SRF Polymers Accounts 2002-03 -----	20
Consolidated Financial Statement -----	39
Subsidiary Accounts -----	53

## **BOARD OF DIRECTORS**

Shri Arun Bharat Ram, Chairman

Shri Avinash Kumar Gaur, Whole-time Director

Dr. Bharat Ram

Shri S.P. Agarwala

Shri K. Ravichandra

Shri Vinod Kumar Kala

Shri Ritesh Kumar (ICICI Nominee)

### **Auditors**

Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, New Delhi

### **Bankers**

ICICI Bank Limited

### **Registered Office**

Express Building, 9-10 Bahadur Shah Zafar Marg,  
New Delhi-110 002

### **Polyester Films Business**

Plot No. 12, Rampura, Ramnagar Road, Kashipur, Distt. Udham Singh Nagar, Uttaranchal

### **Engineering Plastics Business**

Manali Industrial Area, Manali, Chennai-600 068

### **Fishnet Twine Business**

Manali Industrial Area, Manali, Chennai-600 068



## SRF POLYMERS LIMITED

Regd. Office: Express Building, 9-10, Bahadur Shah Zafar Marg,  
New Delhi 110 002

### NOTICE

NOTICE is hereby given that the 3<sup>rd</sup> Annual General Meeting of SRF Polymers Limited will be held on Wednesday, the 3<sup>rd</sup> September, 2003 at 11.00 A.M. at FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi 110001 to transact the following businesses:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2003 and the Profit & Loss Account for the year ended on that date together with the Reports of the Auditors' and Directors' thereon.
2. To declare Dividend on equity shares.
3. To appoint a Director in place of Dr. Bharat Ram, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S.P. Agarwala, who retires by rotation, and being eligible, offers himself for re-appointment.
5. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**  
"RESOLVED that M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, New Delhi be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual general meeting at a remuneration to be fixed by the Board and re-imbursement of travelling and other incidental expenses, if any, incurred in connection with the audit."
6. **To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:**  
"RESOLVED that approval of the Company be and is hereby accorded in terms of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, to the commencement of business specified in sub-clause 54 of Clause IIIC of the Memorandum of Association of the Company as and when deemed fit by the Board of Directors."
7. **To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:**  
"RESOLVED that pursuant to section 163 and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded to shift and keep the Registers and Indices of Members at the office of M/s. Mas Services Private Limited at AB-4, Safdarjung Enclave, New Delhi 110 029 who are the Registrar & Share Transfer Agent instead of being kept at the Registered Office of the Company at Express Building, 9-10, Bahadur Shah Zafar Marg, New Delhi-110 002 and that the foregoing registers and indices shall be kept open for inspection between 11.00 a.m. and 1.00 p.m. on all working days other than Saturdays and holidays except during such periods when the same are closed as per the applicable legal requirements."
8. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

"RESOLVED that the authorized capital of the Company be and is hereby increased from Rs. 8,50,00,000 divided into 75,00,000 Equity shares of Rs. 10/- each, and 10,00,000 Preference shares of Rs. 10/- each to Rs.15,00,00,000 (Rupees Fifteen Crores only) divided into 1,00,00,000 (One Crore only) Equity shares of Rs. 10/- each and 50,00,000 (Fifty Lakhs only) Preference shares of Rs. 10/- each, by creation of 25,00,000 Equity shares of Rs.10/- each and 40,00,000 Preference shares of Rs. 10/- each, with the power to increase, reduce, divide and/or sub-divide the share capital and attach thereto respectively such preferential, priority, deferred, qualified or special rights, privileges, conditions or restrictions, whether in regard to dividend, voting, return of capital, distribution of assets or otherwise, howsoever, as may be determined in accordance with the law and the regulations from time to time of the Company and to vary, modify or abrogate any such rights, privileges, conditions or restrictions in such manner as may from, time to time, be provided by the regulations/resolutions of the Company and to consolidate or sub-divide or re-organise shares or issue shares of higher or lower denominations."

9. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

"RESOLVED that the Memorandum of Association of the Company be and is hereby altered by substituting the following new Clause V for the existing Clause V thereof: -

"V. The share capital of the Company is Rs.15,00,00,000 (Rupees Fifteen Crores only) divided into 1,00,00,000 (One Crore only) Equity shares of Rs. 10/- each and 50,00,000 (Fifty Lakhs only) Preference shares of Rs. 10/- each, with the power to increase, reduce, divide and/or sub-divide the share capital and attach thereto respectively such preferential priority, deferred, qualified or special rights, privileges, conditions or restrictions, whether in regard to dividend, voting, return of capital, distribution of assets or otherwise, howsoever, as may be determined in accordance with the law and the regulations from, time to time, of the Company and to vary, modify or abrogate any such rights, privileges, conditions or restrictions in such manner as may from, time to time, be provided by the regulations/resolutions of the Company and to consolidate or sub-divide or re-organise shares or issue shares of higher or lower denominations."

By Order of the Board  
for **SRF POLYMERS LIMITED**

**Avinash Kumar Gaur**  
Whole-time Director

Place: New Delhi  
Date: June 2, 2003



**NOTES:**

1. Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. A BLANK PROXY FORM IS ATTACHED HERewith.
3. In compliance of SEBI's circulars dated 27<sup>th</sup> December, 2002 and 12<sup>th</sup> February, 2003, M/s. Mas Services Private Limited, who were the Registrar & Transfer Agent only for electronic connectivity with National Securities Depository Ltd. and Central Depository Services (India) Ltd., have been appointed Registrar & Share Transfer Agent to handle the entire job i.e. shares of the Company held both in electronic and physical form with effect from 1<sup>st</sup> April, 2003.
4. Members are requested to address all correspondence, including dividend matters, to the Registrar & Share Transfer Agent, M/s Mas Services Private Limited, AB-4, Safdarjung Enclave, New Delhi 110 029.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 1<sup>st</sup> August, 2003 to Thursday, the 14<sup>th</sup> August, 2003 (both days inclusive).
6. If dividend, as recommended by the Directors, is declared at the meeting, the payment will be made within thirty days to those Members whose names appear in the Register of Members of the Company as on 14<sup>th</sup> August, 2003 or to their nominees/mandatees. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by NSDL and CDSL as at the close of their business on 31<sup>st</sup> July, 2003.
7. Members holding shares in physical form are requested to notify change in their address, if any, under their signature to M/s. Mas Services Private Limited, quoting folio number. Members holding shares in electronic form may update such detail with their respective Depository Participants.
8. Members seeking any information regarding Accounts should write to the Company at least seven days before the meeting so as to enable the management to keep the information ready.
9. Pursuant to Section 205A of the Companies Act, 1956, dividend for the financial year ended 31<sup>st</sup> March, 2002, if it remains unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account, is required to be transferred to the Investor Education and Protection Fund of the Central Government.

Section 205C of the Act declares that no claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for seven years as aforesaid.

Shareholders are, therefore, advised that those who have not

encashed their dividend warrant(s) so far for the financial year ended 31<sup>st</sup> March, 2002 may send their outdated dividend warrants before the expiry of 7 years to M/s Mas Services Private Limited, AB-4, Safdarjung Enclave, New Delhi 110029 for issue of 'payable at par' cheques/ demand drafts in lieu thereof.

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

#### **Item No.3 & 4**

Dr. Bharat Ram and Shri S.P. Agarwala shall retire by rotation and being eligible, offer themselves for re-appointment.

The information required by the Corporate Governance Code is given below:

#### **Dr. Bharat Ram**

Dr. Bharat Ram, (89) is a Captain of Indian Industry. He has held various coveted positions including President FICCI; Chairman, Indian Airlines and the first Asian President of International Chambers of Commerce. He was awarded "Padma Bhushan" in 1972 and is the first Indian businessman to be given an Honorary Doctorate by Aligarh Muslim University. Presently, he is the Chairman of SRF Limited and Coromandel Fertilizers Limited. His experience spans over six decades.

Dr. Bharat Ram is interested in the Resolution. Shri Arun Bharat Ram, who is a relative of Dr. Bharat Ram, may be deemed to be interested in the Resolution.

No other Director of the Company is concerned or interested in the Resolution.

#### **Shri S.P. Agarwala**

Shri S.P. Agarwala (62) is well known in the business circles of Delhi. He is Director of the Company since 18<sup>th</sup> March, 2002.

Shri S.P. Agarwala is Chairman of the Audit Committee and Remuneration Committee and member of Shareholders/ Investors Grievance Committee.

Shri S.P. Agarwala is also a Director of SRF Limited and Chairman of Shareholders/Investors Grievance Committee and member of Audit Committee of that company.

None of the Directors of the Company other than Shri S.P. Agarwala is concerned or interested in the Resolution.

#### **Item No.6**

As per provisions of Section 149(2A) of the Companies Act, 1956, approval of the members in general meeting by a Special Resolution is required before commencing any business set out in the Other Objects Clause of the Memorandum of Association of a Company.

The Company is considering diversification to the business as stated in sub-clause 54 of the 'Other Objects Clause' of the Memorandum of Association of the Company.

Approval of the members is thus being sought to enable the Directors at such time or times as they may consider appropriate and in the interest of the Company to commence the business specified in the said sub-clause.



None of the Directors of the Company is concerned or interested in the Resolution.

#### Item No. 7

Pursuant to a directive of the Securities and Exchange Board of India, the entire work relating to the share registry relating to providing service to the shareholders of the Company holding shares in physical form as well as providing electronic connectivity with National Securities Depository Ltd. and Central Depository Services (India) Ltd. has been transferred to M/s. Mas Services Private Ltd., a SEBI registered Registrar & Share Transfer Agent, who have so far been already providing the electronic connectivity as aforesaid.

It is now proposed to shift the relevant records to the office of M/s. Mas Services Private Ltd. at AB-4, Safdarjung Enclave, New Delhi 110 029.

Approval of members by special resolution is sought in terms of section 163 of the Companies Act, 1956.

An advance copy of the proposed special resolution is being delivered to the Registrar of Companies, NCT of Delhi & Haryana.

None of the Directors of the Company is concerned or interested in the Resolution.

#### Item No.8 & 9

The Company may need to raise funds for its future expansion/diversification plans by way of further issue of capital. To take care of such requirements, your Directors propose to increase the existing authorised capital from Rs. 8,50,00,000 (Rupees Eight Crores & Fifty Lakhs only) to Rs.15,00,00,000 (Rupees Fifteen Crores only), by creation of 25,00,000 Equity shares of Rs.10/- each and 40,00,000 Preference shares of Rs. 10/- each.

The resolution contained in Item No. 8 is pursuant to the provisions of Section 94 of the Companies Act, 1956. Resolution No. 9 is for

purposes of substitution of new Clause V in the Memorandum of Association of the Company and is consequential to Item No. 8 of this notice.

None of the Directors of the Company is concerned or interested in the Resolution.

#### INSPECTION

The Memorandum and Articles of Association of the Company shall be open for inspection at the Registered Office of the Company on any working day between 3 P.M. and 5 P.M. and shall also be available at the meeting.

Stock Exchanges where Company's securities are listed/to be listed:-

1. The Delhi Stock Exchange Association Limited  
DSE House, 3/1 Asaf Ali Road  
New Delhi 110 002
2. The Stock Exchange – Ahmedabad  
Kamdhenu Complex, Panjarapole  
Ahmedabad 380 015
3. The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers, Dalal Street  
Mumbai 400 001
4. Madras Stock Exchange Ltd.  
Exchange Building, Post Box No.183  
11, Second Line Beach, Chennai 600 001

Listing fee has been paid to all the Stock Exchanges upto March, 2004.

# DIRECTORS' REPORT

Your Directors are pleased to present the 3<sup>rd</sup> Annual Report for the year ended 31<sup>st</sup> March, 2003.

## FINANCIAL RESULTS

	(Rs. Crores)	
	2002-03	2001-02
Gross Sales	160.26	141.15
Profit Before Interest, Depreciation & Tax (PBIDT)	13.81	13.03
Less: Interest	3.17	1.80
Gross Profit	10.64	11.23
Less: Depreciation	4.81	5.41
<b>Profit Before Taxation (PBT)</b>	<b>5.83</b>	<b>5.82</b>
Less: Provision For Taxation (Net)	2.40	0.45
Less: Deferred Tax Provision	(0.30)	2.13
<b>Profit After Taxation (PAT)</b>	<b>3.73</b>	<b>3.24</b>
Add: Profit Brought Forward	1.66	2.39
<b>Surplus available for appropriation</b>	<b>5.39</b>	<b>5.63</b>
<b>Appropriation</b>		
Dividend on Equity Shares	0.97	0.97
Corporate tax on dividend	0.12	
Amount transferred to General Reserve	0.50	3.00
<b>Profit carried to Balance Sheet</b>	<b>3.80</b>	<b>1.66</b>
<b>Total</b>	<b>5.39</b>	<b>5.63</b>

## Equity Dividend

Your Directors recommend a Dividend of 15% on equity shares, i.e. Rs. 1.50 per share.

## OPERATIONS REVIEW

Gross Sales amounted to Rs. 160.26 crores for the year ended 31<sup>st</sup> March, 2003 (last year Rs. 141.15 crores) registering an increase of 13.54%. Profit after tax was Rs. 3.73 crores (previous year 3.24 crores) up by 15.12%.

## Divisional Performance

### Engineering Plastics Business

During the year your company sold 3,612.89 MT of Nylon moulding powder compared to 3026.97 MT last year (increase of 19.36%). The Net Sales was Rs. 41.53 crores compared to Rs. 34.78 crores last year (increase of 19.41%).

### Polyester Films Business

During the year your company sold 3,783.67 MT of Polyester film compared to 3525.53 MT last year (increase of 7.32%). The Net Sales was Rs. 34.98 crores compared to Rs. 32.02 crores last year (increase of 9.24%).

### Fish Net Business

During the year your company sold 5,312.68 MT of Fish Net Products compared to 4675.78 MT last year (increase of 13.62%). The Net Sales was Rs. 69.72 crores compared to Rs. 61.77 crores last year (increase of 12.9%).

### Safety, Health & Environment

Your company is committed to being proactive to Safety, Health and Environment. Continued safety awareness was maintained through several activities such as training, competitions, awards, etc. where there is high worker participation.

Occupational health studies have been taken up and improvements beyond minimum standards are implemented. Effluents are recycled based on known treatment processes, which help the conservation of precious water.

The Engineering Plastics Business plant at Chennai has been awarded the ISO 14001 certification. Your company has been undertaking on- going training programs on Safety and Environmental issues at all its converter units to enhance work safety levels and environment protection.

### Directors

Dr. Bharat Ram and Shri S.P. Agarwala, Directors retire by rotation and being eligible, offer themselves for re-appointment.

### Directors' Responsibility Statement

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the Company for the period under review;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts for the year ended 31.03.03 on a 'going concern' basis.





The Company is controlled by Arun Bharat Ram Group ("Promoter Group") being a group as defined under the Monopolies and Restrictive Trade Practices Act, 1969. The Promoter Group consists of various individuals and corporate bodies who are in a position to and who jointly exercise control over the Company.

A list of these individuals and corporate entities which constitute a group under the Monopolies and Restrictive Trade Practices Act, 1969 is given below:-

(a) Sh. Arun Bharat Ram (b) Dr. Bharat Ram; (c) Sh. Ashish Bharat Ram; (d) Sh. Kartikeya Bharat Ram; (e) Mrs. Shiela Bharat Ram; (f) Mrs. Manju Bharat Ram; (g) Mrs. Vasvi Bharat Ram; (h) Mrs. Radhika Bharat Ram; (i) SRF Ltd.; (j) SRF Transnational Holdings Ltd.; (k) Skylark Investments & Trading Pvt. Ltd.; (l) Narmada Farms Pvt. Ltd.; (m) Bhairav Farms Pvt. Ltd.; (n) Shak Investments Ltd.; (o) Palma Holdings Ltd.

#### **Management Discussion and Analysis**

A separate report is appended herewith

#### **Corporate Governance**

Certificate dated June 02, 2003 of the Auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the stock exchanges is annexed hereto.

#### **Buy-back of equity shares**

The Board at its meeting held on 6.8.2002 decided to buy-back 16,13,000 fully paid equity shares of Rs. 10/- each at a price not exceeding Rs. 21 per share from open market through stock exchange route. However, the Company was not able to buy-back any of its shares as the market price during the offer period remained above Rs. 21/- per share.

#### **Share Registry Activities**

In terms of SEBI Circular No. D&CC/FITTC/CIR-15/2002 dated 27<sup>th</sup> December, 2002, your Company has decided to transfer the work related to share registry to Mas Services Pvt. Ltd., a Registrar & Share Transfer Agent registered with SEBI.

#### **Consolidated Financial Statement**

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, your Directors have pleasure in attaching the Consolidated Financial Statements, which form part of the Annual Report and Accounts.

#### **Accounts and Audit**

The Auditors, M/s Thakur, Vaidyanath & Aiyar & Company, retire at the conclusion of the 3<sup>rd</sup> Annual General Meeting and are eligible for re-appointment. The observations of the Auditors are explained wherever necessary in appropriate notes to the Accounts.

#### **Subsidiary Companies**

Your company has made investment in shares of SRF International Limited, which became a wholly owned subsidiary of your company during the year. SRF International Limited has made an application to Reserve Bank of India for the status of non-banking finance company.

#### **Fixed Deposits**

Your company did not accept/ renew any fixed deposits during the year.

#### **Personnel**

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees), Rules, 1975, the names and other particulars of an employee are given in the Annexure to the Directors' Report.

#### **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo**

The details as required under the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 are annexed.

#### **Acknowledgements**

Your Directors acknowledge with gratitude the co-operation and assistance received from various agencies of the Central Government and the Governments of Uttaranchal & Tamil Nadu and banks. Your Directors thank the shareholders for their support. Your Directors also place on record their appreciation of the contribution made by employees at all levels.

For and on Behalf of the Board

New Delhi  
June 02, 2003

**ARUN BHARAT RAM**  
Chairman



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY STRUCTURE AND DEVELOPMENTS

### Fishnet Business

Fishnet business in India and world over is fragmented and controlled by small / medium sized players. While a few yarn majors control the value chain from caprolactam to yarn the down stream value chain, viz. yarn to twine and twine to net is fragmented with a large number of players.

Quite a few of the worlds' large yarn manufacturers are exploring the possibility of moving their facilities from their home countries to India or China. This is because of escalating manufacturing cost and falling margins.

Your company has understood this unique opportunity, and has created a virtual platform connecting all the suppliers, converters and customers. This networking model has been successful, and has enabled your company to achieve a dominant market share in India.

Your company is planning to extend this model to neighbouring South East Asian countries.

### Polyester Film Business

The successful commissioning of the new tenter frame enabled us to achieve a speed of 260 meters per minute. The plant achieved full capacity utilisation from October 2002. Your company introduced a new product, chemically coated film.

Exports have been identified as a thrust area for future growth. Samples have been sent to target countries, and an encouraging response has been received. Export sales increased from 80 TPA to 200 TPA.

### Engineering Plastic Business

Your company continues to be largest compounder of Nylon engineering plastics. It has been awarded ISO 14001 certification in Aug'02.

Your company has been strategically pursuing OEM sales. In this regard product approvals have been received from various large users.

During the year under review 15 new grades having a potential sale of more than 100 MT per annum were commercialized. Three new consignment stockists have been added to take total number of distribution points to 18. Some supplies have been made to overseas customers.

### Opportunities and Threats

In fishnet business there is an opportunity to further consolidate all the players within the value chain under the company's umbrella. This will further enhance our bargaining power with raw material suppliers as well as the converters. However, there is limited scope for growth in the domestic market, given the company's dominant market share.

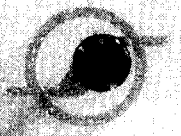
Growth in engineering plastic will be driven by growth of the automobile sector in the domestic market and by pursuing exports backed by strong product development capabilities. In the domestic market there is threat of increased competition from multinational manufacturers. These players are already aligned with global automobile manufacturers who have set up manufacturing facilities in India. Further, decreasing import duties will continue to increase pressure on margins.

In Polyester Films, the high growth rate of packaging in India and the export focus of domestic manufacturers has resulted in attractive margins for the sector. However, any slow down in exports is likely to lead to increased supply in domestic market, which could cause pressure on margins.

### Segment wise and product wise performance

Your company has identified three business segments in line with the accounting standard on segment reporting (AS -17). These are: (i) Fishnet twine (ii) Engineering plastics and (iii) Polyester films

Particulars	Rs. Lakhs	
	Year Ended 31.03.2003 (Audited)	Year Ended 31.03.2002 (Audited)
<b>Segment Revenue</b>		
a) Fishnet Twine	6972	6177
b) Engineering Plastics	4153	3478
c) Polyester Films	3498	3202
<b>Total Segment revenue</b>	<b>14623</b>	<b>12857</b>
<b>Segment Results</b>		
(Profit / (Loss) before interest and tax from each segment)		
a) Fishnet Twine	565	588
b) Engineering Plastics	301	346
c) Polyester Films	268	311
<b>Total Segment results</b>	<b>1134</b>	<b>1245</b>
Less: i) Interest	317	180
Less: ii) Other Unallocable expenses net of unallocable income	233	483
<b>Total Profit before Tax</b>	<b>584</b>	<b>582</b>
<b>Capital Employed (Segment assets less segment liabilities)</b>		
a) Fishnet Twine	1603	1135
b) Engineering Plastics	961	475
c) Polyester Films	4820	3865
<b>Total Capital employed in segments</b>	<b>7384</b>	<b>5475</b>
Add : Unallocable corporate assets less unallocable liabilities	1971	296
<b>Total capital employed in the company</b>	<b>9355</b>	<b>5771</b>



### Outlook

During the year under review, India and China were among the fastest growing economies in the world growing at over 5 percent. This has fuelled growth in personal consumption, which has been driving demand in the automobile, FMCG and consumer durable sector.

Going forward we expect this demand growth to drive demand in our businesses. However, because of intense competition and decrease in import duties, pressure on margins will continue.

### Risk and concerns

The raw material for our various products viz. caprolactam and PET chips are internationally traded commodities and global demand supply balances and other factors impact their price volatility.

Any adverse change in the prices of these two commodities will adversely impact the company's profitability.

### Internal control system and their adequacy

SRF Polymers has a proper and adequate system of internal controls to ensure that all assets are safe guarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly.

An extensive programme of internal audit through reputed external agency and company's own internal audit department, review by management and documented policies, guidelines and procedures supplements the internal control. The internal control is designed to ensure that financial and other records are reliable for preparing financial and other information and other data, and for maintaining accountability of assets.

### Financial Performance

Following table gives the income, expenditure and profits of SRF Polymers for 2002-03 in comparison with the last year.

(Amount Rs. lakhs)

Sl. No.	Particulars	Year Ended		Inc/(Dec) %
		31.03.2003 Audited	31.03.2002 Audited	
1	Net sales/ Income from Operations.	14,623	12,857	13.7
2	Other Income	179	83	115.7
	Total Income (1+2)	14,802	12,940	14.4
3	Total Expenditure	13,420	11,637	15.3
	a. (Increase)/Decrease in stock	(179)	(58)	208.6
	b. Consumption of raw material	9,700	7,880	23.1
	c. Staff Cost	398	352	13.07
	d. Power & fuel	1,002	928	8.0
	e. Other Expenditure	2,499	2,535	(1.4)
4	PBDIT	1,382	1,303	6.1
5	Interest and Finance Charges	317	180	76.1
6	PBDT	1,065	1,123	(5.2)
7	Depreciation	481	541	(11.1)
8	PBT	584	582	0.3
9	Provision for tax- Current Tax	240	45	433.3
	- Deferred Tax	(30)	213	(114.1)
10	PAT	374	324	15.4

During the year sales increased by 13.7% i.e. from Rs. 12857 lakhs to Rs. 14623 lakhs. However PBDIT increased by only 6.1% i.e. from Rs. 1303 lakhs to Rs. 1382 lakhs due to pressure on margins. PAT increased by 15.4% from Rs. 324 lakhs to Rs. 374 lakhs due to reduction in deferred tax liability.

Your company has taken several measures to de-bottleneck for better yields and reduction in conversion cost. During the year batch poly conversion cost was reduced by 14% and productivity of polyester film business increased.

### Human Resources

We are privileged to have a highly qualified and motivated manpower base. As SRF Polymers steps up its efforts to become an internationally competitive company and benchmark itself against the best in the world, it has embarked on a strategy of further improving its labour productivity.

To sustain new growth initiatives, your company has recruited young professionals during the year under review.

The company proposes to gradually eliminate non-value added jobs and to re-deploy workers to direct production related areas. Wherever necessary, the company will impart appropriate training, including overseas exposure.

### Cautionary Statement

Statements in this management discussion and analysis describing the company's objectives, projections, outlook estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the company's operations include global and Indian demand and supply conditions, product prices and raw material cost and availability, cyclical demand and pricing in the company's principal markets, changes in government regulations, tax regimes, economic developments within India and the countries with which the company conducts businesses, and other factors such as litigations and labour negotiations.