



SRF Polymers Limited

Annual Report
2003-2004



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BOARD OF DIRECTORS

Shri Arun Bharat Ram, Chairman
Shri Manish Maheshwari, Whole Time Director & Chief Financial Officer
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

State Bank of Patiala
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 4th Annual General Meeting of SRF Polymers Limited will be held on Wednesday, the 25th August, 2004 at 11 A.M. at Gandhi Memorial Hall, 2, Bahadur Shah Zafar Marg, New Delhi - 110 002 to transact the following businesses:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2004 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 Shri Arun Bharat Ram, who retires by rotation, and being eligible, offers himself for re-election.
4. To appoint a Director in place of Shri K. Ravichandra, who retires by rotation, and being eligible, offers himself for re-election.

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

"RESOLVED that Shri Manish Maheshwari, who by his co-option as an Additional Director with effect from 3rd May, 2004 holds office upto the date of this Annual general meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed a 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 subject to such sanctions and permissions, if any, as may be necessary, approval be and is hereby accorded in terms of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and the Schedules thereto, to the appointment of Shri Manish Maheshwari as Whole-time Director & Chief Financial Officer of the Company on the following terms and remuneration :-

1. **Tenure** : 3.5.2004 to 31.3.2006
2. **Functions** : To look after the day to day business and affairs of the Company subject to the direction, control and superintendence of the Board of Directors of the Company.

3. **Remuneration** : Subject to the overall limit on remuneration payable to all the managerial personnel taken together, the remuneration payable to Shri Manish Maheshwari, as determined by the Board of Directors, shall comprise the following with authority for sanctioning increase in salary/allowances as the Remuneration Committee/ Board of Directors may decide, as per Company's rules, from time to time.

a) **Salary** : Rs. 15,740 per month in the pay scale of Rs. 15,000 to Rs. 20,000.

b) **Perquisites & Allowances** : Residential accommodation or house rent allowance, personal pay, performance pay, company car and driver/ allowance for driver's salary, medical reimbursement, leave travel concession, club fees, personal accident insurance, as per the rules of the Company and fixed by the Remuneration Committee aggregating upto Rs. 10 lacs per annum.

c) **Minimum Remuneration** : In the event of absence or inadequacy of profits in any financial year during his tenure, Shri Manish Maheshwari will be entitled to the above stated remuneration along with the perquisites/ benefits mentioned above as and by way of minimum remuneration.

4. **Termination** : The appointment of Shri Manish Maheshwari as Whole-time Director may be terminated by either party giving to other one calendar month notice for every completed year of service subject to a maximum of 3 months, in writing.

RESOLVED FURTHER that the Board of Directors or a Committee constituted by the Board be and is hereby authorised to increase or vary the remuneration of Shri Manish Maheshwari subject to and in accordance with the Company's rules, from time to time, wherever applicable and the provisions of the Companies Act, 1956, including Schedule XIII thereto.

By Order of the Board
for SRF POLYMERS LIMITED

Rajat Lakhnarpal
Assistant Secretary

Place : New Delhi
Date : May 25, 2004

**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. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 3rd August, 2004 to Thursday, the 12th August, 2004 (both days inclusive).
5. 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 12th August, 2004 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 2nd August, 2004.
6. Members holding shares in physical form are requested to notify change in their addresses, if any, under their signature to M/s. Mas Services Private Limited, quoting folio number. Members holding shares in electronic form may update such details with their respective Depository Participants.
7. Members seeking any information regarding Accounts are requested to write to the Company at least seven days before the meeting so as to enable the management to keep the information ready.
8. Shareholders who have not encashed their dividend warrant(s) so far for the previous financial years 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 demand drafts in lieu thereof.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 3 & 4**

Shri Arun Bharat Ram and Shri K. Ravichandra shall retire by rotation and being eligible, offer themselves for re-appointment.

Brief resume of the Directors being re-appointed are as under:

Shri Arun Bharat Ram

Shri Arun Bharat Ram (63) is an industrialist with rich experience of around 37 years. He graduated in Industrial Engineering from the University of Michigan, USA. He has been on various Government-Industry Committees. He was President of CII (2000-2001) and is currently Chairman CII International.

Shri Arun Bharat Ram is Chairman of the Shareholders/Investors Grievance Committee and member of Remuneration Committee and

Committee of Directors-Financial Resources of the Board.

Shri Arun Bharat Ram is a Director and member of the following Committees of the Board of other companies.

Directorship

SRF Ltd. (Chairman & Managing Director)
Essilor SRF Optics Ltd.
Bharat Sanchar Nigam Ltd.
DCM Shriram Consolidated Ltd.
Emergent Industries & Technologies Ltd.
Fenner (India) Ltd.
Moser Baer India Ltd.
Samcor Glass Ltd.
Samtel Color Ltd.
SRF Polymers Investments Ltd.
SRF Overseas Ltd.
SRF Americas Inc.

Membership of the Committees of the Board

Shareholders/Investors
Grievance Committee

Audit Sub-Committee

Shri Arun Bharat Ram is interested in the Resolution. Dr. Bharat Ram, who is a relative of Shri Arun 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 K. Ravichandra

Shri K. Ravichandra, (70) graduated in Chemical Engineering from Madras University in 1956. He was General Manager, Projects in Bombay Refinery between 1987-1989. Subsequently, he was Vice President (Projects), Western India Petroleum Ltd. from 1994 to 1996. As consultant, among other assignments, assisted GAIL in commissioning & training as well as safety studies at their Petrochemical Complex during 1997-98.

Shri Ravichandra is a member of the Shareholders/Investors Grievance Committee of the Board.

Shri. Ravichandra is currently Director (Safety & Environment) in SRF Ltd. and Director in E.R.G. (India) Ltd. and SRF Polymers Investments Ltd.

He is a member of Shareholders/Investors Grievance Committee of SRF Ltd.

None of the Directors of the Company other than Shri K. Ravichandra is concerned or interested in the Resolution.

Item No. 6 & 7

Shri Manish Maheshwari was co-opted as an Additional Director by the Board of Directors of the Company on 3rd May, 2004. In terms of the Company's Articles of Association and Section 260 of the Companies Act, 1956, he holds office upto the date of ensuing Annual general meeting.

Notice under Section 257 of the Companies Act, 1956 has been received from a member of the Company alongwith a deposit of Rs. 500/- signifying his intention to propose Shri Manish Maheshwari as a Director of the Company.

Shri Manish Maheshwari (36) is a qualified Chartered Accountant and Company Secretary. He has an experience of around 12 years in the field of Finance, Accounts & Taxation. He satisfies the conditions



for eligibility for appointment as a managerial person in terms of Part I of Schedule XIII to the Companies Act, 1956.

Shri Manish Maheshwari after his co-option as Director in the meeting of Board of Directors held on 3rd May, 2004 was appointed as Whole-time Director & Chief Financial Officer of the Company for the period from 3.5.2004 to 31.3.2006. His appointment is, subject to the approval by the members in general meeting.

Hence, approval of the members is sought to the appointment and remuneration of Shri Manish Maheshwari in terms of Sections 269 and 309, read with Schedule XIII to the Companies Act, 1956. The terms of appointment and remuneration proposed for Shri Manish Maheshwari are fully set out in the resolution.

As per the requirements of Section 302 of the Companies Act, 1956, the abstract of the terms and conditions of appointment of Shri Manish Maheshwari as Whole-time Director & Chief Financial Officer has been circulated to the members vide Company's letter dated 12th May, 2004.

Shri Manish Maheshwari is a member of Committee of Director-Financial Resources of the Board.

Shri Manish Maheshwari is a Director in SRF Polymers Investments Ltd.

None of the Directors of the Company other than Shri Manish Maheshwari is concerned or interested in the Resolutions.

INSPECTION

The Documents referred to in the Notice shall be open for inspection at the Registered Office of the Company on all 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 :-

1. The Delhi Stock Exchange Association Limited
DSE House, 3/1 Asaf Ali Road
New Delhi 110 002
2. The Stock Exchange – Ahmedabad
Kamdheni 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, 2005.

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DIRECTORS' REPORT

To THE MEMBERS,

The Directors are pleased to present the fourth Annual Report on the business and operations of the company and the statement of accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

	(Rs. Crores)	
	2003-04	2002-03
Sales and Other Income	170.85	148.03
Profit Before Interest, and Depreciation & Tax (PBIDTA)	15.39	13.78
Less: Interest & Finance Charges	4.76	3.14
Profit before Depreciation and Tax (PBDT)	10.63	10.64
Less: Depreciation	6.14	4.81
Profit before Tax (PBT)	4.49	5.83
Less: Provision For Taxes (including provision for deferred tax)	1.24	2.10
Net Profit after Tax (PAT)	3.25	3.73
Add: Profit brought forward from previous year	3.80	1.66
Profit available for appropriation	7.05	5.39
Appropriations		
Proposed Dividend on Equity Shares	0.32	0.97
Corporate tax on dividend	0.04	0.12
Amount transferred to General Reserve	0.15	0.50
Profit carried to Balance Sheet	6.54	3.80
Total Appropriation	7.05	5.39

Equity Dividend

Your Directors recommend a Dividend of 5 % on equity shares, i.e. Rs. 0.50 per share for the financial year ended March 31, 2004 for your approval at the ensuing Annual General Meeting.

OPERATIONS REVIEW

Gross Sales grew by 13.07 % to Rs. 181.21 crores from Rs 160.26 crore in the previous year. Operating profit (EBIDTA) grew by 11.68 % to Rs 15.39 crores from Rs 13.78 crores. However, due to increase in finance charges and depreciation Profit before tax declined by 22.98% to Rs 4.49 crores from Rs 5.83 crores. Consequently Profit after Tax declined by 12.87 % to Rs 3.25 crores from Rs 3.73 crores.

Polyester Film Business

In Polyester film business your company is marginal player and shall not remain competitive in view of over supply expected in coming years. In the interest of the company your Board of Directors have taken a decision to sell this business, to SRF Limited, a Group Company. The shareholders, through

a postal ballot, had given their consent to the sale of this business. The sale will be completed before the end of second quarter of financial year 2004-05.

Management Discussion and Analysis

Management discussion and analysis on matters relating to the business performance, as stipulated in clause 49 of the listing agreement with the stock exchanges, is given as a separate statement in the Annual Report.

Corporate Governance

A Separate report on corporate governance is included / attached as part of the annual report. The auditors Certificate regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the stock exchanges is included in the said corporate governance report.

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

The prescribed details as required under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 are set out in the Annexure and form part of this report.

Particulars of Employees

There has been no employee during the year, whose particulars are required to be given under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees), Rules, 1975.

Fixed Deposits

Your company has accepted fixed deposits during the year and complied with all terms and conditions mentioned under section 58 A of the Companies Act, 1956 and Companies (Acceptance of Deposit) Rules, 1975.

Directors

Shri Shri Arun Bharat Ram and Shri K. Ravichandra, Directors retire by rotation and being eligible, offer themselves for re-appointment.

Shri Avinash Kumar Gaur, Whole time Director resigned with effect from 3rd May 2004 on completion of his tenure. The Board places on record its gratitude and appreciation for the services rendered by him.

Your Board has co-opted Shri Manish Maheshwari as an Additional Director. He holds office upto 4th Annual General meeting. A notice u/s 257 of the Companies Act, 1956 has been received from a member intending to propose the name of Shri Manish Maheshwari for appointment as a Director of the Company.

Shri Manish Maheshwari was appointed by your Board as Whole time Director and Chief Financial Officer and your Board



recommends to the shareholders for approval of his appointment and remuneration as fixed by them.

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 31.03.04 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.

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.

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.

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 4th Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of the Auditors are explained wherever necessary in appropriate notes to the Accounts.

Subsidiary Company

Information in respect of subsidiary together with accounts and reports required under Section 212 of the Companies Act, 1956 are attached which form part of the annual report and accounts.

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

Place : New Delhi

Date : May 25, 2004

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.

Your company has its unique proposition across the value chain and continues to be the dominant domestic player with a strong leadership position in India and is looking to consolidate its position in international market.

Due to shrinking conversion margins, quite a few international players have reduced their FNY production resulting in severe shortage in 210 Denier Yarn availability world over. However, with conditional exemption from excise, domestic players were at an advantage thus import from international sources have become unviable during the year.

In spite of these limitations, Fish net business has maintained its leadership position in the market with enhanced networking both with domestic and international partners.

Our mono yarn share has considerably improved with contracts for conversion from mono yarn manufacturers in India. A special thrust has been given for product quality and process improvement through total quality management. In order to widen our global presence, a special emphasis is being given to product portfolio enhancement.

Having achieved the status of undisputed leadership in domestic market in multi products, we are poised to capture considerable share of market both in mono and multi with substantial expansion in our product capacities besides expanding the value chain.

Polyester Film Business

High growth rate of flexible packaging globally continued, with a global growth rate of ~6% and Indian market growth of ~20% for Polyester Films. Growth in Indian market coupled with the export focus of domestic manufacturers resulted in full capacity utilization of the domestic industry. During the year, capacity of one of the players was not available for a short period of time. All the above, resulted in attractive margins for the sector. However, the margins fell back to original levels when the capacity that had closed for some time was back into operations.

Also, during the year, announcements were made by most of the players in this business to expand their capacity, either in India or outside India. Most of this capacity is likely to get installed in the next two years. The planned capacity increase is far in excess of demand growth projected. This, coupled with any slowdown in exports from India, could cause severe pressure on margins.

It is evident from the structure of the industry that it is prudent to be in the business if there is a minimum economic size as competitiveness would be the key for success in a situation of supply far exceeding demand.

Your company has realized that it is marginal player in the industry and hence is unlikely to be cost competitive in the long run. The Company's ability to set up / acquire new capacity is restricted due to financial constraints.

Based on internal analysis and advice from E & Y your Board of Directors have decided to exit the business and sell the undertaking to SRF for Rs 50 Crores. This will help the Company to focus and grow in the other businesses.

Engineering Plastics Business

Your company has planned a detailed growth path for Engineering Plastics Business. It launched a new polymer PBT this year. With this your company truly lives up to its vision of being the largest and the leading engineering plastics solution provider to the industry. During the year several new products were developed. These products received good response from the customers. In this direction a new product development lab was commissioned at the Manali plant to focus on offering new grades as per customers need.

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 plastics 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.

Polyester film business is cyclical in nature and your company is a marginal player in this business. It is difficult for the company to raise funds for any future Brownfield or Greenfield ventures in this business.

SEGMENT WISE PERFORMANCE

Engineering Plastics Business

During the year your company sold 3835.55 MT of Nylon compounding chips compared to 3,612.89 MT last year (increase of 6.2%). The Net sales was Rs 45.25 crores compared to Rs 41.55 crores last year (increase of 8.90%).



Polyester Film Business

During the year your company sold 5051.63 MT of Polyester film compared to 3,783.67 MT last year (increase of 33.51 %). The Net sales was Rs 49.89 crores compared to Rs 34.97 crores last year (increase of 42.67%).

Fish Net Business

During the year your company sold 5451.33 MT of Fish net products compared to 5,312.68 MT last year (increase of 2.6%). The Net sales was Rs 69.98 crores compared to Rs 69.72 crores last year (increase of 0.37%).

Outlook for SRF Polymers

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.

Risks 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

The Company 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

département, 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 and Operating performance:

1. The operating profitability ratio is at 5.85 %
2. The current ratio of the company is at 2.06
3. The Company has a debt equity ratio of 0.69
4. Sales to Fixed Asset Ratio is 4.11

Human Resources

The company realizes the importance of a competent and motivated manpower in achieving its goals. A systematic performance appraisal system is used for monitoring the performance of officers and staff at all levels. This exercise brings out achievements and shortcomings and help in taking remedial measure for improving efficiency where necessary.

Industrial relations remained cordial at all the locations during the period. As on 31st March 2004 the total number of employees on the payroll of the company were 213.

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.