



FOR LN POLYESTERS LIMITED

S. Sankaran
Managing Director

EIGHTH
ANNUAL REPORT
2000-2001

BOARD OF DIRECTORS

Mr. S. MAN MOHAN RAO	Chairman and Managing Director
Mr. G. SURENDER REDDY	Executive Director
Mr. SADASHIV SAWRIKAR	Director
Mr. JAG MOHAN GUPTA	Director
Mr. S. SRIDHAR	Director

Registered Office:
8-2-277/10, Road # 3,
Banjara Hills,
Hyderabad - 500 034.
Andhra Pradesh

Works:
Ghanpur Village,
Patancheru Mandal,
Medak District,
Andhra Pradesh

For LN POLYESTERS LTD
POLYESTERS LTD

Auditors:
M/s. KUMAR & GIRI
Chartered Accountants,
506, Saptagiri Towers, Begumpet,
Hyderabad - 500 016.

Managing Director
Managing Director

Bankers:
State Bank of Hyderabad,
Overseas Branch,
Somajiguda,
Hyderabad - 500 082.

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Notice is hereby given that the 8th Annual General Meeting of LN Polyesters Limited will be held on Thursday the 30th day of August, 2001, at 4.00 P.M at Hotel New Ashoka , 6-1-70, Lakdi-ka-pul, Hyderabad 500 004, to transact the following business:

A) As Ordinary Business:

1. To receive, consider, & adopt the Audited Accounts & the Cash Flow statement of the company for the year ended March 31, 2001 together with the reports of the Directors & Auditors.
2. To appoint a Director in the place of Mr.Sadashiv Sawrikar who retires by rotation & being eligible offers himself for reappointment
3. To appoint a Director in the place of Mr. G.Surender Reddy who retires by rotation & being eligible offers himself for reappointment
4. To appoint Messers Kumar & Giri, Chartered Accountants, Hyderabad, Auditors of the Company from the conclusion of 8th Annual General Meeting until the conclusion of the 9th Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company.

"RESOLVED THAT Messers Kumar & Giri, Chartered Accountants, Hyderabad, be and are hereby appointed as Auditors of the Company from the conclusion of 8th Annual General Meeting until the conclusion of the 9th Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company."

B) As 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 the Company do hereby accord its consent under Section 293(1)(a) of the Companies Act, 1956, for mortgaging and / or charging by the Board of Directors of the Company all or any of the movable or immovable properties both present and future or the whole or substantially the whole of the undertaking or the undertakings of the Company for securing any loan obtained or as may be obtained from any financial institution, Bank or person or persons together with interest, cost, charges, expenses and other money payable by the Company".

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 clause (d) of Sub-section (1) section 293 of the Companies Act, 1956, and all other enabling provisions, if any, in addition to all borrowings by the Directors for and on behalf of the Company authorised at the previous General Meetings held earlier, namely the borrowing of Rs.6000 Lakhs, the Company hereby consents to the further borrowing by the Board of Directors for and on behalf of the Company from time to time of further sums of money for the purposes of the Company amounting in the aggregate to a sum of not more than Rs.10000 lakhs (excluding temporary loans obtained from the Company's Bankers in the ordinary course of Business) that is to say, to the total borrowing by the Board of directors for and on behalf of the Company of any aggregate sum not exceeding Rs.10000 lakhs. Thereby the total borrowings limit stands enhanced from Rs.6000 lakhs to Rs.10000 lakhs will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

7. To De-list the Securities of the Company from Madras Stock Exchange

"It is hereby resolved to delist the shares of the company on Madras Stock Exchange subject to the approval of the Madras Stock Exchange and Prior permission of such authorities as may be required under the terms of the listing agreement entered into by the company with the Madras Stock Exchange or under any other Acts or rules if any."

By Order of the Board

Sd/-

S.MAN MOHAN RAO
Chairman & Managing Director

For LN POLYESTERS LIMITED

Place: Hyderabad.

Date : June 30th 2001

Managing Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
2. All documents referred to in the accompanying notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Saturday and holidays, between 11.00 a.m and to 1.00 P.M up to the date of the Annual General Meeting.
3. Members/proxies should fill in the Attendance Slip for attending the meeting
4. Share holders are requested to bring their copy of Annual Report to the meeting
5. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

Explanatory Statement pursuant to Section 173 of the Companies Act,1956.**Item No.5**

As a security for the loans to be sanctioned by Financial Institutions with whom the Company is negotiating for Financial assistance for its project in the form of Term Loans, the Company would be required to give first mortgage of all the movable and immovable properties of the Company present and future, in favour of the financial institutions.

Section 293(1)(a) of the Companies Act, provides interalia, that the Board of directors of a Public company shall not, with out the consent of shares holders of the company of such public company in general meeting, sell, lease, other wise dispose of whole or substantially the whole of the undertaking of the Company. Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the Financial Institutions can be considered to be disposal of companies, properties, it is necessary for the members to pass a Resolution under Section 293(1) (a) of the Companies Act,1956, before creation of the said Mortgage/Charge.

Item No.6

At the previous General Meetings of the Company, the share holders of the Company had accorded consent under Section 293(1)(d) of the Companies Act, 1956 to the Directors for borrowing moneys up to a limit of 6000 lakhs. Taking into account the further requirements of additional finance for the purpose of the Company, a fresh Resolution is proposed, providing that in addition to the company's existing limits of borrowing, the Directors may, for the purpose of company borrow further sums of money amounting in the aggregate to a sum of not more than 10000 lakhs there by raising the total borrowing limit from Rs.6000 lakhs to Rs. 10000 lakhs.

Item No.7

The reason for the proposal to delist the shares Madras Stock Exchanges are;

1. There have been no trading of shares of the company in the said Stock Exchanges for the past 2 years.
2. As the shares of the company are not traded on Madras Stock Exchange, the continued listing on the same would cause avoidable administrative exercise, procedural compliances and monetary burden on the company.

for LN POLYESTERS LIMITED

By Order of the Board of Directors
Sd/-

S.MAN MOHAN RAO
Chairman & Managing Director

Place: Hyderabad.
Date : June 30th 2001

Managing Director

Dear Share holders,

Your Directors have pleasure in presenting the Eighth Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st March 2001.

FINANCIAL RESULTS:

(Rs.in lacs)

	Year ended 31 st March	
	2001	2000
Income from Operations	3883.61	3862.85
Gross Profit	518.92	405.86
(Before Finance Charges, Depreciation & Taxation)		
Less: Finance Charges	236.24	222.93
Depreciation	114.15	89.81
Profit Before Tax	168.53	93.12
Less: Provision for Tax	14.50	10.95
Profit After Tax	154.03	82.17

OPERATIONS :

During the year your company has successfully completed the expansion under Technology Up gradation Scheme envisaged by the Government of India, Ministry of Textiles and the commercial production of this expansion started from January ' 2001. Your company has achieved a turnover of Rs.3874.51 lacs during the financial year and recorded a net profit after tax of Rs.154.03 lacs. The Company has expanded its marketing network into new areas with new range of deniers & value added deniers. With the established presence of its brand name "LN DYED YARN" and a strong dealer network for the sale, Company's products are poised to reach new heights in the coming years.

ALLOTMENT OF SHARES

During the year, 40,00,000 Nos. Equity Shares of Rs.10 each were allotted on preferential basis to the promoters. With this allotment the Equity Capital of the Company as at the close of the financial year is Rs.1040.09 lacs.

MARKETING

During the year your company marketed 2076.580 Tonnes of Polyester Dyed Yarn comprising different deniers / shades. Keeping in view the market demand during the year your Company has shifted the production process to manufacture of higher value added products. On account of this the Company could achieve higher profitability during the year though there has not been substantial increase in sales value.

FIXED DEPOSITS

The Company has not accepted any new fixed Deposit within the meaning of Section 58A of the Companies Act, 1956 and Rules made thereunder, excepting renewal of the existing deposits

DIRECTORS

During the Year Shri. S. Murali Krishna, Director of the company has resigned from the Board of Directors with effect from 17th January ' 2001, due to his pre occupations abroad. The Board of Directors record its appreciation of the contributions made by Shri. S.Murali Krishna.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibilities Statement, it is here by confirmed.

Managing Director

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- (i) that in the preparation of the annual accounts for the financial year ended 31st March 2001, the applicable accounting standards had been followed along with proper explanation relating to material departure's;
 - (ii) that the directors had 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 for the year under review;
 - (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - (iv) that the directors had prepared the accounts for the financial year ended 31st March 2001, on a 'going concern basis'

AUDITORS

M/s. Kumar & Giri auditors of the company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a letter from M/s. Kumar & Giri Chartered Accountants to the effect that their appointment as Auditors if made would be within the limits under Section 224(1-B) of the Companies Act, 1956.

PERSONNEL

There are no employees in the company whose particulars are required to be given pursuant to section 217(2A) of the Companies Act, 1956.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

COMPLIANCE CERTIFICATE

A Certificate from the auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

ACKNOWLEDGEMENT

Your directors place on record their appreciation for the assistance and support extended by all Government authorities, Company Banker STATE BANK OF HYDERABAD, Financial Institutions Viz., IDBI, IIBI, Consultants, Shareholders. Your directors express their appreciation for the dedicated and sincere services rendered by the employees of the Company.

By order of the Board of Directors

For LN POLYESTERS LIMITED

Managing Director

Sd/-

S.MAN MOHAN RAO
Chairman & Managing Director

Place :Hyderabad

Date : June 30th 2001

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.
A) CONSERVATION OF ENERGY
a) Energy conservation measures taken:

- Usage of sodium vapour lamps.
- Installation of reduced horse power motors in line with the load requirement.
- Close supervision on coal, electricity and HSD Consumption.

b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

- Installation of "Air Washers" in reducing consumption of Electricity.

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Usage of sodium vapour lamps & other energy conservation measure are giving positive results which are beneficial to the Company.

d) Total energy consumption and energy consumption per unit of production as per Form-A

	2000 - 2001	1999 - 2000
1. Electricity		
a) Purchased		
Units	24,57,044	20,96,074
Total Amount	1,07,37,220	83,73,874
Rate/Unit	Rs.4.37	Rs.3.99
b) Own Generation		
i) Through Diesel Generator		
Units	24,76,983	25,41,750
Units per Ltr.of Diesel	3.54	3.50
Rate/Unit	Rs.3.60	Rs.3.28
ii) Through steam turbine/generator	NIL	NIL
Units		
Units per Ltr.of Fuel oil/gas		
Rate/Unit		
2. Coal for Boiler		
Quantity (Tons)	2,540.230	1,991.000
Total Cost	Rs.45,05,808	Rs.39,19,963
Average rate per ton	Rs.1,774	Rs.1,969
3. Furnace Oil	NIL	NIL
Quantity (K.Ltrs)		
Total Cost		
Average Rate		
4. Others/internal generation (please give details)		
Quantity	NIL	NIL
Total Cost		
Rate/Unit		

For LN POLYESTERS LIMITED

Managing Director

B. Consumption per unit of production:

Particulars	2000 - 2001	1999 - 2000
Products (with details) Units		
Dyed Yarn Production (MT)	2113.380	2223.068
Electricity / MT	Rs.5081/-	Rs.3767/-
Coal / MT	Rs.1794/-	Rs.1763/-

II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form- B

a) Research & Development (R & D)

Specific Areas:

The Company has taken significant steps to strengthen R & D activities in order to increase value and satisfaction to the Consumer by way of development of new range of products.

Benefits Derived:

The products have been well accepted by the Consumers.

Plan of Action:

Focus on Research & to improve productivity and product is an on going process.

b) Technology Absorption, Adoption and Innovation:

The Company continues interaction with the Manufactures / Suppliers of Machinery and is seeking & upgrading its equipment as and when required.

III. Foreign Exchange Earnings & Outgo:

There was no foreign exchange earnings or out going of foreign exchange during the year.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Board of Directors of LN POLYESTERS LIMITED

We have reviewed the implementation of Corporate Governance procedure set by LN POLYESTERS LIMITED(The company) for the year ended 31st March 2001 with relevant records and documents maintained by the company and furnished to us for our review.

Based on our verification and information and explanations given to us we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

For Kumar & Giri
Chartered Accountants

Sd/-

J.Bhadra Kumar
Partner

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

The company is engaged in the manufacture of Texturised Twisted Polyester Dyed Yarn. The company is classified under Textiles. The company is one of the few integrated plants in India having all the facilities from texturing of the yarn to the Dyeing. Which is also the first of its kind in the entire South India.

The finished products of the company are used in the manufacture of Dress materials, Sarees, Shirting, Suitings and furnishing fabrics.

The year 2000-2001 has not witnessed any significant developments related to the Government's Policy on the Textile Sector

REVIEW OF OPERATIONS

LN POLYESTERS LIMITED (LNPL) processed 2113 MT of Texturised Twisted Polyester Dyed Yarn during the year achieving an average capacity utilisation of 72%. During the year under review the company has expanded the capacities of production with the financial assistance of Industrial Development Bank of India (IDBI) under the Technology Upgradation Fund Scheme. The expansion of the capacities was completed in the Month of January, 2001. With this expansion the company has built up a total Dyed yarn processing capacity of 3415 MT per annum.

Keeping in view the demand status in the market the company has shifted its product mix to accommodate new and higher valued added deniers of Texturised Twisted Polyester Dyed Yarn. The efforts of the company in introducing the finer deniers of dyed yarn have met with great success resulting in higher profitability.

The products of the company are being marketed by the company through its Depots in Andhra Pradesh and also through wide spread dealer network across south India.

FINANCIAL REVIEW

The company has achieved a total turnover of Rs.3874.51 lakhs.

The Gross Profit (Earnings before interest, depreciation and taxes) was Rs.518.92 lakhs.

The operating profit excluding other income, was Rs. 159.52 lakhs, resulting in an operational margin of 4.11%. Interest expenses were Rs. 236.24 lakhs.

The corporate Tax liability for the year was Rs. 14.50 lakhs under the Minimum Alternate Tax.

The total capital expenditure during the year was Rs. 1549.28 Lakhs.

LNPL paid up share capital as at 31st March, 2001 stood at Rs.1040.09 Lakhs

Earnings per share for the year are Rs.1.76 (Annualized)

The company's contribution to the national exchequer in the form of various taxes and duties amounts to Rs. 351.41 Lakhs

OPPORTUNITIES

The outlook for the demand for the products manufactured by the company is very encouraging. As the products of the company are used basically for clothing requirements of general public and also with the increase in the prices of alternate products such as cotton, the demand for Polyester Dyed yarn is increasing year after year.

LNPL with its quality and diverse range of Dyed yarn is well poised to capitalise on the growing market and for the product.

And also there have been very encouraging trends in the international market in demand for the Dyed yarn products due to its cost and environmental considerations.

For LN POLYESTERS LIMITED

Managing Director