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For L. N. Polyesters Ltd.

C. Sreedevy
Director

Xth

ANNUAL REPORT

2002 - 2003

8-2-277/10, Road No. 3, Banjara Hills, Hyderabad - 500 034.

BOARD OF DIRECTORS

Mr. S. MAN MOHAN RAO	Chairman & Managing Director
Mr. G. SURENDER REDDY	Executive Director
Mr. SADASHIV SAWRIKAR	Director
Mr. S. SRIDHAR	Director
Mr. RAJAN DASS	Alternate Director for S.Sridhar
Mr. VENKATESWAR JAYANTHY	Director – IDBI Nominee.

Registered Office:

H.No.8 – 2 – 277 / 10,
Road No.3, Banjara Hills,
HYDERABAD – 500 034.
Tele: 040 – 23551044, 23553531.
E – mail: Inpoly@tatanova.com

Works:

Survey Nos.:576, 590 & 593,
Ghanpur Village,
Patancheru Mandal,
Medak District.
Andhra Pradesh,
Tele: (08455) 244071, 244097.

Auditors:

M/s.KUMAR & GIRI,
Chartered Accountants,
506, Saptagiri Towers,
Begumpet,
HYDERABAD – 500 016.

Bankers:

State Bank of Hyderabad,
Overseas Branch,
Somajiguda,
HYDERABAD – 500 082.



Notice is hereby given that the 10th Annual General Meeting of LNPolyesters Limited will be held on Thursday, the 28th Day of August, 2003, 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 consider and adopt the Balance Sheet as at 31st March ' 2003, the Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors.
2. To appoint a Director in the place of Mr.S.Sridhar who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Mr.Sadashiv Sawrikar who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Messers Kumar & Giri, Chartered Accountants, Hyderabad, as Auditors of the Company from the conclusion of 10th Annual General Meeting until the conclusion of the 11th Annual General Meeting on a remuneration to be fixed by the Board 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 in accordance with the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provision of the Companies Act, 1956 (including any statutory modifications (s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the re-appointment of Shri S.Man Mohan Rao as Chairman and Managing Director of the Company, for a period of 5 (five) years with effect from 01st October ' 2002 on the following terms and conditions:"

Salary:

Rs.75,000 (Rupees Seventy Five Thousand Only) Per Month.

AND Shri.S.Man Mohan Rao will be provided with a car with Driver and will be reimbursed the expenses incurred by him for the maintenance thereof and for the use of petrol. For the personal use of such Car, Shri S.Man Mohan Rao will be required to reimburse the Company such sum as may be prescribed by the Income Tax rules in force.

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provision of the Companies Act, 1956 (including any statutory modifications (s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the re-appointment of Shri G.Surender Reddy as Executive Director of the Company, for a period of 5 (five) years with effect from 01st October ' 2002 on the following terms and conditions:"

Salary:

Rs.75,000 (Rupees Seventy Five Thousand Only) Per Month.

AND Shri.G.Surender Reddy will be provided with a car with Driver and will be reimbursed the expenses incurred by him for the maintenance thereof and for the use of petrol. For the personal use of such Car, Shri G.Surender Reddy will be required to reimburse the Company such sum as may be prescribed by the Income Tax rules in force.

for and behalf of the Board of Director

Sd/-

S. MAN MOHAN RAO
Chairman & Managing Director.

Place: Hyderabad.
Date: June 30th 2003.

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him self 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. 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. Shareholders are requested to bring their copy of Annual Report to the Meeting.
5. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
6. The Register of members and transfer books of the Company will be closed from the 22nd August ' 2003 to 28th August ' 2003, (both the days inclusive).

for and behalf of the Board of Director

Place: Hyderabad.
Date: June 30th 2003.

Sd/-
S. MAN MOHAN RAO
Chairman & Managing Director.

EXPLANATORY STATEMENT AS REQUIRED UNDER THE PROVISION OF SECTION 173 (2) OF THE COMPANIES ACT, 1956:

Item No: 5

Subject to Shareholders approval the Board of Directors at the meeting held on 16th September ' 2003 have re – appointed Shri.S.Man Mohan Rao, as Chairman and Managing Director of the Company for a further period of 5 (five) years with effect from 01st October ' 2002.

The Remuneration Committee of the Board of Directors has recommended the same remuneration as was previously approved by the Shareholders.

Appointment of the Managing Director requires the approval of members by way of Ordinary Resolution. Your Directors commend the resolution set out at Item No:5 of the notice for your approval.

Except Shri. S.Man Mohan Rao himself and S.Sridhar son of S.Man Mohan Rao, no other Director is interested or concerned in the resolution.

Item No: 6

Subject to Shareholders approval the Board of Directors at the meeting held on 16th September ' 2003 have re – appointed Shri.G. Surender Reddy, as Executive Director of the Company for a further period of 5 (five) years with effect from 01st October ' 2002.

The Remuneration Committee of the Board of Directors has recommended the same remuneration as was previously approved by the Shareholders.

Appointment of the Managing Director requires the approval of members by way of Ordinary Resolution. Your Directors commend the resolution set out at Item No:5 of the notice for your approval.

Except Shri. G. Surender Reddy no other Director is interested or concerned in the resolution.



DIRECTOR REPORT

Dear Share Holders,

Your Directors have pleasure in presenting the Tenth annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st March ' 2003.

FINANCIAL RESULTS: (Rs, in Lakhs)

	Year Ended 31st March	
	2003	2002
Net Income from Operations	4111.48	3982.17
Gross Profit (before Finance Charges Depreciation & Taxation)	223.35	696.73
Less: Finance Charges	491.34	352.48
Depreciation	213.56	177.28
Profit / (Loss) Before Tax	(481.55)	166.97
Less: Provision for Tax	0.00	15.00
Profit / (Loss) After Tax	(481.55)	151.97

OPERATIONS:

The Operations of the Company are adversely effected during the year on account of various factors such as Labour unrest, fall in the margins for the products and higher cost of realization of the Sundry Debtors. The change in the Excise Policy effected by the Government on the products manufactured by the Company has also added to the loss incurred by the Company. During the year although there has been addition of capacities in the first half of the year the same could not be utilized to the optimum level due to the reason stated above. Even the Company was able to maintain the over all production and sales level with the previous year level the increase in cost of production has adversely effected the profitability of the Company. The Company is negotiating with the Financial Institutions and Bank for re-structuring the liabilities so as to reduce the average cost of borrowings.

MARKETING:

The products of the Company, in spite of the various fluctuations the market have held their dominance in various market segments. The product sold under the band name "LN DYED YARN" has kept its market share in all the segments of the market. Company is developing new shade and varieties of dyed yarn to enlarge the Company product presence in South Indian markets and also planning to expand the marketing network in North India.

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 there under.

DIRECTORS:

Sri.Venkateswar Jayanthy was appointed on the Board of the Company as Nominee Director by Industrial Development Bank of India with effect from 05th May ' 2003 and further his appointment is not subject to retirement by rotation. During the year S.Man Mohan Rao and G.Surender Reddy are re - appointed as



Chairman & Managing Director and Executive Director respectively, subject to the approval of the shareholders in the Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors confirms:

- (i) That in the preparation of the annual Account for the Financial Year Ended 31st March ' 2003, 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 judgment 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 ' 2003, on a "going concern basis".

AUDITORS:

M/s.Kumar & Giri auditors of the company hold office till the conclusion of the ensuring Annual General Meeting and are eligible for reappointment. The Company has received a letter from M/s.Kumar & Giri 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 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:

The Company has complied with the provision of Corporate Governance under listing agreement, excepting with regard to Board composition and the composition of Audit committee and Remuneration committee.

The Company is in the process of broad basing the Board to make it in consonance with clause 49 of the listing agreement.

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 continuous assistance and support extended by all Government Authorities, Financial Institutions Viz., Industrial Development Bank of India, Industrial Investment Bank Of India, Company Banker's State Bank of Hyderabad, Overseas Branch, Hyderabad, Consultants, Shareholders and the dedicated and sincere services rendered by the employees of the Company.

for and behalf of the Board of Director

Sd/-

S. MAN MOHAN RAO
Chairman & Managing Director.

Place: Hyderabad.
Date: June 30th 2003.



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:

- Installation of Load Capacitors at junctions in curtailing High Power Load.
- Usage of sodium vapour lamps.
- Installation of reduced horsepower 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" for reducing consumption of Power.

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

Installation of "Air Washers" has resulted in reduction of consumption of power.

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

	2002 - 2003	2001 - 2002
1. Electricity		
a) Purchased		
Units	29,33,321	32,49,508
Total Amount	Rs. 1,23,73,424	Rs.1,37,71,874
Rate/Unit	Rs. 4.22	Rs.4.24
b) Own Generation		
i) Through Diesel Generator		
Units	34,32,626	31,22,862
Units Per Ltr.of Diesel	3.47	3.64
Rate/Unit	Rs. 5.40	Rs.4.97
ii) Through Steam turbine / Generator	NIL	NIL
Units		
Units Per Ltr. Of Fuel Oil / Gas		
Rate/Unit		
2. Coal for Boiler		
Quantity (Tons)	2,364.123	21255.180
Total Cost	Rs. 49,45,613	Rs.43,80,205
Average Rate Per Ton	Rs. 2,092	Rs. 1,942
3. Furnace Oil		
Quantity (K.Ltrs.)	NIL	NIL
Total Cost		
Average Rate		
4. Others / internal generation (please give details)		
Quantity	NIL	NIL
Total Cost		
Rate/Unit		

**B) Consumption per unit of production:**

Particulars	2002 - 2003	2001 - 2002
Products (with details) Units		
Dyed Yarn Production (MT)	2,690.440	2,733.250
Electricity (Purchased) / MT	Rs.4,599/-	Rs.5,039/-
Coal / MT	Rs.1,838/-	Rs.1,603/-

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 and to improve productivity and product is an on going process.

b) Technology Absorption, Adoption and Innovation:

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

III. Foreign Exchange Earnings and Outgo:

There is no foreign exchange earnings during the year and there is also no out going of foreign exchange.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

We have reviewed implementation of Corporate Governance procedure set by LN POLYESTERS LIMITED (The Company) for the year ended 31st March ' 2003 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 excepting the constitution of Audit committee and Remuneration committee as these Committees shall have a minimum of three members all being non – Executive Directors.

for KUMAR & GIRI
Chartered Accountants.

Sd/-
J. BHADRA KUMAR
Proprietor.



MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY STRUCTURE AND DEVELOPMENTS:

The Company is engaged in the manufacture of Texturized 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 under one roof from Texturizing of the Yarn to the Dyeing. The unit is also the first of its kind in the entire South India.

The Finished products of the Company are used in the manufacturing of Dress Materials, Sarees, Shirting, Suiting and Furnishing Fabrics.

One of the major Government Policy changes effected the Company during the year has been the charging of Excise Duty on the intermediate stage of manufacture. Further there has been significant changes in the excise regulation enacted in the Finance Act ' 2003. The effect of the same would be known only from the year 2003 - 2004.

REVIEW OF OPERATIONS:

LN POLYESTERS LIMITED (LNPL) processed 2690 MT of Texturized Twisted Polyester Dyed Yarn during the year achieving an average capacity utilization of 78%. During the year under review the Company has completed the balance in its capacities of production with the financial assistance from Industrial Investment Bank of India (IIBI). The present level of dyed Yarn processing capacity of 3415 MT Per Annum is very well balanced with other process capacities of production.

Keeping in view the changing trends in the market the Company has shifted its product mix to accommodate new and higher value added Deniers of Texturized Twisted Polyester Dyed Yarn.

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 and parts of North India.

FINANCIAL REVIEW:

The Company has achieved a net turnover of RS.4,111 Lakhs.

The Gross Profit (Earnings before Interest, Deprecation and Taxes) was Rs.223 Lakhs.

The Operating Loss excluding Interest Income was Rs.491.26 Lakhs.

Interest and other Finance Expenses were Rs.491.34 Lakhs.

The total capital expenditure during the year was Rs.150.94 Lakhs.

LNPL paid up share capital as at 31st March ' 2003 stood at Rs.1040.09 Lakhs.

Earning Loss per share for the year was (Rs. 4.81),.

The Company's contribution to the national exchequer in the form of various taxes and duties amounts to Rs.404.46 Lakhs.

OPPORTUNITIES:

The outlook and 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, which has become expensive, the demand for Polyester Dyed Yarn is increasing year after year.

LNPL with its quality and diverse range catering to diverse market of Dyed Yarn is well possessed to capitalize on the growing market of the product.

And also there has been very encouraging trends in the international markets in demand for the Dyed Yarn products due to cost and environmental considerations.