



Report  Junction.com

**XI**  
**ANNUAL REPORT**  
**2003 - 2004**

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, 23542871.  
E – mail: [info@lnpolyesters.com](mailto:info@lnpolyesters.com)

**Works:**

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

**Company Secretary:**

R.Shankaraiah

**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 11<sup>th</sup> Annual General Meeting of LN Polyesters Limited will be held on Friday, the 27th Day of August, 2004, 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, approve and adopt the Balance Sheet as at 31<sup>st</sup> March ' 2004, the Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.
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 M/s. Kumar & Giri, Chartered Accountants, Hyderabad, as Auditors of the Company from the conclusion of 11<sup>th</sup> Annual General Meeting until the conclusion of the 12<sup>th</sup> 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, the following resolution as a Special Resolution:

*"RESOLVED THAT pursuant to the provisions of Section 16 read with Section 94 of the Companies Act 1956, consent of the Company be and is hereby accorded to alter Clause V of Memorandum of Association of the Company as below:*

The Authorized Share Capital of the Company is Rs.15,00,00,000/-(Fifteen Crores only) divided into 1,10,00,000 (One Crore Ten Lacs only) Equity Shares of Rs.10/-( Rupees Ten only) each and 40,00,000 (Forty Lakh) Preference Shares of Rs.10/-( Rupees Ten only) each."

*"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution and to do all such acts, deeds and things as may be required or necessary to effectuate this resolution."*

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

*"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any of the Companies Act 1956, consent of the Company be and is hereby accorded to alter Clause 4 (1) of the Articles of Association of the Company as below:*

The Authorized Share Capital of the Company shall be as stated in Clause V of the Memorandum of Association."

*"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution and to do all such acts, deeds and things as may be required or necessary to effectuate this resolution."*

7. To consider and if though fit, to pass with or without modification, the following resolution as a Special Resolution:

*"RESOLVED THAT pursuant to the provisions of Section 85 and other applicable provisions, if any of the Companies Act 1956, and pursuant to the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue 9% Optionally Convertible Preference Shares to Industrial Development Bank of India as per the Restructuring Package extended by them to the Company."*

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution and to do all such acts, deeds and things as may be required or necessary to effectuate this resolution.”

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

“RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions, if any of the Companies Act 1956, Clause 6.1 and other applicable provisions, if any, of the Securities and Exchange Board of India (De-listing of Securities) Guidelines 2003, (hereinafter referred to as “De-listing guidelines”) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (‘the Board’ which term shall be deemed to include any Committee thereof ), consent of the Company be and is hereby accorded to the Board to de-list the Equity Shares of the Company from Madras Stock Exchange Limited.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary de-listing of shares as may in its absolute discretion deem fit without being required to seek any further approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution and to do all such acts, deeds and things as may be required or necessary to effectuate this resolution.”

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

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any of the Companies Act 1956, consent of the Company be and is hereby accorded to alter Clause 89 of Articles of Association of the Company as below:

Each Director other than a Managing Director or Whole time Director shall be entitled to receive out of the funds of the Company for his services in attending meeting of the Board or a Committee thereof, a fee that is fixed by the Board at its discretion and within the limits as the Government of India from time to time prescribe in this behalf. In addition to this, the Board may subject to the Act, allow and pay to any Director who is not a resident of the place where the registered office of the Company is situated or where the meeting of the Board is ordinarily held and who shall come to such place for the purpose of attending a meeting of the Board or a committee thereof, such sum as the Board may consider reasonable for traveling, hotel and other expenses.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution and to do all such acts, deeds and things as may be required or necessary to effectuate this resolution.”

for and behalf of the Board of Directors

Sd/-

S. MAN MOHAN RAO  
Chairman & Managing Director.

Place: Hyderabad.  
Date: June 29<sup>th</sup> 2004.

**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 21<sup>st</sup> August ' 2004 to 27<sup>th</sup> August ' 2004, (both the days inclusive).

for and behalf of the Board of Directors

Sd/-

S. MAN MOHAN RAO  
Chairman & Managing Director.

Place: Hyderabad.  
Date: June 29<sup>th</sup> 2004.

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

**ITEM NO: 5**

The Company has availed Term Loans from Financial Institutions viz. IDBI, IIBI. In view of the difficulties faced by the Company over the past 2 years your Company has approached the financial institutions for restructuring the Term Loans. IDBI has approved a restructuring package vide its letter IDBI (H) No.1203/CFD (LNPL) dated 14<sup>th</sup> June 2004. One of the terms of restructuring is conversion of accrued interest and other charges upto 31<sup>st</sup> march 2004 amounting to about Rs.350 lakhs into 9% Optionally Convertible Preference Shares to be redeemed in three yearly installments commencing from 2014, 2015 & 2016.

In order to issue 9% Preference Shares it is necessary to create Preference Share Capital within the overall Authorised Capital (i.e. Rs.15,00,00,000/-). As the company's paid up capital is 1,04,00,900 equity share of Rs.10/- each, the Authorized Capital of the company will be bifurcated into 1,10,00,000 (One Crore Ten Lacs only) Equity Shares of Rs.10/- (Rupees Ten only) each and 40,00,000 (Forty Lakh) Preference Shares of Rs.10/- (Rupees Ten only) each.

According to Section 16 read with section 94 of the Companies Act, 1956 any alteration in the conditions contained in the memorandum requires members approval. Hence the Directors commend the Special Resolution for the approval of the Members.

None of the Directors of the Company are interested in the said resolution.

**ITEM NO: 6**

The Company has availed Term Loans from Financial Institutions viz. IDBI, IIBI, in view of the difficulties faced by the Company over the past 2 years your Company has approached the financial institutions for restructuring the Term Loans. IDBI has approved a restructuring package vide its letter IDBI (H) No.1203/CFD (LNPL) dated 14<sup>th</sup> June 2004. One of the terms of restructuring is conversion of accrued interest and other charges upto 31<sup>st</sup> march 2004 amounting to about Rs.350 lakhs into 9% Optionally Convertible Preference Shares to be redeemed in three yearly installments commencing from 2014, 2015 & 2016.

In order to issue 9% Preference Shares it is necessary to create Preference Share Capital within the overall Authorised Capital (i.e. Rs.15,00,00,000/-). As you know that the company's paid up capital is 1,04,00,900 equity share of Rs.10/- each, the Authorized Capital of the company will be bifurcated into 1,10,00,000 (One Crore Ten Lacs only) Equity Shares of Rs.10/- (Rupees Ten only) each and 40,00,000 (Forty Lakh) Preference Shares of Rs.10/- (Rupees Ten only) each.

According to Section 31 of the Companies Act, 1956 any alteration in Articles of Association of the company requires members approval by way of Special Resolution. The Directors commend the Special Resolution for the approval of the Members.

None of the Directors of the Company are interested in the said resolution.

**ITEM NO: 7**

Article 45 of the Articles of Association of the Company authorizes the company to issue Preference Shares by obtaining permission of the members by way of Special Resolution.

The Company has availed Term Loans from Financial Institutions viz. IDBI, IIBI, in view of the difficulties faced by the Company over the past 2 years your Company has approached the financial institutions for restructuring the Term Loans. IDBI has approved a restructuring package vide its letter IDBI (H) No.1203/CFD (LNPL) dated 14<sup>th</sup> June 2004. One of the terms of restructuring is conversion of accrued interest and other charges upto 31<sup>st</sup> march 2004 amounting to about Rs.350 lakhs into 9% Optionally Convertible Preference Shares to be redeemed in three yearly installments commencing from 2014, 2015 & 2016.

In order to facilitate the compliance with the Restructuring Package conditions detailed by IDBI for issue 9% Optionally Convertible Preference Shares. The Board of Directors are to be accorded permission by the members of the Company to issue the said shares.

The Directors commend the Special Resolution for the approval of the Members.

None of the Directors of the Company are interested in the said resolution.

**ITEM NO: 8**

The equity shares of the Company are listed on The Hyderabad Stock Exchange Limited(HSE), The Stock Exchange Mumbai(BSE) and Madras Stock Exchange Limited(MSE).

As per the Securities and Exchange Board of India (De-listing of Securities) guidelines, 2003(hereinafter referred to 'De listing guidelines'), it is open to the Company to voluntarily de list securities from any stock exchange(s), provided that the Company's securities continue to remain listed in a Stock Exchange having nation-wide trading terminals. The BSE and the National Stock Exchange (NSE) are the Stock Exchanges, which fulfill this condition and the company's equity shares are listed on BSE.

For the last few years, it has been observed that the equity shares of the company are being traded on HSE & BSE and the trading of Company's securities on MSE has been almost NIL. Also the listing fee paid to the said Stock Exchanges is disproportionate to the volume handled by them. Moreover, owing to the expansion of BSE and their extensive networking and extension of their terminals to other cities, investors now have access to online dealing in the Company's equity shares on such terminals across the Country.

Further, the Company has been spending considerable amount of money on listing fees, communication charges on compliance of various formalities etc., and no particular benefit accrues to the shareholders or the Company by continuing the listing of the equity shares on the said Stock Exchanges. Therefore, it is considered desirable to de list equity shares of the Company from Stock Exchange subject to the Company complying with the various provisions of Delisting Guidelines and obtaining requisite approvals, permissions and sanctions in this regard.

The Company's shares however, will continue to be listed on BSE.

The Directors commend the Special Resolution for the approval of the Members.

None of the Directors of the Company are interested in the said resolution.

**ITEM NO: 9**

As per the existing clause 89 of Articles of Association of the Company the sitting fees payable to eligible directors is fixed at Rs.250/-. These provisions are in vogue since the inception of the Company in 1993. Over the years Government of India amended the provisions relating to sitting fees. It is proposed to amend the clause 89 of the Articles of Association in order to bring parity in the sitting fees payable to directors' inline with the changed government regulations and present corporate practices.

According to Section 31 of the Companies Act, 1956 any alteration in Articles of Association of the company requires members approval by way of Special Resolution. The Directors commend the Special Resolution for the approval of the Members.

None of the Directors of the Company are interested in the said resolution.



## DIRECTOR REPORT

Dear Share Holders,

Your Directors have pleasure in presenting the Eleventh Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31<sup>st</sup> March ' 2004.

### FINANCIAL RESULTS: (Rs. in Lakhs)

	<u>Year Ended 31st March</u>	
	2004	2003
Net Income from Operations	4039.71	4111.48
Gross Profit (before Finance Charges Depreciation & Taxation)	381.16	223.35
Less:		
Finance Charges	551.40	491.34
Depreciation	227.66	213.56
Profit / ( Loss )	(397.90)	(481.55)

### OPERATIONS:

The Operations of the Company have improved marginally in terms of the capacity utilization and the profitability, though the margins of the products continued to be under pressure. The changes in the Central Excise Regulations made during the year have also effected the profitability of the Company. The capacity utilization of the plant has improved 10% higher than the previous period. High cost of borrowings is one of the major factors effecting the profitability of the company. In view of the difficulties faced by the company over the past 2 years your company has approached Financial Institutions and Bank viz., Industrial Development Bank of India (IDBI), Industrial Investment Bank of India (IIBI), and State Bank of Hyderabad (SBH) for Restructuring of the term loans and also for the reduction in the rate of interest.

The Industrial Development Bank of India has approved a package of restructuring under Debt Restructuring Package for Textiles announced by the Government of India and has reduced the rates of interest charged on the term loans to 9% and 12.5% . Further IDBI has agreed to convert accumulated interest of about Rs.350 lakhs into 9% Preference Shares, which are redeemable with an option to convert the same in to Equity shares (at par anytime).

### MARKETING:

The products of the Company sold under the brand name "**LN DYED YARN**" are one of the most trusted brands in the Dyed yarn markets in the country for its quality and performance. During the year under review company has entered in to new market segment of Deemed Exports and Bulk Supplies. Your company has successfully executed the order of the Government of Tamil Nadu for supply of Dyed Yarn. During the year the company has introduced new varieties of Dyed Yarn including Nylon on test marketing basis. The company expects that the commercial orders from these products would materialize in the ensuing years.

### OUTLOOK :

Taking in to account the brand equity for the products of the Company and the additions of new market segments and products, reduction in the borrowing costs and other cost reduction measures expects to improve its performance during the current year.

### 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:

There are no changes in the Directors of the company during the year.

## **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 Accounts for the Financial Year Ended 31<sup>st</sup> March ' 2004, 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 31<sup>st</sup> March ' 2004, on a "going concern basis".

## **AUDITORS:**

M/s.Kumar & Giri, Chartered Accountants, 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 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.

## **COMPANY SECRETARY:**

During the year Mr.R. Shankaraiah was appointed as Company Secretary of the Company.

## **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 (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:**

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

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, Consultants, Shareholders and the dedicated and sincere services rendered by the employees of the Company.

on behalf of the Board of Directors

Sd/-

S. MAN MOHAN RAO

Chairman & Managing Director.

Place: Hyderabad.

Date: June 29<sup>th</sup> 2004.



## 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.

	2003 - 2004	2002 - 2003
<b>1. Electricity</b>		
<b>a) Purchased</b>		
Units	34,93,135	29,33,321
Total Amount	Rs.1,37,07,271	Rs.1,23,73,424
Rate Per Unit	Rs.3.92	Rs.4.22
<b>b) Own Generation</b>		
<b>i) Through Diesel Generator</b>		
Units	29,86,805	34,32,626
Units Per Ltr.of Diesel	3.45	3.47
Rate Per Unit	Rs.5.48	Rs.5.40
<b>ii) Through Steam turbine / Generator</b>		
Units		
Units Per Ltr. Of Fuel Oil / Gas	Nil	Nil
Rate Per Unit		
<b>2. Coal for Boiler</b>		
Quantity (Tons)	2,609.249	2,364.123
Total Cost	Rs.57,40,166	Rs.49,45,613
Average Rate Per Ton	Rs. 2,200	Rs. 2,092
<b>3. Furnace Oil</b>		
Quantity ( K.Ltrs.)	<b>NIL</b>	<b>NIL</b>
Total Cost		
Average Rate		
<b>4. Others / internal generation (please give details)</b>		
Quantity ( )	<b>NIL</b>	<b>NIL</b>
Total Cost		
Rate Per Unit		