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XIIth
ANNUAL REPORT
2004 - 2005

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. 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

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

Notice is hereby given that the 12th Annual General Meeting of LN Polyesters Limited will be held on the 25th Day of August '2005, 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 31st March ' 2005, 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 M/s. Kumar & Giri, Chartered Accountants, Hyderabad, as Auditors of the Company from the conclusion of 12th Annual General Meeting until the conclusion of the 13th Annual General Meeting on a remuneration to be fixed by the Board of the Company.

for and behalf of the Board

Sd/-

S.MAN MOHAN RAO.

Chairman & Managing Director.

Place: Hyderabad.

Date: 27th June ' 2005..

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 19th August ' 2005 to 25th August ' 2005, (both the days inclusive).

for and behalf of the Board

Sd/-

S.MAN MOHAN RAO.

Chairman & Managing Director.

Place: Hyderabad.

Date: 27th June ' 2005.

DIRECTORS REPORT

Dear Share Holders,

Your Directors have pleasure in presenting the 12th Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st March ' 2005.

FINANCIAL RESULTS : (Rs, in Lakhs)

	Year Ended 31st March	
	2005	2004
Net Income from Operations	4604.37	4039.71
Gross Profit (before Finance Charges Depreciation & Taxation)	380.24	381.16
Less: Finance Charges	337.43	551.40
Depreciation	231.74	227.66
Profit / (Loss)	(188.93)	(397.90)

OPERATIONS :

Your Directors are happy to inform you that the Company has performed well during the year ended 31st March ' 2005. The turnover increased by 14% and has earned cash profit during the year. Government has effected major changes in the excise regulations applicable to the Company during the year, once in July '2004 and another in February '2005. Both the changes had a positive impact on the Company. The Pol.cy has recognized the need of the industry and it is felt that because of these excise duty measure there will be healthy outlook in the industry as a whole and your Company in particulars as it enjoys a good market reputation for its quality, pricing of its finished products. The Company during the year has taken various cost reduction measures which has resulted in reducing the manufacturing and selling cost. There has been reduction in the finance cost of the Company due to the restructuring package approved by the Financial Institutions. However the increase in the prices of the basic raw material of the Company .i.e Partially Oriented Yarn (POY) due to the increase in the international prices of petro products had impact on the material cost for the Company, though the losses are reduced significantly compared to the earlier periods.

MARKETING :

"LN DYED YARN", the brand name of the products of the Company is very well established in the market and commands a premium compared to the other market players. As part of the diversification of the product portfolio, Company has introduced successfully a new variety of Dyed Yarn 110 Denier in the market. The Company is diversifying into new market areas by spreading the dealer network.

OUTLOOK :

The ushering of Quota free regime for textiles in terms of the WTO with effect from 1st January '2005 gives the Company a great opportunity to expand its product profile to overseas markets also. There has been a spurt in the demand for dyed yarn in the domestic market also. The Company with its wide spread network of dealer base and high quality products is poised to capitalize the opportunities fully.

FIXED DEPOSITS :

The Company has not accepted any Fixed Deposit within the meaning of Section 58A of the Companies Act, 1956, and Rules made there under.

DIRECTORS :

There is no change in the composition of the Board of Directors of the Company.

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 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (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 2005, 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 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 (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.

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 support, assistance extended by all the 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: 27th June ' 2005.



**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.

1. Electricity	2004 - 2005	2003 - 2004
a) Purchased		
Units	59,29,394	34,93,135
Total Amount	Rs.2,20,32,152	Rs.1,37,07,271
Rate Per Unit	Rs. 3.72	Rs. 3.92
b) Own Generation		
i) Through Diesel Generator		
Units	3,92,669	29,86,805
Units Per Ltr.of Diesel	Rs. 3.40	Rs. 3.45
Rate Per Unit	Rs. 7.23	Rs. 5.48
ii) Through Steam turbine / Generator		
Units		
Units Per Ltr. Of Fuel Oil / Gas	Nil	Nil
Rate Per Unit		
2. Coal for Boiler		
Quantity (Tons)	3,010.825	2,609.249
Total Cost	Rs. 76,02,965	Rs. 57,40,166
Average Rate Per Ton	Rs. 2,525	Rs. 2,200
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 Per Unit		

B) Consumption per unit of production:

Particulars	2004 - 2005	2003 - 2004
Products (with details) Units		
Dyed Yarn Production (MT)	2,909.139	3,027.960
Electricity (Purchased) / MT	Rs. 7,573 /-	Rs. 4,527/-
Coal / MT	Rs. 2,613/-	Rs. 1,896/-

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. The new products are successfully positioned in the market.

Plan of Action:

Higher Focus on Research and Development to improve productivity and higher range of product mix.

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. The outgo on account of traveling expenditure is Rs.3.56 Lacs.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Board of Directors of LN Polyesters Limited,

We have reviewed the implementation of Corporate Governance procedures by LN Polyesters Limited during the year ended 31st March ' 2005, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreements with the stock exchanges have been complied with in all material respect by the Company excepting the composition of the Board with regard to numbers of independent directors and that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

for KUMAR & GIRI
Chartered Accountants

Sd/-

J.Bhadra Kumar
Proprietor

Date: 27th June ' 2005

MANAGEMENT DISCUSSION AND ANALYSIS :

INDUSTRY STRUCTURE AND DEVELOPMENTS :

The Company is engaged in the manufacture of Texturized Twisted Polyester Dyed Yarn. The category of the industry the Company is classified is "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 Finished products of the Company are used in the manufacturing of Dress Materials, Sarees, Shirting, Suiting and Furnishing Fabrics.

Recognizing the need of the Industry the Government of India has changed the Excise Policy in the interest of Industry and Consumer.

REVIEW OF OPERATIONS :

LN POLYESTERS LIMITED (LNPL) processed 2909 MT of Texturized Twisted Polyesters Dyed Yarn during the year achieving an average capacity utilization of 84% on the increased installed capacities of production.

Keeping in view the changing trends in the market the Company has expanded its product mix to include new and higher value added Deniers including micro filaments Yarns of Texturized Twisted Polyester Dyed Yarn.

FINANCIAL REVIEW :

The Company has achieved a Gross turnover of Rs.4852.94 Lakhs.

The Gross Profit (Earnings before Interest, Deprecation & Taxes) was Rs.380.24 Lakhs.

The Operating Loss excluding Interest Income was Rs.204.18 Lakhs.

Interest and other Finance Expenses were Rs. 337.43 Lakhs.

The total capital expenditure during the year was Rs.25.46 Lakhs.

LNPL paid up Equity Share capital as at 31st March ' 2005 stood at Rs.1040.09 Lakhs.

The Preference Share Capital as at 31st March ' 2005 stood at Rs.334.43 Lakhs

Earning per share for the year was Rs. (1.82).

The Company's contribution to the national exchequer in the form of various taxes and duties amounts to Rs.248.57 Lakhs.

OPPORTUNITIES :

Effective from 1.1.2005 the trade barriers such as export quotas are dismantled world over. This provides a great opportunity to the Indian Textiles Industry to export its products to the developed countries with out restrictions. Further the Government of India has announced various initiatives like establishment of Apparel parks, weaving parks and processing parks in various textile hubs all over the country. These measures would have an impact of increase in the demand for the products manufactured by the Company.

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 high quality and diverse range products catering to wide segment of market of Dyed Yarn is well poised to capitalize on the growing market for the products.