

THIRTEENTH ANNUAL REPORT

2002 - 2003



ELQUE POLYESTERS LIMITED

BOARD OF DIRECTORS

Mr. Abhijit Sen

Chairman Cum Managing Director

Mr. Umasankar Chattopadhyay

Director

Mr. Supratik Sen Barat

Director

Mr. Vinod N Thacker

Director

REGISTERED OFFICE

85, S. N. Banerjee Road
Kolkata - 700 014

AUDITORS

M/s. M. Chatterjee & Co.
Chartered Accountants
8/2, Kiran Sankar Ray Road
Kolkata-700 001

PLANT

Plot No. 51 - 56, Sector - II
Falta Special Economic Zone
24 Parganas (S), West Bengal

BANKERS

State Bank of India
UTI Bank Ltd.

REGISTRARS AND SHARE TRANSFER AGENTS

S. K. Computers
34/1A, Sudhir Chatterjee Street
Kolkata-700 006

CERTIFIED TRUE COPY.

Elque Polyesters Limited


Company Secretary

Elque Polyesters Limited

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NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the members of ELQUE POLYESTERS LTD. will be held on Wednesday, the 27th August 2003 at 11.30 a.m. at the Gyan Manch Education Society, 11, Pretoria Street, Kolkata - 700 071 to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the audited accounts for the year ended 31st March, 2003 together with the Directors' and Auditors' Report thereon.
2. To Appoint a Director in place of Mr. Umasankar Chattopadhyay who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and fix their remuneration.

By Order of the Board

Place : Kolkata
Date : 5th June, 2003

Abhijit Sen
Chairman Cum Managing Director



1. A member entitled to attend and vote 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 form should be lodged with the Company at its Registered Office at least 48 hours before the time of the meeting.
2. The Register of members and share transfer books of the Company will remain closed from 25th August 2003 to 27th August 2003 (both days inclusive) for the purpose of Annual General Meeting.
3. Shareholders desiring any information in respect of the Accounts of the Company are requested to write to the Registered Office of the Company at 85, S. N. Banerjee Road, Kolkata - 700 014 well in advance to enable the management to keep the information ready.
4. Copies of Annual Reports will not be circulated at the meeting. Members are requested to bring their copies of Annual Report to the meeting.
5. Members are requested to intimate the Company about their change of address, if any, including pin code and quoting the correct Folio. Number and also notify mistakes, if any, in their address to ensure proper delivery of mail.

Elque Polyesters Limited

Directors' Report to The Members

Your Directors present their Thirteenth Annual Report along with the Audited Accounts of the Company for the period ended 31st March 2003.

Financial Results :-

	2002-2003 (Rs. in '000)	2001-2002 (Rs. in '000)
Turnover	939031	918009
Profit/(Loss) before interest and depreciation	47804	163260
Interest	169	1126
Depreciation	74709	74264
Loss/(Gain) on Exchange fluctuation	—	(2)
Miscellaneous Expenses Written Off	1421	3651
Net Profit/(Loss) before tax	(28495)	84221
Provision for Tax - Deferred Tax	2315	11423
Net Profit/(Loss) after Tax	(9552)	72798
Add : Brought forward from previous year	(824208)	(897006)
Balance Transferred to Balance Sheet	(833760)	(824208)

REVIEW OF OPERATIONS

There has been steady growth in demand worldwide with an average growth rate of approximately 10%. However in India the demand had increased from 85,000 tons in the financial year 2001-2002 to 100,000 tons in this financial year.

This indicates a demand growth of approximately 17% as compared to the world average of 10%. The per capita consumption in the developed countries i.e. in USA & Europe is more than 4 Kgs. per person as compared to less than 0.1 Kg in India. Although it would take several years to reach the levels in the developed countries, we believe that the growth will be constant for years to come.

Since, some kind of parity was maintained between the raw material and PET Resin prices during FY 2001-02 it helped the company to perform better. In FY 2002-03 the company again went through a period of price fluctuations, although not of the scale witnessed earlier, decrease in finished goods price by approx. 5% and raw material price increase of approx. 20%. The Iraq war also contributed to this. Due to these external factors and uncertainties, in the recent past, the company could not do well financially in spite of working at full capacity.

The Company's problems got further compounded due to change in the status of the unit caused by conversion of Falta Export Processing Zone (FEPZ) to Special Economic Zone (SEZ) w.e.f. 1st January '03. Different set of Customs & Excise rules became applicable to the company resulting in very high customs duty burden on domestic sales, which increased to 50.8% from 16% excise chargeable earlier, squaring the margins out of our domestic sales. The company suffered a severe set back in its operation during the quarter Jan-March, 2003, with the turnover falling to Rs. 13.39 crores as against that of Rs. 33.03 crores in 3rd quarter of FY 2002-03, because of this change in the status of our unit. However, the management has already started taking steps for arranging land for building an alternative road so as to isolate the company from SEZ area and has taken up with the authorities to restore the status to 100% EOU.

Your Company produced 22493 MT of PET Resin out of which it has sold 12600 MT in the overseas market, resulting in a Turnover of Rs. 93.91 crores against Rs. 91.80 crores in the previous year. Your company earned a cash profit of Rs. 4.76 crores, however, incurring a net loss of Rs. 0.96 crores against a net profit of Rs. 7.28 crores in the previous year.

INTERNATIONAL MARKET

Your Company's "SENPET" brand PET Resin, reintroduced in the International market last year, was widely acclaimed because of its superior quality. Approximately 12600 MT was exported mainly to the Eastern Europe and USA and we are also receiving a lot of repeat orders from our overseas customers. However due to Anti dumping duty still prevailing in Europe applicable on PET Resin of Indian origin among others, it would not be possible to enter the other countries in the European market until year 2005.

DOMESTIC MARKET

Your Company's brand continued to receive the patronage of the domestic buyers and the Company was therefore able to increase the domestic market share from 16% to 20%. Due to higher price realisation in the domestic market the Company was able to achieve an overall cash profit from its operation.

Your Company is also working on various strategies to increase its market share in the Domestic market and yield better results in the forthcoming years.

Diversified usage of PET bottles for replacement of glass or metal dominated packaging, is expected to increase the demand further in the next few years.

INDUSTRY DEVELOPMENT & OUTLOOK

With the global demand growing steadily and demand for both PET products and Resins growing in the domestic market your Company, already well-acclaimed for its quality and competitive price, the future prospects are quite encouraging. Production in the Plant during the current fiscal year was well over 100% capacity utilisation. At present the Company is operating at around 150% capacity and with the debottlenecking measures undertaken, your company is hopeful of increasing its capacity to 125 Tons Per Day (TPD).

Based on timely assistance and encouragement from the Financial Institutions, Banks, the concerned departments of Central and State Governments and BIFR, it should not be long for the Company to revive and return to good health.

INTERNAL CONTROL SYSTEMS

Your Company has already implemented the internal control systems in order to safeguard all assets against loss from unauthorised use and that all transactions are authorised, recorded and reported correctly.

SEGMENT WISE REPORTING

Your Company operates only in one business segment i.e. PET Resin.

BIFR STATUS

As per the direction of BIFR the Company has submitted a Revival Scheme based on OTS to the Operating Agency. The Company is also negotiating with the Bank and FI's for settlement. The dues with the UTI Bank has already been settled through a Compromise Settlement and the Company has been paying the installments as per the terms of compromise agreement.

DEPOSITORY SYSTEM

Your Company's shares have been in compulsorily dematerialised form with CDSL since 19th October, 2001. In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialisation of the Company's shares.

CORPORATE GOVERNANCE

As per the Clause 49 of the the Listing Agreement a separate report on Corporate Governance is furnished as a part of the Annual Report alongwith the Auditor's Certificate regarding the compliance of the conditions of the Corporate Governance.

DIRECTORS

Mr. Vinod Thacker resigned during the year. Your Directors take this opportunity to record their appreciation for the service rendered by him during his tenure as Director.

In accordance with the Articles of Association of your Company Mr. Umasankar Chattopadhyay retires by rotation and being eligible offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) which was introduced by the Companies (Amendment) Act, 2000 your Directors confirm that :-

- i) In the preparation of the annual accounts, applicable accounting standards have been followed, along with proper explanations, relating to material departures, and the Notes in the Auditors' Report in this regard are self-explanatory ;
- ii) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are 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 that year.

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- iii) The Directors have 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) The Directors have prepared the annual accounts on a going concern basis.

INSURANCE

All the assets of your Company including the Plant & Machinery, Buildings, Equipments, etc have been adequately insured.

AUDITORS

M/s. M. Chatterjee & Co., Chartered Accountants, the Statutory Auditors, retire at the end of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.

Information as required under section 217 (1) (e) of the Companies Act, 1956 read with 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 Annexure-A forming part of this Report.

HUMAN RESOURCE DEVELOPMENT

Your Company firmly believes that success of the company comes from good human resources. Employees are considered as important assets and key to its success. HRD continuously strives for sourcing and developing high caliber employees facilitating enhancement of their competence and implementing an effective Performance Management System. The company aims to remain lean and dynamic in a continuously challenging environment.

Employee relations continued to be satisfactory. Your directors wish to place on record their appreciation for the valuable contributions made by the employees who through their competence and hard work have enabled your Company to meet the challenges.

Information as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended regarding employees is given in Annexure-B forming part of this Report.

ACKNOWLEDGMENT

The Directors take this opportunity to express their sincere appreciation for the assistance and co-operation received during the year from the Industrial Development Bank of India, State Bank Of India, UTI Bank Limited, SBI Home Finance Limited, West Bengal Industrial Development Corporation, Development Commissioner of SEZ, Customs, Excise and other statutory authorities. The Directors finally place on record their sincere appreciation of the services rendered by the employees of the Company.

For and on behalf of the Board

Place : Kolkata
Date : 5th day of June, 2003

Abhijit Sen
Chairman Cum
Managing Director

**INFORMATION UNDER SECTION 217(1) (E) OF THE COMPANIES ACT, 1956
READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE
REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**

1. CONSERVATION OF ENERGY**A. Various Conservation measures taken :**

- 1) Installation of capacitor banks for improvement of power factor.
- 2) Use of low power (17W) lamps for lighting.
- 3) Adequate and quality insulation of hot and cold lines.
- 4) Installation of energy efficient pumps and elimination of gear boxes to reduce transmission losses.
- 5) Installation of variable speed A/C Drives and PLC Inverter System.

B. Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

- 1) Optimum insulation thickness on pipe lines to minimise heat losses from the surface.
- 2) Conducting energy audit.
- 3) Conducting illumination surveys to identify the existing lux levels in the plant.

C. Impact of measures of (A) and (B) above for reduction of energy consumption and consequent impact on cost of production of goods :

Consumption of energy per unit of production has come down marginally due to measures related to energy conservation undertaken as stated above.

D. Total energy consumption and energy consumption per unit of production :

Power and Fuel Consumption		Current Year	Previous year
i) Electricity			
a) Purchased		Nil	Nil
b) Own Generation			
Units		9488982	103,99,576 KWH
Total amount		44115649	Rs. 4,42,06,925
Average Rate		4.65	Rs. 4.25
ii) Coal		Nil	Nil
iii) Furnace Oil			
Quantity		3136.73 KL	3576 KL
Total amount		3,45,58,908.00	Rs. 3,09,89,518
Average Rate		11017.50	Rs. 8666
iv) Diesel Oil			
Quantity		2767.67 KL	2946 KL
Total amount		4,54,71,480	Rs. 4,52,69,835
Average Rate		16429.52	Rs. 15368
E. Consumption per MT of production			
Electricity (units)		422 KWH	475 KWH
Furnace Oil (KL)		0.139	0.16
Diesel Oil (KL)		0.123	0.13
Coal (MT)		Nil	Nil

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2. Technology Absorption

- i) The Company's Research and Development activities have been strengthened by procurement and installation of latest and sophisticated instruments to create a world class centre of excellence.
- ii) The Company's local technical development remained closely synchronised with the development works undertaken by our Collaborators.
- iii) Development of quality system continues with rapid progress being made towards ISO 9002 certification for the plant and increased focus on product quality.

3. Foreign Exchange Earnings and Outgo

During the year under review, the Company has earned Foreign Exchange worth Rs. 426218.61 Thousands through exports to Europe, C.I.S., Middle East and Asian countries including exports through merchant exporters. The Company has spent Foreign Exchange of Rs. 166598.40 Thousands.

ANNEXURE - B

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956
FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003

Name & Age (Years)	Designation/ Nature of Duties	Remuneration (Rs. in Lacs)	Qualification & Experience	Date of Commencement of Employment	Last Employment
Ms. Andrea Petra Lugg (41)	Chief Executive	11,50,000	M.A. (Phil.)	2.1.1999	Sumitomo Corpn., Germany

NOTES :

- # Nature of employment is contractual.
- # Remuneration Shown above is consolidated and all inclusive.
- # Designation represents the nature of duties performed.
- # Employee concerned is not related to any Director of the Company.
- # Employed for part of the year.

For and on behalf of the Board

Place : Kolkata
Date : 5th June, 2003

Abhijit Sen
Chairman Cum Managing Director

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as incorporated in Clause 49 of the Listing Agreement is set out below :-

A. MANDATORY REQUIREMENTS**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :-**

Your Company firmly believes that good corporate governance contemplates that corporate action balances the interest of all the stake holders of the Company and society at large. Such practices are founded upon the core values of transparency, empowerment, accountability and fair play. The Company makes its best endeavours to uphold and nurture these core values in all aspects of its operations.

2. BOARD OF DIRECTORS :-**COMPOSITION AND CATEGORY**

The present strength of the Board of Directors is three, whose composition is as given below :

-1 Promoter, Executive Director

-2 Independent Non-Executive Director

The composition of the Board of Directors and also the number of other directorships and Committees of which he is a member/Chairperson are as under :-

Name of the Director	Category	No. of Other Directorships (*)	No. of membership of other Board Committees	No. of other Board committees for which Chairperson
Mr. Abhijit Sen	Promoter Executive Director	3	Nil	Nil
Mr. Umasankar Chattopadhyay	Independent Non-Executive	Nil	Nil	Nil
Mr. Supratik Sen Barat	Independent Non-Executive	Nil	Nil	Nil
Mr. Vinod N. Thacker (Ceased to be a Director on 10.12.2002)	Independent Non-Executive	2	Nil	Nil

(*) Excludes membership of Managing committee of various Chamber/bodies.

Shri Vinod Thacker ceased to be a director from 10.12.2002

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING

During the financial year ended 31 March 2003, four Board Meetings were held on 12th June 2002, 31st July 2002, 23rd October 2002 and 29th January 2003. The Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) is as under :-

Name of the Directors	No. of Board Meetings attended	Attendance at last AGM held on 14.09.2002
Mr. Abhijit Sen	4	Yes
Mr. Umasankar Chattopadhyay	4	Yes
Mr. Supratik Sen Barat	4	Yes
Mr. Vinod N. Thacker	2	Yes