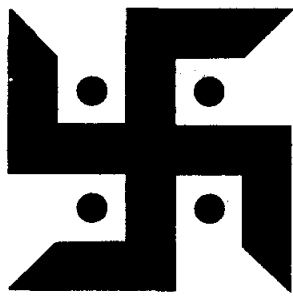




**SARLA**  
**POLYESTER LIMITED**

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**9TH**  
**ANNUAL REPORT**  
**2001 - 2002**



|                                |   |                   |
|--------------------------------|---|-------------------|
| BOARD OF DIRECTORS             | <b>Mr. Madhusudan S. Jhunjhunwala</b>   | Chairman          |
|                                | <b>Mr. Krishnakumar M. Jhunjhunwala</b>   | Managing Director |
|                                | <b>Mr. Sanjay Karandikar</b>  | Director          |
|                                | <b>Mrs. Vrinda K. Jhunjhunwala</b>  | Director          |
|                                | <b>Mr. Arun Vaid</b>  | Director          |
|                                | <b>Mr. Sanjay Mahajan</b>   | Director          |
| AUDIT COMMITTEE                | <b>Mr. Madhusudan S. Jhunjhunwala</b>   | Chairman          |
|                                | <b>Mr. Arun Vaid</b>  |                   |
|                                | <b>Mr. Sanjay Karandikar</b>  |                   |
| AUDITORS                       | <b>M/s. Sundarlal, Desai &amp; Kanodia</b><br>Chartered Accountants<br>Mumbai   |                   |
| BANKERS                        | <b>Andhra Bank &amp; Citibank N.A.</b>  |                   |
| REGISTERED OFFICE<br>& FACTORY | <b>Survey No. : 59/1/4, Amli</b><br><b>Piparia Industrial Estate</b><br><b>Silvassa - 396 230</b><br><b>U.T. of Dadra &amp; Nagar Haveli</b>    |                   |
| ADMIN. OFFICE                  | <b>304, Arcadia</b><br><b>Nariman Point</b><br><b>Mumbai - 400 021.</b>   |                   |
| SHARE TRANSFER<br>AGENT        | <b>M/S. Sharex (India) Pvt. Ltd.</b><br><b>17/B, Dena Bank Building,</b><br><b>2nd Floor, Horniman Circle,</b><br><b>Fort, Mumbai - 400 001</b> |                   |

## 9th Annual Report

## NOTICE

**NOTICE** is hereby given that the **NINETH ANNUAL GENERAL MEETING** of the Members of **SARLA POLYESTER LIMITED** will be held on Monday, the 30th September, 2002 at the Registered Office of the Company at SURVEY NO. 59/1/4, AMLI PIPARIA INDUSTRIAL ESTATE, SILVASSA-396 230, U.T. OF DADRA & NAGAR HAVELI, at 11.30 A.M. to transact the following business :

**ORDINARY BUSINESS :**

1. To consider and adopt the Audited Balance Sheet as at 31st March 2002 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint Director in place of Mr. MADHUSUDAN S. JHUNJHUNWALA, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** Mr. Sanjay Mahajan who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this meeting under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director be and is hereby appointed a Director of the Company, liable to retire by rotation."

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

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the increase in the Salary payable to Mr. Krishnakumar M. Jhunjhunwala, Managing Director of the Company with effect from 1st August 2002 from Rs. 10,000/- per month to Rs.30,000/- per month (in the Scale of 30,000 – 10,000 – 50,000, the first increment shall fall due on 1-8-2003 and thereafter 1st August of every year) for remainder of the tenure of his office and other terms and conditions including the perquisites payable to him shall remain same as per his earlier appointment."

For and on behalf of the Board

**MADHUSUDAN S. JHUNJHUNWALA**

CHAIRMAN

Place : Mumbai.

Date : 31st July, 2002

**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 SUCH PROXY NEED NOT BE A MEMBERS OF THE COMPANY.
2. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 23rd September 2002 to Monday, the 30th September 2002 (both days inclusive).
4. An Explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of item No. 4 and 5 are annexed hereto.

**ANNEXURE TO NOTICE**

Explanatory Statement pursuant to section 173 of the Companies Act, 1956.

**ITEM NO. 4**

Mr. Sanjay Mahajan was appointed as an Additional Director of the Company by the Board of Directors with effect from 29th June 2002 under section 260 of the Companies Act, 1956 and he holds office upto the date of the ensuing Annual General Meeting. The Resolution at item No. 4 is meant to re-appoint him. As required under Section 257 of the Companies Act, 1956 a Notice has been received from a Member proposing the name of Mr. Sanjay Mahajan for the office of Director.

None of the Directors of the Company expect Mr. Sanjay Mahajan is concerned or interested in the Resolution.

The Directors commend this Resolution for your approval.

**ITEM NO. 5**

At the Sixth Annual General Meeting of the Company held on 21st September, 1999 the Members had approved the re-appointment and payment of remuneration to Shri Krishnakumar M. Jhunjhunwala as Managing Director of the Company. It is now proposed to increase the salary of Managing Director from Rs. 10,000/- per month to Rs. 30,000/- per month in the Scale 30,000 - 10,000 - 50,000 with effect from 1st August 2002 till the remainder of his tenure as the Company has progressed very well due to the efforts of the Managing Director and looking into that the earlier salary was very low. All other terms and conditions of his appointment and remuneration will remain same. The Board of Directors have approved this proposal in their Meeting held on 31st July, 2002 and the Remuneration Committee of the Board of Directors has also approved the same. Now consent of the Members is required as per the provisions of section 310 of the Companies Act, 1956. The Resolution at Item No. 5 of the Notice of the Meeting is meant for this purpose.

The increase in the salary of Managing Director is in accordance with the Schedule XIII of the Companies Act, 1956.

The Directors Commend the Resolution for your approval.

Except Shri Krishnakumar M. Jhunjhunwala himself and Shri Madhusudan S. Jhunjhunwala and Mrs. Vrinda K. Jhunjhunwala, being relatives of Shri Krishnakumar M. Jhunjhunwala are interested in the Resolution. None of the other Directors is concerned or interested in the Resolution. This may also be treated as an abstract pursuant to section 302 of the Companies Act, 1956.

## 9th Annual Report

## DIRECTORS' REPORT

To  
The Members

Your Directors have pleasure in presenting their Ninth Annual Report on the business and operations of the Company together with Audited statement of Accounts for the year ended 31st March 2002.

## 1. FINANCIAL RESULTS

|  |           | (Rs. In Lacs) |
|--|-----------|---------------|
|  | 2001-2002 | 2000-2001     |
| Total Income                                     | 6222.65   | 5451.46       |
| Profit before Financial Charges and Depreciation | 337.11    | 438.57        |
| Less : (1) Financial Charges                     | 119.21    |               |
| (2) Depreciation                                 | 74.31     |               |
|  | 193.52    | 198.12        |
| Profit before Tax                                | 143.59    | 240.45        |
| Less : Provision for Tax                         | 14.00     | 3.00          |
| Provision for deferred Tax                       | 22.91     | 0.00          |
| Profit after Tax                                 | 106.68    | 237.45        |
| Balance Brought forward                          | 475.73    | 451.88        |
| Surplus available for appropriation              | 582.41    | 689.33        |
| <b>APPROPRIATION</b>                             |           |               |
| Transfer to General Reserve                      | 10.00     | 200.00        |
| Prior period Adjustments                         | 0.26      | 13.60         |
| Balance carried forwarded to the Balance Sheet   | 572.15    | 475.73        |
|  | 582.41    | 689.33        |

## 2. OPERATIONS

During the year under review the performance of the Company was good looking into the overall economic conditions & specially slowdown in Textile Sector.

Total sales of the Company grew by 13.85% from Rs.54.15 Crores in the year 2000-2001 to Rs. 61.65 Crores in the year 2001-2002. Export sales grew by 4.07% from Rs. 23.10 Crores to Rs. 24.04 Crores. Old Bad debts of Rs. 2.57 Crores were written off during the year hence the net profit dipped to Rs.1.06 Crores as against Rs. 2.37 Crores in the year 2000-2001. But over all performance of the Company was good and was possible due to reduction, cost increasing the efficiency and development of value added new products and targetting and developing new areas for exports.

The Company is hopeful to repeat the performance in the current year barring unforeseen circumstances.

## 3. DIVIDEND

Your Directors do not recommend dividend for the year ended 31st March 2002, to ploughback the profits for normal capital expenditure and working capital requirement.

## 4. DIRECTORS

Mr. Madhusudan S. Jhunjhunwala, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.



Mr. Sanjay Mahajan was appointed as an Additional Director with effect from 29th June 2002 by the Board of Directors of the Company. He holds this office till the conclusion of the ensuing Annual General Meeting and eligible for re-appointment, is to be re-appointed.

**5. FIXED DEPOSIT**

The Company has not accepted any deposit within the meaning of Section 58-A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975.

**6. PERSONNEL**

Particulars of employees within the meaning of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975, as amended by the Companies Amendment Act, 1988, are not applicable since there were no employees who were in receipt of remuneration prescribed under the Rules.

**7. AUDITORS**

M/s. Sundarlal, Desai & Kanodia, the Statutory Auditors of the Company hold office until the concluding of the ensuing Annual General Meeting and are recommended for re-appointment.

**8. AUDITORS' REPORT**

The notes on the Accounts referred to in the Auditors' Report are self explanatory and, therefore, do not require any further comments.

**9. CORPORATE GOVERNANCE**

As per the Schedule of implementation of corporate governance the Company is required to implement all the requirements of Clause 49 of the Listing Agreements within 2002-2003 financial year. However the management has started to take necessary steps to implement the same at the earliest.

**10. DIRECTORS' RESPONSIBILITY STATEMENT :**

A Directors' Responsibility Statement as required Under Section 217(2AA) of the Companies Act 1956 is given below :-

- i) Directors have followed the applicable accounting standards in the preparation of the Annual Accounts and proper explanation relating to material departures have been given in schedule 21 of Notes on Accounts forming part of the accompanying Accounts.
- ii) Directors have selected the Accounting Policies as given in Schedule 21 of Notes on Accounts 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 as at 31st March, 2002 and of the profits of the Company for the year ended on that date.
- iii) Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) Directors have prepared the Annual Accounts for the year ended 31st March, 2002 on a Going Concern basis.

**11. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under Section 217(1)(e) of the Companies Act, 1956 and the Rules made thereunder, the concerned particulars relating to Energy Conservation, technology absorption and foreign exchange earnings and outgo are given in Annexure, which is attached hereto and forms part of the Report.

## 9th Annual Report

## FORM 'A'

Form for Disclosure of Particulars with respect to conservation of Energy

| A. Electricity                          | Current Year | Previous year |
|---|--------------|---------------|
| a) Purchased                            |              |               |
| Unit                                    | 827133       | 921160        |
| Total amount [Rs.]                      | 4091605.93   | 4391845       |
| Rate/Unit [Rs.]                         | 4.95         | 4.76          |
| b) Own Generation                       |              |               |
| i) Through diesel generator             | 7030400      | 7927800       |
| Units per ltr. of diesel oil            | 3.62         | 3.62          |
| Cost/Unit [Rs.]                         | 3.67         | 3.38          |
| ii) Through steam turbine generator     | ---          | ---           |
| 2. Coal (Specify quality & where used)  | ---          | ---           |
| 3. Furnace Oil                          |              |               |
| For Generating steam for Boiler - Ltrs. | 298126       | ---           |
| Total Amount                            | 2405919      | ---           |
| Cost/Ltr. [Rs.]                         | 8.07         | ---           |
| 4. Others/Internal generation           | ---          | ---           |
| 5. Consumption per unit of production   |              |               |

|                        | Standards<br>(if any) | Current<br>year | Previous<br>year |
|------------------------|-----------------------|-----------------|------------------|
| Product - Yarns (M.T.) | ---                   | 5912            | 5216             |
| Electricity - Units    | ---                   | 1329            | 1697             |
| Furnace Oil - Ltrs.    | ---                   | 168             | ---              |
| Coal (specify quality) | ---                   | ---             | ---              |
| Others (specify)       | ---                   | ---             | ---              |

## FORM 'B'

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&amp;D)

|  |   |
|--|---|
| 1. Specific areas in which R & D is carried out by the Company | New Product Development, Process Development and Optimising process parameters.   |
| 2. Benefits derived as a result of the above R & D.            | Introduction of several new types of Polyester and Nylon Yarns.   |
| 3. Future Plan of Action                                       | To meet the increasing requirement of customers around the world and development of new products.   |
| 5. Expenditure on R & D.                                       |   |
| a) Capital   | All machineris are dedicated for operational as well as R & D activities. Hence no separate accounts are maintained and as such expenditure on R & D is not separately ascertainable. |
| b) Recurring   |   |
| c) Total   |   |
| d) Total R & D expenditure as a percentage of total turnover.  | N.A.  |



**a) Technology absorption, adaption and innovation.**

- |   |  |
|---|--|
| 1. Efforts in brief, made towards technology absorption, adaption and innovation.   | Very hard continues efforts towards improvement of process equipment and products are carried out to suit market requirements and to achieve optimum operational efficiency. |
| 2. Benefit derived as a result of the above efforts e.g. product improvement, cost Reduction, development, import substitution etc.                             | Introduction of several new products.  |
| 3. In case of Imported Technology (imported During the last 5 years reckoned from the Beginning of the financial year), following Information may be furnished. |  |
| a) Technology Imported  | NOT APPLICABLE   |
| b) Year of Import   |  |
| c) Has Technology been fully absorbed ?   |  |
| d) If not fully absorbed areas where this has not taken place, reasons therefore and future plans of action.  |  |

**b) Export Plans & Foreign earnings and outgo**

The Company has now established a solid customer base in European countries especially Italy, Portugal, Spain and U. K.

Israel, Jordan, Canada & South America countries like Argentina and Brazil are the thrust areas for the future and a good beginning has been made towards this.

FOREIGN EXCHANGE EARNED  
(Rs. in Lacs)

Rs. 2403.86

FOREIGN EXCHANGE USED  
(Rs. in Lacs)

Rs.2089.06

**12. ACKNOWLEDGEMENT :**

The Directors take this opportunity to place on record their appreciation and sincere gratitude to the various Departments of the Central and State Governments and the Banks and Industrial Development Bank of India for their valuable assistance and support. The Management appreciates the enthusiasm and co-operation of all the Contractors/Agencies for their continued support. The Directors also acknowledge the sincere contribution by the workers and staff of the Company at various levels and thank to Company's shareholders for their continued support.

For and on behalf of the Board  
**MADHUSUDAN S. JHUNJHUNWALA**  
CHAIRMAN

Place : Mumbai.

Date : 29th June, 2002



**AUDITOR'S REPORT**

To,  
**THE MEMBERS OF SARLA POLYESTER LIMITED**

We have audited the attached Balance Sheet of **SARLA POLYESTER LIMITED** as at 31st March 2002 & also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by Manufacturing and Other Companies (Auditor's Report) Order, 1998 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

- i. We have obtained all the information & explanations which to the best of our knowledge & belief were necessary for the purpose of our audit;
- ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- iii. The Balance Sheet & Profit & Loss Account dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet & Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and subject to Note No. 18 on non provision for bonus, gratuity and leave salaries give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
  - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **SUNDARLAL DESAI & KANODIA**  
CHARTERED ACCOUNTANTS  
**M. B. DESAI**  
PARTNER

PLACE : MUMBAI  
DATED : 29th June, 2002