



SARLA
POLYESTER LIMITED

100% EOU

Report  Junction.com

10th
ANNUAL REPORT
2002 - 2003



BOARD OF DIRECTORS	Mr. Madhusudan S. Jhunjunwala	Chairman
	Mr. Krishnakumar M. Jhunjunwala	Managing Director
	Mr. Sanjay Karandikar	Director
	Mrs. Vrinda K. Jhunjunwala	Director
	Mr. Arun Vaid	Director
	Mr. Sanjay Mahajan	Director
AUDIT COMMITTEE	Mr. Arun Vaid	Chairman
	Mr. Madhusudan S. Jhunjunwala	Member
	Mr. Sanjay Karandikar	Member
AUDITORS	M/s. Sundarlal, Desai & Kanodia Chartered Accountants Mumbai	
BANKERS	Andhra Bank & Citibank N.A.	
REGISTERED OFFICE	Survey No. : 59/1/4, Amli Piparia Industrial Estate, SILVASSA-396 230 U.T. of Dadra & Nagar Haveli.	
FACTORY	1)	Survey No. : 59/1/4, Amli Piparia Industrial Estate, SILVASSA-396 230 U.T. of Dadra & Nagar Haveli.
	2)	Shed No. A1/48, 100 Sheds Area, GIDC, Vapi-396 195 (Gujarat)
ADMIN. OFFICE	304, Arcadia Nariman Point Mumbai-400 021.	
SHARE TRANSFER AGENT	M/s. Sharex (India) Pvt. Ltd. 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai-400 001	

NOTICE

NOTICE is hereby given that the **TENTH ANNUAL GENERAL MEETING** of the Members of **SARLA POLYSTER LIMITED** will be held on Tuesday, the 30th September, 2003 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, 2003 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Sanjay Karndikar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Vrinda K. Jhunjhunwala, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modification/(s), the following Resolution as a Special Resolution :-

"RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines"), the Securities Contracts(Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements and all other applicable rules, regulations and guidelines and subject to the approval, consent or permission of the Securities and Exchange Board of India, Stock Exchange where the shares of the Company are listed and other appropriate authorities or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approval, consent and permission, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof constituted by the Board) the consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from the Stock Exchange, Ahmedabad."

For and on behalf of the Board

MADHUSUDAN S. JHUNJHUNWALA

CHAIRMAN

Place : Mumbai.

Date : 31-07-2003

NOTES :

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member 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. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item No.5 annexed hereto.

4. Notes on Directors seeking appointment/reappointment as required under Clause 49 (VI)(A) of the listing agreement entered into with the Stock Exchange.
- (a) Mr. Sanjay Karndikar
- Mr. Sanjay Karndikar is a B. Sc. and he also obtained Textile Technology from SASMIRA, Worli, Mumbai and started his career with Synthetic Fiber Industry in 1982. Since then he has worked on a Supervisory and Managerial position at various Textiles Companies.
- (b) Mrs. Vrinda K. Jhunjhunwala
- Mrs. Vrinda K. Jhunjhunwala is B.A. and having experiences of about 10 years in the field of Textile Industry.

ANNEXURE TO NOTICE

Explanatory statement pursuant to Section 173 of the Companies Act, 1956.

ITEM NO.5

The Securities and Exchange Board of India (SEBI) has issued 'The Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003' (hereinafter referred to as the "Delisting Guidelines") incorporating, among others, provisions for delisting of securities of a body corporate voluntarily by a promoter or an acquirer or any other person from the Stock Exchanges.

Presently, the Company's Equity Shares are listed on the following two Stock Exchange:

1. The Stock Exchange, Mumbai
2. The Stock Exchange, Ahmedabad

With the extensive networking of The Stock Exchange, Mumbai (BSE) and the extension of the BSE terminals to other cities as well, investors have access to online dealings in the Company's Equity Shares across the country. All the trading in the Company's Equity Shares in any case take place on the BSE, and there is no trading in the Shares of the Company on the Stock Exchange, Ahmedabad.

The Company's Equity Shares are one of the scrips which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors, since 30th April, 2001. The benefits accruing to the investors by keeping the Equity Shares of the Company listed on The Stock Exchange, Ahmedabad are not commensurate with the costs incurred by the Company for the continued listing on this Stock Exchange. The Company has proposed this Resolution, which will enable it to delist its Equity Shares at any time in future from The Stock Exchange, Ahmedabad.

The Company's Equity Shares will continue to be listed on The Stock Exchange, Mumbai after the proposed delisting.

The Directors commend this Resolution for your approval.

None of the Directors is concerned or interested in the Resolution.

Place : Mumbai.
Date : 31-07-2003

For & behalf of Board of Directors
MADHUSUDAN S. JHUNJHUNWALA
Chairman

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Tenth Annual Report on the business and operations of the Company together with Audited statement of Accounts for the year ended 31st March, 2003.

1. FINANCIAL RESULTS

		(Rs. in Lacs)
	2002-2003	2001-2002
Total Income	<u>4886.01</u>	<u>4408.89</u>
Profit before Financial Charges and Depreciation	740.21	337.57
Less: (1) Financial Charges	56.78	
(2) Depreciation	<u>118.04</u>	<u>174.82</u>
Profit before Tax	565.39	143.59
Less: Provision for Tax	125.00	14.00
Provision for Deferred Tax	<u>7.57</u>	<u>22.91</u>
Profit after Tax	432.82	106.68
Balance brought forward	<u>572.15</u>	<u>475.73</u>
Surplus available for appropriation	<u>1004.97</u>	<u>582.41</u>
APPROPRIATION		
Transfer to General Reserve	250.00	10.00
Prior period Adjustments	4.29	0.26
Balance carried forwarded to the Balance Sheet	<u>750.68</u>	<u>572.15</u>
	<u>1004.97</u>	<u>582.41</u>

2. MANAGEMENT'S DISCUSSION & ANALYSIS**a) Overall Review :**

The profitability of the company during the year under review has increased dramatically as compared to the previous year mainly because of improved performance of the textile sector and concentration on value added products and the thrust of your company in the export markets where quality perception of the companies products has dramatically improved resulting in large and sustained orders with higher value realizations .

The bottom line of the Company has further surged due to the sharp reduction in the Interest cost by almost 50%.

b) Industry structure & Development

Textile is the largest industrial sector in India, generating a turnover of over Rs. 150,000/- crores or aprox. 7% of GDP. It is the largest employer in the manufacturing sector in India. Exports of textile products at around US\$ 13.5 billion account for over 25% of India's exports.

But it is dominated by the un-organised sector. One has to compete with this Sector by cutting cost of production as well as focusing on the quality. The main thrust for improvement will come from modernization of texturising and focusing on value added

products. Since the Iraq – USA war has ended, overall market situation should be stable and improved.

c) Opportunities & Threats

In USA and EEC markets there is a rapid consolidation of manufacturing and retailing activity. There will be fewer buyers with more muscle power to dictate price and delivery terms and supplying countries and units have to work at optimum costs and excellent service levels.

There is also a clear threat from China and other countries who are producing in mass quantities with low overheads, low labour costs and various concessions available to them.

However the production at competitive costs and a good quality product will certainly have an edge in global market. The encouragement offered to the textile industry by the Government by cutting customs and excise duties on textile machines and favorable exemption policy will help to face challenges across the market by aggressively going up the value chain.

d) Outlook :

The long-term outlook for the yarn industry is encouraging considering an expected growth of 5% in the GDP considering also that your company focuses on a very specialized niche market and deals only in synthetic yarn, which is not replaceable by natural fibres, and demand for synthetic yarn is growing globally.

To augment its efforts the company also relies upon diligent research on customer requirements enabling it to develop new products for their specific requirements, which gives your company an edge when challenged by competition, and keeps it ahead at all times.

e) Risk & Concern

Our major business in export market is contracted in US \$. The current strengthening of the Indian rupee against the US \$ will impact our realizations.

However as the company is importing 80% of its raw material the currency impact if any shall be offset.

2. DIVIDEND

Your Directors do not recommend dividend for the year 31st March, 2003, to plough back the profits for proposed expansion programme and working capital requirements.

3. DIRECTORS

Mr. Sanjay Karndikar & Mrs. Vrinda K. Jhunjhunwala, directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

4. FIXED DEPOSIT

The Company has not accepted any deposit from the public during the Financial year ended under review.

5. PERSONNEL

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

6. AUDITORS

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

7. AUDITORS' REPORT

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

8. CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement Corporate Governance Report is attached as Annexure A to this Report. Certificate of Auditors regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges is also attached and forms a part of Annexure A.

9. DIRECTORS' RESPONSIBILITY STATEMENT :

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

- a) 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.
- b) Directors have selected the Accounting Policies as given in Schedule 21 of Notes on Accounts and applied them consistently and made judgments 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, 2003 and of the profits of the Company for the year ended on that date.
- c) 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.
- d) Directors have prepared the Annual Accounts for the year ended 31st March, 2003 on a Going Concern basis.

10. 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 there under, 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.

FORM 'A'

Form for Disclosure of particulars with respect to conservation of Energy

A. Electricity	Current Year	Previous year
a) Purchased		
Unit	958332	827133
Total amount [Rs.]	4150483.00	4091605.93
Rate/Unit [Rs.]	4.33	4.95
b) Own Generation		
1) Through diesel generator	6273291	7030400
Unit per ltr. of diesel oil	4.51	3.62
Cost/Unit [Rs.]	4.06	3.67
2) Through steam turbine generator	---	---
B. Coal (Specify quantity & where used)	---	---
C. Furnace Oil		
For Generating steam for Boiler – Ltrs.	298963	298126
Total Amount [Rs.]	2901869	2405919
Cost/Ltr. [Rs.]	9.71	8.07
D. Others/Internal generation	---	---
E. Consumption per unit of production	---	---

	Standard (If any)	Current Year	Previous Year
Product – Yarns (M.T)	---	5948	5912
Electricity – Units	---	1216	1329
Furnace Oil – Ltrs.	---	162	168
Coal (specify quality)	---	---	---
Others (specify)	---	---	---

FORM 'B'

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&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.
4. Expenditure on R & D.	
a) Capital	All machineries are dedicated for operational as well as R & D activities.
b) Recurring	Hence no separate accounts are maintained and as such Expenditure on R & D is not separately ascertainable.
c) Total	
d) Total R & D expenditure as a percentage of total turnover.	N . A

a) Technology absorption, adoption and innovation.

1. Efforts in brief, made towards Technology absorption, adoption 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 Exchange 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. 2818.68

FOREIGN EXCHANGE USED

(Rs. in Lacs)

Rs. 2535.77

11. 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 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 & behalf of Board of Directors

MADHUSUDAN S. JHUNJHUNWALA*Chairman*

Place : Mumbai.

Date : 27th June, 2003

ANNEXURE - A**CORPORATE GOVERNANCE REPORT****INTRODUCTION**

Sarla Polyester Limited (SPL) has always believe in fair business and corporate practices while dealing with the shareholders, employees, customers, creditors, lenders and other. We have always aimed to build trust with shareholders, employees, customers, suppliers and diverse stakeholders and to meet the expectation of various elements of corporate environment. We believe in transparent and fair corporate actions with adequate disclosure and total accountability.

SPL has been discharging its statutory obligations and duties and has always complied with the statutory and regulatory requirements. Given below are the company's corporate governance policies and practices in accordance with the provisions of clause 49 of the Listing Agreement.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below

1. Company's Philosophy on Corporate Governance

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation. Good Corporate Governance lead to long terms shareholder value and enhances interest of other stakeholders. It brings into focus the fiduciary and the trustship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholder value.

2. Board of Directors :

As on 31st March 2003, there were six Directors on the Board. Out of these, one is executive director and five are non-executive directors. The non-executive Directors constituted more than half of the total number of directors.

Three out of six Directors were independent Directors, which duly complied with the requirement of Code.

The information on composition of the Board, category of Directors, attendance at Board meetings held during the year and at the last Annual General Meeting, Directorships in other public companies and committees of other public companies of which the Director is a member/ Chairman is as under :-