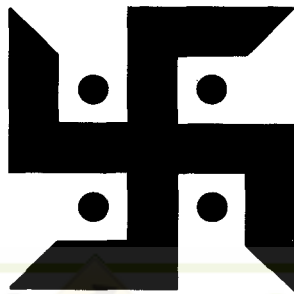




SARLA
POLYESTER LIMITED

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11TH
ANNUAL REPORT
2003 - 2004

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
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., Corporation Bank & HSBC	
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)	Survey No. : 64/2/3/4, Amli Piparia Industrial Estate, SILVASSA-396 230 U.T. of Dadra & Nagar Haveli.
	3)	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 **11TH ANNUAL GENERAL MEETING** of the Members of **SARLA POLYESTER LIMITED** will be held on Thursday, the 30th September, 2004 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, 2004 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare final dividend.
3. To appoint a Director in place of Mr. Arun Vaid, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

For & on behalf of Board of Directors
(MADHUSUDAN S. JHUNJHUNWALA)
Chairman

Place : Mumbai.

Date : 31-07-2004.

NOTES :

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of 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. The Register of members and share transfer books of the Company will remain closed from Thursday, the 23rd September, 2004 to Thursday, the 30th September, 2004 (Both days inclusive)
4. Notes on Directors seeking appointment / reappointment as required under Clause 49 (VI)(A) of the listing agreement entered into with the Stock Exchange.

Mr. Arun Vaid is a BSE 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.

DIRECTOR'S REPORT

To,
The Members,

Your Directors have pleasure in presenting their Eleventh Annual Report on the business and operations of the Company together with Audited statement of Accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

		(Rs. In Lacs)
	<u>2003-2004</u>	<u>2002-2003</u>
Total Income	5593.08	4867.77
Profit before Financial Charges and Depreciation	1039.12	740.21
Less : (1) Financial Charges	52.08	
(2) Depreciation	<u>131.89</u>	<u>174.82</u>
Profit before Tax	855.15	565.39
Less : Provision for Tax	70.00	125.00
Provision for Deferred Tax	<u>74.73</u>	<u>7.57</u>
Profit after Tax	710.42	432.82
Prior period Adjustments	0.12	4.29
Intangible Assets Amortised	(2.08)	-
Balance brought forward	750.68	572.15
Surplus available for appropriation	<u>1463.06</u>	<u>1000.68</u>
APPROPRIATION		
Transfer to the General Reserve	80.00	250.00
Dividend		
1. Interim @ 12%	83.40	
2. Final @ 12%	<u>83.40</u>	166.81
Dividend Tax	21.37	-
Balance carried forwarded to the Balance Sheet	<u>1194.88</u>	<u>750.68</u>
	<u>1463.06</u>	<u>1000.68</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 company's products has dramatically improved resulting in large and sustained orders with higher value realizations.

b) Industry structure & Development :

Textile Industry in Indian Economy occupies a pivotal position as it contributes more than 4% of Gross Domestic Product, 14% of the total industrial production, 28% of the total industrial workforce, 35% of country's gross export earnings and 35 million people directly employed in it. Cotton textiles had been dominating the textile industry in India until the full-fledged development in the synthetic textile sector during late 80s. Synthetic textiles have since then changed the fact of the textile industry in India not only due to it's inherent characteristics but also because the natural fibres alone would not have been able to meet the changing needs of growing population.

Long tradition in the production and export of textile items has made India to earn a invaluable image in the international market. Over the years India has successfully placed it's innovative range of synthetic textiles in almost all the countries across of globe. It this crucial juncture the exports of synthetic textiles have built up enough momentum to meet all the challenges to become one of the top synthetic textile suppliers to the world market.

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.

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. Government's policy of liberalization has led to simplification of procedures and formalities for the exporters. Government policies over the past couple of years have been proactive and growth oriented. The encouragement offered to the textile industry by the Government by cutting customs and excise duties on textile machines and favorable exim policy will help to face challenges across the market by aggressively going up the value chain. A series of preferential trade Agreements have been signed and under process with countries like Sri Lanka, MERCOSUR, Singapore, South Africa, Bangladesh, Thailand and China etc. which has witnessed a rapid increase in exports. Since more such preferential agreements are in cards in the future, the export is expected to grow rapidly.

d) Outlook :

Indian export of Synthetic textiles has been growing tremendously over the past few years. India's share in the world trade is also increasing steadily. The share of Indian synthetic textiles exports in the world trade of synthetic textiles rose from 0.11% in 1971 to 1.12% in 1991 and further to around 3% in 2002. This indicates the growing preference for Indian synthetic product in the international markets.

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 US\$ against the Rupees will impact our realizations.

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

Due to shortage and non availability of Raw Materials and sharp increase in Raw Material prices, it will have an impact on the bottom line of the Co. However the company has good contacts with quality manufacturers hence do not foresee any problem in availability, company is in the process of exploring new products & markets.

3. DIVIDEND

The Company has paid an interim dividend @ 12% during the year as declared by the Board of Directors. Now a final dividend @ 12% has been further recommended by the Board of Directors for the year ended 31st March 2004 making total dividend for the year @ 24%.

4. DIRECTORS

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

Mr. Sanjay Mahajan, Director has resigned with effect from 1st June, 2004.

5. FIXED DEPOSIT

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

6. 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.

7. 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.

8. AUDITOR'S REPORT :

The observations and remarks made by the Auditors in their Report have been explained by suitable notes attached to the Accounts. Looking into this and being not significant the Directors feel that no further explanations are required.

9. CORPORATE GOVERNANCE :

As required by Clause 49 of the Listing Agreement with BSE, 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.

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 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, 2004 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, 2004 on a Going Concern basis.

11. VOLUNTARY DELISTING OF EQUITY SHARES FROM AHMEDABAD STOCK EXCHANGE:-

After obtaining approval of members in the last Annual General Meeting the Company made an Application for voluntary delisting of Equity Shares of the Company to the Ahmedabad Stock Exchange and they delisted the shares of the Company w.e.f. 21.01.2004 due to the following reasons the Company sought this delisting :-

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 dematerialized 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 were not commensurate with the costs incurred by the Company for the continued listing in that Stock Exchange.

12. 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 Conversation, 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

	Current Year	Previous Year
A. Electricity		
a) Purchased		
Unit	1243808	958332
Total Amount (Rs.)	5672405	4150483
Rate/Unit (Rs.)	4.56	4.33
b) Own Generation		
1) Through diesel generator	6126989	6273291
Unit per ltr. Of diesel oil	3.36	3.30
Cost/Unit (Rs.)	3.46	4.06
2) Through steam turbine generator	—	—
B. Coal (Specify quantity & where used)	—	—
C. Furnace Oil		
For Generating steam for Boiler – Ltrs.	333211	298963
Total Amount (Rs.)	3616577	2901869
Cost/Ltr. (Rs.)	10.85	9.71
D. Others/Internal generation	—	—
E. Consumption per unit of production	—	—

	Standard (if any)	Current Year	Previous Year
Product – Yarns (M.T.)	—	6770	5948
Electricity – Units	—	1088	1216
Furnace Oil – Ltrs.	—	143	162
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
- b) Recurring
- c) Total

All machineries 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.

N . A

- d) Total R & D expenditure as a percentage of total turnover.

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
- 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.

NOT APPLICABLE

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. 3175.54

FOREIGN EXCHANGE USED

(Rs. in Lacs)

Rs. 4067.72

13. **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, Andhra Bank, Citibank N.A., Corporation Bank, HSBC 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 : 31st July, 2004

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 trustiship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholders value.

2. Board of Directors :

As on 31st March 2004, there were six Directors on the Board. Out of these, one was executive director and five were 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 :



Name of Directors	Category	Financial Year 2003-04		Attendance at the Last AGM	No. of Director Ships in Other public Companies Incorporated in India	Committee positions held in other Companies
		Board Meetings held	Board Meetings Attended			
Mr. Madhusudan S. Jhunjunwala	Chairman - Promoter	8	8	Yes	2	---
Mr. Krishnakumar M. Jhunjunwala	Managing Director Promoter	8	7	No	2	---
Mrs. Vrinda K. Jhunjunwala	Director - Non-Executive Promoter	8	7	No	1	---
Mr. Sanjay Karandikar	Director - Non-Executive Independent	8	8	No	---	---
Mr. Arun Vaid	Director Non-Executive Independent	8	8	No	1	---
Mr. Sanjay Mahajan *	Director Non-Executive Independent	8	8	No	---	---

During the year under review, 8 Board Meetings were held on 29th April 2003, 27th June 2003, 31st July 2003, 18th August 2003, 22nd September 2003, 28th October 2003, 30th January 2004 & 10th March 2004

3. Audit Committee :

During the year under review, four meetings of the Audit Committee were held on 27th June 2003, 31st July 2003, 28th October 2003 and 30th January 2004. The composition of the committee and attendance at its meetings is given below :

Name of the Director	Category	No. of Meetings held	No. of Meetings Attended
Mr. Arun Vaid	Non-Executive	4	4
Mr. Madhusudan S. Jhunjunwala	Non-Executive	4	4
Mr. Sanjay Karandikar	Non-Executive	4	4