

14th Annual Report 2003-04



Vardhmān

VARDHMAN ACRYLICS LIMITED



Indian Textile Industry-the imperative of improving competitiveness



It is heartening to note that India has been ranked 34th in the global competitiveness among 60 nations as per Global Competitiveness Yearbook 2004. The report states that India has improved its rank from 50th last year to its present position. This is India's best ranking ever. The report further observed that India has overtaken Greece, Czech Republic, South Africa etc. in competitiveness in the last one year. While businesses in the country are striving to improve their competitiveness, the report signifies much improved perception of Indian business in the global business communities.

In the context of global textile industry, China has emerged as a dominant player in recent years. The Chinese textile industry is estimated to be worth \$128 billion, with estimated exports of \$80 billion, a share of over 20 per cent in the world trade. As per the World Trade Organisation statistics, China has cornered the lion's share in the total increase in world trade in textile and clothing during the year 2002. China captured 76 per cent of the total \$11 billion increase in the trade. The scale of production and cost competitiveness of the Chinese textile and clothing industry are the major driving forces in this magnificent performance. Therefore, any country seeking a higher share in the world trade in textile and clothing has to contend with fiercely competitive producers like China.

The inherent strengths of the Indian textile industry like availability of wide variety of raw materials, cost effective manpower and diversified manufacturing base have been acknowledged by various experts. The high growth potential of the textile industry has been identified by various studies carried out by the Government agencies as well as by the international consultancy organisations. However, most of these studies have also pointed out the poor competitiveness of the Indian textile industry. The only exception is spinning, where too our competitiveness is declining. The fabric processing and clothing segments are incompetent in terms of scale of production, technology employed, productivity, quality parameters and supply chain management. Much of this is on account of fragmented production structure and rigid labour laws. As a consequence, India has not been able to take benefit of the global relocation of the textile business.

I still see a silver lining on the horizon. If we can increase the competitiveness of our fabric and clothing segments, the Indian textile industry can still play a major role in the global textile and clothing business. Our in-house studies indicate that with appropriate policies and entrepreneurial initiatives, the Indian textile exports can increase from the present \$13 billion to \$25 billion in the next six years. In this, the clothing segment has to make a quantum leap to achieve \$15 billion exports by 2010 from the present level of \$5.5 billion. The textile exports can also double in this period. It is a daunting task, but nevertheless necessary to ensure sustainability of the textile industry in India. And competitiveness is the key driving force for resurgence of Indian textiles.

With best wishes,

(SHRI PAUL OSWAL)
Chairman



Vardhman Acrylics Limited

BOARD OF DIRECTORS

Mr. Shri Paul Oswal	Chairman
Mr. Munish Chandra Gupta	
Mr. Sanjit Paul Singh	
Mr. Toshiyuki Kobashi	
Mr. Yojiro Ito	
Mr. Sachit Jain	
Mr. Darshan Lal Sharma	
Mr. Sudeshkumar Ganpatrai Gulati	Nominee of IDBI
Mr. Bal Krishan Choudhary	President & Executive Director

GENERAL MANAGER (COMMERCIAL)

Mr. K.C. Bansal

COMPANY SECRETARY

Mr. Sanjay Gupta

AUDITORS

M/s. S.S. Kothari Mehta & Co.
Chartered Accountants
New Delhi

BANKERS

State Bank of Patiala
ICICI Bank Limited

REGISTERED & CORPORATE OFFICE

Vardhman Premises, Chandigarh Road
Ludhiana - 141 010
Fax : (0161) 2601048, 2602710 & 2642616
E-mail: secretarial.lud@vardhman.com
Web site: www.vardhman.com
Phones : (0161) 2662543 - 47

BUSINESS OFFICE

5th Floor, Sagar Plaza Building
19, Laxmi Nagar District Centre
Vikas Marg, New Delhi - 110 092

WORKS

755, GIDC, Jhagadia Mega Estate
Jhagadia - 393 110
• Distt. Bharuch (Gujarat)

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NOTICE

NOTICE is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING of the Members of the Company will be held on Saturday, the 28th day of August, 2004 at 12.30 P.M. at Registered Office of the Company situated at Vardhman Premises, Chandigarh Road, Ludhiana, to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit & Loss Account for the year ended on that date together with the Report of Auditors and Directors thereon.
2. a) To appoint a Director in place of Mr. D.L. Sharma, who retires by rotation in accordance with Article 126 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
- b) To appoint a Director in place of Mr. Sachit Jain, who retires by rotation in accordance with Article 126 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the year 2004-2005 and to fix their remuneration and for that matter 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 provisions of Section 224, 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S.S. Kothari Mehta & Company, the retiring Auditors of the Company, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting at such remuneration and other expenses, incidental to the audit, as may be fixed by the Chairman of the Company."

SPECIAL BUSINESS:

4. 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 provisions of Section 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, approval of the Members, be and is hereby given to the enhancement of the sitting fee payable to the Directors from Rs. 2,000/- and Rs. 1,500/- per meeting to Rs. 4,000/- and Rs. 3,000/- per meeting for attending the Board meetings and its Committee meetings respectively."

By Order of the Board

Place : New Delhi
Dated : 30th April, 2004

(Sanjay Gupta)
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 4 is annexed hereto and the information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking re-appointment in the Annual General Meeting, as proposed in Item No. 2 of the Notice, is also being annexed hereto separately and both forms part of the Notice.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 13th August, 2004 to 28th August, 2004 (both days inclusive).
4. Members desiring any information as regards Accounts are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the Management to keep the information ready.
5. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 a.m. to 12.30 p.m.
6. Members are requested to bring their copy of Annual Report alongwith them to the Annual General Meeting.



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ANNEXURE TO THE NOTICE:

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 4 OF THE SPECIAL BUSINESS:

Article 116 of the Articles of Association of your Company provides for payment of sitting fee to every director for attending a meeting of the Board or its Committee subject to such maximum fee as may be prescribed by the Central Government from time to time. Presently, the directors of the Company are being paid sitting fees @ Rs. 2,000/- and Rs. 1,500/- per meeting for attending the Board meetings and its Committee meetings respectively. Keeping in view the contribution made by the directors in framing progressive policies and also the valuable guidance/suggestions given by them from time to time,

the Board of Directors in its meeting held on 30.04.2004 enhanced the sitting fee from Rs. 2,000/- to Rs. 4,000/- and Rs. 1,500/- to Rs. 3,000/- per meeting for attending the Board meeting and its Committee meeting respectively, for which your approval is solicited.

Memorandum of Interest:

Except Mr. B.K. Choudhary, President & Executive Director, all other directors of the Company are concerned or interested in this resolution.

By Order of the Board

**Place : New Delhi
Dated : 30th April, 2004**

**(Sanjay Gupta)
Company Secretary**

Information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the Directors seeking re-appointment in the Annual General Meeting

Name of the Director	Mr. Sachit Jain	Mr. D.L. Sharma
Date of Birth	08.07.1966	10.11.1948
Date of Appointment	30.12.1995	24.12.1990
Expertise in specific functional area	Business Executive having experience of more than 15 years in textile industry	Business experience of about 30 years in textile industry
Qualification	B. Tech., M.B.A.	B. Sc. (Engg.) & M.B.A.
Directorships of Public Limited Companies	<ol style="list-style-type: none"> 1. Vardhman Spinning & General Mills Limited 2. Mahavir Spinning Mills Limited 3. Vardhman Acrylics Limited 4. VMT Spinning Company Limited 5. Vardhman Apparels Limited 6. Srestha Holdings, Limited 7. Santon Finance & Investment Company Limited 8. Flamingo Finance & Investment Company Limited 9. Ramaniya Finance & Investment Company Limited 10. Auro Fabriks Limited 	<ol style="list-style-type: none"> 1. Mahavir Spinning Mills Limited 2. Vardhman Acrylics Limited 3. VMT Spinning Company Limited 4. Vardhman Threads Limited 5. Delux Fabrics Limited 6. Auro Fabriks Limited
Chairman/Member of Committees of Public Limited Companies	<p>Member-Audit Committee VMT Spinning Company Limited Mahavir Spinning Mills Limited</p> <p>Member-Shareholders'/ Investors' Grievance Committee Mahavir Spinning Mills Limited</p>	<p>Member-Audit Committee Vardhman Acrylics Limited VMT Spinning Company Limited Vardhman Threads Limited</p> <p>Member-Shareholders'/ Investors' Grievance Committee Vardhman Acrylics Limited</p>



DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their Fourteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2004.

1. FINANCIAL RESULTS:

The financial results for the year are as under:

	(Rs. in Lacs)	
	2003-04	2002-03
Turnover	18,931.28	15,629.66
Profit before Depreciation, Interest & Tax (PBDIT)	3,062.04	3,382.05
Interest & Financial Expenses	1,066.83	1,227.38
Profit before Depreciation & Tax (PBDT)	1,995.21	2,154.67
Depreciation	1,102.87	1,117.28
Profit before Tax	892.34	1,037.39
Provision for Tax	69.00	87.00
Profit after Tax	823.34	950.39
Earnings per Share (Rs.)	0.76	0.88

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

a) ACRYLIC FIBRE INDUSTRY – GLOBAL PERSPECTIVE:

The global acrylic fibre consumption in the year 2003 has been estimated as 2.70 million MT approx., almost at the level of the year 2002 consumption. There has been a major shift in acrylic fibre consumption from US, Japan and Europe to Asian countries with latter now consuming more than 55% of global output. Similar to other synthetic fibres, China now accounts for over 35% of global acrylic fibre consumption. This shift has spurred restructuring of acrylic fibre capacity globally. In last two years, several acrylic fibre production facilities have either been closed or scaled down in Japan, Europe and US. In place of this closed capacity, fresh capacity is being built in China, Thailand, Egypt and some developing countries. The removal of textile quota regime from the year 2005, shift in manufacturing base of garments and apparels to low cost Asian countries and uncompetitive cost position of acrylic fibre producers in developed world shall further accelerate relocation of acrylic fibre capacity to Asian countries (other than Japan). By the year 2010, Asian countries are likely to consume more than two-third of the world acrylic fibre consumption.

During the year, the consumption of acrylic fibre globally was impacted due to disturbances in the Middle East and SARS epidemic in China in first half of the year besides uninspiring economic conditions in the world.

The acrylic fibre prices remained under pressure in the earlier part of the year with some stability followed by firming up tendency in the latter part of the year.

Acrylonitrile (AN), the major raw material for acrylic fibre, plays a dominant role in acrylic fibre price movement. In the year 2003, AN availability remained tight due to unexpected interruptions in several plants as also planned turnarounds. The AN prices remained firm and relatively stable during first half of the year as a result of the restricted availability. The prices could have been even higher had it not been due to unexpected SARS epidemic in China and disturbed conditions in Middle East during this period. The prices showed a slightly softening tendency in the third quarter of the financial year to firm up and move to higher levels in the last quarter of the year.

The international acrylic fibre prices in the coming year shall be impacted by economic growth in US, Europe and China; crude oil and AN prices; inter fibre competition and prices (specially availability and prices of natural fibres); world climate pattern and such other factors. In the year 2004, the industry experts do expect a healthier growth rate in the range of 2.0% to 2.5%. In the year 2004, acrylic fibre capacity utilization is likely to be around 94%.

The AN outlook for the FY 2004-05 is still not clear. On one hand availability of AN is likely to be marginally better than FY 2003-04, on the other hand unusually high prices of crude and the petro chain products could keep AN price at higher levels.

b) ACRYLIC FIBRE INDUSTRY – INDIAN PERSPECTIVE:

The Indian economy is estimated to have grown more than 7% during the year. The growth in agriculture output has been significant which had positive influence on demand of goods and services specially in the second half of the year. The Indian trade and industry seem to have achieved a good export growth, both in physical terms and dollar terms, during the year. Indian exports are estimated to have crossed USD 60 billion during the year. With this, the probability of raising India's share upto one per cent of world trade by 2007 has increased significantly.

In line with global trends of acrylic fibre consumption, there was practically no change in consumption of acrylic fibre during the year in comparison to the previous year. The Indian acrylic fibre producers were successful in building exports volume of over 20000 MT during the year. It enabled the domestic acrylic fibre industry to increase its capacity utilization to a level of over 90%. The price realization in the first half of the year was lower in relation to the AN prices due to several reasons, both



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domestic and international. The drop in agriculture income in the previous year continued to impact the demand and prices in the earlier part of the year. The disturbances in Middle East and SARS epidemic in China led to softening of prices in world markets and had an impact on prices in domestic market also.

c) FINANCIAL ANALYSIS & REVIEW OF OPERATIONS:

• PRODUCTION & SALES REVIEW:

The total production of Acrylic Fibre during the year under consideration was 16587.34 MT as against 14110.11 MT in the previous year and that of Acrylic Tow was 2044.91 MT as against 2954.88 MT in the previous year. Your Company has achieved a turnover of Rs.18,931.28 lacs against a turnover of Rs. 15,629.66 lacs in the previous year. After providing for depreciation of Rs. 1,102.87 lacs (previous year Rs. 1,117.28 lacs) and provisions for tax of Rs. 69.00 lacs (previous year Rs. 87.00 lacs), net profit of the Company is Rs. 823.34 lacs as against a net profit of Rs. 950.39 lacs in the previous year.

• RESOURCE UTILISATION:

i) Fixed Assets:

The gross fixed assets (including capital work-in-progress) as at 31st March, 2004 were Rs. 23,402.36 lacs as compared to Rs. 23,345.86 lacs in the previous year.

ii) Current Assets:

The net current assets as on 31st March, 2004 were Rs.1,398.73 lacs as against Rs. 2,117.16 lacs in the previous year. Inventory level was at Rs. 3,009.50 lacs as against Rs. 3,861.16 lacs in the previous year.

• FINANCIAL CONDITIONS & LIQUIDITY:

The Company enjoys a rating of "AA- (so)" from Credit Rating Information Services of India Limited (CRISIL) for its long-term borrowings. Your Management believes that the Company's liquidity and capital resources are sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below:

	(Rs. in Lacs)	
	2003-2004	2002-2003
Cash & cash equivalents		
Beginning of the year	49.29	27.71
End of the year	32.44	49.29
Net cash provided/(used) by		
Operating Activities	3,642.88	2,615.46
Investing Activities	(146.38)	(72.30)
Financing Activities	(3,513.35)	(2,521.58)

d) BUSINESS OUTLOOK:

The domestic demand of acrylic fibre in the coming year is likely to witness growth on account of healthy economic outlook both in the country and internationally and continued impact of higher agriculture income in the year. Several other factors such as climatic pattern, agriculture production and income during the coming year, inter fibre competition etc., are yet to unfold and become clear. The impact of removal of textile quota regime may also be felt during the coming years albeit in a small way.

In medium term, the Indian acrylic fibre industry seems to have potential of turning into an important exporter of acrylic fibre in global markets. It has the requisite technology base, efficient production facilities, world quality products and competencies to compete in the world market. The support and encouragement of Government of India shall be needed to realize this potential. The Indian textile industry has the potential of achieving 5 per cent share of world trade in textile and clothing by 2010. The Indian acrylic fibre industry shall be a beneficiary of this growth, if it materializes fully or partly. The domestic consumption level of acrylic fibre is likely to grow at a faster pace and pattern of acrylic fibre is also likely to undergo a change. As of now, more than 70% of acrylic fibre in India is used as wool substitute in hosiery and textile products. The consumption in other applications such as blankets, stuffed toys, upholstery, furnishings, bath mats, carpets etc. is also expected to increase in line with global trends.

e) INTERNAL CONTROL SYSTEM:

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organization. All significant issues are brought to the attention of the Audit Committee of the Board.

f) MANAGEMENT PERCEPTION OF RISK & CONCERNS:

The major raw material AN is a petro product and its price is which introduces an element of uncertainty.

The demand of acrylic fibre in India is closely related to economic growth and also the duration & intensity of winter season. The climate pattern, prices and availability of natural fibres, inter fibre competition and country's economic growth shall also influence acrylic fibre industry's performance. The global demand and prices of acrylic fibre (specially in large consuming centers like China) shall also be a key factor influencing the performance of Indian acrylic fibre industry.



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g) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS:

Continued emphasis on the development of human resources and creation of a culture, wherein employees can contribute to the fullest of their potential, has remained the focus of your Company. During the year, the Company employed over 325 persons.

Your Company has been able to ensure harmonious industrial relations through its proactive policies in this regard. The Company has been successful in directing the energies of the employees towards positive activities. Several initiatives have been taken to integrate the people with the organization and build mutual trust.

3. PUBLIC OFFER OF SHARES:

During the year, the Company came out with a Public Offer of its equity shares by way of Offer for Sale by the Promoter Company, Mahavir Spinning Mills Limited (MSML), through 100% Book-Building Process. MSML disinvested 2,75,68,527 (25.40%) equity shares and consequently your Company ceased to be a subsidiary of MSML.

The equity shares of the Company are now listed on the National Stock Exchange of India Limited (NSE), Mumbai and the Ludhiana Stock Exchange Association Limited (LSE), Ludhiana.

4. DIRECTORS:

Mr. Sachit Jain and Mr. D.L. Sharma, Directors of your Company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year, the nomination of Mr. B.K. Batra was withdrawn by Industrial Development Bank of India and Mr. S.G. Gulati was nominated on the Board of Directors of the Company in his place. The Board places on record its appreciation for the services rendered by Mr. B.K. Batra during his tenure as a Director of the Company.

5. DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that -

- i) in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have 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 of the Company for that period;
- iii) proper and sufficient care has been taken 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; and

iv) the annual accounts have been prepared on a going concern basis.

6. CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Corporate Governance Clause of the Listing Agreement is annexed to the report on Corporate Governance.

7. AUDITORS:

M/s. S.S. Kothari Mehta & Company, Chartered Accountants, New Delhi, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

8. AUDITORS' REPORT:

The Auditors' Report on the Accounts is self-explanatory and requires no comments.

9. PERSONNEL:

None of the employees has received a salary of Rs. 24.00 lacs per annum or Rs. 2.00 lacs per month or more during the financial year 2003-2004.

10. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:

The optimal utilisation of energy remained a major focus area and a number of steps were taken in this direction. The information required under Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with respect to these matters is annexed hereto and forms part of this report.

11. ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere gratitude to the Government Authorities, Financial Institutions & Bankers for their continued and valuable co-operation and support to the Company.

Your Directors express their deep appreciation for the devoted and sincere efforts put in by the members of the team at all levels of operations in the Company during the year. The Company feels confident of continued co-operation and efforts from them in future also.

For and on behalf of the Board

**Place : New Delhi
Dated : 30th April, 2004**

**(S.P. Oswal)
Chairman**



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ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2004

1. CONSERVATION OF ENERGY:

The Company has initiated several steps to conserve energy, wherever possible. Specifically, following steps have been taken:

STEAM:

- Feed Water heater installed in High Pressure (HP) Boiler in order to improve the cycle efficiency of Captive Power Plant (CPP).

POWER:

- Variable Frequency Drive (VFD) installed at various locations of the plant to conserve electric energy.
- Optimization of running of screw compressor for conserving electrical energy by superior automation.
- Various pumps' capacities downsized to match the required process flow.
- Aerodynamic Fibreglass Reinforced Plastic (FRP) blades installed in Cooling tower.
- Polymer Holding Tank (PHT) Agitator running hours reduced.
- Replacement of conventional gear box with more energy efficient gear boxes in Effluent Treatment Plant (ETP).

FORM-A:

A) POWER AND FUEL CONSUMPTION:

PARTICULARS	UNIT	2003-2004	2002-2003
Electricity:			
a) Purchased:			
Units	(KWH in lacs)	Nil	Nil
Total amount	(Rs. in lacs)	Nil	Nil
Rate per unit	(Rs./KWH)	Nil	Nil
b) Own Generation:			
i) Through Diesel Generator	(KWH in lacs)	13.27	22.04
Unit per Litre of Diesel Oil	(KWH)	3.65	3.54
Cost/Unit	(Rs./KWH)	6.10	5.64
ii) Through Turbines	(KWH in lacs)	281.18	258.95
Unit per Kg. of Coal	(KWH/KG)	1.45	1.38
Total Cost	(Rs. in lacs)	426.78	402.07
Cost/Unit	(Rs./KWH)	1.52	1.55

B) CONSUMPTION PER UNIT OF PRODUCTION:

Acrylic Fibre/Acrylic Tow:

Electricity	(KWH/KG)	1.58	1.65
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Note: Internal consumption of Power in Captive Power Plant included in above figures, accordingly previous year figures re-set.

2. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption are furnished in Form-B as under :-

FORM-B:

A. RESEARCH AND DEVELOPMENT (R&D):

(Rs. in lacs)

2003-2004 2002-2003

Expenditure on R&D	2.11	2.5
Total R&D expenditure as a per centage of turnover	0.01	0.01

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

(i) Technology Absorption and Adaptation:

The Company continues to focus on following areas for further improvement:

- Continuous interaction with process licensors for sharing information on development & technology upgradation.
- Evolving & strengthening process audit practices and process development abilities for ensuring consistency in quality improvement in productivity and savings in consumption of utilities and raw materials.
- Adoption of area expert concept and workstation-wise multi-skill approach for shop floor personnel for building skills and expertise.

(ii) Innovation:

- Higher productivity and upgradation of quality in semi-dull variety of fibre.
- Higher productivity in Tow production with consistent quality.
- Improvement in dyeing properties of fibre meant for specialty applications.

(iii) Particulars of technology imported in the last five years:

- a) Technology imported : Technical know-how for Manufacture of Acrylic Staple Fibre/Tow from Japan Exlan Company Limited, Japan.
- b) Year of import : 1998-1999
- c) Has technology been fully absorbed? : Yes

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in lacs)

2003-2004 2002-2003

Foreign Exchange earned : (FOB Value of Exports)	4.98	Nil
Foreign Exchange used: (CIF value of import & expenditure in foreign currency)	7,559.42	6,194.90