

15TH
ANNUAL REPORT
2001 - 2002

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FCL TECHNOLOGIES & PRODUCTS LIMITED
(Formerly known as Flex Chemicals Limited)



FCL TECHNOLOGIES & PRODUCTS LIMITED

(Formerly known as Flex Chemicals Limited)

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman & Managing Director

PANKAJ SHARMA
Whole-time Director

R. V. RAO
Nominee-IFCI

R. P. AGRAWAL

RAJIV SHUKLA

M. G. GUPTA

RAVI KATHPALIA

RASHMI CHATURVEDI

N. SITARAMAN

R. K. JAIN

PRADEEP TYLE

AMITAVA RAY

DEPUTY GENERAL MANAGER (ACCOUNTS) & COMPANY SECRETARY

BASANT KUMAR

AUDITORS

VIJAY SEHGAL & CO.
Statutory Auditors

JAIN SINGHAL & ASSOCIATES
Internal Auditors

BANKER

ICICI BANK LTD.,
ORIENTAL BANK OF COMMERCE
UNION BANK OF INDIA
VIJAYA BANK

REGISTERED OFFICE

110, First Floor, Bhanot Corner,
Pamposh Enclave
Greater Kailash - I
New Delhi - 110 048
Tel. : 6440917, 6440925
Fax : 6216922
E-mail : flexsec@vsnl.net

CORPORATE OFFICE

A-107-109, Sector-IV
NOIDA - 201 301 (U.P.)

OFFICES

118-119, Damji Shamji Udyog Bhawan,
1st Floor, 25A, Veera Desai Road,
Andheri (West),
Mumbai - 400 053

FMC Fortuna, Unit No. A-16
234/3A (2nd Floor)
Acharya Jagdish Chandra Bose Road
Kolkata - 700 020

A-20/6, (old No. 31/6), West Road,
West CIT Nagar, Nandanam,
Chennai - 600 035

443, IInd Floor, 7th Block
Koramangala
Bangalore - 560 095

WORKS

L-1, Industrial Area, Ghirongi (Malanpur),
Distt. Bhind, Madhya Pradesh - 477 117.

C-5-8, Sector-57, Phase - III
NOIDA-201301 (U.P.)

C-174-175, Sector-X,
NOIDA - 201 301 (U.P.)

A-108, Sector-IV
NOIDA-201301 (U.P.)



FCL TECHNOLOGIES & PRODUCTS LIMITED

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of FCL Technologies & Products Limited will be held at 4.00 P.M. on Wednesday, the 25th day of September, 2002 at Air Force Auditorium, Subroto Park, New Delhi - 110010 for transacting the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2002 and the Profit & Loss Account for the year ended on that date together with Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. R.K. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Rashmi Chaturvedi, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration. M/s. Vijay Sehgal & Co., Chartered Accountants, Delhi retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:
 "RESOLVED THAT Mr. Ravi Kathpalia, who was appointed as a Director of the Company w.e.f. 29th January, 2002 in the casual vacancy caused by the resignation of Mr. Rajesh K. Mahajan and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:
 "RESOLVED THAT Mr. Narayanaswami Sitaraman, who was appointed as a Director of the Company w.e.f. 23rd March, 2002 in the casual vacancy caused by the resignation of Mr. Harish Chaturvedi and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board

Place : NOIDA
 Dated : 30th August, 2002
 Regd. Office:
 110, First Floor, Bhanot Corner,
 Pamposh Enclave,
 Greater Kailash-I, New Delhi-110 048

BASANT KUMAR
 Dy. General Manager (Accounts) &
 Company Secretary

NOTES :

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED DULY COMPLETED TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULE TIME OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23.09.2002 to 25.09.2002 (both days inclusive).

4. Members are requested to notify change in address, if any, to the Company at its Registered Office, quoting correct folio number(s).
5. In case of joint holders, if more than one member intend to attend the meeting, they must obtain additional admission slips on request from the Registered Office of the Company.
6. Members who are holding shares in identical orders of names in more than one folio are requested to write to the Company to enable the Company to consolidate their holding in one folio.
7. Members seeking further information about the Accounts of the Company are requested to write at least one week before the date of the meeting.
8. Members/proxies should bring the Attendance Slips duly filled for attending the Annual General Meeting. No extra Attendance Slip will be provided at the venue of the Annual General Meeting.
9. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 24th July, 2000. The Company has already joined the Depository system and the ISIN for the shares of the Company is INE 145B01013. Members who desire to have their holding of shares dematerialized are requested to approach the Company through a Depository Participant.
10. The Company has paid Annual Listing Fees for the year 2002-2003 to the following Stock Exchanges viz. The Delhi Stock Exchange Association Limited, The Stock Exchange, Mumbai, National Stock Exchange of India Limited, The Stock Exchange, Ahmedabad and Madras Stock Exchange Limited at which the Company's shares are presently listed.
11. Members can avail nomination facilities by filing Form No. 2B as prescribed under the Companies (Central Government's) General Rules and Forms, 1956 with the Company. The blank Form will be supplied on request.
12. The name of the Company has been changed from Flex Chemicals Limited to FCL Technologies & Products Limited w.e.f. 28th April, 2000.
13. The Company has already transferred all unclaimed dividend declared up to the financial year ended 31st December, 1994 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend up to the aforesaid financial year may claim their dividend from the Registrar of Companies, NCT of Delhi & Haryana.
14. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st December, 1995 and thereafter, which remained unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders, who have not encashed the dividend warrant(s) so far for the financial year ended 31st December 1995 or any subsequent financial years are requested to write to the Company. It may also be noted that once the unclaimed dividend is transferred to the Central Government as stated above, no claim shall lie with the Company in respect thereof.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ITEM NOS. 5 & 6

In order to have more professionals with experience in different field and to broad base and strengthen the Board, the Directors of the Company have appointed Mr. Ravi Kathpalia and Mr. N. Sitaraman as Directors of the Company.

Mr. Ravi Kathpalia, was appointed as a Director of the Company w.e.f. 29th January, 2002 in accordance with the provisions of Section 262 of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company in the casual vacancy caused by the resignation of



FCL TECHNOLOGIES & PRODUCTS LIMITED

Mr. Rajesh K. Mahajan. He holds office upto the date of this Annual General Meeting. Mr. Ravi Kathpalia is a ret'd. IAAS (Indian Audit & Accounts Service) officer. During his illustrious carrier Mr. Kathpalia had held various prestigious and responsible position with different State Governments and Central Government both in India and Abroad. He retired from the post of Controller General of Accounts, Ministry of Finance in August, 1995. Currently he is on the Board of a number of companies.

Further, Mr. N. Sitaraman, was appointed as a Director of the Company w.e.f. 23rd March, 2002 in accordance with the provisions of Section 262 of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company in the casual vacancy caused by the resignation of Mr. Harish Chaturvedi. He holds office upto the date of this Annual General Meeting.

Mr. N. Sitaraman is a highly qualified and experienced professional. He is a Barrister-at-Law, Inner-temple, London; a Fellow Member of the Institute of Chartered Secretaries and Administrators, London; a Fellow Member of The Institute of Company Secretaries of India and a Fellow Member of British Institute of Management.

During, his illustrious carrier he has held several prestigious assignments/positions in organization of repute such as ITC Group and Britannia Industries Limited. He was associated with ITC Group for about 20 years and retired as a Whole-time Director of ITC Limited in the year 1997. During, his tenure with ITC, he was Chairman/Vice Chairman/Director of

various other companies of the ITC Group. Currently, he is a Whole-time Executive Director of Flex Industries Limited and also on the Board of Flex Engineering Limited.

The Directors feel that their induction would further strengthen the Board and would be beneficial and in the interest of the Company.

Notices have been received from members of the Company along with requisite fee under Section 257 of the Companies Act, 1956 proposing the candidature of both Mr. Ravi Kathpalia and Mr. N. Sitaraman for appointment to the office of Director.

The Board of Directors recommend the Resolution Nos. 5 & 6 for your approval.

Except Mr. Ravi Kathpalia and Mr. N. Sitaraman, no other Director is concerned or interested in the said resolutions.

By Order of the Board

Place : NOIDA

Dated : 30th August, 2002

Regd. Office:

110, First Floor, Bhanot Corner,
Pamposh Enclave,

Greater Kailash-I, New Delhi-110 048

BASANT KUMAR

Dy. General Manager (Accounts) &

Company Secretary

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING. (In Pursuance of Clause 49 of the Listing Agreement)				
Name of Director	Mr. R. K. Jain	Mrs. Rashmi Chaturvedi	Mr. Ravi Kathpalia	Mr. N. Sitaraman
Date of Birth	25.09.1954	02.04.1960	18.08.1937	08.11.1939
Date of appointment	15.12.1995	20.06.1992	29.01.2002	23.03.2002
Experience in specific functional areas	A highly qualified and experienced professional and has more than twenty years of professional experience, particularly in the field of Finance and Accounts.	Rich experience in the filed of Flexible Packaging & related areas.	A Retd. Govt. servant with expertise in the fields of Audit & Accounts.	A highly qualified and experienced Professional in the Corporate world and has handled various assignments both in India & abroad.
Qualification	FCA.	Post Graduate	M.A. (Eng.) M. Phill I.A.A.S.	Barrister-at-Law, Inner-temple (London), FCIS (London), FCS, FBIM
Directorship in other public limited companies	<ul style="list-style-type: none"> - Flex Engineering Ltd. - Flex Foods Ltd. - Flex International Ltd. - Flex Fincap Services Ltd. - Flex Americal Inc. 	<ul style="list-style-type: none"> - Flex Industries Ltd. - Flex Engineering Ltd. - Flex International Ltd. - Flex Securities Ltd. - Flex Fincap Services Ltd. 	<ul style="list-style-type: none"> - Flex Industries Ltd. - Atmaram Steels Ltd. - Tourism Finance Corp. India Ltd. - Kedia Distilion India Ltd. - Ricoh India Ltd. 	<ul style="list-style-type: none"> - Flex Industries Ltd. - Flex Engineering Ltd.
Member/Chairman of Committees of the Board of the public limited companies on which he/she is a Director	Audit Committee <ul style="list-style-type: none"> - FCL Technologies & Products Ltd. - Flex Engineering Ltd. - Flex Foods Ltd. 	Audit Committee <ul style="list-style-type: none"> - Flex Securities Ltd. 	Audit Committee <ul style="list-style-type: none"> - Flex Industries Ltd. - FCL Technologies & Products Ltd. 	Nil
	Remuneration Committee <ul style="list-style-type: none"> - FCL Technologies & Products Ltd. - Flex Engineering Ltd. - Flex Foods Ltd. 	Nil	Remuneration Committee <ul style="list-style-type: none"> - Flex Industries Ltd. - FCL Tehnologies & Products Ltd. 	Nil
	Shareholders'/Investors' Grievances Committee <ul style="list-style-type: none"> - FCL Technologies & Products Ltd (Chairman) - Flex Engineering Ltd. (Chairman) - Flex Foods Ltd. (Member) 	Nil	Nil	Nil



FCL TECHNOLOGIES & PRODUCTS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 15th Annual Report alongwith the Audited Accounts of the Company for the financial year ended 31st March, 2002.

FINANCIAL RESULTS

The summarized Financial Results for the year ended 31st March, 2002 and for the previous year ended 31st March, 2001 are as under:

	(Rs. in lacs)	
	<i>Year ended 31.03.2002</i>	<i>Year ended 31.03.2001</i>
Sales	27958.24	30612.87
Other Income	168.56	305.15
Profit before Interest, Financial Charges, Depreciation & Taxation	2998.20	3494.70
Less : i) Interest & Financial Charges	1803.67	1162.15
ii) Depreciation	755.24	798.76
	<u>2558.91</u>	<u>1960.91</u>
Profit before tax	439.29	1533.79
Less : Provision for taxation	(193.22)	(129.44)
Profit after tax	246.07	1404.35

REVIEW OF OPERATIONS

In the year under review your Company witnessed/experienced intense competition, over supply position and low demand for its products particularly in PET Chips, which adversely affected the performance of the Company. Despite, the adverse scenario, the Company due to pre-emptive measures initiated and aggressive marketing strategy adopted by the Management managed to achieve a turnover of Rs. 27958.24 lacs as compared to a turnover of Rs. 30612.87 lacs in the previous financial year. However, due to higher provisions of interest on the term loans in the year under review as per the restructuring scheme approved by IFCI Limited and lower average sales realization, the Company ended the year with a net profit of Rs. 246.07 lacs as compared to a net profit of Rs. 1404.35 lacs during the previous financial year.

In view of the position explained above, no dividend is recommended and the profit after tax is being ploughed back into the business.

The operational performance of each business segment of the Company has been comprehensively covered in the Management's Discussion and Analysis Report and the same is deemed to be a part of this Directors' Report.

NEW PROJECTS

The Company's new project to establish a call center and IT enabled services of international standard has been completed. Trial run of the newly implemented activities has commenced and commercialization of the same is expected to take place shortly.

FIXED DEPOSIT

During the year under review, the Company did not accept any fixed deposit from any person.

DIRECTORS

During the year under review Mr. Ravi Kathpalia and Mr. N. Sitaraman joined the Board in the casual vacancy caused by the resignation of Mr. Rajesh K. Mahajan and Mr. Harish Chaturvedi.

Mr. Ravi Kathpalia, who joined the Board on 29th January, 2002 is a ret'd. IAAS (Indian Audit and Accounts Service) officer. During his illustrious career Mr. Kathpalia had held various prestigious and responsible position with different State Governments and Central Government both in India and Abroad. He retired from the post of Controller General of Accounts, Ministry of Finance in August, 1995.

Mr. N. Sitaraman, who joined the Board on 23rd March, 2002 is a highly qualified professional and has held several prestigious assignments/positions in organizations of repute such as Britannia Industries Limited and ITC Group. He was associated with ITC Group for about 20 years and retired as a Whole-time Director in the year 1997.

Your Directors welcome both Mr. Ravi Kathpalia and Mr. N. Sitaraman to the Board of the Company.

Had Mr. Rajesh K. Mahajan and Mr. Harish Chaturvedi continued in the office, they would have been retiring at the ensuing Annual General Meeting. Therefore, both Mr. Ravi Kathpalia and Mr. N. Sitaraman hold the office of Director up to the ensuing Annual General Meeting and notices have been received from members of the Company proposing their appointment as Directors of the Company at the ensuing Annual General Meeting. Your Directors recommend their appointment.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. R.K. Jain and Mrs. Rashmi Chaturvedi Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

On the basis of the compliance certificates received from the executives of the Company, subject to the disclosures in the Annual Accounts and also on the basis of discussions with the Statutory/Internal Auditors of the Company, from time to time, we state as under:



FCL TECHNOLOGIES & PRODUCTS LIMITED

1. That in preparation of the Annual Accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed and that there have been no material departures.
2. That the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that were 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 the year under review.
3. That 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.
4. That the Directors have prepared the Accounts on a going concern basis.

The Company's Internal Auditors have conducted periodic audit to provide reasonable assurance that the Company's established policies and procedures have been followed. The Audit Committee constituted by the Board reviews the internal control and financial reporting issues with Internal Auditors.

AUDITORS & AUDIT

M/s. Vijay Sehgal & Co., Chartered Accountants, Delhi, Auditors of the Company, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

The relevant notes on the Accounts of the Company referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

CORPORATE GOVERNANCE

The Company has taken all necessary steps to comply with the requirements of Corporate Governance as per Listing Agreement

with the Stock Exchanges. A separate report on Corporate Governance is enclosed as a part of Annual Report. A compliance certificate from the Auditors of the Company in this behalf is annexed with this Report.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure 'A' forming part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information 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 is given in Annexure 'B' forming part of this Report.

PERSONNEL

Personnel relations with all employees remained cordial and harmonious through out the year. Your Directors wish to place on record their sincere appreciation to the employees of the Company for their devoted service.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank and acknowledge the co-operation and assistance received from various agencies of the Central Government, Government of Uttar Pradesh & Madhya Pradesh, Financial Institutions, Banks and Customers during the year under review. The Board also wishes to place on record their deep appreciation of the continued support of the Shareholders of the Company.

For and on behalf of the Board

Place : NOIDA
Dated : 30th August, 2002

ASHOK CHATURVEDI
Chairman & Managing Director

ANNEXURE 'A' TO THE DIRECTORS' REPORT

Information as per Section 217(2A) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report

EMPLOYED FOR THE FULL YEAR

Sl. No.	Name	Age	Designation	Remuneration	Qualification	Experience	Date of Appt.	Last Employment (Position held)
1.	Mr. Phillip John Ashley	44	Chief Executive Officer	5001717	MBA in Marketing & Industrial Relations	26	1.9.2000	General Manager - Quantas Tele Sale

1. Remuneration includes Salary, Bonus, contribution to Provident Fund, wherever applicable, and all other perquisites taxable or non-taxable.
2. Information about qualification and last employment is based on particulars furnished by the concerned employee.
3. None of the Directors of the Company is related to Mr. Phillip John Ashley.

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

1. Conservation of Energy

A) Inks & Adhesives Division

Continuous efforts are being made to save energy costs at regular interval. Steps are being initiated to install three AC drives at a cost of approximately Rs.2.25 lacs for high speed mixers which will result in reduction in power consumption and savings



FCL TECHNOLOGIES & PRODUCTS LIMITED

on account of lower evaporation loss of solvents during mixing. Further, the Company is planning to change fuel for gen sets from HSD to LDO at an approximate one time cost of Rs.4.00 lacs. All these measures once implemented will result in a saving of approximately Rs.6.00/7.00 lacs per annum.

B) Poly-Condensation Division (Pet Chips)

i) Measures Taken

- a) Ethylene Glycol Residue burning project completed and commissioned.
- b) Esterification reactors venting system modified in order to reduce EG loss to atmosphere.
- c) Esterification reactor pressurization system modified to eliminate nitrogen requirement.
- d) Mechanical agitator provided in place of sparger to reduce load on compressed air.
- e) Fuel additives used in furnace oil 3-5% saving achieved.
- f) Process cooling water being processed to recover EG.
- g) Borewell water consumption reduced by providing self closing taps.
- h) FRP fans provided at cooling towers.

ii) Impact of above measures

- 1) Fuel oil consumption reduced by 1.5 to 2 kl/day because of residue burning.
- 2) 400 NM3 Nitrogen saved per day.
- 3) 1500 kwh power saved per day.

PARTICULARS OF CONSERVATION OF ENERGY

	Year ended 31st March, 2002	Year ended 31st March, 2001
I. Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in lacs)	9.37	8.89
Total Amount (Rs. in lacs)	42.59	41.42
Rate/Unit (Rs.)	4.54	4.66
(b) Own Generation :		
Through Diesel Generator		
Units (in lacs)	129.09	136.20
Units/Ltr. of Diesel Oil	3.71	3.60
Cost/Unit (Rs.)	3.33	3.34
2. Coal		
Quantity (MT)	Nil	Nil
Total Amount (Rs./lacs)	Nil	Nil
Average Rate (Rs./MT)	Nil	Nil
3. Furnace Oil		
Quantity (ltrs. in lacs)	101.33	102.88
Total Amount (Rs./lacs)	858.80	967.90
Average Rate (Rs./ltr. in lacs)	8475.00	9409.00

II. Consumption per unit of production :

		Electricity (KWH/Tonne)		Furnace Oil (KL/Tonne)		Own Generation (MT/Tonne)	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Pet Chips	MT	Nil	Nil	64881	63865	64881	63865
	Unit	Nil	Nil	0.16	0.16	195	209
	Rs./MT	Nil	Nil	1324	1516	649	698
Inks & Adhesive	MT	3486	3264	Nil	Nil	3486	3264
	Units	245	242	Nil	Nil	71	83
	Rs./MT	1069	1094	Nil	Nil	236	277
Flexible pouches sized wrappers & zipper packing materials	No in lacs/ (Mtrs./Nos)	377	410	Nil	Nil	377	410
	Units	218	232	Nil	Nil	59	54
	Rs./Nos. in lacs	1408	1349	Nil	Nil	196	180
	(Mtrs./Nos)						



FCL TECHNOLOGIES & PRODUCTS LIMITED

2. Research & Development (R & D)

A) Inks & Adhesives Division

During the year, the R & D team has developed the following products:

- a) Printing inks, release lacquer and pressure sensitive products for tatoo application.
- b) Processes for transfer of holographic coatings and transfer metallising.
- c) PU based lamination inks for packaging applications.
- d) Specialty adhesives for shoe uppers and straps.
- e) Polyester polyols for shoe soles.
- f) Specialty PU resin for PU lamination inks.
- g) Developed high solid 80% GP lamination adhesive for packaging applications.
- h) Developed rubber based adhesives.
- i) The Company has also achieved considerable success in developing two component solvent free lamination adhesives. Few pilot and commercial trials have also been done.

B) Poly-Condensation Division (Pet Chips)

Specific areas in which R & D carried out by the Company are:

- a) Specially developed additive chips use started at film line.
- b) Chips for Ultra clear film produced.
- c) Super bright chips with good moulding properties produced for export.
- d) Chips produced for special film application.

Future Plan of Action

- a) Coating formulations for release papers
- b) Special inks for glow and fluorescent tattoos
- c) Develop technology for spot holography
- d) Develop new polyester polyols for the shoe and other applications.
- e) Solvent free single component lamination adhesives
- f) Water based polyurethane adhesives for various applications particularly for shoe and packaging.
- g) Evaluate hotmelt adhesive project.

3. Technology Absorption, Adaptation & Innovation

a) Inks & Adhesives Division

- Continuous efforts are being made with an objective to achieve development of new products/applications, improvement in productivity, reduction in raw material costs and wastages.
- Up-graded milling technology by installing two latest bead mills resulting in quality improvements in printing of plastic films.
- All the technologies developed during the year has been absorbed, perfected and commercialized.

b) Poly-Condensation Division

The poly-condensation plant at Malanpur deploys entirely indigenous technology. The technology is continuously upgraded in order to keep pace with global developments.

4. Foreign Exchange Earnings and Outgo

	(Rs. in lacs)
a) Earnings	129.57
b) Outgo	1343.79

For and on behalf of the Board

Place : NOIDA
Dated : 30th August, 2002

ASHOK CHATURVEDI
Chairman & Managing Director



FCL TECHNOLOGIES & PRODUCTS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

The activities of the Company can be broadly divided into two business segments i.e. Poly-condensation (PET Chips) and Inks & Adhesives. The recently set up business-relating to IT enabled services is expected to be commercially operational in the current financial year.

Poly-Condensation (Pet Chips)

A) Segmental Review & Analysis

The main activities of the Division are manufacturing of various grade of polyester chips. Since commissioning of all its production lines, the Poly-condensation Division has become the main source of revenue and income of the Company.

However, of late the poly-condensation industry in general has been going through a difficult phase. This coupled with shrinkage in demand and substantial increase in raw material cost without corresponding appropriate increase in sales price has severely affected the performance of the Division during the financial year 2001-2002. The setting up of their own production unit by some of the main customers have further aggravated the situation.

During the year under review, the Division achieved sales volume of 64885 metric tonnes as against sales volume of 63973 metric tonnes during the previous financial year i.e. a growth of around 1.4% over the previous year. Though, there has been an improvement in the sales volume but due to low average realization the sales in terms of value was lower at Rs.28117 lacs as against Rs. 31084 lacs in the previous financial year.

B) Opportunities & Threats

The PET Chips manufacturing facilities of the Company at Malanpur has the advantage of batch processing as compared to continuous processing facilities of the competitors. This has enabled the Company to manufacture different grade of PET Chips as per the requirements of the customers. The Company is exploring various avenues including the aforesaid advantage to effectively deal with the excess capacity and over supply position in the domestic market. Further, it is tapping the international market and with its better quality and competitive price, the Company will have an advantage over its competitors. However, the growth of domestic chips market particularly the yarn chips market has remained sluggish. The current market scenario of excess supply and shrinkage in demand is not expected to improve in the near future. Further, increase in the raw material cost not adequately compensated by commensurate increase in the price of finished products is expected to have a negative impact on the margins and profitability of the Company.

Inks & Adhesives

A) Segment Review & Analysis

The printing inks and adhesives industry in India is being dominated by 5 to 6 major players which includes both multinational as well as domestic companies. Due to the quality and diversified nature of the products being manufactured by the inks & adhesives division, over a period of time, the Company has successfully established itself as a major supplier of both inks & adhesives in India.

Demand for printing inks and adhesives is growing at the rate of about 10% to 12% per annum and the demand for the current year 2002-03 would be somewhere around 25000 MTs for inks and 10000 MTs for laminating adhesives.

During the year under review in terms of sales volume the Inks & Adhesives Division has been able to improve its performance over the previous financial year. It achieved a growth of around 4.93%. The sales in terms of volume were 3425 metric tonnes as compared to 3264 metric tonnes in the previous year. However, the sales in terms of value were lower, due to lower sales realization at Rs.4176 lacs as against Rs.4306 lacs in the previous financial year. The improved performance was mainly due to improved captive demand as well as outside sales.

B) Opportunities and Threats

With the opening of the economy the opportunities for the inks & adhesives industries are gradually increasing both in the domestic as well as international market. There is a good demand for flexible packaging materials and newer applications for wide variety of consumer goods. This will give a major boost to the demand for the Company's products. The Division with its excellent quality, competitive price and aggressive marketing strategy is well placed to make a major inroad in the domestic as well as international market.

However, as investment in this type of industry is small as compared to the opportunities and benefits it has attracted a number of players to the market resulting in increased competition and constant pressure in the price and margins as well as larger credit periods to the customers. As a policy, the Company does not offer larger credit period and it has restricted its exposure only to good customers. This might affect the revenue and profitability of the Company.



FCL TECHNOLOGIES & PRODUCTS LIMITED

2. Future Outlook

Though, the performance of the Company during the year under review was subdued both the Divisions of the Company more particularly the Poly-condensation Division hold tremendous potentials.

To come out of the difficult situation the Company is exploring its inherent advantage and various other alternatives including major foray into the international market where the margins are better. Further, the Company is in the process of broad basing its product range within the existing infrastructure of the Company. The growth rate as well as margins in the broad base chips is expected to be better as compared to other chips. The implementation of the broad basing is on schedule and once commercially operational, it is expected to give boost to the revenue and profitability of the Company.

The captive as well as outside demand for the inks & adhesives is also expected to improve further in the coming years resulting in better performance and increased revenue.

The Management is quite optimistic and hopeful of better performance in the coming years.

3. Internal Controls & Systems

The Company has adequate internal control systems for business processes across all the Divisions, in respect of efficiency of operations, financial reporting, compliance with applicable laws and regulations etc. The internal control system is supplemented by extensive audits conducted by the Internal Auditors of the Company. The audits are conducted to review the adequacy and effectiveness of internal controls and suggest improvements for strengthening them.

The Company has an Audit Committee, which comprises of six non-executive Directors. The Committee regularly reviews the significant observations of the Internal Auditors.

4. Financial Performance & Analysis

Highlights	(Rs. in Lacs)	
Particulars	2001-2002	2000-2001
Gross Turnover	27958.24	30612.87
Other Income	168.56	305.15
Profit before Interest Depreciation & Taxation (PBITD)	2998.20	3494.70
Interest & Financial Charges	1803.67	1162.15
Depreciation	755.24	798.76
Profit before tax	439.29	1533.79
Provision for tax	(36.42)	(129.44)
Provision for deferred tax	(156.80)	—
Profit after tax	246.07	1404.35

5. Human Resource Development/Industrial Relations

The Company's Human resources philosophy is to establish and build a strong performance and competency driven culture with greater sense of accountability and responsibility. The Company has taken pragmatic steps for strengthening organizational competency through involvement and development of employees as well as installing effective systems for improving the productivity, quality and accountability at functional levels.

The basic focus of the Company is to upgrade the skill and knowledge level of the existing human assets to the required level by providing appropriate leadership at all levels, inculcating the attitude for speed of actions and taking responsibilities.

The Company had 472 employees as on 31st March, 2002. The industrial relations scenario remained peaceful and harmonious.

6. Cautionary Statement

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, expectations or predictions may be a forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global as well as domestic demand- supply conditions, raw materials cost & availability, changes in Government regulations and tax structure, economic developments within India and world wide and other relevant factors.

The Company assumes no responsibility in respect of forward looking statements which may be amended or modified in future on the basis of subsequent developments, information or events.