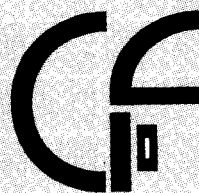


17th
Annual Report
2003-2004



FCL TECHNOLOGIES
& PRODUCTS LIMITED



FCL TECHNOLOGIES & PRODUCTS LIMITED

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman & Managing Director

G. GOSWAMI
Nominee-IFCI

RAJIV SHUKLA

M. G. GUPTA

RAVI KATHPALIA

R. K. JAIN

PRADEEP TYLE

REGISTERED OFFICE

110, First Floor, Bhanot Corner,
Pamposh Enclave
Greater Kailash - I
New Delhi - 110 048
Tel. : 26440917, 26440925
Fax : 26216922
E-mail : flexsec@vsnl.net

CORPORATE OFFICE

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

DEPUTY GENERAL MANAGER (ACCOUNTS) & COMPANY SECRETARY

BASANT KUMAR

AUDITORS

VIJAY SEHGAL & CO.
Statutory Auditors

JAIN SINGHAL & ASSOCIATES
Internal Auditors

BANKERS

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

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

443, 11nd 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-3, Sector - 57, Phase - III
NOIDA - 201301 (U.P.)



FCL TECHNOLOGIES & PRODUCTS LIMITED

NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of FCL Technologies & Products Limited will be held on Thursday, the 1st day of July, 2004 at 10.00 A.M. 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, 2004 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. Pradeep Tyle, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R.K.Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors. M/s. Vijay Sehgal & Co., Chartered Accountants, Delhi retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

By Order of the Board

BASANT KUMAR

Dy. General Manager (Accounts)
& Company Secretary

Place : NOIDA

Date : 25.05.2004

Regd. Office:

110, First Floor, Bhanot Corner,
Pamposh Enclave, Greater Kailash-I,
New Delhi-110 048

NOTES :

1. 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 SCHEDULED TIME OF THE MEETING.
2. Corporate Members intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 22.6.2004 to 1.7.2004 (both days inclusive).
4. Members holding shares in physical form are requested to notify change in address, if any, to the Company's Registrar and Share Transfer Agents (RTA), M/s. Intime Spectrum Registry Limited, A-31, 3rd Floor, near PVR Cinemas, Naraina Industrial Area, Phase-I, New Delhi - 110 028 quoting correct Folio Number(s) and in case of shares held in dematerialized form to the concerned Depository Participant.
5. In the case of joint holders, if more than one holder 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 order of names in more than One Folio, are requested to write to the Company/RTA for consolidating their holdings into One Folio.
7. Members seeking further information about the accounts of the Company are requested to write to the Company at least one week before the date of the meeting giving details of the information required.
8. Members/Proxies should bring the Attendance Slip duly filled in for attending the Annual General Meeting. No extra attendance slip will be provided at the Annual General Meeting.
9. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
10. The Company has already transferred all unclaimed dividend declared upto 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 upto the aforesaid financial year may claim their dividend from the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi - 110 003.
11. Pursuant to Section 205C of the Companies Act, 1956 the dividend for the financial year ended 31st December, 1995 which remain unclaimed/unpaid for a period of seven years has been transferred to the Investor Education and Protection Fund established by the Central Government on 11.7.2003. Further, the dividend for the financial year ended 31st December, 1996, which will remain unpaid or unclaimed for a period of 7 years, will be transferred to the Investor Education and Protection Fund of the Central Government in the month of July, 2004. Shareholders, who have not encashed the dividend warrant(s) so far for the financial year, ended 31st December, 1996 are requested to seek issue of duplicate/revalidated dividend warrant(s) by writing to the Company or its Registrar and Share Transfer Agent immediately. **It may also be noted that once the unclaimed dividend is transferred to the Central Government, as stated above, no claim against the Company shall lie in respect thereof.**
12. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 24.7.2000. 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's RTA through a Depository Participant.
13. Consequent upon the introduction of Section 109A of the



FCL TECHNOLOGIES & PRODUCTS LIMITED

Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 28 (which will be made available on request) to the Company's Registrar and Share Transfer Agents, M/s. Intime Spectrum Registry Limited.

in which the Company's equity shares are presently listed.

Place : NOIDA
Date : 25.05.2004

By Order of the Board
BASANT KUMAR
Dy. General Manager (Accounts)
& Company Secretary

14. The Company has paid the Annual Listing fees for the year 2004-2005 to the following Stock Exchanges viz., the Stock Exchange, Mumbai and National Stock Exchange of India Ltd.

Regd. Office:
110, First Floor, Bhanot Corner,
Pamposh Enclave, Greater Kailash-I,
New Delhi-110 048

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING. (Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Mr. Pradeep Tyle	Mr. R.K.Jain
Date of Birth	03.10.1961	25.09.1954
Date of Appointment	28.10.1999	15.12.1995
Experience in specific Functional areas	A Chemical Engineer and has vast experience particularly in the field of packaging and polymers business. Associated with the Flex Group for more than a decade and is quite familiar with the affairs of the Group activities.	A Chartered Accountant having more than 24 years of experience particularly in the field of Finance, Accounts, Taxation and Corporate Affairs. Associated with the Flex Group almost since inception and as such is quite familiar with the affairs of the Group activities.
Qualification	B.E.(Hons) Chem., P.G.D.B.M.	F.C.A
Directorship in other Public Limited companies	<ul style="list-style-type: none"> — Flex Engineering Limited — Flex America Inc. — Flex Middle-East FZE 	<ul style="list-style-type: none"> — Flex Engineering Ltd. — Flex Foods Limited — Flex America Inc. — Flex Middle East FZE
Member/Chairman of Committee of the Board of the public limited companies on which he is Director	Audit Committee <ul style="list-style-type: none"> — FCL Technologies & Products Limited Remuneration Committee Nil. Shareholders'/Investors' Grievance Committee <ul style="list-style-type: none"> — FCL Technologies & Products Limited — Flex Engineering Limited 	Audit Committee <ul style="list-style-type: none"> — FCL Technologies & Products Limited — Flex Engineering Limited — Flex Foods Limited Remuneration Committee <ul style="list-style-type: none"> — FCL Technologies & Products Limited — Flex Engineering Limited — Flex Foods Limited Shareholders'/Investors' Grievance Committee <ul style="list-style-type: none"> — FCL Technologies & Products Limited — Flex Engineering Limited — Flex Foods Limited



FCL TECHNOLOGIES & PRODUCTS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting this Seventeenth Annual Report along with the Audited Accounts of the Company for the financial year ended 31st March, 2004.

FINANCIAL RESULTS

The summarized financial results for the year ended 31st March, 2004 and for the previous year ended 31st March, 2003 are as under:

	(Rs. in lacs)	
	<i>Year ended 31.03.2004</i>	<i>Year ended 31.03.2003</i>
Sales & Job work (Net)	32691.14	32334.36
Other Income	243.61	152.66
Profit before Interest, Financial Charges, Depreciation & Taxation	2804.37	2215.86
Less: i) Interest & Financial Charges	1535.61	2603.36
ii) Depreciation	1010.33	894.50
	2545.94	3497.86
Profit/(Loss) before tax	258.43	(1282.00)
Less:		
- Provision for Wealth Tax	0.54	0.54
- Deferred Tax (Asset)/Liability	86.67	(426.62)
Profit/(Loss) after tax	171.22	(855.92)

REVIEW OF OPERATIONS

Despite, difficult and gloomy market conditions, particularly for the PET Chips industry your Company has successfully ended the financial year under review with a positive note.

The turnaround was achieved mainly due to the corrective measures initiated by the Management including timely introduction of new range of products and discontinuation of uneconomical products.

Better utilization of resources and cost cutting measures enabled the Company to cut down on the cost of production, which in turn also had a positive impact on the margin and profitability of the Company.

Your Company during the year under review achieved a turnover of Rs.32934.75 lacs including other income of Rs. 243.61 lacs as against a turnover of Rs.32487.02 lacs including other income of Rs. 152.66 lacs during the previous financial year. However, due to the factors as stated above, it ended the year under review with profit after tax of Rs. 171.22 lacs as compared to loss of Rs. 855.92 lacs during the previous financial year.

The Company due to the efforts and pre-emptive measures initiated by the Management has made a turnaround, however the market condition still is quite uncertain and volatile. The Company needs to further diversify and expand its operations to be able to sustain the growth and profitability.

The Board of Directors of your Company after carefully considering the overall financial scenario, regret their inability to recommend any dividend for the financial year under review.

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

CALL CENTER ACTIVITIES

The operations of the 100% export oriented unit of the Company with regard to development of computer software and IT enabled services including BPO and Call Center services could not commence fully due to uncertain and volatile market conditions. In order to come out of the difficult situation, the Company proposes to form a 50:50 joint venture arrangement with Planet Outsourcing Parks Private Limited to run the Call Center and other IT enabled services. Though necessary approval to hive off and transfer the Call Center facilities including all machinery and equipments of the IT business set-up by the Company has been accorded by the Members of the company through a Postal Ballot conducted in the month of March, 2004, the implementation of the joint venture arrangement is expected to be completed during the first quarter of the current financial year.

Planet Outsourcing Parks Private Limited is a company registered in India engaged inter-alia in the business of BPO and Call Center services. It is a US based Call Center related company and has gained valuable experience and expertise in this business. The global base of customers developed by Planet's overseas associates over the period of time is invaluable and will be of great help in developing and running the Call Center facility.

FIXED DEPOSIT

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

WHOLLY OWNED SUBSIDIARY

During the year under review, the Company with a view to enter into the lucrative market of polyester and other plastic films has set up a wholly owned subsidiary in the name & style of "Flex Middle East FZE" in Jebel Ali Free Zone, Dubai, United Arab Emirates.



FCL TECHNOLOGIES & PRODUCTS LIMITED

However, due to operational difficulties and tight liquidity position, the wholly owned subsidiary could not commence its operation during the year.

The Annual Accounts alongwith Reports of Auditors of Flex Middle East FZE, United Arab Emirates are attached together with the Statement under Section 212 of the Companies Act, 1956.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard – 21 – Consolidated Financial Statements read with Accounting Standard – 23, your Directors have pleasure in attaching the Consolidated Financial Statement, which form part of this Annual Report & Accounts. The Consolidated Financial Statement has been prepared on the basis of the financial statements received from the Subsidiary company.

DIRECTORS

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

Brief resume of the above Directors, nature of their expertise in specific functional areas and the name of the companies in which they hold the Directorship and the Chairmanship/ Membership of the Committees of the Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, are given as Annexure to the Notice convening the Annual General Meeting elsewhere in the Annual Report.

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 discussion with the Statutory/Internal Auditors of the Company, from time to time, we state as under:

1. That in preparation of the Annual Accounts for the financial year ended 31st March, 2004, the applicable accounting standards have been followed and that there have been no material departure.
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 them selves for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

The observations of the Auditors and the relevant notes on the Accounts of the Company are self-explanatory and therefore do not call for any further comments.

CORPORATE GOVERNANCE

The Company has complied with the requirements of Corporate Governance as stipulated by the Securities & Exchange Board of India and Listing Agreement entered into with the Stock Exchanges. A separate report on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, form part of the Annual Report.

DELISTING OF EQUITY SHARES

In terms of the Guidelines of the Securities & Exchange Board of India and the approval received from the Members, during the year under review the Company has applied and obtained approval for delisting of its equity shares from three Stock Exchanges i.e. the Delhi Stock Exchange Association Limited, Delhi, the Stock Exchange, Ahmedabad and the Madras Stock Exchange Limited, Chennai. The Company's shares, however, continue to remain listed on the National Stock Exchange and the Stock Exchange, Mumbai.

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



FCL TECHNOLOGIES & PRODUCTS LIMITED

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 : 25.05.2004

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 forming part of Directors' Report.

A. EMPLOYED FOR THE FULL YEAR

Sl. No.	Name	Age	Designation	Remuneration (Rs.)	Qualification	Experience (Yrs.)	Date of Appt.	Last Employment (Position held)
A.	Mr. R. P. Agrawal	72	Corporate Advisor	31,17,640	B.Com, LL.B, A.C.A	47	15.11.2002	Corporate Advisor, Flex Engineering Ltd.

B. EMPLOYED FOR PART OF THE YEAR : NIL

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 Mr. R. P. Agrawal and the said appointment is contractual.
3. None of the Directors of the Company is related to Mr. R.P. Agrawal.

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

The Company is constantly looking at avenues to save energy by way of optimal utilization of energy consuming equipments. Close monitoring of fuel consumption for its diesel generating sets, steam boilers and thermic fluid heaters is carried out. Though, the Company has installed 4 Nos. of AC drives, since overall energy cost is very small compared to total cost of production it is rather difficult to really quantify the effect in terms of cost savings due to conservation of energy.

B) Poly-Condensation Division (Pet Chips)

i) Measures Taken

- a) Optimization of cooling water requirement achieving power saving of approximately 250000 KWH. Expected power saving next year because of this improvement will be approximately 400000 KWH.
- b) Chips silos were modified to reduce the chips conveying distance. The saving of compressed air because of this modification is approximately 270000 NM³. The savings in the next year on account of this modification would be approximately 1500000 NM³.
- c) Introduction of VFD at FD fans of boilers and thermic fluid heaters and compressor No. 1.
- d) Optimization of all the pumps in the plant yielded saving of 250000 KWH. The expected saving in the next year on account of this will be approximately 825000 KWH.
- e) Modifications carried out in the process, helped to stop the chillers altogether during the winter. The savings because of this were 270 KL of furnace oil and 100000 KWH. Similar savings are expected in the coming winter also.

ii) Additional Proposal for Energy Conservation

Introduction of heavy fuel based genset will further bring down the power cost substantially.

iii) Impact of above measures

Due to the aforesaid energy conservation measures the chips production cost is reduced by approximately 0.14 paise per kilo gram.



FCL TECHNOLOGIES & PRODUCTS LIMITED

PARTICULARS OF CONSERVATION OF ENERGY

		Year ended 31st March, 2004	Year ended 31st March, 2003
I. Power & Fuel Consumption			
1. Electricity			
(a) Purchased			
Units (in lacs)		12.80	10.99
Total Amount (Rs. in lacs)		53.18	44.74
Rate/Unit (Rs.)		4.16	4.07
(b) Own Generation			
Through Diesel Generator			
Units (in lacs)		124.14	130.36
Units/Ltr. of Diesel Oil		3.45	3.64
Cost/Unit (Rs.)		4.72	3.63
2. Coal			
Quantity (MT)		NII	NII
Total Amount (Rs./lacs)		NII	NII
Average Rate (Rs./MT)		NII	NII
3. Furnace Oil			
Quantity (Ltrs. in lacs)		83.85	95.60
Total Amount (Rs./lacs)		854.94	1018.66
Average Rate (Rs.per KL)		10196.00	10655.00

II. Consumption per unit of production :

Description		Electricity (KWH/Tonne)		Furnace Oil (KL/Tonne)		Own Generation (KWH/Tonne)	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Pet Chips	MT	NIL	NIL	52184	60134	52184	60134
	Units	NIL	NIL	0.16	0.16	228	211
	Rs./MT	NIL	NIL	1638	1694	1059	753
Inks & Adhesives	MT	4927	4110	NIL	NIL	4927	4110
	Units	260	257	NIL	NIL	56	77
	Rs./MT	1079	1032	NIL	NIL	368	460
Flexible Pouches sized wrappers Materials	No in lacs/ (Mtrs./Nos)	NIL	217	NII	NII	NII	217
	Units	NIL	193	NII	NII	NII	57
	Rs./Nos. in lacs (Mtrs./Nos.)	NIL	1077	NII	NII	NII	618
Zipper Slider	No in lacs/ (Mtrs./Nos)	NIL	NII	NII	NII	679	NII
	Units	NIL	NII	NII	NII	343	NII
	Rs./Nos. In lacs (Mtrs./Nos.)	NIL	NII	NII	NII	2260	NII

2. Research & Development (R & D)

A) Inks & Adhesives Division

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

- Toluene free lamination ink system.
- Process for producing metallised holography paper.
- Process and coating material for holography on oriented nylon film.
- High solid low viscosity ready to use lamination adhesives.
- Economic high green tack lamination adhesives.



FCL TECHNOLOGIES & PRODUCTS LIMITED

- f) Polyester polyols for cast elastomers, paints & coatings.
- g) Special adhesives for flavoured Tattoos.

Benefits derived

The Company has successfully introduced the new products developed by its R & D in the market.

Future Plan

- a) PU dispersion based polyurethane adhesives.
- b) Improved new formulations for solventless and solvent based lamination adhesives.
- c) New speciality polyols for shoe soles and other applications.
- d) Process development for spot holography.
- e) UV coatings for special effects.
- f) PU adhesives/sealants for auto/construction applications.

B) Poly-Condensation Division (Pet Chips)

Novel technology has been developed to recycle the lump waste and the oversize cutting of the polymer back to the process without affecting the quality of the final product at an investment of Rs.1.04 lacs. At present, the technology can handle only wastes of a particular type. This technology will soon be updated to recycle any type of waste. This new technology has brought down the waste percentage by 0.2%. The additional advantage of this recycling technology is that it can reprocess the material which otherwise can not be sold to get first quality realization.

Future Plan of Action

- The Company is targeting zero waste during the current year with the help of this technology.

3. Expenditure in R&D.

During the year under review the total expenditure incurred by the Company on R&D activities are as follows:

	(Rs. in lacs)
Revenue	4.61
Capital	7.11
Total	11.72

This is equivalent to 0.03% of the total turnover.

4. Technology Absorption, Adaptation & Innovation

a) Inks & Adhesives Division

- Process Technologies developed by R & D team have been well absorbed and perfected and commercial supplies of newly developed products have been started.
- Two new technology grinding mills have been installed for manufacture of gravure inks during this period.
- No technology has been imported during this year.

b) Poly-Condensation Division

- SSP Plant indigenously developed technology perfected to get international quality of the product.
- SSP Plant established for smooth operations at rated capacity of 100 TPD. This fulfils the quality/quantity criteria of plant design and operations.
- Polymer recycling technology developed to target zero waste.

5. Foreign Exchange Earnings and Outgo

	(Rs. in lacs)
a) Earnings	738.74
b) Outgo	1054.85

For and on behalf of the Board

ASHOK CHATURVEDI
Chairman & Managing Director

Place : NOIDA
Dated : 25.05.2004



FCL TECHNOLOGIES & PRODUCTS LIMITED

MANAGEMENT DISCUSSION & ANALYSIS

(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 or events).

BUSINESS REVIEW

The activities of the Company can be broadly divided into two business segments i.e. manufacturing and dealing in Poly-condensation (PET Chips) and Inks & Adhesives.

POLY-CONDENSATION (PET CHIPS)

A) Segment Review & Analysis

The Company is in the business of polyester chips manufacturing viz. Film Grade, Textile Grade and Bottle Grade.

The State-of-the-art manufacturing facilities using indigenous technologies was set up mainly to cater to the demand of film grade and textile grade chips.

Despite initial teething problems, the poly-condensation business by the year 2000 had become the primary business as well as the top revenue grosser for the Company. However, by year 2002 the meltdown had started primarily in the textile grade chips business due to over supply & intense competition and decline in margins.

The business of textile grade chips, used as raw material by the POY manufacturers, during the last couple of years have deteriorated considerably due to change in the business policy of some of the major customers of the Company and negligible margins.

However, the film grade chips mainly used for captive consumption by Flex Industries Limited, an associate Company continues to do well. Due to its better quality, besides the captive demand it has a steady market in India and is the backbone of the whole business segment.

The bottle grade chips introduced by the Company during 2002-03 with an installed capacity of 3000 MTs per month within the existing overall installed capacity, as part of realignment of products to come out of the difficult situation initially had a lot of promise. But with the entry of big players and installation of huge additional manufacturing capacities, the scenario in the market has changed drastically. Depleted margins and cut-throat competition in the domestic market has made the Company concentrate more & more in the international market for greener pasture outside India. The quality of the product accepted and approved by some major customers both in India & abroad has helped the Company to successfully enter the export market and during the year the Company was able to export around 1580 MTs of bottle grade chips.

The depleted margins and below par performance of both textile grade and bottle grade chips business and low capacity utilization severely affected the overall performance of this business segment.

During the year under review, the Segment achieved sales volume of 52369 metric tones as against sales volume of 59627 metric tones during the previous financial year i.e. a drop of around 12% as compared to the previous year. Despite drop in sales volume efficient plant & financial management and improved realization during the last quarter of the financial year under review enabled the Company to contain the drop in sales value. The turnover in terms of value at Rs.31264.33 lacs was lower by approximately 3% as compared to Rs.32212.50 lacs of the previous financial year.

B. Opportunities & Threats

The manufacturing facilities at Malanpur, Madhya Pradesh had been set up using indigenous technologies. With the latest upgradation, the Company possesses the facilities to manufacture all the three-end application of polyester chips viz. film grade, textile grade and bottle grade. This wide base of complete range of manufacturing coupled with flexibility of batch operations gives enormous advantage to the Company for a quick changeover to a product having a better realization.

The indigenous technologies used for setting up the state-of-the art manufacturing facilities has a major added advantage as minor changes in the technologies, which are inevitable could be incorporated with minimum additional cost.

The film grade chips is used as one of the basic raw material for manufacturing polyester films. The market for polyester and other films primarily used by the flexible packaging industry is on an upswing. The demand both in the domestic as well as international market has been growing steadily. The increased demand for polyester films will eventually lead to increase in demand for film grade chips. The Company has the requisite infrastructure and expertise to reap the benefits of a growing demand for film grade chips.

Further, the demand and margins in the bottle grade chips business is quite moderate in the international market. The Company during the year under review successfully entered the international market with its brand of bottle grade chips. The Company is quite optimistic that the quality, which has been the hallmark of the Company's products coupled with competitive pricing and aggressive marketing strategy, will enable it to have a better export turnover in the years to come.

Further, though the business prospects and margins in the bottle grade chips are better, however entry of big players with massive installed capacities have made it quite competitive in the domestic market.

Currently the margins and volume in textile grade chips is not encouraging. The market condition continued to be depressed and gloomy. Excess supply, resultant drop in prices and change in the business policies of some of the major customers