

18th Annual Report

2004 - 2005



FCL TECHNOLOGIES
& PRODUCTS LIMITED



FCL TECHNOLOGIES & PRODUCTS LIMITED

EIGHTEENTH ANNUAL REPORT

2004-2005

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman & Managing Director

G. GOSWAMI
Nominee-IFCI

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.
Delhi
Statutory Auditors

JAIN SINGHAL & ASSOCIATES
New Delhi
Internal Auditors

BANKERS

STATE BANK OF INDIA
ORIENTAL BANK OF COMMERCE
UNION BANK OF INDIA

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, 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 - 201 301 (U.P.)

C-3, Sector-57, Phase - III
NOIDA - 201 301 (U.P.)



FCL TECHNOLOGIES & PRODUCTS LIMITED

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of FCL Technologies & Products Limited will be held on Monday, the 12th day of September, 2005 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, 2005 and the Profit & Loss Account for the year ended on that date together with Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Ravi Kathpalia, who retires by rotation and being eligible, offers himself for re-appointment.
3. 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.

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 198, 269, 309, 310, 316 and subject to Schedule XIII and all other applicable provisions of the Companies Act, 1956, if any, (including any statutory modification(s) or re-enactment thereof) and such other approvals/sanctions as may be necessary, the Company hereby approves the re-appointment of Mr. Ashok Chaturvedi as Managing Director of the Company for a period of three years w.e.f. 01.05.2005 on the terms and conditions including as to remuneration, minimum remuneration in case of loss or inadequacy of profit in any financial year as set out in the explanatory statement which shall be deemed to form part hereof.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to vary and/or revise the remuneration of the said Managing Director within the permissible limits under the provisions of the Companies Act, 1956 or any statutory modification(s) thereof, from time to time and to settle any question or difficulty in connection therewith or incidental thereto."

By Order of the Board

BASANT KUMAR

Dy. General Manager (Accounts)
& Company Secretary

Place : NOIDA

Dated : 1st July, 2005

Regd. Office:

110, First Floor, Bhanot Corner
Pamposh Enclave, Greater Kailash-I
New Delhi - 110048

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 SCHEDULED TIME OF THE MEETING.

3. 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.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 06.09.2005 to 12.09.2005 (both days inclusive).
5. Members holding shares in physical form are requested to notify change in address, if any, to the Company's Registrar and Share Transfer Agent (RTA), M/s. Intime Spectrum Registry Limited, A-31, 3rd Floor, Naraina Industrial Area, Phase-I, Near PVR Cinemas, New Delhi - 110028 quoting correct Folio Number(s) and in case of shares held in dematerialized form to the concerned Depository Participant.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 24.07.2000. The Company has already joined the Depository system and the ISIN for the shares of the Company is INE145B01013. Members, who desire to have their holding of shares dematerialized are requested to approach the Company's RTA through a Depository Participant.
12. Consequent upon the introduction of Section 109A of the 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 2B (which will be made available on request) to the Company's Registrar and Share Transfer Agent, M/s. Intime Spectrum Registry Limited.
13. The Company has paid the Annual Listing fees for the year 2005-2006 to the following Stock Exchanges viz., the Stock Exchange, Mumbai and National Stock Exchange of India Ltd. in which the Company's equity shares are presently listed.
14. All the material documents, resolutions passed by the Board of Directors and Remuneration Committee relating to re-appointment of Mr. Ashok Chaturvedi as Managing Director, Memorandum and Articles of Association of the Company etc. are open for inspection to the members till the conclusion of the Annual General Meeting at the Registered Office of the Company.



FCL TECHNOLOGIES & PRODUCTS LIMITED

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

ITEM NO. 4

Mr. Ashok Chaturvedi was appointed as Managing Director of the Company w.e.f. 01.05.2000 for a period of five years on the terms and conditions as to remuneration etc. given hereunder as approved by the Board of Directors and by the Members of the Company at the 13th Annual General Meeting held on 25.09.2000.

Salary	Perquisites
Salary of Rs.5.00 lacs per month with annual increase of Rs.50,000/-.	Subject to a ceiling of Rs.30.00 lacs per annum.

The aforesaid remuneration to Mr. Ashok Chaturvedi was reiterated by the Members at the 16th Annual General Meeting of the Company held on September 9, 2003.

In view of the inadequacy of profit and the proposed remuneration being excess of the limit prescribed under Schedule XIII, the Company had applied to the Central Government for their approval for payment of aforesaid remuneration. However, the Central Government vide their letter dated 22.07.2002 while approving the said appointment restricted the payment of remuneration to the Managing Director as per the limits prescribed under Section 198 & 309 of the Companies Act, 1956. The Company however, filed a representation with the Central Government with a request to re-consider the aforesaid proposal and to approve the payment of remuneration as approved by the Board of Directors and Members of the Company. The said proposal was not considered by the Department of Company Affairs. Accordingly, the Company has not paid any remuneration to Mr. Ashok Chaturvedi during his tenure as Managing Director of the Company as approved by the Board of Directors and Members of the Company.

The aforesaid appointment of Mr. Ashok Chaturvedi expired on 30.04.2005. However, on the recommendations of the Remuneration Committee of the Board, the Board of Directors of the Company at their meeting held on 25.04.2005 considered and approved the re-appointment of Mr. Ashok Chaturvedi as Managing Director of the Company for a further period of three years w.e.f. 01.05.2005 subject to necessary approval of the Members and such other approvals as may be necessary and required on the following terms and conditions:

a) Remuneration

Salary including allowances, bonus etc. subject to a maximum of Rs.5,00,000/- (Rupees Five Lacs only) per month or Rs.60,00,000/- (Rupees Sixty Lacs only) per annum with an annual increment of Rs.50,000/- (Rupees Fifty Thousand).

b) Perquisites

House Rent Allowance or Free Furnished Accommodation with gas, electricity, water and other amenities; car with driver & telephone at residence, reimbursement of medical expenses incurred in India or abroad including hospitalization and surgical charges for self and family and travel relating thereto; reimbursement of expenses on servants; leave travel including foreign travel; fees of clubs; personal accident insurance; any other benefits, amenities etc. subject to a ceiling of Rs.30,00,000/- (Rupees Thirty Lacs only) per annum.

For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. However, the following shall not be included in the aforesaid perquisite limit :-

- i) Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on the perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
- ii) Gratuity: As per the policy of the Company.
- iii) Leave encashment at the end of the tenure.
- v) He shall not be liable to retire by rotation.
- v) He shall not be paid any sitting fees for attending the meeting of Board or Committee thereof.

The exact quantum of salary and perquisites etc. shall be decided by the Board/Committee of Directors from time to time within the limits set out at (a) & (b) above.

He is also the Chairman & Managing Director of Flex Industries Ltd. and his appointment carries a remuneration package in the said Company.

However, in terms of the provisions of Section III Part II of Schedule XIII of the Companies Act, 1956, his total remuneration including remuneration from Flex Industries Ltd. shall not exceed the higher maximum limit admissible from either of Flex Industries Ltd. or of your Company. In case the remuneration being paid by Flex Industries Ltd. to Mr. Ashok Chaturvedi is higher than the remuneration admissible under the Act and Schedule XIII in your Company and your Company desires to compensate him for the services rendered in your Company, then your company shall pay remuneration as aforesaid with the approval of the Central Government.

The brief profile of the Company as well as Mr. Ashok Chaturvedi are given below:

The Company is the leading manufacturer of polyester chips, inks & adhesives and other materials primarily used by the flexible packaging and other allied industries both in India & Abroad.

The Company incorporated in the year 1985 had recorded continuous growth in business. Its turnover jumped from Rs. 680.16 lacs in 1990 to Rs. 1356.29 lacs in 1993 and to Rs. 35539.33 lacs in 2001. However, due to sluggish market condition and severe competition more particularly in the polyester chips industry the Company though could not improve upon its earlier growth for a couple of years during 2002-2004 but successfully sustain its performance. With the sustained efforts of the Management more particularly of the Managing Director, the Company has been able to reclaim its growth path once again and ended the year March, 2005 with a turnover of Rs.46761.94 lacs. Further to improve the performance and efficiency, the Company has put into place several cost cutting measures and stringent financial discipline and efforts are being made to increase the sales volume both in the domestic and international markets, which will add to the profitability.

The details of foreign exchange earnings for the last three financial years are as under:

Accounting Year Ending	Earning in Foreign Exchange (Rs. in Lacs)
	F.O.B. Value of Export Services
31.03.2003	20.86 11.19
31.03.2004	738.74 —
31.03.2005	992.87 —

Mr. Ashok Chaturvedi holds a Bachelor's Degree in Science and professional experience of more than 27 years in packaging and allied industry.

Contribution of Chairman & Managing Director

- i) **Chief Promoter and Architect of the Company's business**
Mr. Ashok Chaturvedi is the Chief Promoter and Architect



of the Company, who had set up the business himself being the first generation entrepreneur and has been looking after the day-to-day affairs of the Company and is also chiefly responsible for all major business policy decision of the Company.

ii) Establishing the Company as a leading player in the Industry

The Company, which commenced its business in 1985 with small pouch manufacturing facilities, over a period of time became one of the organized and established supplier of inks & adhesives, polyester chips and other allied materials being the primary raw materials of the flexible packaging industry. The transformation and growth of the Company from a small player in the packaging industry to a major supplier of basic raw materials came only because of the in-depth knowledge and understanding of the business intrinsic of the packaging industry by Mr. Ashok Chaturvedi. His vision, leadership and direct involvement in the areas of production and marketing enabled the Company to establish itself as a major player in its field.

iii) Further expansion of the Company's activities

After establishing the Company as a major supplier of inks & adhesives, he took upon himself the onerous responsibility of the Company's expansion by way of setting of state-of-the art manufacturing facilities for manufacture of different grade of chips.

iv) Successfully steering the Company through difficult time

It was because of his continuous and untiring efforts that the Company has been successful in reaching new heights

and steering out of difficult times. Further, it is gearing up to meet the new challenges and competitions under his visionary and able guidance. The current business scenario coupled with the Company's business plans & strategy has increased his responsibilities tremendously.

v) Directly responsible for overall growth of the Company

It has been due to his vision, extremely sound knowledge about the Company's business, dynamism, untiring efforts & leadership and guidance provided to the production and marketing team, the Company has been able to make a mark for itself in the industry. He has been instrumental and responsible for the growth and success, which the Company achieved over a period of time.

Mr. Ashok Chaturvedi has the pecuniary relationship with the Company, as he is the Chairman & Managing Director of the Company and eligible for remuneration as per the terms of appointment.

The Board recommends the resolution for your approval.

Except Mr. Ashok Chaturvedi, none of the Directors is interested or concerned in this item of business.

By Order of the Board

Place : NOIDA

Dated : 1st July, 2005

BASANT KUMAR

Dy. General Manager (Accounts)
& Company Secretary

Regd. Office:

110, First Floor, Bhanot Corner
Pamposh Enclave, Greater Kailash-I
New Delhi - 110048

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

Name of the Director	Mr. Ashok Chaturvedi	Mr. Ravi Kathpalia
Date of Birth	10.10.1956	18.08.1937
Date of Appointment / Re-appointment	01.05.2005	29.01.2002
Experience in specific Functional areas	Science Graduate with over 27 years of experience in manufacture & marketing of flexible packaging & allied products. He is the main Promoter & Architect of Flex Group of Companies including FCL Technologies & Products Limited.	A retired Indian Audit & Accounts Officer with vast experience and expertise in the field of Audit & Accounts.
Qualification	B.Sc	M.A. M.Phil, I.A.A.S.
Directorship in other Public Limited Companies	-Flex Industries Limited -Flex Engineering Limited -Flex Foods Limited -Flex Securities Limited -Ultimate Flexipack Limited -Manu Maharani Hotels Ltd. -Energy Development Company Ltd.*	-Flex Industries Limited -Ricoh India Limited -Tourism Finance Corporation India Limited -Lord Chloride Limited
Member/Chairman of Committee of the Board of the Public Limited Companies on which he is Director	Audit Committee -Flex Securities Limited (Chairman) Remuneration Committee Nil Shareholders'/Investors' Grievance Committee Nil	Audit Committee -FCL Technologies & Products Limited (Chairman) -Flex Industries Limited (Chairman) -Ricoh India Limited (Chairman) -Tourism Finance Corporation India Limited (Chairman) Remuneration Committee -FCL Technologies & Products Limited (Chairman) -Flex Industries Limited Shareholders'/Investors' Grievance Committee Nil

* Appointed w.e.f. 28.06.2005.

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting this Eighteenth Annual Report along with the Audited Accounts of the Company for the financial year ended 31st March, 2005.

FINANCIAL RESULTS

The summarized financial results for the year ended 31st March, 2005 and for the previous year ended 31st March, 2004 are as under:

	(Rs. in Lacs)	
	Year Ended	Year Ended
	31.03.2005	31.03.2004
Sales & Job Work(Net)	46761.94	32691.14
Other Income	240.54	243.61
Profit before Interest, Financial Charges, Depreciation & Taxation	3157.90	2804.37
Less: i) Interest & Financial Charges	1378.10	1535.61
ii) Depreciation	1027.02	1010.33
	2405.12	2545.94
Profit before tax	752.78	258.43
Less:		
- Provision for Income Tax	52.66	—
- Provision for Wealth Tax	0.79	0.54
- Deferred Tax Liability	305.16	86.67
	358.61	87.21
Profit after tax	394.17	171.22

REVIEW OF OPERATIONS

The year under review was one of the most challenging one for the Company. The Company had to perform through out the year amidst severe competition, slow down in customer demand resulting in low outside sale and meager margins more particularly in the PET Chips business.

Despite, the tough market conditions the policy of the Management to increase the volumes by better capacity utilization to have economics of scale, added by improved captive demand from an Associate Company had a positive and significant impact on the overall performance and profitability of the Company.

Further, the cost conscious efforts, better utilization of resources and other corrective measure initiated by the Management also steadied the Company's growth both in terms of volume and profitability.

Your Company during the year under review achieved a turnover of Rs.47002.48 lacs including other income of Rs.240.54 lacs as against a turnover of Rs.32934.75 lacs including other income of Rs.243.61 lacs during the previous financial year. The year under review ended with profit after tax of Rs.394.17 lacs as compared to the profit after tax of Rs.171.22 lacs of the previous financial year.

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

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

CALL CENTER ACTIVITIES

As reported in the last year Annual Report (2003-04), the proposal as approved by the Members of the Company through Postal

Ballot conducted in the month of March, 2004, to form a 50:50 joint venture arrangement with a third party to run the Call Center and other IT enabled services has not been materialised.

FIXED DEPOSIT

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

WHOLLY OWNED SUBSIDIARY

Due to some business exigencies and other considerations, the Company decided not to pursue the project of setting up manufacturing facilities of polyester and other plastic films through a Wholly Owned Subsidiary i.e. Flex Middle East FZE in Zebel Ali Free Zone, Dubai, United Arab Emirates. Accordingly, during the year under review, the Company divested its entire equity holding in the said Wholly Owned Subsidiary at cost and with effect from July 19, 2004 Flex Middle East FZE ceased to be the Wholly Owned Subsidiary of the Company.

Since, the project being implemented through the Wholly Owned Subsidiary (WOS) was under the construction stage and the WOS did not carry on any operational activities upto the date of divestment, hence the Consolidated Financial Statement as required in terms of Accounting Standard - 21 on Consolidated Financial Statements have not been prepared up to the date of cessation as the operational results of the Company itself will be the operational results of the Consolidated Financial Statements.

DIRECTORS

Mr. Rajiv Shukla, resigned from the Directorship of the Company with effect from 19th April, 2005.

Your Directors take this opportunity to place on record their appreciation for the valuable services rendered by Mr. Rajiv Shukla during his tenure as a Director of the Company.

In accordance with various provisions of the Companies Act, 1956 and Schedules thereto and subject to such approvals including

FCL TECHNOLOGIES & PRODUCTS LIMITED

the approval of the Shareholders of the Company Mr. Ashok Chaturvedi has been re-appointed as the Chairman & Managing Director of the Company with effect from 1st May, 2005.

Further, in accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Ravi Kathpalia, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Brief resume of Mr. Ashok Chaturvedi and Mr. Ravi Kathpalia, 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.

None of the Directors of your Company is disqualified as per provisions of Section 274(1)(g) of the Companies Act, 1956. Your Directors have made necessary disclosures as required under various provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

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, 2005, 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 Annual 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 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 to 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.

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 : 1st July, 2005

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 Appointment	Last Employment (Position held)
01.	Mr. R.P. Agrawal	73	Corporate Advisor	30,84,961	C.A., LL.B.	48	15.11.2002	Flex Engineering Limited (Corporate Advisor)

B. EMPLOYED FOR PART OF THE YEAR : NIL

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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. R.P. Agrawal.
4. Mr. R.P. Agrawal does not hold by himself or alongwith his spouse and dependant children 2% or more of the Equity Shares of the Company.
5. The aforesaid appointment is contractual.

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**

Energy consumption is closely watched and monitored by the Management by optimizing equipment utilization, its proper upkeep and regular preventive maintenance. Energy saving devices is installed wherever possible keeping in mind cost benefit of the device and as per requirements.

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) Installation of heavy fuel oil based generator.
- b) Use of compress air pattern changed as per generation from one compressor. Thus, the requirement of 2nd compressor start-up has been avoided.
- c) All the earlier measures taken for energy conservation are being continued.

ii) Additional Proposal for Energy Conservation

At present, the Company has no fresh or additional proposal to implement for further conservation of energy.

iii) Impact of above measures

Due to the aforesaid energy conservation measures the chips production cost is reduced by approximately 0.50 paise per kilo gram.

PARTICULARS OF CONSERVATION OF ENERGY

	Year ended 31 st March, 2005	Year ended 31 st March, 2004
I. Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in lacs)	18.50	12.80
Total Amount (Rs. in lacs)	76.92	53.18
Rate/Unit (Rs.)	4.16	4.16
(b) Own Generation		
Through Diesel Generator		
Units (in lacs)	112.56	124.14
Units/Ltr. of Diesel Oil	3.69	3.45
Cost/Unit (Rs.)	5.23	4.72
2. Coal		
Quantity (MT)	Nil	Nil
Total Amount (Rs. in lacs)	Nil	Nil
Average Rate (Rs./MT)	Nil	Nil
3. Furnace Oil		
Quantity (Ltrs. in lacs)	93.24	83.85
Total Amount (Rs. in lacs)	1008.91	854.94
Average Rate (Rs.per KL)	10821.00	10196.00

FCL TECHNOLOGIES & PRODUCTS LIMITED**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	60948	52184	60948	52184
	Units	Nil	Nil	0.15	0.16	179	228
	Rs./Mt	Nil	Nil	1655	1638	920	1059
— Inks & Adhesives	Mt	6051	4927	Nil	Nil	6051	4927
	Units	264	260	Nil	Nil	25	56
	Rs./Mt	1083	1079	Nil	Nil	203	368
— Zipper Slider	No. In Lacs/ (Mtrs./Nos.)	2098	Nil	Nil	Nil	2098	679
	Units	122	Nil	Nil	Nil	103	343
	Rs./No. In Lacs (Mtrs./Nos.)	542	Nil	Nil	Nil	742	2260

2. Research & Development (R & D)

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

- New grades of holographic lacquers for BOPP Film and PET Film and primer for holographic coatings.
- Special PU based inks for execution lamination without use of primers.
- Improvement of toluene free laminating ink system.
- Special UV security release OP Ink.
- New speciality polyester polyols for coatings, oil pigging and shoe sole applications.
- Cost effective high solid PU laminating adhesives.

Benefits derived

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

Future Plan

- Special inks for metallised effects on films applications (no metallisation)
- Special coating for producing matt effect in laminates.
- P.U. dispersion based lamination adhesives/coatings.
- P.U. adhesive systems for automobile/construction and other applications.
- New generation cost effective solventless/solvent based adhesives for Flexpak.

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	5.34
Capital	0.06
Total	5.40

This is equivalent to 0.01% of the total turnover.

4. Technology Absorption, Adaptation & Innovation

No technology has been imported during the year under review.

5. Foreign Exchange Earnings and Outgo

- Activities relating to exports:
Initiatives taken to increase exports, developments of new export markets and service and export plans.
- During the period under review, the Company has earned the following foreign exchange:

	(Rs. in lacs)
a) Earnings (FOB value of Exports)	992.87
b) Outgo	1508.14

For and on behalf of the Board

ASHOK CHATURVEDI

Chairman & Managing Director

Place : NOIDA

Dated : 1st July, 2005



FCL TECHNOLOGIES & PRODUCTS LIMITED

MANAGEMENT DISCUSSION & ANALYSIS

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

This business has facility to produce polyester chips of film grade, yarn grade and bottle grade. The state-of-art manufacturing facilities using indigenous technologies was set up mainly to cater to the demand of film grade and yarn grade chips. The film grade chips is used as raw material for manufacturing of polyester films.

Indian polyester film market is expected to grow at a CAGR of 15% as against 8% for the global market, which will make India the second largest market for PET thin film after USA by the year 2007. Currently, India is the world's fourth largest market for the PET thin films. In absolute term, demand is expected to increase from 55,000 tpa in 2002 to 120,000 tpa by the year 2007 in the domestic market. Retail revolution and small sachet packaging (catering to price sensitive rural market) will primarily drive the growth in India.

In order to take advantage of the growing demand of polyester films and other plastic films and to increase the market shares, most of the film manufacturers have and/or are in the process of expanding their manufacturing capacities both in India and abroad. The increased production capacity has led a surge in the demand for polyester chips in the second half of the year under review, which in turn has benefited the Company. The polyester grade chips has been the primary/major contributor to the overall turnover of this business segment both in terms of volume and value. Keeping in view the same and as a business strategy, the Company is putting more & more thrust and deploying its production capacities largely to the production of polyester grade chips. This has led to higher turnover during the year under review both in terms of volume and value as compared to the previous year.

The yarn grade chips market in India is going through a dull and difficult phase. Though, there has been demand for yarn grade chips, the falling price and margins and competition from country like China and Indonesia have made it quite un-remunerative.

Even though the Company is utilizing most of its manufacturing capacities to produce film grade chips, still it continues to produce yarn grade chips as well. However, its contribution to the overall turnover and profitability was quite low.

At the time of conception of the project for setting up facilities for bottle grade chips, the market in India was quite promising with demand outstripping supply and lucrative margins. Further, though the market for bottle grade chips has been witnessing growth, but *increased supply and excess installed capacity as compared to demand has made the domestic market quite competitive with a sharp decline in the margins.* In view of the above and since the margin in polyester grade chips is better, the Company at present is focusing more on film grade chips.

During the year under review, the segment achieved sales volume of 61413 metric tones as against sales volume of 52369 metric tones during the previous financial year, a growth of around 17%. The turnover in terms of value at Rs.45691.51 lacs was also higher by about 46% as compared to Rs.31264.33 lacs of the previous financial year.

B) Opportunities & Threats

The manufacturing facility of the Company has necessary technology and infrastructure also to produce other co-polyesters such as PTT, PBT and PEN.

The increasing demand for polyester and other plastic films has led to massive expansion drive by the film manufacturers including Flex Industries Limited, an associate company. This has increased the demand for polyester grade chips both captive as well as in the market. The Company with batch processing and state-of-the art manufacturing facilities is well set to reap the benefit of higher demand.

The recent massive expansions in spinning capacities countrywide will also result in reducing the surplus supply situation of yarn grade chips. This should result in comfortable yarn grade chips marketing at least for a year till the expansions in the polymer production catch up with the increased demand.

The major areas of concern for this business are unhealthy competition, increasing raw material cost and falling price and margins.

With the commissioning of heavy fuel based generator, it is expected that the power cost will come down significantly, adding to the profitability of the Company.

The domestic market for bottle grade chips in the recent past has been flooded with both small and big players, thereby unbalancing the supply demand ratio. This has led to severe competition. Moreover, in spite of the presence of so many players,