



FUTURA POLYESTERS LIMITED

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45TH ANNUAL REPORT 2004-2005

“Request to the Shareholders”

Members desirous of seeking any further information about the accounts and/or operations of the Company are requested to address their queries to the Secretary of the Company at least seven days in advance of the meeting so that the information, to the extent practicable, can be made available at the meeting.

Members are requested to bring this copy of the Annual Report to the meeting.

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FUTURA POLYESTERS LIMITED

Board of Directors

S. B. Ghia
M. D. Dalal
F. A. A. Jasdanwalla
S. S. Marathe
R. B. Raheja
N. S. Ghia
P. Abraham, IAS(Retd.)
Vispi Patel
Shyam Sunder Sami

Chairman & Managing Director
Jt. Managing Director

Nominee of IDBI

Company Secretary

S. Ramachandran

Bankers

Bank of India
State Bank of India
Union Bank of India
Indian Bank
UCO Bank
Canara Bank
State Bank of Hyderabad

Auditors

Messrs. N. M. Rajji & Co.

Registrar and Share Transfer Agents

Satellite Corporate Services Pvt. Ltd.	
A-60, 1233 Azad Nagar-II, Veera Desai Road, Andheri (West), Mumbai-400 053 Phone: 26734183 & 26734262 Fax: 26734148 E-mail:scspl@bom7.vsnl.net.in	OR 301, Sony Apartments Off. St. Jude High School Off. Andheri-Kurla Road Jarimari Mumbai-400 072.

Registered Office

Paragon Condominium,
3rd Floor, Pandurang Budhkar Marg,
Mumbai-400 013.
Phone: 24922999 Fax: 24923142
E-mail: futuraho@futura polyesters.com
Website: www.futura polyesters.com



FUTURA POLYESTERS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 45th ANNUAL GENERAL MEETING of the Members of FUTURA POLYESTERS LIMITED will be held at S.N.D.T. Patkar Convocation Hall of S.N.D.T. Women's University, 1 Nathibai Thackersay Road, Mumbai - 400 020, on Wednesday, 31st day of August, 2005 at 3.30 p.m., to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at and Profit and Loss Account for the year ended 31st March 2005 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N.S.Ghia, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vispi Patel, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.
5. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors for mortgaging and/or charging the fixed assets of the Company, both present and/or future, in favour of Bank of India, State Bank of India, Union Bank of India, UCO Bank, Indian Bank, Canara Bank and State Bank of Hyderabad (hereinafter referred to as Consortium of Banks) to secure the Working Capital Facilities of Rs. 12,982 lacs (Rupees Twelve thousand nine hundred and eighty two lacs only) or such amount as may be advanced by the Consortium of Banks together with interest, compound interest, commitment charges, upfront charges, premium on repayment by the Company to the Consortium of Banks as and by way of second and subservient charge and equitable mortgage by Deposit of Title Deeds as may be acceptable to the Board of Directors of the Company and subject to the first charge created on the Fixed Assets of the Company

in favour of Industrial Development Bank of India Limited (IDBI) and on the specified movables in favour of Canara Bank and State Bank of India, Chennai for securing Term loans granted by them;

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to finalise such documents for creating the aforesaid mortgages and/or charges and to do all such acts, deeds, matters and things as may be necessary for giving effect to the above resolution."

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors for mortgaging and/or charging the fixed assets of the Company, both present and/or future, in favour of UTI Bank Limited to secure the Term Loan of Rs. 20,00,00,000/- (Rs. Twenty Crores only) together with interest, compound interest, commitment charges, upfront charges, premium on repayment by the Company to UTI Bank Limited as and by way of first mortgage/charge ranking pari passu with the existing mortgage/charges created by the Company in favour of Industrial Development Bank of India Limited (IDBI) and subject to the first charge on specified movables in favour of Canara Bank and State Bank of India, Chennai for securing Term loans granted by them.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to finalise such documents for creating the aforesaid mortgages and/or charges and to do all such acts, deeds, matters and things as may be necessary for giving effect to the above resolution."

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies

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Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to the provisions of the Memorandum of Association and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchange, Mumbai and guidelines for Preferential issues issued by the Securities and Exchange Board of India ("SEBI") under Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and other applicable regulations and/or guidelines, if any, of SEBI and such other authorities, as may be applicable, as amended till date, and subject to the requisite approvals or consents, if any, of the Central Government, Stock Exchange and SEBI, banks and financial institutions and other appropriate authorities under any other applicable laws, rules and regulations for the time being and from time to time in force and further subject to such terms, conditions, stipulations and modifications as may be prescribed, imposed or suggested by any of them while granting such approvals which the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being, and from time to time, to which all or any of the powers hereby conferred on the Board by the Resolution may have been delegated), be and is hereby authorised to accept and subject to such conditions and modifications as may be considered appropriate by the Board of the Company, consent of the Company be and is hereby accorded to the Board (with powers to delegate all or any of the powers hereby conferred to any Committee thereof) to create, issue/offer and allot, at its sole discretion to Industrial Development Bank of India Limited (IDBI) 6,87,350 equity shares constituting 1.31 % of the total post-issue paid-up share capital of the Company of Rs.10/- each at a price of Rs.34.95 per share (face value of Rs.10/- and premium of Rs.24.95 per share) calculated in accordance with the guidelines for Preferential Issues issued by SEBI under Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 on such terms as may be deemed appropriate by the Board.

RESOLVED FURTHER THAT the Equity Shares so issued shall rank pari passu with the existing equity shares of the Company.

RESOLVED FURTHER THAT the Equity Shares to be issued and allotted shall be subject to lock-in of a total period of one year from the date of allotment of the Equity Shares or such reduced period as may be permitted under the applicable SEBI Guidelines as amended from time to time.

RESOLVED FURTHER THAT the entire pre-preferential allotment shareholding held by the allottee prior to this preferential allotment shall be under lock-in form from the Relevant Date up to a period of six months from the date of preferential allotment.

RESOLVED FURTHER THAT for the purpose of creating, issuing, offering and allotting Equity Shares of the Company as aforesaid, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, desirable or appropriate to give effect to this resolution in all respects and in particular, to settle any questions, difficulties or doubts that may arise with regard to the offering, issuing, allotting and utilizing the issue proceeds of the Equity Shares of the Company, as it may, in its absolute discretion, deem fit and proper."

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. Proxies should be lodged at the Company's Registered office atleast 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 24th August, 2005 to Wednesday, 31st August, 2005 (both days inclusive).
4. The relevant Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 in respect of items 5, 6 and 7 of the Notice are annexed hereto.



FUTURA POLYESTERS LIMITED

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the listing agreement, the particulars of Directors, who are proposed to be appointed/re-appointed are given below:

1.	Name:	Mr. Nikhil S. Ghia
	Age:	32 years
	Qualifications	Bachelor of Arts in Economics & Management – Ohio Wesleyan University Master of Business Administration in General Business (Honors)- Bryant Collage, Smithfield, Rhode Island
	Expertise:	Industrialist Director of the Company since 24.01.2000

Directorship on the Board and Chairmanship/ Membership in Committees:

Futura Polyesters Limited (Investor Grievance Committee Chairman, Remuneration Committee Member), Meridion Overseas Pvt. Ltd., Kika Dyechem Exports Pvt. Ltd., Chika Overseas Pvt.Ltd., Chika Pvt. Ltd., Distributors (Bombay)

Pvt. Ltd., Brahmasonic Sound Production Pvt. Ltd., Viraj Investments Pvt. Ltd.

2.	Name:	Mr. Vispi Patel
	Age:	43 years
	Qualifications	Master of Management Studies (M.M.S.)- Mumbai University -First Class
	Expertise:	Experience in finance and administration, corporate banking etc. Director of the Company since 27.07.2001

Directorship on the Board and Chairmanship/ Membership in Committees:

Futura Polyesters Limited (Audit Committee Member)

Registered Office: By Order of the Board
Paragon Condominium,
3rd Floor,
Pandurang Budhkar Marg,
Mumbai- 400 013.

Place: Mumbai
Dated: 3rd August, 2005.

Sd/-
S. Ramachandran
Company Secretary

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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

As a result of the amalgamation of Futura Polymers Limited with the Company, the mortgage/charge of the properties which had been created by the two companies separately in favour of their respective bankers, have now to be combined so as to create a charge on the combined assets in favour of all the Bankers i.e. Bank of India, State Bank of India, Union Bank of India, UCO Bank, Indian Bank, Canara Bank, State Bank of Hyderabad (who are the Consortium of Banks), who have sanctioned working capital facilities amounting to Rs.12,982 lacs. The charge to be created will be by way of second and subservient charge and equitable mortgage by Deposit of Title Deeds and further subject to first charge created in favour of Industrial Development Bank of India Limited (IDBI) and on the specified moveables in favour of Canara Bank and State Bank of India, Chennai.

Section 293(1)(a) of the Companies Act, 1956 requires that the Board of Directors of the Company, shall not except with the consent of the Company at General Meeting sell, lease or otherwise dispose off the whole or substantially whole of the undertaking of the Company. The Mortgage/ Charge on all or any of the assets of the Company does not amount to sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking of the Company. However, as required by the Consortium of Banks your approval in terms of the provisions of Section 293(1)(a) of the Companies Act, 1956 is sought as a matter of abundant caution.

The Directors, therefore, recommend the passing of the Resolutions as set out in the Notice.

None of the Directors may be considered as concerned or interested in this Resolution.

ITEM NO. 6

At the request of the Company, UTI Bank Limited has sanctioned a term loan of Rs. 20 crores for meeting long term working capital requirements. The loan carries interest

at the rate of Bank Prime Lending Rate (BPLR) less 2.50% (9.50% p.a. at present) payable monthly and the loan is repayable in sixteen equal quarterly installments beginning at the end of the 15th month from the date of first disbursement. The loan is to be secured, inter alia, by first charge on the fixed assets of the Company, both present and future ranking pari passu with the charge created in favour of Industrial Development Bank of India Limited (IDBI) and subject to the charge created on the specified movables in favour of Canara Bank and State Bank of India, Chennai.

Section 293(1)(a) of the Companies Act 1956 requires that the Board of Directors of the Company shall not, except with the consent of the Company at the General Meeting sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company. The mortgage/charge on all or any of the assets of the Company does not amount to sale, lease or otherwise disposal of the whole or substantially the whole of the undertaking of the Company. However, your approval in terms of the provisions of Section 293(1)(a) of the Companies Act, 1956 is sought as a matter of abundant caution.

The Directors, therefore, recommend the passing of the Resolutions as set out in the Notice.

None of the Directors of the Company is in any way concerned or interested in the passing of the said resolution.

ITEM NO. 7

This Resolution is proposed for offer of equity shares on preferential allotment basis to Industrial Development Bank of India Limited (IDBI). The object of the issue by preferential offer is to fulfil IDBI's conditions for reduction in rate of interest on Term loan availed by the Company. The Company has availed a term loan from IDBI, of which the outstanding amount is Rs. 49 crores. The Company had requested IDBI to reduce the interest rate on the outstanding term loan. IDBI had agreed to the reduction in interest rate subject to certain conditions, inter alia, that the Company issue fully paid up equity shares equivalent to part of the future interest differential on present value basis. The interest reduction granted was from 15.68% per annum to 11% per annum. Due to Rights Issue announced last year, the allotment of equity shares as above could only be made after obtaining shareholders approval at the Extra

Ordinary General Meeting held 8th April 2005. At that time allotment of 8,43,900 equity shares @ Rs. 29/- per share was made to cover the interest calculation up to January 2004. This allotment at the price Rs. 29/-per share at that time was made in accordance with the guidelines for preferential issues issued by Securities and Exchange Board of India (SEBI), under Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000. Hence for the intervening period from the date of reduction of interest rate till 8th April 2005 when the allotment was made, IDBI has requested the Company to compensate by issue of further equity shares. The matter was discussed with IDBI and as per calculations agreed with IDBI towards the aforesaid compensation, it is proposed to allot 6,87,350 equity shares to IDBI. The price, at which the shares are to be issued, is to be arrived at in accordance with the guidelines for preferential issues, issued by SEBI under Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000. The price for the preferential issue as specified in the aforesaid guidelines of SEBI is the higher of the average high and low of the closing prices for two weeks or six months prior to the Relevant Date. The Relevant Date is 1st August, 2005, i.e. the date,

30 days prior to the date of General meeting approving the preferential issue. Accordingly, the aforesaid shares will be allotted at a price of Rs.34.95 arrived at on the basis of above formula aggregating to Rs.2,40,22,883/- .

The proposed allotment of equity shares to IDBI is subject to lock-in for period of one year from the date of allotment of the Equity shares or such reduced period as may be permitted under the applicable SEBI guidelines as amended from time to time. Further the entire pre-preferential allotment shareholding held by IDBI shall also be under lock-in from the relevant date up to a period of six months from the date of preferential allotment. The equity shares shall be allotted within a period of 15 days from the date of passing the Special Resolution provided that where the allotment of such equity shares is pending on account of any approval for such allotment by any regulatory authority, the allotment shall be completed within a period of 15 days from the date of such approval or such other extended period as may be permitted under the applicable SEBI Guidelines as amended from time to time.

It may be noted that allotment of aforesaid equity shares would increase the Paid-up capital of the Company from present Rs.51,73,43,290/- to Rs.52,42,16,790/-.

The shareholding pattern before and after the above offer is given below:

Category	Shareholding Pattern prior to Allotment		Shareholding Pattern post Allotment	
	No. of Shares	Percentage	No. of shares	Percentage
Promoter Group				
– Indian Promoters	2,48,256	0.48	2,48,256	0.47
– Persons acting in concert	2,01,37,368	38.92	2,01,37,368	38.41
Mutual Funds and UTI	28,90,970	5.59	28,90,970	5.51
Banks, Financial Institutions, Insurance Companies(Central/ State Govt. Institutions/ Non-Govt. Institutions)	49,67,188	9.60	56,54,538	10.79
Foreign Institutions Investors	87,536	0.17	87,536	0.17
Private Corporate Bodies	37,15,369	7.18	37,15,369	7.09
NRI/OCBs	34,74,494	6.72	34,74,494	6.63
Indian Public	1,62,05,107	31.32	1,62,05,107	30.91
Foreign Banks	8,041	0.02	8,041	0.02
Total	5,17,34,329	100.00	5,24,21,679	100.00

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The aforementioned shareholding pattern may change from time to time depending upon the transfer of shares by the existing shareholders and further issue of capital, if any, by the Company during the said period.

None of the Promoters/Promoter Group Companies and the Directors/Key Management persons would be subscribing to the Preferential Issue of Equity Shares authorized by this Resolution.

There will be no change in the Board of Directors nor will there be any change in the control over the Company, consequent to the issue of Equity Shares, as aforesaid. The voting rights would change according to the change in the shareholding pattern of the Company, as indicated above. The equity shares proposed to be allotted to IDBI shall be listed on The Stock Exchange, Mumbai.

The percentage of post preferential issued capital that may be held by IDBI will be 2.92%.

IDBI have confirmed that they have not sold any of their share holdings during the six months' period prior to Relevant Date.

The Directors, therefore, recommend the passing of the Special Resolution as set out in the Notice.

None of the Directors may be considered as concerned or interested in this Resolution except Mr. P. Abraham, Nominee of IDBI who may be deemed concerned or

interested to the extent of the equity shares which may be issued and allotted to IDBI.

The following documents are available for inspection of Members at the Registered Office of the Company on any working day (except Saturday and Bank Holidays) between 11.00 a.m. to 1.00 p.m. :-

1. A copy of the Auditors' Certificate certifying that the issue of equity shares is being made in accordance with the requirements contained in the Guidelines for Preferential issues under Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 mentioned aforesaid. (This will also be laid before the Annual General Meeting).
2. Letter of IDBI dated July 30, 2005.
3. Letter dated July 30, 2005 from IDBI that they have not sold any of their existing shareholdings during the period of six months prior to the Relevant Date.

Registered Office:

Paragon Condominium,
3rd Floor,
Pandurang Budhkar Marg,
Mumbai- 400 013.

By Order of the Board

Place: Mumbai

Dated: 3rd August, 2005.

Sd/-

S. Ramachandran
Company Secretary



DIRECTORS' REPORT

To
The Members,

Yours Directors submit the 45th Annual Report of the Company along with the Audited Statement of Accounts for the year ended 31st March 2005.

1. FINANCIAL RESULTS :

(Rupees in lacs)

	2004-2005	2003-2004
Gross Profit/(Loss) before interest & depreciation	4,310.14	640.18
Interest	1,917.19	2,411.58
Depreciation	1,472.89	1,876.57
Operating Profit/(Loss)	920.06	(3,648.00)
Profit/(Loss) before tax (after adjustment of VRS in both years & profit on transfer of Chemicals Division for 2003-2004)	733.06	(2,386.26)
Provision for tax	(2.29)	2.50
Deferred Tax (Debit)/Credit	(370.33)	2,188.15
Profit/(Loss) after tax	360.44	(200.61)
Balance of Profit brought forward from previous year	781.39	982.00
Surplus in P & L Account	1,141.83	781.39
Balance carried to Balance Sheet	1,141.83	781.39

2. DIVIDEND :

Your Directors do not recommend declaration of dividend for the year under review due to critical cash flow situation.

3. OPERATIONS :

The turnover (including other income) of the Company for the year was Rs 47,981.56 lacs. The Operating Profit of Rs 920.06 lacs during the year was mainly due to Resin and Preform Operations and partly due to higher sales volume and profitability in PSF business in the first half of the year. Interest burden, though reduced, still continues to be higher. After adjusting the Deferred tax provision of Rs 370.33 lacs, the surplus of Rs 781.39 lacs in the Profit & Loss account has been carried to the Balance Sheet.

POLYESTER OPERATIONS :

Polyester Fibre operations were buoyant during the first half despite high prices, but turned unfavourable from October 2004 when there was a sudden shift to cotton in the aftermath of a bumper crop in India and elsewhere. Commodity Polyester volumes were the worst hit and your Company, though focused on Specialities, was also hit by the slackness in demand. Despite this adverse development, your Company

managed to increase sales from 30,539 MT in 2003-04 to 35,129 MT in 2004-05. With PTA and MEG consumption crashing down in the second half of the year, their prices have dropped considerably from December 2004 and fibre market is currently undergoing a correction phase. Fibre market is expected to return to normal growth in the second half of 2005-06.

The commodity Polyester/PET Resin market continued to suffer from low contribution due to excess capacity in India/Asia and the anti-dumping investigation in USA. However, thanks to a wide range of speciality polyesters developed by the Company, it has been possible to weather the storm and contain the losses. The Polyester Resin Sales were lower at Rs 12,414 lacs compared to Rs 13,503 lacs in previous year but there was an increase in unit rate and contribution from Polymer operations. The Company's thrust on speciality polymers has started to yield good results during the year and holds even a stronger potential for higher profits during the year 2005-06.

The sale of Preforms has marginally improved from Rs 8,425 lacs in 2003-04 to Rs 10,843 lacs in 2004-05, most of it coming from higher polymer prices. Your Company also managed to increase the sales volume and market share by about 10%, despite