



FUTURA POLYESTERS LIMITED

46TH ANNUAL REPORT 2005-2006

“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. Jasdhanwalla
 S. S. Marathe
 R. B. Raheja
 N. S. Ghia (upto 31.12.2005)
 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.
 B-302, Sony Apartments
 Opp. St. Jude's High School
 Off. Andheri-Kurla Road
 Jarimari
 Mumbai-400 072.
 Phone: 28520461, 28520462
 Fax: 28511809
 E-mail: service@scspl.net

Registered Office

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



FUTURA POLYESTERS LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 46th 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, Nathibai Thackersay Road, Mumbai – 400 020, on Wednesday, 20th day of September, 2006 at 3.30 p.m., to transact the following business:

- To receive, consider and adopt the audited Balance Sheet as at and Profit and Loss Account for the year ended 31st March 2006 and the Report of the Directors and Auditors thereon.
- To appoint a Director in place of Mr. Rajan Raheja, who retires by rotation and, being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. S. S. Marathe, who retires by rotation and, being eligible, offers himself for re-appointment.
- To appoint Auditors and fix their remuneration.
- To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

A) "RESOLVED THAT the Company do hereby ratify, in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the mortgage and/or charge on first charge basis ranking pari passu with UTI Bank Ltd created on all or any of the assets of Company, whether movable and/or immovable, both present and/or future, situated at Manali, Chennai, Tamil Nadu pertaining to the Fibre Division in favour of Industrial Development Bank of India (IDBI) for securing term loan of Rs.30 Crores (Rupees Thirty Crores only) from IDBI, advanced and disbursed to the company, together with interest, compound interest, commitment charges, upfront charges, premium on repayment by the Company to IDBI;

B) "RESOLVED THAT the Company do hereby ratify, in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the mortgage and/or charge on first charge basis ranking

pari passu with UTI Bank Ltd created on all or any of the assets of Company, whether movable and/or immovable, both present and/or future, situated at Saidapet, Dist MGR, Chennai, Tamil Nadu pertaining to the Polymers Division in favour of Industrial Development Bank of India (IDBI) for securing term loan of Rs.40 Crores (Rupees Forty Crores only) from IDBI, advanced & disbursed to the company, together with interest, compound interest, commitment charges, upfront charges, premium on repayment by the Company to IDBI;

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

"RESOLVED THAT the Company do hereby ratify, in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for the mortgage and/or charge created on the fixed assets/ immovable property of the Company, as and by way of second, subsequent and subservient charge/ equitable mortgage by Deposit of Title Deeds ranking pari passu inter se with the charges/ mortgages created as and by way of second charge by the Company in favour of Bank of India, State Bank of India, Union Bank of India, UCO Bank, Indian Bank, State Bank of Hyderabad (other members of Consortium of Banks) both present and/or future, situate at the Company's Works at Manali, Chennai, Tamil Nadu (pertaining to Fibre Division) in favour of, Canara Bank (hereinafter referred to as the Bank) for securing Term loan of Rs 10 Crores granted to the company, together with interest, compound interest, commitment charges, upfront charges, premium on repayment by the Company to the Bank subject to the first charge created in favour of Industrial Development Bank of India (IDBI) and UTI Bank Ltd."

Registered Office:

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

By Order of the Board

Place: Mumbai

Dated: 30th June, 2006.

S. Ramachandran

Company Secretary

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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 13th September, 2006 to 20th September, 2006 (both days inclusive).
4. The relevant Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 in respect of item Nos. 5 and 6 of the Notice is annexed hereto.

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. Sharad Shripad Marathe
	Age:	83 years
	Qualifications	M.A., Bsc.(Hons), London School of Economics & Political Science
	Expertise:	Director of the Company since 20.08.1986

Directorship on the Board and Chairmanship/Membership in Committees:

Automotive Axles Ltd. (Audit Committee-Member, Shareholder's/investor's Grievance Committee-Member), Bharat Forge Ltd. (Audit Committee-Chairman), Deepak Fertilisers & Petro Chemicals Corporation Ltd.(Audit Committee-Chairman), Finolex Industries Ltd.(Audit Committee-Member, Shareholder's/Investor's Grievance Committee-Member), Force Motors Ltd., Kinetic Motor Ltd., Kirloskar Brothers Ltd.(Audit Committee-Member, Remuneration Committee-Member), Sandvik Asia Ltd.(Audit Committee-Member), Synise Technologies Ltd.,

GDA Trustee & Consultancy Pvt. Ltd., Life & General Associates (Pvt) Limited, Tata Asset Management Pvt. Ltd., Pan Gulf Group Ltd. St. Peter Port Guernsey, Channel Islands.

2	Name:	Mr. Rajan Raheja
	Age:	52 years
	Qualifications	B.Com
	Expertise:	Industrialist Director of the Company since 17.02.1994

Bodies Corporate (other than Private Companies)

Asianet Satellite Communications Limited, EIH Associated Hotels Ltd.(Audit Committee-Member), EIH Limited (Audit Committee-Member), Exide Industries Ltd., H & R Johnson (India) Ltd., Indus Hotels Corporation Ltd.(Audit Committee-Member), Juhu Beach Resorts Ltd.(Audit Committee-Member), Prism Cement Ltd.(Equity Share Transfer Committee-Chairman, Remuneration Committee-Chairman), Supreme Petrochem Ltd. (Investor's Grievance Committee, Investment Committee, Finance Committee-Member), Sonata Software Ltd., Innovassynth Technologies (India) Ltd., Foodworld Supermarkets Ltd.



FUTURA POLYESTERS LIMITED

Directorship on the Board and Chairmanship/Membership in Committees:

Amber Apartment Makers Pvt. Ltd., Ameeta Grihnrman Pvt. Ltd., Arjun Housing Private Limited, ARKO Enterprises Pvt. Ltd., ARKO Dealers Pvt. Ltd., Bal Building Adhesive (India) Pvt. Ltd., Bay-Side Exports Pvt. Ltd., Brindaban Agro Industries Pvt. Ltd., Brindaban Builders Pvt. Ltd., Brindaban Land Development Pvt. Ltd., Beach Plaza Contractors & Developers Pvt. Ltd., Bellvne Constructions Pvt. Ltd., Bestow Contractors & Developers Pvt. Ltd., Bloomingdale Investment & Finance Pvt Ltd., Chandramouli Finance & Estates Pvt. Ltd., Colonnade Housing Pvt. Ltd., Colonnade Contractors & Developers Pvt. Ltd., Coronet Investments Pvt Ltd., Crescent Property Developers Pvt. Ltd., Emgeen Holdings Pvt. Ltd., Excelsior Construction Pvt Ltd., Globus Stores Pvt. Ltd., Gstaad Investments & Finance Pvt Ltd., Gokul Construction Co. Pvt. Ltd., Gstaad Trading Company Pvt. Ltd., Hathway Cable & Datacom Pvt Limited, Hathway Investments Pvt Limited, ING Vysya Life Insurance Co. Pvt. Limited, Kaunteya Builders Pvt. Ltd., Kaunteya Contractors & Developers Pvt. Ltd., Kuntinandan Contractors & Developers Pvt. Ltd., Kuntiputra Properties Pvt. Ltd., Lavina Contractors & Developers Pvt. Ltd., Manali Investment & Finance Pvt. Ltd., Matsyagandha Inv. & Fin. Pvt. Ltd., Panchali Builders Pvt. Ltd., Peninsula Estates Pvt. Ltd., Prerana Builders Pvt. Ltd., R.B.R. Construction Pvt. Ltd., R.B.R. Estates & Fin. Pvt. Ltd., R. Raheja Investments Pvt. Ltd., RMC Readymix (India) Pvt Ltd., R. P. G. Guardian Pvt. Ltd., Sea Side Exports Pvt. Ltd., Shiraz Realtors Pvt. Ltd., Shoreline Exports Pvt. Ltd., Spur Cable and Datacom Pvt. Limited, Trophy Investment & Finance Pvt Ltd., Varahagiri Investments & Fin. Pvt. Ltd., Vijay Raheja Builders Pvt. Ltd., Franklin Templeton Asset Management (India) Pvt. Ltd., Chloride Eastern Industries Pvt Ltd., Vidur Construction Pvt. Ltd., Villa-Capri Developers Pvt. Ltd.,

Registered Office:

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Mumbai- 400 013.

Place: Mumbai

Dated: 30th June, 2006.

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By Order of the Board

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 AND 6

These Resolutions, procedural in nature without additional financial implications, are proposed consequent upon the amalgamation of erstwhile Futura Polymers Limited with the Company.

The Company (then known as Indian Organic Chemicals Ltd. – IOCL) had obtained from IDBI a term loan of Rs.40 crores for its Fibre operations by mortgaging the assets of its Fibre Division.

Erstwhile Futura Polymers Ltd. had obtained a term loan of Rs.30 crores from IDBI for its operations by mortgaging its Polymer assets.

Consequent upon amalgamation, these assets of both are pooled together and mortgage is to be created in favour of IDBI covering both sets of assets for the aggregate loan granted to both Companies. This is achieved by creating a mortgage/charge on Fibre assets to secure the loan granted to Futura Polymers Ltd. and, vice versa, by creating a mortgage/charge on Polymer assets to secure the loan granted to IOCL fibre division.

The erstwhile Futura Polymers Ltd had received a term loan of Rs.10 crores from Canara Bank and created exclusive charge on certain specified movables of that Company. With the amalgamation, as required by the Bank, a second charge is created on all the fixed assets

of the Company ranking pari passu with the second charge created in favour of consortium of bankers.

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 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 ratification/approval of Shareholders is sought as a matter of abundant caution and as required by the Institutions/Banks.

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

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

Registered Office:
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Mumbai- 400 013.

Place: Mumbai
Dated: 30th June, 2006.

By Order of the Board

S. Ramachandran
Company Secretary



FUTURA POLYESTERS LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors submit the 46th Annual Report of the Company along with the Audited Statement of Accounts for the year ended 31st March 2006.

1. FINANCIAL RESULTS :

	(Rupees in Lacs)	
	2005-2006	2004-2005
Gross Profit/(Loss) before interest & depreciation	2,576.82	4,310.14
Interest	1,890.76	1,917.19
Depreciation	1,481.75	1,472.89
Operating Profit/(Loss)	(795.69)	920.06
Profit/(Loss) before tax (after adjustment of VRS & Deferred VRS Gratuity Payment)	(954.05)	733.06
Provision for Fringe Benefit Tax	43.00	—
Provision for Wealth Tax	2.00	2.29
Deferred Tax Adjustments	140.74	370.33
Profit/(Loss) after tax	(1,139.79)	360.44
Balance of Profit brought forward from previous year	1,141.83	781.39
Balance carried to Balance Sheet	2.04	1,141.83

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. 47,603.18 lacs. The Operating Loss is Rs. 795.69 lacs during the year.

Though PET resin business faces challenges in the market place due to large capacity created, being a speciality resin producer, the Company is able to face these challenges by launching several speciality products. This will help in improving performance during the year 2006-2007. To this end, the Company is expanding its business relationship with its customers and is confident of encashing on the niche opportunities and value addition to its customers. The demand for speciality resin is promising and capacity could be fully utilized during the current year.

Since the Company's main customer base for PET Preforms is MNC's beverage segment, there was set back in 2005-2006 due to poor lifting by these customers. However, it is expected that the growth for Preforms from these customers is likely to show improvement during the current year. Specialty products such as Fruit Juices, Ethnic Beverages, Pharma Packaging & Liquor would also contribute to its growth.

The pressure from the low cost cotton continues to affect the Polyester Fibre business. There is also an increase in the cost of raw-materials. The continued focus on Specialty fibre and increase in the range of Specialty fibre is expected to help the Company to over come this pressure.

Cost reduction measures being implemented especially in utilities, steam generation through low cost input and purchase of power at lower rate compared with that from the Electricity Board will improve the profitability in future.

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4. CONSOLIDATION OF SUBSIDIARY'S ACCOUNTS

In accordance with the requirements of Accounting Standard 21, prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company with its subsidiaries, Innovassynth Technologies (India) Limited and Futura Polyesters, Inc, U.S.A., are annexed to this Annual Report. Your Company has been exempted by the Ministry of Company Affairs, Government of India, vide letter No. 47/113/2006-CL-III dated 28th March, 2006 from attaching the audited accounts of the subsidiaries for the financial year ended 31st March 2006. However, the audited accounts of the subsidiary Company are available for inspection of shareholders at the Registered Office of the Company during normal working hours and copies of subsidiary's annual report will be sent, on written request, to those shareholders of the company, who may desire to have copy of the annual report.

5. FIXED DEPOSITS/LOANS:

As on 31st March 2006, the Company had an aggregate sum of Rs. 592.04 lacs as fixed deposits from public/shareholders. The total number of depositors who have not claimed/renewed their deposits on maturity was 208 and the amount that remained unclaimed/not renewed as on 31st March, 2006 was Rs. 27.77 lacs; of these, deposits amounting to Rs. 10.73 lacs have since been either repaid or/renewed.

6. INSURANCE:

Buildings, plant and machinery, Inventories at the factory of the company have been insured adequately.

7. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the Annexure to this report.

8. PERSONNEL:

None of the Company's employees was in receipt of remuneration of Rs. 24,00,000/- or more per annum for the financial year of Rs. 2,00,000/- or more per month during the year under review.

9. INDUSTRIAL RELATIONS:

Industrial relations remained by and large cordial throughout the year. The Directors wish to place on record their appreciation for the co-operation extended by the workmen, staff and officers at all levels.

10. DIRECTORS:

Mr. Rajan Raheja and Mr. S. S. Marathe retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. Brief profile of these Directors are given in the notes of the Notice to the ensuing Annual General Meeting.

11. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to requirements under Section 217(2AA) of the Companies Act, 1956 ("the Act") with respect to Directors' Responsibility Statement, it is hereby confirmed:-

1. that in preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure.
2. that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2006 and of the profit of the Company for the year to that date.
3. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the annual accounts on a going-concern basis.

12. AUDITORS :

You are requested to appoint auditors for the current year. M/s. N.M. Raiji & Co., Chartered Accountants, who retire, are eligible for reappointment.

13. COST AUDITOR :

The Central Government had directed that audit be carried out of the Cost Accounts maintained by

**FUTURA POLYESTERS LIMITED**

the Company in respect of Polyesters by a qualified Cost Accountant. The Directors, subject to the approval of the Central Government, have appointed Mr. P. D. Dani of P. D. Dani & Co. as Cost Auditor.

14. CORPORATE GOVERNANCE:

As required under Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, Corporate Governance and Management Discussion and Analysis Report form part of this Annual Report.

15. COMPLIANCE CERTIFICATE:

A Certificate from the auditors of the Company regarding compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

16. ACKNOWLEDGEMENTS:

Your Directors place on record their appreciation for the continuous support received from the Shareholders. Your Directors also express their appreciation for the assistance and co-operation received from the Governments at the Centre as well as the States, local authorities, Financial Institutions and Banks and employees of the Company during the period under review.

For and on behalf of the Board

Mumbai

Dated: 30th June, 2006.

S. B. GHIA
CHAIRMAN

