



FUTURA POLYESTERS LIMITED

51ST ANNUAL REPORT 2010-2011



FUTURA POLYESTERS LIMITED

“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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Board of Directors S. B. Ghia - Chairman & Managing Director
M. D. Dalal - Jt. Managing Director
Shyam Sunder Sami
M. Saravanan Nominee IDBI
K. V. K. Murthy
Viren Raheja (upto 8th September 2010)

Company Secretary A. R. Gadkari

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. Raiji & Co.

Registrar and Share Transfer Agents Satellite Corporate Services Pvt. Ltd.
301, Sony Apartments
Opp. St. Jude High School
Off. Andheri-Kurla Road
Jarimari
Mumbai - 400 072.
Phone: 28520461, 28520462
Fax: 28511809
E-mail: service@satellitecorporate.com

Registered Office Paragon Condominium,
3rd Floor,
Pandurang Budhkar Marg,
Mumbai - 400 013.
Phone: 24922999 Fax: 24923142
E-mail: futurahe@futurapolyesters.com
Website: www.futurapolyesters.com



FUTURA POLYESTERS LIMITED

NOTICE TO SHAREHOLDERS

To: All Shareholders

NOTICE is hereby given that the 51st ANNUAL GENERAL MEETING of the Members of FUTURA POLYESTERS LIMITED will be held at M. C. Ghia Hall, 4th floor, Bhogilal Hargovindas Bldg, 18/20, K. Dubash Marg, Kalagoda, Mumbai 400 001. on Monday, 5th December, 2011 at 11.00 a.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 period ended 30th June, 2011 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Mukund D. Dalal, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Shyam S. Sami, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

DIRECTOR RETIRING BY ROTATION.

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

Name:	Mr. Mukund D. Dalal
Age:	55 Years.
Qualifications	B. E. (Chemical), MIT, U.S.A.
Expertise:	Director since January 01, 1988.

Directorship on the Board and Chairmanship/ Membership in Committees:

Futura Polyesters Ltd. (Investor Grievance Committee-Member), Sonata Software Ltd. (Investor Grievance Committee-Member), Mahi Enterprises Pvt. Ltd.

Name:	Mr. Shyam S. Sami
Age:	71 Years
Qualifications	B.A.(Economics) Hons.
Expertise:	Director since July, 2003.

Directorship on the Board and Chairmanship/ Membership in Committees:

Futura Polyesters Ltd. (Audit Committee-Member, Remuneration Committee-Chairman, Investor Grievance Committee-Chairman,) Innovassynth Investments Ltd (Audit Committee-Chairman, Investor Grievance Committee-Chairman), Innovassynth Technologies (India) Ltd, (Audit Committee- Member, Remuneration Committee-Chairman, Transfer Committee-Member)

Registered Office:

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

Place: Mumbai
Dated: 25th October, 2011

By Order of the Board

A. R. Gadkari
Company Secretary

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 25th November, 2011 to 2nd December, 2011 (both days inclusive).

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DIRECTORS' REPORT

To

The Members,

Your Directors submit the 51st Annual Report of the Company along with the Audited Statement of Accounts for the period ended 30th June 2011.

1. FINANCIAL RESULTS :

	(Rupees in Lacs)	
	2010-2011 (15 months)	2009-2010 (12 months)
Gross Profit before interest & depreciation	2064.59	3071.39
Interest	2885.56	2267.96
Depreciation	3095.39	2227.88
Operating Profit / (Loss)	(3916.36)	(1424.45)
Profit / (Loss) before tax	(3919.52)	(1426.56)
Excess Provision of earlier years	(64.09)	(5.90)
Provision for wealth-tax	2.00	2.50
Deferred Tax Adjustment	(272.64)	(36.29)
Profit / (Loss) after tax	(3584.79)	(1386.87)
Balance of Profit brought forward from previous year	—	1255.82
Transferred from General Reserve / Balance carried to Balance Sheet	1060.09	(131.05)

2. DIVIDEND:

Your Directors do not recommend any dividend for the period under review due to the losses suffered by the Company.

3. OPERATIONS:

The turnover of the Company for the 15 month period ended 30th June 2011 was ₹ 624.14 crores which, on annualized basis, shows an increase of 40.50% over the previous year. The Polyester Staple Fibre (PSF) turnover which increased to ₹ 298.50 crores, showing an increase of about 24% on annualized basis. PSF business continues to be remunerative due to Company's thrust on colour / specialty fibres. While the polymer business remained at the same level, preform business showed a decline. The reasons for the same are: The global recession continued during the first half of 2010-11 affecting the exports front to a considerable extent. As the benefits from exports

are not significant, the Company has exited from the status of EOU during the year. This transition had its initial impact on the profitability of the Company. In the Preform business, the entry of number of small players receiving Government support / concessional tariff has not only affected the volume but also the profitability of the business at large.

The Company suffered an operating loss of ₹ 39.16 crores during the fifteen month period. This loss is substantially higher when compared with previous year. The main reasons for the loss are declining margins due to high raw material cost and the severe competition in Preforms business. Further, some restrictions imposed by Authorities on import of bottle grade scrap resulted in shortage of raw material and consequent slow down in production. The cost of power continues to be high due to power cut imposed by State Government. The increase in price of bio mass fuel (for generation steam) further added to the cost push.



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Polyester Staple Fibre business continues to show steady improvement both in volume and margins. Domestic demand is contributing to higher turnover and margins.

The reduction in Preforms turnover is mainly due to increased tolling contract (i.e. billing value addition only and not the raw material cost) with Multi National Corporations. The company's thrust continues to be in reducing its dependence on commodity preforms and the severe competition due to the entry of many players.

The company is making earnest efforts to raise additional interest free resources through sale of part of its premises to repay high cost debts and reduce interest burden as well as to induct additional working capital. The promoter group had brought in substantial amounts of interest free funds to sustain the operations. The Company is confident of meeting the challenges posed by the current economic recession and high interest cost through development of niche and specialty products and by infusion of additional funds.

4. SUBSIDIARY COMPANY

The Company has incorporated a subsidiary by the name FPL Property Developers Private Limited. This Company was formed essentially with a limited purpose of acquiring and developing part of the Company's premises at Chennai, in case the Company is not in a position to find a buyer for the premises and accordingly an enabling MOU was entered into with the subsidiary for this purpose. The subsidiary status of this company is temporary in nature and will not continue as a subsidiary for long.

5. ISSUE AND ALLOTMENT OF NON CUMULATIVE REDEEMABLE PREFERENCE AND EQUITY SHARES ON PREFERENTIAL BASIS:

As approved by the Shareholders at the General Meeting held on 8th September 2010 the Company issued and allotted 19,89,000 Non Cumulative Redeemable Preference shares of ₹ 100 each and 24,50,000 equity shares of ₹ 10/- each on preferential basis at a price of ₹ 100/- and ₹ 10/- per share respectively to the promoter group companies. The Company raised, through this issue,

₹ 22,34,00,000 which had been utilized for part-financing working capital requirements, general corporate purposes and to increase promoter group's stake in the company.

6. FIXED DEPOSITS AND LOANS:

As on 30th June 2011, the Company had an aggregate sum of ₹ 459.20 lacs as fixed deposits from Public / Shareholders. The total number of depositors who have not claimed / renewed their deposits on maturity was 73 and the amount that remained unclaimed / not renewed as on 30th June 2011 was ₹ 20.36 lacs. Of these, deposits amounting to ₹ 7.40 lacs have since been either repaid or / renewed.

7. INSURANCE

Adequate insurance cover has been provided for the buildings, plant and machinery and inventories at the factory of the Company.

8. 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.

9. PERSONNEL:

None of the Company's employees was in receipt of remuneration aggregating to ₹ 60,00,000/- or more per annum or ₹ 5,00,000/- per month during the period under review.

10. 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.

11. DIRECTORS:

Mr. Mukund D. Dalal and Mr. Shyam S. Sami are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

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12. 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 that:-

1. in preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure.
2. 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 30th June , 2011 and of the loss of the Company for the period ended on that date.
3. 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. the Directors have prepared the annual accounts on a 'going-concern' basis.

13. AUDITORS :

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

14. COST AUDITOR :

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

the Company in respect of Polyesters by a qualified Cost Accountant. The Directors, subject to the approval of the Central Government, have appointed Mr. M. Krishnaswamy of Chennai as Cost Auditor.

15. CORPORATE GOVERNANCE:

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

16. 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.

17. 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

Place: Mumbai
Date: 25th October, 2011

S. B. GHIA
Chairman



FUTURA POLYESTERS LIMITED

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1) (e) OF THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD 2010-11.

A. CONSERVATION OF ENERGY

1. Energy conservation measures taken

- A)** Following higher rated motors were replaced with the correct required rating:-
- 1) M.B line - 3 Extruder motor (from 132 Kw to 90 Kw).
 - 2) BDF 240 FW pumps (from 30 Kw to 18.5 Kw).
- B)** Higher capacity 50 HP AHU was stopped & a lower 3 HP AHU was put on operation for inverter room cooling purpose at SPG area.
- C)** VFD was connected to EREMA-2 Extruder.

2. Energy saving activities Plan 2011-12

- (a) Seko-2 Extruder motor will be replaced from 132 K.W. to 90 K.W.
- (b) VFD will be connected for U-4 spinning Quench fan, BDF-240 I.D fan, Biomass heater drow pump-2 Nos.
- (c) Gas forklift will be converted to Diesel forklift

Form A

FORM FOR DISCLOSURE WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

	Current Year 2010-2011	Previous Year 2009-10
1) Electricity:		
Unit [Kwh] in lacs	883.63	767.28
Total amount [₹ In lacs]	4997.48	5133.10
Rate per unit - Rupees	5.65	6.69
2) Furnace Oil		
— Quantity [KL/MT]	3983.42	3087.00
— Total amount [₹ In lacs]	1435.78	667.88
— Average rate [₹ Per Kg]	36.04	21.64

B. CONSUMPTION PER UNIT OF PRODUCTION

	Current Year 2010-2011	Previous Year 2009-10
Name of product		
Electricity kwh/kg		
i) Polyester Staple Fibre	1.24	1.28
ii) Resin	0.73	0.75
iii) Preforms	1.32	1.28
Average	1.09	1.10
Furnace Oil [KL/MT]		
i) Polyester Staple Fibre	0.07	0.07
ii) Resin	0.045	0.04
Average	0.06	0.06
BIOMASS		
	Current Year MT	Previous Year MT
	Spec. Cons	Spec. Cons
i) Polyester Staple Fibre	27700	32096
ii) Resin**	29665	11958
iii) Preforms	—	—
Average	0.83	0.80

** Resin plant was run on Biomass heating system for most part of the year as Biomass availability was much better this year.

Form B

FORM FOR DISCLOSURE ON PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

A) RESEARCH & DEVELOPMENT (R&D)

IPR

Received seven patents for various polyester resins as mentioned below:

Three Indian patents - Clear Fast reheat, Fast crystallizing PEN, and Naphthalate based Barrier PET

Three European Patents - Poly trimethylene Naphthalate, Clear Fast reheat and Beer PET

One US Patent - Weld PET.

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DEVELOPMENTS

- a) Developed High viscous, Low haze, Heavy metal free ECO PET resin for specialized blown film application.
- b) Developed high strength special polyester for making containers using the most economical - compressed stretch blow molding process for Aerosol application.
- c) Developed high heat resistance polyester to cater the need of hot filling above 95°C for various applications like Ketch up, Sauce, Jams, Mango pulp and Coconut water.
- d) Developed a special breathable polymer which is meant for producing high comfort fabrics / jackets used in adverse weather conditions.
- e) Developed the Cationic dye able polyester for deep dyeing applications with various salt levels to cater the needs of Fiber / Yarn application
- f) Developed Green Flame retardant PET with various P levels as demanded by the applications like FR Fabric, Carpets, Upholstery, Automobile spares, and Electrical appliances.
- g) Developed a high tenacity dope dyed polyester with low shrinkage for Sewing thread application.
- h) Developed Clear BioPET made using Bio sourced Ethylene Glycol for packaging / thermoformed food containers
- i) Developed 'Deep dyed' FRPET with various P levels for specialized applications

BENEFITS DERIVED AS A RESULT OF THE ABOVE :

- Company's IPR valuation is enhanced,
- Wider manufacturing business opportunities with various customers in both Packaging and Textile applications.
- Wider product mix for various specialty polyester
- Conservation of natural resources with carbon credit for down stream processor

EXPENDITURE ON R & D

	Rupees in Lacs
Capital	- Nil
Recurring	- 23.78
Total	- 23.78
Percentage of Turn over	- 0.04

B) TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

1. a) Technology Upgradation

- Process Improvements and modifications done to execute production of above said special grades
- FR additive preparation / Induction systems improved to get the best quality and productivity.
- Separate production capability system established for handling Bio based RM for producing BioPET.

b) Adaptation

Company continue to develop and adapt new methodology, process and product technology through rigorous training and developments, All employees of the organization has undergone safety training to execute the operations in safest manner.

2. Benefits derived as a result of the above

Broad basing the products range and the customers base as well.

Expanding the existing markets.

Improved customer satisfaction.

Better compliance with environment.

3. IN CASE OF IMPORTED TECHNOLOGY (IMPORTED DURING THE LAST 5 YEARS RECKONED FROM THE BEGINNING OF THE FINANCIAL YEAR) FOLLOWING INFORMATION MAY BE FURNISHED:

- a. Technology imported : NIL
- b. Year of Import : NA
- c. Has technology been fully absorbed : Not Applicable
- d. If not fully absorbed, areas where this has taken place reason therefore & future plans of action : Not Applicable

FOREIGN EXCHANGE EARNING & OUTGO:

The Company is focusing in European Union, U.K. and U.S. market to avail of export opportunities considering the present economic scenario.

	(Rupees in Lacs)
Foreign Exchange Earning	14260.40
Foreign Exchange Outgo	29904.57



MANAGEMENT DISCUSSION & ANALYSIS REPORT: 2010-11

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company is engaged in the manufacturing and marketing activities of Polyester products namely Polymer, Preforms and Polyester staple Fibre (PSF). The corporate focus is on manufacture and sale of "Specialty products" across all segments, especially environmental friendly green products.

Fibre demand in the domestic sector showed high growth, especially in the specialty fibre sector in which they operate. Demand for black fibres and colour fibres went up, from both branded as well as unbranded sectors.

PET resin business in the country and abroad grew on annualised basis. Domestic PET market for both carbonated soft drinks and water grew at around 20%.

PET Preform business saw growth of many small and medium sized players. MNCs overall are rapidly shifting from glass to PET leading to growth of this industry. However, they are also putting huge pressure on the conversion price, which is influenced by very low operating costs of new machines.

2. OPPORTUNITIES AND THREATS

Our company's 'niche' and 'green' products are unique and highly competitive.

Polyester fibre market, especially black and dope dyed colour fibre markets, offer a great potential and are yet to be exploited fully. Our company also has introduced high shrink fibres, flame retardant fibres, V-Flex fibres that show lots of opportunity for growth.

Polyesters resin segment, has opened up subsequently for speciality application. Great opportunity lies ahead for replacing multi layer containers with our monolayer specialities which are easily recyclable. Company is coming out with new resins for heat sealing applications, thermoforming, barrier applications etc.

Preform business supplies mainly to MNCs whose business is growing at an annual growth rate of 20%. Shift of consumer preference from tap water to bottled water is visible. Economic growth and especially the middle income level growth offers a huge potential in fruit juice segment.

Power (electricity) situation in the state of Tamilnadu continues to be a major concern. With demand growing rapidly, supplies can't match. The power cut as well as peak hour rationing put lot of strain on process performance. Price in the open market to supplement the gap has become costlier. In addition the ailing grid contributes to frequent power failures, affecting smooth operations.

The Company has put in place a comprehensive plan with majority feed from wind based private power supplier to overcome the problem.

Some of the manufacturing equipments of the Company are quite old and need to be modernized or replaced. However, due to difficult liquidity condition, the Company did not plan for capital expenditure for this at present. However, when the funds position improve, steps will be taken to do the needful in the matter.

3. PERFORMANCE

During the year the accounting period was extended to fifteen month period between April, 2010 to June, 2011. The figures are therefore not comparable with that of previous year. The Polyester Staple Fibre sales during the period under review was more than last year, though volume was less. The reduction in volume is due to the company's continuing strategy of concentration more on specialty segment. These efforts resulted in improved sales realization. In exports the margins continues to suffer due to the global economic scenario. The company's raw material cost however increased substantially affecting margins.

The polyester resin industry did continue to improve compared to previous year mainly due to improvement in domestic supplies. Export segment showed improvement more particularly specialty segment. The increased raw material cost situation did affect the, margins not compensated by the increase in selling price due to continuing global economic situation. Major repairs planned could not be resorted due to difficult cash flow situation thereby affecting the company's ability for better product mix. The low capacity utilization also contributed to low profit margins. Even though the capacity utilization was better than the Previous year the increased raw material cost resulted in lower margins.