



Ecoplast Limited

Twenty Fifth Annual Report and Statement of Accounts for the year ended 31st March 2007

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Ecoplast Ltd.

Twenty Fifth Annual Report 2006-2007

Board of Directors :	Mr. P. P. KHARAS Mr. J. B. DESAI Mr. BANKIM B. DESAI Mr. P. D. KARKARIA Mr. J. A. MOOS Mr. N.J.N. VAZIFDAR Mr. D. T. DESAI	– Chairman & Managing Director – Executive Director – Director – Director – Director – Director – Director (Alternate to Bankim B. Desai)
Company Secretary :	Mr. B. R. Tarafdar	
Bankers :	UNION BANK OF INDIA Mumbai Samachar Marg Branch, Mumbai – 400 001. BANK OF BARODA Main Branch, Nani Khatriwad, Valsad – 396 001, Gujarat.	
Legal Advisors :	M. S. Bodhanwalla & Co. Motlibai Wadia Building, 22D, S. A. Brelvi Road, Fort, Mumbai - 400 001.	
Auditors :	M/s. AKKAD MEHTA & COMPANY Chartered Accountants, Vatika Bldg., Flat No. 2, 14 Baptista Rd., Opp. Ishwarlal Park, Vile Parle (W), Mumbai – 400 056.	
Share Registrars & Managers to the Fixed Deposit Scheme :	TSR DARASHAW LTD. 6-10, Haji Moosa Patrawala, Ind.Est. 20, Dr. E.Moses Road, Mahalaxmi, Mumbai – 400 011. Tel.: 66568484 • Fax : 66568494 email : csg-unit@tsrdarashaw.com	
Registered Office :	National Highway No. 8, Water Works Cross Road, Abrama, Valsad - 396 001, GUJARAT. email : ecoval@ecoplastindia.com	
Head Office :	4, Magan Mahal, 215, Sir. M. V. Road, Andheri (E), Mumbai-400 069. E-Mail : ecobom@ecoplastindia.com	
Web site :	http://www.ecoplastindia.com	

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NOTICE TO MEMBERS

Notice is hereby given that the TWENTY FIFTH Annual General Meeting of the members of Ecoplast Ltd, will be held on 25th August, 2007 at 11.30 a.m at the Country Club, At P.O. Vashier, Valsad -396 001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend on Equity shares for the financial year ended 31st March, 2007.
3. To appoint a Director in place of Mr. N.J.N.Vazifdar, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s. Akkad Mehta & Co., Chartered Accountants, retiring Auditors of the Company who are eligible for re-appointment, as the Auditors of the Company from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT, pursuant to the provisions of sections 198, 269, 309 read with Schedule - XIII and all other applicable provisions, if any, of the Companies Act, 1956, and / or any statutory modification or re-enactment thereof, from time to time and in force, the consent of the Company be and is hereby accorded to the appointment and payment of remuneration to Mr. J.B.Desai, as Managing Director of the Company, for a period of 5 years, with effect from 1st day of October 2007, on the terms and conditions including remuneration, as set out in the Agreement to be entered into between the Company and Mr.J.B.Desai, a draft whereof is placed before this meeting, which Agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise it's powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of the said agreement so as not to exceed the limits specified in Schedule -XIII to the Companies Act, 1956 including any statutory modifications or re-enactment thereof, for the time being in force or any amendments and/ or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. J.B.Desai."

"RESOLVED FURTHER THAT, the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 :

Mr. P. P. Kharas, Chairman and Managing Director had submitted a letter dated 30th January, 2007 to the Board giving Notice of his Retirement from his position of Managing Director from 30th September, 2007. The tenure of the current Agreement with the Company is from 16th June 2004 to 15th June 2009. However, Mr. P. P. Kharas will continue as Non Executive Chairman of the Board from 1st October 2007.

Mr. J. B. Desai born in 1960 is a chemical engineer from Karnataka University. He joined Ecoplast in 1985 in the Production department, where his application, dedication and initiatives made him eligible for promotion to Works Manager in the year 1986. When the Company went public in 1994, he was appointed as Executive Director. Subsequently, Mr. Desai was made Head of Operations in charge of sales, manufacturing and product development. In 2007, Mr. J. B. Desai will be completing a total of 22 years of service in Ecoplast and is capable of leading the team and securing improved profitability year after year, based on the Company's growth strategy.

After due consideration, the Remuneration Committee at it's meeting held on 27th April, 2007 recommended the Remuneration and the Terms and Conditions of the appointment of Mr. J. B. Desai, as the Managing Director of the Company with effect from 1st October, 2007. The Board of Directors at its meeting held on 28th June, 2007 passed the resolution for appointment of Mr. J. B. Desai, as recommended by the Remuneration Committee, subject to the approval of the shareholders at the 25th Annual General Meeting. A copy of the Draft Agreement for appointment of Mr. J. B. Desai, as Managing Director of the Company, duly initialed by the Chairman, is to be placed before the 25th Annual General Meeting.

The principal terms and conditions as contained in the draft agreement are as under:-

1. Terms of Appointment
Five year w.e.f. 1st October, 2007 to 30th September, 2012.
 2. Remuneration
- A. SALARY & ALLOWANCES
- a) Salary : Basic Salary of Rs. 100,000/- P.M



- b) Commission : Commission payable @ 1.00% of the net profits of the Company subject to a ceiling of 25% of basic salary. The Commission shall be payable annually subject to availability of adequate profit and only after the adoption of the Annual Accounts by the Members at the AGM.
- B. MEDICAL ALLOWANCE FOR SELF AND FAMILY
Medical allowance upto an amount of Rs. 100,000/- per annum or Rs.300,000/- over a period of three years.
- C. LEAVE TRAVEL ALLOWANCE
Leave Travel Concession incurred for self and family up to an amount of Rs.100,000/- per annum .
- D. COMPANY'S CAR
Mr. Desai shall be provided with Company's car and the Company will re-imburse the car expenses incurred for personal use of Mr. Desai to the extent of Rs. 50,000/- p.a.
- E. TELEPHONE FACILITY AT RESIDENCE
Telephone will be provided at residence and Company will re-imburse telephone expenses incurred for the purpose of the business of the Company. Personal long distance calls on telephone shall be billed by the Company.
- F. PROVIDENT FUND
Company's contribution towards Provident Fund in accordance with the rules and regulations of the Company, equal to one month's salary per annum but not exceeding 12 percent of the salary as laid down under the Income Tax Rules, 1962.
- G. SUPERANNUATION
Company's contribution towards superannuation fund in accordance with the rules and regulations of the Company, but shall not exceed, together with the Company's contribution to the Provident Fund, 27 % of the salary, as laid down under the Income Tax Rules, 1962.
- H. GRATUITY
Gratuity in accordance with the rules of the Company but not exceeding half a month's salary for each completed year of service.
- I. LEAVE
Leave on full pay and allowances in accordance with the rules and regulations of the Company but not exceeding one month's leave for every eleven months service, subject to the further condition that leave accumulated but not availed of will not be allowed to be encashed beyond 10 months at the time of retirement.

J. PERSONAL ACCIDENT INSURANCE

Personal Accident Insurance policy will be taken by the Company to cover risk of Personal Accident up to an amount of Rs.10.00 lacs.

K. ENTERTAINMENT EXPENSES

Mr. Desai shall be entitled to reimbursement of entertainment, travelling and other expenses actually and properly incurred in the course of business of the Company. In the event of inadequacy of profits in any financial year, Mr. Desai shall be entitled to receive the remuneration referred to in Clause 1. hereinabove, subject to the maximum limits permitted under Section II of Part II of Schedule XIII pursuant to Section 269 of the Companies Act, 1956, or any statutory modification or re-enactment thereof as may be made from time to time (Minimum Remuneration).

3. The Salary, Perquisites and allowances taken together shall not exceed the ceilings prescribed under section 198 and 309 of the Act.

4. Mr. Desai shall not, so long as he functions as the Managing Director of the Company, be entitled to any fees for attending the meetings of the Board or of any Committee thereof or of the meetings of the Board of Directors of any subsidiary companies, if any.

The draft agreement to be entered into by the Company with the Managing Director are open for inspection at the Registered Office of the Company during business hours on any working day prior to the date of meeting.

Mr. J. B. Desai, may be considered to be concerned or interested in the said resolution as also in the draft agreement since it relates to his own appointment and remuneration.

Save as aforesaid, none of the other Directors are concerned or interested under Section 302 of the Companies Act, 1956.

Your Directors recommend the Resolution for your approval.

By Order of the Board
For Ecoplast Limited

B. R. TARAFDAR

Company Secretary & Finance Controller

Mumbai, 28th June, 2007

Notes :

- a) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and such proxy need not be a member of the company. The proxy form duly completed must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
- b) The Register of Members and the Share Transfer books of the Company will remain closed from 7th August 2007 to 25th August 2007 (both days inclusive).
- c) Dividend as recommended by the Directors for the year ended 31st March, 2007, if declared, will be deposited in a separate bank account within five days of declaration thereof and will be payable before 30 days from the date of declaration of dividend.
- d) Members seeking further information on the accounts are requested to write to the Company at least seven days before the meeting, so that relevant information can be kept ready at the meeting.
- e) All correspondence relating to transfer of shares, change of address, dividend mandates etc. quoting their folio numbers should be sent to the Registrar & Transfer agents only at the following addresses : M/s TSR Darashaw Ltd., 6-10, Haji Moosa Patrawala, Industrial Estate, 20, Dr. E.Moses Road, Mahalaxmi, Mumbai – 400 011.
- f) In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has, from time to time transferred the unpaid/ unclaimed dividends relating to the years up to and including 1998 – 99 to the “Unpaid Dividend Account of Ecoplast Ltd”, within 7 days from the date of expiry of 30 days from the date of declaration of dividend of respective years. Members who have a valid claim to any amount being dividend unpaid/unclaimed by them, pertaining to the period up to and including the year 1998– 99, may send their claim to : M/s TSR Darashaw Ltd., 6-10, Haji Moosa Patrawala, Industrial estate, 20, Dr. E.Moses Road, Mahalaxmi, Mumbai – 400 011.

In terms of Section 205A (5) of the Companies Act, 1956, dividends remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid / unclaimed dividend account of the Company shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to sub-section (1) of Section 205C of the Companies Act, 1956. Members are requested to seek early settlement of claim for payment of unpaid dividend from the company. Members may please note that no claim of the transferred unclaimed / unpaid dividend shall lie against the fund or the Company after transfer of the amounts to the fund.

- g) The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his / her nominee without having to go through the time consuming and cumbersome process of obtaining Succession Certificate / Probate of the Will. It would, therefore, be in the best interest of the shareholders holding shares in physical form as sole registered holders to make such nominations without any delay. Nominations will have to be made in the prescribed Form – 2B (see rule 4CCC & 5D), which could be downloaded from the website : www.tsrdarashaw.com. It may be noted that for shares held in electronic form, the concerned shareholders have to register their nominations directly with their respective depository participants.

By Order of the Board
For Ecoplast Limited

B. R. TARAFDAR

Company Secretary & Finance Controller

Mumbai, 28th June, 2007

FINANCIAL HIGHLIGHTS

	31-3-2007	31-3-2006	31-3-2005	31-3-2004	31-3-2003	
	(Rs.'000)					
OPERATION						
Sales (Net)	347,108	319,700	352,976	284,962	271,895	
Other Income	1,558	636	708	478	623	
Operating Income	19,630	11,405	20,568	21,671	29,426	
[Before Depreciation and Investment Allowance]						
Profit before Tax	10,801	2,231	12,300	14,091	20,331	
Profit after Tax (including prior period items)	7,338	2,555	7,910	11,444	6,769	
Dividend and Corporate Tax thereon	5,265	3,421	5,131	6,769	6,769	
Retained Earnings	2,073	(866)	2,779	4,675	8,023	
Earnings per Share (Rs.)	2.45	0.85	2.64	3.81	4.93	
[On Face Value of Rs.10/-]						
ASSETS						
Gross Block	189,172	182,190	179,835	176,648	170,920	
Net Block	101,436	102,414	108,673	112,461	104,279	
Net Current Assets	111,830	95,308	94,878	79,882	83,765	
Total Assets	250,044	221,564	248,177	218,934	214,115	
NET WORTH						
Equity Capital	30,000	30,000	30,000	30,000	30,000	
Reserves and Surplus	87,401	85,327	86,193	83,886	79,822	
Net Worth	117,401	115,327	116,193	113,886	109,822	
Book value per share (Rs.)	39.13	38.44	38.73	37.96	36.61	
[On Face Value of Rs.10/-]						
BORROWINGS						
Long Term	5,022	7,641	8,986	3,790	9,468	
Short Term	72,201	60,912	58,077	55,703	48,958	
	77,224	68,553	67,063	59,493	58,426	
RATIOS						
Profit before tax to Sales and other Income	%	3.10	0.70	3.48	4.94	7.46
Profit before tax to Net Worth	%	9.20	1.93	10.59	12.37	18.51
Dividend to Equity Capital	%	15	10	15	20	20
Dividend to Net Worth [Yield]	%	4	3	4	6	6
Return on Capital Employed	%	10	5	10	11	18
Dividend Cover	Times	1.39	0.75	1.54	1.69	2.19
Current Ratio	Ratio	1.48:1	1.69:1	1.62:1	1.67:1	1.83:1
Long Term Debt:Equity	Ratio	0.091:1	0.26:1	0.30:1	0.13:1	0.32:1

DIRECTORS' REPORT

To

The Members,

The Directors are pleased to present their Twenty-Fifth Annual Report and Audited Accounts for the year ended 31st March 2007.

1. FINANCIAL RESULTS

	Rs.'000	
	31-3-2007	31-3-2006
Net Sales	347,108	319,700
Other Income	1,558	636
Sales and Other Income	348,666	320,337
Operating Profit (before Depreciation)	19,630	11,405
Less: Depreciation	8,829	9,174
Profit before tax	10,801	2,231
Less: Provision for Tax		
Current Tax	4,575	1,900
Deferred Tax Credit	(1,006)	(2,857)
Fringe Benefit Tax	298	570
Profit after Tax	6,934	2,618
Prior period adjustment	405	534
Short Provision of Tax for Prior Years		(597)
Net Profit after prior period items	7,339	2,555
Add : Balance brought forward	23,810	25,176
Profit available for Appropriation	31,149	27,731

APPROPRIATION :

Transfer to General Reserve	700	500
Dividend on Equity Shares	4,500	3,000
Corporate Dividend Tax	765	421
Balance Carried Forward	25,184	23,810
	31,149	27,731

2. DIVIDEND

To conserve Cash resources for up-coming projects the Directors recommended a dividend of 15%, for the year (previous year 10%) on the equity shares, for approval at the Annual General Meeting.

3. CAPITAL AND FINANCE

To ensure operational efficiency, management has shifted banking operations from Union Bank of India, Mumbai to Bank of Baroda, Valsad, with effect from 29th March, 2007.

4. FIXED DEPOSIT

The Company continued accepting Fixed Deposits from the public during the year under review. The Company received Rs.15,45,000/- under the scheme during the year. At the close of the year there were no Fixed Deposits due for payment which remained either unclaimed or unpaid, except 21 deposits amounting to Rs.3,72,000/- which have matured but have not been claimed. Of these, 3 Deposits, amounting to Rs. 57,000 have been renewed or repaid up to the date of this Report.

The Company has complied with all the requirements of the Companies (Acceptance of Deposits) Rules, 1975.

The Company's Fixed Deposit scheme is rated "FA-" by CRISIL, indicating the degree of safety regarding timely payment of interest and principal on the instrument as "satisfactory".

5. OPERATIONS

During Q2 & Q3, 2006 the raw material prices increased by 30%, with a reduction of 5% to 10% (depending on the grade) in Q4.

Strong resistance from customers both domestic and export to film price increase forced the Company to sacrifice some business which had become unremunerative. Despite this, the over all growth in sales revenue was at 8.5%, over the previous year.

During the year, a planned and successful beginning was made in shifting focus to non-packaging applications resulting in an increase of 130% in volume, of specialty films over the previous year. This trend is likely to continue in 2007- 08.

The Production team worked on improving the operational efficiency of plants, bringing about cost reduction in power and lower scrap rates. The Plants operated at optimum outputs with 20% improved efficiency over the previous year.

Manpower efficiency in operations was improved by

rationalising and reorganizing work, resulting in an enthused working environment and improved interpersonal relationships.

6. PROSPECTS FOR THE CURRENT YEAR:

The Prospects in the current year look bright.

This statement is based on a sound growth strategy and a planned implementation of the following :

- a. A shift of business from packaging to non-packaging applications.
- b. Deploying a dedicated team in Production and Marketing to develop new Applications.
- c. Start-up of a joint-venture project in North East; which is relatively a good growth potential area and can bring about value to the local customers.
- d. Direct Cost saving programmes.
- e. Monitoring and control of overheads with defined objectives.
- f. Start-up of the S.P. film Project, which should go on stream by the end of the 2nd Quarter.

This Plan will improve profit margins with optimum capacity utilization.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with Clause (e) of Sub-section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the financial year ended 31st March 2007 is given in the Annexure to this Report.

8. PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is not provided, as the same is below the limits prescribed under relevant rules, as amended on 17.04.2002.

9. AUDITORS' QUALIFICATIONS

The Auditors are required to qualify in their Report, with regard to the issue of Bonus Shares to the tune of Rs.100,00,000/- by capitalisation of Revaluation

Reserves in June 1994, on the plea that this is contrary to the recommendation of the Institute of Chartered Accountants of India.

In this connection the Directors would again like to clarify that the Company has been legally advised that the then prevailing provisions of the Companies Act, 1956 did not prohibit or restrict the Company from capitalizing its Revaluation Reserves by issue of Bonus Shares. The Capitalisation did not involve any release of the Company's assets to its shareholders, and in fact it froze any possibility of its distribution, except in the event of winding up.

Furthermore the Memorandum and Articles of Association of the Company also provided for and permitted the capitalization of Revaluation Reserves by issue of Bonus Shares. The Bonus Shares were issued when the Company was a closely held Company, to whom the guidelines for issue of Bonus Shares by Public Company, as framed by SEBI, did not apply at the relevant time.

The Auditor's qualification was also based on the recommendation issued subsequent to the Company's issue of Bonus Shares by the Institute of Chartered Accountants of India. The Directors are therefore of the opinion that both according to the accounting principles and principles of Company Law, the Company was justified in capitalizing its Revaluation Reserve.

The Hon'ble Supreme Court in the recent decision in the case of Bhagwati Developers Vs Peerless General Finance & Investment Co. & others (2005) Comp LJ 377 (SC) has held that there is no specific bar under the Companies Act for issue of Bonus Shares out of Revaluation Reserve. As per the DCA Circular, the Court said that the Department's Communique was advisory in nature, without any mandatory effect.

10. SUBSIDIARY COMPANY

The Board of Directors at its meeting held on 29th March, 2006 resolved to divest the entire holding of Ecoplast Ltd (8001 equity shares representing 80% of equity capital) in Jampore Printers Ltd. Presently there are no subsidiaries of Ecoplast Ltd.

11. LISTING OF EQUITY SHARES

The Company's equity shares are listed on the Stock Exchange at Mumbai. The Company has paid listing fees for the period 1st April, 2007 to 31st March, 2008.

The Company's shares are now traded in 'Dematerialized Form.'

12. DIRECTORS

Mr. N.J.N.Vazifdar, Director of the Company, liable to retire by rotation, retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

13. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai a report on Corporate Governance and a Certificate obtained from the Auditors of the Company regarding Compliance with the conditions of Corporate Governance, form part of this Annual Report.

14. DIRECTORS' RESPONSIBILITY STATEMENT

i) Pursuant to section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures from the applicable accounting standards;

ii) The Directors have selected such accounting policies and applied them consistently and made judgments 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 on 31st March, 2007 and of the profit of the company for the year ended on that date;

iii) 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;

iv) The Directors have prepared the Annual Accounts on a "going concern" basis.

15. AUDITORS

M/s. Akkad Mehta and Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment. A Certificate to the effect that their reappointment, if made, will be in accordance with the limit specified in Sub-section (1-B) of Section 224 of the Companies Act, 1956 has been furnished.

16. SECRETARIAL AUDIT REPORT

As stipulated by the Securities and Exchange Board of India, a qualified Practicing Company Secretary carries out the Secretarial Audit Report to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and the total issued and listed capital of the Company. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors. The audit, inter alia, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

16. ACKNOWLEDGMENT

The Directors take this opportunity to place on record their deep sense of gratitude to the Banks, Central and State Government departments, their local authorities especially at Valsad, for their guidance and support. The Directors are also grateful to the customers, the suppliers and business associates of the Company for their continued co-operation and support. The Directors also express their appreciation for the total commitment, dedication and hard work put in by every employee of the Company and are also grateful for the confidence and faith reposed by the members in the Company.

On behalf of the Board of Directors

P. P. KHARAS

Chairman & Managing Director

Mumbai, 28th June 2007.