



Ecoplast Ltd.

Twenty Ninth Annual Report 2010-2011

| | | | | |
|--------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------------------------------------------------------------------------------------------------------------------|
| Board of Directors | : | Mr. PHEROZE P. KHARAS Mr. JAYMIN B. DESAI Mr. BANKIM B. DESAI Mr. JEHANGIR A. MOOS Mr. DHANANJAY T. DESAI Mr. MUKUL B. DESAI Mr. BHUPENDRA M. DESAI | : | Chairman Managing Director Director Director Director (Alternate to Mr. Bankim B. Desai) Director Director |
| Compliance Officer | : | Mr. M. D. DESAI | | |
| Bankers | : | <i>BANK OF BARODA</i> Main Branch, Nani Khatriwad, Valsad – 396 001, Gujarat. | | |
| 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. | | |
| Registered Office | : | National Highway No. 8, Water Works Cross Road, Abrama, Valsad - 396 002, Gujarat. Email : ecoval@ecoplastindia.com | | |
| Head Office | : | 4, Magan Mahal, 215, Sir. M. V. Road, Andheri (E), Mumbai-400 069. Email : ecobom@ecoplastindia.com | | |
| Website | : | http://www.ecoplastindia.com | | |

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NOTICE

Notice is hereby given that the TWENTY NINTH Annual General Meeting of the Company will be held at the The Club Resort, At & P.O. Vashier, Valsad - 396 001 at 11.30 a.m. on Friday, 5th August, 2011 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date, together with the Reports of the Directors and the Auditors thereon.
2. To declare Dividend on Equity shares for the financial year ended 31st March, 2011.
3. To appoint a Director in place of Mr. Bankim B. Desai, who retires by rotation and, being eligible, offers himself for reappointment
4. To appoint a Director in place of Mr. J. A. Moos, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint M/s Akkad Mehta & Co., Chartered Accountants, retiring Auditors of the Company who are eligible for reappointment, 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.

For and On Behalf of the Board of Directors

J. B. Desai

Mumbai, 28th May, 2011

Managing Director

Notes:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM SELF 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 fixed for holding the aforesaid meeting.
- b) The Register of Members and the Share Transfer books of the Company will remain closed from Friday 29th July, 2011 to Friday 5th August, 2011 (both days inclusive).
- c) Members seeking further information on the financial 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.

- d) All correspondence relating to transfer of shares, change of address, dividend mandates etc. should be sent to the Registrar & Share Transfer agents quoting their folio numbers only at the following address:
M/s TSR Darashaw Ltd., 6-10, Haji Moosa Patrawala, Industrial Estate, 20, Dr. E.Moses Road, Mahalaxmi, Mumbai – 400 011.
- e) 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 above said fund or the Company after transfer of the amounts to the said fund.
- f) The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. Such nominations facilitates transmission of shares from the deceased shareholder to his / her nominee without going through the time consuming and cumbersome process of obtaining Succession Certificate / Probate or 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 5D & Form no: 2B). 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.

For and On Behalf of the Board of Directors

J. B. Desai

Mumbai, 28th May, 2011.

Managing Director

FINANCIAL HIGHLIGHTS

(Rs.'000)

| | 31.3.2011 | 31.3.2010 | 31.3.2009 | 31.3.2008 | 31.3.2007 | |
|-------------------------------------------------|-----------|-----------|-----------|-----------|-----------|--------|
| OPERATION | | | | | | |
| Sales (Net) | 660,615 | 484,717 | 318,030 | 371,583 | 347,108 | |
| Other Income | 1,578 | 1,339 | 1,759 | 2,740 | 1,558 | |
| Operating Profit | 56,368 | 33,627 | 8,699 | 24,425 | 19,630 | |
| [Before Depreciation] | | | | | | |
| Profit before Tax | 44,911 | 22,698 | (2,246) | 14,249 | 10,801 | |
| Profit after Tax (including prior period items) | 30,558 | 13,066 | (287) | 10,384 | 7,338 | |
| Dividend and Corporate Tax thereon | 9,445 | 6,297 | 0 | 6,318 | 5,265 | |
| Retained Earnings | 21,113 | 6,769 | (287) | 4,066 | 2,073 | |
| Earnings per Share (Rs.) | 10.19 | 4.36 | (0.10) | 3.46 | 2.45 | |
| [On Face Value of Rs.10/-] | | | | | | |
| ASSETS | | | | | | |
| Gross Block | 259,910 | 225,273 | 224,944 | 223,389 | 189,172 | |
| Net Block | 129,256 | 105,361 | 117,258 | 126,647 | 101,436 | |
| Net Current Assets | 120,709 | 113,783 | 57,487 | 106,432 | 111,830 | |
| Total Assets | 354,847 | 286,175 | 210,920 | 296,947 | 250,044 | |
| NET WORTH | | | | | | |
| Equity Capital | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | |
| Reserves and Surplus | 120,126 | 99,013 | 92,244 | 92,530 | 87,401 | |
| Net Worth | 150,126 | 129,013 | 122,244 | 122,530 | 117,401 | |
| Book value per share (Rs.) | 50.04 | 43.00 | 40.75 | 40.84 | 39.13 | |
| [On Face Value of Rs.10/-] | | | | | | |
| BORROWINGS | | | | | | |
| Long Term | 25,762 | 12,205 | 17,689 | 24,063 | 5,022 | |
| Short Term | 58,344 | 62,499 | 19,345 | 68,162 | 72,202 | |
| | 84,107 | 74,704 | 37,033 | 92,226 | 77,224 | |
| RATIOS | | | | | | |
| Profit before Tax to Sales and other Income | % | 6.78 | 4.67 | (0.70) | 3.81 | 3.10 |
| Profit before Tax to Net Worth | % | 29.92 | 17.59 | (1.84) | 11.63 | 9.20 |
| Dividend to Equity Capital | % | 27 | 18 | - | 18 | 15 |
| Dividend to Net Worth [Yield] | | 6 | 5 | - | 5 | 4 |
| Return on Capital Employed | % | 25 | 13 | 5 | 12 | 10 |
| Dividend Cover | Times | 3.24 | 2.08 | - | 1.64 | 1.39 |
| Current Ratio | Ratio | 1.37:1 | 1.45:1 | 1.67:1 | 1.29:1 | 1.48:1 |
| Long Term Debt : Equity | Ratio | 0.24:1 | 0.17:1 | 0.21:1 | 0.28:1 | 0.09:1 |

DIRECTORS' REPORT

To

The Members,

The Directors are pleased to present their Twenty-Ninth Annual Report and Audited Accounts for the year ended 31st March 2011.

1. FINANCIAL RESULTS

| | Rs.'000 | |
|-------------------------------------------|------------------|------------------|
| | 31.3.2011 | 31.3.2010 |
| Net Sales | 660,615 | 484,717 |
| Other Income | 1,578 | 1,339 |
| Sales and Other Income | 662,193 | 486,056 |
| Operating Profit (before Depreciation) | 56,368 | 33,627 |
| Less: Depreciation | 11,456 | 12,285 |
| Profit before Tax | 44,911 | 22,698 |
| Less: Provision for Tax | | |
| Current Tax | 14,025 | 9,660 |
| Deferred Tax Credit | 306 | 9 |
| Profit after Tax | 30,580 | 13,029 |
| Short Provision of Tax for Prior Years | (22) | 37 |
| Net Profit after Prior period items | 30,558 | 13,066 |
| Add : Balance Brought Forward | 33,232 | 27,962 |
| Profit available for Appropriation | 63,790 | 41,028 |
| APPROPRIATION : | | |
| Transfer to General Reserve | 3,500 | 1,500 |
| Dividend on Equity Shares | 8,100 | 5,400 |
| Corporate Dividend Tax | 1,345 | 896 |
| Balance Carried Forward | 50,845 | 33,232 |
| | 63,790 | 41,028 |

2. OPERATING RESULTS

During the year under review, net sales increased by 36% - Rs. 6606 lacs, from Rs. 4847 lacs in the previous year. Operating profit before depreciation increased by 67% over the last year to 563 lacs. The resulting net profit after tax (with prior period adjustments), amounted to Rs. 305 lacs ; an increase of over 230% over the previous year.

3. DIVIDEND

The Board of Directors recommend a dividend of Rs. 2.70 per equity share (27 %) for the year 2010-11. (Previous year – 18%) for approval at the Annual General Meeting. The dividend if approved, will result in a cash outflow of Rs. 94.45 lacs including dividend tax.

4. TRANSFER TO RESERVES

The Company proposes to transfer Rs. 35.00 lacs to the General Reserve out of the amount available for appropriations and an amount of Rs. 176.13 lacs is proposed to be retained in the Profit & Loss Account.

5. FIXED DEPOSIT

The Company continued accepting Fixed Deposits from the public during the year under review. The Company received Rs. 41.32 lacs under the Fixed Deposit scheme. At the close of the year there were no Fixed Deposits due for payment which remained either unclaimed or unpaid, except 15 deposits amounting to Rs. 4.91 lacs which have matured but have not been claimed. Of these, 4 Deposits, amounting to Rs. 0.86 lacs have been renewed or repaid up to the date of this Report.

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

6. OPERATIONS

The traditional business of multi layer films for lamination has grown and continued to sustain operations, in terms of volume and capacity utilisation. The more encouraging factor related to the longer term growth potential was the success achieved in sales of specialty films. Consistent efforts at development, evaluation and validation of films appeared to have paid off.

The annual multi layer film capacity was increased by 1980 MT, by installing a new extrusion line.

Significant improvements were made in virtually all areas of operations.

7. PROSPECTS FOR THE CURRENT YEAR

The year 2010 – 11 has been exceptional in terms of the growth in profitability. The Company expects that revenues and profitability will continue to grow. However the profitability will be determined by a more favourable product mix, consisting of specialty films.

The Company's strength has been in its ability to understand the ultimate customers' end use performance characteristics of the film and to develop its properties that meet these specific performance requirements. It is this strength that has allowed the Company to venture into several niche market applications hitherto serviced by imports or local producers where the customer had to compromise either on processing speeds or end use

performance characteristics of their product. These are mostly industrial applications, pharmaceutical packaging and highly specialised laminate applications where the margins on sales are consistent with the company's growth objectives, and its reputation as a supplier providing value to customers.

The traditional business of multi layers films for production of laminates for consumer packaging has become very competitive. Its sales will be limited to those customers who continue to buy for reasons where the product packed is aggressive and/or the packaging system requires very specific quality parameters.

This critical edge the Company has in the market has to be sustained by major investments on equipment planned during the year to enable production of films consistent with modern technology in packaging and the need for preservation of foods, adopted by the ultimate packer – the FMCG companies.

The Company has invested in the Joint Venture Company, Synergy Films Pvt. Ltd., which is currently making losses. The Company has given a guarantee to NEDFI (North Eastern Development Finance Corporation Ltd.) for Rs. 400 Lacs for the Term Loan and Working Capital Loan disbursed by them to Synergy Films Pvt. Ltd. The Board of Directors is of the opinion that if the management of Synergy Films was replaced and brought fully under the control of your Company, Synergy Films Pvt. Ltd. could become a profit making Company. The Board is considering the takeover of the stake of the joint venture partner so that it is in a position to revive Synergy Films Pvt. Ltd. In these circumstances the Board is of the

view that the observation of the Statutory Auditor in paragraph 4(f) and 4(g) of his Report will not affect the operations of the Company.

8. 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 Board of Directors) Rules, 1988 and forming part of the Directors' Report for the financial year ended 31st March 2011 is given in the Annexure to this Report.

9. 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 none of the employees of the Company is drawing salary above the limits prescribed under the above rules.

10. AUDITORS QUALIFICATION

Auditor's remarks referred in para 4 (f) and para 4 (g) are in Form of non qualifying remarks and are self explanatory as per Note No. 9 and Note No. 16 of Notes to Accounts in Schedule 16.

11. DIRECTORS

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

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

12. CORPORATE GOVERNANCE

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

13. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) 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 had 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, 2011 and of the profit of the company for the year ended on that date;
- (iii) The Directors had 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 had prepared the Annual Accounts on a "going concern" basis.

14. AUDITORS

M/s. Akkad Mehta and Co., Chartered Accountants, Auditors of the Company will retire at the 29th Annual General Meeting and are eligible for re-appointment. 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.

15. SECRETARIAL AUDIT REPORT

As stipulated by the Securities and Exchange Board of India, a qualified Practicing Company Secretary carries out the Secretarial Audit 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 number of shares in dematerialized form (held with NSDL and CDSL) and the total number of shares in physical form.

16. COMPLIANCE CERTIFICATE

The Compliance Certificate as required under Section 383A of the Companies Act, 1956 from a Practicing Company Secretary is attached.

17. ACKNOWLEDGMENT

The Directors wish to convey their appreciation to Customers, Suppliers, Bankers, other Stakeholders and specially the employees for their co-operation. The Directors also appreciate the confidence reposed in the Management of the Company by its shareholders.

For and on behalf of the Board of Directors

P. P. Kharas
Chairman

Mumbai, 28th May 2011

ANNEXURE TO THE DIRECTORS' REPORT 2010 - 11

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT.

A. CONSERVATION OF ENERGY

The requirement of disclosure with respect to conservation of energy is not applicable to the Company. There is however, an on-going effort to monitor and control energy consumption, supported by findings of an energy audit conducted by an independent consultant.

B. TECHNOLOGY ABSORPTION RESEARCH & DEVELOPMENT (R&D)

Broadly, the development of multilayer film structures to meet the performance requirements for a specific application, involves :

- A knowledge of the molecular structure of various raw material grades and the properties developed after extrusion to a film, under predetermined process conditions.
- Both film surfaces are critical for an application and therefore the knowledge of grades and properties needs to be extended to selection of three or more process compatible grades in a multilayer film structure to meet the performance requirements on several parameters. Thirty critical performance parameters logically grouped under six heads have been identified for selection of the critical few that determine the performance requirements of a film for a specific application.
- Selecting equipment and appropriate process condition, which determine the ultimate properties and the film's behaviour when further processing is carried out by customers, to develop the final product.
- Several laboratory tests to determine film properties; laboratory findings are then related to film performance. Here, knowledge and experience have an important role.
- Repeating (if required) the entire process until a right combination of properties for a specific performance is attained.
- Evaluation and validation of films under actual processing, packaging, storage, handling and transportation conditions to establish performance characteristics as determined with the customer.
- Technical support to the customer in the event the end user has a problem; most often the problem is

related to changes in processing, packaging system parameters or others, without informing the Company

Future plan of action :

Focus on future development will continue on:

- Films required for extending shelf-life for packaging fruits, vegetables, marine products and poultry in the domestic and export markets.
- Development of specialty films, which are import substitutes for our customers, and films which, due to their technology content, are difficult to replicate.

C. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

The thrust has been on improving the quality of all films and developing new products to provide Value to customers.

To continue the Process of improving efficiencies in all areas of Operations to reduce costs, improve profit margin, while increasing the Customer Satisfaction Rating.

D. R & D EXPENDITURE

| | (Rs.'000) | |
|---------------------------------------------------------------|-----------|----------|
| | 31.03.11 | 31.03.10 |
| a) Capital Expenditure | - | - |
| b) Recurring Expenditure | 738 .00 | 662.00 |
| c) Total Expenditure | 738 .00 | 662.00 |
| d) Total R & D Expenditure as a percentage of total turnover. | 0.11 | 0.14 |

No technology has been imported by the Company over the last five years.

E. FOREIGN EXCHANGE EARNINGS AND OUTGO

| | (Rs.'000) | |
|---------------------------------|-----------|---------|
| a) Foreign Exchange Earnings | : | 143,018 |
| b) Foreign Exchange Outgo | : | 229,079 |
| (Raw material, Spares & Others) | | |

For and on behalf of the Board of Directors

P. P. Kharas
Chairman

Mumbai, 28th May, 2011

COMPLIANCE CERTIFICATE

CIN No: L25200GJ1981PLC004375
Authorized Capital: Rs. 10,00,00,000/-

To,
The Members
Ecoplast Limited
National Highway No. 8,
Water Works Cross Road,
Abrama, Valsad
Gujarat – 396001.

We have examined the registers, records, books and papers of **ECOPLAST LIMITED** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March, 2011**. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained the registers as stated in and subject to comments in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and the entries therein have been recorded.
2. The company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time as mentioned in the said annexure.
3. The Company being a Public Limited Company, comments that a Private Limited Company has minimum prescribed paid-up capital, maximum number of members, invitation to public to subscribe for shares and acceptance of deposits from persons other than its members, directors or their relatives, are not required.
4. The Board of Directors duly met 6 (Six) times on 03.04.2010, 08.05.2010, 30.07.2010, 18.09.2010, 25.10.2010 and on 10.02.2011 in respect of which

meetings notices were given and the proceedings were recorded and signed in the Minutes Book maintained for the purpose. (No circular resolution was passed.)

5. The Company closed its Register of Members from 10.09.2010 to 18.09.2010 (both days inclusive) and necessary compliance of Section 154 of the Act has been made.
6. The annual general meeting for the financial year ended on 31st March, 2010 was held on 18.09.2010 after giving notice to the members of the company and the resolutions passed thereat were recorded in Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loan to its Directors and / or persons or firms or companies referred to in the Section 295 of the Act.
9. The Company has entered into certain contracts falling within the purview of Section 297 of the Act. The Company has confirmed that these transactions were for cash at prevailing market price.
10. The company has made necessary entries in the register maintained under section 301 of the Act.
11. The Company has obtained necessary approvals from the Board of Directors and members pursuant to Section 314 of the Act wherever applicable.
12. The company has not issued any duplicate share certificates during the financial year.
13. (i) The Company has delivered all the certificates on lodgment of securities for transfer/ transmission or any other purpose in accordance with the provisions of the Act. There was no allotment of securities during the year.
(ii) The Company deposited the amount of dividend declared at Annual General Meeting held on 18.09.2010 in a separate Bank Account on 20.09.2010 which is within five days from the date of declaration of such dividend.
(iii) The Company posted warrants to all the members within the period of 30 days from the date of declaration and that all unclaimed /unpaid dividend has been transferred to Unpaid Dividend Account of the Company with HDFC Bank, Mumbai on 26.10.2010.