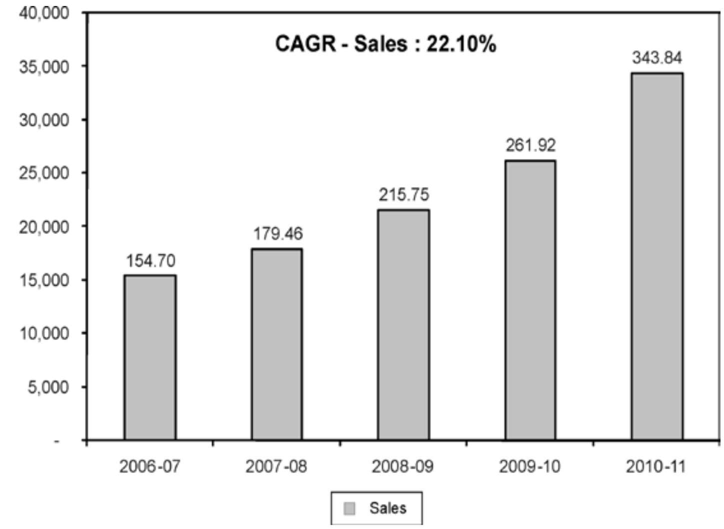
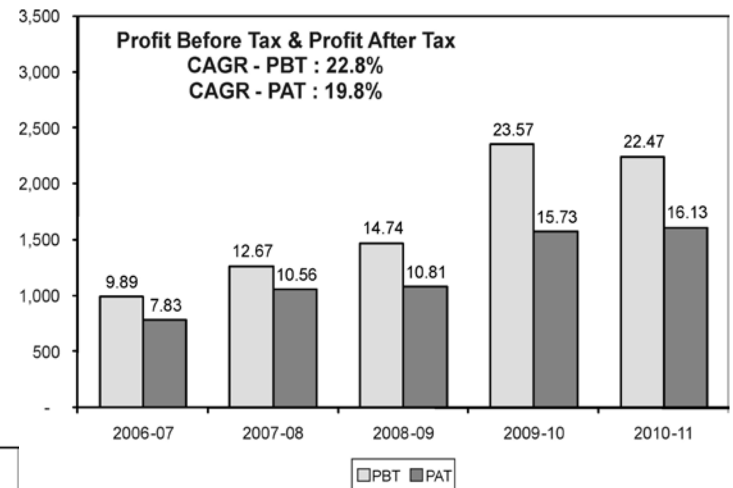
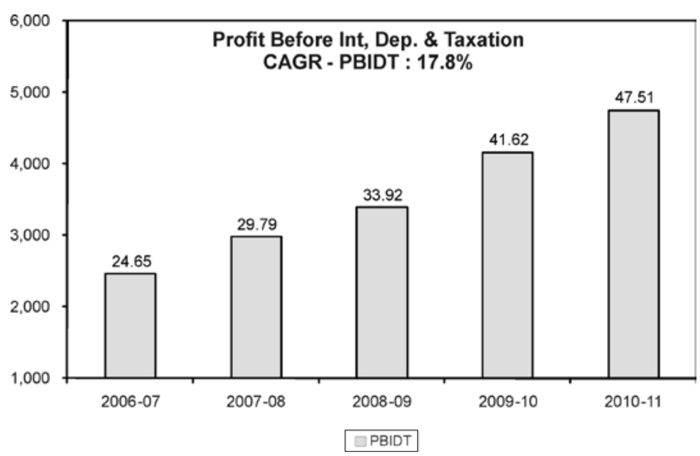
HITECH PLAST LIMITED

20TH ANNUAL REPORT 2010-2011

HITECH PLAST - CONSOLIDATED (₹ in Crores)







BOARD OF DIRECTORS :

Ashwin S. Dani	Chairman
Rajnikant B. Desai	
Rameshchandra S. Gandhi	
Harish N. Motiwalla	
Ranjan M. Kapur	
Ashwin R. Nagarwadia	
Ina A. Dani	
Jalaj A. Dani	
Hasit A. Dani	
Malav A. Dani	
Somasekhar Sundaresan	w.e.f 28th September 2010
Ashok K. Goyal	Managing Director (CEO)

AUDIT COMMITTEE:

Rameshchandra S. Gandhi	Chairman
Harish N. Motiwalla	
Ranjan M. Kapur	

COMMITTEE OF DIRECTORS :

Ashwin S. Dani	Chairman
Jalaj A. Dani	
Hasit A. Dani	
Malav A. Dani	
Ashok K. Goyal	

REMUNERATION COMMITTEE:

Rameshchandra S. Gandhi	Chairman
Harish N. Motiwalla	
Ashwin R. Nagarwadia	

MANAGEMENT TEAM:

Ashok K. Goyal	Harshad B. Desai
Bhupendra P. Dusara	Rajiv T. Gandhe
Neeraj M. Munjal	Gursharan S. Bhamra
Nagaraj M. Khatavkar	

INVESTOR'S GRIEVANCE & SHARE TRANSFER COMMITTEE :

Ashwin S. Dani	Chairman
Jalaj A. Dani	
Hasit A. Dani	
Malav A. Dani	
Ashok K. Goyal	

REGISTRAR & TRANSFER AGENT :

Link Intime India Pvt. Ltd.
C-13 Pannalal Silk Mills Compound,
L. B. S. Road, Bhandup (W),
Mumbai – 400 078.
Tel No. 2596 3838 Fax No. 2596 2691
Email : mumbai@linkintime.co.in

SUBSIDIARY COMPANY :

Clear Mipak Packaging Solutions Limited

STATUTORY AUDITORS :

Shah & Co., Chartered Accountants, Mumbai

REGISTERED OFFICE & CORPORATE OFFICE :

C-130 Solaris – 1
Opp. L&T Gate No.6,
Powai, Mumbai – 400 072.
Tel No. 022-40016500 Fax No. 022-28574665
Email : investor.help@hitechplast.co.in

INTERNAL AUDITORS :

Shashank Patki & Associates, Pune
J. V. Ramanujam & Co., Chennai

BANKERS :

State Bank of India
Kotak Mahindra Bank Limited
Standard Chartered Bank
Citibank N.A.

WEBSITE

www.hitechplast.co.in / www.cmpsl.co.in

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FIVE YEAR REVIEW – HITECH PLAST LIMITED – STANDALONE

(₹ in Lacs except for per share data, number of employees and ratio)

Results for the Accounting Year	**2010-2011**	2009-2010	2008-2009	2007-2008	2006-2007
REVENUE ACCOUNT					
Gross Sales	**22,593.23**	17,349.52	15,441.99	12,476.59	11,002.23
Net Sales and Operating Income	**20,392.49**	15,879.59	13,437.87	10,629.33	9,335.50
Growth Rate (%)	**28.42**	18.17	26.42	13.86	44.40
Materials Cost	**12,755.74**	9,460.18	8,366.67	6,351.87	5,573.77
% to Net Sales	**62.55**	59.57	62.26	59.76	59.71
Overheads	**4,649.57**	3,698.80	3,025.29	2,574.67	2,315.25
% to Net Sales	**22.80**	23.29	22.51	24.22	24.80
Operating Profit (PBIDT)	**3,099.99**	2,856.22	2,220.42	1,794.18	1,533.45
Interest Charges	**909.90**	504.12	658.95	532.02	387.96
Depreciation	**573.02**	345.94	317.93	353.83	335.14
Profit Before Tax	**1,617.07**	2,006.16	1,243.54	908.33	810.35
% to Net Sales	**7.93**	12.63	9.25	8.55	8.68
Profit After Tax	**1,185.32**	1,374.81	925.79	795.82	668.36
Prior period items	-	-	-	-	(4.02)
Profit after tax and prior period items	**1,185.32**	1,374.81	925.79	795.82	664.34
CAPITAL ACCOUNT					
Share Capital	**1,317.57**	1,317.57	1,317.57	1,317.57	1,317.57
Reserves and Surplus	**5,576.27**	4,635.96	3,491.60	2,418.71	1,777.05
Deferred Tax Liability/Asset (Net)	**256.15**	203.40	172.06	1.76	(18.38)
Loan Funds	**6,218.38**	4,046.71	1,859.25	2,722.83	2,877.28
Fixed Assets	**5,845.31**	4,643.74	2,334.22	1,739.91	1,313.47
Investments	**3,408.89**	2,805.54	1,911.70	1,911.70	2,493.96
Net Current Assets	**4,114.17**	2,754.36	2,594.56	2,809.27	2,146.09
Debt - Equity Ratio	**0.90**	0.68	0.38	0.72	0.93
Market Capitalisation	**10,935.83**	11,462.86	4,420.45	8,432.45	8,913.36
PER SHARE DATA					
Earning Per Share (₹)	**9.00**	10.43	7.03	6.04	5.16
Dividend (#)	**1.60**	1.50	1.10	1.00	0.80
Book Value (₹)	**52.32**	45.19	36.50	28.36	23.49
OTHER INFORMATION					
Number of Employees	**336**	343	299	203	171

(#) Recommended by the Board, subject to approval of the Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present the Management Discussion and Analysis for the year ended 31st March, 2011.

In line with the accepted good corporate practices, Hitech Plast has been reporting consolidated results – taking into account the results of its subsidiary namely Clear Mipak Packaging Solutions Limited, a combined entity after the merger of Mipak Polymers Limited into Clear Plastics Limited.

Indian Economic Review

The financial year 2010-11 has come to close on a high note. The Government collected an all-time high direct tax of ₹ 4.5 lakh crore in this year - about ₹ 4,000 crores more than the revised budget estimate and 20% over the direct tax collection last year. The country's GDP growth is likely to come in at 8.4% in the FY 2011 and expected to be sub-8% in FY 2012. The IIP numbers have shown increase of 7.4% in March 2011 compared to 6.8% in March 2010. To curb the rising inflation, the RBI has continuously increased interest rates latest being increase of 50 bps in May 2011.

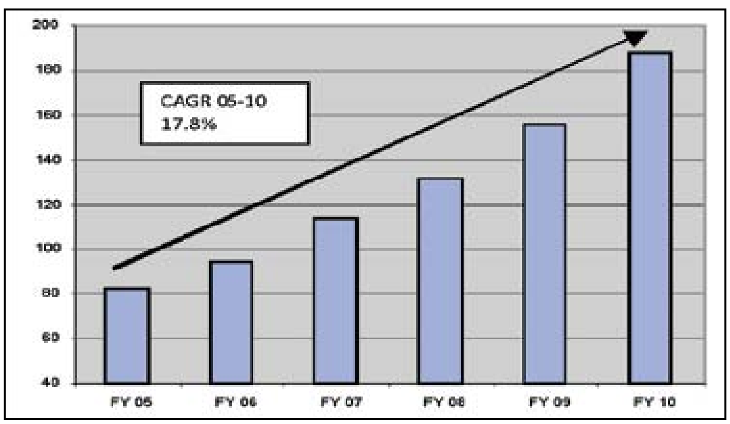
Packaging Industry

The Company's main products are rigid plastic containers and bottles specially catering to customers relating to Paints, Healthcare, Consumer Goods, Lube and Pesticides.

Presence of Hitech Plast in Paint Industry and FMCG Industry

Hitech Plast has presence in supplying rigid packaging to Paint and Fast Moving Consumer Goods (FMCG) industry. The drivers of growth for both these industries have been highlighted hereinbelow:

I) PAINT INDUSTRY

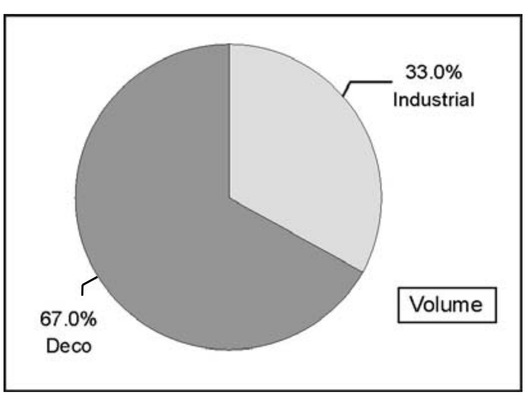


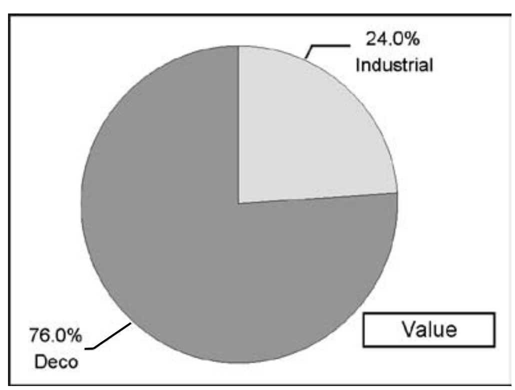
India's industry size is estimated to be ₹ 190 billion (~ 2 m kilolitres by volume), nearly one and a half times the size of next largest FMCG sub-category (biscuits which is at ₹ 120 billion). Despite the large size, the paint industry has posted strong growth sales CAGR of 17.8% over FY05-10. Volume growth of the top-five organized players stood at 13.6% during the same period.

[Source: Industry, Asian Paints Annual Reports]

a) Decorative Paints to grow faster

The paint market can be divided into two broad product segments – decorative and industrial. In India, decorative paints form the bulk of the market, both in value and volume terms.





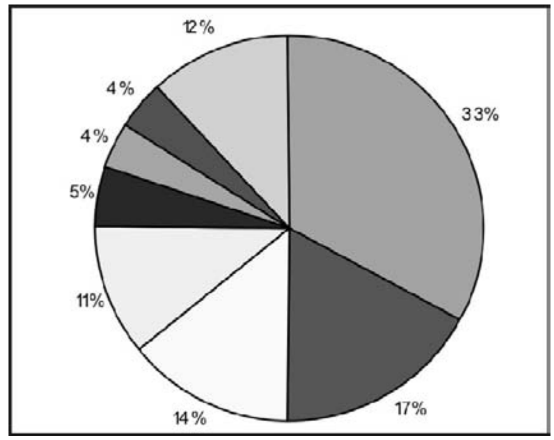
[Source: Industry data, Standard Chartered Research]

Up-trading in Decorative happening at a faster pace

In the past few years, water based emulsions, comprising nearly one-third of the market, have been increasingly substituting lower-end paints such as distempers, cement paints and enamels. As per the industry sources, growth in emulsions has been significantly higher than that of other paints. High durability, better looking finish in a wider colour-range, more environmental friendly and increasing affordability due to availability of economy emulsions at a relatively lower cost have been driving the shift to emulsions.

b) Decorative Paints segmentation:

Segment	%
Enamels	33%
Emulsions (Interior)	17%
Emulsions (Exterior)	14%
Primers & Thinners	11%
Wood Finishes	5%
Cement Primers	4%
Putty	4%
Distemper	12%
TOTAL	100%



[Source: India Small Scale Paints Association, IPA, Standard Chartered Research]

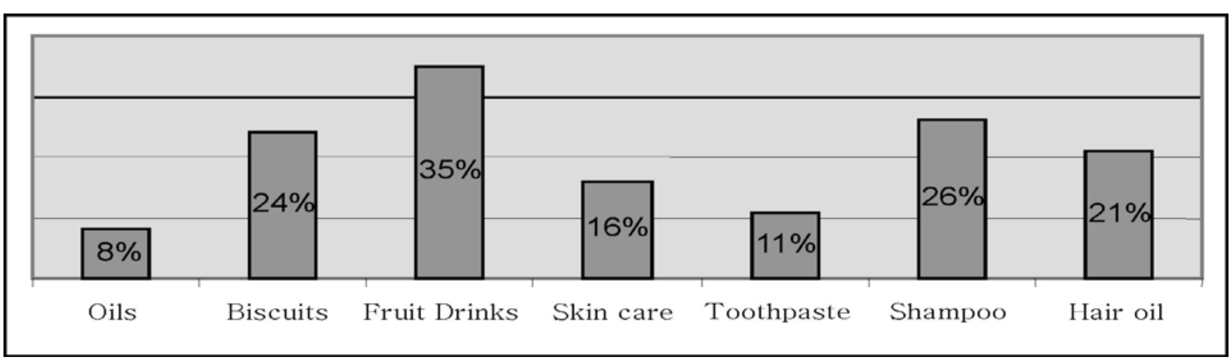
Hitech group is expected to grow in line with the paint industry's projected growth in terms of volume of 13-15% per annum, over FY12 – FY 13E. Decorative paints are set for higher growth, given in-place demand drivers, which are 1) robust economic growth resulting in higher disposable income, 2) real estate boom in the past few years, translating into increase in demand for repainting, 3) continued growth in real estate, 4) launch of `affordable housing', 5) change in perception towards painting, 6) shift in demographic profile resulting in increase in number of households and 7) various innovations by large players. In addition, it is expected that, apart from overall volume growth, significant up-trading – from cheaper distemper to interior emulsions, cement primers to exterior emulsions and low-end emulsions to premium emulsions, will take place.

II) FMCG INDUSTRY

The fast moving consumer goods (FMCG) industry, which accounts for 2.2 per cent of India's GDP, is set to attain size of ₹ 1300 billion in FY 11. The FMCG industry in India has grown rapidly and the growth rates across different product categories are good indicators of how the Indian consumer has evolved. The sector witnessed a robust year-on-year growth of approximately 11 per cent in the last decade, almost tripling from ₹ 470 billion in FY 2001 to the current size.

The last five years have augured well for the industry with an annual growth rate of approximately 17 per cent since FY 2006. Even in the meltdown years of FY 2008 and FY 2009, the FMCG industry witnessed sustained growth rates of 14 per cent and 11 per cent, respectively, demonstrating that unlike other sectors, this sector was relatively recession-proof.

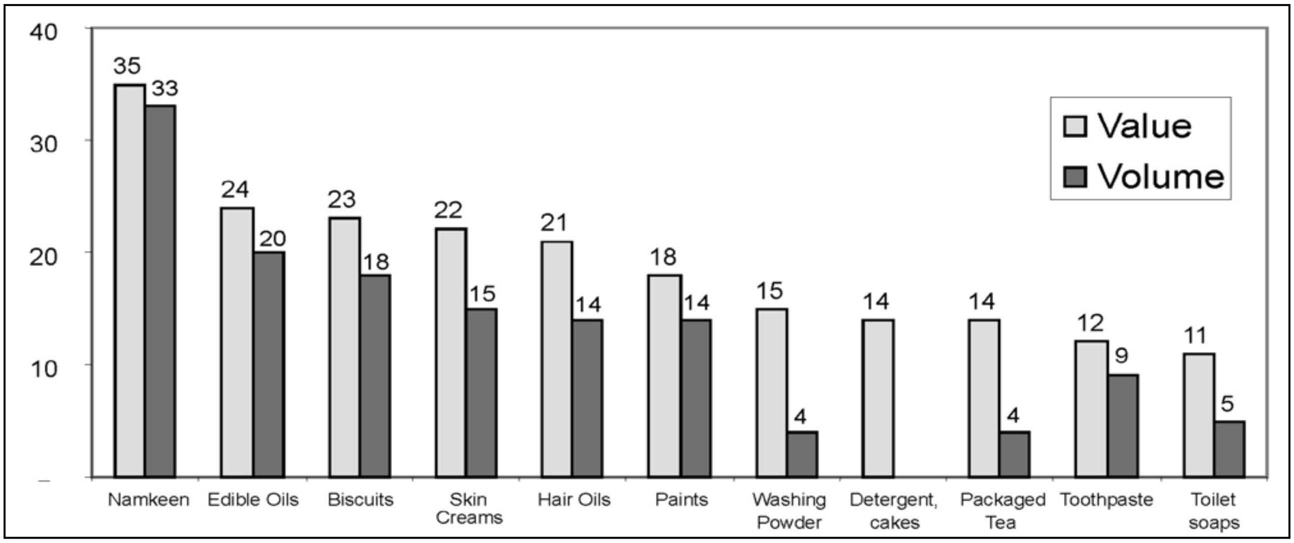
Within the category of food products which account for nearly 45 per cent of the industry size, staple products like edible oils have grown at single digits given a high degree of penetration as well as established usage patterns. Fruit juices on the other hand have reported exponential growth, moving from near zero level in FY 2000 to ₹ 9 billion at present. Similar trends are visible in the personal products category with skin care creams outpacing the growth of more mundane product line such as toothpaste. Increased incomes, changing social habits and growing awareness of healthier and packaged beverages have contributed to these patterns as shown below, during the last five years.



[Source: IDFC Institutional Research]

There are well-identified three sets of players operating within a highly developed and intensely competitive landscape viz., a) Foreign players such as Unilever, P&G, Nestle, RBL, ITC, GSK, SC Johnson, J & J, Cadbury, Amway etc., b) strong Indian players with established national presence such as Dabur, Marico, Pidilite, Godrej Consumer Products, Parle, Tata Tea, Emami, Paras Pharma, Future Group, etc. and c) regional or small domestic players such as Kevincare, Patanjali, Swan sweets, Ravalgaon, Amar Tea, Society Tea, etc.

Growth (in terms of %) in paint and other top 10 FMCG categories in the last five years:



[Source: Industry, Company data, Standard Chartered Research]

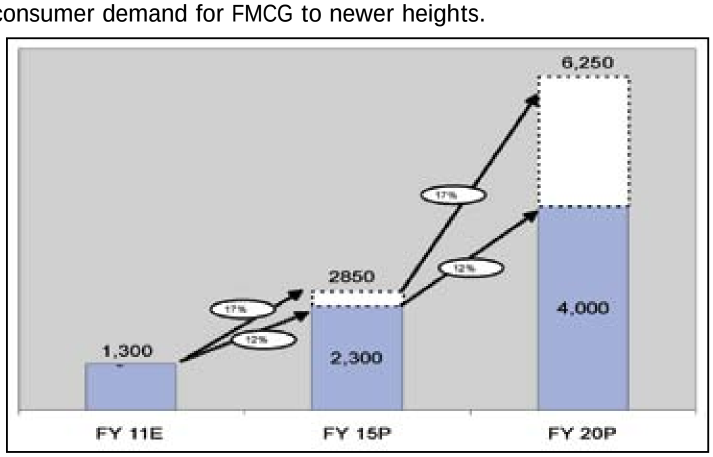
Break up of FMCG segmentation

		(₹ in billion)	Volume Growth achieved in last 5 years			(₹ in billion)	Volume Growth achieved in last 5 years
	Namkeens	70			Packaged Tea	67	4
	Edible Oils	95			Toothpaste	39	
	Biscuits	120			Toilet Soaps	92	
	Skin Creams	51	15		Non-Refined Edible Oils	60	
	Hair Oils	104	14		Ready-to Eat foods	89	
	Paints	190			Health Beverage	11	30
	Household care	97	12		Confectionary	6	15
	Detergent, cakes	119			Ice Creams	18	
	Soft Drinks CSD	72			**TOTAL**	**1300**	

[Source: IIFL Research, Company data, CII, IBEF, Standard Chartered Research]

Hitech through its subsidiary caters to some of the segments which are marked above in black colour.

We feel that having habituated for a decade of tremendous economic growth, the Indian FMCG industry is now ready to sustain that growth and forge ahead. There are three key forces at work within and outside the industry which drive this development. These are a) development cycle of the industry, b) macroeconomic factors and c) evolving consumer profile. All these factors will combine to catapult consumer demand for FMCG to newer heights.



[Source: FMCG Roadmap to 2020, CII and Booz & Co.,] This report estimates that the FMCG industry will grow at least 12 per cent annually to become ₹ 4000 billion in size by 2020. Additionally, if some of the factors play out favourably, say, GDP grows a little faster, the government removes bottlenecks and implement GST, infrastructure investments picks up, there is more efficient spending on government subsidy and so on, growth can be significantly higher. It could be as high as 17 per cent, leading to an overall industry size of ₹ 6250 billion, by FY 2020.

Opportunities and Strengths

Independent market survey reveals that rigid plastic packaging remains a highly sought and value driven alternative to traditional materials like glass, metal and paperboard for a range of consumer applications. Rigid Plastics continued to be viewed as highly favourable option over traditional materials and will enjoy strong growth over the next five years. Study further shows that consumers continue to value the performance attributes of plastic packaging, including lightweight, safety, shelf appeal, convenience as metal packaging is preferred less by consumers and suffers from reduced shelf appeal. The amount of plastic packaging has increased significantly in the last few years and its image has clearly improved, though public opposition to plastics on environmental grounds persists and manufacturers continue to investigate new strategies and alternatives to meet sustainability goals for their products.

Risks and Concerns

The Company's business is dependent on the growth of end-user industries such as paints, chemicals and FMCG. During economic slowdown in the past, the paints and chemicals industries too slowed down because of their end users – infrastructure, construction, textiles, automobiles and personal care. Any such slowdown in the future may have an impact on the Company's performance.

The main raw materials are derivative of crude oil, which exposes the Company to the volatility in raw material prices. Although the Company has an arrangement with most of its customers wherein the increase in prices of polymers can be passed on, generally the pass-on happen with a lag effect. This could adversely impact margins till the prices are actually passed on.

The Company is currently in the process of expanding its manufacturing capacities at various locations. Any delay in commissioning of these capacities may impact the financial estimates of the Company.

Audit and Internal Control Systems

The Company has an adequate system of internal control relating to purchase of stores, raw materials including components, plant & machinery, equipment and other similar assets and for the sale of goods commensurate with the size of the Company and nature of its business.

The Company also has Internal Control System for speedy compilation of accounts and Management Information System Reports and to comply with applicable laws and regulations.

The Company has an effective budgetary system. The Management reviews the actual performance with reference to budgets periodically. The Company has a well-defined organization structure, authority levels and internal rules and regulations for conducting business transactions.

Health, Safety and Environment

The Company is committed to conduct its operations with due regard to the environment and providing a safe and healthy workplace for employees. The collective endeavour of your Company's employees at all levels is directed towards sustaining and continuously improving standards of environment, occupational health and safety in a bid to attain and exceed defined benchmarks.

Human Resources and Industrial Relations

The Company's Human Resources philosophy is to establish and build a strong performance and competency driven culture with greater sense of accountability and responsibility. The Company has taken pragmatic steps for strengthening organizational competency through involvement and development of employees as well as installing effective systems for improving the productivity, quality and accountability at functional levels.

With the changing and turbulent business scenario, our basic focus is to upgrade the skill and knowledge level of the existing human assets to the required level by providing appropriate leadership at all levels, motivating them to face the hard facts of business, inculcating the attitude for speed of action and taking responsibilities. The total number of employees of Group at 31st March 2011 was 1000 (949 as at 31st March 2010).

Financials

Net sales for the standalone entity increased to ₹ 204 crores from ₹ 159 crores in the previous year – a growth of 28%. However, standalone volume growth was 18.3%. For the group, net sales increased to ₹ 344 crores from ₹ 262 crores – a growth of 31%. Consolidated volume growth was 20.4%. The polymer prices were 15% higher as compared to the previous year.

As a result, the Company has been unable to maintain the operating profit (PBIDT) margin. For standalone entity, it went down from 17.9% to 15.2 % as well as on consolidated basis it went down from 15.9% to 13.8% in the year 2010-11.

The profit after tax for the standalone entity in 2010-11 stands at ₹ 11.85 crores as against ₹ 13.75 crores in the previous year. Net profit after tax and minority interest for the group stands at ₹ 14.42 crores, as compared to ₹ 14.94 crores, in the previous year. The group performance was better due to excellent profitability growth posted by the subsidiary for the year 2010-11.

Quality

In a business where customer requirements are becoming increasingly diverse and demanding, the most effective sales driver is a consistently high product quality.

In its continuous pursuit for Quality, apart from various steps, your Company has recently completed II[nd] surveillance audit of three manufacturing units and Corporate with upgraded accreditation to IS0 9001:2008 by Det Norske Veritas, Netherlands.

Analysis of Operating Performance (Consolidated)

(₹ in Lacs)

Sr. No.	Particulars	2010-2011	2009-2010
1.	Net Sales / Income from Operations	**34,384**	26,192
2.	Total Operating Income	**34,604**	26,411
3.	Total Operating Expenses	**29,853**	22,249
4.	Operating Profit	**4,751**	4,162
5.	Operating Profit (%)	**13.8%**	15.9%
6.	Profit after Tax (PAT) (after Minority Interest)	**1,442**	1,494
7.	PAT (after Minority Interest) to Net Sales (%)	**4.19%**	5.7%
8.	E.P.S. (₹)	**10.94**	11.34
9.	ROCE (%)	**18.7%**	22.2%
10.	Debt : Equity	**1.56**	1.36

Cash Flow Analysis

(₹ in Lacs)

Sr. No.		2010-2011	2009-2010
	Sources of Cash		
1.	Cash Generation before interest	**4,708**	4,116
2.	Issue of Capital	**402**	596
3.	Loans	**2,658**	1,994
4.	Capital Subsidy	**30**	-
	TOTAL	**7,798**	6,706
	Utilization of Cash		
1.	Purchase of Fixed Assets	**3,756**	3,453
2.	Tax Payments	**674**	716
3.	Interest	**1,216**	855
4.	Dividend	**228**	169
5.	Changes in Working Capital	**1,959**	1,334
	TOTAL	**7,833**	6,527
	Change in Cash and Cash Equivalents	**(35)**	179

Risk Management and Concerns

Risk is the uncertainty involving situations and the impact of their possible outcome of events. Every responsible Corporate puts in place certain risk mitigation mechanism that protect the Business from adverse business effects. The Company is exposed to various external and internal risks and undertake following initiatives to mitigate their impact.