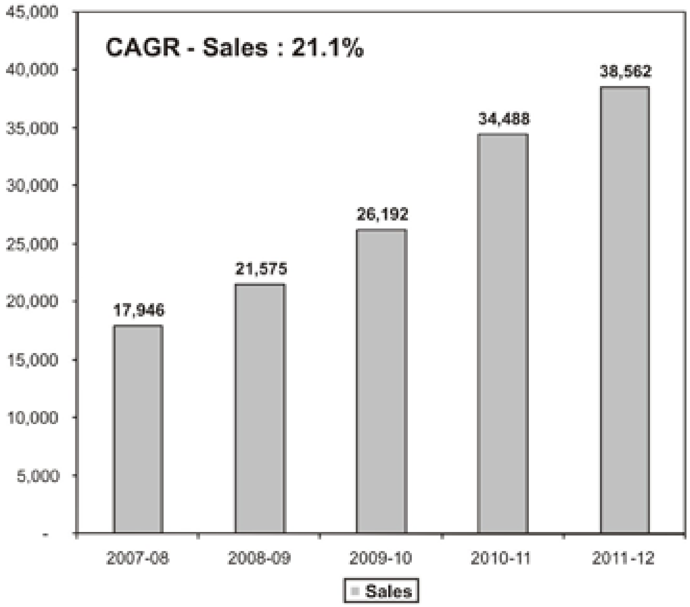
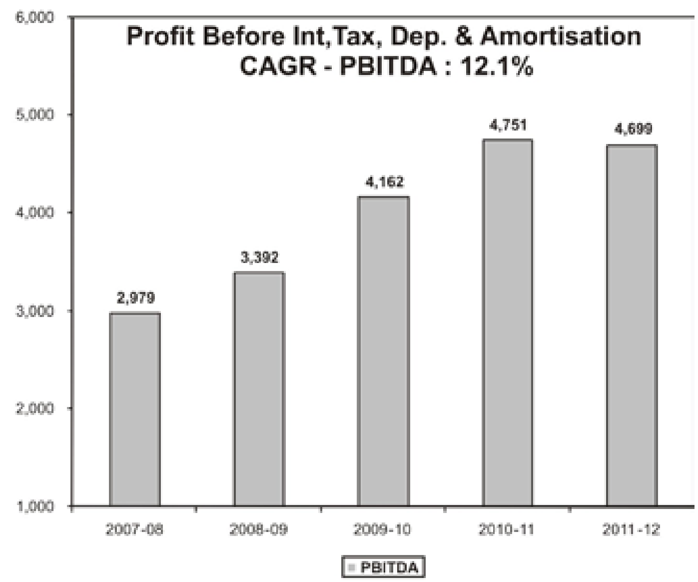
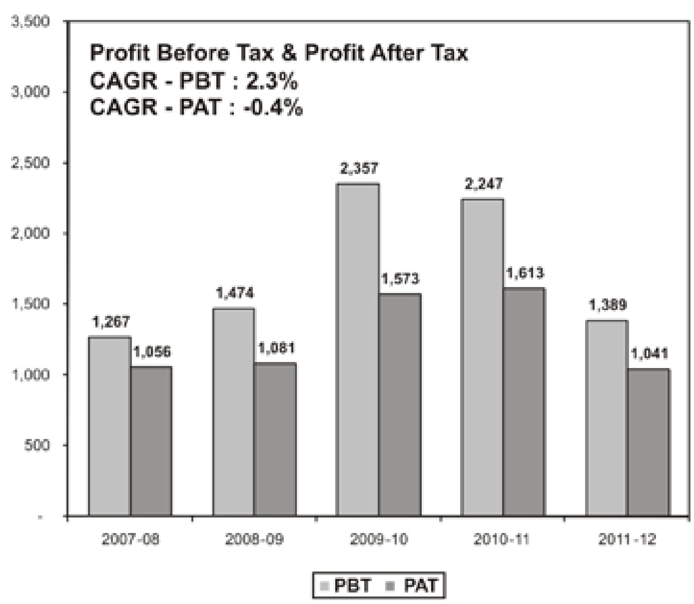
HITECH PLAST LIMITED

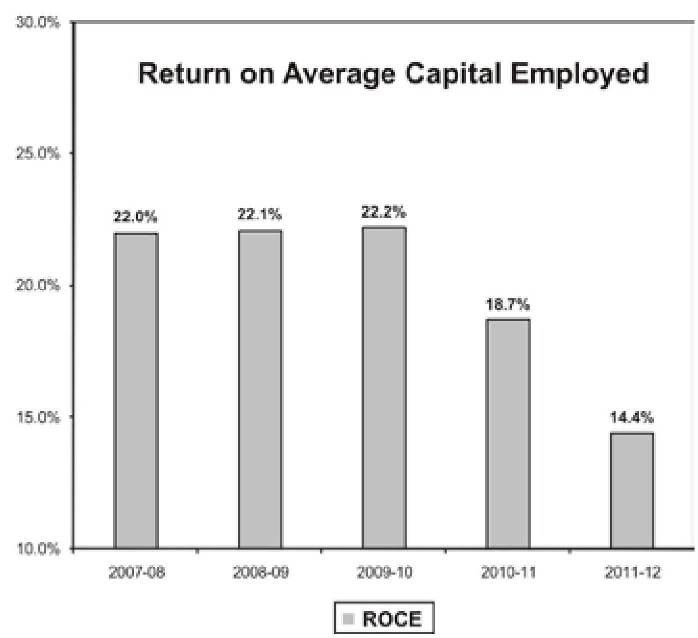
21ST ANNUAL REPORT 2011-2012

Hitech Plast - Consolidated (₹ in lakhs)









BOARD OF DIRECTORS :

ASHWIN S. DANI
Chairman

RAJNIKANT B. DESAI

JALAJ A. DANI

HASIT A. DANI
(Resigned w.e.f. 16th April 2012)

HARISH N. MOTIWALLA

RAMESHCHANDRA S. GANDHI

RANJAN M. KAPUR
(Resigned w.e.f. 19th June 2012)

ASHWIN R. NAGARWADIA

INA A. DANI

SOMASEKHAR SUNDARESAN

MALAV A. DANI
Joint Managing Director
(w.e.f. 5th August 2011)

ASHOK K. GOYAL
Managing Director

STATUTORY AUDITORS :

Shah & Co., Chartered Accountants, Mumbai

INTERNAL AUDITORS :

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

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

REGISTERED OFFICE & CORPORATE OFFICE :
C-130 Solaris – 1
Opp. L&T Gate No.6,
Powai, Mumbai – 400 072

WEBSITE :
www.hitechplast.in
www.cmpsl.in

AUDIT COMMITTEE:

RAMESHCHANDRA S. GANDHI
Chairman

HARISH N. MOTIWALLA

RANJAN M. KAPUR
(Resigned w.e.f. 19th June 2012)

COMMITTEE OF DIRECTORS :

ASHWIN S. DANI
Chairman

JALAJ A. DANI

HASIT A. DANI
(Resigned w.e.f. 16th April 2012)

MALAV A. DANI

ASHOK K. GOYAL

REMUNERATION COMMITTEE:

RAMESHCHANDRA S. GANDHI
Chairman

HARISH N. MOTIWALLA

ASHWIN R. NAGARWADIA

RANJAN M. KAPUR
(Appointed w.e.f. 30th August 2011 &
resigned on 19th June 2012)

INVESTOR'S GRIEVANCE & SHARE TRANSFER COMMITTEE :

ASHWIN S. DANI
Chairman

JALAJ A. DANI

HASIT A. DANI
(Resigned w.e.f. 16th April 2012)

MALAV A. DANI

ASHOK K. GOYAL

SUBSIDIARY COMPANIES :

Clear Mipak Packaging Solutions Limited

BANKERS :

State Bank of India
Kotak Mahindra Bank Limited
Standard Chartered Bank

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FIVE YEAR REVIEW - STANDALONE

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

Results for the Accounting Year	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
REVENUE ACCOUNT					
Gross Revenue	25,602.45	22,645.85	17,349.52	15,441.99	12,476.59
Net Revenue from Operations	23,146.03	20,444.72	15,879.59	13,437.87	10,629.33
Growth Rate (%)	13.21	28.75	18.17	26.42	13.86
Materials Cost	14,668.74	12,755.74	9,460.18	8,366.67	6,351.87
% to Net Revenue	63.37	62.39	59.57	62.26	59.76
Overheads	5,210.64	4,649.60	3,698.80	3,025.29	2,574.67
% to Net Revenue	22.51	22.74	23.29	22.51	24.22
Operating Profit (EBITDA)	3,370.02	3,099.99	2,856.22	2,220.42	1,794.18
Finance Costs	1,231.09	909.90	504.12	658.95	532.02
Depreciation	678.83	573.02	345.94	317.93	353.83
Profit Before Tax	1,460.10	1,617.07	2,006.16	1,243.54	908.33
% to Net Revenue	6.31	7.91	12.63	9.25	8.55
Profit After Tax	1,098.39	1,185.32	1,374.81	925.79	795.82
CAPITAL ACCOUNT					
Share Capital	1,317.57	1,317.57	1,317.57	1,317.57	1,317.57
Reserves and Surplus	6,429.66	5,576.27	4,635.96	3,491.60	2,418.71
Deferred Tax Liability/Asset (Net)	247.97	256.15	203.40	172.06	1.76
Borrowings	6,961.11	6,218.38	4,046.71	1,859.25	2,722.83
Fixed Assets	6,152.46	5,732.77	4,643.74	2,334.22	1,739.91
Investments	3,408.89	3,408.89	2,805.54	1,911.70	1,911.70
Debt - Equity Ratio	0.90	0.90	0.89	0.59	0.94
Market Capitalisation	7,246.64	10,935.83	11,462.86	4,420.45	8,432.45
PER SHARE DATA					
Earning Per Share (₹)	8.34	9.00	10.43	7.03	6.04
Dividend	1.60 (#)	1.60	1.50	1.10	1.00
Book Value (₹)	58.80	52.32	45.19	36.50	28.36
OTHER INFORMATION					
Number of Employees	370	336	343	299	203

(#) 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 2012.

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.

ECONOMY / INDUSTRY SCENARIO

GDP growth reached a record low of 5.3 per cent in the 4QFY12, dragging the overall FY12 GDP growth to 6.5 per cent. This is significantly lower than the growth in the two successive previous years which were 8.4% each and is even lower than the 6.7 per cent GDP growth witnessed in FY09 after the global financial crisis. Industry continues to be the most stressed sector as it grew at a mere 3.4 per cent in FY12, mainly due to the de-growth in mining and tepid growth in manufacturing sector. During the year, serious inflationary trends were continued to be felt at consumer price levels. The rupee also depreciated sharply which had an adverse impact across all sections of the economy especially those sections which depended on imports. The interest rates also hardened. The overall impact of all these factors was felt on disposable incomes thus affecting consumer spending especially on white goods, cars, two-wheelers and high value items.

In the backdrop of the above described scenario your Company was not able to keep up its momentum of growth and could grow in volume by about 3% in 2011-12, against volume growth of 20% achieved in the previous year.

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

I) PAINT INDUSTRY

The Indian paint sector expects to show reasonable growth rate, which is supported by the rising level of disposable income and increasing demand from infrastructure sectors. Based on these factors, the industry is expected to achieve a CAGR of around approximately 15% from 2012 to 2015. The potential for the Indian paint industry is high given the comparison in terms per capita consumption. India is still low at 0.5 kg against 15 kg in USA and 6.4 kg in China. With large number of residential and commercial projects underway in most cities, the outlook for the Indian paint industry appears bright. It may jump from its current growth rate of 15% to 20% in the next two years.

II) FMCG INDUSTRY

Input cost inflation, persistent rise in raw materials, rising fuel costs, fluctuation in currency, dipping industrial growth, slowing global economy together with an overall moderating consumer sentiment have led to slow volume growth of FMCG segment in 2011-12. Marketers were forced to increase prices and tweak pack sizes to pass on the extra cost to consumers. But frequent price increases have started impacting demand, especially in the rural market as soaring food and fuel costs make several people switch to cheaper brands or unbranded products.

CAPITAL EXPENDITURE & EXPANSION PLANS

Your Company has completed its capital expenditure investments in Rohtak, Haryana Phase I in April 2010 and expanded installed capacities in the year 2011-12. All these expansions have started commercial production.

Your Company has completed most of the formalities relating to the acquisition of land in Khandala, District Satara, in the state of Maharashtra, and the construction of the factory is about to commence. The first phase of this project is expected to be in place in the fourth quarter of the financial year 2012-13.

The overall capital expenditure plan for Phase I is pegged at around ₹ 27.5 crores out of which around ₹ 2.4 crores has been incurred till 31st March 2012. The balance will be incurred during the financial year 2012-13.

OPPORTUNITIES AND STRENGTHS

Despite the industry's high growth spanning over a period of over 2 decades and crossing several milestones, Indian plastics industry is yet to realise its full potential. The per capita consumption of plastics in India, at 5 kgs, is the lowest in the world. The average global per capita consumption is 26 kgs. The low level of per capita plastics consumption in India is indicative of the massive growth potential in this industry.

India has the advantage of high population and is expected to maintain economic growth. This should propel India's plastic consumption to new levels in coming years. The next two decades are expected to offer unprecedented opportunities for the plastic industry in India.

According to CRISIL Report, the world trade in plastics is expected to reach 140 MMT in 2012 and provides a lucrative opportunity for India, but with just a 1.5% share in world export volumes, India is not in a position to capture this opportunity. The Indian Plastic Industry going forward, needs to consolidate and enhance capacity, upgrade facilities and improve productivity and increase utilisation of critical plastic applications.

RISKS AND CONCERNS

The overall inflationary trend and slowdown experienced by some sections of the manufacturing and service sectors are matters of concern. Some escalation in key raw material prices is also seen as the main raw materials are derivative of crude oil, which exposes the Company to the volatility in raw material prices. Your Company was not an exception, but exploring all possibilities on continuously for improving its efficiencies and is hopeful of growing at a healthy pace and maintaining a return on capital employed. Your company will not compromise on the objective of growth and improving market share for the sake of short-term profits.

AUDIT AND INTERNAL CONTROL SYSTEMS

Your Company has further strengthened the internal control and internal audit systems relating to purchase of stores, raw materials including components, by engaging services of internal audit firms who will focus on risk management processes, materials efficiencies for optimum utilization of resources and improved utilization of processes.

HEALTH, SAFETY AND ENVIRONMENT

Your Company promotes and encourages improvement in health and safety standards for providing a safe and healthy work place for employees. Your Company endorses the practice of conserving resources and minimising the environmental and health impacts of plastics and plastic products by supporting the use of environmental and energy efficiency criteria in product design and purchasing decisions, along with product safety.

DEVELOPMENTS IN HUMAN RESOURCES

Given the proposed expansions, the Company requires a more focused approach for HR development. Therefore, your Company has been developing evolved HR strategies specifically covering the organization structure, leadership development and succession planning.

The total number of employees of Group as at 31st March 2012 was 971 (1000 as at 31st March 2011).

FINANCIALS

Net sales for the standalone entity increased to ₹ 231.5 crores from ₹ 204.4 crores in the previous year – a growth of 13.2%. However, standalone volume growth was 3.2%. For the group, net sales increased to ₹ 385 crores from ₹ 344 crores – a growth of 11.9%. Consolidated volume growth was 2.8%. Materials cost – on a standalone basis - as a percentage to sales had gone up from 62.4% in the previous year to 63.4% for the year under review. Materials cost – on a consolidated basis – the relevant percentages were 62.8% in the year 2010-11 to 63.9% in the year 2011-12.

As a result, the Company has been unable to maintain the operating profit (PBIDT) margin. For standalone entity, it went down marginally from 15.2% to 14.6% as well as on consolidated basis it went down from 13.8% to 12.2% in the year 2011-12.

The performance was further impacted by very high interest outflows. Accordingly, the profit after tax for the standalone entity in 2011-12 stands at ₹ 10.98 crores as against ₹ 11.85 crores in the previous year. Net profit after tax and minority interest for the group stands at ₹ 10.64 crores, as compared to ₹ 14.42 crores, in the previous year.

QUALITY

Companies are discovering that it is very important to follow good management practices to realise the organisational goals of excellence and profitability and for winning and retaining customer confidence. Quality is considered as the most powerful factor to capture, retain and enlarge customer base in the modern business scenario. 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 certification of all the manufacturing units (including Technology Centre at Chinchwad and Corporate with upgraded accreditation to IS0 9001:2008 by Det Norske Veritas, Netherlands.

Analysis of Operating Performance (Consolidated):

(₹ in lakhs)

Sr. No.	Particulars	2011-2012	2010-2011
1.	Net Sales / Income from Operations	**38,562**	34,489
2.	Total Operating Income	**38,689**	34,605
3.	Total Operating Expenses	**33,989**	29,854
4.	Operating Profit	**4,700**	4,751
5.	Operating Profit (%)	**12.2%**	13.8%
6.	Profit after Tax (PAT) (after minority interest)	**1,064**	1,442
7.	PAT (after minority interest) to Net Sales (%)	**2.8%**	4.2%
8.	E.P.S. (₹)	**8.07**	10.94
9.	ROCE (%)	**14.4%**	18.7%
10.	Debt : Equity	**1.34 : 1**	1.21 : 1

Cash Flow Analysis (₹ in lakhs)

Sr. No.		2011-2012	2010-2011
	Sources of Cash		
1.	Cash Generation	**4,608**	4,708
2.	Issue of Capital in subsidiary	**—**	402
3.	Loans	**2,193**	2,658
4.	Subsidy	**30**	30
	TOTAL	**6,831**	7,798
	Utilization of Cash		
1.	Purchase of Fixed Assets	**3,345**	3,756
2.	Tax Payments	**490**	674
3.	Interest	**1,696**	1,216
4.	Dividend	**243**	228
5.	Changes in Working Capital	**767**	1,959
	TOTAL	**6,541**	7,833
	Change in Cash and Cash Equivalents	**290**	(35)

RISK MANAGEMENT

Your Company has a risk identification and management frame work appropriate to the size of your Company and the environment under which it operates. Risks are being continuously identified in relation to business strategy, operations and transactions, statutory legal compliance, financial reporting, information technology system and overall internal control frame work.

Your Company's internal auditors carry out risk audit on framework appropriate to the size and operations of the Company.

OUTLOOK

As outlined in the earlier part of this report, the general economic scenario is rather complex.

While there is every possibility of the economy growing at over 7%, there do exist uncertainties over the spending power of the consumer in the immediate future on account of inflation and tepid growth achieved in Q4 of 2011-12. Your Company grew by volume 20% in 2010-11 and over and above that grew only by 3% in 2011-12.

Accordingly, the base turnover in value increased by 12% in 2011-12, and hence has increased substantially in the last two years. Your Company expects to maintain a decent rate of growth in the coming years mainly because of the efforts of your Company in broad basing its product range and enlarging the consumer base.

CAUTIONARY STATEMENT

The statements made are based on certain projections, estimates, expectations or outlook may be forward looking. Actual results may differ materially from those stated on accounts of factors such as change in government regulations, tax regimes, economic developments within India and outside influencing the related policies, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply. The Company assumes no responsibility to publicly amend, modify or revise statements, on the basis of any subsequent developments, information or events.

DIRECTORS' REPORT

Dear Members,
HITECH PLAST LIMITED

Your Directors have pleasure in presenting the Twenty First Annual Report of your Company and the Audited Accounts for the year ended 31st March 2012.

(₹ in lakhs)

	HITECH PLAST LIMITED			HITECH PLAST CONSOLIDATED		
	2011-12	2010-11	Growth %	**2011-12**	2010-11	Growth %
Gross Sales	**25,602**	22,646	13.1	**41,883**	37,503	11.7
Sales (Net of Excise)	**23,146**	20,445	13.2	**38,562**	34,489	11.8
Other Income	**103**	60	71.7	**127**	116	9.5
Total Income	**23,249**	20,505	13.4	**38,689**	34,605	11.8
Total Expenditure	**19,879**	17,405	14.2	**33,989**	29,854	13.9
Operating Profit	**3,370**	3,100	8.7	**4,700**	4,751	- 1.1
Finance Costs	**1,231**	910	35.3	**1,751**	1,241	41.1
Depreciation	**679**	573	18.5	**1,538**	1,263	21.8
Profit (Before Tax)	**1,460**	1,617	- 9.7	**1,411**	2,247	- 37.2
Less: Provision for Tax	**407**	379	7.4	**407**	566	- 28.1
Provision for Deferred Tax	**(8)**	53	- 115.1	**(42)**	69	- 160.1
Tax provision for earlier years	**(37)**	—	~	**(17)**	—	~
Net Profit (After Tax)	**1,098**	1,185	- 7.3	**1,063**	1,612	- 34.1
Exceptional items	—	—		**(22)**	—	
Minority Interest	—	—		**23**	(170)	
Net Profit after Minority Interest	**1,098**	1,185	-7.3	**1,064**	1,442	- 26.2
Previous year balance brought forward	**4,290**	3,438		**4,702**	3,594	
Disposable Profit	**5,388**	4,623		**5,766**	5,036	
Appropriations						
Proposed Dividend on Equity shares	**211**	211		**211**	211	
Tax on Equity Dividend	**34**	34		**34**	34	
Transfer to General Reserve	**82**	89		**82**	89	
Balance carried to Balance Sheet	**5,061**	4,290		**5,439**	4,702	

OPERATIONS

Net sales and other income for the standalone entity increased to ₹ 232 crores from ₹ 205 crores in the previous year – a growth of 13.2%. The operating profit (PBIDT) increased by 8.7% from ₹ 31.00 crores to ₹ 33.70 crores.

With mere volume growth of 3.2% over the previous year, operating margins were under pressure because of volatility in polymer prices, which are linked to crude oil prices. Polymer prices were 7.1% higher as compared to previous year and the entire increase in the prices of polymers could not be passed on to the customers because of lag effect and due to competition in the market place, resulting in profits after tax reduced to ₹ 10.98 crores from ₹ 11.85 crores.