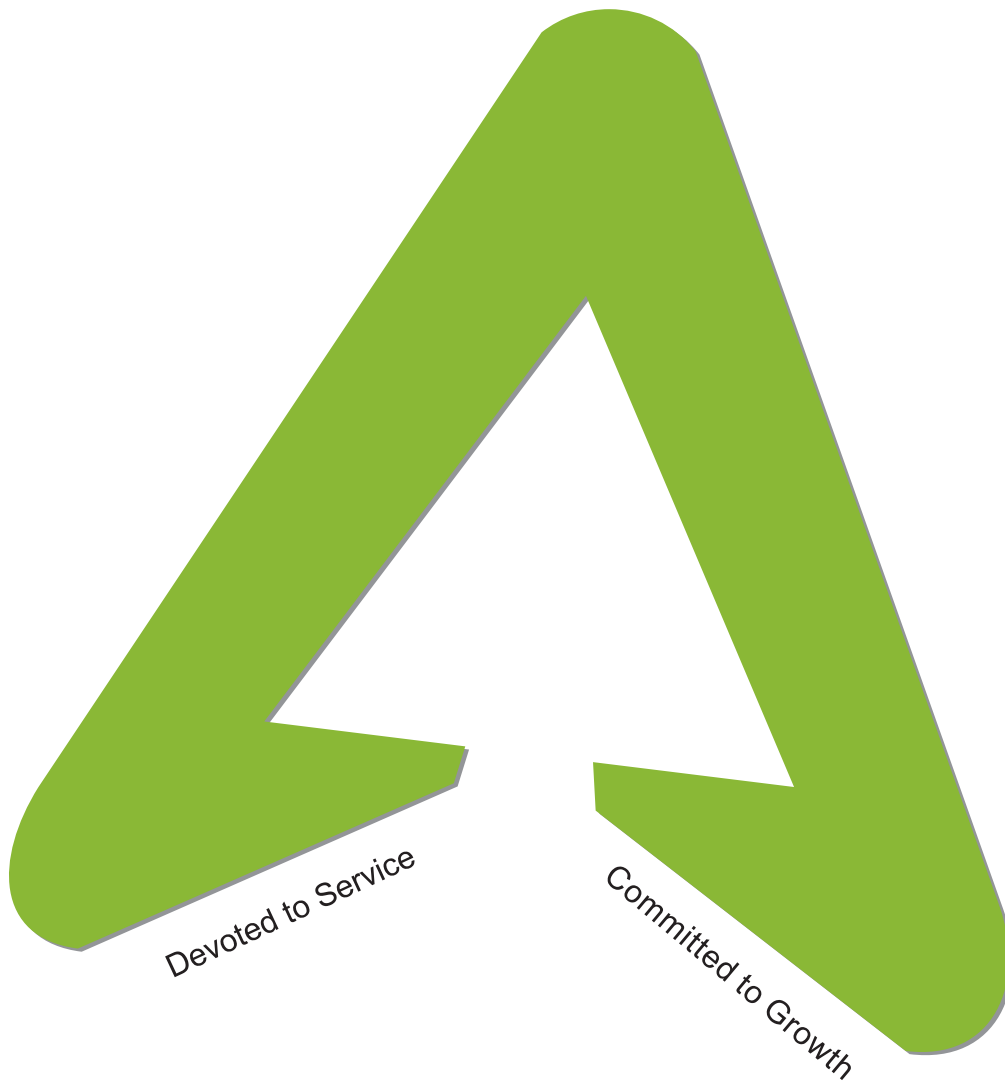


Dedicated to Technology



28th Annual Report 2010 – 11
Kabra Extrusiontechnik Ltd.

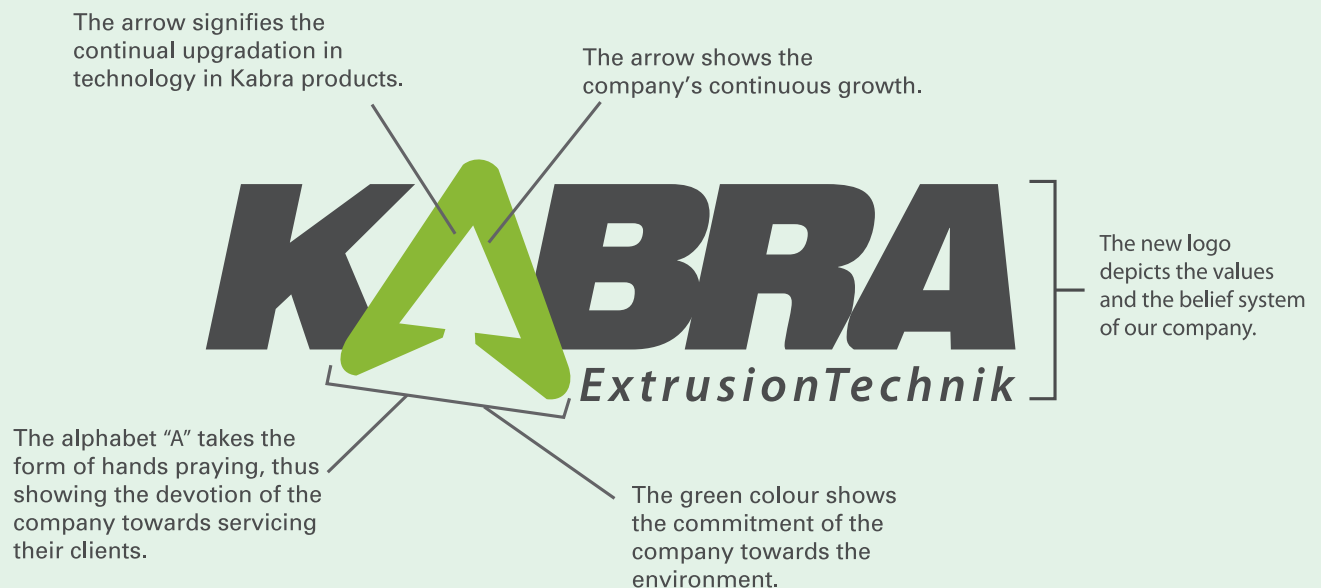
Dear Stakeholders,

NEW LOGO OF 'KABRA EXTRUSIONTECHNIK LTD.'

After more than four decades of experience in the Plastic Industry, Kabra has positioned itself as a trusted partner of extrusion machinery and equipments for various industries in India and abroad alike. A strong foundation of ethics and infallible quality has rewarded us with success.

Kabra has had a tradition of customer support since its inception. Over a period of time we have embraced cutting-edge technology by partnering with Battenfeld Cincinnati and American Maplan Corporation. Our 'dedication to technology' has helped us serve the industry with the best quality extrusion machines and our 'devotion to service' has won us trust amongst our customers across the continents.

We proudly announce the launch of our new logo, communicating to the world that these values are deeply imbibed in the roots of the company.



"Dedicated to Technology, Devoted to Service".

Thanking You.
Yours sincerely,

Anand Kabra
Technical Director,
Kabra Extrusiontechnik Ltd.

BOARD OF DIRECTORS



Shri Shreevallabh G. Kabra
(Chairman & Managing Director)



Shri Satyanarayan G. Kabra
(Vice- Chairman & Managing Director)



Shri Anand S. Kabra
(Technical Director)



Shri Haridas S. Sanwal
(Independent Director)



Shri Mahavir Prasad Taparia
(Independent Director)



Shri Nihalchand Chauhan
(Independent Director)



Shri Yagnesh Desai
(Independent Director)

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BANKERS
Axis Bank Ltd.
State Bank of India
AUDITORS
Kirtane & Pandit
Chartered Accountants
CHIEF FINANCE OFFICER
Jayant Sarpotdar
COMPANY SECRETARY
Y. D. Sanghavi
28 th ANNUAL GENERAL MEETING
Date : 30 th August, 2011
Time : 2:00 p.m.
Venue: Hotel Karl Residency, Andheri (West), Mumbai-58

CHAIRMAN'S SPEECH



Dear Fellow Stakeholders

As I collate my thoughts to pen this note for the financial year, I recount the efforts we have made to position the company for sustainable growth in the years to come. From 2004-05 to 2010-11, our economy has enjoyed an unprecedented 8.5 per cent growth, despite the fact that this was a period of the global financial crisis. The crisis saw the growth dip to 6.8 percent in 2008-09 but the economy rebounded with a robust growth of 8.6 per cent in 2010-11. This comprised 5.4 per cent growth in the agricultural segment, 8.1 per cent in the industries segment and 9.6 per cent in the services segment.

Securing a Strong Positioning

In line with the economic pullback, the plastic industry continues to witness strong growth against the backdrop of an uptick in key end user industries such as Agriculture & Irrigation, Water Sanitation, Packaging Infrastructure. I am pleased to inform you that we have continued to build on the momentum of the previous year and we are implementing our growth strategy. Our Sales for the year stood at Rs 21937.1 lakhs, an increase of 12.6%. This could have been more as per our expectations but for execution delays in the third quarter of the financial year, arising out of delays in in-house manufacturing of critical components. On account of marginal increase of about 1-2% in the input costs, profits from operations were subdued. However in the last quarter of the financial year, we have been well on our way in terms of completion of the order backlog. The net profits were up by 20% to stand at Rs. 2581.6 lakhs. This was primarily on account of increase in other income and reduction in interest cost

Fortifying our Industry Positioning

This year we initiated various strategies which we believe will propel the company (KET) into a different league. **KET acquired 15% stake in US based Gloucester Engineering Company Inc (GEC) which will help KET to get technology and expertise in the high-end Blown Film Plants which find application in packaging of milk, spices, meat, snacks, ready to eat food pouches, oil, etc and also for lamination, shrink and stretch wraps.** The synergies are manifold and primarily, in terms of GEC's innovative portfolio and technology along with KET's indigenous know-how. GEC's machine lines enable our customers to optimize bag making, foam and sheet extrusion and extrusion coating. Given KET's strong brand presence in the Indian subcontinent, Middle East and Africa, the company will now be able to offer these solutions to its existing customers in these countries also and strengthen its brand. KET also benefits from GEC's presence in the North & South American Markets and European regions as it will be able to bring these geographies under its fold. GEC will also benefit by becoming globally competitive on account of outsourcing of some of its components from KET.

We have successfully bagged an order of a 5 layer Blown Film Line from a Kerala based company to produce barrier films, specifically, for edible oils in Kabra Gloucester. We feel that this is just the tip of the iceberg and this segment offers tremendous potential. The Government has mandated that Edible Oil be sold in packaged form only. While it is estimated that half of demand of edible oil which presently stands at 156 lakh MT, is sold loose.

This underlines the enormous potential in the segment. Barrier films will thus be in great demand as they will meet the packaging standards which improve shelf life and hygiene of the product.. With the user industry witnessing tremendous demand for specialty packaging, KET is set to benefit from this trend in terms of its films segment.

The Tubing segment is set to benefit from our association with Drip Research Technology Services (DRTS) under which we have set up a research laboratory focussed on drip irrigation. The company's pioneering products in the pipe segment for irrigation primarily is expected to be a major growth driver for it in the future.

Our association and collaboration with Battenfeld Cincinnati has yielded excellent results over the years. Out of total PVC consumption estimated at 1.87 MMTPA, nearly 71 % is being consumed to produce pipes and fittings. The Government's plan proposals to allocate huge funds to infrastructure and increased requirement of new homes for the growing population are the growth drivers for the segment. Besides manufacturing the machinery for pipes, KET also manufactures extruders for pipe coating. In the pipe segment, KET manufactures cPVC pipe plants in association with American Maplan. American Maplan are pioneers in the field of cPVC. These pipes find their application in chemical industry and in supply of hot and cold water applications. These pipes can resist very high temperature levels as compared to normal pipes.

As the company continues to be a formidable industry player in the machinery segment for manufacturing of plastic pipes, profiles, compounds and films, the focus on developing and applying our deep knowledge of end-markets has given us an edge over the competition. **Thus, on the domestic front, we expect the momentum to continue in terms of demand with rise in polymer consumption. At present, KET exports its machines to more than 60 countries. Our ongoing efforts to tap new geographies have seen a rewarding breakthrough.** We have received an initial order from a company in Turkey for supply of more than 10 blown film plants at a time. As a country, it is highly modern and is exposed to the best technology in the world. KET has bagged this award after a thorough due diligence conducted by the customer including a factory visit. With this, we have established a footprint and hope to see similar positive results across other export markets too.

Innovating to Grow

Overall, we believe that with our strategic efforts on cost savings and new business development combined with the expected contribution of new accounts and projects during the year, we will see increasingly positive results for our company in the coming fiscal year. **We are focused on maintaining the momentum of our growth portfolio and will continue to invest in and monetize our innovation pipeline.** As we fix our eyes on a new frontier, we are building upon a rich legacy of innovation that is woven into the fabric of our company, even as we continue to believe deeply in the power of innovation to create, to build and to improve.

A Vote of Thanks

In the light of our strong performance, we have announced a dividend of 35% (Rs 1.75 per share). We are proud to say that, we have maintained our dividend payout rate on increased capital after issue of bonus shares in the ratio of 1 : 1. This reflects the confidence in our ability to continue to profitably grow our revenues, increase cash flow from our businesses and deliver higher returns for shareholders on a sustainable basis. With the promise of striving hard to grow our business and financial numbers, I take this opportunity to thank board members for their support and guidance, KET employees, collaborators, associates, bankers and most importantly, you, our valuable shareholders for supporting our work and investing for a better future.

S.V. Kabra
Chairman & Managing Director

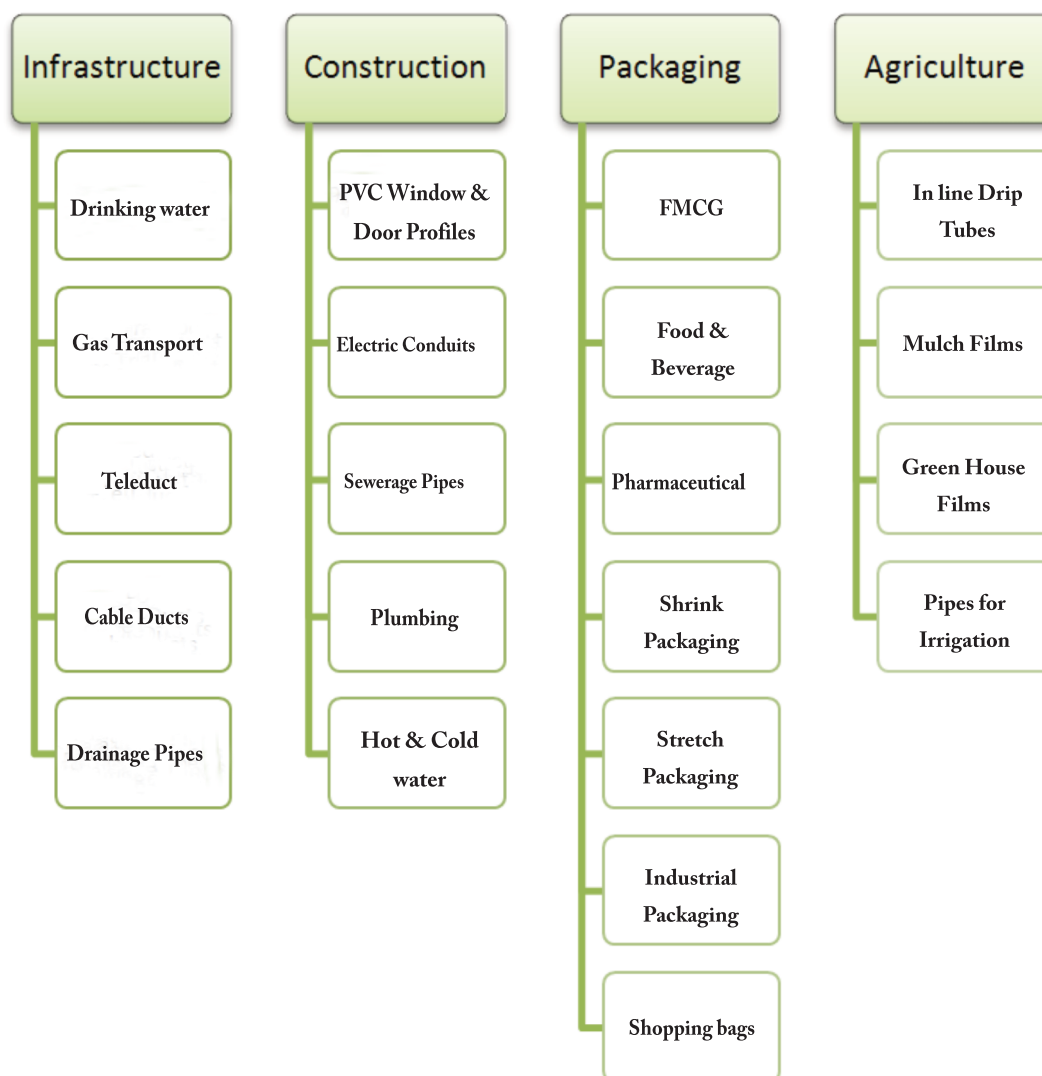
ON THE GROWTH TRACK

A Strategic Review and Roadmap

Part of the USD 120 million Kolsite Group, Kabra Extrusiontechnik (KET) is India's largest manufacturer and exporter of plastic extrusion equipments. A leading player engaged in the production of pipe, profile and blown film machinery, the company commands an overall market share of 50% of organized and 35% of unorganized market based on number of plants.

KET has a strong track record of over 4 decades in supplying over 8000 installations in 68 countries worldwide.

Sector wise applications of extrusion solutions offered by KET



PIPES

KET manufactures machinery to produce a wide variety of plastic pipes for application across industries. The company continued with its thrust on this business with major emphasis on irrigation in general and drip irrigation in particular, given its tremendous scope in the country.

As per the study done by the company, and 11th Plan estimates, an additional area of 10,58,000 hectares will have to be brought under drip irrigation, taking the total land covered under drip irrigation to 28,50,000 hectares. Thus the market demand for Drip Irrigation piping system will increase by leaps and bounds.

Key Highlights during the year :

The company's prospects here have been further boosted by its association with the US based Drip Research Technology Services (DRTS) which provides drip irrigation machinery and technology to independent drip irrigation manufacturers across the globe.

On account of this association, KET has set up a state of the art, Research and Development Laboratory focused on micro irrigation tubings. Through this association, KET aims to tap the vast opportunity highlighted in the need for irrigation in the country.

The company demonstrated a Twin Downstream Line manufactured as per the design and specification of our JV partner American Maplan Corporation, USA – the pioneers in cPVC technology. The line was demonstrated at KET factory to industry stalwarts who appreciated the technological advancement.

The company has also seen great traction in Twin Strand Pipeline sales which finds immense utility in applications like Conduits, Plumbing, Agri-Pipes, Casings etc.

KET also supplied extrusion lines for the manufacture of Large Diameter Double Wall Corrugated HDPE Pipes deployed in infrastructure segment. Studies by KET's clients have revealed that these pipes which are 95% lighter than concrete pipes, and 100% recyclable, reduce transportation cost by 40% and have a life which is 3 times longer than the conventional concrete pipes. Fewer joints ensure better leak protection while they emit 3 times lesser Co2 than concrete pipes.

Given the buoyant outlook for PVC, HDPE, LDPE, LLDPE consumption and robust economic growth, the demand for pipes from various segments is expected to grow.



KABRA DRTS R & D CENTRE

FILMS

India is the 4th largest economy in terms of purchasing power and this has increased the requirement of aesthetic and aseptic packaging. The demand for packaging films has risen sharply as India offers one of the huge consumer markets leading to the growth of retail segment.

Against this backdrop on the organic front, the company continues to see good traction in the films segment. Going ahead, it sees tremendous potential from the Shrink Film Extrusion Lines and the company has been able to offer machines which result in 25% reduction in raw material consumption for the clients leading to tremendous cost savings.

One of the landmark developments during the year was the acquisition of 15% stake in US-based Gloucester Engineering Company for around Rs.20 crores.

GEC was founded in 1961 and is headquartered in Gloucester, Massachusetts. GEC was formerly known as Battenfeld Gloucester Engineering Co, Inc. and it changed its name to Gloucester Engineering Co. Inc. in 2007.

GEC is a globally recognized quality driven company in manufacture of production equipment and systems for the blown film, cast film, sheet & foam film. GEC machines are installed all around the world.

GEC's product portfolio encompasses material handling systems, extruders, dies, air ring systems, internal bubble cooling systems, cages and collapsers, oscillators and nips, winders, bag making machine systems, process control systems and cast film systems. It also provides cast film lines with winder, extrusion coating, dies and mandrel, pull roll, roll stack, and sheet line systems.

GEC provides the added advantage to its customers in the form of process improvements to enable its clients manufacture world class specialty films.

The deal will allow GEC to explore the South East Asian markets further, while KET will gain exposure to customers in North America, Europe and other Western markets. KET will be able to offer technology for high quality blown films owing to GEC's technological expertise at globally competitive prices due to KET's indigenous manufacturing expertise at Daman.

Recently an order was received for high output high-tech 5-Layer Blown Film Line from a company based in Kerala to produce barrier film for edible oil packaging, a sector which is expected to grow exponentially.



Multi Layer Blown Film Plant

CAPEX TO STRENGTHEN OUR LEADERSHIP POSITION

In terms of overall demand from construction and infrastructure segments, to accommodate all additional resin processing, the product manufacturing industry in India will need to invest USD 10 billion in plant and equipments only (excluding buildings) by 2016—industry sources. This works out to processors investing USD 3–4 million per day for the next six years.

Key focus areas are machines for all kinds of pipes used in the agricultural segment including water management and drip irrigation as well as in the infrastructure, housing, gas and telecommunications segments. Extrusion lines for blown films are also a high priority area.

KET's capex programme has progressed as scheduled. From October 2010, 85,000 square feet building has been taken on lease, which has been tailor made to the company's specification. New facilities will enable KET to reduce the time lag in execution of customer orders and speed up the dispatches. This is expected to reduce the working capital requirement for KET. Till 31st March 2011, KET has added Rs 9.73 Cr of the assets to its gross block and committed Rs 10.56 Cr as capital work in progress pending capitalization in 2011-12. The procurement of machines amounting to Rs 2.18 Cr has been finalized. Orders for machineries, utilities, equipments amounting to Rs 25.70 Cr are under finalization.

The funding requirement has been met through internal accruals. However, the company may explore debt facilities from banks, if required at a later stage, given its strong financials. The entire capital expenditure programme has been charted over a period of 2 to 3 years as planned.



Panoramic view of Plant at Coastal Highway, Dunetha, Daman

POSITIONED FOR GROWTH THROUGH BRAND AWARENESS

KET is an active participant in various trade fairs and exhibitions to showcase its products and build brand awareness.

Plastex Cairo

Plastex 2010 exhibition organized at Cairo Fair grounds between 13 to 16th May 2010 attracted a large number of visitors belonging to plastic industry in Egypt and adjoining countries. KET's stall in India pavilion was visited by large number of inquisitive processors from pipe and film segments.

Interplas Brazil

A regional fair held in Joinville Brazil, was visited by many of plastic processors. KET participated jointly with its agent Ferrostal AG. The processors have found Indian machinery a good value proposition on account of its price and quality. This was supported by the enquiries, the company received from the show.

Vietnam Plas, Vietnam

Held in 2010, the event enabled the company to interact with prospective clients from South East Asia.

Plastex Uzbekistan, Tashkent

As part of its strategy to enter in the CAS markets, the company participated in this trade fair in November 2010. The benefits of these initiatives are expected to come over a period of time.

Plast Eurasia, Turkey

In December 2010, the company participated in this fair. The response has been extremely favourable.

Arab Plast, Dubai

The company chose to be a part of this event in line with its strategy to penetrate the Middle East markets. Moreover, the fair saw participation from players across the globe which has enhanced its visibility amongst prospective customers.

Plastivision 2011

The company chose to follow the "GREEN THEME" on one of the biggest trade exhibition in the country, in line with the global trend of manufacturing eco-friendly products. KET displayed series of machinery and hosted a running demo of 3 layer blown film line. The response was extremely favourable and the company has received several enquiries.