



29th Annual Report 2011-12
Kabra Extrusiontechnik Ltd.

RESULTS AT A GLANCE

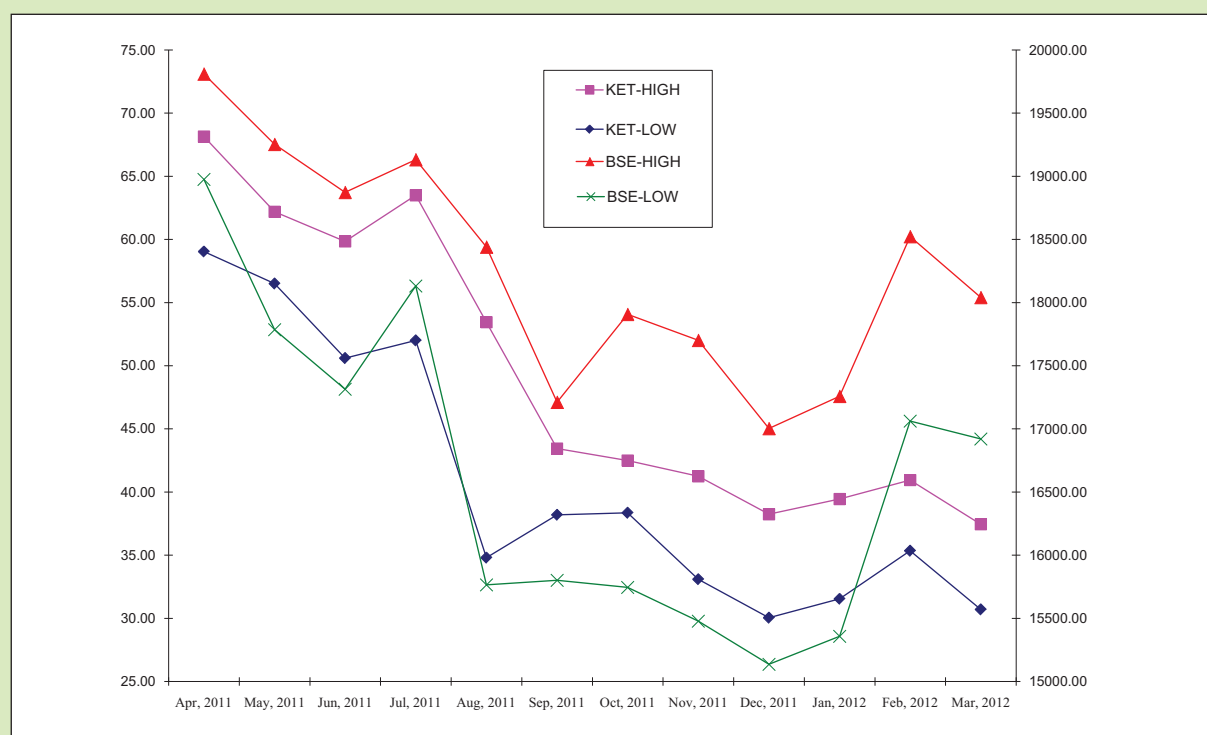
(Rs. in Lacs)

Operating Results	2011-12	2010-11	2009-10	2008-09	2007-08
Sales and Other Income	19499.70	22610.20	19730.48	15763.61	15055.14
Profit before Depreciation, Interest & Tax	1824.72	3993.99	3493.15	2052.75	2327.18
Less : Depreciation	465.31	388.23	338.95	365.80	337.36
Interest (Finance Cost)	100.49	88.12	71.41	79.35	69.13
Profit Before Tax (PBT)	1258.92	3517.64	3082.79	1607.60	1920.69
Profit After Tax (PAT)	1000.71	2581.57	2146.37	1169.88	1451.12
Retained earnings	629.94	1932.71	1493.20	610.02	891.26
Earning per share (EPS) (Rs)	3.14	8.09	26.91	14.67	18.19
Number of Issued Shares	31902320	31902320	7975580	7975580	7975580
(after sub-division & bonus shares in 2010-11)					
Face Value per share (Rs.)	5.00	5.00	10.00	10.00	10.00
Dividend (%)	20	35	70	60	60
Share Capital	1595.12	1595.12	797.56	797.56	797.56
Reserves	9712.43	9082.48	7947.33	6454.12	5844.11
Total Shareholders Funds	11307.55	10677.60	8744.89	7251.68	6641.67
Book Value Per Share (Rs.)*	35.44	33.47	109.65	90.92	83.28

*Adjusted for Sub-division and Bonus

STOCK PERFORMANCE

Share Price / BSE Sensex



BOARD OF DIRECTORS



Shri Shreevallabh G. Kabra
(Chairman & Managing Director)



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



Shri Mahaveer Prasad Taparia
(Independent Director)



Shri Anand S. Kabra
(Technical Director)



Shri Nihalchand C. Chauhan
(Independent Director)



Shri Haridas S. Sanwal
(Independent Director)



Shri Yagnesh B. Desai
(Independent Director)

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BANKERS
State Bank of India
Axis Bank Ltd.
AUDITORS
Kirtane & Pandit
Chartered Accountants
CHIEF FINANCIAL OFFICER
Jayant Sarpotdar
COMPANY SECRETARY
Y. D. Sanghavi
29 th ANNUAL GENERAL MEETING
Date : 30 th August, 2012
Time : 2:00 p.m.
Venue : Hotel Karl Residency, Andheri (West)

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Chairman's Speech

Dear Fellow Stakeholders

The Indian economy is expected to grow by 6.9% in the Financial Year 2012-13 according to the World Bank. India's economic growth rate in 2011-12 slipped to a nine-year low of 6.5% as compared to the 8.4% growth in the preceding two years. Clearly fiscal and inflation concerns, cut into investment activities across businesses.

These events, which affected consumer confidence in different regions of the world, undermined the demand for capital goods including plastic extrusion machinery, back home.

Looking ahead to 2012, the macro-environment remains volatile and complicated and will pose challenges to our business. It is unrealistic to expect that the European sovereign debt crisis and looming concerns over the growth in global as well as the Indian economy can be entirely eased in the short-term.

However, we share the belief that the worst will soon be behind us and an economic revival will commence soon. Despite the challenge of the macro-environment, we are confident that we will seize current opportunities to further strengthen our leadership positioning as the market and technology leader in the industry with our product portfolio.

Over the longer term, the World Bank has pegged growth at 7.2% and 7.4% for fiscal years 2013-14 and 2014-15 respectively, in their report titled 'Global Economic Prospects'.

In line with this economic outlook, the prospects of plastics extrusion machinery industry too appear positive in the long term. As per Plastindia Foundation, India's plastics processing sector will grow from 69,000 machines to 150,000 machines by the year 2020.

We derive demand from the Plastic Industry which, despite the industry's high growth spanning over a period of over two decades, is yet to realize its full potential. The per capita consumption of plastics in India at 8 kgs, is one of the lowest in the world. The average global per capita consumption is 30 kgs as per the Indian Plastic Federation. Further, India's consumption of plastics will grow from 7.5 million tons to 15 million tons by 2015 as per Plastindia Foundation and is set to be the third largest consumer of plastics in the world. This is reflective of the positive outlook for plastic processing sector.

India has the advantage of a large population and thus the consumer base is justifiably expected to propel India's plastics consumption to new levels in coming years.

Impact

For the financial year 2011-12, In line with the subdued economic backdrop, the Net Income stood at Rs. 19,499.70 Lacs, a de-growth of 13.76% as compared to the last financial year. This was mainly on account of slowdown in the end user industries due to which orders were delayed, which in turn resulted in inventory buildup of machines during the year. The overheads have already been incurred and accounted for the above.

Further, the operational performance has been impacted by the rise in power cost per unit by over 30% with retrospective effect from June 2011. The entire amount has been accounted for in the third quarter of the financial year 2011-12. The Other Expenditure continued to rise on account of the capex incurred on the Dunetha plant.

Most of the expenses incurred and accounted for in quarter three and four of financial year 2011-12 are not recurring in nature. As we are now getting past the cost curve with commercial operations having commenced in the previous quarter, we are poised to benefit from the revenue curve ahead, once the demand situation improves.

Business Review & Outlook

Last year KET acquired a 15 % stake in Gloucester Engineering Company Inc (GEC), USA which catapulted our positioning in the plastic extrusion machinery for Film Plants in terms of technical capabilities.

We have already showcased the 3 layer and 5 layer - KAGE machine manufactured at Dunetha with Gloucester Engineering Co. Inc., USA (GEC) technology. The plant produces film for barrier applications which are mainly used in oil packaging in addition to packaging of milk, water, oils, spices etc and also for lamination, stretch & shrink wraps. As I had mentioned last year, we remain convinced that this segment has tremendous potential and expect it to be a major growth driver. We have successfully completed the order we bagged from a company engaged in manufacturing and selling of edible oils, in Kerala last year.

Packaging demand and resultant demand for plastic films is expected to take off as the growth of the middle class in developing nations continues, with more consumers around the world seeking out packaged food. Although the overall packaging industry was severely impacted by the economic recession, the plastic packaging market is gradually gaining significance through the latest technologies and enhanced products in the vast global packaging industry. The global plastic packaging market is a steadily growing market which is expected to follow a modest growth rate in mature markets and a progressive above average growth rate in emerging markets. Visiongain calculates that the global plastic packaging market will reach USD 196.42 billion in 2012. Further, plastics in packaging consume 3.5 million tones of polymers today and will increase to 9 million tonnes by 2020 in India.

In the pipe segment too we have launched new products with our focus on research and technology. We have been focusing on Window profile extrusion due to modernization of building techniques and increasing awareness amongst architects on the various advantages of the PVC profiles. KET offers cPVC pipe extrusion lines in single as well as dual strand with technology from American Maplan Corporation, USA (AMC). With increasing outlay in agriculture year on year, irrigation continues to be one of our core focus areas as regards pipe extrusion lines. India's demand for plastics in irrigation alone is pegged to cross 2.5 million tonnes by 2015. Along with the round drip we are now also entering the flat drip lines market which has high scalability prospects.

Another key development during the year was that the Technology agreement with Battenfeld Cincinnati was amended recently to include its group member, Battenfeld Cincinnati, Austria thereby strengthening KET's portfolio further with high quality, high performance innovative extruders, processing tools and down stream equipments for both pipe and film plants. KET has the exclusive right to make available Battenfeld Cincinnati's entire product range given its end to end strengths in terms of a modern manufacturing set up as well as well entrenched marketing set up.

Overall, on the domestic front, we expect a gradual turn around in terms of industry demand and thereby a uptick in our order intake. We believe that in the coming year, the exports market will provide scale. KET now exports its machines to more than 70 countries. We are also expanding our base to many new countries.

In addition to building capacities, we spent significant resources by participating in various trade fairs including the Plastindia Exhibition and received a very good response. Our Company has participated in 8 exhibitions and in the coming year too, we will focus on widening \ enhancing our global footprint and widening our agent base.

Well Positioned

I would like to highlight here that the Kolsite Group, of which Kabra Extrusiontechnik is a flagship company, has completed 50 years in the industry. We have faced various economic ups and downs and emerged stronger and better positioned for traversing the next growth curve.

The fact that we showcased new products against the backdrop of a weak economic scenario underlines our faith in the industry prospects and our capabilities. We are reasonably confident that as soon as the industry starts picking up, we will be able to scale up our operations with ease, given our five decade long experience and expertise in the markets.

A combination of effective marketing, dedicated customer service, technical support and the flexibility provided by our modern manufacturing facilities and technological collaborations will see us emerge stronger.

Overall, our strategic efforts remain focused on saving costs, increased thrust on marketing and enhancing our product portfolio. As the macroeconomic parameters turn around, we will be ready to tap the next growth phase for our business.

A Vote of Thanks

I take this opportunity to thank all our stakeholders including our employees, associates, vendors, clients, bankers and shareholders for their support and faith in us. Let me assure you, we are leaving no stone unturned to ensure that your faith in us stands vindicated.

S.V. Kabra
Chairman & Managing Director

Innovation – Our Key to Tapping Opportunities

Over 50 years the Kolsite group has concentrated efforts on innovation, technical collaboration and its marketing network to bring several industries under its wings.

FILM PLANTS

Industry Overview: Packaging

The Indian packaging industry which is a major consumer of plastic films is expected to become the fourth-largest packaging market in the world, with revenues of USD 43.7 billion in 2016. Flexible plastic packaging was the fastest-growing packaging category in India, achieving a CAGR of 16.6%. During the review period, the packaging industry benefited from strong growth in the Indian retail market. Other end-user markets from packaging, including pharmaceutical and processed food, have been growing rapidly over the review period, both domestically and internationally. This demand from end-user markets is expected to remain high. (Source: Global Information, Inc.).

Further, as per Global Industry Analysts Inc, the global Plastic Film and Sheets market is forecast to reach 56.6 million tons by 2017, mainly driven by burgeoning demand from end-use markets, competitive advantages over traditional paper and foil, and technological advancements. Changing consumer dynamics particularly in the food and non-food packaging industries, economic recovery, and growing prominence of developing Asian, Middle East and Latin American markets will further accelerate the pace of development.

Plastic film, used for packaging of both food and non-food products apart from various other plastic products, is the largest sub-sector of the plastics processing industry.

Highlights during the Year

KET has forged various technical collaborations to remain ahead of competition. To complement these efforts, the marketing thrust has also been sustained despite a downturn and the Company expects to focus even more on marketing. Various activities have been planned for FY 2012-13 and more innovations are expected to be underway.

Some of the new machines we have added to our portfolio, encompass :

3 – Layer **KAGE** plant

The plant produces multi layer films of extremely high standards finding application in flexible packaging industry.

Output of 600 kgs/hr on a 40 micron thick lamination film for food packaging applications was demonstrated during the Open House held by the Company where several invitees from client industries attended the demo.

The 3 Layer 2200 mm film line has applications in the Lamination films for food packaging, Shrink and Stretch wraps for Bulk packaging, Industrial packaging applications etc. The line's output is up to 600 to 650 kg / hr and it has an installed capacity of 4000 T/year.

This is expected to be a major growth driver going forward given the industry demand.

5 - Layer **KAGE** Plant

First 5 layer plant was manufactured as per specifications of Gloucester Engineering USA. The Plant output is up to 550 kg/hr and has an installed capacity of 4000 T/year. It will produce film for barrier application – mainly used in oil packaging. Given the technologically advanced nature of this extrusion machines, the films thus produced enhance the shelf life of packaged product, provide good barrier property against oxygen & moisture and prevents leakage in case of liquids.



PIPE PLANTS

Industry Overview

World plastic pipes market is projected to reach 7.6 billion meters by 2017, as per Global Industry Analysts Inc. Long term growth in the market clearly underlines a shift in balance towards the emerging markets, driven by heavy infrastructure investments and rise in construction activity. New product developments and application areas are expected to further facilitate market growth. World plastics pipe market is poised to register modest growth in the near term as the industry remains clouded by economic challenges. The market suffered a major setback during 2008 and 2009 after registering commendable performance in the past decade, especially during the period prior 2008, as the financial crisis swept away growth in most regions. Future growth in the plastic pipes market would be driven by huge infrastructure investments in developing countries led by the BRIC nations.

While Europe and the US comprise the largest markets, Asia-Pacific, Middle East, Eastern Europe and Latin America are expected to display higher growth than the global average growth rate following increasing demand for plastic pipes in construction, telecommunications and natural gas distribution systems.

Highlights during the Year

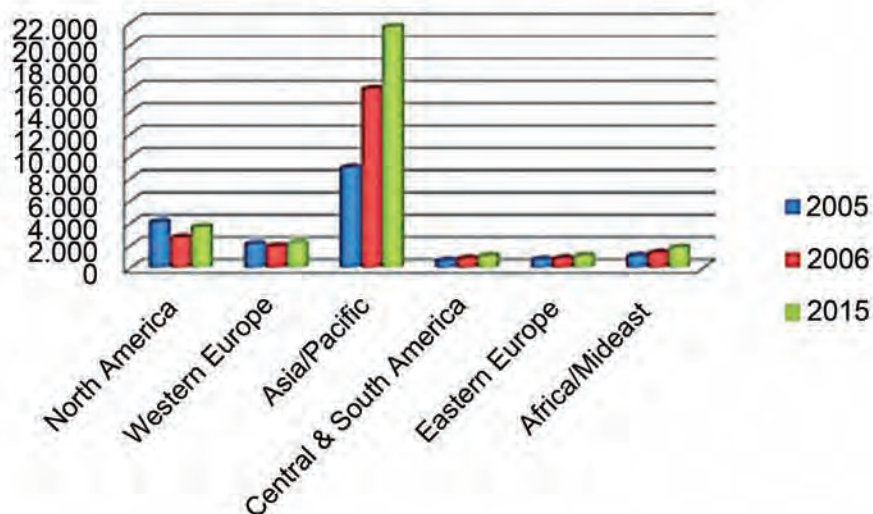
Traditionally a strong focus area of the company, the Pipe Extrusion Machinery segment has seen many innovations from the Company's end. Further, KET has developed many innovative machines in line with changing industry trends and new applications. Today it caters to Irrigation, Plumbing, Construction, Industrial Applications, Drinking Water, Drainage and Sewage, Teleduct, Gas etc.

During the year, the company has been focusing on Window profile extrusion machinery. The product developed by these machines finds widespread application in modern construction and also on account of increase in awareness in architect about the advantages of using PVC profiles in construction.

Further, the cPVC pipe extrusion lines in single as well as dual strand with AMC technology have been another major focus area. The applications of cPVC pipes are for plumbing and hot and cold water applications in the construction sector. The major advantages of the dual strand pipes are that they are space saving for the client and offer optimum production in smaller sizes.

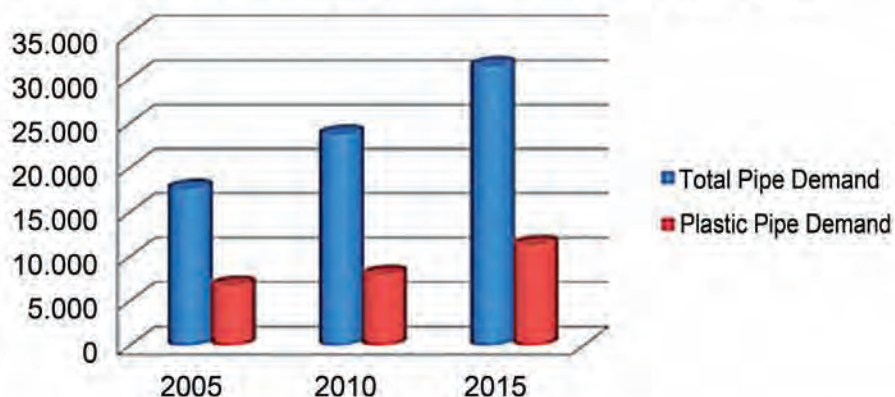
World Pipe Demand in million metres

(C) 2011 by The Freedonia Group, Inc.



World Pipe & Plastic Pipe Demand

in million metres, (C) 2011 by The Freedonia Group, Inc.



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Along with the round drip, the Company is now also entering the flat drip lines market. Flat irrigation is easy to ship and store and is inexpensive compared to rigid tubing. Further, it is lightweight and easy to move to a new location and hence, has found greater acceptance. It is easy to install, easy to design and can help reduce disease problems associated with high levels of moisture on some plants.

Some of our innovative and high performance machines encompass:

twinEX

This is a parallel twin extrusion machine that find application in production of Sewage pipes, plumbing, drainage pipes and irrigation. Again a compact version, it saves space for the client and offers high flexibility through gentle, homogenous plasticization due to longer L/D ratio. It is a low maintenance machine through free intra cool screw cooling system along with a self regulating & energy efficient tempering system resulting in higher cost saving and better quality output for the client.-

soLEX

The high performance extruder for PE-HD and PP Pipe extrusion finds application in manufacture of Pipes for Gas transport, tele-ducts, cable ducts and electric conduits.

These advanced plants, based on proven Battenfeld Cincinnatti Technology offer significant benefits to its users. They are ideally suited for HDPE corrugated pipe and also suitable for steel pipe coating with HDPE or PP layers.

They are compact in nature and hence extremely space saving through high performance with small screw diameters.

fiberEX

This extrusion machine is specially designed to produce Wood Composite Pipes which find widespread application in the construction segment for Floor coverings, terrace and verandah floor boards, hand rails, railing and fencing etc and the technologically advanced nature of the machine enables the customer to produce pipes which are more resistant to moisture and thus offer excellent resistance to weathering.



Capex to Tap Opportunities

As per The Freedonia Group Inc, the Global demand for plastics processing machinery is projected to rise 6.0 percent annually through 2015 to USD 28.9 billion, a rebound from market declines experienced during the recession impacted 2005-2010 period. Further, India is expected to emerge as a leading player in the global plastic industry. Sales growth will be driven by acceleration in plastic product manufacturing, as well as by favorable investment opportunities in the Industry. In line with the industry prospects, KET had planned a capex programme in October 2010 over a period of 2 – 3 years. 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. During the year FY 2011-12, capex incurred was Rs 6.80 crores.

Various machine launches are expected to be seen in both the films and pipe segment and emphasis on technological advancement is a continuous feature at KET.

The state of the art painting facilities installed at Dunetha uses the technology developed for the exacting standards of the Engineering industry. This impressive process is an assurance of adequate corrosion protection and an unrivalled paint finish. It is a reflection of the company's commitment towards quality.

The Company proposes to review its capex plans in line with slowdown in the orders. The capex plan has been aligned in line with the industry outlook and the pace will pick up as soon as the demand scenario improves.



View of Plant at Dunetha, Daman

Exploring Opportunities at the Frontline

“Motivation is a fire from within. If someone else tries to light that fire under you, chances are it will burn very briefly.” – Stephen Covey

Despite the macroeconomic headwinds and resultant slowdown in the industry and overall end user industry demand, KET is reasonably confident in the long term prospects of its offerings.

The Company continues to expand its horizons with a zealous thrust on marketing activities by participating in trade fairs and building a strong network of agents and client relationship.

Bangabandhu International Conference Centre (BICC), Bangladesh

The leading industry fair was held in February from 16th - 19th. The event attracted more than 16,742 local and overseas professional buyers. The event was beneficial and gave a platform to interact with processors from South East Asia.



Saudi PPP 2011 RICEC Riyadh, Saudi Arabia

The exhibition was organised between November 28th–1st December, 2011. It attracted a large number of visitors from the plastic industry. KET's stall in India pavilion was visited by inquisitive processors from pipe and film segments. The event turned out to be immensely successful.

Plastic & Rubber Propack 2011, Jakarta International Expo center, Indonesia

The event was held between 16th to 19th November and was attended by visitors from Indonesia and adjoining countries. KET's stall was very well received by the processors and they were very inquisitive about the advanced technology.



Plast Eurasia, Tuyap Fair, Convention & Congress Center, Turkey

The exhibition was organized between 27th -30th October, 2011. It attracted a large number of visitors from the plastic industry. KET's stall was visited by processors from pipe and film segments. It was KET's second participation in this exhibition, and provided a good platform to meet our existing customers and generate new leads.