

# 16th Annual Report 2006-2007



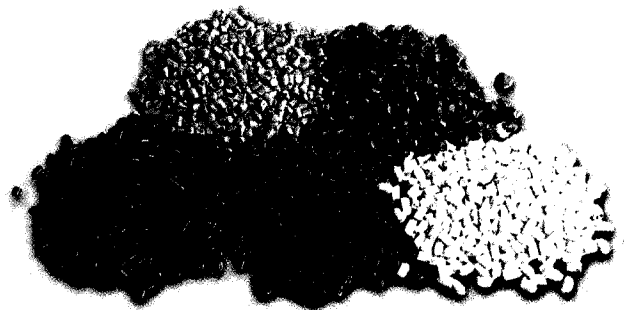
India's First Masterbatch  
Manufacturing Company  
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# **Plastiblends**

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**I n d i a   L i m i t e d**



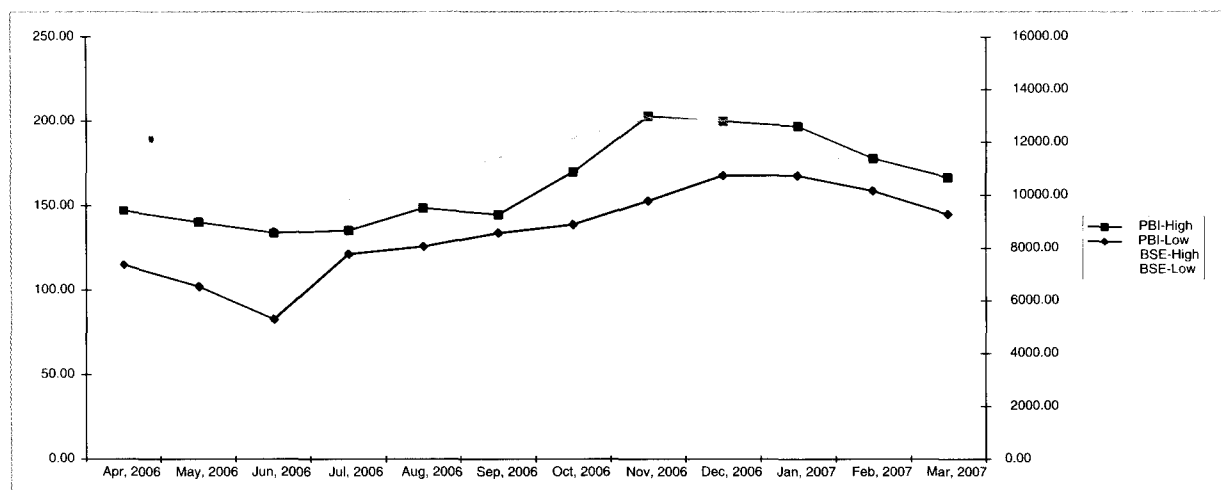
## FINANCIAL HIGHLIGHTS

(Rs. in Lacs.)

	2006-07	2005-06	2004-05	2003-04	2002-03
<b>OPERATING RESULTS</b>					
Sales and Other Income	12670.67	9814.73	9211.26	7646.91	6373.07
Profit before Depreciation, Interest & Tax	1583.31	1695.40	1498.54	1551.32	1235.41
Less : Depreciation	163.68	143.50	132.90	118.92	107.54
Interest	54.82	37.36	51.98	90.55	87.44
Profit Before Tax	1364.81	1514.54	1313.66	1341.85	1040.43
Less : Provision for Taxation	175.00	200.80	226.14	252.58	200.00
Add : Provision no longer required	0.11	-	-	-	-
Net Profit After Tax	1189.92	1313.74	1087.52	1089.27	840.43
Less : Provision for Deferred Taxation	(18.00)	(51.24)	46.67	27.45	21.46
Net Profit after provision of Deferred Taxation	1207.92	1364.98	1040.85	1061.82	818.97
Retained Earnings	785.60	942.65	748.47	769.44	585.07
Earning per share (EPS) on Profit after above Tax (Rs.)	18.59	21.01	16.02	16.34	12.60
Dividend	65%	65%	45%	45%	36%
<b>ASSETS EMPLOYED</b>					
Fixed Assets (NET)	2431.10	1862.35	1721.17	1553.43	1400.98
Working Capital (NET)	766.39	1080.39	1150.13	904.23	120.10
Capital Employed	7578.15	5756.77	5241.41	4537.68	3890.29
<b>FINANCED BY</b>					
Share Capital	6495.73	649.73	649.73	649.73	649.73
Reserves	5264.53	4550.70	3667.27	2959.81	2227.83
Total Shareholders Fund	5914.26	5200.43	4317.00	3609.54	2877.56
Borrowings	1436.72	311.17	628.00	678.41	790.45
Deferred Tax Adjustments	227.17	245.17	296.41	249.73	222.28
Debt : Equity	0.24 : 1	0.06 : 1	0.14 : 1	0.19 : 1	0.27 : 1
<b>OTHERS</b>					
Book Value Per Share (Rs.)	91.03	80.04	66.44	55.55	44.29
Gross Fixed Assets	3683.26	2953.71	2681.21	2393.55	2124.76
Employees Cost	298.54	226.18	222.13	201.59	173.41

### 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 Anand S. Kabra  
(Executive Director)

Shri Punamchand C. Parmar

Shri Haridas S. Sanwal

Shri Amir E. Ladhabhoy

Shri Pushp Raj Singhvi

Dr. Yatish B. Vasudeo

**COMPANY SECRETARY**

Ms. Phalguni M. Dagli  
(Appointed w.e.f. 5th July, 2007)

**REGISTERED OFFICE**

31, Shah Indl. Estate, Kolsite House, 2<sup>nd</sup> Floor,  
Off. Veera Desai Road, Andheri (West),  
Mumbai - 400 053  
Tel. No. : +91-22-26736468/66952694-97  
Fax : +91-22-26736808  
E-mail : pbi@kolsitegroup.com  
Website : www.plastiblendsindia.com

**WORKS****Daman**

Daman Industrial Estate,  
Kadaiya Village, Daman-396 210  
Tel. No. : 0260-2221772-74 Fax : 0260-2221771

**Roorkee**

Khasara No. 216, Village Raipur,  
Pargana : Bhagwanpur, Tehsil : Roorkee,  
Distt. Haridwar, Uttarakhand - 247667

**AUDITORS**

Kishor B. Phadke & Co.  
Chartered Accountants, Pune

**BANKERS**

State Bank of India  
HDFC Bank Ltd.

**SHARE TRANSFER AGENT**

Sharex Dynamic (India) Pvt. Ltd.,  
Unit 1, Luthra Ind. Premises, Safed Pool,  
Andheri-Kurla Road, Andheri (E),  
Mumbai - 400 072  
Tel. : 022-28515606, 28515644  
Fax : 022-28512885  
Email : sharexindia@vsnl.com

**CONTENTS**

Notice .....	02
Directors' Report .....	04
Management Discussion and Analysis .....	07
Report on Corporate Governance .....	09
Auditors' Report .....	16
Balance Sheet .....	18
Profit and Loss Account .....	19
Schedules .....	20
Balance Sheet Abstract .....	29
Cash Flow Statement .....	30

**16<sup>th</sup> Annual General Meeting**

**Day** : Friday  
**Date** : 17<sup>th</sup> August, 2007  
**Time** : 4:30 p.m.  
**Venue** : Hotel Karl Residency, 36, Lallubhai Park Road,  
Next to Lallubhai Park, Andheri (West),  
Mumbai - 400 058

## Annual Report 2006-07

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### NOTICE

**NOTICE** is hereby given that the Sixteenth Annual General Meeting of the Members of **PLASTIBLENDS INDIA LIMITED** will be held on Friday, the 17<sup>th</sup> day of August 2007, at 4:30 p.m. at Hotel Karl Residency, 36, Lallubhai Park Road, Next to Lallubhai Park, Andheri (West), Mumbai – 400 058 to transact the following business :

#### ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2007 and the Profit and Loss Account for the year ended on that date and the report of the Directors' & Auditors' thereon.
2. To declare a dividend on Equity Shares for the Financial Year ended 31<sup>st</sup> March, 2007.
3. To appoint a Director in place of Shri Amir E. Ladhahoy, a Director, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Haridas S. Sanwal, a Director, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Kishor B. Phadke & Co., Chartered Accountants, Pune as Auditors of the Company to hold office from the conclusion of this Meeting, until the conclusion of the next Annual General Meeting on such remuneration and reimbursement of out of pocket expenses, if any, as may be mutually agreed upon between the Board of Directors of the Company and the said Auditors.

#### SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

**"RESOLVED THAT** pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the following manner –

After Article 5(a), the following new Article numbered as 5(b) and after Article 9, new Article numbered as 9(a) shall be inserted as under :

- 5 (b) That option or right to call of shares shall not be given to any person except with the consent of the Members of the Company in their General Meeting.
- 9 (a) That the Company upon request of the Members shall agree to sub-divide / consolidate share certificates of the Company into such denomination as statutorily permitted and shall not charge any fees exceeding those, which may be allowed / agreed by the Stock Exchanges.

#### Registered Office:

31, Shah Indl. Estate, Kolsite House  
Off Veera Desai Road, Andheri (West),  
Mumbai – 400 053

By Order of the Board

**S. V. Kabra**

June 28, 2007.

Chairman & Managing Director

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#### NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY TO ATTEND AND ON A POLL VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, SHOULD BE DULY COMPLETED, STAMPED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item. No. 6 as set out above, is annexed hereto.

3. Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 10<sup>th</sup> day of August, 2007 to Friday, the 17<sup>th</sup> day of August, 2007 (both days inclusive).
4. The dividend, as recommended by the Board, if sanctioned at the ensuing Annual General Meeting will be paid to those persons whose names appear as Beneficial Owners as at the end of business hours on Thursday, the 9<sup>th</sup> day of August, 2007 as per the list to be furnished by the National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL) in respect of shares held in demat form and to the Members holding shares in physical form as per Register of Members of the Company as on Friday, the 17<sup>th</sup> day of August, 2007, after giving effect to all valid transfers in respects of which requests were lodged with the R&T agent of the Company on or before 9<sup>th</sup> August, 2007.
5. Brief profile of the Directors retiring by rotation and being eligible for re-appointment at the ensuing Annual General Meeting are furnished in the Corporate Governance Section, which forms part of this Annual Report.
6. Shareholders seeking any information with regard to accounts are requested to write to the Compliance Officer at the Registered Office of the Company at least 15 days in advance, so as to keep the information ready at the Meeting.
7. Those members who have not encashed their dividend warrants for the financial year 2000-2001 to 2005-2006 are requested to return the time barred dividend warrants or forward their claims to the Company for issue of duplicate thereof.
8. Pursuant to the provisions of Section 205A and 205 C (2) (a) of the Companies Act, 1956, as amended, dividend for the financial year 2000-2001 and thereafter which shall remain unclaimed / unpaid for a period of 7 years from the date of transfer to the unpaid dividend account will be transferred to the Investors Education & Protection Fund and **no claim shall lie in respect of such amount.**
9. Pursuant to the said provisions unclaimed / unpaid dividend for the financial year 1996-97 to 1998-99 have been transferred to the Investor Education and Protection Fund and during July, 2007 the Company would be transferring the unclaimed or unpaid interim dividend for the year ended 31<sup>st</sup> March, 2000 which was subsequently approved as final at the AGM held for the said financial year.

## ANNEXURE TO NOTICE

[Explanatory Statement under Section 173(2) of the Companies Act, 1956]

Equity Shares of your Company have been admitted for listing on the National Stock Exchange of India Ltd. (NSE) w.e.f. 28<sup>th</sup> December, 2006. While granting listing, NSE provided that the Articles of Association of the Company should contain certain provisions regarding option or right to call of shares and about subdivision/consolidation of share certificates. The Company has complied with other terms and conditions of the listing and agreed to alter Articles of Association in accordance with its requirement and pursuant to Rule 19(2) (a) of The Securities Contracts (Regulations) Rules, 1957. It is therefore proposed to add new articles 5(b) and 9(a) after respective existing articles in the Articles of Association of the Company.

Your approval is sought subject to Section 31 of the Companies Act, 1956 by a Special Resolution for alteration of articles as proposed.

The Directors recommend this Special Resolution for your approval.

None of the Directors of the Company is in any way, concerned or interested in the resolution.

**Registered Office:**

31, Shah Indl. Estate, Kolsite House  
 Off Veera Desai Road, Andheri (West),  
 Mumbai – 400 053

By Order of the Board

June 28, 2007

**S. V. Kabra**  
 Chairman & Managing Director

**Annual Report 2006-07****DIRECTORS' REPORT**

To  
The Members of  
Plastiblends India Limited

Your Directors take pleasure in presenting the **SIXTEENTH ANNUAL REPORT** and the **Audited Statement of Accounts** for the year ended 31<sup>st</sup> March, 2007.

**FINANCIAL RESULTS:**

	<b>Year ended 31<sup>st</sup> March, 07 (Rs. in Lacs)</b>	<b>Year ended 31<sup>st</sup> March, 06 (Rs. in Lacs)</b>
Sales and Other Income	<b>12670.67</b>	9814.73
Gross Profit before Interest & Depreciation	<b>1583.31</b>	1695.40
Less: Interest	<b>54.82</b>	37.36
Depreciation	<b>163.68</b>	143.50
Profit Before Tax (PBT)	<b>1364.81</b>	1514.54
Less : Provision for Taxation (including earlier year)	<b>175.00</b>	200.80
Add : Provision no longer required	<b>0.11</b>	—
Profit After Tax	<b>1189.92</b>	1313.74
Add : Provision for Deferred Tax - Assets	<b>18.00</b>	51.24
Net Profit after provision of Deferred Tax	<b>1207.92</b>	1364.98
Add : Balance b/f from previous year	<b>3859.86</b>	3126.43
Profit available for appropriation	<b>5067.78</b>	4491.41
<b>APPROPRIATIONS:</b>		
Transferred to General Reserves	<b>125.00</b>	150.00
Provision for Proposed Dividend	<b>422.32</b>	422.32
Provision for Tax on Proposed Dividend	<b>71.77</b>	59.23
Surplus balance c/f to Balance Sheet	<b>4448.69</b>	3859.86
	<b>5067.78</b>	4491.41

**DIVIDEND :**

Your Directors are pleased to recommend a dividend of Rs. 6.50 per share of the face value of Rs.10/- each for the year ended 31<sup>st</sup> March, 2007 (Rs. 6.50 per share for the previous year) subject to the Members' approval. The dividend payment amounts to Rs. 422.32 Lacs In addition Rs. 71.77 Lacs is payable towards tax on dividend.

**OPERATIONS AND CAPACITY EXPANSION :**

During the year under review, your Company has achieved Operational and Other Income of Rs. 12670.67 Lacs as against Operational and Other Income of Rs. 9814.73 Lacs, registering an increase of about 29.10% over the previous year. Profit after providing for taxes is Rs.1189.92 Lacs as against Rs. 1313.74 Lacs during the previous year.

The Company has achieved production of 21314 tonnes for the year as compared to 15652 tonnes during the previous year. During the year under review the installed capacity at Daman plant has been enhanced from 24000 tonnes p.a. to 29000 tonnes p.a.

The Company has set-up a new manufacturing unit at Roorkee, Uttarakhand with initial installed capacity of 5000 tonnes per annum. Free-hold land has been acquired. Factory building is ready. Plant & Machinery has been installed. Power supply connection for the said unit has been granted. This unit shall enjoy Excise, Sales Tax, Income Tax benefits as announced by the Government of Uttarakhand State. Statutory approvals and registration have been obtained. Project cost incurred till date is about Rs. 15 Crores (Rupees Fifteen Crores Only) which have been fully met out of internal accruals and surplus funds available with the Company. Trial production at this unit have commenced.

**EXPORTS :**

Exports during the year under review are Rs. 24.79 Crores as against Rs. 14.99 Crores in the previous financial year, an increase of around 65% over previous year's exports and contributed 20% to the net sales. The Plastics Export Promotion Council has awarded your Company The Certificate as the Largest Exporter of Masterbatches from India for the financial years 2003-04, 2004-05 and 2005-06.



**DIRECTORS :**

In accordance with the Articles of Association of the Company and in view of provisions of Section 255 of the Companies Act, 1956, Shri Amir E. Ladhahoy and Shri Haridas S. Sanwal, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors hereby confirm that

- (i) in the preparation of accounts for the financial year ended 31<sup>st</sup> March, 2007 the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) they have selected appropriate accounting policies and applied them consistently, and made judgements and estimates that were reasonable and prudent so as to give the true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2007, and of the profits of the Company for the said financial year;
- (iii) they have 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) they have prepared the said accounts on a "going concern basis".

**CORPORATE GOVERNANCE :**

As required by Clause 49 of the Listing Agreement, a Report on Corporate Governance is appended along with a Certificate of Compliance from the Auditors.

The Board of Directors of the Company adopted the Code of Conduct and posted the same on the Company's website. The Directors and Senior Management personnel have affirmed their compliance with the said code.

**AUDITORS :**

M/s. Kishor B. Phadke & Co., Chartered Accountants, Auditors of the Company will retire from the office of the Auditors at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. They have furnished a certificate of their eligibility for appointment u/s.224 (1-B) of the Companies Act, 1956 and they are not disqualified under amended section 226(3)(e) of the said Act.

**LISTING FEES :**

The Company hereby confirms that the Annual Listing Fees due to Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. for the financial year 2007-08 have been paid.

**CUSTODIAN CHARGES :**

The Company confirms that the Custodian Charges due to National Securities Depository Ltd., and Central Depository Services (India) Ltd., have been paid to them for the financial year 2007-08 as applicable and payable as per the SEBI circular in this regard.

**PARTICULARS OF EMPLOYEES :**

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, Shri Anand S. Kabra, Executive Director is sole employee covered in the statement which forms part of this report as **ANNEXURE A**.

**CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :**

A Statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo in accordance with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 forms part of this report as **ANNEXURE B**.

**ACKNOWLEDGEMENT :**

Your Directors wish to place on record their appreciation to the employees at all levels for their hard work, dedication and commitment. Your Directors also take this opportunity to thank all the Shareholders, Bankers, Government Authorities, Stock Exchanges, Customers, Dealers, Suppliers and Business Associates at all levels for their continued support and contribution.

**For and on behalf of the Board**

Mumbai, June 28, 2007

**S. V. Kabra**  
 Chairman & Managing Director

**Annual Report 2006-07****ANNEXURE TO DIRECTORS' REPORT****ANNEXURE 'A'**

**Statement pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, for the year ended 31<sup>st</sup> March, 2007 and forming part of the Directors Report for the said financial year.**

- Employed throughout the year under review and were in receipt of remuneration in aggregate of not less than Rs. 24,00,000/- : None.
- Employed for the part of the year under review and were in receipt of remuneration in aggregate of not less than Rs. 2,00,000/- p.m. :

Name of the Employee	Age (years)	Qualifications	Designation	Date of Commencement of employment	Experience (years)	Gross Remuneration (Rs)	Particulars of last employment
Shri Anand S. Kabra	33	BE (Mechanical) MBA in Family Business	Executive Director	1-08-2006	9	29,92,000/-	Executive Director of Kabra Extrusiontechnik Ltd.

**Notes:**

- Above appointment is contractual.
- Remuneration includes salary, house rent allowance and other allowances, Company's contribution to Provident Fund, Superannuation Fund, Leave Travel and Medical reimbursement, but excludes contribution to Group Gratuity Scheme.
- Other terms and conditions of employment are as per special resolution passed in the Annual General Meeting of the Company held on 11<sup>th</sup> August, 2006.
- Shri Anand S. Kabra is son of Shri S.V. Kabra, Chairman & Managing Director of the Company.

**ANNEXURE 'B'**

**Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and pursuant to Section 217 (1) (e) of the Companies Act, 1956:**

**A. CONSERVATION OF ENERGY:**

- Energy Conservation Measures Taken :** The Company has installed the state-of-the-art technology machines which are energy conservative.
- Additional Investments and proposals, if any, for reduction of consumption of energy :** None
- Impact of measures at (a) & (b) above :** With the sophisticated Plant & Machinery and on account of restructuring of machinery, the energy consumption for manufacturing masterbatches has been reduced.

**B. TECHNOLOGY ABSORPTION : None**

The Company has in-house full-fledged Research & Development Department equipped with a wide range of lab machines, equipments, instruments and testing facilities. The Company also has technical experts team for upgradation of the existing masterbatches and development of new products.

During the year, the Company has spent recurring amount of expenditure on R & D which have been included in the respective expenses heads. No separate account head for expenditure on R & D has been maintained.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	<b>2006-2007 (Rs. in Lacs)</b>	<b>2005-2006 (Rs. in Lacs)</b>
Foreign Exchange Earned	<b>2282.25</b>	1369.11
Foreign Exchange Used	<b>2234.86</b>	1641.83

**For and on behalf of the Board**

**S. V. Kabra**  
Chairman & Managing Director

Mumbai, June 28, 2007



## MANAGEMENT DISCUSSION AND ANALYSIS

### I INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company has been a leader in the Organised Sector who manufactures various types of Masterbatches and compounds which are essential ingredients for the Plastic Processing Industry.

Masterbatches are used to impart colours and various special properties to the products manufactured from Plastics. Though the cost of Masterbatches in the final Plastic product is very low, its quality is very important for attaining the desired properties of the end-product. In general, Masterbatch Industry, where your Company is operating, can be broadly classified into Organised Sector and Small Scale Sector. Your Company has always focused on its core business of Masterbatches for the plastics industry and has been meeting the demands for world quality standards consistently for many years.

The Masterbatch Segment has been achieving a good growth rate year after year and the total demand for 2007-08 is estimated at about 70000 tons for White, Black, Colours and Additive Masterbatches. This is a high value added segment with a total value of Rs. 700 Crores. In addition, there is a requirement for about 125000 tons for Antifibrillation Masterbatches which are required by the Woven Sack Industry. This is a low value added segment with a total value of Rs. 300 Crores. This demand has gone up in the last 1 or 2 years because of continuous increase in polymer prices and consequent increases in percentage loading of Filler Masterbatches from an average of 5% to an average of 15-20%. There is a boom in the Woven Sack Industry with a growth rate of 15% per annum. Thus, the total demand for Masterbatches of all types is about 195000 tons per annum.

The Masterbatch segment is growing at a compounded growth rate of about 15% per annum and the demand is likely to cross 350000 tons per annum in the next 5 years. Your Company has a market share of about 12% in Masterbatch segment and around 10% in Antifibrillation Masterbatch segment. The domestic market has significant growth potential as the per capita consumption is only 4 kgs against a world average of 17 kgs. The per capita growth is expected to grow to 10.5 kgs. by 2010.

Your Company produces a wide range of commodity and speciality Masterbatches which are compatible with Polyolefins like PE, PP, PET, PS, EVA etc, The Company is continuously doing research and development work at the modern R&D Plant in Daman and are coming out with new generation Masterbatches on a regular basis.

### II OPPORTUNITIES AND THREATS

The threats faced by your company are stiff competition both in domestic and global market, meeting the customers' high expectations, consistent quality and after sales services etc.

Your company has maintained its leadership position amid stiff competition, due to its ability in identifying and meeting the customers' expectation in terms of high quality, prompt services & performance. The management expertise and their association with the plastic industry for last four decades have always been an added advantage to your company.

The threats, which the Indian Plastics Industry foresees are slow down of Indian Economy, myths and misconceptions about plastics and its impact on environment and competition from the foreign manufacturers.

Your Company being a part of the Indian Plastic Industry do get affected by such threats but has always come out with positive developments against such threats and has been successful in maintaining its leadership position.

### III SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

Your Company operates only in Masterbatches segment which includes White, Black, Colour and Additive masterbatches, Antifibrillation masterbatches, Filled Polypropylene Compounds, Degradable Additive masterbatches.

### IV BUSINESS OUTLOOK

Product obsolescence is a common feature in the Masterbatch Industry, hence product innovation is the master key to future growth. Focus on R & D has enabled the Company to introduce new products in this segment in addition to the manufacturing of more than 450 types of masterbatches presently.

Your company has introduced some high volume and speciality products such as masterbatches for BOPP films, PET filaments and yarns, PP filaments and fibres, conductive compounds and biodegradable additives and compounds.

On account of increase awareness about the use of degradable plastics as well as government's intention in formulating and enacting various laws the use of degradable plastic bags is going to increase significantly and more awareness towards environment will benefit your Company to strengthen itself in this segment.

## Annual Report 2006-07

Your Company has been able to penetrate into the global markets by maintaining the global standards of cost and quality thereby enabling to grow its exports manifold.

The Company supplies masterbatches to polymer producers, large processors in packaging and other segments as well as medium and small scale processors. With a base of more than 2500 customers, there is no excessive dependence on any single customer. The overall future business outlook for Masterbatch Industry is very encouraging because the total Indian Plastic Industry is expected to maintain Annual Growth Rate of 10% to 15% for years to come.

Your Company's growth strategy consist of product innovations, competitive cost structure, higher domestic market share and penetration in to the exports markets. It is fully committed to ongoing research and investments in plants, processes, personnel and marketing network.

### V RISK AND CONCERNS

The major risks which prevails in the industry are high fluctuations in the prices of raw materials, technology obsolescence and competition from the global players.

Your Company is taking due care for the prevailing risks in the industry by adopting new technology and latest know-how, by introducing innovative masterbatches through its regular research & developments, by achieving reduction in material costs through better sourcing, increasing sale of value added products and many more steps taken by your Company including re-engineering in business and manufacturing processes.

In order to capture, retain and grow market share of the global plastics business, and to show case and market the Company's innovative products, the Company participates in national and international exhibitions.

- Forseeable risks to the Company's assets are adequately covered by comprehensive insurance policies.

### VI INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has a system of internal control which is comensurate with the size and nature of its operations. These controls ensure that all the assets are safeguarded and protected against loss from unauthorised use or disposition and that the transactions are authorised, recorded and reported diligently. There are well established policies and procedures in place across your Company.

Internal Audit Team consists of well experienced Members, which constantly reviews various aspects of control systems and conducts audit under well laid out audit programmes to ensure effectiveness of the controls. The said internal audit team continuously reviews the control system and undertakes audit of special areas in-depth.

### VII FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

#### Financial Highlights :

(Rs. in lacs)

Particulars	2006-07	2005-06	% Changes
Sales and Other Income	12670.67	9814.73	29.10
Net Profit after Interest, Depreciation and Tax	1189.92	1313.74	- 9.42

Your Company has produced 21314 tonnes and sold 20591 tonnes during the year under review.

### VIII MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

The overall Industrial relations during the year under review were peaceful. Contribution and co-operation from all levels of employees was excellent and the same has been appreciated & supported well by the management through its continuous & systematic training programs.

The workforce of the Company including workers, staffs and executives as on 31<sup>st</sup> March, 2007 : 190

### IX CAUTIONARY STATEMENT

Estimation and expectation made in the Report may differ from actual performance due to various Economic Conditions, Government Policies and other related factors.

For and on behalf of the Board

Mumbai, June 28, 2007

S. V. Kabra  
Chairman & Managing Director