



# Plastiblends

## India Limited



17<sup>TH</sup> ANNUAL REPORT 2007 - 2008

India's First Masterbatch Manufacturing Company  
Accredited with ISO 9001 : 2000

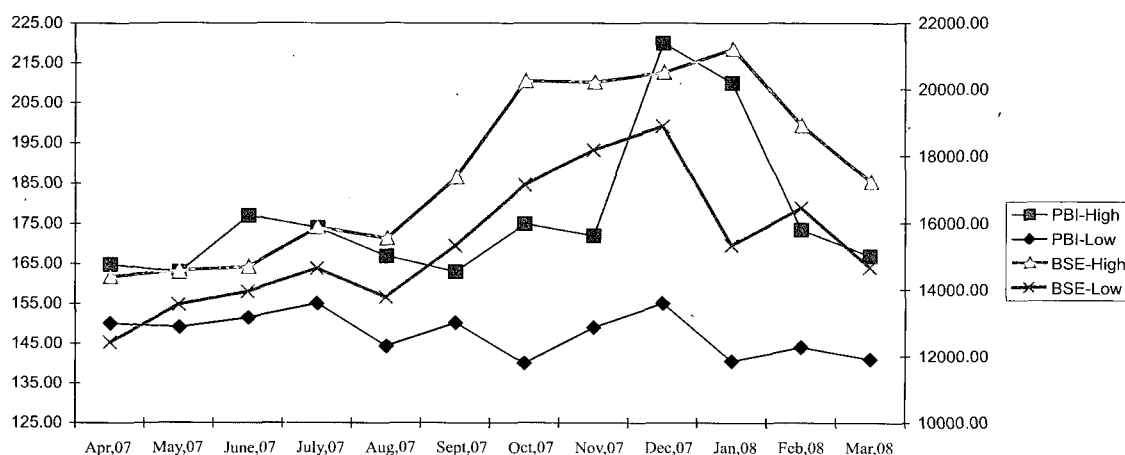
## Annual Report 2007-08

## FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	2007-08	2006-07	2005-06	2004-05	2003-04
<b>OPERATING RESULTS</b>					
Sales and Other Income	16130.21	12670.67	9814.73	9211.26	7646.91
Profit before Depreciation, Interest & Tax	2284.75	1583.31	1695.40	1498.54	1551.32
Less : Depreciation	235.40	163.68	143.50	132.90	118.92
Interest	200.42	54.82	37.36	51.98	90.55
<b>Profit before tax</b>	<b>1848.93</b>	<b>1364.81</b>	<b>1514.54</b>	<b>1313.66</b>	<b>1341.85</b>
Less : Provision for Taxation - Current Year	200.00	175.00	200.00	225.00	245.00
Provision for Taxation - Earlier Year	0.17	----	1.70	1.14	15.14
Add : Provision no longer required	----	0.11	0.90	----	7.56
<b>Net Profit after tax</b>	<b>1648.76</b>	<b>1189.92</b>	<b>1313.74</b>	<b>1087.52</b>	<b>1089.27</b>
Less : Provision for Deferred Taxation	56.63	(18.00)	(51.24)	46.67	27.45
Net Profit after provision of deferred taxation	1592.13	1207.92	1364.98	1040.85	1061.82
Retained earnings	1060.02	713.83	883.43	707.47	731.98
Earning per share (EPS) (Rs.)	24.50	18.59	21.01	16.02	16.34
Dividend (%)	70%	65%	65%	45%	45%
<b>ASSETS EMPLOYED</b>					
Fixed Assets (NET)	4694.39	2431.10	1862.35	1721.17	1553.43
Working Capital (NET)	1889.93	766.39	1080.39	1150.13	875.23
Capital Employed	9181.94	7578.15	5756.77	5241.41	4537.68
<b>FINANCED BY</b>					
Share Capital	649.73	649.73	649.73	649.73	649.73
Reserves	6324.55	5264.53	4550.70	3667.27	2959.81
Total Shareholders Funds	6974.28	5914.26	5200.43	4317.00	3609.54
Borrowings	1923.86	1436.72	311.17	628.00	678.41
Deferred Tax Adjustments	283.79	227.17	245.17	296.41	249.73
Debt : Equity	0.27 : 1	0.24 : 1	0.06 : 1	0.14 : 1	0.19 : 1
<b>OTHERS</b>					
Book Value Per Share (Rs.)	107.34	91.03	80.04	66.44	55.55
Gross Fixed Assets	6178.94	3683.26	2953.71	2681.21	2393.55
Employees Cost	449.08	298.54	226.18	222.13	201.59

**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

**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

**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

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

<b>Day</b>	: Tuesday
<b>Date</b>	: 15 <sup>th</sup> July, 2008
<b>Time</b>	: 4:30 p.m.
<b>Venue</b>	: Hotel Karl Residency, 36, Lallubhai Park Road, Next to Lallubhai Park, Andheri (West), Mumbai - 400 058

## Annual Report 2007-08

### NOTICE

**NOTICE** is hereby given that the Seventeenth Annual General Meeting of the Members of **PLASTIBLENDS INDIA LIMITED** will be held on Tuesday, the 15<sup>th</sup> day of July, 2008 at 4:30 p. m. at Hotel Karl Residency, 36, 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, 2008 and the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors & Auditors thereon.
2. To declare a dividend on Equity Shares for the financial year ended 31<sup>st</sup> March, 2008.
3. To appoint a Director in place of Shri Pushp Raj Singhvi, a Director, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Yatish B. Vasudeo, 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 the 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 an **Ordinary Resolution** :

**"RESOLVED THAT** pursuant to provisions of Sections 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 (Act), read with Schedule XIII of the said Act or any re-enactment or modifications thereof and all other applicable statutory provisions, if any, and subject to such approvals as may be necessary, the consent of the Company be and is hereby accorded to the re-appointment and payment of remuneration to Shri Satyanarayan G. Kabra as a Vice-Chairman & Managing Director of the Company, for a period of 5 (five) years w.e.f. 1<sup>st</sup> July, 2008 to 30<sup>th</sup> June, 2013 on the terms, conditions and stipulations including remuneration detailed in the Explanatory Statement annexed hereto (which shall form part hereof), with a liberty to the Board of Directors of the Company (hereinafter referred to as "the Board" which terms shall be deemed to include any Committee of the Board as and when constituted) to fix, increase, alter or vary from time to time, the terms and conditions of the said appointment and remuneration and/or monetary value of the perquisites as may be agreed upon by the Board of Directors and Shri Satyanarayan G. Kabra, subject to the same not exceeding at any point of time, the ceiling specified in this regard under the said Act.

**RESOLVED FURTHER THAT** where in any financial year during the currency of the tenure of Shri Satyanarayan G. Kabra, the company has no profit or its profits are inadequate, the company shall pay salary & perquisites to the extent as laid down in Section II & III of Part II of Schedule XIII as minimum remuneration.

**RESOLVED FURTHER THAT** the aforesaid consent of the Company is accorded without prejudice to his right of holding managerial position of whatsoever nature in any other company and draw remuneration therefrom, subject to the regulatory guidelines and ceiling stipulated in this regard.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company, be and is hereby authorized to do all such acts, deeds, matters or things as may be necessary, expedient or desirable in the best interest of the Company."

By Order of the Board

**Phalguni Dagli**

Company Secretary

Mumbai, 15<sup>th</sup> May, 2008

#### 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 above, is annexed hereto.
3. Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 8<sup>th</sup> day of July, 2008 to Tuesday, the 15<sup>th</sup> day of July, 2008 (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 Monday, the 7<sup>th</sup> day of July, 2008 as per the list to be furnished by the NSDL and CDSL in respect of shares held in demat form and to the Members holding shares in physical mode as per Register of Members of the Company as on Tuesday, the 15<sup>th</sup> day of July, 2008 after giving effect to all valid transfers in respect of which request were lodged with the R & T Agent of the Company on or before 7<sup>th</sup> July, 2008.



5. (i) Those shareholders who have so far not claimed their dividend for the financial years year 2000-2001 to 2006-07 are requested to return the time barred dividend warrants or forward their claims to the Company for issue of duplicate thereof.
- (ii) Pursuant to the provisions of Section 205A & 205C (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.**
- (iii) Pursuant to the said provisions, unclaimed dividend for the financial year 1996-1997 to 1999-2000 have been transferred to the said fund.
6. Brief profile of the Directors retiring by rotation and being eligible for re-appointment at the ensuing Annual General Meeting is furnished in the Corporate Governance section, which forms part of this Annual Report.
7. Members desirous of obtaining any information with regard to accounts are requested to write to the Company Secretary at the Registered Office of the Company, at least 10 days in advance, so as to compile the same.

#### ANNEXURE TO NOTICE

##### **Explanatory Statement under Section 173(2) of the Companies Act, 1956**

The Board of Directors of the Company at its meeting held on 15<sup>th</sup> May, 2008 approved the re-appointment and payment of remuneration to Shri Satyanarayan G. Kabra as a Vice-Chairman & Managing Director of the Company w.e.f. 1<sup>st</sup> July, 2008 for a further period of 5 (five) years. He is holding similar position in M/s. Kabra Extrusiontechnik Ltd., a Company in the same group and paid remuneration therefrom. Broad particulars of the terms of re-appointment and remuneration payable to him is as under:

1. **Period of Appointment** : Five (5) years with effect from 1<sup>st</sup> July, 2008 to 30<sup>th</sup> June, 2013
2. **Remuneration** : Salary of Rs. 75,000/- (Rupees Seventy Five Thousand Only) per month, with an annual increment to be decided by the Board at such percentage up to 10% of the salary, subject to the same not exceeding at any point of time, the ceiling laid down under the provisions of the Companies Act, 1956 and Schedule thereto.  
In addition to the above, he shall be entitled to the following perquisites restricted to an amount equal to his annual salary.
  - i. **Accommodation (Furnished or otherwise) or House Rent Allowance** in lieu thereof subject to a ceiling of 50 % of the above salary.
  - ii. **Medical Reimbursement** : For self, spouse and family subject to a ceiling of one (1) month salary in a year or three (3) months salary in a block of three (3) years.
  - iii. **Leave Travel Reimbursement** : For self, spouse and family once in a year incurred in accordance with the rules specified by the Company.
  - iv. **Club Fees** : Subject to a maximum of two clubs. This will not include admission and life membership fees.
  - v. **Personal Accident Insurance & Medi-Claim Policy** : For self, spouse and family as per rules of the Company.  
**Explanation:** 'Family' means spouse, dependent children and dependent parents of the said appointee.
  - vi. **Provident Fund, Superannuation Fund and Annuity Fund** : Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the schemes of the Company will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together are not taxable under the Income-Tax Act, 1961.
  - vii. **Gratuity** : As per rules of the Company
  - viii. **Encashment of leave** : As per rules of the Company.  
For the purpose of gratuity & encashment of leave, the period of service of said appointee shall be considered as service with the company without any break in service & on a continuous basis.
  - ix. Provision of car and telephone at residence for use of Company's business will not be considered as perquisites. However, personal long distance telephone calls and use of car for private purpose shall be billed by the Company to him.

**General** : (i) The office of said appointee may be terminated by the company or the Director by giving the other three (3) months' prior notice in writing. (ii) The terms & conditions set out for re-appointment & payment of remuneration herein may be altered & varied by the Board as it may, from time to time, deem fit.

This explanatory statement with the accompanying Notice is to be regarded as an abstract and memorandum of concern or interest, under Section 302 of the Companies Act, 1956 in respect of said appointee.

Shri Satyanarayan G. Kabra is concerned or interested in the resolution, since it relates to his own appointment and remuneration. Shri S. V. Kabra is a relative of said appointee and therefore, he is deemed to be interested in this resolution.

Save and except the above, none of the other Directors of the Company is, in any way, concerned or interested in the resolution

The Board recommends this resolution for your approval.

By Order of the Board

**Phalguni Dagli**  
Company Secretary

Mumbai, 15<sup>th</sup> May, 2008

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## DIRECTORS' REPORT

To  
The Members of  
Plastiblends India Limited

Your Directors take pleasure in presenting the **SEVENTEENTH ANNUAL REPORT** and the **Audited Statement of Accounts** for the year ended 31<sup>st</sup> March, 2008.

## FINANCIAL RESULTS:

PARTICULARS	Year ended 31 <sup>st</sup> March 08 (Rs. in Lacs)	Year ended 31 <sup>st</sup> March 07 (Rs. in Lacs)
Sales and Other Income	16130.21	12670.67
Gross Profit before Interest & Depreciation	2284.75	1583.31
Less: Interest	200.42	54.82
Depreciation	235.40	163.68
<b>Profit Before Tax (PBT)</b>	<b>1848.93</b>	<b>1364.81</b>
Less : Provision for Taxation (including earlier year)	200.17	175.00
Add : Provision no longer required	—	0.11
<b>Profit After Tax (PAT)</b>	<b>1648.76</b>	<b>1189.92</b>
Less / Add : Provision for Deferred Tax (Liability)/Assets	(56.63)	18.00
<b>Net Profit after provision of Deferred Tax</b>	<b>1592.13</b>	<b>1207.92</b>
Add : Balance b/f from previous year	4448.69	3859.86
<b>Profit available for appropriation</b>	<b>6040.82</b>	<b>5067.78</b>
<b>APPROPRIATIONS:</b>		
Transferred to General Reserves	160.00	125.00
Provision for Proposed Dividend	454.81	422.32
Provision for Tax on Proposed Dividend	77.30	71.77
Surplus balance c/f to Balance Sheet	5348.71	4448.69
	<b>6040.82</b>	<b>5067.78</b>

## DIVIDEND :

Your Directors are pleased to recommend a dividend of **Rs. 7.00** per share of the face value of Rs.10/- each for the year ended 31<sup>st</sup> March, 2008 (Rs.6.50 per share for the previous year) subject to the Members' approval. The dividend payment amounts to Rs. 454.81 lacs. In addition Rs. 77.30 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. 16130.21 lacs** as against Operational and Other Income of Rs. 12670.67 lacs, registering an increase of about **27.30%** over the previous year. Profit after providing for taxes is **Rs. 1592.13 lacs** as against Rs. 1207.92 lacs during the previous year, an increase of around **31.81%** over the previous year.

The Company has achieved production of 27216 tons for the year as compared to 21314 tons during the previous year. During the year under review the installed capacity has been enhanced from 29000 tons p.a. to 36000 tons p.a.

The Company has commenced commercial production at its Roorkee unit w.e.f. 1<sup>st</sup> August, 2007 with initial installed capacity of 5000 tons p.a. and have already produced 1044 tons during the year under review.

## EXPORTS :

Exports during the year under review are **Rs. 33.54 crores** as against Rs. 24.80 crores in the previous financial year, an increase of around **35%** over previous year's exports and contributed **21%** to the net sales. The Plastics Export Promotion Council has awarded your Company, a Trophy and a Certificate as the Largest Exporter of Masterbatches from India for the fourth consecutive financial year 2006-2007.

**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 Pushp Raj Singhvi and Dr. Yatish B. Vasudeo, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. It is proposed to re-appoint Shri Satyanarayan G. Kabra as a Vice-Chairman & Managing Director of the Company w.e.f. 1<sup>st</sup> July, 2008, subject to the approval of the Members.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

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

- (i) in the preparation of annual accounts for the year ended 31<sup>st</sup> March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) they have selected such 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, 2008, 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. Kishore B. Phadke & Co., Chartered Accountants, Pune, 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 2008-09 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 for the financial year 2008-09 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, Shri Anand S. Kabra, Executive Director is a 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**  
**S. V. Kabra**  
 Chairman & Managing Director

Mumbai, 15<sup>th</sup> May, 2008

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## 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, 2008 and forming part of the Directors Report for the said financial year.

- a) Employed throughout the year under review and were in receipt of remuneration in aggregate of not less than Rs. 24,00,000/- p.a.

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	34	BE (Mechanical) MBA in Family Business	Executive Director	1-08-2006	10	44,88,000/-	Executive Director of Kabra Extrusiontechnik Ltd.

- b) 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.: None

## 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 and accordingly relative within the meaning of Section 6 of the Companies Act, 1956 and Schedule 1-A appended to the said Act.

## 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:

- (a) **Energy Conservation Measures Taken** : The Company has installed the state-of-the-art technology machines which are energy conservative.
- (b) **Additional Investments and proposals, if any, for reduction of consumption of energy** : None
- (c) **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 that enables to deliver a broad spectrum of new & customised solution for tailor made masterbatches with excellent price benefit ratio. The Company also has technical experts team with latest technical know-how & innovative abilities focusing on upgradation of the existing masterbatches and development of new products.

During the year, the Company has spent recurring amount 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:

	2007-2008 (Rs. in Lacs)	2006-2007 (Rs. in Lacs)
Foreign Exchange Earned	3102.12	2282.25
Foreign Exchange Used	3243.10	2234.86

For and on behalf of the Board

S. V. Kabra

Chairman & Managing Director

Mumbai, 15<sup>th</sup> May, 2008



## MANAGEMENT DISCUSSION AND ANALYSIS

### I INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company has been a Leader in the Organized 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, but 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 Organized Sector and Small Scale Sector. Your Company has always focused on its core business of Masterbatches for the plastic 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 2008-09 is estimated at about 80000 tons for white, black, colours and additive Masterbatches. This is a high value added segment with total value of Rs. 800 crores. In addition, there is a requirement for about 150000 tons for Antifibrillation Masterbatches which are required by Woven Sack Industry. This is a low value added segment with a total value of Rs.350 crores. This demand has gone up in the last 2 years because of continuous increase in Polymer prices and consequently 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 230000 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 450000 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 5 kgs against 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 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 intense 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.

During the year under review exports of your Company is to the extent of 21% of the total sales. This emphasizes the fact that in overseas also our product are well accepted and used inspite of acute global competition.

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.

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On account of increasing awareness & concern for environment, government has taken various steps to formulate and enact new norms & laws to encourage the use of degradable plastics. This is going to increase its use significantly and such awareness towards environment will benefit your Company to strengthen itself in this segment.

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 prevail in the industry are high fluctuations in the prices of raw materials, technological obsolescence and competition from the global players.

Your Company is taking due care against 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 showcase and market, the Company's innovative products, the Company participates in National and International Exhibitions.

During the year under review, the Company participated in various important exhibitions such as K-2007 held at Germany and also at PLASTVISION held at Mumbai.

Foreseeable 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 controls which is commensurate with the size and nature of 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 down 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 HIGHLIGHTS WITH RESPECT TO OPERATIONAL PERFORMANCE

(Rs. in Lacs)

Particulars	2007-08	2006-07	% Changes
Sales and Other Income	16130.21	12670.67	27.30
Net Profit after Interest, Depreciation and Tax	1592.13	1207.92	31.81

Your Company has produced 27216 tons and sold 26786 tons 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, 2008 : 252

### 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

S. V. Kabra

Chairman & Managing Director

Mumbai, 15<sup>th</sup> May, 2008