

36 TH
ANNUAL REPORT
2006 - 2007

T E X P L A S T
INDUSTRIES LIMITED

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For Texplast Industries Limited



Managing Director

36 TH ANNUAL REPORT 2006 - 2007**CONTENTS**

Notice	:	4 – 8
Directors' Report	:	9 – 14
Corporate Governance	:	15 – 21
Auditors' Report	:	22 – 25
Balance Sheet	:	26
Profit & Loss Account	:	27
Cash Flow Statement	:	28
Schedules	:	29 – 35
Notes on Accounts	:	36 – 41
Schedule VI information	:	42

TEXPLAST INDUSTRIES LIMITED

BOARD OF DIRECTORS : Mr. Sukumar N Shah
Chairman & Managing Director

: Mr. P V Narayanan
Director

: Mr. Amit B Bothra
Director

: Mr. Bharat N Doshi
Director

: Mr. S B Patil
Director

AUDITORS : M/s. Lukad & Jain
Mumbai

LEGAL ADVISOR : Mr. Shivkumar Vats
Mumbai

REGISTERED OFFICE : Gut No. 39 / 40
Village - Nehroli,
Taluka - Wada,
Dist. Thana - 421 312.

WORKS AT : Gut No. 39 / 40
Village - Nehroli,
Taluka - Wada,
Dist. Thana - 421 312.

NOTICE

NOTICE is hereby given that the 36th Annual General Meeting of the members of **TEXPLAST INDUSTRIES LIMITED** will be held at 4.30 p.m. on 13th October, 2007 at the Registered Office of the Company, viz. at Gut No. 39/40, Village Nehroli, Taluka Wada, Dist. Thane - 421 312, Maharashtra, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as on 30th June 2007, and the Profit & Loss Account for the period ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Amit B Bothra, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification (s), the following resolution as an special Resolution:

'RESOLVED THAT consent of the members of the Company be and is hereby accorded to the reappointment of and remuneration payable to Mr. Sukumar N. Shah as Managing Director of the Company for a period of three years with effect from 16th August, 2007 on the following terms and conditions:

1. **Salary :** Rs.95,000/- per month plus Commission at the rate of 1% on net profit.

2. **Perquisites:** Perquisites shall be restricted to an amount equal to the annual salary or Rs.9,60,000/- per annum whichever is less.

3. Category 'A'

Housing:

- a) In case of unfurnished accommodation hired by the Company such expenditure not exceeding 60% of the salary over and above 10% payable by the Managing Director.
- b) In case the Managing Director is provided accommodation owned by the Company, 10% of the salary of Managing Director shall be deducted by the Company.
- c) In case no accommodation is provided by the Company, the managing Director shall be entitled to house rent allowance subject to the ceiling of 60% of the salary.

ii) Medical Reimbursement

Reimbursement of expenses incurred by the Managing Director for self and family subject to ceiling of one month's salary in a year or three months salary in a block of three years.

iii) Leave Travel Concession

Leave Travel Concession for the Managing Director and his family, once in a year, incurred in accordance with the rules of the Company.

iv) Medi-claim Insurance

Personal Accident/Medi-claim Insurance of an amount, the annual premium of which does not exceed Rs.20000/- per annum for Managing Director and his family.

v) Club Fees

Fees of clubs subject to a maximum of two clubs.

Category 'B'

Contribution to Provident Fund, Superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these singly or put together are not taxable under the Income Tax Act. Gratuity payable should not exceed half a month's salary for each completed year service.

OTHER BENEFITS

- i) Leave : One month's leave with full pay and allowance for every eleventh months of service. However, leave accumulated but not availed of will be allowed to be encashed.
- ii) Benefits under loan and other scheme in accordance with the practices, rules and regulation in force from time to time.
- iii) Such other benefits as may be provided by the Company to other senior officers from time to time.

OTHER TERMS

- i) Managing Director shall be entitled to reimbursement and all other expenses incurred in course of the company's business.
- ii) Managing Director, while he continues to hold that office shall not be liable to retire by rotation.
- iii) Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof.
- iv) Head quarter of the Managing Director shall be Bombay:
In case the Company has no profit or its profit is inadequate in any financial year during the current of the tenure of the Managing Director, remuneration by way of salary and perquisites as specified

above shall be the minimum remuneration payable to the Managing Director."

"RESOLVED FURTHER THAT in case of loss or in adequacy of profit, the aforesaid remuneration shall be paid as minimum remuneration."

- 5 To consider and if though fit, to pass with or without modification (s), the following resolution as an special Resolution:

"RESOLVED THAT consent of the members of the Company be and is hereby accorded to the reappointment of and remuneration payable to Mr. S. B. Patil as Whole time Director of the Company for a period of three years with effect from 8th August, 2006 on the following terms and conditions:

1 Salary : Rs.43,335/- per month.

2 Perquisites :

i) Bonus: As applicable to other senior staff.

3 Contribution to Provident Fund, Superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these singly or puts together are not taxable under the Income Tax Act. Gratuity payable should not exceed half a month's salary for each completed year service.

4 Other Benefits:

a) Leave

b) Benefits under loan other scheme in accordance with the practices rules and regulation in force from time to time.

c) Such other benefits as may be provided by the Company to other senior officers from time to time.

5 Other Benefits:

1) Director shall be entitled to reimbursement of entertainment and all other expenses incurred in course of the Company's business

2) Director, while he continues to hold that office shall not be liable to retire by rotation.

3) Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof.

For and on behalf of the Board



Sukumar N Shah
Chairman & Managing Director

Place **Mumbai**
Date **03.08.2007**
Regd.Office **Gut No.39 / 40**
Village : Nehroli,
Tal : Wada, Dist : Thane.

NOTES

- 1 The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the business under item nos. 4 & 5 is annexed hereto.
- 2 A MEMBER ENTITLED TO ATTEND THE MEETING AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXY (IES) TO ATTEND THE MEETING AND VOTE INSTEAD OF HIMSELF AND THAT SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 3 Proxies in order to be effective should be deposited at the registered office of the Company not less than 48 hours before the meeting.
- 4 Details of the Directors retired by rotation and Seeking reappointment as well as Directors proposed to be appointed in the Annual General Meeting is annex in pursuant to Clause 49 of the Listing Agreement.
- 5 The Register of Members and the Share Transfer Books of the Company will remain closed on 13th October, 2007.
- 6 Any member, who wishes to ask any question relating to the accounts of the Company, is requested to intimate the Company in writing at least ten days before the date of meeting.
- 7 Profile of Director seeking appointment/reappointment as required under Clause 49 of the Listing Agreement is given in Corporate Governance Report.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISION OF SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO.: 4

The tenure of Mr. Sukumar N Shah as Managing Director expires on 16th August, 2007. Taking into consideration the contribution made by Mr. Sukumar N Shah in the business development of the Company since its inception, the Board of Directors decided subject to approval of the member of the Company and such other authorities as may be required to reappoint Mr. Sukumar N Shah as Managing Director for a further period of three years w.e.f. 16th August, 2007 on such terms and remuneration as indicated in the resolution proposed to be passed at the Annual General Meeting.

A letter of appointment issued to Mr. Sukumar N Shah is available for inspection by the members during normal business hours of the company.

The resolution and this explanatory may be treated as compliance of the provisions of Section 302 of the Companies Act, 1956.

Mr. Sukumar N Shah may be deemed to be interested in the proposed resolution to the extended remuneration payable to him as Managing Director. None of the other Directors has interest or in any way concerned in the proposed resolution.

ITEM NO.: 5

The Board of Directors in its meeting held on appointed Mr. S. B. Patil as Additional Director and in the same meeting appointed him as Whole time Director for a period of

three years with effect from 8th August, 2006 on such remuneration and perquisites as indicated in the resolution.

Pursuant to Section 260 of the Companies Act, 1956, Mr. S. B. Patil will vacate the office on the ensuing Annual General Meeting. The Company has received a notice from its member signifying his intention of proposing the appointment of Mr. S. B. Patil as Director in ensuing general meeting.

Mr. S. B. Patil was working with the Company as Manager (Finance) since 1995. Your Directors feel it prudent to co-opt. Mr. S. B. Patil on the Board in the interest of the Company.

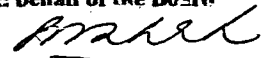
A letter of appointment issued to Mr. S. B. Patil is available for inspection by the members during the normal business hours of the Company.

Mr. S. B. Patil may be deemed to be interested in the proposed resolution to the extent of remuneration he will be entitled to as whole time Director. None of the Directors is interest or in any way concerned in the resolution.

The resolution and explanatory statement may be treated as compliance under Section 302 of the Companies Act, 1956.

Place Mumbai
Date 03.08.2007
Regd. Office Gut No.39 / 40
 Village : Nehroli,
 Tal : Wada, Dist : Thane.

For and on behalf of the Board



Sukumar N Saah
Chairman & Managing Director

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DIRECTORS' REPORT

The Members

Your Directors hereby present their 36th Annual Report on the working of the Company together with the audited statements of accounts for the period ended 30th June, 2007.

FINANCIAL HIGHLIGHTS:

Particulars	30.06.2007 (9 Months)	30.09.2006 (12 Months)
Sales & Others Income	1874.96	1878.87
Profit before Financial Charges, Depreciation, Extraordinary Item and Taxation.	186.48	139.35
Less : Financial Charges	44.24	128.24
Profit/(Loss) before Depreciation	142.24	11.11
Less : Depreciation	24.94	29.14
Profit/(Loss) Before Extraordinary Item and Tax	117.30	(18.03)
Add : Extraordinary Item	1011.87	Nil
Profit/(Loss) for the Period Before Tax	1129.17	(18.03)
Less : Expenses for Prior Period	Nil	(0.08)
Less : Provision for Fringe Benefit Tax	1.25	(1.72)
Provision for Deferred Tax	(221.45)	453.98
	906.48	434.15

DIVIDEND

Your Directors have not recommended any dividend.

YEAR UNDER RETROSPECT

During the period, the Company made One Time Settlement with its Bankers, The South Indian Bank Limited. Consequently, the Company paid an amount of Rs. 437.00 lacs towards full & final settlement. Directors during the finalization of accounts decided to write off an amount of Rs. 614.47 lacs towards interest and Rs.397.40 lacs towards principle since the same is no longer payable. As a result, the carried forward loss is substantially reduced after adjustment. The Company has also reached to a settlement with M.S.F.C., under which the Company is required to make one time payment of Rs.13.00 lacs as against the book liability of Rs.35.15 lacs, resulting in a waiver of the liability to the extent of Rs.22.15 lacs. The required balance payment of Rs.11.24 lacs will be made shortly. Your Directors are pleased to state that your Company is ceased to be sick under the provision of clause (o) of sub section (i) of section 3 of the sick Industrial Companies (Special Provision) Act, 1985. Necessary steps are being taken to obtain the suitable order of the Hon'ble Board for Industrial and Financial Reconstruction.

As reported earlier, the Company continued to put thrust on exports. With increased exports and better product mix, the Company has recorded the pre-tax profit of Rs.1129.17 lacs for the nine months period of operation including extra ordinary item of Rs.1011.87 lacs amount written off as, against loss of Rs.18.03 lacs in previous accounting year. The exports for nine months accounting period was Rs.1393.75 lacs, which shows a jump of 36.40% on year to year basis. The export represents 84.08% of the total Sales of Rs.1657.51 lacs.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

(a) Industrial Structure & Development

Indian packaging industry is of over 23 billion dollars and growing at a 15% steady pace for several years. Laminated products are growing at 30% annually. Flexible packaging forms about 25 percent of the packaging market.

The Company is concentrating on exports of FIBC bags, which has better value addition compared to any other bags. Your Company is pursuing cost control measures, increase productivity and improving efficiencies in manufacturing areas. The robust growth of Indian economy has continued in this fiscal year also. Booming manufacturing sector and Service industry has contributed its highest ever growth. This has resulted in improved purchasing power of masses, in turn resulting higher demand. India has become supply hub for labour intensive packing materials. The Company is fully geared to take maximum advantage of economic growth.

(b) Review of Operations

The Company recorded the total income of Rs.1874.96 lacs for the nine months period, which shows a jump of 33.05% on an annualised basis. The Company earned a pre-tax profit of Rs.117.30 lacs as against a loss of Rs.18.03 lacs.

(c) Opportunities Threats & Challenges

- 1 The Indian packaging market is growing at 15% per annum three times higher than the global average and the potential for further growth is huge.
- 2 Currently per capita consumption of plastics in India is around one tenth of the worldwide figure.
- 3 Globalisation and consumer demands are the major forces of change.
- 4 Local brands are now forced to compete with the best in the world for the country's 1 billion consumers, and are gearing up to compete in global markets. As a results, the demand for more sophisticated packaging is soaring.
- 5 The highest growth rates are being seen in packaging, with FIBC right at the top.

An important challenge for the Company is to remain competitive in light of energy efficient technological advancements in the industry. This requires investment, which the Company in its present financial condition would find difficult to undertake. The Company is attempting to improve its product-mix to mitigate this difficulty.

Your Company is working on strategies to effectively utilize its strength from skilled manpower and improved technologies to counter threats in the market. The Company also hopes to counter this effect by improved product mix, higher value added products etc.