

42nd
ANNUAL REPORT
2012 — 2013

TEXPLAST
INDUSTRIES LIMITED

CONTENTS

1.	Corporate Information	:	4
2.	Managing Director's Letter to Share Holders	:	5
3.	Notice of Annual General Meeting	:	7
4.	Directors' Report	:	10
5.	Report on Corporate Governance	:	21
6.	Auditor's Report	:	30
7.	Balance Sheet	:	34
8.	Statement of Profit and Loss	:	35
9.	Cash Flow Statement & Balance	:	36
10.	Notes on Financial Statement	:	40
11.	Attendance Sheet & Proxy Form	:	57

Annual Report 2012-13

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Sukumar Nandlal Shah
Mr. Rahul Sukumar Shah
Mr. P. V. Narayanan
Mr. Rajesh Maheshchandra Bohra
Mr. Bharat Nautamlal Doshi
Mr. Sarjerao Bajirao Patil

Chairman & Managing Director
Whole Time Director
Director
Additional Director
Director
Whole Time Director

Compliance Officer
Mr. Shekhar Jangam

Banker
Indian Overseas Bank
378, Sadhana, Lady Jamshedji Road,
Mumbai – 400 016

Registered Office
Gut No.39/40, Village Nehroli,
Taluka Wada, Thane – 421 312
Phone No. : 91-02526 - 239049 / 239050
Fax : 91- 02526 – 239190
Email ID: complianceofficer@texplast.com

Administrative Office
210, Anand Estate, 2nd Floor,
189/A Sane Guruji Marg, Mumbai-11
Phone No. : 91-22-2307 53019/5308
Fax : 91-22-2307 5016
Email ID: complianceofficer@texplast.com

Share Transfer Agent
Universal Capital Securities Pvt.Ltd.
21 Shakil Niwas,
Opp. Satya Saibaba Temple,
Mahakali Caves Road, Andheri (E),
Mumbai – 400 093
Tel. No. 022-28207203 / 28262920
Telefax 022-28207207

Managing Director's Letter to Shareholders

From the Desk of Managing Director

My warm greetings to all associated and connected with the Texplast family. It gives me great pleasure to share with you the Annual Report for the year ended March 31, 2013 and to bring you upto date on the road ahead. I am pleased to report that your Company continues to achieve milestones in its journey towards sustainable growth through total excellence.

Almost five years after the greatest financial and economic upheaval since the Great Depression, the global economy is regaining a measure of stability and confidence. But the risks to growth remain. The situation looks unsteady once again, with the problems in the Euro Zone. True to the IMF projections, the global economic growth declined from 4% in 2011 to 3.5% in 2012. As per IMF projections, the global economic growth would pick up again to 4% in 2013. The Euro zone shows sign of slipping into a recession again, though that is expected to be offset by around 2% growth in the US and 6% in the emerging and developing economies. The economies of Africa, particularly sub-Saharan Africa, are demonstrating structural improvement. Japan is on the road to normalcy after the twin disasters of the Tsunami and the Fukushima nuclear reactor accident. The global supply chains, disrupted by the disasters in Japan and the floods in Thailand, have been restored. The financial condition of the large global corporations is extremely strong, and their cash holdings at an all-time high. The worst-case scenarios for the global economy have not come to pass. That, in no small measure, is due to the unprecedented stimulus provided by governments and central banks. Europe has also reached a degree of consensus on fiscal reforms. The European Central Bank (ECB) has also put in place firewalls to ward off a widespread economic contagion. Clearly, the road ahead is not yet smooth. The bond, inter-bank and sovereign debt markets in Europe remain jittery. The process of financial deleveraging still has a long way to go. Oil prices remain stubbornly high. Unemployment is proving extremely sticky and concerns about inequality are growing. A major worry is the political gridlock in many major countries, which makes it difficult to strike the right trade-offs between growth and fiscal and monetary restraint.

The Indian Economy was quick off the mark in recovering after the 2008 shocks. But the growth momentum has slowed considerably over the past year. GDP growth in the entire FY 2012-13 was 5%, which is a decade low number. The manufacturing sector grew at 2.60%. During 2012-13, the sector under review grew by a mearely one per cent compared to 2.7 per cent in the previous fiscal. Mining and quarrying sector contracted by 3.1 per cent during the fourth quarter of last fiscal, as against growth of 5.2 per cent in output in the same period of 2011-12. The contraction in mining sector remained unchanged at 0.6 per cent in 2012-13 over the previous fiscal. Farm sector output expanded by just 1.4 per cent in January-March this year, as against 2 per cent in the same quarter of 2011-12. The agriculture sector also grew at a slower rate of just 1.9 per cent in 2012-13 compared to 3.6 per cent in 2011-12.

The Current Account Deficit (CAD) in the first three quarters of 2012-13 was 5.4 per cent of GDP (previous year same period: 4.1 per cent). The deficit in the third quarter (Oct-Dec 2012) was a record \$33 billion or 6.7 per cent of GDP. For the full year 2012-13, it was estimated that the CAD will be \$94 billion or 5.1 per cent of GDP. 87. The CAD is in serious need of rectification. However, it may take more than a year to return to a level that is acceptable.

Our performance in 2012-13 was encouraging on many fronts. As we have stated in past years, we faced several distribution challenges, which we have addressed in an aggressive manner. The return of sales growth in 2012-13 was a direct result of these efforts. The Company's product line has recaptured its growth momentum and continues to deliver strong results.

We are optimistic about the coming year based on how strongly we finished 2012-13. Texplast's operations are expected to remain strong. Sales in overseas locations will continue to be under enormous stress for the next year or two until the Western European economy recovers. Restructuring and capacity rationalising initiatives are under way to reduce costs and under-utilisation. The real growth will most likely be in Asia, Africa and Latin America.

While the sovereign debt crisis in Europe and a weak recovery in the U.S. continued to persist throughout much of 2012-13, the deep uncertainty that permeated the recent past began to show signs of abating in the second half of the year.

Despite ongoing political ambiguity both in the U.S. and Europe, generally improving economic data coupled with continued strong central bank actions helped stabilize corporate and investor sentiment. The European Central Bank enhanced its Long-Term Refinancing Operations to provide term liquidity at the end of 2011, and affirmed its support for the Euro. It also expressed its willingness to make outright purchases in the secondary bond market. While the potential for instability remains, these actions reduced systemic risk across Europe. In the U.S., the Federal Reserve continued to take steps to support markets and economic growth, while the labour and housing markets produced encouraging signs of stability and even some improvement.

As corporate and investing clients digested these macroeconomic developments, activity levels increased in some areas and remained sluggish in others. For example, global debt issuance increased by 11 percent year over year, with high-yield issuance increasing by 38 percent. Conversely, global equity underwriting volumes were up only one percent and completed global mergers and acquisitions (M&A) volumes decreased by 18 percent and remained very low as a percentage of market capitalization.

We are encouraged about the future for Texplast for many reasons. This past year we returned to growth, increased bottom line profits and finished the year stronger than we started it. Our distribution network continues to strengthen, and our Supply segment continues to deliver stellar performance in a down market. We are prepared for future challenges and continue to grow the company and deliver value for our customers, employees and shareholders. We will continue to manage the business in a prudent manner in order to maintain our position of financial strength. We remain focused on what we do best - providing solutions that protect people, products and environments.

Our long-term incentive plan was significantly redesigned and reintroduced performance vesting. We also moved away from a front-loaded multi-year grant to an annual grant which enables the company to review the objectives and grant levels associated with its long-term incentive plan. The components of the grants made to our executives in 2012-13 were allocated scientifically.

During the coming year, we look forward to sharing with you our new milestones and accomplishments as we lead the company through its next stage of growth. On behalf of the Board of Directors and the entire management team, we would like to thank our customers, suppliers, distributors, employees and shareholders for their continued support.

Sukumar N. Shah
Chairman & Managing Director
30th May, 2013

Notice of Annual General Meeting

NOTICE is hereby given that the 42nd Annual General Meeting of the members of TEXPLAST INDUSTRIES LIMITED will be held at the Registered Office of the Company, viz. at Gut No. 39/40, Village Nehroli, Taluka Wada, Dist. Thane – 421 312, Maharashtra, at 11.30 A.M. on Tuesday the 3rd Sept., 2013, to transact the following business:

ORDINARY BUSINESS

- 1 To receive, consider and adopt the audited Balance Sheet as at 31st March, 2013 and the Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
- 2 To appoint a Director in place of Mr. P.V. Narayanan, 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 Ordinary Resolution:

"RESOLVED THAT Mr. Rajesh M. Bohra, who was earlier appointed as an Additional Director at a Meeting of the Board of Directors held on 30th May 2013 and who in terms of his appointment holds Office upto the date of conclusion of this Meeting and in respect of whom a Notice in pursuance to Section 257 of the Companies Act, 1956 has been received from a member and being eligible, he be and is hereby appointed as Director of the Company."

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

"RESOLVED THAT subject to approval of various authorities, required if any, and in pursuance to provisions of Sections 309, 310, 198, 269 and any other applicable provisions of the Companies Act, 1956, read with Schedule XIII, 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, 2013 on the following term and conditions:

1. Salary: Rs.2,00,000/- per month plus commission at the rate 1% on net profit.
2. Special Allowance: Special Allowance shall be restricted to an amount equal to the annual salary or Rs.19,20,000/- per annum, whichever is less.
3. Perquisites:
Category 'A'
 - a. Housing:
 - i. 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.
 - ii. 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.
 - iii. 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.

- b. 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.
- c. Leave Travel Concession:
Leave Travel Concession for the Managing Director and his family, once in a year, in accordance with the rules of the Company.
- d. Medi-claim Insurance:
Personal Accident / Medi-claim Insurance of an amount, the annual premium of which does not exceed Rs. 20,000/- per annum for Managing Director and his family.
- e. Club Fees:
Fees of clubs subject to a maximum of three 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 practice, rules and regulation in force from time to time.
- iii) Such other benefits as many 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 Mumbai;
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 inadequacy of profit, the aforesaid remuneration or such other remuneration as may be approved by the Central Government shall be paid as minimum remuneration."

Place Mumbai
Date 30th May, 2013
Regd. Office Gut No.39/40
 Village Nehroli
 Tal - Wada, Dist - Thane

For and on behalf of the Board

Sukumar N Shah
Chairman & Managing Director

NOTES

- 1 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.
- 2 Proxies in order to be effective should be deposited at the registered office of the Company not less than 48 hours before the meeting.
- 3 The Register of Members and the Share Transfer Books of the Company will remain closed on 2nd Sept., 2013 & 3rd Sept., 2013 (inclusive of both days).
- 4 Profile of Director seeking reappointment at the Annual General Meeting as required under Clause 49 of the Listing Agreement is given in Corporate Governance Report.
- 5 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.
- 6 Members are requested to notify immediately any change in their address/mandate/bank details to the Company, quoting their Folio Number. As an environment friendly initiative, the Ministry of Corporate Affairs (MCA) vide its various circulars has clarified that all communications including notice of meetings, annual reports, etc. sent to the shareholders through electronic mode, would be in compliance with the provisions of Section 53 of the Companies Act, 1956. In support of MCA's Green Initiative in corporate governance, Texplast Industries Limited would like to send documents through Email. Hence, shareholders are requested to intimate the Company about their Email IDs either directly to the Company or to the Company's registrar and share transfer agent (RTA). We solicit your valuable cooperation in our endeavor to contribute to the environment.
- 7 Members holding their shares in physical form are requested to get the shares dematerialized at the earliest as it would benefit them and the Company too.

DIRECTORS' REPORT

The Members

Your Directors are pleased to present the 42nd Annual Report and the audited accounts for the financial year ended March 31, 2013.

FINANCIAL HIGHLIGHTS:

Rs. in lacs

Particulars	Year Ended 31.03.2013	Year Ended 31.03.2012
Sales & Others Income	9,993.13	7528.89
Profit before Financial Charges, Depreciation, Taxation and Prior Period Expenses.	918.75	739.26
Less : Financial Charges	562.75	371.49
Profit/(Loss) before Depreciation and Prior Period Expen.	355.99	367.77
Less : Depreciation	201.22	216.33
Profit/(Loss) before Prior Period Expenses.	154.77	151.44
Less : Prior Period Expenses	0.70	0.65
Profit/(Loss) for the Year Before Tax	154.07	150.79
Less : Provision for Income Tax	54.20	57.06
: Provision for Income Tax Relating of earlier years	2.19	(0.67)
: Provision for Deferred Tax	(2.39)	(4.88)
Net Profit / (Loss) After Tax	100.07	99.28

BUSINESS PERFORMANCE

The financial year 2012-13 proved to be a challenging year amidst global economic uncertainties and disturbances in many parts of the world. Despite these constraints and challenging environment, the Company performed reasonably well and the highlights of the performance are as under:

- ❖ Revenue from operations increased by 31.24% to Rs. 89.45 crores
- ❖ Exports decreased by 2.48% to Rs. 20.84 crores
- ❖ Profit Before Tax rose by 2.17% to Rs. 1.54 crores
- ❖ Profit After Tax rose by 0.80% to Rs. 1.00 crore

DIVIDEND

In order to conserve profits, your Directors do not recommend any dividend.

FIXED DEPOSITS

The Company neither invited nor accepted any deposits from public during the year under review.

MANAGEMENT DISCUSSION & ANALYSIS REPORT**(a) Industrial Structure & Development**

The global economy in the Financial Year (FY) 2012-13 improved slowly, but was short on expectations. Several European economies experienced recession due to high unemployment, banking fragility, fiscal tightening and