

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The financial year 2011-12 had come up with improvement in performance of your company.

Indian economy and its effects on your company

As the world is advancing into the future, plastic engineered solutions are becoming an arising need for the industries. The versatility of plastic pipe systems has made it a preferred choice for a wide range of applications for hot and cold water, energy, gas, conduit, sewerage and other industrial applications. The economic and environmental advantages of using the plastic pipes and fittings include resistance to corrosion and prevention of metal contamination thus ensuring hygienic and clean delivery, increased flexibility, durable, tough and light-weight material, leak-free joint fusion, easy installation, rehabilitation and greater life expectancy amongst others. Plastic pipes and fittings are the ideal products to suit the applications of today's domestic, commercial and industrial sectors.

According to All India Plastic Manufacturers Association (AIPMA), India's plastic consumption in 2010 stood at 9mn tonnes and has been growing at an annual average rate of 12%. With its true potential, consumption is all set to reach 12.5mn tonnes in 2012, which will make India the 3rd largest consumer of plastics by 2012 after US and China (expected consumption by then – USA: 39mn tonnes and China: 31mn tonnes). Further, the consumption is expected to reach 18.9mn tonnes by 2015.

As far as global consumption is concerned, Asia has been the world's largest consumer for several years, accounting for about 30% of global consumption. Next to Asia is North America with 26%, followed by Western Europe with 23%. Worldwide plastic consumption is expected to grow at an average rate of 5% until 2015.

The World economy is moving into a slower growth phase principally due to the problems faced by the European economy and bleak prospects of US economy. This has also slowed down Chinese and Indian Economy. In this situation, it was expected that the commodity prices may remain at a lower level for a longer period. Commodity prices came down to some extent. But, recently, Company is seeing reverse trend especially in the price of Crude Oil and commodity plastics. Inflationary conditions lead to increase in the prices of the raw material. From the low level reached in the market, fluctuations in the prices of Commodity plastics were between USD 50 to 100 per ton in the last 2-3 weeks. Indian economy is further adversely affected due to non-decisiveness by Centre and various State Governments on various pending issues which may lead the GDP growth to a lower level of around 6.5% during the year 2012-13.

Despite these adverse economic conditions, your Company Texmo Pipes And Products Limited could continue its growth momentum in FY 2011-12 as well and grew by 23.55 % in turnover and 14.14 % in EBIDTA terms.

Overview of the company business

Your company started as a partnership firm under the name & Style Shree Mohit Industries on May 13, 1999. It was converted into a public limited company on July 03, 2008 in the name Texmo Pipes and Products Limited and has received business commencement certificate.

The product range includes PVC Pipes ranging from 20 mm to 315 mm and HDPE pipes ranging from 20 mm to 630 mm. The company has also Launched new Pipe fittings plant in the FY 2010-11. Client list of the Company includes various corporate sectors, Telecommunication sectors, Govt organizations and Your Company plans to further penetrate the urban & rural market by establishing more dealers for its Piping Systems & fitting, thus focusing on India's increasing need for housing, sewerage, water supply, telecommunications and other infrastructure.

The Company has increased its distribution reach by adding new dealers and distributors to penetrate the domestic markets. It is also expanding its business at international level. The company has successfully issued the GDRs and raised the funds for its future scope of business developments.

Opportunities and Threats

As per the assumptions of All India Plastic Manufacture's Association (AIPMA), the domestic consumption is increasing by 10% to 12% CAGR over the last decade. This will make India the third largest Country in the world in plastic consumption after US and China.

About 70 percent of unorganized sectors are manufacturing PVC Products but simultaneously the organized sectors are also striving rapidly which will be the greatest opportunity and advantage because the popularity gained by virtue of brand image retained by your company.

The Company earned a distinguished reputation in the local market and gradually expanded the business across the country by working with its customers and satisfying their requirements Your Company is currently functioning in six states and now strategically planning to be a Pan India presence. The company has established a strong dealer network of 400 dealers which is continuously increasing due to its wide popularity, continual improvement and enhancement of customer satisfaction on the quality of our products and the services. The cost competitiveness and high quality of the products of your company will ensure healthy demand of the company's product in the coming year. Company is continuously launching new products to increase its product portfolio to gain the competitive edge.

Limited raw material suppliers, unavailability of raw material or even availability at higher prices, fluctuations in the prices of crude oil and fluctuations in the exchange rate could adversely affect the profitability of the Company. Volatility in crude prices can also affect the raw material cost.

To overcome these threats the company has increased its procurement of raw material by way of increased imports from foreign suppliers committed supplies from indigenous and foreign suppliers and also further undertaken fresh MOU with indigenous supplier Reliance Industries by enhancing upto 150% of the existing requirement of raw material.

Competitive strength

- One of India's growing pipes and fittings manufacturers.
- Has the widest range of products.
- Acknowledged as a leader in technology with a strong emphasis on quality products.

Your company has a very strong brand image in the market. The products of the company are sold in Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, Andhra Pradesh, Uttar Pradesh and Chhattisgarh and brand holds good market share in these states. Presently company has a very strong dealer network in several states like Madhya Pradesh, Rajasthan, Maharashtra and Andhra Pradesh, Uttar Pradesh and Gujarat.

Presently company engaged into manufacturing of range of PVC and HDPE Pipes viz. Suction & delivery hose pipe, rigid PVC Pipes, elastomeric sealing ring fit PVC pipe (Gasket Pipe), PVC casing and ribbed screen casing pipes, SWR Pipe, Plumbing pipe, conduit pipes, capping casing strips, column pipe, HDPE plain pipe, sprinkler pipe, PLB HDPE cable duct and drip irrigation system and fittings of all kind.

The cost competitiveness and high quality of the products of your company will ensure healthy demand of the company's product in the coming year also.

Under the dynamic leadership of your Managing Director Mr. Sanjay Agrawal, who has more than 22 years experience in the business, the company will be able to meet the challenges in the market and enhance the market share of the company's products. The executive director of the company, Mr. Vijay Prasad Pappu has the experience of more than 15 years in the industry. Your independent directors are also having huge experience in their concerning fields. Company's sales team is also very enthusiastic and

experienced. Company not only supplies the material in agriculture sectors but also supplies the material to telecom sector, government sector, real estate and various other fields.

Human Resources

Your Company continues to maintain constructive relationship with its employees with a positive environment so as to improve efficiency. The industrial relations at plants were cordial. Your Company places great value to the commitment, competence and vigour shown by its employees in all aspects of business.

Your Company confirms its commitment to take initiative to further align its HR policies in order to meet the growing needs of the business.

Your Company has employee focus in the sense that it provides fulfillment, stretch and opportunity for development of its employees at all levels. It is because of the considerable skill and motivation of the employees, that your Company is able to deliver performance satisfaction. Your Board would like to express its sincere appreciation and gratitude to all employees on behalf of the Stakeholders of your Company, who benefit from their hard work.

Challenges, Risks and Concerns

Financial Market Risks – The Company is exposed to the financial market risks from changes in rate of interest and inflation. The volatile movements in exchange rates are caused by major geo-political developments besides mere economic and financial issues. These factors are beyond the control of your company.

Interest Rate Risks – Interest rate risk arises from short term and long term borrowings. Borrowings obtained at variable rate exposed us to cash flow interest rate risk. Any rise in interest rate pushed banker to raise rate of interest on the loan.

Inflation Risks – We are affected by inflation as any rise in inflation may lead to increment to cost of raw materials, power & fuel cost & employees cost etc.

Company Outlook

The company is operating with focused efforts on cost control, reduction in cycle times, improvement on operational efficiency and efficient Working Capital Management Program. This has helped the Company in controlling costs and also to be competitive. Timely delivery has reaffirmed the dependable image created by the Company in the market.

Internal Controls

In line with the size and nature of operations, the Company has designed a system of internal controls that provides for:

- Accurate recording of its transactions with checks and balances built in
- Prompt reporting
- Adherence to applicable Accounting Standards and Policies
- Compliance with applicable laws, statutes, as well as internal procedures and practices
- Safeguard of assets and their proper usage

The system further provides for policies which are documented clearly together with authorization and approval procedures. To the extent applicable these are also inbuilt into the Company's ERP system. The Audit Committee of Directors, in its periodical meetings, review the adequacy of internal control systems and procedures and suggest areas of improvements. The Audit Committee met four times during the year under review.

Cautionary Statement

Some of the statements in this Management Discussion and Analysis Report may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Such statements reflect the Company's current views with respect to the future events and are subject to risk and uncertainties. Important developments that could affect the Company's operations include changes in industry structure, significant changes in political and economic environment in India and overseas, tax laws, litigation and lab relations.