

MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and Developments

The Indian plastic industry has taken great strides. The industry grew by 13 per cent annually in last five years and expect to continue double-digit growth beyond 2016-17. Indian Plastic Industry is currently growing at a Compounded Annual Growth Rate (CAGR) of about 20%. The material is gaining notable importance in different spheres of activity and the per capita consumption is increasing at a fast pace. Continuous advancements and developments in polymer technology, processing machineries, expertise, and cost effective manufacturing is fast replacing the typical materials in different segments with plastics.

On the basis of value added, share of India's plastic products industry is about 0.5% of India's GDP. The export of plastic products also yield about 1% of the country's exports. The sector has a large presence of small scale companies in the industry, which account for more than 50% turnover of the industry and provides employment to an estimate of about 0.4 million people in the country. Approximately Rs 100 billion are invested in the form of fixed assets in the plastic processing industry.

Indian plastic industry has made significant achievements in the country ever since it made a promising beginning with the start of production of polystyrene in 1957. The industry is growing at a rapid pace and the per capita consumption of plastics in the country has increased several times as compared to the earlier decade.

Opportunities and Threats

The Indian plastic industry clearly has the potential to continue its fast growth. However, over the next few years, competition in the industry is expected to increase considerably, as a result of global trends, which will become applicable to the liberalizing economy of country. To survive the competition, both polymer manufacturers and processors will need to adopt radically new methods and approaches to reduce costs, improve market and customer service and management of performance.

The per capita consumption of plastics in India is well below the world average. However it also reflects the many years of growth ahead, as the country's economy continues to grow and upgrade the usage of products. Translating the expected growth rate into incremental demand, it is obvious that the country will remain one of the largest sources of additional demand for almost all kinds of plastics. In telecom sector with the rise of 3G & 4G cable ducting laying throughout the country will give impulse in higher capacity utilization.

The Company has established a strong dealer network of about 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. Company is continuously launching new products to increase its product portfolio to gain competitive edge. In this series commercial production of one of our most prestigious and much awaited project of CPVC Pipes and Fittings has been started. There are limited manufacturers of CPVC Pipes and Fittings in India as raw material and technology is very costly. Also there are very few suppliers of CPVC raw material in the world who provide material only after entering into agreement.

CPVC Pipes and Fittings are mainly used in bathroom and sanitary. The special characteristic it possesses is of sustaining temperature upto + and - 110 degrees. The Company is already present in the market with full range of UPVC and SWR Pipes and Fittings. Now with commencement of CPVC Pipes and Fittings, The Company will be covering full range of bathroom and sanitary. In the near future, the Company will get big market share and sale will get major boost accordingly.

Segment wise performance

Company's major segments are PVC, HDPE, Fittings and Trading. Performance of various segments at a glance is as under:

Amount in Lacs

Particulars	Sale in 2013-14	Sale in 2012-13
Sales - HDPE PIPE SALES	4,675.64	4,209.91
Sales - PVC Pipe Sales	12,148.91	10,619.67
Sales - PVC Moulding Fittings	1,443.88	927.95
Trading Sale	369.64	265.36
Total	18,638.07	16,022.89
Less Excise Duty	-877.67	-683.36
Add Sell Fit Charges	10.18	7.93
Add Change in inventory	83,53	111.60
Total Sales as per audit report	17,854.11	15,459.06

Outlook

The Company is operating with focused efforts on cost control, reduction in cycle times, economies of scale, 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 self dependable image created by the Company in the market.

Risks and Concerns

Financial charges in the form of interest is a massive matter of concerns for our Company as we are paying a substantial part of our profit in the form of our financial cost. Company is utilizing numerous bank facilities and consequently our financial cost is on the higher side. Serious efforts are required to bring it down.

The prices of raw material and its volatility always have an impact. Inflation element also affects the Company in adverse manner as it is major factor responsible for hike in cost of elements of production viz power & fuel, employees etc.

Internal Control System and their adequacy

The Company has adequate internal control procedure proportionate to the nature of its business and the size of its operations for the smooth conduct of its businesses.

Internal audit is conducted at regular intervals and covers the key areas of operations. It is an independent, objective and assurance function responsible for evaluating and improving the effectiveness of risk management, control and governance processes.

An Audit Committee inter alia, monitors performance of internal audit on a periodical basis through review of the audit plans, audit findings and promptness of issue resolution through follow-ups.

Discussion on Financial Performance with respect to operational performance

Despite the tough atmosphere in economy our Company performed reasonably. The main products of the Company are PVC Pipe, HDPE Coils, DRIP Rolls, Manufacturing fittings, HDPE PLB Duct, Casing Pipe etc. Client list of the Company includes various corporate sectors, Telecommunication sectors, Agricultural sectors and Govt. organization.

The Company recorded a growth of 15.78% in its turnover which is Rs, 178.54 Crores in the Current year as compared to Rs. 154.59 Crore in the previous year. In terms of Net Profit also, the Company registered a noteworthy rise of 48%. EPS of the Company is also gone up to 0.76 whereas it was 0.52 in the previous year.

Material development in Human Resources / Industrial relations front

Your Company continuously maintaining constructive relationship with its employees with a positive environment so as to improve efficiency. The industrial relations at plants were cordial. The Company ensures that all new employees are inducted seamlessly and consistently into the organization culture irrespective of the location they join.

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, litigations.