

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Indian Plastic industry is making significant contribution to the economic growth of our country particularly in the segments of Agriculture, Construction, Telecommunications, Electronics, Automobiles, FMCG etc. The country also building strong base of petrochemicals to increase its share in GDP from 16% to 25% by the year 2022. The Plastic Industry's demand in India is growing rapidly by 10% CAGR. India observes significant development in consumption of plastics - Western India accounted for 47%, Northern India applauded for 23%. Southern India added 21% and Eastern India stuck up by 9%.

The low per capita consumption of plastic products as compared to developed countries, India offers a growth potential in a long run. In India per capita consumption of plastic products is 10kg/person per annum. The country's export level of plastic products yielded to 1% of the total exports. There huge presence of small scale sector in plastic industry, which contributes more than 50% turnover of the industry and provides a greater employment to the tune of 0.4 million people in the country. About Rs. 100 billion are invested over the plastic processing industry.

With the come up of polystyrene in 1957, Indian polymer industry played a significant role in the country ever since it become a promising nature. The Indian plastic industry is growth has been robust and our per capita consumption of plastics has rapidly increased rather than past.

OPPORTUNITIES AND THREATS

The Indian plastic industry has much potential to grow fast. However, considerable competition is expected in this industry over the next few years upon liberalization of the country's economy. To overcome this competition, both polymer manufacturers and processors need to follow new methods, technology and measures to reduce costs, improve market, better customer service and performance of management.

The plastic industry faces many bottlenecks like environmental myths, lack of modern technology, limited infrastructure, & high volatility in feedstock prices. To overrun these challenges, efforts by all the stakeholders are to be done.

The per capita consumption of plastics in India is below the world average.. In telecom sector with the increase of 3G & 4G cable ducting across the country gives an impulse of higher capacity utilization. Incremental developments in polymer technology, processing machineries, expertise, and cost effective mechanism are sphere heading the different segments in plastics.

The Company has setup a strong network of 400 dealers which is increasing due to its wide popularity, continual improvement and increased customer satisfaction on the quality of products and services. Company has induced new products to increase its product portfolio to gain competitive edge. In the series production our most prestigious project of CPVC Pipes and Fittings has been commenced with effect from April 13, 2014. There are very few manufacturers of CPVC Pipes and Fittings in India as the technology is too costly. There are very few suppliers of CPVC material in the world who provides material only after due agreement.

CPVC Pipes and Fittings mainly used in household, Kitchens, bathroom and sanitary, steam rooms able to sustain temperature upto (+) and (-) 110 °C. The Company has a good market presence of all its products and now with introduction of CPVC Pipes and Fittings the Company has extended covering complete range household, Kitchens, bathroom and sanitary, steam rooms and in future, the Company will become elite in the market by grabbing maximum market share and accordingly the company's sale will automatically boost up.

PRODUCT WISE PERFORMANCE

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

₹ in Lacs

Particulars	2014-15	2013-14
HDPE Pipe	10549.93	4675.64
PVC PIPE	10693.93	12148.91
CPVC PIPE	415.73	-
MOULDING FITTINGS	2098.54	1443.88
TRADING SALE	1220.25	369.64
TOTAL	24978.38	18638.07
LESS EXCISE DUTY	(763.01)	(877.67)
ADD SEL FIT CHARGES	11.86	10.18
ADD CHANGE IN INVENTORY	171.15	83.53
TOTAL REVENUE FROM OPERATION AS PER AUDIT REPORT	24398.38	17854.11

OUTLOOK

The Company has focused on cost control, reduction in Working Capital cycle times, economies of scale, improvement in operational efficiency and efficient Working Capital Management Program. This has led the Company in controlling the costs and also to be competitive. Prompt delivery has reaffirmed the self dependable image created by the Company in the market.

RISKS AND CONCERNS

Utilizing various bank facilities our financial cost is on the higher side. Financial charges by way of interest is a deep concern to our Company as the company shells out a substantial part of its profit in the form of financial cost. Company has obtained BB+ Rating and company is striving hard to get the improved investment grade rating. Thus the interest cost will come down which will reduce the finance cost.

The volatility of the raw material prices has a negative impact. Inflation also affects the Company in adverse manner as it is a major factor that hiked the cost of other elements of production viz power & fuel, employees etc.

Even after the slowdown in Real Estate Sector, builders are reluctant to decrease the housing prices and pass on the benefits to lower middle class section of society which forms a major part of the population and it has a direct impact over the industry also. Though the PVC products are cost effective but the inflation has countered the purchasing power of retail consumer. The cut-throat competition in global market is leading the market players towards price war. With the new government's initiatives of "Housing for All", this will help in reviving the real estate sector vis-à-vis provide a great thrust in our industry. Your Company has opted for a strategy of relying on providing superior quality products which will prove fruitful in the upcoming year.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has well defined and adequate internal controls and procedures, commensurate with its size and nature of its operations. This is further strengthened by the Internal Audit done concurrently.

An Audit Committee, headed by a Non-Executive Independent Director, reviewed audit observations in Internal audit reports periodically. The Audit Committee of Directors, in its periodical meetings also reviews the adequacy of internal control systems and procedures and suggests areas of improvements. The internal audit is also 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.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Despite the volatile economy your Company performed reasonably well. The main products of the Company are PVC Pipe, UPVC Pipes and Fittings CPVC Pipes and Fittings, 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 36.35% in its net turnover which is Rs. 242.15 Crores in the Current financial year 2014-15 as compared to Rs. 177.60 Crores in the previous year 2013-14. Profit before tax stood at Rs. 4.86 Cr. against 2.51 Cr. compared to previous year. The Company registered a noteworthy rise of 93.60% in Profit before Tax over last year. Profit after tax is Rs. 3.31 Cr. against Rs. 1.82 Cr. compared to previous year. EPS of the Company has also gone up to Rs. 1.39 whereas as compared to Rs. 0.76 in the previous year.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT

The Company has been continuously developing its employee capacity by way of conducting programs such as employee orientation sessions, policy and procedure awareness sessions, leadership development workshops and other options designed to enable the company and employees to succeed.

The Company ensures that all new employees are inducted seamlessly and consistently into the organization culture irrespective of the location they join. As of March 31, 2015, the Company had 657 Employees.

CAUTIONARY STATEMENT

Statements in the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward-looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

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, and litigations.