

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The financial year 2010-11 had come with improvement in performance of your company.

Indian economy and its effects on your company

India retained its position as the second fastest growing nation globally with the Indian economy growing at 8.5 GDP. The economy experienced a more balanced and positive growth in 2010-11 with a solid recovery in agriculture and continued good performance of industry and services. Manufacturing or secondary structure contribution to GDP during 2010-2011 is 28.6%, and agricultural sector is 16.1%. However, Oil prices, which were below US\$ 80 per barrel till September 2010 have skyrocketed to more than US\$114 per barrel in March 2011 and are expected to go up further if Middle East unrest continues. . However, it remains to be seen how the Government would manage its expenditure if inflation slippages and oil prices go beyond expectations. Moreover, the government has already indicated that an additional budgetary support will be given to the oil companies if the international oil prices increase substantially. It suggests that the government may end up with higher expenditure than what it has projected in the Budget. This would result in higher deficits and debt.

According to ADB, tackling the problem of inflation has become complex process for the Reserve bank. Though the RBI has been following a tight monetary policy with high lending rates, the demand side pressures in the economy continue to be a major cause for concern.

Despite these adverse economic conditions, your Company Texmo Pipes And Products Limited could continue its growth momentum in FY 2010-11 as well and grew by 63% in revenue and 50% in EBIDTA terms.

Overview of the company business

Your company started as a partnership firm under the name Shree Mohit Industries on May 13, 1999. It was converted into a public limited company under the name Texmo Pipes and Products Limited on July 03, 2008 and received the certificate of commencement of business on July 28, 2008. Your company is manufacturing of PVC Pipes of measurement ranging from 20 mm to 315 mm and HDPE pipes having measurement ranging from 20 mm to 630 mm. It is also started new plant for Pipe fittings and accessories during the year. Your Company also plans to further penetrate the urban and commercial applications for its Piping Systems & fitting, accessories; focusing on India's increasing need for housing, sewerage, water supply, telecommunications and other infrastructure.

The Company plans to enhance its distribution reach by adding new dealers and distributors to penetrate into new domestic and international markets. On a continuous basis your Company is focused on having sufficient financing facilities in place to fund future growth plan. The company has issued GDRs successfully and raised fund from international market for future growth plans.

Competitive strength

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 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.

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 28 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 14 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 firmly believes that a motivated and empowered employee is the key to competitive advantage. It continuously strives to foster a culture of high performance. Management has infused a lot of rigor and intensity in its people development processes and in holding skill sets. Its HR processes are absolutely aligned to organizational goals.

The implementation of people soft HRMS (Human Resource Management System), the variable pay plan and job bonds have been institutionalized.

Ongoing learning, refreshing HR systems in line with global benchmarks, aligning rewards and recognition with performance, have enabled your company to sustain its reputation of a meritocratic organization.

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

The Company has formulated certain policies to oversee the Internal Controls both from business process and regulatory compliance point of view. The Company has also formulated corporate policy on internal control to provide a structured framework for identifying and rectifying internal control weaknesses as also monitoring and reporting the same to the corporate management. It details the specific responsibilities and tasks enjoined upon the employees in certain positions.

Apart from structured framework, the Company has well documented policies, procedures and authorisation guidelines commensurate with the level of responsibilities and standard operating procedure specific to respective business.

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.