

18th ANNUAL REPORT 2002-2003

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MACHINO PLASTICS LIMITED

MACHINO PLASTICS LIMITED

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Corporate Information

Board of Directors

Chairman
Director
Director
Director
Director
Managing Director

M. D. Jindal
Hiromitsu Totsuka
G. C. Dwivedi
H. C. Bhasin
Harbhajan Singh
R. L. Gaggar
Dr. Sanjiv Jindal

Bankers

State Bank of India,
Industrial Finance Branch, New Delhi.
The Bank of Tokyo-Mitsubishi Limited,
New Delhi

Auditors

Goel Garg & Co.
Chartered Accountants, G.K.-II
New Delhi - 110 048

Secretary cum General Manager (F)

Surya Kant Agrawal

Registered Office & Factory

3, Maruti Joint Venture Complex
Gurgaon - 122 015 (Haryana)
Ph. : 0124-2341218, 2340806,
2346094, 2347601
Fax : 0124-2340692
email : machinopl@vsnl.com

Share Transfer Agent (For Demat & Physical purpose)

Alankit Assignments Limited
205-208, Anarkali Complex,
Jhandewalan Extension,
New Delhi - 110 055.
Ph. : 51540060-64
email - alankit@alankit.com

MACHINO PLASTICS LIMITED

Notice

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of the members of Machino Plastics Limited will be held on Tuesday, the 8th July, 2003 at 4.30 p.m. at GIA House, I.D.C., Mehrauli Road, Gurgaon (Haryana) to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at 31st March, 2003 and profit and loss account for the year ended on that date and report of auditors and directors thereon.
2. To declare dividend on equity shares for the year.
3. To appoint a director in place of Mr. M. D. Jindal who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Mr. R. L. Gaggar who retires by rotation and being eligible offers himself for reappointment.
5. To appoint the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the company and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution :

"Resolved that Mr. Hiromitsu Totsuka who was appointed as an Additional Director of the Company by

the Board of Directors on 23rd May, 2003 under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company who will be liable to retire by rotation."

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an special resolution :

"Resolved that pursuant to SEBI (Delisting of Securities Guidelines - 2003) issued under Section 11(1) of SEBI Act, 1992, read with Sub Section (2) of Section 11A of SEBI Act and any other provision of the Companies Act, 1956 and further subject to such other applicable provisions, if any, of any other Act, regulations, notifications, guidelines as may be prescribed, Company's equity shares be got de-listed from Calcutta Stock Exchange and Delhi Stock Exchange and the Company be and is hereby authorized to apply for de-listing of shares from Calcutta Stock Exchange and Delhi Stock Exchange."

By order of the Board of Directors

Place : New Delhi

Dated : 23rd May, 2003

SURYA KANT AGRAWAL
COMPANY SECRETARY

Registered Office :

Plot No. 3, Maruti Joint Venture Complex
Delhi-Gurgaon Road- 122 015

NOTES

1. Explanatory statement, as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE ON A POLL IN THE MEETING INSTEAD. THE PROXY NEED NOT BE A MEMBER.
THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE, NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.
3. All documents referred to, in the accompanying notice and explanatory statement, are open for inspection at the registered office of the company on all working days, during regular business hours and shall also be available at the meeting.
4. The register of members and share transfer books of the company will remain closed on 8th July, 2003.
5. Members are requested to notify immediately any change in their address along with pincode numbers to the company or the share transfer agent of the Company (Alankit Assignments Limited, 205-208, Anarkali Complex, Jhandewalan Extension, New Delhi - 110055).
6. Individual shareholders can take the facility of nomination. For further detail in this regard shareholders may contact share transfer agent of the Company.
7. The shares of the Company are transacted in Compulsory Dematerialise form w.e.f. 26th Aug, 2000. Shareholders may convert their shares in Demat form.
The Company has appointed Alankit Assignments Limited having registered office at 205-208, Anarkali Complex, Jhandewalan Extension, New Delhi - 110 055 (Ph. Nos.: 50540060-64, Fax No: -23552001, email add:



alankit@alankit.net) as its registrar & transfer agent for dematerialization purpose. The Company has also appointed Alankit as the share transfers agent for the physical transfers from 1st April' 2003.

8. Members are requested to quote their account/folio no. in all correspondence with the company.
9. Members attending the annual general meeting are requested to bring along their copies of the annual report, as the same will not be distributed at the meeting.

EXPLANATORY STATEMENT TO ITEM NO. 6

Pursuant to Section 173(2) of the Companies Act, 1956.

Mr. Hiromitsu Totsuka was appointed as an Additional Director by the Board at its meeting held on 23rd May, 2003. According to the provisions of Section 260 of the Companies Act, 1956, he holds that office upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose the name of Mr. Hiromitsu Totsuka as a candidate for the office of Director.

Mr. Hiromitsu Totsuka is the nominee director on the Board on behalf of Suzuki Motor Corporation. The

directors consider that the association of Mr. Hiromitsu Totsuka as the non-executive director of the Company would be of immense benefit to the Company. Accordingly, the Board commends the resolution for approval of members.

None of the Directors except Mr. Hiromitsu Totsuka himself is interested in the resolution.

EXPLANATORY STATEMENT TO ITEM NO. 7

Pursuant to Section 173(2) of the Companies Act, 1956.

Company's shares are listed with Mumbai, Delhi & Calcutta Stock Exchange. There is no trading in Company's shares in Delhi & Calcutta Stock Exchange. Company's shares are actively traded only at Mumbai Stock Exchange. It is proposed that the shares of the Company be got de-listed from Calcutta Stock Exchange and Delhi Stock Exchange to save expenses being incurred to remain listed with CSE and DSE. Accordingly the Board commends the resolution for the approval of members.

None of the directors of the Company is in any way concerned or interested, directly or indirectly, in the proposed resolution except to the extent they are shareholders of the Company.

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Director's Report

The Members,

Your directors have pleasure in presenting the 18th annual report together with the audited statement of accounts for the financial year ended 31st March, 2003.

FINANCIAL PERFORMANCE :		
	(Rs. In Lacs)	(Rs. in Lacs)
	2002-2003	2001-2002
Income from Operation	4652.95	5048.03
Other Income	741.10	235.30
Profit (before interest, dep)	1350.86	1400.16
Interest	204.51	327.47
Depreciation	1043.90	799.63
Profit before tax	102.45	273.06
Provision for tax (net of deferred tax)	31.50	41.51
Profit after tax	70.95	231.55
Surplus as per last year	301.97	231.79
Amount available for appropriation	372.92	463.34
APPROPRIATION:		
Transfer to General Reserve	10.00	100.00
Interim Dividend /Proposed Dividend	61.37	61.37
Provision for tax on proposed dividend	7.86	-
Surplus carried to Balance Sheet	293.69	301.97
	372.92	463.34

The automobile market remained stagnant during the year and sales for our main customer Maruti Udyog Limited was flat. During the year your Company forayed into Non-Maruti Business and was able to achieve non-MUL turnover of Rs. 252.05 lacs. Your Company has manufactured components like Washing Machine Tub for Samsung, A.C. parts for Sandan Vikas India Ltd., Chiller Tray for Whirlpool & has done jobwork of Meter Housing for HPL Socomec Pvt. Ltd. and A.C. Duct for Paradise Plastics Enterprise Ltd. However due to low margins, high transportation cost and sales tax for customers in Noida (U.P.) and high electricity cost, the non-Maruti Business was not profitable. Maruti Business also was not remunerative due to increase in power charges and other expenses, reduction in prices and stagnant volumes.

Last year, the Company has increased its installed capacity from 3850 M.T. to 5000 M.T. The Company purchased 3 new injection moulding machines of 910 tons, 500 tons & 275 tons capacity.

During the year, Company developed and designed fully injection moulded collapsible box & plastic pallets which is for the first time in India having a load carrying capacity

upto 1500 kgs. The product is having many features viz it is manufactured from polyolefin derivatives, is strong, light weight, stackable, environment friendly, anti-rodent/anti termite, easier logistics & can be used in many industries.

During the year under review your Company continued its efforts for cost reduction. The cost control measures taken by the company mainly relates to reduction of in house and customer level rejections, re-cycle of rejected materials and ultimately reduction in raw material consumption. Company has also installed DG Set of 1000 kva to reduce the impact of tariff increase of MUL power and has been able to improve energy efficiency.

DIVIDEND

Your Directors are pleased to recommend for your consideration and approval dividend @ 10% for the year 2002-2003. The dividend outgo would be Rs. 61.37 lacs.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956 as amended by the Companies Amendment Act, 2000, the directors of your Company subject to notes appended to accounts and auditor's report, confirm:



- that in preparation of annual accounts, the applicable accounting standards had been followed and that there are no material departures.
- that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year 2002-2003 and of the profit of the Company for the year ended 31st March, 2003.
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the annual accounts have been prepared on a going concern basis.

SHARE TRANSFER AGENT

The Company has appointed Alankit Assignments Limited as the Share Transfer Agent for physical purpose from 1st April'2003 pursuant to SEBI circular dated 27th Dec, 2002. Now the registrar & transfer agent for both dematerialization as well as for physical purpose is Alankit Assignments Limited having registered office at 205-208, Anarkali Complex, Jhandewalan Extension, New Delhi- 110 055 (Ph. Nos.: 51540060-64, Fax No:- 23552001, email id : alankit@alankit.net).

DIRECTORS

Your Company wish to record its heart felt condolence and appreciation of valuable services contributed by Late Sh. Jagdish Kapur, Director, who demised on 5th Jan, 2003. Your Company also wishes to record the valuable guidance provided by Mr. Shinichi Takeuchi, Director, during his tenure. Company welcomes Mr. Hiromitsu Totsuka, who has been nominated by Suzuki Motor Corporation. Mr. Hiromitsu Totsuka was appointed as an additional Director on 23rd May' 2003 and being eligible is proposed for reappointment in ensuing Annual General Meeting, notice in respect of which is already received from a shareholder.

In accordance with the provisions of the Companies Act, 1956 and articles of association of the company Mr. M. D. Jindal & Mr. R. L. Gaggar retire by rotation and being eligible offer themselves for reappointment.

AUDITORS

M/s Goel Garg & Company, Chartered Accountants, the statutory auditors of the company retires at the conclusion of ensuing annual general meeting of the company and being eligible, offer themselves for reappointment.

AUDITORS' REPORT

The observation of the auditors is self-explanatory and/or is suitably explained in the notes to the accounts.

CORPORATE GOVERNANCE

Report on Corporate Governance has been included in this annual report as separate section.

PARTICULARS OF EMPLOYEES

No employee of the Company has come under the limit as specified by section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employee) Rules, 1975 as amended by Companies (Particulars of Employees) Rules, 2002.

ADDITIONAL INFORMATION

Information pursuant to section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is furnished hereunder:

A. CONSERVATION OF ENERGY

Your company has taken steps to conserve energy. Steps have been taken to identify areas of excess consumption of power and checks have been strengthened at these points. The major focus area is to plan production to reduce product changes to save energy. Beside this Company has taken steps to ensure optimum utilisation of production resources to ensure better energy efficiency. Company has installed 1000 kva DG Set to reduce cost of energy.

The data regarding energy consumed is given hereunder:

B. TECHNOLOGY ABSORPTION

Power & Fuel Consumption

	2002-03	2001-02
1. Electricity		
1.1 Purchased Units	31,03,252	41,29,316
Total Cost (Rs. In lacs)	232.69	178.48
Rate per unit	7.50	4.32
1.2 Own Generation - D.G. Set		
Units generated	12,65,888	-
Fuel Cost (Rs. In lacs)	71.76	-
Fuel cost per unit	5.67	-
2. Coal	N.A.	N.A.
3. Furnace Oil	N.A.	N.A.
4. Other/ Internal generation	N.A.	N.A.

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A statement giving details of technology absorption in accordance with the above Rules is annexed hereto as Annexure I and forms part of the Report.

C. FOREIGN EXCHANGE EARNING & OUTGO

	Rs. In Lacs
Total foreign exchange earnings	NIL
Total foreign exchange outgo	5.90

D. ENVIRONMENT

The Company is not involved in any type of activity hazardous to environment and does not discharge any trade effluents (solid, liquid or gaseous) causing pollution. As an environment conscious responsible corporate citizen, we are implementing GSCM (Green Supply Chain Management) standards. The Company has obtained ISO 14001 certification for environment.

ACKNOWLEDGEMENTS

The directors acknowledge with gratitude the co-operation and assistance extended by Maruti Udyog Ltd., Suzuki Motor Corporation, Government of India, Government of Haryana and company's bankers for their continued support and guidance. The directors also wish to place on record their appreciation for the valuable suggestions, co-operation and timely assistance received from Maruti Udyog Ltd. and Suzuki Motor Corporation, Japan. The directors also wish to place on record their sincere appreciation for the dedication and efforts shown by all employees of the company and are thankful to the shareholders for their continued patronage, trust and confidence in the company.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 23rd May, 2003

M. D. JINDAL
(CHAIRMAN)

ANNEXURE - I**Form 'B'- Technology Absorption**

1	Specific areas in which R&D carried out by the Company	Research & Development has been carried out continuously by the Company for product improvement & value engineering.								
2	Benefits derived as a result of above R&D	Cost controls								
3	Future plan of action	Developments of new materials, products and further improvement in the performance of existing products.								
4	Expenditure on R & D (Rs. In lacs)	<table><tr><td>a. Capital</td><td>Nil</td></tr><tr><td>b. Recurring</td><td>Nil</td></tr><tr><td>c. Total</td><td>Nil</td></tr><tr><td>d. Total R & D expenditure as % of total turnover-</td><td>Nil %</td></tr></table>	a. Capital	Nil	b. Recurring	Nil	c. Total	Nil	d. Total R & D expenditure as % of total turnover-	Nil %
a. Capital	Nil									
b. Recurring	Nil									
c. Total	Nil									
d. Total R & D expenditure as % of total turnover-	Nil %									



MANAGEMENT ANALYSIS & DISCUSSION REPORT

Industry Structure & Development

Your company is engaged in the manufacture of large size injection moulded automotive components that is bumpers, instrument panels, grills as original equipments and for spare parts market for Maruti Udyog Limited. During the year it has started manufacturing other components like Washing Machine Tub for Samsung, A.C. parts for Sanden Vikas India Ltd, Chiller Tray for Whirlpool & doing job work of Meter Housing for HPL Socomec Pvt. Ltd and A.C.Duct for Paradise Plastics Enterprise Ltd. Maruti Udyog Limited is still the major customer of your company.

The auto ancillary industry plays a critical role in the automobile sector. Manufacturing vehicles typically involves assembling a large number of components out-sourced from small scale manufacturers. Nearly 805 of the components are out-sourced by passenger vehicle manufacturers worldwide.

Your company could be classified as the automotive components manufacturer. It has 10 Nos. injection moulding machines, sizes ranging from 275 Ton to 2500 Ton clamping force. Most of the companies doing injection moulding are not limited to automotive components. The other company which is making automotive components of our size for Maruti Udyog Ltd is Bright Brothers Ltd. Their share of business in Bumpers and Dash Boards is about 20% and remaining being supplied by your company.

Opportunities & Threats

The dependence on Maruti Udyog Ltd to such major extent whereas is a negative point, is also an opportunity. Maruti Udyog Ltd. has been the market leader for the last 15 years and more. After liberalisation, many companies have come into car manufacturing, consequently, Maruti's market share has gone down, still it is No. 1 in terms of sales.

After introduction of new Models, Maruti has successfully strengthened its position in the market. Maruti business helped your company to grow in a substantial manner in the past. Business was started with two injection moulding machines and now your company has ten injection moulding machines with large capital investments. The machines are versatile to process virtually all types of polymers and can make not only automotive but also other plastic goods by changing moulds. Normally, moulds are either financed or provided by O.E. manufacturers and in case of the direct marketing moulds are to be acquired by the processor. Thus, your company has immense possibilities besides automotive business. Your company has already ventured

in the other business in the last year and continues on this bandwagon.

Risks & Concerns

The year 2002-2003 witnessed growth rate of 6% in the vehicle industry as per Society of Indian Automobile manufacturers estimates (SIAM). The growth of vehicle industry has a direct impact on the fortunes of the auto-component manufacturers. During the year, there was a steep hike in power charges which were increased to Rs. 9.84 per unit in July 2002 from Rs. 4.44 per unit. Your Company is power and capital intensive business unit. It uses about 4 million power unit in a year. Company installed a leased Gen Set. Still the impact of power increase was Rs. 132 lacs which adversely affected the Company's performance.

Company's Strategy

The company has the objective of making optimum utilisation of its capital intensive resources to reduce unit costs. Thus it is accepting additional business at lower contribution. On other side in order to invoke investors interest, Company needed liquidity in its scrip on the bourses, which was a stumbling block. Last year your Company has issued bonus shares by capitalisation of its general reserves in the ratio of 1:1. Now it has to generate the interest of the capital market purely basing its efforts on the fundamentals and growth perceptions.

Financial Performance

Company's turnover for the year has gone down. Net sale is showing decrease. Lower capacity utilisations has resulted into operating loss. The corporate tax liability has gone up but withdrawal from deferred tax liability has helped meeting higher tax liability.

Future Outlook

The increasing competition within the domestic vehicle industry has resulted in tremendous pressure on the auto ancillary units to cut prices. This has affected the turnover and bottom line of these auto ancillary companies. In the existing scenario, future scope for cost reduction is minimal and consolidation within the industry is a reality.

The sales performance of vehicles may get affected in 2003-04 due to uncertainty in implementation of Value Added Tax (VAT) and rising steel prices. Moreover, the decision of State Govt. to switch over from vehicle weight based road tax system for cars to ad-valorem road tax is worrying.

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On the positive side, 8% reduction in excise duty in the Union Budget 2003-04 is bearing fruits for passenger car industry as it leads to reduced acquisition cost to customers. The outlook of car segment is encouraging and it has potential to grow at double digit if no abrupt changes are made in the policies that influence trade. Brisk infrastructure activities and softening of interest rates will create favourable environment for growth.

Internal Control System

Your company has adequate internal control systems which commensurate with its size and operations. The company regularly gets its internal audit report and its suggestions are implemented as and when required.

Human Resources

The company has during the previous year continued its unstinted record of good industrial relations with its employees. The company has its in house technical centre in the plant to train the new recruits before their placement that helps in optimum utilisation of resources as well as maintaining quality standards. It also indulges into and

implements various HR activities including employee welfare, special rewards, performance review system and various employee involvement activities.

The Company employs 85 permanent employees including white collar and blue collar.

The Company has undertaken KAIZEN as its aim to become a world class company. A separate Kaizen organisation has been created within the organisation to monitor and achieve the target. The company has also implemented a suggestion scheme, which helps it tremendously in terms of cost savings, systems improvements, safety and environment.

Cautionary Statement

Management Discussion and Analysis Report may be "forward looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied depending upon global and Indian demand-supply conditions, changes in government regulations, tax regimes, economic developments within India and overseas.

