

# 20th Annual Report

2003-2004



An  
ISO-9001:2000  
Company

## Board of Directors

**J. Lakshmana Rao**, Chairman & Managing Director  
**A. Subrahmanyam**, Executive Director  
**P. Venkateswara Rao**, Director - Commercial  
**P. Shyam Sunder Rao**, Director - Finance & CFO  
**J. Mythraeyi**, Non-Executive Director  
**Dr. K. Venkata Appa Rao**, Non-Executive Director  
**C. Vasanth Kumar Roy**, Non-Executive Director  
**Dr. M. Subhash Chandra Bose**, Non-Executive Director

### **STATUTORY AUDITORS**

Praturi & Sriram  
 Chartered Accountants  
 301, Sapthagiri Residency  
 1-10-98/A, Chikoti Gardens  
 Begumpet, Hyderabad - 500 016

### **INTERNAL AUDITORS**

GMK Associates  
 Chartered Accountants  
 607, Raghava Ratna Towers  
 Chirag Ali Lane  
 Hyderabad - 500 001

### **BANKERS**

State Bank of India (Industrial Finance Branch), Somajiguda  
 State Bank of Hyderabad (Industrial Finance Branch), Punjagutta

### **LEGAL ADVISOR**

M. Radhakrishna Murthy, Advocate  
 Vidya Nagar, Hyderabad

### **REGISTERED OFFICE**

White House, 402/1, 4th Floor,  
 6-3-1192/1/1, Kundanbagh, Begumpet  
 Hyderabad - 500 016  
 Phone + 91 40 2341 2846, 2341 2918  
 Fax + 91 40 2341 2950  
 E-mail [moldtek@hd2.dot.net.in](mailto:moldtek@hd2.dot.net.in)

### **WORKS**

#### **Unit I**

Annaram Village, Near Air Force Academy  
 Jinnaram Mandal, Medak Dist. (A.P.)

#### **Unit II**

Survey No.164/Part Dommarapochampally Village  
 Qutubullapur Mandal, Ranga Reddy Dist (A.P.)

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 20th Annual General Meeting of the Members of **MOLD-TEK TECHNOLOGIES LIMITED**, will be held on Thursday, the 30th September, 2004 at 9.30 a.m. at K.K.Function Hall, 7-1-37/A, Dharam Karam Road, Ameerpet, Hyderabad - 500 016 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2004 and Profit and Loss Account for the year ended 31st March, 2004 along with Auditors' Report and Directors' Report thereon.
2. To appoint a Director in place of A. Subrahmanyam who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of J. Mythraeyi who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Dr. K. Venkata Appa Rao who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s.Praturi & Sriram, Chartered Accountants, Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board 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 pursuant to the provisions of Sections 198, 269, 309, 310, 314 and other enabling provisions of the Companies Act, 1956, and Schedule XIII of the Companies Act, 1956, P. Venkateswara Rao be and is hereby re-appointed as Whole-time Director of the Company and shall be designated as Director-Commercial for a period of 5 years with effect from 7th September, 2004 to 6th September,

2009 on such remuneration as approved by the Remuneration Committee at its meeting held on 30th July, 2004 as detailed below:

#### Salary

The Company shall pay to the Whole-time Director in consideration of the performance of his duties a salary of Rs.55,000 (Rupees Fifty five thousand only) per month as approved by the Remuneration Committee and the Board of Directors.

#### Perquisites

In addition to salary as above, the Whole-time Director shall be entitled to perquisites as under:

#### CATEGORY 'A'

##### i. Housing

The Whole-time Director shall be entitled to house rent allowance of Rs.11,000 (Rupees Eleven thousand only) per month.

If accommodation for the Whole-time Director is provided by the Company, the expenditure incurred by the Company on hiring accommodation will be subject to a ceiling of 30% of the salary of the Whole-time Director. In addition, expenditure on furniture, electricity, water, gas at actuals shall be payable by the Company to the Whole-time Director.

##### ii. Medical Reimbursement

Expenses actually incurred for the Whole-time Director and his families shall be reimbursed subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

##### iii. Leave Travel Concession

For the Whole-time Director and his family once in a year incurred in accordance with any rule specified by the Company.

##### iv. Club Fees

Fees of clubs subject to a maximum of two clubs, provided no life membership or admission fee shall be paid.

**v. Personal Accident Insurance**

Premium not to exceed Rs.4,000 per annum.

Explanation: For the purpose of Category 'A', family means the spouse, dependent children and dependent parents of the Whole-time Director.

**Overall Limit:** The monetary value of perquisites listed in A(i),(ii),(iii),(iv) and (v) above shall not exceed an amount equal to the 50% of the annual salary.

**CATEGORY 'B'**

**i. Provident and Superannuation Fund**

Contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act. This will not be included in the computation of the ceiling on perquisites.

**ii. Gratuity**

Gratuity payable shall not exceed one half-month's salary for each completed year of service.

**CATEGORY 'C'**

**i. Provision of Car and Telephone**

The Whole-time Director shall be entitled to a motor car for use on Company's business and telephone at residence. However, use of car for private purpose and personal long distance calls on telephone shall be billed by the Company to the Whole-time Director.

**Other Benefits**

**i. The Whole-time Director shall be entitled to**

reimbursement of entertainment expenses actually and properly incurred for the business of the Company.

**ii. He will not be eligible for any sitting fees of the Company's Board/Committee Meetings.**

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to take such steps expedient to give effect to this resolution."

**7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956, the Company hereby approves that the Register of Members, the Index of Members and other related documents such as original transfer deeds, specimen signature cards, mandates be kept at M/s. XL Softtech Systems Limited (Registrar and Share Transfer Agent), No 3, Sagar Society, Road No.2, Hyderabad - 500034."

By Order of the Board  
for **MOLD-TEK TECHNOLOGIES LIMITED,**



**J. LAKSHMANA RAO**  
Managing Director

Hyderabad  
31st July, 2004

**NOTES**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIM/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 28th September, 2004 to 30th September, 2004 (both days inclusive).
3. The Explanatory Statement relating to Item Nos. 6 & 7 of the Special Business of the Meeting referred

to above, is annexed to this Notice as required by Section 173(2) of the Companies Act, 1956.

4. Members are requested to bring the Annual Report with them to the Annual General Meeting. No copies of the Annual Report will be distributed at the Meeting.
5. Members intending to seek clarifications at the Annual General Meeting concerning the accounts and any aspect of operations of the Company are requested to send their questions in writing to the Secretarial Department so as to reach the Company atleast 7 days in advance before the date of the Annual General Meeting, specifying the point(s).
6. Those members who have so far not encashed dividend warrants for the Financial Year 1996-97

and thereafter, may immediately approach the Company for replacement thereof, as the amount of dividend unclaimed for a period of 7 years shall be transferred to the Investor Education and Protection Fund (IEPF) as per provisions of Section 205C of the Companies Act, 1956. (See table below)

7. Members/Beneficial Owners are requested to advise immediately any change in their address to the

Registrar and Transfer Agent quoting their registered folio number/Client ID.

8. Please note gifts will not be distributed at the Annual General Meeting.  
9. Members/Proxies are requested to bring duly filled attendance slip to the Meeting.

**TABLE**

Financial Year	Date of Declaration	Due Date for Transfer to IEPF
1996-1997	30th Sep 1997	29th Sep 2004
1997-1998	—	—
1998-1999	—	—
1999-2000	20th Nov 2000	19th Nov 2007

**EXPLANATORY STATEMENT  
(PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)**

**ITEM NO.6**

P. Venkateswara Rao was re-appointed as Whole-time Director of the Company for a period of five years, which term expired on 6th September, 2004. P. Venkateswara Rao has been associated with the Company since its inception and is fairly conversant with all aspects of the management and the affairs of the Company. His abilities and experience qualify him for an extension of his term of office.

Due to the excellent services put in by him, the Board of Directors at their meeting held on 31st July, 2004 have re-appointed him as Whole-time Director of the Company with effect from 7th September, 2004 on the terms and conditions set out in the resolution. The Remuneration Committee at its meeting held on 30th July, 2004 reviewed the remuneration payable to P. Venkateswara Rao keeping in view the objectivity of remuneration package payable to executives while striking a balance between the interest of the Company and the shareholders.

As per the provisions of Sections 198, 269, 309 and Schedule XIII of the Companies Act, 1956, approval of the members of the Company is required for re-appointment of Whole-time Director on the remunerations as set out above. Hence, the resolution is placed before you for approval.

This along with resolution may be treated as abstract pursuant to Section 302 of the Companies Act, 1956.

P. Venkateswara Rao shall be deemed to be interested in the said resolution.

**Item No.7 :**

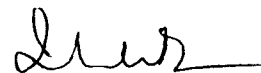
The Members of the Company may be aware that SEBI,

vide its Order No.CO/04/MRD/06/2004, dated 19th June, 2004, decided to suspend the license of M/s. Sindhu Corporate Services Private Limited (RTA) for a period of three months, starting from 10th July, 2004, on account of certain actions/occurrences during the year 2000. On account of this Order of SEBI, they cannot carry out RTA activities and therefore, the Board Directors have appointed M/s. XL Softtech Systems Limited as Registrar and Share Transfer Agent (RTA) with effect from 10th July, 2004 and shifted the Register of Members, Index of Members and other related documents such as original transfer deeds, specimen signatures cards to them.

According to the provisions of Section 163 of the Companies Act, 1956, approval of members is required for keeping of Register of Members, Index of Members and other related documents such as original transfer deeds, specimen signature cards, mandates at M/s. XL Softtech Systems Limited. Hence the resolution is placed before you for approval.

None of the Directors of the Company are in any way concerned or interested in the resolution.

By Order of the Board  
for **MOLD-TEK TECHNOLOGIES LIMITED,**



**J. LAKSHMANA RAO**  
Managing Director

Hyderabad  
31st July, 2004



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 20th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2004.

### FINANCIAL RESULTS

The performance during the year ended 31st March, 2004 has been as under:

	31.03.2004	Rs.Lakhs 31.03.2003
Sales	4518.47	2647.14
Other Income	8.56	9.12
Total Income	4527.03	2656.26
Profit before Interest, Depreciation & Tax	309.20	20.49
Interest	191.14	161.76
Depreciation & Preliminary Expenses written off	210.10	160.42
Profit/(Loss) before Tax	(92.04)	(301.69)
Provision for Deferred Tax	-	66.74
Profit/(Loss) after Tax	(92.04)	(234.95)
Profit/(Loss) brought forward from previous year	(687.47)	(436.40)
Profit/(Loss) available for Appropriation	(779.51)	(671.35)
<b>Appropriation</b>		
Extraordinary Items	1.23	(16.12)
Balance Carried forward	(778.28)	(687.47)

The details for 31-03-2003 relate to accounting year of nine months for the period 1st July, 2002 to 31st March, 2003.

### REVIEW OF OPERATIONS

As envisaged in the previous year, the launch of the ultimo pails has resulted in a healthy sales growth and considerable decrease in losses during the year under review.

The turnover has gone up to Rs.45.18 crore from Rs.26.47 crore (for the nine months period) registering a growth of 28% on an annualized basis. At the same time, net loss has decreased from Rs.3.02 crore for the period ending 31st March, 2003 to Rs.0.92 crore for the full year ending March 2004.

More significantly, your Company has made in the year under review, a cash profit of Rs.118.05 lakhs as against cash loss of Rs.141.27 lakhs for the period ending March 2003.

Your Company introduced the ultimo concept in pails of 15 - 25 Ltrs. range which will further improve the sales and prospects of the Company. During the year under review, your Company has concentrated on blow and pet segments which will add further to the revenues during the year 2004-05.

Your Company has also participated in an international exhibition in USA which has resulted in the acquisition of direct clients for the IT division's back-office operations.

### FUTURE OUTLOOK

#### Plastic Division

Your Company's efforts in promoting the Ultimo pails are showing good results. The Company has also added a couple of major clients for its PET bottles.

During the current year, your Company is focused on chemicals, inks and pharma packaging products and trial orders have been received from reputed companies like Micro Inks, Ranbaxy etc. The Company's efforts on meeting the needs of the pharma industry are expected to yield reasonable growth rate in the near future.

Your Company plans to set up units in the North and Western India in the near future so as to decrease the freight cost and capture more orders mainly from PSUs.

#### **IT Division**

The participation in the international exhibition in USA has resulted in the IT division getting direct clients for its structural engineering back-office operations. Your Company is also trying to enter Gulf countries for enhancing business prospects.

During the current year, the IT division's turnover is expected to grow by 100% and the division may break-even.

Overall, the future outlook is much brighter than that of the previous 3 years and during the current year, your Company targets to grow its sales by around 10-15% and may post positive results.

#### **FIXED DEPOSITS**

Your Company has not invited any deposits from the public for the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

#### **INTERNAL CONTROL SYSTEMS**

Your Company has well established procedures for internal control across its various locations, commensurate with its size and operations. The organization is adequately staffed with qualified and experienced personnel for implementing and monitoring the internal control environment. The internal audit function is adequately resourced commensurate with the operations of the Company and reports to the Audit Committee of the Board.

#### **CORPORATE GOVERNANCE**

Your Company has been in full compliance of the norms of Corporate Governance as outlined in Clause 49 of the Listing Agreements with the Stock Exchange, Mumbai and the Calcutta Stock Exchange Association Limited, Kolkata. The report on corporate

governance along with the Auditors' Certificate on its compliance, forms part of this Annual Report.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement, forms part of this Annual Report.

#### **DIRECTORS**

A. Subrahmanyam, J. Mythraeyi and Dr. K. Venkata Appa Rao, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

P. Venkateswara Rao, was re-appointed as Whole-time Director of the Company at the Board Meeting held on 31st July, 2004 for a further period of 5 years with effect from 7th September, 2004. A suitable resolution is being placed before the Members at the ensuing Annual General Meeting.

On the date of the Board Meeting held on 30th June, 2004, P. Shyam Sunder Rao completed his term of office as a Whole-time Director of the Company. He however, continues to be a Director of the Company with effect from 1st July, 2004. Your Directors place on record their appreciation for the services rendered by him during his tenure as Director-Finance.

#### **INSURANCE**

The properties and assets of your Company are adequately insured.

#### **AUDITORS**

M/s. Praturi & Sriram, Chartered Accountants, Auditors of the Company retire at the Annual General Meeting and the Company has received certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Members are requested to appoint auditors and to authorize the Board to fix their remuneration.

#### **AUDITORS' COMMENTS**

Statutory auditors in their report for the year ended 31st March, 2004 have made observations and your Board has taken cognizance of the same. Your Company's Board commits itself to improve the standards of systems and controls, as well as reporting on them. The following clarificatory remarks are offered:



There was a delay in payment of interest on overdue sales tax of Rs.8.75 lakhs. As agreed with the Deputy Commissioner of Commercial Taxes, the amounts are being paid in three instalments in July, August and September 2004. The instalment due in July has been paid and the balance due will be adhered to and paid on time.

The delay in payment of Rs.3.78 lakhs to the Investors Education & Protection Fund was on account of reconciliation differences. These are being resolved, and the amount is being deposited in August 2004.

All the other comments have been viewed constructively for necessary action.

#### **ISO 9002 CERTIFICATION**

The Board of Directors are pleased to inform you that your Company has achieved ISO 9001-2000 up-gradation by enhancing the quality systems and procedures as per the guidelines.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance of Section 217 (2AA), as incorporated by the Companies (Amendment) Act, 2000, in the Companies Act, 1956, your Directors confirm that:

- a. in the preparation of the accounts for the financial year ended 31st March, 2004, applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. appropriate accounting policies have been applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the accounting year, and loss of the Company for the year under review;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the accounts for the year ended 31st March, 2004 have been prepared on a 'going concern' basis.

#### **CONSERVATION OF ENERGY, FOREIGN EXCHANGE ETC.**

Information on conservation of energy, research and development, technology absorption, foreign

exchange earnings and outgoings, required to be disclosed under Section 217(1)(e) is provided as an Annexure to this Report.

#### **DELISTING OF EQUITY SHARES**

Your Company's Equity Shares are delisted from the Hyderabad Stock Exchange Limited with effect from 3rd March, 2004 vide their letter ref. HSE:LIST:2004:752, dated 4th March, 2004. The application filed with The Calcutta Stock Exchange Association Limited, Kolkata for delisting of the shares is under process. The Company has paid the annual listing fees to the Stock Exchange, Mumbai for the financial year 2004-2005.

#### **PERSONNEL**

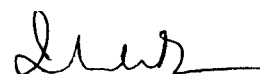
Your Directors take this opportunity to express their appreciation for the sincere and dedicated service of the employees of the Company at all levels.

As per the Companies (Particulars of Employees) Rules, 1975 details under Section 217(2A) of the Companies Act, 1956 are required to be published only in respect of employees who were in receipt of monthly remuneration of Rs.2 lakhs and above or Rs.24 lakhs and above in aggregate per annum, during the year 2003-04. Your Company had no employee drawing remuneration above these limits, and hence, furnishing the particulars under Section 217(2A) does not arise.

#### **ACKNOWLEDGEMENTS**

The Directors wish to place on record their appreciation and gratitude for all the assistance and support received from the State Bank of India, State Bank of Hyderabad, financial institution viz., IDBI, IFCI, and officials of concerned government departments, for their co-operation and continued support extended to the Company. The Board also thanks the Members for the confidence they have reposed in the Company and its Management.

For and on behalf of the  
Board of Directors



**J. LAKSHMANA RAO**  
Managing Director

Hyderabad  
31st July, 2004





## ANNEXURE TO THE DIRECTORS' REPORT

### A. DETAILS OF CONSERVATION OF ENERGY

Power & Fuel Consumption

<b>ELECTRICITY</b>	<b>2003-2004</b>	<b>2002-2003</b>
a) Purchased Units (KWH) - (Lakhs)	<b>45.82</b>	34.75
Total amount (Rs.Lakhs)	<b>216.36</b>	138.66
Rate per Unit (Rs.)	<b>4.72</b>	3.99
b) Own Generation		
Diesel Generation Unit - (Lakhs)	<b>1.92</b>	1.86
Total amount (Rs.Lakhs)	<b>8.27</b>	7.98
Rate per Unit (Rs.)	<b>4.28</b>	4.30

### B. TECHNOLOGY ABSORPTION

#### Research and Development

Specific areas in which R&D was carried out by the Company

	<b>NIL</b>	<b>NIL</b>
Benefits derived as a result of the above	<b>NA</b>	<b>NA</b>
Future plan of action	<b>Yet to be decided</b>	<b>Yet to be decided</b>
Expenditure on R & D	<b>NIL</b>	<b>NIL</b>

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

FOB Value of exports

- Plastic Containers	<b>13.67</b>	38.22
- IT Division	<b>-</b>	<b>-</b>
Foreign exchange earnings	<b>13.67</b>	38.22
Foreign exchange outgo	<b>83.74</b>	79.07

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure & Development

The growth of the plastic packaging industry is directly dependent on the growth of end-product manufacturers. Our main product "pails", are sold to the paint and lube industry. During the current year, economic revival and good monsoon conditions may propel the growth in paint and lube industry. This will in turn lead to increase in demand for pails. With your Company's forays into pharma and cosmetic packaging, the outlook for the plastics packaging business for the current year is positive.

### Opportunities & Threats

The Company, having established itself as a reputed quality "pails" supplier in India, enjoys the confidence of leading multinationals like Castrol, Indian Oil, BPCL, HPCL, Tide Water Oil, Goodlass Nerolac, Asian Paints, Valvoline Cummins, Bharat Shell and others.

Due to various quality problems related to local unorganized pail manufacturers, reputed MNCs and PSUs are sensitive to the importance of quality and consistency. They are appreciative of the fact that Mold-Tek being pioneers in pail manufacturing with in-house product/tool design and development facilities would be a better choice.

With the introduction of "Ultimo pails" which have excellent tamper evidence and high performance features, your Company hopes to recapture volume business.

Transport cost disadvantages to the Company and sales tax exemption enjoyed by some competitors are threats Mold-Tek has to face in attempt to increase market demand for its products.

In order to increase the sales and to reduce the costs, the Company is planning to set up units in north and western India.

### Segment wise/product wise performance

The Company's business segments are Plastics & I T Divisions. Again in Plastics, the sub-segments are Lube & Oils, Paints, PET Products, Consumer Products etc. The sales performance during the year is given alongside:

Rs.Lakhs

Segment Sales	
Lube & Oils	3355.39
Paints	862.01
Blow Moulding	68.44
Pet	163.85
Consumer Product	27.95
IT Division	40.83
<b>Total</b>	<b>4518.47</b>

### Outlook

With the introduction of a new product range and quality assured products, outlook for the Company is slowly turning positive. Efforts are under way to reduce costs and provide competitive pricing to achieve sales growth and reduce losses.

During the year under review, your Company has added a few major clients for its business in PET and blow moulding bottles. The plastics division is also focusing on chemicals, inks and pharma packing products. From these segments trial orders were received and executed and the Company anticipates regular orders. With enquiries and demand from pharma and cosmetic manufacturers, the outlook for these product ranges is also encouraging.

### Growth in IT Division

IT enabled services are completely dependent on the US economy, which is expected to improve in a year's time. Hence improvement in the IT division is likely to take place from 2004-2005 onwards. The Company has participated in the international exhibition in USA which has resulted in the Company getting direct clients for its structural engineering back-office operation. The Company is also trying to enter Gulf countries for enhancing business prospects.

The structural design and detailing operations being executed in our IT Division is unique, which will give us opportunities once the US economy improves.

### Risks and Concerns

Apart from normal risks as are applicable to an