

18th  
ANNUAL  
REPORT  
2004-05



**PIL**

packaging industries ltd.

**BOARD OF DIRECTORS**

**Shri U.C. Bhandari**

**Shri Ramesh Chandra Singhi**

**Shri Rajendra Kankaria**

**Shri Suresh Chandra Bapna**

**Shri Prem Kankaria**  
Managing Director

**REGISTERED OFFICE**

6-3-1090/C-4, Opp: Kapadia Lane  
Raj Bhavan Road, Hyderabad - 500 082.  
Andhra Pradesh, India.

**WORKS**

Survey No. 715, Kondamadugu, Bibinagar  
Dist. Nalgonda, Andhra Pradesh, India.

**BANKERS**

**State Bank of India**  
Salfabad Branch, Hyderabad  
Andhra Pradesh, India.

**AUDITORS**

**S. Singhvi & Co.**  
Chartered Accountants  
Hyderabad, Andhra Pradesh, India.

**SHARE TRANSFER DEPARTMENT**

CIL Securities Ltd.  
214, Ragahvaratna Towers,  
Chirag Ali Lane,  
Hyderabad - 500 001.

You can E-mail us at: [hyd2\\_rajpack@sanchamnet.in](mailto:hyd2_rajpack@sanchamnet.in)

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of RAJ PACKAGING INDUSTRIES LIMITED will be held at Hotel Aditya Deluxe, 1 - 7 - 206, S.D. Road, Secunderabad on Monday, the 26th September, 2005 at 11.30 A.M. to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31st March 2005, Profit & Loss Account for the year ended on that date and the Reports of the Auditors' and Directors' thereon.
2. To declare dividend on Equity Share.
3. To appoint a Director in place of Shri. U.C.Bhandari, who retires by rotation and is being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

By the Order of the Board of Directors

HYDERABAD  
30th July, 2005

Sd/-  
**PREM KANKARIA**  
MANAGING DIRECTOR

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. Members are requested to bring their copy of the Annual Report to the Meeting along with the attendance slip duly filled in for attending the meeting and sign at Registration counter at the venue of the meeting.
3. Members who hold shares in dematerialized form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio number in the attendance Slip for attending the meeting.
4. Members are requested to intimate to the Company at its registered office any change of Address quoting their Share Ledger Folio Number(s).
5. The Share Transfer Books and Register of Members will remain closed from 18th September 2005 to 26th September 2005 (both days inclusive).
6. No person other than Member/Duly registered proxy with the company with duly filled in attendance slip will be allowed to enter the venue of the meeting.
7. The dividend on Equity Shares as recommended by the Board of Directors, if declared at the meeting, will be paid on or after 26th September' 2005 and payable to those shareholders whose names shall appear on the Company's


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Register of Members on 26th September, 2005. In respect of Shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited as on 17th September, 2005, for this purpose.

8. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Company in Form 2B.

### **INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:**

As required under the listing agreement, the particulars of Directors who are proposed to be appointed / re-appointed are given below:

#### **Shri. U.C.Bhandari:**

Shri. U.C.Bhandari is a Fellow member of the Institute of Chartered Accountants of India. He is a Bangalore based practicing Chartered Accountant and he has been in the profession for last 25 years. He was inducted into the Board of the Company as a promoter Director in 1987 and since then he has associated in bringing the Company to this stage. The Company receiving on many occasions, valuable suggestions from him in the taxation finance and accountancy.

By the Order of the Board of Directors

Sd/-

**PREM KANKARIA**  
MANAGING DIRECTOR

HYDERABAD  
30th July, 2005



## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 18th Annual Report and Audited Accounts of the Company for the year ended 31st March 2005

### FINANCIAL RESULTS

Your Company's performance during the year as compared to previous year is summarized below:

(Rs.in Lakhs)

|   | <u>2004-05</u>      | <u>2003-04</u>      |
|---|---------------------|---------------------|
| Sales & Other Income                          | <b>1046.53</b>      | 869.94              |
| Operating Profit (PBIDT)                      | <b>65.86</b>        | 90.98               |
| Interest                                      | <b>11.41</b>        | 6.03                |
| Profit before Depreciation and Taxes ( PBDT ) | <b>54.45</b>        | 84.95               |
| Depreciation                                  | <b>29.57</b>        | 28.29               |
| Profit Before Tax                             | <b>24.88</b>        | 56.66               |
| Provision for Tax                             |                     |                     |
| - Current Tax                                 | <b>13.12</b>        | 21.25               |
| - Deferred Tax                                | <b>(4.82)</b>       | (3.63)              |
| Profit After Tax                              | <b>16.58</b>        | 39.04               |
| Prior Period adjustments                      | <b>--</b>           | 2.98                |
| Profit after Prior Period Adjustments         | <b>16.58</b>        | 36.06               |
| Balance Brought forward                       | <b>63.71</b>        | 59.00               |
| Amount Available for appropriations           | <b><u>80.29</u></b> | <b><u>95.06</u></b> |

### APPROPRIATIONS

Your Directors recommended appropriations as under:

|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
| Proposed Dividend @ Rs 0.50 per share | <b>19.85</b>        | 27.79               |
| Corporate Dividend Tax                | <b>2.59</b>         | 3.56                |
| Balance Carried forward               | <b>57.85</b>        | 63.71               |
| Total :                               | <b><u>80.29</u></b> | <b><u>95.06</u></b> |

### PERFORMANCE:

During the year under review, your company has achieved a Turnover at Rs. 1046.53 lakhs as compared to Rs. 869.94 lakhs in previous year in value and 1099 M.T as compared to 1030 M.T in volume. The Company's sales increased by 20 % in value terms and 7% in volume terms compared to previous year due to the constructive efforts made by the management in-spite of overall depressed prices of packaging material and increased prices of Raw materials. This has been possible because of the adopting strategies like changing product mix and concentrating more in value added structure.

Your management will continue their effort in developing various new structures of films, changing product mix and concentrating more in value added structure to maintain lead position in the market.


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### **DIVIDENDS:**

In view of continued good performance of the company the directors are pleased to recommend payment of dividend of Rs. 0.50 per share (Rs.0.70 previous year) for the year 2004-05 which if approved by the shareholders at the forthcoming Annual General Meeting will be paid in accordance with rules applicable at that time.

### **FIXED DEPOSITS**

During the year your company has not accepted any Deposits from Public / Members.

### **CAPITAL EXPENDITURE**

The company has spent Rs.10.54 lakhs in fixed assets during the year.

### **ENERGY, TECHNOLOGY & FOREIGN EXCHANGE**

Information in accordance with the provisions of section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 regarding conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo is given as Annexure-'A' forming part of this report.

### **AUDITORS REPORT**

With reference to the observations made by the Auditors in their report, the notes forming part of Accounts are self explanatory and hence do not require any further clarification.

### **PARTICULARS OF EMPLOYEES**

None of the employees is drawing remuneration in excess of the limits specified in section 217(2A) of the Companies Act, 1956.

### **DIRECTORS**

In accordance with the Companies Act, 1956 and Clause 102 of the Articles of association of the company, Shri U.C.Bhandari, retire by rotation and being eligible, offers him-self for reappointment.

### **AUDITORS**

The auditors of the company M/s. S.SINGHVI & Co., Chartered Accountants, Hyderabad retires at conclusion of this Annual General Meeting and being eligible, offers them-selves for reappointment.

### **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreements with Stock Exchanges, a Management Discussion and Analysis Report and a Report on Corporate Governance are given as Annexure 'B' and 'C' respectively, to this report.

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

As required under Section 217 of the companies Act, the Directors hereby confirm that:

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- i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) The directors have selected such accounting policies and applied them consistently and made judgment 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 financial year and of the profit of the company for that period;
- iii) The Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared the annual accounts on a going concern basis.

**ACKNOWLEDGEMENT**

Your Directors wish to place on record their gratitude to all staff members for their contribution towards growth of the company and Banker viz. State Bank Of India for their support and also place on record their appreciation for the continuing support extended by the Shareholders.

For and on behalf of the Board

Sd/-

**PREM KANKARIA**

MANAGING DIRECTOR

HYDERABAD

30th June, 2005


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## ANNEXURE - 'A' TO DIRECTORS' REPORT

### ANNEXURE - 'A'

Particulars required under the companies (disclosures of particulars in the report of Board of Directors) Rules, 1988.

#### A. Conservation of Energy

##### a. Energy Conservation measures taken

Company has put capacitors at various points to regulate / maintain power factor.

#### FORM - A

(Form for disclosure of particulars with respect to conservation of Energy)

| <b>A. Power &amp; Fuel Consumption</b> | <b>2004-05</b>   | <b>2003-04</b> |
|--|------------------|----------------|
| <b>1. Electricity</b>                  |                  |                |
| a. Purchased                           |                  |                |
| Units - KWH                            | <b>6,34,010</b>  | 5,78,547       |
| Total Cost - Rs.                       | <b>27,08,498</b> | 25,71,644      |
| Average Rate / Unit - Rs.              | <b>4.27</b>      | 4.45           |
| b. Own Generation                      |                  |                |
| Through Diesel Generator               |                  |                |
| Units - KWH                            | <b>1,28,010</b>  | 1,44,240       |
| Total Cost - Rs.                       | <b>13,22,844</b> | 13,28,458      |
| Units per Unit of Fuel - KWH           | <b>2.68</b>      | 2.57           |
| Cost / Unit - Rs.                      | <b>10.33</b>     | 9.21           |

#### B. Consumption of electricity Per Unit of Production i.e. for finished product

Electricity (KWH) per K.G of Finished Product. **0.70** 0.70

#### C. Research & Development.

- The Company has constantly changing input mix to produce superior product.
- Changed equipments to optimize use of costly inputs whereby reducing cost of production and increasing profitability.

#### FORM - B

(Form of Disclosure of particulars with respect to Technology Absorption & Foreign Exchange Earnings & Outgo)

|  | <b>2004-05</b> | <b>2003-04</b> |
|--|----------------|----------------|
| Research & Development ( R & D )               | <b>Nil</b>     | Nil            |
| Technology absorption, adoption and innovation | <b>Nil</b>     | Nil            |
| Foreign Exchange Earnings                      | <b>Nil</b>     | Nil            |
| Foreign Exchange outgo (Rs. in Lakhs)          | <b>177.74</b>  | 101.89         |



**RAI****packaging industries Ltd.****ANNEXURE - 'B' TO DIRECTOR'S REPORT****MANAGEMENT DISCUSSION & ANALYSIS REPORT**

Pursuant to Clause 49 of the listing Agreement, a Management Discussion & Analysis Report covering the performance & outlook of the product of the Company is given below:

**a) Industry Structure and Developments:**

Your Company is engaged in manufacturing of flexible packaging material. Basically the Company is part of larger Plastic industry. Packaging industry is typically depended not only on Plastic industry but also on user industry as its product is being used by several industries.

In India, packaging industry has been operating mainly as small Scale Industry. Packaging industry is growing only horizontally in numbers. Much of growth has been in unorganized sector with inbuilt limitations.

As a matter of fact, in India, there are very few companies, from the packaging sector, who have gone for public issue and their shares are listed in stock exchanges. Thus industry has to go a long way.

**b) Business Review:**

The Indian Economy grew by 6.9% during the year 2004-05. The Industrial sector was buoyant showing output growth of 8.3% as compared to 6.5% during the previous year. In polymers Global demand grew at 5 percent while domestic polymer consumption showed growth of 3 percent. However, there has been a capacity constraint in most of the polymer products resulting into demand / supply mismatch.

As a matter of fact petrochemical industry particularly commodity polymers industry is under extended peak cycle. And due to demand increasing at higher price and supply not increasing due to capacity constraints resulted into spurt in prices of all polymers. The increase in prices of crude oil that is almost doubled in last one year had further felled the prices of polymers.

While polymer producers increased the prices frequently and made huge profits, the processing industry was left to face twin burden of increasing input prices and not able to increase the prices of their product due to fragmentation and small level of operation and competition. Thus most of the converters and processors were not able to maintain margins resulting into lower profitability.

The company has been able to maintain its volume of production particularly its three - layer film and operated at almost 100% capacity. The company because of its technological superiority due to imported machinery and material and strong customer base has been able to maintain its volume. But due to severe competition in processing industry was not able to pass on the increase in polymer prices to its customers as a result margins were reduced and profitability taken severe beating.

In spite of best effort company's was not able to increase the share and volume of its niche product Five-layer film thus could not improve the situation.


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### c) Our Opportunity:

The Indian Economy as well as manufacturing sector is expected to show robust growth. The plastic industry is not going to lag behind. The per capita plastic consumption in India is still a usage of 4 kg lowest among the several countries in the world, far away from 100 kgs. in America / Europe and much lower than 25 kgs. of world average and even less than China and other Asian Countries. There provide sample scope for growth. Several sectors are showing robust growth like flexible converting industry/packaging industry. With economy on upswing and much emphasize on food processing / agro based industry, there is bound to have good demand for company's product. Some of the sector's which have shown good demand for company's product are oil packaging industry, flexible packaging / laminates for packing of food items.

Now with changing consumer preferences towards packaged food, awareness for quality and hygienic conditions and packing, there has been emergence of new packaging material and several new application for plastic films such as shrink wrap and cling film, vacuum packaging film etc.

The company has decided to grab this opportunity and decided to set up new Three - layer plant to meet not only increasing demand of its product in existing application but also to increase and develop its market for niche and value added product like stretch/cling film/vacuum packaging film and other thin films.

The company's new plant is likely to be commissioned and start its operation in later part of second quarter.

Raj packaging will continue to maintain its leadership position in this part of the region and participate in new opportunities. Now the company will pursue the strategy of enhancing margin by laying emphasis on premium and niches products, exploring and developing new products and application, thus facing less competition on the basis of new technology development initiatives.

### d) Our Challenges:

Where there are opportunities and prospects for growth, it is time for some one particularly new one to step in, so there is always threat in the form of growing competition. Competition becomes unequal when fiscal uniformity is not there. Inspite of VAT being implemented, there are still some zones let off with NO TAX and giving competition to the company. This is a challenge to the company. The challenge to face competition by developing new products and new markets, concentrating on niche and premium products, increase the volume and cut cost, bring reduction in the raw material costs which is the main component by suitably and timely imports.

### e) Our Future Outlook:

As demand for companies Three-layer product is steadily increasing. The company has planned to add one more new Three-layer line, which is being, started some where in September 2005. Now company will be able to increase its volume, concentrate more on value added products. Good volume will give company the better bargaining power for its raw material purchases too.