

19th ANNUAL REPORT 2005-06



RAJ

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@sancharnet.in



packaging industries Ltd.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of RAJ PACKAGING INDUSTRIES LIMITED will be held at Lions Bhavan Trust, Near Paradise Circle, S.D. Road, Secunderabad on Saturday, the 16th September, 2006 at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31st March 2006, 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. Ramesh Chandra Singhi, 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
For **RAJ PACKAGING INDUSTRIES LTD**

HYDERABAD
30th June 2006

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 8th September 2006 to 16th September 2006 (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.

**RAJ****packaging industries ltd.**

7. The dividend on Equity Shares as recommended by the Board of Directors, if declared at the meeting, will be paid on or after 16th September' 2006 and payable to those shareholders whose names shall appear on the Company's Register of Members on 16th September, 2006. 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 07th September, 2006, 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:

(i) Shri. Ramesh Chandra Singhi:

Shri. Ramesh Chandra Singhi is a first generation entrepreneur with about 25 years of experience in Marketing and he started his career in the marketing of electrical goods in the year 1977 with M/s.Ratan Electricals. He is associated with the company since inception as promoter.

By the Order of the Board of Directors
For **RAJ PACKAGING INDUSTRIES LTD**

HYDERABAD
30th June 2006

Sd/-
PREM KANKARIA
MANAGING DIRECTOR

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 19th Annual Report and Audited Accounts of the Company for the year ended 31st March 2006

FINANCIAL RESULTS

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

	(Rs.in Lakhs)	
	<u>2005-06</u>	<u>2004-05</u>
Sales & Other Income	1520.24	1046.53
Operating Profit (PBITD)	126.65	65.86
Interest	18.29	11.41
Profit before Depreciation and Taxes (PBDT)	108.36	54.45
Depreciation	32.74	29.57
Profit Before Tax	75.62	24.88
Provision for Tax		
- Current Tax	16.92	13.12
- Deferred Tax	5.46	(4.82)
- Fringe Benefit Tax	0.46	-
Profit After Tax	52.77	16.58
Prior Period adjustments	2.96	-
Profit after Prior Period Adjustments	49.81	16.58
Balance Brought forward	57.85	63.71
Amount Available for appropriations	<u>107.66</u>	<u>80.29</u>

APPROPRIATIONS

Your Directors recommended appropriations as under:

Proposed Dividend @ Rs 0.80 per share	31.76	19.85
Corporate Dividend Tax	4.45	2.59
Balance Carried forward	71.45	57.85
Total :	<u>107.66</u>	<u>80.29</u>

PERFORMANCE:

During the year under review, your company has achieved a Turnover at Rs. 1504.93 lakhs as compared to Rs.1046.53 lakhs in previous year in value and 1557 M.T as compared to 1100 M.T in volume. The Company's sales increased by 44 % in value terms and 41% in volume terms compared to previous year resulting from commissioning of one new three Layer Blown film line the production which started in middle of the year. The expanded capacity enabled company to enhance volume. Though enhanced volume is reflecting only half-year performance, the benefit of full year performance will be reflected in coming years.

However, 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 and to increase not only volume but also profit margins.

DIVIDENDS:

In view of some what better performance of the company the directors are pleased to recommend higher payment of dividend of Rs. 0.80 per share (Rs.0.50 previous year) for the year 2005-06 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.132.27 lakhs in fixed assets during the year for expansion of production facilities. The commercial production of new machinery has started from middle of the year. The expansion was taken up by the company partly from debt and partly from internal accruals.

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 Ramesh Chandra Singhi, 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.

**RAJ****packaging industries Ltd.****DIRECTORS' RESPONSIBILITY STATEMENT:**

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

- 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

HYDERABAD
24th June 2006

Sd/-
PREM KANKARIA
MANAGING DIRECTOR


RAJ
packaging industries Ltd.

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)

A. Power & Fuel Consumption	2005-06	2004-05
1. Electricity		
a. Purchased		
Units - KWH	9,41,028	6,34,010
Total Cost - Rs.	36,51,776	27,08,498
Average Rate/ Unit - Rs.	3.88	4.27
b. Own Generation		
Through Diesel Generator		
Units - KWH	37,054	1,28,010
Total Cost - Rs.	4,09,935	13,22,844
Units per Unit of Fuel	3.16	2.68
Cost / Unit - Rs.	11.06	10.33

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

Electricity (KWH) per K.G of Finished Product. **0.62** 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)

	2005-06	2004-05
Research & Development (R & D)	Nil	Nil
Technology absorption, adoption and innovation	Nil	Nil
Foreign Exchange Earnings (Rs. in Lakhs)	60.28	Nil
Foreign Exchange outgo (Rs. in Lakhs)	290.74	177.74

ANNEXURE - 'B' TO DIRECTOR'S REPORT

MANAGEMENT DISCUSSION AND ANALYSIS:

Pursuant to Clause 49 of the listing Agreement, a Management Discussion and Analysis report covering the performance and outlook of the company is given here below;

FORWARD LOOKING STATEMENT:

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'anticipates', 'intends', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, product development, market position and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations for future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realised. The company's actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

a) INDUSTRY STRUCTURE AND DEVELOPMENTS:

RPIL is engaged in manufacture of multilayer co-extruded plastic film and flexible packaging material. It is part of plastic packaging material industry. In India, packaging industry has operated mainly as a small and medium scale industry. The packaging material is important to several products. So this industry is growing very rapidly not only at its own but also because of growth of several industries, which are using packing material.

But in India this industry is still fragmented and very few units can really be termed as organized. Thus industry has to go a long way.

b) BUSINESS REVIEW:

The Indian GDP grew at around 8.4% in the year 2005-06 surpassing the high of 7.5% achieved during the year 2004-05. The main contribution to the GDP growth was from industrial output. The polymer industry globally has also been growing. But there have been supply disruptions due to various reasons added by capacity constraints. The industry experts believe that the current up-cycle would prevail during 2006-07 in view of healthy global GDP growth and some expected delays in commissioning of upcoming Middle East crackers. So there are supply side constraints and above all hardening of crude oil price which has reached to almost USD 77 per barrel is resulting into fluctuation of polymer prices, this will continue for 2006-07. The polymer prices have been increasing continuously so much so that domestic producers are increasing the price on



weekly basis in sync with international firm trend. Due to strong demand even availability of certain polymers has also been restricted causing further problems. The processing industry was under tremendous pressure due shortage/ unavailability of polymers and high prices of polymers. Their capacity to increase/pass on the prices to their customers is inherently limited resulting into pressure on their margins.

Only the units who are working on volume and have dedicated market are able to sustain.

Your company has gone for expansion at right time by putting new three-layer line during the year. From the date of commissioning of the plant, the plant has been working at full capacity. This is indeed a happy situation for the company.

c) OVERVIEW-2005-06:

The year 2005-06 has seen the reversal of fortune of the company. The company has successfully completed the expansion project and put up a new three-layer line. This has resulted into doubling of turnover in the last six months, from the date of expansion. And tripling of net profits. Thus increase in volume has increased the margin and profitability of the company. This was only possible due to technological superiority of the company's product and a dedicated and loyal customer base.

Your company while maintaining its leadership in oil film developed and expanded its market for lamination film supplying to various converters. This is the niche area providing tremendous support and opportunity for increasing the volume.

However, still the company could not do much in expanding the market for five layer film which if done will give tremendous boost to the profitability of the company.

d) FINANCIAL REVIEW AND WORKING CAPITAL MANAGEMENT:

In retrospect your company has seen change in fortune during the year 2005-06 as turnover stands at Rs 1505 lakhs which shows the increase of 50% on year to year basis and 100% during the last two quarters. The company has also increased its export turnover to Rs. 44 lakh as compared to Rs.16.15 lakhs previous year an increase of 172%. The company has gained from increased volume and thus increased its margins and profitability. Its net profits stood at Rs. 49.81 lakhs as against Rs.16.58 lakhs last year, an increase of 200%

The company has kept the uninterrupted track record of paying dividend and keeping in line with enhanced profits the management has proposed higher dividend of 8%, subject to approval of valued shareholders, will be paid after the Annual general Meeting.