

ROTONICS MANUFACTURING INC/DE
Form 10-Q
October 28, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended: September 30, 2003

Commission File number: 1-9429

ROTONICS MANUFACTURING INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

36-2467474

(I.R.S. Employer
Identification Number)

17022 South Figueroa Street, Gardena, California 90248

(Address of principal executive offices) (Zip Code)

(310) 538-4932

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 2003
Common Shares (\$01 stated par value)	12,325,191 Shares
	Total Pages 15

ROTONICS MANUFACTURING INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial StatementsROTONICS MANUFACTURING INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2003 (Unaudited)	June 30, 2003
<u>ASSETS</u>		
Current assets:		
Cash	\$ 48,100	\$ 44,700
Accounts receivable, net of allowance for doubtful accounts of \$253,100 and \$231,100, respectively	4,075,000	4,419,700
Current portion of notes receivable	68,200	92,100
Inventories	6,083,900	6,370,400
Deferred income taxes, net	239,900	256,900
Prepaid expenses and other current assets	350,700	256,400
Total current assets	10,865,800	11,440,200
Notes receivable, less current portion	138,600	138,600
Investment in partnership	104,300	104,300
Property, plant and equipment, net	14,397,600	14,462,000
Intangible assets, net	251,200	262,600
Other assets	42,300	42,500
	\$ 25,799,800	\$ 26,450,200
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current portion of long-term debt	\$ 864,300	\$ 864,300
Accounts payable	1,975,400	2,791,600
Accrued liabilities	944,600	1,054,800
Total current liabilities	3,784,300	4,710,700
Bank line of credit	727,100	381,200
Long-term debt, less current portion	1,764,900	1,980,900
Deferred income taxes, net	2,405,300	2,427,400
Total liabilities	8,681,600	9,500,200

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Stockholders' equity:

Common stock, stated par value \$.01: authorized 20,000,000 shares; issued and outstanding 12,325,191 and 12,344,791 shares, respectively, net of treasury shares	22,643,700	22,699,600
Accumulated other comprehensive loss, net of tax	(132,500)	(158,200)
Accumulated deficit	(5,393,000)	(5,591,400)
Total stockholders' equity	17,118,200	16,950,000
	\$ 25,799,800	\$ 26,450,200

The accompanying notes are an integral part of these consolidated financial statements.

ROTONICS MANUFACTURING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND ACCUMULATED DEFICIT

(Unaudited)

	Three Months Ended September 30,	
	2003	2002
Net sales	\$ 8,874,900	\$ 8,894,800
Costs and expenses:		
Cost of goods sold	6,793,200	6,547,300
Gross profit	2,081,700	2,347,500
Selling, general and administrative expenses	1,722,500	1,720,300
Income from operations	359,200	627,200
Other (expense)/income:		
Interest expense	(54,900)	(82,000)
Other income, net	26,700	32,000
Total other expense, net	(28,200)	(50,000)
Income before income taxes	331,000	577,200
Income tax provision	(132,600)	(215,500)
Net Income	198,400	361,700
Other comprehensive gain/(loss) before tax:		
Unrealized holding gain/(loss) arising during the period	8,300	(111,100)
Less: Reclassification adjustments for losses included in net income	34,400	46,500
Total other comprehensive gain/(loss) before tax	42,700	(64,600)
Income tax (expense)/benefit related to items of other comprehensive gain/(loss)	(17,000)	25,800
Total other comprehensive gain/(loss), net of tax	25,700	(38,800)
Comprehensive income	\$ 224,100	\$ 322,900
Accumulated deficit, beginning period	\$ (5,591,400)	\$ (6,132,000)
Net income	198,400	361,700
Accumulated deficit, end of period	\$ (5,393,000)	\$ (5,770,300)
Net income per common share:		
<u>Basic and diluted</u>		
Net income	\$.02	\$.03
Weighted average number of common and Common equivalent shares outstanding:		
Basic	\$ 12,317,762	\$ 12,573,450
Diluted	\$ 12,322,221	\$ 12,575,034

The accompanying notes are an integral part of these consolidated financial statements.

ROTONICS MANUFACTURING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
Net income	\$ 198,400	\$ 361,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	538,200	526,300
Gain on sales of equipment		(1,100)
Deferred income tax provision	(22,100)	(18,900)
Provision for doubtful accounts	22,100	24,600
Changes in assets and liabilities:		
Decrease in accounts receivable	322,600	971,800
Decrease/(increase) in inventories	286,500	(47,200)
Increase in prepaid expenses and other current assets	(94,300)	(95,600)
Decrease/(increase) in other assets	200	(3,800)
(Decrease)/increase in accounts payable	(200,200)	1,069,400
(Decrease)/increase in accrued liabilities	(67,500)	30,400
Decrease in income taxes payable		(78,700)
Net cash provided by operating activities	983,900	2,738,900
Cash flows from investing activities:		
Repayments on notes receivable	23,900	21,900
Capital expenditures	(462,400)	(696,100)
Distribution from investment in partnership		800
Proceeds from sales of equipment		1,200
Net cash used in investing activities	(438,500)	(672,200)
Cash flows from financing activities:		
Borrowings under line of credit	2,753,400	1,050,300
Repayments under line of credit	(2,407,500)	(1,153,400)
Repayment of long-term debt	(216,000)	(1,259,300)
Payment of common stock dividends	(616,000)	(630,200)
Proceeds from exercise of stock options	108,000	
Repurchases of common stock	(163,900)	(70,300)
Net cash used in financing activities	(542,000)	(2,062,900)
Net increase in cash	3,400	3,800
Cash at beginning of period	44,700	66,900

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Cash at end of period	\$	48,100	\$	70,700
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	\$	56,000	\$	87,700
Income taxes	\$	209,100	\$	311,000
Non-cash financing activity:				
Change in fair value of interest rate swap	\$	(25,700)	\$	38,800

The accompanying notes are an integral part of these consolidated financial statements.

ROTONICS MANUFACTURING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1-INTERIM REPORTING:

Basis of Presentation

The interim financial information included herein is unaudited. This information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of operating results for the interim periods. This interim financial information should be read in conjunction with the Rotonics Manufacturing Inc. (the Company) Annual Report as filed on Form 10-K for the fiscal year ended June 30, 2003.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Rotocast Plastic Products of Tennessee, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

Impact of Recent Accounting Pronouncements

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In April 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to SFAS No. 133 in its entirety, or as hybrid instrument with debt host contracts and embedded derivative features. In addition, SFAS No. 149 clarifies the definition of a derivative by providing guidance on the meaning of initial net investments related to derivatives. This statement was effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material effect on our consolidated financial position, results of operation or cash flows.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 was adopted by the Company on July 1, 2003 and did not have an impact on the Company's financial statements.

NOTE 2 - INVENTORIES:

Inventories consist of:

	September 30, 2003	June 30, 2003
Raw materials	\$ 2,070,200	\$ 2,279,800
Finished goods	4,013,700	4,090,600
	\$ 6,083,900	\$ 6,370,400

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of:

	September 30, 2003	June 30, 2003
Land	\$ 1,039,500	\$ 1,039,500
Buildings and building improvements	5,213,000	5,114,500
Machinery, equipment, furniture and fixtures	27,662,200	27,382,500
Construction in progress	627,100	548,200
	34,541,800	34,084,700
Less - accumulated depreciation and amortization	(20,144,200)	(19,622,700)
	\$ 14,397,600	\$ 14,462,000

NOTE 4 - INTANGIBLE ASSETS:

Intangible assets consist of:

	September 30, 2003	June 30, 2003
Patents	\$ 475,700	\$ 475,700
Less accumulated amortization	(224,500)	