

# APAR INDUSTRIES LIMITED



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# APAR

10th ANNUAL REPORT 1998-99



# APAR INDUSTRIES LIMITED

(Formerly Gujarat Apar Polymers Limited)

## 10th ANNUAL REPORT 1998-99

### BOARD OF DIRECTORS

|                       |   |
|-----------------------|---|
| Dr. N. D. Desai       | <i>Chairman &amp; Managing Director</i> |
| Mrs. S. D. Desai      |   |
| Mr. I. P. Gautam, IAS |   |
| Dr. Nayan R. Desai    |   |
| Mr. V. A. Gore        | <i>Nominee of I.C.I.C.I.</i>            |
| Mr. Cyril S. Shroff   |   |
| Mr. Kushal N. Desai   | <i>Joint Managing Director</i>          |
| Mr. C. N. Desai       | <i>Executive Director</i>               |
| Mr. M. M. Patel       | <i>Director (Polymers)</i>              |

### COMPANY SECRETARY

Mr. D. C. Patel

### AUDITORS

M/s. RSM & Company  
Chartered Accountants,  
Mumbai

### BANKERS

State Bank of India,  
Syndicate Bank,  
Union Bank of India,  
ING Bank,  
Mashreq Bank

### REGISTERED OFFICE

301, Panorama Complex,  
R. C. Dutt Road, Vadodara - 390 007

### CORPORATE OFFICE

Apar House, Corporate Park,  
Near Swastik Chamber,  
Sion - Trombay Road, Chembur,  
Mumbai - 400 071.

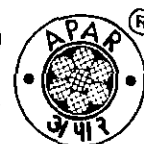


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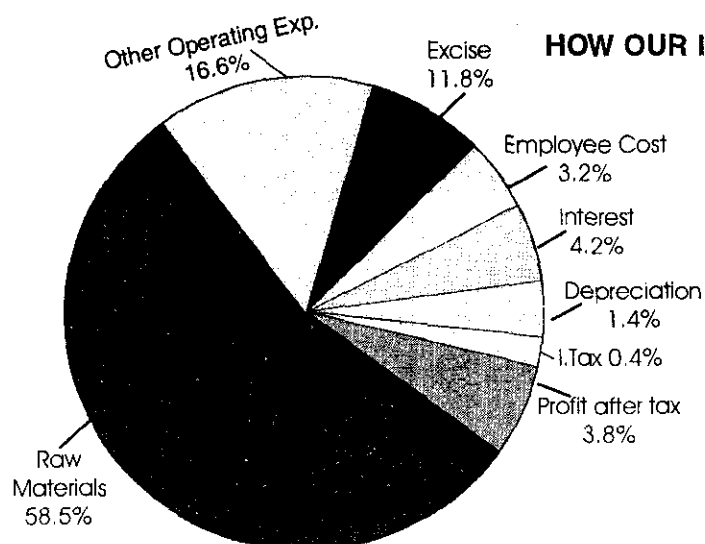


## FINANCIAL HIGHLIGHTS

Rs. in Millions

| Year   | 1998-99         | 1997-98         | 1996-97       | 1995-96       | 1994-95       | 1993-94       | 1992-93       |
|--|-----------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| <b>ASSETS EMPLOYED</b>   |                 |                 |               |               |               |               |               |
| Net fixed Assets   | 823.65          | 794.55          | 317.25        | 332.99        | 341.01        | 367.08        | 367.51        |
| Investment   | 0.55            | 0.55            | 0.20          | —             | —             | —             | —             |
| Net Current Assets   | 983.40          | 853.79          | 77.56         | 110.25        | 86.93         | 45.40         | 69.71         |
| Misc. Expenditure<br>(to the extent not written off or adjusted) | 5.25            | 5.37            | 2.21          | 4.22          | 3.12          | 4.87          | 6.61          |
| <b>TOTAL</b>   | <b>1,812.85</b> | <b>1,654.26</b> | <b>397.22</b> | <b>447.45</b> | <b>431.07</b> | <b>417.35</b> | <b>443.82</b> |
| <b>FINANCED BY</b>   |                 |                 |               |               |               |               |               |
| Equity Share Capital   | 207.96          | 258.71          | 258.70        | 258.56        | 196.51        | 162.80        | 162.77        |
| Preference Share Capital   | 227.67          | —               | —             | —             | —             | —             | —             |
| Share Capital - Suspense   | 250.00          | 426.92          | —             | —             | —             | —             | —             |
| Reserves & Surplus   | 261.79          | 147.69          | (67.38)       | (116.15)      | (163.71)      | (169.21)      | (137.47)      |
| Shareholders' Funds  | 947.42          | 833.32          | 191.33        | 142.40        | 32.80         | (6.40)        | 25.31         |
| Loan Funds   | 865.42          | 820.94          | 205.89        | 305.05        | 398.27        | 423.75        | 418.52        |
| <b>TOTAL</b>   | <b>1,812.85</b> | <b>1,654.26</b> | <b>397.22</b> | <b>447.45</b> | <b>431.07</b> | <b>417.35</b> | <b>443.82</b> |
| <b>SALES</b>   | <b>4,502.71</b> | <b>5,142.82</b> | <b>862.11</b> | <b>838.96</b> | <b>614.22</b> | <b>181.13</b> | <b>147.46</b> |
| <b>PROFIT FOR THE YEAR</b>                                       |                 |                 |               |               |               |               |               |
| Gross Profit before Interest                                     |                 |                 |               |               |               |               |               |
| Depreciation & Tax   | 449.86          | 440.25          | 119.71        | 89.18         | 93.43         | 21.49         | (8.23)        |
| Interest   | 191.66          | 205.74          | 46.47         | 51.95         | 65.00         | 52.16         | 66.58         |
| Depreciation/Amortisation  | 64.10           | 59.62           | 24.62         | 22.76         | 22.94         | 23.84         | 41.24         |
| Profit before Tax  | 194.10          | 174.89          | 48.63         | 14.47         | 5.50          | (54.51)       | (116.05)      |
| Tax  | 20.00           | 19.50           | —             | —             | —             | —             | —             |
| Profit after Tax   | 174.10          | 155.39          | 48.63         | 14.47         | 5.50          | (54.51)       | (116.05)      |
| <b>APPROPRIATIONS</b>  |                 |                 |               |               |               |               |               |
| Transfer to General Reserve                                      | 75.00           | 4.00            | —             | —             | —             | —             | —             |
| Dividend & Tax on dividends :                                    |                 |                 |               |               |               |               |               |
| i) 10% Preference  | 25.35           | 25.35           | —             | —             | —             | —             | —             |
| ii) Equity   | 34.64           | 28.87           | —             | —             | —             | —             | —             |
| <b>TOTAL</b>   | <b>59.99</b>    | <b>54.22</b>    |               |               |               |               |               |
| Dividend per Equity Share-Rs.                                    | 1.50            | 1.25            | —             | —             | —             | —             | —             |
| Book Value per Equity Share-Rs.*                                 | 22.33           | 16.84           | 7.29          | 5.32          | 1.51          | (0.69)        | 1.15          |

\*1997-98 and 1998-99, on the basis of Restructured Capital



DISTRIBUTION OF INCOME - 1998-99

| PARTICULARS          | Rs. Millions    | %            |
|----------------------|-----------------|--------------|
| Raw Materials        | 2,654.30        | 58.5         |
| Other Operating Exp. | 751.87          | 16.6         |
| Excise               | 536.40          | 11.8         |
| Employee Costs       | 144.29          | 3.2          |
| Interest             | 191.66          | 4.2          |
| Depreciation         | 64.10           | 1.4          |
| I. Tax               | 20.00           | 0.4          |
| Profit after tax     | 174.10          | 3.8          |
| <b>Total</b>         | <b>4,536.71</b> | <b>100.0</b> |

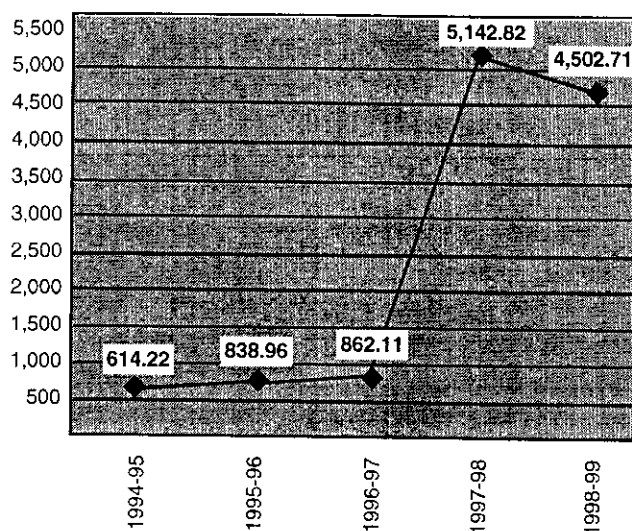




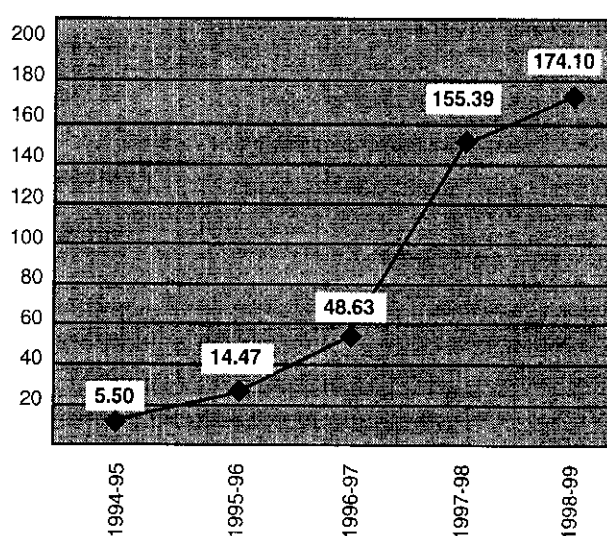
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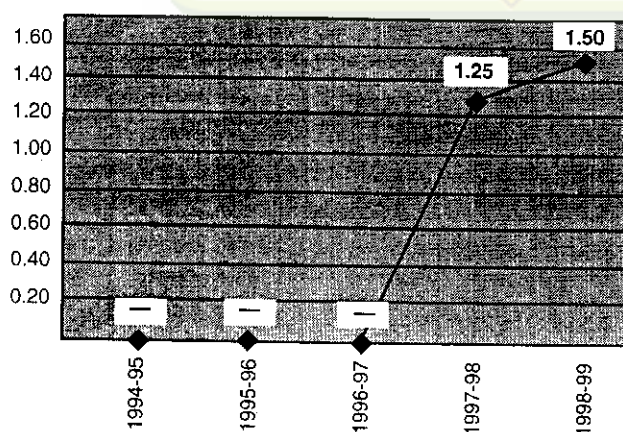
**Turnover-Rs. in Millions**



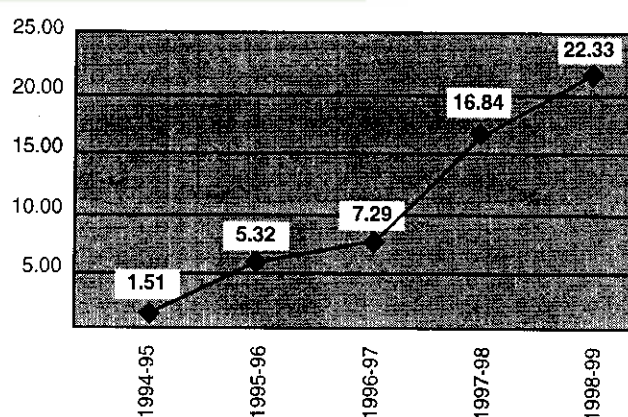
**Profit After Tax - Rs. in Millions**



**Dividend per Equity Share - Rs.**



**Book Value per Equity Share - Rs.**



## 10th ANNUAL REPORT 1998-99



## DIRECTORS' REPORT

Your Directors have pleasure in submitting the 10th Annual Report of the Company together with the audited Annual Accounts showing the financial position of the Company for the year ended on 31st March 1999:-

|  | (Rs. in Millions) |         |
|--|-------------------|---------|
|  | 1998-99           | 1997-98 |
| <b>1. FINANCIAL RESULTS:</b>   |                   |         |
| <b>Gross Income</b>  | <b>4536.71</b>    | 5162.33 |
| Profit for the year before interest, depreciation/ amortization and taxation | <b>449.85</b>     | 440.25  |
| Deducting therefrom:   |                   |         |
| Interest   | <b>191.66</b>     | 205.74  |
| Depreciation/amortization  | <b>64.10</b>      | 59.62   |
| Provision for taxation   | <b>20.00</b>      | 19.50   |
| <b>Net Profit for the year</b>   | <b>174.09</b>     | 155.39  |
| Adjusting therein:   |                   |         |
| Net amount of prior period items   | <b>Nil</b>        | 1.68    |
| Transfer from Debenture Redemption Reserve (Net)                             | <b>8.81</b>       | 4.68    |
| Balance of Profit brought forward from previous year                         | <b>103.53</b>     | Nil     |
| <b>Amount available for appropriations</b>                                   | <b>286.43</b>     | 161.75  |
| <b>Appropriations made by Directors:</b>                                     |                   |         |
| General Reserve  | <b>75.00</b>      | 4.00    |
| Proposed dividend on Equity and Preference Shares                            | <b>54.05</b>      | 48.85   |
| Tax on proposed dividend   | <b>5.94</b>       | 5.37    |
| Leaving balance carried to Balance Sheet                                     | <b>151.44</b>     | 103.53  |
|  | <b>286.43</b>     | 161.75  |

**2. DIVIDEND:**

The Directors recommend dividends for the financial year 1998-99 as under:-

On 22,838,785 10% Redeemable Preference Shares (Series I)

at Re. 1/- (Previous year Re. 1/-) per share

Rs. 22,838,785

On 20,806,045 Equity Shares at Rs. 1.50 (15%)

(Previous year Rs.1.25 - 12.5%) per share

Rs. 31,209,068

As per the provisions of Income-tax Act, the dividends declared would not be taxable in the assessment of shareholders. You are requested to declare the aforesaid dividends at the forthcoming 10th Annual General Meeting of the Company.

**3. OPERATIONS FOR THE YEAR 1998-99:****General:**

The overall turnover during the year recorded a decline of about 12% mainly on account of sales of Conductors Division having been substantially affected by economic sanctions imposed during substantial part of the year. Recession in trade and industry also slowed down the pace of growth rate in other divisions. However, the Net Profit of the Company was marginally higher by about 12% due to lower costs of raw materials and interest charge in the later part of the year and better control over operating expenses.



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With recent ISO 9002 accreditation to Company's Synthetic Rubber Division at Ankleshwar, all the manufacturing plants of the Company, except the newly established plant at Rabale have achieved ISO standard quality certification.

## Synthetic Rubber Divisions

Production and turnover during the year increased by about 12% and lower costs of inputs improved the profitability.

## Transformer & Other Speciality Oils Division

The production and sales of Transformer Oils were maintained and that of Speciality Oils improved by about 33% on account of its market having been established. At Rabale Plant near Thane, the state of art facilities for manufacture of Speciality Oils have been installed. Lower costs of inputs improved the profitability.

## Conductors Divisions

Due to slackness in local and export demands consequent to the "Economic Sanctions," the turnover was substantially affected and idle capacity/overheads affected the division's profitability.

## 4. PROSPECTS:

### Synthetic Rubber Divisions

Turnover and profitability during the current year are expected to be better.

Modernisation of manufacturing facilities at Ankleshwar by latest know-how of Goodyear Rubber & Tire Co., USA, for continuous processing of NBR in place of batch processing is expected to be completed in the next year. This will increase the annual plant capacity at Ankleshwar from 7200 MT to 10000 MT. Simultaneous installation of co-generation captive power and steam plant would achieve saving in utility cost at Ankleshwar.

### Transformer and Other Speciality Oils Division

Demand for Transformer Oils is stagnant but your Company's market share in Speciality Oils is increasing. Profitability during the current year may improve, if pace of electrification proceeds as planned.

The manufacturing facilities being established at Dadra & Nagar Haveli to improve the existing profitability are expected to be operative during the year 1999-2000.

### Conductors Divisions

With partial lifting of sanctions, order position has improved and working in the second half of the current year is expected to be better.

### Exports

Export of special grade NBR is increasing gradually. Export of Transformer Oils has started and the same is expected to pick up. Export of Conductors would pick up in the later part of the current year.

## 5. CAPITAL:

Issue of new Equity Shares and Preference Shares in place of old Equity Shares of the Company pursuant to the Scheme of Amalgamation of Industrial Business of Apar Limited with the Company (Scheme) has now been completed. Arrangements with National Securities Depository Limited (NSDL) through Depository Participant (DP) M/s. Integrated Enterprises (India) Ltd. for Equity and Preference Shares in Demat form at no cost to the shareholders was offered to shareholders and so far 1054 shareholders have availed of Demat facility. 95% Equity Shares and 68% Preference Shares of Series I are presently held in electronic/demat form.

The procedure of listing of new Equity and Preference Shares at Vadodara, Mumbai, Ahmedabad and New Delhi Stock Exchanges is expected to be completed shortly.

The Equity and Preference Shares to be issued to shareholders of erstwhile Apar Limited pursuant to the Scheme have also been issued.

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## 6. YEAR 2000:

Your Company has undertaken comprehensive steps for updating the required Computer Hardwares and Softwares to make them Y2K Compliant. Details in this regard are given in the Notes to Accounts.

## 7. DIRECTORS :

Shri Shardul S. Shroff, Director of the Company ceased to be Director of the Company with effect from 8th June, 1999. The Board places on record its appreciation for the valuable guidance and sagacious counsel rendered by him during his tenure. The casual vacancy caused by his resignation was filled by appointing Shri Cyril S. Shroff who is a Sr. Partner of M/s. Amarchand & Mangaldas & Suresh A. Shroff & Co., a leading firm of Solicitors & Advocates.

Dr. Nayan R. Desai and Dr. N. D. Desai retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Board recommends their reappointment.

## 8. AUDITORS:

M/s. RSM & Co., Chartered Accountants, Mumbai, Statutory Auditors and M/s. V. J. Amin & Co., Chartered Accountants, Vadodara, Branch Auditor of the Company shall be retiring at the ensuing Annual General Meeting, and they being eligible offer themselves for reappointment. You are requested to approve their reappointment at the said meeting.

## 9. COST AUDITOR:

Pursuant to Section 233(B) of the Companies Act, 1956, the Central Government had directed audit of cost record of Company's Conductors Divisions and Synthetic Rubber Divisions and the Board has reappointed Mr. B. C. Desai, Cost Accountant to carry out the said cost audits.

## 10. OTHER INFORMATION:

- (a) Attached to this report are the following, which are statutorily required to be attached to this Report:
  - (i) Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo.
  - (ii) Information in respect of certain employees.
- (b) As on 31st March 1999, 19 loans/deposits aggregating to Rs. 114,710 were due for repayment but were not claimed. Out of above, Rs. 34,000 have since been repaid/renewed and for the remaining amount, suitable intimations have been sent to the depositors either to renew or claim their due amounts.

## 11. ACKNOWLEDGEMENT:

Your Directors wish to place on record their sincere appreciation for continuous co-operation, support and assistance provided by Shareholders, Financial Institutions, Banks, Government Bodies, Technical Collaborators, Customers, Dealers and Suppliers of the Company. Your Directors also wish to place on record their appreciation for the dedicated services rendered by the loyal employees of the Company.

**For and on behalf of the Board**

Place : Mumbai  
Date: 27th July, 1999

**(Dr. N. D. Desai)**  
**Chairman & Managing Director**





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## ANNEXURE I TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1999.

### I. CONSERVATION OF ENERGY :

#### 1) Energy Conservation measures taken and continuing on regular basis:

- Reduction of 'starting current' of major electrical drives. Improvement in power factor. Increase of process efficiency and reduction of idle time.
- Monitoring each plants' energy consumption vis-a-vis out-put and regular reviews thereof.
- Eight Wind Mills have been installed which transfers generated power to Gujarat Electricity Board for availment by Company's Conductors Division at Vadodara.

#### 2) Additional Investment proposals, if any, being implemented for reduction of consumption of energy :

Orders for equipments etc., of about Rs. 10 crores are being placed for installation of Co-generation facility at Ankleshwar plant using natural gas for generating power and steam.

#### 3) Impact of measures at (a) and (b) above :

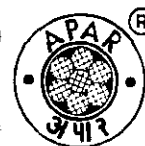
Economy/optimum utilisation of energy.

#### 4) Total Energy Consumption and Energy Consumption per unit of production :

##### (A) Power and Fuel Consumption :

|   | 1998-99    | 1997-98    |
|---|------------|------------|
| <b>(i) Electricity :</b>  |            |            |
| (a) Purchased units   | 20,144,990 | 17,556,928 |
| Total Amount (Rs./millions)                                     | 88.55      | 74.75      |
| Rate/Unit (Rs.)   | 4.40       | 4.26       |
| (b) Own Generation  |            |            |
| Through Diesel Generator -                                      |            |            |
| Units   | 543,210    | 836,328    |
| Units generated per litre of diesel oil                         | 2.03       | 2.65       |
| Cost of Unit (Rs.)  | 4.80       | 3.95       |
| Through Wind Mill -   |            |            |
| Units   | *384,341   | 1,731,655  |
| *(Generation disrupted due to natural calamity during the year) |            |            |
| <b>(ii) Furnace Oil :</b>                                       |            |            |
| Quantity (Kls)  | 6,237      | 5,622      |
| Total Amount (Rs./millions)                                     | 40.20      | 40.80      |
| Average Rate/Kls (Rs.)  | 6,445.93   | 7,257.57   |
| <b>(iii) Others :</b>   |            |            |
| Natural Gas Quantity (M3)                                       | 1,455,825  | 1,526,265  |
| Total Cost (Rs./millions)                                       | 8.49       | 8.23       |
| Rate/M3 (Rs.)   | 5.84       | 5.39       |

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## (B) Consumption per unit of production :

|   | 1998-99                     |                            |                        | 1997-98                     |                            |                        |
|---|-----------------------------|----------------------------|------------------------|-----------------------------|----------------------------|------------------------|
|   | Electri-<br>city<br>(units) | Furnace<br>Oil<br>(litres) | Natural<br>Gas<br>(M3) | Electri-<br>city<br>(units) | Furnace<br>Oil<br>(litres) | Natural<br>Gas<br>(M3) |
| (i) Refinery/Petrochemical Division             |                             |                            |                        |                             |                            |                        |
| Per KI output of Oil                            | 37                          | 30                         | —                      | 40                          | 28                         | —                      |
| Per MT output of High Styrene Rubber (HSR)      | 664                         | 178                        | —                      | 760                         | 188                        | —                      |
| (ii) Properzi and AAC/ACSR Conductors Division  |                             |                            |                        |                             |                            |                        |
| Per MT of Aluminium Conductors                  | 297                         | 137                        | —                      | 193                         | 105                        | —                      |
| (iii) Synthetic Rubber Division                 |                             |                            |                        |                             |                            |                        |
| Per MT output of Nitrile Butadiene Rubber (NBR) | 1,202                       | —                          | 228                    | 1,342                       | —                          | 306                    |

## II. TECHNOLOGY ABSORPTION AND RESEARCH &amp; DEVELOPMENT :

## 1. RESEARCH AND DEVELOPMENT (R&amp;D) :

## (i) Specific areas in which R&amp;D is carried out by the Company :

- Development of Aluminium Alloy Rods, Lubricants and Greases.
- Development of Speciality SBR & NBR Latexes and its formulations for specific application.
- Improvement of production methods and quality of products.

## (ii) Benefits derived as a result of the above R&amp;D :

- Quality improvement in all products.
- Continuous supply of better quality alloy rods for manufacturing of AAC Conductors.
- Widening of product range/grades of Lubricants, Greases, NBR, SBR and their latexes.

## (iii) Future plan of action :

Efforts are continuing for:-

- Improving manufacturing technique for production of alloy rods.
- Evaluation of base oil from different sources to improve transformer oil quality and for developing various new grades of industrial and speciality oils.
- Commercially viable production of Powder NBR and Speciality Polymer alloys.
- Development of speciality latex formulations and of new grades of NBR latexes.

## (iv) Expenditure on R&amp;D :

|   | (Rs. in millions) |         |
|---|-------------------|---------|
|   | 1998-99           | 1997-98 |
| (a) Capital   | 2.30              | 0.40    |
| (b) Recurring   | 0.82              | 4.79    |
| (c) Total   | 3.12              | 5.19    |
| (d) Total R&D Expenditure as a percentage of turnover | 0.07 %            | 0.11 %  |

Expenses of common laboratories and staff which do R&D work and quality/process control work are not allocated and hence not included in above.

## 2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

## (i) Efforts in brief, made towards technology adaptation and innovation:

NBR and Transformer Oil manufacturing technologies have been absorbed. Technical information is periodically exchanged with Technical Collaborators of NBR for updating processing parameters for manufacture of NBR.

## (ii) Benefits derived as a result of the above efforts :

Quality of various grades of NBR and Transformer Oil produced by the Company have received consumers' acceptance.