

APAR INDUSTRIES LIMITED



11th ANNUAL REPORT 1999 - 2000



APAR INDUSTRIES LIMITED

11th ANNUAL REPORT 1999-2000

BOARD OF DIRECTORS

Dr. N. D. Desai	<i>Chairman & Managing Director</i>
Mrs. S. D. 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>

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COMPANY SECRETARY

Mr. D. C. Patel

AUDITORS

M/s. RSM & Company
Chartered Accountants,
Mumbai

BANKERS

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.



APAR INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the 11th Annual General Meeting of the Equity Shareholders of Apar Industries Limited will be held on Wednesday, the 30th August, 2000 at 11.00 A.M. at the Auditorium of The Federation of Gujarat Industries, R. C. Dutt Road, Vadodara 390005, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2000 and Profit & Loss Account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. To confirm declaration of Interim Dividend on Equity and Preference Shares.
3. To appoint a Director in place of Shri M.M.Patel, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri C.N.Desai, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration.

Registered Office:

301, Panorama Complex,
R.C.Dutt Road,
Vadodara -390007.

Date : 28th June, 2000

Place : Mumbai.

By order of the Board

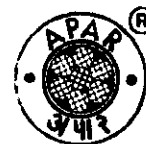
D.C.Patel

Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME APPOINTED FOR THE MEETING.
2. The Register of Members and Share Transfer Books for the Equity and Preference Shares of the Company shall remain closed from Wednesday, 16th August, 2000 to Wednesday, 30th August, 2000, both days inclusive for the purpose of this Annual General Meeting.
3. Members desirous of obtaining information / details about accounts, are requested to write to the Company at least one week before the meeting, so that proper information can be made available at the time of meeting.
4. Members are aware that Company's shares are made available for holding and transaction in Demat (Electronic) form through NSDL. The Company has recently entered into an agreement with CDSL also for dematerialisation of Company's equity shares. **SEBI has made compulsory trading of Company's equity shares in Demat form by all investors w.e.f. 24th July, 2000.**

Therefore, it may be in your interest to hold your shares in the Company in Demat form.

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DIRECTORS' REPORT

Your Directors have pleasure in submitting the 11th Annual Report of the Company together with the audited Annual Accounts showing the financial position of the Company for the year ended 31st March, 2000:-

	(Rs. in Millions)	
	1999-2000	1998-1999
1. FINANCIAL RESULTS:		
Gross Income	4124.60	4522.75
Profit for the year before interest, depreciation/ amortisation, taxation and extra-ordinary items of expenditure	331.84	447.58
Deducting therefrom:		
Interest	130.31	177.70
Depreciation/Amortisation	68.89	63.82
Provision for taxation	11.00	20.00
Extra-ordinary items of expenditure:		
Exchange rate difference (net)	29.04	7.45
Compensation under Voluntary Retirement Scheme (VRS)	9.74	3.12
Net Profit for the year	82.86	175.49
Adjusting therein:		
Prior period items (net)	8.40	(1.40)
Transfer from/(to) Debenture Redemption Reserve (net)	(1.19)	8.81
Balance of Profit brought forward from previous year	151.44	103.53
Amount available for appropriations	241.51	286.43
Appropriations made by the Directors:		
General Reserve	10.00	75.00
Dividends on Equity and Preference Shares	72.61	54.05
Income-tax on dividends	7.99	5.94
Leaving balance of Profit carried to Balance Sheet	150.91	151.44
	241.51	286.43

2. DIVIDEND:

The Company has paid Interim Dividends (free of tax) for the financial year 1999-2000 as under, which you are requested to confirm at the ensuing Annual General Meeting.

On 22,838,785 - 10% Redeemable Cumulative Preference Shares (Series I) at Re. 1/- (Previous year Re. 1/-) per share	Rs. 22,838,785
On 25,000,000 - 10% Redeemable Cumulative Preference Shares (Series II) issued during the year proportionately for the period 19.4.1999 to 31.3.2000	Rs. 23,770,492
On 20,806,045 Equity Shares at Rs.1.25 (Previous year 1.50) per Share	Rs. 26,007,557



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The Board do not recommend any final dividend and therefore interim dividend paid as above shall be treated as final dividend for the financial year 1999-2000.

3. EARLY REDEMPTION OF PREFERENCE SHARES (SERIES I):

Keeping in view the interest of Preference Shareholders and in terms of Special Resolution passed by the Shareholders of the Company on 29th September, 1999, the Company has made an offer to all holders of Preference Shares (Series I) providing option for early redemption of their said shares at par. The offer has been made for early redemption of 15,000,000 such shares out of total issued capital of 22,838,785 shares with first priority to public shareholders for such redemption. The extended date for acceptance of offer is upto 10th July, 2000.

4. COMPULSORY DEMAT TRADING IN COMPANY'S EQUITY SHARES:

SEBI by its letter No. SMDRP/POLICY/CIR-23/2000 dated 29th May, 2000 has inter alia advised all the Stock Exchanges that trading by all investors in the Company's equity shares shall be compulsorily in the dematerialised form effective from 24th July, 2000. Consequent to the said letter of SEBI, from 24th July, 2000 the concept of trading in lot will not be applicable to trading in Company's equity shares. All shareholders, in their own interest, are advised to dematerialise their holding.

In view of above, the Company has decided not to pursue the Special Resolution passed at the 10th Annual General Meeting of the Company, authorising the Board to implement (subject to SEBI Regulations) a Scheme for purchase/disposal of odd lot equity shares which intended to mitigate the hardship then experienced by the shareholders on account of reduced liquidity of their odd lot shares.

5. OPERATIONS FOR THE YEAR 1999-2000 :

GENERAL:

During the year under review, the turnover of the Company declined by about 10% on account of drop in Conductors business, it being affected by continuation of economic sanctions. The overall profitability of the Company was affected by non viable operations of Conductors division at Baroda (since transferred to Bahutha) and increased costs of raw materials and other inputs.

POLYMERS DIVISIONS :

The production and turnover during the year continued to be affected by dumping but the Company was able to maintain volume of operation by absorbing increased costs of imported monomers.

TRANSFORMER OIL AND OTHER SPECIALITY OIL DIVISIONS:

The demand for transformer oil remained stagnant. The Company has commenced export of transformer oil. The turnover of special grade oils was improved but profitability was under pressure due to competition from large scale manufacturers. The high international price of base oils substantially affected the profitability of the division as the increase of cost had to be absorbed by the Company in view of prevailing acute competition.

CONDUCTOR DIVISION :

Local as well as export demands were slack. Operations at Baroda became unviable due to high rate of octroi and other costs. Idle capacity/overheads affected the division's profitability.

6. PROSPECTS :

POLYMERS DIVISIONS :

Modernisation of manufacturing facilities at Ankleshwar by latest know-how of M/s. Goodyear Tire & Rubber Co., USA, for continuous processing of NBR (Synthetic Rubbers) in place of batch processing and of Co-Generation Captive Power and Steam Plants are expected to be operative from September/October, 2000. The installation is progressing as scheduled. The economy of scale consequent to utilisation of enhanced capacity/modernisations and current lower prices of incoming monomers are expected to enable the division to compete with dumped imports.

11th ANNUAL REPORT 1999-2000**TRANSFORMER & OTHER SPECIALITY OILS DIVISION:**

Export of transformer oil has picked up. The company's market share in special grade oils is gradually increasing. These factors are expected to improve the profitability of this division in second half of the current year. To improve the capacity to compete with other low cost units, steps are being taken to establish manufacturing facilities at Silvassa, a union territory and the same is expected to be operative from second half of current year.

CONDUCTOR DIVISION:

The order position of the Conductor division is gradually improving. Due to volatility in the orders for Conductors, the Directors have decided that for the time being, only Bahutha factory be operated for manufacture of Conductors. Employment of all the workmen of factory at Baroda have been terminated in the current year under Voluntary Retirement Scheme. The production facility for manufacture of alloy aluminium rods has been modernised for improved quality of rods. The business is expected to show improved profitability in the second half of current year.

7. DIRECTORS:

Dr. Nayan R. Desai and Shri I. P. Gautam, (IAS), Directors of the Company ceased to be Directors of the Company with effect from 29th September, 1999 and 31st January, 2000 respectively. The Board places on record, its appreciation for the valuable guidance and support rendered by them during the tenure of their association with the Company.

Shri M. M. Patel and Shri C. N. Desai, Directors of Company retire by rotation at the ensuing Annual General Meeting and they being eligible offer themselves for reappointment. The Board recommends their reappointment.

8. AUDITORS:

M/s. RSM & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company shall be retiring at the ensuing Annual General Meeting and they being eligible offer themselves for reappointment.

9. COST AUDITOR:

As per the Central Government orders, the Board has reappointed Mr.B. C. Desai, Cost Accountant to carry out the cost audit of Company's Conductor Division and Polymers Divisions.

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, 2000, the aggregate fixed deposit of Rs. 34,710/- were due for repayment but remained unclaimed.

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

Date : 17th July, 2000
Place : Mumbai

(Dr. N. D. Desai)
Chairman & Mg.Director



APAR INDUSTRIES LIMITED

ANNEXURE I TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 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, 2000.

I. CONSERVATION OF ENERGY :

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

Special Oils Refinery Division :

- i) Installed power capacitors across high HP motors to improve power factor and reduce losses.
- ii) Installed Automatic cut off system for pumps supplying water.

Conductors Division:

- i) Fuel oil saving on Aluminium Melting Furnace by improving the combustion efficiency and reducing radiation losses.
- ii) Electrical energy saving by improving power factor, reducing starting torque of heavy motors and improving the load factors.

Polymers Division:

- i) Power capacitors are connected to improve overall power factor of plant.
- ii) Timer is installed on pole/street lighting feeder connected to main lighting distribution for auto operation.

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

- i) Installation of Co-generation Power Plant of about Rs. 10 Crores at Ankleshwar is under completion stage.
- ii) Proposal for replacing less efficient motors with high efficiency motors alongwith AC Drives at Bahutha.

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

Economy/optimum utilisation of energy and saving in utility cost.

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

(A) Power and Fuel Consumption :

	1999-2000	1998-1999
(i) Electricity :		
(a) Purchased units	21,829,237	20,144,990
Total Amount (Rs./millions)	98.22	88.55
Rate/Unit (Rs.)	4.50	4.40
(b) Own Generation		
Through Diesel Generator -		
Units	82,152	543,210
Units generated per litre of diesel oil	2.55	2.03
Cost of Unit (Rs.)	3.81	4.80
Through Wind Mill -		
Units	1,693,720	*384,341
*Generation disrupted due to natural calamity during the year		
(ii) Furnace Oil :		
Quantity (Kls)	4,586	6,237
Total Amount (Rs./millions)	42.22	40.20
Average Rate/Kls (Rs.)	9,206.27	6,445.93
(iii) Others :		
Natural Gas Quantity (M3)	1,850,999	1,455,825
Total Cost (Rs./millions)	12.95	8.49
Rate/M3 (Rs.)	7.00	5.84

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(B) Consumption per unit of production :

	1999-2000			1998-1999		
	Electri- city (units)	Furnace Oil (litres)	Natural Gas (M3)	Electri- city (units)	Furnace Oil (litres)	Natural Gas (M3)
(i) Refinery/Petrochemical Division						
Per KI output of Oil	37	25	—	37	30	—
Per MT output of High Styrene Rubber (HSR)	735	144	—	664	178	—
(ii) Properzi and AAC/ACSR Conductors Division						
Per MT of Aluminium Conductors	438	146	—	297	137	—
(iii) Polymers Division, Valia	1,219	—	274	1,202	—	228

II. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT :

1. RESEARCH AND DEVELOPMENT (R&D) :

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

- Further 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&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 Aluminium Alloy Conductors.
- 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&D :

	(Rs. in millions)	
	1999-2000	1998-1999
(a) Capital	—	2.30
(b) Recurring	4.69	0.82
(c) Total	4.69	3.12
(d) Total R&D Expenditure as a percentage of turnover	0.11 %	0.07 %

Expenses of common laboratories and staff which do R&D work and quality/process control work are not allocated and hence not included in the 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. The modernisation of manufacturing facility for NBR at Ankleshwar by adopting continuous polymerisation technology of M/s. Goodyear Tire & Rubber Co., USA in addition to batch polymerisation technology is expected to be completed in the second half of the year.

(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.



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(iii)

- (a) Technology imported
- (b) Year of import
- (c) Has technology been fully absorbed

NBR & Latexes

Technical know-how for manufacture.
1989 to 1992
Yes

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. Activities related to exports :

- (i) Efforts are continuing to increase exports of ACSR, AAC and AAAC Conductors and NBR.
- (ii) Export of Transformer Oil commenced during the year and is expected to increase gradually.

2. Total Foreign Exchange used and earned :

(i) Total foreign exchange used :

- (a) Raw Materials (CIF)
- (b) Stores & Spares
- (c) Capital Goods
- (d) Others

(Rs. in millions)	
1999-2000	1998-1999
1,239.76	1,800.81
3.15	0.60
42.68	8.56
64.48	38.58
1,350.07	1,848.55

(ii) Total foreign exchange earned :

- (a) Physical Exports (FOB)
- (b) Deemed Exports (eligible for export incentives)
- (c) Others

634.17	855.78
246.66	418.26
17.94	23.86
898.77	1,297.90

ANNEXURE II TO THE DIRECTORS' REPORT

Information pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2000.

Employed throughout the Financial year under review and was in receipt of the Remuneration in aggregate of not less than Rs. 600,000.00 per annum.

Name of Employee	Designation/ Nature of Duty	Qualification	Remuneration(Rs.)	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment and Designation
Dr. N. D. Desai	Chairman & Managing Director	B.Sc. (Hons.), London, M.S. Ele. Eng., Ph.D., Penn. U.S.A., Sigma XI, A.A.M.I.E.E.	2,395,574	39	60	02.06.1958	—
Mr. K. N. Desai	Joint Managing Director	B.Sc. Hons. (Ele. Engg.) U.S.A. B.S. Eco. Hons. (Wharton)	2,039,213	13	34	01.01.1997	GE Lighting (India) Ltd. President
Mr. C. N. Desai	Executive Director	B.Sc. Hons., (Chem. Engg.), U.S.A. B.S. Eco. Hons. (Wharton)	1,633,504	6	29	01.04.1994	—
Mr. M. M. Patel	Director (Polymers)	B.Sc. (Bom.) A.N.C.R.T., A.I.R.I. (London) FPRI (UK) FISI (India)	988,740	46	69	24.03.1986	Benari Rubber Product Pvt. Ltd., Sri Lanka- Resident Director
Mr. D. L. Dedhia	Chief Executive (Finance)	B.Com., F.C.A., A.I.C.W.A.	1,119,125	30	58	16.04.1980	Airconditioning Corpn. Ltd.
Mr. N.R. Bhupatkar	Chief Executive (Industrial Oils)	Elect. & Mech. Engineer	792,000	39	61	05.03.1997	Manager (Comm.) Indian Oil Corporation- GM (Tech. Services)
Mr. M.S. Majumdar	General Manager, Marketing (Polymers Division)	B.Sc. L.P.R.I., DMM	697,621	24	47	01.07.1996	Herdillia Unimers Ltd. Sr. Marketing Executive

NOTES :

- (1) The Remuneration includes salary, dearness allowance, commission paid to Directors, rent, reimbursement of leave travel and medical/benefits, Company's contribution to provident fund, superannuation fund, bonus, ex-gratia, leave encashment and other perquisites in respect of motor car, accommodation.
- (2) Dr. N.D. Desai, Shri K.N. Desai and Shri C.N. Desai, Directors are related to each other. None of the employees is related to any of the said Directors.
- (3) Services of all employees were transferred from Apar Limited pursuant to the Scheme of Amalgamation.
- (4) All appointments are contractual and terminable by notice on either side, except for Directors.

11th ANNUAL REPORT 1999-2000**AUDITORS' REPORT**

To,
The Members of
APAR INDUSTRIES LIMITED
(Formerly known as GUJARAT APAR POLYMERS LIMITED)

We have audited the attached Balance Sheet of APAR INDUSTRIES LIMITED ('the Company') as at March 31, 2000 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above,
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies in Schedule 19 and Notes to Accounts in Schedule 20 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:-
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2000 and
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **RSM & Co.**
Chartered Accountants

NATRAJ RAMKRISHNA
Partner

Place : Mumbai
Dated : June 28, 2000