

APAR INDUSTRIES LIMITED



12th ANNUAL REPORT 2000-2001



Polymers Division Plant at Valia (Ankleshwar)

Special Oils Refinery at Thane, Mumbai

Report





APAR INDUSTRIES LIMITED

12th ANNUAL REPORT 2000-2001

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>
Dr. N. K. Thingalaya	} <i>Appointed w.e.f. 27.7.2001</i>
Mr. F. B. Virani	
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>

AUDIT COMMITTEE

Dr. N. D. Desai	<i>Chairman</i>
Mrs. S. D. Desai	
Mr. V. A. Gore	

COMPANY SECRETARY

Mr. D. C. Patel

AUDITORS

M/s. RSM & Company
Chartered Accountants,
Mumbai

BANKERS

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

REGISTERED OFFICE

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

CORPORATE OFFICE

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



APAR INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the 12th Annual General Meeting of the Equity Shareholders of Apar Industries Limited will be held on **Friday, the 28th September, 2001 at 11.00 A.M.** at the Auditorium of **Vanijya Bhavan, Central Gujarat Chamber of Commerce, Near GEB Head Office, Race Course, Vadodara 390007**, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2001 and Profit & Loss Account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. To declare dividends on Preference Shares and Equity Shares of the Company.
3. To appoint a Director in place of Shri Kushal N. Desai, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. N. D. Desai, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Dr. N.K.Thingalaya be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Shri F.B.Virani be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office:

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

By order of the Board

D.C.Patel
Company Secretary

Date : 27th July, 2001

Place : Mumbai.

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 Monday, 17th September, 2001 to Friday, 28th September, 2001, both days inclusive for the purpose of ascertaining the eligibility of shareholders to receive equity and/or preference dividend(s) for the financial year 2000-2001.
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 equity shares are notified for compulsory trading in Demat form by all investors w.e.f. 24th July, 2000 and therefore it is requested to all those shareholders, who have not yet dematerialised (demat) their equity share certificates to dematerialise their holding.
5. The required Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.

12th ANNUAL REPORT 2000-2001**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT**

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 6 :

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Dr. Navinchandra K.Thingalaya is appointed as an additional director by the Board of Directors at its Meeting held today, i.e. 27th July, 2001.

Dr. N.K.Thingalaya aged 63 years is holding doctoral degree in Economics from University of Bombay. He has served at various top level positions of Syndicate Bank and retired as Chairman & Managing Director of the Bank with 31 years of rich experience in banking sector. He has served as Consultant to World Bank on research project about "Innovation in Banking" and was also Chairman of Working Group for restructuring Regional Rural Banks appointed by RBI. He had also headed various other committees on banking field. He has authored several books and articles on banking sector. At present, he is Professor-Emeritus and Chairman of Academic Council of Justice K.S.Hegde Institute of Management and Trustee of Corporation Bank Economic Development Foundation, Corporation Bank, Mangalore.

In terms of Section 260 of the said Act, Dr. N.K.Thingalaya shall hold the office of director only upto the date of ensuing Annual General Meeting (AGM). The Company has received valid notice and requisite deposit from a member of the Company under Section 257 of the said Act, proposing the candidature of Dr. N.K.Thingalaya for the office of Director.

In view of the above background and rich experience of Dr. N.K.Thingalaya in the field of banking and finance, it will be in the interest of the Company to continue him as a director of the Company retireable by rotation. The directors therefore recommend the resolution for approval of the members.

None of the directors of the Company except Dr. N.K.Thingalaya is in any way concerned or interested in the resolution.

Item No. 7 :

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Shri Fattechand B. Virani is appointed as an additional director by the Board of Directors at its Meeting held today, i.e. 27th July, 2001.

Shri F.B.Virani aged 55 years is a postgraduate in Chemical Engineering and Management graduate from reputed universities of U.S.A. He has very vast experience in handling chemical projects of GILC, IPCL and foreign Companies in U.S.A. He was instrumental in pioneering infrastructure development for gas distribution network of Gujarat Gas Company Limited during his tenure as Managing Director for 10 years. He was also associated in finalising technical Collaboration with Goodyear Tire & Rubber Co. U.S.A. for Company's NBR Project at Valia (Ankleshwar) on behalf of the co-promoter, GILC. Presently, he is an advisor to Adani Group and is also executive member of Professional bodies like Confederation of Indian Industries (CII), Gujarat Region and Ahmedabad Management Association.

In terms of Section 260 of the said Act, Shri F.B.Virani shall hold the office of director only upto the date of ensuing Annual General Meeting (AGM). The Company has received valid notice and requisite deposit from a member of the Company under Section 257 of the said Act, proposing the candidature of Shri F.B.Virani for the office of Director.

In view of the above background and rich experience of Shri F.B.Virani in the field of Chemical Engineering and Management, it will be in the interest of the Company to continue him as a director of the Company retireable by rotation. The directors therefore recommend the resolution for approval of the members.

None of the directors of the Company except Shri F.B.Virani is in any way concerned or interested in the resolution.

Registered Office:

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

Date : 27th July, 2001

Place : Mumbai.

By order of the Board

D.C.Patel

Company Secretary



APAR INDUSTRIES LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in submitting the 12th 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, 2001 :

	(Rs. in Millions)	
1. Financial Results :	2000-2001	1999-2000
Gross Income	5173.02	4142.94
Profit for the year before interest, depreciation/ amortisation, taxation and extra-ordinary items of expenditures	281.97	342.36
Deducting therefrom :		
Interest	197.48	140.20
Depreciation/Amortisation	74.92	68.89
Provision for Taxation/Wealth-tax	0.10	11.00
Extra - Ordinary Items of Expenditures :		
Exchange rate difference (net)	27.89	29.04
Write off of Compensation paid under Voluntary Retirement Scheme (VRS) and Preliminary Expenses	16.82	10.37
Net Profit /(Net Loss) for the year	(35.24)	82.86
Adjusting therein:		
Prior period items (net)	3.02	8.40
Provision for prior periods Taxation (net)	(26.50)	—
Excess provision for taxation of prior years written back	10.00	—
Transfer from/(to) Debenture Redemption Reserve (net)	(1.19)	(1.19)
Balance of Profit brought forward from previous year	150.91	151.44
Transfer to Capital Redemption Reserve	(50.00)	—
Amount available for appropriations	51.00	241.51
Appropriations made by the Board of Directors :		
General Reserve	—	10.00
Dividends on Equity and Preference Shares	43.04	72.61
Income-tax on dividends	4.39	7.99
Leaving balance of Profit carried to Balance Sheet	3.57	150.91
	51.00	241.51

2. Early Redemption of Preference Shares (Series I) :

During the year under review, in terms of special resolution passed by shareholders of the Company at its Annual General Meeting held on 29th September, 1999, the Company had made early redemption of 15,000,000 Preference Shares (Series I) of Rs. 10/- each at par aggregating to Rs. 150,000,000 held by 7,011 Preference Shareholders. The redemption amount was paid to all such preference shareholders on 31st July, 2000 and consequently, the preference share capital of Series - I stand reduced from Rs. 228,387,850/- to Rs. 78,387,850/-.

Pursuant to provisions of Section 80(1)(d) of the Companies Act, 1956, in respect of the aforesaid redemption the sum of Rs. 150,000,000 has been credited to the Capital Redemption Reserve Account by transferring the sum of:

Rs. 50,000,000 from the credit balance of Profit & Loss Account and
Rs. 100,000,000 from the General Reserve Account.

12th ANNUAL REPORT 2000-2001**3. Operations for the year 2000-2001:****Polymers Divisions :**

Captive plant for co-generation of power and steam became operative at Ankleshwar in November, 2000. Test runs of the Ankleshwar plant, modernised with latest know-how of M/s. Goodyear Tire & Rubber Co., USA for continuous processing of NBR in place of batch processing was installed during the year. However, the rated capacity and quality are being established with assistance of the collaborators. The production of NBR was reduced during installation of systems for modernisation of the plant. However, overall increase in production and turnover of the division was mainly on account of HSR produced at Chembur Plant. The profitability was squeezed due to increased cost of monomers due to substantial increase in crude oil prices and heavy dumping.

Transformer & other Speciality Oils Division :

The volume of business was affected by slow down of economy. The profitability was under pressure due to increased costs of base oils, which could not be fully reflected in the sale price of orders booked earlier, and/or competition. The establishment of manufacturing facilities at Silvassa has improved the division's capacity to sell in competitive market.

Conductors Divisions :

During the year, the volume of production increased by about 40% and production of high quality Alloy Aluminium rods had been stabilised. However, the profitability was affected by increased cost of inputs. The FOB value of exports and deemed exports during the year was more than double at Rs.1581.16 millions as compared to Rs. 753.93 millions in the preceding year. To meet the increased demand, job processing of conductors by outside parties was also availed.

General :

As aforesaid, the overall profitability of the year was temporarily affected by squeeze in margins due to intense competition, abnormal rise in cost of raw materials and interest. However, the cash inflow from operating activities was positive. As can be seen from the following details, the operations of second half of the year show improvements and directors expect the gradual improvement to continue in the current year also:-

	(Rs. in millions)	
	Profit / (Loss) 2000-2001	Profit / (Loss) 1999-2000
1st half year ended 30th September	(47.92)	97.42
2nd half year ended 31st March	12.68	(14.56)
	<u>(35.24)</u>	<u>82.86</u>

4. Dividend :

Considering the gradual improvement in operation of the last half year of 2000-2001 and positive results in the current financial year, the Board of Directors recommend the following dividends (free of tax) for the financial year 2000-2001 from the net profits of the previous years, which you are requested to declare at the ensuing Annual General Meeting:-

On Preference Shares @ Re. 1/- (Previous year Re. 1/-) per share :

On 7,838,785 Shares (Series-I)	Rs. 7,838,785
On 15,000,000 Redeemed Shares (Series-I) for the period 1/4/2000 to 31/7/2000	Rs. 5,000,000
On 25,000,000 Shares (Series-II)	Rs. 25,000,000

On Equity Shares @ Re.0.25 (Previous year Rs.1.25) per share :

On 20,806,045 Shares	Rs. 5,201,511
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5. Prospects :**Polymers Divisions :**

With full utilisation of co-generation plant and facilities for continuous process being available, the turnover and



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profitability are expected to increase and economy of scale will be reflected in operative results. The new profitable grades of polymers and their applications are being developed at in house R&D center on ongoing basis. Exports to USA, Canada etc. have also picked up.

Transformer & other Speciality Oils Division :

With increased activities at Thane Belapur and Silvassa plants, the profitability of the division is expected to improve and with increased electrification programme, the demand is expected to pick up. Exports to over 15 countries have increased the sales.

Conductors Division :

The profitability of the division is expected to improve with on hand good priced exports and deemed export orders coupled with increased proportion of job work by other parties at competitive cost. Major big power projects abroad now prefer our conductors and so we get quantity and price preference.

6. Directors:

Shri Kushal N. Desai and Dr. N.D.Desai retire by rotation at the ensuing Annual General Meeting of the Company and they being eligible offer themselves for reappointment. The Board recommends their reappointment.

In order to meet the requirements of Corporate Governance, the Board of Directors of the Company at its meeting held on 27th July, 2001 has appointed Dr. N.K. Thingalaya and Shri F.B. Virani as additional directors. In pursuance of provisions of Section 260 of the Companies Act, 1956, they will hold office as directors upto the date of ensuing Annual General Meeting. The Company has also received notices under Section 257 of the Companies Act, 1956, proposing their candidature as directors liable to retire by rotation. The Board therefore recommends their appointment.

7. Directors' Responsibility Statement :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with regard to Directors' Responsibility Statement, it is hereby confirmed that :

- (a) in the preparation of the Annual Accounts for the financial year ended 31st March, 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (b) the directors had selected appropriate accounting policies and applied them consistently and made judgements 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 the financial year and of the loss of the company for period under review.
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) the directors had prepared the annual accounts on a going concern basis.

8. Corporate Governance :

In terms of the provisions of Section 292A of the Companies Act, 1956, the Board of Directors has constituted an Audit Committee of three directors for better and more focussed attention on the business affairs of the Company. Furthermore, in order to monitor the effective redressal of shareholders'/investors' grievances, the existing Share Transfer Committee is reconstituted as Share Transfer & Shareholders' Grievance Committee comprising of four directors.

The Company will commence reporting on compliance of Corporate Governance provisions in terms of Clause 49 of the Listing Agreement of the Stock Exchanges by 31st March, 2002.

9. 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.

10. 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 Conductors Division and Polymers Division.

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11. 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, 2001, the aggregate amount of Rs. 34,710 given by 7 depositors were due for repayment but were not claimed. The Company has sent, suitable intimations to concerned depositors either to renew or claim their due amounts.

12. 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
Dr. N.D.Desai
Chairman & Managing Director

Place : Mumbai
 Date : 27th July, 2001

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, 2001.

I. CONSERVATION OF ENERGY:

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

Special Oils Refinery Division :

1. Installed impeller trimming of pumps and high HP motors changed from "Delta" to "Star" connection to reduce power consumption.
2. Steam conservation by heating the incoming oil with heated oil through heat exchanger.

Conductors Division :

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

Polymers Division :

1. Installed Co-generation Power Plant for saving Fuel and Power.
2. Installed invertors and variable frequency drives and replaced energy efficient capacitors for power saving.

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

The Company is examining various alternatives for reduction in consumption of energy.

3. Impact of measures at (1) and (2) above:

Economic / 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:	2000-2001	1999-2000
(i) Electricity :		
(a) Purchased Units	15,765,904	21,829,237
Total Amount (Rs. / millions)	71.75	98.22
Rate / Unit (Rs.)	4.55	4.50
(b) Own Generation :		
Through Diesel Generator (Units)	580,746	82,152
Units generated per litre of diesel oil	2.59	2.55
Cost of Unit (Rs.)	6.34	3.81



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Through Wind Mill (Units)	1,537,579	1,693,720
Through Co-generation Power Plant (Units)	4,240,520	—
(ii) Furnace Oil :		
Quantity (Kls)	3,521	4,586
Total Amount (Rs./millions)	33.25	42.22
Average Rate/Kls (Rs.)	9443.26	9,206.27
(iii) Others :		
Natural Gas Quantity (M3)	3,082,701	1,850,999
Total Cost (Rs./millions)	24.51	12.95
Rate/M3 (Rs.)	7.94	7.00

(B) Consumption per unit of production:

	2000-2001			1999-2000		
	Electri- city (units)	Furnace Oil (litres)	Natural Gas (M3)	Electri- city (units)	Furnace Oil (litres)	Natural Gas (M3)
(i) Refinery/Petrochemical Division:						
Per KL output of Oil	39	15	—	37	25	—
Per MT output of High Styrene Rubber (HSR)	528	144	—	735	144	—
(ii) Continous Casting & Rolling Mill and AAC / ACSR Conductors Division :						
Per MT of Aluminium Conductors	224	130	—	438	146	—
(iii) Polymers Division, Valia	769	—	520	1,219	—	274

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.
- Development of Speciality SBR & NBR Latices and its formulations for specific application.
- Development of Transformer Oils meeting international standards with new source of Base Oils.
- Development of over 50 grades of Industrial & Speciality Oils.
- 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 Industrial Oils, NBR, SBR and their latices.
- Increase in exports of Transformer Oil and LLP.

(iii) Future plan of action :

- Development of SBR and Speciality SBR Powders.
- Development and commercial production of new grades of NBR Latices and Speciality Latices.
- Commercially viable production of Linear and Cross linked NBR Powders and Speciality Polymers Alloys.
- To work on cost effective formulations and automate the production process.
- Development of Lubricants meeting international standards.

(iv) Expenditure on R&D :

	(Rs. in millions)	
	2000-2001	1999-2000
a) Capital	—	—
b) Recurring	1.40	4.69
c) Total	1.40	4.69
d) Total R&D Expenditure as a percentage of turnover	0.03%	0.11%

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 the processing parameters for manufacture of NBR. The Company has successfully installed continuous polymerisation technology of Goodyear Tire & Rubber Co., USA.