

Apar Industries Limited



14th Annual Report 2002-2003



14th ANNUAL REPORT 2002-2003

BOARD OF DIRECTORS

Dr. N. D. Desai	<i>Chairman & Managing Director</i>
Mr. V. A. Gore	
Dr. N. K. Thingalaya	
Mr. F. B. Virani	
Mr. V. D. Shinde	<i>Nominee of IDBI</i>
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>
Mr. H. N. Shah	<i>(w.e.f. 27-9-2002)</i>

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AUDIT COMMITTEE

Mr. V. A. Gore, *Chairman*
Dr. N. K. Thingalaya
Mr. F. B. Virani

COMPANY SECRETARY

Mr. D. C. Patel

AUDITORS

M/s. RSM & Company
Chartered Accountants,
Mumbai.

BANKERS

Union Bank of India,
Syndicate Bank,
ING-Vysya Bank Ltd.,
Indian Bank,
The Dhanalakshmi Bank Ltd.

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.

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**NOTICE**

NOTICE is hereby given that the 14th Annual General Meeting of the Equity Shareholders of **APAR INDUSTRIES LIMITED** will be held at the Auditorium of The Vanijya Bhavan, Central Gujarat Chamber of Commerce, Near GEB Head Office, Race Course, Vadodara - 390 007 on Tuesday, the 30th September, 2003 at 10.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt Balance Sheet as at 31st March, 2003 and Profit and 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 C.N.Desai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. N.K.Thingalaya, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri F.B.Virani, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Section 163 of the Companies Act, 1956, the Register of Members, Share Transfer Books, Index of Members and other shares related records and registers required to be maintained at the Registered Office of the Company, be maintained at the Office of the Registrar and Share Transfer Agents, M/s. MCS Limited, Neelam Apartment, 88, Sampatrao Colony, B/H. Federation Bldg. Alkapuri, Vadodara-390 007, situated within the local limits of Vadodara City."

8. To consider and if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution** :

"RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company, be and is hereby amended / altered as follows:

After Article No. 15A, the following new Article numbered as Article No. 15B be inserted:

15B : Right to call of the share :

The option or right to call of shares shall not be given to

any person except with the sanction of the Company in General Meeting."

9. To consider and if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Clause 5 of the SEBI (Delisting of Securities) Guidelines, 2003, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such approvals, permissions and sanctions, as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company to voluntarily delist its Equity Shares and Preference Shares (Series I) from -

- a. The Stock Exchange (ASE), Ahmedabad,
- b. The Delhi Stock Exchange Association Limited (DSE), New Delhi,

keeping in view the shares of the Company being continued to be listed and traded at the The Bombay Stock Exchange (BSE) having nation-wide trading terminals."

Registered Office:

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

By Order of the Board
D.C.Patel
Company Secretary

Place : Vadodara

Date : 18th August, 2003.

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. It is requested to all those members who have still not paid the outstanding allotment money on the right Equity Shares of the Company (formerly known as Gujarat Apar Polymers Limited), allotted on 17th August, 1995, to pay the due allotment money as per the last reminder letter dated 1st April, 2003 forwarded to them. Non-payment of allotment money on or before the extended date of 30th September, 2003 will make the shares liable for forfeiture.
3. The Register of Members and Share Transfer Books for the Equity and Preference Shares of the Company shall remain closed from Tuesday, the 23rd September, 2003 to Tuesday, the 30th September, 2003, both days inclusive, for the purpose of ascertaining the eligibility of shareholders to receive equity and/or preference dividend(s) for the financial year 2002-2003.



APAR INDUSTRIES LIMITED

4. Dividend on Equity Shares and Preference Shares as recommended by the Board of Directors for the Financial Year ended 31st March, 2003, when declared at the Annual General Meeting will be paid to all those Members whose names appear on the Register of Members of the Company as on 30th September, 2003 and as per the Statement of Beneficial Ownership furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).
5. Members desirous of obtaining information / details about the 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.
6. Members holding shares in dematerialised form, may please note that while opening a depository account with Depository Participant (DP), they have given their bank account details, which will be printed on their dividend warrants. However, if members want to change / correct the bank account details, they should communicate the same immediately to the concerned Depository Participant (DP). Members are also requested to furnish the bank account details along with MICR code of their bank to their Depository Participant so as to enable the Company to ensure payment of dividend through Electronic Clearing Service (ECS).
7. In terms of SEBI circular, the Company has appointed M/s. MCS Limited, Neelam Apartment, 88, Sampatrao Colony, B/H. Federation Bldg. Alkapuri, Vadodara-390 007 as Registrar for Share Transfer and Depository. Members are requested to send all correspondence relating to Shares including Transfer / Transmission / Change of Address and Dematerialisation of shares to the said Registrar.
8. The required Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is annexed hereto and forming part of the Notice. The details of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting as required in terms of Clause 49 of the Listing Agreement of the Stock Exchanges is also annexed hereto and forming part of the Notice.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item no. 7 :

Item No. 7 of the notice relates to transfer of records relating to Register of Members and Share Transfer Books and other shares related records and registers from the Registered Office of the Company to the Office of the Registrar and Share Transfer Agent.

As per Section 163 of the Companies Act, 1956, the Register of Members, Register of Debentureholders, Index of Members

and Debentureholders and copies of all Annual Returns under Section 159 and 160 together with copies of certificates and documents required to be annexed thereto under Section 160 and 161 of the Companies Act, 1956 are to be kept at the Registered Office of the Company. The SEBI circular No. D&CC/FITTC/CIR-15/2002 dated 27th December, 2002, requires all listed Companies to maintain share registry functions in terms of both physical and electronic segment at a single point either in-house or with SEBI registered R & T Agent. Accordingly, the Company has appointed M/s. MCS Limited, Neelam Apartment, 88, Sampatrao Colony, B/H. Federation Bldg., Alkapuri, Vadodara – 390 007, who are SEBI registered R & T Agent, as its Registrar and Share Transfer Agent for both physical and electronic shares w.e.f. 1st April, 2003. Therefore, in order to facilitate servicing shareholders, it is desirable to keep Register of Members, Index of Members and other shares related records and documents at the said Registrar's Office.

In order to transfer the aforesaid registers, records, etc. at Registrar's Office, a Special Resolution is required to be passed in terms of provision of Section 163 of the Companies Act, 1956.

As statutorily required by Clause (iii) of Proviso to Section 163(1) of the Companies Act, 1956, a copy of the draft of the Resolution has been submitted to the Registrar of Companies, Gujarat.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

Item no. 8 :

Item No. 8 of the notice relates to the alteration of Articles of Association of the Company by inserting new Article No. 15B after the existing Article No. 15A. With a view to provide better liquidity to investors, the Company has made an application to The National Stock Exchange of India (NSE), Mumbai for the listing of its equity shares. One of the listing requirements of the NSE is that the Articles of Association of a Company seeking listing should contain amongst other provisions, the provisions laid down under the proposed Article No. 15B. It is therefore proposed to incorporate new Article No. 15B in the Articles of Association of the Company. The Board, therefore, commends the Resolution for approval by the Members.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

Item no. 9 :

Item No. 9 of the notice relates to the proposal for voluntary delisting of shares of the Company from the Stock Exchanges, in pursuance of the recently enacted or pronounced SEBI (Delisting of Securities) Guidelines, 2003.

Presently, the Company's Equity Shares and Preference Shares (Series I) are listed on the following four Stock Exchanges in India :

- a. The Vadodara Stock Exchange Limited– Vadodara (Regional Stock Exchange) (VSE)
- b. The Stock Exchange- Ahmedabad (ASE)



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- c. The Delhi Stock Exchange Association Ltd. New Delhi (DSE),
d. The Stock Exchange – Mumbai (BSE).

With the wide networking of centers of The Stock Exchange, Mumbai (BSE), the members / investors of the Company have access to online dealings / trading in the shares of the Company across the whole country. Small number of Company's members are located within the city of Ahmedabad and New Delhi where the above Stock Exchanges (ASE and DSE) are operating. Further, trading volume on the said two Stock Exchanges in the Company's shares is absolutely nil during the last 7 years. Therefore, considering the cost and benefit of listing at the said Stock Exchanges, the Board has proposed to delist the Company's shares from these two Stock Exchanges. Such delisting will not adversely affect any investor including members located in the regions where the said two Stock Exchanges are situated since they will continue to be able to trade on the widely spread trading terminals of The Stock Exchange, Mumbai (BSE) in all regions. Further, in

accordance with Clause No. 5 of the recent SEBI (Delisting of Securities) Guidelines, 2003, voluntary delisting of the Company's securities is permitted from all the Stock Exchanges provided the securities (shares) continue to be listed at a Stock Exchange having nation-wide trading terminals and members' approval by way of a special resolution is obtained. Under the said Clause, the Company is not required to offer an exit route to the shareholders of the Company.

The Board, therefore, commends the Resolution for approval by the Members.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

Registered Office:

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

By Order of the Board
D.C.Patel
Company Secretary

Place : Vadodara

Date : 18th August, 2003.

Details of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of Director →	Shri C.N.Desai	Dr. N.K.Thingalaya	Shri F.B.Virani
Date of Birth	15.07.1971	04.11.1937	26.06.1945
Date of Appointment	29.05.1993	27.07.2001	27.07.2001
Expertise in specific functional areas	Chemical Engineering	Banking	Chemical Engineering
Qualifications	B.Sc. (Hons.), (Chem. Engg.), USA B.S.(Econ.) Hons., Wharton, USA.	Ph.D. (Economics)	B.E.(Chem. Engg.) M.S.(Chem. Engg.) (USA) M.B.A. (USA)
List of other Companies in which Directorship held as on 31.03.2003	1. Apar Technologies Ltd. 2. Apar Masat Conductors Ltd.	Canbank Investment Management Services Ltd.	Jaiprakash Hydro-Power Ltd.
Chairman / Member of the Committee of other Companies on which he is a Director as on 31.03.2003.	Apar Technologies Ltd. -Member, Audit Committee	—	—



APAR INDUSTRIES LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting the 14th 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, 2003 :

	(Rs. in Millions)	
1. Financial Results :	2002-2003	2001-2002
Gross Income (5.93% increase over Previous year)	6159.72	5814.84
Profit for the year before interest, depreciation/amortisation, taxation, and extra-ordinary items of expenditures	427.79	483.97
Deducting there from :		
- Interest	157.57	185.98
- Depreciation / Amortisation	83.40	74.80
Provision for Taxation / Wealth Tax (including /net of Deferred Tax adjustment)	39.74	57.94
Extra Ordinary Items of Expenditures :		
- Exchange rate difference (net)	(24.56)	29.14
- Compensation under Voluntary Retirement Scheme (VRS) and Technical know-how fee written off	16.94	20.69
Net Profit for the year (34% increase over Previous year)	154.70	115.42
Adjusting therein :		
- Prior period adjustments (net)	(0.38)	(1.79)
- Transfer from/(to) Debenture Redemption Reserve (net)	(15.00)	7.15
- Adjustment of a part of Deferred Tax as on 1 st April, 2001	(24.43)	(24.43)
- Balance of Profit brought forward from Previous Year	31.26	3.56
Amount available for appropriations	146.15	99.91
Appropriations made by the Board of Directors :		
- General Reserve	15.00	15.00
- Dividends on Equity and Preference Shares	49.04	53.65
- Income-tax on dividends	6.29	—
- Leaving balance of Profit carried to Balance Sheet	75.82	31.26
	146.15	99.91

2. Dividend :

Considering the improved financial results achieved during the year under review, the Board of Directors is encouraged to recommend the following dividends (free of Tax) for the financial year 2002-2003 out of the net profit available for distribution :

On Preference Shares @ Re. 1/- [10 %]

(Previous year Re. 1 [10 %]) per share :

- On 7,838,785 Shares (Series-I) - Rs. 7,838,785
- On 10,000,000 Shares (Series-II) - Rs. 10,000,000

On Equity Shares @ Rs. 1.50 [15 %]

(Previous year Re. 1.00 [10.00%]) per share :

- On 20,806,045 Shares - Rs. 31,209,068

The above dividends are subject to shareholders' approval at the ensuing Annual General Meeting and therefore you are requested to declare the same. The aforesaid dividends will not be liable to tax in the hands of shareholders as the Company will pay income tax in respect thereof under Section 115-O of the Income-tax Act, 1961.

3. Management Discussion & Analysis :

a) Industry Structure and Development :

Polymers :

The Synthetic Rubbers manufactured by the Company include

speciality products which require constant upgradation in technology of manufacturing process backed with R & D at every stage. The Synthetic Rubber industry is spread amongst many market segments, the Indian market is growing at approx. 5 % p.a. The Company's rubbers viz. Nitrile Butadiene Rubber (NBR) and High Styrene Rubber (HSR) have good potential for growth, provided the unfair dumping of imported rubbers at low prices is offset by appropriate anti dumping duties. The monomers (Raw Material) prices increased in Q3 and Q4 due to international shortages, but Company's products prices could not be raised due to above reason.

Transformer & Industrial Oils :

The industry of Transformer Oil, Industrial Oils and other lubricants is dominated by organised and unorganised sectors. The development of Transformer Oils business mainly depends on power projects. The Government policy on power projects is encouraging, which would enhance the demand and production of transformers and use of Transformer Oil in the country. The Company is the largest manufacturer of Transformer Oil in India and has developed a very successful export programme for sale of Transformer Oil. The size and development of business of industrial oils and other lubricants largely depend on consistent growth and expansion of industrialisation in the Country.



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Aluminium Conductors for Power Transmission :

The industry of Aluminium Conductors also depends on power projects and transmission lines, sanction of financial aids for power transmission projects by international funding such as the World Bank, ADB, JBIC etc. The encouraging Government policy on new power projects and transmission lines would ensure continuity in the growth of Conductors industry. The Company has significant global market share in the Aluminium Conductors' business, which are used in the high voltage power transmission line projects.

b) Opportunities and Threats :

Polymers :

The gradual growth of Synthetic Rubber industry would pave the way for growth of market for Company's various grades of rubbers. The Company's polymers have been well accepted by the customers and the increase in sales in these areas are expected. However, major threat is the dumping of various grades of Synthetic Rubbers at highly unfair low prices by the foreign countries and abnormal increase in petro-chemical raw material prices.

Transformer & Industrial Oils :

There is good potential for growth of Transformer and Industrial Oils with the development of power projects and industrialisation. However the cut throat competition and current poor financial health of the Electricity Boards have put pressure on the margins of the division. However, there is good potential for exports and an export based office is being set up for this purpose abroad.

Aluminium Conductors for Power Transmission :

The Indian Conductor industry has surplus capacity of manufacturing. The organised sector commands the market and supplies the Conductors to all large size power transmission projects and has Conductors manufacturing capacity of approx. 2,25,000 MTA. While the unorganised sector / small scale units cater to the need of its region or within the state level.

The Govt. of India has planned for generation of additional 1,00,000 MW power within next 10 years, which would result in gradual increase of demand for Aluminium Conductors.

The Conductors division of the Company is at forefront in supply of Conductors to big power transmission lines in India. Simultaneously, it is exporting a major portion of its production to various countries since long.

The Company has been conferred with special status of recognised Export House by the Govt. of India. Majority of developing Countries prefer Apar's Conductors for their requirement. The demand from such Countries is expected to grow at around 10% p.a.

c) Segment-Wise Performance :

The segment-wise performance of the Company for the financial year 2002-2003 is described below.

Polymers Division :

The gross income of Polymers divisions was Rs. 1170.07 millions with Profit before interest, common overheads and tax at Rs. 133.92 millions. The profitability of this segment was affected by high cost of monomers and inadequate increase in finished product prices due to the intensified dumping.

Special Oils Refinery Division :

The gross income of Special Oils Refinery division was Rs. 2093.30 millions with Profit before interest, common overheads and tax at Rs. 268.38 millions. The performance of this division segment has

improved due to various productivity programmes resulting in cost reduction and an expansion of customers including exports.

Conductors Division :

The gross income of Conductors division registered at Rs. 2332.90 millions with Profit before interest, common overheads and tax at Rs. 150.43 millions.

d) Future Outlook :

Barring the unforeseen circumstances and risks and concerns, the management is hopeful to achieve reasonable performance in the current financial year 2003-2004. The Company is building up its future strategic plan to withstand against the negative forces which have bearing on the performance of all the three divisions of the Company.

e) Risks & Concerns :

The major risks and concerns attributed to the performance of the Company are :

- The Company has large exposure in foreign currency, mainly in US Dollars on account of import of substantial quantum of Aluminium, Base Oils and Monomers. Hence the erratic movement in foreign exchange rates and international prices of Aluminium, Base Oils and Petrochemicals would influence the performance of the Company.
- Unhealthy international competition by dumping of unreasonably low priced Synthetic Rubbers would have impact on the performance of Polymers Division.
- The consistency in Government policies for tax structure, revenues, interest rates, export incentives etc. and development and stability of Indian Economy against the negative external and internal forces may also impact overall performance of the Company. The monsoon of 2003-2004 will play a major role on the economy of the country.

f) Internal Control Systems & their adequacy :

The Company has established adequate Internal Control Systems (ICS) in respect of major areas of operations of all the three divisions of the Company. The ICS is aimed at promoting operational efficiencies and achieving saving in cost and overheads at all ends of the business operations.

The System cum Internal Audit Reports of the Internal Auditors are discussed at the Audit Committee Meetings and appropriate corrective steps have been taken.

Further, each Business Division prepares its annual budget, which are reviewed alongwith performance at regular interval. The Special Oil Refinery Division has also implemented Enterprise Resource Planning (ERP) on SAP modules.

g) Financial Analysis :

(i) Highlights of Financial Performance :

(Rs. in Millions)

Balance Sheet :	As at	As at
	31/3/2003	31/3/2002
1. Share Capital	386.33	536.26
2. Reserves & Surplus	286.91	212.28
3. Loans (Secured & Unsecured)	1436.36	1439.52
4. Deferred Taxation (Net)	165.53	167.49
5. Net Fixed Assets	904.45	884.86
6. Net Current Assets	1272.33	1346.82



APAR INDUSTRIES LIMITED

Profit & Loss Account :	2002-2003	2001-2002
1. Sales (Net of Excise duty)	5559.77	5298.58
2. Other Income	29.60	27.13
3. Profit before interest, depreciation, tax and exceptional items	427.79	483.97
4. Operating Margin (%)	7.69	9.13
5. Net Profit after Tax	154.70	115.42
6. Return on Capital employed (%)	7.10	5.17
7. Earning per Equity Share (Rs.)	6.47	3.97
8. Debt Equity Ratio	2.13 : 1	1.92 : 1

(ii) Results of Operations :

During the financial year 2002-2003, the Sales Turnover (Net of excise duty) of the Company has increased to Rs.5559.77 millions as against Rs. 5298.58 millions in the previous year 2001-2002. Due to saving in financial costs, the Net Profit improved to Rs. 154.70 millions as against the Net Profit of Rs. 115.42 millions. The Company has been able to sustain its market position for all the three divisions and also able to achieve overall reasonable financial performance.

Polymers Division :

The production and turnover were maintained at the expense of low selling prices due to market forces. The operations of the division was affected by high prices of monomers and disproportional increase in finished product prices. With the introduction of more grades, better market access and continuation of Anti-dumping duties, the operations of the division are expected to weather the difficult market situation.

Transformer & other Speciality Oils Division :

The Company's Oil division at Silvassa has stabilized and the volume of production of various grades of Transformer and Industrial oils at Silvassa have increased. The Oil Division was able to sale increased production at competitive rates.

The division has registered higher exports of Rs.387.28 millions against exports of Rs.235.95 millions in previous year.

Conductors Divisions :

During the year under review, the Company's production of Aluminium Conductors was 26,664 MT. as against 29,758 MT. in the previous year. The turnover of Conductors Division stood at Rs. 2319.73 millions as against Rs. 2579.75 millions in the previous year.

Exports including deemed exports of Conductors during the year was Rs. 1581.40 millions as against Rs. 2306.38 millions in the previous year.

h) Development of Human Resources :

The Company promotes open and transparent working environment to enhance team work and build business focus. The Company equally gives importance to the development of Human Resource (HR). It updates its HR policy in line with the changing HR culture in the industry as a whole. In order to foster excellence and reward to those employees who perform well, the Company practices Performance / Production linked Incentive Schemes. The main object of the Scheme is to create and maintain optimum performance level and profit driven culture.

The Company also takes adequate steps for maintaining safety and healthy environment for workers working within the factory premises.

i) Cautionary Statement :

The statements made in the Management Discussion & Analysis section, describing the Company's goals, expectations, or predictions etc. are the forward looking view of the management. The actual performance of the Company is influenced or is dependent on several important factors viz. applicable laws, regulations, tax structure, domestic / international industry scenario, movement in international prices of raw materials, economic developments within the country etc. Therefore the actual results may differ from those expressed below in "Prospects".

4. Prospects :

Polymers Division :

The successful utilisation at optimum levels of Continuous Polymerisation Technology for production of NBR (Synthetic Rubbers), the Co-generation Power Plant; the development of new blends and grades at Valia plant and cost reduction measures would partly offset the currently prevailing squeeze in margins.

Further the development of various new blends and grades of NBR and its applications are in progress at the in-house R & D center.

The Company is exploring several avenues for manufacture and sale of value added products like Powder Nitrile Rubber and also for export of its existing speciality products.

Transformer & other Speciality Oils Division :

With the increase in production capacity at Silvassa, the division will be able to get better price realisation on account of tax benefits and low overhead cost. Efforts are continuously made to increase the export by exploring the international market. However, there is increased competition both from Indian and foreign oil companies.

Conductors Division :

With the stabilisation of optimum production capacity of new rolling mill at Silvassa and increase in cost efficiency and productivity, the Company expects to improve the profitability of its Conductors Division.

Good export orders for conductors are expected to materialise during the current year.

5. Restructuring of Share Capital :

- As members are aware, the Company has presented the Scheme of Arrangement for conversion of 25,000,000 -10 % Redeemable Cumulative Preference Shares (Series II) of Rs.10/- each aggregating to Rs. 250,000,000/- into 250,000-10 % Non-Convertible Redeemable Debentures of Rs. 1000/- each, which has been sanctioned by the Hon'ble High Court of Gujarat on 5th December, 2002. In pursuance of the said Scheme, the Company has issued and allotted on 1.4.2002 and 1.4.2003 debentures both of which aggregate to Rs. 250,000,000/- to the holders of Preference Shares (Series II).
- Members are also aware that the Company has presented the Scheme of Arrangement under Section 391 read with Section 100 of the Companies Act, 1956, in the nature of Capital Restructuring by repayment and cancellation of part of Equity Share Capital and Preference Share Capital (Series I) held by small shareholders (Shareholders holding upto 99 shares each). The said Scheme has been approved by all the class of Shareholders and Unsecured Creditors at their High Court convened General Meetings held on 6th May, 2003 and at the Meeting of Secured Creditors held on 8th May, 2003.
- As per the Scheme, the Company shall pay, to each Small Shareholder who holds the Equity Shares (upto 99 shares) and



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/ or Preference Shares (upto 99 shares) in Physical Form and / or Demat Form and who has not exercised his / her / its option to continue as shareholder of the Company within stipulated time :

- (i) for every 1 (one) Equity Share, a cash consideration of **Rs. 20/-** (Rupees Twenty only), which is fair and reasonable as approved by the Board of the Company, and
- (ii) for every 1 (one) Preference Share (Series I), a cash consideration of **Rs. 7/-** (Rupees Seven only).

d. The Scheme provides an easy exit route to small shareholders and is voluntary in nature. Therefore in pursuance of the Gujarat High Court Order dated 25th March, 2003 and as per the terms of the Scheme, the Company has sent Option Form to all eligible small shareholders (based on the records of Record Date viz. 10th May, 2003), requiring them to exercise their option, if they wish to continue as Shareholder of the Company and do not want to avail benefit under the Scheme.

With the expiry of Option period on 20th June, 2003, the Company shall file required petition to the High Court of Gujarat for sanctioning of the Scheme.

6. Directors:

Smt. S. D. Desai, founder director of the Company and Apar Group of Companies expired on 7th September, 2002. The Board of the Company places on record their deep sense of regret and took note of appreciation for the valuable guidance and advice rendered by her during her tenure with the Company.

In line with Corporate Governance Code, for strengthening the Board of Directors by independent / professional directors on the Board of the Company, the Board at its meeting held on 27th September, 2002 has appointed Shri H. N. Shah, a Chartered Accountant as non executive director in the casual vacancy of Shri Cyril S. Shroff, who did not seek reappointment at the last Annual General Meeting held on 27th September, 2002.

Shri C. N. Desai, Dr. N. K. Thingalaya and Shri F. B. Virani, directors shall 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.

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 :

- i. in the preparation of the Annual Accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii. appropriate accounting policies have been selected and applied consistently and judgements and estimates have been made 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 Profit of the company for financial year under review.
- iii. proper and sufficient care has been taken 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.

iv. the annual accounts have been prepared on a going concern basis.

8. Corporate Governance :

In terms of the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, the Board of Directors has already constituted :

- a) Audit Committee and
- b) Share Transfer & Shareholders' Grievance Committee.

of directors.

Pursuant to the said Clause 49, the points, which are required to be covered under the Management Discussion & Analysis are covered under separate head vide Sr. no. 3 herein above.

9. Auditors :

The Notes to the Accounts as referred in the attached Auditors Report are self explanatory and therefore do not call for any further comments or explanations.

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. The audit committee of directors at its meeting held today has recommended to continue the appointment of M/s. RSM & Co. as statutory auditors of the Company.

10. Cost Auditor :

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

11. Other Information :

- a. Attached to and forming part of this report are the following :-
 - (i) Particulars relating to Conservation of energy, technology absorption and foreign exchange earnings and outgo.
 - (ii) Information in respect of certain employees.
 - (iii) Report on Corporate Governance and Auditors' certificate regarding compliance of conditions of Corporate Governance.
- b. As on 31st March, 2003, an amount of Rs. 5,000/- given by one depositor was due for repayment / renewal, but was not claimed. The Company has sent suitable intimation to the depositor either to renew the deposit or claim the payment of due amount.

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 : 26th June, 2003