

Apar Industries Limited



15th Annual Report 2003-2004

**FOR KIND ATTENTION OF SMALL SHAREHOLDERS
[HOLDING EQUITY AND / OR PREFERENCE SHARES
(SERIES I) UPTO 99 SHARES]**

The Scheme of Arrangement for Capital Restructuring by repayment and cancellation of Issued, Subscribed and Paid-up Equity Share Capital and Preference Share Capital (Series I) held by Small Shareholders (holding upto 99 Equity and / or Preference Shares) is pending with the Gujarat High Court for approval since July, 2003.

In terms of the said Scheme, the Company had offered to purchase the Equity Shares @ Rs. 20/- per share and the Preference Shares at the then remaining face value of Rs. 7/- per share held by such small shareholders.

In view of the prevailing higher market price of Equity Shares as compared to the same at the time of approval of the Scheme by all the classes of shareholders and creditors in May, 2003 as well as part redemption of Preference Shares on 1st April, 2004 and in the best interests of the shareholders, the Board of Directors of the Company at its meeting held on 28th May, 2004 has decided to withdraw the said Scheme w.e.f. 1st June, 2004.

In light of the above, the shareholders who were holding upto 99 Equity and / or Preference Shares and who have opted for the Scheme are hereby informed that the said Scheme of Arrangement stands withdrawn w.e.f. 1st June, 2004 and accordingly, the option exercised by them to avail the benefit of the Scheme also stands cancelled.

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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	

AUDIT COMMITTEE

Mr. V. A. Gore	<i>Chairman</i>
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 Dhanlakshmi 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 **FIFTEENTH 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 **Friday, the 23rd July, 2004 at 11.00 A.M.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. To confirm declaration of Interim Dividends and declare Final 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 re-appointment.
4. To appoint a Director in place of Dr. N.D. Desai, who retires by rotation and being eligible, offers himself for re-appointment, however, he shall not retire by rotation in future.
5. To appoint a Director in place of Shri H.N. Shah, who was appointed in the casual vacancy of Shri Cyril S. Shroff, 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 in partial modification of the Special Resolution passed by the Equity Shareholders of the Company at the 13th Annual General Meeting held on 27th September, 2002, the consent of the Company be and is hereby accorded to the acceptance of resignation of Dr. N.D. Desai as Managing Director of the Company effective from 1st June, 2004, subject however that Dr. N.D. Desai shall continue as Whole-time Executive Chairman of the Board of Directors of the Company, with all powers attached to the office of the Whole-time Director of the Company and on the existing terms and remuneration for the balance tenure of his appointment from 1st June, 2004 to 31st December, 2006."

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

"RESOLVED THAT in partial modification of the resolution passed by the Equity Shareholders at the 13th Annual General Meeting held on 27th September, 2002 and pursuant to the provisions of Sections 198, 269, 309, 310, 314, and Schedule XIII, as amended and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the elevation of Shri Kushal N. Desai, Joint Managing Director to the position of Managing Director of the Company effective from 1st June, 2004 to act as such for remaining period of his appointment upto 31st December, 2006, with substantial powers of management as of Managing Director, as defined under Section 2(26) of the said Act, but subject to the superintendence, direction and control of the Board of the Company; on the revised salary of Rs. 90,000/- p.m. keeping all existing perquisites and commission unchanged."

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

"RESOLVED THAT in partial modification of the resolution passed by the Equity Shareholders at the 13th Annual General Meeting held on 27th September, 2002 and pursuant to the provisions of Sections 198, 269, 309, 310, 314, and Schedule XIII, as amended and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the elevation of Shri C. N. Desai, Executive Director to the position of

Joint Managing Director of the Company effective from 1st June, 2004 to act as such for remaining period of his appointment upto 31st December, 2006, with substantial powers of management as of Joint Managing Director, as defined under Section 2(26) of the said Act, but subject to the superintendence, direction and control of the Board of the Company; on the revised salary of Rs. 85,000/- p.m. keeping all existing perquisites and commission unchanged."

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

"RESOLVED THAT in partial modification of the resolutions passed by the Shareholders at the 13th Annual General Meeting held on 27th September, 2002 and pursuant to the provisions of Sections 198, 269, 309, 310, 314, and Schedule XIII, as amended and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded in accordance with the provisions of Section 192 (1A) read with Section 17 of the Income Tax Act, 1961, to the Company bearing and paying from Assessment Year 2004-2005 and onwards due tax at applicable rates on the perquisite value as per the Income Tax Act / Rules in respect of non-monetary perquisites provided to the following three directors:

- | | |
|--------------------------|---------------------------|
| 1. Dr. N. D. Desai | - Managing Director |
| 2. Shri Kushal. N. Desai | - Joint Managing Director |
| 3. Shri C. N. Desai | - Executive Director. |

FURTHER RESOLVED THAT the ceiling limit for entitlement of perquisites in aggregate restricted to the extent of 100 % of an amount of annual salary applicable separately in the case of each of the said three directors as per the Special Resolutions passed by the Shareholders at the 13th Annual General Meeting held on 27th September, 2002 be and is hereby removed.

Provided however, the aggregate amount of salary, perquisites and commission to such directors shall not exceed the prescribed percentages of Net Profit of the Company as provided under Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956."

11. 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 Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the re-appointment of Shri M. M. Patel as Director (Polymers) of the Company for a further period of 5 years with effect from 1st April, 2004 to 31st March, 2009, with substantial powers of management as Director (Polymers) as contained under Section 2 (26) of the said Act, but subject to the superintendence, direction and control of the Board, and shall act under the direction of the Chairman of the Company on a salary and perquisites as laid down below:

1. Salary :

Rs. 80,000/- per month with such increments as may be decided by the Board of Directors from time to time within the overall limits specified under Schedule XIII of the Companies Act, 1956.

2. Perquisites :

In addition to the above salary, he will be entitled to the following perquisites which shall be revised by the Board of Directors from time to time and the same shall in aggregate be restricted to an amount of his annual salary.

Unless the context otherwise requires, perquisites are classified into three categories as follows:-

Category (A)

- (i) House Rent Allowance Rs. 11,000/- per month.
- (ii) Leave Travel Assistance / Medical Assistance Rs. 30,000/- per annum.

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- (iii) Bonus / Ex-gratia as may be approved by the Chairman of the Company from time to time.

Category (B)

- (i) Contribution to P. F. and Superannuation Fund in accordance with rules of the Company to the extent that these are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable as per Company's rules at the end of the tenure.
- (iii) Encashment of leave at the end of the tenure or as may be permitted by Chairman of the Company.

The above will not be included in the computation of ceiling on perquisites.

Category (C)

A motor vehicle with driver for use on Company's business and telephone connection at his residence will not be considered as perquisites. However, personal long distance telephone calls and use of motor vehicle for private purposes should be recovered from him as per the Income Tax Rules.

Provided that the aggregate amount of remuneration covering basic salary, perquisites and commission payable to all working directors should not exceed 10% of the net profit of the Company in each financial year as provided under Sections 198 and 309 of the Companies Act, 1956.

FURTHER RESOLVED THAT in the event of absence or inadequacy of profit in any financial year during the currency of tenure of Shri M.M.Patel, he shall be paid remuneration by way of salary, perquisites and other allowances as specified above as a minimum remuneration restricted however to the ceiling specified in Section II, Part-II of Schedule XIII of the said Act."

12. 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 to voluntarily delist its Equity Shares and Preference Shares (Series I) from **The Vadodara Stock Exchange Limited- Vadodara (VSE)** keeping in view the shares of the Company being continued to be listed and traded at The Bombay Stock Exchange (BSE) having nation-wide trading terminals."

Registered Office:

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

Date : 28th May, 2004

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. 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, 2004 forwarded to them.

Non-payment of allotment money on or before the extended date of 31st July, 2004 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 Monday, the 12th July, 2004 to Friday, the 23rd July, 2004, both days inclusive, for the purpose of ascertaining the eligibility of shareholders to receive final dividend(s) on equity and preference shares for the financial year 2003-2004.
4. Final dividends on Equity Shares and Preference Shares as recommended by the Board of Directors for the Financial Year ended 31st March, 2004, 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 and 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. Standard Chartered Bank, Alkapuri, Vadodara - 390 007 as Registrar for Share Transfer and Depository.
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. 4:**

Item No. 4 of the Notice relates to re-appointment of Dr. N.D.Desai as Director not liable to retire by rotation.

In terms of the provisions of Section 255 of the Companies Act, 1956 and Article no. 136 of the Articles of Association of the Company one third of the total strength of the Directors can be Directors not liable to retire by rotation. At present, Board of Directors of the Company comprises of only one Director who is not liable to retire by rotation and hence two more directors can be appointed as directors not liable to retire by rotation.

Dr. N.D.Desai has been re-appointed as Managing Director at the 13th Annual General Meeting of the Company held on 27th September, 2002 for a further period of 5 years from 1st January, 2002 to 31st December, 2006 and is at present liable to retire by rotation. The Board of Directors of the Company at its Meeting held on 28th May, 2004 has recommended re-appointment of Dr. N.D.Desai as Director not liable to retire by rotation.

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



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Dr. N. D. Desai, Director, is concerned and interested in this resolution and Shri Kushal N. Desai and Shri C.N.Desai, Directors, being relatives of Dr. N.D. Desai, shall also be regarded as concerned and interested in this resolution. No other Director of the Company is concerned or interested in the Resolution.

ITEM NOS. 7, 8 & 9 :

Item nos. 7, 8 & 9 of the Notice relate to approval for -

1. Resignation of Dr. N.D.Desai as Managing Director and
2. Elevation of Shri Kushal N.Desai, Joint Managing Director and Shri C.N.Desai, Executive Director to the position of Managing Director and Joint Managing Director respectively of the Company w.e.f. 1st June, 2004 till 31st December, 2006 being the remaining period of their respective appointments.

The Equity Shareholders of the Company at the 13th Annual General Meeting held on 27th September, 2002 have approved the re-appointment of Dr. N.D.Desai as Managing Director, Shri Kushal N.Desai as Joint Managing Director and Shri C.N.Desai as Executive Director of the Company for a period of 5 years w.e.f. 1st January, 2002 to 31st December, 2006.

Dr. N.D.Desai by his letter dated 24th May, 2004 requested the Board to relieve him from the position of Managing Director of the Company w.e.f. 1st June, 2004 and he offered to continue as Whole-time Executive Chairman of the Board of the Company for the remaining tenure till 31st December, 2006 on the existing terms of remuneration. The Board of Directors of the Company at its meeting held on 28th May, 2004 have accepted the resignation of Dr. N.D.Desai as Managing Director and have decided to continue him as Whole-time Executive Chairman of the Company.

Further the Board of Directors of the Company at their meeting held on 28th May, 2004 has decided subject to approval of the Equity Shareholders to :

- a. elevate Shri Kushal N. Desai as Managing Director of the Company from the present position of Joint Managing Director and,
- b. elevate Shri C. N. Desai as Joint Managing Director of the Company from the present position of Executive Director

w.e.f. 1st June, 2004 till 31st December, 2006 being the remaining period of their respective appointments with revision in their present remuneration. The Board has considered the under-noted aspects for elevation of the said two directors :

The aspects considered by the Board are :

- (i) resignation of Dr. N.D.Desai as Managing Director of the Company, w.e.f. 1st June, 2004,
- (ii) enlarged functional responsibilities to be shouldered by Shri Kushal N.Desai and Shri C.N.Desai,
- (iii) further devolvement of duties and increase in workload on account of resignation of Dr. N.D.Desai ceasing to be the Managing Director,
- (iv) complexity of management of Company's business affairs in the present highly competitive environment,
- (v) expansion of business segment (Oil Division and Conductors Divisions) at Silvassa,
- (vi) further expansion plan of Rubber Division.

The details about educational qualification, work experience, scope of functions etc. are narrated in the table mentioned herebelow:

Name of Director →	Dr. N. D. Desai	Shri Kushal N. Desai	Shri C. N. Desai
Date of Birth	22.05.1940	21.02.1967	15.07.1971
Date of Appointment	28.09.1989	24.03.1999	29.05.1993

Expertise in specific functional areas	Chemical Engineering	Electrical Engineering	Chemical Engineering
Qualifications	B.Sc.(Hons.), London, M.S.Ele.Engg., PH.D., Penn., USA, Sigma Xi, A.A.M.I.E.E.	B.Sc. (Hons.), (Ele. Engg.), B.S.(Econ.) Hons., Wharton, USA.	B.Sc. (Hons.), (Chem. Engg.), USA. B.S. (Econ.) Hons. Wharton, USA.

The Board has sanctioned revision in remuneration of Shri Kushal N. Desai and Shri C.N.Desai after considering job profile, responsibilities being shouldered by them and remuneration package drawn by such other managerial personnel in the companies having volume / size of business akin to the Company.

The revision in remuneration proposed in basic salary is as follows :

	Present	Revised
a. Shri Kushal N. Desai	Rs. 75,000/- p.m.	Rs. 90,000/- p.m.
b. Shri C. N. Desai	Rs. 70,000/- p.m.	Rs. 85,000/- p.m.

keeping all existing perquisites and commission unchanged.

The elevation of the aforesaid two directors, with the revision in the remuneration as mentioned in the resolutions, are in accordance with the provisions of Schedule XIII of the Companies Act, 1956. The Board, therefore, commends the Special Resolutions for the approval by members.

The above explanatory statement, read along with the resolutions, sets out the material change in the terms of appointment of the said directors, which may be treated as an abstract and Memorandum of Interest under Section 302 of the Companies Act, 1956.

None of the directors of the Company except Dr. N.D. Desai, Shri Kushal N. Desai and Shri C.N. Desai is concerned or interested in these resolutions.

ITEM NO. 10 :

Item No. 10 of the Notice relates to modification in the remuneration payable to the Managerial Personnel of the Company.

The shareholders of the Company at the 13th Annual General Meeting held on 27th September, 2002 had passed the Special Resolutions in connection with the re-appointment of -

1. Dr. N.D.Desai as Managing Director,
2. Shri Kushal N. Desai as Joint Managing Director and
3. Shri C.N.Desai as Executive Director

of the Company for a period of 5 years w.e.f. 1st January, 2002 to 31st December, 2006, on the terms and conditions mentioned in the said Special Resolutions.

Section 192 (1A) read with Section 17 of the Income Tax Act, 1961 provides that employers may pay, at their option, tax on income in the nature of non-monetary perquisites without making any deduction of Income tax in respect of such perquisites, when such tax was otherwise deductible from the salary of the recipient.

Presently, the non-monetary perquisites of the said three directors are in the nature of unfurnished residential accommodation, payments for utilities, leave travel assistance etc. and the amount of income tax in respect thereof (valued as per Income Tax Rules) is deducted at source from their salary.

Considering the above provisions of law, the Board of Directors at its meeting held on 28th May, 2004 has decided, subject to approval of Equity Shareholders, that the Company should bear and pay from the Assessment Year 2004-2005 and onwards due tax at applicable rates on the non-monetary perquisites provided to Dr. N.D.Desai, Shri Kushal N. Desai and Shri C.N.Desai. With this change, there shall be increase in total remuneration to the extent of tax amount on non-monetary perquisite to be borne by the Company.

Further in respect of the said three Directors, the Board has approved

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removal of the ceiling limit for entitlement of perquisites which in aggregate is restricted to the extent of 100 % of an amount of annual salary applicable separately in the case of each of the said three directors.

With the above changes, the increase in remuneration of each of above directors shall not in any case exceed the prescribed percentages of Net Profit of the Company as provided under Sections 198, 309 read with Schedule XIII of the Companies Act, 1956. The Board therefore recommends the special resolution for approval by the members.

The above explanatory statement, read along with the resolution, sets out the material terms of amendment to the terms of appointment of the said directors, which may be treated as an abstract and Memorandum of Interest under Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Dr. N. D. Desai, Shri Kushal N. Desai and Shri C. N. Desai is concerned or interested in the resolution.

ITEM NO. 11 :

Item no. 11 of the Notice relates to approval for re-appointment of Shri M.M.Patel as Director (Polymers) of the Company for a further period of 5 years from 1st April, 2004 to 31st March, 2009.

Shri M.M.Patel was appointed as Director (Polymers) of the Company in whole time capacity w.e.f. 1st April, 1999 for a period of five years vide resolution passed at the Board Meeting held on 24th March, 1999 which was approved by the Special Resolution passed by the Shareholders at the Extra Ordinary General Meeting held on 8th June, 1999.

Shri M. M. Patel, is a qualified Rubber Technologist and is having vast experience in the field of Synthetic Rubber Industry. During the tenure of Shri M.M.Patel as Director (Polymers) of the Company, the operational efficiency of the Polymers Division has improved. He was also instrumental in transforming the production system from batch system to continuous processing system.

Considering the contribution and active involvement of Shri M.M.Patel in the production and marketing of Synthetic Rubbers, the Board of Directors of the Company have approved the re-appointment of Shri M.M.Patel as Director (Polymers) of the Company for a further period of 5 years with effect from 1st April, 2004 with remuneration and perquisites mentioned in the Resolution.

The Board, therefore, commends the Special Resolution for the approval by members.

The above explanatory statement, read along with the resolution, sets out the material terms of appointment of Shri M.M.Patel as Director (Polymers) of the Company which may be treated as an abstract and Memorandum of Interest, under Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Shri M. M. Patel is concerned or interested in the resolution.

Details of Directors seeking appointment / re-appointment at the Annual General Meeting

(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of Director⇨	Shri Kushal N. Desai	Dr. N.D.Desai	Shri H.N.Shah	Shri M.M.Patel
Date of Birth	21.02.1967	22.05.1940	20.06.1928	12.10.1931
Date of Appointment	24.03.1999	28.09.1989	27.09.2002	12.08.1991
Expertise in specific functional areas	Electrical Engineering	Electrical Engineering	Chartered Accountant	Rubber Technologist
Qualifications	B.Sc. (Hons.), (Elec. Engg.) B.S.Eco. (Hons.), Wharton, USA.	B.Sc.(Hons), London, M.S.Ele.Engg., PH.D., Penn., USA, Sigma XI, A.A.M.I.E.E.	B.Com., F.C.A.	B.Sc. (Bom.), A.N.C.R.T., A.I.R.I.(London), FPRI (UK), FISI (India)
List of other Public Companies in which Directorship held as on 31.03.2004.	1. Ness Technologies (India) Ltd. 2. Apar Masat Conductors Ltd.	1. Apar Masat Conductors Ltd.	— NONE —	— NONE —
Chairman / Member of the Committee of other Public Companies on which he is a Director as on 31.03.2004.	1. Ness Technologies (India) Ltd.	— NONE —	— NONE —	— NONE —

ITEM NO. 12 :

Item No. 12 of the notice relates to the proposal for voluntary delisting of shares of the Company from the Vadodara Stock Exchange Limited, Vadodara, in pursuance of the SEBI (Delisting of Securities) Guidelines, 2003.

Presently, the Company's Equity Shares and Preference Shares (Series I) are listed on the following two Stock Exchanges in India after de-listing of shares from the Stock Exchanges of Ahmedabad and New Delhi in the month of February, 2004:

1. The Vadodara Stock Exchange Limited- Vadodara (VSE)
2. 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. It is observed that small numbers of Company's members are located within the city of Vadodara where the above Stock Exchange (VSE) is operating. Further, trading volume on the said Stock Exchange in the Company's shares is absolutely nil during the last 9 years or more. Therefore, considering the cost and benefit of listing at the said Stock Exchange, the Board has proposed to delist the Company's shares from The Vadodara Stock Exchange Limited (VSE).

Moreover, such delisting will not adversely affect any investor including members located in the region where the said Stock Exchange is 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, the Company has submitted its application for listing of its equity shares to the National Stock Exchange of India Ltd. (NSE).

Further, in accordance with Clause No. 5 of the 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.

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

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

Registered Office:

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

Date : 28th May, 2004.

Place : Mumbai

By Order of the Board

D. C. Patel

Company Secretary



Apar Industries Limited

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DIRECTORS' REPORT

Your Directors have pleasure in submitting the 15th 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, 2004 :

1. Financial Results :

(Rs. in Millions)

	2003-2004	2002-2003
Sales turnover (net of excise duty amounting to Rs. 764.41 millions for 2003-04 and Rs. 549.73 millions for 2002-03) [18 % increase over Previous year]	6,393.71	5,424.72
Other Income - including Export Incentives (Amount for the year 2003-04 includes Rs. 43.05 millions profit on sale of Fixed Assets)	358.89	185.26
Profit for the year before interest, depreciation / amortisation, taxation and extra-ordinary items of expenditures	461.24	427.79
Deducting therefrom :		
- Interest etc.,	150.05	157.57
- Depreciation / Amortisation	84.19	83.40
- Provision for Taxation / Wealth Tax (including net of Deferred Tax adjustment)	23.05	39.74
- Extra Ordinary Items of Expenditures :		
Exchange rate difference (net)	(98.82)	(24.56)
Compensation under Voluntary Retirement Scheme (VRS) and Technical know-how fee written off	8.28	16.94
Net Profit for the year [90 % increase over Previous year]	294.49	154.70
Adjusting therein :		
- Prior period tax and adjustments (net)	(1.32)	(0.38)
- Adjustment on account of balance amount of Deferred Tax as on 1st April, 2001	(73.29)	(24.43)
- Transfer from/(to):-		
(a) Debenture Redemption Reserve	(15.00)	(15.00)
(b) Capital Redemption Reserve	(23.52)	—
- Balance of Profit brought forward from Previous year	75.82	31.26
Amount available for appropriations	257.18	146.15
Appropriations made by the Board of Directors :		
- Exchange Fluctuation Reserve	50.00	—
- General Reserve	58.50	15.00
- Dividends on Equity and Preference Shares :		
Interim Dividend (paid)	19.29	—
Final Dividend	33.01	49.05
- Income-tax on dividends	6.70	6.28
- Leaving balance of Profit carried to Balance Sheet	89.68	75.82
Total	257.18	146.15
Earning per Equity Share (EPS) [114 % increase over Previous year]	13.86	6.47

2. Dividend :

- a. The Company has paid **interim dividends** for the financial year 2003-2004 on :

- On 7,838,785 Preference Shares @ Re. 0.47 per share on the face value of Rs. 7/- amounting to Rs. 3,684,229/- and

- On 20,806,045 Equity Shares @ Re. 0.75 [7.50 %] per share on the face value of Rs. 10/- amounting to Rs. 15,604,534/-.

The members are requested to confirm the above interim dividends at the ensuing Annual General Meeting (AGM) of the Company.



- b. Considering the improved financial results achieved during the year under review, the Board of Directors recommend the following **final dividends** for the financial year 2003-2004 out of the net profit available for distribution:

- On 7,838,785 Preference Shares @ Re. 0.23 per share on the face value of Rs. 7/- (Previous year Re. 1 [10 %] on face value of Rs. 10/-) amounting to Rs. 1,802,920 and
- On 20,806,045 Equity Shares @ Rs. 1.50 [15%] {Including special dividend of Re. 0.50 [5%] per share} per share (Previous year Rs. 1.50 [15%]) amounting to Rs. 31,209,068/-).

The above dividends are subject to shareholders' approval at the ensuing Annual General Meeting (AGM) and therefore you are requested to declare the same.

3. Management Discussion & Analysis :

a) Industry Structure and Development :

Polymers :

The Synthetic Rubbers manufactured by the Company are the products which require constant up-gradation in technology of manufacturing process backed with R & D. 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 unfairly low priced imported rubbers puts pressure on contribution margin of Indian manufacturer of Synthetic Rubbers. The prices of imported monomers (Raw Material) are quite volatile due to continuous rise in crude oil prices, while domestically the required quantity of monomers are not easily available at competitive rates as and when required.

Transformer & Industrial Oils :

The market of Industrial Oils and other lubricants is dominated by manufacturers in organised and unorganised sectors. The development of Transformer Oils business mainly depends on Power projects. With the enactment of The Electricity Act, 2003, the Government policy on power generation, transmission, distribution and trading is liberalised, which would increase the demand and production of power transformers and con-

sequently use of Transformer Oil in the country. The Company is the largest manufacturer of Transformer Oil in India and has also 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. The local base oils quality and deliveries are not satisfactory hence imports are required.

Aluminium Conductors for Power Transmission :

The industry of Aluminium Conductors also depends on Power projects, new transmission lines and sanction of financial aids for power transmission projects by international funding institutions such as the World Bank, ADB, JBIC etc. The National Electricity Policy and aggressive rural electrification programmes shall be announced by the new Government, which would result in more and more new transmission line projects in the Country. The Company has significant domestic and international market share in the ACSR/AAA Conductors business, which are used in the high voltage power transmission line projects. The Alloy conductors are increasing in demand and give better margins. The Company has developed its own know-how for Alloy rods production, hence the Company is now self sufficient.

b) Opportunities and Threats :

Polymers :

The gradual growth of automobile and other industries using Synthetic Rubber 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 increased 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 volatility in monomer (raw material) prices due to volatility of crude oil prices.

Transformer & Industrial Oils :

With the development of power projects and industrialisation in the Country, there is good potential for growth of Transformer and Industrial Oils business. Volatility of prices of base oils may cause strain on the segment profitability.



Apar Industries Limited

Apar

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 particularly Extra High Voltage Lines 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 at lower voltage.

The Govt. of India has planned for generation of additional 1,00,000 MW power within next 5 years which may stretch out to 8 to 10 years, which would result in gradual increase of demand for 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 products for their requirement. The demand from such Countries is expected to grow at around 10% p.a. Prevailing high prices of aluminium and volatility of the market affects profitability of the segment.

c) Segment- wise Performance :

The segment-wise performance of the Company for the financial year 2003-2004 is described below.

Polymers Division :

The gross income of Polymers divisions was Rs. 1,327.65 millions with Profit before interest, common overheads and tax at Rs.130.34 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. 3,012.72 millions with Profit before interest, common overheads and tax at Rs. 318.05 millions. The performance of this division has substantially improved due to increase in demand, cost advantage available for operations

from Silvassa plant and an expansion in customers base including exports.

Conductors Division :

The gross income of Conductors division was at Rs. 2,375.13 millions with Profit before interest, common overheads and tax at Rs. 115.54 millions.

d) Future Outlook :

Baring the unforeseen circumstances and risks and concerns, the management is hopeful to achieve reasonable performance in the current financial year 2004-2005. The Company is building up its future expansion plan to withstand against the market forces which have bearing on the performance of the Company.

e) Risks & Concerns :

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

- i. 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.
- ii. Unhealthy international competition by dumping of unreasonably low priced Synthetic Rubbers would have impact on the performance of Polymers Division.
- iii. The new Government policies for tax structure, revenues, interest rates, export incentives, infrastructure projects 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 2004/05 will also 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 are 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