



APAR INDUSTRIES LTD.

Annual Report 2008-09

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Corporate Information

Board of Directors

Dr. N. D. Desai	<i>Chairman</i>
Mr. V. A. Gore	
Dr. N. K. Thingalaya	
Mr. F. B. Virani	
Mr. Kushal N. Desai	<i>Managing Director</i>
Mr. C. N. Desai	<i>Joint Managing Director</i>
Mr. H.N. Shah	
Ms. Josephine Price	<i>Upto July 21, 2008.</i>
Mr. Gary Ng Jit Meng	<i>Alternate to Ms. Josephine Price - Upto July 21, 2008. Director - w.e.f. July 31, 2008</i>
Mr. M. N. Kamat	<i>Nominee of IDBI - Upto April 29, 2008.</i>

Audit Committee

Mr. V. A. Gore	<i>Chairman</i>
Dr. N. K. Thingalaya	
Mr. F. B. Virani	
Ms. Josephine Price	<i>Upto July 21, 2008.</i>
Mr. Gary Ng Jit Meng	<i>w.e.f. July 31, 2008</i>

Company Secretary

Mr. Sanjaya Kunder

Bankers

Union Bank of India
Syndicate Bank
ING-Vysya Bank Ltd.
IDBI Ltd.
ICICI Bank Ltd.
State Bank of India
Standard Chartered Bank
Yes Bank Ltd.
Bank of Baroda
Axis Bank Ltd.

Registered office

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

Auditors

M/s. Price Waterhouse
Chartered Accountants
Mumbai

Corporate office

Apar House, Corproate Park
Sion-Trombay Road,
Chembur,
Mumbai 400071.

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Financial Highlights

for last five years (Consolidated)

(Rupees in Million)

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05
PROFIT AND LOSS ACCOUNT DATA :-					
Sales (Net of Excise)	26,371	17,658	15,114	11,124	8,741
% of Growth	49	17	36	27	37
Exports	8,011	6,874	3,157	1,956	1,282
Materials, Operating and other cost	25,717	16,467	14,047	10,507	8,046
Employee cost	256	185	159	154	150
Depreciation	147	140	100	86	86
Interest and Discounting charges	412	371	324	209	146
Profit before Tax, Exceptional and Extraordinary items	5	739	686	546	358
% of Growth	(99)	8	26	52	13
Taxation	23	118	167	110	31
Exceptional items	17	38	38	17	12
Extraordinary Items - Net of Tax	-	(323)	-	-	-
Associate profit / (loss)	(58)	(13)	-	-	-
Minority Interest	40	(4)	(1)	-	-
Profit after tax (PAT)	(53)	889	482	419	315
% of Growth	(106)	84	15	33	7
BALANCE SHEET DATA					
Share Capital	323	323	323	846	239
Reserves & Surplus	2,476	2,521	1,844	992	689
Net worth	2,799	2,844	2,167	1,838	928
Minority Interest	79	6	-	-	-
Loan Funds	1,615	1,009	1,328	1,056	1,465
Deffered Tax (Net)	63	54	139	136	135
Total Liabilities	4,556	3,913	3,634	3,030	2,528
Gross Block	2,794	1,469	2,234	1,880	1,640
Net Block	1,793	1,107	1,604	1,149	961
Investments including Goodwill on consolidation	603	374	3	4	13
Net Current assets	2,148	2,403	1,984	1,825	1,521
Miscellaneous Expenditure (to the extent not written off or adjusted)	12	29	43	52	33
Total Assets	4,556	3,913	3,634	3,030	2,528
KEY RATIOS					
PAT to Sales (%)	(0.20)	5.03	3.19	3.76	3.60
Return on Net Worth (%)	(1.28)	37.53	26.61	32.90	43.46
Asset Turns (Revenue to total Assets)	6.27	4.74	4.61	4.08	3.62
Return on Capital Employed (%)	5.94	33.14	23.30	22.03	18.93
Debt to Equity Ratio	0.41	0.07	0.29	0.33	0.82
Earning per Equity Share (Basic) Rs.	(1.65)	27.48	15.42	13.93	15.08
Rate of dividend % p.a.	-	55%	35%	35%	30%
Book value per Equity Share Rs.	86.22	87.08	65.68	55.22	41.53
Share Price as on 31st March (BSE)	78.05	205.70	139.20	245.90	119.85

Notice

NOTICE is hereby given that the **TWENTIETH 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, Race Course Circle, Vadodara – 390 007** on **Friday, the 4th September, 2009** at **11.00 A.M.** to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri K. N. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri H. N. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri V. A. Gore, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

Registered Office :

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

By Order of the Board

Sanjaya Kunder
Company Secretary

Place : Mumbai

Date : 25th June, 2009.

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 Shares of the Company shall remain closed from Tuesday, the 1st September, 2009 to Friday, the 4th September, 2009, both days inclusive.
3. 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.
4. Shareholders who have not so far surrendered their old share certificates of Gujarat Apar Polymers Limited (GAPL) for exchange against the new share certificates of the Company i.e. Apar Industries Limited are once again requested to forward their old share certificates to the Company for exchange. The old share certificates of GAPL have already been cancelled and are of no effect or value.
5. 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. If any member wants to change / correct the bank account details, he / she 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.

6. 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 are annexed hereto and forming part of the Notice.
7. Consequent upon the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend / redemption of Preference Shares remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend / Redemption Account of the Company is required to be transferred to the Investor Education and Protection Fund set up by the Government of India and no payment shall be made in respect of any such claims by the Fund.

The unpaid / unclaimed Dividend amount of Equity Shares of the Company paid on 08.10.2002 is due for transfer to the said fund in the month of October, 2009. Members who have not yet encashed their warrant(s) are requested to make their claims to the Company without any delay.

- 8 (a) As stated in Para No. 11 (b) of the Directors' Report, the Company has received an approval under Section 212(8) of the Companies Act, 1956 from the Ministry of Corporate Affairs, Government of India vide its letters dated 24th April, 2009 and 30th June, 2009 exempting the Company from attaching the Annual Accounts, Reports and other Statements pursuant to Section 212(1) of the Act, in respect of - (a) Petroleum Specialities Pte. Ltd., Singapore (PSPL) and (b) Poweroil Speciality Products FZE, Sharjah, Wholly Owned Subsidiaries (WOS) of the Company; (c) Quantum Apar Speciality Oils Pty. Ltd., Subsidiary of PSPL, (d) Uniflex Cables Ltd. (UCL) a Subsidiary Company and (e) Marine Cables & Wires Private Limited, WOS of UCL with the Annual Report of the Company for the financial year ended 31st March, 2009. Therefore, the accounts and reports of the said subsidiary Companies are not attached herewith.
- (b) However, a Statement showing information in aggregate of the said subsidiary Companies in compliance with the aforesaid approval letters of Ministry of Corporate Affairs has been attached with the consolidated financial statements.
- (c) The Company shall provide a copy of the Annual Accounts and related information / reports for the year 2008-2009 of the subsidiary Companies as required under Section 212 of the Act to the shareholders on their request, free of cost, at any point of time. Further, the annual accounts of subsidiary Companies shall be available for inspection at the Registered Office and Corporate Office of the Company and that of the respective subsidiary Company.

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 K. N. Desai	Shri H. N. Shah	Shri V. A. Gore
Date of Birth	21.02.1967	20.06.1928	18.09.1938
Date of Appointment	24.03.1999	27.09.2002	28.05.1994
Expertise in specific functional areas	Electrical Engineering	Chartered Accountant	Financial Management
Qualifications	B.Sc. (Hons.), (Elect. Engg.), USA B.S. in (Econ.) (Hons.), Wharton, USA.	B.Com, F.C.A.	B.Com, M.F.M.
List of other Companies in which Directorship held as on 31.03.2009.	1. Apar Masat Conductors Ltd. 2. Apar ChemateK Lubricants Ltd. 3. Apar Corporation Pvt. Ltd. 4. Apar Technologies Pvt. Ltd. 5. Scope Pvt. Ltd. 6. Catalis World Pvt. Ltd. 7. Uniflex Cables Ltd. 8. Poweroil Speciality Products FZE, Sharjah, UAE 9. Marine Cables & Wires Pvt. Ltd. 10. Petroleum Specialities Pte. Ltd., Singapore 11. Quantum Apar Speciality Oils Pty.Ltd., Australia 12. Apar Investment INC. 13. Apar Investment (Singapore) Pte. Ltd.	1. Uniflex Cables Ltd. 2. Marine Cables & Wires Pvt Ltd.	1. Gujarat Borosil Ltd. 2. IPCA Laboratories Ltd. 3. Uniflex Cables Ltd.
Chairman / Member of the Committee of other Public Companies on which he is a Director as on 31.03.2009.	1. Uniflex Cables Limited - Remuneration Committee	1. Uniflex Cables Ltd. - Audit Committee - Share Transfer & Shareholders' Grievance Committee - Remuneration Committee	1. Gujarat Borosil Ltd. - Audit Committee - Remuneration Committee - Chairman 2. IPCA Laboratories Ltd. - Audit Committee - Remuneration Committee 3. Uniflex Cables Ltd. - Audit Committee- Chairman - Share Transfer & Shareholders' Grievance Committee - Chairman - Sub-Committee-Chairman
No. of Shares held in the Company	66,04,302	2,960	Nil
Relationship between directors inter se	Related to – Dr. N. D. Desai, - Chairman (Father) and Shri C. N. Desai, - Joint Managing Director (Brother)	Nil	Nil

Directors' Report

To
The Shareholders,

Your Directors have pleasure in submitting the 20th 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, 2009 :

1. FINANCIAL RESULTS :

Rs. in Million

Particulars	Consolidated*		Company	
	2008-09	2007-08	2008-09	2007-08
Sales turnover				
(after deduction of excise duty)	26,370.60	17,658.26	24,634.13	17,102.90
Other income	62.26	56.13	63.23	56.14
Profit for the year before interest, depreciation / amortisation, taxation and exceptional items	565.02	1,248.98	524.03	1,172.73
Deducting therefrom :				
- Depreciation / amortisation	147.15	139.88	109.93	138.91
- Interest and discounting charges	412.50	370.51	312.49	355.74
Profit before exceptional items, taxation, share of associates' net loss and minority interest	5.37	738.59	101.61	678.08
Exceptional items - (Income)/Expenses	17.40	38.40	17.40	38.40
Profit before taxation for the year	(12.03)	700.19	84.21	639.68
Deducting therefrom :				
- Provision for taxation	23.41	117.63	31.14	108.00
Net profit after taxation for the year	(35.44)	582.56	53.07	531.68
Less : Share of Loss of Associate Concern {Rs 57.89 (Rs 12.99) and Profit of Minority Interests Rs.40.11 [(Rs 4.03)] }	17.78	16.99	0.00	0.00
Net profit after taxation, share of associates' net loss, minority interest before extraordinary items	(53.22)	565.57	53.07	531.68
Extraordinary items - (Income)/Expenses	0.00	(323.05)	0.00	(323.05)
Net profit after taxation, share of associates' Net loss, minority interest and extraordinary Items	(53.22)	888.62	53.07	854.73
Adjusting therein (debit)/credit:				
- Balance of profit brought forward from previous year	1,033.54	602.99	945.09	548.43
Amount available for appropriations	980.32	1,491.61	998.16	1,403.16
Appropriations made by the Board of Directors:				
- General Reserve	-	(250.00)	-	(250.00)
- Dividends on Equity Shares				
- Interim Dividend	-	(48.50)	-	(48.50)
- Final Dividend	-	(129.34)	-	(129.34)
- Income tax on Dividends	-	(30.23)	-	(30.23)
- Leaving balance of profit carried to balance sheet	980.32	1,033.54	998.16	945.09
Earnings per Equity Share (EPS):				
- Basic & Diluted before extraordinary items	(1.65)	17.49	1.64	16.44
- Basic & Diluted after extraordinary items	(1.65)	27.48	1.64	26.43

* Consolidated Results include the results of –

- (a) Petroleum Specialities Pte. Ltd., Singapore (PSPL) and
- (b) Poweroil Speciality Products FZE, Sharjah, Wholly Owned Subsidiaries (WOS) of the Company;
- (c) Quantum Apar Speciality Oils Pty. Ltd., Subsidiary of PSPL ,
- (d) Apar ChemateK Lubricants Ltd., a Joint Venture Company,
- (e) Uniflex Cables Ltd. (UCL) a Subsidiary Company and
- (f) Marine Cables & Wires Private Limited, WOS of UCL.

2. DIVIDEND:

The Board of Directors has not recommended any dividend for the financial year 2008-09 to conserve cash.

3. EMPLOYEE STOCK OPTION SCHEME:

Members' approval was obtained at the Annual General Meeting held on 9th August, 2007 for introduction of Employees Stock Option Scheme to issue and grant upto 16,16,802 options and it has been implemented by the Company. The Options have been granted to employees in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines'). The Employees Stock Compensation Committee, constituted in accordance with the SEBI Guidelines, administers and monitors the Scheme.

The disclosures stipulated under the SEBI Guidelines are given below:

a. Options Granted by the Compensation Committee	1,75,150
b. Exercise Price	Rs. 207.05 per Option
c. Options Vested	58,383
d. Options Exercised	Nil
e. The total number of shares arising as a result of exercise of options	1,75,150
f. Options Lapsed	Nil
g. Variation in terms of Options	See note 1 below
h. Money realized by exercise of Options	Nil
i. Total number of Options in force	1,75,150
j. Employee wise details of Options granted to:	
i. Senior Management Personnel / Directors	
(a) Shri H.N.Shah	7,500
(b) Shri V.A.Gore	4,000
(c) Dr. N. K. Thingalaya	4,000
(d) Shri F.B.Virani	4,000
ii. Any other employee who received a grant in any one year of Options amounting to 5% or more of Options granted during that year	NIL
iii. Identified employees who were granted Options, during any one year, equal to or exceeding 1 % of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'	Rs. 1.64

Note:

- 1) 175,150 Options at the Exercise price of Rs.259.75 granted on 23rd January, 2008 were cancelled on 27th May, 2008. The cancellation became necessary due to substantial reduction in the price of shares in the Secondary Market and simultaneously therewith the above detailed options were granted. The confirmation of the Shareholders for the said cancellation and subsequent grant was sought at the 19th Annual General Meeting held on 29th August, 2008.
- 2) As the exercise of options would be made at the Market linked price of Rs. 207.05, the issuance of equity shares pursuant to exercise of Options will not affect the profit and loss account of the Company.
- 3) The Company has obtained in-principle approval for the listing of the entire 16,16,802 equity shares to be issued and allotted on exercise of options as & when exercised under the scheme.

4. MANAGEMENT DISCUSSION & ANALYSIS:**(a) Industry Structure, Development, Opportunities, Threats, outlook and Risk & Concerns :**

Company has two business divisions, each of which has significant market share positions in its segment. The Company is deriving over 75% of its' revenue from power sector based on the end customer use. The government of India, prepares a five year plan through the Central Electricity Authority based on which the expansion and execution of projects for the power sector are undertaken. The Eleventh Five-year Plan for the years 2007-2012 provides the total outlay for the Transmission and Distribution sector at Rs. 1,730,000 Million. Considering this level of spending, the conductor requirement will be about 2.1 Million metric tones over the Eleventh Five-year plan against current requirement of 250,000 mt per annum. Similarly, in the case of Transformer Oils, the requirement of first fill (oil initially filled when the transformer is first commissioned) will be at 900 Million litres over the Eleventh Five-year plan as against a current requirement of 110 Million litres per annum. These numbers indicate that there will be strong demand for the company's products.

During the year under review; a sudden, sharp and unprecedented fall in the prices of base oils resulted in loss on inventories and raw-materials in pipeline due to lower sales realization and eroding the margins.

Risk and Concerns :

The risks lie in the fact that due to various reasons

the power sector in India is behind the plan in implementation. This is due to a plethora of reasons, which include lack of clarity on account of the generation and transmission projects for private players, financial closures and other government related delays. Now the placing of orders has just commenced and likely to improve. However, it can be expected that the Eleventh Five-year Plan which is a 5 year plan may stretch in its implementation beyond 5 years.

(i) Transformer Oil and Specialty Oils Division :

The division, is progressing well in terms of its strategic initiatives of expansion of exports / overseas operations. Its market share in the power transformer side of the business continues to remain strong. Based on the global approvals from Siemens, ABB and Areva for new generation Transformer oils which specify new stringent corrosive sulphur standards; the Company and/or its subsidiaries are able to supply against orders from over 35 countries.

Risk and Concerns :

Due to slow down in general industrial activity and more particularly in the automotive sector, the demand for oil products was affected in a few segments. Further, Company has to adapt to sharp and sudden fall in the prices of oils and continuous volatility in the oil prices. However, expected stability in the prices of base oils and upturn in economy would increase its' earnings.

(ii) Conductor Division:

The Conductor Industry expects good growth in the Indian market on account of projected investments in the Power Transmission & Distribution Sector. The industry's major customer in India viz. Power Grid Corporation of India (PGCIL) has announced its 5 year plan (2007-12) and the trend is encouraging.

The company has seen an improved order flow in the second half of the year under review both from domestic as well as overseas customers. Company believe that there should not be a slowdown in order booking in the short term (1-2 years).

The flow of tenders from PGCIL during the year was significant as against previous year and it is expected that this trend would continue during FY 2009-10.

The Company's Nalagarh plant which commenced production during previous year was fully loaded and capacity utilization improved substantially. The Plant enjoys the benefits of incentives of Income Tax, Sales Tax and Excise Duty.

Risk and Concerns :

Due to the turmoil in the financial markets , the prices of Aluminum has fallen very sharply. As a prudent and normal business practice, the company hedges metal against all fixed priced orders. This ensures that the risk of volatility is eliminated and the results are reflective of the actual operating performance of the company. Based on this policy, the company has entered into non-speculative commodity forward contracts in order to hedge its exposure to fluctuations in the metal prices against requisite firm price sales contracts (received/to be received). The mark to market loss (MTM) on such contracts in accordance with announcement dated March 28, 2008, issued by the Institute of Chartered Accountants of India, amounting to Rs.1,713.24 Million has not been

provided in the Accounts, as it is notional in nature and said loss would get extinguished on execution of firm sale price orders corresponding to these commodity forward contracts. Due to the sharp fall in the price of Aluminum, the company has had to make substantial financial arrangements to LME brokers to secure the MTM losses in their positions until the physical delivery of the metal is taken. The consequence of this is that there will be blockage of the company's banking limits in the short term and an additional cost to the company for providing the securities. Further, due to current uncertainties, there can be re-schedule of deliveries, which can result into additional cost to company and short term idle capacities at the manufacturing units.

(b) Financial Highlights and Segment-wise Performance :**(1) Financial Highlights:***(Rs. in Million)*

Particulars	Consolidated		Company	
	2008-09	2007-08	2008-09	2007-08
Balance Sheet:				
1. Equity Share Capital	323.36	323.36	323.36	323.36
2. Reserves & Surplus	2476.26	2521.50	2489.18	2436.11
3. Loans (Secured & Unsecured)	1613.83	1008.98	769.17	889.95
4. Deferred Taxation (Net)	63.29	53.79	85.78	55.84
5. Net fixed Assets	1792.84	1106.96	1232.47	1099.65
6. Investments	*603.31	374.49	884.10	413.02
7. Net Current Assets	2148.09	2403.38	1539.37	2163.63
Profit and Loss Account :				
1. Sales (Net of Excise duty)	26370.60	17658.26	24634.13	17102.90
2. Other Income	62.26	56.13	63.23	56.14
3. Profit before tax	(12.03)	700.19	84.21	639.68
4. Net Profit after tax for the year	(35.44)	582.56	53.07	531.68

* Including Rs. 603.08 Million of Goodwill on consolidation

(2) Results of Operations :

Margins from the manufacturing activities during the year under review were under pressure and amounted to Rs. 524.03 Million as against Rs. 1,172.73 Million in the previous year.

(i) Transformer & other Speciality Oils Division:

This division contributed 43.71% of the company's revenue, which grew during the year from Rs. 7,528. 22 Million to Rs. 10,804.33 Million. However, in terms of volume sales turnover was

less by 4.85 %. There has been a loss due to the sudden & unforeseen depreciation of the Re vs. US\$ resulting in forex loss of Rs. 1,170.80 Million. The Operating margin was also under severe pressure resulting into Loss of Rs 377.73 Million. This was due to a sharp, sudden & unprecedented fall in the price of Base oils resulting into a drop in sales prices more rapid than the depletion of higher cost inventory. This was aggravated by the Ship carrying Company's base oil being hijacked by Somalia pirates and delayed receipt

of cargo. During the intervening period of delay there was a substantial erosion of value of cargo in falling market.

The demand for our oil products has been affected in few segments. The Transformer Oil & White Oil sub segment has seen a marginal fall in sales. However, the industrial oils and rubber process oils sales have been more sharply affected, largely on account of the slow down in general industrial activity and more particularly in the automotive sector.

Due to the uncertainty prevailing in the user industries for our oil products, it will be difficult for us to provide any specific guidance. With the improvement in the Industrial activity, the demand for our products will be reflected, as the usage of oil products in these applications is largely inelastic in nature.

The division's overseas business has grown from Rs. 2,378.35 Million to Rs. 3,199.60 Million during the year representing a growth of 34.53%.

The monthly sales turnover of the "Agip" brand Automotive Lubricants produced by the Company with License and Technical Know-how of ENI-S.p.A. of Italy increased by about 400% over the previous year but the 50:50 Joint Venture marketing Company viz. Apar ChemateK Lubricants Ltd. suffered loss on account of erosion in the margins due to high input costs and fall in inventory value.

The Company's wholly owned subsidiary in Singapore deals mainly in transformer oils and White oils through its subsidiaries and/or tie-ups in Australia, South Africa and Turkey. Its consolidated profit (after tax) during the year under report was Rs. 41.65 Million against Rs. 51.58 Million in preceding year.

(ii) Conductor Division :

During the year under review, this division has achieved highest sales value, volume and margin. Both the Silvassa and Nalagarh plants had full loading coupled with favourable mix of products that was scheduled for manufacture.

The revenue from Conductors was at Rs. 13,860.16 Million as against Rs. 7,818.54 Million in the previous year, representing growth of 77.27%. Physical exports of Conductors during the year was Rs. 4,441.89 Million as against Rs. 4,368.18 Million in the previous year. The Operating margin grew by 169.55% resulting into Profit of Rs. 975.98 Million from the segment.

The Conductor business had an order book of Rs. 10,842 Million as on 1st April, 2009.

(c) Internal Control Systems & their adequacy:

The Company has established adequate Internal Control Systems (ICS) in respect of major areas of operations of all the divisions of the Company. The ICS are aimed at promoting operational efficiencies and achieving saving in cost and overheads in all business operations. The Company has implemented SAP (System Application & Product), a world class business process integration software solution at all business units. The system is operated successfully.

For tightening and more effective internal control systems and risk management, the Company has continued the engagement of M/s. KPMG India Pvt. Ltd., Chartered Accountants as internal auditors of the Company.

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, all Business Segments prepare their annual budget, which are reviewed along with performance at regular interval.

(d) Development of Human Resources :

The Company promotes open and transparent working environment to enhance teamwork 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 those employees who perform well, the Company practices Performance / Production linked Incentive Schemes and has introduced Employees Stock Option Scheme referred to in para 3 above. The main object of the Scheme is to create and maintain optimum performance level and profit driven culture and improve productivity.

The Company also takes adequate steps for in-house training of employees and maintaining safety and healthy environment for workers working within the factory premises.

(e) Cautionary Statement :

The statements made in the Management Discussion & Analysis section, describing the Company's goals, expectations, or predictions etc.