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APAR INDUSTRIES LTD.

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301, Panorama Complex, R. C. Dutt Road
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APAR INDUSTRIES LTD.

Annual Report 2009-10

52
Years

Serving Power Sector

Powering Ahead

**"Tomorrow's
Progress Today"**

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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APAR INDUSTRIES LTD.

Registered Office: 301, Panorama Complex, R. C. Dutt Road, Vadodara – 390 007.

ATTENDANCE SLIP

Please complete the Attendance Slip and hand it over at the entrance of the Meeting place. Joint Shareholders may obtain additional Attendance Slips on request.

Name & Address of the Member/s _____

Ledger Folio No. (s) _____ DP ID No. * _____ & Client ID No. * _____

No. of Shares held _____

* Applicable for members holding shares in electronic form.

I hereby record my presence at the **21st Annual General Meeting** to be held on **Monday, 2nd August, 2010 at 2.30 P.M. at the Auditorium of Vanijya Bhavan, Central Gujarat Chamber of Commerce, Race Course Circle, Vadodara – 390 007.**

Signature of the Member/Proxy



APAR INDUSTRIES LTD.

Registered Office: 301, Panorama Complex, R. C. Dutt Road, Vadodara – 390 007.

PROXY FORM

Ledger Folio No. (s) _____ DP ID No. * _____ & Client ID No. * _____

No. of Shares held _____

I/we _____ of _____

being a Member / Members of Apar Industries Limited hereby appoint _____

of _____ or failing him/her _____

of _____ as my / our proxy to attend and vote for me / us and on my / our behalf at the 21st Annual General Meeting of the Equity Shareholders of the Company to be held on Monday, 2nd August, 2010 at 2.30 P.M. at the Auditorium of Vanijya Bhavan, Central Gujarat Chamber of Commerce, Race Course Circle, Vadodara – 390 007, and at any adjournment thereof.

Signed this _____ day of _____ 2010 by the said _____

* Applicable for members holding shares in electronic form.

Affix a
Re. 1
Revenue
Stamp
here

Signature(s) of Member(s)

Note : This Proxy Form must be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting. The Proxy need not be a Shareholder of the Company.

Corporate Information

BOARD OF DIRECTORS

Dr. N. D. Desai	<i>Chairman</i>
Mr. V. A. Gore	<i>Upto December 1, 2009</i>
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	
Mr. Gary Ng Jit Meng	<i>Upto January 21, 2010</i>

AUDIT COMMITTEE

Mr. V. A. Gore	<i>Chairman</i>
<i>(Upto December 1, 2009)</i>	
Mr. H. N. Shah	<i>Member - w.e.f. January 21, 2010</i>
	<i>Chairman - w.e.f. May 25, 2010</i>

Dr. N. K. Thingalaya	
Mr. F. B. Virani	
Mr. Gary Ng Jit Meng	<i>Upto January 21, 2010</i>

COMPANY SECRETARY

Mr. Sanjaya Kunder

AUDITORS

M /s. Price Waterhouse
Chartered Accountants, Mumbai

BANKERS

■ Union Bank of India ■ Syndicate Bank ■ ING-Vysya Bank Ltd.
■ IDBI Bank Limited ■ 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
Tel: (+91) (265) 2339906, 2331935
Fax: (+91) (265) 2330309
e-mail: com_sec@apar.com
Website: www.apar.com

REGISTRAR & SHARE TRANSFER AGENT

MCS Limited
Neelam Apartment, 88, Sampatrao Colony,
B/H Standard Chartered Bank,
Alkapuri, Vadodara – 390 007.
Tel: (+91) (265) 2339397, 2350490
Fax: (+91) (265) 2341639
e-mail: mcsbaroda@yahoo.com

CORPORATE OFFICE

Apar House, Corporate Park
Sion – Trombay Road, Chembur,
Mumbai – 400 071.
Tel: (+91) (22) 25263400, 67800400
Fax: (+91) (22) 2524 6326
e-mail: corporate@apar.com
Website: www.apar.com

Financial Highlights

for last five years (Consolidated)

(Rupees in million)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06
PROFIT AND LOSS ACCOUNT DATA					
Sales (Net of Excise)	22,355	26,371	17,658	15,114	11,124
% of Growth	(15)	49	17	36	27
Exports	6,236	7,899	6,874	3,157	1,956
Materials, Operating and other costs	20,901	25,717	16,467	14,047	10,507
Employee cost	321	256	185	159	154
Depreciation	185	147	140	100	86
Interest and Discounting charges	332	412	371	324	209
Profit before tax, exceptional & Extraordinary Items	1,016	5	739	686	546
% of Growth	19,083	(99)	8	26	52
Taxation	224	23	118	167	110
Profit after Tax (PAT)	792	(18)	621	519	436
Exceptional items	12	17	38	38	17
Extraordinary Items - net of tax	603	–	(323)	–	–
Associate profit/(loss)	–	(58)	(13)	–	–
Minority interest	67	40	(4)	1	–
Balance of Profit	244	(53)	889	482	419
% of Growth		(106)	84	15	33
BALANCE SHEET DATA					
Share Capital	323	323	323	323	846
Reserves & Surplus	2,511	2,476	2,521	1,844	992
Net worth	2,834	2,799	2,844	2,167	1,838
Minority interest	3	79	6	–	–
Loan Funds	1,617	1,615	1,009	1,328	1,056
Deferred Tax (Net)	72	63	54	139	136
Total Liabilities	4,526	4,556	3,913	3,634	3,030
Gross Block	3,091	2,794	1,469	2,234	1,880
Net Block	1,811	1,793	1,107	1,604	1,149
Investments including Goodwill on Consolidation	0	603	374	3	4
Net Current assets	2,715	2,148	2,403	1,984	1,825
Miscellaneous Expenditure (to the extent not written off or adjusted)	–	12	29	43	52
Total Assets	4,526	4,556	3,913	3,634	3,030
KEY RATIOS					
PAT to Sales (%)	1.09	(0.20)	5.03	3.19	3.76
Return on Net Worth (%)	30.57	(1.28)	37.53	26.61	32.90
Asset Turns (Revenue to total Assets)	4.96	6.27	4.74	4.61	4.08
Return on Capital Employed (%) *	24.65	5.94	24.49	23.30	22.03
Debt to Equity Ratio	0.36	0.41	0.07	0.29	0.33
Earning per Equity Share (Basic) Rs.	7.56	(1.65)	27.48	15.42	13.93
Rate of dividend % p.a.	50%	–	55%	35%	35%
Book value per Equity Share Rs.	87.63	86.22	87.08	65.68	55.22
Share Price as on March 31, 2010 (BSE)	197.50	78.05	205.70	139.20	245.90

* excluding extra-ordinary items

Notice

NOTICE is hereby given that the TWENTY FIRST Annual General Meeting of the Equity Shareholders of APAR INDUSTRIES LIMITED will be held at the Auditorium of the Vanija Bhavan, Central Gujarat Chamber of Commerce, Race Course Circle, Vadodara – 390 007 on Monday, the 2nd August, 2010 at 2.30 P.M. to transact the following business :

Ordinary Business:

1. To receive, consider and adopt Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. To declare dividend on 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 Auditors of the Company and to fix their remuneration.

Special Business:

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution** :-

“**RESOLVED THAT** pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, the provisions of Securities and Exchange Board of India (Issue Of Capital And Disclosure Requirements) Regulations, 2009 (the “SEBI ICDR Regulations”), the provisions of the Foreign Exchange Management Act, 1999, and rules and regulations made hereunder, including the Foreign Exchange Management (Transfer and Issue of Securities by a person Resident outside India) Regulation, 2000, if applicable, the provisions of Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and subject to any other applicable law or laws, rules and regulations (including any amendment thereto or re-enactment thereto or re-enactment thereof for the time being in force) and subject to enabling provisions in the Memorandum and Articles of Association of the Company

and Listing Agreements, entered into by the Company with the Stock Exchanges where the shares of the company are listed and subject to any approval, consent, permission and / or sanction of the members of the Company by way of Special Resolution, if any, Government of India (GOI), Reserve Bank of India (RBI), Stock Exchanges, Registrar of Companies, Securities and Exchange Board of India (SEBI) and / or any other competent authorities, institutions or bodies, within or outside India, and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed by the Board of Directors (hereinafter referred to as “Board” which term shall include any committee thereof, whether constituted or to be constituted), approval of the Company be and is hereby accorded to the Board to create, offer, issue and allot in one or more tranche(s), in the course of domestic and / or international offerings and /or Qualified Institutional Placements (“QIP”), with or without an over allotment / green shoe issue option, in one or more foreign markets or domestic markets, to domestic institutions, foreign institutions, non-resident Indians, Indian public, companies, corporate bodies, mutual funds, banks, insurance companies, pension funds, individuals, qualified institutional buyers or other persons or entities, whether shareholders of the Company or not, through a public issue and / or on a private placement basis and / or qualified institutional placement within the meaning of Chapter VIII of the SEBI ICDR Regulations and /or preferential issue and / or other kind of public issue and /or private placement or through a combination of the foregoing as may be permitted under applicable law from time to time, with or without an over allotment/ green shoe option, such number of equity shares, secured or unsecured debentures, bonds or any other securities whether convertible into equity share or not, including, but not limited to, Foreign Currency Convertible Bonds (“FCCBs”), Optionally Convertible Debentures (“OCD”), Bonds with share warrant attached, Global Depository Receipts (“GDRs”), American Depository Receipts (“ADRs”) or any other equity related instrument of the Company or a combination of the foregoing including but not limited to a combination of equity shares with bonds and / or any other securities whether convertible into equity shares or not (hereinafter referred to as “securities”) for a

value of upto Rs. 125 Crores (Rupees One Hundred Twenty Five Crores only), whether to be listed on any stock exchange inside India or any international stock exchanges outside India, through an offer document and / or prospectus and / or offer letter, and / or offering circular, and / or on public and / or private or preferential basis, whether rupee denominated in foreign currency at such time or times, at such price or prices in such manner and on such terms and conditions including security, rate of interest etc, as may be decided by and deemed appropriate by the board as per applicable law, including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made, considering, the prevailing market conditions and other relevant factors wherever necessary in consultation with its advisors, as the board in its absolute discretion may deem fit and appropriate.

RESOLVED FURTHER THAT in addition to all applicable Indian laws, the securities issued in pursuance of this resolution shall also be governed by all applicable laws and regulations of any jurisdiction outside India where they are listed or that may in any other manner apply to such securities or provided in the terms of their issue.

RESOLVED FURTHER THAT any securities that are not subscribed in issues mentioned above, may be disposed off by the board in its absolute discretion in such manner, as the board may deem fit and as permissible by the law.

RESOLVED FURTHER THAT in case of a Qualified Institutional Placement pursuant to Chapter VIII of the SEBI ICDR Regulations, the allotment of specified securities shall only be to Qualified Institutional Buyers within the meaning of Chapter VIII and the relevant date for the determination of the price of the equity shares to be issued or issued pursuant to conversion, shall be the date on which the board decides to open the issue of securities or such other time as may be allowed by SEBI ICDR Regulations from time to time and allotment of specified securities shall be completed within twelve months from the date of this resolution.

RESOLVED FURTHER THAT in case of an issuance of FCCBs / ADRs / GDRs, the relevant date for the determination of the issue price of the securities offered, shall be determined in accordance with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 as may be amended from time to time.

RESOLVED FURTHER THAT the issue of Securities shall be subject to the following terms and conditions:

- The Securities shall be subject to the provisions of Memorandum and Articles of Association of the Company and in accordance with the terms of the issue; and
- The number and / or price of the Securities shall be appropriately adjusted for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of division or any such capital or corporate restructuring.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorised to do all such acts, deeds, matters and things including but not limited to determining the form and manner of the issue, including the class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, execution of various transaction documents, creation of mortgage/ charge in accordance with Section 293(1)(a) of the Act, in respect of any Securities as may be required either on pari-passu basis or otherwise, as it may in its absolute discretion deem fit and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to form a committee or delegate all or any of its powers to any Directors (s) or Committee of Directors / Company Secretary / other persons authorised by the Board to give effect to the aforesaid resolutions.

RESOLVED FURTHER THAT subject to the applicable laws, the Board and / or the Committee authorised by the Board be and is hereby authorised to do such acts, deeds and things as the Board in its absolute discretion deems necessary or desirable in connection with the issue of the securities, including, without limitation of the following:

- Decide the date for the opening of the issue of securities
- Decide the price band for the issue
- Finalization of the Issue Price
- Finalization of the allotment of the securities on the basis of the subscriptions received.

- Finalization of, signing of and arrangement for the submission of the preliminary and final offering circulars / prospectus(es) / offer document(s), and any amendments and supplements thereto, along with supporting papers needed to be filed for seeking listing approval with any applicable government and regulatory authorities, institutions or bodies as may be required;
- Deciding the pricing and terms of the securities, and all other related matters, including taking any action on two-way fungibility for conversion of underlying equity shares into FCCBs/ GDRs/ ADRs, as per applicable laws, regulations or guidelines;
- Appointment, in its absolute discretion, managers (including lead manager), Investment Bankers, Merchant Bankers, underwriters, guarantors, financial and /or legal advisors, depositories, custodians, principal paying/transfer/ conversion agents, listing agents, registrars, trustees and all other agencies, whether in India or abroad, entering into or execution of all such agreements/ arrangements/ MoUs/ documents with any such agencies, in connection with the proposed offering of the securities;
- Approval of the Deposit Agreements(s), the Purchase/ Underwriting Agreement(s), the Trust Deed(s), the Indenture(s), the Master/ Global GDRs / ADRs / FCCBS / other securities, letters of allotment, listing application, engagement letter(s), memorandum of understanding and any other agreements of documents, as may be necessary in connection with the issue / offering (including amending, varying or modifying the same, as may be considered desirable or expedient), in accordance with all applicable laws, rules, regulations and guidelines;

- Settle all questions, difficulties or doubts that may arise in regards to the issue, offer or allotment of securities and utilization of the proceeds of the issue in such manner and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board and/or the Committee authorised by the Board be and is hereby authorised to accept any modifications in the proposals as may be required by the authorities involved in such issues but subject to such conditions as the SEBI/GoI/RBI or such other appropriate authorities may impose at the time of their approval and as agreed to by the Board;

RESOLVED FURTHER THAT without prejudice to the generality of the foregoing, issue of the securities may be done upon all or any terms or combination of terms in accordance with international practices relating to the payment of interest, additional interest, premium on redemption, prepayment or any other debt service payments and all such terms as are provided customarily in an issue of securities of this nature.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorised by the Company for the issue of depository receipts representing the underlying equity shares issued by the Company in registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability of free transferability thereof as per international practices and regulations (including listing on one or more stock exchange(s) inside or outside India) and under the forms and practices prevalent in the international markets."

Registered Office :

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

Place : Mumbai

Date : 25th May, 2010

By Order of the Board,

Sanjaya Kunder
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME APPOINTED FOR THE MEETING.
2. The Register of Members and Share Transfer Books for the Equity Shares of the Company shall remain closed from Monday, July 26, 2010 to Monday, August 2, 2010, 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 (AIL) 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, which will be printed on their dividend warrants. However, 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 so as to enable the Company to ensure payment of dividend through Electronic Clearing Service (ECS).
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 also 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 remaining unpaid or unclaimed for a period of

seven years from the date of its transfer to the unpaid Dividend 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 16.10.2003 (6th Dividend for 2002-03) and 24.11.2003 (Interim Dividend – 2003-04) are due for transfer to the said fund in the month of October, 2010 and November, 2010, respectively. 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. 7 (c) 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 letter dated March 19, 2010 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 Specialty Products FZE, Sharjah, U.A.E., Wholly Owned Subsidiaries (WOS) of the Company; (c) Quantum Apar Specialty Oils Pty. Ltd., Australia, Subsidiary of PSPL (d) Uniflex Cables Limited (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 March 31, 2010. 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 letter 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 2009-2010 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.

9. The required Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is annexed hereto, forming part of the Notice.

ANNEXURE TO NOTICE

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

Item No. 6 :

The Company proposes to raise funds to the tune of Rs. 125 Crores (Rupees One Hundred Twenty Five Crores only) in one or more tranches through a public issue and / or on a private placement basis and/or QIP within the meaning of Chapter VIII of the SEBI ICDR Regulations and/or preferential issue and/or any other kind of public issue and/or private placement as may be permitted under applicable law from time to time. The resolution contained in the business of the Notice is regarding proposal to create, offer, issue and allot equity shares and/or such other Securities as stated in the Special Resolution (the "Securities") which seeks to empower the Board of Directors (hereinafter referred to as "Board" which include any Committee thereof, whether constituted or to be constituted) to undertake such issue or offer of securities.

1. Object of the issue :

In order to meet the funds requirement and to strengthen the financial position and capital base of the Company by augmenting its long-term resources,

2. Pricing :

In case of an issue of the Securities to Qualified Institutional Buyers pursuant to Chapter VIII of the SEBI ICDR Regulations, the issue price of Securities shall be at a price, being not less than the price calculated in accordance with Chapter VIII of SEBI ICDR Regulations as may be amended from time to time and the Relevant Date in this regard shall be the date on which the board decides to open the issue of securities or such other time as may be allowed by SEBI ICDR Regulations from time to time.

In case of a Qualified Institutional Placement pursuant to Chapter VIII of the SEBI ICDR Regulations, the allotment of securities shall be completed within twelve months from the date of passing of this resolution.

In case of issue of ADRs / GDRs the issue price shall be at a price, being not less than the price calculated in accordance with applicable law including the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) Scheme, 1993, as may be amended from time to time.

3. Terms and Conditions :

The detailed terms and conditions for the offer will be

Registered Office :

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

determined by the Board in consultation with Advisors, Lead Manager / Book Runners, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors.

The issue/ allotment/ conversion would be subject to the availability of regulatory approvals, if any. The conversion of securities, held by foreign investors, into shares would be subject to the applicable foreign investment limits.

The Special Resolution seeks to empower the Board and/or Committee authorised by the Board, to issue Securities in one or more tranche or tranches, at such time / times, and to such person(s) as the Board may in its absolute discretion deem fit. Section 81(1A) of the Companies Act, 1956 and the relevant clause of the Listing Agreement with the Stock Exchanges where the Equity Shares of the Company are listed provides, inter alia, that when it is proposed to increase the issued capital of a company by allotment of further shares, such further shares shall be offered to the existing shareholders of such company in the manner laid down in Section 81 unless the shareholders in a general meeting decide otherwise. Since the Special Resolution proposed in the business of the Notice results in the issue of shares of the Company otherwise than to the members of the Company, consent of the shareholders is being sought pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956 and the Listing Agreement.

The Special Resolution, if passed, will have the effect of allowing the Board and/or the Committee authorised by the Board to issue and allot Securities to the investors who may or may not be the existing shareholders of the Company and the Board and/or the Committee authorised by the Board will have the power to decide the date of opening of the Issue.

The Directors of the Company may be deemed to be concerned or interested in the above resolution only to the extent of shares held by them in the Company.

The Board of Directors recommend the Special Resolution for your approval.

By Order of the Board,

Sanjaya Kunder
Company Secretary

Place : Mumbai
Date : 25th May, 2010

Directors' Report

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
Date of Birth	15.07.1971	04.11.1937
Date of Appointment	29.05.1993	27.07.2001
Expertise in specific functional areas	Chemical Engineering	Banking
Qualifications	B.Sc. (Hons.), (Chem. Engg.), USA B.S. (Econ.) Hons., Wharton, USA.	Ph. D. (Economics)
List of other Companies in which Directorship held as on 31.03.2010	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. Marine Cables & Wires Pvt. Ltd. 9. Poweroil Speciality Products FZE, Sharjah, UAE	1. Lamina Foundries Limited 2. Uniflex Cables Limited
Chairman / Member of the Committee of other Public Companies on which he is a Director as on 31.03.2010.	1. Uniflex Cables Limited - Remuneration Committee - Shareholders / Investors Grievance Committee - Audit Committee	1. Lamina Foundries Limited - Remuneration Committee - Audit Committee
No. of Shares held in the Company	65,20,932	Nil
Relationship between Directors inter se	Related to – Dr. N. D. Desai, (Father) and Shri K. N. Desai, (Brother)	Nil

To The Shareholders,

Your Directors have pleasure in submitting the 21st Annual Report of the Company together with the audited annual accounts showing the financial position of the Company for the year ended March 31, 2010.

1. Financial results

Rs. in millions

Particulars	Company		Consolidated*	
	2009-10	2008-09	2009-10	2008-09
Sales turnover (after deduction of excise duty amount of)	19,980.54	24,634.13	22,355.45	26,370.60
Other income	166.39	63.23	160.00	62.26
Profit for the year before interest, depreciation/ amortisation, taxation and exceptional items	1,385.11	524.03	1,532.76	565.02
Deducting there from:				
- Depreciation / amortization	118.79	109.93	185.13	147.15
- Interest	195.60	312.49	331.99	412.50
PROFIT BEFORE ADJUSTMENT OF EXCEPTIONAL ITEMS, TAXATION, SHARE OF ASSOCIATES' NET LOSS AND MINORITY INTEREST	1,070.72	101.61	1,015.64	5.37
Exceptional items	22.61	17.40	11.56	17.40
PROFIT BEFORE TAXATION FOR THE YEAR	1,048.11	84.21	1,004.08	(12.03)
Deducting there from:				
- Provision for taxation	186.74	31.14	223.86	23.41
Net profit for the year after taxation and before share of associates' net loss and minority interest	861.37	53.07	780.22	(35.44)
Adjustment of:				
-loss of associate concern (prior to it becoming subsidiary)	0.00	0.00	0.00	57.89
-Minority interest in subsidiary/joint venture (profit)/loss			67.21	40.11
NET PROFIT AFTER TAXATION AND ABOVE ADJUSTMENTS.	861.37	53.07	847.43	(53.22)
Extraordinary items – impairment loss on investments #	555.54	0.00	603.08	0.00
Balance profit	305.83	53.07	244.35	(53.22)
Add: Balance of profit brought forward from the previous year	998.17	945.10	980.32	1,033.54
Amount available for appropriations	1,304.00	998.17	1,224.67	980.32
Appropriations made by the Board of Directors:				
- General reserve	87.50	–	87.50	–
- Dividends on equity shares:				
- Proposed dividend at Rs. 5 (50%) per share	161.68	–	161.68	–
- Income tax on dividends	26.86	–	26.86	–
- Leaving balance of profit carried to balance sheet	1,027.96	998.17	948.63	980.32
Earnings per equity share (EPS)				
- Basic and diluted before extraordinary items	26.64	1.64	26.21	(1.65)
- Basic and diluted after extraordinary items	9.46	1.64	7.56	(1.65)

* Consolidated results include the results of –

(a) Petroleum Specialities Pte. Ltd, Singapore (PSPL) and Poweroil Speciality Products FZE, Sharjah, wholly-owned subsidiaries (WOS) of the Company;

(b) Uniflex Cables Ltd (UCL), a subsidiary company

(c) Apar ChemateK Lubricants Ltd., a joint venture company

(d) Marine Cables & Wires Private Limited, WOS of UCL (MCWPL) and

(e) Quantum Apar Speciality Oils Pty. Ltd., subsidiary of PSPL

Non-cash loss on impairment of equity investment in UCL & MCWPL (see para 3 (c) of this Report).

2. Dividend

The Board of Directors recommended final dividend for 2009-10 on 32,336,031 equity shares at Rs. 5 (50%) per share.

This final dividend is payable after declaration by shareholders at the ensuing Annual General Meeting (AGM) and you are requested to declare the same.

3. Management discussion and analysis/ outlook

(a) Industry structure, development, opportunities, threats, outlook and risk and concerns

The Indian power sector continues to see substantial investment in the generation, transmission and distribution segments. The power generation should increase by about 50 KMW in the Eleventh Five Year Plan compared to 52.3 KMW in past 15 years. As a consequence, there will be a significant spending on the Transmission and Distribution (T&D) segment to transmit and distribute the power. The Twelfth Five Year Plan is expected to add about 100,000 MW additionally. Given that the additions in the Eleventh Plan is back ended, there is an expectation that T&D investment will accelerate over the next 5-7 years.

The Company has two business segments, each of which continued to maintain significant market share positions. The Company is deriving about 75% of its revenue from power sector on the basis of use by the end customer. Margins from the manufacturing activities during 2009-10 were substantially improved to Rs. 1,385.11 million from Rs. 524.03 million in the previous year. The segment-wise operations were as under:

(i) Transformer oil and speciality oils segment

This division contributed 51% of the Company's revenue. Details of production, sales revenue and segment profit (standalone basis) are:

	2009-10	2008-09	Variation
Turnover			
KL	#2,47,689	#1,99,648	(+) 48,041
Rs/million	10,251.51	10,804.33	*(-) 552.82
Segment profit-			
Rs/million	879.54	(377.73)	(+) 1,257.27

Includes conversion by the Company on customers' account.

*Due to reduced sale price in line with reduced cost of base oils (an international phenomena).

After the business suffered very badly in Q3FY09 and Q4FY09 (a world-wide phenomena), there was a very strong turnaround both in terms of volume and margins during the financial year 2009-10. This is attributed to growth in sales of transformer oil, white oils and industrial oil sub-segments, both in the domestic and exports markets.

The sales mix of transformer oils improved on account of more sales to higher rating power transformers and special requirements.

The Company expects continued growth of at least 15% in the transformer oil segment for the next 3-4 years based on indications of the ongoing expansions in the power sector in India. More specifically, the growth in the EHV segment as the transmission networks being built are expected to increase the demand, where the Company has a clear leadership position with approvals from major transformer OEMs and utilities like Power Grid Corporation of India Ltd. (PGCIL).

The Company has also established itself as the largest marketer in India of new generation eco-friendly non-labelled rubber process oils for the tire sector that meets the new European and Japanese standards.

The net sales turnover of the "Agiip" brand automotive lubricants produced by the Company with license and technical know-how of ENI-S.p.A of Italy and marketed by Apar ChemateK Lubricants Ltd., (50:50 joint venture company with ChemateK SpA) (ACL) increased substantially by 31.1%. ACL earned a profit of Rs. 49.98 million during the FY 2009-10 as against loss of Rs. 41.54 million in the previous year.

Risk and concerns

The Company imports over 90% of its base oils. There has been continuous volatility in base oil prices and in foreign exchange rates. To protect itself, the Company has been quoting prices only on a monthly basis or using the IEEMA price - variation formula for long term deals. It has also been following a hedging strategy to cover foreign exchange exposure as soon as sales prices are fixed, thereby converting \$ payables to Rs. for pricing of products. There is a cost for taking forward covers which the Company needs to absorb. However, given the current volatility, it is a prudent strategy to follow.

(ii) Conductor division

Sales revenue in FY10 was down by 28.9% from Rs. 13,860.16 million to Rs. 9,858.18 million on account of reduction in volume by 16.3% from 89,715 MT to 75,075 MT.

Segment level profit for the year was down by 38.4% from Rs. 975.98 million to Rs. 601.02 million.

There were several factors that resulted in the above lower performances.

- Second half FY10 had lower order execution as there were delays/re-schedulement of several orders that had been booked. Some of this is attributable to delayed financial closures (from FY09 crisis post September 2008) or project delays due to customer having right of way issues. However, the postponement of these orders execution will result in a substantially higher volume in FY11.
- There were delays in both tenders and awarding contracts from power grid which resulted in these getting shifted into FY11.
- After the 2008 financial crisis, the demand for conductors was affected in the short term. It resulted in a very competitive environment, where the Company was out-priced in bidding for some contracts.
- However, the order book as of April 1, for FY11 is Rs. 10,832.4 million in confirmed orders and Rs. 2,865 million in the pipeline. We expect total volume to grow by about 30% in FY11 over FY10 with a corresponding increase in profitability for this segment. Approximately, 75% of these orders (confirmed and pipeline) will be executed in FY11.

The Company followed a conservative hedging strategy both on foreign exchange and metal front. All fixed price contracts were hedged on a back to back basis. The mark to market losses (MTM) on such contracts as of March 31, 2010 in accordance with announcement dated March 28, 2008, issued by the Institute of Chartered Accountants of India, amounting to Rs. 400.03 million have 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 contracts. The MTM loss is largely due to a single large export order which has delivery schedule that runs through

the end of calendar year 2011.

Risk and concerns

There is continued volatility in the commodity markets. Even though, the Company hedges the metal on LME, there can be mark to market losses until completion of the Contract. There is also substantial volatility in the foreign exchange market which can lead to changes in the value addition, that the company has targeted.

(b) Qualified institutional / private placement

In order to meet the funds requirement and to strengthen the financial position and capital base of the Company by augmenting its long-term resources, the Company would need access to external funds at different points of time in the future. It is proposed to seek an enabling resolution of the members at the ensuing Annual General Meeting (AGM) and for the purpose, appropriate resolutions with explanatory statement are incorporated in the notice of AGM. The Board of Directors recommends the resolutions.

(c) Operations of subsidiaries Uniflex Cables Ltd. (UCL) and its wholly-owned subsidiary, Marine Cables & Wires Private Limited (MCWPL)

The Company got involved in day to day management of UCL, since September 2008 and thereafter, it has taken several steps in the area of productivity improvement, debottlenecking of manufacturing facility, expansion of production lines and markets and strengthening of managerial resources. This resulted in UCL being prepared for facing long term challenges and steps taken during the year for improvement of operations were reflected in its increased net sales during the last four month period (December 2009 to March 2010) of Rs. 876.1 million as against total net sales of Rs. 930.08 million for the first eight months of the financial year 2009-10. Accordingly net sales, during 2009-10, were Rs. 1,806.18 million against Rs. 1,278.59 million in the previous financial year 2008-09. Net loss in the last quarter of FY 2009-10 were Rs. 51.49 million against the average loss per quarter of Rs. 74.32 million in the preceding three quarter of the financial year 2009-10. However, this was not sufficient to break-even and UCL has incurred a net loss of Rs. 274.58 million after tax as against a loss of Rs. 286.75 million for the previous year 2008-09.

UCL faced a very competitive environment in which there was severe margin erosion in the face of diminishing demand. However, in second half of FY10, the demand for power cables improved considerably. This resulted in better sales and margins improved to some extent, but still not fully recovered to the extent pre-September 2008 levels. UCL, however, streamlined production, invested in upgrading equipment, manpower and processes and expects to do over Rs. 2,750 million in net sales in FY11, with a cash break-even level of profitability.

On account of losses incurred during the year under review and also with carried forward losses of past years, the entire net worth of the UCL got eroded as at the end of the financial year March 31, 2010. UCL is required under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) to make a reference to the Board for Industrial & Financial Reconstruction (BIFR) for determination whether the UCL is a sick industrial company or not and UCL will shortly file the same. The Company shall provide required support for revival of the unit.

The Company has an equity investment of Rs. 834.37 million in UCL as at March 31, 2010. Considering the present net worth position of UCL the Company deems it prudent to provide for impairment in the value of equity investment in UCL. Accordingly, the Company provided (non-cash charge) Rs. 555.4 million in its 2009-10 accounts as an extraordinary item.

During the year ended March 31, 2010, MCWPL earned profit of Rs. 6.62 million (before tax) as against loss of Rs. 5.79 million in the previous year. On account of brought forwarded losses of the previous years, its entire net worth got eroded as at the end of financial year March 31, 2009 and MCWPL had filed required reference to BIFR in the month of October 2009. BIFR vide its order dated February 5, 2010 has declared MCWPL as sick industrial company and directed MCWPL to submit Draft Rehabilitation Scheme (DRS) for its revival which will be submitted shortly by MCWPL. The Company shall provide required support for its revival and the Board authorised the management to discuss the proposal to be submitted by MCWPL to BIFR for amalgamation of MCWPL with the Company.

(d) Cautionary statement

The statements made in the management discussion & analysis

section, describing the Company's goals, expectations, or predictions etc. do contain some forward looking views of the management. The actual performance of the Company is dependent on several external factors many of which are beyond the control of the management viz. growth of Indian economy, continuation of industrial reforms, fluctuations in value of Rupee in foreign exchange market, Volatility in commodity prices applicable laws/ regulations, tax structure, domestic/ international industry scenario, movement in international prices of raw materials and economic developments within the country etc.

(e) Internal control systems (ICS) and their adequacy

The Company established adequate ICS in respect 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 System Application and Product (SAP), a world class business process integration software solution which was implemented by the Company at all business units has been operating successfully.

For tightening and more effective internal control systems and risk management, the Company 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 segment prepare their annual budget, which are reviewed along with performance at regular interval.

(f) 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 introduced Employees Stock Option Scheme referred to in para 7 (a)(i) and as detailed in an attachment to this report. 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.

4. Directors

a) Mr. V A Gore, Director of the Company and Chairman of the Audit Committee expired on December 2, 2009 after short duration of illness. Mr. Gore was associated with the Company for the last over 15 years. The Board deeply mourns the sad demise of Mr. V A Gore and place on record their sincere appreciation for the valuable guidance and assistance provided by Mr. Gore during his tenure as a Director of the Company.

b) Mr. Gary Ng Jit Meng, who was appointed by M/s. Shiny Limited in terms of Clause 7 of the investment agreement, ceased to be a director by resignation w.e.f. conclusion of the Board of Directors' meeting on January 21, 2010. The Board places on record its appreciation for the valuable guidance and support rendered by Mr. Gary Ng Jit Meng during the tenure of his association with the Company.

c) Mr. C N Desai and Dr. N K Thingalaya, 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 the re-appointment of these Directors.

5. 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 March 31, 2010, the applicable accounting standards were followed along with proper explanation relating to material departures, if any.

ii. Appropriate accounting policies were selected and applied consistently and judgements and estimates were made that were 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 the financial year under review.

iii. Proper and sufficient care was 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 were prepared on a going concern basis.

6. Audit

The qualification in paragraph 4 of attached Auditors' Report are self-explanatory and do not call for any further comments or explanations. In this regard attention is also invited to paragraph 3(a) (ii) of this Report.

M/s. Price WaterHouse (PW), 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 on May 25, 2010 recommended reappointment of M/s. PW as statutory auditors of the Company for the financial year 2010-11.

7. Other information

a. Attached to and forming part of this report are the following:

- (i) Particulars relating to Employee Stock Option Scheme.
- (ii) Particulars relating to conservation of energy, technology absorption, Research and Development and foreign exchange earnings and outgo.
- (iii) Report on Corporate Governance and auditors' certificate regarding compliance of conditions of corporate governance. The Ministry of Corporate Affairs has issued "Corporate Governance Voluntary Guidelines" in December 2009. While these guidelines are recommendatory in nature, the Company is in the process of adopting these guideline gradually.

b. **Particulars of employees** – Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the report and the accounts are being sent excluding the statement containing the particulars to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the registered office

of the Company or write to the Company Secretary for a copy thereof.

c. The Company has been granted exemption for the year ended March 31, 2010 by the Ministry of Corporate Affairs vide its letter dated March 19, 2010 (Exemption Letter), from attaching to its Balance Sheet, the annual report of Company's wholly-owned foreign subsidiaries viz. Petroleum Specialities Pte. Ltd., Singapore as well as its subsidiary Quantum Apar Speciality Oils Pty. Ltd., Australia and Poweroil Speciality Products FZE, Sharjah, Uniflex Cables Limited, subsidiary of the Company and Marine Cables & Wires Private Limited, subsidiary of Uniflex Cables Limited. As per the terms of exemption, a statement containing brief financial details of the said subsidiaries for the year ended March 31, 2010 are included in the annual report. The annual accounts of the said subsidiaries and the related information will be made available to any member of the Company seeking

such information at any point of time and are also available for inspection by any member of the Company at the registered office of the Company.

d. As on March 31, 2010, the aggregate fixed deposits of Rs. 0.761 million were due for repayment but remained unclaimed. Letters have been sent to such depositors to claim the amounts due to them.

8. Acknowledgement

Your Directors wish to place on record their sincere appreciation for continuous cooperation, support and assistance provided by stakeholders, 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

Place: Mumbai
Date: May 25, 2010

Dr. N. D. Desai
Chairman

Annexure to the Directors' Report EMPLOYEE STOCK OPTION

Members' approval was obtained at the Annual General Meeting held on August 9, 2007 for introduction of Employees Stock Option Scheme to issue and grant upto 16,16,802 options and it was 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	: 175,150
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	: 175,150
f. Options lapsed	: Nil
g. Variation in terms of options	: See note 1 below
h. Money realised by exercise of options	: Nil
i. Total number of options in force	: 175,150
j. Employee-wise details of options granted to:	
i. Senior Management Personnel / Directors	
(a) Mr. H N Shah	: 7,500
(b) Mr. V A Gore*	: 4,000
(c) Dr. N K Thingalaya	: 4,000
(d) Mr. 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. 9.46

Note

1) 175,150 options at the exercise price of Rs. 259.75 granted on January 23, 2008 were cancelled on May 27, 2008. The cancellation was 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 August 29, 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 obtained in-principle approval for the listing of the entire 1,616,802 equity shares to be issued and allotted on exercise of options as and when exercised under the scheme.

4)* Mr. V A Gore expired on December 2, 2009. Options granted to him would vest with his legal heirs' / beneficiary.