



APAR INDUSTRIES LTD.



POWERING AHEAD!

55 YEARS OF POWERFUL PERFORMANCE
"TOMORROW'S PROGRESS TODAY"

Apar Industries Limited | Annual Report 2012-13

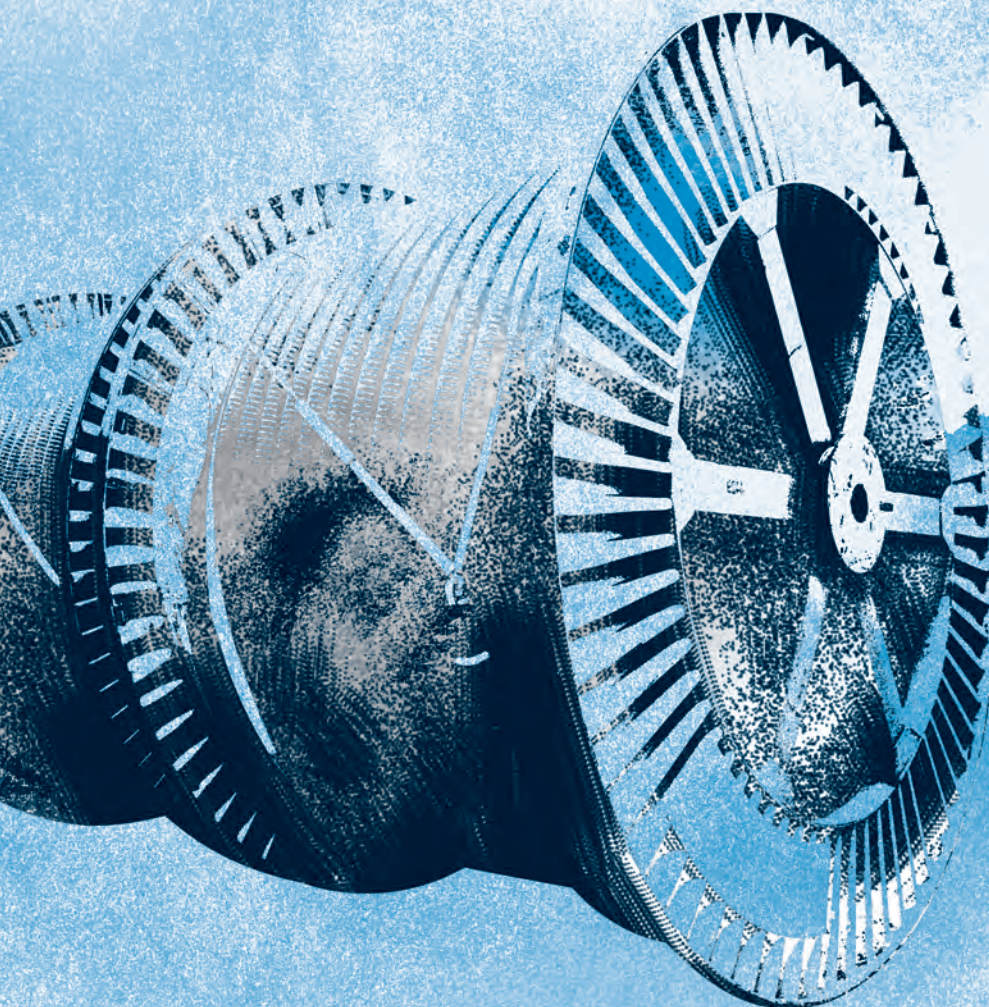
Forward-looking statement

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 'anticipates', 'estimates', '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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Corporate Information

BOARD OF DIRECTORS

| | |
|-----------------------|-------------------------|
| Dr. N. D. Desai | Chairman |
| Dr. N. K. Thingalaya | |
| Mr. F. B. Virani | |
| Mr. Kushal N. Desai | Managing Director |
| Mr. C. N. Desai | Joint Managing Director |
| Mr. H. N. Shah | |
| Mr. Rajesh Sehgal | |
| Mr. Sanjiv Maheshwari | |

AUDIT COMMITTEE

| | |
|----------------------|----------|
| Mr. H. N. Shah | Chairman |
| Dr. N. K. Thingalaya | |
| Mr. F. B. Virani | |
| Mr. Rajesh Sehgal | |

COMPANY SECRETARY

Mr. Sanjaya Kunder

AUDITORS

M/s. Sharp & Tannan
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 ■ Indian Bank ■ Bank of Baroda ■ Axis Bank Ltd. ■ Credit Agricole – Corporate & Investment Bank

REGISTERED OFFICE

301, Panorama Complex,
R. C. Dutt Road,
Vadodara – 390 007.
Tel : (+91) (0265) 2339906, 2331935
Fax : (+91) (0265) 2330309
E-mail : com_sec@apar.com
Website: www.apar.com

CORPORATE OFFICE

Apar House, Bldg. No. 5, Corporate Park,
Sion – Trombay Road, Chembur,
Mumbai – 400 071.
Tel : (+91) (022) 25263400, 67800400
Fax : (+91) (022) 25246326
E-mail : corporate@apar.com
Website: www.apar.com

REGISTRAR & SHARE TRANSFER AGENT

M/s. MCS Limited
Neelam Apartment, 88, Sampatrao Colony,
B/H Standard Chartered Bank,
Alkapuri, Vadodara – 390 007.
Tel : (+91) (0265) 2339397, 2350490
Fax : (+91) (0265) 2341639
E-mail : mcsltbaroda@yahoo.com
Website: www.mcsind.com

Financial Highlights for last five years (Consolidated)

₹ in Crore

| Particulars | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|---|------------|------------|------------|------------|------------|
| PROFIT AND LOSS ACCOUNT DATA | | | | | |
| Sales (Net of Excise) | 4,651 | 3,595 | 3,033 | 2,236 | 2,637 |
| % of Growth | 29 | 19 | 36 | (15) | 5 |
| Exports | 1,400 | 1,025 | 744 | 624 | 790 |
| Materials, Operating and other costs | 4,282 | 3,332 | 2,775 | 2,090 | 2,572 |
| Employee cost | 57 | 48 | 40 | 32 | 26 |
| Depreciation | 24 | 22 | 21 | 19 | 15 |
| Interest and Discounting charges* | 135 | 116 | 45 | 33 | 41 |
| Profit before tax, exceptional & Extraordinary Items | 155 | 79 | 154 | 102 | 1 |
| % of Growth | 97 | (49) | 51 | - | (99) |
| Taxation | 40 | 3 | 58 | 22 | 2 |
| Profit after tax (PAT) | 115 | 76 | 96 | 79 | (2) |
| Exceptional items | 5 | 2 | - | 1 | 2 |
| Extraordinary Items - net of tax | - | - | - | 60 | - |
| Associate profit/(loss) | - | - | - | - | (6) |
| Minority interest | (1) | (1) | (1) | 7 | 4 |
| Balance of Profit | 109 | 73 | 95 | 24 | (5) |
| % of Growth | 50 | (23) | 290 | - | (11) |
| BALANCE SHEET DATA | | | | | |
| Share Capital | 38 | 38 | 32 | 32 | 32 |
| Reserves & Surplus | 588 | 485 | 319 | 252 | 248 |
| Net worth | 627 | 523 | 351 | 283 | 280 |
| Minority interest | 2 | 1 | 1 | 0 | 8 |
| Loan Funds | 134 | 210 | 136 | 162 | 161 |
| Deferred Tax (Net) | 10 | 13 | 9 | 7 | 6 |
| Total Liabilities | 773 | 747 | 497 | 454 | 456 |
| Gross Block | 436 | 355 | 328 | 309 | 279 |
| Net Block | 288 | 207 | 184 | 181 | 179 |
| Investments including Goodwill on Consolidation | 21 | 0 | 0 | 0 | 60 |
| Net Current assets | 464 | 540 | 312 | 271 | 215 |
| Miscellaneous Expenditure (to the extent not written off or adjusted) | - | - | - | - | 1 |
| Total Assets | 773 | 747 | 497 | 454 | 456 |
| KEY RATIOS | | | | | |
| PAT to Sales (%) | 2.35 | 2.03 | 3.14 | 1.09 | (0.20) |
| Return on Net Worth (%) | 19.84 | 17.15 | 30.03 | 30.57 | (1.28) |
| Asset Turns (Revenue to total Assets) | 6.12 | 5.78 | 6.39 | 4.97 | 6.27 |
| Return on Capital Employed (%) ** | 14.40 | 13.48 | 21.99 | 24.65 | 5.94 |
| Debt to Equity Ratio | 0.08 | 0.13 | 0.21 | 0.36 | 0.41 |
| Earning per Equity Share (Basic) ₹ | 28.45 | 19.15 | 29.48 | 7.56 | (1.65) |
| Rate of dividend % p.a. | 52.50% | 40% | 60% | 50% | - |
| Book value per Equity Share ₹ | 162.88 | 136.03 | 108.68 | 87.63 | 86.22 |
| Share Price as on 31st March (BSE) | 108.45 | 161.85 | 214.90 | 197.50 | 78.05 |

* Interest and Discounting charges for FY 2010-11, FY 2011-12 and FY 2012-13 includes Bank charges for borrowing and Applicable net gain/loss on foreign currency transaction and translation.

** Excluding extraordinary items.



Notice

NOTICE is hereby given that the **TWENTY FOURTH** 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 Thursday, the 8th August, 2013 at 2.30 P.M. to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss 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 Dr. N. K. Thingalaya, who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Shri F. B. Virani, 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.

Place: Mumbai
Date : May 31, 2013

By Order of the Board,
For Apar Industries Limited

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, ON A POLL, TO VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. 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. Members are requested to bring their attendance slip along with their copy of annual report to the Meeting.
3. Members are requested to note that the Company's equity shares are under compulsory demat trading for all investors, as per the provisions of SEBI Circular dated May 29, 2000. Members are, therefore, requested to dematerialise their shareholding to avoid inconvenience.
4. The Register of Members and Share Transfer Books for the Equity Shares of the Company shall remain closed from Saturday, 3rd August, 2013 to Thursday, 8th August, 2013, both days inclusive.
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. 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. In terms of the Listing Agreement with the Stock Exchanges, the Registrar and Share Transfer Agent of the Company, MCS Limited has sent necessary reminders to the concerned Shareholders in this regard. The old share certificates of GAPL have already been cancelled and are of no effect or value.
7. Members holding shares in electronic form may note that bank particulars registered against their depository accounts will be used by the Company for payment of dividend. The Company or its Registrar and Transfer Agents, M/s. MCS Limited (MCS) cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the members.



8. Members holding shares in electronic form are requested to intimate immediately any changes in their addresses or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company / MCS.
9. 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.
10. Relevant documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during the Office hours on all working days except Sundays between 11.00 A.M. and 4.00 P.M. up to the date of the ensuing Annual General Meeting and at the meeting, during the meeting hours.
11. Corporate Members intending to send their Authorised Representative to attend the meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
12. Pursuant to the provisions of Section 205C of the Companies Act, 1956, the amounts of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Accounts of the Company are required to be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and, thereafter, no payments shall be made by the Company or by the IEPF in respect of any such amounts.

The amount of unpaid / unclaimed final dividend upto the financial year ended March 31, 2005, the First Interim Dividend for 2005-06 and Second Interim Dividend for 2005-06 on equity shares paid on 07.10.2005, 21.11.2005 and 18.04.2006 respectively have been transferred to IEPF. The unpaid / unclaimed Dividend amount of Equity Shares of the Company paid on 19.08.2006 (Final Dividend – 2005-06) is due for transfer to the said fund in the month of October, 2013. Members who have not yet encashed their warrant (s) are requested to make their claims to the Company without any delay.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 9th November, 2012 (date of last Annual General Meeting) on the website of the Company (www.apar.com), as also on the website of the Ministry of Corporate Affairs (www.mca.gov.in).

- 13 The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / MCS.
14. Members may avail of the nomination facility as provided under Section 109A of the Companies Act, 1956.
15. (a) As stated in Para No. 8 (c) of the Directors' Report, the Company has not attached the Annual Accounts, Reports and other Statements pursuant to Section 212 (1) of the Companies Act, 1956, in respect of –
(a) Petroleum Specialities Pte. Ltd., Singapore (PSPL), Wholly Owned Subsidiary (WOS) of the Company;
(b) Quantum Apar Speciality Oils Pty. Ltd., Australia, Subsidiary of PSPL, and (c) Apar ChemateK Lubricants Ltd. Subsidiary of the Company with the Annual Report of the Company for the financial year ended March 31, 2013 in accordance with the General Circular issued by the Ministry of Corporate Affairs, Government of India (MCA). The Company has fulfilled all the conditions of the said Circular in the Annual Report attached herewith.
(b) A Statement showing information in aggregate of the said subsidiary Companies in compliance with the aforesaid General Circular of Ministry of Corporate Affairs has been attached with the financial statements.
(c) The Company shall provide a copy of the Annual Accounts and related information / reports for the year 2012-2013 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.

16. The Annual Report of the Company, circulated to the Members of the Company, will be made available on the Company's website at www.apar.com.

17. The Company has already initiated / implemented the "Green Initiative" during the year 2010-11, as per the Circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices / documents and annual reports to shareholders. The email addresses as made available in your respective Depository Participant (DP) accounts and downloaded from NSDL / CDSL will be deemed to be your email address for serving notices / documents including those covered under Section 219 of the Companies Act, 1956 read with Section 53 of the Companies Act.

The Notice of AGM and the copies of audited financial

statements, directors' report, auditors' report etc. shall also be displayed on the Company's website at www.apar.com and the other requirements of the aforesaid MCA circular shall be duly complied with. Members holding shares in electronic mode are, therefore, requested to ensure to keep their email addresses updated with the Depository Participants. Members holding shares in physical mode are also requested to update their email addresses by sending an email to investorservices@apar.com quoting their registered ledger folio number. Shareholders can register their email address, by sending an Email at investorservices@apar.com quoting their Folio No. / DP ID – Client ID in order to facilitate the Company to serve the documents through electronic mode.

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

Place: Mumbai
Date : May 31, 2013

By Order of the Board,
For Apar Industries Limited

Sanjaya Kunder
Company Secretary

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 | Dr. N. K. Thingalaya | Shri F. B. Virani |
|--|---|--|
| Date of Birth | 04.11.1937 | 26.06.1945 |
| Date of Appointment | 27.07.2001 | 27.07.2001 |
| Expertise in specific functional areas | Banking | Chemical Engineering |
| Qualifications | Ph. D. (Economics) | B.E.(Chem. Engg.) M.S.(Chem. Engg.) (USA) M.B.A. (USA) |
| List of other Companies in which Directorship held as on 31.03.2013. | Lamina Foundries Limited | Dyna Cybertech Services Pvt. Ltd. |
| Chairman / Member of the Committee of other Public Companies on which he is a Director as on 31.03.2013. | Lamina Foundries Limited - Remuneration Committee - Audit Committee | Nil |
| No. of Shares held in the Company | Nil | 6,937 |
| Relationship between directors inter se | Nil | Nil |

Directors' Report

To
The Shareholders,

Your Directors have immense pleasure in submitting the 24th Annual Report of the Company together with the Audited Annual Accounts showing the financial position of the Company for the year ended 31st March, 2013.

1. Financial results

Standalone results for the year 2012-13 include effect of amalgamation of Marine Cables & Wires Private Limited (MCWPL) with the Company from 1st April, 2012 being the transfer date as detailed in para 2(a) of this report. However, the same for the year 2011-12 are without such inclusion and therefore not comparable.

Consolidated results include the results of (a) Petroleum Specialities Pte. Ltd, Singapore (PSPL), a wholly-owned subsidiary (WOS) of the Company (b) Apar ChemateK Lubricants Ltd., a subsidiary company and (c) Quantum Apar Speciality Oils Pty. Ltd., subsidiary of PSPL.

₹ in Crore

| Particulars | Company | | | Consolidated | | |
|--|---------------|---------------|-----------------------------|---------------|---------------|-----------------------------|
| | 2012-13 | 2011-12 | Increase over previous year | 2012-13 | 2011-12 | Increase over previous year |
| Sales turnover (after deduction of excise duty) | 4,532.19 | 3,453.26 | 31.2% | 4,650.69 | 3,594.89 | 29.4% |
| Other income | 7.70 | 0.54 | | 2.25 | 0.54 | |
| Profit for the year before finance cost, depreciation / amortisation, tax expenses and exceptional items | 303.09 | 196.94 | 53.9% | 313.50 | 216.00 | 45.1% |
| Deducting there from: | | | | | | |
| - Depreciation / amortisation | 23.86 | 21.28 | | 24.01 | 21.77 | |
| Finance Cost | 134.31 | 114.13 | | 134.57 | 115.52 | |
| PROFIT BEFORE ADJUSTMENT OF EXCEPTIONAL ITEMS, TAXATION AND MINORITY INTEREST | 144.92 | 61.53 | | 154.92 | 78.71 | |
| Exceptional items | 4.62 | 1.96 | | 4.62 | 1.96 | |
| PROFIT BEFORE TAXATION FOR THE YEAR | 140.30 | 59.57 | 135.5% | 150.30 | 76.75 | 95.8% |
| Deducting there from: | | | | | | |
| - Tax expenses | 38.14 | 0.25 | | 40.17 | 2.65 | |
| Net profit for the year after taxation and before minority interest | 102.16 | 59.32 | 72.2% | 110.13 | 74.10 | 48.6% |
| Adjustment of: | | | | | | |
| - Minority Interest (profit)/loss | — | — | | (0.68) | (1.06) | |
| NET PROFIT AFTER TAXATION AND ABOVE ADJUSTMENTS | 102.16 | 59.32 | | 109.45 | 73.04 | |
| Add: Profit brought forward from previous year | 104.12 | 173.54 | | 160.14 | 155.08 | |
| (Less) : Loss of Amalgamating Subsidiary | (5.76) | (101.95) | | 0.08 | (41.19) | |
| Amount available for appropriations | 200.52 | 130.91 | | 269.67 | 186.93 | |
| Appropriation made by the Board of Directors: | | | | | | |
| - General reserve | (18.34) | (8.90) | | (18.34) | (8.90) | |
| Dividends on Equity Shares : | | | | | | |
| - Proposed final dividend at ₹ 5.25 (52.50%) per share (previous year ₹ 4.00 (40%)) | (20.20) | (15.39) | | (20.20) | (15.39) | |
| - Income tax on dividends | (3.43) | (2.50) | | (3.43) | (2.50) | |
| - Leaving balance of profit carried to balance sheet | 158.55 | 104.12 | | 227.70 | 160.14 | |
| Earnings per Equity Share (EPS) | | | | | | |
| - Basic & Diluted before & after extraordinary items | 26.56 | 15.55 | | 28.45 | 19.15 | |

2. a) Rehabilitation Scheme of Marine Cables & Wires Private Limited, a wholly-owned subsidiary company (MCWPL) through amalgamation with the Company:

The Hon'ble Board for Industrial and Financial Reconstruction (BIFR) at its hearing on May 16, 2013 sanctioned the Rehabilitation Scheme of Marine Cables & Wires Private Limited (MCWPL) envisaging its' amalgamation with the Company from transfer date 1st April, 2012. After the amalgamation, MCWPL's business is carried on in the name and style as 'Apar Industries Limited (Unit: Uniflex Cables- Plant 2)'.

b) Discharge of erstwhile Uniflex Cables Ltd. from purview of SICA:

Upon implementation of the Rehabilitation Scheme of erstwhile Uniflex Cables Ltd., the then subsidiary company, Hon'ble BIFR vide its Order dated January 8, 2013 have discharged the UCL from the purview of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA);

c) Enhancement in shareholding in Apar Chematek Lubricants Limited (ACLL):

During the year under consideration, Company purchased 47.5% Equity Shares of ACLL from joint venture partner, Chematek SpA and consequently, ACLL has become a subsidiary of the Company.

3. Dividend:

Considering the financial results achieved during the year under review as compared to the previous year, the Board of Directors has recommended the dividend for financial year 2012-13 on the capital of 38,470,431 Equity Shares of the face value of ₹ 10/- each fully-paid @ ₹ 5.25 (52.50 %) per share [(previous year ₹ 4.00 (40%) per share)].

This dividend amounting ₹ 20.20 crore is payable after declaration by shareholders at the ensuing Annual General Meeting (AGM) and you are requested to declare the same.

4. Management Discussion and Analysis / outlook:

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

The Indian Government has revised the capacity addition in power generation upwards to 88,537 MW as compared to the initial target of 76,000 MW for the 12th Five Year Plan

(2012-17). India's future GDP growth will depend greatly on the supply of electricity to the various parts of the country.

The addition in power generation during the previous year has fallen short by around 20% as compared to the target set by the Government. The Indian Power sector has been facing difficulties due to the coal sourcing issues and environmental clearances, resulting in slowdown in fresh investments in generation.

The Indian economy continued to be under strain during the year. The domestic demand for electrical equipment remained depressed. The Indian electrical industry had a reduction of growth of approx 6% as compared to the previous year.

There is a general expectation that once the issues on the generation sector are addressed, the power sector will bounce back. Being amongst the leading companies in the fields of transformer oils, conductors and cables, our Company will stand to gain further, once the market revives.

Despite the challenges from the external circumstances in the previous year, the Company increased its revenue from ₹ 3,453.26 crore to ₹ 4,532.19 crore (net of excise duty) increased by 31.2% on standalone basis. The Company's export stood at ₹ 1,282.54 crore during the year which was 45% more than the exports of the previous year and were to over 90 countries.

Margins from the manufacturing activities during the year under review were ₹ 303.09 crore as against ₹ 196.94 crore in the previous year on standalone basis; increased by 53.9%. The segment-wise operations were as under:

(i) Transformer and Speciality Oil segment

This division contributed 41.9 % of the Company's revenue. Details of sales revenues and segmental profit (standalone basis) are:

| ₹ / crore | 2012-13 | 2011-12 | Variation (%) |
|----------------|----------|----------|---------------|
| Turnover | 1,926.31 | 1,816.63 | (+) 6.0 |
| Segment profit | 113.16 | 140.11 | (-) 19.2 |
| Export | 646.73 | 510.28 | (+)26.7 |

The year FY13 was a challenging year for the speciality oil division especially in the domestic market. Transformer oil sales in the domestic market were affected most in the distribution



transformer segment and sale to the electricity distribution companies. The main reason for this is the poor financial health of the state electricity distribution companies. This has resulted in lower demand for distribution transformers from the lack of funds and slow recovery of payments from them which in turn has affected the financial capability of the distribution transformer manufacturers. The Company has had to resort to a careful approach to this segment, limiting sales in cases to maintain prudent control on debtors. Demand in the power transfer segment has also been affected but its impact on the Company was not as much as in the distribution segment.

The other sub-business segments of white oils, rubber process oils, industrial and automotive lubricants have all increased volume sales over the previous year. There was also a very strong improvement in overseas business (outside India sales), which registered a volume growth of 25%. Hence, the overall volume growth of the oil segment was up by approximately 7.7% in the backdrop of difficult market circumstances. This is reflective of the strong product and brand positioning, the Company enjoys in the marketplace and with its customers.

Even though there was an increase in sales volume, the profitability has been affected due to the following three reasons:

- There was fluctuation in the prices of base oils through the year, which resulted in longer period to increase prices in the face of reduced demand.
- There was a lot of fluctuation in the exchange rate and as a consequence of the variability, an increase in hedging costs.
- The financial liquidity in the market has been generally poor resulting in increase in debtor days, limiting sales to reduce debtor exposure and as a result of some of these effects higher cost of debtors and carrying inventory.

During the year under review, the Company also increased its equity stake in its joint venture, Apar ChemateK Lubricants Limited, which markets the world famous Agip branded lubricants from 50% to 97.5%. In the coming years, the Company will increase its efforts and resources to grow its sales in the automotive sector and expects to grow this sub-segment at a faster pace than the other sub-segments.

The net sales turnover of the Agip brand of automotive lubricants produced by the Company with a license and

technical knowhow of ENI-S.p.A of Italy, increased to ₹ 181.38 crore as against ₹ 163.25 crore in the previous year.

The profit for this segment came in at ₹ 113.16 crore as against ₹ 140.11 crore in the previous year even though there was an increase in sales volume.

In the coming year, the Company is cautiously optimistic that the demand for its products will be better once policy decisions announced for the revival of the power sector are implemented.

Risks and concerns

The Company is exposed to the volatility in the prices of its raw materials and in the foreign exchange rates. However, in order to mitigate its risks, the Company continues to exercise prudence in its inventory control and hedging strategies. The coal related issues have affected fresh investments in the power sector, and hence unless the governmental policies for the revival of the sector are implemented, there may not be an improvement in the environment. Hence, the Company is investing and growing its automotive oils and industrial oils businesses.

(ii) Conductor division

| ₹ / crore | 2012-13 | 2011-12 | Variation (%) |
|----------------|----------|----------|---------------|
| Turnover | 2,226.30 | 1,362.58 | (+) 63.4 |
| Segment profit | 197.09 | 58.39 | (+) 237.5 |
| Export | 576.79 | 279.41 | (+) 106.4 |

The division had a strong year registering significant increases in sales turnover, segment profit and export turnover. The orders were generally profitable and allowed for optimum capacity utilisation.

During the year, the division entered into an agreement with CTC Global, USA for the manufacture of a certain type of patented high-performance conductor called ACCC under CTC's license.

The domestic orders executed included a large component from PGCIL which were booked in 2011-12. Unfortunately, PGCIL had not finalised many orders during 2012-13. PGCIL has been experiencing slowdown in execution of its projects on account of delays in generation projects, right of way issues and land acquisition problems. The Company has booked orders from other customers in the private sector which will be executed during 2013-14.