

**32<sup>nd</sup>**

**A**

*NNUAL*

*REPORT*

*2005-2006*

**APM INDUSTRIES LIMITED**

## APM INDUSTRIES LIMITED

### BOARD OF DIRECTORS

R K RAJGARHIA  
Chairman & Managing Director

R L TOSHNIWAL

K R GUPTA

S G RAJGARHIA

R R BAGRI

H R SHARMA  
Executive Director

**AUDITORS**  
Chaturvedi & Co.

**BANKERS**  
Punjab National Bank  
State Bank of Bikaner & Jaipur

**HEAD OFFICE**  
2-Brabourne Road  
Kolkata - 700 001

**CORPORATE OFFICE**  
910, Chiranjiv Tower,  
43, Nehru Place,  
New Delhi - 110 019

**COMPANY SECRETARY**

F C GOEL

**REGISTERED OFFICE & WORKS**  
SP-147, RIICO Industrial Area  
Bhiwadi Dist. Alwar  
(Rajasthan) - 301019

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**NOTICE TO THE MEMBERS**

**NOTICE** is hereby given that the 32<sup>nd</sup> Annual General Meeting of the Members of APM Industries Limited will be held on **Saturday**, the 30<sup>th</sup> day of **September, 2006** at **11.30 A.M.**, at the Registered Office & Works of the Company at SP-147, RIICO Industrial Area, Bhiwadi, Dist. Alwar (Rajasthan) to transact the following business:-

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2006, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Shri K R Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Chaturvedi & Co., Chartered Accountants, who are eligible for re-appointment as Auditors of the Company and to fix their remuneration.

**SPECIAL BUSINESS****5. As an Ordinary resolution**

"RESOLVED THAT the consent of the Company, be and is hereby accorded to the Board of Directors Under Section 293(1)(d) of the Companies Act, 1956, to borrow any sum or sums of monies from time to time notwithstanding that money or monies to be borrowed by the Company, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided, however, the total amount so borrowed shall not exceed Rs.75 Crores (Rupees Seventy five Crores only) ".

**6. As an Ordinary resolution**

"RESOLVED THAT pursuant to Section 293(1)(a) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to mortgage and/or create charge on all or any of the movable and immovable properties of the Company including the movable current assets viz., stocks, book debts etc., both present and future or the whole or substantially the whole of the undertaking or undertakings of the Company for securing any loan, working capital facilities or other facilities obtained or as may be obtained from any financial institutions, banks, Mutual Funds or any corporate body or bodies or any other person from whom the loan is taken, together with interest, costs, charges, expenses and other moneys payable by the Company within the overall borrowing powers delegated to the Board of Directors pursuant to Section 293(1)(d) of the Companies Act, 1956".

**Registered Office:**

By Order of the Board

SP-147, RIICO Industrial Area,  
Bhiwadi, Dist. Alwar (Rajasthan)

New Delhi  
August 4, 2006

**F C GOEL**  
Company Secretary

**NOTES**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LATER THAN FORTY EIGHT (48) HOURS BEFORE THE MEETING.
2. Explanatory statement as required Under Section 173(2) of the Companies Act, 1956 in respect of Items No.5 and 6 is Annexed.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from **September 14, 2006 (Thursday)** to **September 21, 2006 (Thursday)** (both days inclusive).
4. The Dividend, if declared, will be paid to those members whose names appear.
  - a) on the Register of Members as on **September 21, 2006** in respect of shares held in physical mode and
  - b) as Beneficial Owners as at the end of the business on **September 13, 2006**, as per the list to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of the Shares held in electronic form.
5. Pursuant to Section 205C by the Companies (Amendment) Act, 1999 the Company has already transferred all unclaimed dividends upto the Financial Year 1997 – 1998 to the General Revenue Account of the Central Government and the amount of dividend for the financial year ended 31<sup>st</sup> March, 1999 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government on due dates.
 

Members who have not encashed the dividend warrants, so far for the financial year ended 31<sup>st</sup> March 1999 or any subsequent financial years are requested to make their claims. **It may also be noted that once the unclaimed dividend is transferred to the Government, no claims shall lie in respect of such amount.**
6. The Company's share capital had been dematerialized under ISIN "INE170DO1017", with both the Depository i.e. NSDL and CDSL. Shareholders who have not dematerialized their shares may opt the same accordingly.

**APM INDUSTRIES LIMITED****ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO.5**

The Board of Directors are presently authorized to borrow upto Rs.60 Crore including borrowings for working capital requirements. In view of increased level of operations, present borrowing limit need to be increased. The sanction of shareholders is therefore sought to permit the Board of Directors to borrow moneys in excess of Company's capital and free reserves and beyond the limit earlier approved. It is therefore proposed to enhance borrowing powers of the Board to Rs.75 Crores. This is permissible U/S 293(1)(d) of the Companies Act, 1956 with the approval of shareholders. Hence this resolution.

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

**ITEM NO.6**

Section 293(1)(a) of the Companies Act, 1956 inter-alia provides that the Board of Directors of the Company shall not, without the consent of such Company in General Meeting sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company. Since the company would be required to create charge on the assets of the company to secure borrowings from Financial Institutions, Banks and others as provided in Item No.5 of the Notice and creation of charge may be regarded as sale or otherwise disposal of the assets of the Company. It is therefore, necessary for the members to pass a resolution U/S 293(1)(a) of the Companies Act, 1956 authorizing Board of Directors of the company to create such mortgage or charge for securing all such borrowings made within the powers delegated to it U/S 293(1)(d) of the Companies Act, 1956 by the shareholders. Hence this resolution.

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

**ITEM NO.3****Details of the Director seeking reappointment in the forthcoming Annual General Meeting****BRIEF RESUME OF DIRECTOR OFFERING FOR REAPPOINTMENT**

Name of the Director	Shri K R Gupta
Date of Birth	05.05.1934
Date of appointment	20.11.1992
Qualification	M.Com
Expertise in specific functional area	Shri K R Gupta is associated with the company since 1992. After having worked in the Income Tax Department for about 35 years in various capacities, he retired as Member, Central Board of Direct Tax, New Delhi. Presently, he is working as a Tax Consultant.
List of other Directorship held	Sterling Tools Limited
Chairman/member of the Committee of the Board of Directors of the Company	Audit Committee – Chairman. Share holder/Investors Grievance Committee – Chairman.
Chairman/member of the committee of Directors of other companies.	Sterling Tools Limited :- – Audit Committee – Chairman. – Share holder/Investors Grievance Committee – Member. – Remuneration Committee – Member.

**Registered Office:**

SP-147, RIICO Industrial Area,  
Bhiwadi, Dist. Alwar (Rajasthan)

New Delhi  
August 4, 2006

By Order of the Board

**F C GOEL**  
Company Secretary

**DIRECTORS' REPORT  
TO THE MEMBERS**

Your Directors have pleasure in presenting the 32<sup>nd</sup> Annual Report and Audited Accounts for the year ended on March 31, 2006.

**FINANCIAL RESULTS**

	2005-2006	(Rs. In lacs) 2004-2005
Gross Turnover	<u>15875</u>	<u>15819</u>
Gross Profit	<u>969</u>	<u>900</u>
Less: -		
Depreciation	<u>545</u>	<u>518</u>
• Provision for Tax		
- Current Tax	<u>40</u>	<u>30</u>
- Deferred Tax	<u>(23)</u>	<u>30</u>
- Income tax related to earlier years -		<u>(15)</u>
Profit after tax	<u>407</u>	<u>337</u>
Add: -		
• Balance brought forward	<u>1733</u>	<u>1421</u>
Surplus available for appropriation	<u>2140</u>	<u>1758</u>
<b>Appropriations: -</b>		
• Proposed Dividend	<u>22</u>	<u>22</u>
• Corporate Dividend Tax	<u>3</u>	<u>3</u>
• Balance carried forward	<u>2115</u>	<u>1733</u>
	<u>2140</u>	<u>1758</u>

**OPERATIONS**

Your Company has shown satisfactory results during the year under review. Net profit increased from Rs. 337 lacs to Rs.407 lacs, even though sales increased marginally from Rs.15819 lacs to Rs.15875 lacs.

**FUTURE PROSPECTS**

The Company expects a further improvement in the operating results of the current year, as a result of its modernization cum expansion program. The production capacity will increase from 43136 to 48320 spindles during the current year.

The Company is also shifting from self generated power to RSEB power, as the cost of self generated has increased substantially due to increase in fuel oil prices. This will bring down its cost of power.

The company has also entered the export market in a small way, and proposes to increase its presence in this market in subsequent years.

The Company hence, expects to improve both sales and profitability in the current year.

**DIVIDEND**

Your Directors are pleased to recommend a Dividend @ 5% on Equity Shares for the year ended on 31<sup>st</sup> March 2006 for consideration of the members at the forthcoming Annual General Meeting.

**CONSERVATION OF ENERGY, TECHNOLOGY  
ABSORPTION, FOREIGN EXCHANGE EARNINGS AND  
OUTGO.**

The prescribed details as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are annexed as **Annexure - I** to this Report.

**PARTICULARS OF EMPLOYEES**

The statement showing particulars of the employees as required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended), is not given as no employee was in receipt of remuneration equal to or exceeding Rs.24,00,000/- (Rupees Twenty Four Lacs only) per annum, if employed for the full year or Rs.2,00,000/- (Rupees Two Lacs only) per month, if employed for a part of the year.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance of Section 217(2AA) of the Companies Act, 1956 your Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation related to material departures.
2. That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That they have prepared the annual accounts on a going concern basis.

**DIRECTORS**

Shri K R Gupta is liable to retire by rotation and being eligible, offers himself for re-appointment. A brief resume is given in the Notice to the Annual General Meeting. Your Directors recommend his re-appointment at the ensuing Annual General Meeting.

**AUDITORS AND THEIR OBSERVATIONS**

M/s Chaturvedi & Co., Chartered Accountants, the auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that their reappointment, if made, would be in accordance with the section 224(1B) of the Companies Act, 1956. The Board recommends their reappointment.

The Auditors' observations in their Report are self-explanatory and, therefore, do not call for any further comments.

**CORPORATE GOVERNANCE**

A separate report on Corporate Governance and a certificate from the Auditors of the company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, is annexed as **Annexure - II** to this report.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management discussion and analysis on the matters relating to the business performance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement in the Annual Report.

**APPRECIATION**

Your Directors gratefully acknowledge the support given by Financial Institutions, Banks, Govt. of Rajasthan and other statutory bodies during the year under review. Our thanks are also due to shareholders and customers for their continued confidence.

Your Directors also place on record their appreciation of the employees for their dedicated performance.

For and on behalf of the Board

New Delhi  
August 4, 2006

**R K RAJGARHIA**  
Chairman & Managing Director

## APM INDUSTRIES LIMITED

## ANNEXURE - I TO DIRECTORS' REPORT

## PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

## A) CONSERVATION OF ENERGY

## Energy Conservation Measures taken:

The Company has replaced flat belt in place of V Belts in TFO Machines, use of pneumatic fan unit for 2 cards in place of 1 unit for each cards and replaced bigger size rings and spindles to smaller size and energy efficiency spindles in Ring Frame and replaced inverter by speed variator on RY-5 Ring Frames.

On account of the aforesaid steps/measures, considerable savings have been achieved in consumption of energy.

Details of total Energy consumption and consumption per unit of production are given in Form 'A'.

## B) RESEARCH &amp; DEVELOPMENT AND TECHNOLOGY ABSORPTION

Efforts made in R&D and Technology Absorption is given in Form 'B'.

## C) FOREIGN EXCHANGE EARNINGS AND OUTGO

This information is contained in Notes forming part of Accounts in Schedule - 18.

## FORM 'A'

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSUMPTION OF ENERGY

	Unit	2005-2006	2004-2005
<b>A POWER AND FUEL CONSUMPTION</b>			
<b>1 Electricity</b>			
Purchased unit	Unit in lacs	64.68	36.01
Total amount	Rs. In lacs	289.38	178.76
Rate	Rs./Unit	4.48	4.96
<b>2 Own Generation</b>			
a) Through Diesel Generator	Unit* in lacs	13.31	5.02
Unit per Litre of Diesel/LDO	Unit	3.79	3.86
Cost	Rs./Unit	7.22	5.88
b) Through HFO Generator	Unit in lacs	330.87	342.45
Unit per Litre of Diesel/HFO	Unit	4.22	4.21
Cost	Rs./Unit	3.86	2.95
<b>3 Coal (Grade B, C, D &amp; E)</b>			
Quantity	MT	837.74	516.36
Total cost	Rs. in lacs	35.99	19.21
Average rate	Rs./MT	4296.35	3720.45
<b>4 Diesel/LDO</b>			
Quantity	Ltrs. In lacs	3.81	1.57
Total cost	Rs. In lacs	102.21	32.74
Average rate	Rs./Ltrs.	26.84	20.91
<b>5 Furnace Oil</b>			
Quantity	Ltrs. In lacs	78.15	81.02
Total cost	Rs. In lacs	1223.57	942.80
Average rate	Rs./Ltrs.	15.66	11.64
<b>B CONSUMPTION PER UNIT OF PRODUCTION*</b>			
1 Electricity		323.00	304.00
2 Coal B, C, D & E Grade		6.61	4.20
* Production unit, per 100 kgs.			

## FORM 'B'

## RESEARCH &amp; DEVELOPMENT AND TECHNOLOGY ABSORPTION

## Research &amp; Development:

\* The Company has been giving special emphasis on upgradation of R&D activities for development of new products and cost reduction. The Company has developed new products for exporters of yarn, fabrics, furnishings and fancy yarn.

## Benefits derived as a result of R&amp;D:

\* Above efforts enabled the Company to produce value added products and save on cost.

For and on behalf of the Board

New Delhi  
August 4, 2006

**R K RAJGARHIA**  
Chairman & Managing Director



## ANNEXURE – I TO DIRECTORS' REPORT

### CORPORATE GOVERNANCE

#### 1. Company's philosophy on Code of Governance

The Company strongly believes in fair, efficient and transparent business operation, fairness to all stakeholders in the Company, proper disclosure of relevant financial and non-financial information and enhancing shareholder value on a continuing basis.

#### 2. Board of Directors

As on March 31, 2006, the Board is comprised of 6 Members. The composition of the Board of Directors meets with the requirements of Listing Agreement. None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees across all the companies in which they are Directors.

Five Board meetings were held during the year 2005 – 06 i.e. on 10.05.2005, 17.06.2005, 29.07.2005, 28.10.2005 and 28.01.2006.

The composition of the Board of Directors and the attendance at the Board meeting during the year are as under: -

Sl. No.	Name of the Directors	Category of Directors	No. of Board Meetings		No. of Director Ships in other public companies	Committee		Last AGM Attended
			Held	Attended		Member-Ships	Chairman-Ships	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Shri R K Rajgarhia	Chairman & Managing Director	5	5	5	-	1	Yes
2	Shri R L Toshniwal	Non Executive & Independent	5	2	4	1	-	No
3	Shri K R Gupta	Non Executive & Independent	5	5	1	2	3	Yes
4	Shri S G Rajgarhia	Non Executive	5	5	5	4	2	Yes
5	Shri R R Bagri	Non Executive & Independent	5	5	3	3	-	Yes
6	Shri H R Sharma	Executive	5	5	-	1	-	Yes

Shri R K Rajgarhia and Shri S G Rajgarhia are related to each other as brothers.

#### 3. Audit Committee

The terms of reference of the Audit Committee, include those specified under Clause 49 of the Listing Agreement, such as:-

- To review the un-audited financial results and the internal audit reports
- To suggest internal control measures after discussion with the internal auditors
- To oversee their implementation
- To review the annual financial statements with the management and
- To recommend appointment of auditors
- And other matters as provided in the clause 49.

Four Audit Committee meetings were held during the year 2005 – 06 i.e. on 17.06.2005, 29.07.2005, 28.10.2005 and 28.01.2006.

The constitution of the committee and the attendance of the members are as under:-

Sl. No.	Name	Category	No. of Meetings	
			Held	Attended
1	Shri K R Gupta	Non Executive & Independent	4	4
2	Shri R L Toshniwal	Non Executive & Independent	4	1
3	Shri S G Rajgarhia	Non Executive	4	4
4	Shri R R Bagri	Non Executive & Independent	4	4

Shri K R Gupta, is the Chairman of the Committee. The Company Secretary acts as the Secretary of the Committee.

#### 4. Remuneration Committee (non-mandatory)

Matters of remuneration of Executive Directors are considered by the Board of Directors of the Company, with the interested Executive Director, not participating/ voting. The terms of the remuneration of Executive Directors are approved by the shareholders at the general body meeting. Therefore, no separate remuneration committee has been constituted.

Only non-executive independent Directors are paid sitting fees for attending the Board/Committee meetings within the limits prescribed under the Companies Act, 1956.

The details of remuneration paid to Directors in the Financial Year 2005 - 2006 are given below: -

Sl. No.	Name of the Directors	Salary	Perquisites and other benefits	Performance Bonus/ Commission	Sitting Fee	Total
1	Shri R K Rajgarhia	18,23,761	-	4,59,000	-	22,82,761
2	Shri R L Toshniwal	-	-	-	9,000	9,000
3	Shri K R Gupta	-	-	-	30,000	30,000
4	Shri S G Rajgarhia	-	-	-	27,000	27,000
5	Shri R R Bagri	-	-	-	30,000	30,000
6	Shri H R Sharma	11,43,107	9,360	-	-	11,52,467

