

## INFORMATION TO SHAREHOLDERS

**Board Of Directors**

Lakshman Bhatia, Chairman  
 Elijah A. Elias, (Vice Chairman and Managing Director)  
 Sudhir Seth  
 Ashok D. Kunte  
 Marc Rutty  
 Shaillesh Hemani  
 Rajeshwar Raj Bajaj  
 Madhav Joshi  
 Ms. Shefali Shah

**Company Secretary**

K. K. Bhavsar

**Registered Office**

R-2, Technopolis Knowledge Park  
 Mahakali Caves Road, Andheri East, Mumbai – 400 093

**Works**
**PUNE**

Plot S-73,74, MIDC,  
 Bhosari, Pune 411 026

**BANGALORE**

Plot 5, 5A, 5C/1, 6A KIADB Industrial Area,  
 Attibele, Bangalore 562 107

**Pudducherry**

R.S. No. 17/3, Shed C, Gothi Industrial Complex,  
 Vadhaudavur Road, Kurambapet, Pudducherry 605 009

**Main Bankers**

Syndicate Bank, Industrial Finance Branch  
 Manipal Centre, 204-205, North Block  
 Bangalore – 560 042

**Auditors**

Messrs. Price Waterhouse  
 Chartered Accountants  
 252, Veer Savarkar Marg, Shivaji Park,  
 Dadar, Mumbai 400 028

**Listing Details**

Company's Equity Shares are listed at:  
 Pune Stock Exchange Ltd (Scrip Code 160225)  
 Bangalore Stock Exchange (Scrip Code VEROPNDSYS)  
 At Bombay Stock Exchange, Company's Shares are  
 permitted to be traded with effect from Jan 7, 2005  
 (Scrip Code 590033)

**Registrar & Transfer Agent**

Mondkar Computers Pvt. Ltd.,  
 21, Shakil Nivas, Mahakali Caves Road,  
 Andheri (E), Mumbai 400 093  
 Tel.: (022) 2836 6620, 2826 2920

**ISIN No.**

INE 155 D 01018

**26TH ANNUAL GENERAL MEETING**  
**DATE: MONDAY, AUGUST 16, 2010**  
**TIME: 3:30 pm**

**Venue:** Tribune II, 6th floor, Hotel Tunga International,  
 Central Road, MIDC, Andheri (E), Mumbai 400 093

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## FINANCIAL STATISTICS

(Rupees in Lacs)

Particulars	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>Income :</b>	Stand Alone	Stand Alone	Stand Alone					
Net Sales	13,719.86	13,604.49	12,903.88	9,580.62	7,713.86	5,493.31	3,746.85	2,890.00
Royalty and Commission	43.30	127.20	180.74	244.09	125.19	130.48	85.30	66.89
Service Charges	36.94	11.19	5.38	4.61				
Other Income	189.66	192.12	101.84	97.09	68.78	79.54	44.37	84.51
<b>Total Income</b>	<b>13,989.76</b>	<b>13,935.00</b>	<b>13,191.84</b>	<b>9,926.41</b>	<b>7,907.83</b>	<b>5,703.33</b>	<b>3,876.52</b>	<b>3,041.40</b>
<b>Profit before Taxation</b>	<b>832.87</b>	<b>1,353.31</b>	<b>1,478.43</b>	<b>1,125.50</b>	<b>1,043.91</b>	<b>605.91</b>	<b>416.23</b>	<b>214.97</b>
<b>Profit After Taxation</b>	<b>539.52</b>	<b>921.23</b>	<b>913.04</b>	<b>723.82</b>	<b>628.31</b>	<b>359.88</b>	<b>317.08</b>	<b>136.65</b>
<b>Dividend Payout</b>	<b>120.96</b>	<b>181.44</b>	<b>181.44</b>	<b>120.96</b>	<b>90.72</b>	<b>75.10</b>	<b>74.18</b>	<b>49.35</b>
<b>Corporate Tax on Dividend</b>	<b>20.09</b>	<b>30.84</b>	<b>30.84</b>	<b>20.56</b>	<b>12.72</b>	<b>10.53</b>	<b>9.50</b>	<b>6.32</b>
<b>Retained earnings</b>	<b>398.47</b>	<b>708.95</b>	<b>700.76</b>	<b>582.30</b>	<b>524.87</b>	<b>274.25</b>	<b>233.40</b>	<b>80.98</b>
<b>Dividend (%)</b>	<b>20.00</b>	<b>30.00</b>	<b>30.00</b>	<b>20.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>10.00</b>
<b>Earning per Share</b>	<b>8.92</b>	<b>15.23</b>	<b>15.10</b>	<b>11.97</b>	<b>10.78</b>	<b>7.22</b>	<b>6.41</b>	<b>2.77</b>

(Rupees in Lacs)

Particulars	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>Shareholders' Funds :</b>	Stand Alone	Stand Alone	Stand Alone					
Share Capital	604.80	604.80	604.80	604.80	604.80	502.34	498.49	493.54
Reserves & Surplus	4,479.55	4,081.08	3,372.13	2,671.36	2,107.41	1,276.24	993.25	748.70
<b>Total Shareholder's Funds</b>	<b>5,084.35</b>	<b>4,685.88</b>	<b>3,976.93</b>	<b>3,276.16</b>	<b>2,712.21</b>	<b>1,778.58</b>	<b>1,491.74</b>	<b>1,242.24</b>
<b>Loan Funds :</b>								
Secured Loans	1,509.86	790.34	869.64	844.87	675.58	739.25	352.13	166.31
Unsecured Loans	44.40	133.20	222.00	317.19	431.53	501.49	415.09	335.72
<b>Funds Employed</b>	<b>1,554.26</b>	<b>923.54</b>	<b>1,091.64</b>	<b>1,162.06</b>	<b>1,107.11</b>	<b>1,240.74</b>	<b>767.22</b>	<b>502.03</b>
<b>Deferred Tax Liability (Net)</b>	<b>397.99</b>	<b>356.65</b>	<b>363.49</b>	<b>267.60</b>	<b>222.23</b>	<b>225.36</b>	<b>154.33</b>	<b>171.85</b>
<b>Total</b>	<b>7,036.60</b>	<b>5,966.07</b>	<b>5,432.06</b>	<b>4,705.82</b>	<b>4,041.55</b>	<b>3,244.68</b>	<b>2,413.29</b>	<b>1,916.12</b>
<b>Application of Funds :</b>								
<b>Fixed Assets</b>								
Gross Block	6,075.07	5,611.32	4,697.13	4,006.48	3,069.96	2,790.85	1,938.52	1,593.55
Less : Depreciation	1,708.60	1,585.91	1,346.84	1,185.81	980.34	812.00	677.02	566.49
<b>Net Block</b>	<b>4,366.47</b>	<b>4,025.41</b>	<b>3,350.29</b>	<b>2,820.67</b>	<b>2,089.62</b>	<b>1,978.85</b>	<b>1,261.50</b>	<b>1,027.06</b>
Capital Advances	251.74	108.48	57.03	15.31	65.19	8.97	182.23	6.05
	4,618.21	4,133.89	3,407.32	2,835.98	2,154.81	1,987.82	1,443.73	1,033.11
<b>Investments</b>	<b>4.81</b>	<b>17.55</b>	<b>17.55</b>	<b>17.55</b>	<b>0.18</b>	<b>0.18</b>	<b>42.65</b>	<b>39.23</b>
Current Assets, Loans and Advances	4,527.98	4,136.31	4,375.27	3,677.04	3,360.46	2,783.34	1,844.30	1,361.86
Less : Current Liabilities and Provisions	2,125.55	2,321.68	2,368.08	1,824.75	1,473.90	1,526.66	917.39	518.08
<b>Net Current Assets</b>	<b>2,402.43</b>	<b>1,814.63</b>	<b>2,007.19</b>	<b>1,852.29</b>	<b>1,886.56</b>	<b>1,256.68</b>	<b>926.91</b>	<b>843.78</b>
<b>Misc. Expenses not yet written off</b>	<b>11.15</b>							
<b>Total</b>	<b>7,036.60</b>	<b>5,966.07</b>	<b>5,432.06</b>	<b>4,705.82</b>	<b>4,041.55</b>	<b>3,244.68</b>	<b>2,413.29</b>	<b>1,916.12</b>

### Statement of Accounting Ratios of the Company

Particulars	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
EBIDT Rs.	1,387.28	1514.44	1876.12	1437.83	1345.25	839.91	621.66	374.84
EBIDT % to Net Sales	10.11	11.13	14.54	15.01	17.44	15.29	16.59	12.97
Return on Net Worth (%)	10.63	19.66	22.96	22.09	23.17	20.23	21.26	11.00
Cash Earning per share	14.94	21.30	21.22	16.59	13.69	11.72	9.12	6.33
Net Asset Value per share	83.88	77.48	65.76	54.17	44.84	35.68	30.14	25.17

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Industry Overview and Competition**

The Company is a leading manufacturer and distributor offering racks and enclosures, along with accessories and a range of value-added solutions from world-class technology partnerships.

The Company has a well-established business-to-business model, supported through marketing and sales distribution channels, and is focused on the Telecom, IT/ITES and General Electronics industry sectors. The current strategy is to increase thrust on retail sales through channels, and to continue servicing major projects in the enterprise high-end data center market with innovative solutions. For shareholders, the strategy is to create value by increasing profits from operations through business growth, value addition and cost management.

The Company is intensifying its initiatives in several segments, such as high-end data center and IT infrastructure, telecom, contract manufacturing and small and medium business (SMB) segments, as well as entertainment / healthcare and government sectors. Additionally, the company plans to lay emphasis on technical services and solutions and on expansion of its market reach through a channel partnership program.

During the last year a programme to reorient sales and marketing along customer-centric lines was introduced with the creation of three divisions - Enterprise Solutions, Retail Products and Contract Services.

Under the IT/ITES and Telecom sectors, Datacenters are the biggest drivers for the Racks and Enclosures industry. The total data center capacity in India is expected to reach 5.1 million square feet by 2012 and is projected to grow 31 percent from 2007 to 2012, according to Gartner, Inc. The data center industry in India is expected to double its capacity (as on 2008) by 2010, and captive and hosted data centers capacities will grow at comparable rates. In the long term, India has the potential to become a hub for data center hosting for nearby markets such as Middle East, East Africa and Southeast Asia. There is enough capacity and diversity of network connectivity to these regions to allow applications to be managed out of India. [ [Gartner Report](#) ]

Indian telecom networks have grown to almost 600 million connections as on 31st March 2010. With 565 million wireless connections, Indian telecom has become the second largest wireless network in the world after China. The share of wireless phones has increased from 5.26 percent in 1999 to 92.91 percent in October 2009. India has potential to emerge as a global hub for telecom manufacturing. Favourable factors such as policy moves of the government, incentive offered, large talent pool in R&D and low labour cost can provide an impetus to the industry.

### **Opportunities and Threats**

The Company will continue to maintain its leadership position in the Indian enclosure and infrastructure management industry segments going forward. The Company has expanded its capacity last year and is further investing to meet the demands of significant growth in business. The demonstrated global competitiveness and international quality of products, and its superior logistic capabilities, provide the Company with new opportunities in domestic as well as international markets. The Company will keep examining and pursuing these new opportunities for growth.

The Company faces normal market competition from Indian as well as international companies. The sound business strategies and competitive costs have enabled the Company to retain its leading market position. The Company endeavors to enhance its competitive advantage through a process of continuous improvements in products and processes, cost reduction, enhancing product utility value and by implementing appropriate coherent business strategies. The disciplined financial framework provides stability and a platform for the growth of the Company.

### **Segment wise Performance**

#### Cabinet Division

The Cabinet Division has achieved marginal increase in turnover. Sales in FY 2009-10 is Rs. 1313 M as compared to Rs. 1303 M for the previous year. Company's sales were adversely affected during last two quarters due to after effects of the slow down in economy which particularly affected the IT segment.

#### Technology Product Division (TPD)

The domestic sales of Technology Products were Rs.59 M as against Rs.63 M during the previous year, while Commission earned on direct sales was Rs.4 M against Rs.13 M during the previous year.

The sales of this division was greatly impacted by the almost total freeze during the year on capital investments by Corporates and IT companies in Data Center expansions or in new projects.

### **Outlook**

Data center growth will be driven by increasing domestic requirements. Apart from large scale Government initiated projects (such as UID) at the national and state level, growth is also expected from sectors such as financial institutions, telecom operators, manufacturing and services. While large financial institutions and telecom companies are likely to build data centers for hosting their growing data storage needs, data center hosting providers will also put significant investments into growing their capacities to fulfill demand arising from small and midsize users. [ [Gartner Report](#) ]

The Ministry of Telecommunications has identified new thrust areas for growth of telecom sector such as introducing of 3G telecom services, mobile number portability, value added services and indigenous manufacturing of telecom equipment. There is an opportunity for boosting the manufacturing market for 3G infrastructure, following the 3G auctions this year (2010). The 3G subscriber base is expected to be 90 million by 2013 – about 12% of the entire wireless user base. Also, by 2013 there is an expectation of generating revenues of the order of \$15.8 billion. The annual sales of 3G devices in India are estimated to reach 81.3 million by 2013. So there is a possibility of the annual 3G device revenues going up to \$11.2 billion. [ [Voice & Data: '3G to Push Telecom Manufacturing in India.'](#) ]

Despite the global recession which has had a significant impact on the Indian economy, the Electronic Hardware market is expected to continue its positive growth trend. This growth has been possible due to the respectable 8.5% growth rate clocked by India's GDP for 2008-09.

By 2012 penetration of telephone users (both landline and mobile) is projected at 500 per thousand while for PCs it will increase to 50 plus per thousand. As market penetration levels are low for all electronic products in India, this growth is expected to sustain for the next 10 years and beyond.

**Quality Management Systems**

The Company's customized Quality Management System is now highly stable and effective. It covers all aspects of the manufacturing cycle from incoming inspection, in-process inspection, to final quality assurance checks prior to dispatch. Besides, it covers the calibration of all equipment used for manufacturing and inspection, as well as monitoring all customer complaints, transportation damage instances and corrective and preventive action. In the event of a complaint from a customer, or a failure report from the field, our QMS provides traceability through various stages of the manufacturing cycle. During this year new techniques have been introduced for achieving, maintaining and monitoring quality standards in terms of parts per million. Besides these new techniques, the implementation of the Theory of Constraints based production management methods has enabled the company to reach a delivery conformance level of 99% for standard products at both its plants – Bangalore and Pune.

**Design Development**

The Company designs and develops new products and accessories on a continuous basis. The design styling, look and feel of our products is always current and in step with practices worldwide. The Company has computer-aided design facilities in-house and employs experienced design personnel as well.

During the year the company has undertaken a major project for the design and development of a new "Next Generation" cabinet family which has resulted in the IMPress. The Company plans to launch this product within the next month – both domestically as well as internationally. The IMPress incorporates features and facilities which are truly state-of-the-art and not available with any other major product family currently. The design approach for this important new product has been customer centric and every effort has been made to ensure that the task of the actual user / integrator in installing equipment, managing the cabling and commissioning the project is made as quick and simple as possible. The Company expects the IMPress product family to become a major revenue earner over the next decade.

As an ISO 9001:2000 certified organization, the Company takes the ratification of all its designs seriously. All new products and accessories are extensively tested in order to ensure that they exceed their rated specification by a comfortable safety margin.

**Risk and Concerns**

*Competition:* The risk of competition due to cloning of our product range by smaller companies in the unorganized sector remains.

*Mitigants:* The Company has built a large and established distribution network that should be difficult to replicate by potential competitors. The Company has also changed its approach from Product orientation to Service Orientation in order to get an edge over the competitors. Besides, with the introduction of the IMPress, the company expects to carve out a special niche in the market which will be difficult for copycats to enter as replicating the IMPress will require significant investment in special tooling which will raise the entry barrier significantly. Further, the company has applied for the registration of the IMPress design name and logo, besides applying for patents for four of its new features.

*Supply Profile:* The on going fluctuations in the prices for Steel and other key inputs is an area of constant concern to the Company.

*Mitigants:* The Company continues to develop and maintain a wide supplier network. It also makes continuous efforts to develop alternative sources for major components and strives to develop substitutes wherever possible for reducing the material cost content of the product. Besides, the company does alter the pricing for its standard products from time to time whenever the input costs have varied by more than 5% or so.

**Internal Control System and their Adequacy**

The Company has a proper and adequate system of internal controls commensurate with its nature and size of its business to ensure that its assets are safeguarded and protected against loss from unauthorized use or disposition, and that the transactions are authorized, recorded and reported correctly. During the year the Company took action to address the several issues that were raised consequent to the independent IT Audit of its systems and security measures that had been conducted earlier. All the major issues with the exception of one have been satisfactorily closed. The one issue which the Company expects to resolve shortly is the setting up of a disaster management and recovery procedure for which it is setting up a near DR facility. Various other measures are being implemented to further improve the quality and effectiveness of the company's internal checks and controls.

These internal control systems are supplemented by an extensive program of internal audits, review by management and established policies, guidelines and procedures. The systems are designed to generate accurate financial statements and other data and for maintaining accountability of assets.

During the year under review the Company has also implemented a major new initiative concerning Risk Management. Under this initiative a programme was launched to identify, assess and evaluate, and identify measures to mitigate the major risks at the two manufacturing plants. The Company now plans to extend this risk management programme to cover other business risks as well.

**Discussion on Financial Performance with respect to Operational Performance**

The profit before tax for the year under review is Rs. 83 M as compared to Rs. 135 M in previous year. The increase in fixed expenses is due to all round increase in expenses on account of inflationary trend and an increase in utility costs such as fuel, etc. Management has taken steps to meet this challenge by developing alternate suppliers and by taking steps to reduce the material content. The Cash Profit i.e. PBT+ Depreciation for the year under review is Rs. 120 M as compared to Rs. 173 M in previous year.

**Material development in Human Resource / Industrial Relations Front**

At the factory locations, several activities are undertaken by the Personnel Department on industrial safety and production related aspects. The industrial relations at both units during the year under review were cordial.

There have been some changes in the senior management team during the year.

The Company had 386 employees on its roll as on 31<sup>st</sup> March 2010 at its production facilities and offices across the country.

**Cautionary Statement**

The Management Discussion and Analysis Statements made above are on the basis of available data as well as certain assumptions as to Government policies, economic and political developments. The Company cannot guarantee the accuracy of the assumptions and expectation of future events. The Company's actual results, performance or achievements could thus differ materially from projected performance in future.

## DIRECTORS REPORT

The Members

### APW PRESIDENT SYSTEMS LIMITED

Your Directors take pleasure in presenting the Twenty-Sixth Annual Report together with audited accounts for the year ended 31<sup>st</sup> March 2010.

### FINANCIAL RESULTS

	<b>Rs. in Lacs</b>	
	<b>31.03.2010</b>	<b>31.03.2009</b>
<b>Gross Sales</b>	<b>15,752.39</b>	<b>15,604.72</b>
Net Sales	13,719.86	13,604.48
<b>Earning before interest and Depreciation (EBIDT)</b>	<b>1,387.28</b>	<b>1,854.45</b>
Less: Interest	190.27	127.00
Depreciation	364.15	374.13
<b>Profit before Tax</b>	<b>832.86</b>	<b>1,353.31</b>
Less: Provision for Tax	252.00	438.93
Less: Deferred Tax Liability	41.34	6.84
<b>Profit After Tax</b>	<b>539.52</b>	<b>921.23</b>
Add : Balance brought forward	2,872.46	2,263.51
<b>Profit available for distribution</b>	<b>3,411.98</b>	<b>3,184.74</b>
<b>APPROPRIATION</b>	---	---
Proposed Dividend	120.96	181.44
Corporate Tax on Dividend	20.09	30.83
Transfer to General Reserve	50.00	100.00
Total Balance carried forward	3220.93	2,872.46

#### Dividend:

After considering the performance of your Company, your Directors are pleased to recommend a dividend of 20% being Rs.2.00 per Equity Share.

#### Financial Results :

The Net Sales (net of duties and taxes) during the year were Rs.13720 Lacs as against Rs. 13604 Lacs in the previous year. EBIDTA earnings before interest, depreciation and income tax was reduced to Rs.1387 Lacs as against Rs. 1854 Lacs in the previous year. Material Cost increased by 2.65% due to increase in raw material prices and lower realization resulted due to higher discounts offered to win over business from competition during slow down in economy. Company has made an investment in additional manpower for starting its new Cooling Solutions Division which is expected to start earning benefits from the next year. The employee costs have gone up to Rs. 1657 lacs as against Rs. 1470 lacs in the previous year, an increase of 12%, due to Management decision to augment and improve the caliber of its Sales and Marketing force. Interest charges were higher at Rs.190 Lacs (Rs.127 Lacs in 2008-09) because of additional Term Loan obtained for setting up of the Plating Plant at Attibele, Bangalore. Depreciation charges were Rs. 364 lacs, which was lower than the Rs. 374 lacs for the previous year mainly due to accelerated depreciation amounting to Rs. 49 lacs charged in the previous year to remove obsolete items of fixed assets from the Books. After provision for Tax and Deferred Tax liability, Profit for the year was Rs.540 Lacs as against Rs. 921 Lacs for the previous year.

#### OPERATIONS:

##### Racks and Cabinets :

The Company offers enclosures, accessories and a range of solutions from world-class technology partnerships. The slow down in the economy has basically created postponement of purchase decisions and deferred projects. The slow down has increased focus on cost savings and increased business pressure to keep plants running, maintain performance and meet increasingly aggressive service-level agreements.

During the year Company has set up a state of the art Plating facilities with the latest technology at its Bangalore Plant. This will help improve not only the quality of existing products and services, but will also attract new business.

##### Technology Services:

The domestic sales of Technology Products was Rs.594 Lacs as against Rs.656 Lacs during the previous year, while Commission earned on direct sales were Rs. 43 Lacs as against Rs.127 Lacs during the previous year. The drop in TPD business was almost wholly on account of the global slow down which caused the IT industry to freeze all Capex investments during the year.

##### New Products development:

As always, the Company has continued to introduce new products as well as accessories and services.

A new enclosure family (under the brand name IMPress) was developed to meet the requirements of datacenter projects. This Cabinet range conforms to international DIN 41494 standards, and offers customers enhanced features such as cable management flexibility, quick and safe assembly, ease of installation and maintenance, open access and unlimited expandability.

##### Directors :

As per Articles of Association Mr. Rajeshwar Raj Bajaaj and Mr. Madhav Joshi retire by rotation in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Mr. Lakshman Bhatia, who retires by rotation, has not offered himself for reappointment as he is proceeding abroad on some other assignment. Your Board sincerely acknowledges his valuable contribution to the Company and wishes him good luck for his future assignment, wherever he may be. Your Board has decided not to fill up casual vacancy, for the time being, created by his retirement.

##### Auditors:

The auditors M/s Price Waterhouse, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

##### Deposits:

There were no deposits outstanding as on 31st March 2010.

**Subsidiary Companies:**

Company's subsidiary, APW Systems MEA FZC, Sharjah has not done well during the year due to slow down in business and the melt down of Dubai economy in the third and fourth quarter of the year. In view of this Company has decided to close down APW Systems MEA FZC. Winding up procedures will be completed by the end of June 2010. The report consolidating the subsidiary accounts also forms part of this annual report.

**Personnel:**

The Industrial relations have been generally cordial. Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules 1975 as amended, the names and other particulars of employees are set out in the Annexure to the Director's Report. However, as per provision of section 219(1)(b)(iv) of the said act, the Annual Report and Accounts are being sent to all members of the Company excluding aforesaid information. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

**Technical Knowhow:**

The Company no longer has access to any technical knowhow from its collaborator, who continue to be in receivership. However, the Company is fully capable of evolving its own designs as well providing the support required for the operations of the Company. Your Management is looking for new financial and / or technology partners with whom to form a strategic alliance, keeping in mind future business considerations.

**Directors' Responsibility Statement**

Pursuant to sub-section 2A of Section 217 of the Companies Act, 1956, the Directors hereby confirm:

- a) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) 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 of the Company for that period;
- c) That they have taken proper and sufficient care to the best of their knowledge and ability 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;
- d) That they have prepared the annual accounts on a going concern basis.

**Conservation of Energy etc.:**

Your Company has voluntarily undertaken the Energy Audit at its Bangalore Plant to initiate the conservation and savings in Power Consumption. Your Company has also set up a state of art Solar Heating Plant at its Pune Plant so as to be energy efficient.

Information as per the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of this report.

**Corporate Governance**

Your Company believes in good corporate governance and has initiated several proactive steps in this regard. A separate section on Corporate Governance forms part of the Annual Report. A certificate from the Company Secretary in practice regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is given in Annexure 'B'.

**FOR AND ON BEHALF OF THE BOARD**

**E. A. ELIAS**  
**MANAGING DIRECTOR**

**MUMBAI, May 17, 2010**



### Annexure A

#### A. Conservation of Energy

1. The Company's Production activity is not energy intensive. However, all measures are being taken for optimizing energy usage.
2. Additional investments and proposals for reduction in consumption of energy.
3. Total energy consumption is 2,529,044 Kwh. Consumption per unit data can not be provided as the products are not of a standardized nature.

#### B. Technology Absorption

##### Report made in Technology Absorption

##### I Research & Development

1.	Specific areas in which R & D carried by the Company	This is an on going process in the Company.
2.	Benefits derived as a result of the above R & D	Improving quality and product reliability keeping to the international market demands.
3.	Future plan of action	Development of new products to improve product range and products application for other fields.
4.	Expenditure on R & D a) Capital b) Recurring c) Total	Development work on products is continuous and is debited to Profit & Loss Account under respective heads therein.

##### II. Technology, Absorption, Adaption & Innovation

1.	Efforts made towards technology absorption, adoption, & innovation	The Company has in-house R & D facilities, in which new products development and improvements in processes are carried out.
2.	Benefits derived due to above	All products are designed in-house. Prototypes are then developed and tested before introducing these products into the manufacturing range. The process of manufacturing is based on the product features.

#### C. Foreign Exchange Earnings & Outgo :

a)	i) Activity relating to exports ii) Initiative taken to increase exports iii) Development of new exports market for products and services iv) Exports Plans	The Company expects to increase its exports substantially during the year. Company has entered into an arrangement with the middle-east Company for exploring export in that territory
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Sr. No.	Particulars	31.03.2010 Rupees	31.03.2009 Rupees
i)	Foreign Exchange earned / reimbursement		
a)	Export (FOB)	165,601,341	130,571,630
b)	Commission	4,330,426	12,720,414
c)	Interest	-	32,533
d)	Reimbursement of expenses	580,684	-
ii)	Foreign Exchange outgo :		
a)	Import of Capital Goods	4,367,191	44,383,586
b)	Tools, Dies and Jigs	-	2,993,061
c)	Import of Raw Materials & Components	123,322,169	72,212,457
d)	Import of Traded Goods	37,565,502	35,461,912
e)	Dividend	7,282,080	7,282,080
f)	Commission Paid	6,207,416	7,684,058
g)	Foreign Travel	893,982	1,520,943
h)	Other Expenses	473,751	287,905
i)	Maintenance Spares	1,276,816	1,232,959
j)	Selling & Marketing	1,003,580	206,069

## Compliance Report on Corporate Governance for the year 2009-2010

### 1. Company's philosophy on code of governance requires it to:

Endeavour to achieve optimum performance at all levels by adhering to best corporate governance practices

- to strive towards enhancement of shareholder value through prudent business management, sound business decision and high standards of ethics, with attendant transparency;
- to achieve excellence in Corporate Governance by complying with all the mandatory guidelines in this respect and also by regularly reviewing management systems for further improvement.

### 2. Board of Directors

#### a. Composition of the Board of Directors and other details as on March 31, 2010 are as under

Name of Director	Category of Directorship	No. of Board meetings attended	Attendance at the AGM	No. of Committee position held in other companies		Directorship other companies incorporated in India	Number of shares held as on 31 <sup>st</sup> March 2010
				Chairman	Member		
Mr. E. A. Elias	MD	4	Yes	-	-	-	328,480
Mr. Sudhir Seth	NED	4	Yes	-	-	5	494,680
Mr. Ashok Kunte	NED	4	Yes	-	-	3	372,981
Mr. Marc Ruttu <sup>1</sup>	NED	1	No	-	-	1	663,360
Ms. Shefali Shah	NED - I	3	Yes	-	-	6	-
Mr. Shailesh Hemani	NED - I	4	Yes	-	-	-	500
Mr. Lakshman Bhatia	NED - I	4	Yes	-	-	-	600
Mr. Madhav Joshi	NED - I	4	Yes	-	-	1	-
Mr. Rajeshwar Raj Bajaaj	NED - I	4	Yes	-	2	3	9,307

1. Held in the name of his Company M. Ruttu & Co. Pty. Ltd.

MD Managing Director; NEC Non Executive Chairman; NED Non Executive Director; NED - I Non-executive - Independent

The Directors have confirmed that they have no *inter se* relationship amongst them.

#### b. Meetings of the Board

The Board of Directors of the Company met four times during the year i.e., on May 19, 2009; July 31, 2009; October 30, 2009; and January 29, 2010 respectively.

The Agenda for the Board Meeting is circulated well in advance to the Directors. In addition to the information required under Annexure IA to Clause 49 of the Listing Agreement, the Board is also kept informed of major events/items and approvals taken wherever necessary. The Managing Director, at the Board Meetings, keeps the Board apprised of the overall performance of the Company.

#### c. Code of Conduct

The Company has adopted the Code of Conduct for all the Directors of the Board and its Senior Management Personnel of the Company and the same has been uploaded on the website of the Company viz., [www.apwpresident.com](http://www.apwpresident.com).

All the Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct and a declaration to this effect signed by the Managing Director forms part of this Annual Report.

Mr. E A Elias, Managing Director to the Board of Directors of the Company has made a declaration dated May 17, 2010 to the effect that all the Directors of the Company and the Senior Management Personnel to whom the code is applicable have affirmed compliance with the Code of Conduct, for the year ended March 31, 2010.

### 3. Audit Committee

The Audit Committee of the Board comprises of 5 Non-Executive Directors, viz., Mr. Shailesh Hemani, Chartered Accountant acting as Chairman, Mr. Lakshman Bhatia, Mr. Madhav Joshi, Mr. Ashok D. Kunte and Ms. Shefali Shah. Mr. K. K. Bhavsar, Company Secretary acts as the Secretary of the Committee. The Committee met four times during the year i.e., on May 19, 2009; July 31, 2009; October 30, 2009; and January 29, 2010 respectively during the financial year 2009-10.

Members	Meetings held during the tenure of Directors	Meetings attended
Mr. Shailesh Hemani	4	4
Mr. Lakshman Bhatia	4	4
Mr. Ashok D. Kunte	4	4
Mr. Madhav Joshi	4	4
Ms. Shefali Shah	4	3

The terms of reference to the Committee is as stipulated in Clause 49 of the Listing Agreement and the Committee :

- (a) over views the Company's financial reporting process and the disclosure of its financial information;
- (b) recommends the appointment and removal of internal and external auditor, fixes audit fee and also approves payment for any other services rendered by them.



- (c) reviews with management, the annual financial statements before submission to the Board of Directors, focusing primarily on:
- changes in accounting policies and practices, if any;
  - major accounting entries based on exercise of judgment by management;
  - qualifications in draft audit report;
  - significant adjustments arising out of audit;
  - the going concern assumption;
  - compliance with accounting standards;
  - compliance with Listing Agreement with Stock Exchange and legal requirements concerning financial statements;
  - disclosure of any related party transactions;
- (d) reviews with the management, external and internal auditors, the adequacy of internal control systems, internal audit coverage, scope and frequency of internal audit report.
- (e) reviews with the management and internal auditor, on any significant findings made by internal / external auditors or any other investigation and reports the matter to the Board of Directors;
- (f) reviews reasons for the substantial defaults in the payment to depositors, debenture holders, shareholders and creditors;
- (g) reviews the functioning of the Whistle Blower mechanism.

The Audit Committee also:

- invites as and when necessary, any of the executives of the Company, as it considers appropriate to be present at the meetings of the Committee.
- investigates any activity within its terms of reference.
- seeks information from any employee of the Company.
- obtains outside legal or other professional advice.
- secures the attendance of outsiders with relevant expertise, if it considers necessary.

#### **4. Remuneration Committee**

The Remuneration Committee is constituted to formulate and recommend to the Board, a compensation structure for the Managing Director of the Company. Presently, the Committee comprises of 3 Non-Executive Independent Directors and one Non-Executive Promoter Director; Mr. Rajeshwar Raj Bajaaj, acting as the Chairman, Mr. Lakshman Bhatia, Mr. Madhav Joshi and Mr. Sudhir Seth as its members.

During the financial year under review, one meeting of the Remuneration Committee was held on 19<sup>th</sup> May 2009.

The remuneration for the Managing Director, Mr. Elias, includes salary, perquisites and allowances; contribution to provident fund (a fixed component); and performance bonus (a variable component). The Remuneration Committee at its meeting held on April 28, 2010 has reviewed the performance of the Company and remuneration paid to Mr. Elias and suggested a status quo on the subject.

The details of remuneration paid to Mr. E. A. Elias during the financial year 2009-10 are as follows:

Amount in Rupees (mln)	
Details of Remuneration	
Salary	4.08
Contribution to Provident Fund	0.40
Performance Incentive	-
Perquisites	0.12
Total	4.60
Tenure	5 years w.e.f., April 1, 2007
Notice Period	6 months

Note: The above figures does not include provision for gratuity and leave encashment which is based on actuarial valuation done on an overall company basis.

The resident Non Executive Directors (NEDs) are paid remuneration by way of sitting fees. The resident non-Executive Directors viz., Mr. Sudhir Seth, Mr. Ashok D. Kunte, Ms. Shefali Shah, Mr. Shailesh Hemani, Mr. Lakshman Bhatia, Mr. Madhav Joshi and Mr. Rajeshwar Raj Bajaaj were paid sitting fees of Rs.100,000/-, Rs.145,000/-, Rs.115,000/-, Rs.120,000/-, 155,000/-, Rs. 165,000/- and Rs. 100,000/- respectively for attending the Board and Committee Meetings.

#### **5. Share Transfer and Investors' Grievances Committee**

The Shareholders / Investors' Grievances Committee comprises of 3 Non-Executive Independent Directors and one Non-Executive Promoter Director, namely, Mr. Lakshman Bhatia acting as the Chairman, Mr. Madhav Joshi, Ms. Shefali Shah and Mr. Ashok Kunte. Mr. K. K. Bhavsar, Company Secretary is the Compliance Officer of the Company in matters relating to Shareholders, Stock Exchanges, SEBI and other related regulatory matters. Five meetings of the Committee were held during the year on the following dates:

May 25, 2009; July 22, 2009; January 7, 2010; February 12, 2010 and March 2, 2010.

The Company received 20 requests for transfers which were attended to within a period of thirty days from the date of receipt.

During the financial year, the Company has not received any complaint from SEBI as forwarded to it by the shareholders.

There was no request for share transfer, pending as on March 31, 2010.

The Company Secretary is also Compliance Officer of the Company.

**6. Details of last three year's Annual/ Extra Ordinary General Meetings are as follows:**

Year	AGM/ EGM	Location	Date and Time	No. of special resolutions	Purpose
2009	AGM	Bay Leaf 2, Hotel Saffron Spice, Plot No. 34, MIDC, Andheri (East), Mumbai 400 099	August 13, 2009 -3.30 p.m.	Nil	Annual Meeting
2008	AGM	Bay Leaf 2, Hotel Saffron Spice, Plot No. 34, MIDC, Andheri (East), Mumbai 400 099	September 8, 2008 -3.30 p.m.	Nil	Annual Meeting and revision of remuneration of managing Director
2007	AGM	Maple Hall, Hotel Mirador, New Link Road, Chakala, Andheri (East), Mumbai 400 099	September 21, 2007 - 3.30 p.m.	Nil	Annual Meeting and reappointment of Managing Director

**7. Disclosures**
**a. Related Party Transactions**

The Company follows the following policy in disclosing the related party transactions:

- a statement in summary form of transactions with related parties in the ordinary course of business is placed periodically before the Board Meeting.
- details of material individual transactions, if any, with related parties and not in the normal course of business, are placed before the Audit Committee.
- details of material individual transactions, if any, with related parties or others, which are not on an arm's length basis are placed before the Audit Committee together with Management's justification for the same.

**b. Disclosure on materially significant related party transactions that may have potential conflict with the interest of the Company at large**

There are no materially significant related party transactions i.e., transactions, material in nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may potentially be in conflict with the interest of the Company at large.

**c. Risk Management**

The Company has laid down procedures to inform Board from time to time about the risk assessment and minimization procedures adopted by the Company. These procedures are periodically reviewed to assure that executive management controls risk through means of a properly defined framework.

Internal Controls as required under clause V (c) of Clause 49.

The efforts for strengthening the internal controls were continued during the year with a compliance audit. The audit findings formed the basis for several structured implementation programmes for processes that will contribute to the reinforcement and strengthening of the internal control systems. Some of these programmes have been completed and the balance programmes are being implemented in a phased manner.

**d. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange(s) or SEBI or any Statutory Authority, on any matter related to Capital Markets**

There have been no instances of non-compliance by the company on any matters related to the capital markets, nor have any penalty / strictures been imposed on the company by the stock exchanges or SEBI or any other statutory authority on such matters.

**8. Means of Communication**

- The quarterly, half yearly and annual financial results of the Company are normally published in English and Marathi daily newspaper. The Company also posts its results on its website viz., [www.apwpresident.com](http://www.apwpresident.com).
- The Company has not made any presentation to the institutional investors or to the analysts during the year under review.
- Management Discussion and Analysis Report forms part of the Annual Report.

**9. General Shareholder Information**

- |                                 |  |
|---------------------------------|--|
| (a) Annual General Meeting      | Date : Monday, August 16, 2010<br>Time : 3:30 pm<br>Venue : Tribune II, 6 <sup>th</sup> floor, Hotel Tunga International, Central Road, M.I.D.C., Andheri (East), Mumbai 400 093 |
| (b) Financial Calendar          | April 1, 2009 to March 31, 2010  |
| (c) Dates of Book Closure       | August 7, 2010 to August 16, 2010  |
| (d) Dividend payment date       | After August 16, 2010  |
| (e) Listed on Stock Exchange(s) | 1) Pune Stock Exchange Limited (PSE)<br>2) Bangalore Stock Exchange Limited (BgSE)   |
| (f) Stock Code                  | PSE - 160225<br>BgSE - VEROPNDSYS<br>BSE - Traded with effect from Jan 7, 2005; Scrip Code 590033  |
| (g) ISIN                        | INE155D01018   |