



**apcotex lattices limited**



**Annual Report 2001-2002**



**apcotex lattices limited**

#### BOARD OF DIRECTORS

Atul C. Choksey  
S.K. Lahiri  
Girish C. Choksey  
Bipin V. Jhaveri  
Dr. S. Sivaram  
Manubhai G. Patel  
Amit C. Choksey  
Dr. S. Rengachary  
T. N. V. Ayyar

Chairman  
Director & C.E.O.  
Director  
Director  
Director  
Director  
Director  
Director  
Director

#### AUDIT COMMITTEE

Manubhai G. Patel  
Girish C. Choksey  
Bipin V. Jhaveri

Chairman  
Member  
Member

#### COMPANY SECRETARY

Anand V. Kumashi

#### AUDITORS

Shah & Co.  
Chartered Accountants

#### BANKERS

State Bank of India

#### REGISTERED OFFICE

49-53, Mahavir Centre,  
Plot No. 77, Sector 17,  
Vashi, Navi Mumbai - 400 703.  
Telephone : (022) 789 2631 / 32 / 35 / 36  
Fax : (022) 789 2575  
E-mail : apcotex@bom4.vsnl.net.in

#### CORPORATE OFFICE

N. K. Mehta International House,  
178, Backbay Reclamation,  
Babubhai M. Chinai Marg,  
Mumbai- 400 020.  
Telephone : (022) 283 8302 / 04  
Fax : (022) 283 8291

#### FACTORY

Plot No.3/1, Taloja Industrial Estate of MIDC,  
PO: Taloja, Dist. Raigad 410 208, Maharashtra.  
Telephone : (022) 741 2239 / 2360 / 1611 / 1613  
Fax : (022) 741 2052

#### REGISTRARS AND SHARE TRANSFER AGENTS

MCS Limited  
"Sri Venkatesh Bhavan",  
Plot No. 27, Road 11,  
M.I.D.C Area, Andheri (East),  
Mumbai- 400 093.  
Telephone : (022) 821 5235  
Fax : (022) 835 0456

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**apcotex lattices limited**

## NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of **apcotex lattices limited** will be held at **NAVI MUMBAI SPORTS ASSOCIATION, Sector 6, Vashi, Navi Mumbai 400 703** on **Saturday, the 27<sup>th</sup> day of July 2002** at **10.30 a.m.** to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the accounts for the year ended 31st March 2002 together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Amit C. Choksey, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. S. Sivaram, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri T.N.V. Ayyar, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. Shah & Co., Chartered Accountants as Auditors of the Company, and fix their remuneration.

### SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**;

**"RESOLVED THAT** Dr. S. Rengachary, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

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

**"RESOLVED THAT** pursuant to Section 314(1) of the Companies Act, 1956 that Dr. S. Rengachary, a Director of the Company, be and is hereby appointed as an Advisor to the Company for a period of one year with effect from 1<sup>st</sup> May 2002, and being entitled to reimbursement of all business related expenses incurred by him on car and telephone provided to him at his residence for the performance of his duties as an Advisor and the Board of Directors of the Company, be directed to enter into an agreement, whenever necessary, in the name and on behalf of the Company".

8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**;

**"RESOLVED THAT** Shri S. K. Lahiri, be and is hereby appointed as a Director of the Company, not liable to retire by rotation".

9. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**;

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 or any amendment or substitution thereof and subject to the approval of the Central Government, if any, required, the Company hereby approves the appointment of Shri S. K. Lahiri, as a Whole-time Director of the Company, for a period of 5 (Five) years, effective from 4<sup>th</sup> June 2002, upon the terms and conditions set out in the draft agreement submitted to this meeting and for the identification signed by the Chairman thereof which agreement is hereby specifically

sanctioned with authority to the Board of Directors, including committee(s) thereof, to alter and / or vary the terms and conditions of the said appointment within limits, if any, prescribed in the Act, and / or schedules thereto."

**RESOLVED FURTHER THAT** in the event of loss or inadequacy of profits in any financial year during the aforesaid period, the Company shall pay to Shri S.K. Lahiri, remuneration by way of salary, perquisites, allowances and incentives not exceeding the ceiling laid down in Schedule XIII of the Companies Act, 1956, as may be decided by the Board of Directors, after obtaining suitable recommendation of its Remuneration Committee,"

**RESOLVED FURTHER THAT** the Board of Directors be and they are hereby authorised to enhance, enlarge, alter or vary the scope and quantum of salary, perquisites allowances and incentives of Shri S.K. Lahiri, in the light of the further progress of the Company which revision should be in conformity with any amendments to the relevant provisions of the Companies Act and / or the rules and regulations made thereunder and / or such guidelines as may be announced by the Central Government from time to time."

By order of the Board  
For apcotex lattices limited

**ANAND V. KUMASHI**  
Company Secretary

Date: 4<sup>th</sup> June 2002

Registered Office :  
49/53 Mahavir Centre,  
Plot No.77, Sector 17,  
Vashi, Navi Mumbai - 400 703.

### NOTES:

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
2. A member entitled to attend and vote, is entitled to appoint a proxy to attend and, on a poll, vote instead of himself/ herself. A proxy need not be a member. Proxies in order to be effective must be received by the Company at its Registered Office not later than forty-eight hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **Monday, the 15<sup>th</sup> day of July 2002 to Monday, the 22<sup>nd</sup> day of July 2002** (inclusive of both days).
4. Members are requested to notify the changes, if any, in their address to the Company's Registrars immediately.
5. Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature registered with the Company, for admission to the meeting hall.
6. Members are hereby informed that the Company has transferred to the Central Government all unclaimed dividends relating to the accounting years upto 31.3.1995. Members who have not collected dividends for any accounting year upto and including 31.3.1995 are requested to make an application to the Register of Companies, Maharashtra,

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Hakoba Compound, Mumbai Industrial Estate, Kalachowki, Chinchpokli (East), Mumbai 400 034 for an order for payment of such uncollected dividends. Such application has to be made in the prescribed Form No. II under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government Rules, 1978).

7. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least seven days in advance of the meeting so that the information required may be made readily available at the meeting.

## ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT

(Pursuant to section 173(2) of the Companies Act, 1956)

#### Item No.6

The Board of Directors appointed Dr. S. Rengachary as an Additional Director of the Company on 4th March 2002, effective from 1st April 2002, in accordance with Article 118 of the Articles of Association of the Company. By virtue of the said Article, he holds the office till the conclusion of the ensuing Annual General Meeting. Notice has been received by the Company from a shareholder proposing his appointment as Director of the Company under Section 257 of the Companies Act, 1956.

Dr. S. Rengachary, who was associated with the plant for continuous period of 25 years and has rich and varied experience in the Latex and Rubber Industry. The Company will benefit from the valuable advise of Dr. S. Rengachary.

Your Directors commend his appointment.

Except Dr. S. Rengachary, no other Director of the Company is interested in this resolution.

#### Item No.7

Dr. S. Rengachary - Managing Director, retired from the service of the Company on 31st March 2002, after working for the Company's plant for a continuous period of 25 years, and has wide and varied experience in the Synthetic Rubber and Latex industry. In order to get the benefit out of his experience, the Board of Directors in their meeting held on 4th June 2002, have appointed him as an Advisor to the Company for a period of one year, during which he will be entitled to reimbursement of all business related expenses incurred on car and telephone provided at his residence for the performance of his duties as an Advisor.

By virtue of his appointment, Dr. S. Rangachary will be holding the office of profit, in accordance with provisions of Section 314(1) of the Companies Act, 1956, and requires the approval of the Company in the General Meeting.

Your Directors commend his appointment.

Except Dr. S. Rengachary, no other Director of the Company is interested in this resolution.

#### Item No.8

The Board of Directors has appointed Shri S. K. Lahiri as an Additional Director of the Company on 4th June 2002, with immediate effect, in accordance with Article 118 of the Articles of Association of the Company. By virtue of the said Article, he holds the office till the conclusion of the ensuing Annual General Meeting. Notice has been received by the Company from a shareholder proposing his appointment as a Director of the Company under Section 257 of the Companies Act, 1956.

Shri S. K. Lahiri has been working with the Company since inception and has wide and varied experience in the field of Synthetic Rubber and Latex industry of over 20 years.

Your Directors commend his appointment.

Except Shri S. K. Lahiri, no other Director of the Company is interested in this resolution.

#### Item No.9

The Board of Directors of the Company at their meeting held on 4th June 2002, has in accordance with the provisions of Articles of Association of the Company and subject to the approval of the shareholders in the General Meeting and that of the Central Government, if required, under the provisions of the Companies Act, 1956, sought to appoint Shri S. K. Lahiri, a Whole-time Director of the Company for a period of 5 (Five) years effective from 4th June 2002 and will be designated as Director and CEO, effective from that date.

Shri S. K. Lahiri is presently Chief Executive Officer of the Company, has varied experience in the field of Synthetic Rubber and Latex Industry. He has been working with the Company since its inception holding various positions. Considering his wide and varied experience of the Industry, your Directors commend the resolution at Item no. 9 for your approval.

The terms and conditions of the remuneration as set out in the draft agreement to be placed before the meeting are as under:

**Salary:** Rs.33,890/- (Rupees Thirty Three Thousand Eight Hundred Ninety Only) per month, with increment to be determined by the Board of Directors, including committee(s) thereof, effective from 1st day of April each year.

**Allowances:** House Rent Allowance and Bonus as per the rules in force in the Company from time to time

**Executive Performance** incentive as per the rules in force in the Company from time to time.

**Perquisites:** Perquisites are classified into three categories "A", "B" and "C" as follows:

#### Part "A"

##### Housing

- In case of unfurnished accommodation, hired by the Company and provided to the Whole-time Director & CEO, such expenditure shall not exceed 60% of the salary.
- In case the Whole-time Director & CEO is provided accommodation owned by the Company, then Whole-time Director & CEO shall not be entitled to House Rent Allowance in accordance with Company's Rules.
- In case the Company provides no accommodation, Whole-time Director & CEO shall be entitled to House Rent Allowance in accordance with the Company's Rules in force from time to time.

The Expenditure incurred if any, by the Company on gas, electricity, water and furnishings made available to the Whole-time Director & CEO shall be valued as per the Income Tax Rules, 1962 subject to a ceiling of 10% of the salary of the Whole-time Director & CEO.

##### Medical Reimbursement:

Reimbursement of expenses in accordance with the rules of the Company in force from time to time.

##### Leave Travel Concession:

Leave Travel Concession for Whole-time Director & CEO and his family, once in a year incurred in accordance with the Rules of the Company, in force from time to time.

##### Personal Accident Insurance:

Personal Accident insurance of an amount, the annual premium of which does not exceed Rs.10,000/-.



## apcotex lattices limited

### **Club Fees:**

Fees of clubs subject to a maximum of two clubs.

### **Part "B"**

### **Provident Fund:**

Company's contribution towards Provident Fund, subject to a ceiling of 12% of the salary.

### **Pension / Superannuation:**

Benefits in accordance with the rules and regulations in force in the Company from time to time.

### **Gratuity:**

Benefits in accordance with the rules and regulations in force in the Company from time to time.

### **Part "C"**

### **Car:**

Provision of a car and driver for both official and personal purpose of the CEO.

### **Telephone:**

Provision of telephone at his residence. Personal long distance calls on telephone shall be billed by the Company to the CEO.

### **Other Benefits:**

1. Leave: Leave with full pay and allowance in accordance with the rules and regulations in the Company in force from time to time. Leave encashment in accordance with the rules and regulations in the Company in force from time to time, to be permitted at the end of the term, after obtaining such approvals as may be necessary.
2. Benefits under loan and other schemes in accordance with the practices, rules and regulations in force in the Company from time to time.
3. Such other benefits and amenities as to other senior officers from time to time.

Contribution to Provident Fund, Pension/Superannuation Funds to the extent not taxable under the Income Tax Act, Gratuity and encashment of leave at the end of the tenure shall not be included in the computation of ceiling on perquisites.

The remuneration as aforesaid to be allowed to the Whole-time Director & CEO shall be subject to such limits for the remuneration as are laid down by the Government in the Companies Act, 1956, its Schedule XIII and/or changes/variations/substitutions made/as may be made therein from time to time.

Notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the Whole-time Director & CEO, the Company has no profits or its profits are inadequate, the Company will pay him a remuneration by way of salary, allowances and perquisites not exceeding the ceiling laid down in Section II of Part II of Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors of the Company, after obtaining suitable recommendation of its Remuneration Committee.

The scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors including committee(s) thereof, in the light of and in conformity with any amendments to the relevant provisions of the Companies Act and/or the rules and regulations made thereunder and/or such guidelines as may be announced by the Central Government from time to time.

The Company shall pay to or reimburse the Whole-time Director & CEO and he shall be entitled to be paid and/or to be reimbursed by the Company all costs, charges and expenses that may have been or may be incurred by him for the purposes of or on behalf of the Company.

The draft of the agreement to be entered into by the Company with Shri S K Lahiri is available for inspection by the members at the Registered Office of the Company between 11 A.M. and 1 P.M. on all days except Saturdays, Sundays and Public Holidays, till the conclusion of the ensuing General Meeting.

Your Directors commend his appointment.

Except Shri S. K. Lahiri, no other Director of the Company is interested in this resolution.

**By order of the Board  
For apcotex lattices limited**

**ANAND V. KUMASHI  
Company Secretary**

**Date: 4<sup>th</sup> June 2002**

### **Registered Office :**

49/53 Mahavir Centre,  
Plot No.77, Sector 17,  
Vashi, Navi Mumbai - 400 703.

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# Annual Report 2001-2002

## DIRECTORS REPORT

### TO THE MEMBERS

Your Directors have pleasure in presenting you this Sixteenth Annual Report of the Company and the audited Statements of Account for the year ended 31st March 2002.

### COMPANY PERFORMANCE

#### FINANCIAL HIGHLIGHTS

Particulars	2001-2002 (Rs. in Lacs)	2000-2001 (Rs. in Lacs)
GROSS SALES	<b>67,38.17</b>	<b>55,40.44</b>
Gross Profit Before Depreciation,		
Interest and Tax	<b>10,36.64</b>	2,60.05
Less : Depreciation	<b>3,69.93</b>	3,71.25
Interest	<b>90.36</b>	1,84.88
Provision for Tax	<b>46.50</b>	0.20
Provision for Deferred Tax Liability	<b>2,27.88</b>	—
Profit/ (Loss) After Tax	<b>3,01.97</b>	(2,96.28)
Add / (Less) Prior Year Adjustments	<b>48.32</b>	(9.63)
Profit/ (Loss) for the period	<b>3,50.29</b>	(3,05.91)
Add : Balance brought forward from Previous year	—	89.13
<b>Disposable Profit (Loss)</b>	<b>3,50.29</b>	<b>(2,16.78)</b>
The Directors recommend the appropriation of the disposable profit as under:		
Dividend on Equity Shares	<b>1,65.82</b>	—
Transfer to General Reserve	<b>40.00</b>	—
Balance carried to Balance Sheet	<b>1,44.47</b>	(2,16.78)
	<b>3,50.29</b>	<b>(2,16.78)</b>

#### OPERATIONS DURING THE YEAR

The availability of raw and packing materials in general continued to be satisfactory during the year.

Selling prices were under pressure throughout the year due to reduced demand faced by the Styrene Butadiene Rubber consuming industries. Anti dumping duties helped in containing overseas competition to some extent. Several measures, initiated by the Management in the previous year, to improve quality of its existing products and introduction of new products, were vigorously continued during the year. Various steps taken to contain costs and improve processes, in line with the recommendation of the Management consultants, also helped in the turn around of the Company for improved performance.

Gross sales of Rs.67,38.17 lacs for the year under review reflect a value growth of about 21.62% over the sales of Rs.55,40.44 lacs in the previous year. The Company earned a net profit of Rs.3,01.97 lacs during the year against a loss of Rs.2,96.28 lacs during the previous year.

#### DIVIDEND

Your Directors have recommended a dividend @ Rs.3.00 (Rupees Three) per Equity Share of Rs.10/- each. The Equity Dividend if approved would absorb sum of Rs.1,65.82 lacs out of net profit as above and will be paid to those shareholders whose names appears on the Registrar of Members on 15<sup>th</sup> July 2002.

#### PROSPECTS

Last few years have been difficult years for your Company, because of competition in Synthetic Rubber from the overseas suppliers, who are dumping their products in the country and in Latexes from the domestic suppliers, due to which margins were under pressure. Your company has taken several measures like consistent quality improvement of its products, introduction of new grades catering to new industries / applications and vigorous cost management

through process optimization. The implementation of vigorous measures taken by the management for performance improvement, it is hoped, will enable the Company to perform well in the fiercely competitive environment.

Barring unforeseen events, your Directors view the prospects for the current with optimism.

### STATUTORY DISCLOSURES

#### A. SUBSIDIARY COMPANY

As required by Section 212 of the Companies Act, 1956, the audited Statement of Accounts for the year ended 31st March 2002 of Apcotex Securities Ltd. and the reports of their Directors and Auditors thereon are annexed. During the year under review, your Company has acquired the shares held by others in Apcotex Securities Limited, in order to make it a fully owned subsidiary Company.

#### B. ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Information sought under the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

#### C. PERSONNEL

In terms of revised limits set in the Notification dated 17<sup>th</sup> April 2002 of the Department of Company Affairs, no disclosures are required to be made under Section 217 (2A) of the Companies Act, 1956 and rules made thereunder.

#### D. DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm :

- That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- 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 profits of the Company for that period;
- That they have taken proper and sufficient care 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.
- That they have prepared the annual accounts on a going concern basis.

#### E. CORPORATE GOVERNANCE

- Your Company has always striven to incorporate appropriate standards for good Corporate Governance. It has taken adequate steps to ensure that the provisions of Corporate Governance as prescribed under the Listing Agreement with the Stock Exchange(s), are complied with.
- A detailed report on the Corporate Governance and Management Discussion and Analysis, forming part of this report.
- A certificate from Auditors of the Company, regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the listing agreement is annexed to the report on Corporate Governance.





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### FIXED DEPOSITS MATURED BUT NOT CLAIMED

Fixed Deposits from the public and the shareholders stood at Rs.49.97 lacs at the end of the year. There were no deposits that had matured but were not claimed on this date.

### INSURANCE

All insurable assets of the Company including inventories, buildings, plant and machinery etc; as also liability under legislative enactments; are adequately insured.

### ECOLOGY AND SAFETY

Members of the Safety Committee of the Company's Talaja Plant, have been reviewing the safety measures and their implementation, at their periodical meetings, to ensure adequate safety in material handling, control of pollution caused by liquid effluents, dust and emissions from chimney etc. Samples were periodically drawn and the reports submitted to the Pollution Control Board as required, ensuring compliance with standards. Consent has been obtained from Maharashtra Pollution Control Board to operate the plant at Talaja till December, 2002.

### PERSONNEL

The Board place on record their appreciation of the contribution made by all employees during the year. The industrial relations with the employees were cordial.

### BANKS & FINANCIAL INSTITUTIONS

Yours Directors wish to place on record their appreciation of the support from State Bank of India.

### DIRECTORS

Dr. S. Rengachary, Managing Director of the Company retired from the service of the Company on 31st March 2002, after 25 years of association with the Company's plant. Your Directors wish to place on record their appreciation for his services and contribution made.

Shri Amit C. Choksey, Dr. S. Sivaram and Shri T. N. V. Ayyar retire by rotation and being eligible, offer themselves for reappointment. Dr. S. Renachary and Shri S. K. Lahiri, have been appointed as an Additional Directors of the Company, during the year, to hold the office of Directorship till the conclusion of the ensuing Annual General Meeting.

### AUDITORS

The Company's Auditors, M/s. Shah & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

For and on behalf of the Board

*Atul C Choksey*

ATUL C CHOKSEY  
CHAIRMAN

Mumbai : 4<sup>th</sup> June 2002

### ANNEXURE TO DIRECTORS' REPORT FORM A

#### DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

##### A. POWER AND FUEL CONSUMPTION

Electricity :

	2001-2002	2000-2001
a) Purchased Units ('000 KWH)	52,42.30	43,30.92
Total amount (Rs. in lacs)	2,24.76	1,94.61
Rate/Unit (Rs)	4.28	4.49
b) Own Generation :		
Through Diesel generator		
Units ('000 KWH)	1,85.33	95.89
Units per ltr. Of diesel oil	3.54	3.78
Cost/Unit (Rs.)	5.18	4.64

##### B. CONSUMPTION PER UNIT OF PRODUCTION

Synthetic Rubber Latices		
Electricity (KWH/MT)	160	170
Synthetic Rubber		
Electricity (KWH/MT)	738	830

### FORM B

#### DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION :

##### RESEARCH AND DEVELOPMENT (R&D)

- Specific areas in which R & D is carried out by the Company:  
The R & D activities of the Company pertain to :
  - Development of new products to suit the changing market profile.
  - Modification of existing products for upgradation of performance.
  - Development and evaluation of alternative raw/packing materials and sources, for cost reduction and flexibility in the input materials management.
  - Development of products to meet specific industrial applications.
  - Absorption of imported technology, if any.
  - Improvement in process technology.

##### 2. Benefits derived as a result of the above R & D.

- Company has commercialised a range of latices for various applications.
- Improvement in quality consistency of products.
- The recently commercialised grade of rubber has been finding increasing market acceptance.
- Contribution to reduced dependency on imported latices.
- Newly developed latices for textile and paper industries are undergoing trials.

##### 3. Further plan of action:

- Continued efforts towards identifying additional end uses than can be developed for existing products.
- Develop new products for identified new applications.

##### 4. Expenditure on R & D during the Financial Year is as follows:

Particulars	2001-2002	2000-2001
Capital	3.55	1.28
Recurring	20.93	33.46
Total	24.48	34.74
Total R & D expenditure as a percentage of turnover	0.43%	0.74%

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

No new technology has been acquired requiring the above.

##### IMPORTED TECHNOLOGY

No technology import has been made in the recent past.

##### OTHERS

The recognition of the in-house R & D facilities by the Department of Scientific & Industrial Research has been renewed upto 31st March 2004

##### FOREIGN EXCHANGE EARNINGS & OUTGO

The Company is assessing export potential for its products. Details of foreign exchange earnings and outgo are given in Notes 12 & 13 of Schedule 'M' to the accounts.

For and on behalf of the Board

*Atul C Choksey*

ATUL C CHOKSEY  
CHAIRMAN

Mumbai : 4<sup>th</sup> June 2002

# Annual Report 2001-2002

## MANAGEMENT DISCUSSION ANALYSIS

The Company's portfolio consists of various grades of Latexes and Synthetic Butadiene Rubber, manufactured for various applications. The following discussion covers product-category wise industry structure, prospects and competition;

### 1. Industry structure and Developments

The Company manufactures self reinforced Styrene Butadiene grade of Rubber and several grades of latexes for various industries. The demand for these products is not primary but derived from the demand level for other goods in to which these products enter.

The grades of Styrene Butadiene Rubber (SBR) produced by your company are used by the Footwear Industry (Hawai, Microsheet for Shoes soles, Banwars). The Technology was developed through inhouse R and D efforts.

Currently, there is another domestic producer of these grades of SBR.

Imports are from Japan, South East Asian Countries, Poland and other countries like USA, France, Germany, Argentina etc.

The latexes are of the types of VP Latex, Styrene Butadiene Latexes and Nitrile Latexes.

Currently including your company there are two domestic producers of VP Latex, Nitrile Latexes and five producers of Styrene Butadiene latexes. The other Four producers of Styrene Butadiene latexes have concentrated predominantly on paper/board coating applications.

Company's Styrene Butadiene Latexes were developed through inhouse R and D efforts and marketed for the first time in the country. Apart from domestic producers imports are mainly from South East Asian Countries, Europe and USA.

### 2. Opportunities and threats

The opportunities and threats are described as under:

#### Styrene Butadiene Rubber

The common man's Footwear, Rubber Hawai is extremely popular where your company's Styrene Butadiene Rubber is used apart from its use in Micro soles for shoes. As the population grows and for reasons of safety and comfort atleast one pair of footwear will be used. However, in the past few years competing polymers like EVA, PVC have to some extent affected the growth in usage of Styrene Butadiene Rubber in the footwear segment.

#### Synthetic Latexes

Vinyl Pyridine Latex (VP Latex) : This is used by the Tyre Industry for Nylon Tyre Cord dipping which in turn is used as a reinforcing material for the carcass of the Tyre.

Nylon tyre cord (NTC) being a popular reinforcement material used by the tyre companies, use of VP latex is a must for bonding. As the consumption of NTC grows there will be a greater demand for VP Latex, atleast for the next few years. However, with increased Radialisation with steel tyre cord (where VP latex is not required) a threat of flat demand exists in the longer time horizon.

The Styrene Butadiene Latexes are used by the Paper /Board Coating Industry, Textile Industry, Carpet Industry, Construction Industry.

As education spreads and there is increasing use of biodegradable paperboard packaging material, the demand for coated paper / board is bound to grow. Currently the growth rate is around 10% per annum in India. Threat to growth for the coated paper / board segment seems to be from the

uncoated paper / board due to economic / affordability considerations.

Textiles (wearable segment) has to grow with growth in population. The significant increase in consumption of polyester filament yarn and staple fiber is expected to give a boost to the Styrene Butadiene latex usage for textile finishing. The threat is from other types of finishing chemicals which are equally popular like silicone emulsion, cationic and reactive softeners etc.

India is major producer and exporter of Tufted Woollen carpets with its unique eye catching designs and cost competitiveness. The threat to the Industry is from exports by Chinese producers. India being a leading producer of Natural Rubber Latex there is a general preference for it in view of much lower costs compared to Synthetically produced Styrene Butadiene Latexes.

In the construction Industry Styrene Butadiene Latex is used as an admixture in cement mortars, mostly for repair jobs like crack filling, abrasion resistant flooring, bonding of old to new concrete and to some extent water proofing. The quality of construction in most cases ( even if we take the cities in India) being not so sound there is a great deal of opportunity for these types of speciality products though other competing polymers like acrylics are also used.

The asbestos jointings based on Nitrile latex are predominantly used in the Automotive segment, replacement market. The opportunity seems to be limited as gradually non asbestos material are being preferred for a number of technical reasons.

Reliable market size data for these products depending on the end use application are not available.

### 3. Outlook

Your company manufactures and markets Synthetic Rubber and Latexes which are used in products of everyday use by an individual. Consequently the demand will always exist and expected to increase with growth in population, spread of education, increase in disposable income and other economic activities which have a positive impact on the demand for everyday necessities. Your company has the inbuilt capacity to service wide range of Industries and spread out revenue risks.

### 4. Risk and concerns

Further reduction in import duties on finished goods may affect us in terms of decrease in realization. This is likely to offset potential benefit from reduction in import duty on our principal inputs like Styrene, Butadiene and Vinyl Pyridine Monomer. There may be increased price pressure from large foreign manufacturers.

### 5. Internal Control Systems and their adequacy

The Company has a proper and adequate system of internal controls to ensure that all assets of the Company are safeguarded and protected against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly. The Company's Internal Auditor regularly conducts internal audits, using the external resources to monitor the effectiveness of internal controls in the organization.

The Company has a well defined authority limits and strictly adhere to corporate policy with respect to financial reporting and budgeting functions for all functions.

The Audit Committee of the Board of Directors deals with significant control issues raised by the Internal / External Auditors and instructs further areas to be covered.







## apcotex lattices limited

### 6. Operational overview

The year 2001-2002 in retrospect was a difficult year for the Indian Industry in general. A number of events had a dampening effect on the business sentiment of the Industry.

Against the back drop, your company has made reasonable progress. The gross sales registered a growth of 21.62 % which stood at Rs. 6738.17 Lacs as compared to Rs. 5540.44 Lacs last year. The company has earned net profit before tax of Rs. 576.35 lacs for the year after meeting all the expenses including interest of Rs. 90.36 Lacs and Depreciation of Rs. 369.93 Lacs against net loss of Rs. 296.08 Lacs during the previous year.

The sale of Synthetic Rubber registered a growth of about 26% by volume and value over that of previous year. The Rubber sales improved because of introduction of new grades with better customer acceptance. The performance of the Company for Synthetic Rubber may be considered quite satisfactory. The sale of Synthetic Rubber Latices registered a growth of about 16% by volume and 12% by value over that of previous year. This was primarily due to better sale of VP Latex and Styrene Butadiene Latices for Paper / Board coating. Considering the moderate performance of various units in the user industries the performance of these products is considered good.

The improvement in the turnover and net profit during the financial year under review reflects the continuous efforts of the management and the employees towards cost reduction, improvement in process technology, efficiency, productivity and development of new products.

Overall, the availability of Raw, Packing Materials were satisfactory and their costs had favourable impact on the operating profits.

### 7. Prospects

Past few years have been difficult for your Company because of dumping of Synthetic Rubber by the overseas suppliers. It is a matter of concern now also even though antidumping duty has been levied on imports from some of the countries. The market remains fiercely competitive both from imported and domestic producers. There are signs of recovery though we do not expect favours from the market in which we operate.

With continued focus on productivity improvements, quality, optimal sourcing, general cost containment and inherently strong manufacturing and marketing capabilities, the future outlook is one of cautious optimism.

### 8. Development on Human Resource / Industrial Relations

The Company continuously monitors its Human Resource requirement to ensure that it has adequate human skills commensurate with its needs. There has been cordial relations between the employees at various levels and the management. The Company continuously organizes and/or deposes the employees to the seminars / workshops to enhance their skills / knowledge.

### Cautionary Statement

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forwarded-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's Operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and other incidental factors.

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# Annual Report 2001-2002

## CORPORATE GOVERNANCE

Corporate governance relates to a system of supervision and monitoring Company's affairs such as to maximise the shareholder value; building an organisation and leading it to outperform, building, in the Company, high and ethical standards of corporate conduct towards all stakeholders of the enterprise. It helps in building trust all around that the enterprise is managed adequately to achieve success in its business.

Your Company believes in these principles and constantly endeavours to improve its system of governance.

Key elements in corporate governance are;

<b>Transparency</b>	A commitment that business is managed along transparent lines.
<b>Fairness</b>	To all shareholders in the company, but especially to minority shareholders.
<b>Disclosure</b>	Of all relevant financial and non financial information in an easily understood manner.
<b>Supervision</b>	Of the company's activities by a professionally competent and independent board of directors.

### BOARD OF DIRECTORS:

Composition of the Board and Directorship held in other Companies as on 3<sup>rd</sup> May 2002:

Sr. No.	Name of the Director(s)	Executive / Non-Executive / Independent	No. of other Directorship in Public Limited Companies	No. of other Board Committees as	
				Chairman	Member
1.	Mr. Atul C. Choksey	Non-Executive – Chairman Promoter	14	Nil	Nil
2.	Dr. S. Rengachary	Executive – Managing Director (till 31.03.02) Non-executive, (from 01.04.02)	3	Nil	Nil
3.	Mr. Girish C. Choksey	Non-Executive	6	Nil	Nil
4.	Mr. Bipin V. Jhaveri	Non-Executive, Independent	5	Nil	Nil
5.	Dr. S. Sivaram	Non-Executive, Independent	1	Nil	Nil
6.	Mr. Manubhai G. Patel	Non-Executive, Independent	4	2	1
7.	Mr. Amit C. Choksey	Non-Executive	5	Nil	Nil
8.	Mr. T.N.V. Ayyar	Non-Executive, Independent	8	5	9

### Attendance record of the Directors :

During the Financial year 2001-2002, Meetings of Board of Directors were held on the following days:-

03rd May 2001, 28th July 2001, 10th August 2001, 28th November 2001, 30th January 2002, 04th March 2002, 08th March 2002

Annual General Meeting was held on 25<sup>th</sup> June 2001.

The Attendance of Directors at the Board Meetings and Annual General Meeting were as under:

Directors	Number of Meetings		Attendance at the last Annual General Meeting
	Held	Attended	
Atul C. Choksey	7	6	Yes
Girish C. Choksey	7	5	No
Dr.S.Rengachary	7	7	Yes
M.G. Patel	7	4	Yes
Bipin V. Jhaveri	7	7	Yes
Dr.S. Sivaram	7	2	No
TNV Ayyar	7	5	No
Amit C. Choksey	7	6	No

Agenda for each Board Meeting was sent along with notes on agenda items a week in advance to the Board Members. Matters discussed at these Board Meetings related to among others, review of annual plan, quarterly results of the Company, minutes of meetings of audit committee, observations of the Audit Committee, statutory compliances by the Company, performance of subsidiary company, sale and purchase of investments etc. etc.

### Audit Committee:

An Audit Committee consisting of the following Directors had been formed :

Shri M. G. Patel	Chairman	Non-Executive, Independent
Shri Bipin V. Jhaveri	Member	Non-Executive, Independent
Shri Girish Choksey	Member	Non-Executive

Shri M. G. Patel is a practicing Chartered Accountant with over forty years of experience in the field of Accounts, Taxation etc. Shri Bipin Jhaveri is a Chartered Accountant and Chartered Company Secretary with over forty years of experience of Corporate Management, Finance, Accounts and Corporate Laws.

The Managing Director / Chief Executive Officer, the Commercial Manager, Executive-Finance & Taxation, The Head, Accounts Function and Internal Auditor are permanent invitees to the Audit Committee Meetings. A representative of Company's Statutory Auditors is invited to attend all the Audit Committee Meetings. Shri H N Shah, Partner of M/s. Shah & Co., Chartered Accountants, Statutory Auditors of the Company attended most of the meetings.