



apcotex lattices limited

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Annual Report 2003-2004



apcotex lattices limited

BOARD OF DIRECTORS

| | |
|--------------------|-------------------|
| Atul C. Choksey | Chairman |
| S.K. Lahiri | Director & C.E.O. |
| Girish C. Choksey | Director |
| Bipin V. Jhaveri | Director |
| Dr. S. Sivaram | Director |
| Manubhai G. Patel | Director |
| Dr. S. Rengachary | Director |
| Amit C. Choksey | Director |
| T. N. V. Ayyar | Director |
| Abhiraj A. Choksey | Director |

AUDIT COMMITTEE

| | |
|-------------------|----------|
| Manubhai G. Patel | Chairman |
| Girish C. Choksey | Member |
| Bipin V. Jhaveri | Member |

MANAGER - ACCTS., FIN. AND COMPANY SECRETARY

Anand V. Kumashi

AUDITORS

Shah & Co.
Chartered Accountants

BANKERS

State Bank of India

REGISTERED OFFICE & FACTORY

Plot No.3/1,
MIDC Taloja Industrial Area
P.O. Taloja, Dist. Raigad 410 208
Maharashtra.
Telephone : (022) 2741 2239 / 2358 / 2360
Fax : (022) 2741 2052
E-mail : apcotex@bom4.vsnl.net.in
Website : www.apcotex.com

CORPORATE OFFICE

N. K. Mehta International House,
178, Backbay Reclamation,
Babubhai M. Chinai Marg,
Mumbai- 400 020.
Telephone : (022) 2283 8302 / 04
Fax : (022) 2283 8291

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) 2821 5235
Fax : (022) 2835 0456



apcotex lattices limited

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of **apcotex lattices limited** will be held at **Plot No. 3/1, MIDC Industrial Area, Taloja - 410 208, Dist. Raigad, Maharashtra** on **Thursday, the 23rd day of September 2004 at 11.30 a.m.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Statement of Accounts for the year ended 31st March 2004 together with the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. Atul C. Choksey, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Amit C. Choksey, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Dr. S. Sivaram, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint M/s. Shah & Co., Chartered Accountants as Auditors of the Company, and fix their remuneration.

SPECIAL BUSINESS:

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, Dr. S. Rengachary, a Director of the Company, be and is hereby appointed as an Advisor to the Company for a further period of one year with effect from 1st May 2004, and be entitled to reimbursement of all business related expenses incurred by him on car and telephone provided to him for the performance of his duties as Advisor and the Board of Directors of the Company, be directed to enter into an agreement, where necessary, for the purpose".

**BY ORDER OF THE BOARD
for apcotex lattices limited**

ANAND V. KUMASHI
Manager - Accts., Fin. and
Company Secretary

Date: 30th April 2004

Registered Office:

Plot No. 3/1,
MIDC Industrial Area,
Taloja - 410 208,

Dist. Raigad, Maharashtra

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 **Saturday, the 11th day of September 2004 to Thursday, the 16th day of September 2004** (inclusive of both days).
4. Members are requested to notify the changes, if any, in their addresses 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 31.3.1996. Members who have not collected dividends for any accounting year upto and including 31.3.1995 are requested to make an application to the Registrar of Companies, Maharashtra, CGO Complex, Belapur, Navi Mumbai, 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).

Balance amount in Unpaid Dividend Account for the financial year 1996-97 is due for transfer to the Investors Education Protection Fund administered by the Central Government during the month of August 2004. The shareholders are requested to note that the same cannot be claimed from Investors Education and Protection Fund, once remitted to it.
7. Members desirous of getting any information relating to the accounts and operations of the Company are requested to address their queries to the Company at least seven days in advance of the Annual General Meeting so that the information required may be made readily available at the meeting.

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ANNEXURE TO NOTICE

EXPLANATORY STATEMENT

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

Item No.7

Dr. S. Rengachary – Ex Managing Director of the Company, retired from the services of the Company on 31st March 2002, after working in the Company's plant for a continuous period of 25 years. He has wide and varied experience of the Synthetic Rubber and Latexes industry. To get continuing benefit of his experience, the Board of Directors appointed him as Advisor to the Company for the period of one year effective from 1st May 2002, which appointment was approved by the shareholders in the Annual General Meeting held on 27th July 2002 and the shareholders in the Annual General Meeting held on 12th July 2003 approved the appointment for further period of one year from 1st May 2003. The Board of Directors have decided to appoint him as Advisor to the Company, for a further period of one year effective from 1st May 2004, and he will continue to 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 Advisor.

By virtue of this appointment, Dr. S. Rengachary, will continue to hold office of place of profit within the Company in accordance with

the provisions of Section 314(1) of the Companies Act, 1956, which 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.

**BY ORDER OF THE BOARD
for apcotex lattices limited**



ANAND V. KUMASHI
Manager – Accts., Fin. and
Company Secretary

Date: 30th April 2004

Registered Office:

Plot No. 3/1,
MIDC Industrial Area,
Taloja - 410 208,
Dist. Raigad, Maharashtra

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DIRECTORS REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting to you this Eighteenth Annual Report of the Company alongwith the audited Statements of Account for the year ended 31st March 2004.

COMPANY PERFORMANCE

FINANCIAL HIGHLIGHTS

| Particulars | 2003-2004 (Rs. in Lacs) | 2002-2003 (Rs. in Lacs) |
|--|----------------------------|----------------------------|
| GROSS SALES | 7833.38 | 6272.26 |
| Gross Profit Before Depreciation, Interest and Tax | 399.40 | 566.46 |
| Less: Depreciation | 377.06 | 366.73 |
| Interest | 9.15 | 16.18 |
| Provision for Tax | 1.66 | 18.32 |
| Provision for Deferred Tax Liability | (2.64) | 77.14 |
| Profit/ (Loss) After Tax | 14.17 | 88.09 |
| Add / (Less) Prior Year Adjustments | 26.91 | (9.51) |
| Profit/ (Loss) for the period | 40.98 | 78.58 |
| Add: Balance brought forward from Previous year | 27.99 | 144.47 |
| Disposable Profit (Loss) | 68.97 | 223.05 |
| The Directors recommend the appropriation of the disposable profit as under: | | |
| Dividend on Equity Shares | 55.27 | 165.82 |
| Tax on Dividend | 7.08 | 21.24 |
| Transfer to General Reserve | 0.00 | 0.00 |
| Balance carried to Balance Sheet | 6.62 | 27.99 |
| | 68.97 | 223.05 |

OPERATIONS DURING THE YEAR

The Company registered a gross sale of Rs.7833.38 lacs against Rs.6272.26 lacs during the previous year, a growth of 24.9%. The demand for Styrene Butadiene Rubber was better than last year.

Also sale of SB latices overall was satisfactory, particularly the SB latices for paper/paper board coating application.

There was continuous thrust by the management to improve product quality, productivity and process control through Technology up-gradation.

The availability of raw and packing materials was satisfactory but their increasing prices had an unfavourable impact on the operating profits.

The Company reduced interest expenses by about 43% by exercising strict control over credit.

Margins, however, remained under severe pressure due to higher prices of input materials viz. Styrene and Butadiene and inability of the Company to increase selling prices suitably due to competitive

pressures. Profit before tax declined from Rs.183.55 lacs in the year 2002-03 to Rs.13.19 lacs.

DIVIDEND

Your Directors have recommended a dividend @ Re.1.00 (Rupee One) per Equity Share of Rs.10/- each. The Equity Dividend if approved would absorb sum of Rs.55.27 lacs (excluding the dividend tax of Rs.7.08 lacs) out of net profit as above and will be paid to those shareholders whose names appears on the Register of Members on Saturday the 11th September 2004.

PROSPECTS

The country was blessed with a good monsoon, which got reflected in a high GDP growth estimated at over Eight percent. The growth rate in the manufacturing sector, agriculture and exports are likely to be better, which will give a boost to the consumer demand. Your company manufactures and markets - synthetic rubber and latices, which are used in products of daily use by common man i.e. hawai chappals and shoes sola. The demand for these products is expected to increase in future.

The import duty on latex and rubber was reduced to 20% in January 2004 whereas on the principal inputs like Styrene and Butadiene import duty continued at 15%. The price of natural rubber is expected to remain at higher level, which will affect the producers of rubber footwear. The availability of imported rubber at dumping prices will put pressure on the margins. The competition from both local and foreign sources of latex and rubber is strong and likely to intensify further as more number of global players competes in the same market.

We are committed to advancement of technology, innovation, and improvement in product quality and customer satisfaction. Your Company has the ability and confidence to demonstrate competitive strength and resilience. The Directors view the prospects for the current year with cautious optimism.

STATUTORY DISCLOSURES

A. SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts for the year ended 31st March 2004 of Apcotex Securities Ltd, the reports of their Directors and Auditor's thereon and Compliance Certificate issued by a Practicing Company Secretary, are annexed.

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

Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, as amended, is not applicable to the Company as there are no employees drawing remuneration exceeding the prescribed limits.

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D. DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm:

- i. 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;
- ii. 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;
- iii. 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.
- iv. That they have prepared the annual accounts on a going concern basis.

E. CORPORATE GOVERNANCE

- i. Your Company has always strived 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.
- ii. A detailed report on the Corporate Governance and Management Discussion Analysis, forms part of this report.
- iii. A certificate from the Auditor's 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.

FIXED DEPOSITS MATURED BUT NOT CLAIMED

Fixed Deposits from the public and the shareholders stood at Rs.32.48 lacs at the end of the year. The Central Bureau of Investigation (CBI) has instructed the Company, not to repay the proceeds of 4 (Four) fixed deposits amounting to Rs.48,000/- (Rupees Forty Eight Thousand Only), which were matured during the first week of December 2002, until further instruction from their office.

REGISTERED OFFICE

During the year under review the Registered Office of the Company was shifted from 49/53 Mahavir Centre, Plot No. 77, Sector 17,

Vashi, Navi Mumbai – 400 703 to Plot No. 3/1, MIDC Industrial Area, Talaja - 410 208, Dist. Raigad, Maharashtra, by passing a Special Resolution pursuant to provisions of Section 146(2)(a) and 192A of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001, effective from 12th July 2003.

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 regularly reviewing the safety measures and their implementation, from time to time, to ensure adequate safety in material handling and 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 31st December 2004.

PERSONNEL

The Board would like to place on record their appreciation of the contribution made by all employees during the year. The industrial relation with the employees was cordial. The fresh charter of demands from the daily rated and monthly rated workman at factory are under negotiation.

BANKS

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

DIRECTORS

Shri Atul C. Choksey, Shri Amit C. Choksey and Dr. S. Sivaram, retire by rotation and being eligible, offer themselves for reappointment.

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: 30th April 2004



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ANNEXURE TO DIRECTORS' REPORT

FORM A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

A. POWER AND FUEL CONSUMPTION

Electricity:

| | 2003-2004 | 2002-2003 |
|-------------------------------|-----------|-----------|
| a) Purchased Units ('000 KWH) | 5369.08 | 4867.64 |
| Total amount (Rs. in lacs) | 210.87 | 201.05 |
| Rate/Unit (Rs.) | 3.93 | 4.13 |
| b) Own Generation : | | |
| Through Diesel generator | | |
| Units ('000 KWH) | 172.82 | 214.72 |
| Units per ltr. of diesel oil | 3.00 | 3.40 |
| Cost/Unit (Rs.) | 7.67 | 6.47 |

B. CONSUMPTION PER UNIT OF PRODUCTION

| | | |
|--------------------------|-----|-----|
| Synthetic Rubber Latices | | |
| Electricity (KWH/MT) | 183 | 141 |
| Synthetic Rubber | | |
| Electricity (KWH/MT) | 624 | 720 |

FORM B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION:

RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R & D is carried out by the Company:

The R & D activities of the Company pertains to:

- Development of new products to suit changing customer needs.
- Modification of existing products for up-gradation of performance.
- Evaluation of alternative raw materials and identifying sources, for cost reduction and flexibility in the input materials management.
- 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 paper/board coating industry, construction and carpet industry.
- Improvement in quality consistency of products.
- Customers are less dependent on imported latices and rubber.

3. Further plan of action:

- Continued efforts towards identifying additional end uses for existing products.
- Develop new latices, and upgrade existing products as per market requirement.

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

| | (Rs. in lacs) | |
|---|---------------|-----------|
| Particulars | 2003-2004 | 2002-2003 |
| Capital | 1.85 | 18.17 |
| Recurring | 22.21 | 17.45 |
| Total | 24.06 | 35.62 |
| Total R & D expenditure as a percentage of turnover | 0.37% | 0.67% |

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 is awaited for which necessary application has been submitted to the concerned authorities.

FOREIGN EXCHANGE EARNINGS & OUTGO

The Company is assessing export potential for its products. Details of foreign exchange earnings and outgo are given in Notes 11 & 12 of Schedule 'M' to the accounts.

FOR AND ON BEHALF OF THE BOARD

Atul Choksey

ATUL C. CHOKSEY
CHAIRMAN

Mumbai: 30th April 2004

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MANAGEMENT DISCUSSION AND ANALYSIS

The company's portfolio consists of various grades of Latexes and Styrene Butadiene Rubber manufactured for various applications. The following discussion covers product, Industry structure, prospects and competition for the Company's product categories.

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 into which these products enter.

The grades of Styrene Butadiene Rubber (SBR) produced by your company are used by the Footwear Industry. The Technology was developed and is being continuously upgraded through in-house R and D efforts. Currently, there is another domestic producer of these grades of SBR. Imports are mostly from Japan and South East Asian Countries.

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. Some of the leading global producers of the above latexes from USA, South East Asian Countries, Europe have their presence in the Indian market for distribution of products.

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 wherein your company's Styrene Butadiene Rubber is used apart from its use in Micro Soles for Shoes. We are a billion plus Indians accounting for 16% of the global population. The Rubber Hawai is more popular with the rural consumers who account for almost 72% of our population.

For reasons of safety and comfort it is expected that atleast one pair of footwear will be used. Per person Indian Footwear Industry is the second largest in the world next to China and has enormous growth potential. There is a demand for both Leather and Non-Leather Footwear, the latter being cheaper and has low maintenance cost. Apart from Styrene Butadiene Rubber other low cost competing polymers are also used. The EVA based footwear particularly the Injection Moulded types are used as fashion footwear.

Synthetic Latexes

a) Vinyl Pyridine latex (VP Latex): This is used by the Tyre Industry for Nylon Tyre cord dipping. The 'dipped' fabric is used as a reinforcing material for the carcass of the Tyre. The Tyre production is expected to grow with improved demand for Automobiles and in the replacement segment.

However, with increased Radialisation with Steel Tyre Cord (where VP Latex is not required) a threat of flat demand exist in the longer time horizon.

The Styrene Butadiene Latexes are used by the paper / board coating Industry, Textile Industry, Carpet Industry and Construction Industry.

b) As education spreads and there is increasing awareness to use biodegradable paperboard packaging material, the demand for coated paper / board is bound to grow. It is estimated that the consumption growth of packaging board is atleast 15% per annum in India. The manufacturers of uncoated board are modernizing to produce 'Single coated board' and

producers of single coated board are planning for 'Double coated board'.

- c) Textiles (wearable segment) is growing with growth in population. The Multi Fibre Agreement (MFA) quota will be abolished by end 2004, which will give further boost to textile exports. The significant increase in consumption of polyester yarn may result in higher demand for Styrene Butadiene Latex usage for Textile finishing. The threat is from other types of finishing chemicals like silicone emulsion, cationic and reactive softeners etc which are cheaper and equally popular.
- d) India is a major producer and exporter of tufted woolen carpets. Currently Natural Rubber Latex is used predominantly for secondary and third backing Styrene Butadiene Latexes are gradually substituting NR Latex due to better tuft lock and ease of usage. Also, it does not cause protein allergy or putrefaction like NR Latex. Some of the major producers in the country are planning for 'machine tufted carpet' for better quality and high production. The automotive segment uses synthetic fibre based carpets which will use styrene butadiene latex. The threat is from Acrylic binders and much lower cost of natural rubber latex vis-a-vis styrene butadiene latex.
- e) 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 waterproofing. The competing products like Acrylates are also preferred for a number of applications.
- f) The asbestos jointings based on Nitrile Latex are predominantly used in the automotive sector particularly in the replacement market. This is a mature market as gradually Non Asbestos material will be preferred for technical reasons and it is environment friendly.

3. Outlook

Your company manufactures and markets Synthetic Rubber and Latexes which are used in products of everyday use by a common man. 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. Continuous 'value addition' through technology upgradation will increasingly become critical for success.

The current year will be a progressive year for the country in many respects as it starts with a healthy growth figure. The growth in the commercial vehicle segment after a period of stagnation indicates vibrancy in the economy. However, the operating environment for the Company's products remains challenging in 2004-05 due to continuous rising raw material prices resulting from the hardening of crude and petroleum products. These could offset a positive contribution from strong economic activities. The abilities of countries in South East Asia, China to offer products at extremely competitive prices and reasonable quality is likely to affect our customers which in turn will influence the demand for your Company's products.

4. Risk and Concerns

The import duty in January 2004 for latex and rubber was reduced to 20% whereas for our principal raw materials like Styrene and Butadiene it remained at 15%. This will put pressure on our margins. Also, our customers in the Tyre, Paper / Board industry expect large-scale imports due to reduction of import duty. Our major raw materials like Styrene, Butadiene essentially



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are petrochemicals. Throughout the year 2003-04, prices remained at higher levels due to significant increase in the crude oil price.

It is extremely difficult to forecast in this area due to several uncontrollable factors. The price of Natural Rubber, which is the principal ingredient in Rubber footwear, has continued to remain at higher levels and is expected to firm up further. This has and will affect the rubber industry in general and footwear industry in particular.

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. An independent firm of chartered accountants carry out internal audit of accounts and monitor the effectiveness of internal checks and controls in the Organisation. A summary of audit observations and action taken report(s) are placed and discussed at the Audit Committee Meetings. The suggestions and directions of Audit Committee are recorded and action taken accordingly.

The Company has well defined procedures to execute financial transactions.

6. Operational Overview

Please refer to Director's Report.

7. Prospects

Please refer to Director's Report.

8. Development of Human Resource / Industrial Relations

The Company continuously monitors its Human Resource requirement to ensure that it has adequate human skills commensurate with its needs. Cordial relations exist between the employees at various levels and the management. A globally renowned human resource consulting firm has been mandated to recommend suitable organization structure, human resource development measures to achieve high growth objectives. The Company continuously organises and deputed employees to 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 "forward-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, Company's principal markets, changes in Government regulations, tax regimes, economic developments within and outside India and other incidental factors.

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CORPORATE GOVERNANCE

The Company believes in adopting the best global practices in the areas of corporate governance and follows the principles of transparency and disclosure, thereby protecting the interests of all its stakeholders.

BOARD OF DIRECTORS:

Composition of the Board and Directorship held in other Companies as on 31st March 2004:

| 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 | 13 | Nil | Nil |
| 2. | Mr. S. K. Lahiri | Director & CEO | Nil | Nil | Nil |
| 3. | Mr. Girish C. Choksey | Non Executive | 5 | Nil | 2 |
| 4. | Mr. Bipin V. Jhaveri | Non Executive, Independent | 5 | Nil | Nil |
| 5. | Dr. S. Sivaram | Non-Executive, Independent | 3 | Nil | Nil |
| 6. | Mr. Manubhai G. Patel | Non Executive, Independent | 2 | 2 | 2 |
| 7. | Mr. Amit C. Choksey | Non-Executive | 4 | Nil | Nil |
| 8. | Dr. S. Rengachary | Non executive | 3 | Nil | Nil |
| 9. | Mr. T.N.V. Ayyar | Non Executive, Independent | 9 | 5 | 10 |
| 10. | Mr. Abhiraj A. Choksey | Non executive | 3 | Nil | Nil |

Attendance record of the Directors:

During the Financial year 2003-04, Meetings of Board of Directors were held on the following days: -

15th May 2003, 23rd August 2003, 20th November 2003, 27th January 2004

Annual General Meeting was held on 12th July 2004.

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 | |
| Mr. Atul C. Choksey | 4 | 3 | Yes |
| Mr. S. K. Lahiri | 4 | 4 | Yes |
| Mr. Girish C. Choksey | 4 | 1 | No |
| Mr. Bipin V. Jhaveri | 4 | 4 | Yes |
| Dr. S. Sivaram | 4 | - | Yes |
| Mr. Manubhai G. Patel | 4 | 4 | Yes |
| Mr. Amit C. Choksey | 4 | 2 | No |
| Dr. S. Rengachary | 4 | 4 | Yes |
| Mr. Mr. T.N.V. Ayyar | 4 | 1 | No |
| Mr. Abhiraj A. Choksey | 4 | 3 | Yes |

Agenda for each Board Meeting was sent along with explanatory notes on agenda items a week in advance of the meeting to the Directors. Matters discussed at these Board Meetings consisted, review of the Company's operations and quarterly results of the Company, observations and recommendations of the Audit Committee, statutory compliances by the Company, performance of subsidiary company, sale and purchase of investments etc.

Audit Committee:

The Audit Committee of the Board has the following Directors as Members:

| | | |
|-----------------------|----------|----------------------------|
| Mr. Manubhai G. Patel | Chairman | Non-Executive, Independent |
| Mr. Bipin V. Jhaveri | Member | Non Executive, Independent |
| Mr. Girish C. Choksey | Member | Non-Executive |

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

The Chief Executive Officer, the Commercial Manager, Sr. Accounts Executive of the Company remain present at the Audit Committee Meetings. Mr. H. N. Shah, Partner of M/s. Shah & Co., Chartered Accountants, Statutory Auditors of the Company and Mr. Rakesh Upadhaya, Internal Auditors, attended most of the meetings of the Audit Committee.