



apcotex lattices limited

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Annual Report 2004-2005

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BOARD OF DIRECTORS

Atul C. Choksey	Chairman
S.K. Lahiri	Director & C.E.O.
Girish C. Choksey	Director
Amit C. Choksey	Director
Manubhai G. Patel	Director
Bipin V. Jhaveri	Director
Dr. S. Rengachary	Director
Dr. S. Sivaram	Director
T. N. V. Ayyar	Director
Abhiraj Choksey	Executive Director (w.e.f. 01/05/2005)

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,
M I D C Industrial Area,
P.O. Taloja, Dist. Raigad 410 208,
Maharashtra
Telephone: (022) 2741 2239 / 2360 / 1611 / 1613
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 Nineteenth Annual General Meeting of **apcotex lattices limited** will be held at **Plot No. 3/1, MIDC Industrial Area, Talaja - 410 208, Dist. Raigad, Maharashtra** on **Thursday, the 28th day of July 2005** at **2.30 p.m.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Statement of Accounts for the year ended 31st March 2005 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 Dr. S. Rengachary, 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 a Director in place of Shri. Abhiraj Choksey, 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 2005, 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".

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 314 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 Abhiraj Choksey, as "Executive Director" of the Company, for a period of 5 (Five) years effective from 1st May 2005, upon the terms and conditions set out in the draft agreement submitted to this meeting and for identification signed by the Chairman thereof which agreement is hereby specifically approved 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 Abhiraj Choksey, remuneration by way of salary, perquisites and allowances, 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 incentive of Shri. Abhiraj Choksey, 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."

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

"RESOLVED THAT pursuant to the provisions of Section 21 of the Companies Act, 1956, all other applicable provisions of the said Act, if any, and subject to availability of name from the Registrar of Companies, Maharashtra the name of the Company be and is hereby changed from **APCOTEX LATTICES LIMITED** to **APCOTEX LIMITED**".

"RESOLVED FURTHER that the change of name of the Company as aforesaid shall not affect any rights or obligations of the Company or render defective any legal proceedings which might have been continued or commenced by or against the Company by its former name."

"RESOLVED FURTHER that on issuance of fresh Certificate of incorporation in the name of **APCOTEX LIMITED** by the Registrar of Companies, Maharashtra, the name of the Company, wherever it appears, in the Memorandum and Articles of Association, Share Certificate, Bills, Receipts, Common Seal, documents, contracts, agreements etc., changed to **APCOTEX LIMITED**".

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

Date: 27th June 2005

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

Registered Office:

Plot no. 3/1,
MIDC Industrial Area,
Talaja - 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 **Thursday, the 21st day of July 2005 to Thursday, the 28th day of July 2005** (inclusive of both days).
4. Members are requested to notify the changes, if any, in their addresses to the Company's Registrars immediately.

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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 31.3.1997. 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).
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.

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 Latex 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. On the recommendation of the Board of Directors his appointment as the Advisor to the Company was extended for one year each by special resolution passed at the general meetings held on 12th July 2003 and 23rd September 2004 and expires on 30th April 2005. 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 2005, 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 or place of profit in the Company in accordance with the provisions of Section 314(1) of the Companies Act, 1956, which requires the approval of the Company in General Meeting.

Your Directors commend the resolution.

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

Item No.8

The Board of Directors of the Company at their meeting held on 17th May 2005, have, 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, decided to appoint Shri Abhiraj Choksey, as "Executive Director" of the Company for a period of 5 (Five) years, effective from 1st May 2005.

Shri Abhiraj Choksey is a Bachelor of Science in Economics from Wharton Business School and also Bachelor of Science in Engineering from the Engineering School, both of University of Pennsylvania in U.S.A. He has several years of experience in the field of finance, system engineering, strategy formulation,

administration etc, having worked in a consulting firm in U.S.A. and a software company in the Country.

Shri Abhiraj Choksey is a relative of Company's Chairman, Shri Atul Choksey and by virtue of this appointment; he will hold an office or place of profit in the Company in accordance with the provisions of Section 314(1) of the Companies Act, 1956. This requires approval of the Company in the General Meeting by way of Special Resolution.

The terms and conditions of the remuneration as set out in the draft agreement to be entered into by the Company with the said Shri Abhiraj Choksey, are as under:

Salary: Rs.30,000/- (Rupees Thirty Thousand Only) per month, with an increment to be determined by the Board of Directors, including Committee thereof, effective from the 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.

Special Allowance: Rs.24,100/- (Rupees Twenty Four Thousand One Hundred Only) per month, with rise to be determined by the Board of Directors, including committee thereof, effective from 1st day of April each year.

Variable Pay Plan 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

(1) Free furnished residential accommodation or (2) in case of his own flat on ownership basis, then House Rent Allowance of an amount as may be fixed by the Board of Directors, or (3) in case of occupation of the rented premises then reimbursement of actual rent paid in respect of such premises. In case of all the above amenities such as gas, electricity, water, servants, painting, repairs, upkeep and general maintenances of the premises as are desired by the Director to be provided at the Company's expenses. In case of (2) & (3) such furniture or benefits in respect of furniture as may be required by Director, to be provided at the Company's expense.

The expenditure incurred if any, by the Company on gas, electricity, water and furnishings, furniture etc. to be made available to the Executive Director shall be valued as per the Income Tax Rules, as are in force from time to time.



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Medical Expenses Reimbursement / Medical Insurance:

Payment of Medical Insurance premium and reimbursement of expenses actually incurred for self, wife, dependent, children including hospitalization expenses, nursing home charges, treatment expenses, surgical expenses etc.

Leave Travel Concession;

Leave Travel Concession for the Executive Director 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, the annual premium of which does not exceed Rs.10,000/- or coverage under the Group Personal Accident Insurance Policy taken / as may be taken by the Company every year during the tenure of this appointment.

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 purposes of the Executive Director.

Telephone:

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

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 are provided to Senior Officers of the Company from time to time.

The remuneration as aforesaid to be allowed to the Executive Director 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 amendments made/as may be made therein from time to time.

Notwithstanding anything to the contrary contained herein, wherein any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay the Executive Director 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 Remuneration Committee of the Board of Directors of the Company.

The scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors 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 there-under and/or such guidelines as may be announced by the Central Government from time to time.

The Company shall pay to or reimburse the Executive Director 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 Abhiraj Choksey 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 Sarvashri Atul Choksey, Girish Choksey, Amit Choksey and Shri Abhiraj Choksey himself, no other Director of the Company is interested in this resolution.

Item No.9

Your Board of Directors considers that the word 'Lattices' in the name of the company does not reflect the activities of the company, since the Company also manufactures the Styrene Butadiene Rubber. Your Directors have, therefore, decided to delete word 'Lattices' from the name of the Company.

Your Directors commend passing of this resolution.

None of Directors of the Company is interested in this resolution.

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

Date: 27th June 2005

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

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 Nineteenth Annual Report of the Company and the audited Statements of Account for the year ended 31st March 2005.

COMPANY PERFORMANCE

FINANCIAL HIGHLIGHTS

Particulars	2004-2005 (Rs. in Lacs)	2003-2004 (Rs. in Lacs)
GROSS SALES	9432.30	7833.38
Gross Profit Before Depreciation, Interest and Tax	562.03	399.40
Less: Depreciation	365.75	377.06
Interest	11.65	9.15
Provision for Tax	25.85	1.86
Provision for Deferred Tax Liability	27.68	(2.64)
Profit/ (Loss) After Tax	131.10	14.17
Add / (Less) Prior Year Adjustments	(0.61)	26.81
Profit/ (Loss) for the period	130.49	40.98
Add: Balance brought forward from Previous year	6.62	27.99
Disposable Profit/(Loss)	137.11	68.97
The Directors recommend the appropriation of the disposable profit as under:		
Dividend on Equity Shares	99.49	55.27
Tax on Dividend	13.96	7.08
Transfer to General Reserve	10.00	—
Balance carried to Balance Sheet	13.66	6.62
	137.11	68.97

OPERATIONS DURING THE YEAR

The Company registered a gross sale of Rs.9432.30 lacs against Rs. 7833.38 lacs during the previous year, registering a value growth of over 20% and volume growth of 8%. The high price of key petrochemical input materials viz. Styrene and Butadiene adversely affected the demand for styrene butadiene rubber. For most part of the year these monomer prices remained at higher levels due to strong global demand coupled with high cost of their inputs like benzene, ethylene etc. Also plant outages, maintenance turnarounds in South East Asia, Far East created tight supply situations. The operating margins remained under severe pressure due to high cost of input materials and inability of the Company to increase selling prices suitably due to competitive pressures.

There was a continuous thrust by the management to improve product quality, productivity and process control through measures of technology up-gradation. Several in-house cost reduction measures were introduced under TCM projects (Total Cost Management) during the year. Typically these savings came from reduction in consumption of water, power, stores and spares, freight etc. Several speciality styrene butadiene latices were developed and found acceptance by the coated paper / board industry.

The availability of raw and packing materials was satisfactory but higher costs thereof had an unfavourable impact on the operating profits.

Against this backdrop the Company's net profit before tax of Rs.184.63 Lacs for the year after meeting all the expenses including interest and depreciation, can be considered as satisfactory.

DIVIDEND

Your Directors have recommended a dividend @ Rs.1.80 (Rupees One and Eighty Paise) per Equity Share of Rs.10/- each. The Equity Dividend if approved would absorb a sum of Rs.99.49 lacs (excluding the dividend tax of Rs.13.96 lacs) out of net profit as above and will be paid to those shareholders whose names appears on the Register of Members on 21st July 2005.

PROSPECTS

The reform process in India got initiated in the early 90's and one can easily feel more confident of business environment today. The confidence in the Indian economy by the global business community underlines that we are emerging as an internationally competitive economy.

The thrust by the Government on Infrastructure, Agriculture sector, Exports and removal of several bottlenecks for the manufacturing sector including introduction of VAT is expected to sustain GDP growth of 7 to 8%.

Your Company manufactures synthetic rubber and latices, which are used in products of every day use by the common man. It is expected that consumer demand will continue to grow in a vast country like ours. The import duty on rubber and latices was reduced from peak rate of 20% to 15% in the budget for 2005-06 and on our principal petrochemical inputs like styrene and butadiene monomers from 10% to 5%. The competition from both local and foreign sources of rubber and latex is expected to intensify further as number of players will compete in our market. However, there is also an opportunity for us to access the global market.

We are committed to advancement of technology, innovation, upgradation of product quality, cost competitiveness and customer satisfaction. Your Company has the financial strength, confidence and the resilience to operate in a competitive industry.

The directors view the prospects for the current year with cautious optimism.

AMALGAMATION OF SUBSIDIARY COMPANY

On 1st April 2005, the Hon'ble High Court of Bombay approved the Scheme of Amalgamation of Apcotex Securities Limited, a wholly owned subsidiary, with the Company effective the appointed date viz. 1st April 2004. Pursuant to the Order of the Hon'ble High Court, the Investment of Rs.175.00 lacs held by the Company in the Subsidiary Company stands cancelled, after making adjustment for diminution in value of investments on account of loss suffered by the subsidiary company in the earlier years.

STATUTORY DISCLOSURES

A. 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



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and foreign exchange earnings and outgo is given in the Annexure, forming part of this report.

B. 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.

C. 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.

D. CORPORATE GOVERNANCE

- i. 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.
- ii. A detailed report on the Corporate Governance and Management Discussion And 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.29.98 lacs at the end of the year. The Central Bureau of Investigation (CBI) has instructed the Company, not to repay the proceeds of four fixed deposits amounting to Rs.48,000/- (Rupees Forty Eight Thousand Only), which matured during the first week of December 2002, until further instruction from their office.

Seven other fixed deposits worth Rs.63,000/- matured during the year, which were not claimed by the concerned depositors despite sending reminders.

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, 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 the standards. Consent has been obtained from Maharashtra Pollution Control Board to operate the plant at Talaja till 31st December 2009.

PERSONNEL

The Board would like to place on record their appreciation of the contribution made by all employees during the year. A globally renowned human resource consulting firm was mandated to recommend suitable organization structure, human resource development measures to achieve high growth objectives. The recommendations of the Consultant are being implemented.

During the financial year under review, the management successfully entered into a long-term settlement with the monthly/daily rated workmen for 3 years, from the date of signing.

The industrial relation with the employees was cordial.

BANKS

Your Directors wish to place on record their appreciation of the support received from the Company's Bankers, State Bank of India.

DIRECTORS

Dr. S. Rengachary, Shri TNV Ayyar and Shri Abhiraj Choksey, 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 Choksey

ATUL C. CHOKSEY
CHAIRMAN

Mumbai: 17th May 2005

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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:

	2004-2005	2003-2004
a) Purchased Units ('000 KWH)	5527.24	5369.08
Total amount (Rs. In lacs)	213.01	210.87
Rate/Unit (Rs.)	3.85	3.93
b) Own Generation:		
Through Diesel generator Units ('000 KWH)	161.84	172.82
Units per ltr. of diesel oil	2.65	3.00
Cost/Unit (Rs.)	10.50	7.67

B. CONSUMPTION PER UNIT OF PRODUCTION

Synthetic Rubber Latices Electricity (KWH/MT)	216	183
Synthetic Rubber Electricity (KWH/MT)	597	624

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 pertain to:
 - i. Development of new products to suit changing customer needs.
 - ii. Modification of existing products for up-gradation of performance.
 - iii. Evaluation of alternative raw materials and identifying sources, for cost reduction and flexibility in the input materials management.
 - iv. Absorption of imported technology, if any.
 - v. Improvement in process technology.
2. Benefits derived as a result of the above R & D.
 - i. Company has commercialised a range of latices for paper/board coating industry, construction and carpet industry.

- ii. Improvement in quality consistency of products.
- iii. Dependent customers are less on imported latices and rubber.
3. Further plan of action:
 - i. Continued efforts towards identifying additional end uses for existing products.
 - ii. Develop new latices, and upgrade existing product as per market requirement.
4. Expenditure on R & D during the Financial Year is as follows:

	(Rs. in lacs)	
Particulars	2004-2005	2003-2004
Capital	4.73	1.85
Recurring	18.07	22.21
Total	22.80	24.06
Total R & D expenditure as a percentage of turnover	0.29%	0.37%

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 2007.

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 Chopra

ATUL C. CHOKSEY
CHAIRMAN

Mumbai: 17th May 2005.



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MANAGEMENT DISCUSSION AND ANALYSIS

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

1. Industry Structure and Developments

The company manufactures self-reinforced Styrene Butadiene grade of Rubber and several grades of Latices 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 & D efforts. Currently, there is one other domestic producer of these grades of SBR. Imports are mostly from Japan and South East Asian Countries.

The latices are of the types of VP Latex, Styrene Butadiene Latices and Nitrile Latices. Currently, there is one other domestic producer of VP Latex and Nitrile Latices and four other producers of Styrene Butadiene Latices. Some of the leading global producers of the above latices from USA, South East Asian Countries and Europe have their presence in the Indian market for distribution of their 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 sandals, shoes etc. 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 Latices

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 exists in the longer time horizon.

B) Other SB Latices:

The styrene Butadiene Latices are used by the paper / paperboard coating Industry, Textile Industry, Carpet Industry and Construction Industry.

- a) As education spreads and there is increasing awareness to use biodegradable paperboard as packaging material, the demand for coated paper/ board is bound to grow. It is estimated that the consumption growth of packaging board is about 20% 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'. Reputed paper mills are in the process of major expansion
- b) Textiles (wearable segment) is growing with growth in population. The increase in consumption of polyester yarn may result in higher usage of Styrene Butadiene Latex 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.
- c) India is a major producer and exporter of tufted woolen carpets. Currently Natural Rubber Latex is used predominantly for second and third backing. Styrene Butadiene Latices are gradually substituting NR Latex due to better tuft lock and ease of usage. Also, it does not cause protein allergy or putrefication as in the case of NR Latex. The automotive segment uses synthetic fibre based carpets, which is also using apart from other binders styrene butadiene latex. The threat is from Acrylic binders and much lower cost of natural rubber latex vis-à-vis styrene butadiene latex.
- d) 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 concrete and to some extent waterproofing. Products like Acrylates are also pre used in many applications. The market is growing.
- e) 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 is being preferred for technical reasons and being environment friendly.

3. Outlook

Your company manufactures and markets Synthetic Rubber and latices, 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. Accordingly, several speciality styrene butadiene latices were developed for the paper and board coating industry and are being widely used. Quality of other latices for construction, carpet industries was upgraded significantly using the latest technology.

The operating environment for the Company's products is likely to remain challenging in 2005-06 due to high cost of petro based raw material resulting from the hardening of crude prices and surge in demand particularly from growing economies like China

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and India. The abilities of countries in South East Asia, China to offer products at extremely competitive prices and of reasonable quality is likely to affect our customers which in turn will influence the demand for the Company's products.

4. Risk and Concerns

During the financial Year 2004-05 the import duty for latex and rubber was reduced to 15% whereas for our principal raw materials like Styrene and Butadiene it is at 5%. The major input materials, Styrene and Butadiene are petrochemicals. Through out the year 2004-05 their prices remained at higher levels due to significant increase in the crude oil prices. It is extremely difficult to forecast in this area due to several uncontrollable factors, which may continue to put pressure on our margins. 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 adversely affect the rubber industry in general and footwear industry in particular. Recent trends of input material prices indicate that the demand for styrene butadiene rubber in the foot wear industry is likely to remain flat or lower because of steep increase in the price of input materials like styrene and butadiene. These concerns are likely to be valid even for the year 2005-06

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 and monitor the effectiveness of internal checks and controls in the Organisation. A summary of audit observations and action taken by the management are placed before and discussed at the Audit Committee Meetings. The suggestions and directions of the 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 was mandated to recommend suitable organization structure and human resource development measures to achieve high growth objectives. The recommendations of the Consultant are being implemented.

During the financial year under review, the management successfully entered into a long-term settlement with the monthly/daily rated workmen for 3 years, from the date of signing.

The Company continuously organises and deputed its 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, movements in Company's principal markets, changes in Government regulations, tax regimes, economic developments within and outside India and other incidental factors.