



**apcotex industries limited**

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**Annual Report 2005-2006**

**Annual Report 2005-2006****APCOTEX INDUSTRIES LIMITED  
(FORMERLY APCOTEX LATTICES LIMITED)****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 |

**REGISTERED OFFICE & FACTORY**

Plot No.3/1, MID 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](http://www.apcotex.com)

**AUDIT COMMITTEE**

|   |          |
|---|----------|
| Manubhai G Patel                                | Chairman |
| Girish G Choksey                                | Member   |
| Bipin V Jhaveri                                 | Member   |
| Dr. S. Rengachary<br>(w.e.f. 28th October 2005) | Member   |

**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

**GM ACCTS., FIN. AND  
COMPANY SECRETARY**

Shri Anand V. Kumashi

**AUDITORS**

Shah & CO.  
Chartered Accountants

**BANKERS**

State Bank of India

**REGISTRARS AND SHARE TRANSFER AGENTS**

MCS Limited,  
Harmony, Plot No. 6, Sector - 1,  
Khanda Colony, New Panvel (West),  
Dist. Raigad - 410 206. Maharashtra  
Tel. (022) 27492003  
Fax (022) 27492005



## apcotex industries limited

### NOTICE

#### NOTICE

**NOTICE** is hereby given that the Twentieth Annual General Meeting of **apcotex industries limited** will be held at **Plot no. 3/1, MIDC Industrial Area, Talaja - 410 208, Dist. Raigad, Maharashtra** on **Wednesday, the 21st day of June 2006 at 11.00 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 2006 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. M G Patel, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Girish Choksey, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Bipin Jhaveri, 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 1<sup>st</sup> May 2006, 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 industries limited**

**ANAND V. KUMASHI**  
GM - Accts., Fin. and  
Company Secretary

Date: 28<sup>th</sup> April 2006

#### 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 **Monday, the 12<sup>th</sup> day of June 2006 to Wednesday, the 21<sup>st</sup> day of June 2006** (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 31.3.1998. 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 1998-99 is due for transfer to the Investors Education Protection Fund administered by the Central Government during the month of August / September 2006. The shareholders whose dividend is unclaimed for that financial year are requested to claim it immediately from the Company, otherwise, the Company is advised, it 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.

## Annual Report 2005-2006

## 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 annual general meetings resting with the general meeting held on 28th July 2005 and the term of appointment expires on 30th April 2006. 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 2006, 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.

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



**ANAND V. KUMASHI**  
GM – Accts., Fin. and  
Company Secretary

**Date: 28<sup>th</sup> April 2006**

**Registered Office:**  
Plot no. 3/1,  
MIDC Industrial Area,  
Taloja - 410 208,  
Dist. Raigad, Maharashtra

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## apcotex industries limited

### DIRECTORS' REPORT

#### TO THE MEMBERS

Your Directors have pleasure in presenting to you Twentieth Annual Report of the Company and the audited Statements of Accounts for the year ended 31st March 2006.

#### COMPANY PERFORMANCE

##### FINANCIAL HIGHLIGHTS

| Particulars   | 2005-2006<br>(Rs. in Lacs) | 2004-2005<br>(Rs. in Lacs) |
|---|----------------------------|----------------------------|
| GROSS SALES   | 8759.57                    | 9432.30                    |
| Gross Profit Before Depreciation,<br>Interest and Tax   | 507.29                     | 562.03                     |
| Less: Depreciation  | 327.79                     | 365.75                     |
| Interest  | 8.17                       | 11.65                      |
| Provision for Tax & FBT   | 61.93                      | 25.85                      |
| Adjustment for Deferred<br>Tax Assets   | (36.63)                    | (27.68)                    |
| Profit/ (Loss) After Tax  | 146.03                     | 131.10                     |
| Add / (Less) Prior Year Adjustments   | 5.98                       | (0.61)                     |
| Profit/ (Loss) for the period   | 152.01                     | 130.49                     |
| Add: Balance brought forward from<br>Previous year  | 13.65                      | 6.62                       |
| <b>Disposable Profit (Loss)</b>   | <b>165.66</b>              | <b>137.11</b>              |
| The Directors recommend the<br>appropriation of the disposable<br>profit as under: Dividend on<br>Equity Shares | 110.55                     | 99.49                      |
| Tax on Dividend   | 15.51                      | 13.96                      |
| Transfer to General Reserve   | 11.40                      | 10.00                      |
| Balance carried to Balance Sheet  | 28.20                      | 13.66                      |
|   | <b>165.66</b>              | <b>137.11</b>              |

#### OPERATIONS DURING THE YEAR

During the financial year under review, the Company registered lower sales of Rs.8759.57 lacs against Rs.9432.30 lacs in the previous year, primarily because of lower sales of Styrene Butadiene rubber to the footwear industry, owing to its declining demand.

Satisfactory volume growth for Synthetic Rubber latices was achieved through higher sale of latices particularly, Vinyl Pyridine latex for tyre cord dipping and Styrene Butadiene Latices for paper / board coating.

Export efforts of the Company have fructified during the year and the Company has exported Products worth about US \$ 5,00,000 to six countries.

Towards cost reduction and improving operational efficiency, various measures like Total Cost Management, Total Productivity Maintenance etc., were vigorously pursued, resulting in reduction of overheads, improvement in product quality and ensuring better safety and productivity.

The availability of raw and packing material was satisfactory. Their rising prices, however, had an unfavourable impact on the operating profit.

The flood in the plant area due to heavy rain on 26<sup>th</sup> July 2005, adversely affected the operation of the plant. However, with significant efforts of the Management and the employees, normal operations were resumed within a short span of 13 days. Your Company received insurance claim of Rs.39.15 lacs against Loss of Profit Policy and Rs.76.38 lacs against the assets policy for stocks damaged during the flood and repairs of the plant and machinery.

Against this backdrop the Company's net profit before tax of Rs.171.33 Lacs for the year can be considered as satisfactory.

#### DIVIDEND

Your Directors have recommended a dividend @ Rs.2.00 (Rupees Two) per Equity Share of Rs.10/- each. The Equity Dividend, if approved, will absorb a sum of Rs.110.55 lacs (excluding the dividend tax of Rs.15.51 lacs) out of net profit as above and will be paid to those shareholders whose names appears on the Register of Members on 12<sup>th</sup> June 2006.

#### PROSPECTS

Your Company has considerably strengthened its position in the market with a range of latices for various industries like tyre, paper, and carpet. These are expected to perform better in the future.

The Company has intensified its efforts to export its products to more countries. The company is also intensifying its efforts to further upgrade its product quality in latices and to introduce more products in synthetic rubber.

Competition from both local and foreign sources of rubber and latex is expected to intensify further.

Due to hardening of crude oil prices, the cost of input materials, which are predominantly petro based are expected to rise or remain firm at higher levels.

Your Company is committed to advancement of technology, up-gradation of product quality, cost competitiveness and customer satisfaction. The 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 optimism.

#### 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 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.

## Annual Report 2005-2006

### 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

Your Company has always strived to incorporate appropriate standards for good Corporate Governance.

A detailed report on the Corporate Governance and Management Discussion Analysis, forms part of this report. A certificate from the Company's Auditors regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is annexed to the said Report.

### FIXED DEPOSITS MATURED BUT NOT CLAIMED

Fixed Deposits from the public and the shareholders stood at Rs.29.58 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/- and accrued interest of Rs. 22,491/- there on. These deposits matured during the first week of December 2002.

Three other fixed deposits worth Rs.15,000/- matured, with accrued interest of Rs.673/- were not claimed by the concerned depositors despite 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 Taloja 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 Taloja till 31<sup>st</sup> December 2009.

### PERSONNEL

The Board would like to place on record their appreciation of the contribution made by all employees during the year.

The industrial relations with the employees were 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

Mr. M G Patel, Mr. Girish Choksey and Mr. Bipin Jhaveri, retire by rotation and being eligible, offer themselves for reappointment.

On 29<sup>th</sup> March 2006, the President of India honoured your Director, Dr. S. Sivaram, as PADMA SHRI, at a ceremony in the Rashtrapati Bhavan New Delhi. The Chairman and Directors of your Company congratulate Dr. S. Sivaram for the honour.

### 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: 28<sup>th</sup> April 2006



apcotex industries limited

**ANNEXURE TO DIRECTORS' REPORT****FORM A****DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:****A. POWER AND FUEL CONSUMPTION**

Electricity:

|  | 2005-2006 | 2004-2005 |
|--|-----------|-----------|
| a) Purchased Units ('000 KWH)                                | 4718.510  | 5527.240  |
| Total amount (Rs. In lacs)                                   | 193.05    | 213.01    |
| Rate/Unit (Rs.)  | 4.09      | 3.85      |
| b) Own Generation: Through Diesel generator Units ('000 KWH) | 173.16    | 161.84    |
| Units per ltr. of diesel oil                                 | 2.31      | 2.65      |
| Cost/Unit (Rs.)  | 15.10     | 10.50     |

**B. CONSUMPTION PER UNIT OF PRODUCTION**

|   |     |     |
|---|-----|-----|
| Synthetic Rubber Latex Electricity (KWH/MT) | 219 | 216 |
| Synthetic Rubber Electricity (KWH/MT)       | 577 | 597 |

- 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   | 2005-2006     | 2004-2005 |
| Capital   | 67.88         | 4.73      |
| Recurring   | 25.68         | 18.07     |
| Total   | 93.56         | 22.80     |
| Total R & D expenditure as a percentage of turnover | 1.26%         | 0.29%     |

**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 &amp; 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.

**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 C CHOKSEY  
CHAIRMAN**Mumbai: 28<sup>th</sup> April 2006.



## Annual Report 2005-2006

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company manufactures and markets Styrene Butadiene Rubber and Synthetic Rubber Latices.

### 1. Industry Structure and Developments

The Company manufactures self-reinforced grades of Styrene Butadiene Rubber, which 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 Synthetic Rubber Latices are of the types of VP Latex, Styrene Butadiene Latices and Nitrile Latices. There is one other domestic producer of VP Latex and Nitrile Latex 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 EU nations have their presence in the Indian market for distribution of their products.

### 2. Opportunities and Threats

#### STYRENE BUTADIENE RUBBER

The self reinforced SBR popularly known as High Styrene Rubber (HSR) is used for the manufacture of Rubber Hawai, Microsoles for Shoes/Sandals, Banwar, essentially for Footwear application. The rubber hawai is more popular with the rural consumers as a low cost, low maintenance, comfortable Footwear. However, historic high price of Natural Rubber, which is the principal ingredient in Rubber Hawai and availability of cheaper alternate polymers like EVA, LDPE etc. have caused a dent into the HSR demand. It is difficult to predict at this stage when the trend will reverse.

#### SYNTHETIC RUBBER LATICES

##### Vinyl Pyridine Latex (VP Latex)

This product is used for 'Dipping' Nylon Tyre Cord (Fabric) which is the reinforcing material for the carcass of the tyre. The tyre production is expected to grow with improved demand for HCV's, LCV's, passenger cars and the replacement segment. The BIAS Tyres are the major consumers of VP Latex, apart from polyester tyre cords used in radial tyres. The growth in consumption of VP Latex is mostly in the Asian Region. However, the increased use of steel tyre cords (wherein VP Latex is not required) is resulting in an overall flat demand growth for VP Latex globally. Competition is being faced by the Company from both domestic and foreign producers but the Company has been able to increase its market share over the last year. Export opportunities have opened up and we have made a satisfactory beginning during the year. It is expected that Financial Year 2006-07 should be better in terms of both domestic sale and exports.

#### STYRENE BUTADIENE LATICES

The Styrene Butadiene based latices produced by the Company are used by the Textile Industry, Paper and Board Coating Industry, Carpet Industry and Construction Industry.

There is generally intense competition from domestic producers as well as multi-national companies for the above products. The Company has positioned itself to meet the exacting quality of products required by the above industries by employing state of the art technology and facilities.

While some segments of our markets are growing, others are stagnating due to a variety of reasons. However, the Company has been able to grow substantially and increase its overall market share in the latices business, with high quality products and world class technical service.

The Company has also made satisfactory progress in exporting its products during the year. The Company is exploring other opportunities of exports as well. It is expected that Financial Year 2006-07 should be better in terms of both domestic sale and exports.

### 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 are being developed and marketed across all segments of customers resulting in increased market share.

Export efforts have been fructifying and these products have been exported to six countries. Necessary thrust is being given to widen the export base.

The operating environment for the Company's products remains challenging in 2006-07 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 and India.

### 4. Risk and Concerns

During the financial Year 2005-06 the import duty for latex and rubber was reduced to 15% whereas for our principal raw materials like Styrene and Butadiene it was 5%. For the financial year 2006-07 the import duty has been further reduced to 12.5% for latex and rubber. The import duty on Styrene is 2% and Butadiene 5%.

Through out the year 2005-06 the prices of main input materials, styrene and butadiene remained at higher levels partly due to increase in the crude oil prices. It is extremely difficult to forecast their prices due to several uncontrollable factors, which can continue to put pressure on our margins. Besides, the price of Natural Rubber, which is the principal ingredient in Rubber footwear, has continued to remain at record levels and is expected to firm up further. This has adversely affected the rubber industry in general and footwear industry in particular. These concerns are likely to be valid even for the year 2006-07 resulting in flat or lower demand for high styrene rubbers.





## apcotex industries limited

### 5. Internal Control Systems and their adequacy

The company has a proper and adequate system of internal control 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 by the management are placed before 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.

The Company continuously organises and deputs 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 development and outside India and other incidental factors.***

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## CORPORATE GOVERNANCE

The Company believes in adopting best practices in the areas of Corporate Governance and follows the principles of transparency and disclosure, for the benefit of its stakeholders.

**BOARD OF DIRECTORS:**

Composition of the Board and Directorship held in other Companies as on 31<sup>st</sup> March 2006:

| 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       | Atul C. Choksey         | Non-Executive – Chairman Promoter       | 11  | Nil                              | Nil    |
| 2       | S K Lahiri              | CEO & Director                          | Nil   | Nil                              | Nil    |
| 3       | Girish C. Choksey       | Non-Executive                           | 5   | Nil                              | 2      |
| 4       | Amit C. Choksey         | Non-Executive                           | 5   | Nil                              | Nil    |
| 5       | Manubhai G. Patel       | Non-Executive, Independent              | 3   | 3                                | 1      |
| 6       | Bipin V. Jhaveri        | Non-Executive, Independent              | 6   | 2                                | Nil    |
| 7       | Dr. S. Rengachary       | Non-executive, Independent              | 2   | Nil                              | Nil    |
| 8       | Dr. S. Sivaram          | Non-Executive, Independent              | 3   | Nil                              | Nil    |
| 9       | T.N.V. Ayyar            | Non-Executive, Independent              | 8   | 5                                | 6      |
| 10      | Abhiraj Choksey         | Executive Director                      | 3   | Nil                              | Nil    |

**Attendance record of the Directors:**

During the Financial year 2005-06, Meetings of the Board of Directors were held on the following days: -

4<sup>th</sup> April 2005, 17<sup>th</sup> May 2005, 30<sup>th</sup> July 2005, 28<sup>th</sup> October 2005, 19<sup>th</sup> January 2006

Annual General Meeting was held on 28<sup>th</sup> July 2005.

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   | 5                  | 5        | Yes   |
| Girish C. Choksey | 5                  | 4        | No  |
| Dr. S. Rengachary | 5                  | 5        | Yes   |
| M.G. Patel        | 5                  | 4        | No  |
| Bipin Jhaveri     | 5                  | 5        | No  |
| Dr. S. Sivaram    | 5                  | 2        | No  |
| TNV Ayyar         | 5                  | 1        | No  |
| Amit C. Choksey   | 5                  | 5        | No  |
| S K Lahiri        | 5                  | 4        | Yes   |
| Abhiraj Choksey   | 5                  | 5        | Yes   |

Agenda for each Board Meeting was sent to the Directors along with explanatory notes thereon a week in advance of the meeting. Matters discussed at these Board Meetings consisted of review of the Company's operations, quarterly results of the Company, observations and recommendations of the Audit Committee, statutory compliances by the Company, Company Plan, Sale and Purchase of investments. The Company has also initiated suitable exercises to assess risk being face by the Company and ways to manage the same.

**Audit Committee:**

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

|                    |          |                            |
|--------------------|----------|----------------------------|
| M. G. Patel        | Chairman | Non-Executive, Independent |
| Bipin V. Jhaveri   | Member   | Non-Executive, Independent |
| Girish Choksey     | Member   | Non-Executive              |
| Dr. S. Rengachary* | Member   | Non-Executive, Independent |

\* With effect from 28<sup>th</sup> October 2005.

Mr. M. G. Patel is a practicing Chartered Accountant with over four decades of experience in the field of Accounts, Audit, Taxation, and Finance etc. Mr. Bipin Jhaveri is a Chartered Accountant and Chartered Company Secretary with over four decades of experience of Corporate Management, Finance, Accounts, Taxation and Corporate Laws. Dr. S. Rengachary is a M.Sc (Tech) and Ph.D. and a post-graduation in the field of surface coating technology and doctoral degree in polymer science with over three decades of experience in the field of Synthetic Rubber and Latex Industry. His overall experience includes management of product development, marketing, techno-commercial areas and Company management.

The Executive Director, the Director & CEO, the GM – Accts., Fin. and Company Secretary, the Executive – Finance & Taxation of the Company remained present at the meetings of the Audit Committee. Representatives of Statutory Auditors and Internal Auditors of the Company also, attended most of the meetings of the Audit Committee.