



apcotex industries limited

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Annual Report 2006-2007

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APCOTEX INDUSTRIES LIMITED

BOARD OF DIRECTORS

Atul C. Choksey	Chairman
S.K. Lahiri	Director & CEO
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

AUDIT COMMITTEE

Manubhai G Patel	Chairman
Girish G Choksey	Member
Bipin V Jhaveri	Member
Dr. S. Rengachary	Member

GM ACCTS., FIN. AND
COMPANY SECRETARY

Anand V. Kumashi

AUDITORS

Shah & CO.
Chartered Accountants

Report Junction.com

BANKERS

State Bank of India

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 - info@apcotex.com
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

INTIME SPECTRUM REGISTRY LTD
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078
Tel. No.- (022) 2596 3838 Fax - (022) 2594 6969
Email: isrl@intimespectrum.com
Website: www.intimespectrum.com



apcotex industries limited

NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of **apcotex industries limited** will be held at **Plot no. 3/1, MIDC Industrial Area, Taloja - 410 208, Dist. Raigad, Maharashtra** on **Friday, the 27th day of July 2007 at 12.30 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 2007 together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Atul Choksey, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Amit Choksey, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. S. Sivaram, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint M/s. Shah & Co., Chartered Accountants as Auditors of the Company, and fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as 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 2007, 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".

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 or any amendment or substitution thereof and subject to the approval of the Central Government, if any, required, the Company hereby approves the appointment of Mr. S. K. Lahiri, as a Whole-time Director of the Company, for a further period of 3 (Three) years effective from 4th June 2007, 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 sanctioned with authority to the Board of Directors, including committee(s) thereof, to alter and / or vary the terms and conditions of the said appointment within limits, if any, prescribed in the Act, and / or schedules thereto."

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the aforesaid period, the Company shall pay to Mr. S. K. Lahiri, 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 their 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 Mr. S. K. Lahiri in the light of further progress of the

Company which revision should be in conformity with any amendments to the relevant provisions of the Companies Act and / or the rules and regulations made thereunder and / or such guidelines as may be announced by the Central Government from time to time."

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

"RESOLVED THAT subject to necessary approvals if any required, under Section 269, 309 and 314 and any other applicable provisions of the Companies Act, 1956, consent of the Company in General Meeting be and is hereby accorded to Mr. Atul Champaklal Choksey drawing from the Company, the following perquisites and benefits:

Reimbursement of all medical expenses incurred by him and his spouse in India and / or abroad, for medical treatment, such medical expenses to include:

- a. Full hospitalisation and post hospitalisation expenses incurred over and above reimbursement that he may receive against a Mediclaim Policy taken from an Insurance Company operating in India and / or abroad.
- b. Expenses incurred on medicines, instruments of medical support etc., incurred at home or in hospital.
- c. Expenses incurred by him and his spouse for travel abroad for medical treatment.

Reimbursement of all conveyance expenses incurred by him for official purposes including maintenance of Company's car provided to him, running expenses, driver's salary and allowances, other conveyance expenses etc.

Provided further that such reimbursement shall be within the limits stipulated under the schedule XIII and any other provisions of the Companies Act, 1956."

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

"RESOLVED THAT Pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') and rules and regulations thereunder, or any statutory modification or any amendment or substitution or re-enactment thereof, approval of the Company be and is hereby accorded towards shifting the Registers and Indexes of Members of the Company under Section 150 and 151 of the act, required to be maintained under the Companies (Preservation and Disposal of Records) Rules, 1966, to the Registrar and Share Transfer Agent of the Company, viz *Intime Spectrum Registry Limited*.

RESOLVED FURTHER THAT the records of the company including registers and Indexes of Members of the company under Sections 150 and 151 of the Act, be kept with *Intime Spectrum Registry Limited*, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (w), Mumbai - 400 078.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be necessary, proper and expedient to give effect to the above resolutions."

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

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"RESOLVED THAT subject to the approval of Central Government, if required and of Financial Institutions, wherever necessary, consent of the Company be and is hereby accorded for payment of commission to Directors of the Company other than the Managing / Whole-time Directors pursuant to and within limits as are or may be prescribed under the provisions of Section 198, 309, 349 and 350 and other applicable provisions of the Companies Act, 1956, in such amounts or proportion and in such manner as may be decided by the Board of Directors of the Company for each financial year and such payments shall be made out of the profits of the company for a period of five years commencing from 1st April 2007."

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



**ANAND V. KUMASHI
GM – Accounts, Finance &
Company Secretary**

Date: 9th May 2007

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 **Friday, the 20th day of July 2007 to Friday, the 27th day of July 2007** (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 31.3.2000. 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.6

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 21st June 2006 and the term of appointment expires on 30th April 2007. 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 2007, 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 recommend the resolution.

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

Item No.7

The Board of Directors of the Company at their meeting held on 9th May 2007, 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, sought to appoint Mr. S. K. Lahiri, a Whole-time Director of the Company for further period of 3 (Three) years, effective from 4th June 2007 and designated him as Director and Chief Executive Officer, effective from that date.

Mr. S. K. Lahiri is presently Chief Executive Officer of the Company, has wide and varied experience in the filed of synthetic rubber and latex industry. He has been working with the Company since its inception holding various positions. Your Directors recommend the resolution at Item no.7 for your approval.

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

Salary: Rs.45,537/- (Rupees Forty Five Thousand Five Hundred and Thirty Seven Only) per month, with increment to be determined by the Board of Directors, including committee thereof, effective from 1st day of April each year.



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

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

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

Part "A"

Housing

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

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

Medical Reimbursement:

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

Leave Travel Concession:

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

Personal Accident Insurance:

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

Club Fees:

Fees of clubs subject to a maximum of two clubs.

Part "B"

Provident Fund:

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

Pension / Superannuation:

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

Gratuity:

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

Part "C"

Car:

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

Telephone:

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

Other Benefits:

1. Leave : Leave with full pay and allowance in accordance with the rules and regulations in the Company in force from time to time. Leave encashment in accordance with the rules and

regulations in the Company in force from time to time, to be permitted at the end of the term, after obtaining such approvals as may be necessary.

2. Benefits under loan and other schemes in accordance with the practices, rules and regulations in force in the Company from time to time.
3. Such other benefits and amenities as to other senior officers from time to time.

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

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

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

The scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors 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 Whole-time Director & CEO and he shall be entitled to be paid and / or to be reimbursed by the Company all costs, charges and expenses that may have been or may be incurred by him for the purposes of or on behalf of the Company.

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

Your Directors recommend his appointment.

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

Item No.8

Company's Chairman, Mr. Atul Choksey, though not an Executive Chairman is presently devoting sizeable time and energy for the Company :

1. in the formulation and implementation of strategy for operating Company's business,
2. in devising ways and means of controlling costs and overheads of the Company and
3. in streamlining and / or improving the works and production processes for improving quality of the Company's products, their Costs and productivity of men and machines.

As Chairman, Mr. Atul Choksey does not draw any remuneration from the Company except sitting fees for attending the meeting of the Board of Directors of the company.

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As services of Mr. Atul Choksey are very valuable for the Company, the Board of Directors deem it fit and proper that he be allowed

1. reimbursement of all medical expenses etc. incurred by him and his spouse
2. all the expenses on car and conveyances for official purposes, incurred by him.

Except Company's Director Mr. Atul Choksey and Mr. Abhiraj Choksey, no other Director of the Company is interested in this resolution.

Item No.9

Provision under Section 163 of the Companies Act, 1956, requires that statutory registers and documents are required to be kept at registered office of the Company. The Section also provides that statutory registers and documents may be kept at any place other than the Registered office, if such other place has been approved by the shareholders by a Special Resolution.

The Company proposes to shift Registers of Members and Indexes of Members to the Registrar and Share Transfer Agent of the company, which will facilitate administrative convenience.

Accordingly, the Company proposes to maintain the records as required under the Companies (Preservation and Disposal of Records) Rules, 1966, as follows:

Details of Records	Place of maintenance
Register of Members and Index of Members required to be maintained under Companies Act 1956.	Registrar and Share Transfer Agent of the Company at: Intime Spectrum Registry Limited 'C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai - 400 078

Your Directors recommend the Special Resolution as set out in the notice under Item No. 9 for approval of the shareholders.

None of the Directors of your Company are concerned or interested in the Special Resolution, except, as a member, if any, of the Company.

Item No.10

Your Directors recommend the payment of commission within limits as are prescribed in the provisions of the Companies Act, 1956 to the non-executive Director(s) of the Company, for a period of five years w.e.f. 1st April 2007 to 31st March 2012. The amount of commission payable for each year, to each of such directors, would be fixed by the Board within the overall limits, prescribed under the Companies Act, 1956. The resolution set out at item No.10 requires your approval by way of special resolution under Sector 309 and other provisions of the Companies Act, 1956.

Only those Directors of the Company who are not Managing / Whole time Director, may be deemed to be interested in the Special Resolution to the extent of commission as may be received by them in future.

BY ORDER OF THE BOARD
for apcotex industries limited



ANAND V. KUMASHI
GM – Accounts, Finance &
Company Secretary

Date: 9th May 2007

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 Twenty-first Annual Report of the Company and the audited Statements of Accounts for the year ended 31st March 2007.

COMPANY PERFORMANCE

FINANCIAL HIGHLIGHTS

Particulars	2006-07 (Rs. in Lacs)	2005-06 (Rs. in Lacs)
GROSS SALES	9036.86	8759.57
Gross Profit Before Depreciation, Interest and Tax after prior year adjustments	293.26	513.27
Less: Depreciation	319.48	327.79
Interest	33.62	8.17
Provision for Tax & FBT	23.23	61.93
Adjustment for Deferred Tax Assets	(84.40)	(36.63)
Profit/ (Loss) for the Year	1.33	152.01
Add: Balance brought forward from Previous year	28.20	13.65
Disposable Profit (Loss)	29.53	165.66
The Directors recommend the appropriation of the disposable profit as under:		
Dividend on Equity Shares	-	110.55
Tax on Dividend	-	15.51
Transfer to General Reserve	-	11.40
Balance carried to Balance Sheet	29.53	28.20
	29.53	165.66

OPERATIONS DURING THE YEAR

During the financial year under review, the Company achieved sales of Rs.9036.86 lacs against Rs.8759.57 lacs in the previous year, registering a value growth of about 3% and volume growth of about 5%. The operating margins remained under severe pressures due to record high cost of input materials particularly Styrene and Butadiene monomers (which are petrochemical based products) and inability of the Company to increase its selling prices suitably due to severe competition in the market.

Growth in sales of High Styrene Rubber was marginal due to high cost of input materials and pressure on demand faced by the Hawai Rubber Chappals industry due to high prices of Natural Rubber and competition faced from products produced using different monomers.

Satisfactory volume growth for Synthetic Rubber latices was achieved through higher sale of latices particularly, Styrene Butadiene Latices for paper / board coating and carpet back coating. The Company is an approved supplier to most of the large manufacturers of paper and paper boards in the country and have started exporting in a small way.

Export efforts of the Company fructified during the year and the Company exported its Products worth more than US \$ 7,74,000 to seven countries.

There was a continuous thrust by the management to improve product quality, productivity and process control through technology up-gradation. Several energy conservation measures were introduced during the year and savings are expected from reduction in consumption of power, stores and spares etc. Several Specialty styrene butadiene latices were developed for coated paper / board industry and for carpet industry.

The availability of raw and packing materials throughout the year was satisfactory. Significant increases in their prices, however, had an adverse impact on the operating profit.

Against this backdrop the Company incurred net operating loss before tax of Rs. 59.83 Lacs for the year.

DIVIDEND

Your Directors have not recommended any dividend in view of inadequacy of profits.

PROSPECTS

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

The Company has intensified its efforts to export its products to a number of countries.

Competition from both local and foreign sources of synthetic rubber and latices is expected to intensify further, as the import duties have been reduced further. The import duty on Styrene Butadiene monomers however remained unchanged.

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

Your Company is committed to advancement of its 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 balanced 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 are 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:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- That they have selected such accounting policies and applied them consistently and made judgements and

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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 imbibe 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.28.70 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/- but 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 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 31st 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. Atul Choksey, Mr. Amit 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, retires 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: 9th May 2007



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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:

	2006-07	2005-06
a) Purchased Units ('000 KWH)	4761.280	4718.510
Total amount (Rs. In lacs)	242.20	193.05
Rate/Unit (Rs.)	5.09	4.09
b) Own Generation:		
Through Diesel generator		
Units ('000 KWH)	82.44	173.16
Units per ltr. of diesel oil	1.85	2.31
Cost / Unit (Rs.)	19.90	15.10

B. CONSUMPTION PER UNIT OF PRODUCTION

Synthetic Rubber including Latex	344	305
Electricity (KWH/MT)		

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:

- Development of new products to meet 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	2006-07	2005-06
Capital	4.22	67.88
Recurring	34.16	25.68
Total	38.38	93.56

Total R & D expenditure as a percentage of turnover

0.49% 1.26%

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 of the company has been renewed by the Department of Scientific & Industrial Research upto 31st March 2010.

FOREIGN EXCHANGE EARNINGS & OUTGO

The Company is currently 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 C CHOKSEY
CHAIRMANMumbai: 9th May 2007.

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MANAGEMENT DISCUSSION AND ANALYSIS

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

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 Company also manufactures different grades of Synthetic Rubber Latexes. These latexes are of the types of VP Latex, Styrene Butadiene Latexes and Nitrile Latexes. There is one other domestic producer of VP Latex and Nitrile Latex and four other producers of Styrene Butadiene Latexes. Also Some of the leading global producers of the above latexes from USA, South East Asian Countries and EU nations export their products in the Indian market for sale.

2 Opportunities and Threats

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 rising prices of input materials like Styrene and Butadiene over last five years that go in the manufacture of HSR, have adversely affected the market for this rubber, coupled with this, availability of cheaper substitutes like EVA, LDPE etc, for the manufacture of hawai Chappals, have caused a big dent into the HSR demand. It is difficult to predict at this stage when the trend will reverse. In the spare capacity available in the Rubber Plant your company has started trial production of a special grade of Styrene Butadiene Rubber which can be used as a general purpose SBR.

SYNTHETIC RUBBER LATEXES

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 global demand for VP Latex is estimated at around ninety thousand MT (wet). The BIAS Tyres are the major consumers 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 a flat demand growth for VP Latex. Competition is being faced by the Company from both domestic and foreign producers. Export opportunities have opened up and the company is in the process of building its brand in two Middle East Countries. It is expected that Financial Year 2007-08 will be better in terms of both domestic sale and exports.

STYRENE BUTADIENE LATEXES

The Styrene Butadiene grades of latexes produced by the Company are used by the Paper/Board Coating Industry, Textile Industry, Carpet Industry and Construction Industry.

- a) The paper coating industry is growing @ 9 - 10% per annum and the duplex board coating by atleast 15% per annum

mostly used for packaging. Leading mills are upgrading their technology and expanding capacities. There is an intense competition in the domestic market both from domestic and globally known foreign companies producing a range of SB Latexes. We have been able to significantly improve our market share through product quality and service.

- b) Textile finishing – Styrene Butadiene Latex is used for finishing few particular varieties of polyester fabric and their blends with celluloses. The threat is from other types of cheaper finishing chemicals like silicones, cationic softeners etc. The demand for Styrene Butadiene Latex is flat and declining over a period of time.
- c) Carpet Industry – India is a major producer and exporter of Tufted Woolen Carpets. Styrene Butadiene Latexes are used for Back coating of Tufted Carpet. The other products used are natural rubber latex. The automotive segment uses synthetic fiber based carpets, which also use styrene butadiene latex and acrylic binders.

Use of Styrene Butadiene Latex is growing steadily as exporters of Tufted Carpets are gradually replacing natural rubber latex for a combination of reasons.

Export opportunities are also significant. We have made good progress in this direction.

- d) Construction Industry – Styrene Butadiene Latexes are used as an admixture to cement mortar for repair jobs like crack filling, abrasion resistant flooring, bonding of old to new concrete, water proofing compositions etc. Acrylic binders are also quite popular. The market is growing in tandem with the boom in the Construction Industry. The products are under trials in the export market as well.
- e) Nitrile latex is used for the manufacture of Asbestos jointings which find application mostly in the automotive sector. However, non-asbestos materials are being used increasingly. The market size for this application is limited.

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 for HSR 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 latexes are being marketed for the paper and board coating industry, carpet industry across all segments of customers resulting in increased market share. Quality of other latexes, such as for construction was upgraded significantly using the latest technology.

Export efforts have been fructifying and these products have been exported to several countries. Necessary thrust is being given to build Apcotex brand and competitive edge against global well established brands and widen the export base.

The operating environment for the Company's products remains challenging in 2007-08 due to high cost of petro based raw material, resulting from the high level of crude prices and surge in demand particularly from growing economies like China and India. The leading global producers of synthetic rubber latex