



apcotex industries limited



Annual Report 2007-2008



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

BANKERS

State Bank of India

REGISTERED OFFICE & FACTORY

Plot No.3/1, MID C Industrial Area,
P.O. Taloja - 410208, Dist. Raigad ,
Maharashtra
Telephone: (022) 2741 2239 / 2360 /1611/1613
Fax: (022) 2741 2052
E-mail – redressal@apcotex.com
Website : www.apcotex.com

CORPORATE OFFICE

N. K. Mehta International House,
178, Backbay Reclamation,
Babubhai M. Chinai Marg, Mumbai - 400020
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

NOTICE is hereby given that the Twenty Second 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 **Saturday, the 12th day of July 2008 at 11.30 a.m.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Statement of Accounts for the year ended 31 March 2008 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 Mr. T.N.V. Ayyar, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. 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 2008, 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 – Accounts, Finance &
Company Secretary**

Date: 13th May 2008

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 **Friday, the 4th day of July 2008 to Friday, the 11th day of July 2008** (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.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 27th July 2007 and the term of appointment expires on 30th April 2008. 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 2008, 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 – Accounts, Finance &
Company Secretary**

Date: 13th May 2008

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-second Annual Report of the Company and the audited Statements of Accounts for the year ended 31st March 2008.

COMPANY PERFORMANCE

FINANCIAL HIGHLIGHTS

Particulars	2007-08 (Rs. In Lacs)	2006-07 (Rs. In Lacs)
GROSS SALES	11,899.25	9,036.86
Gross Profit Before Depreciation, Interest and Tax, after prior year adjustments	908.14	293.26
Less: Depreciation	211.71	319.48
Interest	44.87	33.62
Provision for Tax & FBT	107.62	23.23
Adjustment for Deferred Tax Liability/(Asset)	56.70	(84.40)
Profit/ (Loss) for the Year	487.24	1.33
Add: Balance brought forward from Previous year	29.52	28.19
Disposable Profit (Loss)	516.76	29.52
The Directors recommend the appropriation of the disposable profit as under:		
Dividend on Equity Shares	165.82	—
Tax on Dividend	28.18	—
Transfer to General Reserve	48.75	—
Balance carried to Balance Sheet	274.01	29.52
	516.76	29.52

1. DIVIDEND

Your Directors have recommended a dividend @ Rs.3.00 (Rupees Three) per Equity Share of Rs.10/- each. The Equity Dividend, if approved, will absorb a sum of Rs.165.82 lacs (excluding the dividend tax of Rs.28.18 lacs) out of net profit as above and will be paid to those shareholders whose names appears on the Register of Members on 4th July 2008.

2. MANAGEMENT DISCUSSION AND ANALYSIS

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

I. CURRENT SCENARIO

Your company is one of the leading producer of polymer products namely Synthetic Latexes (VP latex, XSB latex, Nitrile latex) and Synthetic Rubber (HSR, SBR) in India. The company has one of the broadest ranges of products based on Styrene – Butadiene chemistry available in the market today and caters mainly to the industrial segment. Our range of Synthetic Latexes is used, among other applications, for tyre cord dipping, paper and paperboard

coating, carpet backing, concrete modification/water proofing and textile finishing. The various grades of Synthetic Rubber find application in products such as footwear, automotive components, v-belts, conveyer belts and hoses.

The company's major raw materials are petrochemical based product and therefore the business is vulnerable to the increasing cost of crude oil and its downstream products. Even though margins were under pressure during FY 2007-08, the company's performance was satisfactory due to (a) good revenue growth (b) a strong commitment to R&D to improve the performance of our current products (c) addition of new value-added products to our current range and (d) achievement of better operational performance through several cost-saving and efficiency-improvement initiatives.

The technology was developed and is being continuously upgraded through in-house research and development efforts to meet the changing needs of customers. Competition remains intense across most of the products.

The Company manufactures range of polymer products and over the next few years we expect good domestic growth in most of the industries we cater to. We also envision good export prospects for some of our products.

II. OPERATIONS DURING THE YEAR

The Company achieved Gross Value Sales of Rs.119 crores and a volume sale of 17138 MT registering a growth of 32% and 24% respectively.

Input materials mainly Butadiene price registered decline during the beginning of the financial year. However, it started firming up by end of the third quarter of the financial year under review. Packaging materials registered marginal increase. Availability of input materials was satisfactory.

Exports registered a marginal decline due to the appreciating rupee but continue to offer good potential.

There was continuous thrust from the management to develop a strong R&D and technical service team to better understand the changing customer needs, improve product quality, productivity and process controls through technology up-gradation. Several energy conservation measures were introduced during the year which will result in recurring savings in power, fuel and spares.

Company continued several measures of cost control and expense optimization. Total overheads, therefore, registered a fall as percentage to Net Sales.

Operating Profits before tax and depreciation increased to about Rs.870 lacs during the year from about Rs.213 lacs during the previous financial year.

Other Income, which includes profit on sale of investment, was at Rs.224 lacs.

The profit after tax stood at Rs.487 lacs as compared to a marginal profit in the previous financial year.

Your Directors consider company's performance satisfactory.

III. OUTLOOK

Operating environment for the Company's products will remain challenging in the year 2008-09 due to steeply rising cost of petro-based raw materials resulting from increasing crude oil prices.

Since the Company's products mainly cater to the industrial segment and the company faces intense competition for most of its products, we expect a resistance to price increases. The Company will endeavor its best to bring in efficiencies in its operations at all levels to mitigate to some extent the cost increase from rising input material prices. Profit margins will remain under pressure.

Your Directors' view the prospects for the year 2008-09 with cautious optimism.

IV. RISK AND CONCERNS

- o Rising price of input materials is the main area of concern.
- o Some of the major raw materials are directly imported or have USD based pricing. If the INR weakens against the USD, the currency effect is expected to be adverse.
- o Rising inflation within the country will seriously affect disposable income levels of all consumers - both rural and urban. Uncertain consumer demand can also have an effect on the growth prospects of your company.

V. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has recently successfully introduced ERP system within the Company. A re-look at internal checks and controls after the introduction of ERP system is due and will be carried out in the current financial year. Adequate system exists to safeguard Company's assets through insurance and maintenance of proper records. The Company has well defined procedures to execute financial transactions. The Company is presently working on overhauling its internal audit areas in the light of all encompassing ERP system introduced as mentioned above.

VI. 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 organizes and deputes 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.

3. 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. 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 judgments 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.

C. CORPORATE GOVERNANCE

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

Detailed reports on the Corporate Governance and Management Discussion and 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.



apcotex industries limited

4. FIXED DEPOSITS MATURED BUT NOT CLAIMED

Fixed Deposits from the public and the shareholders stood at Rs.10.25 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/- thereon. 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.

5. INSURANCE

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

6. 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.

7. 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.

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. The fresh charter of demand from the daily rated workman at factory are under negotiation.

8. BANKS

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

9. DIRECTORS

Dr. S. Rengachary, Mr. T. N. V. Ayyar and Mr. Abhiraj Choksey, retire by rotation and being eligible, offer themselves for reappointment.

10. AUDITORS

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

FOR AND ON BEHALF OF THE BOARD

ATUL C CHOKSEY
CHAIRMAN

Mumbai: 13th May 2008

ANNEXURE TO DIRECTORS' REPORT

FORM A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

A. POWER AND FUEL CONSUMPTION

Electricity:

	2007-08	2006-07
a) Purchased Units ('000 KWH)	5721.867	4761.280
Total amount (Rs. In lacs)	280.678	242.200
Rate/Unit (Rs.)	4.905	5.090
b) Own Generation:		
Through Diesel generator		
Units ('000 KWH)	74.572	82.44
Units per ltr. of diesel oil	1.700	1.85
Cost/Unit (Rs.)	21.170	19.90

B. CONSUMPTION PER UNIT OF PRODUCTION

Synthetic Rubber
including Latexes
Electricity (KWH/MT)

334 344

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 meet 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 commercialized a range of latices for paper/board coating industry, construction and carpet industry.
 - ii. Improvement in quality consistency of products.
 - iii. Customers are less dependent on imported products.
3. Further plan of action:
 - i. Continued efforts towards identifying additional end uses for existing products.
 - ii. Develop new products, and upgrade existing products as per market requirement.
4. Expenditure on R & D during the Financial Year is as follows:

	2007-08	2006-07
Particulars		
Capital	20.07	4.22
Recurring	44.03	34.16
Total	64.10	38.38
Total R & D expenditure as a percentage of turnover	0.63%	0.49%

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 in various markets. Details of foreign exchange earnings and outgo are given in Notes 13 & 14 of Schedule 'M' to the accounts.

FOR AND ON BEHALF OF THE BOARD

Atul Chopsey

**ATUL C CHOKSEY
CHAIRMAN**

Mumbai: 13th May 2008.



CORPORATE GOVERNANCE

Company's Philosophy On Code of Corporate Governance:

The Company believes in adopting good practices in the areas of Corporate Governance and follows the principles of transparency and disclosure in its operations.

Board Of Directors:

The Company presently has ten Directors. Two of them are whole-time Directors and eight are non-executive directors. Out of non-executive five are independent directors.

During the Financial year 2007-08, Meetings of the Board of Directors were held on the following days: -

a) 9th May 2007, b) 27th July 2007, c) 29th October 2007 and d) 30th January 2008

None of the Directors on the Board hold the office of director in more than fifteen companies or membership of committee of the Board in more than ten committees or chairmanship of more than five committees.

The details are explained in the Table below:

Name of Director(s)	Designation/Category of Directorship	Board Meetings attended	Attendance at last AGM	No. of other Directorships held	No. of Committees of which Member / Chairman*
Atul C. Choksey DIN 00002102	Non-Executive – Chairman Promoter	4	Yes	10	–
S K Lahiri DIN 00027943	CEO & Director	4	Yes	–	–
Girish C. Choksey DIN 00246196	Non-Executive	2	Yes	5	2/-
Amit C. Choksey DIN 00001470	Non-Executive	1	No	5	1/-
Manubhai G. Patel DIN 00001662	Non-Executive, Independent	4	Yes	3	1/3
Bipin V. Jhaveri DIN 00001648	Non-Executive, Independent	4	Yes	6	1/2
Dr. S. Rengachary DIN 00126980	Non-executive, Independent	4	Yes	2	0/0
Dr. S. Sivaram DIN 00009900	Non-Executive, Independent	3	No	3	2/-
T.N.V. Ayyar DIN 00008493	Non-Executive, Independent	—	No	5	4/4
Abhiraj Choksey DIN 00002120	Executive Director	4	Yes	3	–

* Committee Membership of Audit Committee, Investors' Grievance Committee & Remuneration Committee are considered.

Code of Conduct

The Company has a Code of Conduct for Directors and Members of senior Management. The code is available on the Company's website. All Board members and senior management personnel have affirmed compliance with the code. A declaration to that effect signed by Mr. Sanjay K Lahiri CEO & Director is appearing in the Annual Report.

Audit Committee

The Audit Committee was constituted in April 2000. It Comprises of four directors viz. Mr. M.G.Patel as the Chairman, Mr. Bipin Jhaveri, Mr. Girish Choksey and Dr. S. Rengachary as members. Mr. M.G.Patel is Non- Executive Independent Director.

The terms of reference of the Audit Committee include the matters specified in clause 49 (II) of the Listing Agreement with the Stock Exchanges. The terms of reference of Audit Committee includes the following:

- Overseeing the company's financial reporting process and disclosure of its financial information to ensure that the financial statement are proper, sufficient and credible.
- Discussing / reviewing with the management:
 - a) Company's Annual Plan;
 - b) Quarterly, half yearly and annual financial performance statements;