



**apcotex industries limited**



**Annual Report 2008-2009**





**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, MIDC 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- 400 020  
Telephone: (022) 2283 8302 / 04  
Fax: (022) 2283 8291

**REGISTRARS AND SHARE TRANSFER AGENTS**

LINK INTIME INDIA PVT LTD  
(Formerly 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: mumbai@linkintime.co.in  
Website: www.linkintime.co.in



## apcotex industries limited

### NOTICE

#### NOTICE

**NOTICE** is hereby given that the Twenty Third 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 **Monday, the 27<sup>th</sup> day of July 2009** at **3.30 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 2009 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 2009, 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

#### 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 20<sup>th</sup> day of July 2009** to **Monday, the 27<sup>th</sup> day of July 2009** (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.

**Date: 25<sup>th</sup> May 2009**

#### Registered Office:

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

**ANNEXURE TO NOTICE**

**EXPLANATORY STATEMENT**

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

**Item No.7**

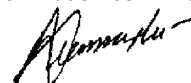
Dr. S. Rengachary – Ex Managing Director of the Company, retired from the services of the Company on 31st March 2002, after working in the Company's plant for a continuous period of 25 years. He has wide and varied experience of the Synthetic Rubber and Lattices industry. To get continuing benefit of 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 12<sup>th</sup> July 2008 and the term of appointment expires on 30<sup>th</sup> April 2009. 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 2009, 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: 25<sup>th</sup> May 2009**

**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 the Twenty Third Annual Report of the Company and the audited Statements of Accounts for the year ended 31<sup>st</sup> March 2009.

### COMPANY PERFORMANCE

#### FINANCIAL HIGHLIGHTS

| Particulars   | 2008-09<br>(Rs. In Lacs) | 2007-08<br>(Rs. In Lacs) |
|---|--------------------------|--------------------------|
| GROSS SALES   | 11410.11                 | 11899.25                 |
| Gross Profit Before Depreciation,<br>Interest and Tax after prior year<br>adjustments | 948.49                   | 908.14                   |
| Less : Depreciation   | 219.91                   | 211.71                   |
| Interest  | 14.84                    | 44.87                    |
| Provision for Tax & FBT   | 253.25                   | 107.62                   |
| Adjustment for Deferred Tax<br>Liability  | 12.10                    | 56.70                    |
| Profit/ (Loss) for the Year   | 448.39                   | 487.24                   |
| Add: Balance brought forward from<br>Previous year                                    | 274.01                   | 29.52                    |
| <b>Disposable Profit (Loss)</b>   | <b>722.40</b>            | <b>516.76</b>            |
| The Directors recommend the<br>appropriation of the disposable profit<br>as under:    |                          |                          |
| Dividend on Equity Shares   | 221.09                   | 165.82                   |
| Tax on Dividend   | 37.57                    | 28.18                    |
| Transfer to General Reserve   | 45.00                    | 48.75                    |
| Balance carried to Balance Sheet  | 418.74                   | 274.01                   |
|   | <b>722.40</b>            | <b>516.76</b>            |

#### 1. DIVIDEND

Your Directors have recommended a dividend of Rs.4.00 (Rupees Four) per Equity Share of Rs.10/- each (@40%). The Equity Dividend, if approved, will absorb a sum of Rs.221.09 lacs (excluding the dividend tax of Rs.37.57 lacs) out of net profit as above and will be paid to those shareholders whose names appear on the Register of Members on 20<sup>th</sup> July 2009.

#### 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 producers 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 range of products based on Styrene – Butadiene chemistry available in the market today and cater 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, conveyor belts and hoses.

The company's major raw materials are petrochemicals and hence the business is vulnerable to high volatility of crude oil and its downstream product prices. Even though margins were under pressure and overall business climate worsened during Quarter-Three of 2008-09, the company's performance was satisfactory.

This was essentially due to appropriate price increases to offset the increased cost of raw materials, addition of new value added products to our current range particularly for the Paper Board coating Industry and better operational efficiency. We have succeeded in reducing our working capital requirement through better inventory and debtors management.

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 a 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.11,410.11 lacs and a volume sale of 14,086 M.T. during the financial year.

From April 08 onwards prices of major raw materials Styrene and Butadiene started firming up and reached historic high by August / September 2008. Packaging materials also registered significant increase.

Exports continues to offer good potential.

There was a 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.

Operating profits before tax and after depreciation during the year has increased by 89.77% to Rs.649 Lacs from Rs. 342 lacs during the previous financial year.

Other income, which includes loss on sale of investment was at Rs.65 Lacs as compared to Rs.309 Lacs during 2007-08 due to meltdown in the stock market.

The profit after tax stood at Rs.448 Lacs as compared to Rs.487 Lacs in the previous financial year.

Your Directors consider Company's performance as satisfactory.

#### III OUTLOOK

From overall perspective, we expect 2009-10 to remain challenging in terms of volatilities in prices of major Inputs and an average demand scenario. Profit margin will remain under pressure.

The company will endeavour its best to bring in efficiencies at all levels to mitigate any adverse situation. Accordingly your Directors view the prospect for the year 2009-10 with cautious optimism.

#### IV RISK AND CONCERNS.

Some of the major raw materials are directly imported or have USD based pricing. If the INR weakens against the USD or becomes highly volatile the currency effect is expected to be adverse.

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 successfully implemented an ERP system suitable to the needs of the company. Internal checks and controls based on this system is in place and constantly being improved upon. 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 constantly improving 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.

Wage negotiation and charter of demands with Daily rated workmen was successfully completed. This will be valid until September 2011.

Cordial relations exist between the employees at various levels and the management.

To upgrade Human skills and improve their competency the company continuously organizes and deputed employees to Seminars, Workshops.

#### 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 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.

#### 4. FIXED DEPOSITS MATURED BUT NOT CLAIMED

Company had no Fixed Deposits at the end of the financial 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.

One fixed deposit worth Rs.5,000/- matured, with accrued interest of Rs.224/- but were not claimed by the concerned depositor 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 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



## apcotex industries limited

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.

### 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.

### 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

Mr. M G Patel, Mr. Girish Choksey and Mr. Bipin Jhaveri, 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: 25<sup>th</sup> May 2009





## **ANNEXURE TO DIRECTORS' REPORT**

### **FORM A**

### **FORM B**

#### **DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:**

##### **A. POWER AND FUEL CONSUMPTION**

Electricity:

|                               | <b>2008-09</b>  | 2007-08  |
|-------------------------------|-----------------|----------|
| a) Purchased Units ('000 KWH) | <b>4585.123</b> | 5721.867 |
| Total amount (Rs. In lacs)    | <b>222.613</b>  | 280.678  |
| Rate/Unit (Rs.)               | <b>4.860</b>    | 4.905    |
| b) Own Generation:            |                 |          |
| Through Diesel generator      |                 |          |
| Units ('000 KWH)              | <b>70.266</b>   | 74.572   |
| Units per ltr. of diesel oil  | <b>2.200</b>    | 1.700    |
| Cost/Unit (Rs.)               | <b>15.400</b>   | 21.170   |

##### **B. CONSUMPTION PER UNIT OF PRODUCTION**

|                                    |            |     |
|------------------------------------|------------|-----|
| Synthetic Rubber including Latices | <b>333</b> | 334 |
| Electricity (KWH/MT)               |            |     |

#### **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:

(Rs. in lacs)

| <b>Particulars</b>                                  | <b>2008-09</b> | <b>2007-08</b> |
|---|----------------|----------------|
| Capital   | <b>7.34</b>    | 20.07          |
| Recurring   | <b>42.55</b>   | 44.03          |
| Total   | <b>49.89</b>   | 64.10          |
| Total R & D expenditure as a percentage of turnover | <b>0.50%</b>   | 0.63%          |

##### **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 10 & 11 of Schedule 'M2' to the accounts.

**FOR AND ON BEHALF OF THE BOARD**

*Atul Choksey*

**ATUL C CHOKSEY**  
CHAIRMAN

Mumbai: 25<sup>th</sup> May 2009.



**apcotex industries limited**

## 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 eight non-executive directors, five are independent directors.

During the Financial year 2008-09, Meetings of the Board of Directors were held on the following days: -

**a) 13<sup>th</sup> May 2008, b) 29<sup>th</sup> July 2008, c) 22<sup>nd</sup> October 2008 and d) 24<sup>th</sup> January 2009**

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<br>DIN 00002102   | Non-Executive – Chairman<br>Promoter | 4                       | Yes                    | 8                               | -   |
| S K Lahiri<br>DIN 00027943        | CEO & Director                       | 4                       | Yes                    | -                               | -   |
| Girish C. Choksey<br>DIN 00246196 | Non-Executive                        | 4                       | Yes                    | 5                               | 2/2   |
| Amit C. Choksey<br>DIN 00001470   | Non-Executive                        | 3                       | Yes                    | 5                               | 1/0   |
| Manubhai G. Patel<br>DIN 00001662 | Non-Executive, Independent           | 4                       | No                     | 4                               | 1/3   |
| Bipin V. Jhaveri<br>DIN 00001648  | Non-Executive, Independent           | 4                       | Yes                    | 6                               | 2/2   |
| Dr. S. Rengachary<br>DIN 00126980 | Non-executive, Independent           | 4                       | Yes                    | 2                               | 1/0   |
| Dr. S. Sivaram<br>DIN 00009900    | Non-Executive, Independent           | 4                       | No                     | 2                               | 2/0   |
| T.N.V. Ayyar<br>DIN 00008493      | Non-Executive, Independent           | 1                       | No                     | 5                               | 5/4   |
| Abhiraj Choksey<br>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, and 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 include the following:

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