



The
Invisible Bond
in all walks of life

apcotex industries limited
ANNUAL REPORT 2016-2017

Company History

- 1980** Started as a division of Asian Paints. Pioneered the manufacturing of Vinyl Pyridine latex and Carboxylated Styrene-Butadiene latex in India.
- 1991** Constituted as a Public Limited Company listed on stock exchanges as Apcotex Lattices Limited.
- 1998** Started High Styrene Rubber production with 10,000 MT p.a. (dry) capacity.
- 2005** Name changed to Apcotex Industries Limited.
- 2009** Entered Acrylic Emulsion business to exploit synergies with other products and markets.
- 2013** Installed capacity of saleable latex increased at Taloja from 40,000 MT p.a. to 55,000 MT p.a. (wet).
- 2016** Completed acquisition of Omnova Solutions Indian business of Nitrile Rubber of 16,000 MT p.a. (dry) and High Styrene Rubber to create synergy.



APCOTEX INDUSTRIES LIMITED

BOARD OF DIRECTORS

Atul C. Choksey	Chairman
Girish C. Choksey	Director
Amit C. Choksey	Director
Manubhai G. Patel	Director
Dr. S. Sivaram	Director
Shailesh S. Vaidya	Director
Kamlesh Vikamsey	Director
Priyamvada Bhumkar	Director
Abhiraj A. Choksey	Managing Director
Y B Gadgil	Executive Director

COMPANY SECRETARY

Anand V. Kumashi

AUDITORS

Kalyaniwalla & Mistry LLP
Chartered Accountants.

BANKERS

State Bank of India
Standard Chartered Bank
Citi Bank

REGISTERED OFFICE & PLANT 1

Plot No.3/1, MIDC Industrial Area, P.O. Taloja,
Dist. Raigad 410 208, Maharashtra.
CIN: L99999MH1986PLC039199
Telephone: (022) 2740 3500
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

AUDIT COMMITTEE

Manubhai G. Patel	Chairman
Girish C. Choksey	Member
Kamlesh Vikamsey	Member
Priyamvada Bhumkar	Member

NOMINATION & REMUNERATION COMMITTEE

Manubhai G. Patel	Chairman
Dr. S. Sivaram	Member
Atul C. Choksey	Member
Kamlesh Vikamsey	Member

STAKEHOLDERS RELATIONSHIP COMMITTEE

Manubhai G. Patel	Chairman
Girish C. Choksey	Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Atul C. Choksey	Chairman
Shailesh Vaidya	Member
Abhiraj A. Choksey	Member

PLANT 2

Village - Dungri,
Tal- Valia, Ankleshwar- 393135.
Dist- Bharuch, Gujarat.

REGISTRARS AND SHARE TRANSFER AGENTS

LINK INTIME INDIA PVT LTD.
C-101, 247 Park,
L.B.S. Marg, Vikhroli (W),
Mumbai- 400 083
Tel. No.- 022 49186000, 49186270
Fax – 022 49186060
Email: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

NOTICE

NOTICE is hereby given that the Thirty First Annual General Meeting of **apcotex industries limited** will be held at Sapphire, Royal Tulip Hotel, 26/B, Sector 7 Kharghar, Navi Mumbai, Maharashtra 410210 on **Thursday, the 17th day of August 2017 at 4.30 p.m.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statement for the year ended 31st March 2017 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. Girish Choksey (DIN 00246196), who retires by rotation and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**:

“RESOLVED THAT M/s. Kalyaniwalla & Mistry LLP, Chartered Accountants (Firm Registration No.W100166) having their office at Kalpataru Heritage, 5th Floor, 127 M.G. Road, Mumbai 400 023, who were appointed as the Statutory Auditors of the Company to hold the office from the conclusion of 2014 Annual General Meeting till the conclusion of the 2018 Annual General Meeting of the Company, be and is hereby ratified, to hold the office till the conclusion of the next annual general meeting, on such remuneration as shall be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS:

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

“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 Director of the Company other than the Managing/Whole Time Director(s) pursuant to and within limits as are or may be prescribed under the provisions of Section 197 and 198 and other applicable provisions of the Companies Act, 2013, 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 2017.”

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

Date: 5th May 2017

ANAND V. KUMASHI
Company Secretary

Registered Office:

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

NOTES:

1. The relevant Statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto.
2. A statement giving the relevant detail of the Directors seeking appointment/re-appointment under item no.3 of the accompanying Notice, as required under Regulation 36(3) of Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed herewith.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote, instead of himself and a proxy need not be a member of the company.

The instrument appointing a proxy should be deposited at the registered office of the Company not less than forty eight (48) hours before the commencement of the meeting.

4. A person can act as a proxy on behalf of the members not exceeding fifty in number and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights.

A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as proxy for any other person or shareholder.

5. Corporate members intending to send their authorised representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company, a certified copy of the relevant Board Resolution together with their respective specimen signatures authorizing their representative(s) to attend and vote on their behalf at the meeting.
6. Members are requested to bring their attendance slips duly completed and signed mentioning therein details of their DP ID and Client ID / folio no.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of the names will be entitled to vote at the Meeting.
8. Relevant documents referred in the accompanying Notice and in the Statements are open for inspection by the Members at the Company's Registered Office on all working days of the Company, during the business hours upto the date of the Meeting.
9. The Register of Shareholders and Share Transfer Books of the Company will remain closed from **Thursday, the 10th day of August 2017 to Wednesday, the 16th day of August 2017**, (inclusive of both days).
10. Dividend recommended by Board of Directors, if approved by the shareholders at the Annual General Meeting, will be paid / dispatched on or after **18th August 2017** to those shareholders whose names appear on the Register of Shareholders as on **10th August 2017**. In respect of

shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as at the close of **10th August 2017**, as per the details furnished by National Securities Depository Limited (NSDL)/Central Depository Services (India) Limited (CDSL) for the purpose as on that date.

11. The Securities Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in security market. Shareholders holding shares in electronic form are therefore requested to submit the PAN to their Depository Participant with whom they are maintaining their demat accounts. Shareholders holding share in physical form can submit their PAN details to the Company.
12. Pursuant to the provisions of Section 124 of Companies Act, 2013 the Company has transferred the unclaimed dividends upto the financial year 2008-09 from time to time on due dates, to the Investors Education and Protection Fund (IEPF) established by the Central Government. Pursuant to the provisions of Investors Education and Protection Fund (Uploading of Information regarding unpaid / unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 10th August 2016 (date of last Annual General Meeting) on the website of the Company viz. www.apcotex.com, as also on the website of the Ministry of Corporate Affairs viz. www.mca.gov.in.
13. Members holding shares in the single name and physical form are advised to make nomination in respect of their shareholding in the Company and those Members who hold shares singly in dematerialised form are advised to make a nomination through their Depository Participants. The nomination form can be obtained from Company's Registrars and Share Transfer agent viz. **LINK INTIME INDIA PVT LTD.**
14. Shareholders are requested to notify the changes, if any, in their addresses to the Company's Registrars immediately.
15. The company is using National Electronic Clearing Services (NECS) for dividend remittance. Shareholders holding shares in physical form are requested to notify/ send to the Company's Registrar and Share Transfer Agent at: LINK INTIME INDIA PVT LTD., C-101, 247 Park, L.B.S. Marg, Vikhroli (W), Mumbai- 400 083, immediately, details of any change in their address/mandate/bank details; and particulars of their bank account, in case the same have not been sent earlier.
16. Shareholders holding shares in the electronic form are requested to inform any change in address / bank mandate directly to their respective Depository Participants. The address / bank mandate as furnished to the Company by the respective Depositories viz. NSDL and CDSL will be printed on the dividend warrants.

E-VOTING:

- I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by Central Depository Services (India) Limited (CDSL).
- II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on 12th August 2017 (9:00 am) and ends on 16th August 2017 (5:00 pm). During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 10th August 2017, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- V. **The instructions for shareholders voting electronically are as under:**
 - (i) The voting period begins on 12th August 2017 (9:00 am) and ends on 16th August 2017 (5:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 10th August 2017 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
 - (iii) Click on Shareholders.
 - (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

- c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number which is printed on Postal Ballot / Attendance Slip indicated in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	<ul style="list-style-type: none"> Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN of "Apcotex Industries Limited" on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as

desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xvii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store, Apple and Windows phone. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) **Note for Non – Individual Shareholders and Custodians**
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

- VI. Mr. Mahesh Hurgat, Practicing Company Secretary (Membership No. 7139 & C.P. No. 2498) has been appointed for as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- VII. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- VIII. The Scrutinizer shall after the conclusion of voting at the annual general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- IX. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company i.e. www.apcotex.com and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited and NSE Limited.

ANNEXURE TO NOTICE STATEMENT

(Pursuant to section 102(1) of the Companies Act, 2013)

Item No.5

The resolution set out at item No. 5 requires your approval by way of special resolution under Section 197 & 198 and other provisions of the Companies Act, 2013.

Your Directors recommend payment of commission within limits as are prescribed in the provisions of the Companies Act, 2013 to the non-executive Director(s) of the Company, for a period of five years w.e.f. **1st April 2017 to 31st March 2022**. The amount of commission payable for a year to such directors, would be fixed by the Board within the overall limits, prescribed under the Companies Act, 2013.

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.

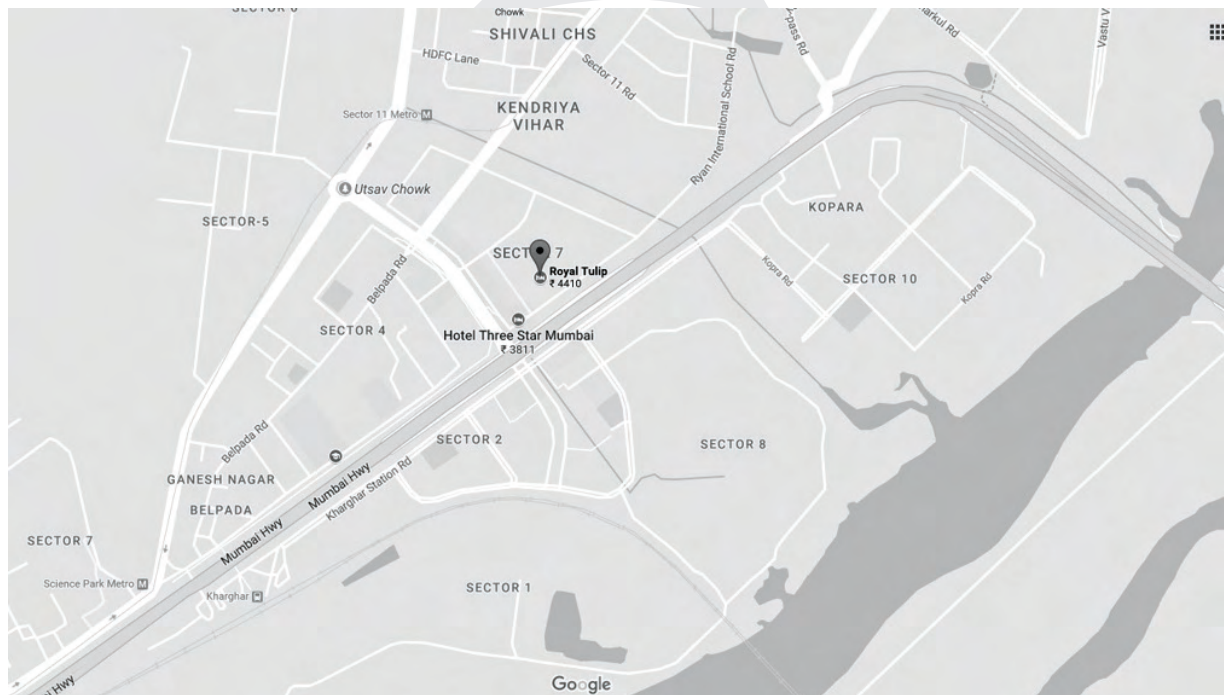
BY ORDER OF THE BOARD
For apcotex industries limited

ANAND V. KUMASHI
Company Secretary

Date: 5th May 2017

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

ROUTE MAP



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting to you the Thirty First Annual Report of the Company and the Audited Financial Statement for the year ended 31st March 2017.

A. COMPANY PERFORMANCE

FINANCIAL HIGHLIGHTS

Particulars	2016-17 (Rs. In Lacs)	2015-16 (Rs. In Lacs)	Growth %
GROSS SALES	43,163.43	29,772.38	44.98
Gross Profit Before Depreciation, Finance cost and Tax but after prior years' adjustments	3,718.04	4,479.20	(16.99)
Less: a) Depreciation	1,210.02	894.44	
b) Finance Cost	286.31	242.01	
Profit Before Tax	2,221.71	3,342.75	(33.54)
Less : a) Provision for Tax	517.59	966.13	
b) MAT Credit Entitlement	(254.31)	-	
c) Adjustment for Deferred Tax Liability	1,015.56	(90.48)	
d) Prior Period Tax Expenses	(966.13)	-	
Profit After Tax	1,909.00	2,467.10	(22.62)
Add: Balance brought forward from the Previous Year	4,474.73	3,930.83	
Disposable Profit	6,383.73	6,397.93	(0.22)
Recommended Appropriations:			
a) Dividend	933.21	933.21	
b) Tax on Dividend	189.98	189.98	
c) Transfer to General Reserve	400.00	800.00	
Balance carried forward to Balance Sheet	4,860.54	4,474.73	
	6,383.73	6,397.93	

DIVIDEND

Your Directors have recommended a dividend @ **Rs.4.50/-** (Rupees Four and fifty paise) (Previous year Rs.4.50/- (Rupees Four and fifty paise) per Equity Share of Rs.5/- each for the financial year 2016-17. Dividend, if approved, will absorb a sum of Rs. 1123.19 lacs (including Dividend Distribution Tax of Rs.189 lacs) out of the net profits after tax, as above and will be paid to those shareholders whose names appear on the Register of Members on **Thursday, 10th day of August 2017**.

TRANSFER TO RESERVE

The appropriations for the year are:

Rs. in lacs

Particulars	Year ended 31 st March 2017
Net Profit after tax for the year	1,909.00
Balance of Reserve at the beginning of the year	3,203.72
Transfer to General Reserve	400.00
Balance of Reserve at the end of the year	3,603.72

B. MANAGEMENT DISCUSSION AND ANALYSIS

The company manufactures and markets a range of Emulsion Polymers - Synthetic Latexes, Synthetic Rubber and Nitrile Rubber.

I. CURRENT SCENARIO

Your Company is one of the leading producers of emulsion polymer products namely, Synthetic Latexes (Vinyl Pyridine Latex, Carboxylated Styrene Butadiene Latex, Styrene Acrylic Latex, Nitrile Latex, etc.) and Synthetic Rubber (High Styrene Rubber, Nitrile Butadiene Rubber, NBR Powder, and Nitrile Polyblends) in India. The Company has one of the broadest ranges of products in the industrial segments and caters to a wide range of industries. Your Company's Synthetic Latex products are used, among other applications, for tyre cord dipping, paper and paperboard coating, carpet backing, concrete modification/water proofing, non-wovens, textile finishing, paints, etc. Various grades of Synthetic Rubber find application in products such as footwear, automotive components, rice rolls, moulded items, v-belts, conveyor belts, hoses, etc.

The Company's major raw materials are petrochemical products and its business could be vulnerable to high volatility in the prices of crude oil and its downstream products.

Over the years, a number of steps have been taken by the management to improve the operational efficiency of the Company in different functions like marketing, human resource development, production process, utilities etc.

Your Company's plant at Taloja is recipient of Total Productive Maintenance (TPM) Excellence in Consistent TPM Commitment Award - Category A by the Japan Institute of Plant Maintenance (JIPM). TPM has helped the company significantly in improving efficiencies in the plant and in operations and rationalizing costs. The Taloja plant has successfully completed re-certification of the integrated ISO 9001, ISO 14001 and OHSAS 18001. It has also successfully completed recertification by Indian Chemical Council (ICC) to use the "Responsible Care" logo.

The above initiatives are also being implemented at the recently acquired plant at Valia, Ankleshwar, Gujarat.

II. OPERATIONS DURING THE FINANCIAL YEAR 2016-17.

After amalgamation of wholly owned subsidiary viz. Apcotex Solutions India Private Limited, which was made effective from 1st December 2016, the Company achieved Gross Value Sales of Rs. 43,163.43 lacs during the financial year, compared to Rs. 29,772.38

lacs in the preceding year on standalone basis. The company exported its products worth Rs. 4014 lacs during the financial year. The sales of Synthetic Latex products were lower during the financial year due to strike of unionized workmen at Taloja plant for almost 2 months and intermittent stoppages of production at one of our major customer's plant.

There was a continuous thrust from the management to develop a strong research and development and technical service team to develop new products for export markets, explore new applications and understand better the changing customer needs.

Profits before tax were lower by 33% to Rs. 2221.71 lacs as compared to Rs 3,342.75 lacs during the previous year due to strike at Taloja Plant and intermittent stoppages of production at one of our major customer's plant. Due to the recently acquired company, there were some one time post-acquisition and merger expenses which also put some pressure on the bottom line. Your Company was also successful in turning around a loss-making asset in a very short period of time. In spite of the challenging year, EBITDA decreased by only 17% from Rs 4479.20 lacs in the previous year to Rs 3,718.04 lacs during the financial year 2016-17.

Profit after tax stood at Rs.1909.00 lacs as compared to Rs. 2,467.10 lacs in the previous year.

The Balance Sheet of the Company is also quite healthy with zero debt, reasonable working capital cycle and cash/liquid Investments valued at about Rs.35 crore based on NAV as on 31st March, 2017.

Your Directors consider Company's performance as satisfactory.

NEW LOGO

Your Company is proud to inform that the management has adopted a new logo for the Company as a part of the ongoing evolution of business.

Over the last few years, your company has grown and changed dramatically and during FY 2015-16 your Company acquired Omnova Solutions India Pvt. Ltd., which immensely helped to expand the product basket. It was a perfect time to evaluate our company's brand and logo to ensure it is in sync with who we are and where we are heading. After careful consideration, the Company chose a new logo the shape of which not only represents the letter "A" but also the upwardly mobile nature of the Company. At the same time, the curved stroke and colours used in gradient depict flexibility and adaptability which is essential for success. The colours green and blue symbolizes the importance of the eco-system and environment for our Company. We have also retained the same font and red colour of "apcotex" in the logo to ensure that we remember our roots and values.

III. MERGER

The Scheme of Amalgamation of wholly owned subsidiary viz. Apcotex Solutions India Private Limited with the Company was approved by the Honorable High Court, judicature at Bombay on 27th October 2016 and was made effective from 1st December 2016 with appointed date as 31st March 2016, by filing the High Court order with Ministry of Corporate Affairs (MCA).

The Board of Directors of your Company on 31st March 2017 has approved the Scheme of Amalgamation of Saldhar Investment and Trading Company Private Limited, the holding company of Apcotex Industries Limited (holding 51.10% paid-up share capital) with the Company from 31st March 2017. Your Company is in process of making an application to Stock exchanges for their consent, before filing petition before National Company Law Tribunal (NCLT), Mumbai Bench.

IV. OUTLOOK

In light of the acquisition of Omnova Solutions India Private Limited in Financial Year (FY) 2015-16 and subsequent merger in 2016-17, the Company expects FY 2017-18 to be an exciting year in spite of a few challenges. The Company will explore introducing new products and focusing on exports as short term future growth drivers for the Company. In the medium to long term the Company is exploring adding new capacities for current products, new adjacent businesses as well as opportunities for inorganic growth.

With the Company's continuous endeavour to enhance efficiencies at all levels and functions, your Directors view the prospects for the financial year 2017-18 with cautious optimism.

V. RISKS AND CONCERNS

The Company has laid down a well-defined Risk Management Framework covering the risk, risk exposure, potential impact and risk mitigation process. Major risks identified by the business and functions are systematically addressed through mitigating actions on continuing basis. These are discussed at the meetings of the Audit Committee and the Board of Directors of the Company.

The Company's Risk Management Committee, periodically reviews the risks in the organization, identifies new risk areas, develops action plans and monitors and reports the compliance and effectiveness of the policy and procedure to the Audit Committee and Board.

The Audit Committee and Board review the risks and suggest steps to be taken to control and mitigate the same through a properly defined framework.

The Company's Board of Directors perceives the following risks as current high risks areas:

1) Credit Risk:

The management has adopted the stringent credit policy due to which the bad debts written off is only Rs.36.22 lacs - 0.11% of Sales Turnover during past 3 years. The credit period and the exposure limits are reviewed regularly. Taking the credit report of new customers and for existing customers once in 2-3 years to understand their credit worthiness. The supplies are stopped once the overdue outstanding exceeds the set limit. Deposits / bank guarantees are obtained from the dealers / consignment agents wherever necessary. The overdue outstanding list is reviewed by the senior Sales Managers and Managing Director on a weekly basis. One of the largest customer in paper/paperboard segment is facing financial problem and overdue outstanding is about Rs.11 crore.

2) Procurement Risk:

Presently the Company is procuring major quantity of Butadiene from IOCL, OPAL and on availability basis from RIL and Haldia. Butadiene availability in India is now fairly sufficient. Styrene is not manufactured in India, hence completely imported and our quantities are large. Acrylonitrile (ACN) is also not manufactured in India, hence is completely imported but our quantities are small so we should be able to get this material. To mitigate the risk of availability of material, same are sourced from multi sources viz, bulk suppliers, dealers and imports.

A system has been set to constantly monitor inventories and prices. The company has maintained relation with domestic and overseas suppliers for regular supplies of materials.

3) Safety Risk:

The Company has several safety measures in place. Consent to operate for Talaja plant is valid upto 30th March 2021. The Consent to operate Valia Plant is valid till 9th November 2019. The safety committee meets regularly and conducts the mock drills to check the preparedness in the organisation to face any eventuality. To track the compliances in the organisation implemented software called Total Compliance which helps to escalate the non-compliance to higher-ups.

The Company has taken adequate Insurance policies for covering the floods, earthquake, and terrorism for appropriate amount.

4) Strike Risk:

The unionised workmen at Talaja Plant were on strike for 51 days in Q4 of FY 2016-17. A new

action plan is being prepared to mitigate the risks faced during the strike period. Even though the impact is high it has been somewhat reduced due to the second manufacturing plant which allowed the Company to make some products in our other facility. There is no insurance policy to cover the loss of profit on account of strike.

VI. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal checks and controls covering operations of the Company are in place and are constantly being improved upon. Adequate system exists to safeguard company's assets through insurance on reinstatement basis and maintenance of proper records. The company has well defined procedures to execute financial transactions.

Internal audit is being conducted by an independent firm of Chartered Accountants. The internal auditor monitors and evaluates the efficiency and adequacy of internal control systems in the organisation, its compliance with operating systems, accounting procedures and policies of the Company. Based on the observations of the internal auditor, the process owners undertake the corrective actions and improvements in their respective areas. Significant audit observations and corrective actions thereupon are presented to the Audit Committee.

The Partners of both, Statutory and Internal Auditor attend all the Audit Committee meetings.

VII. 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.

To upgrade human skills and improve their efficiencies, the company continuously organizes workshops on different management areas and also deputed employees to external workshops and seminars.

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.