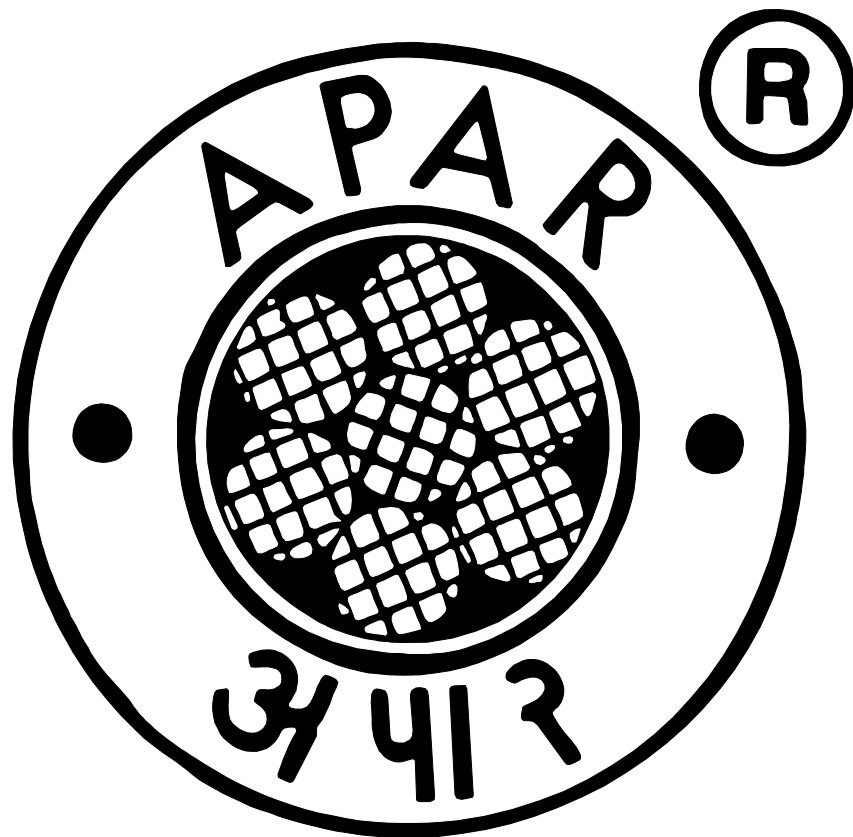


Apar Industries Limited



16th Annual Report 2004-2005



Apar Industries Limited

16th Annual Report 2004-2005

BOARD OF DIRECTORS

Dr. N. D. Desai	<i>Chairman</i>
Mr. V. A. Gore	
Dr. N. K. Thingalaya	
Mr. F. B. Virani	
Mr. V. D. Shinde	<i>Nominee of IDBI</i>
Mr. Kushal N. Desai	<i>Managing Director</i>
Mr. C. N. Desai	<i>Joint Managing Director</i>
Mr. M. M. Patel	<i>Director (Polymers)</i>
Mr. H. N. Shah	

AUDIT COMMITTEE

Mr. V. A. Gore,	<i>Chairman</i>
Dr. N. K. Thingalaya	
Mr. F. B. Virani	

COMPANY SECRETARY

Mr. D. C. Patel

AUDITORS

M/s. RSM & Company
Chartered Accountants,
Mumbai

BANKERS

Union Bank of India
Syndicate Bank
ING-Vysya Bank Ltd.
Indian Bank
The Dhanlakshmi Bank Ltd.

REGISTERED OFFICE

301, Panorama Complex,
R. C. Dutt Road,
Vadodara - 390 007.

CORPORATE OFFICE

Apar House, Corporate Park,
Sion - Trombay Road, Chembur,
Mumbai - 400 071.

CONTENTS	Page No.
Directors' Report	2
Corporate Governance Report ..	11
Auditors' Report	16
Balance Sheet	18
Profit & Loss Accounts	19
Schedules to Accounts	20
Cash Flow Statement	39
Consolidated Accounts	40

16th Annual Report 2004-2005

DIRECTORS' REPORT

Your Directors have pleasure in submitting the 16th Annual Report of the Company together with the audited Annual Accounts showing the financial position of the Company for the year ended on 31st March, 2005 :

1. FINANCIAL RESULTS :

(Rs. in Millions)

PARTICULARS	2004-05				2003-04
	*Consolidated		Company		
	Amount	Increase over Previous Year	Amount	Increase over Previous Year	
Sales turnover (after deduction of excise duty amount Rs. 1141.58 million for 2004-05 and Rs. 772.36 million for 2003-04)	8,734.21	31.12%	8,360.79	25.51%	6,661.37
Other Income	653.40		653.40		484.19
Profit for the year before interest, exchange rate difference, depreciation/ amortization, taxation and exceptional items	585.93	40.03%	560.33	33.91%	418.44
Deducting therefrom :					
- Interest etc.,	145.66		141.04		150.05
- Exchange Rate Difference (gain)/loss	(5.78)		(8.85)		(98.82)
- Depreciation/Amortisation	85.64		85.59		84.19
Profit before Taxation and Exceptional/Prior Period Items	360.41		342.55		283.02
Deducting therefrom :					
- Provision for Taxation/Wealth Tax (net of Deferred Tax adjustment)	35.45		31.11		21.42
Net Profit after tax but before Exceptional Items	324.96	24.22%	311.44	19.05%	261.60
- Exceptional Items (Net of tax) - (gain)/loss	7.63		7.63		(32.89)
Net Profit for the year after taxation and exceptional items	317.33	7.75%	303.81	3.16%	294.49
Adjusting therein :- (debit)/credit					
- Prior period adjustments (net)	(1.97)		(1.97)		0.08
- Adjustment on account of balance amount of Deferred Tax as on 1 st April, 2001	—		—		(73.29)
- Short provision for tax of earlier years	—		—		(1.40)
- Balance of Profit brought forward from Previous year	89.68		89.68		75.82
- Transfer from / (to):-					
(a) Debenture Redemption Reserve	(15.00)		(15.00)		(15.00)
(b) Capital Redemption Reserve	(23.52)		(23.52)		(23.52)
(c) Exchange Fluctuation Reserve	50.00		50.00		(50.00)
Amount available for appropriations	416.52		403.01		207.18
Appropriations made by the Board of Directors:					
- General Reserve	100.00		100.00		58.50
- Dividends on Equity and Preference Shares:					
Interim Dividend (paid)	39.55		39.55		19.29
Final Dividend	26.01		26.01		33.01
- Income-tax on dividends	8.90		8.90		6.70
- Leaving balance of Profit carried to Balance Sheet	242.06		228.55		89.68
TOTAL	416.52		403.01		207.18
Earning per Equity Share (EPS) :					
On Profit after Tax and before Exceptional Items	15.45	25.81%	14.80	20.52%	12.28
On Profit after Tax and Exceptional Items	15.08	8.80%	14.43	4.11%	13.86

* Consolidated Results include the results of Petroleum Specialities Pte. Ltd., Singapore, which became wholly owned subsidiary of the Company during the year 2004-05. Since the subsidiary was not there in the previous year, there are no consolidated results for the year 2003-04.

Apar Industries Limited

2. DIVIDEND :

a. The Company has paid the following **interim dividends** for the financial year 2004-2005:

- On 7,838,785-10% Preference Shares (Series I) @ Re. 0.40 [10%] per share on the face value of Rs. 4/- amounting to Rs. 3,135,514/- and
- On 20,806,045 Equity Shares :
@ Re. 0.75 [7.50 %] per share on the face value of Rs. 10/- amounting to Rs. 15,604,534/- and
@ Re. 1.00 [10.00 %] per share on the face value of Rs. 10/- amounting to Rs. 20,806,045/-.

The members are requested to confirm the above interim dividends at the ensuing Annual General Meeting (AGM) of the Company.

b. Considering the financial results achieved during the year under review, the Board of Directors has recommended the following **final dividend** for the financial year 2004-2005 out of the net profit available for distribution:

- On 20,806,045 Equity Shares @ Rs. 1.25 [12.50%] per share which together with aforesaid two interim dividends aggregate to Rs. 3.00 [30%] (Previous year total dividend @ Rs. 2.25 [22.50%] per share.
- Since the interim dividend paid on Preference Shares (Series I) @ Re. 0.40 [10%] per share for the financial year 2004-05 on 1st April, 2005 was for the full year, the Board has not recommended any further dividend on the Preference Shares.

The above final equity dividend is subject to shareholders' approval at the ensuing Annual General Meeting (AGM) and therefore you are requested to declare the same.

3. MANAGEMENT DISCUSSION & ANALYSIS :

(a) **Industry Structure, Development, Opportunities and Risk & Concerns :**

(i) **Transformer Oil and Speciality Oils Division :**

The past year was one of the best years that the oil business has had in the history of the Company. Revenue grew from Rs. 3,012.72 millions to Rs. 4,230.12 millions, representing a 40% growth. Operating profit for the segment grew from Rs. 353.77 millions to Rs. 481.06 millions, representing a growth of 36%.

Increase in revenues can be attributed to both an increase in per unit price of the product due to increase in the price of petroleum products and due to increased volume sale from 1.19 lacs KL to 1.58 lacs KL and the introduction of new products, finding new applications for existing products and new export markets.

Several initiatives taken over the last 3 years in consolidating manufacturing locations, improving productivity, extending the product lines and securing product approvals from major overseas OEM's of transformers and overseas utilities, had a full year impact during the year 2004-05.

Since the enactment of the Electricity Act in 2003, there is a rapid growth in the power sector. Over the next 5 to 7 years substantial investment in this sector is expected. The Company's dominant position in the transformer oil positions itself to be a direct beneficiary of this growth. Over the last 3 years, the Company has also established a successful export program for transformer oils and white oils / LLP. The Company exports its products to 20 countries. Export customers include ABB, Areva (Alstom), V A Tech, Brush Electric, Dahien - Japan etc., who are amongst the largest transformer manufacturers in the world. Apar is today in the top 5 manufacturers and marketers of transformer oils in the world.

High quality base oils to meet latest international standards for manufacture of transformer oils and other speciality oils are not manufactured in the country. Consistent supply of these base oils forms the cornerstone to the success of this business. Hence, the Company has entered into long term strategic business alliances with Ergon Inc., USA, the largest producer of Naphthenic Oils in the world and S-Oil Corporation, Korea, a producer of high quality Parafinic Base oils. This should ensure a steady supply of critical base oils in the wake of a tightening supply position worldwide.

Risk and Concerns :

The pricing of crude oil is very volatile. This is resulting in very frequent changes in the price of base oils and consequently prices of finished products.

Consequent to Mergers & Acquisitions over the last 5 years there has been rationalization of base oil manufacturing capacities worldwide, a tightening in the availability of product and a shift in the bargaining power to the refiners.

Lastly, since a majority of base oils are imported, the Company has exposure to movements in foreign exchange.

(ii) **Conductor Division :**

Due to several factors, the year 2004-05 was a difficult year for the conductor business as can be

16th Annual Report 2004-2005

seen from the Financial Analysis. The business solely depends on the growth in power transmission line projects. Over the last several years, there has been less investment in the power transmission sector as compared to power generation. Recognising this fact, the power ministry, through Power Grid and other joint sector transmission projects have planned to erect new power transmission lines in a very big way.

Factors resulting in poor financial performance of Conductor Division in 2004-05 are as follows :

1. Most of the contracts the Company entered into in the past were multi-lateral funded projects of World Bank, ADB, JBIC, etc. These contracts, through government notification were exempt from Sales Tax. All the contracts from PGCIL and other JV projects which are executed in the year 2004-05 attracted sales tax. The Company's largest manufacturing location at Bahutha, was thus rendered uncompetitive due to the 4% CST differential with respect to factories located in sales tax free zones. Capacity utilization at the facility was only 23% for 2004-05 resulting in substantial losses.
2. The orders executed in 2004-05 were booked during a recessionary period for the conductor industry in India and hence such contracts had low margins.
3. The Company had also executed fixed price export contracts, which had long delivery schedules of 12-18 months. Due to the sudden increase in the price of Aluminum and Steel, the margin on these orders were unfavourably affected.

The Company has quickly responded to these changes in the business environment. It has till 2004-05 invested Rs. 84.5 millions in its manufacturing facility at Silvassa and is now producing very significant products from this plant. The advantages at this facility are that it has (a) sales tax exemption for a period of 15 years (b) has more modern equipment and manufacturing processes, which result in lower cost of production.

The Company has also changed the nature of new contracts it is currently signing. Almost all quotations are with a variable price for Aluminum and once the contract is signed, the metals are being hedged through a formula factored in the pricing of the contract.

As explained above, the market for transmission conductors over the next 5 to 7 years is expected to be very strong. The current order backlog that

the Company has is Rs 4,500 millions. These orders are also at better margins than those executed in 2004-05, reflective of a better market environment. It is expected that the conductor division will post stronger financial results in 2005-06 and onwards. There is expected to be consistent growth in this business over the next few years.

Risk and Concerns :

The orders with some of the customers have firm delivery schedules, which if not abided by the customers can result change in profitability. The Company is dealing with parties only after doing a due diligence of their capabilities.

The volatility of the input costs is a risk, which needs to be managed wherever possible. The risk of the main raw materials is largely passed on to the customers through price variation formulas.

Some of the contracts are in different foreign currencies; hence, the volatility in currencies could affect the profitability. Wherever possible, the Company covers its forex risk.

(iii) Polymers Division :

The Company faced significant increases in all its monomers' (petrochemical raw materials) costs. During the first half of the year, the Company was able to pass on most of the increased costs of its raw materials to customers and the sales volumes were reasonably strong. However, the growth in the footwear industry was hampered because of the very high costs of raw materials. Further, the reduction in antidumping duties on SBR 1900 series and on NBR in the second half of the year adversely affected the ability of the Company to pass on increased monomer costs. The sales volumes of High Styrene Rubber were adversely affected because customers moved to lower priced competitive alternatives. Increased operational efficiency in the Valia plant helped the division to compete against the low priced imported materials, although margins were under pressure. The Company's existing products made steady gains in the export markets.

The initiatives in new product development made steady progress during the year and the Company is working closely with customers on trials and obtaining feedback from the market.

The Company has sought permission from the authorities to expand its Valia plant's capacities. The first phase involving de-bottlenecking of its present capacity is expected to be complete during the financial year 2005-06. The Company is confident that the de-bottlenecking of the plant

Apar Industries Limited

would result in increased productivity and better long term cost competitiveness. The increased capacity would also facilitate commercialization of the new products.

The consumption of NBR in the Auto industry is increasing significantly. The Company is already selling its NBR to all the Auto ancillary units in the country and is in a good position to avail of the opportunity of increased demand. The Company is the largest supplier to the Rice Roller industry and is poised to increase its penetration further this year.

Antidumping duties :- The Ministry of Finance by its Notification dated 7th June, 2005 has imposed enhanced antidumping duties on imports of NBR from Korea and Germany. Antidumping duties are also imposed on imports of NBR from European Union, Brazil and Mexico. These duties will help the Company in facing unhealthy competition by dumping of NBR from these countries. The findings with regard to antidumping duties on SBR have been challenged by the Company in the Court for increasing such duties.

Risk and Concerns :

The cost of raw materials and the prices of the competitors' products are the most important drivers of the profitability. Any disproportionate change in the spread between the costs of the raw materials and the selling prices would be a risk for the Company's business. The Company is making all efforts in its negotiation with suppliers and customers to maintain a reasonable spread.

(b) Financial Analysis and Segment-wise Performance :

(1) Highlights of Financial Performance :

(Rs. in Millions)

Balance Sheet	Year 2004-05		Year 2003-04
	Conso- lidated	Comp- any	
1. Share Capital: Equity Preference	208.05	208.05	208.04
	31.27	31.27	54.77
	239.32	239.32	262.81
2. Reserves & Surplus	688.96	675.45	448.02
3. Loans (Secured & Unsecured)	1465.45	1453.68	1525.60
4. Deferred Taxation (Net)	134.49	133.89	145.88
5. Net Fixed Assets	961.23	961.03	889.00
6. Net Current Assets	1521.37	1493.03	1472.58

(Rs. in Millions)

Profit & Loss Account	Year 2004-05		Year 2003-04
	Conso- lidated	Comp- any	
1. Sales (Net of Excise duty)	8734.21	8360.79	6661.37
2. Other Income	653.40	653.40	484.19
3. Profit before tax & exceptional items	360.41	342.55	283.02
4. Net Profit after tax & exceptional items	317.32	303.81	294.49
5. Earning per Equity Share (EPS) :			
- On Profit after Tax and before Exceptional Items	15.45	14.80	12.28
- On Profit after Tax and Exceptional Items	15.08	14.43	13.86

(2) Results of Operations :

(i) Transformer & other Speciality Oils Division :

The Company's Oil division at Silvassa has achieved higher volume of production of various grades of Transformer and Industrial oils. The oil division was able to sell increased production at competitive rates. Operating profit for the segment grew from Rs. 353.77 millions to Rs. 481.06 millions, representing a growth of 36%.

The gross revenue grew from Rs. 3,012.72 millions to Rs. 4,230.12 millions, representing a 40% growth. Exports registered at Rs. 411.93 millions as against Rs. 322.34 millions in the previous year.

(ii) Conductor Division :

During the year under review, the production of Aluminium Conductors was 28,725 Mt. as against 29,243 Mt. in the previous year. The gross revenue of Conductors was at Rs. 2,732.71 millions as against Rs. 2,375.13 millions in the previous year. Exports of Conductors during the year was Rs. 823.08 millions as against Rs. 1,156.34 millions in the previous year. Operating profit for the segment was Rs. 1.38 millions as against Rs. 96.96 millions of the previous year. The reasons for the fall in profitability are explained in para 3(a)(ii) above and also the fixed cost of Bahutha plant which was not fully utilised.

(iii) Polymers Division :

The production and turnover were maintained at the expense of low selling prices due to market forces. The operations of the division were affected by high prices of monomers and disproportionate

16th Annual Report 2004-2005

increase in the finished product prices. With the introduction of more grades, better market access and continuation of Anti-dumping duties, the operations of the division are expected to weather the difficult market situation.

The gross revenue of Polymers Division was Rs. 1,462.74 millions as against Rs. 1,327.65 millions in the previous year. Exports of Polymers Division during the year was Rs. 47.13 millions as against Rs. 24.76 millions in the previous year. The operating profit for the segment was Rs. 172.22 millions as against Rs. 148.28 millions of the previous year.

(c) Internal Control Systems & their adequacy :

The Company has established adequate Internal Control Systems (ICS) in respect of major areas of operations of all the three divisions of the Company. The ICS are aimed at promoting operational efficiencies and achieving saving in cost and overheads at all ends of the business operations.

The System cum Internal Audit Reports of the Internal Auditors are discussed at the Audit Committee Meetings and appropriate corrective steps have been taken.

Further, each Business Segment prepares its annual budget, which are reviewed alongwith performance at regular interval.

(d) Development of Human Resources :

The Company promotes open and transparent working environment to enhance teamwork and build business focus. The Company equally gives importance to the development of Human Resource (HR). It updates its HR policy in line with the changing HR culture in the industry as a whole. In order to foster excellence and reward those employees who perform well, the Company practices Performance / Production linked Incentive Schemes. The main object of the Scheme is to create and maintain optimum performance level and profit driven culture and improve productivity.

The Company also takes adequate steps for in-house training of employees and maintaining safety and healthy environment for workers working within the factory premises.

(e) Cautionary Statement :

The statements made in the Management Discussion & Analysis section, describing the Company's goals, expectations or predictions etc. are the forward looking view of the management. The actual performance of the Company is

influenced or is dependent on several important factors viz. stability of new Govt. at centre, continuation of industrial reforms, applicable laws, regulations, tax structure, domestic / international industry scenario, movement in international prices of raw materials, economic developments within the country etc.

4. EXPANSION / DEVELOPMENT PLAN :

(i) Transformer & other Specialty Oils Division :

With the installation of additional storage facilities and balancing equipments in phased manner at Silvassa unit at an approx. capital outlay of Rs. 40 millions, the division would get leverage to increase its production. Efforts are continuously made to increase the export by exploring the international market.

(ii) Conductor Division :

Considering the growth opportunities due to power sector reforms, the Company has undertaken the expansion of existing Conductors manufacturing capacity of 30,000 MTA to 50,000 MTA at Silvassa at a total approx. capital outlay of Rs. 72.5 millions.

With the suspension of manufacturing operations and successful implementation of VRS scheme at Bahutha Unit, the operational losses of the said unit have now been stopped. Simultaneously with the increase in production, cost efficiency and improved productivity at Silvassa unit, the Company expects to substantially improve the profitability of its Conductors Division from the financial year 2005-06 onwards.

In order to capture growth opportunities in conductors' business, the Company has plans for establishing a Conductor manufacturing unit at Baddi in Himachal Pradesh.

(iii) Polymers Division :

The successful utilisation at optimum levels of Continuous Polymerisation Technology for production of NBR (Synthetic Rubbers), the Co-generation Power Plant; the development of new blends and grades at Valia plant and cost reduction measures would partly offset the currently prevailing squeeze in margins.

Further the development of various new blends and grades of NBR and its applications are continuous process at the in-house R & D centre.

In order to strengthen the Company's market position and to remain competitive, the expansion of existing Synthetic Rubbers manufacturing capacity and up-gradation of R & D Centre at Valia in phased manner have been undertaken.

Apar Industries Limited

5. SHARE CAPITAL :

The Company has fully redeemed 7,838,785 - 10% Redeemable Cumulative Preference Shares (Series I) of Rs. 10/- each by making payment of final (3rd) installment of redemption of Rs. 4/- per share due on 1st April, 2005.

In order to finance the aforesaid expansion projects and improve the debt profile of the Company, the Board of Directors have decided in principle to issue further equity shares of Rs. 10/- each at a suitable premium to select group of investors on preferential issue basis in pursuance of Section 81(1A) of the Companies Act, 1956 and SEBI Guidelines on such issue.

6. DIRECTORS :

Shri M. M. Patel, Shri V. A. Gore and Shri C. N. Desai, directors shall retire by rotation at the ensuing Annual General Meeting of the Company and they being eligible offer themselves for reappointment.

The Board recommends the reappointment of above directors.

7. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with regard to Directors' Responsibility Statement, it is hereby confirmed that:

- i. in the preparation of the Annual Accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- ii. appropriate accounting policies have been selected and applied consistently and judgements and estimates have been made 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 Profit of the Company for the financial year under review.
- iii. proper and sufficient care has been taken 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. the annual accounts have been prepared on a going concern basis.

8. CORPORATE GOVERNANCE :

Pursuant to Clause 49 of the listing agreement with the Stock Exchanges with regard to Corporate Governance Code, the points, which are required to be covered under the head "Management Discussion & Analysis" are covered herein above vide para Sr. no. 3.

9. AUDITORS :

The Notes to the Accounts as referred in the attached Auditors Report are self explanatory and therefore do not call for any further comments or explanations.

M/s. RSM & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company shall be retiring at the ensuing Annual General Meeting, and they being eligible offer themselves for reappointment. The audit Committee of directors at its meeting held today has recommended to continue the appointment of M/s. RSM & Co. as statutory auditors of the Company.

10. COST AUDITOR :

As per the Central Government orders, the Board has re-appointed Mr. B. C. Desai, Cost Accountant to carry out the cost audit of Company's Conductors Division and Polymers Division.

11. OTHER INFORMATION :

- a. Attached to and forming part of this report are the following :-
 - (i) Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo.
 - (ii) Information in respect of certain directors / employees.
 - (iii) Report on Corporate Governance and Auditors' Certificate regarding compliance of conditions of Corporate Governance.
- b. Pursuant to provisions of Section 212 (8) of the Companies Act, 1956, the Company has sought an approval from the Central Government with regard to waiver from attaching the copies of Annual Accounts, Auditors' Report, Directors' Report and other statements as required U/s. 212 of the said Act, in respect of Company's wholly owned foreign subsidiary, Petroleum Specialities Pte. Ltd., Singapore for the financial year 2004-05, which is expected to be received shortly. However, as required under Clause No. 32 of Listing Agreement of Stock Exchanges, the Company has presented herewith the audited consolidated annual accounts for the year 2004-05.
- c. As on 31st March, 2005, there was no unclaimed deposits from depositor.

12. ACKNOWLEDGEMENT :

Your directors wish to place on record their sincere appreciation for continuous co-operation, support and assistance provided by stakeholders, shareholders, financial institutions, banks, government bodies, technical collaborators, customers, dealers and suppliers of the Company. Your directors also wish to place on record their appreciation for the dedicated services rendered by the loyal employees of the Company.

For and on behalf of the Board
(Dr. N. D. Desai)
Chairman

Place : Mumbai
Date : 17th June, 2005

16th Annual Report 2004-2005

ANNEXURE I TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2005.

I. CONSERVATION OF ENERGY:

1) Energy Conservation measures taken and continuing on regular basis:

- (i) Introduction of Energy conservation back pressure turbine to generate additional power by utilizing high pressure steam.
- (ii) Introduction of 50KVAr APFC panel to improve the power factor and thereby improving the motor efficiency.
- (iii) Introduction of energy efficient motors against replacement / new requirement to save the power.
- (iv) Introduction of 90KW / 120HP motor having service factor 1.2 to improve the overall efficiency of motor and minimizing the No Load Losses of motor.

2) Additional Investment proposals, if any, being implemented for reduction of consumption of energy:

Polymers Division :

- (i) Reduction in fuel cost in power generation from DG sets by introducing the dual fuel kit and alternative fuels.
- (ii) Introduction of non conventional ventilators needing no power in place of exhaust fan.
- (iii) Introduction of star-delta cyclic converter to improve the efficiency.

Special Oils Refinery Division :

- (i) Efforts are on afoot for preparation for 14001 Certification for Rabale-Lube Blending Unit.

3) Impact of measures at (1) and (2) above:

- Reduction in power consumption
- Additional power available for other equipments
- Low operating cost
- Improvement of system efficiency

4) Total Energy Consumption and Energy Consumption per unit of production:

(A) Power and Fuel Consumption:

	2004-05	2003-04
(i) Electricity :		
(a) Purchased units	13,395,264	14,235,880
Total Amount (Rs./millions)	56.32	59.84
Rate/Unit (Rs.)	4.20	4.20

	2004-05	2003-04
(b) Own Generation		
Through Diesel Generator (Units)	612,616	1,019,800
Average Units generated per liter of diesel oil	2.64	3.08
Average Cost of Unit (Rs.)	8.65	7.30
Through Wind Mill (Units)	2,077,445	1,792,957
Through Co-generation Power Plant (Units)	9,000,898	9,579,840
(ii) Furnace Oil :		
Quantity (Kls)	3,053	4,312
Total Amount (Rs./millions)	34.94	44.81
Average Rate/Kls (Rs.)	11,443	10,392
(iii) Others :		
Natural Gas Quantity (M3)	1,337,045	1,640,477
Total Amount (Rs./millions)	11.69	14.58
Rate/M3 (Rs.)	8.75	8.89
Light Diesel Oil Quantity (KL)	124.79	135.68
Total Amount (Rs. / Millions)	2.40	2.06
Rate / KL (Rs.)	19,205	15,154

(B) Consumption per unit of production (Average per unit consumption on total production of each division is included in the table below):

	2004-2005				2003-2004			
	Electricity (units)	Furnace Oil (litres)	Light Diesel Oil (ltrs.)	Natural Gas (M3)	Electricity (units)	Furnace Oil (litres)	Light Diesel Oil (ltrs.)	Natural Gas (M3)
(i) Refinery Division:								
Per KL output of Oil	9	1.50	1	—	12	10	1	—
(ii) Properzi and AAC/ACSR Conductors Division :								
Per MT of Aluminium Conductors	229	70	—	—	270	103	—	—
(iii) Polymers Division :								
Per MT output of all Synthetic Rubber	891	0	—	135	847	113	—	188

Reasons for Change in consumption :

Electricity :-

Refinery : Reduction due to improved manufacturing process.

Conductor : Reduction due to change in product mix.

Polymers : Increase due to change in product mix.

Furnace Oil & LDO :-

Refinery : Reduction due to improved manufacturing process.

Conductor : Increase due to product mix change.

Apar Industries Limited

Natural Gas :

Polymers : Use of Natural Gas to generate additional steam from Boiler to meet plant requirement.

II. TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

1. RESEARCH AND DEVELOPMENT (R&D):

(i) Specific areas in which R & D is carried out by the Company :

- Development of Speciality SBR, NBR, Carboxylated NBR /SBR Lattices and their formulations for specific applications.
- Development of new grades of NBR and carboxylated NBR Rubbers.
- Development of Linear / Crosslinked NBR, SBR Powders.
- Different kinds of Polyblends.
- Development of Ink Oils.

(ii) Benefits derived as a result of the above R&D:

- Increase in Exports of NBR Polymers.
- Business increase in domestic market.
- Global acceptance of all products.
- Quality / Productivity improvement.
- Cost / overhead reduction.
- Marketing of Ink Oil already started.

(iii) Future plan of action :

- Development of new grades of NBR, SBR, Carboxylated SBR / NBR lattices and Rubbers, Powders, Lattices and Polyblends etc. as per the market requirement.
- Setting up a separate R. & D. Centre dedicated to Research & Development of Synthetic Elastomers / Polymers.
- Reduction in Reaction cycle time of Synthetic Lattices.
- Improvement in Colour and Aging Properties of existing Rubber Grades.
- Manufacturing of Ink Solvents.

(iv) Expenditure on R&D (Polymers Division) :

(Rs. In millions)

	2004-05	2003-04
a. Capital	0.16	0.18
b. Recurring	1.85	1.22
c. Total	2.01	1.40
d. Total R&D Expenditure as a percentage of turnover	0.20%	0.18%

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

(i) Efforts in brief, made towards technology adaptation and innovation:

- NBR and Transformer Oil manufacturing technologies have been absorbed. Technical information is periodically exchanged with Technical Collaborators of NBR for updating processing parameters for manufacture of NBR. The Company has successfully installed continuous polymerisation technology of Goodyear Tires & Rubber Co. USA.
- Improved technology for manufacture of LP and LLP. Formulated additional grades of industrial and speciality products.

(ii) Benefits derived as a result of the efforts :

- Quality of various grades of NBR and Transformer Oil produced by the Company have received consumers acceptance in India and Foreign countries.
- Quality of Oil produced received customer acceptance and cost reduction.

(iii) (a) Technology imported : Technical know-how for manufacture of NBR & Latexes

(b) Year of Import : 1989 to 1992

(c) Has technology been fully absorbed : Yes

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities related to exports :

- Efforts are continuing to increase exports of ACSR, AAC and AAAC Conductors and NBR.
- Efforts are continuing to increase export of Transformer Oils.

2. Total Foreign Exchange used and earned :

(Rs. In millions)

(i) Total foreign exchange used:

	2004-05	2003-04
(a) Raw Materials (CIF)	3,594.76	3,728.08
(b) Stores & Spares	7.19	14.34
(c) Capital Goods	4.93	0.41
(d) Others	89.55	42.58
	3,696.43	3,785.41

(ii) Total foreign exchange earned :

(a) Physical Exports (FOB)	1,282.14	1,449.16
(b) Deemed Exports (eligible for export incentives)	228.44	455.61
(c) Others	54.61	56.16
	1,565.19	1,960.93

16th Annual Report 2004-2005

ANNEXURE - II TO THE DIRECTORS' REPORT

Information pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2005.

Employed throughout the Financial Year under review and was in receipt of the Remuneration in aggregate of not less than Rs. 2,400,000/- per annum.

Names	Age (Years)	Designation/ Nature of Duty	Qualifications	Experience (Years)	Remuneration (Rs.)	Date of Commencement of Employment	Last Employment and Designation
Dr. N. D. Desai	65	Chairman	B.Sc.(Hons), London M.S. Ele.Eng.,Ph.D., Penn., U.S.A., Sigma XI, A.A.M.I.E.E.	47	6,581,276	28.09.1989	—
Mr. Kushal N. Desai	38	Managing Director	B.Sc. (Hons.) (Ele.Engg.) U.S.A., B.S.Eco.(Hons.) (Wharton) U.S.A.	16	5,606,982	24.03.1999	GE Lighting (India) Ltd. - President
Mr. C.N. Desai	33	Joint Managing Director	B.Sc. (Hons.) (Chem. Engg.) U.S.A. B.S. Eco. (Hons.), (Wharton) U.S.A.	11	5,529,987	29.05.1993	—

NOTES:

1. The Remuneration includes salary, allowances, commission paid to Directors, reimbursement of leave travel and medical expenses/benefits, company's contribution to provident fund, leave encashment and other perquisites in respect of motor car, accomodation, telephone etc.
2. Above directors are related to each other. None of the employees of the Company is related to any of the Directors.
3. All appointments are contractual and terminable by notice on either side.

Apar Industries Limited

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PHILOSOPHY :

Apar Industries Limited ("the Company") believes in conducting its affairs in a fair, transparent and professional manner and maintaining the good ethical standards in its dealings with all its constituents.

The Company is committed to follow good Corporate Governance practices, which include having professional Directors on the Board, adopting pragmatic policies and effective systems and procedures and subjecting business processes to audits and checks measuring upto required standards.

The driving force behind the Company's management is "Tomorrow's Progress Today" and backed by "A culture of High - Tech and Quality". Apar's quality policy for ISO-9001 is "To satisfy customer needs and retain leadership by manufacturing and supplying quality products and services through continuous improvement by motivated employees".

The policies and actions of the Company are in terms of applicable guidelines on Corporate Governance with endeavor to enhance shareholders' value. Pursuant to clause 49 of the Listing Agreement of Stock Exchanges, the following details are presented.

BOARD OF DIRECTORS :

1. The Board of Directors has more than 50% Non-executive Directors. The Chairman is Whole-time Director. All the members of the Board are eminent persons with excellent qualifications; professional expertise and extensive experience and they have made outstanding contributions to the industry.
2. The Board of Directors meets atleast once in a quarter to review the Company's performance and financial results and more often, if considered necessary.
3. The composition of the Board of Directors and details with regard to them is as follow :-

Name of Directors	Category	No. of Director-ships in other public Companies	No. of Committee Memberships in other public Companies
Dr. N. D. Desai	Chairman (Executive)	1	—
Shri. V. A. Gore	Non-Executive & Independent	2	2
Dr. N. K. Thingalaya	Non-Executive & Independent	2	—
Shri F. B. Virani	Non-Executive & Independent	—	—

Name of Directors	Category	No. of Director-ships in other public Companies	No. of Committee Memberships in other public Companies
Shri V. D. Shinde	(Nominee Director of IDBI) Non-Executive & Independent	—	—
Shri Kushal N. Desai	Managing Director	2	2
Shri C. N. Desai	Joint Managing Director	1	—
Shri M. M. Patel	Director (Polymers) Independent	—	—
Shri H. N. Shah	Non-Executive & Independent	1	2

4. During the financial year 2004-2005, five Board Meetings were held. The dates on which the Board meetings were held are as follows :

28th May, 2004, 23rd July, 2004, 28th October, 2004, 31st January, 2005 and 11th March, 2005.

The last Annual General Meeting (AGM) was held on 23rd July, 2004.

Following are the details of attendance of Directors at the aforesaid Board Meetings and AGM held during the financial year.

Name of Directors	No. of Board meetings held during the tenure of the Directors	No. of Board meetings attended	Last AGM attended
Dr. N. D. Desai	5	4	No
Shri. V. A. Gore	5	5	Yes
Dr. N. K. Thingalaya	5	5	Yes
Shri F. B. Virani	5	4	Yes
Shri V. D. Shinde (Nominee of IDBI)	5	5	Yes
Shri Kushal N. Desai	5	5	Yes
Shri C. N. Desai	5	5	Yes
Shri M. M. Patel	5	4	Yes
Shri H. N. Shah	5	5	Yes

AUDIT COMMITTEE :

1. The Company has constituted an Audit Committee of Directors in accordance with the requirements of Section 292A of the Companies Act, 1956 read with clause 49 of the Listing Agreement. The Audit

16th Annual Report 2004-2005

Committee consists of three independent Directors. The broad terms of reference of the Audit Committee include, reviewing with management the quarterly and annual financial results / statements, risk management policies, adequacy of internal control systems and internal audit functions, overseeing of the Company's financial reporting process, recommending the appointment and removal of external and internal auditors, etc.

- The composition of the Audit Committee and attendance of Directors at the meetings are given hereunder :

During the financial year 2004-2005, the Audit Committee met on 28th May, 2004, 23rd July, 2004, 28th October, 2004 and 31st January, 2005.

Name of Directors	Category	No. of meetings held during the year	No. of meetings attended
Shri V. A. Gore	Chairman Independent & Non-Executive	4	4
Dr.N. K.Thingalaya	Independent & Non-Executive	4	4
Shri F. B.Virani	Independent & Non-Executive	4	3

DETAILS OF REMUNERATION PAID TO ALL THE DIRECTORS :

- During the year under review, as authorized by the shareholders vide Resolution passed at the Extra-Ordinary General Meeting held on 8th June, 1999, the remuneration payable to Shri M.M.Patel, Whole time Director was revised by the Board of Directors of the Company. The Shareholders of the Company at their General Meeting held on 23rd July, 2004 have approved re-appointment of Shri M. M. Patel as Director (Polymers) in whole time capacity for a period of 5 years w.e.f. 1st April, 2004.
- During the year under review, the following changes were made in respect of Executive Directors of the Company which were approved by the Shareholders at the 15th Annual General Meeting of the Company held on 23rd July, 2004.
 - Dr. N.D.Desai, Chairman and Managing Director of the Company resigned as Managing Director of the Company w.e.f. 1st June, 2004, however, he continues as Whole-time Executive Chairman of the Board of Directors of the Company.

- Shri Kushal N. Desai, Joint Managing Director of the Company was elevated as Managing Director w.e.f. 1st June, 2004 with revision in remuneration.

- Shri C. N. Desai, Executive Director of the Company was elevated as Joint Managing Director w.e.f. 1st June, 2004 with revision in remuneration.

- Further, during the year under review, as authorized by the shareholders vide Resolution passed at the Extra-Ordinary General Meeting held on 27th September, 2002, the remuneration in the form of fees for Professional services rendered by Shri H. N. Shah, Director was revised by the Board of Directors of the Company.
- The non-executive directors receive the sitting fees for attending the Board and Committee meetings as the case may be.
- The break up of remuneration paid / payable to the Managing Directors and the Whole-time Directors for the financial year 2004-2005 are as under :

Position	Dr. N.D. Desai Chairman	Shri Kushal N. Desai Managing Director	Shri C.N. Desai Joint Managing Director	Shri M.M. Patel Director (Polymers)
Salary	1,080,000	1,050,000	990,000	978,000
Commission	3,482,043	3,482,043	3,482,044	—
Perquisites / Allowances	2,019,233	1,074,939	1,057,943	557,788
Total (Rs.)	6,581,276	5,606,982	5,529,987	1,535,788
Stock Option Granted (Nos.)	Nil	Nil	Nil	Nil
Service Contract	5 years from 01/01/2002 to 31/12/2006	5 years from 01/01/2002 to 31/12/2006	5 years from 01/01/2002 to 31/12/2006	5 years from 01/04/2004 to 31/03/2009
Notice Period	1 Month	1 Month	1 Month	1 Month

- Shri H. N. Shah, a Non-executive Professional Director has been paid for his professional services to the Company Rs. 1,371,600/- towards his fees including monetary value of facilities during the period from 1st April, 2004 to 31st March, 2005.
- Remuneration paid to Non-Executive Directors for attending the meetings of Board of Directors and Committees is as given below :

Name of Directors	Sitting Fees (Rs.)
Shri V. A. Gore	80,000
Dr. N. K. Thingalaya	57,500
Shri F. B. Virani	45,000
Shri V. D. Shinde*	37,500
Shri H. N. Shah	37,500

* Being a Nominee Director of IDBI, sitting fees are paid to IDBI as per the terms of nomination.

Apar Industries Limited

SHARE TRANSFER & SHAREHOLDERS' GRIEVANCE COMMITTEE :

- The Board of Directors of the Company has constituted Share Transfer & Share-holders' Grievance Committee of Directors in order to meet the requirement of Clause 49 of the Listing Agreements of the stock exchanges. This Committee has been constituted with the objective of overseeing redressal of investors' complaints pertaining to share transfers / transmission of shares, non-receipt of dividend / interest, dematerialisation (Demat) of shares and other related matters.
- Share Transfer & Shareholders' Grievance Committee met three times during the financial year, i.e. on 28th May, 2004, 28th October, 2004 and 31st January, 2005. The Composition of Committee and attendance of Directors at their meetings are given below :

Name of Directors	Category	No. of meetings held during the year	No. of meetings attended
Shri V. A. Gore Chairman	Independent Non- Executive	3	3
Dr. N. D. Desai	Executive Director	3	3
Shri C. N. Desai	Executive Director	3	3

SHARE TRANSFER SYSTEM :

- The Board of Directors has delegated the power of approval of share transfers to the Company Secretary and Deputy Secretary of the Company jointly, who approve the share transfers regularly on fortnight basis, and gist of transfers are placed before the Share Transfer & Shareholders' Grievance Committee.

Compliance Officer: Mr. D.C. Patel, Company Secretary, Apar Industries Limited, 301, Panorama Complex, R.C. Dutt Road, Vadodara 390 007.

- Status of complaints for the period 1st April, 2004 to 31st March, 2005.

1	No. of complaints received	48
2	No. of complaints resolved	48
3	No. of complaints not solved to the satisfaction of the investors as at 31st March, 2005	Nil
4	Complaints pending as at 31st March, 2005	Nil
5	No. of share transfers pending for approval as at 31st March, 2005	Nil

DISCLOSURES :

a) General Body Meeting :

The details of last three Annual General Meetings (AGM) of shareholders of the Company held are as under :

Date	AGM	Location	Time
23 rd July, 2004	15 th AGM	The Auditorium, Vanijya Bhavan, Central Gujarat Chamber of Commerce, Race Course, Vadodara - 390 007.	11.00 A.M.
30th September, 2003	14 th AGM	— As above —	10.00 A.M.
27th September, 2002	13 th AGM	— As above —	10.30 A.M.

b) Related Party transactions :

The relevant details of all transactions with related parties given in Note No. 7 of Schedule No. 24 of the audited Accounts for the financial year 2004-2005, form a part of this report also.

- The Company has complied with the requirements of regulatory authorities on capital markets and no penalties or strictures have been imposed against it.

d) Means of Communication :

Quarterly / Half Yearly / Yearly Financial Results: Generally published in Gujarat / Mumbai edition of "The Business Standard", English daily newspaper and "Financial Express" - Gujarati daily newspaper.

Pursuant to Clause No. 51 of the Listing Agreement of Stock Exchanges, the Company has also been registered for EDIFAR filing and the login ID of Company is "APARIND". Shareholders can login EDIFAR section of web-site - www.sebi.gov.in for the information relating to Quarterly / Annual Financial Results, Quarterly Shareholding Patterns etc.

Management Discussion & Analysis is covered under the separate head of the Directors' Report of 2004-2005.

GENERAL INFORMATION :

- Annual General Meeting Day, Date and Time** : _____day, _____, 2005 at 11.00 A.M. at The Auditorium, Vanijya Bhavan, Central Gujarat Chamber of Commerce, Race Course, Vadodara 390 007.
- Financial Calendar for 2005-2006 :**
Financial year ending : 31st March

16th Annual Report 2004-2005

First Quarter Results (June ,2005) : On or before 31st July, 2005

Half Yearly Results (September, 2005) : On or before 31st October, 2005

Third Quarter Results (December, 2005) : On or before 31st January, 2006

Approval of Annual Accounts (2005-06) : On or before 30th June, 2006.

3. Book Closure Dates : _____2005 to _____2005 (both days inclusive)

4. Dividend Payment : Dividend warrants will be dispatched after the AGM, but before the expiry of statutory period of 30 days from the date of AGM.

5. Registered Office : 301, Panorama Complex, R. C. Dutt Road, Vadodara - 390 007.

6. Listing of Shares on the Stock Exchanges : The Equity Shares and Preference Shares (Series (I) (*) of the Company are listed on The Mumbai Stock Exchanges, Mumbai (BSE). The Equity Shares are also listed at the National Stock Exchange of India Limited (NSE), w.e.f. 12th July, 2004.

The National Stock Exchange of India Limited (NSE), "Exchange Plaza", Bandra- Kurla Complex, Bandra (E), Mumbai-400 051.

The Stock Exchange Mumbai (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 023.

In terms of SEBI (De-listing of Securities) Guidelines, the Equity Shares and Preference Shares of the Company were voluntarily de-listed from the Vadodara Stock Exchange w.e.f. 10th November, 2004.

(*) (De-listed from BSE in view of its full redemption on 1st April, 2005).

7. Stock Code - Demat Form :

(a) The Stock Exchange, (BSE)

Mumbai

Equity Shares 532259

Preference Shares (Series I) (*) 700060

(b) The National Stock Exchange, (NSE), Mumbai :

Equity Shares APARINDS

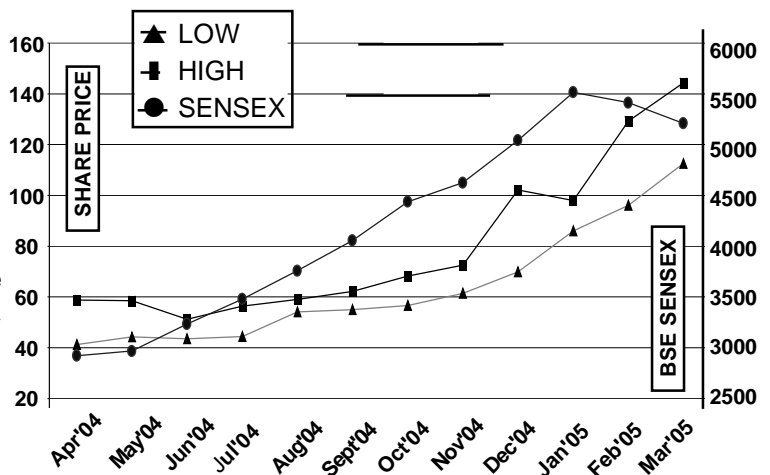
(*) (De-listed from BSE in view of its full redemption on 1st April, 2005)

8. Stock Price Data for the financial year April, 2004 to March, 2005 prevailed at the Bombay Stock Exchange (BSE) and The National Stock Exchange of India Ltd. (NSE):

Year	Month	BSE			NSE (w.e.f. 12.07.2004)			
		High (Rs.)	Low (Rs.)	Monthly Volume	High (Rs.)	Low (Rs.)	Monthly Volume	
2004	April	58.75	41.35	3,91,765	—	—	—	
	May	58.50	44.25	4,45,310	—	—	—	
	June	51.25	43.55	1,93,961	—	—	—	
	July	56.35	44.40	2,34,005	56.25	46.50	1,10,041	
	August	59.00	54.10	1,92,590	60.30	54.30	1,78,841	
	September	62.20	55.00	3,59,044	62.15	54.90	3,49,322	
	October	68.25	56.60	10,57,483	68.15	56.45	11,17,430	
	November	72.60	61.40	3,96,955	72.80	61.10	4,87,787	
	December	102.10	69.90	8,68,722	102.20	70.40	9,49,336	
	2005	January	97.90	86.05	1,81,907	98.45	85.95	1,84,201
		February	129.15	96.10	3,57,818	129.35	96.60	5,21,338
		March	144.30	112.55	2,91,402	145.50	112.25	3,59,408

9. Stock Performance :

The performance / movement of price of the Company's Equity Share as compared to BSE Sensitive Index is given in the chart below :



10. Registrar for Share Transfer and Depository: MCS Limited
Neelam Apartment,
88, Sampatrao Colony,
B/H.Standard Chartered Bank,
Alkapuri, Vadodara - 390 007.
Ph. Nos. (0265) 2314757, 2350490
Fax No. (0265) 2341639
E-mail: mcsbaroda@iqara.net

Apar Industries Limited

11. Distribution of Shareholding as at 31st March, 2005 :

Range of Equity Shares	No. of Equity Shareholders	% of Equity Shareholders	No. of Equity Shares held	% of Shareholding
1 - 500	17,611	95.99	7,91,828	3.81
501 - 1000	301	1.64	2,56,215	1.23
1001 - 2000	167	0.91	2,63,543	1.27
2001 - 3000	74	0.40	1,88,256	0.90
3001 - 4000	31	0.17	1,14,444	0.55
4001 - 5000	46	0.25	2,19,011	1.05
5001 - 10000	47	0.26	3,55,574	1.71
Above 10000	70	0.38	1,86,17,174	89.48
Total	18,347	100.00	2,08,06,045	100.00

12. Shareholding pattern as at 31st March, 2005 :

Particulars	No. of Equity Shares held	% of Shareholding
Promoters / Persons acting in concert	1,46,02,687	70.18
Banks, Financial Institutions and Insurance Companies	10,180	0.05
Mutual Funds and UTI	9,41,609	4.53
Foreign Institutional Investors	—	—
NRIs / OCBs	13,503	0.06
Corporate Bodies	8,60,948	4.14
Resident Individuals	43,77,118	21.04
Total	2,08,06,045	100.00

13. Dematerialization of Shares & Liquidity :

As at 31st March, 2005, approx. 98% of total Equity Share Capital is held in electronic form with National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL). The Company's equity shares are compulsorily traded in the electronic form at the Stock Exchanges. Requests for dematerialisation of shares are processed and confirmed to NSDL or CDSL by the Registrar, MCS Limited.

14. Plant Locations :

Division	Locations
a) Polymers Division	a) Valia (Gujarat) and Trombay
b) Special Oils Refinery Division	b) Trombay, Rabale and *Silvassa
c) Conductor Division	c) Bahutha (Tal. Savli) and *Silvassa

* Union Territory of Dadra & Nagar Haveli

15. Address for Communication :

Shareholders' correspondence should be addressed to the Company at the Regd. Office of the Company at 301, Panorama Complex, R.C. Dutt Road, Vadodara-390 007.

Ph. (0265) 2331935,2323175,
Fax (0265) 2330309.

E-mail: dcpatel@apar.com
com_sec@apar.com

Certificate of Compliance of Corporate Governance as per clause 49 of the Listing Agreement with Stock Exchanges

To
The Members of Apar Industries Limited

We have examined the compliance of conditions of corporate governance by Apar Industries Limited, for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit, nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company, as per the records maintained by the Company, which were presented to the Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **RSM & Co.**
Chartered Accountants
Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : 17th June, 2005

16th Annual Report 2004-2005

Auditors' Report

To the members of Apar Industries Limited

1. We have audited the attached Balance Sheet of **Apar Industries Limited** ('the Company') as at March 31, 2005, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto (all together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in Section 211(3C) of the Act;
 - e. On the basis of the written representations received by the Company from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as at the balance sheet date from being appointed as a director under Section 274(1)(g) of the Act;
 - f. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;

- ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date;
- and
- iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **RSM & Co.**
Chartered Accountants
Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : 17th June, 2005

Annexure to Auditors' Report

[Referred to in our Report of even date to the members of Apar Industries Limited on the financial statements for the year ended on March 31, 2005]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, the management conducted physical verification of certain fixed assets during the year. We are informed that no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off a substantial part of fixed assets during the year under report, and accordingly, the 'going concern' assumption is not affected.
- (ii) (a) As explained to us, the management has conducted physical verification of inventory at reasonable intervals during the year, as also as at the balance sheet date. In respect of inventory in the custody of third parties as at the balance sheet date, the Company has received written confirmations of holding from the parties for a substantial portion of such inventories.
- (b) In our opinion, and according to the information and explanations given to us, the procedures for physical verification of inventory, followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not of a material nature and have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of sub-clauses (b), (c) and (d) of clause (iii) of the Order, do not apply for the year under report.
- (b) The Company has availed secured and unsecured loans from eight parties covered in the register maintained under Section 301 of the Act. The aggregate of the maximum amount of the loan outstanding during the year, and the aggregate of the year-end balances of such loans was Rs. 644,612,653 and Rs. 488,706,785 respectively.
- (c) In our opinion, and based on the information and explanations given to us, the rate of interest and other terms and conditions of the loans availed by the Company are, prima facie, not prejudicial to the interests of the Company.
- (d) In our opinion, and according to the information and explanations given to us, the Company is regular in repayment of principal and interest in cases where stipulations have been made. In cases where there are no stipulations, and repayment of both principal and interest is stated to be at call, as the same has been paid as and when demanded by the parties,

Apar Industries Limited

in our opinion, the Company is regular in the payment of principal and interest.

- (iv) In our opinion, and according to the information and explanations given to us, the Company has an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (v) (a) To the best of our knowledge and belief, and according to the information and explanations given to us, and on the basis of the audit procedures applied by us, we are of the opinion that particulars of all contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into the register required to be maintained pursuant to that Section.
- (b) In our opinion and according to the information and explanations given to us, transactions (other than those already dealt with in paragraph (iii) above) made in pursuance of contracts or arrangements referred to in Section 301 of the Act have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times.
- (vi) In our opinion and according to the information and explanations given to us, the Company has accepted deposits from the public, and in this regard, has complied with the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and other relevant provisions of the Act and the rules framed thereunder.
- (vii) In our opinion, the Company has an internal audit system, the scope and coverage of which is being further strengthened to make it commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company in respect of its Oil, Polymer and Conductor businesses pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and we are of the opinion that, prima facie, the prescribed records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) (a) In our opinion, and according to the information and explanations given to us, the Company was generally regular during the year in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and other materials statutory dues with appropriate authorities. In respect of contractors retained by the Company, the management has represented to us that the relevant dues have been regularly deducted and deposited by the contractors with appropriate authorities. As regards sales tax dues relating to sales effected through the Company's consignment agents which are recognised in the books of the agents, the management has represented to us that the agents are regular in depositing the same, and as at the balance sheet date there are no undisputed dues that remain unpaid.
- (b) As at the balance sheet date, the following amounts of specified dues have not been deposited by the Company on account of disputes pending before authorities:

Nature of dues	Amount unpaid (Rs.)	Period to which it relates	Pending before
Excise Duty*	71,293,908	August 2000 to January 2002	Hon'ble Andhra Pradesh High Court
	124,171,329	July 2000 to October 2003	CESTAT
	7,308,497	September 1995 to June 2000	Commissioner

Nature of dues	Amount unpaid (Rs.)	Period to which it relates	Pending before
Customs Duty	3,870,357	April 1998 to March 1999	Tribunal
Sales Tax	810,000	April 1998 to March 1999	Tribunal

* includes Rs. 174,721,592 disclosed in note 1(d) in Schedule 24 to the financial statements.

- (x) As at the balance sheet date, the Company does not have any accumulated losses. The Company did not incur cash loss during the financial year under report, or in the immediately preceding financial year.
- (xi) Based on our audit procedures, and the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or its debenture holders.
- (xii) As the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, the provisions of clause (xii) of the Order are not applicable.
- (xiii) Clause (xiii) of the Order, relating to provisions of special statutes applicable to Chit Funds / Nidhi / Mutual Benefit Funds/societies, is not applicable to the Company in view of the nature of its business during the year under report.
- (xiv) (a) The Company does not generally deal or trade in shares, securities, debentures and other investments. However, during the year, temporary surplus funds were invested in open ended liquid schemes of mutual funds for which proper records of the transactions and contracts have been maintained and timely entries were made therein.
- (b) The investments made by the Company are held in its own name.
- (xv) According to the information and explanations given to us, the Company has given a guarantee in respect of credit facilities availed by its wholly owned subsidiary from a bank, the terms and conditions whereof, in our opinion, are prima facie, not prejudicial to the interests of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, term loans availed during the year by the Company were, prima facie, applied for the purposes for which they were obtained, including temporary deployment pending such application.
- (xvii) In our opinion, and on the basis of and overall examination of the Balance Sheet of the Company and according to the information and explanations given to us, prima facie, during the year the company did not applied funds raised on short-term basis for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act.
- (xix) As per the information and explanations given to us, security has been created in respect of debentures outstanding during the year under report.
- (xx) The Company has not raised any money through public issue during the year under report; accordingly the provisions of clause (xx) of the Order are not applicable.
- (xxi) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

For **RSM & Co.**
Chartered Accountants
Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : 17th June, 2005

16th Annual Report 2004-2005

BALANCE SHEET AS AT 31ST MARCH 2005

	Schedule No.	Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS :				
Share Capital	1	239,319,912		262,814,510
Reserves and Surplus	2	<u>675,446,143</u>		<u>448,024,330</u>
			914,766,055	710,838,840
LOAN FUNDS :				
Secured Loans	3	1,133,735,988		1,204,168,028
Unsecured Loans	4	<u>319,940,785</u>		<u>321,428,653</u>
			1,453,676,773	1,525,596,681
Deferred taxation liability (Net)	5		<u>133,886,462</u>	<u>145,877,943</u>
TOTAL			<u>2,502,329,290</u>	<u>2,382,313,464</u>
APPLICATION OF FUNDS				
FIXED ASSETS :				
Gross Block	6	1,639,274,222		1,570,795,444
Less: Depreciation		<u>781,225,323</u>		<u>699,475,025</u>
Net Block		858,048,899		871,320,419
Capital work-in-progress/advances		<u>102,977,414</u>		<u>17,682,129</u>
			961,026,313	889,002,548
INVESTMENTS				
	7		15,388,945	5,745,300
CURRENT ASSETS, LOANS AND ADVANCES :				
Inventories	8	1,144,089,475		1,106,005,101
Sundry Debtors	9	1,956,550,856		1,890,670,611
Cash and Bank Balances	10	700,887,271		822,578,199
Other Current Assets	11	731,928		731,928
Loans and Advances	12	<u>499,247,435</u>		<u>320,241,929</u>
		4,301,506,965		4,140,227,768
Less: CURRENT LIABILITIES AND PROVISIONS:				
Current Liabilities	13	2,767,321,862		2,617,488,723
Provisions	14	<u>41,150,634</u>		<u>50,158,714</u>
		2,808,472,496		2,667,647,437
NET CURRENT ASSETS				
Miscellaneous Expenditure (to the extent not written off or adjusted)	15		32,879,563	14,985,285
TOTAL			<u>2,502,329,290</u>	<u>2,382,313,464</u>
SIGNIFICANT ACCOUNTING POLICIES				
	23			
NOTES TO ACCOUNTS				
	24			

As per our report of even date attached
For RSM & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Vijay N. Bhatt
(Partner - F 36647)

Kushal N. Desai
Managing Director

V. A. Gore
Director

D. C. Patel
Company Secretary

Dated : 17th June, 2005
Place : Mumbai

Dated : 17th June, 2005
Place : Mumbai

Apar Industries Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule No.	2004-05 Rupees	2003-04 Rupees
INCOME :			
Sale of Goods, Services and related recoveries (net of excise)	16	8,360,790,473	6,661,374,782
Other Income	17	65,340,166	48,419,474
		<u>8,426,130,639</u>	<u>6,709,794,256</u>
EXPENDITURE :			
Operating and Other expenses	18	7,845,179,105	6,326,427,469
Decrease / (Increase) in Stocks	19	20,614,367	(35,075,736)
Depreciation		85,594,138	84,193,319
Interest and Discounting Charges	20	141,037,245	150,051,783
Exchange Rate Difference (Net)		(8,846,043)	(98,821,474)
		<u>8,083,578,812</u>	<u>6,426,775,361</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL / PRIOR PERIOD ITEMS		342,551,827	283,018,895
Provision for Taxation :			
Current tax		42,900,000	40,875,000
Deferred tax		(11,991,481)	(19,655,804)
Wealth tax		200,000	200,000
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		311,443,308	261,599,699
Exceptional items (net of tax)	21	7,629,059	(32,895,445)
PROFIT FOR THE YEAR AFTER TAXATION AND EXCEPTIONAL ITEMS		303,814,249	294,495,144
Prior Period Adjustments (net)	22	(1,968,504)	84,188
Adjustment on account of deferred tax		-	(73,294,566)
Short Provision for tax of earlier years		-	(1,400,000)
NET PROFIT FOR THE YEAR		301,845,745	219,884,766
Balance of profit brought forward		89,683,257	75,817,300
Transfer (to) / from :			
Debenture Redemption Reserve		(15,000,000)	(15,000,000)
Capital Redemption Reserve		(23,516,355)	(23,516,355)
Exchange Fluctuation Reserve		50,000,000	(50,000,000)
AMOUNT AVAILABLE FOR APPROPRIATIONS		403,012,647	207,185,711
Appropriated as under :			
Transfer to General Reserve		(100,000,000)	(58,500,668)
Interim Dividends on Equity Share aggregating to Rs.1.75 per share (Previous year Re.0.75 per share)		(36,410,579)	(15,604,534)
Interim Dividend on Preference Share @ Re.0.40 per share (Previous year Re.0.47 per share)		(3,135,514)	(3,684,229)
Proposed Dividend on Preference Shares @ Re.Nil per share (Previous year Re. 0.23 per share)		-	(1,802,920)
Proposed Dividend on Equity Shares @ Rs. 1.25 per share (Previous year Rs. 1.50 per share)		(26,007,556)	(31,209,068)
Tax on Dividends		(8,900,632)	(6,701,035)
BALANCE CARRIED TO BALANCE SHEET		228,558,366	89,683,257
SIGNIFICANT ACCOUNTING POLICIES	23		
NOTES TO ACCOUNTS	24		
Earnings Per Share (Basic and Diluted) (See note 10 of Schedule 24)			
Face value per Share Rs. 10/-			
On profit after tax and before exceptional items		14.80	12.28
On profit after tax and exceptional items		14.43	13.86

As per our report of even date attached

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt
(Partner - F 36647)

Kushal N. Desai
Managing Director

V. A. Gore
Director

D. C. Patel
Company Secretary

For and on behalf of the Board of Directors

Dated : 17th June, 2005
Place : Mumbai

Dated : 17th June, 2005
Place : Mumbai

16th Annual Report 2004-2005

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

	Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
SCHEDULE "1" - SHARE CAPITAL			
(A) Authorised :			
26,000,000 Equity Shares of Rs.10/- each		260,000,000	260,000,000
49,000,000 Redeemable Preference Shares of Rs.10/- each		490,000,000	490,000,000
		750,000,000	750,000,000
(B) Issued, Subscribed and Fully Paid Up :			
i) 20,806,045 Equity Shares of Rs.10/- each	208,060,450		208,060,450
Less: Calls unpaid	11,481		14,090
		208,048,969	208,046,360
ii) 7,838,785 - 10% Redeemable Cumulative Preference Shares (Series I) of Rs.4/- each (Previous year Rs.7/- each) (Refer note below)	31,355,140		54,871,495
Less: Calls unpaid	84,197		103,345
		31,270,943	54,768,150
TOTAL		239,319,912	262,814,510
Note: As per terms of issue, Preference Shares at item No. B(ii) were redeemed to the extent of Rs.3 per share on 01.04.2004. The balance as on 31.03.2005 is redeemable at par on 01.04.2005 and was redeemed on the said date.			
SCHEDULE "2" - RESERVES AND SURPLUS			
CAPITAL RESERVE :			
As per last Balance Sheet	4,824,718		4,588,240
Add:- Share Premium received during the year *	30,349		236,478
		4,855,067	4,824,718
CAPITAL REDEMPTION RESERVE			
As per last Balance Sheet	173,516,355		150,000,000
Add: Transfer from Profit and Loss Account	23,516,355		23,516,355
		197,032,710	173,516,355
DEBENTURE REDEMPTION RESERVE :			
As per last Balance Sheet	30,000,000		15,000,000
Add: Transfer from Profit and Loss Account	15,000,000		15,000,000
		45,000,000	30,000,000
EXCHANGE FLUCTUATION RESERVE :			
As per last Balance Sheet	50,000,000		-
Less: Transfer (to) / from Profit and Loss Account	(50,000,000)		50,000,000
		-	50,000,000
GENERAL RESERVE :			
As per last Balance Sheet	100,000,000		41,499,332
Add :- Transfer from Profit and Loss Account	100,000,000		58,500,668
		200,000,000	100,000,000
SURPLUS IN PROFIT AND LOSS ACCOUNT			
		228,558,366	89,683,257
TOTAL		675,446,143	448,024,330

* Unpaid share premium on calls unpaid as on 31.3.2005 Rs. 95,678 (Previous year Rs. 126,027) to be accounted when received.

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

	Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
SCHEDULE "3" - SECURED LOANS			
(1) Debentures :			
250,000 - 10% Non-Convertible Debentures of Rs. 1,000/- each Redeemable at par in five equal annual installments commencing from 31st March, 2007. (Refer note 'a' below)		250,000,000	250,000,000
(2) From Banks :			
(i) Cash Credit/Working Capital Demand Loans		689,448,228	611,970,655
(ii) Term Loan		131,372,000	39,712,499
(3) From Financial Institutions :			
Term Loans		55,967,625	294,886,139
(4) Hire Purchase Finance		-	7,730
(5) Other Loans		263,640	906,510
(6) Sales Tax Deferment Loan		6,684,495	6,684,495
TOTAL		<u>1,133,735,988</u>	<u>1,204,168,028</u>

Notes:

- Debentures are secured by way of mortgage of specified properties and charge on movables and current assets of the Company ranking third in priority of charge.
- Term Loans from Financial Institutions are secured by :
 - first charge* by way of equitable mortgage of the Company's specified immovable properties both present and future and first charge* by way of hypothecation of the Company's specified moveable properties (save and except book debts) including movable machineries, spares and tools and accessories, present and future, subject to prior charges * in favour of Company's bankers on specified movables for securing borrowings for working capital requirements.
 - first charge* by way of hypothecation of all movable properties acquired out of the proceeds of the concerned loans.
- The Cash Credit/Working Capital Demand Loans from banks are secured by:
 - hypothecation of specified stocks and specified book debts.
 - joint mortgage of specified fixed assets ranking second and subsequent in point of priority to the mortgage created in favour of financial institutions for term loans.
- Certain Term Loans from Financial Institutions / Cash Credit / Working Capital Demand Loans referred to in (b) & (c) above are further secured by certain immovable properties of Apar Corporation Private Limited.
- Loans amounting to Rs.745,415,853/- included in item No. (2) and (3) is, in addition to the securities specified above, secured by personal guarantee of one or more Directors and loan under item no. 2 includes foreign currency loan aggregating to Rs.131,372,000/- which are secured by Relief Bonds owned and held by directors in their own name.
- Other loans represent loan from banks for purchase of cars, against which the security has been created.
- The first charge in respect of loans referred to in Note(b) and (c) above will not extend to specific items of machinery purchased and/or to be purchased by the Company under the Deferred Payment Facilities, Hire Purchase and Asset Credit Scheme.
- The Sales Tax Deferment loan represents sales tax collected on sales and not paid pursuant to the Sales Tax Deferment facility. This loan is secured by joint mortgage of specified fixed assets ranking on pari pasu basis with charges created as per (b) above and is repayable in 6 annual installments commencing from 30th May, 2006.
- Loans under item 2(ii), 3, 4 and 5 include amounts repayable within a year Rs.166,970,010/- (Previous year Rs.288,954,386/-)
* denotes charge created / to be created.

SCHEDULE "4" - UNSECURED LOANS

(1) Fixed Deposits :			
(a) From public	81,190,000		55,716,000
(b) From directors	38,500,000		38,500,000
(c) Unclaimed deposits from public	-		34,000
		119,690,000	94,250,000
(2) Sales Tax Deferment loan (Refer Note 2 below)		18,044,000	27,066,000
(3) Loans from Directors	137,500,000		-
(4) Inter Corporate Deposits	44,706,785		200,112,653
TOTAL		<u>182,206,785</u>	<u>200,112,653</u>
		<u>319,940,785</u>	<u>321,428,653</u>

Notes:

- Loans indicated at 1 and 2 above includes amount of Rs. 78,141,000 (previous year Rs. 74,047,000) payable within a year. Other loans are repayable at call.
- This represents Sales tax collected on sales and not paid pursuant to the sales tax deferment facility. These loans are secured by personal guarantee of one or more directors and are payable in two installments.

16th Annual Report 2004-2005

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

	Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
SCHEDULE "5" - DEFERRED TAX LIABILITY (NET)			
Deferred tax liability arising on account of timing difference in:			
Book and Tax depreciation		146,937,277	159,231,747
Less: Deferred tax asset arising on account of timing differences in :			
(i) Provision for doubtful debts and advances	8,913,021		9,025,575
(ii) Provision for gratuity and leave encashment	3,870,541		2,938,749
(iii) Amortisation of payments under Employee's Voluntary Retirement Scheme	-		962,347
(iv) Amortisation of technical know-how fees	267,253		427,133
		13,050,815	13,353,804
TOTAL		133,886,462	145,877,943

SCHEDULE "6" - FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				WRITTEN DOWN VALUE	
	As at 1st April, 2004 Rupees	Additions Rupees	Deductions Rupees	As at 31st March, 2005 Rupees	As at 1st April, 2004 Rupees	Deductions/ adjustments Rupees	For the year Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
Land										
Freehold	9,903,961	13,684,030	(566,460)	23,021,531	-	-	-	-	23,021,531	9,903,961
Leasehold (Refer Note 1 below)	43,460,011	-	-	43,460,011	4,071,498	-	621,544	4,693,042	38,766,969	39,388,513
Buildings (Refer Note 2 & 3 below)	293,394,240	7,422,087	(1,563,250)	299,253,077	47,693,526	(199,601)	6,795,784	54,289,709	244,963,368	245,700,714
Plant and Machinery (Refer Note 4 below)	1,026,170,428	48,357,886	(2,309,841)	1,072,218,473	497,035,677	(1,745,931)	60,121,031	555,410,777	516,807,696	529,134,751
Wind Farm	96,970,140	-	-	96,970,140	80,793,838	-	10,026,710	90,820,548	6,149,592	16,176,302
Furniture, fixture and equipments	74,392,413	4,171,781	(140,122)	78,424,072	56,619,680	(90,483)	4,588,212	61,117,409	17,306,663	17,772,733
Motor Vehicles	26,504,251	1,592,326	(2,169,659)	25,926,918	13,260,806	(1,807,825)	3,440,857	14,893,838	11,033,080	13,243,445
TOTAL (RS.)	1,570,795,444	75,228,110	(6,749,332)	1,639,274,222	699,475,025	(3,843,840)	85,594,138	781,225,323	858,048,899	871,320,419
Previous year	1,532,382,990	68,454,327	(30,041,873)	1,570,795,444	637,520,542	(22,238,836)	84,193,319	699,475,025		
Capital work-in-progress including advances on capital account.									102,977,414	17,682,129
									961,026,313	889,002,548

Notes:

1. Cost of leasehold land at GIDC, Valia includes Rs. 2,108,762 (Previous year Rs 2,108,762) being the cost fixed on tentative basis.
2. Buildings include :
 - (i) ownership flats in Co-operative Housing Societies which are registered in the name of directors (as nominee) Cost Rs.2,084,450 (Previous year Rs. 2,084,450) (includes Rs.750 being cost of 15 shares of Rs.50 each) in a Co- Operative Housing Society. The beneficial interest therein vests in the Company.
 - (ii) Rs 2,000 being cost of 20 shares of Rs 50/- each and 10 shares of Rs.100/- each in Co-operative Premises Societies in the name of the Company.
 - (iii) an ownership flat to be registered in the name of the Company.
3. Buildings (gross block) include renovation of rented premises Rs. 3,857,077 (Previous year Rs.3,857,077) which is being depreciated at prescribed rates.
4. The ownership of assets acquired under hire purchase will rest with owners till the payment of final instalments.

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

	Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
SCHEDULE "7" - INVESTMENTS - (At Cost)			
I. Long-term, non-trade and unquoted, unless otherwise stated			
A. Government of India Securities:			
(i) 7 Year National Savings Certificates (including Rs. 6,000) (Previous year Rs.6,000) held as security by the Government Departments	10,240		10,240
(ii) 12 Year National Defence Certificates	6,000		6,000
(iii) Kisan Vikaspatra (pledged with Maharashtra Water & Sewage Board)	1,000		1,000
(iv) 6 Year National Savings Certificates (held as security by Government Departments)	7,000		7,000
		24,240	24,240
B. In Equity Shares:			
Trade:			
(i) 247,500 shares (Previous year 247,500) of Bharuch Eco- Aqua Infrastructure Limited of Rs. 10/- each, fully paid up	2,475,000		2,475,000
(ii) 1,751 shares (Previous year 1,751) of Bharuch Enviro Infrastructure Limited of Rs. 10/- each fully paid up.	17,510		17,510
(iii) Investment in Subsidiary 100,000 (Previous year nil) Ordinary Shares of S\$ 1/- each fully paid in Petroleum Specialities Pte. Limited, Singapore	2,643,645		-
Non Trade:			
4,200 Shares of Natpur Co-operative Bank Limited of Rs. 50 each	210,000		210,000
		5,346,155	2,702,510
II. Current Investments :			
Units of Mutual Fund :			
(i) 1,504 Units of Rs. 10/- each (Previous year 1,504 units) in IDBI - PRINCIPAL Cash Management Fund (Liquid Option Growth Plan) - current		18,550	18,550
(ii) Nil Units of Rs. 10/- (Previous year 253,212) in Prudential ICICI Liquid Plan - (Daily Dividend Option)		-	3,000,000
(iii) 843,878 Units of Rs. 10/- (Previous year Nil) in Prudential ICICI Liquid Plan Institutional Plus - (Daily Dividend Option)		10,000,000	-
TOTAL		15,388,945	5,745,300

Note : Movements in investments in Mutual Funds during the year is as follows.

	Units Purchased and Sold
Prudential ICICI Liquid Plan - Daily Dividend Option	2,196,943
Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option	5,064,598
Prudential ICICI Liquid Plan	2,067,175

16th Annual Report 2004-2005

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
SCHEDULE "8" - INVENTORIES		
As valued and certified by the Management:		
Stores and spare parts	34,889,331	24,122,934
Raw materials and components#	842,434,764	794,502,420
Work-in-progress	54,190,334	70,251,503
Finished goods*	212,231,706	217,034,372
Scrap	343,340	93,872
TOTAL	1,144,089,475	1,106,005,101

Including Raw materials in transit Rs.131,492,112 (Previous year Rs.194,441,171)

* Including Stock of traded goods Rs.4,881,759 (Previous year Rs.5,676,063)

SCHEDULE "9" - SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Secured	: Considered good	6,933,790	6,995,501
Unsecured	: Considered good	162,207,268	383,404,206
	: Considered doubtful	26,471,700	28,295,475
		<u>195,612,758</u>	<u>418,695,182</u>

Other debts - Considered good

Secured		5,197,303	5,364,844
Unsecured		1,782,212,495	1,494,906,060
		<u>1,787,409,798</u>	<u>1,500,270,904</u>
		26,471,700	28,295,475
TOTAL		1,956,550,856	1,890,670,611

SCHEDULE "10" - CASH AND BANK BALANCES

Cash on hand		865,779	1,285,816
Balances with Scheduled Banks :			
in current accounts	209,437,207		188,992,377
in deposit accounts	14,321,196		32,777,432
in margin money accounts#	476,263,089		599,522,574
		<u>700,021,492</u>	<u>821,292,383</u>
TOTAL		700,887,271	822,578,199

includes deposits of Rs. 267,500,000 pledged as security for Letters of Credit aggregating Rs. 441,417,063 rolled over.

SCHEDULE "11" - OTHER CURRENT ASSETS

Fixed Assets intended for sale/disposal

(At lower of cost and estimated net realisable value)

Land		35,715	35,715
Building		196,213	196,213
Plant and Machinery		500,000	500,000
TOTAL		731,928	731,928

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2005

	Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
SCHEDULE "12" - LOANS AND ADVANCES			
Unsecured, considered good, unless otherwise stated :			
a) Advances recoverable in cash or in kind or for value to be received *			
Considered good	447,374,381		295,509,891
Considered doubtful	<u>1,000,000</u>		<u>1,000,000</u>
		448,374,381	296,509,891
Less:- Provision for doubtful advances		<u>1,000,000</u>	<u>1,000,000</u>
		447,374,381	295,509,891
b) Balances with Excise Department : in current account		4,186,720	279,400
c) Advance payments of tax less provisions		43,052,272	19,116,383
d) Interest accrued but not due on deposits		4,634,062	5,336,255
TOTAL		499,247,435	320,241,929
* Includes Rs.10,339,463 being excise duty paid under protest (Previous year Rs.13,959,736)			
SCHEDULE "13" - CURRENT LIABILITIES			
Sundry creditors (Refer Note 6 of Schedule '24') (Includes due to subsidiary company Rs.46,094,987 [previous year Rs. Nil])		2,354,344,598	2,266,374,121
Other liabilities		322,506,508	338,044,088
Unclaimed dividend (to be credited to Investor Education and Protection Fund when due)		4,250,576	3,999,531
Interim dividends * :			
Equity shares		20,806,045	-
Preference shares		3,135,514	-
Book overdraft		49,125,028	-
Interest accrued but not due on loans		13,153,593	9,070,983
TOTAL		2,767,321,862	2,617,488,723
Sundry creditors include Rs. 441,417,063 (Previous year 338,901,632) being Letters of Credit rolled over.			
* since paid			
SCHEDULE "14" - PROVISIONS			
For gratuity (In respect of Directors)		2,942,500	2,682,500
For leave encashment		8,553,018	10,234,564
For proposed dividend :			
Preference Shares		-	1,802,920
Equity Shares		26,007,556	31,209,068
For tax on proposed dividends		3,647,560	4,229,662
TOTAL		41,150,634	50,158,714
SCHEDULE "15" - MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
Voluntary Retirement Compensation			
Opening Balance	14,985,285		21,029,677
Add: Incurred during the year	<u>29,923,337</u>		<u>-</u>
	44,908,622		21,029,677
Less: Amortized during the year	<u>12,029,059</u>		<u>6,044,392</u>
		32,879,563	14,985,285
TOTAL		32,879,563	14,985,285

16th Annual Report 2004-2005

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Rupees	2004-2005 Rupees	2003-2004 Rupees
SCHEDULE "16" - SALE OF GOODS, SERVICES AND RELATED RECOVERIES (NET OF EXCISE)			
Sales	8,849,354,659		6,929,552,113
Less: Excise duty	<u>(1,139,665,147)</u>		<u>(764,407,292)</u>
		7,709,689,512	6,165,144,821
Sale of traded goods		15,003,353	13,917,840
Sale of raw materials		165,715,426	152,197,863
Scrap sales		27,369,457	26,145,274
Export benefits		102,471,112	59,088,838
Rebate/refund of excise duty on deemed/physical exports		110,777,230	66,198,186
Packing, handling and transport charges recovered		197,016,894	142,375,637
Processing and other service charges		32,747,489	36,306,323
TOTAL		<u>8,360,790,473</u>	<u>6,661,374,782</u>
SCHEDULE "17" - OTHER INCOME			
Value of power generated by Wind Mill		9,902,269	8,821,348
Commission		1,314,952	1,022,117
Rent		968,220	1,832,575
Profit on sale/disposal of fixed assets (net)		684,020	246,594
Provision for expenses written back		6,030,456	6,944,162
Provision for doubtful debts written back		16,135,861	3,019,741
Dividend / Profit on sale of current investments		41,696	45,033
Sundry Income		30,262,692	26,487,904
TOTAL		<u>65,340,166</u>	<u>48,419,474</u>
SCHEDULE "18" - OPERATING AND OTHER EXPENSES			
Raw materials and components consumed		6,557,936,457	5,103,099,084
Purchase of traded goods		12,764,856	12,403,389
Excise duty		1,914,116	7,942,501
Power, electricity and fuel		147,586,879	165,006,461
Stores, spare parts and packing materials (Refer note below)		304,097,201	252,544,834
Storage charges		13,978,792	16,543,400
Processing charges		1,515,878	1,590,562
Repairs and maintenance :			
Buildings	2,361,432		2,882,483
Plant and machinery	15,837,882		13,904,502
Others	5,507,910		6,191,118
		23,707,224	22,978,103
Insurance		17,655,286	16,563,398
Rent		2,034,574	2,395,711
Rates and taxes		11,774,324	12,508,553
Payment to and provision for employees :			
Salaries, wages and bonus (Refer Note 5(A) of Schedule "24")	111,353,653		121,849,101
Contribution to provident and other funds (including gratuity in respect of a director not ascertained)	13,079,263		14,129,019
Commission to Chairman, Managing Director and Joint Managing Director	10,446,129		8,558,532
Provision for gratuity in respect of directors (Refer Note 5(A) of Schedule "24")	260,000		180,500
Workmen and staff welfare expenses	14,121,281		14,213,869
		<u>149,260,326</u>	<u>158,931,021</u>
Carried forward		<u>7,244,225,913</u>	<u>5,772,507,017</u>

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Rupees	2004-2005 Rupees	2003-2004 Rupees
SCHEDULE "18" - OPERATING AND OTHER EXPENSES (Contd.)			
Brought forward		7,244,225,913	5,772,507,017
Directors' sitting fees		257,500	157,500
Lease rentals		150,390	588,246
Freight outward		288,969,946	246,128,534
Commission on sales		47,542,578	60,425,101
Discounts and rebates		16,147,428	7,846,215
Advertisement expenses		1,520,886	989,600
Donations		1,572,592	3,340,503
Legal and Professional fees		22,386,900	17,974,733
Miscellaneous expenses		117,879,378	111,194,011
Bad debts and advances written off	9,287,909		23,032,866
Less: Provision for doubtful debts utilised	<u>(279,800)</u>		<u>(2,880,783)</u>
		9,008,109	20,152,083
Provision for doubtful debts		14,591,886	14,131,051
Bank charges and commission		80,925,599	66,492,875
Loss on fixed assets written down/sold (net)		-	4,500,000
TOTAL		<u>7,845,179,105</u>	<u>6,326,427,469</u>
Note:- Stores and Spares consumed include expenses in respect of repairs and maintenance of plant and machinery for which amounts have not been separately ascertained .			
SCHEDULE "19" - DECREASE / (INCREASE) IN STOCKS			
Opening stock of finished goods, work-in-progress and scrap	287,379,747		252,304,011
Closing stock of finished goods, work-in-progress and scrap	<u>266,765,380</u>		<u>287,379,747</u>
		20,614,367	(35,075,736)
TOTAL		<u>20,614,367</u>	<u>(35,075,736)</u>
SCHEDULE "20" - INTEREST AND DISCOUNTING CHARGES			
On loans for fixed periods* includes finance charges under Hire Purchase agreement Rs. Nil (Previous year Rs. 125,177)	52,456,170		53,334,935
On others*	<u>132,204,186</u>		<u>110,090,415</u>
		184,660,356	163,425,350
Less: Interest earned- gross (tax deducted at source Rs.7,171,484 (Previous year Rs. 1,168,792) On bank deposits Others	(34,630,088) (8,993,023)		(10,616,671) (2,756,896)
		(43,623,111)	(13,373,567)
TOTAL		<u>141,037,245</u>	<u>150,051,783</u>
* includes interest paid to Managing Director and Joint Managing Director Rs. 15,162,487 (Previous year Rs. 19,899,966)			
SCHEDULE "21" - EXCEPTIONAL ITEMS (NET OF TAX)			
Amortisation of VRS compensation		12,029,059	8,285,485
Profit on sale of fixed assets retired from use in earlier years		-	(42,805,930)
Current Income-tax on above		(4,400,000)	1,625,000
TOTAL		<u>7,629,059</u>	<u>(32,895,445)</u>

16th Annual Report 2004-2005

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Rupees	2004-2005 Rupees	2003-2004 Rupees
SCHEDULE "22" - PRIOR PERIOD ADJUSTMENTS (NET)			
INCOME			
Export Benefits		<u>6,698,979</u>	<u>92,249</u>
		6,698,979	92,249
EXPENDITURE			
Discounts and rebates	7,900,900		-
Miscellaneous expenses	<u>766,583</u>		<u>8,061</u>
		8,667,483	8,061
TOTAL		<u>(1,968,504)</u>	<u>84,188</u>

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE "23"

1. Significant accounting policies followed (General):-

The financial statements are prepared on accrual basis under the historical cost convention and comply in all material aspects with the Accounting Standards issued by the Institute of Chartered Accountants of India, the provisions of the Companies Act, 1956 and the generally accepted accounting principles in India.

2. Significant accounting policies followed (Specific): -

(A) Fixed assets, Depreciation and Amortization:-

- (i) Fixed assets are stated at cost of acquisition / construction (net of CENVAT) less accumulated depreciation. Cost includes purchase price and other costs attributable to acquisition / construction of fixed assets.
- (ii) Depreciation on assets is provided at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 (except as stated in (iii) below)
 - (a) in respect of assets of Polymers Division at Valia, on straight line method, and;
 - (b) in respect of assets of other Divisions, on written down value method except in respect of building and plant and machinery purchased after 30.4.1987, which are depreciated on straight line method.

Certain items of plant and machinery which have been considered to be continuous process plant by the management are depreciated at the prescribed rates.
- (iii) In the cases where the estimated useful life of the asset is less as compared to useful life estimated in Schedule XIV of the Companies Act, 1956, such assets are depreciated at rates higher than those prescribed under Schedule XIV of the Companies Act, 1956.
- (iv) No depreciation is provided in the year of disposal. However, this has no impact on the profits for the year as the corresponding effect is reflected in the items of profit or loss on sale / disposal of fixed assets.
- (v) In respect of assets costing less than Rs.5,000 each and temporary structures, 100% depreciation is provided in the year of addition.
- (vi) Capital Expenditure in respect of which ownership does not vest with the Company is amortized over a period of five years. Leasehold land is amortized over the period of lease.
- (vii) Borrowing costs attributable to acquisition/construction of qualifying assets within the meaning of the accounting standard 16 on "borrowing costs" are capitalised as a part of the cost of fixed assets.

(A1) Impairment of assets: -

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized in the Profit and Loss Account wherever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use.

(B) Investments: -

All long term investments are stated at cost. Provision for diminution in value of long term investments is made if it is of permanent nature. Current investments are valued at lower of cost and market value.

Apar Industries Limited

(C) Inventories :-

Inventories are valued at lower of cost and net realisable value (cost of finished goods includes material cost, cost of labour and attributable manufacturing overheads) on the basis of full absorption costing. Cost of materials is arrived at on FIFO basis. Inventory of scrap is valued at estimated realisable value. Inventories of Finished Goods include excise duty as applicable.

(D) Government Grants: -

- (i) Government grants are recognised in the financial statements when they are received and there is reasonable assurance that the Company will comply with the conditions attached to them.
- (ii) Government grants, which are in the nature of refundable interest free loans received from government/semi-government authorities, are credited to secured/unsecured loans.
- (iii) Government grants which are in the nature of subsidies received from government/semi-government authorities and which are non-refundable are credited to reserves.

(E) Voluntary Retirement Schemes:-

Compensation paid under voluntary retirement schemes is amortized over a period of 5 years.

(F) Revenue recognition: -

- (i) Sale of goods is recognised on despatch to customers and on date of shipment in case of exports. Sales exclude amounts recovered towards sales tax but include excise duty recovered and is net of returns.
- (ii) Price variation claims are accounted in accordance with the terms of contract and/or upon admittance by customers.
- (iii) Dividend income on investment is recognised when the right to receive payment is established.
- (iv) In respect of service activities, income is recognised as and when services are rendered.

(G) Retirement benefits: -

Retirement benefits to employees are provided for by payments to provident funds and in respect of certain employees also by contribution to superannuation fund. The gratuity liability in respect of employees is determined on the basis of an actuarial valuation and is funded with a trust. The gratuity liability in respect of all the Whole-time Directors of the Company, except one director, (See note 6(A) of Schedule '24') is ascertained on an arithmetical basis and is not funded.

Liability on account of unencashed leave salary is provided on the basis of an actuarial valuation.

(H) Translation of foreign currency :-

- (i) The Company translates foreign currency transactions during the year, at the conversion rates notified by the custom authorities.
- (ii) Monetary items remaining unsettled at the year end are translated/reported at the year end rate. Exchange differences arising on such revaluation are recognised in the Profit and Loss Account except exchange differences pertaining to acquisition of fixed assets, which are adjusted in the carrying cost of the fixed assets.
- (iii) Non-Monetary items (other than fixed assets) are reported at the exchange rate at which they are accounted.
- (iv) In case of forward contracts, the difference between the forward rate and the exchange rate prevailing on the date of the transaction is recognised as income or expense over the life of the contract, except in respect of liabilities incurred for acquiring fixed assets where the difference is adjusted in the carrying cost of the fixed asset.

(I) Hedging transactions (Aluminium):-

All gains or losses in respect of hedging transactions are recognised in the financial statements on settlement/squaring off. Commission etc. in respect of such transactions is accounted on accrual basis.

(J) Export benefits/Incentives: -

The Company accounts for excise duty rebate on deemed exports and duty entitlements on physical exports on accrual basis. Premium on special import licence is credited in the accounts as and when realised. The benefits in the form of entitlements to Advance Licenses for duty free import of raw materials in respect of exports made are accounted when such imports are made.

(k) Claims against the Company not acknowledged as debts: -

The demands under disputed showcause notices / orders of statutory authorities are provided in the accounts on the basis of management's estimate and the balance, if any are included in contingent liability.

(L) Taxes on income:-

Provision for taxation is made for both current and deferred taxes. Provision for current tax is made, at current rate of tax, based on assessable income. Deferred tax resulting from timing differences between the book profits and the tax profits is accounted for to the extent that the timing differences are expected to crystallise.

Deferred tax assets are not recognised on unabsorbed depreciation and carry forward losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets will be realised.

16th Annual Report 2004-2005

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

SCHEDULE "24"

	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
1. Contingent liabilities not provided for :		
(a) Bills of exchange discounted	81,492,278	201,288,466
(b) Taxation: Disputed demands of income tax	18,958,959	38,554,636
(c) Guarantee given by the Company for credit facilities enjoyed by the Wholly Owned Subsidiary	218,950,000	—
(d) Claims against the Company not acknowledged as debts -		
(i) Demand/Show cause-cum-demand notices received and contested by the Company with relevant appellate authorities: Excise duty (also refer note below)	30,523,994	27,624,698
Custom duty	3,870,357	3,870,357
Sales tax (including amount deposited Rs.290,000)	1,100,000	1,100,000
Note: The Company had executed certain deemed export orders of conductors in respect of which the Company availed duty exemption on basis of eligibility certificates issued by project authorities. The central excise authorities have subsequently raised demands aggregating Rs.179,721,592 (previous year Rs. 179,721,592) (against which Rs.50 lacs has been deposited under protest) disputing the eligibility for exemption. The Company has preferred appeals against these demands before the appellate authorities. In case of these demands becoming payable, the same would be either settled by the customer or would be recoverable. Thus, it would be revenue neutral for the Company. Accordingly, such demands are not considered as contingent liabilities and hence not included above.		
(ii) Demand / charges levied by the Local Authorities	18,073,928	16,718,963
(iii) Labour matters (excluding matters for which amounts are indeterminate)	4,375,620	400,000
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	50,349,610	3,176,152
3. Exchange rate difference, in case of forward contracts not expired and pertaining to the future period.	1,246,082	1,355,251
	Year ended 31st March, 2005 Rupees	Year ended 31st March, 2004 Rupees
4. (A) Auditors' remuneration :		
i) For Audit fees	1,400,000	1,512,000
ii) Other services	459,040	476,800
iii) Out of pocket expenses	29,130	59,592
	<u>1,888,170</u>	<u>2,048,392</u>
(B) Cost Auditor's remuneration:		
i) For Audit fees	50,000	54,000
ii) Out of pocket expenses	2,372	3,078
	<u>52,372</u>	<u>57,078</u>
5. Payment to directors:		
A. Remuneration to directors		
Directors' sitting fees	257,500	157,500
Salaries and other benefits/amenities	8,886,449	7,892,016
Provision for gratuity (ascertained on arithmetical basis) - see note (b) below	260,000	180,500
Commission as per item B below	10,446,129	8,558,532
	<u>19,850,078</u>	<u>16,788,548</u>

Apar Industries Limited

SCHEDULE "24" (Contd.)

NOTES:

- (a) In the case of personal use of Company's cars, recoveries have been made from the Directors on the basis of the Income-tax Rules, 1962, which the Company considers as sufficient.
- (b) In case of a director, gratuity amount is not ascertainable as this is included in the actuarial valuation carried out for the Company as a whole.

	Year Ended 31st March, 2005 Rupees	Year Ended 31st March, 2004 Rupees
B. Computation of net profit under Section 309(5) of the Companies Act, 1956 and commission payable to the directors:		
Net profit before tax and gross amount of exceptional items as per profit and loss account - as per details below #	330,522,768	317,539,340
Add: As per details below *	<u>105,444,216</u>	<u>101,066,055</u>
	435,966,984	418,605,395
Less: As per details below @	<u>87,762,642</u>	<u>133,320,995</u>
Net profit as per Section 349	<u>348,204,342</u>	<u>285,284,400</u>
Aggregate amount of 1% Commission payable to each - Chairman, Managing Director and Joint Managing Director	<u>10,446,129</u>	<u>8,558,532</u>
Maximum remuneration that can be paid @10% of net profits	<u>34,820,434</u>	<u>28,528,440</u>
# Operating profit before Taxation	342,551,827	283,018,895
Exceptional Items (gross of tax)	<u>(12,029,059)</u>	<u>34,520,445</u>
	<u>330,522,768</u>	<u>317,539,340</u>
* Depreciation charged in accounts	85,594,138	84,193,319
Directors' remuneration (other than commission)	9,403,949	8,230,016
Directors' commission	10,446,129	8,558,532
Prior year adjustments	-	84,188
	<u>105,444,216</u>	<u>101,066,055</u>
@ Depreciation as per Section 350	85,594,138	84,193,319
Wealth-tax for the year	200,000	200,000
Profit on sale of fixed assets as per accounts	-	43,051,524
Loss on sale of fixed assets as per Section 350	-	5,875,152
Prior year adjustments	<u>1,968,504</u>	<u>-</u>
	<u>87,762,642</u>	<u>133,320,995</u>
	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
6. (a) Sundry Creditors include amounts due to small scale industrial undertakings.	1,347,168	6,394,349
(b) Names of Small Scale Undertakings to whom the Company owes a sum outstanding for more than 30 days.		
1. M/s Core Chemicals Pvt. Ltd 2. M/s Perfect Speciality Product		
3. M/s Shefjo Plastics 4. M/s Syscon Project Systems Pvt. Ltd.		
5. M/s Sahyadri Enterprises		
The above disclosure is based on the information/documents available with the Company.		
6A. Provision for doubtful debts :		
Provision for doubtful debts, beginning of the year	28,295,475	20,064,948
Add: Provision for the year	14,591,886	14,131,051
Less: (i) Provision no longer required written back	(16,135,861)	(3,019,741)
(ii) Provision utilised during the year	<u>(279,800)</u>	<u>(2,880,783)</u>
Provision for doubtful debts, end of the year	<u>26,471,700</u>	<u>28,295,475</u>

16th Annual Report 2004-2005

SCHEDULE "24" (Contd.)

7. Related Party Disclosures

A. List of Related Parties

a) Subsidiary Company :

Petroleum Specialities Pte. Limited, Singapore
(with effect from 16.04.2004)

b) Key Managerial Personnel :

Dr. N. D. Desai - Chairman (was also Managing Director till 31.05.2004)
Mr. K.N. Desai - Managing Director
Mr C.N. Desai - Jt. Managing Director (with effect from 01.06.2004)
Mr. M. M. Patel - Director

c) Entities over which key management personnel exercise significant influence :

Apar Corporation Private Limited
Scope Private Limited
Consumers Services Private Limited
Ceom Private Limited
Ness Technologies (India) Limited
Dharmsinh Desai HUF No.1

B. The following transactions were carried out with the Related Parties in the ordinary course of business:

(i) Subsidiary Company :

(Rupees)

Sr. No.	Transactions	2004-2005	2003-2004
1.	Purchase of raw material	323,853,412	-
2.	Reimbursement (received) of expenses	3,251,333	-
3.	Guarantees given by the Company for the benefit of the subsidiary	218,950,000	-
4.	Balances outstanding as on Balance Sheet date - payable to subsidiary for supply of raw materials.	46,094,987	-
5.	Acquisition of shares/investment	2,643,645	-

(ii) Key Managerial Personnel :

Sr. No.	Transactions	2004-2005	2003-2004
1.	Interest paid	21,843,288	28,035,274
2.	Director's remuneration	19,592,578	16,788,548
3.	Conversion of Preference Shares into Debentures	-	46,000,000
4.	Redemption of Preference Shares	6,810,054	6,810,054
5.	Dividends paid	32,105,735	34,873,982
6.	Outstanding as on 31.3.2005		
	Loans and Deposits	176,000,000	38,500,000
	Debentures	115,000,000	115,000,000
	Refer note (e) of schedule 3 for details of undertakings / security given by key managerial personnel in connection with the Company's borrowings.		

(iii) Entities over which key management personnel exercise significant influence :

Sr. No.	Transactions	2004-2005	2003-2004
1.	Interest paid	25,949,311	23,993,637
2.	Purchase of raw material	111,151,788	-
3.	Rent paid	1,238,000	1,140,000
4.	Rent received	674,500	798,000
5.	Conversion of Preference Shares into Debentures	-	54,000,000
6.	Redemption of Preference Shares	945,387	945,390
7.	Dividends paid	225,583	616,344
8.	Outstanding (credit balances) as on 31.3.2005 :		
	Loans and Deposits	62,706,785	218,112,653
	Debentures	135,000,000	135,000,000
	For supply of raw materials	1,540,819	-
	Refer note (d) of schedule 3 for details of undertakings / security given by the said entities in connection with the Company's borrowings.		

Apar Industries Limited

SCHEDULE "24" (Contd.)

8. (a) During the year, with a view to adopt an accounting policy that is consistent across all its businesses, the Company changed its accounting policy for valuation of inventories of the Special Oils Refinery Division with effect from January 1, 2005, resulting in cost of materials now being determined on first-in-first-out basis. Hitherto, the cost of materials of this Division was determined on a weighted average rate based on the purchases of each quarter. As a result of this change, the inventory of raw materials, finished goods and work in process as at the Balance Sheet date is higher by Rs. 3,124,781 and accordingly the profit before tax for the year is higher by the said amount.
- (b) Current Liabilities include Rs. 11,733,785 (Previous year Rs. Nil) being net liability in respect of unexpired foreign currency forward contracts.
9. The Company's operations predominantly relate to manufacture of Polymers, Conductors and Transformer/Speciality Oils which businesses have been identified as primary segments based on the Company's risk profile and internal reporting structure.

a. Business Segments

(Rupees in lacs)

Particulars	Conductor		Transformer & Speciality Oils		Polymers		Eliminations		Consolidated Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
REVENUE										
External Sales	27,044.27	23,617.73	42,043.35	29,866.69	14,520.28	13,129.32	—	—	83,607.90	66,613.74
Other Income	282.88	121.16	221.00	204.18	107.14	147.21	—	—	611.02	472.55
Inter-segment Sales	—	12.40	36.85	56.83	—	—	(36.85)	(69.23)	—	—
Total Revenue	27,327.15	23,751.29	42,301.20	30,127.16	14,627.42	13,276.53	(36.85)	(69.23)	84,218.92	67,085.75
RESULT										
Segment Result	13.84	969.56	4,810.63	3,537.72	1,722.16	1,482.76	—	—	6,546.63	5,990.04
Unallocable Corporate/ Other expenses (net of miscellaneous income)	—	—	—	—	—	—	—	—	(1,850.71)	(1,313.28)
Operating Profit	—	—	—	—	—	—	—	—	4,695.92	4,676.76
Interest Expense	—	—	—	—	—	—	—	—	(1,846.60)	(1,634.25)
Interest Income	—	—	—	—	—	—	—	—	436.23	133.73
Profit before taxes from ordinary activities	—	—	—	—	—	—	—	—	3,285.55	3,176.24
Income tax :										
Current tax	—	—	—	—	—	—	—	—	(387.00)	(427.00)
Deferred tax	—	—	—	—	—	—	—	—	119.91	196.55
Profit after tax	—	—	—	—	—	—	—	—	3,018.46	2,945.79
OTHER INFORMATION										
Segment assets	13,397.51	15,335.18	25,015.58	20,177.96	9,649.94	10,034.58	—	—	48,063.03	45,547.72
Unallocable Corporate and other assets	—	—	—	—	—	—	—	—	4,716.19	4,802.04
Total Assets	—	—	—	—	—	—	—	—	52,779.22	50,349.76
Segment liabilities	5,260.60	6,962.25	18,760.14	14,910.43	2,466.36	3,980.62	—	—	26,487.10	25,853.30
Unallocable Corporate and other liabilities	—	—	—	—	—	—	—	—	1,597.63	823.17
Total liabilities	—	—	—	—	—	—	—	—	28,084.73	26,676.47
Capital expenditure	435.90	272.81	619.55	261.76	535.71	53.62	—	—	1,591.16	588.19
Capital expenditure - unallocable	—	—	—	—	—	—	—	—	14.06	15.45
Depreciation	239.54	279.44	169.35	165.82	378.19	324.43	—	—	787.08	769.69
Depreciation - unallocable	—	—	—	—	—	—	—	—	68.86	72.24
Non-cash expenses other than depreciation	—	—	—	—	—	22.41	—	—	—	22.41
Non-cash expenses other than depreciation - unallocable	51.45	—	—	—	—	—	—	—	68.84	60.44

16th Annual Report 2004-2005

SCHEDULE "24" (Contd.)

b. Geographical Segments

i) The following table shows the distribution of the Company's sales by geographical market :

(Rupees in lacs)

Revenue	Conductor		Transformer & Speciality Oils		Polymers		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Outside India	8,230.78	11,563.44	4,119.33	3,223.44	471.33	247.57	12,821.44	15,034.45
In India *	18,813.49	12,054.29	37,924.02	26,643.25	14,048.95	12,881.75	70,786.46	51,579.39
Total	27,044.27	23,617.73	42,043.35	29,866.69	14,520.28	13,129.32	83,607.90	66,613.74

* Include deemed exports Rs. 2,284.41 Lacs (Previous year Rs. 4,556.10 lacs).

ii) The Company's tangible fixed assets are located entirely in India.

Segment Revenue and Result

The expenses which are not directly attributable to the business segment are shown as unallocable corporate / other expenses (net of miscellaneous income).

Segment assets and liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, debtors and inventories. Segment liabilities primarily include creditors and other liabilities. Assets and liabilities that cannot be allocated between the segments are shown as a part of unallocable corporate assets and liabilities respectively.

10. Particulars of earnings per share

Particulars	Year Ended 31st March, 2005	Year Ended 31st March, 2004
1. Net profit after tax and before exceptional items [after preference dividend Rs. 31.36 lacs (Previous year Rs.54.87 lacs) and tax on preference dividend Rs. 4.10 lacs (Previous year Rs.7.03 lacs) respectively] - Rs. Lacs	3,078.97	2,554.09
2. Net profit after tax and exceptional items [after preference dividend Rs. 31.36 lacs (Previous year Rs.54.87 lacs) and tax on preference dividend Rs. 4.10 lacs (Previous year Rs.7.03 lacs) respectively] - Rs. Lacs	3,002.68	2,883.05
Weighted average number of Equity Shares outstanding during the year	20,806,045	20,806,045
Nominal value of Equity Shares Rs.	10	10
Earnings per share :		
1. As per item (1) above - Rs.	14.80	12.28
2. As per item (2) above - Rs.	14.43	13.86

11. For additional information required by Part II of Schedule VI to the Companies Act, 1956, see Schedule "25" annexed.

12. Donations include contributions to the Prime Minister's National Relief Fund Rs.226,610 (Previous year Rs. Nil).

13. Information required in terms of Part IV of Schedule VI of the Companies Act, 1956 is attached.

14. Previous year figures have been regrouped, where necessary, to conform to current year's classification.

SCHEDULE ANNEXED TO AND FORMING PART OF NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2005
ADDITIONAL INFORMATION REQUIRED BY PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956
SCHEDULE - "25"

1. Information for class of goods manufactured during the year :

Class of goods	Unit	Licensed Capacity (see notes (b) and (d) below)		Installed Capacity (see notes (a) and (b) below)		Actual Production (see note (c) below)	Turnover (Gross of Excise)		Stock			
		Quantity	No. of Shifts	Quantity	No. of Shifts				Opening		Closing	
							Quantity	Value Rupees	Quantity	Value Rupees	Quantity	Value Rupees
i) Synthetic Rubber, Lattices and Polyblend	MT	12,000@ (12,000)	Not mentioned	18,400 (18,400)	3	17,199 (18,331)	16,185 (17,601)	1,606,891,256 (1,477,368,883)	843 (772)	66,489,426 (66,752,892)	1,031 (843)	98,628,329 (66,489,426)
ii) Transformer Oils (see note (f))	MT	99,500 (99,500)	-do-	155,000 (135,000)	2	78,006 (66,876)	70,726 (55,213)	2,105,685,557 (1,479,634,755)	1,798 (843)	46,278,556 (19,202,662)	1,844 (1,798)	50,190,079 (46,278,556)
	**KL	117,978 (117,978)		for various types of oils covered in (ii) and for other oils for which the company is holding registration								
Refrigeration/Electric Oils	MT	2,000* (2,000)	-do-			- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Special Grade Pharmaceutical Oils	MT	22,250* (22,250)	-do-			32,113 (23,175)	32,336 (22,963)	845,180,003 (568,505,817)	809 (604)	20,455,324 (13,325,878)	580 (809)	15,117,595 (20,455,324)
	**KL	26,807 (26,807)				- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Textile Oils	MT	1,000* (1,000)	-do-			- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	**KL	1,163 (1,163)				- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Rolling Mill Oils	MT	1,000* (1,000)	-do-			- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	**KL	1,227 (1,227)				- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Other Specialities Oils (including R.P.Oils)	MT	159,115* (159,115)	-do-			56,384 (42,140)	55,132 (41,057)	1,429,244,997 (970,822,462)	444 (452)	15,001,308 (14,537,939)	428 (444)	14,878,341 (15,001,308)
iii) AAC, AAAC and ACSR Conductors	MT	61,000* (61,000)	Maximum Utilisation	54,820 (43,000)	3	28,725 (29,243)	29,219 (29,270)	2,862,352,846 (2,410,585,105)	785 (812)	63,133,695 (60,989,144)	291 (785)	28,535,603 (63,133,695)
iv) Aluminium rods suitable for further manufacture of ACSR/AAC	MT	24,800 (24,800)	Maximum Utilisation	31,200 (24,000)	3	20,148 (23,206)	- (215)	- (22,635,091)	\$ (\$)	\$ (\$)	\$ (\$)	\$ (\$)
								8,849,354,659		211,358,309		207,349,947
								(6,929,552,113)		(174,808,515)		(211,358,309)

16th Annual Report 2004-2005

SCHEDULE - "25" (Contd.)

@ The Company has also obtained from Secretariat for Industrial Approval acknowledgement for (i) Acrylonitrile Butadiene Rubber and Latexes to the extent of additional 5000 MT. (ii) Styrene Butadiene Rubber and Latexes to the extent of 1,00,000 MT (iii) Compounds of Synthetic and/or Natural rubber and Polyblends to the extent of 10,000 MT.

* Company's application for manufacture has been taken on record and registered by the concerned Government authorities.

** Equivalent to MT.

\$ Opening and Closing Stock is included in work-in-process as the same is for captive consumption.

Notes:

a) Installed capacities are certified by a director and not verified by the auditors as this is a technical matter.
b) In cases where installed capacities exceed the licensed capacities, the Company's applications to the Government for regularisation of the same have been accepted in part only or are pending with the Government.

c) Includes :

(A) Conversion by the Company on customers' account, captive consumption, and sample for testing.

	Unit	2004-2005 Quantity	2003-2004 Quantity
i) Synthetic Rubber, Lattices and Polyblend	MT	826	659
ii) Transformer Oils	KL	7,234	10,708
iii) Special Grade Pharmaceutical Oils	KL	6	7
iv) Textile Oils	KL	—	—
v) Other Specialities Oils	KL	1,268	1,091
vi) AAC, AAAC, ACSR Conductors	MT	—	—
vii) Aluminium Rods suitable for further manufacture of ACSR/AAC	MT	20,148	22,991
(B) Other Specialities Oil manufactured by a third party on behalf of the Company.	KL	1,020	1,382
(C) Processed by third parties -			
i) Aluminium Wire Rods	MT	—	—
ii) Aluminium Conductors	MT	205	—
(D) TPE Compound manufactured by the third party on behalf of the company	MT	—	—

d) In some of the classes of goods listed above, the licences are available in terms of more than one unit. In such cases, the quantitative information is expressed in terms of the units in which the items are sold. Further, in the cases where the licensed capacity has also been shown in the units in which the goods are sold (alongwith the units in which the licence has been issued), the conversion has been relied on by the auditors without verification as this is a technical matter.

e) Figures in brackets pertain to the previous year.

f) In respect of item (ii), the quantities stated against production, turnover and stock of goods produced are in KL, except one product i.e. Flex Oil A-Super included under the head "Other Specialities Oils".

2. Information for class of goods traded during the year

Class of goods	Unit	Purchase		Stock				Turnover	
		Quantity	Value Rs.	Opening		Closing		Quantity	Value Rs.
				Quantity	Value Rs.	Quantity	Value Rs.		
ASC earth Wire	MT	— (5.906)	— (443,082)					— (5.906)	— (626,096)
Thermoplastic Elastomers	MT	66.928 (50.730)	12,764,856 (11,960,307)	25.867 (18.689)	5,676,063 (4,404,048)	22.146 (25.867)	4,881,759 (5,676,063)	70.965 (43.552)	15,003,353 (13,291,744)
			12,764,856 (12,403,389)		5,676,063 (4,404,048)		4,881,759 (5,676,063)		15,003,353 (13,917,840)

Notes:-

(i) Santoprene purchases and closing stock includes stock in transit Nil M.T. (Previous year 5.800 M.T.) for Rs. Nil (Previous year Rs. 1,059,326).

(ii) Figures in brackets pertain to the previous year.

Apar Industries Limited

SCHEDULE - "25" (Contd.)

3. Consumption of raw materials and components :	2004-2005			2003-2004	
	Unit	Quantity	Rupees	Quantity	Rupees
Non-ferrous metals	MT	22,621	2,058,173,941	22,271	1,673,138,043
Ferrous metals	MT	6,931	229,871,299	7,543	191,086,841
Chemicals	MT	2,650	73,128,677	2,987	80,352,907
Base Oils	KL	158,790	3,140,110,623	132,395	2,326,728,145
Monomers	MT	18,379	947,685,751	17,445	743,605,410
Others			108,966,166		88,187,738
			6,557,936,457		5,103,099,084

Note : Consumption includes handling losses and differences found on physical verification of stock.

4. Consumption of raw materials and components (including cost of sales of raw materials, handling losses and differences found on physical verification of stock) :

	2004-2005		2003-2004	
	%	Rupees	%	Rupees
Imported at landed cost (including duty and clearing charges incurred in India)	64	4,167,613,898	81	4,150,392,640
Indigenous	36	2,390,322,559	19	952,706,444
	100	6,557,936,457	100	5,103,099,084

Note : Imports through canalising agencies and items of foreign origin purchased locally are shown as part of indigenous consumption.

5. Value of imports on CIF basis :

	2004-2005 Rupees	2003-2004 Rupees
Raw materials and Components	3,594,760,171	3,728,079,951
Stores and spare parts (including packing materials)	7,197,314	1,434,443
Capital goods	4,934,933	408,177
	3,606,892,418	3,729,922,571

Notes:-

- Imports through canalising agencies and items of foreign origin purchased locally are excluded.
- Includes import of materials Rs. 127,309,681 (Previous year Rs. 119,020,933) sold by the Company on high seas.

6. Expenditure in foreign currency on account of :

	2004-2005	2003-2004
Professional Fees	1,840,892	1,350,424
Interest and Bank charges	72,479,770	26,707,068
Others	15,233,128	14,522,033
	89,553,790	42,579,525

7. Earnings in foreign exchange :

	2004-2005	2003-2004
Claims & Commission received	1,532,814	1,876,193
Export of goods calculated on FOB basis	1,282,145,630	1,449,162,430
Deemed exports	228,440,683	455,610,236
Others (Freight & Insurance)	53,077,357	54,282,972
	1,565,196,484	1,960,931,831

8. Consumption of stores and spare parts including packing materials : (including handling losses and differences found on physical verification of stocks)

	2004-2005		2003-2004	
	%	Rupees	%	Rupees
Imported at landed cost	1.05	3,184,249	0.46	1,155,324
Indigenous	98.95	300,912,952	99.54	251,389,510
	100.00	304,097,201	100.00	252,544,834

Note: Imports through canalising agencies and items of foreign origin purchased locally are shown as part of indigenous consumption.

16th Annual Report 2004-2005

SCHEDULE - "25" (Contd.)

9. Sale of raw materials and stores and spares :

	2004-2005			2003-2004		
	Unit	Quantity	Rupees	Unit	Quantity	Rupees
Monomers	MT	460	18,317,227	MT	40	2,212,792
Base Oils	KL	6,719	142,124,790	KL	9,149	148,135,868
Ferrous Metals	MT	5	3,260,334	MT	—	—
Non Ferrous Metals	MT	77	569,391	MT	—	—
Others			1,443,684			1,849,203
			<u>165,715,426</u>			<u>152,197,863</u>

Signatures to Schedules "1" to "25"

For and on behalf of the Board of Directors

Kushal N. Desai
Managing Director

V. A. Gore
Director

D. C. Patel
Company Secretary

Dated : 17th June, 2005
Place : Mumbai

Information referred to in Note 13 in Schedule 24 to the Accounts for the year ended 31st March, 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 (As amended))

1. Registration Details :

Registration No.	12802	State Code	04
Balance Sheet Date	31.03.2005		

2. Capital raised during the year (Rs. in Thousands) :

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

3. Position of Mobilisation and Deployment of funds (Rs. in Thousands) :

Total Liabilities	2,502,329	Total Assets	2,502,329
--------------------------	------------------	---------------------	------------------

Sources of Funds

Paid up Capital	239,320	Secured Loans	1,133,736
Reserves and Surplus	675,446	Unsecured Loans	319,941
		Deferred taxation liability (Net)	133,886

Application of Funds

Net Fixed Assets	961,026	Investments	15,389
Net Current Assets	1,493,034	Misc. Expenditure	32,880

4. Performance of Company (Rs. in Thousands) :

Turnover (Net of Excise)	8,426,131	Total Expenditure	8,095,608
Profit Before Tax	330,523	Profit After Tax	303,814
E.P.S. in Rs.	14.43	Dividend rate %	30.00%

5. Generic names of three Principal Products/Services of Company (as per monetary terms) :

Item Code No. (ITC Code)	4002.59	Product Description	Acrylonitrile Butadiene Rubber
Item Code No. (ITC Code)	2710.90	Product Description	Transformer & Speciality Oils
Item Code No. (ITC Code)	7614.90	Product Description	AAC/ACSR Conductors

Apar Industries Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	2004-2005 (Rupees)	2003-2004 (Rupees)
Cash flow from Operating Activities :		
Net Profit before taxation	330,522,768	317,539,340
Adjusted for:		
Depreciation/Amortisation	85,594,138	84,193,319
(Profit)/Loss on Sale of Fixed Assets(Net)	(684,020)	(38,552,524)
Miscellaneous expenditure amortized	12,029,059	8,285,485
Prior Period Adjustment(Net)	(1,968,504)	84,188
Interest income	(43,623,111)	(13,373,567)
Interest expense	<u>184,660,356</u>	<u>163,425,350</u>
	236,007,918	204,062,251
Operating profit before working capital changes in :	566,530,686	521,601,591
Trade and other receivables	(221,652,055)	(416,329,315)
Inventories	(38,084,374)	(324,791,533)
Trade and other payables	<u>115,246,061</u>	<u>911,773,170</u>
	(144,490,368)	170,652,322
Compensation under Voluntary Retirement Scheme incurred during the year	<u>(29,923,337)</u>	—
Cash generated from operations	392,116,981	692,253,913
Income Taxes paid (net of refunds)	<u>(62,635,889)</u>	<u>(21,922,903)</u>
Net cash from operating activities	329,481,092	670,331,010
Cash flow from investing activities :		
Purchase of Fixed Assets	(158,353,632)	(76,693,334)
Sale of Fixed Assets	3,589,512	60,098,058
Purchase of Investments	(131,708,422)	(4,508,510)
Sale of Investments	122,064,777	539,986
Interest received	<u>44,325,304</u>	<u>11,725,982</u>
Net cash used in investing activities	(120,082,461)	(8,837,818)
Cash flow from financing activities :		
Proceeds from Unpaid calls/Share Premium	52,106	236,478
Repayments of Preference Share Capital	(23,516,355)	(23,516,355)
Proceeds/(repayments) from/of fixed deposits (net)	25,440,000	10,251,000
Proceeds/(repayments) from/of bank borrowings (net)	77,477,573	(116,966,664)
Proceeds from long term borrowings	302,660,000	350,038,075
Repayments of long term borrowings	(477,497,481)	(134,113,923)
Interest Paid	(180,577,746)	(161,713,630)
Dividend Paid	(45,644,922)	(70,425,730)
Tax on Dividends	<u>(9,482,734)</u>	<u>(8,755,630)</u>
Net cash used in financing activities	(331,089,559)	(154,966,379)
Net Increase/(Decrease) in cash and cash equivalents	(121,690,928)	506,526,813
Cash and cash equivalents, beginning of year	822,578,199	316,051,386
Cash and cash equivalents, end of year	700,887,271	822,578,199

Notes :

- 1) Previous year figures have been regrouped/restated where necessary to conform to the current year presentation.
- 2) Refer Schedule 10 of financial statements for composition of cash and bank balances.

As per our report of even date attached

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt
(Partner - F 36647)

Kushal N. Desai
Managing Director

V. A. Gore
Director

D. C. Patel
Company Secretary

Dated : 17th June, 2005
Place : Mumbai

Dated : 17th June, 2005
Place : Mumbai

16th Annual Report 2004-2005

Auditors' Report

To the Board of Directors of
Apar Industries Limited

We have audited the attached Consolidated Balance Sheet of **Apar Industries Limited** ('the Company'), and its subsidiary company, Petroleum Specialities Pte. Limited (together constituting 'the Group') as at March 31, 2005, the Consolidated Profit and Loss account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto (all together referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary company, whose financial statements reflect the Group's share of total assets (net) of Rs. 17,032,397 as at March 31, 2005 and the Group's share of total revenue of Rs. 697,269,809 and net cash flows aggregating Rs. 16,546,314 for the year ended on that date, which are considered in the Consolidated Financial Statements. Those financial statements and other financial information of the subsidiary have been audited by another auditor whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.

We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.

Based on our audit, and on consideration of the report of the other auditor on the separate financial statements of the subsidiary and other financial information of its components, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2005;
- (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date;
- and
- (iii) in case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **RSM & Co.**
Chartered Accountants
Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : 17th June, 2005

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule No.	Rupees	As at 31st March, 2005 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS :			
Share Capital	1	239,319,912	
Reserves and Surplus	2	688,956,869	
			928,276,781
LOAN FUNDS :			
Secured Loans	3	1,145,510,681	
Unsecured Loans	4	319,940,785	
			1,465,451,466
Deferred Taxation Liability (Net)	5		134,494,486
TOTAL			2,528,222,733
APPLICATION OF FUNDS			
FIXED ASSETS :			
Gross Block	6	1,639,526,046	
Less: Depreciation		781,274,449	
Net Block		858,251,597	
Capital work-in-progress/ advances		102,977,414	
			961,229,011
INVESTMENTS	7		12,745,300
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories	8	1,143,819,475	
Sundry Debtors	9	2,043,825,015	
Cash and Bank balances	10	716,984,597	
Other Current Assets	11	731,928	
Loans and Advances	12	498,580,846	
			4,403,941,861
Less: CURRENT LIABILITIES AND PROVISIONS :			
Current Liabilities	13	2,841,422,368	
Provisions	14	41,150,634	
			2,882,573,002
NET CURRENT ASSETS			1,521,368,859
Miscellaneous Expenditure (to the extent not written off or adjusted)	15		32,879,563
TOTAL			2,528,222,733
SIGNIFICANT ACCOUNTING POLICIES			
	23		
NOTES TO ACCOUNTS			
	24		

As per our report of even date attached

For and on behalf of the
Board of Directors

For **RSM & Co.**
Chartered Accountants

Kushal N. Desai
Managing Director
V. A. Gore
Director
D. C. Patel
Company Secretary

Vijay N. Bhatt
(Partner-F36647)

Dated : 17th June, 2005
Place : Mumbai

Dated : 17th June, 2005
Place : Mumbai

Apar Industries Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule No.	2004-2005 Rupees
INCOME :		
Sale of Goods, Services and related recoveries (net of excise)	16	8,734,206,870
Other Income	17	65,340,166
		<u>8,799,547,036</u>
EXPENDITURE :		
Operating and Other expenses	18	8,193,008,118
Decrease in Stocks	19	20,614,367
Depreciation		85,643,264
Interest and Discounting Charges	20	145,660,553
Exchange Rate Difference (Net)		(5,785,568)
		<u>8,439,140,734</u>
Profit before taxation and exceptional / prior period items		360,406,302
Provision for taxation :		
Current tax		46,635,725
Deferred tax		(11,383,457)
Wealth tax		200,000
		<u>324,954,034</u>
Profit after taxation and before exceptional items		324,954,034
Exceptional items (net of tax)	21	7,629,059
		<u>317,324,975</u>
Profit for the year after taxation and exceptional items		317,324,975
Prior Period Adjustments (net)	22	(1,968,504)
		<u>315,356,471</u>
Net Profit for the year		315,356,471
Balance of profit brought forward		89,683,257
Transfer (to)/from		
Debenture Redemption Reserve		(15,000,000)
Capital Redemption Reserve		(23,516,355)
Exchange Fluctuation Reserve		50,000,000
		<u>416,523,373</u>
Amount available for appropriations		416,523,373
Appropriated as under:		
Transfer to General Reserve		(100,000,000)
Interim Dividends on Equity Share aggregating to Rs.1.75 per share		(36,410,579)
Interim Dividend on Preference Share @ Re.0.40 per share		(3,135,514)
Proposed Dividend on Equity Shares @ Rs. 1.25 per share		(26,007,556)
Tax on Dividends		(8,900,632)
		<u>242,069,092</u>
BALANCE CARRIED TO BALANCE SHEET		242,069,092
SIGNIFICANT ACCOUNTING POLICIES	23	
NOTES TO ACCOUNTS	24	
Earnings Per Share (Basic and Diluted) (See note 9 of Schedule 24) Face value per Share Rs. 10/-		
On profit after tax and before exceptional items		15.45
On profit after tax and exceptional items		15.08

As per our report of even date attached
For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
(Partner-F36647)

For and on behalf of the Board of Directors

Kushal N. Desai
Managing Director
V. A. Gore
Director
D. C. Patel
Company Secretary

Dated : 17th June, 2005
Place : Mumbai

Dated : 17th June, 2005
Place : Mumbai

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	Rupees	As at 31st March, 2005 Rupees
SCHEDULE "1" - SHARE CAPITAL		
(A) Authorised :		
26,000,000 Equity Shares of Rs.10/- each		260,000,000
49,000,000 Redeemable Preference Shares of Rs.10/- each		490,000,000
		<u>750,000,000</u>
(B) Issued, Subscribed and Fully Paid Up :		
i) 20,806,045 Equity Shares of Rs.10/- each	208,060,450	
Less: Calls unpaid	11,481	
		208,048,969
ii) 7,838,785 - 10% Redeemable Cumulative Preference Shares (Series I) of Rs.4/- each (Refer note below)	31,355,140	
Less: Calls unpaid	84,197	
		31,270,943
TOTAL		<u>239,319,912</u>

Note: As per terms of issue, Preference Shares at item No. B(ii) were redeemed to the extent of Rs. 3 per share on 01.04.2004. The balance as on 31.03.2005 is redeemable at par on 01.04.2005 and was redeemed on the said date.

	Rupees	As at 31st March, 2005 Rupees
SCHEDULE "2" - RESERVES AND SURPLUS		
CAPITAL RESERVE :		
As per last Balance Sheet	4,824,718	
Add:- Share Premium received during the year*	30,349	
		4,855,067
CAPITAL REDEMPTION RESERVE :		
As per last Balance Sheet	173,516,355	
Add: Transfer from Profit and Loss Account	23,516,355	
		197,032,710
DEBENTURE REDEMPTION RESERVE :		
As per last Balance Sheet	30,000,000	
Add: Transfer from Profit and Loss Account	15,000,000	
		45,000,000
EXCHANGE FLUCTUATION RESERVE:		
As per last Balance Sheet	50,000,000	
Less: Transfer to Profit and Loss Account	(50,000,000)	
		—
GENERAL RESERVE :		
As per last Balance Sheet	100,000,000	
Add :- Transfer from Profit and Loss Account	100,000,000	
		200,000,000
SURPLUS IN PROFIT AND LOSS ACCOUNT		<u>242,069,092</u>
TOTAL		<u>688,956,869</u>

* Unpaid share premium on calls unpaid as on 31.3.2005 Rs. 95,678 to be accounted when received.

16th Annual Report 2004-2005

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	As at 31st March, 2005 Rupees
SCHEDULE "3" - SECURED LOANS	
(1) Debentures :	
250,000 - 10% Non-Convertible Debentures of Rs. 1,000/- each Redeemable at par in five equal annual installments commencing from 31st March, 2007. (Refer note 'a' below)	250,000,000
(2) From Banks :	
(i) Cash Credit/Working Capital Demand Loans	701,222,921
(ii) Term Loan	131,372,000
(3) From Financial Institutions :	
Term Loans	55,967,625
(4) Other Loans	263,640
(5) Sales Tax Deferment Loan	6,684,495
TOTAL	1,145,510,681

Notes:

- a) Debentures are secured by way of mortgage of specified properties and charge on movables and current assets of the Company ranking third in priority of charge.
- b) Term Loans from Financial Institutions are secured by :
 - (i) first charge* by way of equitable mortgage of the Company's specified immovable properties both present and future and first charge* by way of hypothecation of the Company's specified moveable properties (save and except book debts) including movable machineries, spares and tools and accessories, present and future, subject to prior charges * in favour of Company's bankers on specified movables for securing borrowings for working capital requirements.
 - (ii) first charge* by way of hypothecation of all movable properties acquired out of the proceeds of the concerned loans.
- c) The Cash Credit/Working Capital Demand Loans from banks are secured by:
 - (i) hypothecation of specified stocks and specified book debts.
 - (ii) joint mortgage of specified fixed assets ranking second and subsequent in point of priority to the mortgage created in favour of financial institutions for term loans.
- d) Certain Term Loans from Financial Institutions / Cash Credit / Working Capital Demand Loans referred to in (b) & (c) above are further secured by certain immovable properties of Apar Corporation Private Limited.
- e) Loans amounting to Rs.745,415,853 included in item No. (2) and (3) is, in addition to the securities specified above, secured by personal guarantee of one or more Directors and loan under item no. 2 includes foreign currency loan aggregating Rs.131,372,000 which are secured by Relief Bonds owned and held by directors in their own name.
- f) Other loans represent loan from banks for purchase of cars, against which the security has been created.
- g) The first charge in respect of loans referred to in Note (b) and (c) above will not extend to specific items of machinery purchased and/or to be purchased by the Company under the Deferred Payment Facilities, Hire Purchase and Asset Credit Scheme.

- h) The Sales Tax Deferment Loan represents sales tax collected on sales and not paid pursuant to the Sales Tax Deferment facility.

This loan is secured by joint mortgage of specified fixed assets ranking on pari pasu basis with charges created as per (b) above and is repayable in 6 annual installments commencing from 30th May, 2006.

- i) Loans under item 2(ii), 3, 4 and 5 include amounts repayable within a year Rs.166,970,010.

* denotes charge created / to be created.

	As at 31st March, 2005 Rupees
SCHEDULE "4" - UNSECURED LOANS	
(1) Fixed Deposits :	
(a) From public	81,190,000
(b) From directors	38,500,000
	119,690,000
(2) Sales Tax Deferment Loan (Refer Note 2 below)	18,044,000
(3) Loans from Directors	137,500,000
(4) Inter Corporate Deposits	44,706,785
	182,206,785
TOTAL	319,940,785

Notes:

- 1) Loans indicated at 1 and 2 above includes amount of Rs. 78,141,000 payable within a year. Other loans are repayable at call.
- 2) This represents Sales tax collected on sales and not paid pursuant to the sales tax deferment facility. These loans are secured by personal guarantee of one or more directors and are payable in two instalments.

	As at 31st March, 2005 Rupees
--	----------------------------------------------

SCHEDULE "5" - DEFERRED TAX LIABILITY (NET)

Deferred tax liability arising on account of timing difference in:

Book and Tax depreciation	146,976,600
Less: Deferred tax asset arising on account of timing differences in :	
(i) Provision for doubtful debts and advances	8,913,021
(ii) Provision for gratuity and leave encashment	3,870,541
(iii) Provision for expenses	(568,701)
(iv) Amortisation of technical know-how fees	267,253
	12,482,114
TOTAL	134,494,486

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

SCHEDULE "6" - FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				WRITTEN DOWN VALUE
	As at 1st April, 2004 Rupees	Additions Rupees	Deductions Rupees	As at 31st March, 2005 Rupees	As at 1st April, 2004 Rupees	Deductions/ adjustments Rupees	For the year Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2005 Rupees
Land									
Freehold	9,903,961	13,684,030	(566,460)	23,021,531	-	-	-	-	23,021,531
Leasehold (Refer Note 1 below)	43,460,011	-	-	43,460,011	4,071,498	-	621,544	4,693,042	38,766,969
Buildings (Refer Note 2 & 3 below)	293,394,240	7,422,087	(1,563,250)	299,253,077	47,693,526	(199,601)	6,795,784	54,289,709	244,963,368
Plant and Machinery (Refer Note 4 below)	1,026,170,428	48,357,886	(2,309,841)	1,072,218,473	497,035,677	(1,745,931)	60,121,031	555,410,777	516,807,696
Wind Farm	96,970,140	-	-	96,970,140	80,793,838	-	10,026,710	90,820,548	6,149,592
Furniture, fixture and equipments	74,392,413	4,423,605	(140,122)	78,675,896	56,619,680	(90,483)	4,637,338	61,166,535	17,509,361
Motor Vehicles	26,504,251	1,592,326	(2,169,659)	25,926,918	13,260,806	(1,807,825)	3,440,857	14,893,838	11,033,080
TOTAL (RS.)	1,570,795,444	75,479,934	(6,749,332)	1,639,526,046	699,475,025	(3,843,840)	85,643,264	781,274,449	858,251,597
									Capital work-in-progress including advances on capital account.
									102,977,414
									961,229,011

Notes:

- Cost of leasehold land at GIDC, Valia includes Rs. 2,108,762 being the cost fixed on tentative basis.
- Buildings include:
 - ownership flats in Co-operative Housing Societies which are registered in the name of directors (as nominee) Cost Rs.2,084,450. (includes Rs.750 being cost of 15 shares of Rs.50 each) in a Co- Operative Housing Society. The beneficial interest therein vests in the Company.
 - Rs. 2,000 being cost of 20 shares of Rs 50/- each and 10 shares of Rs.100/- each in Co-operative Premises Societies in the name of the Company.
 - an ownership flat to be registered in the name of the Company.
- Buildings (gross block) include renovation of rented premises Rs. 3,857,077 which is being depreciated at prescribed rates.
- The ownership of assets acquired under hire purchase will rest with owners till the payment of final instalments.

	As at 31st March, 2005 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "7" - INVESTMENTS -(At Cost)		
I. Long-term, non-trade and un-quoted, unless otherwise stated		
A. Government of India Securities:		
(i) 7 Year National Savings Certificates (including Rs. 6,000) held as security by Government Departments	10,240	
(ii) 12 Year National Defence Certificates	6,000	
(iii) Kisan Vikaspatra (pledged with Maharashtra Water & Sewage Board)	1,000	
(iv) 6 Year National Savings Certificates (held as security by Government Departments)	7,000	
	24,240	
B. In Equity Shares:		
Trade:		
(i) 247,500 shares of Bharuch Eco- Aqua Infrastructure Limited of Rs. 10/- each, fully paid up	2,475,000	
(ii) 1,751 shares of Bharuch Enviro Infrastructure Limited of Rs. 10/- each fully paid up.	17,510	
SCHEDULE "7" - INVESTMENTS -(At Cost) (Contd.)		
Non Trade:		
4,200 Shares of Natpur Co-operative Bank Limited of Rs. 50 each		210,000
		2,702,510
II. Current Investments		
Units of Mutual Fund :		
(i) 1,504 Units of Rs. 10/- each in IDBI - PRINCIPAL Cash Management Fund (Liquid Option Growth Plan) - current		18,550
(ii) 843,878 Units of Rs. 10/- in Prudential ICICI Liquid Plan Institutional Plus - (Daily Dividend Option)		10,000,000
		12,745,300
TOTAL		12,745,300
Note : Movements in investments in Mutual Funds during the year is as follows.		Units purchased and Sold
Prudential ICICI Liquid Plan - Daily Dividend Option		2,196,943
Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option		5,064,598
Prudential ICICI Liquid Plan		2,067,175

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	2004-05 Rupees	2004-05 Rupees
SCHEDULE "16" - SALE OF GOODS, SERVICES AND RELATED RECOVERIES (NET OF EXCISE)		
Sales	8,849,354,659	
Less: Excise duty	<u>(1,139,665,147)</u>	
		7,709,689,512
Sale of traded goods		388,419,750
Sale of raw materials		165,715,426
Scrap sales		27,369,457
Export benefits		102,471,112
Rebate/refund of excise duty on deemed/physical exports		110,777,230
Packing, handling and transport charges recovered		197,016,894
Processing and other service charges		<u>32,747,489</u>
TOTAL		<u>8,734,206,870</u>
SCHEDULE "17" - OTHER INCOME		
Value of power generated by Wind Mill		9,902,269
Commission		1,314,952
Rent		968,220
Profit on sale/disposal of fixed assets (net)		684,020
Provision for expenses written back		6,030,456
Provision for doubtful debts written back		16,135,861
Dividend / Profit on sale of current investments		41,696
Sundry Income		<u>30,262,692</u>
TOTAL		<u>65,340,166</u>
SCHEDULE "18" - OPERATING AND OTHER EXPENSES		
Raw materials and components consumed		6,234,353,045
Purchase of traded goods		676,043,800
Excise duty		1,914,116
Power, electricity and fuel		147,586,879
Stores, spare parts and packing materials (Refer note below)		304,097,201
Storage charges		13,978,792
Processing charges		1,515,878
Repairs and maintenance :		
Buildings	2,361,432	
Plant and machinery	15,837,882	
Others	<u>5,507,910</u>	
		23,707,224
Insurance		17,655,286
Rent		2,034,574
Rates and taxes		11,774,324
Payment to and provision for employees :		
Salaries, wages and bonus	111,618,966	
(Refer Note 4 of Schedule "24")		
Contribution to provident and other funds (including gratuity in respect of a director not ascertained)	13,079,263	
Commission to Chairman, Managing Director and Joint Managing Director	10,446,129	
Provision for gratuity in respect of directors (Refer Note 4 of Schedule "24")	260,000	
Workmen and staff welfare expenses	<u>14,121,281</u>	
		149,525,639
Carried forward		<u>7,584,186,758</u>
SCHEDULE "18" - (Contd.)		
Brought forward		7,584,186,758
Directors' sitting fees		257,500
Lease rentals		150,390
Freight outward		288,969,946
Commission on sales		47,542,578
Discounts and rebates		16,147,428
Advertisement expenses		1,520,886
Donations		1,572,592
Legal and Professional fees		22,405,535
Miscellaneous expenses		123,028,532
Bad debts and advances written off	9,287,909	
Less: Provision for doubtful debts utilised	<u>(279,800)</u>	
		9,008,109
Provision for doubtful debts		14,591,886
Bank charges and commission		<u>83,625,978</u>
TOTAL		<u>8,193,008,118</u>
Note:- Stores and Spares consumed include expenses in respect of repairs and maintenance of plant and machinery for which amounts have not been separately ascertained .		
SCHEDULE "19" - DECREASE / (INCREASE) IN STOCKS		
Opening stock of finished goods, work-in-progress and scrap		287,379,747
Closing stock of finished goods, work-in-progress and scrap		<u>266,765,380</u>
		20,614,367
TOTAL		<u>20,614,367</u>
SCHEDULE "20" - INTEREST AND DISCOUNTING CHARGES		
On loans for fixed periods *		52,456,170
On others *		<u>136,827,494</u>
		189,283,664
Less: Interest earned- gross (tax deducted at source Rs.7,171,484)		
On bank deposits	(34,630,088)	
Others	<u>(8,993,023)</u>	
		(43,623,111)
TOTAL		<u>145,660,553</u>
* includes interest paid to Managing Director and Joint Managing Director Rs. 15,162,487		
SCHEDULE "21" - EXCEPTIONAL ITEMS (NET OF TAX)		
Amortisation of VRS compensation		12,029,059
Current Income-tax on above		<u>(4,400,000)</u>
TOTAL		<u>7,629,059</u>
SCHEDULE "22" - PRIOR PERIOD ADJUSTMENTS (NET)		
INCOME		
Export Benefits		<u>6,698,979</u>
		6,698,979
EXPENDITURE		
Discounts and rebates	7,900,900	
Miscellaneous expenses	<u>766,583</u>	
		8,667,483
TOTAL		<u>(1,968,504)</u>

16th Annual Report 2004-2005

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE "23"

1. Significant accounting policies followed (General):-

The financial statements are prepared on accrual basis under the historical cost convention and comply in all material aspects with the Accounting Standards issued by the Institute of Chartered Accountants of India and the generally accepted accounting principles in India.

2. Significant accounting policies followed (Specific): -

(A) Basis of preparation and principles of consolidation: -

The Consolidated Financial Statements relate to Apar Industries Limited ('the Company') and Petroleum Specialities Pte. Ltd, which became a wholly owned subsidiary on April 16, 2004. The subsidiary is a limited company incorporated in the Republic of Singapore and is engaged in the trading of petroleum-based products.

The Consolidated Financial Statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, incomes and expenses, after eliminating intra group balances, intra group transactions and also resulting unrealized profits or losses. The consolidation procedures are in accordance with the requirements of Accounting Standard 21 - 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.
- b) In case of foreign subsidiary, revenue items are consolidated at the average exchange rates that prevailed during each month of the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Exchange gains and losses arising on conversion are recognized in the Consolidated Profit and Loss Account as the subsidiary is classified as an integral operation.
- c) The financial statements of the subsidiary considered for consolidation, are drawn up to the same reporting date as that of the Company.
- d) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's stand alone financial statements.

(B) Fixed assets, Depreciation and Amortization:-

- (i) Fixed assets are stated at cost of acquisition / construction (net of CENVAT) less accumulated depreciation. Cost includes purchase price and other costs attributable to acquisition / construction of fixed assets.
- (ii) Depreciation on assets is provided at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 (except as stated in (iii) below)
 - (a) in respect of assets of Polymers Division at Valia, on straight line method, and;
 - (b) in respect of assets of other Divisions, on written down value method except in respect of building and plant and machinery purchased after 30.4.1987, which are depreciated on straight line method.

Certain items of plant and machinery which have been considered to be continuous process plant by the management are depreciated at the prescribed rates.

- (iii) In the cases where the estimated useful life of the asset is less as compared to useful life estimated in Schedule

XIV of the Companies Act, 1956, such assets are depreciated at rates higher than those prescribed under Schedule XIV of the Companies Act, 1956.

- (iv) No depreciation is provided in the year of disposal. However, this has no impact on the profits for the year as the corresponding effect is reflected in the items of profit or loss on sale / disposal of fixed assets.
- (v) In respect of assets costing less than Rs.5,000 each and temporary structures, 100% depreciation is provided in the year of addition.
- (vi) Capital Expenditure in respect of which ownership does not vest with the Company is amortized over a period of five years. Leasehold land is amortized over the period of lease.
- (vii) Borrowing costs attributable to acquisition/construction of qualifying assets within the meaning of the accounting standard 16 on "borrowing costs" are capitalised as a part of the cost of fixed assets.

(B1) Impairment of assets: -

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized in the Profit and Loss Account wherever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use.

(C) Investments: -

All long term investments are stated at cost. Provision for diminution in value of long term investments is made if it is of permanent nature. Current investments are valued at lower of cost and market value.

(D) Inventories :-

Inventories are valued at lower of cost and net realisable value (cost of finished goods includes material cost, cost of labour and attributable manufacturing overheads) on the basis of full absorption costing. Cost of materials is arrived at on FIFO basis. Inventory of scrap is valued at estimated realisable value. Inventories of Finished Goods include excise duty as applicable.

(E) Government Grants: -

- (i) Government grants are recognised in the financial statements when they are received and there is reasonable assurance that the Company will comply with the conditions attached to them.
- (ii) Government grants, which are in the nature of refundable interest free loans received from government/semi-government authorities, are credited to secured/unsecured loans.
- (iii) Government grants which are in the nature of subsidies received from government/semi-government authorities and which are non-refundable are credited to reserves.

(F) Voluntary Retirement Schemes:-

Compensation paid under voluntary retirement schemes is amortized over a period of 5 years.

(G) Revenue recognition: -

- (i) Sale of goods is recognised on despatch to customers and on date of shipment in case of exports. Sales exclude amounts recovered towards sales tax but include excise duty recovered and is net of returns.
- (ii) Price variation claims are accounted in accordance with the terms of contract and/or upon admittance by customers.
- (iii) Dividend income on investment is recognised when the right to receive payment is established.

Apar Industries Limited

SCHEDULE "23" (Contd.)

(iv) In respect of service activities, income is recognised as and when services are rendered.

(H) Retirement benefits: -

Retirement benefits to employees are provided for by payments to provident funds and in respect of certain employees also by contribution to superannuation fund. The gratuity liability in respect of employees is determined on the basis of an actuarial valuation and is funded with a trust. The gratuity liability in respect of all the Whole-time Directors of the Company, except one director, (See note 6(A) of Schedule '24') is ascertained on an arithmetical basis and is not funded.

Liability on account of unencashed leave salary is provided on the basis of an actuarial valuation.

(I) Translation of foreign currency :-

- (i) The Company translates foreign currency transactions during the year, at the conversion rates notified by the custom authorities.
- (ii) Monetary items remaining unsettled at the year end are translated/reported at the year end rate. Exchange differences arising on such revaluation are recognised in the Profit and Loss Account except exchange differences pertaining to acquisition of fixed assets, which are adjusted in the carrying cost of the fixed assets.
- (iii) Non-Monetary items (other than fixed assets) are reported at the exchange rate at which they are accounted.
- (iv) In case of forward contracts, the difference between the forward rate and the exchange rate prevailing on the date of the transaction is recognised as income or expense over the life of the contract, except in respect of liabilities incurred for acquiring fixed assets where the difference is adjusted in the carrying cost of the fixed asset.

(J) Hedging transactions (Aluminium):-

All gains or losses in respect of hedging transactions are recognised in the financial statements on settlement/squaring off. Commission etc. in respect of such transactions is accounted on accrual basis.

(K) Export benefits/Incentives: -

The Company accounts for excise duty rebate on deemed exports and duty entitlements on physical exports on accrual basis. Premium on special import licence is credited in the accounts as and when realised. The benefits in the form of entitlements to Advance Licenses for duty free import of raw materials in respect of exports made are accounted when such imports are made.

(L) Claims against the Company not acknowledged as debts:-

The demands under disputed showcause notices / orders of statutory authorities are provided in the accounts on the basis of management's estimate and the balance, if any are included in contingent liability.

(M) Taxes on Income:-

Provision for taxation is made for both current and deferred taxes. Provision for current tax is made, at current rate of tax, based on assessable income. Deferred tax resulting from timing differences between the book profits and the tax profits is accounted for to the extent that the timing differences are expected to crystallise.

Deferred tax assets are not recognised on unabsorbed depreciation and carry forward losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets will be realised.

NOTES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

SCHEDULE "24"

As at
31st March
2005
Rupees

1. Contingent liabilities not provided for :

(a) Bills of exchange discounted	81,492,278
(b) Taxation:	
Disputed demands of income tax	18,958,959
(c) Guarantee given by the Company for credit facilities enjoyed by the Wholly Owned Subsidiary	218,950,000
(d) Claims against the Company not acknowledged as debts -	
(i) Demand/Show cause-cum-demand notices received and contested by the Company with relevant appellate authorities:	
Excise duty (also refer note below)	30,523,994
Custom duty	3,870,357
Sales tax (including amount deposited Rs.290,000)	1,100,000

Note : The Company had executed certain deemed export orders of conductors in respect of which the Company availed duty exemption on basis of eligibility certificates issued by project authorities. The central excise authorities have subsequently raised demands aggregating Rs.179,721,592 (against which Rs.50 lacs has been deposited under protest) disputing the eligibility for exemption. The Company has preferred appeals against these demands before the appellate authorities. In case of these demands becoming payable, the same would be either settled by the customer or would be recoverable. Thus, it would be revenue neutral for the Company. Accordingly, such demands are not considered as contingent liabilities and hence not included above.

(ii) Demand / charges levied by the Local Authorities	18,073,928
(iii) Labour matters (excluding matters for which amounts are indeterminate)	4,375,620

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	50,349,610
3. Exchange rate difference, in case of forward contracts not expired and pertaining to the future period.	1,246,082

Year ended
31st March, 2005
Rupees

4. Remuneration to directors:	
Directors' sitting fees	257,500
Salaries and other benefits/amenities	9,151,762
Provision for gratuity	260,000
Commission	10,446,129
	<u>20,115,391</u>
5. Provision for doubtful debts :	
Provision for doubtful debts, beginning of the year	28,295,475
Add: Provision for the year	14,591,886
Less:	
(i) Provision no longer required written back	(16,135,861)
(ii) Provision utilised during the year	(279,800)
Provision for doubtful debts, end of the year	<u>26,471,700</u>

16th Annual Report 2004-2005

SCHEDULE "24" (Contd.)

6. Related Party Disclosures :

A. List of Related Parties :

a) Key Managerial Personnel:

Dr. N. D. Desai	- Chairman (was also Managing Director till 31.05.2004)
Mr. K.N. Desai	- Managing Director
Mr. C.N. Desai	- Jt. Managing Director (with effect from 01.06.2004)
Mr. M. M. Patel	- Director
Mr. G.S. Sudhakar	- Director

b) Entities over which key management personnel exercise significant influence:

Apar Corporation Private Limited
Scope Private Limited
Consumers Services Private Limited
Ceom Private Limited
Ness Technologies (India) Limited
Dharmsinh Desai HUF No.1
Apar Investments (Singapore) Pte. Ltd.

B. The following transactions were carried out with the Related Parties in the ordinary course of business:

(i) Key Managerial Personnel: (Rupees)

Sr. No.	Transactions	2004-2005
1.	Interest paid	21,843,288
2.	Director's remuneration	19,857,891
3.	Conversion of Preference Shares into Debentures	—
4.	Redemption of Preference Shares	6,810,054
5.	Dividends paid	32,105,735
6.	Outstanding as on 31.3.2005:	
	Loans and Deposits	176,000,000
	Debentures	115,000,000
	Refer note (e) of Schedule 3 for details of undertakings / security given by key managerial personnel in connection with the Company's borrowings.	

a. Business Segments

(Rupees in lacs)

Particulars	Conductor	Transformer & Speciality Oils	Polymers	Eliminations	Consolidated Total
REVENUE					
External Sales	27,044.27	45,777.52	14,520.28	-	87,342.07
Other Income	282.88	221.00	107.14	-	611.02
Inter-segment Sales	-	36.85	-	(36.85)	-
Total Revenue	27,327.15	46,035.36	14,627.42	(36.85)	87,953.09
RESULT					
Segment result	13.84	5,035.41	1,722.16	-	6,771.41
Unallocable Corporate/Other expenses (net of miscellaneous income)	-	-	-	-	(1,850.71)
Operating Profit	-	-	-	-	4,920.69
Interest Expense	-	-	-	-	(1,892.84)
Interest Income	-	-	-	-	436.23
Profit before taxes from ordinary activities	-	-	-	-	3,464.09
Income tax					
Current tax	-	-	-	-	(424.37)
Deferred tax	-	-	-	-	113.83
Profit after tax	-	-	-	-	3,153.55
OTHER INFORMATION					
Segment assets	13,397.51	26,035.55	9,649.94	-	49,083.00
Unallocable Corporate and other assets	-	-	-	-	4,696.16
Total Assets					53,779.16
Segment liabilities	5,260.60	19,501.14	2,466.36	-	27,228.10
Unallocable Corporate and other liabilities	-	-	-	-	1,597.63

(ii) Entities over which key management personnel exercise significant influence: (Rupees)

Sr. No.	Transactions	2004-2005
1.	Interest paid	27,907,113
2.	Purchase of raw material	111,151,788
3.	Rent paid	1,238,000
4.	Rent received	674,500
5.	Conversion of Preference Shares into Debentures	—
6.	Redemption of Preference Shares	945,387
7.	Dividends paid	225,583
8.	Outstanding (credit balances) as on 31.3.2005	
	- Loans and Deposits	62,706,785
	- Debentures	135,000,000
	- For supply of raw materials	1,540,819
	Refer note (d) of schedule 3 for details of undertakings / Security given by the said entities in connection with the Company's borrowings.	

7. (a) During the year, with a view to adopt an accounting policy that is consistent across all its businesses, the Company changed its accounting policy for valuation of inventories of the Special Oils Refinery Division with effect from January 1, 2005, resulting in cost of materials now being determined on first-in-first-out basis. Hitherto, the cost of materials of this Division was determined on a weighted average rate based on the purchases of each quarter. As a result of this change, the inventory of raw materials, finished goods and work in process as at the Balance Sheet date is higher by Rs. 3,124,781 and accordingly the profit before tax for the year is higher by the said amount.

(b) Current Liabilities include Rs. 11,733,785 being net liability in respect of unexpired foreign currency forward contracts.

8. The Company's operations predominantly relate to manufacture of Polymers, Conductors and Transformer/Speciality Oils which businesses have been identified as primary segments based on the Company's risk profile and internal reporting structure.

Apar Industries Limited

SCHEDULE "24" (Contd.)

a. Business Segments (Contd.)

(Rupees in lacs)

Particulars	Conductor	Transformer & Speciality Oils	Polymers	Eliminations	Consolidated Total
Total liabilities	–	–	–	–	28,825.73
Capital expenditure	435.90	622.07	535.71	–	1,593.69
Capital expenditure - unallocable	–	–	–	–	14.06
Depreciation	239.54	169.84	378.19	–	787.57
Depreciation - unallocable	–	–	–	–	68.86
Non-cash expenses other than depreciation	–	–	–	–	–
Non-cash expenses other than depreciation - unallocable	51.45	–	–	–	68.84

b. Geographical Segments

i) The following table shows the distribution of the Company's sales by geographical market :

(Rupees in lacs)

Revenue	Conductor	Transformer & Speciality Oils	Polymers	Total
Outside India	8,230.78	4,119.33	471.33	12,821.44
In India*	18,813.49	41,658.19	14,048.95	74,520.63
TOTAL	27,044.27	45,777.52	14,520.28	87,342.07

* Include deemed exports Rs, 2,284.41 Lacs.

ii) The Company's tangible fixed assets are located entirely in India.

Segment Revenue and Result

The expenses which are not directly attributable to the business segment are shown as unallocable corporate / other expenses (net of miscellaneous income).

Segment Assets and Liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets, debtors and inventories. Segment liabilities primarily include creditors and other liabilities. Assets and liabilities that cannot be allocated between the segments are shown as a part of unallocable corporate assets and liabilities respectively.

9. Particulars of Earnings per share

Particulars	Year Ended 31st March, 2005
1. Net profit after tax and before exceptional items [after preference dividend Rs. 31.36 lacs and tax on preference dividend Rs. 4.10 lacs respectively] -Rs. Lacs	3,214.08
2. Net profit after tax and exceptional items [after preference dividend Rs. 31.36 lacs and tax on preference dividend Rs. 4.10 lacs respectively] - Rs. Lacs	3,137.79
Weighted average number of equity shares outstanding during the year	20,806,045
Nominal value of Equity Shares Rs.	10
Earnings per share:	
1. As per item (1) above - Rs.	15.45
2. As per item (2) above - Rs.	15.08

10. As this is the first year in which the Company had a subsidiary, Consolidated Financial Statements are presented only for the year ended March 31, 2005 and there are no figures for the previous year.

Signatures to Schedules "1" to "24"

For and on behalf of the Board of Directors

Kushal N. Desai Managing Director
V. A. Gore Director
D. C. Patel Company Secretary

Dated : 17th June, 2005
 Place : Mumbai

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

2004-2005

(Rupees)

Cash flow from Operating Activities :

Net Profit before taxation :

348,377,243

Adjusted for:

Depreciation/Amortisation **85,643,264**
 (Profit)/Loss on Sale of Fixed Assets(Net) **(684,020)**
 Miscellaneous expenditure amortized **12,029,059**
 Prior Period Adjustment(Net) **(1,968,504)**
 Interest income **(43,623,111)**
 Interest expense **189,283,664**

240,680,352

Operating profit before working capital changes in:

Trade and other receivables **(311,995,350)**
 Inventories **(37,814,374)**
 Trade and other payables **189,346,566**

(160,463,158)

Compensation under Voluntary Retirement Scheme incurred during the year

(29,923,337)

Cash generated from operations

398,671,100

Income Taxes paid (net of refunds)

(62,635,889)

Net cash from operating activities

336,035,211

Cash flow from investing activities :

Purchase of Fixed Assets **(158,605,456)**
 Sale of Fixed Assets **3,589,512**
 Purchase of Investments **(129,064,777)**
 Sale of Investments **122,064,777**
 Interest received **44,325,304**

Net cash used in investing activities

(117,690,640)

Cash flow from financing activities :

Proceeds from Unpaid calls/Share Premium **52,106**
 Repayments of Preference Share Capital **(23,516,355)**
 Proceeds/(repayments) from/of fixed deposits (net) **25,440,000**
 Proceeds/(repayments) from/of bank borrowings (net) **89,252,266**
 Proceeds from long term borrowings **302,660,000**
 Repayments of long term borrowings **(477,497,481)**
 Interest Paid **(185,201,053)**
 Dividend Paid **(45,644,922)**
 Tax on Dividends **(9,482,734)**

Net cash used in financing activities

(323,938,173)

Net Increase/(Decrease) in cash

and cash equivalents (105,593,602)

Cash and cash equivalents, beginning of year

822,578,199

Cash and cash equivalents, end of year

716,984,597

Note: Refer Schedule 10 of financial statements for composition of cash and bank balances.

As per our report of even date attached

For RSM & Co.

For and on behalf of the Board of Directors

Chartered Accountants **Kushal N. Desai** **V. A. Gore** **D. C. Patel**
Vijay N. Bhatt Managing Director Director Company Secretary
 (Partner-F36647)

Dated : 17th June, 2005
 Place : Mumbai

Dated : 17th June, 2005
 Place : Mumbai

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