



Apar Industries Limited

17th Annual Report 2005-2006

BOARD OF DIRECTORS

Dr. N. D. Desai	<i>Chairman</i>
Mr. V. A. Gore	
Dr. N. K. Thingalaya	
Mr. F. B. Virani	
Mr. M. N. Kamat	<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	
Mr. Richard Owen Pyvis	
Ms. Josephine Price	<i>Alternate to Mr. Richard Owen Pyvis</i>

AUDIT COMMITTEE

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

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.
The Dhanlakshmi Bank Ltd.
Indian Bank
IDBI Limited
ICICI Bank Ltd.
State Bank of India

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.

Financial Highlights	2
Notice	3
Directors' Report	7
Corporate Governance Report ...	16
Auditors' Report	22
Balance Sheet	24
Profit & Loss Account	25
Schedules to Accounts	26
Cash Flow Statement.....	47
Information about Subsidiary.....	48
Consolidated Accounts :	
Auditors' Report	49
Balance Sheet	49
Profit & Loss Account	50
Schedules to Accounts	50

Apar Industries Limited

Financial Highlights for last Five Years

(Rupees in Millions)

Particulars	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
PROFIT AND LOSS ACCOUNT DATA :					
Sales (Net of Excise)	10,910	8,367	6,394	5,560	5,299
% of Growth	30	31	15	5	—
Exports	1,742	1,282	1,503	1,509	1,595
Materials, Operating and other cost	10,246	7,705	6,167	4,980	4,694
Employee cost	153	149	159	147	148
Depreciation	86	86	84	83	75
Interest and finance charges	202	141	150	158	186
Exchange Rate difference (Net) Debit/(Credit)	79	(9)	(99)	(25)	29
Profit before tax & exceptional items	523	341	318	194	173
% of Growth	53	7	64	12	—
Taxation	106	27	23	40	58
Exceptional items	17	12	—	—	—
Profit after tax (PAT)	400	302	295	154	115
% of Growth	32	2	92	34	—
BALANCE SHEET DATA :					
Share Capital	846	239	263	386	536
Reserves & Surplus	960	675	448	287	212
Net worth	1,806	914	711	673	748
Loan Funds	1,056	1,454	1,526	1,436	1,417
Deferred Tax (Net)	135	134	146	166	167
Total Liabilities	2,997	2,502	2,383	2,275	2,332
Gross Block	1,880	1,639	1,571	1,532	1,435
Net Block	1,149	961	889	904	885
Investments	6	15	6	2	—
Net Current assets	1,790	1,493	1,473	1,272	1,324
Miscellaneous Expenditure (to the extent not written off or adjusted)	52	33	15	97	123
Total Assets	2,997	2,502	2,383	2,275	2,332
KEY RATIOS :					
PAT to Sales (%)	3.67	3.61	4.61	2.77	2.17
Return on Net Worth (%)	22.80	34.28	42.38	26.74	18.40
Asset Turns (Revenue to total Assets)	3.64	3.34	2.68	2.44	2.27
Return on Capital Employed (%)	27.90	20.60	22.20	18.00	18.90
Debt to Equity Ratio	0.33	0.84	1.28	0.87	1.01
Earning per Equity Share (Basic) Rs.	17.66	14.43	13.86	6.47	3.97
Rate of dividend % p.a.	35.00%	30.00%	22.50%	15.00%	10.00%
Book value per Equity Share Rs.	53.66	42.39	33.44	27.72	30.04
Share Price as on 31st March (BSE) Rs.	245.90	119.85	40.00	15.00	10.35

17th Annual Report 2005-2006

NOTICE

NOTICE is hereby given that the **SEVENTEENTH Annual General Meeting** of the Equity Shareholders of **APAR INDUSTRIES LIMITED** will be held at the **Auditorium of the Vanijya Bhavan, Central Gujarat Chamber of Commerce, Race Course Circle, Vadodara - 390 007** on **Thursday, the 10th August, 2006** at **10.30 A.M.** to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. To confirm declaration of Interim Dividends on Equity Shares and Participating Preference Shares and declare dividend / final dividend on Participating Preference Shares and Equity Shares of the Company.
3. To appoint a Director in place of Dr. N. K. Thingalaya, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. F. B. Virani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Kushal N. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution** :

“**RESOLVED THAT** pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Richard Owen Pyvis be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

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

“**RESOLVED THAT** pursuant to the provisions of Sections 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, Dr. N. D. Desai, a Technocrat and Non-Executive Chairman of the Company who possesses the requisite qualifications for practice of the profession, be and is hereby appointed as Technical Advisor / Management Consultant of the Company w.e.f. 1st February, 2006 for a period of five years and he be paid remuneration and provided facilities for his professional services rendered / to be rendered to the Company as Technical Advisor / Management Consultant, w.e.f. 1st February, 2006, in the manner as laid down below:

i) **Consultancy Fee :**

- (a) Fixed Fees of Rs. 25,00,000/- per annum payable in monthly equal installments for consultancy with such rise as may be decided by the Board of Directors from time to time.

- (b) Such further fees as the Board may sanction for specific professional assignment, which he may accept as per the Company's requirement.

ii) **Facilities:** In addition to the above fees, he will be provided the following facilities which shall be revised by the Board of Directors from time to time for facilitating him in the performance of professional services to the Company :

- (a) He will be provided suitable residential accommodation and the expenditure for taxes, levies, repairs, maintenance, society charges, security charges etc., will be incurred by the Company.

The company will also pay for utilities like power, gas, water, staff, etc., used/availed by the said adviser at his residence.

- (b) The Company shall incur all expenses relating to his travel etc., for his rendering professional services to the Company.

- (c) The facility of Company maintained Motor Car with driver will be provided to him for use in connection with rendering professional services to the Company. For possible use of the said vehicle for private or personal purposes, the Company will recover from him a sum of Rs. 2,200/- per month.

- (d) The Company will provide telephone connections at his residence - Personal long distance telephone calls for private purposes would be recovered from him.

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

“**RESOLVED THAT** pursuant to provisions of Section 198 and 309 of the Companies Act, 1956 and Article 140(b) of the Articles of Association of the Company, the consent of the Shareholders be and is hereby accorded for payment of Commission to Dr. N. D. Desai, Non-Executive Chairman of the Company, w.e.f. 1st February, 2006 for a period of five years, for each financial year commencing from 2005-06 at a rate not exceeding 1% of Net Profits of the Company, as computed under Section 198 of the Companies Act, and he will separately be eligible to receive the remuneration and facilities for the professional services rendered / to be rendered by him to the Company as Technical Advisor / Management Consultant and also the sitting fees for attending the Meetings of the Board of Directors of the Company or any Committee thereof.”

10. To consider and if thought fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution** :

“**RESOLVED THAT** in supersession of Resolution passed at the Extra-Ordinary General Meeting of the Members of the Company held on 8th June, 1999, the consent of the Company be and is hereby accorded in terms of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing in Indian Rupees and / or foreign currencies for the purposes of business of the Company from time to time, any sum or sums of money which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time, exceed the sum of Rs. 300 Crores (Three Hundred Crores) only.”

11. To consider and if thought fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution** :

“**RESOLVED THAT** the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for creating mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company, as may be necessary on all or such of the assets / properties of the Company both present and future, in such manner as the Board may decide,

Apar Industries Limited

together with power to take over the management of the Company in certain events, to or in favour of the Indian or foreign Financial Institutions, Investment Institutions and their subsidiaries, Banks, Mutual Funds, Trusts and other bodies corporate, (hereinafter referred to as the "Lending Agencies"), Trustees for the holders of debentures / bonds and / or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans / foreign currency loans, financial assistance / facilities, debentures, bonds and other instruments together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreements/Loan Agreements/ Debenture Trust Deeds to be entered into by the Company in respect of the said borrowings from time to time.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with the Lending Agencies / Trustees, the documents for creating the aforesaid mortgages, charges, and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts, deeds and things and to execute all such documents from time to time as may be necessary for giving effect to the above Resolution."

Registered Office :

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

Place : Mumbai

Date : 27th June, 2006.

By Order of the Board

D. C. Patel
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ALSO ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME APPOINTED FOR THE MEETING.
2. The Register of Members and Share Transfer Books for the Equity Shares of the Company shall remain closed from Friday, the 4th August, 2006 to Thursday, the 10th August, 2006, both days inclusive, for the purpose of ascertaining the eligibility of shareholders to receive final dividend on Equity Shares / Participating Preference Shares for the financial year 2005-2006.
3. Final Dividend on Equity Shares as recommended by the Board of Directors for the Financial Year ended 31st March, 2006, when declared at the Annual General Meeting will be paid to all those Members whose names appear on the Register of Members of the Company and Statement of Beneficial Ownership furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).
4. Members desirous of obtaining information / details about the accounts, are requested to write to the Company at least one week before the meeting, so that proper information can be made available at the time of meeting.
5. Members holding shares in dematerialised form, may please note that while opening a depository account with Depository Participant (DP), they have given their bank account details, which will be printed on their dividend warrants. However, if any member wants to change / correct the bank account details, he / she should communicate the same immediately to the concerned

Depository Participant (DP). Members are also requested to furnish the bank account details along with MICR code of their bank to their Depository Participant so as to enable the Company to ensure payment of dividend through Electronic Clearing Service (ECS).

6. The details of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting as required in terms of Clause 49 of the Listing Agreement of the Stock Exchanges is also annexed hereto and forming part of the Notice.

7. Consequent upon the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund set up by the Government of India and no payment shall be made in respect of any such claims by the Fund.

The unpaid / unclaimed dividend of the Company for the years 1997-98 and 1998-99 is due for transfer to the said fund in the month of July, 2006 and November, 2006 respectively.

Members who have not yet encashed their warrant(s) are requested to make their claims to the Company without any delay.

- 8 (a) As stated in Para No. 11(b) of the Directors' Report, the Company has received an approval under Section 212(8) of the Companies Act, 1956 from the Ministry of Company Affairs, Government of India vide its letter dated 23rd February, 2006, exempting the Company from attaching the Annual Accounts, Reports and other Statements pursuant to Section 212(1) of the Act, in respect of Company's Wholly-owned Subsidiary, Petroleum Specialities Pte. Ltd., Singapore with the Annual Report of the Company for the financial year ended 31st March, 2006. Therefore, the accounts and reports of the said subsidiary Company are not attached herewith.

(b) However, a Statement showing information in aggregate of the said subsidiary Company in compliance with the aforesaid approval letter dated 23rd February, 2006 of Ministry of Company Affairs has been attached with the consolidated financial statements.

(c) The Company shall provide a copy of the Annual Accounts and related information / reports for the year 2005-2006 of the subsidiary Company as required under Section 212 of the Act to the shareholders on their request, free of cost, at any point of time. Further, the annual accounts of subsidiary Company shall be available for inspection at the Registered Office and Corporate Office of the Company and that of the subsidiary Company.

9. The required Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is annexed hereto and forming part of the Notice.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 7 :

The agenda item no. 7 of the Notice relates to the appointment of Mr. Richard Owen Pyvis as a Director liable to retire by rotation.

In terms of Clause 7.1 of the Investment Agreement dated 5th September, 2005 entered into between the Company and M/s. Shiny Limited, the allottee of 34,45,978 - 5.40 % Cumulative Compulsorily Convertible Preference Shares of Rs. 185/- each, the said M/s. Shiny Limited is entitled to nominate a person as Investor Director on the Board of Directors of the Company.

17th Annual Report 2005-2006

The Company had therefore appointed Mr. Richard Owen Pyvis as an Additional Director on the Board of the Company w.e.f. 28th October, 2005 pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article No. 136 of the Articles of Association of the Company.

In terms of Section 260 of the Companies Act, 1956, Mr. Richard Owen Pyvis shall hold office of Director upto the date of ensuing Annual General Meeting (AGM). The Company has received valid notice and requisite deposit from a member of the Company under Section 257 of the said Act, proposing the candidature of Mr. Richard Owen Pyvis for the office of Director.

Considering the expertise and experience of Mr. Richard Owen Pyvis in the field of economics, it will be in the interest of the Company to continue / appoint him as a Director of the Company retireable by rotation. The Board, therefore, commends the Resolution for approval by the Members. The copy of Investment Agreement is available for inspection at the Registered Office of the Company on all working days during office hours of the Company.

None of the Directors of the Company except Mr. Richard Owen Pyvis is in any way concerned and interested in the resolution.

ITEM NO. 8 :

The agenda item no. 8 of the Notice relates to the approval for appointment and payment of fees / remuneration and providing facilities to Dr. N. D. Desai (Non-Executive Chairman / Director), for the professional services rendered / to be rendered to the Company.

The shareholders had approved the appointment and payment of remuneration to Dr. N. D. Desai for a period of 5 years from 1st January, 2002 to 31st December, 2006 at their 13th Annual General Meeting held on 27th September, 2002. Dr. N. D. Desai has relinquished the office of the Executive Chairman w.e.f. 1st February, 2006 and accepted the request of directors to render his professional services to the Company as Technical Advisor / Management Consultant.

Accordingly, the Board of Directors of the Company at its Meeting held on 25th January, 2006 has approved Dr. N. D. Desai continuing as Non-Executive Chairman / Director only. The Board has also decided at their said meeting to continue the availing of his professional services as Technical Advisor / Management Consultant and pay remuneration for his professional services, w.e.f. 1st February, 2006 for a period of 5 years.

Dr. Narendra D. Desai is an Engineer with Honors Degree from the University of London and Masters and Ph. D. from U.S.A. He did his Wharton School Cost Accounting with Business Management credits, which went towards his Ph. D. Degree. Briefly, he is qualified as B.Sc.(Hons.), London, M.S.Ele.Engg., PH.D., Penn., USA, Sigma XI, A.A.M.I.E.E.

Besides being Chairman / Director of the Companies of Apar Group in India since 1964, he was also Chairman of Apar Infotech, USA and Ness Technologies (India) Ltd. He is past President of ELCOMA (Electrical Lamp and Component Manufacturers Association), AMPS (Association of Manufacturers of Petroleum Specialities), etc. He is currently the President of Association of Domestic Industries Affected by Dumping. Dr. Desai is the Managing Trustee of Dharmsinh Desai Institute of Technology, Nadiad (University), having an MBA Programme linked with IIM, Ahmedabad. For the last 25 years, Dr. Desai has often been visiting speaker at various institutions in India and abroad such as Carnegie Mellon, USA, etc. The Company has been immensely benefitted by the valuable professional advice rendered by Dr. N. D. Desai from time to time.

The present Executive / Whole Time Directors of the Company are hard pressed with variety of functions relating to day to day management of the Company's existing business and they would not be able to give concentrated attention to the expansion projects of the Company, product

development and other technical / management matters. The Company has a history of continuous expansion year after year. Considering the nature and volume of business and its continuous expansion activities, the Executive / Whole Time Directors of the Company need expert technical and management support. Therefore, it would be in the interest of the Company to avail Dr. N. D. Desai's professional services by appointing him as Technical Advisor / Management Consultant of the Company.

The opinion of the Central Government under Section 309 of the Companies Act has been received with regard to Dr. Desai possessing the requisite qualifications for rendering such service. A copy of Central Government opinion is available for inspection at the Registered Office of the Company on all working days during office hours of the Company.

Considering the competence of Dr. Desai and present levels of professional fees / charges being charged by the reputed experienced professionals like Technical Advisor / Management Consultant, for the expert services / advice, the remuneration / fees as proposed in the resolution is reasonable. Besides the payment of remuneration in the professional capacity, he shall be entitled to receive usual sitting fees for attending the meetings of Board of Directors and committees thereof.

Dr. N. D. Desai is holding directorship in other Group Companies of Apar and he is related to Mr. Kushal N. Desai, Managing Director and Mr. C. N. Desai, Joint Managing Director of the Company. Further he holds 5,050,598 equity shares (24.27 % of equity capital) of the Company.

The Board, therefore, commends the Special Resolution under Section 314 of the Companies Act, 1956 for the approval by members as to holding of office or place of profit by Dr. N. D. Desai as Technical Advisor / Management Consultant.

The above explanatory statement, read along with the resolution, sets out the material terms of remuneration as payable to Dr. N. D. Desai as Non-Executive Chairman / Director for the professional services to be rendered by him, which may also be treated as an abstract and Memorandum of interest, under Section 302 of the Companies Act, 1956.

Except Dr. N. D. Desai, Mr. Kushal N. Desai and Mr. C. N. Desai, none of the Directors of the Company is concerned or interested in the Resolution.

ITEM NO. 9 :

The agenda item no. 9 of the Notice relates to the approval for payment of commission to Dr. N. D. Desai as Non-Executive Chairman / Director of the Company.

The rich experience of Dr. N. D. Desai plays the crucial role in laying down policies and providing guidelines for conduct of Company's business at the Board level. He has been contributing immensely to the success of the Company through his active participation in the Board / Committee Meetings. The rich experience of Dr. N. D. Desai in business management and administration has led to sound decisions. The Board has therefore recommended to continue the payment of commission to Dr. N. D. Desai upto 1 % of the net profits of the Company w.e.f. 1st February, 2006 for a period of five years, for each financial year commencing from Financial Year 2005-06.

The shareholders had approved the appointment and payment of remuneration to Dr. N. D. Desai for a period of 5 years from 1st January, 2002 to 31st December, 2006 at their 13th Annual General Meeting held on 27th September, 2002. Accordingly, he is entitled to receive Commission upto 1.00 % of net profit of the Company till 31st December, 2006. However, as an abundant caution, shareholders' approval is sought for payment of commission for the financial year 2005-06 and also for a period of five years commencing from 2005-06.

In accordance with the provisions of Section 309(4)(b) of the Companies Act, 1956, remuneration by way of commission up to 1% of the net

Apar Industries Limited

profits may be paid to the Non-Executive Directors subject to the approval of shareholders by way of Special Resolution.

Dr. N. D. Desai is holding directorship in other Group Companies of Apar and he is related to Mr. Kushal N. Desai, Managing Director and Mr. C. N. Desai, Joint Managing Director of the Company. Further he holds 5,050,598 equity shares (24.27 % of equity capital) of the Company.

The Board, therefore, commends the Special Resolution under Section 309 of the Companies Act, 1956 for the approval by members for payment of commission to Dr. N. D. Desai for a period of 5 years w.e.f. 1st February, 2006.

The above explanatory statement, read along with the resolution, may also be treated as an abstract and Memorandum of interest, under Section 302 of the Companies Act, 1956.

Except Dr. N. D. Desai, Mr. Kushal N. Desai and Mr. C. N. Desai, none of the Directors of the Company is concerned or interested in the Resolution.

ITEM NOS. 10 & 11 :

Item No. 10 relates to authorising the Board of Directors of the Company to borrow monies apart from temporary loans obtained or to be obtained from Company's bankers in the ordinary course of business in excess of Paid up Share Capital and Free Reserves of the Company.

The Members at their General Meeting held on 8th June, 1999 had passed a resolution authorising the Board to borrow in excess of paid up capital and free reserves but not exceeding a sum of Rs. 150 crores at any time and to create security by way of mortgage / charge of properties of the Company from time to time.

With the expansion of Industrial activities and the increased business operations, the Company will require higher amount of various types of financial facilities including working capital by way of Cash Credit, Bills Discounting, Letters of Credit, Bank Guarantee etc. for day to day operations and term loans and other financial facilities to meet with the on-going modernisation programmes and expansion of various projects. In order to enable the Board of Directors to meet with the requirements

of funds, from time to time, it is required to authorise the Board under Section 293 (1) (d) of the Companies Act, 1956 to borrow for the Company in excess of paid up capital and free reserves of the Company but not exceeding upto Rs. 300 crores at any time (apart from temporary loans obtained or to be obtained from Company's bankers in the ordinary course of business).

Item No. 11 relates to authorising the Board of Directors of the Company to mortgage / charge the movable / immovable properties of the Company under Section 293 (1) (a) of the Companies Act, 1956. As stated above, the Company shall borrow the required funds for working capital requirements as well as for modernisation and expansion projects from banks, financial institutions and other bodies. As usual, the lending institutions (banks and financial institutions) lend the monies on a security of mortgage / charge of movable/immovable properties of the Company with power to take over the management of the Company in certain events of defaults. As per the provision of Section 293(1)(a) of the Act, the Company cannot sale, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company without prior consent of Members at a General Meeting. Since the creation of mortgage of all the properties of the Company with power to take over the management of the Company in favour of banks / financial institutions may amount to disposal of whole or substantially whole of the undertaking of the Company, members' approval under Section 293(1)(a) of the Act is required for authorising the Board to create mortgage over the properties of the Company from time to time.

The Board, therefore, commends both the resolutions for approval of the Members.

None of the Directors of the Company is concerned or interested in the resolution.

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

Place : Mumbai
Date : 27th June, 2006.

By Order of the Board
D. C. Patel
Company Secretary

Details of Directors seeking appointment / re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of Director	Dr. N. K. Thingalaya	Mr. F. B. Virani	Mr. Kushal N. Desai	Mr. Richard Owen Pyvis
Date of Birth	04.11.1937	26.06.1945	21.02.1967	24.06.1949
Date of Appointment	27.07.2001	27.07.2001	24.03.1999	28.10.2005
Expertise in specific functional areas	Banking	Chemical Engineering	Electrical Engineering	- Expertise in Economics with focus on Asia - Corporate Governance issues
Qualifications	Ph.D. (Economics)	B.E.(Chem. Engg.) M.S.(Chem. Engg.) (USA) M.B.A. (USA)	B.Sc. (Hons.), (Elec. Engg.) U.S.A. B.S.Eco. (Hons.), (Wharton), USA.	Degrees in Economics at the University of Western Australia, IMI and Insead
List of other Public Companies in which Directorship held as on 31.03.2006.	1. Canbank Investment Management Services Ltd. 2. Lamina Foundries Limited	None	1. Apar Masat Conductors Ltd.	1. Havell's India Ltd. 2. VLCC Health Care Ltd. 3. Jyothy Laboratories Ltd.
Chairman / Member of the Committee of other Public Companies on which he is a Director as on 31.03.2006.	1. Lamina Foundries Limited - Remuneration Committee	None	None	None
No. of Shares held in the Company	Nil	5,500	4,678,163	Nil

17th Annual Report 2005-2006

DIRECTORS' REPORT

Your Directors have pleasure in submitting the 17th 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, 2006 :

1. FINANCIAL RESULTS :

(Rs. in Millions)

PARTICULARS	*Consolidated			Company		
	Increase over Previous Year	2005-06	2004-05	Increase over Previous Year	2005-06	2004-05
Sales turnover (after deduction of excise duty amount Rs. 1450.85 millions for 2005-06 and Rs. 1139.66 millions for 2004-05)	27 %	11,123.60	8,740.90	30 %	10910.28	8367.49
Other Income		45.00	65.34		44.93	65.34
Profit for the year before interest, exchange rate difference, depreciation / amortization, taxation and exceptional items	58 %	925.24	583.96	60 %	890.97	558.36
Deducting therefrom :						
- Depreciation / Amortisation		86.40	85.64		86.35	85.59
- Interest & discounting charges	44 %	209.42	145.66	43 %	202.35	141.04
- Exchange Rate Difference (gain)/loss		83.91	(5.78)		79.18	(8.85)
Profit before Taxation and Exceptional Items	52 %	545.51	358.44	54 %	523.09	340.58
Exceptional items		17.43	12.03		17.43	12.03
Profit before Taxation for the year	52 %	528.08	346.41	54 %	505.66	328.55
Deducting therefrom :						
- Provision for Taxation	158 %	79.98	31.05	186 %	76.47	26.71
Net Profit after taxation but before tax provision for earlier years	42 %	448.10	315.36	42 %	429.19	301.84
Deducting therefrom :						
- Provision for Taxation for earlier years **		29.50	—		29.50	—
Net Profit after Taxation for the year	33 %	418.60	315.36	32 %	399.69	301.84
Adjusting therein (debit) / credit :						
- Balance of Profit brought forward from previous year		242.07	89.68		228.56	89.68
- Transfer from / (to):-						
(a) Debenture Redemption Reserve		45.00	(15.00)		45.00	(15.00)
(b) Capital Redemption Reserve		(31.36)	(23.51)		(31.36)	(23.51)
(c) Exchange Fluctuation Reserve		—	50.00		—	50.00
Amount available for appropriations		674.31	416.52		641.89	403.01
Appropriations made by the Board of Directors:						
- General Reserve		100.00	100.00		100.00	100.00
- Dividends on Equity and Preference Shares:						
- Interim Dividend (paid)		42.44	39.55		42.44	39.55
- Final Dividend		58.66	26.01		58.66	26.01
- Income-tax on dividends		14.18	8.90		14.18	8.90
- Leaving balance of Profit carried to Balance Sheet		459.03	242.06		426.61	228.55
Earnings per Equity Share (EPS) :-						
Basic						
(i) On profit before tax provisions for earlier years	33%	19.99	15.08	32%	19.08	14.43
(ii) On profit after tax provisions for earlier years	23%	18.57	15.08	22%	17.66	14.43
Diluted						
(i) On profit before tax provisions for earlier years	32%	19.98	15.08	33%	19.13	14.43
(ii) On profit after tax provisions for earlier years	24%	18.66	15.08	23%	17.82	14.43

* Consolidated Results include the results of Petroleum Specialities Pte. Ltd., Singapore, a Wholly Owned Subsidiary (WOS) of the Company.

** The Company has made a one-time tax provision on account of Company's claim for deduction of certain items in earlier years being not in accordance with subsequent Supreme Court judgements in cases of other companies.

Apar Industries Limited

2. Dividend :

- a. The Company has paid the following two interim dividends for the financial year 2005-2006:

On 20,806,045 Equity Shares :

- @ Re. 0.75 per share on the face value of Rs. 10/- amounting to Rs. 15,604,534/- and
- @ Re. 1.00 per share on the face value of Rs. 10/- amounting to Rs. 20,806,045/-.

On 3,445,978 - 5.40 % Cumulative Convertible Preference Shares carrying participating rights as equity shareholders :

- @ Re. 0.75 per share amounting to Rs. 2,584,484/- and
- @ Re. 1.00 per share amounting to Rs. 3,445,978/-.

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

- b. Considering the improved financial results achieved during the year under review as compared to the previous year, the Board of Directors has recommended the following dividend / final dividend for the financial year 2005-2006 out of the net profit available for distribution :

On 20,806,045 Equity Shares @ Rs. 1.75 per share which together with aforesaid two interim dividends aggregate to Rs. 3.50 (Previous year total dividend @ Rs. 3.00) per share.

On 3,445,978 - 5.40 % Cumulative Convertible Preference Shares :

- (i) Preference Dividend @ 5.40 %, pro rata for the period from 11th October, 2005 to 31st March, 2006 and
- (ii) Equity Dividend as converted basis @ Rs. 1.75 per share.

The above dividend / final 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, Threats, Outlook and Risk & Concerns :

(i) Transformer Oil and Speciality Oils Division :

The Company produces over 300 grades of Speciality Oils and Lubricants, catering to various requirements of power industries and other industries in general. This division contributes 47 % of total revenue of the

Company which grew from Rs. 4,230.12 millions to Rs. 5,151.09 millions, representing 22 % of growth. Due to frequent changes in prices of base oils, and weakness of the rupee, operating margin stood at Rs. 464.91 millions as against Rs. 481.06 millions of the previous year. Increase in revenue can be attributed to increase in per unit sale price and increase in volume of sales of Transformer Oils and other Speciality Oils from 1,25,858 KL to 1,35,639 KL.

The Company continues to grow its Transformer Oil business where it is India's market leader. It is also largest exporter of Transformer Oil. Export and Overseas Revenue grew from Rs. 785.35 millions to Rs. 1,096.26 millions, representing a growth of 40 %.

The Company concentrates its efforts to focus and grow in niche segments where a significant technology input and technical services are required to market the oil. Several new products have been introduced during the financial year 2005-06 covering Transformer Oils made to new enhanced specifications, Rubber Process Oils made to most stringent environmental friendly standards and new grades of Industrial Oil and Process Oil.

The Company continues to expect growth of this division as investment in the power infrastructure in the country is being increased. There is also a substantial growth in various industries where the Company supplies its Process Oil and Lubricants. The Company continues to maintain long term supply arrangement with producers of high quality Paraphenic base oil and Naphthenic type oils.

Risk and Concerns :

The prices of crude oil continue to be very volatile. There is also tightening in the availability of base oil due to which increase in price of base oil exceeded the corresponding increase in the price of crude oil and as a consequence, there has been very frequent price change in the finished products. Frequent price changes result in the opportunity for the competitors to enter established accounts of the Company with short term lower prices. Since the majority of base oils are imported, the Company is exposed to the movements in the foreign exchange.

(ii) Conductor Division :

As per the re-structuring plan, the manufacturing capacity of Conductor Division was expanded at Silvassa during the financial

17th Annual Report 2005-2006

year 2005-06. This has helped in reducing the operating cost. During the year 2005-06, the orders have been executed at better margins and reduced risk levels on account of price variation formula.

This division has contributed roughly 40 per cent of the total revenues of the Company for the year under review. It is amongst the largest players in the country.

During the past several years, there has been a mismatch in the investment made in Power Generation and Transmission, resulting in large bottlenecks in the Transmission infrastructure in the country. Through projects being implemented either directly by Power Grid, or through joint ventures with other turnkey operators, the transmission and distribution infrastructure is likely to be augmented considerably. The Company, being one of the larger players in this sector should have a good business opportunity over the next 5-7 years as this infrastructure of over \$150 billion is being built.

The Company has an order book of about Rs. 500 crores. There are several tenders that are due from Power Grid etc. in the near future. Based on this, the order inflow is expected to remain strong. In addition to the domestic market, the Company continues to focus on getting 30% of its business from overseas markets. The Company is well positioned with Global EPC contractors that build projects in the Middle East, South East Asia and Africa. Hence it is expected that the exports and overseas business will also grow at over 25% per annum. The Company has also made investments to improve the productivity and capacity of making Alloy Conductors. The usage of Alloy Conductors is increasing worldwide due to the system cost being lower when a transmission project is built with Alloy rather than ACSR conductors.

Risk and Concerns :

The orders with some of the customers have firm delivery schedules, which if not abided by the customers can result in 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 volatility 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 risk of volatility in prices of aluminium and foreign exchange by hedge contracts.

(iii) Polymers Division :

The Company's Polymers Division contributed about 13 per cent of the total revenue of the Company. The Company holds more than 50 per cent market share in Nitrile Butadiene Rubber (NBR), which finds its applications in auto components and rice roller for de-husking. The other products viz. High Styrene Rubber (HSR), which finds its application in the footwear industry was hit because of the intense competition. Now, the Company will de-bottleneck the plant so as to make it a swing plant (providing flexibility as per demand) for these Synthetic Rubbers.

The margins were squeezed due to intense competition in NBR and HSR. HSR demand dropped significantly as customers went for alternative cheaper inputs. Therefore, the division's contribution was dipped. Nonetheless, with value-added extensions of NBR, which would bring in higher margins on account of the in-house R & D effort, this segment of business should see better growth prospects going forward.

Risk and Concerns :

The cost of raw materials and the prices of the competitors' products are the most important drivers of the profitability. Any dis-proportionate 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 Highlights and Segment-wise Performance :

(1) Financial Highlights : (Rs. in Millions)

	Consolidated		Company	
	2005-06	2004-05	2005-06	2004-05
Balance Sheet :				
1. Share Capital :				
Equity	208.06	208.05	208.06	208.05
Preference	637.50	31.27	637.50	31.27
	845.56	239.32	845.56	239.32
2. Reserves & Surplus	992.37	688.96	959.95	675.45
3. Loans (Secured & Unsecured)	1056.44	1465.45	1056.44	1453.68
4. Deferred Taxation (Net)	135.92	134.49	135.31	133.89
5. Net fixed Assets	1149.14	961.23	1148.92	961.03
6. Net Current Assets	1825.94	1521.37	1790.48	1493.03

Apar Industries Limited

	Consolidated		Company	
	2005-06	2004-05	2005-06	2004-05
Profit and Loss Account :				
1. Sales (Net of Excise duty)	11123.60	8740.90	10910.28	8367.49
2. Other Income	45.00	65.34	44.93	65.34
3. Profit before tax & exceptional items	545.50	358.44	523.09	340.58
4. Net Profit after tax for the year	418.60	315.36	399.69	301.84

(2) Results of Operations :

Margins from the manufacturing activities during the year were improved to Rs. 890.97 millions as against Rs. 558.36 millions in the previous year.

(i) Transformer & other Speciality Oils Division :

The Company's Oil division has achieved higher volume of production of various grades of Transformer and Industrial oils. The oil division was able to sell its production at competitive rates.

The gross revenue grew from Rs. 4,230.12 millions to Rs. 5,151.09 millions, representing a 22 % growth. Exports registered at Rs. 882.10 millions as against Rs. 411.93 millions in the previous year representing growth of 114 %. Operating profit for the segment stood at Rs. 464.91 millions as against Rs. 481.06 millions.

(ii) Conductor Division :

During the year under review, the Conductor division has also achieved higher volume of production of conductors. The gross revenue of Conductors was at Rs. 4,392.23 millions as against Rs. 2,732.71 millions in the previous year, representing growth of 61 %. Exports of Conductors during the year was Rs. 797.20 millions as against Rs. 823.08 millions in the previous year. Operating profit for the segment was Rs. 348.45 millions as against Rs. 1.38 millions of the previous year, showing impressive turn around and significant achievement of strong financial performance of the division.

(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 less than proportionate 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. 1,416.03 millions as against Rs. 1,469.44 millions in the previous year. Exports of Polymers Division during the year was Rs. 63.16 millions as

against Rs. 47.13 millions in the previous year representing growth of 34 %. The operating profit for the segment was Rs. 82.25 millions as against Rs. 172.22 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 along with 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. growth of Indian economy, 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 Speciality Oils Division :

With the installation of additional storage facilities

17th Annual Report 2005-2006

and balancing equipments in phased manner at Silvassa unit, 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 :

The Company has embarked on a modernization programme at its Silvassa plant with state-of-the-art machinery which would further improve productivity and quality of products.

With the increase in production, cost efficiency and improved productivity at Silvassa unit, the Company expects to continue improved profitability of its Conductor Division for the financial year 2006-07 and onwards.

In order to capture growth opportunities in conductor business, the Company is in process of setting up of a manufacturing facility of 15,000 MT at Nalagarh in Himachal Pradesh which would be fully operational by second half of the financial year 2006-07.

(iii) Polymers Division :

The manufacturing facility of the polymers division would be re-structured so that the capacity is increased with better flexibility of timely producing the grades in demand. This re-structuring is also expected to reduce cost and improve the possibility of introducing newer grades with higher margins.

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 are in full swing.

5. Share Capital / Debentures :

- a) During the year under review, the Authorised Share Capital of the Company was increased / revised. The Authorised Share Capital was increased from Rs.750,000,000/- to Rs. 919,987,500/- and the enhanced capital was divided as under :

26,000,000 Equity Shares of Rs.10/- each	Rs. 260,000,000/-
3,567,500 Preference Shares of Rs. 185/- each.	Rs. 659,987,500/-
Total	<u>Rs. 919,987,500/-</u>

During the year under review, the Company has raised the fund of Rs. 637,505,930/- for retirement of long term debts and to meet with capital expenditure for expansion projects. Accordingly, it has issued and allotted on 11th October, 2005, 3,445,978 - 5.40 % Cumulatively Compulsorily Convertible Preference Shares of Rs. 185/- each on preferential basis to M/s. Shiny Limited,

Mauritius, a part of CLSA Group in terms of the Investment Agreement entered into between the Company and the said Investor on 5th September, 2005. In terms of the Investment Agreement, on expiry of one year, the said Preference Shares shall be compulsorily converted into an equal number of Equity Shares i.e. 3,445,978 Equity Shares of Rs. 10/- each at a premium of Rs. 175/- per share.

The Company has deployed the said fund in the manner as it was envisaged at the time of issue of the said preference shares.

- b) 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.
- c) During the year under review, the Company has made early redemption in full of 250,000 - 10 % Secured Non-Convertible Debentures of Rs.1,000/- each aggregating to Rs. 250,000,000/-.

6. Directors :

- a) Mr. Richard Owen Pyvis was appointed as Additional Director and Ms. Josephine Price as an Alternate Director of the Company w.e.f. 28th October, 2005. They have been nominated as Director by M/s. Shiny Limited, in terms of Clause 7 of the Investment Agreement entered into by the Company with the said M/s. Shiny Limited. In pursuance of the provisions of Section 260 of the Companies Act, 1956, Mr. Richard Owen Pyvis will hold office as director upto the date of ensuing Annual General Meeting. The Company has received a Notice under Section 257 of the Companies Act, 1956, proposing his candidature as Director, liable to retire by rotation. The Board recommends his appointment.
- b) Dr. N. D. Desai resigned as Executive Chairman of the Company and continued as Non-Executive Chairman. His rich experience and expertise will be available as the Company has appointed him as Technical Advisor / Management Consultant for availing his professional services.
- c) Shri M. N. Kamat was substituted as Nominee Director by Industrial Development Bank of India Limited (IDBI) in place of Shri V. D. Shinde w.e.f. 20th December, 2005.
- d) Dr. N. K. Thingalaya, Shri F. B. Virani and Shri Kushal 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 these directors.

7. Directors' Responsibility Statement :

Pursuant to the requirement under Section 217(2AA) of

Apar Industries Limited

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, 2006, 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 the Clause 49 of 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. Corporate Social Responsibility :

As a Corporate Citizen of India, the Company regularly provides financial assistance in the form of donations to various charitable and welfare institutions, educational trusts / other bodies which undertake benevolent activities for the common cause of public.

10. 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.

11. 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.

12. 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. The Company has been granted exemption for the year ended 31st March, 2006 by the Ministry of Company Affairs vide its letter dated 23rd February, 2006, ("Exemption Letter"), from attaching to its Balance Sheet, the Annual Report of Company's wholly owned foreign subsidiary, Petroleum Specialities Pte. Ltd., Singapore. As per the terms of the Exemption Letter, a statement containing brief financial details of the Company's Subsidiary for the year ended 31st March, 2006 is included in the Annual Report. The annual accounts of the subsidiary and the related information will be made available to any member of the Company seeking such information at any point of time and are also available for inspection by any member of the Company at the Registered Office of the Company / Subsidiary.

However as required under Clause No. 32 of Listing Agreement of the Stock Exchanges, the Company has presented herewith the audited consolidated annual accounts for the year 2005-06.
- c. As on 31st March, 2006, there was no unclaimed deposits from depositor.

13. 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 : 27th June, 2006

17th Annual Report 2005-2006

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, 2006.

I. CONSERVATION OF ENERGY :

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

Polymers Division:

- (i) Replacement of 100 watt, 240 volt GLS Lamp fitting with 60 Watt, 24 Volt respectively to reduce the power consumption.
- (ii) Introduction of Variable Frequency Drive to save the energy during no-load / partial load condition.
- (iii) Introduction of 200 KVAR APFC panel with grid supply to optimize the power factor near unity.
- (iv) Introduction of Soft starter / Autotransformer starter to maintain the required starting torque and subsequent saving in power consumption.
- (v) Installation of star-delta cyclic converter in less loaded motors to reduce the power consumption.

Special Oils Refinery Division :

- (i) Steam Condensate recycling process implemented at Rabale Plant.

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

Polymers Division :

- (i) To install Variable Frequency Drive (VFD) in 200 HP Expeller motor to reduce the power consumption.
- (ii) To install local APFC Panel direct to ETP MCC to compensate the system voltage drop, improvement in PF and subsequent saving in power consumption of motors.

Special Oils Refinery Division :

- (i) To convert 250 Watts lighting to 150 Watts, GLF lamps fitting in the Warehouse at Rabale Blending plant.

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

- Low operating cost of equipments / machineries.
- Power saving.
- Smooth operation of motors.

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

(A) Power and Fuel Consumption:

	2005-2006	2004-2005
(i) Electricity :		
(a) Purchased units	17,106,623	13,395,264
Total Amount (Rs./millions)	63.61	56.32
Rate/Unit (Rs.)	3.72	4.20
(b) Own Generation :		
Through Diesel Generator (Units)	710,205	612,616
Average Units generated per liter of diesel oil -	2.66	2.64
Average Cost of Unit (Rs.)	12.50	8.65
Through Wind Mill (Units)	1,558,465	2,077,445
Through Co-generation Power Plant (Units)	8,496,729	9,000,898
(ii) Furnace Oil :		
Quantity (Kls)	4,017	3,053
Total Amount (Rs./millions)	61.53	34.94
Average Rate/Kls (Rs.)	15,320	11,443
(iii) Others :		
Natural Gas Quantity (M3)	1,176,718	1,337,045
Total Amount (Rs./millions)	10.68	11.69
Rate/M3 (Rs.)	9.06	8.75
Light Diesel Oil Quantity (KL)	—	124.79
Total Amount (Rs. / Millions)	—	2.40
Rate / KL (Rs.)	—	19,205

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

	2005-2006				2004-2005			
	Electricity (units)	Furnace Oil (litres)	Light Diesel Oil (litrs.)	Natural Gas (M3)	Electricity (units)	Furnace Oil (litres)	Light Diesel Oil (litrs.)	Natural Gas (M3)
(i) Refinery Division: Per KL output of Oil	10.6	2.31	--	--	9.1	1.50	0.77	--
(ii) Properzi and AAC/ACSR Conductors Division : Per MT of Aluminium Conductors	214	62	--	--	229	70	--	--
(iii) Polymers Division : Per MT output of all Synthetic Rubber	914	134	--	127	891	121	--	135

Reasons for Change in consumption :

Electricity :

Oil : Change in Product mix.

Conductors : Improved Productivity.

Polymers : Marginal increase due to change in product mix.

Furnace Oil & LDO :

Oil : Change in product mix.

Conductors : Improved productivity.

Polymers : Change in product mix.

Apar Industries Limited

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 :

Polymers Division :

Development of new types of dry-polymers, polyblends and powders. Improvement in quality of existing products and in manufacturing processes to enhance productivity.

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

- Increase in Exports of NBR Polymers. Powders and Polyblends.
- Business increase in domestic market.
- Global acceptance of all products.
- Improvement of Process /quality / productivity.

(iii) Future plan of action :

Polymers Division :

- Development of new grades of lattices and Rubbers, Powders, Lattices and Polyblends etc. as per the market requirements.
- Setting up a separate R & D Centre dedicated to Research & Development of Synthetic Elastomers / Polymers, vendor developments, process improvement.
- Reduction in reaction cycle time of Polymers.
- Improvement in quality of existing Rubber Grades.

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

(Rs. in millions)

		2005-06	2004-05
a.	Capital	Nil	0.16
b.	Recurring	1.34	1.85
c.	Total	1.34	2.01
d.	Total R&D Expenditure as a percentage of turnover	0.14%	0.20%

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.

- 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 all products.

2. Total Foreign Exchange used and earned :

(Rs. in millions)

(i) Total foreign exchange used :

	2005-06	2004-05
(a) Raw Materials (CIF)	5,915.00	3,594.76
(b) Stores & Spares	3.19	7.19
(c) Capital Goods	2.47	4.93
(d) Others	149.89	89.55
	6,070.55	3,696.43

(ii) Total foreign exchange earned :

(a) Physical Exports (FOB)	1,742.46	1,282.14
(b) Deemed Exports (eligible for export incentives)	414.68	228.44
(c) Others	75.18	54.61
	2,232.32	1,565.19

17th Annual Report 2005-2006

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, 2006.

Employed through out / part of 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	66	Chairman	B.Sc.(Hons), London M.S. Ele.Eng.,Ph.D., Penn., U.S.A., Sigma XI, A.A.M.I.E.E.	48	7,416,542	28.09.1989 (Refer note 2)	—
Mr. Kushal N. Desai	39	Managing Director	B.Sc. (Hons.) (Ele.Engg.) U.S.A., B.S.Eco.(Hons.) (Wharton) U.S.A.	17	7,471,339	24.03.1999	GE Lighting (India) Ltd. - President
Mr. C. N. Desai	34	Joint Managing Director	B.Sc. (Hons.) (Chem. Engg.) U.S.A. B.S. Eco. (Hons.), (Wharton) U.S.A.	12	7,433,683	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. Dr. N. D. Desai, Chairman of the Company ceased to be whole-time director of the Company w.e.f. 1st February, 2006.
3. Above directors are related to each other. None of the employees of the Company is related to any of the Directors.
4. 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 :

- The Board of Directors has more than 50% Non-executive Directors and half of the Board was comprising of independent directors till 31st January, 2006. With the Chairman becoming Non-Executive Director effective from 1st February, 2006, more than one-third of the total number of directors are independent directors. None of the directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees as specified in Clause 49 across all companies in which they are directors. 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.
- 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.
- During the year under review, the following changes were made in respect of Directors of the Company.
 - Mr. Richard Owen Pyvis was appointed as an Additional Director on the Board of the Company w.e.f. 28th October, 2005. He has been nominated as Director by M/s. Shiny Limited, the allottee of 3,445,978 - 5.40 % Cumulative Compulsorily Convertible Preference Shares of Rs. 185/- each in terms of Clause 7 of the Investment Agreement entered into by the Company with the said M/s. Shiny Limited. In terms of the same Clause,

Ms. Josephine Price was appointed as Alternate Director to Mr. Richard Owen Pyvis w.e.f. 28th October, 2005.

- Shri M. N. Kamat was substituted as Nominee Director by Industrial Development Bank of India Limited (IDBI) in place of Shri V. D. Shinde w.e.f. 20th December, 2005.
- Dr. N. D. Desai, Executive Chairman of the Company gave up his executive functions w.e.f. 1st February, 2006 and continued as Non-Executive Chairman of the Company. Dr. N. D. Desai was appointed as Technical Advisor / Management Consultant from the said date, subject to shareholders approval at the ensuing Annual General Meeting and in accordance with the opinion of the Central Government obtained under Section 309(1) of the Companies Act, 1956.

- 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 (Non-Executive)	1	—
Mr. V. A. Gore	Non-Executive & Independent	2	2
Dr. N. K. Thingalaya	Non-Executive & Independent	2	2
Mr. F. B. Virani	Non-Executive & Independent	—	—
Mr. V. D. Shinde (Upto - 20.12.2005) (Nominee Director of IDBI)	Non-Executive & Independent	—	—
Mr. M. N. Kamat (w.e.f. 20.12.2005) (Nominee Director of IDBI)	Non-Executive & Independent	—	—
Mr. Kushal N. Desai	Managing Director	1	—
Mr. C. N. Desai	Joint Managing Director	1	—
Mr. M. M. Patel	Director (Polymers)	—	—
Mr. H. N. Shah	Non-Executive	—	—
Mr. Richard Owen Pyvis	Non-Executive	3	—
Ms. Josephine Price -Alternate Director to Mr. Richard Owen Pyvis	Non-Executive	3	—

17th Annual Report 2005-2006

5. During the financial year 2005-2006, eight Board Meetings were held. The dates on which the Board meetings were held are as follows :

25th April, 2005, 17th June, 2005, 1st August, 2005, 30th September, 2005, 11th October, 2005, 28th October, 2005, 25th January, 2006 and 28th March, 2006.

GENERAL MEETINGS :

(a) The last Annual General Meeting (16th AGM) was held on 30th September, 2005 at 10.30 A.M. at Auditorium of the Vanijya Bhavan, Central Gujarat Chamber of Commerce, Near GEB Head Office, Race Course, Vadodara - 390 007.

(b) An Extra-Ordinary General Meeting (EOGM) of Shareholders was also held on 30th September, 2005 at the above place at Vadodara after the conclusion of Annual General Meeting. The following Special Resolutions were passed at the said EOGM:

- i. Increase in the Authorised Share Capital of the Company under Section 94,*
- ii. Alteration of Clause V of the Memorandum of Association under Section 16, *
- iii. Alteration of Article 5(a) of the Articles of Association under Section 31 * and
- iv. Allotment of Shares on Preferential basis under Section 81(1A). *

* of the Companies Act, 1956.

(c) Another Extra-Ordinary General Meeting (EOGM) of Shareholders was held on 23rd December, 2005 at Corporate Head Office of the Company at Mumbai and Special Resolution to adopt and substitute new set of Articles of Association of the Company was passed.

(d) No Postal Ballot was conducted during the year.

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	8	8	Yes
Mr. V. A. Gore	8	8	Yes
Dr. N. K. Thingalaya	8	7	Yes
Mr. F. B. Virani	8	8	Yes
Mr. V. D. Shinde (Nominee Director of IDBI Upto - 20.12.2005)	6	4	No

Name of Directors	No. of Board meetings held during the tenure of the Directors	No. of Board meetings attended	Last AGM attended
Mr. M. N. Kamat (w.e.f. 20.12.2005) (Nominee Director of IDBI)	2	2	*No
Mr. Kushal N. Desai	8	8	Yes
Mr. C. N. Desai	8	6	Yes
Mr. M. M. Patel	8	5	Yes
Mr. H. N. Shah	8	8	Yes
Mr. Richard Owen Pyvis w.e.f. 28.10.2005	2	—	*No
Ms. Josephine Price - Alternate Director	2	2	*No

* Director appointed after the AGM.

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

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

During the financial year 2005-2006, the Audit Committee met on 17th June, 2005, 1st August, 2005, 28th October, 2005, 25th January, 2006 and 28th March, 2006.

Name of Directors	Category	No. of meetings held during the tenure of the Directors	No. of meetings attended
Mr. V. A. Gore Chairman	Independent & Non-Executive	5	5
Dr. N. K. Thingalaya	Independent & Non-Executive	5	4

Apar Industries Limited

Name of Directors	Category	No. of meetings held during the tenure of the Directors	No. of meetings attended
Mr. F. B. Virani	Independent & Non-Executive	5	5
Mr. Richard Owen Pyvis / Ms. Josephine Price -Alternate Director w.e.f. 25.01.2006	Non-Executive	1	1

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 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.
- Further, during the year under review, as authorized by the shareholders vide Resolution passed at the 15th Annual General Meeting held on 23rd July, 2004, the remuneration payable to Shri M. M. Patel, Whole-time Director (Polymers) 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 2005-2006 are as under :

Name of Director	Dr. N. D. Desai	Mr. Kushal N. Desai	Mr. C. N. Desai	Mr. M. M. Patel
Position	Chairman*	Managing Director	Joint Managing Director	Director (Polymers)
Salary (Rs.)	1,008,000	1,313,883	1,238,081	1,463,395
Commission (Rs.)	5,283,844	5,283,843	5,283,843	—
Perquisites / Allowances (Rs.)	1,124,698	873,613	911,759	312,289
Total (Rs.)	7,416,542	7,471,339	7,433,683	1,775,684
Stock Option Granted (Nos.)	Nil	Nil	Nil	Nil
Service Contract	Upto 31/01/2006	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

* ceased to be Whole-time Director w.e.f. 1st February, 2006.

- In terms of Section 309(1) of the Companies Act, 1956, Dr. N. D. Desai, a Non-Executive Chairman has been paid for his professional services to the Company Rs. 540,176/- towards his fees including monetary value of facilities during the period from 1st February, 2006 to 31st March, 2006.
- In terms of Section 309(1) of the Companies Act, 1956, Shri H. N. Shah, a Non-executive Professional Director has been paid for his professional services to the Company Rs. 1,491,600/- towards his fees including monetary value of facilities during the period from 1st April, 2005 to 31st March, 2006.

The professional fees of above two directors have been fixed by the Board after considering their professional expertise and experience in the respective fields, loyalty and professional fees structure prevalent in the industry.

- 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.)	No. of Equity Shares held in the Company
Mr. V. A. Gore	1,07,500	—
Dr. N. K. Thingalaya	72,500	—
Mr. F. B. Virani	85,000	5,500
Mr. V. D. Shinde / Mr. M. N. Kamat (Nominee of IDBI) *	45,000	—
Mr. H. N. Shah	67,500	2,220
Dr. N. D. Desai	7,500	5,050,598
Ms. Josephine Price	7,500	—

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

SHARE TRANSFER & SHAREHOLDERS' GRIEVANCE COMMITTEE :

- The Board of Directors of the Company has constituted Share Transfer & Shareholders' 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 17th June, 2005, 30th September, 2005 and 25th January, 2006.

The composition of Committee and attendance of Directors at their meetings are given below :

17th Annual Report 2005-2006

Name of Directors	Category	No. of meetings held during the year	No. of meetings attended
Mr. V. A. Gore Chairman	Independent Non- Executive	3	3
Dr. N. D. Desai	Non- Executive Director	3	3
Mr. 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, 2005 to 31st March, 2006.

1	No. of complaints received	64
2	No. of complaints resolved	64
3	No. of complaints not solved to the satisfaction of the investors as at 31st March, 2006	Nil Nil
4	Complaints pending as at 31st March, 2006	Nil
5	No. of share transfers pending for approval as at 31 st March, 2006	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
30th September, 2005	16 th AGM	The Auditorium, Vanijya Bhavan, Central Gujarat Chamber of Commerce, Race Course, Vadodara - 390 007.	10.30 A.M.
23rd July, 2004	15 th AGM	— As above —	11.00 A.M.
30th September, 2003	14 th AGM	— As above —	10.00 A.M.

b) Related Party transactions :

The relevant details of all transactions with related parties given in Note No. 11 of Schedule No. 23 of the audited Accounts for the financial year 2005-2006, form a part of this report also. There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.

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

- The statutory financial statements of the Company are unqualified.

e) Means of Communication :

Quarterly / Half Yearly / Yearly Financial Results : Generally published in Gujarat and Mumbai edition of "The Business Standard", English daily newspaper and "Financial Express" - Gujarati daily newspaper. Financial Results of the Company are displayed on the Company's website : www.apar.com

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 2005-2006.

- The Company has complied with mandatory requirement of Corporate Governance provisions and has not adopted non-mandatory requirements except that the Non-executive Chairman is entitled to maintain Chairman's Office at Company's expense and allowed reimbursement of expenses incurred in performance of his duties.

h) Secretarial Audit :

A qualified Practicing Company Secretary carried out on quarterly basis, a secretarial audit to reconcile the total dematted Share Capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and physical Share Capital with the total issued and listed share capital. The secretarial audit report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

GENERAL INFORMATION :

- Annual General Meeting Day, Date and Time** : **Thursday, 10th August, 2006 at 10.30 A.M.** at The Auditorium, Vanijya Bhavan,

Apar Industries Limited

Central Gujarat Chamber of
Commerce, Race Course,
Vadodara 390 007.

2. Financial Calendar for 2006-2007 :

Financial year ending : 31st March
First Quarter Results (June, 2006) : On or before 31st July, 2006
Half Yearly Results (September, 2006) : On or before 31st October, 2006
Third Quarter Results (December, 2006) : On or before 31st January, 2007
Approval of Annual Accounts (2006-07) : On or before 30th June, 2007.

3. **Book Closure Dates** : 4th August, 2006 to 10th August, 2006 (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.

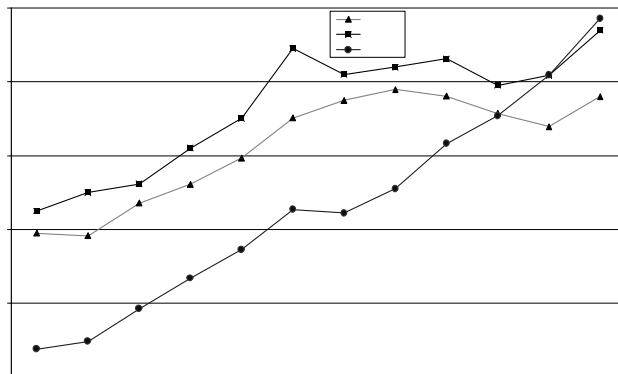
6. **Listing of Shares on the Stock Exchanges** : The Equity Shares of the Company are listed on :
Bombay Stock Exchange Limited, Mumbai (BSE). National Stock Exchange of India Limited (NSE), Phiroze Jeejeebhoy Towers "Exchange Plaza", Dalal Street, Fort, Mumbai - 400 023. Bandra- Kurla Complex, Bandra (E), Mumbai-400 051.
Scrip Code No. 532259 Scrip Code - APARINDS
The Company has paid due listing fees of both the Stock Exchanges.

7. Stock Price Data for the financial year April, 2005 to March, 2006 prevailed at the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE):

Year	Month	BSE			NSE			
		High (Rs.)	Low (Rs.)	Monthly Volume	High (Rs.)	Low (Rs.)	Monthly Volume	
2005	April	132.45	117.50	2,40,580	131.75	117.00	1,14,261	
	May	144.95	115.60	2,23,623	145.15	115.30	2,29,101	
	June	150.75	137.80	3,48,311	150.95	138.75	4,96,102	
	July	175.00	150.60	4,87,131	175.25	152.25	5,38,155	
	August	195.20	168.30	6,95,850	194.90	167.50	5,66,044	
	September	242.55	195.55	7,05,425	241.90	196.00	4,69,721	
	October	225.00	207.30	3,98,317	225.00	208.30	1,93,221	
	November	229.95	214.75	3,42,682	230.30	214.00	3,19,256	
	December	235.55	210.20	3,42,923	236.95	210.35	2,21,746	
	2006	January	217.45	198.40	98,405	218.85	199.50	96,429
		February	224.25	189.60	2,22,457	224.90	190.25	2,47,715
		March	254.80	210.05	4,06,643	254.30	210.05	3,08,897

8. Stock Performance :

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



9. **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) 2339397, 2350490
Fax No. (0265) 2341639
E-mail: mcsbaroda@iqara.net

10. Distribution of Shareholding as at 31st March, 2006:

Range of Equity Shares	No. of Equity Shareholders	% of Equity Shareholders	No. of Equity Shares held	% of Shareholding
1 - 500	16,049	95.88	7,98,865	3.84
501 - 1000	331	1.98	2,71,717	1.31
1001 - 2000	163	0.97	2,48,372	1.19
2001 - 3000	60	0.36	1,54,221	0.74
3001 - 4000	21	0.13	77,986	0.37
4001 - 5000	27	0.16	1,26,036	0.61
5001 - 10000	36	0.22	2,50,311	1.20
Above 10000	50	0.30	1,88,78,537	90.74
Total	16,737	100.00	2,08,06,045	100.00

11. Outstanding Convertible Preference Shares :

The Company has issued and allotted 3,445,978 - 5.40 % Cumulative Compulsorily Convertible Preference Shares of Rs. 185/- each to M/s. Shiny Limited, Mauritius on 11th October, 2005. As per the terms of its issue, these shares are fully convertible into 3,445,978 Equity Shares of Rs. 10/- each at a premium of Rs. 175/- per share on expiry of 12 months from the date of its allotment.

Upon aforesaid conversion of Preference Shares on 11th October, 2006, the issued Equity Share Capital of the

17th Annual Report 2005-2006

Company shall increase from Rs. 208,060,450/- to Rs. 242,520,230/-.

12. Shareholding pattern as at 31st March, 2006 :

Category	Existing Equity Shareholding		Post-Conversion Equity Shareholding (See note below)	
	No. of Equity Shares held	% Holding	No. of Equity Shares held	% Holding
Promoters / Persons Acting in concert	1,45,45,081	69.91	1,45,45,081	59.97
Banks, Financial Institutions and Insurance Companies	16,504	0.08	16,504	0.07
Mutual funds	17,65,533	8.49	17,65,533	7.28
Foreign Institutional Investors	7,61,371	3.66	7,61,371	3.14
NRIs / OCBs	53,559	0.26	53,559	0.22
Corporate Bodies	10,45,235	5.01	10,45,235	4.31
Resident Individuals	26,18,762	12.59	26,18,762	10.80
Foreign Investor (Shinny Limited, Mauritius)	-	-	34,45,978	14.21
Total	2,08,06,045	100.00	2,42,52,023	100.00

Note :

As stated in para no.11, M/s. Shinny Limited shall be entitled to receive 34,45,978 Equity Shares of Rs. 10/- each on conversion of their Preference Shares on 11th October, 2006. Therefore the Shareholding pattern on post conversion basis is presented considering the shareholding of existing equity shareholders as on 31st March, 2006.

13. Dematerialization of Shares & Liquidity :

As at 31st March, 2006, 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. The Equity Share ISIN No. is INE372A01015.

14. Plant Locations :

Division	Locations
a) Polymers Division	a) Valia (Gujarat) and Trombay
b) Special Oils Refinery Division	b) Trombay, Rabale and *Silvassa
c) Conductors Division	c) *Silvassa and Nalagarh (H.P.)

* Union Territory of Dadra & Nagar Haveli

15. Address for Communication :

Shareholders' correspondence should be addressed to the Company at the Registered 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

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees and directors. The said Code is available on the Company's web site.

I confirm that the Company has in respect of the financial year ended 31st March, 2006, received from the senior management team of the Company and the members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means, the Chief Financial Officer, the Company Secretary and all Vice Presidents and Functional Heads of the Company as on 31st March, 2006.

Place : Mumbai
Date : 27th June, 2006

(Kushal N. Desai)
Managing Director & CEO

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

To
The Members of Apar Industries Ltd.

We have examined the compliance of conditions of corporate governance by Apar Industries Limited for the year ended on March 31, 2006 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 management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 and representation made by the Directors and the management, 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 as on March 31, 2006 against the Company as per the records maintained by the Shareholders' Committee.

We further state that such compliance is neither an assurance as to 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 : 27th June, 2006

Apar Industries Limited

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, 2006 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, Profit and Loss Account and Cash Flow Statement dealt with by this report, 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 its 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, 2006;
 - 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 : 27th June, 2006

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, 2006]

- (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, and 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 clauses (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the Order are not applicable.
 - (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 loans outstanding during the year, and the aggregate of the year-end balances of such loans was Rs.726,106,785 and Rs. 370,165,666 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, in our opinion, the Company is regular in the payment of principal and interest.

17th Annual Report 2005-2006

- (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, the particulars of contracts or arrangements referred to in Section 301 of the Act, 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 there under.
- (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 Act, 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, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service-tax, Customs duty, Excise duty, cess and other material 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 recognized 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 the Statute	Nature of dues	Amount under dispute & unpaid (Rs.)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty*	71,293,908	August 2000 to January 2002	High Court (Andhra Pradesh)
		103,527,688	July 2000 to February 2002	Tribunal
		39,401,977	September 1995 to August 2004	Tribunal

Nature of the Statute	Nature of dues	Amount under dispute & unpaid (Rs.)	Period to which the amount relates	Forum where dispute is pending
		2,781,493	November 2003 to March 2005	Commissioner-Appellate
Customs Act, 1962	Customs Duty	20,127,980	April 1998 to March 1999	Tribunal
Central Sales Tax Act and Local Sales Acts	Sales Tax	2,055,462	1993 to 2005	Tribunal
		1,909,678	1998 to 2002	Assistant Commissioner - Appellate

* includes Rs. 174,721,592 disclosed in note 1(d)(i) in Schedule 23 to the financial statements.

- (x) The Company does not have any accumulated losses as at March 31, 2006 and has not incurred cash losses in the financial year ended on that date, or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or its debenture holders as at the balance sheet date.
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly the provisions of clause (xii) of paragraph 4 of the Order are not applicable.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies, is not applicable to the Company.
- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (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, on an overall basis, the term loans availed during the year by the Company were applied for the purposes for which they were obtained, including temporary deployment pending such application.
- (xvii) In our opinion, and on the basis of an overall examination of the balance sheet of the Company and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long term investment.
- (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 during the year.
- (xix) As per the information and explanations given to us, security has been created in respect of debentures outstanding during the year.
- (xx) The Company has not raised any money by public issue during the year; accordingly the provisions of clause (xx) of paragraph 4 of the Order are not applicable.
- (xxi) During the course of our examination of books and records, and according to the information and explanations given to us, during the year, no fraud by the Company or on the Company has been noticed or reported other than a fraud on the Company representing encashment of Company's letter of credit of Rs.73.64 lacs against fraudulent documents by a foreign supplier for supply of goods (refer note 7 of Schedule 23).

Place : Mumbai
Date : 27th June, 2006

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

Apar Industries Limited

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule No.	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS :				
Share capital	1	845,566,380		239,319,912
Reserves and surplus	2	<u>959,945,832</u>		<u>675,446,143</u>
			1,805,512,212	914,766,055
LOAN FUNDS :				
Secured loans	3	554,013,777		1,133,735,988
Unsecured loans	4	<u>502,422,241</u>		<u>319,940,785</u>
			1,056,436,018	1,453,676,773
Deferred taxation liability (Net)	5		<u>135,307,083</u>	<u>133,886,462</u>
			2,997,255,313	2,502,329,290
APPLICATION OF FUNDS				
FIXED ASSETS :				
Gross block	6	1,879,935,733		1,639,274,222
Less: Depreciation		<u>853,973,537</u>		<u>781,225,323</u>
Net block		<u>1,025,962,196</u>		<u>858,048,899</u>
Capital work-in-progress/advances		<u>122,962,311</u>		<u>102,977,414</u>
			1,148,924,507	961,026,313
INVESTMENTS				
	7		6,326,393	15,388,945
CURRENT ASSETS, LOANS AND ADVANCES :				
Inventories	8	2,333,143,322		1,144,089,475
Sundry debtors	9	2,606,404,754		1,956,550,856
Cash and bank balances	10	1,465,708,622		700,887,271
Other current assets	11	731,928		731,928
Loans and advances	12	<u>539,757,645</u>		<u>499,247,435</u>
			6,945,746,271	4,301,506,965
Less: CURRENT LIABILITIES AND PROVISIONS :				
Current liabilities	13	5,076,032,203		2,767,321,862
Provisions	14	<u>79,237,764</u>		<u>41,150,634</u>
			5,155,269,967	2,808,472,496
NET CURRENT ASSETS				
Miscellaneous expenditure (to the extent not written off or adjusted)	15		51,528,109	32,879,563
			1,790,476,304	1,493,034,469
			2,997,255,313	2,502,329,290
SIGNIFICANT ACCOUNTING POLICIES				
	22			
NOTES TO ACCOUNTS				
	23			

As per our report of even date attached

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt
(Partner - F 36647)

Kushal N. Desai
Managing Director
& CEO

V. A. Gore
Director

D. C. Patel
Company Secretary

V. C. Diwadkar
Chief Financial Officer

Dated : 27th June, 2006
Place : Mumbai

Dated : 27th June, 2006
Place : Mumbai

17th Annual Report 2005-2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule No.	2005-06 Rupees	2004-05 Rupees
INCOME :			
Sale of Goods, Services and related recoveries (net of excise)	16	10,910,281,227	8,367,489,452
Other Income	17	44,934,625	65,340,166
		10,955,215,852	8,432,829,618
EXPENDITURE :			
Operating and Other expenses	18	10,399,602,553	7,853,846,588
Decrease / (Increase) in Stocks	19	(335,359,150)	20,614,367
Depreciation		86,353,148	85,594,138
Interest and Discounting Charges	20	202,351,087	141,037,245
Exchange Rate Difference (Net)		79,180,365	(8,846,043)
		10,432,128,002	8,092,246,295
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		523,087,849	340,583,323
Exceptional items	21	17,428,794	12,029,059
PROFIT BEFORE TAXATION FOR THE YEAR		505,659,055	328,554,264
Provision for taxation :			
Current tax		71,000,000	38,500,000
Deferred tax		1,420,620	(11,991,481)
Fringe benefit Tax		3,850,000	–
Wealth tax		200,000	200,000
PROFIT AFTER TAXATION BUT BEFORE TAX PROVISION FOR EARLIER YEARS		429,188,435	301,845,745
Tax Provisions for earlier years		(29,500,000)	–
NET PROFIT AFTER TAXATION FOR THE YEAR		399,688,435	301,845,745
Balance of profit brought forward		228,558,365	89,683,257
Transfer (to) / from Debenture Redemption Reserve		45,000,000	(15,000,000)
Capital Redemption Reserve		(31,355,140)	(23,516,355)
Exchange Fluctuation Reserve		–	50,000,000
AMOUNT AVAILABLE FOR APPROPRIATIONS		641,891,660	403,012,647
Appropriated as under :			
- Transfer to General Reserve		(100,000,000)	(100,000,000)
- Interim Dividend on Equity Shares aggregating to Rs.1.75 per share (Previous year Re.1.75 per share)		(36,410,579)	(36,410,579)
- Interim Dividend on Redeemable Preference Shares @ Re. Nil per share (Previous year Re.0.40 per share)		–	(3,135,514)
- Interim Dividend on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights (as converted) @ Re.1.75 per share (Previous year Nil).		(6,030,461)	–
- Proposed Dividend :			
- On equity shares @ Rs.1.75 per share (previous year Rs. 1.25 per share)		(36,410,579)	(26,007,556)
- On 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights :			
- pro rata		(16,222,435)	–
- @ Rs. 1.75 per share (as converted)		(6,030,461)	–
- Tax on Dividends		(14,179,909)	(8,900,632)
BALANCE CARRIED TO BALANCE SHEET		426,607,236	228,558,366
SIGNIFICANT ACCOUNTING POLICIES	22		
NOTES TO ACCOUNTS	23		
Earnings Per Share (See note 13 of Schedule 23) face value of Rs. 10/- on :			
Basic :			
(i) On Profit before tax provisions for earlier years		19.08	14.43
(ii) On Profit after tax provisions for earlier years		17.66	14.43
Diluted :			
(i) On Profit before tax provisions for earlier years		19.13	14.43
(ii) On Profit after tax provisions for earlier years		17.82	14.43

As per our report of even date attached

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt

(Partner - F 36647)

For and on behalf of the Board of Directors

Kushal N. Desai
Managing Director
& CEO

V. A. Gore
Director

D. C. Patel
Company Secretary

V. C. Diwadkar
Chief Financial Officer

Dated : 27th June, 2006
Place : Mumbai

Dated : 27th June, 2006
Place : Mumbai

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	Rupees	As at 31st March, 2006 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	260,000,000
3,567,500 Preference Shares of Rs. 185/- each		659,987,500	-
49,000,000 Redeemable Preference Shares of Rs. 10/- each		-	490,000,000
		919,987,500	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
		208,060,450	208,048,969
ii) 3,445,978 - 5.40% Cumulative Compulsorily Convertible Preference Shares of Rs. 185/- each with participating rights (Convertible on 11th October, 2006 into 3,445,978 equity shares of Rs. 10/- each at premium of Rs. 175/- per share).		637,505,930	-
iii) 7,838,785 - 10% Redeemable Cumulative Preference Shares (Series I) of Rs. 4/- each (Redeemed on 1st April, 2005).	-		31,355,140
Less: Calls unpaid	-		84,197
		-	31,270,943
TOTAL		845,566,380	239,319,912
SCHEDULE "2" - RESERVES AND SURPLUS			
CAPITAL RESERVE :			
As per last balance sheet	4,855,067		4,824,718
Add:- Share Premium received / adjusted during the year *	95,679		30,349
		4,950,746	4,855,067
CAPITAL REDEMPTION RESERVE :			
As per last Balance Sheet	197,032,710		173,516,355
Add: Transfer from Profit and Loss Account	31,355,140		23,516,355
		228,387,850	197,032,710
DEBENTURE REDEMPTION RESERVE :			
As per last balance sheet	45,000,000		30,000,000
(Less) /Add: Transfer (to)/from Profit and Loss Account	(45,000,000)		15,000,000
		-	45,000,000
EXCHANGE FLUCTUATION RESERVE :			
As per last balance sheet	-		50,000,000
Less: Transfer (to)/from Profit and Loss Account	-		(50,000,000)
		-	-
GENERAL RESERVE :			
As per last balance sheet	200,000,000		100,000,000
Add :- Transfer from Profit and Loss Account	100,000,000		100,000,000
		300,000,000	200,000,000
SURPLUS IN PROFIT AND LOSS ACCOUNT			
		426,607,236	228,558,366
TOTAL		959,945,832	675,446,143

* Unpaid share premium on calls unpaid as on 31.3.2006 Rs. Nil. (previous year Rs. 95,679).

17th Annual Report 2005-2006

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	As at 31st March, 2006 Rupees	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	453,726,226	689,448,228
(ii) Term Loan	66,930,000	131,372,000
(3) From a Financial Institution :		
Term Loan	26,581,726	55,967,625
(4) Other Loans	91,330	263,640
(5) Sales Tax Deferment Loan	6,684,495	6,684,495
TOTAL	<u>554,013,777</u>	<u>1,133,735,988</u>

Notes :

- a) Debentures (prepaid during the year) were 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) 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.
- c) Term Loans from Bank amounting to Rs.66,930,000 are secured by an exclusive charge by way of hypothecation of certain items of plant & machinery procured/to be procured from the proceeds of the said loan.
- d) 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 movable 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.
- e) Term Loans from Financial Institutions / Cash Credit / Working Capital Demand Loans referred to in (b) & (d) above are further secured by certain immovable properties of Apar Corporation Private Limited.
- f) Loans amounting to Rs.547,237,950 at item No. (2) and (3) are, in addition to the securities specified above, secured by personal guarantee of one or more Directors.
- g) Other loans represent loan from banks for purchase of cars, against the security of cars purchased.
- h) The first charge in respect of loans referred to in Note(b), (c) and (d) above will not extend to specific items of machinery purchased by the Company under the proceeds of "Other loans" referred to at (g) above.
- i) 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.
- j) Loans under item 2(ii), 3, 4 and 5 include amounts repayable within a year Rs.23,909,013 (Previous year Rs.166,970,010)
* denotes charge created / to be created.

SCHEDULE "4" - UNSECURED LOANS

(1) Fixed Deposits :		
(a) From public	88,260,000	81,190,000
(b) From directors	38,500,000	38,500,000
	126,760,000	119,690,000
(2) Short term loans and advances		
From a Bank (Refer note 2 below)	50,000,000	-
(3) Sales Tax Deferment loan (Refer Note 3 below)	12,382,075	18,044,000
(4) Loans from Directors	280,000,000	137,500,000
(5) Inter Corporate Deposits	33,280,166	44,706,785
TOTAL	<u>313,280,166</u>	<u>182,206,785</u>
	<u>502,422,241</u>	<u>319,940,785</u>

Notes :

- 1) Loans indicated at 1, 2 and 3 above includes amount of Rs. 138,215,000 (previous year Rs. 78,141,000) payable within a year. Loans at 4 and 5 are repayable at call.
- 2) Loans indicated at 2 above are secured by personal guarantee of one or more Directors.
- 3) This represents Sales tax collected on sales and not paid pursuant to the sales tax deferment facility. This loan is secured by personal guarantee of one or more directors and is payable in May, 2006 (since paid).

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	Rupees	As at 31st March, 2006 Rupees	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		147,873,173	146,937,277
Less: Deferred tax asset arising on account of timing differences in :			
(i) Provision for doubtful debts and advances	8,620,207		8,913,021
(ii) Provision for gratuity and leave salary	3,812,298		3,870,541
(iii) Amortisation of technical know-how fees	133,585		267,253
		12,566,090	13,050,815
TOTAL		135,307,083	133,886,462

SCHEDULE "6" - FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				WRITTEN DOWN VALUE	
	As at 1st April, 2005 Rupees	Additions Rupees	Deductions Rupees	As at 31st March,2006 Rupees	As at 1st April, 2005 Rupees	Deductions/ adjustments Rupees	For the year Rupees	As at 31st March,2006 Rupees	As at 31st March,2006 Rupees	As at 31st March,2005 Rupees
Land										
Freehold	23,021,531	11,805,814	-	34,827,345	-	-	-	-	34,827,345	23,021,531
Leasehold (Refer Note 1 below)	43,460,011	-	-	43,460,011	4,693,042	-	621,544	5,314,586	38,145,425	38,766,969
Buildings (Refer Note 2 & 3 below)	299,253,077	51,630,760	-	350,883,837	54,289,708	-	7,803,273	62,092,981	288,790,856	244,963,368
Plant and Machinery (Refer Note 4 below)	1,072,218,473	179,015,915	(11,985,741)	1,239,248,647	555,410,776	(11,043,772)	68,190,399	612,557,403	626,691,244	516,807,696
Wind Farm	96,970,140	-	-	96,970,140	90,820,551	-	1,301,082	92,121,633	4,848,507	6,149,592
Furniture, fixture and equipments	78,424,072	6,824,573	(405,887)	84,842,758	61,117,409	(299,429)	4,930,078	65,748,058	19,094,700	17,306,663
Motor Vehicles	25,926,918	6,768,300	(2,992,223)	29,702,995	14,893,837	(2,261,734)	3,506,772	16,138,876	13,564,119	11,033,080
TOTAL (RS.)	1,639,274,222	256,045,362	(15,383,851)	1,879,935,733	781,225,323	(13,604,935)	86,353,148	853,973,537	1,025,962,196	858,048,899
Previous year	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		
									Capital work-in-progress including advances on capital account.	122,962,311
										1,148,924,507
										961,026,313

Notes :

- 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.
- Buildings include:
 - 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.
 - 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 of Rs. 3,857,077 (previous year 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.

17th Annual Report 2005-2006

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 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 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 100,000) Ordinary Shares of S\$ 1/- each fully paid in Petroleum Specialities Pte Limited, Singapore	2,643,645		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	5,346,155
II. Current Investments			
Units of Mutual Fund :			
(i) 3,532 Units of Rs. 10/- each (previous year Nil units) in ING Vysya Liquid Fund Institutional-Daily dividend option	35,353		-
(ii) 18,062 Units of Rs. 10/- each (previous year Nil units) in LICMF Liquid Fund Dividend Plan	197,900		-
(iii) 66,473 Units of Rs. 10/- each (previous year Nil units) in Principal Floating rate fund SMP - Institutional option growth plan	722,745		-
(iv) Nil Units of Rs. 10/- each (previous year 3,985 units) in IDBI - PRINCIPAL Cash Management Fund (Liquid Option Growth Plan) - current	-		18,550
(v) Nil Units of Rs. 10/- (previous year 843,878 units) in Prudential ICICI Liquid Plan Institutional Plus - (Daily Dividend Option)	-		10,000,000
		955,998	10,018,550
TOTAL		6,326,393	15,388,945

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

	Units Purchased	Units Sold
ING Vysya Liquid Fund Institutional - Daily dividend option	3,999,416	3,995,884
LICMF Liquid Fund Dividend plan	11,199,661	11,181,599
Principal Floating Rate Fund SMP - Institutional option growth plan	44,159,339	44,092,866
IDBI - Principal Cash Management Fund	-	3,985
Prudential ICICI Liquid Plan Institutional Plus	-	843,878

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "8" - INVENTORIES			
As valued and certified by the Management :			
Stores and spare parts		39,496,232	34,889,331
Raw materials and components#		1,691,522,560	842,434,764
Work-in-progress		152,887,799	54,190,334
Finished goods*		448,873,646	212,231,706
Scrap		363,085	343,340
TOTAL		2,333,143,322	1,144,089,475
# Including Raw materials in transit Rs.618,798,240 (previous year Rs.131,492,112)			
* Including stock of traded goods Rs.8,463,721 (previous year Rs.4,881,759)			
SCHEDULE "9" - SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Secured : Considered good		6,710,649	6,933,790
Unsecured : Considered good		203,092,517	162,207,268
Considered doubtful		25,609,646	26,471,700
		235,412,812	195,612,758
Other debts - Considered good			
Secured		3,970,456	5,197,303
Unsecured		2,392,631,131	1,782,212,495
		2,396,601,587	1,787,409,798
Less: Provision for doubtful debts		25,609,645	26,471,700
TOTAL		2,606,404,754	1,956,550,856
SCHEDULE "10" - CASH AND BANK BALANCES			
Cash on hand		698,281	865,779
Cheques / Demand drafts on hand		32,786,365	-
Balances with Scheduled Banks :			
In current accounts	215,508,913		209,437,207
In deposit accounts	18,750,490		14,321,196
In margin money accounts #	1,197,964,573		476,263,089
		1,432,223,976	700,021,492
TOTAL		1,465,708,622	700,887,271
# includes deposits of Rs. 805,000,000 pledged as security for Letters of Credit aggregating Rs. 783,470,197 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

17th Annual Report 2005-2006

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "12" - LOANS AND ADVANCES			
Unsecured, considered good, unless otherwise stated :			
a) Advances recoverable from subsidiary company Considered good		3,437,607	3,251,333
b) Advances recoverable in cash or in kind or for value to be received *			
Considered good	502,240,138		444,123,048
Considered doubtful	1,000,000		1,000,000
	503,240,138		445,123,048
Less:- Provision for doubtful advances	1,000,000		1,000,000
		502,240,138	444,123,048
c) Balances with Excise Department : In current account		589,101	4,186,720
d) Advance payments of tax less provisions		11,143,149	43,052,272
e) Interest accrued but not due on deposits		22,347,650	4,634,062
TOTAL		539,757,645	499,247,435
* Includes Rs.11,978,187 being Excise Duty paid under protest (previous year Rs.10,339,463)			
* Includes Rs.6,110,417 being Sales Tax paid under protest (previous year Rs.Nil)			
SCHEDULE "13" - CURRENT LIABILITIES			
Acceptances		101,860,263	175,301,841
Sundry creditors (Refer Note 6 of Schedule '23') (Includes due to subsidiary company Rs. Nil [previous year Rs. 46,094,987])		4,236,678,930	2,179,042,757
Other liabilities		655,794,092	322,506,508
Unpaid redemption amount of preference shares (Refer note 8 of Schedule '23')		64,784	-
Unclaimed dividend (to be credited to Investor Education and Protection Fund when due)		8,080,671	4,250,576
Interim dividends *			
Equity Shares		20,806,045	20,806,045
Preference Shares		3,445,978	3,135,514
Book overdraft		2,952,340	49,125,028
Interest accrued but not due on loans		46,349,100	13,153,593
TOTAL		5,076,032,203	2,767,321,862
Sundry Creditors include Rs. 783,470,197 (Previous year Rs. 441,417,063) being Letters of Credit rolled over. * since paid			
SCHEDULE "14" - PROVISIONS			
For Gratuity (In respect of Directors)		915,000	2,942,500
For Accumulated and unavailed leave		11,431,736	8,553,018
For proposed dividend :			
Preference Shares		22,252,896	-
Equity Shares		36,410,579	26,007,556
For tax on proposed dividends		8,227,553	3,647,560
TOTAL		79,237,764	41,150,634

Apar Industries Limited

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

	Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "15" - MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
A) Voluntary Retirement Compensation			
Opening Balance	32,879,563		14,985,285
Add: Incurred during the year	<u>17,920,000</u>		<u>29,923,337</u>
	50,799,563		44,908,622
Less: Amortized during the year	<u>15,613,061</u>		<u>12,029,059</u>
Balance		35,186,502	32,879,563
B) Share Issue Expenses			
Opening Balance	-		-
Add: Incurred during the year	<u>18,157,341</u>		
	18,157,341		
Less: Amortized during the year	<u>1,815,734</u>		
Balance		16,341,607	-
TOTAL		<u><u>51,528,109</u></u>	<u><u>32,879,563</u></u>

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Rupees	2005-2006 Rupees	2004-2005 Rupees
SCHEDULE "16" - SALE OF GOODS, SERVICES AND RELATED RECOVERIES (NET OF EXCISE)			
Sales	11,674,133,711		8,849,354,659
Less: Excise duty	<u>(1,450,848,908)</u>		<u>(1,139,665,147)</u>
		10,223,284,803	7,709,689,512
Sale of traded goods		23,993,936	15,003,353
Sale of raw materials		174,413,654	165,715,426
Scrap sales		29,825,347	27,369,457
Export benefits [Includes prior period Rs. Nil (Previous year Rs. 6,698,979)]		33,974,407	109,170,091
Rebate/refund of excise duty on deemed/physical exports		113,913,950	110,777,230
Transport charges recovered		266,327,740	197,016,894
Processing and other service charges		<u>44,547,390</u>	<u>32,747,489</u>
TOTAL		<u><u>10,910,281,227</u></u>	<u><u>8,367,489,452</u></u>
SCHEDULE "17" - OTHER INCOME			
Value of power generated by Wind Mill		10,289,195	9,902,269
Commission		1,745,376	1,314,952
Rent		60,000	968,220
Profit on sale/disposal of fixed assets (net)		2,244,057	684,020
Excess provision for expenses written back		7,137,377	6,030,456
Provision for doubtful debts written back		1,825,245	16,135,861
Sundry Balances Written back		1,360,672	-
Profit on sale of current investments		789,928	-
Dividend on current investments		206,672	41,696
Sundry Income		<u>19,276,103</u>	<u>30,262,692</u>
TOTAL		<u><u>44,934,625</u></u>	<u><u>65,340,166</u></u>

17th Annual Report 2005-2006

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Rupees	2005-2006 Rupees	2004-2005 Rupees
SCHEDULE "18" - OPERATING AND OTHER EXPENSES			
Raw materials and components consumed		8,846,185,360	6,557,936,457
Purchase of traded goods		23,510,036	12,764,856
Excise duty adjustment of finished goods stock		14,463,287	1,914,116
Power, electricity and fuel		184,888,338	147,586,879
Stores, spare parts and packing materials (Refer note below)		355,461,929	304,097,201
Storage charges		13,475,546	13,978,792
Processing charges		3,516,444	1,515,878
Repairs and maintenance :			
Buildings	2,918,461		2,361,432
Plant and machinery	12,852,293		15,837,882
Others	6,917,693		5,507,910
		<u>22,688,447</u>	<u>23,707,224</u>
Insurance		22,645,585	17,655,286
Rent		1,598,590	2,034,574
Rates and taxes		8,531,906	11,774,324
Payment to and provision for employees :			
Salaries, wages and bonus (Refer Note 5(A) of Schedule "23")	106,236,749		111,353,653
Contribution to provident and other funds (including unquantified gratuity in respect of a director)	14,802,650		13,079,263
Provision for gratuity in respect of directors (Refer Note 5(A) (b) of Schedule "23")	87,500		260,000
Workmen and staff welfare expenses	16,543,705		14,121,281
		<u>137,670,604</u>	<u>138,814,197</u>
Directors' sitting fees		392,500	257,500
Commission to Chairman, Managing Director and Joint Managing Director		15,851,530	10,446,129
Lease rentals		198,720	150,390
Freight outward		389,281,961	288,969,946
Commission on sales		53,325,105	47,542,578
Discounts and rebates [Includes prior period Rs. Nil (Previous year Rs. 7,900,900)]		14,645,263	24,048,328
Advertisement expenses		1,652,175	1,520,886
Donations		630,501	1,572,592
Legal and Professional fees		19,697,418	22,386,900
Miscellaneous expenses [Includes prior period Rs. Nil (Previous year Rs. 766,583)]		135,868,377	118,645,961
Bad debts and advances written off (Refer note no. 7 of Schedule 23)	35,984,995		9,287,909
Less: Provision for doubtful debts utilised	(14,124,036)		(279,800)
		<u>21,860,959</u>	<u>9,008,109</u>
Provision for doubtful debts		15,087,227	14,591,886
Bank charges and commission		96,474,745	80,925,599
TOTAL		<u><u>10,399,602,553</u></u>	<u><u>7,853,846,588</u></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		266,765,380	287,379,747
Closing stock of finished goods, work-in-progress and scrap		602,124,530	266,765,380
		<u>(335,359,150)</u>	<u>20,614,367</u>
TOTAL		<u><u>(335,359,150)</u></u>	<u><u>20,614,367</u></u>

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Rupees	2005-2006 Rupees	2004-2005 Rupees
SCHEDULE "20" - INTEREST AND DISCOUNTING CHARGES			
On loans for fixed periods	46,419,209		52,456,170
On other loans / borrowings	<u>218,145,881</u>		<u>132,204,186</u>
		264,565,090	184,660,356
Less: Interest earned- gross (Tax deducted at source Rs.10,775,926 (Previous year Rs. 7,171,484) :			
On bank deposits	(50,901,075)		(34,630,088)
Others	<u>(11,312,928)</u>		<u>(8,993,023)</u>
		(62,214,003)	(43,623,111)
TOTAL		<u>202,351,087</u>	<u>141,037,245</u>
SCHEDULE "21" - EXCEPTIONAL ITEMS			
Amortisation of VRS compensation		15,613,060	12,029,059
Amortisation of Share issue expenses		1,815,734	-
TOTAL		<u>17,428,794</u>	<u>12,029,059</u>

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE "22"

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.

17th Annual Report 2005-2006

SCHEDULE "22" (Contd.)

(B) 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 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. In assessing value in use, the estimated future cash flows are discounted to their present value, based on an appropriate discounting factor. Impairment losses are recognized in the profit and loss account.

(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) Share Issue Expenses :-

Share issue expenses are written off against share premium account, if any or amortized over a period of 5 years.

(H) 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 and excise duty 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.

(I) 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 5(A)(b) of Schedule '23') is ascertained on an arithmetical basis and is not funded.

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

(J) 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.

Apar Industries Limited

SCHEDULE "22" (Contd.)

(K) 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.

(L) Export benefits/Incentives :-

The Company accounts for excise duty rebate on deemed and physical 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.

(M) 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.

(N) 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 ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE "23"

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
1. Contingent liabilities not provided for :		
(a) Bills of exchange discounted	383,170,710	81,492,278
(b) Taxation:		
Disputed demands of income tax	9,937,439	18,958,959
(c) Guarantee given by the Company for credit facilities enjoyed by the Wholly Owned Subsidiary	222,600,000	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)	43,998,152	30,523,994
Custom duty	23,830,496	3,870,357
Sales tax (including amount deposited Rs. 1,291,455)	6,886,937	1,100,000
Note : The Company had executed certain deemed export orders of Conductors in respect of which the Company availed duty exemption on the 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	19,406,618	18,073,928
(iii) Labour matters	19,531,439	4,375,620
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	77,307,256	50,349,610

17th Annual Report 2005-2006

SCHEDULE "23" (Contd.)

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
3. Premium in case of forward contracts not expired and pertaining to the future period.	3,163,441	1,246,082
4. (A) Auditors' remuneration :		
i) For Audit fees	1,600,000	1,400,000
ii) Other services	500,000	453,200
iii) Out of pocket expenses	22,680	29,130
	<u>2,122,680</u>	<u>1,882,330</u>
(B) Cost auditors' remuneration :		
i) For Audit fees	52,550	50,000
ii) Out of pocket expenses	1,532	2,372
	<u>54,082</u>	<u>52,372</u>
5. Payment to directors :		
A. Remuneration to directors		
Directors' sitting fees	392,500	257,500
Salaries and other benefits/amenities	7,920,333	8,886,449
Provision for gratuity (ascertained on arithmetical basis) - see note (b) below	412,885	260,000
Commission as per item B below	15,851,530	10,446,129
	<u>24,577,248</u>	<u>19,850,078</u>
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 adequate and reasonable.		
(b) In case of a director, gratuity amount is included in the actuarial valuation carried out for the Company as a whole and hence not ascertainable.		
B. Computation of Net Profit under Section 198 of the Companies Act, 1956 and commission payable to the directors :		
Net profit before tax as per Profit and Loss Account	505,659,055	328,554,264
Add :		
Depreciation charged in accounts	86,353,148	85,594,138
Directors' remuneration (other than commission)	8,725,718	9,403,949
Provision for bad debts / advances net of bad debts provision utilised and bad debts provision written back during the year	(862,054)	(1,823,775)
Directors' commission	15,851,530	10,446,129
	<u>110,068,343</u>	<u>103,620,441</u>
	<u>615,727,398</u>	<u>432,174,705</u>
Less :		
Depreciation as per Section 350	86,353,148	85,594,138
Wealth-tax for the year	200,000	200,000
Profit on sale of Investments	789,928	-
	<u>87,343,076</u>	<u>85,794,138</u>
Net profit as per Section 198 of the Companies Act, 1956	528,384,321	346,380,567
Commission @ 1% each for Chairman, Managing Director and Joint Managing Director	15,851,530	10,391,416
6. (a) Sundry Creditors include amounts due to Small Scale Industrial Undertakings.	4,581,215	1,347,168
(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		

Apar Industries Limited

SCHEDULE "23" (Contd.)

- | | |
|------------------------------------|---------------------------------------|
| 3. M/s Shefjo Plastics | 6. M/s Krishna Antioxidants Pvt. Ltd. |
| 4. M/s Vibha Chem Products Ltd. | 7. M/s Nikita Transphases Pvt. Ltd. |
| 5. M/s Caliber Chemicals Pvt. Ltd. | 8. M/s Thakkar Polypack Industries. |

The above disclosure is based on the information/documents available with the Company.

7. During the year, the Company contracted with a foreign supplier for supply of Aluminum Ingots. The Company received shipping documents and the Company's letter of credit of Rs. 73.64 Lacs was encashed against the fraudulent documents of supply. The detailed investigation carried out by the Company confirmed that there was no supply of goods. The Company has written off the said amount as bad debts / advances in the books. There have been no other dealings by the Company with the supplier.
8. The Company redeemed the last tranche of 10% Redeemable Preference Shares of Rs. 4/- each on April 1, 2005 in terms of the issue. In accordance with the requirement of Section 80 of The Companies Act, 1956, capital redemption reserve for the full amount of the Preference Share has been created out of the profits of the Company. Above redemption did not include some Preference Shares having calls in arrears on 1st April, 2005. The said calls have been received during the year and the amount payable on redemption of these Preference Shares after adjusting other moneys due from holders of these shares is transferred to 'Unpaid Redemption Amount on Preference Shares Account'.
9. The summary of utilisation of the amount of Rs. 6,375.06 Lacs raised by issue of 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights is as under:

	Envisaged Use	(Rs. Lacs) Actually used upto 31.03.2006
Expansion Projects (Capital Expenditure)	3,875.06	1,389.66
Redemption of Non-convertible Debentures	2,500.00	2,500.00
TOTAL	6,375.06	3,889.66

10. (I) Category wise quantitative data about derivative instruments outstanding as at 31st March, 2006

Type of Instrument	Nos.	Amount
(a) In respect of Commodity (Aluminum) :		
Futures at London Metal Exchange	22	\$1,109,592
(b) In respect of Foreign Currency :		
Forward contracts	9	\$20,450,000
Options	7	\$3,500,000
Currency and Interest SWAP	1	\$570,000

- (II) All the derivative instruments entered by the Company during the year were for hedging purpose and not for any speculative purpose.

- (III) Unhedged foreign currency exposure as at 31st March, 2006

In US \$	53,780,000
In Euro	830,000

11. Related Party Disclosures :

A. List of Related Parties :

a) Subsidiary Company :

Petroleum Specialities Pte. Ltd., Singapore

b) Key Managerial Personnel :

Dr. N. D. Desai - Non Executive Chairman (was an Executive Chairman till 31st January, 2006).
 Mr. K. N. Desai - Managing Director
 Mr. C. N. Desai - Jt. Managing Director
 Mr. M. M. Patel - Director (Polymers)

c) Relatives of Key Managerial Personnel :

Mrs. Noopor Kushal Desai
 Mrs. Vineeta R Srivastava
 Mr. Rishabh K Desai
 Ms. Gaurangi K Desai
 Ms. Krishnangi R Srivastava

17th Annual Report 2005-2006

SCHEDULE "23" (Contd.)

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

Apar Corporation Private Limited	Scope Private Limited
Consumers Services Private Limited	Ceom Private Limited
Dr. N. D. Desai HUF	Kushal N. Desai Family Trust
Kushal Chaitanya Desai Family Trust	Chaitanya N. Desai Family Trust
Apar Masat Conductors Ltd. (No transactions during the year)	Apar Investments (Singapore) Pte. Ltd. and its subsidiaries (No transactions during the year).

(i) Subsidiary Company :

Sr. No.	Transactions	2005-2006	2004-2005
1	Purchase of Raw Material	808,387,239	323,853,412
2	Sales of Finished Goods	841,163	-
3	Reimbursement (received) of expenses	2,150,690	3,251,333
4	Guarantees given by the Company on behalf of the subsidiary	222,600,000	218,950,000
5	Balances outstanding as on Balance Sheet date - payable to subsidiary for supply of raw materials	-	46,094,967
6	Balances outstanding as on Balance Sheet date - receivable from subsidiary Company	3,437,607	3,251,333
7	Acquisition of Shares / Investment	-	2,643,645

(ii) Key Managerial Personnel :

Sr. No.	Transactions	2005-2006	2004-2005
1	Interest paid	23,550,825	21,843,288
2	Directors' remuneration	24,577,248	19,592,578
3	Redemption of Preference Shares	9,080,072	6,810,054
4	Redemption of Debentures	115,000,000	-
5	Dividends paid (payment basis)	43,019,963	32,116,534
6	Legal and Professional Fees	540,243	-
7	Outstanding as on 31.03.2006		
	Loans and Deposits	318,500,000	176,000,000
	Debentures	-	115,000,000
	Refer note (f) of Schedule 3 and note no. 2 and 3 of Schedule 4 for details of undertaking/ security given by key management personnel in connection with the Company's borrowings.		

(iii) Relatives of Key Managerial Personnel :

Sr. No.	Transactions	2005-2006	2004-2005
1	Redemption of Preference Shares	469,920	352,440
2	Dividends paid (payment basis)	112,452	76,115

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

Sr. No.	Transactions	2005-2006	2004-2005
1	Interest paid	14,590,374	25,949,311
2	Purchase of raw material	-	111,151,788
3	Rent paid	2,540,986	1,238,000
4	Rent received	120,000	674,500
5	Redemption of Preference Shares	1,260,520	945,390
6	Redemption of Debentures	135,000,000	-
7	Dividends paid (payment basis)	1,641,935	1,166,664
8	Use of Logo	1,000	-
9	Outstanding (credit balances) as on 31.03.2006 :		
	Loans and Deposits	51,280,166	62,706,785
	Debentures	-	135,000,000
	For supply of raw materials	1,182,182	1,540,819
	Refer note (e) of Schedule 3 for details of undertakings/ security given by entities in connection with the Company's borrowings.		

Apar Industries Limited

SCHEDULE "23" (Contd.)

12. 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	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
REVENUE										
External Sales	43,850.81	27,044.27	51,234.98	42,043.35	14,017.02	14,587.28	-	-	109,102.81	83,674.90
Other Income	71.47	282.88	220.37	221.00	143.31	107.14	-	-	435.15	611.02
Inter-Segment Sales	-	-	55.54	36.85	-	-	(55.54)	(36.85)	-	-
Total Revenue	43,922.28	27,327.15	51,510.89	42,301.20	14,160.33	14,694.42	(55.54)	(36.85)	109,537.97	84,285.91
RESULT										
Segment result	3,484.50	13.84	4,649.15	4,810.63	822.49	1,722.16	-	-	8,956.13	6,546.62
Unallocable Corporate/ Other expenses (net of miscellaneous income)	-	-	-	-	-	-	-	-	(1,876.03)	(1,850.72)
Operating Profit	-	-	-	-	-	-	-	-	7,080.10	4,695.90
Interest Expense	-	-	-	-	-	-	-	-	(2,645.65)	(1,846.60)
Interest Income	-	-	-	-	-	-	-	-	622.14	436.23
Profit before taxes	-	-	-	-	-	-	-	-	5,056.59	3,285.53
Income tax										
Current tax	-	-	-	-	-	-	-	-	(750.50)	(387.00)
Deferred tax	-	-	-	-	-	-	-	-	(14.21)	119.91
Profit after tax	-	-	-	-	-	-	-	-	4,291.88	3,018.44
OTHER INFORMATION										
Segment assets	26,971.05	13,397.51	35,992.53	25,015.58	13,342.61	9,649.94	-	-	76,306.19	48,063.03
Unallocable Corporate and Other assets	-	-	-	-	-	-	-	-	4,703.78	4,716.19
Total Assets									81,009.97	52,779.22
Segment liabilities	16,917.88	5,260.60	28,249.10	18,760.14	4,917.85	2,466.36	-	-	50,084.83	26,487.10
Unallocable Corporate and other liabilities	-	-	-	-	-	-	-	-	1,467.87	1,597.63
Total liabilities									51,552.70	28,084.73
Capital expenditure	1,439.94	435.90	283.67	619.55	812.60	535.71	-	-	2,536.21	1,591.16
Capital expenditure - unallocable	-	-	-	-	-	-	-	-	224.09	14.06
Depreciation	235.60	239.54	209.97	169.35	350.68	378.19	-	-	796.24	787.08
Depreciation on - unallocable	-	-	-	-	-	-	-	-	67.30	68.86
Non-cash expenses other than depreciation	87.29	51.45	-	-	-	-	-	-	87.29	51.45
Non-cash expenses other than depreciation unallocable	-	-	-	-	-	-	-	-	87.00	68.84

17th Annual Report 2005-2006

SCHEDULE "23" (Contd.)

b. Geographical Segments

i) Revenue by geographical market :

(Rupees in lacs)

	Conductor		Transformer & Speciality Oils		Polymers		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Outside India	7,971.95	8,230.78	8,821.01	4,119.33	631.62	471.33	17,424.58	12,821.44
In India*	35,878.86	18,813.49	42,413.97	37,924.02	13,385.40	14,115.95	91,678.23	70,853.46
Total	43,850.81	27,044.27	51,234.98	42,043.35	14,017.02	14,587.28	109,102.81	83,674.90

*Include deemed exports Rs. 4,146.77 Lacs (previous year Rs. 2,884.41 lacs).

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

iii) Carrying amount of Segment Assets :

(Rupees in lacs)

	Conductor		Transformer & Speciality Oils		Polymers		Unallocated		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Outside India	3,101.25	2,269.87	1,630.96	733.31	146.47	22.34	-	-	4,878.68	3,025.52
In India	20,775.81	9,225.69	31,599.08	21,585.98	8,876.49	5,768.05	3,390.67	3,563.73	64,642.05	40,143.44
Total	23,877.06	11,495.56	33,230.04	22,319.29	9,022.96	5,790.39	3,390.67	3,563.73	69,520.73	43,168.96

iv) The Company's 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.

13. Particulars of earnings per share

Sr. No.	Particulars	Year ended 31st March, 2006	Year ended 31st March, 2005
1.			
A)	Profit After Tax (excluding tax provisions for earlier years) and exceptional items excluding prior period items Rs. Nil (previous year Rs. 19.68 Lacs)-Rs.Lacs	4,291.88	3,038.14
B)	Profit After Tax and exceptional items excluding prior period items Rs. Nil (previous year Rs. 19.68 Lacs)-Rs.Lacs	3,996.88	3,038.14
2.	Preference and participating dividend to compulsorily convertible participating preference shares (Previous year Redeemable Cumulative Preference Shares) :		
(a)	Dividend paid on Redeemable Cumulative Preference Shares	-	(31.36)
(b)	Tax on Dividend paid on Redeemable Cumulative Preference Shares	-	(4.10)
(c)	Preference Dividend on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	(162.22)	-

Apar Industries Limited

SCHEDULE "23" (Contd.)

Sr. No. 2 (Contd.)	Year ended 31st March, 2006	Year ended 31st March, 2005
(d) Tax on Preference Dividend on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	(22.75)	–
(e) Participating dividend paid on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	(120.61)	–
(f) Tax on participating dividend paid on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	(16.92)	–
TOTAL	(322.50)	(35.46)
3. Profit after preference and participating dividend to Cumulative Compulsorily Convertible Preference Shares with Participating rights (previous year Redeemable cumulative preference shares)		
A) 1 A - 2	3,969.38	3,002.68
B) 1 B -2	3,674.38	3,002.68
4. Weighted Number of Equity Shares outstanding during the year	20,806,045	20,806,045
5. Nominal Value of Equity Shares Rs.	10	10
6. Weighted Average Number of 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights outstanding during the year	1,623,858	–
7. Nominal Value of 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	185	–
8. Weighted Average of total Number of Shares during the year (4 +6)	22,429,903	20,806,045
9. Earnings per share - Rs.		
A) Basic :		
(i) On Profit before tax provisions for earlier years (3A) / 4	19.08	14.43
(ii) On Profit after tax provisions for earlier years (3B) / 4	17.66	14.43
B) Diluted :		
(i) On Profit before tax provisions for earlier years (1A) / 8 (previous year 3A/8)	19.13	14.43
(ii) On Profit after tax provisions for earlier years (1B) / 8 (previous year 3B/8)	17.82	14.43
14. For additional information required by Part II of Schedule VI to the Companies Act, 1956, see Schedule "24" annexed.		
15. Previous year figures have been regrouped, where necessary, to conform to current year's classification.		
16. Information required in terms of Part IV of Schedule VI of the Companies Act, 1956 is attached.		

SCHEDULE ANNEXED TO AND FORMING PART OF NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2006

ADDITIONAL INFORMATION REQUIRED BY PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956

SCHEDULE - "24"

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		Quantity	Value Rupees	Opening		Closing		
									Quantity	Value Rupees	Quantity	Value Rupees	
i) Transformer Oils (see note (f))	MT	99,500	-do-	155,000 (155,000) for various types of oils covered in (ii) and for other oils for which the company is holding registration	2	84,887	76,453	2,585,122,232	1,844	50,190,079	1,053	37,866,629	
	**KL	(99,500) 117,978 (117,978)				(78,006)	(70,726)	(2,105,685,557)	(1,798)	(46,278,556)	(1,844)	(50,190,079)	
Refrigeration/Electric Oils	MT	2,000*	-do-			-	-	-	-	-	-	-	
		(2,000)				(-)	(-)	(-)	(-)	(-)	(-)	(-)	
Special Grade Pharmaceutical Oils	MT	22,250*	-do-			28,009	28,003	857,545,791	580	15,117,595	551	17,953,499	
	**KL	(22,250) 26,807 (26,807)				(32,113)	(32,336)	(845,180,003)	(809)	(20,455,324)	(580)	(15,117,595)	
Textile Oils	MT	1,000*	-do-			-	-	-	-	-	-	-	
	**KL	(1,000) 1,163 (1,163)				(-)	(-)	(-)	(-)	(-)	(-)	(-)	
Rolling Mill Oils	MT	1,000*	-do-			-	-	-	-	-	-	-	
	**KL	(1,000) 1,227 (1,227)				(-)	(-)	(-)	(-)	(-)	(-)	(-)	
Other Specialities Oils (including R.P.Oils)	MT	159,115*	-do-			61,310	59,186	1,892,175,718	428	14,878,341	521	23,146,685	
		(159,115)				(56,384)	(55,132)	(1,429,244,997)	(444)	(15,001,308)	(428)	(14,878,341)	
ii) AAC, AAAC and ACSR Conductors	MT	124,800	Maximum Utilisation	53,525	3	43,695	42,434	4,758,921,967	291	28,535,603	1,552	143,611,025	
		(61,000)		(54,820)		(28,725)	(29,219)	(2,862,352,846)	(785)	(63,133,695)	(291)	(28,535,603)	
iii) Aluminium rods suitable for further manufacture of ACSR/AAC/AAAC	MT	96,000	Maximum Utilisation	37,800	3	26,957	-	-	\$	\$	\$	\$	
		(24,800)		(31,200)		(20,148)	(-)	(-)	(\$)	(\$)	(\$)	(\$)	
iv) Synthetic Rubber (NBR / HSR), Lattices and Polyblend	MT	55,000	Not mentioned	17,950	3	17,179	14,599	1,580,368,003	1,031	98,628,329	2,501	217,832,087	
		(27,000)		(18,400)		(17,199)	(16,185)	(1,606,891,256)	(843)	(66,489,426)	(1,031)	(98,628,329)	
								11,674,133,711		207,349,947		440,409,925	
								(8,849,354,659)		(211,358,307)		(207,349,947)	

Apar Industries Limited

SCHEDULE - "24" (Contd.)

- * 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 | 2005-2006
Quantity | 2004-2005
Quantity |
|--|------|-----------------------|-----------------------|
| i) Synthetic Rubber, Lattices and Polyblend | MT | 1,110 | 826 |
| ii) Transformer Oils | KL | 9,224 | 7,234 |
| iii) Special Grade Pharmaceutical Oils | KL | 35 | 6 |
| iv) Textile Oils | KL | - | - |
| v) Other Specialities Oils | KL | 2,032 | 1,268 |
| vi) AAC, AAAC, ACSR Conductors | MT | - | - |
| vii) Aluminium Rods suitable for further manufacture of ACSR/AAC | MT | 26,957 | 20,148 |
| (B) Other Specialities Oil manufactured by a third party on behalf of the Company. | KL | 668 | 1,020 |
| (C) Processed by third parties - | | | |
| i) Aluminium Wire Rods | MT | - | - |
| ii) Aluminium Conductors | MT | 876 | 205 |
- 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.		
Thermoplastic Elastomers	MT	129 (67)	23,510,036 (12,764,856)	22 (26)	4,881,759 (5,676,063)	43 (22)	8,463,721 (4,881,759)	108 (71)	23,993,936 (15,003,353)
			23,510,036 (12,764,856)		4,881,759 (5,676,063)		8,463,721 (4,881,759)		23,993,936 (15,003,353)

Notes:-

- (i) Purchases and closing stock includes stock in transit 3.5 M.T. (previous year Nil M.T.) for Rs. 663,722 (previous year Rs. Nil).
 (ii) Figures in brackets pertain to the previous year.

3. Consumption of raw materials and components :

	2005-2006			2004-2005	
	Unit	Quantity	Rupees	Quantity	Rupees
Non-ferrous metals	MT	35,120	3,239,093,930	22,621	2,058,173,941
Ferrous metals	MT	9,822	374,319,771	6,931	229,871,299
Chemicals	MT	3,041	104,416,590	2,650	73,128,677
Base Oils	KL	172,888	4,074,020,243	158,790	3,140,110,623
Monomers	MT	16,148	933,141,798	18,379	947,685,751
Others			121,193,028		108,966,166
			8,846,185,360		6,557,936,457

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

17th Annual Report 2005-2006

SCHEDULE - "24" (Contd.)

4. Consumption of raw materials and components :

(including cost of sales of raw materials, handling losses and differences found on physical verification of stock)

	2005-2006		2004-2005	
	%	Rupees	%	Rupees
Imported at landed cost (including duty and clearing charges incurred in India)	68	5,982,271,944	64	4,167,613,898
Indigenous	32	2,863,913,416	36	2,390,322,559
	<u>100</u>	<u>8,846,185,360</u>	<u>100</u>	<u>6,557,936,457</u>

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 :

	2005-2006 Rupees	2004-2005 Rupees
Raw materials and Components	5,914,999,788	3,594,760,171
Stores and spare parts (including packing materials)	3,188,098	7,197,314
Capital goods	2,470,553	4,934,933
	<u>5,920,658,439</u>	<u>3,606,892,418</u>

Notes : Imports through canalising agencies and items of foreign origin purchased locally are excluded.

6. Expenditure in foreign currency on account of :

Professional Fees	1,143,822	1,840,892
Interest and Bank charges	132,376,696	72,479,770
Others	16,369,255	15,233,128
	<u>149,889,773</u>	<u>89,553,790</u>

7. Remittance in Foreign Currency for Dividends :

a) No of shareholders	1	—
b) No. of shares held	3,445,978	—
c) Year of dividend	2005-2006	—
d) Amount remitted - Rs.	2,584,484	—

8. Earnings in foreign exchange :

Claims & Commission received	3,465,510	1,532,814
Export of goods calculated on FOB basis	1,742,457,729	1,282,145,630
Deemed exports	414,676,946	228,440,683
Others (Freight & Insurance)	71,718,327	53,077,357
	<u>2,232,318,512</u>	<u>1,565,196,484</u>

9. Consumption of stores and spare parts including packing materials :

(including handling losses and differences found on physical verification of stocks).

	2005-2006		2004-2005	
	%	Rupees	%	Rupees
Imported at landed cost	1.25	4,441,952	1.05	3,184,249
Indigenous	98.75	351,019,977	98.95	300,912,952
	<u>100.00</u>	<u>355,461,929</u>	<u>100.00</u>	<u>304,097,201</u>

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

Apar Industries Limited

SCHEDULE - "24" (Contd.)

10. Sale of raw materials and stores and spares :

	2005-2006			2004-2005		
	Unit	Quantity	Rupees	Unit	Quantity	Rupees
Monomers	MT	1	133,554	MT	460	18,317,227
Base Oils	KL	5,599	172,683,890	KL	6,719	142,124,790
Ferrous Metals	MT	–	–	MT	5	3,260,334
Non Ferrous Metals	MT	–	–	MT	77	569,391
Others			1,596,210			1,443,684
			<u>174,413,654</u>			<u>165,715,426</u>

Signatures to Schedules '1' TO '24'

For and on behalf of the Board of Directors

Kushal N. Desai
Managing Director
& CEO

V. A. Gore
Director

D. C. Patel
Company Secretary

V. C. Diwadkar
Chief Financial Officer

Dated : 27th June, 2006

Place : Mumbai

Information referred to in Note 16 in Schedule 23 to the Accounts for the year ended 31st March, 2006

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	31.03.2006	CIN No.	L91110GJ1989PLC012802

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	637,506

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

Total Liabilities	2,997,255	Total Assets	2,997,255
--------------------------	------------------	---------------------	------------------

Sources of Funds

Paid up Capital	845,566	Secured Loans	554,014
Reserves and Surplus	959,946	Unsecured Loans	502,422
		Deferred Tax Liability (Net)	135,307

Application of Funds

Net Fixed Assets	1,148,925	Investments	6,326
Net Current Assets	1,790,476	Misc. Expenditure	51,528

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

Turnover (Net of Excise)	10,955,216	Total Expenditure	10,449,557
Profit Before Tax	505,659	Profit After Tax	399,688
E.P.S. in Rs.	17.66	Dividend rate %	35

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

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

17th Annual Report 2005-2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	2005-2006 (Rupees)	2004-2005 (Rupees)
Cash flow from Operating Activities :		
Net Profit before taxation adjusted for:	505,659,055	328,554,264
Depreciation/Amortisation	86,353,148	85,594,138
(Profit)/Loss on Sale of Fixed Assets(Net)	(2,244,057)	(684,020)
Miscellaneous expenditure amortized	17,428,794	12,029,059
Interest income	(62,214,003)	(43,623,111)
Interest expense	264,565,090	184,660,356
	<u>303,888,972</u>	<u>237,976,422</u>
Operating profit before working capital changes in :	809,548,027	566,530,686
Trade and other receivables	(704,559,643)	(221,652,055)
Inventories	(1,189,053,847)	(38,084,374)
Trade and other payables	2,265,102,613	115,246,061
	<u>371,489,123</u>	<u>(144,490,368)</u>
Compensation Under Voluntary Retirement Scheme incurred during the year	(17,920,000)	(29,923,337)
Share issue expenses incurred during the year	(18,117,341)	—
Cash generated from operations	1,144,999,809	392,116,981
Income Taxes paid (including fringe benefit tax) (net of refunds)	(72,640,877)	(62,635,889)
Net cash from operating activities	1,072,358,932	329,481,092
Cash flow from investing activities :		
Purchase of Fixed Assets	(268,947,379)	(158,353,632)
Sale of Fixed Assets	4,022,973	3,589,512
Purchase of Investments	(633,416,872)	(131,708,422)
Sale of Investments	642,479,424	122,064,777
Interest received	44,500,415	44,325,304
Net cash used in investing activities	(211,361,439)	(120,082,461)
Cash flow from financing activities :		
Proceeds from Unpaid calls/Share Premium	191,357	52,106
Proceeds of Cumulsorily Convertible Preference Share Capital with participating rights issued	637,505,930	—
Repayments of Preference Share Capital	(31,355,140)	(23,516,355)
Proceeds from fixed deposits (net)	7,070,000	25,440,000
Proceeds/(repayments) from/of bank borrowings (net)	(235,722,002)	77,477,573
Repayment of Debentures	(250,000,000)	—
Proceeds from short term borrowings	181,073,383	302,660,000
Repayments of long term borrowings	(99,662,134)	(477,497,481)
Interest Paid	(231,369,583)	(180,577,746)
Dividend Paid	(64,308,037)	(45,644,922)
Tax on Dividends	(9,599,916)	(9,482,734)
Net cash used in financing activities	(96,176,142)	(331,089,559)
Net Increase/(Decrease) in cash and cash equivalents	764,821,351	(121,690,928)
Cash and cash equivalents, beginning of year	700,887,271	822,578,199
Cash and cash equivalents, end of year	1,465,708,622	700,887,271

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
& CEO

V. A. Gore

Director

D. C. Patel

Company Secretary

V. C. Diwadkar

Chief Financial Officer

For and on behalf of the Board of Directors

Dated : 27th June, 2006

Place : Mumbai

Dated : 27th June, 2006

Place : Mumbai

Apar Industries Limited

INFORMATION ABOUT WHOLLY OWNED SUBSIDIARY COMPANY VIZ. PETROLEUM SPECIALITIES PTE. LTD., SINGAPORE

	2005-2006			2004-2005
	US\$	Exchange Rate	Indian Rupees	Indian Rupees
A) FOR THE YEAR ENDED 31st MARCH, 2006				
(a) Turnover	23,098,797	44.12	1,019,076,801	697,269,809
(b) Profit before Taxation	510,468	43.91	22,417,145	18,124,477
(c) Profit after Taxation	431,715	43.81	18,911,864	4,343,749
(d) Proposed Dividend	Nil		Nil	Nil
B) AS AT 31st MARCH, 2006				
(a) OWN FUNDS :				
Share Capital	59,101	44.73	2,643,645	2,643,645
Reserves & surplus	750,377	43.21	32,422,591	13,780,728
	809,478		35,066,236	16,424,373
(b) TOTAL ASSETS (Includes receivable from Holding Company Nil (Previous year US\$ 1,052,637 - Rs. 46,094,987)	1,080,899	43.64	47,175,614	154,740,999
(c) TOTAL LIABILITIES (Includes payable to related parties US\$ 139,408 - Rs. 6,220,385 (Previous year US\$ 2,263,838 - Rs, 99,133,466))	271,420	44.61	12,109,378	138,316,626
(d) INVESTMENTS	Nil		Nil	Nil
C) INDIAN RUPEE EQUIVALENT HAVE BEEN CALCULATED AS UNDER :				
(a) Revenue items at the average exchange rate that prevailed during each month.				
(b) Assets and Liabilities at rate that prevailed at the end of the year.				
(c) Share Capital / Fixed Assets at rates that prevailed on the date of transaction.				

Statement pursuant to Section 212 of the Companies Act, 1956

1.	Name of the Subsidiary Company	Petroleum Specialities Pte. Ltd., Singapore
2.	Financial Year ending of the Subsidiary	31.03.2006
3.	Number of Equity Shares Held	59,101
4.	Extent of holding	100 %
5.	For the financial year of the Subsidiary :	
	a. Profit/(Losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in col. 5(b)) (Rs. in Lacs)	-
	b. Profit/(Losses) so far it concerns the members of the holding company and dealt with in the books of account of the holding company (Rs. in Lacs)	189.12
6.	For the previous financial years since it became a Subsidiary :	
	a. Profit/(Losses) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in col. 6(b)) (Rs. in Lacs)	-
	b. Profit/(Losses) so far it concerns the members of the holding company and dealt with in the books of account of the holding company (Rs. in Lacs)	137.81

17th Annual Report 2005-2006

Auditors' Report

To the Board of Directors of
Apar Industries Limited

1. We have audited the attached Consolidated Balance Sheet of Apar Industries Limited ('the Company'), and its subsidiary company, Petroleum Specialties Pte. Limited (together constituting 'the Group') as at March 31, 2006 and also 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.
2. 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.
3. 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. 392.01 Lacs as at March 31, 2006 and the Group's share of total revenue of Rs. 2142.33 Lacs and net cash inflows aggregating Rs. 316.97 Lacs for the year then ended. These 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.
4. (a) 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.
- (b) 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, 2006;
 - (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 : 27th June, 2006

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	Sche- dule No.	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUND :			
Share capital	1	845,566,380	239,319,912
Reserves and surplus	2	992,368,420	688,956,869
		<u>1,837,934,800</u>	<u>928,276,781</u>
LOAN FUNDS :			
Secured loans	3	554,013,777	1,145,510,681
Unsecured loans	4	502,422,241	319,940,785
		<u>1,056,436,018</u>	<u>1,465,451,466</u>
Deferred taxation liability (Net)	5	135,925,245	134,494,486
TOTAL		<u>3,030,296,063</u>	<u>2,528,222,733</u>
APPLICATION OF FUNDS			
FIXED ASSETS :			
Gross block	6	1,880,250,512	1,639,526,046
Less: Depreciation		854,067,760	781,274,449
Net block		<u>1,026,182,752</u>	<u>858,251,597</u>
Capital work-in-progress/advances		122,962,311	102,977,414
		<u>1,149,145,063</u>	<u>961,229,011</u>
INVESTMENTS	7	3,682,748	12,745,300
CURRENT ASSETS, LOANS AND ADVANCES :			
Inventories	8	2,332,193,079	1,143,819,475
Sundry debtors	9	2,606,404,754	2,043,825,015
Cash and bank balances	10	1,513,503,380	716,984,597
Other current assets	11	731,928	731,928
Loans and advances	12	533,796,933	498,580,846
		<u>6,986,630,074</u>	<u>4,403,941,861</u>
Less: CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities	13	5,081,452,166	2,841,422,368
Provisions	14	79,237,764	41,150,634
		<u>5,160,689,930</u>	<u>2,882,573,002</u>
NET CURRENT ASSETS		<u>1,825,940,144</u>	<u>1,521,368,860</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	51,528,109	32,879,563
TOTAL		<u>3,030,296,063</u>	<u>2,528,222,733</u>
SIGNIFICANT ACCOUNTING POLICIES			
22			
NOTES TO ACCOUNTS			
23			

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 & CEO
V. A. Gore
Director
D. C. Patel
Company Secretary
V. C. Diwadkar
Chief Financial Officer

Dated : 27th June, 2006
Place : Mumbai

Dated : 27th June, 2006
Place : Mumbai

Apar Industries Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Sche- dule No.	2005-2006 Rupees	2004-2005 Rupees
INCOME :			
Sale of Goods, Services and related recoveries (net of excise)	16	11,123,601,902	8,740,905,849
Other Income	17	45,005,315	65,340,166
		<u>11,168,607,216</u>	<u>8,806,246,015</u>
EXPENDITURE :			
Operating and Other expenses	18	10,578,732,979	8,201,675,601
Decrease / (Increase) in Stocks	19	(335,359,150)	20,614,367
Depreciation		86,398,246	85,643,264
Interest and Discounting Charges	20	209,419,865	145,660,553
Exchange Rate Difference (Net)		83,910,287	(5,785,568)
		<u>10,623,102,226</u>	<u>8,447,808,217</u>
Profit before taxation and exceptional items		545,504,990	358,437,798
Exceptional items	21	17,428,794	12,029,059
Profit before taxation for the year		<u>528,076,196</u>	<u>346,408,739</u>
Provision for taxation :			
Current tax		74,505,280	42,235,725
Deferred tax		1,420,620	(11,383,457)
Fringe benefit Tax		3,850,000	-
Wealth tax		200,000	200,000
Profit after taxation but before tax provision for earlier years		448,100,296	315,356,471
Tax Provisions for earlier years		(29,500,000)	-
Net Profit after Taxation for the year		418,600,296	315,356,471
Balance of profit brought forward Transfer (to) / from		242,069,091	89,683,257
Debt Redemption Reserve		45,000,000	(15,000,000)
Capital Redemption Reserve		(31,355,140)	(23,516,355)
Exchange Fluctuation Reserve		-	50,000,000
Amount available for appropriations		674,314,248	416,523,373
Appropriated as under :			
- Transfer to General Reserve		(100,000,000)	(100,000,000)
- Interim Dividend on Equity Shares aggregating to Rs.1.75 per share (Previous year Rs.1.75 per share)		(36,410,579)	(36,410,579)
- Interim Dividend on Redeemable Preference Shares @ Re. Nil per share (Previous year Re.0.40 per share)		-	(3,135,514)
- Interim Dividend on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights (as converted) @ Rs.1.75 per share (Previous year Rs. Nil)		(6,030,461)	-
- Proposed Dividend:			
- On equity shares Rs. 1.75 per share (Previous year Rs. 1.25 per share)		(36,410,579)	(26,007,556)

	Sche- dule No.	2005-2006 Rupees	2004-2005 Rupees
- On 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights :			
- pro rata		(16,222,435)	-
- @ Rs. 1.75 Per share (as converted)		(6,030,461)	-
- Tax on Dividends		(14,179,909)	(8,900,632)
BALANCE CARRIED TO BALANCE SHEET		<u>459,029,824</u>	<u>242,069,092</u>

SIGNIFICANT ACCOUNTING POLICIES NOTES TO ACCOUNTS

Earnings Per Share :

on face value of Rs. 10/-.
(See note 12 of Schedule 23)

Basic :

(i) On Profit before tax provisions for earlier years	19.99	15.08
(ii) On Profit after tax provisions for earlier years	18.57	15.08

Diluted :

(i) On Profit before tax provisions for earlier years	19.98	15.08
(ii) On Profit after tax provisions for earlier years	18.66	15.08

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 & CEO

Vijay N. Bhatt
(Partner-F36647)

V. A. Gore
Director

D. C. Patel
Company Secretary

V. C. Diwadkar
Chief Financial Officer

Dated : 27th June, 2006
Place : Mumbai

Dated : 27th June, 2006
Place : Mumbai

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

	As at 31st March, 2006 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	260,000,000
3,567,500 Preference Shares of Rs. 185/- each 49,000,000 Redeemable Preference shares of Rs. 10/- each	659,987,500	-
	-	490,000,000
	<u>919,987,500</u>	<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	208,060,450
Less: Calls unpaid	-	11,481
	<u>208,060,450</u>	<u>208,048,969</u>

17th Annual Report 2005-2006

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees		As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "1" - SHARE CAPITAL (Contd.)			SCHEDULE "3" - SECURED LOANS		
ii) 3,445,978 - 5.40% Cumulative Compulsorily Convertible Preference Shares of Rs. 185/- each with participating rights (Convertible on 11th October, 2006 into 3,445,978 equity shares of Rs. 10/- each at premium of Rs. 175/- per share)	637,505,930	-	(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
iii) 7,838,785 - 10% Redeemable Cumulative Preference Shares (Series I) of Rs. 4/- each (Redeemed on 1st April, 2005) Less: Calls unpaid	- - -	31,355,140 84,197 31,270,943	(2) From Banks : (i) Cash Credit/Working Capital Demand Loans	453,726,226	701,222,921
			(ii) Term Loan	66,930,000	131,372,000
			(3) From a Financial Institution : Term Loan	26,581,726	55,967,625
			(4) Other Loans	91,330	263,640
			(5) Sales Tax Deferment Loan	6,684,495	6,684,495
TOTAL	845,566,380	239,319,912	TOTAL	554,013,777	1,145,510,681
SCHEDULE "2" - RESERVES AND SURPLUS			Notes :		
CAPITAL RESERVE :			a) Debentures (prepaid during the year) were secured by way of mortgage of specified properties and charge on movables and current assets of the Company ranking third in priority of charge.		
As per last balance sheet	4,855,067	4,824,718	b) The Cash Credit/Working Capital Demand Loans from banks are secured by (i) hypothecation of specified stocks and specified book debts.		
Add:- Share Premium received / adjusted during the year*	95,679	30,349	(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.		
	4,950,746	4,855,067	c) Term Loans from Bank amounting to Rs.66,930,000 are secured by an exclusive charge by way of hypothecation of certain items of plant & machinery procured/to be procured from the proceeds of the said loan.		
CAPITAL REDEMPTION RESERVE :			d) 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 movable 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.		
As per last Balance Sheet	197,032,710	173,516,355	(ii) first charge* by way of hypothecation of all movable properties acquired out of the proceeds of the concerned loans.		
Add: Transfer from Profit and Loss Account	31,355,140	23,516,355	e) Term Loans from Financial Institutions / Cash Credit / Working Capital Demand Loans referred to in (b) & (d) above are further secured by certain immovable properties of Apar Corporation Private Limited.		
	228,387,850	197,032,710	f) Loans amounting to Rs.547,237,950 at item No. (2) and (3) are, in addition to the securities specified above, secured by personal guarantee of one or more Directors.		
DEBENTURE REDEMPTION RESERVE :			g) Other loans represent loan from banks for purchase of cars, against the security of cars purchased.		
As per last balance sheet	45,000,000	30,000,000	h) The first charge in respect of loans referred to in Note(b), (c) and (d) above will not extend to specific items of machinery purchased by the Company under the proceeds of "Other loans" referred to at (g) above.		
(Less) /Add: Transfer (to)/from Profit and Loss Account	(45,000,000)	15,000,000	i) 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.		
	-	45,000,000	j) Loans under item 2(ii), 3, 4 and 5 include amounts repayable within a year Rs.23,909,013 (Previous year Rs.166,970,010).		
EXCHANGE FLUCTUATION RESERVE :			* denotes charge created / to be created.		
As per last balance sheet	-	50,000,000			
Less: Transfer (to)/from Profit and Loss Account	-	(50,000,000)			
	-	-			
GENERAL RESERVE :					
As per last balance sheet	200,000,000	100,000,000			
Add :- Transfer from Profit and Loss Account	100,000,000	100,000,000			
	300,000,000	200,000,000			
SURPLUS IN PROFIT AND LOSS ACCOUNT					
	459,029,824	242,069,092			
TOTAL	992,368,420	688,956,869			

* Unpaid share premium on calls unpaid as on 31.3.2006 Rs. Nil.
(previous year Rs. 95,679).

SCHEDULE "4" - UNSECURED LOANS

(1) Fixed Deposits :		
(a) From public	88,260,000	81,190,000
(b) From directors	38,500,000	38,500,000
	126,760,000	119,690,000

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "4" - UNSECURED LOANS (Contd.)			SCHEDULE "5" - DEFERRED TAX LIABILITY (NET)	
(2) Short term loans and advances			Deferred tax liability arising on account of timing difference in:	
From a Bank (Refer note 2 below)	50,000,000	-	Book and Tax depreciation	148,491,335
(3) Sales Tax Deferment loan	12,382,075	18,044,000	Less: Deferred tax asset arising on account of timing differences in:	
(Refer Note 3 below)			(i) Provision for doubtful debts and advances	8,620,207
(4) Loans from Directors	280,000,000	137,500,000	(ii) Provision for gratuity and leave encashment	3,812,298
(5) Inter Corporate Deposits	33,280,166	44,706,785	(iii) Amortisation of technical know-how fees	133,585
	<u>313,280,166</u>	<u>182,206,785</u>	(iv) Provision for expenses	-
TOTAL	502,422,241	319,940,785		<u>12,566,090</u>
			TOTAL	135,925,245
				<u>134,494,486</u>

Notes:

- Loans indicated at 1, 2 and 3 above includes amount of Rs. 138,215,000 (previous year Rs. 78,141,000) payable within a year. Loans at 4 and 5 are repayable at call.
- Loans indicated at 2 above are secured by personal guarantee of one or more Directors.
- This represents Sales tax collected on sales and not paid pursuant to the sales tax deferment facility. This loan is secured by personal guarantee of one or more directors and is payable in May, 2006 (since paid).

SCHEDULE "6" - FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				WRITTEN DOWN VALUE	
	As at 1st April, 2005 Rupees	Additions Rupees	Deductions Rupees	As at 31st March, 2006 Rupees	As at 1st April, 2005 Rupees	Deductions/ adjustments Rupees	For the year Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
Land										
Freehold	23,021,531	11,805,814	-	34,827,345	-	-	-	-	34,827,345	23,021,531
Leasehold	43,460,011	-	-	43,460,011	4,693,042	-	621,544	5,314,586	38,145,425	38,766,969
(Refer Note 1 below)										
Buildings										
(Refer Note 2 & 3 below)	299,253,077	51,630,760	-	350,883,837	54,289,708	-	7,803,273	62,092,981	288,790,856	244,963,368
Plant and Machinery										
(Refer Note 4 below)	1,072,218,473	179,015,915	(11,985,741)	1,239,248,647	555,410,776	(11,043,772)	68,190,399	612,557,403	626,691,244	516,807,696
Wind Farm	96,970,140	-	-	96,970,140	90,820,551	-	1,301,082	92,121,633	4,848,507	6,149,592
Furniture, fixture and equipments	78,675,895	6,887,528	(405,887)	85,157,536	61,166,534	(299,429)	4,975,176	65,842,281	19,315,255	17,509,361
Motor Vehicles	25,926,918	6,768,300	(2,992,223)	29,702,995	14,893,837	(2,261,734)	3,506,772	16,138,876	13,564,119	11,033,080
	1,639,526,045	256,108,317	(15,383,851)	1,880,250,512	781,274,449	(13,604,935)	86,398,246	854,067,760	1,026,182,752	858,251,597
Previous year	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		
									122,962,311	102,977,414
									1,149,145,063	961,229,011

Capital work-in-progress including advances on capital account.

- Notes:**
- 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.
 - Buildings include :
 - 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.
 - 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 of Rs. 3,857,077 (previous year 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.

17th Annual Report 2005-2006

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees	Note : Movements in investments in Mutual Funds during the year is as follows :	
SCHEDULE "7" - INVESTMENTS - (At Cost)			Units Purchased	Units Sold
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 Government Departments	10,240	10,240	3,999,416	3,995,884
(ii) 12 Year National Defence Certificates	6,000	6,000	11,199,661	11,181,599
(iii) Kisan Vikaspatra (pledged with Maharashtra Water & Sewage Board)	1,000	1,000	44,159,339	44,092,866
(iv) 6 Year National Savings Certificates (held as security by Government Departments)	7,000	7,000	-	3,985
	24,240	24,240	-	843,878
B. In Equity Shares :			As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
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		
Non Trade :				
4,200 Shares of Natpur Co-operative Bank Limited of Rs. 50 each	210,000	210,000		
	2,702,510	2,702,510		
II. Current Investments				
Units of Mutual Fund :				
(i) 3,532 Units of Rs. 10/- each (previous year Nil units) in ING Vysya Liquid Fund Institutional-Daily dividend option	35,353	-		
(ii) 18,062 Units of Rs. 10/- each (previous year Nil units) in LICMF Liquid Fund Dividend Plan	197,900	-		
(iii) 66,473 Units of Rs. 10/- each (previous year Nil units) in Principal Floating rate fund SMP - Institutional option growth plan	722,745	-		
(iv) Nil Units of Rs. 10/- each (previous year 3,985 units) in IDBI - PRINCIPAL Cash Management Fund (Liquid Option Growth Plan) - current	-	18,550		
(v) Nil Units of Rs. 10/- (previous year 843,878 units) in Prudential ICICI Liquid Plan Institutional Plus - (Daily Dividend Option)	-	10,000,000		
	955,998	10,018,550		
TOTAL	3,682,748	12,745,300		
			SCHEDULE "8" - INVENTORIES	
			As valued and certified by the Management :	
			Stores and spare parts	39,496,232
			Raw materials and components#	1,690,572,317
			Work-in-progress	152,887,799
			Finished goods*	448,873,646
			Scrap	363,085
			TOTAL	2,332,193,079
				34,889,331
				842,164,764
				54,190,334
				212,231,706
				343,340
				1,143,819,475
			# Including Raw materials in transit Rs.618,798,240 (previous year Rs.131,492,112)	
			* Including stock of traded goods Rs.8,463,721 (previous year Rs.4,881,759)	
			SCHEDULE "9" - SUNDRY DEBTORS	
			Debts outstanding for a period exceeding six months	
			Secured	
			Considered good	6,710,649
			Unsecured	
			Considered good	203,092,517
			Considered doubtful	25,609,646
				235,412,812
			Other debts -	
			Considered good	
			Secured	3,970,456
			Unsecured	2,392,631,131
				2,396,601,587
			Less: Provision for doubtful debts	25,609,645
			TOTAL	2,606,404,754
				6,933,790
				162,207,268
				26,471,700
				195,612,758
				5,197,303
				1,869,486,654
				1,874,683,957
				26,471,700
				2,043,825,015
			SCHEDULE "10" - CASH AND BANK BALANCES	
			Cash on hand	698,281
			Cheques / Demand drafts on hand	32,786,365
			Balances with Scheduled Banks :	
			In current accounts	263,303,671
			In deposit accounts	18,750,490
			In margin money accounts #	1,197,964,573
				1,480,018,734
			TOTAL	1,513,503,380
				865,779
				-
				225,534,533
				14,321,196
				476,263,089
				716,118,818
				716,984,597
			# includes deposits of Rs. 805,000,000 pledged as security for Letters of Credit aggregating Rs. 783,470,197 rolled over.	

Apar Industries Limited

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
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

	As at 31st March, 2006 Rupees	As at 31st March, 2005 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	503,646,404	450,443,517
Considered doubtful	1,000,000	1,000,000
	<u>504,646,404</u>	<u>451,443,517</u>
Less:- Provision for doubtful advances	1,000,000	1,000,000
	<u>503,646,404</u>	<u>450,443,517</u>
b) Balances with Excise Department : in current account	589,101	4,186,720
c) Advance payments of tax less provisions	7,213,778	39,316,547
d) Interest accrued but not due on deposits	22,347,650	4,634,062
TOTAL	533,796,933	498,580,846

* Includes Rs.11,978,187 being excise duty paid under protest (previous year Rs.10,339,463) Includes Rs.6,110,417 being sales tax paid under protest (previous year Rs.Nil)

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "13" - CURRENT LIABILITIES		
Acceptances	421,393,313	175,301,841
Sundry creditors (Refer Note 7 of Schedule '23')	3,917,387,177	2,179,279,573
Other liabilities	660,972,758	396,370,197
Unpaid redemption amount of preference shares (Refer note 6 of schedule '23')	64,784	-
Unclaimed dividend (to be credited to Investor Education and Protection Fund when due)	8,080,671	4,250,576
Interim dividends*		
Equity shares	20,806,045	20,806,045
Preference shares	3,445,978	3,135,514
Book overdraft	2,952,340	49,125,028
Interest accrued but not due on loans	46,349,100	13,153,593
TOTAL	5,081,452,166	2,841,422,368

Sundry creditors include Rs. 783,470,197 (Previous year 441,417,063) being Letters of Credit rolled over. * since paid

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "14" - PROVISIONS		
For gratuity (In respect of Directors)	915,000	2,942,500
For accumulated and unavailed leave	11,431,736	8,553,018
For proposed dividend :		
Preference shares	22,252,896	-
Equity shares	36,410,579	26,007,556
For tax on proposed dividends	8,227,553	3,647,560
TOTAL	79,237,764	41,150,634

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "15" - MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
A) Voluntary Retirement Compensation		
Opening Balance	32,879,563	14,985,285
Add: Incurred during the year	17,920,000	29,923,337
	<u>50,799,563</u>	<u>44,908,622</u>
Less: Amortized during the year	15,613,061	12,029,059
Balance	35,186,502	32,879,563
B) Share Issue Expenses		
Opening Balance	-	-
Add: Incurred during the year	18,157,341	-
	<u>18,157,341</u>	<u>-</u>
Less: Amortized during the year	1,815,734	-
Balance	16,341,607	-
TOTAL	51,528,109	32,879,563

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	2005-2006 Rupees	2004-2005 Rupees
SCHEDULE "16" - SALE OF GOODS, SERVICES AND RELATED RECOVERIES		
Sales	11,887,454,386	8,849,354,659
Less: Excise duty	(1,450,848,908)	(1,139,665,147)
	<u>10,436,605,478</u>	<u>7,709,689,512</u>
Sale of traded goods	23,993,936	388,419,750
Sale of raw materials	174,413,654	165,715,426
Scrap sales	29,825,347	27,369,457
Export benefits [Includes prior period Rs. Nil (Previous year Rs. 6,698,979)]	33,974,407	109,170,091
Rebate/refund of excise duty on deemed/physical exports	113,913,950	110,777,230
Transport charges recovered	266,327,740	197,016,894
Processing and other service charges	44,547,390	32,747,489
TOTAL	11,123,601,902	8,740,905,849

	2005-2006 Rupees	2004-2005 Rupees
SCHEDULE "17" - OTHER INCOME		
Value of power generated by Wind Mill	10,289,195	9,902,269
Commission	1,745,376	1,314,952
Rent	60,000	968,220
Profit on sale/disposal of fixed assets (net)	2,244,057	684,020
Excess provision for expenses written back	7,137,377	6,030,456
Provision for doubtful debts written back	1,825,245	16,135,861
Sundry Balances Written back	1,360,672	-
Profit on sale of current investments	789,928	-
Dividend on current investments	206,672	41,696
Sundry Income	19,346,793	30,262,692
TOTAL	45,005,315	65,340,166

	2005-2006 Rupees	2004-2005 Rupees
SCHEDULE "18" - OPERATING AND OTHER EXPENSES		
Raw materials and components consumed	8,831,558,557	6,556,159,189
Purchase of traded goods	214,092,828	354,237,656
Excise duty adjustment of finished goods stock	14,463,287	1,914,116

17th Annual Report 2005-2006

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

	2005-2006 Rupees	2004-2005 Rupees		2005-2006 Rupees	2004-2005 Rupees
SCHEDULE "18" - (Contd.)			SCHEDULE "20" - INTEREST AND DISCOUNTING CHARGES		
Power, electricity and fuel	184,888,338	147,586,879	On loans for fixed periods	46,419,209	52,456,170
Stores, spare parts and packing materials (Refer note below)	355,461,929	304,097,201	On other loans / borrowings	225,344,034	136,827,494
Storage charges	13,475,546	13,978,792		271,763,243	189,283,664
Processing charges	3,516,444	1,515,878	Less: Interest earned- gross (tax deducted at source Rs.10,775,926 (Previous year Rs. 7,171,484)		
Repairs and maintenance :			On bank deposits	(50,901,075)	(34,630,088)
Buildings	2,918,461	2,361,432	Others	(11,442,303)	(8,993,023)
Plant and machinery	12,852,293	15,837,882		(62,343,378)	(43,623,111)
Others	6,917,693	5,507,910	TOTAL	209,419,865	145,660,553
	22,688,447	23,707,224	SCHEDULE "21" - EXCEPTIONAL ITEMS		
Insurance	22,645,585	17,655,286	Amortisation of VRS compensation	15,613,060	12,029,059
Rent	1,758,146	2,034,574	Amortisation of Share issue expenses	1,815,734	-
Rates and taxes	8,531,906	11,774,324	TOTAL	17,428,794	12,029,059
Payment to and provision for employees :			SIGNIFICANT ACCOUNTING POLICIES		
Salaries, wages and bonus	106,849,023	111,618,966	SCHEDULE "22"		
Contribution to provident and other funds (including unquantified gratuity in respect of a director)	14,802,650	13,079,263	1. Significant accounting policies followed (General) :-		
Provision for gratuity in respect of Directors (Refer note 4 (b) of schedule '23')	87,500	260,000	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.		
Workmen and staff welfare expenses	16,543,705	14,121,281	2. Significant accounting policies followed (Specific) :-		
	138,282,878	139,079,510	(A) Basis of preparation and principles of consolidation :-		
Directors' sitting fees	392,500	257,500	The Consolidated Financial Statements relate to Apar Industries Limited ('the Company') and its wholly owned subsidiary company, Petroleum Specialities Pte. Ltd., a company incorporated in Singapore.		
Commission to Chairman, Managing Director and Joint Managing Director	15,851,530	10,446,129	The Consolidated Financial Statements have been prepared on the following basis:		
Lease rentals	198,720	150,390	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.		
Freight outward	389,281,961	288,969,946	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		
Commission on sales	53,325,105	47,542,578			
Discounts and rebates [Includes prior period Rs. Nil (Previous year Rs. 7,900,900)]	14,645,263	24,048,328			
Advertisement expenses	1,652,175	1,520,886			
Donations	630,501	1,572,592			
Legal and Professional fees	19,780,511	22,405,535			
Miscellaneous expenses [Includes prior period Rs. Nil (Previous year Rs. 766,583)]	134,292,640	123,795,115			
Bad debts and advances written off (Refer note no 5 of schedule 23)	35,984,995	9,287,909			
Less: Provision for doubtful debts utilised	(14,124,036)	(279,800)			
	21,860,959	9,008,109			
Provision for doubtful debts	15,087,227	14,591,886			
Bank charges and commission	100,369,996	83,625,977			
TOTAL	10,578,732,979	8,201,675,601			

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

	2005-2006 Rupees	2004-2005 Rupees
Opening stock of finished goods, work-in-progress and scrap	266,765,380	287,379,747
Closing stock of finished goods, work-in-progress and scrap	602,124,530	266,765,380
	(335,359,150)	20,614,367
TOTAL	(335,359,150)	20,614,367

Apar Industries Limited

SCHEDULE "22" (Contd.)

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.

(C) 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 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. In assessing value in use, the estimated future cash flows are discounted to their present value, based on an appropriate discounting factor. Impairment losses are recognized in the profit and loss account.

(D) 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.

(E) 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.

(F) 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.

(G) Voluntary Retirement Schemes :-

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

(H) Share Issue Expenses :-

Share issue expenses are written off against share premium account if any or amortized over a period of 5 years.

(I) 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 and excise duty 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.

(J) 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

17th Annual Report 2005-2006

NOTES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE "23"

gratuity liability in respect of all the Whole-time Directors of the Company, except one director, (See note 4 (b) of Schedule '23') is ascertained on an arithmetical basis and is not funded.

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

(K) 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.

(L) 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.

(M) Export benefits/Incentives :-

The Company accounts for excise duty rebate on deemed and physical 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.

(N) 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.

(O) 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.

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
1. Contingent liabilities not provided for :		
(a) Bills of exchange discounted	383,170,710	81,492,278
(b) Taxation: Disputed demands of income tax	9,937,439	18,958,959
(c) 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)	43,998,152	30,523,994
Custom duty	23,830,496	3,870,357
Sales tax (including amount deposited Rs. 1,291,455)	6,886,937	1,100,000
(ii) Demand/charges levied by the Local Authorities	19,406,618	18,073,928
(iii) Labour matters	19,531,439	4,375,620
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	77,307,256	50,349,610
3. Premium in case of forward contracts not expired and pertaining to the future period	3,163,441	1,246,082
4. Payment to directors :		
Remuneration to directors : Directors' sitting fees	392,500	257,500
Salaries and other benefits / amenities	8,187,453	9,151,762
Provision for gratuity (ascertained on arithmetical basis) - see note (b) below	412,885	260,000
Commission	15,851,530	10,446,129
	24,844,368	20,115,391

Apar Industries Limited

SCHEDULE "23" (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 adequate and reasonable.
- (b) In case of a director, gratuity amount is included in the actuarial valuation carried out for the company as a whole and hence not ascertainable.
5. During the year, the Company contracted with a foreign supplier for supply of Aluminum Ingots. The Company received shipping documents and the Company's letter of credit of Rs. 73.64 Lacs was encashed against the fraudulent documents of supply. The detailed investigation carried out by the Company confirmed that there was no supply of goods. The Company has written off the said amount as bad debts / advances in the books. There have been no other dealings by the Company with the supplier.
6. The Company redeemed the last tranche of 10% redeemable preference shares of Rs. 4/- each on April 1, 2005 in terms of the issue. In accordance with the requirement of Section 80 of the Companies Act, 1956, capital redemption reserve for the full amount of the preference shares has been created out of the profits of the Company.

Above redemption did not include some preference shares having calls in arrears on 1st April, 2005. The said calls have been received during the year and the amount payable on redemption of these preference shares after adjusting other moneys due from holders of these shares is transferred to 'Unpaid Redemption Amount on Preference Shares Account'.

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
--	-------------------------------------	-------------------------------------

7. (a) Sundry Creditors include amounts due to small scale industrial undertakings. **4,581,215** 1,347,168
- (b) Names of Small Scale Undertakings to whom the Company owes a sum outstanding for more than 30 days.
- M/s Core Chemicals Pvt. Ltd
 - M/s Perfect Speciality Product
 - M/s Shefjo Plastics
 - M/s Vibha Chem Products Ltd.
 - M/s Caliber Chemicals Pvt. Ltd.
 - M/s Krishna Antioxidents Pvt. Ltd.
 - M/s Nikita Transphases Pvt. Ltd.
 - M/s Thakkar Polypack Industries

The above disclosure is based on the information/documents available with the Company.

8. The summary of utilisation of the amount of Rs. 6,375.06 Lacs raised by issue of 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights is as under:

(Rs. Lacs)

	Envisaged Use	Actually used upto 31.03.2006
Expansion Projects (Capital Expenditure)	3,875.06	1,389.66
Redemption of Non convertible Debentures	2,500.00	2,500.00
TOTAL	6,375.06	3,889.66

9. (I) Category wise quantitative data about derivative instruments outstanding at 31st March, 2006

Type of Instrument	Nos.	Amount
(a) In respect of Commodity (Aluminum) Futures at London Metal Exchange	22	\$1,109,592
(b) In respect of Foreign currency Forward contracts	9	\$20,450,000
Options	7	\$3,500,000
Currency and Interest SWAP	1	\$570,000

- (II) All the derivative instruments entered by the company during the year were for hedging purpose and not for any speculative purpose.
- (III) Unhedged foreign currency exposure as at 31st March, 2006
In US\$ 53,780,000
In Euro 830,000

10. Related Party Disclosures :

A. List of Related Parties :

- a) Key Managerial Personnel:
- Dr. N. D. Desai - Non Executive chairman (was an executive chairman till 31st January, 2006).
Mr. K. N. Desai - Managing Director
Mr. C. N. Desai - Jt. Managing Director
Mr. M. M. Patel - Director (Polymers)
Mr. G. S. Sudhakar - Director
- b) Relatives of Key Managerial Personnel:
- Mrs. Noopor Kushal Desai
Mrs. Vineeta R Srivastava
Mr. Rishabh K Desai
Ms. Gaurangi K Desai
Ms. Krishnangi R Srivastava
- c) Entities over which key management personnel exercise significant influence:
- Apar Corporation Private Limited
Scope Private Limited
Consumers Services Private Limited
Ceom Private Limited
Dr. N. D. Desai, HUF
Kushal N Desai Family Trust
Kushal Chaitanya Desai Family Trust
Chaitanya N Desai Family Trust
Apar Masat Conductors Ltd.
(No transactions during the year)
Apar Investments (Singapore) Pte. Ltd.
and its subsidiaries (No transactions during the year).

B. (i) Key Managerial Personnel :

Sr. No.	Transactions	2005-2006	2004-2005
1	Interest paid	23,550,825	21,843,288
2	Directors' remuneration	-	19,592,578
3	Redemption of Preference Shares	9,080,072	6,810,054

17th Annual Report 2005-2006

SCHEDULE "23" (Contd.)

Sr. No.	Transactions	2005-2006	2004-2005
4	Redemption of Debentures	115,000,000	—
5	Dividends paid (payment basis)	43,019,963	32,116,534
6	Legal and Professional Fees	540,243	—
7	Outstanding as on 31.03.2006 : Loans and Deposits Debentures	318,500,000 —	176,000,000 115,000,000
	Refer note (f) of schedule 3 and note no. 2 and 3 of schedule 4 for details of undertaking/ security given by key management personnel in connection with the Company's borrowings.		

(ii) Relatives of Key Managerial Personnel :

Sr. No.	Transactions	2005-2006	2004-2005
1	Redemption of Preference Shares	469,920	352,440
2	Dividends paid (payment basis)	112,452	76,115

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

Sr. No.	Transactions	2005-2006	2004-2005
1	Interest paid	19,677,533	25,949,311
2	Purchase of raw material	—	111,151,788
3	Rent paid	2,540,986	1,238,000
4	Rent received	120,000	674,500
5	Redemption of Preference Shares	1,260,520	945,390
6	Redemption of Debentures	135,000,000	—
7	Dividends paid (payment basis)	1,641,935	1,166,664
8	Use of Logo	1,000	—
9	Outstanding (credit balances) as on 31.03.2006 Loans and Deposits Debentures	55,358,657 —	62,706,785 135,000,000
	For supply of raw materials	1,182,182	1,540,819
	Refer note (e) of schedule 3 for details of undertakings/ security given by entities in connection with the Company's borrowings.		

11. 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	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
REVENUE										
External Sales	43,850.81	27,044.27	53,368.19	45,777.52	14,017.02	14,587.27	—	—	111,236.02	87,409.06
Other Income	71.47	282.88	221.07	221.00	143.31	107.14	—	—	435.85	611.02
Inter-Segment Sales	—	—	55.54	36.85	—	—	(55.54)	(36.85)	—	—
Total Revenue	43,922.28	27,327.15	53,644.80	46,035.37	14,160.33	14,694.41	(55.54)	(36.85)	111,671.88	88,020.08
RESULT										
Segment result	3,484.50	13.84	4,944.01	5,035.41	822.49	1,722.16	—	—	9,250.99	6,771.41
Unallocable Corporate/Other expenses (net of miscellaneous income)	—	—	—	—	—	—	—	—	(1,876.03)	(1,850.72)
Operating Profit	—	—	—	—	—	—	—	—	7,374.96	4,920.69
Interest Expense	—	—	—	—	—	—	—	—	(2,717.63)	(1,892.84)
Interest Income	—	—	—	—	—	—	—	—	623.43	436.23
Profit before taxes	—	—	—	—	—	—	—	—	5,280.76	3,464.08
INCOME TAX										
Current tax	—	—	—	—	—	—	—	—	(785.55)	(424.36)
Deferred tax	—	—	—	—	—	—	—	—	(14.21)	113.83
Profit after tax	—	—	—	—	—	—	—	—	4,481.00	3,153.55
OTHER INFORMATION										
Segment assets	26,971.05	13,397.51	36,398.55	26,035.55	13,342.61	9,649.94	—	—	76,712.22	49,083.00
Unallocable Corporate and Other assets	—	—	—	—	—	—	—	—	4,682.36	4,696.16
Total Assets	—	—	—	—	—	—	—	—	81,394.58	53,779.16
Segment liabilities	16,917.88	5,260.60	28,303.29	19,501.14	4,917.85	2,466.36	—	—	50,139.03	27,228.10
Unallocable Corporate and other liabilities	—	—	—	—	—	—	—	—	1,467.87	1,597.63

Apar Industries Limited

SCHEDULE "23" (Contd.)

a. Business Segments (Contd.)

(Rupees in Lacs)

Particulars	Conductor		Transformer & Speciality Oils		Polymers		Eliminations		Consolidated Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	51,606.90	28,825.73
Capital expenditure	1,439.94	435.90	284.30	622.07	812.60	535.71	-	-	2,536.84	1,593.68
Capital expenditure - unallocable	-	-	-	-	-	-	-	-	224.09	14.06
Depreciation	235.60	239.54	210.42	169.84	350.68	378.19	-	-	796.68	787.57
Depreciation on - unallocable	-	-	-	-	-	-	-	-	67.30	68.86
Non-cash expenses other than depreciation	87.29	51.45	-	-	-	-	-	-	87.29	51.45
Non-cash expenses other than depreciation - unallocable	-	-	-	-	-	-	-	-	87.00	68.84

b. Geographical Segments

i) Revenue by geographical Market:

(Rupees in Lacs)

Particulars	Conductor		Transformer & Speciality Oils		Polymers		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Outside India	7,971.95	8,230.78	8,829.50	4,119.33	631.62	471.33	17,433.07	12,821.44
In India*	35,878.86	18,813.49	44,538.69	41,658.19	13,385.40	14,115.94	93,802.95	74,587.62
Total	43,850.81	27,044.27	53,368.19	45,777.52	14,017.02	14,587.27	111,236.02	87,409.06

* Include deemed exports Rs. 4,146.77 Lacs (previous year Rs. 2,884.41 lacs).

ii) Carrying amount of Segment Assets:

(Rupees in Lacs)

Particulars	Conductor		Transformer & Speciality Oils		Polymers		Unallocated		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Outside India	3,101.25	2,269.87	1,630.96	733.31	146.47	22.34	-	-	4,878.68	3,025.52
In India*	20,775.81	9,225.69	32,002.90	22,603.92	8,876.49	5,768.05	3,390.67	3,543.70	65,045.87	41,141.35
Total	23,877.06	11,495.56	33,633.86	23,337.23	9,022.96	5,790.39	3,390.67	3,543.70	69,924.55	44,166.87

17th Annual Report 2005-2006

SCHEDULE "23" (Contd.)

iii) The Company's 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.

12 Particulars of earnings per share

Sr. No.	Particulars	Year ended 31st March, 2006	Year ended 31st March, 2005
1			
A)	Profit After Tax (excluding tax provisions for earlier years) and exceptional items excluding prior period items Rs. Nil (previous year Rs. 19.68 Lacs)-Rs.Lacs	4,481.00	3,173.24
B)	Profit After Tax and exceptional items excluding prior period items Rs. Nil (previous year Rs. 19.68 Lacs)-Rs.Lacs	4,186.00	3,173.24
2	Preference and participating dividend to compulsorily convertible participating Preference shares (Previous year Redeemable Cumulative Preference Shares) :		
(a)	Dividend paid on Redeemable Cumulative Preference Shares	-	(31.36)
(b)	Tax on Dividend paid on Redeemable Cumulative Preference Shares	-	(4.10)
(c)	Preference Dividend on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	(162.22)	-
(d)	Tax on Preference Dividend on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	(22.75)	-
(e)	Participating dividend paid on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	(120.61)	-

Sr. No.	Particulars	Year ended 31st March, 2006	Year ended 31st March, 2005
(f)	Tax on participating dividend paid on 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights	(16.92)	-
	TOTAL	(322.50)	(35.46)
3	Profit after preference and participating dividend to Cumulative Compulsorily Convertible Preference Shares with Participating rights (previous year Redeemable cumulative preference shares)		
A) 1 A - 2		4,158.50	3,137.78
B) 1 B - 2		3,863.50	3,137.78
4	Weighted Number of Equity Shares outstanding during the year	20,806,045	20,806,045
5	Nominal Value of Equity Shares Rs.	10	10
6	Weighted Average Number of 5.40% Cumulative Compulsorily Convertible Preference Shares with participating rights outstanding during the year	1,623,858	-
7	Nominal Value of Preference Shares Rs.	185	-
8	Weighted Average of total Number of Shares during the year (4 +6)	22,429,903	20,806,045
9	Earnings per share - Rs.		
	A) Basic :		
(i)	On Profit before tax provisions for earlier years (3A) / 4	19.99	15.08
(ii)	On Profit after tax provisions for earlier years (3B) / 4	18.57	15.08
	B) Diluted :		
(i)	On Profit before tax provisions for earlier years (1A) / 8 (previous year 3A/8)	19.98	15.08
(ii)	On Profit after tax provisions for earlier years (1B) / 8 (previous year 3B/8)	18.66	15.08
13.	Previous year figures have been regrouped, where necessary, to conform to current year's classification.		

Apar Industries Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	2005-2006 (Rupees)	2004-2005 (Rupees)
Cash flow from Operating Activities :		
Net Profit before taxation adjusted for:	528,076,196	346,408,739
Depreciation/Amortisation	86,398,246	85,643,264
Foreign Exchange	10,136	-
(Profit)/Loss on Sale of Fixed Assets(Net)	(2,244,057)	(684,020)
Miscellaneous expenditure amortized	17,428,794	12,029,059
Interest income	(62,343,378)	(43,623,111)
Interest expense	271,763,243	189,283,664
	<u>311,012,984</u>	<u>242,648,856</u>
Operating profit before working capital changes in :	839,089,180	589,057,595
Trade and other receivables	(612,185,007)	(311,995,350)
Inventories	(1,188,373,604)	(37,814,374)
Trade and other payables	2,196,422,071	189,346,566
	<u>395,863,460</u>	<u>(160,463,158)</u>
Compensation Under Voluntary Retirement Scheme incurred during the year	(17,920,000)	(29,923,337)
Share issue expenses incurred during the year	(18,117,341)	-
Cash generated from operations	1,198,915,299	398,671,100
Income Tax paid (including fringe benefit tax) (net of refunds)	(75,952,511)	(62,635,889)
Net cash from operating activities	<u>1,122,962,788</u>	<u>336,035,211</u>
Cash flow from investing activities :		
Purchase of Fixed Assets	(269,010,334)	(158,605,456)
Sale of Fixed Assets	4,022,973	3,589,512
Purchase of Investments	(633,416,872)	(129,064,777)
Sale of Investments	642,479,424	122,064,777
Interest received	44,629,790	44,325,304
Net cash used in investing activities	<u>(211,295,019)</u>	<u>(117,690,640)</u>
Cash flow from financing activities :		
Proceeds from Unpaid calls/Share Premium	191,357	52,106
Proceeds from Compulsorily convertible Pref. Share Capital	637,505,930	-
Repayments of Preference Share Capital	(31,355,140)	(23,516,355)
Proceeds from fixed deposits (net)	7,070,000	25,440,000
Proceeds/(repayments) from/of bank borrowings (net)	(247,496,695)	89,252,266
Repayment of Debentures	(250,000,000)	-
Proceeds from short term borrowings	181,073,386	302,660,000
Repayments of long term borrowings	(99,662,134)	(477,497,481)
Interest Paid	(238,567,736)	(185,201,053)
Dividend Paid	(64,308,037)	(45,644,922)
Tax on Dividends	(9,599,916)	(9,482,734)
Net cash used in financing activities	<u>(115,148,986)</u>	<u>(323,938,173)</u>
Net Increase/(Decrease) in cash and cash equivalents	<u>796,518,783</u>	<u>(105,593,602)</u>
Cash and cash equivalents, beginning of year	<u>716,984,597</u>	<u>822,578,199</u>
Cash and cash equivalents, end of year	<u>1,513,503,380</u>	<u>716,984,597</u>

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
& CEO

V. A. Gore
Director

D. C. Patel
Company Secretary

V. C. Diwadkar
Chief Financial Officer

For and on behalf of the Board of Directors

Dated : 27th June, 2006
Place : Mumbai

Dated : 27th June, 2006
Place : Mumbai

FORM OF PROXY

FOLIO NO. :

NO. OF EQUITY SHARES :

CLIENT ID NO. :

DP ID NO. :

I/We, _____

of _____

_____ being

Equity Shareholder(s) of Apar Industries Limited hereby appoint _____

_____ of _____

_____ or failing him _____

of _____

or failing him _____ of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the **Seventeenth Annual General Meeting** of the Equity Shareholders of the Company to be held on **Thursday, 10th August, 2006** at Vadodara and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2006.

Signed by the said _____

Affix a
Re. 1
Revenue
Stamp

N.B. This Proxy Form must be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting. The Proxy need not be a Shareholder of the Company.