

An ISO 9002 company



ANNUAL REPORT 2001



INDAG

Indag Rubber Limited



• **BOARD OF DIRECTORS**

NAND KHEMKA
(CHAIRMAN)
S.L. KHEMKA
MARK R. THOENY
P.R. KHANNA
R. PARAMESWAR
K.K. KAPUR
(WHOLE TIME DIRECTOR)

• **BANKERS**

CORPORATION BANK
STATE BANK OF BIKANER & JAIPUR

• **FOREIGN COLLABORATOR**

BANDAG INC., U.S.A.

• **AUDITORS**

S.R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS
20, COMMUNITY CENTRE, PUSHP VIHAR
NEW DELHI - 110 062

• **REGISTERED AND HEAD OFFICE**

11, COMMUNITY CENTRE, SAKET
NEW DELHI - 110 017

WORKS

PLOT NO. SP 86, INDUSTRIAL AREA
BHIWADI - 301019, DIST. ALWAR, (RAJASTHAN)

Indag Rubber Limited

Quality Policy

Indag is committed to:

1. **CONSISTENTLY** deliver world class quality products and services
2. **CONTINUOUSLY** improve upon its quality standards to meet the best expectation of customers
3. Ensure that each employee is **CONSCIOUS** of the need to respect and participate in the quality improvement mission.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON THURSDAY, THE 16TH AUGUST, 2001 AT 11:00 A.M AT AIR FORCE AUDITORIUM, SUBROTO PARK, NEW DELHI - 110 010, TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the period ended 31st March, 2001 and the audited Balance Sheet for the period ended as at that date, along with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr.S.L.Khemka, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr.R.Parameswar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and fix their remuneration and if thought fit, to pass with or without modification the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT M/s S.R. Balliboi & Co., Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to audit the Accounts for the Accounting Year 2001-2002 and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting on a remuneration plus reimbursement of out-of-pocket expenses, as may be mutually agreed to between the Board of Directors and the Auditors."

SPECIAL BUSINESS

5. 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 section 31 of the Companies Act, 1956 and other applicable provisions, if any, the Articles of Association of the Company be altered in the following manner:

(a) Article 98 of the Articles of Association be deleted and in its place the following new article shall be substituted:

"98. At each Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office. The Managing Director appointed by the Board under Article 106 hereof shall not be liable to retire by rotation within the meaning of this Article."

(b) After Article 163, the following new Article 164 be inserted:

Dematerialization of Securities

Definitions	164(1) For the purpose of this Article: "Beneficial Owner" means a person whose name is recorded as such with a Depository. "SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992. "Depositories Act" means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force. "Bye-Laws" means bye-laws made by a Depository under Section 26 of the Depositories Act. "Depository" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India, 1992. "Member" means the duly registered holder from time to time of the shares of the company and includes every person whose name is entered as a Beneficial Owner, in the records of the Depository. "Participant" means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992. "Record" includes the records maintained in the form of books or stored in computer or in such other form as may be determined by regulations made by the SEBI in relation to the Depositories Act. "Regulations" means the regulations made by the SEBI. "Security" means such Security as may be specified by the SEBI. Words imparting the singular number only include the plural number and vice versa. Words indicating persons include corporations. Words and expressions used and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.
Company to recognize interest in dematerialized securities under Depositories Act	(2) Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialized, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.
Dematerialization of securities	(3) Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialize its existing securities; rematerialize its securities held in the depositories and/ or offer its fresh securities in a dematerialized form pursuant to the Depositories Act and the rules framed there under, if any.
Options to receive security certificates or hold securities with Depository	(4) Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the security.



Securities in Depositories to be in fungible form
Rights of Depositories and Beneficial Owners

(5) All securities held by a Depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.
(6)(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.
(b) Save as otherwise provided in (a), the Depository as the registered owner of the securities shall not have any voting rights in respect of the securities held by it.

Beneficial Owner deemed as absolute owner

(c) Every person holding securities of the company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a Depository.
(7) Except as ordered by a Court of competent jurisdiction or as required by law, the company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at their sole discretion have right to register any share in the joint name of any two or more persons or the survivor of survivors of them.

Depository to furnish information

(8) Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the company in that behalf.

Cancellation of certificates upon surrender by a person

(9) Upon receipt of the certificate of securities on surrender by a person, who has entered into an agreement with the Depository through a Participant, the company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the same securities and shall also inform the Depository accordingly.

Option to opt out in respect of any security

(10) If a Beneficial Owner seeks to opt out of a Depository in respect of any security the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the company. The company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

Service of Documents

(11) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the company by means of electronic mode or by delivery of floppies or disc.

Provisions of Articles to apply to shares held in Depository

(12) Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act.

Allotment of Securities dealt with in a Depository

(13) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

Distinctive number of Securities held in a Depository

(14) The Shares in the capital shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialized or may be dematerialized in future or issued in future in dematerialized form. Except in the manner herein before mentioned, no shares shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.

Register and Index Members

(15) The Company shall cause to be kept at its registered office or at such other place as may be decided, the Register and Index of members in accordance with Sections 150 and 151 and the other provisions of the Act with the details of shares held in physical and dematerialized forms in any media as may be permitted by law including any form of electronic media. The Register & Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be the Register & Index of Members as the case may be for the purpose of the Act. The Company shall have the power to keep in any State or Country outside India, a Register of Members for the residents in that State or Country.

Register of Transfer

(16) The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.

Overriding effect of this Article

(17) Notwithstanding anything contrary to any other articles, the provisions of this article shall be deemed to have overriding effect.

6. To consider and if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"Resolved that Mr. Mark Richter Thoeny who was appointed as a Director of the Company to fill in the casual vacancy caused by the resignation of Mr. Charles J. Besin and who holds office as such upto the date of Twenty second Annual General Meeting under section 262 of the Companies Act, 1956 but who is eligible for re-appointment and in respect of whom a notice under section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of director be and is hereby appointed as a Director of the company, not liable to retire by rotation."

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 198, 269, 309, 310, read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government if applicable, consent of the members be and is hereby accorded for appointment and remuneration of Mr. Nand Khemka as Chairman and Managing Director of the Company for a period from 24th October, 2000 to 20th March, 2001 upon the terms and conditions & remuneration as set out below with the liberty to the Board of Directors to alter and vary the terms & conditions thereto in such manner as may be

agreed to between the Board of Directors and Mr. Nand Khemka :

- (A) The Managing Director shall control management of the Company and its business affairs subject to the ultimate supervision and control of the Board of Directors.
 (B) Period of Agreement : Five years w.e.f. 24th October, 2000.

(C) REMUNERATION

- 1) Salary : Rs. 50,000/- per month.
 2) Perquisites : Perquisites will be allowed in addition to salary restricted to an amount equal to the Annual Salary or Rs. 1,35,000/- (Rupees one lac thirty five thousand only.) per annum, whichever is less. For this purpose, perquisites are classified into two categories, Category-A and category-B and ceiling shall apply only to category-A.

CATEGORY A

- Entertainment Reimbursement : Reimbursement towards the expenses incurred by him on entertainment of official guests for an amount not exceeding to Rs. 45,000/- (Rupees forty five thousand only) per annum.
 Leave Travel Allowance : Reimbursement towards the expenses incurred by him and his family on leave travel once in a year for an amount not exceeding to Rs. 50,000/- (Rupees fifty thousand only) per annum.
 Medical Expenses : Reimbursement towards the medical expenses incurred on himself or on his family for an amount not exceeding to Rs. 25,000/- (Rupees twenty five thousand only) per annum.
 Club fees : Fees of clubs subject to a maximum of two clubs.
 Books & Periodicals : Reimbursement towards the Books & Periodicals expenses incurred on himself or on his family for an amount not exceeding to Rs. 15,000/- (Rupees fifteen thousand only) per annum.
 Personal Accident Insurance : Premium not to exceed RS. 1500 per annum.

CATEGORY B

The Company shall provide a car with driver and telephone facility at the residence of the Managing Director.

- D) The Managing Director shall not become interested or otherwise concerned directly or through his wife and/or minor children in any buying and selling agency of the Company in future without the prior approval of the Board of Directors or subject to such other approvals as may be considered necessary.
 E) The Managing Director shall not be entitled to fees payable to Directors for attendance at Board Meetings and of all Committees appointed by the Board.
 F) The Agreement may be terminated by either party by giving to the other one month notice of such termination or one month salary in lieu thereof at the Company's option which may given at any time. Managing Director will not be entitled to any compensation for loss of office due to termination Under Section 318 of the Company Act, 1956 or otherwise.
 G) The Managing Director shall exercise such power and function and on such term as the Board of Directors of the Company may prescribe from time to time, it being agreed and understood that the Board shall have the power to alter modify, revoke or withdraw all or any of the powers so conferred.
 H) The Managing Director shall not be liable to retire by rotation".

8. To consider and if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"Resolved that Mr.K.K.Kapur who was appointed as an Additional Director of the company and who holds office as such upto the date of Twenty second Annual General Meeting under section 260 of the Companies Act, 1956 but who is eligible for re-appointment and in respect of whom a notice under section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of director be and is hereby appointed as a Director of the company, liable to retire by rotation."

9. 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 198, 269, 309, 310, read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the members be and is hereby accorded for appointment and remuneration of Mr.K.K.Kapur as Whole-time Director (designated as Chief Executive Officer) of the Company for a period of one year with effect from 22nd May, 2001 upon the terms and conditions & remuneration as set out below with the liberty to the Board of Directors to alter and vary the terms & conditions thereto in such manner as may be agreed to between the Board of Directors and Mr.K.K.Kapur:

- (A) The Whole Time Director shall control day-to-day affairs of the Company and its business affairs subject to the ultimate supervision and control of the Board of Directors.

(B) Period of Agreement : One Year w.e.f. 22nd May, 2001.

(C) REMUNERATION

Fixed Salary Component

- 1) Salary : Rs. 27,500/- per month.
 2) Perquisites : Perquisites will be allowed in addition to salary restricted to an amount equal to the Annual Salary or Rs.2,51,000/- (Rupees two lacs fifty one thousand only.) per annum, whichever is less. For this purpose, perquisites are classified into three categories, Category-A, category-B and category-C and ceiling shall apply only to category-A.

Variable Salary Component

- 3) Bonus : The Whole-time Director will also be entitled to Bonus, as approved by the Chairman of the Board of Directors, which will be computed on the basis of the profits before tax earned by the Company, provided that where in any financial year, the company has no profits or has inadequate profits, the bonus shall not exceed Rs.9 lacs per annum.

Classification of Perquisites:**Category A**

- Housing : The Expenditure by the Company on hiring unfurnished leased accommodation will be subject to the ceilings of Rs.192,000/- (Rupees one lac ninety two thousand only) per annum.
- Leave Travel Allowance : Reimbursement towards the expenses incurred by him and his family on leave travel once in a year for an amount not exceeding to Rs. 44,000/- (Rupees forty four thousand only) per annum.
- Medical Expenses : Reimbursement towards the medical expenses incurred on himself or on his family for an amount not exceeding to Rs. 15,000/- (Rupees fifteen thousand only) per annum.

Category B

Company's contribution to Provident Fund, Superannuation fund or Annuity fund to the extent under the Income Tax Rules, 1962.

Gratuity payable shall not exceed fifteen days salary for each completed year of service or part thereof in excess of six months, subject to a ceiling as per the Payment of Gratuity Act 1972. For this purpose, he will be deemed to have been in continuous service of the company since 9th April, 2001.

Category C

The Company shall provide a car with a driver and telephone facility at the residence of the Whole time Director.

- D) The Whole Time Director shall not become interested or otherwise concerned directly or through his wife and/or minor children in any buying and selling agency of the Company in future without the prior approval of the Board of Directors or subject to such other approvals as may be considered necessary.
- E) The Whole Time Director shall not be entitled to fees payable to Directors for attendance at Board Meetings and of all Committees appointed by the Board.
- F) The Agreement may be terminated by either party by giving to the other one month notice of such termination or one month salary in lieu thereof at the Company's option which may given at any time. The Whole Time Director will not be entitled to any compensation for loss of office due to termination Under Section 318 of the Company Act, 1956 or otherwise.
- G) The Whole Time Director shall exercise such power and function and on such term as the Board of Directors of the Company may prescribe from time to time, it being agreed and understood that the Board shall have the power to alter modify, revoke or withdraw all or any of the powers so conferred.
- H) The Whole Time Director shall be liable to retire by rotation ".

10. 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 198, 269, 309, 310, read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the members be and is hereby accorded for appointment and remuneration of Maj.Gen.(Retd.)S.S.Kapoor. as Whole-time Director (designated as Chief Operating Officer) of the Company for a period with effect from 9th February, 2001 to 22nd May, 2001 upon the terms and conditions & remuneration as set out below with the liberty to the Board of Directors to alter and vary the terms & conditions thereto in such manner as may be agreed to between the Board of Directors and Maj.Gen.(Retd.)S.S.Kapoor:

- (A) The Whole Time Director shall control the management of the Company and its business affairs subject to the ultimate supervision and control of the Board of Directors.
- (B) Period of Agreement : One Year w.e.f. 9th February, 2001.

(C) REMUNERATION

- 1) Salary : Rs. 60,000/- per month.
- 2) Perquisites : Perquisites will be allowed in addition to salary restricted to an amount equal to the Annual Salary or Rs. 3,78,000/- (Rupees three lacs seventy eight thousand only) per annum, whichever is less. For this purpose, perquisites are classified into three categories, Category-A, category-B and category-C and ceiling shall apply only to category-A.

CATEGORY A

- Housing : The Expenditure by the Company on hiring unfurnished accommodation will be subject to the ceilings of Rs. 2,40,000/- (Rupees two lacs forty thousand only) per annum.
- Leave Travel Allowance : Reimbursement towards the expenses incurred by him and his family on leave travel once in a year for an amount not exceeding to Rs. 60,000/- (Rupees sixty thousand only) per annum.
- Medical Expenses : Reimbursement towards the medical expenses incurred on himself or on his family for an amount not exceeding to Rs. 30,000/- (Rupees thirty thousand only) per annum.
- Driver Salary : The expenditure on hiring a driver for his official car not exceeding to Rs. 48,000/- (Rupees forty eight thousand only) per annum.

CATEGORY B

Company's contribution to Provident Fund, Superannuation fund or Annuity fund to the extent under the Income Tax Rules, 1962.

Gratuity payable shall not exceed fifteen days salary for each completed year of service or part thereof in excess of six months, subject to a ceiling as per the Payment of Gratuity Act 1972. For this purpose, he will be deemed to have been in continuous service of the company since the 9th October, 2000.

CATEGORY C

The Company shall provide a car with driver and telephone facility at the residence of the Whole time Director.

- D) The Whole Time Director shall not become interested or otherwise concerned directly or through his wife and/or minor children in any buying and selling agency of the Company in future without the prior approval of the Board of Directors or subject to such other approvals as may be considered necessary.

- E) The Whole Time Director shall not be entitled to fees payable to Directors for attendance at Board Meetings and of all Committees appointed by the Board.
- F) The Agreement may be terminated by either party by giving to the other one month notice of such termination or one month salary in lieu thereof at the Company's option which may given at any time. The Whole Time Director will not be entitled to any compensation for loss of office due to termination under Section 318 of the Company Act, 1956 or otherwise.
- G) The Whole Time Director shall exercise such power and function and on such term as the Board of Directors of the Company may prescribe from time to time, it being agreed and understood that the Board shall have the power to alter modify, revoke or withdraw all or any of the powers so conferred.
- H) The Whole Time Director shall not be liable to retire by rotation".

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME FIXED FOR THE ANNUAL GENERAL MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 1st August, 2001 to 16th August, 2001 (both days inclusive).
3. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under item 4 to item 10 as set out above are annexed hereto.
4. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
5. Members desiring any information on the Accounts are required to write to the company at its Registered Office giving at least seven days time before the date of the Annual General Meeting to enable the Management to collect and keep the information ready.
6. Members are requested to bring their copy of Annual Report with them, as the same will not be supplied again at the meeting as a measure of economy.

EXPLANATORY STATEMENT

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

Item No. 4

Pursuant to Article No. 147(2) of the Articles of Association of the Company, Special Resolution is to be passed for re-appointment of Statutory Auditors. Accordingly, the shareholders are requested to approve the re-appointment of Statutory Auditors by passing the special resolution. None of the Directors is concerned or interested in the proposed business.

Item No.5

- (a) In order to make the office of the Whole-time Director liable to retire by rotation, it is proposed to amend Article 98 of the Articles of Association of the company.
- (b) The Stock Exchange, Mumbai vide their letter dated March 30, 2001 has directed the company to make the shares available in dematerialized form w.e.f. June 1, 2001.

The above-mentioned directive makes it obligatory for the company to admit the securities in depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for compulsory settlement of trading in dematerialized form.

The company is entering into tripartite agreements with NSDL and CDSL and the Registrar M/s. Skyline Financial Services (P) Limited.

In order to comply with the aforesaid directives, it is obligatory on the company to amend its articles to have enabling provisions for the dematerialization and consequent transfer/ transmission of shares in that mode.

Pursuant to section 31 of the Companies Act, 1956 your directors recommend the proposed resolution for approval.

None of the Directors are interested in the proposed resolution. A copy of the tripartite agreement to be entered as above will be available in the Registered Office of the company for perusal of the shareholders from August 1, 2001 till the date of the Annual General Meeting between 11:00 am to 1:00 pm.

Item No. 6

Mr. Charles J.A. Besin has expressed his inability to continue as a director on the Board and has resigned from the directorship of the company w.e.f. the 5th March, 2001. Pursuant to section 262 of the Companies Act, 1956 Mr. Mark Richter Thoeny was appointed as a director w.e.f. 22nd May, 2001 to fill up the casual vacancy caused due to resignation of Mr. Charles J.A. Besin. Mr. Mark Richter Thoeny will hold office until the conclusion of the ensuing Annual General Meeting.

Mr. Mark Richter Thoeny has studied Chemical Engineering from Georgia Institute of Technology Engineering. He has wide experience in tread manufacturing industry and is presently working as Regional Manager-Asia, of Bandag Inc., U.S.A. Mr. Thoeny will be the representative of Bandag Inc.,

Pursuant to Article 96(i) of the Articles of Association of the company, Mr. Mark Richter Thoeny will not be liable to retire by rotation.

As required under Section 257, the company has received notice from a member signifying his intention to propose Mr. Mark Richter Thoeny for the office of Director. The company has also received deposit of RS. 500/- as required under the Act.

Your directors recommend the appointment of Mr. Mark Richter Thoeny as per proposed resolution.

Except Mr. Mark Richter Thoeny, no other director is interested in the proposed resolution.

Item No. 7

Pursuant to section 269 of the Companies Act, 1956 Mr. Nand Khemka was appointed as Chairman and Managing Director of the Company with effect from 24th October, 2000 for a period of five years.

Mr. Nand Khemka is a commerce graduate from Calcutta University. He also holds a M.S. in Foreign Trade and MBA in Production Management from the Columbia University, New York, U.S.A.

Mr.Nand Khemka's knowledge of the industry, adherence to the quality concept and professional management of the company has been largely instrumental in establishing the Indag brand in India.

Mr.Nand Khemka has more than 40 years of experience in promoting and running successfully various organizations.

Mr.Khemka has resigned from the office of Managing Director w.e.f. March 20, 2001 and continues to be the Director and Chairman of the company.

The terms & conditions of appointment & remuneration of Mr.Nand Khemka were communicated to the members vide abstracts under section 302 of the Companies Act, 1956 dated October 24, 2000 and are outlined in the resolution placed before the members.

Your directors recommend the appointment of Mr.Nand Khemka as per proposed resolution

None of the Directors except Mr. Nand Khemka and Mr.S.L.Khemka being his relative are concerned or interested in the proposed business.

Item No. 8 & 9

Mr.K.K.Kapur has been appointed by the Board of Directors in their meeting held on May 22, 2001 as an Additional Director and also as a Whole-time Director of the company with effect from May 22, 2001, pursuant to the provisions of the Companies Act, 1956.

Mr.K.K.Kapur is a post-graduate in Mathematics and a member of the Institute of Cost and Works Accountants of India. Mr.K.K.Kapur has an experience of over 40 years and has served in various capacities with Steel Authority of India Limited, Gas Authority of India Limited and Enron India.

Mr.K.K.Kapur has retired from the office of Chairman & Managing Director of Gas Authority of India in the year 1996, thereafter served as Managing Director of Enron India (NG) till the year 1998.

The terms & conditions of appointment & remuneration of Mr.K.K.Kapur as a Whole-time Director are outlined in the resolution placed before the members.

Pursuant to section 260 of the Companies Act, 1956, he vacates the office at this Annual General Meeting. As required under Section 257, the company has received notice from a member signifying his intention to propose Mr.K.K.Kapur for the office of Director. The company has also received deposit of RS. 500/- as required under the Act.

Your directors recommend the appointment of Mr.K.K.Kapur as per proposed resolution.

Except Mr.K.K.Kapur, no other director is interested in the proposed resolution.

Item No.10

Pursuant to section 269 of the Companies Act, 1956 Major General (Retd.)Sukh Swarup Kapoor has been appointed as Whole-time Director of the Company (designated as Chief Operating Officer) with effect from 9th February, 2001 for a period of one year.

Maj.Gen.(Retd.)S.S.Kapoor has graduated from Defense Staff College, Camberley, U.K. and National Defense College, India, obtained B.E. in Telecom and Masters in Defense Science. Maj.Gen.(Retd.)S.S.Kapoor has retired from the Indian Army in 2000 after serving for more than 38 years.

Maj.Gen.(Retd.)S.S.Kapoor has expressed his inability to continue as the Whole-time Director of the Company, and has resigned from the office of Whole-time Director with effect from the 22nd May, 2001.

The terms & conditions of appointment & remuneration of Maj.Gen.(Retd.)S.S.Kapoor were communicated to the members vide abstracts under section 302 of the Companies Act, 1956 dated February 9, 2001 and are outlined in the resolution placed before the members.

Your directors recommend the appointment of Maj.Gen.(Retd.)S.S.Kapoor as per proposed resolution.

None of the Directors except Maj.Gen.(Retd.)S.S.Kapoor himself is concerned or interested in the proposed business.

For and on behalf of the Board of Directors

Place: New Delhi
Date: May 22, 2001

(Manali D.Bijlani)
Company Secretary

DIRECTORS' REPORT

**TO
THE MEMBERS,**

Your Directors are pleased to present the 22nd Annual Report together with the Audited Statement of Accounts of the Company for the accounting period ended March 31, 2001.

FINANCIAL RESULTS :

Particulars	2000-2001 Rs. (Lacs)	1999-2000 Rs. (Lacs)
Profit/ (Loss) before Interest & Depreciation	(137.00)	222.85
Finance Expenses	70.89	58.85
Profit/ (Loss) before Depreciation	(207.89)	164.00
Depreciation	42.66	48.10
Profit/ (Loss) before Income Tax	(250.55)	115.90
Provision for Income Tax	-	55.00
Profit/ (Loss) after Income Tax	(250.55)	60.90
Income Tax refund of earlier year	-	0.28
Balance brought forward from previous year's Profit /(Loss)	215.79	154.61
Profit/(Loss) carried to balance sheet	(34.76)	215.79

OPERATIONAL PERFORMANCE

During the year under review the sales revenue was Rs. 2299 lacs as compared to Rs. 3380 lacs in the previous year. The company has incurred a loss of Rs. 251 lacs (previous year profit after tax Rs.61 lacs), because of low volume of operations, increase in the raw materials prices and intense competition resulting in lowering of sales prices.

During the year under review, your company's sales volume declined to 1828 tons compared to 2686 tons in the previous year (32% decrease). The volume of sales to both private franchisees and State Transport Undertaking declined, due to the following main reasons:

- During the previous year, the credit exposure was higher than normal and it was necessary to focus on collections in order to avoid continued risk of overexposure. This led to tighter control on credit, which affected the sales volume considerably during 2000-2001.
- The major State Transport Undertakings (STU) were supplied by the local unorganized sector, which offered the products at lower prices due to excise and tax concessions available to them.

The Management has rationalized the commercial aspects of business and is optimizing the product-mix in line with the market requirements. The service package to the franchisees is also being strengthened.

The company has successfully commissioned the second Intermix at the Plant, Bhiwadi on February 15, 2001.

DIVIDEND

In view of the loss incurred by the company, it is decided not to declare dividend for the year under review.

COMMITMENT TO QUALITY

Indag recognizes quality as a pre-requisite for conducting business in today's highly competitive and quality conscious environment. To drive home the quality angle better, we had implemented ISO 9002 standards at Plant and Head Office and earned the distinction of becoming an ISO 9002 certified company.

ENVIRONMENT PROTECTION

Continuous efforts to nurture and preserve the environment are vigorously pursued. Anti pollution systems are fully installed and operational.

DIRECTORS

According to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S.L. Khemka and Mr.R.Parameswar are liable to retire by rotation at the ensuing Annual General Meeting.

Mr. S.L.Khemka and Mr.R.Parameswar being eligible have offered themselves for re-appointment.

During the year, Mr.Charles J.A.Besin resigned from the directorship w.e.f. the 5th March, 2001. The Board of Directors places on record its appreciation of the invaluable contribution made by Mr.Charles J.A.Besin.

Mr.Mark Richter Thoery has been appointed as a director to fill in the casual vacancy caused due to resignation of Mr.Charles J.A.Besin.

During the year, Mr. Ashok Wadhwa resigned from the office of the Whole-Time Director and also from the directorship of the company w.e.f. the 27th September, 2000.

Maj.Gen.(Retd.)S.S.Kapoor was appointed as the additional director as well as the Whole-time Director of the company w.e.f. the 9th February, 2001.

Mr. Nand Khemka was appointed as the Managing Director of the Company w.e.f. the 24th October, 2000 for a period of 5 years. Mr.Khemka has resigned from the office of Managing Director w.e.f. 20th March, 2001.

Mr. K.K.Kapur has been appointed as an additional director as well as the Whole-time Director of the company w.e.f. 22nd May, 2001 for a period of one year. Maj.Gen.(Retd.) S.S.Kapoor has resigned from the directorship of the company with effect from the same date.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received a notice from a member signifying the candidature of Mr.Mark Richter Thoery and Mr.K.K.Kapur for the office of director and the requisite fee has been deposited. Your directors recommend the appointment of Mr.Mark Richter Thoery and Mr.K.K.Kapur.

AUDITORS' REPORT

The note referred to in the Auditors Report, read with Schedule 15 of Notes to the Accounts, is self-explanatory. The Auditors have referred to inadequate provision for doubtful debts in their report. In the Board's view the provision made in the accounts is adequate.

AUDITORS

The Auditors of the Company, M/s S.R.Batlilol & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The requisite certificate under section 224(1B) of the Companies Act, 1956 has been received from them.

PARTICULARS OF EMPLOYEES

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, is appended hereto as Annexure-I and forms part of this report.

RESEARCH AND DEVELOPMENT / TECHNOLOGY ABSORPTION/FOREIGN EXCHANGE EARNING AND OUTGO.

The information to be disclosed under Section 217 (1)(e) of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is appended hereto as Annexure -II and forms part of this Report.

DEPOSITORY SYSTEM

Pursuant to the directions issued by the Stock Exchange, Mumbai, the shares of your company are required to be traded in electronic form and the company is establishing connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail the facility of dematerialization of the shares on either of the Depositories as aforesaid.

LISTING

Your company is listed with the Stock Exchanges of Delhi and Mumbai and the annual listing fee for the financial year 2000-2001 has been paid.

CORPORATE GOVERNANCE

Although the provisions of the Corporate Governance are not applicable to your company for the year under review, requisite steps have been initiated to comply with the requirements. A report on Corporate Governance is annexed to this Annual Report.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion and Analysis Report is annexed to this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors further report that:

- (i) in the preparation of annual accounts, the applicable accounting standards have been followed and that there were no material departures;
- (ii) the accounting policy for valuation of inventory has been revised to comply with Accounting Standard-2 issued by the Institute of Chartered Accountants of India, and all other accounting policies selected have been applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at 31st March, 2001 and of the loss of the company for the period ended 31st March, 2001;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

APPRECIATIONS

Your Directors acknowledge and appreciate the active and strong support received from Bandag Inc. and the Company's Bankers.

Your Directors also wish to place on record their appreciation for the continuous support received from the shareholders, franchisees, customers, suppliers and the Company's employees at all levels.

For and on behalf of the Board
INDAG RUBBER LIMITED

(NAND KHEMKA)
CHAIRMAN

Place : New Delhi
Dated : 22nd May, 2001

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Pursuant to the directions issued by the Stock Exchange, Mumbai, the shares of your company are required to be traded in electronic form and the company is establishing connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail the facility of dematerialization of the shares on either of the Depositories as aforesaid.

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For and on behalf of the Board
INDAG RUBBER LIMITED

(NAND KHEMKA)
CHAIRMAN

Place : New Delhi
Dated : 22nd May, 2001

ANNEXURE - I

STATEMENT CONTAINING PARTICULARS OF EMPLOYEES REFERRED TO IN THE DIRECTOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2001 AND FORMING PART THEREOF.

- A. Employment for the full Financial Year and in receipt of remuneration not less than RS. 12,00,000/- P.A. -NIL.**
B. Employed for part of the Financial year and in receipt of remuneration not less than RS. 1,00,000/- P.M.

S.No.	Name	Designation	Date of Commencement of Employment	Date of Cessation of Employment	Age (Yrs.)	Experience (Yrs.)	Last Employment Held - Name of the Company	Position Held	Remuneration (RS. Lacs)	Qualification
1.	Mr. Ashok Wadhwa	President & Whole Time Director	21/12/98	27/09/00	53	30	Dunlop India Ltd.	Vice President (Marketing)	7.80	B.Sc Engineering

NOTES :-

- The above named employee was in whole time employment of the Company and the terms of his employment were as per applicable company rules. His employment was contractual.
- Remuneration as shown above includes (a) Salary, Company's contribution to Provident Fund, Leave Home Travel Facilities, Reimbursement of Medical Expenses and (b) taxable value of other perquisites as per Income Tax Rules.

ANNEXURE-II

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

(A) CONSERVATION OF ENERGY:

Conservation of energy continues to be one of the key priorities of the company. As an ongoing process, the company has been implementing various measures for conservation of energy.

(B) TECHNOLOGY ABSORPTION:

Efforts made in technology absorption are given in prescribed Form (B) annexed.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

- Activities relating to export, initiatives taken to increase export, development of new export market for products and services and export plans.
The company has been able to export retreading equipment and spare parts to Sri Lanka and is exploring new markets for export.
- Total Foreign Exchange earned and used:

	2000-2001 (Rs. Lacs)	1999-2000 (Rs. Lacs)
Foreign Exchange earned	36.44	Nil
Foreign Exchange used	249.60	193.10

FORM - B (See Rule 2)

Disclosure of particulars with respect to Absorption, Research and Development.

RESEARCH AND DEVELOPMENT

Sustained R&D efforts are being pursued by the Company with the assistance of Bandag Inc., USA to develop improved tread quality and designs which suit Indian road conditions.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts, in brief, made towards technology absorption, adaptation and innovation
The Company being quality conscious, we continually update our technology, and greater emphasis is laid on indigenisation and cost reduction.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
Technology provided by Bandag has been considerably adapted and we continue to be in a position to offer our Indian customers a better and more qualitative range of services in the field of tyre retreading.
- Information regarding technology imported during last five years.
The Company receives support on technology up-gradation on an on-going basis from Bandag Inc. U.S.A.

ANNEXURE TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

Although your company is not required to immediately comply with the conditions of the Corporate Governance forming a part of the listing agreement, the Company has already initiated necessary steps to comply with the requirements.

1. THE COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:-

The Company recognizes the importance of good corporate governance, which is the tool for building strong and everlasting beneficial relationship with the customers, suppliers, bankers and more importantly with the investors.

The Company believes that its key decisions must serve the underlying goals of enhancing shareholder value over a sustained period of time, and achieving the definite and measurable performance targets.

2. BOARD OF DIRECTORS:

The Board of Directors is comprised of six directors, which includes one executive director and five non-executive directors.

During the financial year ended 31st March 2001, four meetings of the Board of Directors were held on 2.6.2000, 19.7.2000, 24.10.2000 and 8.1.2001.

Attendance at Board Meetings and Annual General Meeting:

Name of the Director	Category	Number of Board meetings attended	Attendance at the last AGM held on 4.9.2000
Mr.Nand Khemka	Chairman (Non-Executive, interested)	4	Yes
Mr.S.L.Khemka	Non-Executive, interested	Nil	Yes
Mr.Mark Richter Thoeny	Non-Executive, interested	(appointed on 22.5.2001)	N.A
Mr.P.R.Khanna	Non-Executive, independent	4	Yes
Mr.R.Parneswar	Non-Executive, independent	3	No
Mr.K.K.Kapur	Whole-time Director, independent	(appointed on 22.5.2001)	N.A.

MEMBERSHIP IN BOARD AND BOARD COMMITTEES:

Name of the Directors	Number of Board and Board Committee (including Indag Rubber Ltd.)		Whether Chairman/ Member of the Committee
	Board	Committees	
Mr.Nand Khemka	12	1	Chairman of 1 committee
Mr.S.L.Khemka	9	-	-
Mr.Mark R.Thoeny	1	1	Member
Mr.P.R.Khanna	5	6	Chairman of 1 Committee
Mr.R.Parneswar	3	1	Chairman of 1 committee
Mr.K.K.Kapur	3	4	Member

PARTICULARS OF NEW DIRECTORS AND DIRECTORS RETIRING BY ROTATION AND BEING RE-APPOINTED:

New Directors:

Mr. Mark Richter Thoeny an American national, has done Chemical Engineering from Georgia Institute of Technology Engineering. Mr.Thoeny has an experience of over 15 years and has served in various capacities with Betz Laboratories, Inc and Frito-Lay, Inc. In the year 1991, he joined Bandag Inc. and has undertaken various assignments in the area of Production, Quality Control, Finance, Administration and Marketing. Presently, he is working as a Regional Manager-Asia of Bandag Inc., U.S.A.

Mr.Thoeny is not on the Board of any company in India. MrThoeny is a member of the Audit Committee of Indag Rubber Limited.

Mr. Thoeny has been appointed as the director of Indag Rubber Limited with effect from May 22, 2001 and will be the representative of Bandag Inc.

Mr. K.K. Kapur is a Post-graduate in Mathematics and a Member of the Institute of Cost & Works Accountants of India. Mr. K.K. Kapur has an experience of over 40 years and has served in various capacities with Steel Authority of India Limited, Markfed Limited, Pertofils Limited, Gas Authority of India Limited and Enron India.

Mr. Kapur retired from the office of Chairman & Managing Director of Gas Authority of India in the year 1996. Thereafter, he served as Managing Director of Enron India (NG) till the year 1998.

Mr. Kapur is a Director on the Boards of Neelanchal Ispat Limited (as an IDBI Nominee) and DLF Power Limited (as an IFCI Nominee).

Mr. Kapur is a member of the Audit Committee and Project Implementation Review Committee of Neelanchal Ispat Ltd., a member of the Audit Committee and Production and Project Review Committee of DLF Power Ltd.

Mr. Kapur has been appointed as the Whole-time Director of Indag Rubber Limited with effect from May 22, 2001 for a period of one year.

Maj. Gen. (Retd.) Sukh Swaroop Kapoor is graduate from Defense Staff College, Camberley, U.K. and National Defense College, India, B.E. in Telecom and Masters in Defense Science. Maj. Gen. (Retd.) S.S. Kapoor has retired from the Indian Army in 2000 after serving for more than 38 years.

Maj. Gen. (Retd.) S.S. Kapoor is not on the Board of any other company.

Maj. Gen. (Retd.) S.S. Kapoor was appointed as the Whole-time Director of the company with effect from February 9, 2001. However, due to personal reasons Maj. Gen. (Retd.) S.S. Kapoor has resigned from the directorship of Indag Rubber Limited with effect from May 22, 2001.

Directors retiring by rotation and being re-appointed:

Mr. S.L. Khemka belongs to a leading and well-established business family of India. Mr. S.L. Khemka and Mr. Nand Khemka incorporated Indag Rubber Limited in the year 1978, and brought a new technology of tyre retreading by cold process in India.

Mr. S.L. Khemka is a Director in several other companies, like - Associated Excavator & Dezers (P) Ltd., Gear & Pinions (P) Ltd., Khemka Exports (P) Ltd., Khemka Instruments (P) Ltd., and Pankaj Dilip (P) Ltd. etc.

Mr. S.L. Khemka is not a member of any Committee of any company.

Mr. R. Parameswar took his post-graduate degree in History from the University of Madras in 1954 and joined the Indian Audit and Accounts Service in 1955. In a career spanning over 36 years he had held a wide range of assignments in the Central Government such as Joint Secretary to the Cabinet and Additional Secretary in the Ministry of Personnel. Mr. Parameswar retired as Deputy Comptroller and Auditor General of India.

After retirement, Mr. Parameswar has been actively involved in various committees of the Central and State Governments and had undertaken consultancy assignments for Central Public Sector Undertakings. He has also served as a Resource Person for the Securities and Exchange Board of India and functioned as a Director of the Delhi Stock Exchange. Mr. Parameswar has been on the Boards of Companies as Director nominated by financial institutions and Board for Industrial and Financial Reconstruction (BIFR).

Mr. Parameswar was appointed as a Director of Indag Rubber Limited with effect from March 25, 1996. Prior to this, he was an IDBI nominee on the Board of Indag Rubber Limited since April 27, 1993.

Mr. Parameswar is a director on the Boards of Universal Print System Limited and Sunair Hotels Limited.

3. AUDIT COMMITTEE:

There exists a qualified and independent audit committee comprising of Mr. R. Parameswar, Mr. P. R. Khanna, and Mr. Mark Richter Thoeny. The Committee has appointed Mr. R. Parameswar as its Chairman. The terms of reference for the Audit Committee are specified in writing by the Board of Directors.

The committee oversees, inter alia, the financial reporting system, disclosure requirements and matters relating to appointment and remuneration of statutory auditors. The committee also reviews periodically the financial accounts, internal control systems, financial and risk management policies of the Company.

The Committee met on 22nd May, 2001 and all the members of the committee were present. In addition, Mr.Nand Khemka, Mr.K.K.Kapur, Maj.Gen.(Retd.)S.S.Kapoor, Mr.A.Ramasubramanian and Mrs.Manali D.Bijlani were present. The representative of Internal Auditors and Statutory Auditors were also present. The audit reports and the action taken by the management thereat were discussed in detail.

4. REMUNERATION OF DIRECTOR:

For the financial year ended 31st March, 2001, the Directors were paid remuneration as under:-

Name of the Director	Sitting Fee	Remuneration	Total
Mr.Nand Khemka	Rs.9000	Rs.266103	Rs.275103
Mr.P.R.Khanna	Rs.9000	NIL	Rs.9000
Mr.R.Parmeswar	Rs.4500	NIL	Rs.4500
Mr.Ashok Wadhwa	NIL	Rs.780520	Rs.780520
Maj.Gen.S.S.Kapoor	NIL	Rs.153769	Rs.153769

5. SHARE TRANSFER AND SHAREHOLDER'S GRIEVANCE COMMITTEE:

The Share Transfer and Shareholder's Grievance Committee comprises of Mr. Nand Khemka and Mr. P.R.Khanna. Mr. Nand Khemka is the Chairman of the Committee. Mrs. Manali D Bijlani, Company Secretary is the Compliance Officer.

During the year no complaint has been received from the shareholders.

6. GENERAL BODY MEETINGS:

The dates, time and venue of the three previous Annual General Meetings held during the last three years are given below:

DATE	TIME	VENUE
19th AGM - 14th September, 1998	11:00 A.M	The Air Force Auditorium, Subroto Park, New Delhi -110 010
20th AGM - 2nd September, 1999	11:00 A.M.	The Air Force Auditorium, Subroto Park, New Delhi -110 010
21st AGM - 4th September, 2000	11:00 A.M.	The Air Force Auditorium, Subroto Park, New Delhi -110 010

No special resolutions were put through postal ballot in the last AGM. There is no immediate proposal to conduct the postal ballot exercise.

7. DISCLOSURES:

During the financial year ended the 31st March, 2001, there were no materially significant related party transactions that may have potential conflict with the interests of Company at large.

The Company complied with all the statutory requirements comprised in the listing agreements/regulations/guidelines/rules of the Stock Exchanges/SEBI/other statutory authorities. No penalties were imposed nor any strictures were passed on any capital markets related matters during the last three years.

8. MEANS OF COMMUNICATION:

The Unaudited quarterly and Audited full year financial results are sent to the Stock Exchanges Delhi and Mumbai where the shares of the company are listed. The results are also published in "The Observer", "The Pioneer", "VeerArjun" and "Rashtra Ka Vidhan".

The company's published financial and other relevant information shall be sent to both the Stock Exchanges Delhi & Mumbai on which the company's shares are listed in a form so as to enable the Stock Exchanges to put it on their website.

9. GENERAL SHAREHOLDER INFORMATION:

The 22nd Annual General Meeting of the members of the company is scheduled to be held on Thursday, August 16, 2001 at Air Force Auditorium, Subroto Park, New Delhi at 11:00 am.



The Company's financial year is divided into 4 quarters, viz.

- 1st quarter - 1st April to 30th June
- 2nd quarter - 1st July to 30th September
- 3rd quarter - 1st October to 31st December
- 4th quarter - 1st January to 31st March

The share transfer books would remain closed during the period beginning August 1, 2001, and ending August 16, 2001 (both days inclusive)

The company's equity shares are listed and traded on the following Stock Exchanges:

1. The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
2. Delhi Stock Exchange Association Limited, DSE House, 3/1, Asaf Ali Road, New Delhi - 110 002

The listing fee for the year 2000-2001 has been paid to the above Stock Exchanges.

The Stock Code allotted by the Stock Exchanges for identifying the Company's share are given below in brackets against the names of the respective Stock Exchanges:

1. Delhi Stock Exchange -(3939)
2. Mumbai Stock Exchange - (9162)

For any assistance regarding Share Transfers, transmissions, change of address, duplicate/missing shares certificates and other relevant matters, please write to the address given below:

Manali D Bijlani (Company Secretary)
 M/s Indag Rubber Limited
 11, Community Centre, Saket, New Delhi - 110 017, Email manali@indagrubber.com
 Fax :- 011-6856350, Phone No. 6963172, 6963173, 6863310, 6518296, 6560298

The shares of your company will be tradable in electronic form also, and the company is establishing connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

10. SHARE TRANSFER SYSTEM:

The request for share transfers, transmissions etc. are processed in-house by the company. The Share Transfer Committee of the company considers the same once in a fortnight. The average time taken for processing share transfer requests including dispatch of share certificates is 30 days.

The volume of shares transferred during the last financial year is as under:

Month	Total No. of Shares-Transferred & Transmitted
April, 2000	1250
May, 2000	2850
June, 2000	9700
August, 2000	21350
October, 2000	50750
November, 2000	20100
December, 2000	500
January, 2001	1100
February, 2001	500
March, 2001	6950

During the year 2000-2001 the shares have been traded at the following rates at the Stock Exchange, Mumbai:

Month	High (Rs.)	Low (Rs.)
April, 2000	14.50	14.50
August 2000	13.50	9.80
September 2000	10.45	7.25
November 2000	6.20	5.00
December 2000	4.55	4.55
January 2001	6.80	5.65
February 2001	6.00	6.00

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Founded in 1978, Indag Rubber Limited (Indag), a joint venture company between Khemka group and Bandag of U.S.A, is engaged in the manufacture and marketing of pre-cured retreads. Bandag is operating in a number of countries of the world, and have a major share of the US retread market. Indag's manufacturing unit is established in Bhiwadi Industrial Estate in Rajasthan (55 km from Delhi Airport). It has an annual licensed capacity to manufacture 6000 tons of pre-cured tread rubber along with allied items e.g. cushion gum, repair gum, envelopes, U.S.C., other accessories and equipment for retreading for Indag's franchisee. The Indag complex also houses a modern Retreading-cum-Training center to impart high quality on-the-job training to its licensed franchisees. Indag has earned the distinction of becoming an ISO 9002 certified company.

INDUSTRY EXPERIENCE

The year 2000-2001 was a challenging year for the transport sector. There was a decline of 21% in sale of medium and heavy commercial vehicles during the year. The state of transport sector can be assessed from the fact that despite increase in prices of diesel, the road freight rates remained almost static. There was an decline in production of new tyres as well.

New tyre imports from China at low prices adversely affected the indigenous tyre prices.

These developments also indirectly affected the retread market adversely. Furthermore, the unorganized retread sector increased its market share by providing products at low prices due to excise and tax concessions available to them. This trend was more prominent in the State Transport undertakings segment, which decided to procure on the basis of price factor alone.

RESULTS OF OPERATIONS

Indag reported net sales of Rs.467 lacs (Rs.843 lacs) in first quarter, Rs.775 lacs (Rs.910lacs) in second quarter, Rs.595 lacs (Rs.936lacs) in third quarter and Rs.462 lacs (Rs.790 lacs) in fourth quarter.

The sales declined due to rigorous steps taken by the company to reduce the receivables which had increased to unaffordable levels in the past couple of years. The company has instituted strict sales and receivables controls to decrease the exposure to risks. Company successfully managed to bring down the receivables from Rs.998 lacs to Rs.593 lacs.

The company has also suffered due to hike in the prices of synthetic rubber by 43% and overall increase in other raw material prices by 5% with no corresponding increase in prices of tread. On the contrary, we had to reduce prices by 12-13% during fourth quarter, to retain the market share.

INTERNAL CONTROL SYSTEM

Indag has evolved a system of internal controls to ensure that the assets are safeguarded and transactions are authorized, recorded and correctly reported.

Independent internal auditors conduct the audit covering a wide range of operational matters and ensure compliance with specified standards. Planned periodic reviews are carried out resulting in identification of control deficiencies, opportunities for bridging gaps with best practices. The adequacy of the internal control systems was reviewed by the Audit Committee at its meeting held on May 22, 2001.

INDUSTRIAL RELATIONS

During the year, the company had cordial industrial relations. Mapping of jobs has been initiated to ensure that the right person is allocated the right job. Training needs for employees have been identified, and training is conducted periodically.

FUTURE OUTLOOK

Indag has initiated various measures to embark on the growth path.

The Credit controls have been strictly enforced to prevent overdue exposures. The updated service package is being offered to the franchisees on more intensive and regular basis. This package entails technical audits of the franchisee's workshop, training and retraining of franchisee's workforce on continuous basis, focused and prompt response system together with market driven promotional support to franchisees.

The company is concentrating on utilizing the full potential of the existing franchisees and setting up new franchisees in unrepresented areas so as to have a larger and more efficient network of franchisees.

The company has a plan for improving the technology/process to manufacture and market the best quality products at most competitive prices. All efforts are made to improve productivity and reduce costs.

Indag is reaching out to its franchisees as well as end-customers in every way to build strong and meaningful long-term relationships.

AUDITORS REPORT**TO THE MEMBERS OF INDAG RUBBER LIMITED**

We have audited the attached Balance Sheet of Indag Rubber Limited as at March 31, 2001, and also the attached Profit and Loss Account for the year ended on that date.

As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, we report that, in our opinion and as per the information and explanations furnished to us and the books and records examined by us in the normal course of audit;

1. The Company has maintained proper records of Fixed Assets showing quantitative details and situation thereof. As informed to us, physical verification of fixed assets has been carried out by the management during the year and the discrepancies observed on such verification, which were not material, have been properly dealt with in the books of account. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of the assets.
2. None of the Fixed Assets of the Company has been revalued during the year.
3. a) Physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spares and raw materials and components etc.
b) The procedures followed by the management for such physical verification are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The discrepancies between physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
d) In our opinion, the valuation of above stocks is fair and proper in accordance with the normally accepted accounting principles and *subject to Note No. B4 of Schedule 15*, is on the same basis as followed in the previous year.
4. The Company has not taken/granted any loans, secured or unsecured, from/to the companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, the provisions of Section 370(1B) are not applicable to the Company with effect from October 31, 1998.
5. Advances in the nature of loans have been given to some of the employees which are being recovered as per stipulations, wherever made, alongwith interest, wherever applicable.
6. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, spares, raw materials, plant and machinery, equipment and other assets and for sale of goods.
7. According to the information and explanations given to us, the transactions of purchase of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which, in our opinion, are reasonable having regard to prevailing market prices for such goods and materials and the company's business needs and exigencies. There are no transactions of sale of goods, materials and services made in pursuance of contracts entered in the aforesaid Register.
8. As explained to us, the Company has a system of determining unserviceable or damaged stocks of stores, spares, raw materials and finished goods including goods purchased for resale. Adequate provision has been made in the accounts for the loss arising on the items so determined.
9. The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and the rules framed thereunder.
10. In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap. The Company does not have any by-products.
11. In our opinion, the Company has an adequate internal audit system commensurate with its size and the nature of its business.

- 12. We are informed that the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the products of the Company.
- 13. The Company has been regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
- 14. There are no undisputed amounts payable in respect of Income-tax, Wealth tax, Sales tax, Customs duty and Excise duty outstanding as at March 31, 2001 for a period exceeding six months from the date they became payable.
- 15. According to the information and explanations given to us and the books and records examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practices.
- 16. The Company is not a Sick Industrial Company as defined under the Sick Industrial Companies (Special Provisions) Act, 1985.

Further to and in terms of the above, we also report that:

- i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- ii. 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.
- iii. The attached Balance Sheet and the Profit and Loss Account are in agreement with the books of account.
- iv. In our opinion the attached Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in subsection (3c) of Section 211 of the Companies Act, 1956.
- v. On the basis of the written representations received from the Directors, we report that none of the Directors is disqualified from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said statements of account, subject to Note No. B3 of Schedule 15 regarding provision not made against amounts due from various customers since long aggregating to Rs.43.68 lacs, thereby resulting in understatement of accumulated losses to this extent and read together with other Notes appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

- 1) In case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2001, and
- 2) In case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

S.R. Batliboi & Company
Chartered Accountants
Per

ANIL GUPTA
Partner

Place : New Delhi
Dated : 22nd May, 2001

BALANCE SHEET AS AT 31ST MARCH, 2001

(Rs. in lacs)

	Schedule	As at 31st March, 2001	As at 31st March, 2000
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	525.00	525.00
Reserves & Surplus	2	472.22	688.01
		997.22	1213.01
Loan Funds			
Secured Loans	3	335.40	471.14
TOTAL		1332.62	1684.15
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	1219.95	1082.87
Less : Depreciation		859.30	850.34
Net Block		360.65	232.53
Capital Work in Progress		1.06	108.48
		361.71	341.01
Current Assets, Loans & Advances			
Inventories	5	600.82	603.86
Sundry Debtors	6	592.65	998.46
Cash & Bank Balances	7	128.89	171.26
Interest Accrued on Deposits & Others		1.92	1.45
Loans & Advances	8	151.56	287.20
		1475.84	2062.23
Less : Current Liabilities & Provisions	9	539.69	719.09
Net Current Assets		936.15	1343.14
Debit Balance as per attached Profit & Loss Account		34.76	
TOTAL		1332.62	1684.15

Accounting Policies and Notes to the Accounts

15

In terms of our attached report of even date

 S.R. Batliboi & Co.
Chartered Accountants
Per

 Manali D. Bijlani
Company Secretary

 A. Ramasubramanian
Vice President (A&F)

 Maj Gen (Retd.) S.S. Kapoor
Director

 (Anil Gupta)
Partner
Place : New Delhi
Date : 22nd May, 2001

 Nand Khemka
Chairman

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

(Rs. in lacs)

	Schedule	Year ended March,2001	Year ended March,2000
INCOME			
Sales and Services	10	2298.55	3379.92
Other Income	11	16.38	22.39
		<u>2314.93</u>	<u>3402.31</u>
EXPENDITURE			
Materials	12	1240.87	1597.70
Excise Duty		305.41	648.68
Manufacturing and Other Expenses	13	905.65	933.08
		<u>2451.93</u>	<u>3179.46</u>
(Loss)/Profit Before Finance Expenses, Depreciation and Taxation		(137.00)	222.85
Finance Expenses	14	70.89	58.85
(Loss)/Profit Before Depreciation & Taxation		<u>(207.89)</u>	<u>164.00</u>
Depreciation		42.66	48.10
(Loss)/Profit Before Taxation		<u>(250.55)</u>	<u>115.90</u>
Provision for Income Tax (Net of Income Tax Refund for earlier years Rs. nil, Previous year Rs. 0.28 lac)			54.72
(Loss)/Profit after Tax		<u>(250.55)</u>	<u>61.18</u>
Credit balance brought forward from previous year		215.79	154.61
(Deficit)/Surplus Carried to Balance Sheet		<u>(34.76)</u>	<u>215.79</u>
Accounting Policies and Notes to the Accounts	15		
In terms of our attached report of even date			

S.R. Batliboi & Co. Chartered Accountants Per	Manali D. Bijlani Company Secretary	A. Ramasubramanian Vice President (A&F)	Maj Gen (Retd.) S.S. Kapoor Director
(Anil Gupta) Partner Place : New Delhi Date : 22nd May, 2001			Nand Khemka Chairman

SCHEDULE 1 : SHARE CAPITAL

	(Rs. in lacs)	
	As at 31st March,2001	As at 31st March,2000
AUTHORISED		
7,000,000 Equity Shares of Rs.10 each	700.00	700.00
ISSUED, SUBSCRIBED & PAID UP		
5,250,000 Equity Shares of Rs.10 each fully paid-up	525.00	525.00

SCHEDULE 2 : RESERVES AND SURPLUS

	As at 31st March,2001	As at 31st March,2000
Capital Reserve	15.00	15.00
Central Cash Subsidy	0.29	0.29
Shares Forfeited		
Share Premium Account	450.00	450.00
Investment Allowance Reserve	6.93	6.93
Profit & Loss Account Balance	-	215.79
	<u>472.22</u>	<u>688.01</u>

SCHEDULE 3 : SECURED LOANS

	As at 31st March,2001	As at 31st March,2000
Term Loan from a Bank	49.00	75.00
Cash Credit Borrowings from Banks	286.40	396.14
	<u>335.40</u>	<u>471.14</u>

NOTES: 1. Term Loan from a Bank and Cash Credit Borrowings from Banks are secured by a first charge over all the immovable properties, both present & future, ranking paripassu and hypothecation of all movables and other assets of the Company. The Term Loan is further secured by personal guarantee of a Director of the Company. The Cash Credit Borrowings from Banks are further secured by the personal guarantee of two Directors of the Company.

2. Instalments of Term Loan repayable within one year: Rs. 26.00 lacs (Previous year Rs. 26.00 lacs).

SCHEDULE 4 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	Cost as at 01-April 2000	Additions during the year	Deductions/ adjustments during the year	Cost as at 31-Mar 2001	Upto 31-Mar 2000	Provided during the year	Deductions/ adjustments during the year	Upto 31-Mar 2001	As at 31-Mar 2001	As at 31-Mar 2000
Leasehold Land	4.82	-	-	4.82	0.81	0.05	-	0.86	3.96	4.01
Buildings	163.07	4.17	-	167.24	76.07	5.16	-	81.23	86.01	87.00
Plant & Machinery	835.08	158.07	35.51	957.64	714.98	27.22	32.17	710.03	247.61	120.10
Furniture & Fixtures	22.24	1.18	-	23.42	20.27	1.29	-	21.56	1.86	1.97
Office Equipment	41.66	15.05	5.89	50.82	28.02	7.44	1.53	33.93	16.89	13.64
Vehicles	16.01	-	-	16.01	10.19	1.50	-	11.69	4.32	5.82
TOTAL	1082.88	178.47	41.40	1219.95	850.34	42.66	33.70	859.30	360.65	232.54
Capital Work In Progress :									1.06	108.48
Plant & Machinery									361.71	341.02
GRAND TOTAL	1082.88	178.47	41.40	1219.95	850.34	42.66	33.70	859.30	361.71	341.02
PREVIOUS YEAR	1040.79	46.62	4.54	1082.87	805.68	48.10	3.44	850.34	341.01	237.28

Notes: (1) Additions to Plant & Machinery include Rs. 8.42 lacs on account of interest on term loan taken for acquisition of fixed assets.

(2) Fixed Assets of the cost of Rs.41.15 lacs (WDV of Rs7.48 lacs) have been discarded during the year.

SCHEDULE 5 : INVENTORIES

(Rs. in lacs)

	As at 31st March, 2001	As at 31st March, 2000
(As valued and certified by the Management)		
Raw Materials including Retreading Equipment & Components	227.15	230.95
Stores & Spares	43.32	49.05
Work-in-Process	17.69	23.53
Finished Goods & Other Materials	312.66	300.33
	<u>600.82</u>	<u>603.86</u>

SCHEDULE 6 : SUNDRY DEBTORS

	As at 31st March, 2001	As at 31st March, 2000
(Unsecured, Considered Good except where otherwise stated)		
Due for more than Six Months (including Rs. 49.01 lacs, Previous year Rs 18.81 lacs, considered doubtful and provided for)	145.15	100.81
Other Debts	496.51	916.46
	<u>641.66</u>	<u>1017.27</u>
Less : Provision for Doubtful Debts	49.01	18.81
	<u>592.65</u>	<u>998.46</u>

SCHEDULE 7 : CASH & BANK BALANCES

	As at 31st March, 2001	As at 31st March, 2000
Cash in hand (Including cheques in hand/under collection Rs. 27.81 lacs, Previous year Rs. 140.59 lacs)	28.62	141.88
Balances with Scheduled Banks in :	0.80	6.05
- Current Accounts	99.43	23.29
- Fixed Deposits Accounts (Receipts of Rs. 17.02 lacs, Previous year Rs. 23.29 lacs, pledged with Banks)	0.04	0.04
In Post Office Savings Bank Account (Pass Book pledged with Excise Authorities)	<u>128.89</u>	<u>171.26</u>

SCHEDULE 8 : LOANS & ADVANCES

(Rs. in lacs)

	As at 31st March,2001	As at 31st March,2000
(Unsecured, Considered Good except where otherwise stated)		
Loans to Staff	10.38	14.73
Advances Recoverable in Cash or in Kind or for Value to be Received (including Rs. 8.06 lacs, Previous year Rs. 5.72 lacs, considered doubtful and provided for)	21.21	58.15
Claims & Refunds Receivable	14.98	3.17
Balance with Excise Authorities	13.51	18.57
Sundry Deposits	59.55	44.84
Advance Payment of Tax/Income Tax Deducted at Source/Refund Receivable	39.99	153.46
	<u>159.62</u>	<u>292.92</u>
Less : Provision for Doubtful Advances	8.06	5.72
	<u>151.56</u>	<u>287.20</u>

SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS

	As at 31st March,2001	As at 31st March,2000
A) CURRENT LIABILITIES		
Sundry Creditors for Goods, Services & Expenses,etc.	411.60	463.85
Advances From Customers	66.36	69.22
Interest Accrued but not Due on Loan	2.00	0.03
Sundry Deposits	39.31	42.61
	<u>519.27</u>	<u>575.71</u>
B) PROVISIONS		
For Income Tax	16.87	141.02
For Retirement Benefits	3.55	2.36
	<u>20.42</u>	<u>143.38</u>
	<u>539.69</u>	<u>719.09</u>

SCHEDULE 10 : SALES AND SERVICES

	(Rs. in lacs)	
	Year ended March,2001	Year ended March,2000
Sales of Finished Goods and Services	2342.62	3440.10
Less: Discounts, Claims etc.	44.07	60.18
	<u>2298.55</u>	<u>3379.92</u>

SCHEDULE 11 : OTHER INCOME

	(Rs. in lacs)	
	Year ended March,2001	Year ended March,2000
Unspent Liabilities/Sundry Balances Written Back	10.12	7.74
Recovery of Bad Debts written off in earlier years	0.90	1.00
Miscellaneous Receipts (Including Scrap Sales Rs. 4.65 lacs, Previous year Rs. 1.70 lacs)	5.36	13.65
	<u>16.38</u>	<u>22.39</u>

SCHEDULE 12 : MATERIALS

	(Rs. in lacs)	
	Year ended March,2001	Year ended March,2000
Raw Materials including Retreading Equipment & Components (including Bought Out Equipment & Components for Sale)		
Opening Stock	230.95	219.34
Add : Purchases	1210.83	1611.42
	<u>1441.78</u>	<u>1830.76</u>
Less : Closing Stock	227.15	230.95
	<u>1214.63</u>	<u>1599.81</u>
Other Materials - Purchases	32.73	42.37
	<u>1247.36</u>	<u>1642.18</u>
	(A)	
(Increase) in Stocks of Finished Goods & Other Materials and Work-in-Process		
i) Opening Stock		
a) Finished Goods & Other Materials	300.33	259.52
b) Work-in-Process	23.53	19.86
	<u>323.86</u>	<u>279.38</u>
	(i)	
ii) Closing Stock		
a) Finished Goods & Other Materials	312.66	300.33
b) Work-in-Process	17.69	23.53
	<u>330.35</u>	<u>323.86</u>
	(ii)	
	B(i-ii)	
	(6.49)	(44.48)
TOTAL (A+B)	<u>1240.87</u>	<u>1597.70</u>

SCHEDULE 13 : MANUFACTURING AND OTHER EXPENSES

(Rs. in lacs)

	Year ended March,2001	Year ended March,2000
Salary, Wages & Bonus	213.89	228.68
Contribution to Provident and other Funds	21.68	23.67
Employees Welfare Expenses	15.64	16.32
Consumption of Stores & Spare Parts	36.97	42.61
Power, Fuel & Electricity Charges	199.82	209.50
Machinery Repairs	39.45	38.63
Building Repairs	1.87	0.91
Other Repairs	7.72	7.71
Rent	38.55	39.93
Rates & Taxes	10.50	7.79
Insurance	14.57	15.65
Managerial Remuneration (Refer Note No. B7 of Schedule 15)	12.00	10.94
Vehicle Running & Maintenance (including Vehicle Hire charges Rs.4.06 lacs, Previous year 3.94 lacs)	14.84	12.75
Travelling & Conveyance	55.08	63.48
Auditors Remuneration		
- As Audit Fee	2.63	2.62
- For Certificates, etc.	1.05	1.39
- For Taxation Matters	0.25	-
- For Expenses	0.06	0.09
Directors Meeting Fees	0.23	0.20
Freight & Cartage	36.96	45.18
Advertisement & Publicity	9.00	15.00
Legal & Professional Charges	22.87	13.36
Donations	0.14	0.10
Postage & Telephones	20.13	19.03
Security and Other Service Charges	17.02	18.55
Loss on Disposal of Fixed Assets(Net)	7.44	0.12
Commission on Sale	5.93	-
Prior Period Adjustments (Net)	16.05	6.75
Irrecoverable Balances Written Off	10.18	46.27
Provision for Doubtful Debts/Advances	32.54	7.54
Miscellaneous Expenses	40.59	38.31
	<u>905.65</u>	<u>933.08</u>

SCHEDULE 14 : FINANCE EXPENSES

	(Rs. in lacs)	
	Year ended March,2001	Year ended March,2000
	1.01	2.28
Interest on Term Loan	65.52	51.95
Interest to Banks and Others	66.53	54.23
Less : Interest Income (Gross, Income Tax Deducted at Source Rs.0.88 lac, Previous year Rs. 0.85 lac)	13.45	14.88
	53.08	39.35
Foreign Exchange Fluctuation(Net)	3.16	0.13
Other Finance Expenses (Net of Recovery)	14.65	19.37
	<u>70.89</u>	<u>58.85</u>

SCHEDULE 15: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS
A. SIGNIFICANT ACCOUNTING POLICIES
1) Basis of Accounting

The Accounts of the Company are prepared under the historical cost convention and in accordance with applicable Accounting Standards except where otherwise stated.

For recognition of income and expenses, Mercantile System of Accounting is followed except in the following cases where income/expenses are accounted for on receipt/payment basis on account of uncertainties:

- a) Claims lodged with Insurance Company but not settled
- b) Fuel variation charges payable to Electricity Board
- c) Claims from customers during warranty period

2) Revenue Recognition

Revenues from the sale of manufactured/bought out goods/equipment are recognised upon despatch of the same to the customers. However, the property in the goods passes to the customers only on their conveying the acceptance of goods or equipment in writing to the Company or on their retaining the goods for seven days and equipment for fifteen days after receipt, without giving notice of rejection or returning the same.

3) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

4) Depreciation

Depreciation for the year on additions made to Buildings and Plant & Machinery upto 31st December, 1987 has been provided on Straight Line Method (SLM) at the rates corresponding to the rates prescribed in Income Tax Rules in force in the respective years of addition and on the additions made to the above Fixed Assets after the aforesaid date, at the SLM rates prescribed in Schedule XIV to the Companies Act, 1956 as applicable at the time of addition of the respective fixed assets. Depreciation on all other fixed assets has been provided on Written Down Value Method at the rates prescribed in Schedule XIV to the Companies

Act, 1956. Depreciation on the amount of exchange rate variation capitalised in respect of foreign currency loans taken for acquisition of fixed assets is provided over the remaining useful lives of the assets.

Depreciation on capitalisation of Insurance Spares is provided retrospectively from the date the related/ mother assets are put to use.

5) Foreign Currencies

Transactions arising in foreign currencies during the year are converted at the rates closely approximating those ruling on the transaction dates. Liabilities/Assets in foreign currencies are restated at year-end exchange rates. All exchange differences arising from such conversion are included in the Profit & Loss Account except exchange differences on liabilities for purchase of Fixed Assets, which are adjusted to the carrying cost of respective Assets.

6) Inventories

a) Inventories are valued as follows:

- i.) Raw Materials including Retreading Equipment & Components and Stores & Spares - at cost or net realisable value, whichever is lower.
- ii.) Work in Process - at estimated cost or net realisable value whichever is lower.
- iii.) Finished Goods and Other Materials - at cost or market rate whichever is lower.

b) Cost of Raw Materials including Retreading Equipment & Components and Stores & Spares is determined on First in First out Basis.

c) Cost of Finished Goods and Work in Process is determined by considering material, labour and related overheads including depreciation.

d) Provision for obsolescence in inventories is made wherever required.

7) Excise Duty

Excise Duty on manufactured goods is paid on clearance but is accounted for in the books on accrual basis. Accordingly, provision for excise duty is made in the accounts for goods manufactured and lying in the Bonded Store Rooms within the factory premises.

8) Retirement Benefits

a) The Company has created an approved gratuity fund which has taken a group gratuity cum insurance policy with Life Insurance Corporation of India (LIC). The Company accounts for gratuity expenditure equivalent to the premium amount paid to LIC.

b) Provision for leave encashment benefits of employees is made on the basis of actuarial valuation.

B. NOTES TO THE ACCOUNTS

1. Contingent Liabilities not provided for :-

- a) Counter Guarantees issued to the Banks against Guarantees issued by them on behalf of the Company Rs. 22.31 lacs (Previous year Rs.25.25 lacs).
- b) Sales Tax Demand of Rs. 149.25 lacs (Previous year Rs.5.02 lacs), being disputed by the Company. Against the above demand, the Company has deposited a sum of Rs.11.89 lacs, which is appearing under Loans and Advances.
- c) Income Tax Demands of Rs. 92.66 lacs (Previous year Rs. 6.42 lacs), being disputed by the Company. Against the above demands, the Company has deposited a sum of Rs.39.11 lacs, which is appearing under Loans and Advances.
- d) Claims against the Company not acknowledged as Debts Rs.1.45 lacs (Previous year Rs.6.88 lacs).

2. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs. 8.56 lacs (Previous year Rs. 25.17 lacs).

3. Receivables of Rs.90.47 lacs (Previous year Rs.72.58 lacs) are due since long from customers. The Company has initiated legal action against most of the parties. The matters are pending at various stages of litigation. However, by way of abundant caution, the Company has made provision for Rs.46.79 lacs (Previous year Rs.18.20 lacs) there against which, in the opinion of management, is adequate.
4. The Company has, during the year, in conformity with the Accounting Standard- 2 issued by the Institute of Chartered Accountants of India, changed the basis of absorption of overheads in respect of stocks of Work in Process and Finished Goods. As a result of the above change, loss for the year is lower by Rs. 7.89 lacs.
5. Loans & Advances include Rs. 10.88 lacs (Previous year Rs. 10.88 lacs) towards security deposit for hiring of office premises (refundable on termination of lease as per lease agreement) given to a Private Company, in which one of the Directors is interested as Director.
6. Sundry Creditors include Rs.5.73 lacs (Previous year Rs. 6.98 lacs) payable to Small Scale and Ancillary Industrial Undertakings to the extent such parties have been identified from the available documents/ information. No amount was outstanding for more than 30 days.
7. Details of Managerial Remuneration

	(Rs. in lacs)	
	Current Year	Previous Year
I. Ex-Managing Director (24.10.2000 to 20.03.2001)	2.45	-
Salary	0.21	-
Perquisites	2.66	-
Sub Total	<u>2.66</u>	<u>-</u>
II. Ex-Whole Time Director (1.4.2000 to 27.9.2000)	4.99	7.20
Salary	0.50	0.86
Contribution to Provident Fund	2.32	2.88
Perquisites	7.81	10.94*
Sub Total	<u>7.81</u>	<u>10.94*</u>
III. Present Whole Time Director (09.02.2001 to 31.03.2001)	1.03	-
Salary	0.12	-
Contribution to Provident Fund	0.38	-
Perquisites	1.53*	-
Sub Total	<u>12.00</u>	<u>10.94</u>
Grand Total		

*Excluding contribution to gratuity fund and provision for leave encashment.

The appointment and remuneration of the Ex-Managing Director and Whole time Director are subject to the approval of the shareholders in the Annual General Meeting.

8. Previous year figures have been regrouped/rearranged wherever necessary.
9. Additional information pursuant to provisions of paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act. 1956 is as under :-

I) Capacity (on annual basis)

	UNIT	Licensed Capacity	Installed Capacity
Precured Tread Rubber (Synthetic Tread Material)	Tonnes	6000 (6000)	3500 (3500)
Bonding Repair & Extrusion Gums (Including Envelopes & Patches)	Tonnes	1150 (1150)	1150* (1150)*
Rubber Cement	K. Ltrs.	300 (300)	300 (300)
Tyre Retreading Equipment	Sets	15 (15)	15 (15)

* Subject to installation of balancing equipment.

II) Production, Purchase, Turnover & Stocks

	Unit	Opening Stock		Production Qty.	Purchase Value	Gross turnover		Closing Value	
		Qty.	Value			Qty.	Value	Qty.	Value
Precured Tread Rubber	Tonnes	297.179 (246.130)	239.27 (187.35)	1867.756 (2747.173)	- (-)	1823.337 (2686.003)	1739.90 (2670.16)	318.632 (297.179)	247.41 (239.27)
Bonding Repair & Extrusion Gum	Tonnes	17.874 (28.834)	17.68 (25.49)	281.104 (332.342)	- (-)	273.433 (341.520)	314.78 (409.51)	21.488 (17.874)	20.03 (17.68)
Rubber Cement	K.Ltrs.	8.085 (13.820)	3.36 (4.70)	139.110 (138.700)	- (-)	108.842 (111.403)	47.90 (48.93)	12.867 (8.085)	5.18 (3.36)
Miscellaneous (including Retreading Equipment, Components & Patches)	- (-)	- (-)	40.42 (41.97)	- (-)	32.74 (42.37)	- (-)	240.04** (311.50)**	- (-)	40.03 (40.02)
			300.33 (259.52)		32.74 (42.37)		2342.62 (3440.10)		312.65 (300.33)

*Excludes Captive Consumption (including shortages, samples, replacements, damages etc.) as under:

Precured Tread Rubber	Tonnes	14.966 (10.121)
Bonding Repair & Extrusion Gum	Tonnes	4.057 (1.782)
Rubber Cement	K.Ltrs.	25.486 (33.032)

**Includes sales value of some items, the purchases whereof have been booked to raw materials & components consumption.

III) Consumption of Raw materials & Components

(Rs. in lacs)

	UNIT	Quantity	Value
Rubber	Tonnes	1,268.634 (1,798.579)	586.62 (772.14)
Carbon Black	Tonnes	633.025 (930.085)	231.55 (308.27)
Chemicals			206.39 (276.83)
Others			190.06 (242.57)
			1,214.62 (1,599.81)

IV) Value of Imported/Indigenous Raw-Materials & Components, Stores and Spares consumed

	INDIGENOUS		IMPORTED	
	VALUE	%	VALUE	%
RAW MATERIALS & COMPONENTS	869.52	71.59	345.10	28.41
	(967.74)	(79.67)	(246.88)	(20.33)
STORES & SPARES (INCLUDING CHARGED TO MACHINERY REPAIRS)	68.29	94.98	3.61	5.02
	(69.07)	(91.21)	(6.66)	(8.79)

V) CIF VALUE OF IMPORTS (ON ACCRUAL BASIS)

	(Rs in lacs)
RAW MATERIALS & COMPONENTS	240.19
SPARES	(180.72)
	0.26
CAPITAL GOODS	(6.30)
	7.04
FINISHED GOODS	(3.15)
	1.89
	(2.93)

VI) EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS) MISCELLANEOUS MATTERS

	0.22
	(-)

VII) EARNINGS IN FOREIGN EXCHANGE FOB VALUE OF EXPORTS

	36.44
	(-)

Note : Previous years' figures have been given in brackets.

In terms of our attached report of even date

S.R. Battliboi & Co.
Chartered Accountants
Per

Manali D. Bijlani
Company Secretary

A. Ramasubramanian
Vice President(A&F)

Maj Gen (Retd.) S.S. Kapoor
Director

(Anil Gupta)
Partner
Place : New Delhi
Date : 22nd May, 2001

Nand Khemka
Chairman



ADDITIONAL INFORMATION AS REQUIRED
UNDER PART-IV OF SCHEDULE-VI TO THE COMPANIES ACT, 1956.
Balance Sheet Abstract and Company's General Business Profile

I. Registration Details
Registration No.

9 0 3 8

State Code
(Refer Code List)

5 5

Balance Sheet Date

3 1 0 3 2 0 0 1

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)

Total Liabilities

1 3 3 2 6 2

Total Assets

1 3 3 2 6 2

Sources of Funds

Paid-up Capital

5 2 5 0 0

Reserves & Surplus

4 7 2 2 2

Secured Loans

3 3 5 4 0

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

3 6 1 7 1

Investment

N I L

Net Current Assets

9 3 6 1 6

Misc. Expenditure

N I L

Accumulated losses

3 4 7 5

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including Other Income)

2 3 1 4 9 3

Total Expenditure

2 5 6 5 4 8

+/-
-

Profit/Loss before Tax

2 5 0 5 5

+/-
-

Profit/Loss before Tax

2 5 0 5 5

Earning per Share in Rs.

- 4 . 7 7

Dividend Rate %

N I L

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.
(ITC Code)

4 0 0 8 - 2 1

Product Description

SYNTHETIC

TREAD

MAT. RIAL

Item Code No.
(ITC Code)

4 0 0 6 - 1 0

Production Description

CUSHION GUM

Item Code No.
(ITC Code)

8 4 - 7 7

Product Description

RETREAD SHOP

EQUIPMENT

Manali D. Bijlani
Company Secretary

A. Ramasubramanian
Vice President(A&F)

Maj Gen (Retd.) S.S. Kapoor
Director

Nand Khemka
Chairman

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001**(Rs. in lacs)
1999-2000

	2000-01	1999-2000
A CASH FLOW FROM OPERATING ACTIVITIES		
NET (LOSS)/PROFIT BEFORE TAX & EXTRAORDINARY ITEMS	(250.55)	115.90
ADJUSTMENTS FOR :		
- DEPRECIATION	42.66	48.10
- LOSS ON DISPOSAL OF FIXED ASSETS (NET)	7.44	0.12
- INTEREST EXPENSES	66.53	54.23
- INTEREST INCOME	(13.45)	(14.88)
OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES	(147.37)	203.47
ADJUSTMENTS FOR :		
- TRADE AND OTHER RECEIVABLES	427.98	(257.55)
- INVENTORIES	3.04	(62.71)
- TRADE AND OTHER PAYABLES	(57.22)	23.07
CASH USED IN /GENERATED FROM OPERATIONS	226.43	(93.72)
- DIRECT TAXES PAID	(10.68)	(67.55)
NET CASH USED IN /FROM OPERATING ACTIVITIES (A)	215.75	(161.27)
B CASH FLOW FROM INVESTING ACTIVITIES		
- PURCHASE OF FIXED ASSETS	(71.05)	(152.93)
- SALE OF FIXED ASSETS	0.25	0.98
- INTEREST RECEIVED	12.98	13.51
NET CASH USED IN INVESTING ACTIVITIES (B)	(57.82)	(138.44)
C CASH FLOW FROM FINANCING ACTIVITIES		
- NET PROCEEDS OF LONG TERM BORROWINGS	(26.00)	56.06
- NET PROCEEDS OF SHORT TERM BORROWINGS	(109.74)	307.54
- INTEREST PAID	(64.56)	(54.20)
NET CASH USED IN/FROM FINANCING ACTIVITIES (C)	(200.30)	309.40
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(42.37)	9.69
CASH AND CASH EQUIVALANTS AS AT 1st APRIL, 2000 (OPENING BALANCE)	171.26	161.57
CASH AND CASH EQUIVALANTS AS AT 31st MARCH, 2001 (CLOSING BALANCE)	128.89	171.26

Manali D. Bijlani
Company SecretaryA.Ramasubramanian
Vice President(A&F)Maj Gen (Retd.) S.S. Kapoor
DirectorPlace: New Delhi
Date: 22nd May, 2001Nand Khemka
Chairman**AUDITORS CERTIFICATE**

We have examined the above Cash Flow Statement of Indag Rubber Limited for the year ended 31st March, 2001. The Statement has been prepared by the Company in accordance with requirement of clause 32 of Listing Agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 22nd May, 2001 to the Members of the Company.

Place: New Delhi
Date: 22nd May, 2001For S. R. Battibol & Co.
Chartered Accountants

Per

Anil Gupta
Partner