

Annual Report - 2002



An ISO 9002 Company



Authorized by Dutch Council
for Certification

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
B-26, Qutab Institutional Area,
New Delhi-110016 (India)

- **REGISTERED OFFICE**
 - 11, Community Centre, Saket,
New Delhi-110017

- **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 THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON TUESDAY, THE 10TH SEPTEMBER, 2002 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 Audited Profit and Loss Account for the year ended 31st March 2002 and the Balance Sheet as on that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. P.R.Khanna, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director, in place of Mr. S.L.Khemka, 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 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 2002-2003 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."

5. 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 re-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, 2002 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 2002.

(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 be 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.

For and on behalf of the Board of Directors

New Delhi
June 10, 2002

Rajeev Khanna
DGM (Finance) cum Company Secretary

NOTES

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business set out at item nos. 4 to 5 of the Notice is annexed hereto.
2. 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.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 14th August 2002 to 10th September 2002 (both days inclusive).
4. Members/Proxies must bring the Attendance Slip duly filled in for attending the meeting and hand it over at the entrance duly signed.
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.

ANNEXURE TO THE NOTICE

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

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 10th June 2002

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.

The resolution as set out in item no. 4 of the annexed notice is, therefore recommended for your approval.

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

Item No. 5

Mr. K.K.Kapur has been re-appointed as a Whole-time Director of the company by the Board of Directors vide resolution passed by circulation with effect from May 22, 2002, 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.

The resolution as set out in item no. 6 of the annexed notice is, therefore recommended for your approval.

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

The above statement may be regarded as an abstract of the terms of appointment and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

INSPECTION OF DOCUMENTS

The draft agreement to be entered into between the Company and Mr. K.K.Kapur as Whole Time Director will be open for inspection by any member at the Registered office of the Company between 11:00 am to 1:00 pm on any working day of the Company by and including the date of the meeting.

For and on behalf of the Board of Directors

New Delhi
June 10, 2002

Rajeev Khanna
DGM (Finance) cum Company Secretary

Details of Directors seeking re-appointment in Annual General Meeting fixed on 10th September 2002

Name of Directors	Shri P.R.Khanna	Shri S.L.Khemka		
Date of Birth	27.03.1933	01.01.1927		
Date of Appointment	08.09.1983	02.06.1978		
Expertise in specific Functional areas	Chartered Accountant	Industrialist		
Qualification	Chartered Accountant	B.Com		
List of outside Directorship held	1. ORG-MARG Research Ltd. 2. Select Holiday Resorts Limited 3. State Bank of India 4. India Performance Fund Ltd. (Mauritius)	1. Khemka Aviation Private Limited. 2. Associated Excavator & Dezers Private Limited. 3. M.P.Flour Mills Private Limited. 4. Khemka Spares & Accessories Pvt. Ltd. 5. Gear & Pinions Pvt. Ltd. 6. Khemka Exports Pvt. Ltd. 7. Khemka & Co. (Agency) Pvt. Ltd. 8. Khemka Instruments Pvt. Ltd. 9. Pankaj Dilip Private Limited		
Chairman/ Member of the Committee of the Board of Directors of company	1. Indag Rubber Ltd. 2. State Bank of India 3. State Bank of India 4. State Bank of India 5. State Bank of India	Share Transfer Committee Audit Committee Executive Committee of Board Asset Liability Management Committee Local Board	Member Member Member Member Chairman	NIL

DIRECTORS' REPORT

**TO
THE MEMBERS,**

Your Directors are pleased to present the 23rd Annual Report together with the Audited Statement of Accounts of the Company for the accounting period ended March 31, 2002.

FINANCIAL RESULTS :

Rs. in Lacs

<i>Particulars</i>	<i>2001-2002</i>	<i>2000-2001</i>
Loss before Interest & Depreciation	111.92	137.00
Finance Expenses	58.97	70.89
Loss before Depreciation	170.89	207.89
Depreciation	48.23	42.66
Loss before Income Tax	219.12	250.55
Deferred Tax Assets	81.30	-
Excess provision for Income Tax Written back	16.87	-
Loss for the year	120.95	250.55
Balance brought forward from previous year's (Profit) /Loss	34.76	-
Less: Deferred Tax Assets (Net) adjusted as on 1 st April, 2001	63.06 (28.30)	(215.79)
Loss carried to balance sheet	92.65	34.76

OPERATIONAL PERFORMANCE

During the year under review the sales revenue was Rs. 2160 lacs as compared to Rs. 2299 lacs in the previous year. The Company has incurred a loss of Rs. 219.12 lacs (previous year loss was Rs. 250.55 lacs), because of intense competition resulting in lowering of sales prices.

During the year under review, your Company's sales volume increased marginally to 1960 tons compared to 1837 tons in the previous year (6.7% increase).

Your Company changed has made certain basic changes in strategy during the year in order to meet the marketing environment.

During the year under review, the Company had two focused objectives: -

- a) Compensating for loss of STU (State Transport Undertaking) business and
- b) Driving major product improvements.

The first objective was met by appointing a second category of franchisees at various locations not hitherto catered to by the Indag Franchisees network.

With regard to second objective, i.e. product and quality improvement, we have successfully implemented numerous programs.

These two major strategies were implemented only during the second half of the year under review. Therefore, the full impact of these strategies will be felt only during the current financial year.

DIVIDEND

In view of the loss incurred by the Company, your Directors are not in a position to recommend any dividend for the year under review.

COMMITMENT TO QUALITY

Indag recognizes quality as a pre-requisite for its operations and has implemented ISO 9002 standards at Plant and Head Office.

ENVIRONMENT PROTECTION

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

DIRECTORS

Mr. K.K.Kapur has been reappointed as the Whole-time Director of the Company w.e.f. 22nd May 2002 for a period of one year.

In accordance with Article 99 of the Articles of Association of the Company, Mr. P.R.Khanna and Mr. S.L.Khemka retire from Office by rotation, and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

The observations of the Auditors are self-explanatory and therefore, do not call for any further comments.

AUDITORS

The Auditors of the Company, S.R.Batlboi & 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

The Company had no employee during the year, whose particulars are required to be disclosed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975.

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-I and forms part of this Report.

LISTING

Your Company is listed with the Stock Exchanges of Delhi and Mumbai and the annual listing fee for the financial year 2001-2002 has been paid.

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 had established 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.

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 wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2001-2002 are in full conformity with the requirements of the Companies Act, 1956. They believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operation.

Your Directors further confirm that:

- i. in presentation of the Annual Accounts, applicable Accounting Standards have been followed.

- ii. the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year.
- iii. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. That the Directors had prepared the Annual Accounts on a going concern basis.

The Company's internal Auditors have conducted periodic Audits to provide reasonable assurance that the Company's established policies and procedures have been followed.

APPRECIATIONS

Your Directors acknowledge and appreciate the support received from Bandag Inc. and 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

New Delhi
10th June, 2002

NAND KHEMKA
CHAIRMAN

ANNEXURE-I

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:

- (a) 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.

- (b) Total Foreign Exchange used and earned:

	2001-2002 (Rs. Lacs)	2000-2001 (Rs. Lacs)
Foreign Exchange earned	1.26	36.44
Foreign Exchange used	33.70	249.60

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

- | | |
|--|--|
| 1. 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. |
| 2. 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. |
| 3. Information regarding technology imported during last five years. | No technology, as such, has been imported during the last five years. |

ANNEXURE TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

Although your Company is not required to 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.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company recognizes the importance of the good Corporate Governance, which is the tool for building strong and ever lasting 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 shareholders value over a sustained period of time, and achieving the definite and measurable performance targets.

BOARD OF DIRECTORS

Composition of the Board

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

Directors	Executive/ Non-executive/Independent	No. of Outside Directorship Held Companies		No. of Outside Committees Member Chairman	
		Public	Private		
Mr. Nand Khemka	Chairman, interested	4	8	8	
Mr.S.L.Khemka	Non-Executive, interested	Nil	9	Nil	
Mr.Mark Richter Thoeny	Non-Executive, interested	Nil	5	Nil	
Mr.P.R.Khanna	Non-Executive, independent	3	1	8	2
Mr.R.Parmeswar	Non-Executive, independent	2			1
Mr.K.K.Kapur	Whole-time Director, independent	2		2	1

DIRECTORS' INTERESTS IN THE COMPANY

A Non-Executive Directors

Directors	Relationship with other Directors	Business relationship with the company, if any	Remuneration paid during 2001-2002 (Rs.)		
			Sitting fees	Salary & perks	Total
Mr. Nand Khemka	Brother of Mr. S.L.Khemka		12000	Nil	12000
Mr. S.L.Khemka	Brother of Mr. Nand Khemka		Nil	Nil	Nil
Mr. Mark Richter Thoeny	Nil		Nil	Nil	Nil
Mr. P.R.Khanna	Nil		27000	Nil	27000
Mr. R.Parmeswar	Nil		18000	Nil	18000

Indag has a policy of not advancing any loans and not paying commission on profits to its Non-Executive/Independent Directors.

B. WHOLE TIME DIRECTOR

<i>Executive Director</i>	<i>Relationship with other Directors</i>	<i>Business relationship with the Company, if any</i>	<i>Remuneration paid during the 2001-2002</i>			
			<i>All elements of remuneration package i.e. salary, benefits, bonuses, pension etc.</i>	<i>Fixed component & performance linked incentives, along with performance criteria</i>	<i>Service contracts, notice period, severance fee</i>	<i>Stock option details, if any</i>
Mr. K.K.Kapur	Nil	Whole time Director	Rs. 4,91,626	Ref. note a	Ref. note b	Ref. note c

- Performance Bonus is linked to the achievement of targets to be decided by the Board or Committee thereof. At present no targets are fixed.
- The appointment is subject to termination by one month notice in writing on either side. Mr. Kapur was appointed to the Board on 22nd May, 2001 and the appointment is for a period of one year, and he is re-appointed for one year with effect from 22nd May, 2002.
- The Company does not have any scheme for grant of Stock options to its Directors or Employees.

ATTENDANCE RECORD OF THE DIRECTORS

Indag Rubber Limited believes that the shareholders must know the details of Board meetings as well as details of participation by the Company's Board of Directors to understand fully the contributions made by their Directors. Indag has, therefore, decided to make full disclosure on the Board Meetings as well as attendance record of all Directors on the Board.

<i>Name of the Director</i>	<i>Category</i>	<i>Meetings held</i>	<i>Number of Board meetings attended</i>	<i>Attendance at the last AGM held on 16.8.2001</i>
Mr. Nand Khemka	Chairman, interested	4	3	Yes
Mr.S.L.Khemka	Non-Executive, interested	4	Nil	Yes
Mr.Mark Richter Thoeny	Non-Executive, interested	4	1	No
Mr.P.R.Khanna	Non-Executive, independent	4	4	No
Mr.R.Parmeswar	Non-Executive, independent	4	2	Yes
Mr.K.K.Kapur	Whole-time Director, independent	4	4	Yes

FINANCIAL DISCLOSURE

 Debt Profile as on 31st March, 2002

Rs. in Lacs

Secured	Short Term Rupee Debt	Long Term Rupee Debt	Total Rupee Debt
Term Loans from Banks	-	24.06	24.06
Cash Credit	296.36	-	296.36
Loans against FDR from Banks	70.56	-	70.56
Car Finance Loan from Banks/FIs/Companies	-	15.05	15.05
Sub Total	366.92	39.11	406.03
Unsecured	-	-	-
Grand Total	366.92	39.11	406.03

Other Disclosures on Corporate Governance

- The Company had a Share Transfer Committee namely " the share transfer and shareholders grievance committee " This committee is mandated to look into redressing of shareholders and investors complaints including transfer, deletion and consolidation of shares, non receipt of balance sheets, and other issues. Mr. Nand Khemka is Chairman of the share transfer and shareholders grievance committee.
- The Company's shares are traded in both dematerialized & physical form. To expedite the process of transfer of shares in the physical segment, necessary authority has been delegated to the share transfer and shareholders grievance committee.
The Board has designated Mr. Rajeev Khanna, Dy. General Manager (Finance) cum Company Secretary as the Compliance Officer.
- Details of remuneration paid to the Board of Directors are highlighted at the beginning of this section.
- Indag Rubber Limited Board met four (4) times during the year, details of which are highlighted in the table. Agenda papers alongwith explanatory statements were circulated to the Directors in advance of each meeting. All relevant information as recommended by the SEBI Committee on Corporate Governance as well as items required under Clause 49 of the Stock Exchange Listing Agreement were placed before the Board from time to time.

Date of Board of Director Meeting	City	No. of Directors Present
22/05/2001	New Delhi	4
16/07/2001	New Delhi	3
24/10/2001	New Delhi	3
15/01/2002	New Delhi	3

- Management's Discussion and Analysis forms part of this Annual Report. The Company has been providing a detailed Management's Discussion and Analysis in its Annual Report from 2000- 2001 onwards.
- The Unaudited quarterly and Audited full year financial results are sent to the Stock Exchanges at Delhi and Mumbai where the shares of the Company are listed. The results are also published in "The Pioneer" and "Veer Arjun".
- The Audit Committee consist of three Non-Executive Directors and details of the composition of the Committee are as follows:

Mr. R.Parameswar	- Chairman
Mr. P.R.Khanna	- Member
Mr. Mark Richter Thoeny	- Member

The Chairman of the Committee was elected from amongst the members in their first meeting held on 22nd May, 2001. All the members of the committee were present in the said meeting.

Mr. Rajeev Khanna, DGM (Finance) cum Company Secretary acts as the Secretary of the Committee.

The first meeting of the committee held on 22nd May 2001 appraised itself of the scope and powers as well as reviewed audit arrangements and internal auditors of the Company. The powers of the Audit Committee is in conformity with Clause 49 of the Listing Agreement as well as Section 292 A of the Companies Act, 1956

8. Indag does not have a remuneration Committee. No remuneration is paid to Non-Executive Directors except sitting fees for attending the Board Meetings and Committees thereof. Further, the Board of Directors determine the remuneration of the Whole time Director.
9. No Director of the Company is a member in more than 10 Committees or act as Chairman of more than five Committees across all Companies in which he is a Director. Details of the Board/Committee positions occupied by the Directors, across all Companies in which they are Directors, are highlighted at the beginning of the Section.
10. A brief resume and Directorship/Membership of the Committees held in other companies by Directors retiring / being appointed at the ensuing Annual General Meeting forms part of the Explanatory Statement to the Notice of the Annual General Meeting of the Company, annexed to this Report.
11. No transaction of material nature has been entered into by the Company with the management or their relatives that may have a potential conflict with interest of the Company.

CONTINGENT AND EXPECTED LIABILITIES

Contingent and Expected liabilities have been disclosed in Notes to Accounts

RISK MANAGEMENT

The Company is exposed to the risks from market fluctuations of interest rates and commodity prices.

OTHER DISCLOSURES

1. 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
20 th AGM – 2 nd September, 1999	11:00 A.M.	The Air Force Auditorium, Subroto Park, New Delhi –110 010
21 st AGM – 4 th September, 2000	11:00 A.M.	The Air Force Auditorium, Subroto Park, New Delhi –110 010
22 nd AGM – 16 th August, 2001	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.

2. DISCLOSURES:

During the financial year ended the 31st March, 2002 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.

3. 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 Pioneer" and "Veer Arjun".

The Company's published financial and other relevant information is being 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.

GENERAL SHAREHOLDER INFORMATION:

The 23rd Annual General Meeting of the members of the Company is scheduled to be held on 10TH SEPTEMBER, 2002 AT 11:00 A.M AT AIR FORCE AUDITORIUM, SUBROTO PARK, NEW DELHI - 110 010.

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

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

The Register of Members and share transfer books would remain closed during the period beginning from Wednesday the 14th August 2002 to Tuesday the 10th September 2002 (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 2001-2002 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:

Rajeev Khanna – DGM (Finance) cum Company Secretary

Indag Rubber Limited

11, Community Centre, Saket, New Delhi – 110 017

Email rkhanna@indagrubber.com

Fax :- 011-6856350 Phone No. 6963172, 6963173, 6863310,6518296,6560298

The shares of your Company are tradable in electronic form also, and the Company had already established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

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	Transferred & Transmitted	Demated	Total No. of Shares
April, 2001	550	-	550
May, 2001	2050	-	2050
July, 2001	400	2100	2500
August, 2001	4650	437600	442250
September, 2001	150	8925	9075
October, 2001	600	22250	22850
November, 2001	1050	5100	6150
December, 2001	450	8050	8500
January, 2002	350	14250	14600
February, 2002	-	25400	25400
March, 2002	550	18650	19200

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 Cushion Gum, Envelope etc. Bandag is operating in number of countries of the world, and have a major share of the US retread market.

Indag's manufacturing unit is located 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 and their employees.

Indag has earned the distinction of becoming an ISO 9002 certified Company.

INDUSTRY EXPERIENCE

The year 2001-2002 was another difficult year which witnessed slow growth in industrial and agricultural sectors. For the second successive year, the truck and bus segment of new tyres reeled under negative growth, i.e. average monthly production decreased by 4% in 2000-01 & 2% in 2001-02. The adverse trends in the new tyre for truck and bus segment were also witnessed by the retread industry. Freight rates continued to be depressed and this meant less money with the transporters. This coupled with vehicles staying off roads, due to recessionary conditions resulted in retread market demand remaining depressed. Increase competition from unorganized sector due to price factor is becoming even more pronounced.

There was some good news on LCV front as usage of LCV is on the increase mainly due to entry restrictions on heavy vehicles in metro cities. LCV new tyres witnessed a double digit growth of 10%.

RESULTS OF OPERATIONS

Indag reported net sales of Rs. 472.49 lacs (Rs. 466.64 lacs) in first quarter, Rs. 587.94 lacs (Rs. 775.45 lacs) in second quarter, Rs. 616.64 lacs (Rs. 594.78 lacs) in third quarter and Rs. 482.63 lacs (Rs. 461.68 lacs) in fourth quarter.

The sales decreased only marginally as compared to intense competition and rigorous steps taken by the Company to keep the level of receivables within the limits of our policy in the past couple of years. The Company has instituted strict sales and receivables controls to decrease the exposure to risks.

The sales volume in terms of tons had increased from 1837 tons to 1960 tons during the year. However, as result of price-reduction of our product, the sales turnover in value has declined. Consequently, the loss would have been more but for the decision of the company to change the strategy of product mix.

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 audit committee reviews the adequacy of the internal control systems.

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. The Company reviews training needs for its employees numbering 220 and training is conducted periodically.

FUTURE OUTLOOK

Indag has positioned itself to take advantage of the likely positive developments in the coming years. The major initiatives and decisions taken towards this end include greater support and service to the franchisees introduction of new products for untapped as well as existing market segments and most importantly focusing on the end customers to provide value for money to them. Further, in order to become more competitive in the market place, continuous efforts are being made to reduce costs and provide solutions/value additions for all franchises and end customers.

The company expects to benefit from this over next 2-3 years.

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

We have audited the attached Balance Sheet of INDAG RUBBER LIMITED, as at 31st March, 2002 and also the attached Statement of Profit & Loss Account for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, we report that, in our opinion, and to the best of our knowledge and belief and as per 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 have 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, 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 stock and 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 normally accepted accounting principles and 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 and from/to the Companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
5. Advances in the nature of loans have been given to some of the employees which are being recovered as per the 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 for the purchase of stores, spares, raw materials, plant and machinery, equipment and other assets, and for the sale of goods.
7. According to the information and explanations given to us, the transactions of purchase and sale 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.
8. As explained to us, the Company has a system of determining unserviceable or damaged stock 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 31st March, 2002, 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 these books.
- (iii) The attached Balance Sheet and Profit & Loss Account are in agreement with the books of account.
- (iv) In our opinion, the attached Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
- (v) On the basis of the written representations received from the Directors and taken on record, we report that none of the Directors is disqualified from being appointed as a Director in terms of Clause (g) of Subsection (1) of Section 274 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 read with the Notes as per Schedule 15, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
- b) in the case of the Profit & Loss Account, of the Loss of the Company for the year ended on that date.

S.R. Batliboi & Co.
Chartered Accountants
Per

ANIL GUPTA
(Partner)

Date: 10th June, 2002
Place: New Delhi

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule	As at 31st March, 2002	(Rs. in lacs) As at 31st March, 2001
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	525.00	525.00
Reserves & Surplus	2	472.22	472.22
		<u>997.22</u>	<u>997.22</u>
Loan Funds			
Secured Loans	3	406.03	337.40
TOTAL		<u>1403.25</u>	<u>1334.62</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	1243.34	1219.95
Less : Depreciation		895.82	859.30
Net Block		347.52	360.65
Capital Work in Progress		1.07	0.24
		<u>348.59</u>	<u>360.89</u>
Current Assets, Loans & Advances			
Inventories	5	532.90	601.64
Sundry Debtors	6	538.46	592.19
Cash & Bank Balances	7	134.31	128.89
Interest Accrued on Deposits & Others		9.00	1.92
Loans & Advances	8	113.08	151.56
		<u>1327.75</u>	<u>1476.20</u>
Less : Current Liabilities & Provisions	9	510.10	537.23
Net Current Assets		<u>817.65</u>	<u>938.97</u>
Deferred Tax Assets (net)		144.36	-
Debit Balance as per attached Profit & Loss Account		92.65	34.76
TOTAL		<u>1403.25</u>	<u>1334.62</u>
Accounting Policies and Notes to the Accounts	15		

In terms of our attached report of even date

S.R.Battiboi & Co.
Chartered Accountants
Per

K. K. Kapur
CEO & Whole Time Director

Rajeev Khanna
DGM Finance cum Company Secretary

(Anil Gupta)
Partner
Place: New Delhi
Date: 10th June, 2002

Nand Khemka
Chairman

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

(Rs. in lacs)

	Schedule	Year Ended March, 2002	Year Ended March, 2001
INCOME			
Sales and Services	10	2159.70	2298.55
Other Income	11	25.23	16.38
		<u>2184.93</u>	<u>2314.93</u>
EXPENDITURE			
Materials	12	1095.16	1240.87
Excise Duty		295.15	305.41
Manufacturing and Other Expenses	13	906.54	905.65
		<u>2296.85</u>	<u>2451.93</u>
Loss Before Financial Expenses, Depreciation		111.92	137.00
Finance Expenses	14	58.97	70.89
Loss Before Depreciation		<u>170.89</u>	<u>207.89</u>
Depreciation		48.23	42.66
Loss Before Taxation		<u>219.12</u>	<u>250.55</u>
Deferred Tax Assets		81.30	-
Excess Provision for Income Tax Written Back		16.87	-
Loss for the year		<u>120.95</u>	<u>250.55</u>
Debit/(Credit) Balance brought forward from previous year	34.76		
Less:- Deferred Tax Assets (Net) adjusted as on April 1, 2001 (Refer Note No. 7(a) in Schedule 15)	<u>63.06</u>	(28.30)	(215.79)
Deficit Carried to Balance Sheet		<u>92.65</u>	<u>34.76</u>
Account Policies and Notes to the Accounts	15		

In terms of our attached report of even date

S.R. Battliboi & Co.
Chartered Accountants
Per

K. K. Kapur
CEO & Whole Time Director

Rajeev Khanna
DGM Finance cum Company Secretary

(Anil Gupta)
Partner
Place: New Delhi
Date: 10th June, 2002

Nand Khemka
Chairman

SCHEDULE 1 : SHARE CAPITAL

	As at 31st March, 2002	As at 31st March, 2001
(Rs. in lacs)		
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, 2002	As at 31st March, 2001
Capital Reserve	15.00	15.00
Central Cash Subsidy	0.29	0.29
Shares Forfeited	450.00	450.00
Share Premium Account	6.93	6.93
Investment Allowance Reserve	472.22	472.22

SCHEDULE 3 : SECURED LOANS

	As at 31st March, 2002	As at 31st March, 2001
Term Loan from a Bank	24.06	51.00
Car Finance Loan from Banks, Financial Institution and Body Corporate	15.05	-
Loans from Banks against FDRs	70.56	-
Cash Credit Borrowings from Banks	296.36	286.40
	406.03	337.40

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 parri passu and hypothecation of all movable and other assets of the Company. The above 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 Loans from Banks against Fixed Deposits are secured by way of pledge of Fixed Deposit Receipts of Rs. 88.32 lacs.
- 3 Car Finance Loans are to be secured by hypothecation of Vehicles financed out of the proceeds of loan.
- 4 Installments of Term Loan and Car Finance Loans repayable within one year Rs. 27.32 lacs (Previous Year Rs. 26.00 lacs).

SCHEDULE 4: FIXED ASSETS

(Rs. in lacs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost as at 01-Apr-01	Additions during the year	Deductions/ adjustments during the year	Cost as at 31-Mar-02	Upto 31-Mar-01	Provided during the year	Deductions/ adjustments during the year	Upto 31-Mar-02	As at 31-Mar-02	As at 31-Mar-01
Leasehold Land	4.82	-	-	4.82	0.86	0.05	-	0.91	3.91	3.96
Buildings	167.24	-	-	167.24	81.23	5.17	-	86.40	80.84	86.01
Plants & Machinery	957.64	17.38	10.51	964.51	710.03	33.06	6.38	736.71	227.80	247.61
Furniture & Fixtures	23.42	0.51	-	23.93	21.56	0.85	-	22.41	1.52	1.86
Office Equipment	50.82	0.75	0.70	50.87	33.93	5.18	0.48	38.63	12.24	16.89
Vehicles	16.01	21.93	5.97	31.97	11.69	3.92	4.85	10.76	21.21	4.32
Total	1,219.95	40.57	17.18	1,243.34	859.30	48.23	11.71	895.82	347.52	360.65
Capital Work in Progress:										
Plant & Machinery	0.24	1.07	0.24	1.07	-	-	-	-	1.07	0.24
Grand Total	1,220.19	41.64	17.42	1,244.41	859.30	48.23	11.71	895.82	348.59	360.89
Previous Year	1,082.88	178.47	41.40	1,219.95	850.34	42.66	33.70	859.30	360.89	341.02

Notes:- Fixed Assets of the cost of Rs. 10.98 lacs, Previous year Rs. 41.15 lacs (WDV of Rs. 4.46 lacs, Previous year Rs. 7.48 lacs), have been discarded during the year.

SCHEDULE 5: INVENTORIES

(As taken, valued and certified by the Management)

(Rs. in lacs)

	<i>As at 31st March, 2002</i>	<i>As at 31st March, 2001</i>
Raw Materials including Retreading Equipment & Components	127.18	227.15
Stores & Spares	40.21	44.14
Work-in-Process	25.30	17.69
Finished Goods & Other Materials	340.21	312.66
	<u>532.90</u>	<u>601.64</u>

SCHEDULE 6: SUNDRY DEBTORS

(Unsecured, Considered Good except where otherwise stated)

	<i>As at 31st March, 2002</i>	<i>As at 31st March, 2001</i>
Due for more than six months (including Rs. 98.57 lacs Previous year Rs. 49.01 lacs considered doubtful and provided for)	166.86	144.69
Other Debts (including Rs. 6.55 lacs, Previous year Rs. Nil considered doubtful and provided for)	476.72	496.51
	<u>643.58</u>	<u>641.20</u>
Less : Provision for Doubtful Debts	105.12	49.01
	<u>538.46</u>	<u>592.19</u>

SCHEDULE 7: CASH & BANK BALANCES

	<i>As at 31st March, 2002</i>	<i>As at 31st March, 2001</i>
Cash in hand (Including cheques under collection Rs. 32.88 lacs, Previous year Rs. 27.81 lacs)	33.44	28.62
<u>Balances with Scheduled Banks in :</u>		
- Current Accounts	0.45	0.80
- Fixed Deposits Accounts (Receipts of Rs. 100.38 lacs, Previous year Rs. 17.02 lacs pledged with Banks)	100.38	99.43
In Post Office Savings Bank Account (Pass Book pledged with Excise Authorities)	0.04	0.04
	<u>134.31</u>	<u>128.89</u>

SCHEDULE 8 : LOANS & ADVANCES

(Unsecured, Considered Good except where otherwise stated)

(Rs. in lacs)

	As at 31st March, 2002	As at 31st March, 2001
Loans to Staff	7.43	10.38
Advances Recoverable in Cash on in Kind or for Value to be Received (including Rs. 2.72 lacs, Previous year Rs. 8.06 lacs considered doubtful and provided for)	26.74	21.21
Claims & Refunds Receivable	18.51	14.98
Balance with Excise Authorities	9.11	13.51
Sundry Deposits	50.26	59.55
Advance Payment of Tax/Income Tax Deducted at Source/Refund Receivable	3.75	39.99
	<u>115.80</u>	<u>159.62</u>
Less : Provision for Doubtful Advances	2.72	8.06
	<u>113.08</u>	<u>151.56</u>

SCHEDULE 9 : CURRENT LIABILITIES & PROVISIONS

	As at 31st March, 2002	As at 31st March, 2001
A) CURRENT LIABILITIES		
Sundry Creditors for Goods, Services & Expenses, etc.	416.88	411.14
Advances From Customers	57.75	66.36
Sundry Deposits	25.76	39.31
	<u>500.39</u>	<u>516.81</u>
B) PROVISIONS		
For Income Tax	-	16.87
For Retirement Benefits	9.71	3.55
	<u>510.10</u>	<u>537.23</u>

SCHEDULE 10 : SALES AND SERVICES

	Year Ended March, 2002	Year Ended March, 2001
Sales of Finished Goods & Services	2165.96	2342.62
Less: Discounts, Claims, Incentives etc.	6.26	44.07
	<u>2159.70</u>	<u>2298.55</u>

SCHEDULE 11 : OTHER INCOME

(Rs. in lacs)

	Year Ended March, 2002	Year Ended March, 2001
Unspent Liabilities/Sundry Balances Written Back	11.61	10.12
Recovery of Bad Debts written off in earlier years	0.56	0.90
Miscellaneous Receipts	13.06	5.36
	<u>25.23</u>	<u>16.38</u>

SCHEDULE 12 : MATERIALS

	Year Ended March, 2002	Year Ended March, 2001
Raw Materials including Retreading Equipment & Components (including Bought Out Equipment & Components for Sale)		
Opening Stock	227.15	230.95
Add : Purchases	<u>1008.38</u>	<u>1210.83</u>
	1235.53	1441.78
Less : Closing Stock	<u>127.18</u>	<u>227.15</u>
	1108.35	1214.63
Other Materials - Purchases	<u>21.97</u>	<u>32.73</u>
	<u>(A) 1130.32</u>	<u>1247.36</u>
(Increase) in Stocks of Finished Goods & Other Materials and Work-in-Process		
i) Opening Stock		
a) Finished Goods & Other Materials	312.66	300.33
b) Work-in-Process	<u>17.69</u>	<u>23.53</u>
	<u>(i) 330.35</u>	<u>323.86</u>
ii) Closing Stock		
a) Finished Goods & Other Materials	340.21	312.66
b) Work-in-Process	<u>25.30</u>	<u>17.69</u>
	<u>(ii) 365.51</u>	<u>330.35</u>
	B(i-ii) (35.16)	(6.49)
TOTAL (A+B)	<u>1095.16</u>	<u>1240.87</u>

SCHEDULE 13 : MANUFACTURING AND OTHER EXPENSES

(Rs. in lacs)

	<i>Year Ended March, 2002</i>	<i>Year Ended March, 2001</i>
Salary, Wages & Bonus	220.05	213.89
Contribution to Provident and other Funds	23.97	21.68
Employees Welfare Expenses	14.99	15.64
Consumption of Stores & Spares Parts	38.12	36.97
Power, Fuel, Electricity & Water Charges	206.44	199.82
Machinery Repairs	48.73	39.45
Building Repairs	5.39	1.87
Other Repairs	7.98	7.72
Rent	38.35	38.55
Rates & Taxes	7.17	10.50
Insurance	10.45	14.57
Managerial Remuneration (Refer Note No. B11 of Schedule 15)	6.45	12.00
Vehicle Running & Maintenance (Including Vehicle Hire charges Rs. 3.14 lacs, Previous year Rs. 4.08 lacs)	10.66	14.84
Traveling & Conveyance	59.48	55.08
Auditors Remuneration		
- As Audit Fees	2.63	2.63
- For Certificates etc.	0.68	1.05
- For Taxation Matters	0.77	0.25
- For Expenses	0.12	0.06
Directors Meeting Fees	0.57	0.23
Freight & Cartage	29.95	36.96
Advertisement & Publicity	5.81	9.00
Legal & Professional Charges	19.46	22.87
Donations	0.09	0.14
Postage & Telephones	22.56	20.13
Security and Other Services Charges	15.85	17.02
Loss on Disposal of Fixed Assets(Net)	4.55	7.44
Commission on Sale	-	5.93
Loss on Sale of Raw Materials	12.93	-
Prior Period Adjustments (Net)	3.44	16.05
Irrecoverable Balances Written Off	7.43	10.18
Provision for Doubtful Debts/Advances	50.77	32.54
Miscellaneous Expenses	30.70	40.59
	906.54	905.65

SCHEDULE 13 : MANUFACTURING AND OTHER EXPENSES

	(Rs. in lacs)	
	<i>Year Ended March, 2002</i>	<i>Year Ended March, 2001</i>
Salary, Wages & Bonus	220.05	213.89
Contribution to Provident and other Funds	23.97	21.68
Employees Welfare Expenses	14.99	15.64
Consumption of Stores & Spares Parts	38.12	36.97
Power, Fuel, Electricity & Water Charges	206.44	199.82
Machinery Repairs	48.73	39.45
Building Repairs	5.39	1.87
Other Repairs	7.98	7.72
Rent	38.35	38.55
Rates & Taxes	7.17	10.50
Insurance	10.45	14.57
Managerial Remuneration (Refer Note No. B11 of Schedule 15)	6.45	12.00
Vehicle Running & Maintenance (Including Vehicle Hire charges Rs. 3.14 lacs, Previous year Rs. 4.08 lacs)	10.66	14.84
Traveling & Conveyance	59.48	55.08
Auditors Remuneration		
- As Audit Fees	2.63	2.63
- For Certificates etc.	0.68	1.05
- For Taxation Matters	0.77	0.25
- For Expenses	0.12	0.06
Directors Meeting Fees	0.57	0.23
Freight & Cartage	29.95	36.96
Advertisement & Publicity	5.81	9.00
Legal & Professional Charges	19.46	22.87
Donations	0.09	0.14
Postage & Telephones	22.56	20.13
Security and Other Services Charges	15.85	17.02
Loss on Disposal of Fixed Assets(Net)	4.55	7.44
Commission on Sale	-	5.93
Loss on Sale of Raw Materials	12.93	-
Prior Period Adjustments (Net)	3.44	16.05
Irrecoverable Balances Written Off	7.43	10.18
Provision for Doubtful Debts/Advances	50.77	32.54
Miscellaneous Expenses	30.70	40.59
	906.54	905.65

SCHEDULE 14: FINANCE EXPENSES

	Year Ended March, 2002	Year Ended March, 2001
		(Rs. in lacs)
Interest on Term Loans and Car Finance Loans	13.88	1.01
Interest to Banks and Others	53.09	65.52
	<u>66.97</u>	<u>66.53</u>
Less : Interest Income (Gross, Income Tax Deducted at Source Rs.0.07 lacs, Previous year Rs. 0.88 lac)	15.07	13.45
	<u>51.90</u>	<u>53.08</u>
Foreign Exchange Fluctuation (Net)	0.67	3.16
Other Finance Expenses	6.40	14.65
	<u>58.97</u>	<u>70.89</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 dispatch 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) Contribution to Gratuity Fund is made as per Company's Scheme and is equivalent to payments made/to be made by the said fund to Life Insurance Corporation of India based on actuarial valuation.
- b) Provision for leave encashment benefits of employees is made on the basis of actuarial valuation.

9) Income Taxes

Provision is made for current Income Tax liability estimated to arise on the results for the year at the current rate of tax in accordance with Income Tax Act, 1961.

Deferred Income Tax is provided, using the liability method, on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are not recognised, unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets will be realised.

Deferred Tax Assets and Liabilities are measured using the tax rates and the tax law that have been enacted or subsequently enacted at the Balance Sheet date.

B. NOTES TO THE ACCOUNTS

1. Contingent Liabilities (not provided for) in respect of :-
 - a) Counter Guarantees issued to the Banks against Guarantees issued by them on behalf of the Company Rs. 18.14 lacs (Previous year Rs. 22.31 lacs).
 - b) Sales Tax Demands of Rs. 7.94 lacs (Previous year Rs. 149.25 lacs), being disputed by the Company.
 - c) Claims against the Company not acknowledged as Debts Rs.1.45 lacs (Previous year Rs.1.45 lacs).
2. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs. 4.90 lacs (Previous year Rs. 8.56 lacs).
3. Closing stock of Raw Materials, Components and Finished Goods includes stock of Retreading Shop

Equipments of the value of Rs 49.66 lacs, against which consumption/sale is low. The aforesaid stock has been valued at the lower of cost and net realisable value. The management is hopeful of realising the Value of such stock at least to the extent stated in the accounts.

4. Sundry Creditors include Rs.3.78 lacs (Previous year Rs. 5.73 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.

5. Earning per Share (EPS):	31 st March 2002	31 st March 2001
Net Loss as per Profit & Loss Account (Rs. In lacs)	(120.95)	(250.55)
No. of Equity Share	5250000	5250000
Earning per Share (Rs.)	(2.30)	(4.77)

6. Related Party Disclosure

Key Management Personnel	:	Mr. Nand Khemka (Chairman)
	:	Mr. K.K.Kapur (Whole Time Director) (22.05.2001 to 31.3.2002)
	:	Maj.Gen.S.S.Kapoor (Ex. Whole Time Director) (01.04.2001 to 21.05.2001)

Other Parties which significantly influence/are influenced by the Company (either individually or with others)	:	Bandag Incorporated, USA
	:	Unipatch Rubber Limited
	:	Khemka Aviation Pvt. Limited

(Rs.in lacs)

Particulars	Key Management Personnel		Other parties which significantly influence/are influenced by the Company (either individually or with others)	
	2002	2001	2002	2001
A) Transactions				
1. Purchase of Raw Materials, Stores, Spares and Packing Materials.	-	-	15.73	32.21
2. Rent / Service Charges Paid.	-	-	27.88	26.88
3. Sales of Finished & Other Goods.	-	-	1.09	0.05
4. Prior Period Adjustments	-	-	3.44	-
5. Balance outstanding at the year end:-				
- Personal Guarantee given by Directors	320.42	337.40	-	-
- Receivables	-	-	12.69**	15.31**
- Payables	-	-	29.12	35.32
B) Remuneration to - Managing Director				
- Whole Time Directors	6.45*	9.34*	-	-

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

** 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.

7. Deferred Tax Assets (Net)

- (a) Deferred Tax Assets of Rs 63.06 lacs arising on account of temporary differences as at 1st April 2001 have been adjusted from the brought forward losses.
- (b) Deferred Tax Assets of Rs 81.30 lacs arising on account of temporary differences for the current year have been adjusted in the Profit & Loss Account.
- (c) Calculation of Deferred Tax Assets (net) as on 31st March, 2002 is as given below:

	(Rs. in lacs)	(Rs. in lacs)
a) Deferred Tax Assets		
Arising on account on timing differences in:		
- Provision for Doubtful Debts & Advances	39.63	
- Accrued Expenses allowable on Actual Payments	1.22	
- Carry forward Business Loss/Unabsorbed Depreciation	149.67	190.52
b) Deferred Tax Liabilities		
Arising on account on timing differences in:		
- Depreciation	46.16	46.16
Deferred Tax Assets (Net)		144.36

- (d) The Company on the basis of projections expects to generate sufficient taxable income in the coming years which will enable it to utilise the carried forward business losses and unabsorbed depreciation.

8. Details of Managerial Remuneration

	(Rs. in lacs)	
	Current Year	Previous Year
I. Ex-Managing Director (24.10.2000 to 20.03.2001)		
Salary		2.45
Perquisites		0.21
Sub-Total		2.66
II. Ex-Whole Time Director (1.04.2000 to 27.09.2000)		
Salary		4.99
Contribution to Provident Fund		0.50
Perquisites		2.32
Sub-Total		7.81
III. Ex-Whole Time Director (01.04.2001 to 21.05.2001)		
Salary	1.01	1.03
Contribution to Provident Fund	0.12	0.12
Perquisites	0.41	0.38
Sub-Total	1.54*	1.53*
IV. Present-Whole Time Director (22.05.2001 to 31.03.2002)		
Salary	2.84	-
Contribution to Provident Fund	0.34	-
Perquisites	1.73	-
Sub-Total	4.91*	-
Grand Total	6.45	12.00

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

9. Segment Information

The Company is engaged in the manufacturing of the Precured Tread Rubber, Bonding Repair and Extrusion Gum and Rubber Cement which are used for fixing on the old used tyres and thus has only one business segment.

10. Previous year figures have been regrouped/rearranged wherever necessary.

11. Additional information pursuant to provisions of paragraphs 324 of Part II of Schedule VI to the company is Act, 1956 is as under :-

I) Capacity (on annual basis)

	Unit	Licensed Capacity	Installed Capacity
Precured Tread Rubber (Synthetic Tread Material)	Tonnes	6,000 (6,000)	3,500 (3,500)
Bonding Repair & Extrusion Gums (Including Envelopes & Patches)	Tonnes	1,150 (1,150)	1,150 * (1,150) *
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

(Rs. in lacs)

	Unit	Opening Stock		Production Purchase		Gross turnover		Closing Value	
		Qty.	Value	Qty.	Value	Qty.*	Value	Qty.*	Value
Precured Tread Rubber	Tonnes	318.632 (297.179)	247.41 (239.27)	2,016.315 1,864.76	— (—)	1,960.028 (1,837.340)	1,780.90 (1,749.22)	365.110 (318.632)	290.95 (247.41)
Bonding Repair & Extrusion Gum	Tonnes	21.488 (17.874)	20.03 (17.68)	192.746 (281.104)	— (—)	196.524 (274.822)	209.87 (316.44)	18.038 (21.488)	15.00 (20.03)
Rubber Cement	K.Ltrs	12.867 (8.085)	5.18 (3.36)	94.200 (139.110)	— (—)	81.790 (109.417)	35.85 (48.15)	6.060 (12.867)	2.37 (5.18)
Miscellaneous (including Equipment, Components & Patches)	— (—)	— (—)	40.04 (40.02)	— (—)	21.97 (32.73)	— (—)	140.15** (228.81)**	— (—)	31.89 (40.04)
			312.66 (300.33)		21.97 (32.73)		2,165.96 (2,342.62)		340.21 (312.66)

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

Precured Tread Rubber	Tonnes	9.809 (5.963)
Bonding Repair & Extrusion Gum	Tonnes	(0.328) (2.668)
Rubber Cement	K.Ltrs.	19.217 (24.911)

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

9. Segment Information

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Rubber Cement	K. Ltrs.	300 (300)	300 (300)
Tyre Retreading Equipment	Sets	15 (15)	15 (15)

* Subject to installation of balancing equipment.

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(Rs. in lacs)

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		Qty.	Value	Qty.	Value	Qty.*	Value	Qty.*	Value
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Rubber Cement	K.Ltrs.	19.217 (24.911)

** 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	1,288.557 (1,268,634)	524.69 (586.62)
Carbon Black	Tonnes	671.195 (633.025)	279.03 (231.55)
Chemicals			186.62 (206.39)
Others			118.01 (190.07)
			1,108.35 (1,214.63)

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

	INDIGENOUS VALUE	%	IMPORTED VALUE	%
Raw Materials & Components	1,028.77 (869.52)	92.82 (71.59)	79.58 (345.10)	7.18 (28.41)
Stores & Spares (Including Charged to Machinery Repairs)	78.14 (68.29)	97.57 (94.98)	1.95 (3.61)	2.43 (5.02)

V) CIF Value of Imports (On Accrual Basis)

(Rs. in lacs)

Raw Materials & Components	26.79 (240.19)
Spares	4.52 (0.26)
Capital Goods	(7.04)
Finished Goods	2.39 (1.89)

VI) Expenditure in Foreign Currency (on Accrual Basis)

Miscellaneous Matters	(0.22)
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VII) Earnings in Foreign Exchange

FOB Value of Exports	1.26 (36.44)
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Note : Previous year figures have been given in brackets.

In terms of our attached report of even date

S.R.Batlloi & Co.
Chartered Accountants
Per

K. K. Kapur
CEO & Whole Time Director

Rajeev Khanna
DGM Finance cum Company Secretary

(Anil Gupta)
Partner
Place: New Delhi
Date: 10th June, 2002

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. State Code
 (Refer Code List)
 Balance Sheet Date
 Date Month Year

II. **Capital raised during the year (Amount in Rs. Thousands)**
 Public Issue Rights Issue Bonus Issue Private Placement

III. **Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)**
 Total Liabilities Total Assets

Sources of Funds
 Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans

Application of Funds
 Net Fixed Assets Investment Net Current Assets Misc. Expenditure
 Accumulated losses

IV. **Performance of Company (Amount in Rs. Thousands)**
 Turnover (including Other Income) Total Expenditure
 +/- Profit/Loss before Tax +/- Profit/Loss after Tax

Earning per Share in Rs. Dividend Rate %

V. **Generic Names of Three Principal Products/Services of Company (as per monetary terms)**
 Item Code No. (ITC Code)
 Product Description
 Item Code No. (ITC Code)
 Product Description
 Item Code No. (ITC Code)
 Product Description

Rajeev Khanna
 DGM Finance cum
 Company Secretary

K. K. Kapur
 CEO &
 Whole Time Director

Nand Khemka
 Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

(Rs. in lacs)

	2001-02	2000-01
A. CASH FLOW FROM OPERATING ACTIVITIES		
(Net Loss) Before Tax & Extraordinary Items	(219.12)	(250.55)
Adjustments for :		
- Depreciation	48.23	42.66
- Loss on Disposal of Fixed Assets (Net)	4.55	7.44
- Interest Expenses	66.97	66.53
- Interest Income	(15.07)	(13.45)
Operating (Loss)/Profit before working capital changes		
Adjustments for :	(114.44)	(147.37)
- Trade and other receivables	55.97	428.44
- Inventories	68.74	2.22
- Trade and other payables	(10.26)	(57.69)
Cash generated from operations	0.01	225.60
Direct taxes refund/(Paid)	36.24	(10.68)
Net cash generated from operating activities before extra ordinary items	36.25	214.92
- Extra ordinary items	-	-
Net cash from operating activities (A)	36.25	214.92
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(41.64)	(70.23)
Sale of Fixed Assets	1.16	0.26
Interest received	7.99	12.98
Net cash used in investing activities (B)	(32.49)	(56.99)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds of Long term Borrowings	(11.89)	(24.00)
Net proceeds of Short term Borrowings	80.52	(109.74)
Interest paid	(66.97)	(66.56)
Net cash used in/from financing activities (C)	1.66	(200.30)
Net decrease/increase in cash and cash equivalents (A+B+C)	5.42	(42.37)
Cash and cash equivalents as at 1st April, 2001 (Opening Balance)	128.89	171.26
Cash and cash equivalents as at 31st March, 2002 (Closing Balance)	134.31	128.89

Rajeev Khanna
DGM Finance cum Company Secretary

K. K. Kapur
CEO & Whole Time Director

Nand Khemka
Chairman

Place: New Delhi
Date: 10th June, 2002

AUDITORS CERTIFICATE

We have examined the above Cash Flow Statement of Indag Rubber Limited for the year ended 31st March, 2002. 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 even date to the Members of the Company.

For S.R. Battliboi & Co.
Chartered Accountants
Per

Place: New Delhi
Date: 10th June, 2002

Anil Gupta
Partner