



# 31st Annual Report

# 2010



**Indag Rubber Limited**

• **BOARD OF DIRECTORS**

Nand Khemka  
Chairman  
S.L. Khemka  
P.R. Khanna  
R. Parameswar  
Hitendra Wadhwa  
K.K. Kapur  
(Whole Time Director)

• **BANKERS**

Corporation Bank  
State Bank of Bikaner & Jaipur

• **AUDITORS**

S.R. Batliboi & Associates  
Chartered Accountants  
U & I Building, Plot No. 47  
Sector-32, Institutional Area,  
Gurgaon-122001 (HR) India

• **REGISTERED OFFICE**

11, Community Centre, Saket,  
New Delhi-110017

• **WORKS**

1. Plot No. SP 86, Industrial Area,  
Bhiwadi-301019, Dist. Alwar, (Rajasthan)
2. Village Jhiriwala, Hadbast No. 73,  
Nalagarh, District Solan (HP)

## **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 CONTINUALLY of the need to respect and participate in the quality improvement mission.

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## NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY-FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON FRIDAY, JULY 30, 2010 AT 10:00 A.M AT SAI INTERNATIONAL CENTRE, PRAGATI VIHAR, LODHI ROAD, NEW DELHI- 110003 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 2010 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.K K Kapur, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and if thought fit to pass with or without modifications, if any the following resolution as an Ordinary resolution:  
"Resolved that pursuant to the provisions of section 224 of the Companies Act, 1956 and other applicable provisions if any, M/s.S R Batliboi & Co., (Registration no. 301003E) Chartered Accountants are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company, in place of M/s. S R Batliboi & Associates (Registration no. 101049W), Chartered Accountants, the retiring Auditors of the Company who expressed their unwillingness to be reappointed as Statutory Auditors of the Company on their retirement at this Annual General Meeting, on such remuneration as may be fixed by the Board of Directors."

For and on behalf of the Board of Directors

New Delhi  
April 15, 2010

**Manali D.Bijlani**  
Company Secretary

## 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 July 15, 2010 to July 30, 2010 (both days inclusive).
3. Members/Proxies must bring the Attendance Slip duly filled in for attending the meeting and hand it over at the entrance duly signed.
4. 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.
5. 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.
6. Pursuant to the prohibition imposed vide Secretarial Standard on General Meetings (SS-2) issued by ICSI, no gifts/coupon will be distributed at or in connection with the meeting.

#### Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

##### Item no. 5

M/s. S R Batliboi & Associates, Chartered Accountants, the retiring Statutory Auditors have expressed their unwillingness to be reappointed at the Statutory Auditors of the Company in the forthcoming Annual General Meeting.

In view of the above and based on the recommendation of the Audit Committee, the Board of Directors in their meeting held on April 15, 2010 proposed the appointment of M/s. S R Batliboi & Co., Chartered Accountants as the Statutory Auditors in place of M/s. S R Batliboi & Associates.

The Company has received a special notice from a Member of the company proposing the appointment of M/s. S R Batliboi & Co., Chartered Accountants as the Statutory Auditors of the Company.

The Members approval is being sought to the appointment of M/s. S R Batliboi & Co., Chartered Accountants as the Statutory Auditors and to authorize the Board of Directors on the recommendation of the Audit Committee to fix the remuneration.

The Board recommends this resolution for your approval. None of the Directors are interested in the resolution.

#### DETAILS OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

##### (IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)

Name of Directors	Shri P.R. Khanna	Shri K.K. Kapur
Date of Birth	2nd July 1933	15th October 1937
Date of Appointment	8th September 1983	9th April 2001
Qualifications	- Member of Institute of Chartered Accountants of India	Post-graduate in Mathematics - Member of the Institute of Cost and Works Accountants of India
List of outside Directorship	1. Ansal Properties & Industries Ltd. 2. DCM Shriram Industries Ltd. 3. Uniproducts India Limited 4. UTI Asset Management Co. Limited 5. C & S Electric Ltd. 6. Carnation Auto India (P) Limited 7. Modi Tyres (P) Limited.	Nil
Number of shares held in the company	Nil	Nil

## DIRECTORS' REPORT

TO  
THE MEMBERS,

Your Directors are pleased to present the 31st Annual Report together with the Audited Statement of Accounts of the Company for the accounting year ended March 31, 2010. Management's discussion and Analysis has been included as part of this report.

**FINANCIAL RESULTS :**

Particulars	2009-2010 (Rs. in lacs)	2008-2009 (Rs. in Lacs)
Sales and Operating Income	11213.06	7648.80
Profit before Interest & Depreciation	1396.41	1048.68
Finance Expenses	41.12	139.13
Profit before Depreciation	1355.29	909.55
Depreciation	163.27	142.25
Net Profit for the year	1192.02	767.30
Interim Dividend	78.75	-
Proposed Final Dividend	131.25	105.00
Transferred to General Reserve	116.20	70.00

**OPERATIONAL PERFORMANCE**

During the year under review your company has achieved a turnover of Rs.112.13 crores as against Rs. 76.48 crores in the previous year. The Operational Profit, before making provision for interest and depreciation, amounted to Rs.13.96 crores as against Rs. 10.48 crores in the previous year.

The recent increase in raw material prices has exerted pressure on operating costs.

We have increased our operational efficiencies and fine-tuned our manufacturing processes to refine quality levels even further. The company has put in efforts to go the extra mile in ensuring higher productivity and quality.

The company has completed an expansion of its manufacturing plant at Nalagarh, Himachal Pradesh. As a result of this expansion, the monthly production capacity of Precured Tread Rubber of the plant stands now at around 1200 tons a month besides over 1800 tons of uncured rubber gum. This expansion was completed in a record time enabling the company to avail the benefits of excise etc, on the increased production for nearly next five years.

The financial year saw the company registering increased sales in all the customer segments that it operates in i.e. retail, institutional and exports.

Due to increased demand of our primary product i.e. Precured tread rubber, product accessories such URSG and vulcanizing cement saw a heightened demand. We were manufacturing to capacity and still not able to meet the demand of all the customers. The increase in capacity because of expansion would now allow us to meet this demand.

**DIVIDEND**

During the year your directors declared Interim dividend of Rs. 1.50 per share on October 13, 2009, which has been paid.

The Directors are pleased to recommend final dividend of Rs.2.50 per equity share thus making a total of Rs.4.00 per equity share for the financial year 2009-2010. The dividend is tax free in the hands of the shareholders.

**INDUSTRY EXPERIENCE**

Customers have become more cost conscious and competition more fierce. The past year saw new entrants in the form of Tyre companies launching their own brand of retreads. The response so far has been tepid and we are confident of holding our own against these entrants.

The established network of the company by way of dealers has allowed fast delivery of material to customers wherever they may be. This has given our customers an added advantage over the competition in lowering their working capital requirements.

Since tread compounds and patterns also contribute to a tyre's fuel efficiency, we continue working on new compounds and designs to help customers with fuel economy and eco-friendly retreads.

## **OPPORTUNITIES AND THREATS**

The tyre retreading industry as whole has seen growth over the past year. The level of radialization is steadily increasing which necessitates the use of best quality retreads to get the maximum benefit out of the use of radial tyres. Further, the transportation industry is slowly adopting a hub and spoke model, thus allowing for the use of more retreads as transporters prefer to use retreads on short distances.

The presence of local manufacturers who are producing low quality tread rubber poses a big threat to the industry as a whole. The absence of quality manufacturing standards in retread industry hurts the consumer confidence in retreading in general.

The steep rise in raw material prices poses another major threat to retreading industry.

## **RISKS AND THEIR MITIGATION**

The Company is exposed to various risks which are normal in any business enterprise. The main ones and the steps undertaken to mitigate these risks are mentioned below:-

- **Financial risk:** Credit risk on account of material supplied to customers has been mitigated to a large extent by insisting on large number of parties to pay in advance before supplies are made. In the case of others PDC's are taken against supplies. The risk of delayed payment from STU's is controlled and managed by rigorous follow-up.
- **Increase in price of raw materials:** Normal increase in prices of raw materials is generally factored while fixing product prices to the customers. Unexpected increases however do affect profitability till prices are revised to meet the costs. In case of fixed price contracts, unprecedented increase in raw material prices have serious impact on margins.
- **Changes in governments policies:** Changes in government policies can at times materially effect company's financial position or investments. There is little that can be done about it.
- **Operational risk:** Preventive maintenance is carried out to achieve high level of machine availability. Adequate inventory of stocks at each stage of operation is maintained to keep production going on in case of any breakdown.
- **Product risk:** Research and development is being undertaken to deliver better products, service and value to end-customers.

## **HUMAN RESOURCE DEVELOPMENT**

During the year the company had cordial relations with workers, staff and officers. The shop floor management is done through personal touch, using various motivational tools and meeting their training needs requirements. We believe in empowering our employees through greater knowledge, team spirit and developing greater sense of responsibility. There were 211 regular employees during the year.

## **INTERNAL CONTROL SYSTEM**

The Company has adequate internal control systems and procedures designed to effectively control the operations at its Head Office, Plants and depots. The internal control systems are designed to ensure that the financial and other records are reliable for the preparation of financial statements and for maintaining accountal of assets. The Company has adequate Budgetary Control System and actual performance is constantly monitored by the management. The Company has well designed organization structure, authority levels and internal guidelines and rules. Independent internal auditors conduct 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 findings of Internal audit are reviewed by the top management and by the Audit Committee of the Board of Directors. The external auditors have evaluated the system of internal controls in the company and have reported that the same is adequate and commensurate with the size of the Company and the nature of its business.

## **COMMITMENT TO QUALITY**

Indag recognizes quality as a pre-requisite for its operations and has implemented ISO 9001:2000 standards at Nalagarh plant and Head Office.

**ENVIRONMENT PROTECTION**

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

**DIRECTORS**

In accordance with Article 99 of the Articles of Association of the Company, Sh. P.R.Khanna and Sh.K.K.Kapur will retire from office by rotation, and being eligible, offer themselves for re-appointment.

The Board at its meeting held on January 13, 2010 appointed Mr. Nand Khemka as Chairman cum Managing Director for a period of five years effective April 1, 2010. Approval of the Members to the above appointment was sought and obtained by way of postal ballot.

**AUDITORS' REPORT**

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

**AUDITORS**

The retiring auditors of the Company, S.R.Batlboi & Associates, Chartered Accountants, have expressed their unwillingness to be reappointed for the next year.

The company has received special notice from a member signifying the intention to propose the appointment of M/s. S R Batlboi & Company, Chartered Accountants as the Statutory Auditors of the company. The requisite certificate under section 224(1B) of the Companies Act 1956 has been received from them.

**PARTICULARS OF EMPLOYEES**

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended, regarding employees is given in Annexure II.

**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 Mumbai and Delhi.

**DEPOSITORY SYSTEM**

The shares of your Company are being traded in electronic form and the Company has 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. As on March 31, 2010, a total of 1661171 equity shares which forms 31.64% of the share capital stands dematerialized.

**CORPORATE GOVERNANCE**

A separate report on Corporate Governance is included in the Annual Report and the Certificate from the practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement is annexed thereto.

**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

The Management Discussion and Analysis Report, as required by clause 49 of the listing agreement, is already dealt with in various sections of this Report.

**CAUTIONERY STATEMENT**

Statements in this report, describing the Company's objectives, expectations and/or predictions may be forward looking within the meaning of applicable securities law and regulations.

Actual results may differ materially from those stated in the statement. Important factors that could influence the company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, availability of inputs and their prices, changes in the Government policies, regulations, tax laws, economic developments within the country and outside and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of the forward-looking statements, which may undergo changes in future on the basis of subsequent developments, information or events.

#### **DIRECTOR'S RESPONSIBILITY STATEMENT**

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2009-2010 are in 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 as disclosed in Annual Accounts are consistently applied and reasonable, prudent judgment 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 approved policies and procedures have been followed.

#### **APPRECIATIONS**

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

For and on behalf of the Board  
**INDAG RUBBER LIMITED**

New Delhi  
April 15, 2010

**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:

The company has implemented various energy conservation measures during the financial year which has resulted in the reduction of overall electrical energy and fuel consumption per ton of production.

## (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.

During the year the Company has exported retreading material of Rs.239.39 lacs.

(b) Total Foreign Exchange used and earned:

Particulars	2009-2010 (Rs.in lacs)	2008-2009 (Rs.in lacs)
Foreign Exchange earned	239.39	215.20
Foreign Exchange used	26.86	92.50

## FORM - B

(See Rule 2)

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

## RESEARCH AND DEVELOPMENT

Sustained R&D efforts are being made by the Company 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, continually updates technology, and greater emphasis is laid on indigenisation and cost reduction.

Specific Areas in which R&D is carried out by the Company are:

- Development of new designs and products.
- Process changes to further improve quality and consistency of the product.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

We continue to be in a position to offer our Indian customers a better and more qualitative services in the field of tyre retreading.

Evaluation and introduction of new raw materials are regularly carried out to offer specific property improvements and thereby to achieve improved product performance.

New patterns are developed and introduced to obtain specific performance characteristics.

3. Information regarding technology imported during last five years.

No technology, as such, has been imported during last five years.

## ANNEXURE-II

## PARTICULARS OF EMPLOYEES

## (UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975)

Name	Designation & Nature of Duties	Remuneration Gross (Rs.)	Qualifications	Date of Commencement of Employment	Total Experience	Age in years	Last Employment
K K Kapur	Whole Time Director & CEO	57,05,537	Masters in Mathematics, ICWA	9 April 2001	50	72	Enron India Pvt.Ltd.

