

Annual Report - 2003

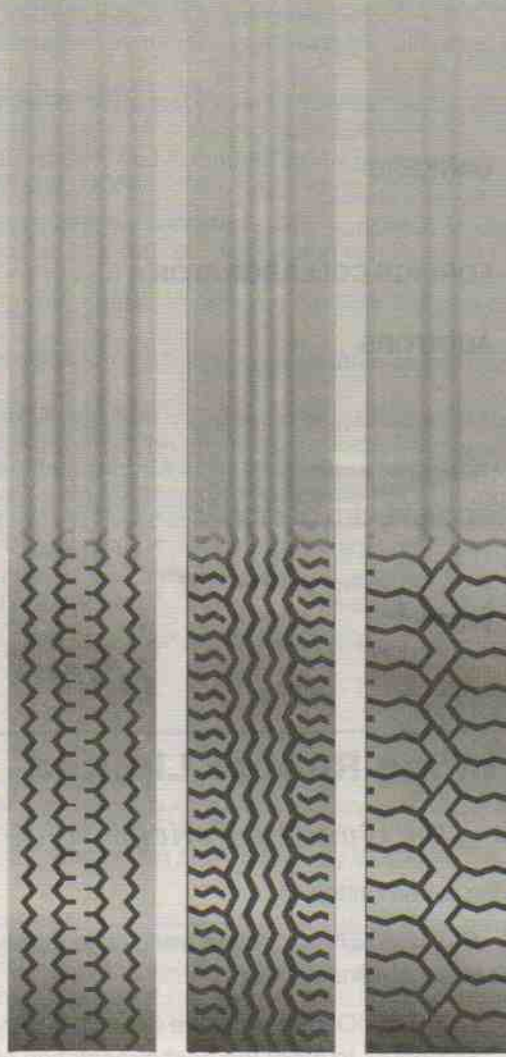
An ISO 9002 Company



The Quality Advantage



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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 FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON FRIDAY, THE 18th JULY, 2003 AT 9.30 A.M AT DOLLY FARMS & RESORTS PVT. LTD., (NEAR THE EXECUTIVE CLUB) 439, VILLAGE SHAHOORPUR, P.O. FATEHPUR BERI, NEW DELHI-110030, 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 2003 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. R. Parameswar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. P.R.Khanna, 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. Batliboi & Co., Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to audit the Accounts for the Accounting Year 2003-2004 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 and 10 days with effect from 22nd May, 2003 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 and 10 days w.e.f. 22nd May 2003 to 31st May 2004.

(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.9,00,000/- (Nine 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 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 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
May 23, 2003

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 Thursday the 3rd July, 2003 to Friday the 18th July, 2003 (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.
7. 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.

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 23rd May 2003.

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 with effect from May 22, 2003, for a period of one year and 10 days, 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 41 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
May 23, 2003

Rajeev Khanna
DGM (Finance) cum Company Secretary

*Details of Directors seeking re-appointment in Annual General Meeting fixed on 18th July, 2003 continued on Page No. 32.

DIRECTORS' REPORT

TO

THE MEMBERS,

Your Directors are pleased to present the 24th Annual Report together with the Audited Statement of Accounts of the Company for the accounting period ended March 31, 2003. We have included, as a part of this report the Management Discussion and Analysis.

FINANCIAL RESULTS :

(Rs. in Lacs)

Particulars	2002-2003	2001-2002
Profit (Loss) before Interest & Depreciation	43.80	(111.92)
Finance Expenses	60.50	58.97
Profit (Loss) before Depreciation	(16.70)	(170.89)
Depreciation	42.97	48.23
(Loss) before Income Tax	(59.67)	(219.12)
Deferred Tax Assets	18.78	81.30
Excess provision for Income Tax Written back	-	16.87
(Loss) for the year	(40.89)	(120.95)
(Debit)/Credit Balance brought forward from previous year	(92.65)	(28.30)
(Loss) carried to balance sheet	(133.54)	(92.65)

OPERATIONAL PERFORMANCE

During the year under review the Operational Profit, before making provision for Interest and depreciation, amounted to Rs. 43.80 lacs as against loss of Rs.111.92 lacs in the previous year. This Operational Profit was made after providing for nearly Rs.72 lacs on account of non-moving stocks, doubtful debts, irrecoverable advances etc. relating to previous years. But for this provision, your Company would have made a nominal profit of Rs.12 lacs even after providing for depreciation and interest. This turn-around has been achieved through nearly 24% increase in sales volume, and through various actions for reducing production costs like lowering of power and fuel consumption, reduction in maintenance costs, wastages etc.

The Raw Material prices particularly Natural Rubber and Synthetic Rubber prices increased steeply in the current year, as compared to the last year. Most of these increases in prices could not be passed on to the customer because of intense competition from the unorganized sector.

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.

INDUSTRY EXPERIENCE

After two years of negative growth the truck and bus new tyres segment witnessed double digit growth. Sale of new trucks/buses during the year 2002-2003 also saw growth on month to month basis over the previous year. However, corresponding change of fortune in the growth of tyre retreading industry was not witnessed, though there was a marginal positive impact on the industry. It is hoped that higher sale of new tyres and trucks & buses will make large number of casings available in course of time for retreading and lead to this industry's growth.

The Tread Rubber manufacturing industry can be classified into two categories, the organized sector and the unorganized sector. The organized sector comprises of a few companies, Indag being one of them. The unorganized sector comprises of a very large number of small manufacturers and has acquired a share of 70% to 75% of the retreading market. The companies in the organized sector at times face certain difficulties to compete with those in the unorganized sector who do not comply fully with requirements of taxes, levies etc.

OPPORTUNITIES AND THREATS

There are several developments taking place which gives us a hope that retreading industry will grow in coming years. Mega road construction project known as Golden Quadrilateral connecting all 4 corners of the country, launched by Hon'ble Prime Minister, clearly indicates the importance being given to the construction of good roads in the country.

The Union Budget 2003-2004 undertakes to provide 48 new projects at an estimated cost of Rs. 40,000/- Crores over and above the Golden Quadrilateral. The availability of good roads will enable retreading of same tyre being

done more often and would become more cost effective compared to buying new tyres. The construction of good roads of international standards will normally make usage of the large trucks a more economic option. This would lead to greater demand for quality retreading instead of cheap retreading. Further, the transporters and the government have agreed that over-loading should not be done or allowed to be continued. In case it is effectively enforced, this will enable retreading of tyres to be done more often than at present. The usage of radial tyres is also expected to grow with the availability of better roads. This too will lead to greater demand for retreading and most likely for better quality retreads.

The reduction of excise duty from 32 % to 24% on new tyres, is however, working as dis-incentive for retreading, as the gap between the price of new tyre and that of retreaded tyres has got narrowed down.

Taking all the factors into account it appears that retreading industry is likely to grow in the years to come. Indag is taking steps to take advantage of this opportunity. The company is appointing new franchisees and also giving focussed attention to educate the end customers. In the last 1 to 1 ½ years 15 new products were introduced and another 5-10 are being planned in the current year in order to cater to the customers needs and meet competition from the unorganised sector. The company is also focusing on big markets by working very closely with franchisees in order to add value for the end-customers.

RISK AND CONCERNS

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

HUMAN RESOURCE DEVELOPMENT

During the year, the Company had cordial industrial relations. A three year agreement was signed with the workers' union of Company's Plant at Bhiwadi. A 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 223 and training is conducted periodically.

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.

FUTURE OUTLOOK

With an aim to make India a developed country, the infrastructure sector is being given major boost to provide impetus to the economic development. Road transport industry is also expected to grow with construction / development of new road links between major cities. Growth of Road Transport industry implies growth of retread industry.

Indag is already taking steps to avail growth opportunities by continuous improvements in the products, introducing new products, providing support and services to the franchisees and focusing on end customers to provide value for money.

COMMITMENT TO QUALITY

Indag recognizes quality as a pre-requisite for its operations and has implemented ISO 9002 standards at Plant and Head Office. The Company is taking requisite steps for up gradation of its standards to conform to ISO 9000:2000 versions.

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 2003 for a period of one year & 10 days.

In accordance with Article 99 of the Articles of Association of the Company, Mr. R Parameswar and Mr. P.R.Khanna 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.

