

30th

Annual Report 2009



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.

CONTENTS

Notice	1
Director's Report	4
Annexure-I	7
Auditors' Report	15
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Schedules to the Account	21

NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTIETH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON WEDNESDAY 22ND JULY 2009 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 2009 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.S.L.Khemka, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr.R Parameswar, who retires by rotation and being eligible offers himself for re-appointment.
4. To declare dividend.
5. To appoint M/s. S.R. Batliboi & Associates, Chartered Accountants as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

"Resolved that pursuant to the provisions of 309 (4) of the Companies Act, 1956 consent of the members be and is hereby accorded for payment of commission not exceeding 1% of the net profits of the company for each financial year computed in accordance with the provisions of Section 198 of the Companies Act, 1956 to its Directors (other than the Managing Director / Whole-time Directors) to be divided amongst them in such proportion as may be determined by the Board of Directors from time to time for a period of five (5) years commencing from 1st April 2008."

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

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

For and on behalf of the Board of Directors

New Delhi
April 23, 2009

Manali D.Bijlani
Company Secretary

NOTES

The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business set out at item nos. 6 and 7 of the Notice is annexed hereto.

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 14th July 2009 to 22nd July 2009 (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.

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 R. Parameswar	Shri S.L.Khemka	Prof.Hitendra Wadhwa
Date of Birth	17th May 1933	1st January 1927	25th January 1967
Date of Appointment	27th April 1993	Since incorporation	16th October 2008
Qualifications	Post Graduate (History) Indian Audit and Accounts Service	Graduate	B.A. (Honors in Mathematics) from St. Stephen's College, Delhi. MBA and Ph.D. from the Sloan School of Management at MIT
List of outside Directorship held on 31st March 2009	Nil	Nil	Nil
Number of shares held in the company	Nil	Nil	Nil

Explanatory Statement

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

Item No.6: Remuneration to Directors other than Managing Director/ Whole-time Director

The Non-Executive Directors of your Company bring with them significant professional expertise and rich experience across a wide spectrum of functional areas.

The Board is of the view that it is necessary that some compensation be given to the Non-Executive Directors so as to compensate them at least to some extent for their time and efforts and also to retain and attract the pool of talent for the growth of the Company.

The Board proposes to pay commission not exceeding 1% of the net profits of the company for each financial year computed in accordance with the provisions of Section 198 of the Companies Act, 1956 to its Directors (other than the Managing Director / Whole-time Directors) to be divided amongst them in such proportion as may be determined by the Board of Directors from time to time, for a period of five (5) years commencing from 1st April 2008.

The payment is subject to the approval of members by way of Special Resolution.

The Non-Executive Directors viz. Mr.S.L.Khemka, Mr.P.R.Khanna, Mr.R.Parneswar and Professor Hitendra Wadhwa are concerned or interested in the resolution to the extent of the payment that they may receive by way of commission on profits.

Mr. Nand Khemka, being the brother of Mr. S.L.Khemka, may also be deemed to be interested in this resolution.

No other Director of the Company is in any way concerned or interested in the resolution.

The Board of Directors recommends the passing of the resolution as set out at Item No. 6 of the Notice.

Item No. 7: Appointment of Director

Pursuant to the provisions of the Companies Act, 1956 Professor Hitendra Wadhwa was appointed as an Additional Director of the company by the Board of Directors in their meeting held on October 16, 2008.

Professor Wadhwa has received his MBA and Ph.D. from the Sloan School of Management at MIT, and his B.A. (Honors in Mathematics) from St. Stephen's College, Delhi. Prof. Wadhwa has thirteen years of professional experience in strategy consulting, quantitative marketing and technology entrepreneurship.

Pursuant to section 260 of the Companies Act, 1956, Prof.Hitendra Wadhwa vacates the office at this Annual General Meeting. As required under Section 257, the company has received notice from a member signifying his intention to propose Prof.Hitendra Wadhwa for the office of Director. The company has also received deposit of Rs. 500/- as required under the Act. Your directors recommend the appointment of Prof.Hitendra Wadhwa as per proposed resolution. Except Prof.Hitendra Wadhwa, no other director is interested in the proposed resolution.

For and on behalf of the Board of Directors

New Delhi
April 23, 2009

Manali D.Bijlani
Company Secretary

DIRECTORS' REPORT

TO
THE MEMBERS,

Your Directors are pleased to present the 30th Annual Report together with the Audited Statement of Accounts of the Company for the accounting year ended March 31, 2009. We have included Management's Discussion and Analysis as a part of this report.

FINANCIAL RESULTS:

Particulars	2008-2009 (Rs. in lacs)	2007-2008 (Rs. in Lacs)
Sales and Operating Income	7614.94	7394.11
Profit before Interest & Depreciation	1048.69	1132.14
Finance Expenses	139.13	131.48
Profit before Depreciation	909.56	1000.66
Depreciation	142.24	140.06
Net Profit for the year	767.32	860.59
Proposed Dividend	105.00	105.00
Transferred to General Reserve	70.00	70.00

OPERATIONAL PERFORMANCE

During the year under review your company has achieved a turnover of Rs. 76.14crores as against Rs. 73.94 crores in the previous year. The Operational Profit, before making provision for interest and depreciation, amounted to Rs. 10.48 crores as against Rs. 11.32 crores in the previous year.

DIVIDEND

The Directors are pleased to recommend a dividend of Rs. 2/- per equity share for the financial year 2008-09. The dividend would be tax free in the hands of the shareholders.

INDUSTRY EXPERIENCE

Prices of the basic raw materials particularly PBR, natural rubber, carbon black and rubber chemicals increased in an unprecedented manner in the first half of the year. These increases put the retread/tyre industry under considerable cost pressures and seriously affected profitability. However, in the second half prices started coming down, linked as these are to the price of barrel of oil, and salvaged the situation to some extent. Prices of natural rubber are again touching high levels, having increased by nearly Rs. 40/kg between December, 2008 and March, 2009, without much justification.

OPPORTUNITIES AND THREATS

Retread industry has been hoping for better days with the introduction of radialisation in truck and bus sector, better controls on over loading, and construction of better quality roads along National Highways under Golden Quadrilateral project and roads planned connecting North-South and East-West corridors etc. The growth in demand for retreading will depend upon how fast these efforts/projects get implemented.

The threats to retread industry come mostly from within-those who bring bad name to retreading by using poor quality retreads or doing a shoddy job of retreading. This reduces faith in retreading in the minds of trucker. For sometime during the year, threats had also appeared from Chinese tyres imported at low prices. Soon however, this threat got very much reduced due to their poor quality and also ban on import of these tyres.

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 strict application of credit policy.
- 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. To strengthen the sales and marketing team outside experts were engaged who spent considerable time to train the marketing officers at various levels. 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 179 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. S.L.Khemka and Sh.R Parameswar will retire from office by rotation, and being eligible, offer themselves for re-appointment.

During the year Professor Hitendra Wadhwa was appointed as an Additional Director of the Company. Pursuant to Section 257 of the Companies Act, 1956, the Company has received a notice from a member proposing the candidature of Professor Hitendra Wadhwa for the office of director and the requisite fee has been deposited. Your directors recommend the appointment of Professor Hitendra Wadhwa.

AUDITORS' REPORT

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

AUDITORS

The Auditors of the Company, S.R.Batliboi & Associates, 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.

