



# 32ND ANNUAL REPORT

# 2011



Indag Rubber Limited

## NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY-SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON TUESDAY THE 9<sup>TH</sup> AUGUST 2011 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 2011 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.S.L.Khemka, who retires by rotation and being eligible offers himself for re-appointment.
4. To declare dividend.
5. To appoint M/s. S.R. Batliboi & Company, 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 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 five years with effect from June 1, 2011 who has attained the age of 73 years, 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:** Five Years w.e.f. June 1, 2011.

**(C) REMUNERATION****Fixed Salary Component**

- 1) Salary : Rs.3,00,000/- per month
- 2) House Rent Allowance : Rs.65,457/- per month.
- 3) Perquisites : Perquisites will be allowed in addition to salary restricted to an amount equal to the Annual Salary or Rs.91,000/- 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.
- 4) The remuneration will be increased every year at the rate of Rs.50,000/- per month.

**Variable Salary Component**

- 5) Bonus : The Whole-time Director will also be entitled to profit sharing bonus, at the rate of 2% of profits calculated as per the provisions of section 349 and 350 of the Companies Act, 1956.



**Classification of Perquisites :****Category A**

**Leave Travel Concession:** Reimbursement towards the expenses incurred by him and his family on leave travel once in a year for an amount not exceeding Rs. 76,000/- per annum.

**Medical Expenses :** Reimbursement towards the medical expenses incurred on himself or on his family for an amount not exceeding Rs. 15, 000/- 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 services or part thereof in excess of six months, subject to a ceiling as per Payment of Gratuity of 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 car with driver and telephone facility at the residence of the Whole time Director.

Notwithstanding anything to the contrary herein contained, where in any financial year during the tenure of Mr. K K Kapur as Whole Time Director, the Company incurs losses or its profits are inadequate, the Company shall pay to Mr. K K Kapur, the above remuneration by way of Fixed salary, Perquisites, allowances and other benefits payable as a minimum remuneration, subject to complying with restrictions / requirements in this regard under relevant provision of the Companies Act, 1956 and related statutory regulations.

**Other Terms and conditions:**

- 1) 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.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) The Whole Time Director shall be liable to retire by rotation.

For and on behalf of the Board of Directors

New Delhi  
April 18, 2011

**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 1<sup>st</sup> August 2011 to 9<sup>th</sup> August 2011 (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	Shri K.K.Kapur
Date of Birth	17 <sup>th</sup> May 1933	1 <sup>st</sup> January 1927	15 <sup>th</sup> October 1937
Date of Appointment	27 <sup>th</sup> April 1993	Since incorporation	9 <sup>th</sup> April 2001
Qualifications	Post Graduate (History) Indian Audit and Accounts Service	Graduate	- Post-graduate in Mathematics - Member of the Institute of Cost and Works Accountants of India
List of outside Directorship held on 31st March 2011	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: Appointment of Whole-time Director**

Mr. K.K.Kapur has been re-appointed as a Whole-time Director of the company by the Board of Directors with effect from June 1, 2011, for a period of five years, pursuant to the provisions of the Companies Act, 1956.

Mr. K. K. Kapur was initially appointed as Whole Time Director on 9<sup>th</sup> April 2001, Thereafter, his term of office was renewed in the year 2002, 2003, 2004, 2005 and 2008.

Mr.K.K.Kapur, aged 73 years, 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 50 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.

Presently, Mr.K.K.Kapur is not a director on the Board of any other company or a member/chairman of any other Committee.

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 Remuneration Committee and the Board of Directors in their meetings dated 18<sup>th</sup> April 2011 approved the terms of appointment and remuneration of Mr.K K Kapur.

The special resolution as set out in item no. 6 of the annexed notice is, therefore recommended for your approval. The Board considers that it would be in interest of the Company to appoint Mr.K K Kapur as the Whole-time Director of the Company.

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

Abstract of the terms of appointment and memorandum of interest pursuant to Section 302 of the Companies Act, 1956 has already been sent to all the Members of the Company.

For and on behalf of the Board of Directors

**Manali D.Bijlani**  
Company Secretary



## DIRECTORS' REPORT

To

**THE MEMBERS,**

Your Directors are pleased to present the 32<sup>nd</sup> Annual Report together with the Audited Statement of Accounts of the Company for the accounting year ended March 31, 2011. Management's discussion and Analysis has been included as part of this report.

**FINANCIAL RESULTS:**

Particulars	2010-11 (Rs.in lacs)	2009-10 (Rs.in lacs)
Sales and Operating Income	15027.62	11213.06
Profit before Interest & Depreciation	1670.22	1396.41
Finance Expenses	112.37	41.12
Profit before Depreciation	1557.85	1355.29
Depreciation	193.27	163.27
Profit before tax	1364.58	1192.02
Profit after tax	1075.25	1157.36
Interim Dividend	78.75	78.75
Proposed Final Dividend	131.25	131.25

**OPERATIONAL PERFORMANCE**

During the year under review your company has achieved a turnover of Rs.150.27 crores as against Rs. 112.13 crores in the previous year. The Operational Profit, before making provision for interest and depreciation, amounted to Rs.16.70 crores as against Rs. 13.96 crores in the previous year.

The year saw unprecedented increase in the prices of raw materials in the second half. The price of Natural Rubber as well as Synthetic Rubber increased by over 50% between October 2010 to February, 2011. As a result we were compelled to increase the price of our products on more than one occasion during this period. There was considerable consumer resistance which adversely affected the demand.

Due to employment of funds for expansion and for meeting the high cost of raw materials, the working capital requirements increased substantially resulting in increase in interest and financing cost from Rs. 0.41 Crores in the previous year to Rs. 1.12 Crores in the current year.

Your company has taken several steps to reduce costs and increase operational efficiency, as a result of which, the company despite inflationary pressures made profits before tax of Rs.13.65 Crores compared to Rs.11.92 Crores in the previous year showing a growth of 14%.

Your company was enjoying 100% Income Tax exemption for previous five years which ended in financial year 2009-2010. During next five years only 30% of the profits will be exempt from income tax.

The company will continue its efforts to grow so that impact of loss of tax benefit is minimized.

**DIVIDEND**

During the year your directors declared Interim dividend of Rs. 1.50 per share on November 9, 2010 which has been paid.

The Directors are pleased to recommend a final dividend of Rs.2.50 per equity share thus making a total dividend of Rs.4.00 per equity share for the financial year 2010-2011. The dividend is tax free in the hands of the shareholders.

**INDUSTRY EXPERIENCE**

The raw materials prices particularly of Natural and Synthetic rubber reached very high levels, especially during the last four five months of the year. With raw material costs accounting for nearly 70% of the cost of production, combined



with intense competition, profitability could not increase proportionately to sales increase.

The Automotive Tyre Manufacturers Association (ATMA) of India has requested the Government for allowing duty-free imports of key raw materials, including synthetic rubber and rubber chemicals. This would help the industry in cutting down the cost of raw materials imported from China, South Korea, Malaysia and Russia.

The established network of the company has enabled fast delivery of material to customers wherever they may be.

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.

We continuously undertake research to improve the tread compounds which can perform better and reduce costs.

#### **OPPORTUNITIES AND THREATS**

Tyre retreading in India has gained greater acceptance in the commercial segment, due to operational savings. High quality retreading products gave acceptance in commercial segment which offer added financial benefits.

Retreading cost is approximately 25% - 30% the cost of a new tyre and helps increase the service life of tyres. Increasing price of tyres and supply deficit of rubber for tyre manufacturing may give further boost to retread industry.

Improvement in quality of roads and reduced overloading are expected to give fillip to retreading.

However 80% of the Indian retreading industry which is fragmented and lies with numerous unorganized participants, who produce low quality tread rubber or do poor retreads, 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.

#### **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 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, supply of good quality tread etc., and obtaining PDC before delivery wherever possible.
- **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 increased costs. In case of fixed price contracts, mainly with STUs, unprecedented increase in raw material prices have serious impact on margins. Some STUs do not agree to tread prices being indexed to prices of raw material.
- **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 continuously 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 251 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 account 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 and productivity as a pre-requisite for its operations and has implemented ISO 9001:2008 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, Mr. R. Parameswar and Mr. S L Khemka will retire from office by rotation, and being eligible, offer themselves for re-appointment.

Pursuant to the terms of appointment, Mr. K K Kapur will vacate the office of Whole Time Director on 31<sup>st</sup> May 2011. The Board has recommended to reappoint Mr. K K Kapur as Whole Time Director for further period of five years on the terms and conditions as set out in the notice.

#### **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. Battiboi & Company, 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**

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, 2011, total of 1677245 equity shares which forms 31.95% 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, are 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 2010-11 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**

**NAND KHEMKA**

**CHAIRMAN CUM MANAGING DIRECTOR**

New Delhi  
April 18, 2011



