



17th
ANNUAL REPORT
2001-02



DEWAN RUBBER INDUSTRIES LIMITED
MEERUT



RUBBER INDUSTRIES LIMITED

BOARD OF DIRECTORS : SHRI V.S. DEWAN Chairman & Managing Director
 SHRI J.C. DEWAN
 SHRI R.K. DEWAN
 SHRI K.L. DEWAN
 SHRI S.K. VERMA
 SHRI K.R. GUPTA

BANKERS : BANK OF BARODA
 PUNJAB NATIONAL BANK
 STATE BANK OF PATIALA
 UTI BANK LTD.

AUDITORS : GUPTA PRAMOD & CO.
 CHARTERED ACCOUNTANTS
 MEERUT (U.P.)

REGISTERED OFFICE : POST BOX No. 143,
 VILLAGE RITHANI,
 DELHI-MEERUT ROAD,
 MEERUT-250 001 (U.P.)

- UNITS**
1. CYCLE TYRE & TUBE UNIT,
 VILLAGE - RITHANI
 MEERUT (U.P.)
 2. 100% EOU TYRE & TUBE UNIT,
 VILLAGE - RITHANI,
 MEERUT (U.P.)
 3. 100% EOU COTTON YARN UNIT,
 DAURALA, MEERUT (U.P.)
 4. RECLAIM RUBBER UNIT,
 A-3, INDUSTRIAL AREA, DELHI ROAD,
 GHAZIABAD (U.P.)
 5. CALCIUM CARBONATE UNIT,
 BYE-PASS ROAD, PARTAPUR,
 MEERUT (U.P.)



DIRECTORS' REPORT

To,
The Members,

Your Directors present the 17th Annual Report together with the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2002.

FINANCIAL RESULTS

(Rs. in Lakhs)

	2001-2002 (12 Months)	2000-2001 (9 Months)
Sales & other income	4692.5	3675.9
Gross Profit (Loss) before interest & depreciation	(813.7)	(219.6)
Interest	3504.7	2524.9
Depreciation	636.4	470.3
Profit / (Loss) before tax	(4954.8)	(3214.7)
Prior period adjustments	7.7	460.1
Profit / (Loss) after tax	(4962.5)	(3674.8)
Transfer from investment allowance reserve (utilized)	—	80.1
Balance of Profit & Loss Account brought forward	(12286.3)	(8691.5)
(Loss) carried forward to Balance Sheet	(17248.8)	(12286.3)

DIVIDEND

In view of the poor performance of the Company, your Directors are unable to recommend any dividend for the year 2001-2002.

OPERATIONS

The year under review continued to be a difficult one for the Company. The company could achieve a turnover of Rs. 46.92 Crores during the year as against the previous year's turnover of Rs. 36.76 Crores of nine months. The Company suffered net loss of Rs. 49.54 Crores as compared to net loss of Rs. 32.14 Crores during the last period. The low volume of sales continued due to non availability of adequate working capital facilities leading to underutilisation of the manufacture facilities. The management has been making its sincere efforts to arrange funds for revival/settlement of outstanding dues and has submitted proposals to Banks and Financial Institutions but the efforts of the management have not yet been materialised in arranging the funds. Your Directors are confident for the revival of the Company and are making sincere efforts to raise the required finances.

REFERENCE TO BIFR

As the members are aware that due to complete erosion of its entire net worth as on 31st March, 2001, a reference was made on 17.07.2001 to the Board for Industrial and Financial Reconstruction (BIFR) under proviso to sub section (1) of Section 15 of the Sick Industrial Companies (Special



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Provisions) Act, 1985 for determination of measures for the rehabilitation of the company. Proceedings before the BIFR have already been started and the BIFR in their hearing held on 30.07.2002 has appointed IFCI Ltd. as the Operating Agency u/s 16(2) of the Act for conducting an inquiry into the Sickness of the Company and other related aspects by getting a Special Investigative Audit (SIA) of the Company's Accounts done by reputed firm of Chartered Accountants. The Company is proposing to file an appeal against some of the directions contained in BIFR's Orders dated 30.07.2002.

FIXED DEPOSITS

The company has not invited/accepted any fresh deposit from public during the year ended 31st March, 2002 under section 58A of the Companies Act, 1956.

DIRECTORS

Since the last Annual General Meeting, the following changes have taken place in the Board of Directors of your Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Shri V.S. Dewan and Shri J.C. Dewan retire by rotation and being eligible offer themselves for re-appointment. Further, the nominations of Shri A.K. Sharma and Shri Devender Singh have been withdrawn from the Board by the IFCI Ltd. and PICUP respectively.

AUDITORS

M/s Ashok & Co., Chartered Accountants, auditors of the company was to be retired at the ensuing Annual General Meeting. However, due to sudden sad demise of Sh. Ashok Kumar, Chartered Accountant, Proprietor of M/s Ashok & Co., the Board of Directors has appointed M/s Gupta Pramod & Co., Chartered Accountants, Meerut as auditors of the Company to fill the vacancy caused by the sudden death of the existing Auditor of the Company. M/s Gupta Pramod & Co. will be retiring at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further explanation.

AUDIT COMMITTEE

The Audit Committee was re-constituted on 30.10.2002 consisting of three members viz. S/Sh. S.K. Verma, V.S.Dewan and K.R. Gupta. Sh. V.S. Dewan is the Chairman of the Audit Committee.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement u/s 217(2AA) of the Companies Act, 1956, with respect to directors' responsibility statement, the Directors of your company confirm :

- i. that in the preparation of the annual accounts for the year ended 31st March, 2002, the applicable Accounting Standards have been followed and no material departures have been made from the same.
- ii. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for the year.



- iii. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv. Since the net worth of the Company has been completely eroded as on 31.3.2001 and accordingly a reference was made before the Hon'ble BIFR under proviso to sub section (i) of Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 for determination of measures for the rehabilitation of the Company, the accounts of the Company for the year ended 31st march, 2002 have been prepared on a going concern basis.

LITIGATIONS

Some creditors of the company have filed winding up petitions against the company in the High Court. Some of the creditors have also initiated legal proceedings in various Courts/Tribunals for recovery of their dues. Your company is taking appropriate steps to defend the said proceedings and is also negotiating with the parties for sorting out the matters amicably and on terms favourable to the Company.

OTHER INFORMATION

Annexure to this report gives the information in respect of conservation of energy, technology absorption and Foreign Exchange earnings and outgo, required 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 and forms a part of the Directors' Report.

None of the employees was in receipt of remuneration of Rs. 2,00,000 or more per month and hence the provisions of section 217(2A) of the Companies Act, 1956 are not applicable.

The equity shares of the company are presently listed with the Stock Exchanges at Kanpur, Delhi, Mumbai, Ahmedabad and Kolkata. The shareholders in their meeting held on 15.03.2001 had approved de-listing of equity shares of the company from stock exchanges at Ahmedabad and Kolkata. The Annual listing fee amounting to Rs. 5.62 lakhs is pending to the various stock exchanges.

In order to raise funds by issue of shares to increase the business activities of the Company, the Company increased its Authorised Capital from Rs. 25 Crores to Rs. 50 Crores during 1996. However, due to adverse capital market conditions and present financial health of the Company, it is no longer appropriate for the Company to come out with an issue in the next few years and hence, it has been decided to reinstate the authorised capital of the Company from Rs. 50.00 Crores to Rs. 25.00 Crores.

In the 11th Annual General meeting held on 27.03.1997, the Company declared dividend @ 20% pro-rata to its shareholders for the year 1995-96. The financial position of the Company deteriorated day by day and the Company could not make the payments of the Dividend within stipulated time. Since the liquidity position of the company has also been adversely affected due to continuous heavy losses in the subsequent years and the company has become Sick Industrial Company u/s 3(1)(o) of SICA, 1985, it has been decided to revoke dividend for the year 1995-96 subject to the approval of the shareholders in the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

The Report on Corporate Governance is annexed as part of this report.


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ACKNOWLEDGEMENT

Your Directors appreciate the valuable co-operation extended by the Central and State Government Authorities and are grateful to the financial institutions and bankers for their continued assistance, guidance and support.

Your Directors place on record their appreciation of the contribution made by the employees of the company at all levels, the shareholders, suppliers, dealers, customers and public for their support and confidence reposed in the management.

For and on Behalf of the Board of Directors

PLACE : MEERUT
DATED : 30.10.2002

V.S. DEWAN
CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

A. CONSERVATION OF ENERGY
Energy Conservation Measures taken :

- a) Energy conservation is receiving high priority, and major steps towards energy conservation are being taken by the company on a continuous basis.
 1. Closely monitors energy consuming equipments, company surrendered the sanctioned load of 3252 KVA over a period of three years and started the generation of power from its own generator sets.
 2. Maintains close liaison between energy generating centres and consuming points.
- b) Additional investments and proposals being implemented for reduction of consumption of energy.
The management endeavours to reduce consumption of energy and explorations/research in new areas for reduction in energy consumption.
- c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
The measures taken above for reduction in energy consumption will help to reduce the dependency on State Supplied power and stabilization of production with the reduction in cost of production.
- d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure to the Rules :

**FORM 'A'****FORM FOR THE DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSUMPTION OF ENERGY.****A. POWER & FUEL CONSUMPTION :**

	2001-02 (12 Months)	2000-01 (9 Months)
1. Power :		
a) Purchased : Units (Lakhs)	20.82	21.94
Total Amount (Rs.in Lakhs)	96.77	105.17
Rate/Unit (Rs.)	4.65	4.79
b) Own Generating :		
Through Diesel Generator (Units in Lakhs)	156.06	113.62
Units per litre of Diesel Oil	3.45	3.40
Cost/Unit (Rs.)	3.59	4.18
2. Coal :		
Quantity (Tonnes)	-	-
Total Cost (Rs.in Lakhs)	-	-
Average Rate/Tonnes	-	-
3. Furnace Oil :		
Quantity (Kilo Litre)	388.45	351.75
Total Amount (Rs.in Lakhs)	41.02	32.61
Average Rate (Rs./litre)	10.56	9.27

B. CONSUMPTION PER UNIT OF PRODUCTION :

There is no specific standard for the per unit consumption of electricity, as the consumption per unit depends on the production, and product mix, as the energy consumption per unit varies in accordance with the change in product mix.

FORM 'B'**1. RESEARCH & DEVELOPMENT :**

- i) Specific areas in which R&D carried out by the Company :
The company has installed proper laboratories at its various plants for the better study of its products quality.
- ii) Benefits derived as a result of the above R&D :
Reduction in cost of out-put, improvement of quality, better marketability.
- iii) Future Plan of Action :
The above activities shall continue and more efforts in this direction will be made.

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iv) Expenditure on R&D :

No System of separate maintenance of R&D records has yet developed. The expenditure is merged with various other heads of expenses.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

i) The efforts in brief towards technology absorption, adaptation and innovation :

The plants are based on indigenous technology. Every effort is made to know the latest development in technology in India as well as abroad.

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

It has helped the company to improve the quality of products according to the need of the market.

iii) Details of Imported Technology : NOT APPLICABLE

3. FOREIGN EXCHANGE USED AND EARNED :

	2001-02 (12 Months) (Rs. in lakhs)	2000-01 (9 Months) (Rs. in lakhs)
i) Foreign Exchange earned including Direct and indirect Exports	3437.31	2460.06
ii) Foreign Exchange used	52.75	28.93

For and on behalf of the Board of Directors

PLACE : MEERUT
DATED : 30.10.2002

(V.S. DEWAN)
CHAIRMAN



CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company lays much emphasis on the transparent and providing timely information to the Shareholders, investors, Stock Exchanges etc. on various matters including response to specific requests of the shareholders and requirements of the Stock Exchanges.

2. BOARD OF DIRECTORS

The Board consists of six directors. The directors on the board are experienced individuals who are active participants in the decision making process and to provide guidance and objective judgment to the company from time to time. The following directors constitute the Board.

1. Mr. V.S. Dewan
2. Mr. J.C. Dewan
3. Mr. R.K. Dewan
4. Mr. K.L. Dewan
5. Mr. K.R. Gupta
6. Mr. S.K. Verma

Attendance of each director at the Board Meeting, last Annual General Meeting and number of other directorship of each Director in various companies :

Name of the Director	Attendance Particulars		Other directorship
	Board Meetings	Last AGM	
1. Mr. V.S. Dewan	4	Yes	6
2. Mr. J.C. Dewan	3	Yes	3
3. Mr. R.K. Dewan	2	No	4
4. Mr. K.L. Dewan	4	Yes	2
5. Mr. K.R. Gupta	4	Yes	3
6. Mr. S.K. Verma	2	No	1

Four Board Meetings were held during the year. The dates on which the meetings were held are as follows :

30th June, 2001, 14th July, 2001, 1st December, 2001 and 31st January, 2002.

3. AUDIT COMMITTEE

The Board of the Company has constituted an Audit Committee, comprising Mr. V.S. Dewan, Mr. S.K. Verma and Mr. K.R. Gupta. Mr. V.S. Dewan is the Chairman of the Committee.

4. SHARE TRANSFER COMMITTEE

The committee approves share transfer and transmission, issue of duplicate certificates and reviews all other matters connected with securities. The committee presently comprises of the following persons Shri V.S. Dewan, Shri J.C. Dewan and Shri K.L. Dewan.

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5. GENERAL BODY MEETINGS

(A) LOCATION AND TIME FOR THE LAST 3 ANNUAL GENERAL MEETINGS :

Year	Meetings	Location	Date	Time
1999	14 th AGM	Bye Pass Road, Partapur, Meerut	22.12.1999 Wednesday	11.30 a.m.
2000	15 th AGM	Bye Pass Road, Partapur, Meerut	15.03.2001 Thursday	12.00 noon
2001	16 th AGM	Bye Pass Road, Partapur, Meerut	29.09.2001 Saturday	11.00 a.m.

(B) BOOK CLOSURE DATE

The 17th Annual General Meeting will be held on 31st December, 2002. Book Closure for the same is 31st December, 2002.

(C) POSTAL BALLOT SYSTEM

No special resolution was put through postal ballot last year nor is any proposed for this year.

6. LISTING OF STOCK EXCHANGE

The company is currently listed in the following Stock Exchanges. However the shareholders have approved delisting of shares from stock exchanges at Ahmedabad and Kolkata in the Annual General Meeting held on 15.03.2001.

1. The Uttar Pradesh Stock Exchange Association Limited (Regional Stock Exchange, Kanpur)
2. The Stock Exchange, Mumbai
3. The Delhi Stock Exchange Association Ltd., Delhi
4. The Stock Exchange, Ahmedabad
5. The Calcutta Stock Exchange Association Ltd., Kolkata

7. STOCK MARKET DATA

The Company's shares are not traded in stock exchanges, hence, they are not quoted.

8. Means of Communication

The quarterly results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors.