

# Annual Report - 2002



An ISO 9002 Company



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for Certification

**INDAG®**

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 THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON TUESDAY, THE 10<sup>TH</sup> SEPTEMBER, 2002 AT 11:00 A.M AT AIR FORCE AUDITORIUM, SUBROTO PARK, NEW DELHI - 110 010, 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 2002 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. S.L.Khemka, 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. Balliboi & Co., Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to audit the Accounts for the Accounting Year 2002-2003 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 with effect from 22<sup>nd</sup> May, 2002 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 w.e.f. 22<sup>nd</sup> May 2002.

## (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 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 to 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 to 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 9<sup>th</sup> 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  
June 10, 2002

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 14<sup>th</sup> August 2002 to 10<sup>th</sup> September 2002 (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.

**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 10<sup>th</sup> June 2002

**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 vide resolution passed by circulation with effect from May 22, 2002, 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 40 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  
June 10, 2002

Rajeev Khanna  
DGM (Finance) cum Company Secretary

#### Details of Directors seeking re-appointment in Annual General Meeting fixed on 10<sup>th</sup> September 2002

Name of Directors	Shri P.R.Khanna	Shri S.L.Khemka
Date of Birth	27.03.1933	01.01.1927
Date of Appointment	08.09.1983	02.06.1978
Expertise in specific Functional areas	Chartered Accountant	Industrialist
Qualification	Chartered Accountant	B.Com
List of outside Directorship held	1. ORG-MARG Research Ltd. 2. Select Holiday Resorts Limited 3. State Bank of India 4. India Performance Fund Ltd. (Mauritius)	1. Khemka Aviation Private Limited. 2. Associated Excavator & Dezers Private Limited. 3. M.P.Flour Mills Private Limited. 4. Khemka Spares & Accessories Pvt. Ltd. 5. Gear & Pinions Pvt. Ltd. 6. Khemka Exports Pvt. Ltd. 7. Khemka & Co. (Agency) Pvt. Ltd. 8. Khemka Instruments Pvt. Ltd. 9. Pankaj Dilip Private Limited
Chairman/ Member of the Committee of the Board of Directors of company	1. Indag Rubber Ltd. 2. State Bank of India 3. State Bank of India 4. State Bank of India 5. State Bank of India	Share Transfer Committee Audit Committee Executive Committee of Board Asset Liability Management Committee Local Board
	Member Member Member Member Chairman	NIL



## DIRECTORS' REPORT

TO

## THE MEMBERS,

Your Directors are pleased to present the 23<sup>rd</sup> Annual Report together with the Audited Statement of Accounts of the Company for the accounting period ended March 31, 2002.

## FINANCIAL RESULTS :

Rs. in Lacs

Particulars	2001-2002	2000-2001
Loss before Interest & Depreciation	111.92	137.00
Finance Expenses	58.97	70.89
Loss before Depreciation	170.89	207.89
Depreciation	48.23	42.66
Loss before Income Tax	219.12	250.55
Deferred Tax Assets	81.30	-
Excess provision for Income Tax Written back	16.87	-
Loss for the year	120.95	250.55
Balance brought forward from previous year's (Profit) /Loss	34.76	-
Less: Deferred Tax Assets (Net) adjusted as on 1 <sup>st</sup> April, 2001	63.06 (28.30)	(215.79)
Loss carried to balance sheet	92.65	34.76

## OPERATIONAL PERFORMANCE

During the year under review the sales revenue was Rs. 2160 lacs as compared to Rs. 2299 lacs in the previous year. The Company has incurred a loss of Rs. 219.12 lacs (previous year loss was Rs. 250.55 lacs), because of intense competition resulting in lowering of sales prices.

During the year under review, your Company's sales volume increased marginally to 1960 tons compared to 1837 tons in the previous year (6.7% increase).

Your Company changed has made certain basic changes in strategy during the year in order to meet the marketing environment.

During the year under review, the Company had two focused objectives: -

- Compensating for loss of STU (State Transport Undertaking) business and
- Driving major product improvements.

The first objective was met by appointing a second category of franchisees at various locations not hitherto catered to by the Indag Franchisees network.

With regard to second objective, i.e. product and quality improvement, we have successfully implemented numerous programs.

These two major strategies were implemented only during the second half of the year under review. Therefore, the full impact of these strategies will be felt only during the current financial year.

## 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.

## COMMITMENT TO QUALITY

Indag recognizes quality as a pre-requisite for its operations and has implemented ISO 9002 standards at Plant and Head Office.



**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. 22<sup>nd</sup> May 2002 for a period of one year.

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

**AUDITORS**

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

**LISTING**

Your Company is listed with the Stock Exchanges of Delhi and Mumbai and the annual listing fee for the financial year 2001-2002 has been paid.

**DEPOSITORY SYSTEM**

Pursuant to the directions issued by the Stock Exchange, Mumbai, the shares of your Company are required to be traded in electronic form and the Company had 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.

**CORPORATE GOVERNANCE**

Although the provisions of the Corporate Governance are not applicable to your Company for the year under review, requisite steps have been initiated to comply with the requirements. A report on Corporate Governance is annexed to this Annual Report.

**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

The Management Discussion and Analysis Report is annexed to this Annual Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2001-2002 are in full 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 are consistently applied and reasonable, prudent judgement 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 established policies and procedures have been followed.

#### **APPRECIATIONS**

Your Directors acknowledge and appreciate the support received from Bandag Inc. and Company's Bankers.

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

For and on behalf of the Board

**INDAG RUBBER LIMITED**

New Delhi  
10<sup>th</sup> June, 2002

**NAND KHEMKA**  
**CHAIRMAN**

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**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:**

Conservation of energy continues to be one of the key priorities of the Company. As an ongoing process, the Company has been implementing various measures for conservation of energy.

**(B) TECHNOLOGY ABSORPTION:**

Efforts made in technology absorption are given in prescribed Form (B) annexed.

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

- (a) Activities relating to export, initiatives taken to increase export, development of new export market for products and services and export plans.

The Company has been able to export retreading equipment and spare parts to Sri Lanka and is exploring new markets for export.

- (b) Total Foreign Exchange used and earned:

	2001-2002 (Rs. Lacs)	2000-2001 (Rs. Lacs)
Foreign Exchange earned	1.26	36.44
Foreign Exchange used	33.70	249.60

**FORM - B**

(See Rule 2)

**Disclosure of particulars with respect to Absorption, Research and Development.**
**RESEARCH AND DEVELOPMENT**

Sustained R&D efforts are being pursued by the Company with the assistance of Bandag Inc., USA to develop improved tread quality and designs, which suit Indian road conditions.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- Efforts, in brief, made towards technology absorption, adaptation and innovation.  
The Company being quality conscious, we continually update our technology, and greater emphasis is laid on indigenisation and cost reduction.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.  
Technology provided by Bandag has been considerably adapted and we continue to be in a position to offer our Indian customers a better and more qualitative range of services in the field of tyre retreading.
- Information regarding technology imported during last five years.  
No technology, as such, has been imported during the last five years.



## ANNEXURE TO THE DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

Although your Company is not required to comply with the conditions of the Corporate Governance forming a part of the listing Agreement, the Company has already initiated necessary steps to comply with the requirements.

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company recognizes the importance of the good Corporate Governance, which is the tool for building strong and ever lasting beneficial relationship with the customers, suppliers, bankers and more importantly with the investors.

The Company believes that its key decisions must serve the underlying goals of enhancing shareholders value over a sustained period of time, and achieving the definite and measurable performance targets.

## BOARD OF DIRECTORS

Composition of the Board

The Board of Directors is comprised of six directors, which includes one executive director and five non-executive directors.

Directors	Executive/ Non-executive/Independent	No. of Outside Directorship Held Companies		No. of Outside Committees Member Chairman	
		Public	Private		
Mr. Nand Khemka	Chairman, interested	4	8	8	
Mr.S.L.Khemka	Non-Executive, interested	Nil	9	Nil	
Mr.Mark Richter Thoeny	Non-Executive, interested	Nil	5	Nil	
Mr.P.R.Khanna	Non-Executive, independent	3	1	8	2
Mr.R.Parmeswar	Non-Executive, independent	2			1
Mr.K.K.Kapur	Whole-time Director, independent	2		2	1

## DIRECTORS' INTERESTS IN THE COMPANY

## A Non-Executive Directors

Directors	Relationship with other Directors	Business relationship with the company, if any	Remuneration paid during 2001-2002 (Rs.)		
			Sitting fees	Salary & perks	Total
Mr. Nand Khemka	Brother of Mr. S.L.Khemka		12000	Nil	12000
Mr. S.L.Khemka	Brother of Mr. Nand Khemka		Nil	Nil	Nil
Mr. Mark Richter Thoeny	Nil		Nil	Nil	Nil
Mr. P.R.Khanna	Nil		27000	Nil	27000
Mr. R.Parmeswar	Nil		18000	Nil	18000

Indag has a policy of not advancing any loans and not paying commission on profits to its Non-Executive/Independent Directors.