

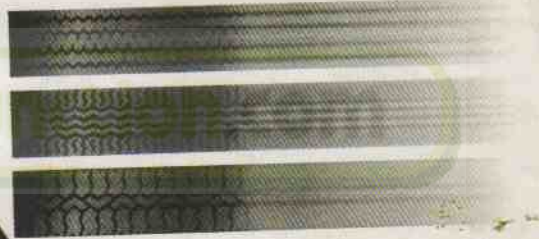
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INDAG®

25th



Annual Report-2004

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 FIFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON TUESDAY THE 20TH JULY, 2004 AT 10:00 A.M AT DOLLY FARMS & RESORTS (P) LIMITED, (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 2004 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.K.K.Kapur, who retires by rotation and being eligible offers himself for re-appointment.
3. 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 2004-2005 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."

SPECIAL BUSINESS

4. 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 June 1, 2004 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. June 1, 2004.

(C) REMUNERATION**Fixed Salary Component**

- 1) **Salary** : Rs.62,000/- (Rupees Sixty two thousand only) per month
- 2) **Perquisites** : Perquisites will be allowed in addition to salary restricted to an amount equal to the Annual Salary or Rs.5,27,400/- (Rupees Five lac twenty seven thousand four hundred 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 a ceiling of Rs.372,000/- (Rupees Three lac seventy 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.62,000/- (Rupees Sixty two thousand only) per annum.
- Medical Expenses** : Reimbursement towards the medical expenses incurred on himself or on his family for an amount not exceeding Rs.31,000/- (Rupees Thirty one thousand only) per annum.
- Driver Salary** : The expenditure on hiring a driver for his official car not exceeding Rs. 62,400/- (Rupees Sixty two thousand four hundred 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 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 a car and telephone facility at the residence of the Whole time Director.

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
Manali D.Bijlani
Company Secretary

New Delhi
April 26, 2004

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. 3 and 4 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 Tuesday the 6th July, 2004 to Tuesday the 20th July, 2004 (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.

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- 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.
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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)

Item No. 3

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. 3 of the annexed notice is, therefore recommended for your approval.

None of the Directors is concerned or interested in the proposed resolution.

Item No. 4

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, 2004, for a period of one year, pursuant to the provisions of the Companies Act, 1956.

Mr.K.K.Kapur, aged 67 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 43 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 were communicated to the members vide abstracts under section 302 of the Companies Act, 1956 dated April 26, 2004 and are outlined in the resolution placed before the members.

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

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

Manali D.Bijlani
Company Secretary

New Delhi
April 26, 2004

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors are pleased to present the 25th Annual Report together with the Audited Statement of Accounts of the Company for the accounting period ended March 31, 2004. We have included, as a part of this report the Management Discussion and Analysis.

FINANCIAL RESULTS:

	(Rs. in Lacs)	
	2003-2004	2002-2003
Particulars		
Profit before Interest & Depreciation	180.78	43.80
Finance Expenses	53.70	60.50
Profit (Loss) before Depreciation	127.08	(16.70)
Depreciation	44.41	42.97
Profit (Loss) before Income Tax	82.67	(59.67)
Provision for Minimum Alternate Tax	2.50	-
Deferred Tax Assets/(Liabilities)	(29.29)	18.78
Profit (Loss) for the year	50.88	(40.89)
(Debit) Balance brought forward from previous year	(133.54)	(92.65)
(Loss) carried to balance sheet	(82.66)	(133.54)

OPERATIONAL PERFORMANCE

Your company has achieved a turnover of Rs.3380.48 lacs as against Rs.2670.54 lacs in the previous year - a jump of 26%. Aggressive marketing, induction of new franchisees, penetration in the markets of southern India and introduction of new products giving improved performance have yielded the good results.

During the year under review the Operational Profit, before making provision for Interest and depreciation, amounted to Rs. 180.78 lacs as against Rs.43.80 lacs in the previous year. This manifold increase in the Operational Profits could be achieved due to 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.

DIVIDEND

In view of the loss incurred by the Company, after adjusting for carry forward losses, your Directors are not in a position to recommend any dividend for the year under review.

INDUSTRY EXPERIENCE

Growth of the retreading industry is directly linked to the growth of the transport industry. Last year there has been a robust growth in the production of commercial vehicles and of new tyres. Easy availability of finances has also lead to a considerable increase in the demand for transport vehicles.

Healthy growth in Indian economy in 2003-2004 and continued emphasis on construction of infrastructure is resulting in demand for new tyres as well as retreaded tyres.

OPPORTUNITIES AND THREATS

The increased emphasis on road projects, construction of Golden Quadrilateral, the rural road projects, shift towards multi-axle commercial vehicles and towards radialisation process in truck and bus tyres are likely to augment the demand for road transport services over the long term. This in turn would augment the demand for new and retreaded tyres.

Ban on overloading of commercial vehicles and the availability of good roads should lead to growth in retreaded tyre industry.

Your company has adopted multi-prolonged strategies to increase its share in the current growing market. The company is appointing new franchisees and is giving focussed attention to educate the end customers. The company has introduced new patterns to cater to various customers needs and to meet unfair competition from unorganised sector.

EXPANSION PLANS

Your company has almost fully utilised the capacity of the existing Plant situated at Bhiwadi. In order to cater to the additional demand a new facility is being set up in Nalagarh, Himachal Pradesh. This facility, estimated to cost over Rs.675 lacs will be partly financed from Banks and Financial Institutions. The company would avail various benefits being offered by the Central and State Governments for locating the Plant in Himachal Pradesh. This project is expected to be operational in the second quarter of the next financial year.

With the commissioning of this project, Indag would be able to cater to the additional demand from the market and meet the long-term expected growth.

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. Focus on efficient shop floor management, strengthening Sales and Marketing team, improving competencies, continuous training to enhance the human capital has resulted in amiable association with our 230 employees.

We believe in empowering our employees through greater knowledge, opportunity, responsibility and accountability.

INTERNAL CONTROL SYSTEM

The Company has adequate control systems and procedures designed to effectively control the operations at its Head Office, Plant and Depots. The internal control systems are so designed to ensure that the financial and other records are reliable for the preparation of financial statements and for maintaining accountability of assets. The Company has an elaborate 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 9002 standards at the Plant and the Head Office. The Company has taken 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. Regular training programmes on safety and environment are conducted to increase awareness and commitment for safety and the environment.

DIRECTORS

The term of office of Mr. K.K.Kapur as whole-time director will cease w.e.f. May 31st, 2004. Your directors propose to re-appoint Mr.K.K.Kapur as whole-time director of the Company w.e.f. June 1, 2004 for a period of one year.

In accordance with Article 99 of the Articles of Association of the Company, Mr. K.K.Kapur will retire from office by rotation, and being eligible, offers himself 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.Batlloi & 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 2003-2004 has been paid.

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, 2004, a total of 644,786 equity shares which forms 12.28% of the share capital stands dematerialised.

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 on 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, is 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 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 to 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 2003-2004 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 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 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
26th April, 2004

NAND KHEMKA
CHAIRMAN

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