



28<sup>th</sup>

ANNUAL REPORT

2007



Indag Rubber Limited



- **BOARD OF DIRECTORS**

Nand Khemka  
Chairman  
S.L. Khemka  
P.R. Khanna  
R. Parameswar  
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.

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**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE TWENTY-EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON FRIDAY 21ST SEPTEMBER 2007 AT 2:00 P.M AT DOLLY FARMS & RESORTS (P) LIMITED, (NEAR 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 2007 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 appoint M/s. S.R. Batliboi & Associates, Chartered Accountants as Auditors of the Company and to fix their remuneration.

**SPECIAL BUSINESS**

5. Increase of borrowing power

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

"RESOLVED THAT in supersession of the resolution passed in the Annual General Meeting of the Company held on 30th September 1981, the Board of Directors be and is hereby authorized, in accordance with Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, to borrow any sum or sums of money from time to time at their discretion, for the purpose of the business of the Company, which together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed at any time, the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves, not set apart for any specific purpose) by a sum not exceeding 200% (two hundred per cent) of the aggregate of the paid-up capital of the Company and its free reserves, and that the Board of Directors be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as it may think fit."

For and on behalf of the Board of Directors

New Delhi  
April 27, 2007

**Manali D.Bijlani**  
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 no. 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 18th September 2007 to 21st September 2007 (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.
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.



### Explanatory Statement

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

#### Item No. 5 Borrowing Powers

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the permission of the Shareholders in General Meeting, borrow monies in excess of the aggregate of the paid-up capital of the Company and its free reserves.

The Shareholders of the Company had in the Annual General Meeting held on 30th September 1981, approved, inter alia, borrowings in terms of Section 293(1)(d) of the Companies Act, 1956, up to Rs. 600 lacs. The increasing business operations and future growth plans of the Company would necessitate restructuring of the borrowing limits by authorising the Board of Directors to borrow monies which may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves by a sum not exceeding two hundred per cent of the aggregate of the paid-up capital of the Company and its free reserves. The Directors while exercising their powers shall however observe the debt/equity norms as applicable.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

For and on behalf of the Board of Directors

**Manali D. Bijlani**

Company Secretary

New Delhi

April 27, 2007

### DETAILS OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

(IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)

<b>Name of Directors</b>	<b>Shri R. Parameswar</b>	<b>Shri S.L.Khemka</b>
<b>Date of Birth</b>	17 <sup>th</sup> May 1933	1 <sup>st</sup> January 1927
<b>Date of Appointment</b>	27 <sup>th</sup> April 1993	Since incorporation
<b>Qualifications</b>	Post Graduate (History) Indian Audit and Accounts Service	Graduate
<b>List of outside Directorship held on 31<sup>st</sup> March 2005</b>	Universal Print System Ltd	Nil
<b>Number of shares held in the Company</b>	Nil	Nil

**DIRECTORS' REPORT****TO****THE MEMBERS,**

Your Directors are pleased to present the 28th Annual Report together with the Audited Statement of Accounts of the Company for the accounting year ended March 31, 2007. We have included, as a part of this report the Management Discussion and Analysis.

**FINANCIAL RESULTS :**

Particulars	2006-2007 (Rs.in lacs)	2005-2006 (Rs.in Lacs)
Sales and Operating Income	6143.55	4343.82
Profit before Interest & Depreciation	745.44	173.12
Finance Expenses	168.57	83.80
Profit before Depreciation	576.87	89.34
Depreciation	135.20	64.14
Profit before Income Tax	441.67	25.18
Provision for Minimum Alternate Tax	(48.72)	-
MAT credit entitlement	51.22	-
Fringe Benefit Tax	(6.75)	(7.71)
Deferred Tax Assets/(Liabilities)	(16.42)	(58.83)
Profit (Loss) for the year	421.00	(41.36)
(Debit) Balance brought forward from previous year	(90.29)	(55.86)
Profit carried to balance sheet	330.71	(90.29)

**OPERATIONAL PERFORMANCE**

During the year under review your company has achieved a turnover of Rs.61.43 crores as against Rs.43.43 crores in the previous year – a jump of 41%. The Operational Profit, before making provision for interest and depreciation, amounted to Rs. 7.45 crores as against Rs.1.73 crores in the previous year.

In spite of our plan to continue operations both at Bhiwadi and Nalagarh, several illegal and coercive acts by workers union created a situation where operations at Bhiwadi plant had to be curtailed from March 2006.

The operations at Nalagarh have stabilised at a high level of efficiency. The quality of product at Nalagarh has been very well accepted and due to number of technological improvements at Nalagarh plant, the quality is maintained at a high level.

**DIVIDEND**

Considering the future expansion plan and in order to conserve the resources of your company, your directors do not recommend any dividend for the period under review.

**INDUSTRY EXPERIENCE**

Retreaded tyres play an important, if unseen and unappreciated role in the economy. If all of us were to depend on new tyres, their prices will increase considerably. We would have to import large additional quantities of oil, as it takes three times more oil to manufacture one new truck tyre than what the retreading process involves. Retreading also reduces the problem of dumping of tyre casings which is quite serious in some countries. Therefore, the retreading process has gained considerable acceptance and the retread industry has been growing steadily in the country.

**OPPORTUNITIES AND THREATS**

The company has steadily grown since its operations commenced at its new plant at Nalagarh (Himachal Pradesh). Your company is continuously examining options to operate Bhiwadi plant as soon as it may become economically viable. With the termination of Joint Venture Agreement with Bandag Inc. USA, your company is exploring the export markets like Middle East, Africa etc.

We are trying to improve our market potential in Tamil Nadu, Karnataka and Kerela, which constitute 30 percent of the Indian retreading market. We are making vigorous efforts to strengthen existing customers and expanding our share of market.

**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:-



- (i) Financial risk: Credit risk on account of material supplied to customers has been mitigated to a large extent by insisting on most of the 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 reduced by cutting down the supplies if payment is delayed much beyond the contracted period.
- (ii) Increase in price of raw materials: Normal increase in prices of raw materials is generally factored while fixing products prices to the customers. Unexpected increases however do affect the profitability for some time till prices are revised to pass on the cost increases to the customers. In the case of fixed price, fixed period contracts, unprecedented increase in raw material prices do affect profitability.
- (iii) 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.
- (iv) 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.
- (v) 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 generally cordial industrial relations, except that at Bhiwadi plant where long period of unrest and illegal acts were committed by workers against legal orders of transfer of few workers to Nalagarh (HP), forcing the Management to agree to unreasonable demands and resulting in closing down of operations at Bhiwadi.

Focus on efficient shop floor management, strengthening Sales and Marketing team, continuous training to enhance the human capital has resulted in amiable association with our 177 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, 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 as a pre-requisite for its operations and has implemented ISO 9001:2000 standards at Nalagarh, Plant and the Head Office.

#### **ENVIRONMENT PROTECTION**

Anti Pollution systems are fully installed and operational. Continuous efforts to nurture and preserve the environment are vigorously pursued.

#### **DIRECTORS**

In accordance with Article 99 of the Articles of Association of the Company, Sh. S.L.Khemka and Sh.R.Parmeswar will retire from office by rotation, and being eligible, offer themselves for re-appointment.

#### **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.

**LISTING**

Your Company is listed with the Stock Exchanges of Delhi and Mumbai.

**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, 2007, a total of 774350 equity shares which forms 14.74% 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 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, is already dealt with in various sections of this Report.

**CAUTIONARY 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 2006-2007 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 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

New Delhi  
April 27, 2007



## 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:**

The company has implemented various energy conservation measures during the financial year which has resulted in the reduction of the fuel consumption per ton of production and reduction in overall electrical energy consumption per ton of production.

**(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.

During the year the Company has not made any exports. However, we are exploring new markets for export.

- (b) Total Foreign Exchange used and earned:

Particulars	2006-2007 (Rs. in Lacs)	2005-2006 (Rs. Lacs)
Foreign Exchange earned	Nil	Nil
Foreign Exchange used	25.38	3.33

**FORM - B****(See Rule 2)**

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

**RESEARCH AND DEVELOPMENT**

Sustained R&D efforts are being made by the Company to develop improved tread quality and designs, which suit Indian road conditions.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

The Company being quality conscious, continually updates technology, and greater emphasis is laid on indigenisation and cost reduction.

Specific Areas in which R&D is carried out by the Company are:

- Evaluation and assessment of raw materials from alternate sources.
- Evaluation of new raw materials.
- Development of new designs and products.
- Process improvisation to further improve consistency of the product.
- Development of substitutes for imported raw materials and equipments.

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

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.

Evaluation and introduction of new raw materials are regularly carried out to offer specific property improvements and thereby to achieve improved product performance.

New patterns are developed and introduced to obtain specific performance characteristics.

3. Information regarding technology imported during last five years.

No technology, as such, has been imported during last five years.



## REPORT ON CORPORATE GOVERNANCE

**Company's Philosophy on Code of Governance**

The Company recognizes the importance of good Corporate Governance, which is a tool for building a 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.

**I. BOARD OF DIRECTORS**

The Board comprises of five directors, which includes one executive director and four non-executive directors. The composition of the directors and the number of other Directorships, along with their attendance at the Board Meetings during the year and at the last Annual General Meeting were as follows:

Directors	Executive/Non-executive/ Independent	Number of Board Meetings attended	Attendance at the last AGM held on 24th June, 2006	No. of Other Directorship Held in Public Companies	Number of Membership in Committees Including INDAG	
					Member	Chairman
Mr. Nand Khemka	Chairman, interested	3	Yes	4	1	1
Mr.S.L.Khemka	Non-Executive, interested	Nil	No	Nil	Nil	Nil
Mr. P.R.Khanna	Non-Executive, independent	4	Yes	4	5	1
Mr.R.Parameswar	Non-Executive, independent	4 *	Yes	1	1	1
Mr. K.K.Kapur (Whole-time Director)	Executive, independent	4	Yes	Nil	1	Nil

\* Meeting held on April 18 2006 was attended by Mr.Prakash Kalothia (Alternate Director to Mr.Parameswar).

Four meetings of the Board of Directors were held during the year on April 18 2006, July 28 2006, October 27 2006 and January 22 2007. Agenda papers along with notes were circulated to the Directors in advance of each meeting. All relevant information as required under Clause 49 of the Stock Exchange Listing Agreement were placed before the Board from time to time.

**II. AUDIT COMMITTEE**

The Committee comprises of three non-executive directors having financial management expertise. The terms of reference of Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

Four meetings of the Audit Committee were held during the year on April 18 2006, July 28 2006, October 27 2006 and January 22 2007. The composition of the Audit Committee and details of their attendance at the meetings are as follows:

Name of the member	Status	No. of meetings attended
Mr. R.Parmeswar (Chairman)	Non-executive, Independent	4 *
Mr. P.R.Khanna (Member)	Non-executive, Independent	4
Mr. Nand Khemka (Member)	Non-executive, Interested	3

\* Meeting held on April 18 2006 was attended by Mr.Prakash Kalothia (Alternate Director to Mr.Parameswar).



### III. REMUNERATION COMMITTEE

The Board has framed the remuneration policy, which is in consonance with the existing industry practice and applicable laws. Indag's remuneration strategy aims at attracting and retaining high calibre talent and leverage performance significantly.

Name of the member	Status
Mr.Nand Khemka (Chairman)	Non-executive, Interested
Mr.R.Parneswar (Member)	Non-executive, Independent
Mr.P.R.Khanna (Member)	Non-executive, Independent

#### A. Non-Executive Directors

Directors	Relationship with other Directors	Business relationship with the company, if any	Sitting fee paid during 2006-2007 (Rs.)	Number of share and convertible Instruments held
Mr. Nand Khemka	Brother of Mr. S.L.Khemka	Nil	60,000	503701 equity shares
Mr. S.L.Khemka	Brother of Mr. Nand Khemka	Nil	Nil	Nil
Mr. P.R.Khanna	Nil	Nil	80,000	Nil
Mr. R.Parneswar	Nil	Nil	60,000	Nil

Indag has a policy of not advancing any loans and or paying commission on profits to its non-executive/independent directors. No severance fee is payable to non- executive directors of the Company.

#### B. Whole Time Director

Executive Director	Relationship with other Directors	Business relationship with the Company, if any	Remuneration paid during the 2005-2006			
			All elements of remuneration package i.e. salary, benefits, bonuses, pension etc.	Fixed component & performance linked incentives, along with performance criteria	Service contracts, notice period, severance fee	Stock option details, if any
Mr. K.K. Kapur	Nil	Whole Time Director	Rs.20.87 lacs	Rs.9.00 lacs Ref. note a	Ref. note b	Ref. note c

- Whole Time Director is entitled to profit sharing bonus, at the rate of 2% of profits before tax earned by the company. The Board has approved payment of Rs.9.00 lacs as bonus for the year 2006-2007.
- The appointment is subject to termination by one month notice in writing on either side. Mr. Kapur was re-appointed as Whole-time Director on the Board w.e.f. June 1, 2005 for a period of three years.
- The Company does not have at present any scheme for grant of Stock options to its Directors or Employees.

### IV. SHAREHOLDERS COMMITTEE

The share transfer and shareholders grievance committee is mandated to look into redressing of shareholders and investors grievances. Mr.Nand Khemka is Chairman of this Committee.

The Board has designated Mrs.Manali D.Bijlani, Company Secretary as the Compliance Officer. During the year, grievance was received from 2 shareholders, which has been resolved.