



29th

Annual Report 2008



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-NINTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON WEDNESDAY 30TH JULY 2008 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 2008 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.K K Kapur, who retires by rotation and being eligible offers himself for re-appointment.
4. To declare dividend.
5. To appoint M/s. S.R. Batliboi & Associates, Chartered Accountants as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. 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 three years with effect from June 1, 2008 who has attained the age of 70 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 :** Three Years w.e.f. June 1, 2008.

(C) REMUNERATION**Fixed Salary Component**

- 1) Salary : Rs. 158,000/- 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.25,000/- 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 before tax earned by the company.

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.

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
May 19, 2008

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 nos. 6 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 15th July 2008 to 30th July 2008 (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

**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 P.R.Khanna	Shri K.K.Kapur
Date of Birth	2nd July 1933	15th October 1937
Date of Appointment	8th September 1983	9th April 2001
Qualifications	- Member of Institute of Chartered Accountants of India	- Post-graduate in Mathematics - Member of the Institute of Cost and Works Accountants of India
List of outside Directorship	1. Ansal Properties & Industries Ltd. 2. DCM Shriram Ltd 3. Uniproducs India Limited 4. UTI Asset Management Co. Limited	Nil
Number of shares held in the company	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, 2008, for a period of three years, pursuant to the provisions of the Companies Act, 1956.

Mr.K.K.Kapur, aged 71 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 47 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 19th May 2008 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.

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.

For and on behalf of the Board of Directors

New Delhi
May 19, 2008

Manali D.Bijlani
Company Secretary

DIRECTORS' REPORT

INDAG

TO THE MEMBERS,

Your Directors are pleased to present the 29th Annual Report together with the Audited Statement of Accounts of the Company for the accounting year ended March 31, 2008. We have included Management's Discussion and Analysis as a part of this report.

FINANCIAL RESULTS :

Particulars	2007-2008 (Rs.in lacs)	2006-2007 (Rs.in Lacs)
Sales and Operating Income	7394.11	6143.55
Profit before Interest & Depreciation	1132.14	745.44
Finance Expenses	131.48	168.57
Profit before Depreciation	1000.66	576.87
Depreciation	140.06	135.20
Profit before Income Tax	860.60	441.67
Provision for Minimum Alternate Tax	(96.30)	(48.72)
MAT credit entitlement	96.30	51.22
Fringe Benefit Tax	(10.63)	(6.75)
Deferred Tax Assets/(Liabilities)	(22.35)	(16.42)
Profit (Loss) for the year	827.62	421.00
(Debit) Balance brought forward from previous year	330.22*	(90.29)
Proposed Dividend	105.00	0.00
Corporate Dividend Tax	17.84	0.00
Transferred to General Reserve	70.00	0.00
Appropriations	964.99	330.71

* Net of Rs. 0.49 lacs utilized on account of transitional provision for leave encashment.

OPERATIONAL PERFORMANCE

During the year under review your company has achieved a turnover of Rs.73.94 crores as against Rs.61.43 crores in the previous year – a jump of 20%. The Operational Profit, before making provision for interest and depreciation, amounted to Rs. 11.32 crores as against Rs.7.45 crores in the previous year.

The growth in the performance of your company has been due to dedicated efforts of all concerned.

DIVIDEND

The Directors are pleased to recommend a dividend of Rs. 2/- per equity share for the financial year 2007-08. The dividend would be tax free in the hands of the shareholders.

INDUSTRY EXPERIENCE

Prices of the basic raw materials particularly PBR, natural rubber, carbon black and rubber chemicals have been continuing to rise in an unprecedented manner. These increases have put, not only the retread industry, but the tyre industry as well, under considerable cost pressure and have seriously affected profitability.

OPPORTUNITIES AND THREATS

Due to high prices of tyres, retreading of tyres has become all the more necessary. Tyres retreaded with quality material and retread process give about the same mileage as new tyres, at a much lower cost per mile and are environmentally friendly. Not only do they consume two-third less petroleum products, but every retreaded tire also saves a tire from going to a landfill. Retreading has gained considerable acceptance all over the world.

Tyre retreading in the commercial vehicle segment is poised for growth mainly due to :

- Increase in the level of radialization, which requires good quality retreading for radial tyre's higher price to be sustained ;
- Growth in and increased share of multi-axle trucks (with the catching up of the concept of 'hub & spoke' transportation, long distance movement of road freight will be by multi-axle trucks whereas distances within and around the cities will be catered by smaller commercial vehicles);
- National Highway Projects, especially Golden Quadrilateral Project and Highways connecting North-South and East -West corridors, coupled with reduction in overloading and improved condition of road network.

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 large 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 strict application of credit policy.
- (ii) 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 of our products are revised to meet the costs. In case of fixed price contracts, unprecedented increase in raw material prices have serious impact on margins.
- (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 cordial industrial relations. 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 186 employees. We believe in empowering our employees through greater knowledge, opportunity, responsibility and accountability.

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 as a pre-requisite for its operations and has implemented ISO 9001:2000 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, Sh. P R Khanna and Sh.K K Kapur 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, 2008, a total of 790208 equity shares which forms 15.05% 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.

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 2007-2008 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 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

New Delhi
May 19, 2008

NAND KHEMKA
CHAIRMAN

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 exported retreading material for the first time of Rs.86.00 lacs.

- (b) Total Foreign Exchange used and earned:

Particulars	2007-2008 (Rs. in Lacs)	2006-2007 (Rs. Lacs)
Foreign Exchange earned	86.00	Nil
Foreign Exchange used	20.00	25.38

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 include one executive director and four non-executive directors. The composition of Board with their attendance at the Board Meetings and at the last Annual General Meeting etc is given below:

Directors	Executive/Non-executive/ Independent	Number of Board Meetings attended	Attendance at the last AGM held on 21 September, 2007	No. of Other Directorship Held in Public Companies	Number of Membership in Committees Including INDAG	
					Member	Chairman
Mr. Nand Khemka	Chairman, interested	4	Yes	4	1	1
Mr.S.L.Khemka	Non-Executive, interested	1	No	Nil	Nil	Nil
Mr. P.R.Khanna	Non-Executive, independent	5	Yes	4	5	1
Mr.R.Parmeswar	Non-Executive, independent	5	Yes	1	1	1
Mr. K.K.Kapur (Whole-time Director)	Executive, interested	5	Yes	Nil	1	Nil

Five meetings of the Board of Directors were held during the year, viz on April 27, 2007, July 30 2007, October 20 2007, November 29, 2007 and January 21 2008. 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 27, 2007, July 30 2007, October 20 2007 and January 21 2008. 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 (Independent)	4
Mr. P.R.Khanna	Member (Independent)	4
Mr. Nand Khemka	Member (Interested)	3

III. REMUNERATION COMMITTEE

The Board has framed remuneration policy, which is generally in line with the existing industry practice and applicable laws.

Name of the member	Status
Mr.Nand Khemka	Chairman (Interested)
Mr.R.Parmeswar	Member (Independent)
Mr.P.R.Khanna	Member (Independent)