

30th

Annual Report 2009



Indag Rubber Limited

- **BOARD OF DIRECTORS**

Nand Khemka
Chairman
S.L. Khemka
P.R. Khanna
R. Parameswar
Hitendra Wadhwa
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 THIRTIETH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON WEDNESDAY 22ND JULY 2009 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 2009 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 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

6. 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 309 (4) of the Companies Act, 1956 consent of the members be and is hereby accorded for payment of commission not exceeding 1% of the net profits of the company for each financial year computed in accordance with the provisions of Section 198 of the Companies Act, 1956 to its Directors (other than the Managing Director / Whole-time Directors) to be divided amongst them in such proportion as may be determined by the Board of Directors from time to time for a period of five (5) years commencing from 1st April 2008."

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

"Resolved that Professor Hitendra Wadhwa who was appointed as an Additional Director of the company and who holds office as such up to the date of Thirtieth Annual General Meeting under section 260 of the Companies Act, 1956, who is eligible for re-appointment and in respect of whom a notice under section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of director be and is hereby appointed as a Director of the company, liable to retire by rotation."

For and on behalf of the Board of Directors

New Delhi
April 23, 2009

Manali D.Bijlani
Company Secretary

NOTES

The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business set out at item nos. 6 and 7 of the Notice is annexed hereto.

1. 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.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 14th July 2009 to 22nd July 2009 (both days inclusive).
3. Members/Proxies must bring the Attendance Slip duly filled in for attending the meeting and hand it over at the entrance duly signed.
4. 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.
5. 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.
- 6 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 R. Parameswar	Shri S.L.Khemka	Prof.Hitendra Wadhwa
Date of Birth	17th May 1933	1st January 1927	25th January 1967
Date of Appointment	27th April 1993	Since incorporation	16th October 2008
Qualifications	Post Graduate (History) Indian Audit and Accounts Service	Graduate	B.A. (Honors in Mathematics) from St. Stephen's College, Delhi. MBA and Ph.D. from the Sloan School of Management at MIT
List of outside Directorship held on 31st March 2009	Nil	Nil	Nil
Number of shares held in the company	Nil	Nil	Nil

Explanatory Statement

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

Item No.6: Remuneration to Directors other than Managing Director/ Whole-time Director

The Non-Executive Directors of your Company bring with them significant professional expertise and rich experience across a wide spectrum of functional areas.

The Board is of the view that it is necessary that some compensation be given to the Non-Executive Directors so as to compensate them at least to some extent for their time and efforts and also to retain and attract the pool of talent for the growth of the Company.

The Board proposes to pay commission not exceeding 1% of the net profits of the company for each financial year computed in accordance with the provisions of Section 198 of the Companies Act, 1956 to its Directors (other than the Managing Director / Whole-time Directors) to be divided amongst them in such proportion as may be determined by the Board of Directors from time to time, for a period of five (5) years commencing from 1st April 2008.

The payment is subject to the approval of members by way of Special Resolution.

The Non-Executive Directors viz. Mr.S.L.Khemka, Mr.P.R.Khanna, Mr.R.Parameswar and Professor Hitendra Wadhwa are concerned or interested in the resolution to the extent of the payment that they may receive by way of commission on profits.

Mr. Nand Khemka, being the brother of Mr. S.L.Khemka, may also be deemed to be interested in this resolution.

No other Director of the Company is in any way concerned or interested in the resolution.

The Board of Directors recommends the passing of the resolution as set out at Item No. 6 of the Notice.

Item No. 7: Appointment of Director

Pursuant to the provisions of the Companies Act, 1956 Professor Hitendra Wadhwa was appointed as an Additional Director of the company by the Board of Directors in their meeting held on October 16, 2008.

Professor Wadhwa has received his MBA and Ph.D. from the Sloan School of Management at MIT, and his B.A. (Honors in Mathematics) from St. Stephen's College, Delhi. Prof. Wadhwa has thirteen years of professional experience in strategy consulting, quantitative marketing and technology entrepreneurship.

Pursuant to section 260 of the Companies Act, 1956, Prof.Hitendra Wadhwa vacates the office at this Annual General Meeting. As required under Section 257, the company has received notice from a member signifying his intention to propose Prof.Hitendra Wadhwa for the office of Director. The company has also received deposit of Rs. 500/- as required under the Act. Your directors recommend the appointment of Prof.Hitendra Wadhwa as per proposed resolution. Except Prof.Hitendra Wadhwa, no other director is interested in the proposed resolution.

For and on behalf of the Board of Directors

New Delhi
April 23, 2009

Manali D.Bijlani
Company Secretary

DIRECTORS' REPORT

TO
THE MEMBERS,

Your Directors are pleased to present the 30th Annual Report together with the Audited Statement of Accounts of the Company for the accounting year ended March 31, 2009. We have included Management's Discussion and Analysis as a part of this report.

FINANCIAL RESULTS:

Particulars	2008-2009 (Rs. in lacs)	2007-2008 (Rs. in Lacs)
Sales and Operating Income	7614.94	7394.11
Profit before Interest & Depreciation	1048.69	1132.14
Finance Expenses	139.13	131.48
Profit before Depreciation	909.56	1000.66
Depreciation	142.24	140.06
Net Profit for the year	767.32	860.59
Proposed Dividend	105.00	105.00
Transferred to General Reserve	70.00	70.00

OPERATIONAL PERFORMANCE

During the year under review your company has achieved a turnover of Rs. 76.14 crores as against Rs. 73.94 crores in the previous year. The Operational Profit, before making provision for interest and depreciation, amounted to Rs. 10.48 crores as against Rs. 11.32 crores in the previous year.

DIVIDEND

The Directors are pleased to recommend a dividend of Rs. 2/- per equity share for the financial year 2008-09. 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 increased in an unprecedented manner in the first half of the year. These increases put the retread/tyre industry under considerable cost pressures and seriously affected profitability. However, in the second half prices started coming down, linked as these are to the price of barrel of oil, and salvaged the situation to some extent. Prices of natural rubber are again touching high levels, having increased by nearly Rs. 40/kg between December, 2008 and March, 2009, without much justification.

OPPORTUNITIES AND THREATS

Retread industry has been hoping for better days with the introduction of radialisation in truck and bus sector, better controls on over loading, and construction of better quality roads along National Highways under Golden Quadrilateral project and roads planned connecting North-South and East-West corridors etc. The growth in demand for retreading will depend upon how fast these efforts/projects get implemented.

The threats to retread industry come mostly from within-those who bring bad name to retreading by using poor quality retreads or doing a shoddy job of retreading. This reduces faith in retreading in the minds of trucker. For sometime during the year, threats had also appeared from Chinese tyres imported at low prices. Soon however, this threat got very much reduced due to their poor quality and also ban on import of these tyres.

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:-

- 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.
- 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 are revised to meet the costs. In case of fixed price contracts, unprecedented increase in raw material prices have serious impact on margins.

- 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.
- 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.
- 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 relations with workers, staff and officers. To strengthen the sales and marketing team outside experts were engaged who spent considerable time to train the marketing officers at various levels. The shop floor management is done through personal touch, using various motivational tools and meeting their training needs requirements. We believe in empowering our employees through greater knowledge, team spirit and developing greater sense of responsibility. There were 179 regular employees during the year.

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. S.L.Khemka and Sh.R Parameswar will retire from office by rotation, and being eligible, offer themselves for re-appointment.

During the year Professor Hitendra Wadhwa was appointed as an Additional Director of the Company. Pursuant to Section 257 of the Companies Act, 1956, the Company has received a notice from a member proposing the candidature of Professor Hitendra Wadhwa for the office of director and the requisite fee has been deposited. Your directors recommend the appointment of Professor Hitendra Wadhwa.

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.Batlboi & 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, 2009, a total of 1089042 equity shares which forms 20.74% 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.

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 2008-2009 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

New Delhi
April 23, 2009

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 tonne of production and reduction in overall electrical energy consumption per tonne of production.

(B) TECHNOLOGY ABSORPTION:

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

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

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 of Rs.215.20 lacs.

Total Foreign Exchange used and earned:

Particulars	2008-2009 (Rs. in Lacs)	2007-2008 (Rs. Lacs)
Foreign Exchange earned	215.20	86.00
Foreign Exchange used	92.50	20.00

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:

- a) Development of new designs and products.
- b) Process changes to further improve quality and consistency of the product.

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 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 six directors, which include one executive director and five 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 July 30, 2008	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)	2	Yes	Nil	Nil	Nil
Mr. P.R.Khanna	Non-Executive (independent)	4	Yes	5	8	2
Mr.R.Parneswar	Non-Executive (independent)	4	Yes	Nil	2	1
Mr. K.K.Kapur (Whole-time Director)	Executive (interested)	4	Yes	Nil	1	Nil
Prof.Hitendra Wadhwa	Non-Executive (independent)	Nil	NA			

Four meetings of the Board of Directors were held during the year, viz on May 19, 2008, July 30 2008, October 16 2008 and January 15 2009. 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 May 19, 2008, July 30 2008, October 16 2008 and January 15 2009. 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.Parneswar	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.Parneswar	Member (Independent)
Mr.P.R.Khanna	Member (Independent)