

33rd

ANNUAL REPORT



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Indag Rubber Limited

- **BOARD OF DIRECTORS**
Nand Khemka
(Chairman cum Managing Director)
S. L. Khemka
P. R. Khanna
R. Parameswar
K. K. Kapur
(CEO & Whole-time Director)
- **BANKERS**
State Bank of Bikaner & Jaipur
- **AUDITORS**
S. R. Batliboi & Co.
Chartered Accountants
Golf View Corporate Tower-B
Sector-42, Sector Road,
Gurgaon-122002 (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)

<p style="text-align: center;">Indag Rubber Limited</p> <p style="text-align: center;">Quality Policy</p> <p>Indag is committed to</p> <ol style="list-style-type: none"> 1. CONSISTENTLY deliver world class quality products and services. 2. CONTINUOUSLY improve upon its quality standards to meet the best expectations of customers. 3. Ensure that each employee is CONTINUALLY of the need to respect and participate in the quality improvement mission. 	<p style="text-align: center;">CONTENTS</p> <table> <tr> <td>Notice</td><td>1</td></tr> <tr> <td>Director's Report</td><td>4</td></tr> <tr> <td>Report on Corporate Governance</td><td>10</td></tr> <tr> <td>Auditor's Report</td><td>18</td></tr> <tr> <td>Balance Sheet</td><td>22</td></tr> <tr> <td>Profit & Loss Account</td><td>23</td></tr> <tr> <td>Cash Flow Statement</td><td>24</td></tr> <tr> <td>Notes to the Financial Statements</td><td>25</td></tr> </table>	Notice	1	Director's Report	4	Report on Corporate Governance	10	Auditor's Report	18	Balance Sheet	22	Profit & Loss Account	23	Cash Flow Statement	24	Notes to the Financial Statements	25
Notice	1																
Director's Report	4																
Report on Corporate Governance	10																
Auditor's Report	18																
Balance Sheet	22																
Profit & Loss Account	23																
Cash Flow Statement	24																
Notes to the Financial Statements	25																



NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY-THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON SATURDAY, THE 14TH DAY OF JULY, 2012 AT 10:00 A.M. AT SAI INTERNATIONAL CENTRE, PRAGATI VIHAR, LODHI ROAD, NEW DELHI- 110003 TO TRANSACT THE FOLLOWING BUSINESSES:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the year ended 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 declare dividend and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the recommendation of the Directors, final dividend at the rate of Rs. 4.50/- per share of Rs.10/- each, in addition to the interim dividend of Rs. 1.50/- per share already paid thus making a total of Rs. 6.00/- per equity share for the year ended 2011-12, be and is hereby declared out of the current profits of the company and that the same be paid, to those shareholders whose names appear on the Company's register of members on 14th July, 2012."

4. To appoint Statutory Auditors of the Company, and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT M/s. S. R. Batliboi & Company (Registration no.301003E) Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to audit the Accounts for the Accounting Year 2012-2013 and to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration plus reimbursement of out-of-pocket expenses basis, as may be mutually agreed to between the Board of Directors and the Auditors."

AS SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT in partial modification of the resolutions passed at the Annual General Meetings held on July 30, 2008 and August 9, 2011 respectively, and pursuant to the provisions of sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the Company be and is hereby accorded to the revision in the variable salary component (Bonus) of Mr. Kewal Krishan Kapur, Whole Time Director (designated as Chief Executive Officer) of the Company, to take effect from April 1, 2011, for the unexpired period of his term, which shall be 5% (Five percent) of the net profits computed in accordance with Sections 349 & 350 of the Companies Act, 1956 reduced by the remuneration actually paid to him."

"RESOLVED FURTHER THAT the above remuneration payable to Mr. Kewal Krishan Kapur is subject to the condition that the total remuneration including perquisites shall not exceed 5% of the net profits individually and 10% of the net profits collectively payable to all the Managing Directors/ Whole Time Directors as calculated in accordance with Section 198 and 309 of the Companies Act, 1956 or any amendments thereto or any other provisions as may be applicable."

By Order of the Board of Directors
for **Indag Rubber Limited**

Place: Delhi
Date: April 16, 2012

Manali D. Bijlani
Company Secretary

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE 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 48 HOURS BEFORE THE TIME OF THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 4th July to 14th July, 2012 (both days inclusive).
3. Members/ Proxies should bring the attendance slips duly filled-in for attending the meeting & deliver the same at the entrance of the meeting place. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. Members seeking further information about the accounts are requested to write atleast 7 days before the date of the meeting so that it may be convenient to get the information ready at the meeting.
5. Members are requested to inform the Company's Registrar and Share Transfer Agent i.e. Skyline Financial Services Private Limited, D-153/A, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi-110020 about the changes, if any, in their registered address along with the Pin Code, quoting their Folio Number and DP ID. All correspondence relating to transfer of shares may be sent directly to the aforesaid Registrar and Share Transfer Agent of the Company.
6. Members are requested to bring their copies of Annual Report to the meeting, as the same will not be supplied again at the meeting as a measure of economy.
7. Shareholders are requested to furnish or update their e-mail IDs with the Registrar for sending the soft copies of the Annual Accounts of the Company as required vide circular no. 17/2011 dated April 21, 2011 and circular no. 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs.
8. Pursuant to the prohibition imposed vide Secretarial Standard on General Meetings (SS-2) issued by the ICSI and the draft MCA circular, no gifts/coupons shall be distributed at the Meeting.
9. Pursuant to Clause 49 of the Listing Agreement, the brief profile of Mr. P. R. Khanna , Director eligible for re-appointment vide item no. 2 is as follows:

Name of the Director(s)	DIN	Date of Birth	Date of Appointment	Qualifications	Number of shares held in the company	List of outside Directorship(s) held on 31st March 2012
Mr. P. R. Khanna	00048800	02/07/1933	20/01/2000	Member of the Institute of Chartered Accountants of India	NIL	<ol style="list-style-type: none"> 1. Ansal Properties & Infrastructure Ltd. 2. DCM Shriram Industries Ltd 3. Uniproducs (India) Limited 4. UTI Asset Management Co. Limited 5. U T I International Ltd. Guernsey - Channel Island 6. C & S Electric Ltd. 7. Carnation Auto India (P) Limited 8. Select Infrastructure (P) Ltd. 9. UTI Capital Private Limited



Explanatory Statement

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

Item No. 5: Variation in the terms of remuneration of Whole- time Director

Mr. Kewal Krishan Kapur was holding office of the Whole Time Director of the Company till May 31, 2011 and was re-appointed with effect from June 1, 2011, for a period of five years.

As per the existing terms of remuneration, besides fixed salary, Mr. Kapur is entitled to profit sharing bonus, at the rate of 2% of profits calculated as per the provisions of section 349 and 350 of the Companies Act, 1956.

In view of the efforts put in by Mr. K K Kapur for the growth of the Company, it is proposed to modify the terms of bonus payable to Mr. Kapur, with effect from 1st April 2011, as outlined in the resolution placed before the members. All other terms and conditions as approved at the Annual General Meetings held on July 30, 2008 and August 9, 2011 remains unchanged.

The Remuneration Committee and the Board of Directors in their meetings dated 16th April 2012 approved the revision in bonus payable to Mr. K K Kapur.

The ordinary resolution as set out in item no. 5 of the annexed notice is, therefore, recommended for your approval.

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

By Order of the Board of Directors
for **Indag Rubber Limited**

Place: Delhi
Date: April 16, 2012

Manali D. Bijlani
Company Secretary

DIRECTORS' REPORT

**To
THE MEMBERS,**

Your Directors are pleased to present the 33rd Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2012.

FINANCIAL RESULTS :

Particulars	2011-12 (Rs. in lacs)	2010-11 (Rs. in lacs)
Sales and Operating Income	21634.40	15027.62
Profit before Interest & Depreciation	3059.64	1670.22
Finance Expenses	124.80	112.37
Profit before Depreciation	2934.84	1557.85
Depreciation	233.69	193.27
Profit before tax	2701.15	1364.58
Profit after tax	2087.13	1075.25
Transfer to General Reserve	210.00	107.60
Interim Dividend	78.75	78.75
Proposed Final Dividend	236.25	131.25

OPERATIONAL PERFORMANCE

During the year under review your Company has achieved a turnover of Rs. 216.34 crores as against Rs. 150.27 crores in the previous year. The Operational Profit, before making provision for interest and depreciation, amounted to Rs. 30.60 crores as against Rs. 16.70 crores in the previous year.

The Company has build up a strong ongoing relationship with customers and has worked rigorously to deliver value-for-money to its customers. With IT facility, the Company has faster and effective communication with its customers, which further strengthened sales, service and debt collection. During the year, your Company became almost a debt-free company.

There was a substantial increase in the prices of main raw materials, except natural rubber for a brief period during the year.

Your Company has taken several steps to reduce costs and increase operational efficiency, as a result of which, the Company made profits before tax of Rs. 27.01 crores compared to Rs. 13.65 crores in the previous year showing a growth of around 98%. This performance has been achieved by focusing on continuous improvement in operational efficiency, customer service, higher sale, effective working capital management and cost effective initiatives.

In the last quarter of the financial year 2011-2012, your Company launched a commercial range of new product named "Maxmile" in addition to its existing product range.

DIVIDEND

During the year your Directors declared an Interim dividend of Rs. 1.50 per share on October 10, 2011 which has been paid.

The Directors are pleased to recommend a final dividend of Rs. 4.50 per equity share thus making a total dividend of Rs. 6.00 per equity share for the financial year 2011-2012. The dividend is tax free in the hands of the shareholders.

INDUSTRY EXPERIENCE

The growth of tyre retreading industry is fuelled by a number of factors such as rise in prices of tyres, growth in vehicle population, increasing level of radialisation, development of national highways and increased hub & spoke transportation.



However, the steep rise in the cost of raw materials has already affected the retreading industry.

OPPORTUNITIES AND THREATS

India is still a bias tyre market in the truck segment. However, radialisation is picking up with the fleet operators due to longer life and fuel efficiency. Radial tyres are driven longer before needing to be retreaded compared to bias-ply tyres, which would impact overall retread volumes. With the fast pace of radialisation, retreaders need to upgrade their technology. Indag is imparting its knowledge and experience to various retreaders to deal with new situation arising with radialisation.

POSTAL BALLOT FOR ALTERATION OF OBJECT CLAUSE IN THE MEMORANDUM OF ASSOCIATION AND COMMENCEMENT OF BUSINESS

The existing Memorandum of Association contains a very restricted and limited object clause in view of historical reasons, which permitted taking up of production of procured retreads, URSG etc only. In order to enable your Company to utilize opportunities which may arise from time to time in various other sectors, and pursuant to the provisions of the Companies Act, 1956 and rules thereunder, consent of the shareholders of the Company for alteration of object clause of the Memorandum of Association of the Company was sought by means of Postal Ballot.

The special resolution(s) for alteration of object clause and commencement of new business were duly circulated to all the members by postal ballot. The result of postal ballot would be declared on Wednesday, the 18th of April 2012 at 1:00 P.M., at the Registered Office of the Company.

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 number of parties to pay in advance before supplies are made. In case of others, PDC's are taken against supplies. The risk of delayed payment from STU's is controlled and managed by rigorous follow-up, supply of good quality tread etc., and obtaining PDC before delivery wherever possible.
- 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 increased costs. In case of fixed price contracts, mainly with STUs, unprecedented increase in raw material prices has serious impact on margins. Some STUs do not agree to tread prices being indexed to prices of raw material.
- Changes in government's policies: Changes in government policies can at times materially affect Company's financial position or investments. There is not much 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 in case of any breakdown.
- Product risk: Research and development is continuously being undertaken to deliver better products, service and value to end-customers.

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.



HUMAN RESOURCE DEVELOPMENT

During the year the Company had cordial relations with workers, staff and officers. The shop floor management is done through personal touch, using various motivational tools and meeting their training needs requirements. Your Company believes in empowering its employees through greater knowledge, team spirit and developing greater sense of responsibility. There were 298 regular employees during the year.

COMMITMENT TO QUALITY

Indag recognizes quality and productivity as a pre-requisite for its operations and has implemented ISO 9001:2008 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 the provisions of the Companies Act, 1956 and Article 99 of the Articles of Association of the Company, Mr. P. R. Khanna, Director of the Company retires by rotation and being eligible offers himself for re-appointment.

During the year, Prof. Hitendra Wadhwa had tendered his resignation w.e.f. February 15, 2012 from the directorship of the Company. The Board appreciated the contribution made by Prof. Hitendra Wadhwa during his tenure with the Company.

The information on the particulars of Director eligible for re-appointment in terms of Clause 49 of the Listing Agreement has been provided in the notes to the notice convening the Annual General Meeting.

AUDITORS

The retiring Auditors of the Company, M/s S. R. Batliboi & Company, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a certificate from them that their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

Observation

Attention is invited to note 33 to the financial statements. The Company is disputing the entry tax liability of Rs. 193.15 lacs. The matter is pending for resolution for similar cases in the Hon'ble Supreme Court. The Company may have a liability of the entire entry tax, along with interest, should the matter be decided against the Company by the Hon'ble Supreme Court. Pending final outcome of this matter, we are unable to comment on the possible effects, if any, of the same on the accompanying financial statements.

Management Response

The facts of the case are mentioned in Note 33 of Notes to the financial statements. Company is of the view that if entry tax provision is made in the books of accounts and if the case is decided by the Court in favour of the Company, then we may be deprived of any refund of entry tax on the basis of "Doctrine of Unjust Enrichment", which has been applied in similar cases elsewhere.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The particulars required to be furnished under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars of Board of Directors) Rules, 1988 as amended, are set out in Annexure 'I', which forms part of the report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is given in Annexure 'II'.

LISTING

The equity shares of your Company are listed with the Bombay Stock Exchange Limited and the Delhi Stock Exchange.

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 shares with either of the Depositories as aforesaid. As on March 31, 2012, a total of 3661034 equity shares which form 69.73% of the share capital stand dematerialized.

CORPORATE GOVERNANCE

A separate report of the Board of Directors of the Company 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 2011-12 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.

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956; your Directors further confirm as under:

- i) That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial period and of profit or loss of the Company for that period;
- 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; and
- iv) That the Directors have 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 approved 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, bankers, various statutory bodies of the Government of India and the Company's employees at all levels.

For and on behalf of the Board of Directors
INDAG RUBBER LIMITED

P. R. KHANNA

DIRECTOR

(DIN: 00048800)

Place: Delhi
Date: April 16, 2012



ANNEXURE "I"

PARTICULARS 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 overall electrical energy and fuel consumption per ton of production. Our Energy Efficiency drive includes:

- All air conditioners, lights and computers are shut down after office hours (except at the time work commitments).
- There is an optimum ratio of glass windows to utilize natural daylight and proper insulation/ventilation to balance temperature and reduce heat.
- Indag supports the 'Green Initiative' taken by the Ministry of Corporate Affairs ("MCA") and urges its shareholders to accept electronic delivery of documents as prescribed by Law and provide valuable support to the Company in conserving the environment by reducing impact of printing.

B) Technology Absorption, Research and Development (R&D)

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

C) Foreign Exchange Earning and Outgo

Activities relating to export, initiatives taken to increase export, development of new export market for products and services and export plans. Efforts continue to enlarge the product range and geographical reach on export market in order to maximize foreign exchange inflow and every effort made to minimize the foreign exchange outflow.

During the year the Company has exported retreading material of Rs. 191.07 lacs.

Total Foreign Exchange used and earned:

Particulars	2011-12 (Rs. in Lacs)	2010-11 (Rs. in Lacs)
Foreign Exchange earned	191.07	291.05
Foreign Exchange used	28.76	148.47

For and on behalf of the Board of Directors
INDAG RUBBER LIMITED

P. R. KHANNA

DIRECTOR
(DIN: 00048800)

Place: Delhi
Date: April 16, 2012