

34th
ANNUAL
REPORT 2013



Indag Rubber Limited



- **BOARD OF DIRECTORS**
Sh. Nand Khemka
(Chairman cum Managing Director)
Sh. S.L.Khemka
Sh. P.R.Khanna
Sh. R. Parameswar
Sh. K.M.S.Ahluwalia
Sh. K.K.Kapur
(CEO & Whole-Time Director)
- **BANKERS**
State Bank of Bikaner & Jaipur
H D F C Bank
- **AUDITORS**
M/s S. R.Batliboi & Co. LLP
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)

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 expectations 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 THIRTY-FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON FRIDAY, THE 19TH DAY OF JULY, 2013 AT 10:00 A.M. AT SAI INTERNATIONAL CENTRE, PRAGATI VIHAR, LODHI ROAD, NEW DELHI - 110003 TO TRANSACT THE FOLLOWING BUSINESS:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2013 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 Sh. S.L.Khemka, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. K.K.Kapur, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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. 5.50/- per equity share of Rs.10/- each, in addition to the interim dividend of Rs. 2.50/- per equity share already paid, thus making a total of Rs. 8.00/- per equity share for the year ended 2012-13, be and is hereby declared out of the current profits of the company and that the same be paid to those Members whose name appear on the Company's register of members on 19th July, 2013."

5. 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.Batlboi & Co.LLP (Registration no.301003E) Chartered Accountants (erstwhile M/s. S.R.Batlboi & Co. Firm) be and are hereby appointed as Statutory Auditors of the Company to audit the Accounts for the Accounting Year 2013-2014 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, as may be mutually agreed to between the Board of Directors and the Auditors."

AS SPECIAL BUSINESS:

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

"RESOLVED THAT Sh. K.M.S.Ahluwalia who was appointed as an Additional Director of the company and who holds office as such upto the date of Thirty-Fourth Annual General Meeting under section 260 of the Companies Act, 1956, 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."

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a **SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of section 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 Director), 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, 2013."

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

Place: Delhi
Date: May 10, 2013

Manali D. Bijlani
Company Secretary

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON 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 10th July to 19th July, 2013 (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. Members 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. Members are advised not to carry their personal belongings such as bags, eatables, laptops, mobile phones, arms, ammunitions or any other harmful/dangerous objects to the meeting venue.
10. **Pursuant to Clause 49 of the Listing Agreement, the brief profile of Directors eligible for re-appointment/ appointment vide item no. 2, 3 and 6 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 Directorships held on 31 st March 2013
Sh. S.L.Khemka	00297387	01-01-1927	Since Incorporation	Graduate	Nil	Nil
Sh. K.K.Kapur	00745117	15-10-1937	09-04-2001	- Post-Graduate in Mathematics - Member of the Institute of Cost and Works Accountants of India	Nil	Nil
Sh. K.M.S. Ahluwalia	00104762	24-09-1946	01-09-2012	- Graduate in History - Post-Graduate Diploma in Management Sciences from Britain	Nil	Nil



Explanatory Statement

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

Item No. 6: Appointment of a Director

Pursuant to the provisions of the Companies Act, 1956, Sh. K.M.S.Ahluwalia was appointed as an Additional Director of the company with effect from 1st September, 2012.

Sh. K.M.S.Ahluwalia graduated in History from the University of Delhi and then obtained a Post-Graduate Diploma in Management Sciences from Britain. He holds the unique distinction of having headed the three largest market research companies in India - IMRB, of which he became the Chief Executive at the age of 30; then MARG, which he had set up in 1983, and subsequently ORG, which later merged with MARG in 1996.

Sh. K.M.S.Ahluwalia was India's first National Representative to ESOMAR, the world body representing the market research and opinion polling professions.

Pursuant to section 260 of the Companies Act, 1956, Sh. K.M.S.Ahluwalia vacates the office at this Annual General Meeting. As required under section 257, the company has received notice from a member stating his intention to propose Sh. K.M.S.Ahluwalia 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 Sh. K.M.S.Ahluwalia as per proposed resolution.

Except Sh. K.M.S.Ahluwalia, no other Director is interested in the proposed resolution.

Item No.7: Remuneration to Directors other than the Managing Director/ Whole-Time Director

The Members in the Annual General Meeting held on 22nd July, 2009, approved 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, as recommended by the Board.

Since the aforesaid term of five (5) years ends on 31st March, 2013, the Board recommends to the Members for approving payment of commission to Non-Executive Directors for a further period of five (5) years commencing from 1st April, 2013.

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

The Non-Executive Directors are interested in the said resolution to the extent of payment they may receive by way of commission.

The Board, thus, recommends passing of the resolution as set out at Item No. 7 of the Notice.

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

Place: Delhi
Date: May 10, 2013

Manali D. Bijlani
Company Secretary



DIRECTORS' REPORT

To
THE MEMBERS,

Your Directors are pleased to present the 34th Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

Particulars	2012-13 (Rs. in lacs)	2011-12 (Rs. in lacs)
Sales and Operating Income	23627.60	21634.40
Profit before Finance Cost & Depreciation	3556.96	3027.33
Finance Cost	16.69	92.49
Profit before Depreciation	3540.27	2934.84
Depreciation	248.79	233.69
Profit before tax	3291.48	2701.15
Profit after tax	2497.38	2087.13
Transfer to General Reserve	250.00	210.00
Interim Dividend	131.25	78.75
Proposed Final Dividend	288.75	236.25

OPERATIONAL PERFORMANCE

During the year under review, your Company has achieved a turnover of Rs. 236.27 crore as against Rs. 216.34 crore in the previous year. The Operational Profit, before making provision for finance cost and depreciation, amounted to Rs. 35.56 crore as against Rs. 30.27 crore in the previous year.

Profit before tax during the year worked out to Rs. 32.91 crore as compared to Rs. 27.01 crore in the previous year.

During the year, your Company has been awarded 'Certificate of Excellence' in recognition of exemplary growth by Inc. India 500 (2012).

DIVIDEND

During the year, your Directors declared an interim dividend of Rs. 2.50 per equity share on October 8, 2012 which has been paid.

The Directors are pleased to recommend a final dividend of Rs.5.50 per equity share, thus, making a total dividend of Rs.8.00 per equity share for the financial year 2012-2013. The dividend is tax free in the hands of the Members.

INDUSTRY EXPERIENCE

The retread industry's growth is very much linked to the general growth of the economy; like general economy the growth of retread market in the country has also slowed down during the year. The reduction in mining activity and disturbances in some areas have also adversely affected the growth of retread industry during the year.



OPPORTUNITIES AND THREATS

In the next few years, tyre retreading industry would witness growth due to number of factors such as rise in prices of tyres, growth in commercial vehicles, increasing level of radialisation, development of national highways and increased share of multi-axle trucks.

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 a number of parties to pay against delivery. In some cases, PDCs are taken against supplies. The risk of delayed payment from STUs is controlled and managed by rigorous follow-up, supply of good quality tread etc., and obtaining PDC before delivery, wherever possible.
- Increase in prices 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, Plant 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 329 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.

ENVIRONMENTAL PROTECTION

Anti-pollution systems are fully installed and operational. Continuous efforts to 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, Sh. S.L.Khemka and Sh. K.K.Kapur, Directors of the Company, are due to retire by rotation and, being eligible, offer themselves for re-appointment.

During the year, Sh. K.M.S. Ahluwalia was appointed as an Additional Director of the company with effect from 1st September 2012. Pursuant to the provisions of section 257 of the Companies Act, 1956, Company has received notice from a Member proposing the candidature of Sh. K.M.S.Ahluwalia for the office of Director and the requisite fee has been deposited. Your Directors recommend the appointment of Sh. K.M.S.Ahluwalia.

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.Batliloi & Co. LLP, Chartered Accountants (erstwhile M/s S.R.Batliloi & Co.(Firm), Chartered Accountants) retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. 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

Qualification

Attention is invited to note 32 to the financial statements. The Company is disputing the entry tax liability of Rs. 350.17 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. Our audit opinion on the financial statements for the previous year was also qualified in respect of the above matter.

Management Response

The facts of the case are mentioned in Note 32 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 past in similar cases elsewhere.

COST AUDITORS

M/s. Shome & Banerjee, Cost Accountants, were appointed as Cost Auditors of the Company for conducting Cost Audit for the Financial Year ended 31st March, 2012.

The Cost Audit Report (xBRL) for the Financial Year ended 31st March, 2012, was filed with the Ministry of Corporate Affairs on 28th January, 2013 (due date was 28th February, 2013).

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 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, 2013, a total of 49,53,785 equity shares which form 94.36% 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 Certificate from 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 anticipations 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.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2012-13 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 wish to place on record their appreciation for the continuous support received from the Members, 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

Place: Delhi
Date: May 10, 2013

Nand Khemka
Chairman cum Managing Director
DIN: 00211084