

**20th Annual Report
2005-2006**

KANDHARI

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FOR ALL TYRES

KANDHARI RUBBERS LIMITED

20th Annual Report 2005-2006

Board of Directors

Shri Harish Kandhari
Shri Manoj kandhari
Shri K.L. Arora
Shri G.S. Bhageya

Chairman Cum Managing Director
Director
Director
Director

Auditors

M/s. L.S. Nalwaya & Company
Chartered Accountants
Udaipur (Raj.) – 313001

Bankers

State Bank of India
- Nehru Place, New Delhi,
- Commercial Branch , Ridhi Sidhi Complex,
Madhban, Udaipur – 313001

Registered office

N.H.8, Industrial Area, Sukher
Udaipur – 313001 (Raj.)

Works

N.H.8, Industrial Area, Sukher
Udaipur – 313001 (Raj.)

REGISTRARS AND SHARE TRANSFER AGENTS

M/s. MCS Limited
(Unit : Kandhari Rubbers Ltd.)
Shri Venkatesh Bhawan,
W-40, Okhala Industrial Area, Phase – II,
New Delhi – 110 020

KANDHARI RUBBERS LIMITED**NOTICE TO MEMBERS:**

Notice is hereby given that the **Twentieth Annual General Meeting** of the Members of Kandhari Rubbers limited, will be held on **The 30th September , 2006** at **4.30P.M.** at works of Kandhari Rubbers Limited, N.H.-8, Sukher Industrial Area, Sukher, Udaipur – 313004 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and the profit & Loss account for the year ended on that date together with the report of the Directors and auditors thereon.
2. To appoint a director in place of shri K.L.Arora who retire by rotation.
3. To appoint M/s L.S.Nalwaya & Company, Chartered Accountants, Udaipur as auditors of the Company from the conclusion of this Meeting until the conclusion of next annual General Meeting and to fix their remuneration.

By order of the Board

Place: Udaipur

Date : 01.09.2006

(Harish Kandhari)

Mg. Director

NOTES:

1. A member entitled to attend & vote at this meeting is entitled to appoint a proxy to attend & vote instead of himself. A proxy need not be a member of Company. The enclosed proxy form, if intended to be used should reach the registered office of the Company duly completed not less than forty eight hours before scheduled time of the meeting.
2. The register of members and share transfer book of the company will remain closed on 30.09.2006.
3. Members desirous of getting any information about the accounts & operation of the Company are requested to address their query at the registered address well in advance at least seven days before the date of the meeting to enable the management to keep the information required readily available at the meeting.
4. Members who are holding shares in identical order of names in more than one folio, are requested to write to our share transfer agent to consolidate their holding in one folio.

KANDHARI RUBBERS LIMITED

DIRECTOR'S REPORT TO THE SHARE HOLDERS:

Your Directors have pleasure in presenting the Twentieth Annual Report together with the Audited Accounts for the financial year 31st March,2006.

FINANCIAL RESULTS:

	(Rs.in Lacs)	
	<u>2005-2006</u>	<u>2004-2005</u>
1. Sales/ Job work	09.51	19.42
2. Gross Profit /(Loss)	(27.68)	(25.86)

DIRECTORS:

In pursuance of the provisions of the Companies Act, 1956 and Articles of Association of the Company, Sh. G.S.Bhagia, retire by rotation.

INSURANCE:

All properties of the company including Building, Plant & Machinery, Equipment & other Assets, wherever necessary and to the extent required have been adequately insured.

INDUSTRIAL RELATION:

Industrial relations during the year under consideration have been cordial. The Management will always value & cherish the devotion & commitment demonstrated by loyal employees at all levels.

PARTICULARS OF EMPLOYEE:

The Company has no employees whose salary exceeds the limit prescribed under the section 217(2A), of the companies Act, 1956. Hence information required to be given under the said section read with Companies (Particulars of Employees) Rules, 1975 as amended w.e.f. April 17, 2002 has not been provided in this report.

DIRECTOR'S RESPONSIBILITY STATEMENT:

As required under section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

1. In preparation of the Annual Accounts, applicable accounting standard have been followed with proper disclosure of any departure.
2. The accounting policies are consistently applied and reasonable, prudent judgment and estimate are made so as to give a true and fair view of the state of affairs of the company at the end of financial year.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the said Act for safe guarding the assets of the Company and for preventing and deducting fraud and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

KANDHARI RUBBERS LIMITED**CORPORATE GOVERNANCE:**

Pursuant to clause 49 of listing agreement with the Stock Exchanges, Management Discussion & Analysis, Corporate governance Report and Auditor's Certificate regarding compliance of the conditions of Corporate Governance are made a part of this Annual Report.

LISTING :

The equity shares of the Company are at present listed with the Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad, The Stock Exchange, Jaipur, Delhi Stock Exchange Association Limited, New Delhi.

AUDITORS:

The auditors M/s L.S.Nalwaya & Co. Chartered Accountants, Udaipur retire at the ensuing Annual General Meeting and are eligible for re-appointment. The observations of auditors in their report on accounts read with the relevant notes are self-explanatory.

CONSERVATION OF ENERGY / TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The information relating to conservation of energy, Technology absorption and Foreign Exchange earning and outgo as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1998 is annexed here to and forms part of the report.

ACKNOWLEDGEMENT:

The Directors wish to place on record their appreciation for the co-operation received from shareholders, valued customers, and deeply appreciate the commitment and dedication of employees at all levels.

ANNEXURES TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2006:

Information in accordance with section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) , Rules 1988 and forming part of Director's Report :

1. Conservation of Energy : The Company is making all round efforts for conservation of energy. To reduce the cost energy efficient equipments were used and the effect of the same has been felt. Total energy consumption per unit of production as prescribed in form 'A' .

POWER AND FUEL CONSUMPTION:

	CURRENT YEAR	PREVIOUS YEAR
	<u>2005-06</u>	<u>2004-05</u>
1 Electricity		
a) PURCHASED	N.A.	N.A
Units		
Total amounts (in lac)		
Cost/unit (in Rs)		
	3.	

KANDHARI RUBBERS LIMITED**b) Own generation**

Through Diesel Generator (in lacs)	6.86	0.00
Units	84150	0
Unit per litre of diesel oil	3.30	0.00
Average Rate/Litre (Rs)	26.91	0.00
Average Cost/unit (Rs)	8.15	0.00

2. LDO

Quantity (K Litre)	Nil	Nil
Total Amounts (Rs in lacs)	Nil	Nil
Average Rate (Per litre)	Nil	Nil

2. TECHNOLOGY ABSORPTION:

EFFORTS MADE IN TECHNOLOGY ABSORPTION AS PER FORM-B OF THE ANNEXURE TO THE RULES:

1. RESEARCH & DEVELOPMENT (R&D) :

- Specific area in which R&D carried out by the Company: None
- Benefits derived as a result of the above R&D: Not Applicable
- Future plan of action: Efforts are aimed at cost reduction, improvement in quality. The benefit of this will of course be visible in the years to come.
- Expenditure on R&D: NIL

2. TECHNOLOGY ABSORPTION , ADOPTION AND INOVATION : Not Applicable.**3. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- Activity relating to exports initiative taken to increase export market for products and services and export plan.
- The company continues to make Export marketing & survey.

(Rs. In lacs)

	Current Year <u>2005-2006</u>	Previous Year <u>2004-2005</u>
Foreign exchange earned	09.47	12.33
Foreign Exchange out go	0.00	10.01

For & on behalf of the Board**Place: Udaipur****Date: 22.06.06****(Harish kandhari)
Mg. Director**

KANDHARI RUBBERS LIMITED**AUDITOR'S REPORT**

To the Members of
KANDHARI RUBBERS LIMITED
UDAIPUR,

1. We have audited the attached Balance Sheet of KANDHARI RUBBERS LIMITED as at 31st March, 2006 and also the Profit & Loss Account and cash flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the companies Act (auditor's report) Order, 2003 issued by the Central Government of India in term of Sub-Section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of Books and records of the Company as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of such books.
 - c. The Balance Sheet and profit and Loss Account and cash flow statement dealt with by this Report comply with the mandatory accounting standards referred to in Section 211 (3C) of the Companies Act 1956.
 - d. The Balance Sheet and Profit & Loss account referred to in this report are in agreement with the books of account.
 - e. Based on the written representations received from the Directors of the Company as on March 31st, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

5.

KANDHARI RUBBERS LIMITED

5. Note No. 26 regarding preparation of accounts on going concern basis
- 6 Attention is invited to:
- a Non – provision for margin money in the form of FDRs on account of time barred guarantees given by bank and interest thereupon as referred in Note No. 1 (III) (amount unascertainable).
- b Non –provision for depreciation aggregating toRs.6460937.00 as referred in Note No. 13.
- c Non – provision for interest aggregating to Rs. 6146390.00 as referred in Note No. 15.
- d Non – provision (amount unascertainable) for interest on bank borrowing as referred in Note No 16.
- e Non– provision (amount unascertainable) for interest on loans and advances as referred in Note No.18.

We further report that, without considering items mentioned at 6(a), 6(d) & 6(e) above, the effect of which could not be determined, had the observations made by us in items at 6 (b) & (c) above been considered, the loss for the period would have been Rs. 153.75 Lacs (as against the reported figure of Rs. 27.68 Lacs) and Liabilities and provisions would have been Rs. 174.80 Lacs (as against the reported figure of Rs.48.73Lacs). Had the un-provided depreciation for the years 1998-99 to 2005-06 and interest to Financial Institutions for the year 2001-02 to 2005-06 also been considered the accumulated loss up to 31.03.06 would have been Rs. 1648.11 Lacs.

7. Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to our observations read together with other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
- i. In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006.
- ii. In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For L. S. NALWAYA & COMPANY
Chartered Accountants

Udaipur
The.22ND, June 2006

L. S. NALWAYA
Partner

KANDHARI RUBBERS LIMITED

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our Report of even date)

1. In respect of its fixed assets:-

- (a) The Company has maintained records in loose leaf showing full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets have been physically verified by the management. No material discrepancies were noticed on such verification. In our opinion, the frequency of such physical verification is reasonable having regard to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanation given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

2. In respect of its inventories:-

- (a) As explained to us, physical verification have been conducted by the management at reasonable intervals in respect of inventory.
- (b) In our opinion and according to the information and explanation given to us, the procedure of physical verification of inventory are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.

3. In respect of loans Secured or Unsecured, granted or taken by the Company to/from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:-

- (a) According to the information and explanation given to us, the company has granted unsecured interest free loans to 5 parties aggregating to Rs 70.44 lacs and the Company has not taken any loans, secured or unsecured from Companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) In our opinion and according to the information and explanations given to us, the loans to the parties have been given without interest and any terms and conditions for repayment.
- (c) No reasonable steps have been taken by the Company for recovery of the principal.

4. In our opinion and according to the information and explanations given to us, the internal control procedures needs to be strengthened to bring it in line with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for sale of goods. During the course of our audit we have not noticed any major weakness in internal control procedures.