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**35th  
ANNUAL REPORT  
1999-2001**

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**MM RUBBER COMPANY LIMITED**

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## **M.M. RUBBER COMPANY LIMITED**

### **BOARD OF DIRECTORS**

**MAMMEN PHILIP**  
*(Managing Director)*

**MAMMEN MATHEW**

**K.O. MAMMEN**

**MAMMEN VARGHESE**

**ASHOK KURIYAN**

**KARUN PHILIP**

**ROY MAMMEN**

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### **BANKERS**

**INDIAN OVERSEAS BANK**

### **AUDITORS**

**KURUVILLA & KURUVILLA**

### **REGISTERED OFFICE**

**748, ANNA SALAI, CHENNAI - 600 002.**

**M.M. RUBBER COMPANY LIMITED**

Regd. Office : 748, Anna Salai, Chennai-600 002  
Tel: 8523501

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Thirtyfifth Annual General Meeting of the Shareholders of M.M. Rubber Company Limited will be held at 11.00 a.m. on Thursday, the 27<sup>th</sup> September 2001 at Swami Sankaradas Auditorium, 153 Habibullah Road, T'Nagar, Chennai-600 017, to transact the following business:

1. To receive and adopt the Directors' Report, Auditors' Report and the audited statements of account for the financial period ended 31<sup>st</sup> March 2001.
2. To appoint a Director in place of Dr. Karun Philip who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Mr. Roy Mammen who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors for the current year and fix their remuneration. The retiring auditors, Messrs. Kuruvilla & Kuruvilla, Chartered Accountants, are eligible for re-appointment.

**Special Business:**

5. To consider and if thought fit, to pass with or without modifications, the following as an Ordinary Resolution.

**As an Ordinary Resolution:**

" RESOLVED that subject to the applicable provisions of the Companies Act, 1956 read with Schedule XIII, the consent of the Company be and is hereby accorded to the appointment of Mr. Mammen Philip as the Managing Director of the Company for a period of 5 years from 1<sup>st</sup> July 2000 on the following terms and conditions:

- (1) a) Salary : Rs.25000/- (Rupees Twentyfive Thousand only) per month from 1.7.2000 to 31.7.2001.  
Rs.15000/- (Rupees Fifteen Thousand only) per month from 1.8.2001 to 30.6.2005
  - b) Housing : House Rent Allowance at 60% of the salary or unfurnished residential accommodation subject to a ceiling of 60% of salary over and above 10% payable by him.
  - c) Medical Benefit : Reimbursement of expenses actually incurred subject to a ceiling of one month's salary in a year or three month's salary over a period of 3 years.  
For Self and family
  - (2) a) Contribution to Provident Fund at 12% of the salary/statutory rate as may be in force from time to time.
  - b) Contribution to Superannuation Fund at 10% of the Salary.
  - c) Gratuity at the rate not exceeding half a month's salary for each completed year of service.
  - d) Encashment of leave at the end of the tenure, as per Company's rules.
- The perquisites under Item 2 shall not be included in the computation of the ceiling on remuneration.

- (3) Provision of car for use on Company's business and telephone at residence. These will not be considered as perquisites. Personal long distance calls on Telephone and use of car for private purposes shall be billed by the Company.

**Minimum Remuneration:**

In the event of loss or inadequacy of profits in any financial year during the period of appointment, the Managing Director be paid remuneration by way of salary and perquisites not exceeding the limits specified above, as minimum remuneration.

By Order of the Board

Place : Chennai  
Date : 20.8.2001

MAMMEN PHILIP  
MANAGING DIRECTOR

- Notes: (1) A Member entitled to attend and vote is entitled to appoint a proxy and vote instead of himself and the proxy need not be a member.
- (2) The Register of Members will remain closed from Tuesday, the 25<sup>th</sup> September 2001 to Thursday, the 27<sup>th</sup> September 2001 (both days inclusive)

**Explanatory Statement as required Under Section 173(2) of the Companies Act, 1956 in respect of Ordinary Resolution (Item 5)**

The Board of Directors, at their Meeting held on 21<sup>st</sup> July 2000 have re-appointed Mr. Mammen Philip as the Managing Director of the Company for a period of 5 years from 1<sup>st</sup> July 2000 and necessary Notice u/s 302(2) of the Companies Act, 1956 was also sent giving the terms of appointment, which were in accordance with Schedule XIII of the Companies Act, 1956. The Company has also filed the necessary Return of Appointment of the Managing Director with the Registrar of Companies, Tamilnadu, Chennai, as required under Schedule XIII.

The remuneration fixed by the Board on 21.7.2000 includes Salary of Rs.25000/- per month apart from Commission and other benefits such as HRA, Medical Benefits, LTA, Club Fees, Personal accident insurance, etc.

Owing to the losses incurred by the Company, Mr. Mammen Philip has volunteered to have his salary reduced to Rs.15000/- per month with effect from 1.8.2001 and also for withdrawal of the benefits such as Commission, LTA, Club Fees, and Personal Accident Insurance. Based on the request of Mr. Mammen Philip, the Board has revised his remuneration viz. Reduction of salary from Rs.25000/- per month to Rs.15000/- per month apart from withdrawal of the benefits referred to above. Necessary notice u/s 302(2) of the Companies Act, 1956 with regard to the revision of the remuneration of the Managing Director from 1.8.2001 is attached separately to this notice.

Approval of the Shareholders is required for the payment of remuneration to the Managing Director u/s 309(1) of the Companies Act, 1956 taking into account the reduction in his salary etc at his request. Hence the Ordinary Resolution is proposed.

Except Mr. Mammen Philip and Dr. Karun Philip, none of the other Directors is interested or connected in this resolution.



## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors hereby present the Thirtyfifth Annual Report together with the audited Statements of Account for the financial period ended 31st March 2001.

### WORKING OF THE COMPANY:

The working of the Company for the period ended 31st March 2001 as compared to the previous year was as follows :

	Current Period Ended 31.3.2001 (18 Months)	Previous Year Ended 30.9.1999 (12 Months)
	(Rupees in Lakhs)	
Loss before Interest & Depreciation	(-) 39.10	(-) 42.55
Interest	177.52	135.67
Depreciation	104.70	67.70
Loss	(-) 321.32	(-) 245.92

The current financial year of the Company covers a period of 18 months as it had an extended accounting year.

Company passed through another period of considerable financial strain. The labour in BOPP Division went on a sudden illegal strike in early 2000 which led to loss of regular customers and sales. As a result, normal operations could not be resumed even after settlement of the dispute and production had to be stopped from October 2000. This resulted in heavy loss during the period. The Management is discussing with bankers for possible rehabilitation of this project.

Due to very sluggish market conditions, the Foam Division also did not do well during the period. Many steps are taken in increasing the sale and profits of this Division which have now started showing signs of improvements.

### DIVIDEND:

In view of the loss, no dividend is recommended for the financial period ended 31st March 2001.

### ACCOUNTS:

After charging Interest of Rs.177.52 lakhs and Depreciation of Rs.104.70 lakhs, the Company's working has ended in a loss of Rs.321.32 lakhs for the 18 months period ended 31st March 2001. After taking into account the carry forward loss of Rs.32.53 lakhs of the previous year, the total loss of Rs.353.85 lakhs has been carried over to the Balance Sheet.

In the earlier years Company has always been making payments to Gratuity Trust based on actuarial valuation. During the financial period the amount to be paid to the Gratuity Trust was Rs.67.52 lakhs based on actuarial valuation as on 31.03.2001. Due to heavy loss and paucity for funds the Company could pay only Rs.25.50 lakhs during the period ended 31.03.2001. The employee strength of the Company which was 663 in August 1996 reduced to 352 as on 31.03.2001. All the employees who left the service, who were eligible for gratuity were paid gratuity promptly. The total gratuity payment since 1996-97 from the Gratuity Trust has been Rs.101.06 lakhs. Even during the period October 1999 to March 2001 Company made prompt gratuity payments to all the out going employees. There was no arrears in gratuity payment as on 31st March, 2001 and even during the current year i.e. 2001-2002.

### DIRECTORS:

Dr. Karun Philip and Mr. Roy Mammen retire by rotation at the Annual General Meeting and are eligible for re-election. Mr. K.M. Philip, Chairman, had retired on 21.7.2000 and the Board places on record its appreciation for the valuable contribution rendered by him.

**FIXED DEPOSITS:**

At the close of the year, fixed deposits amounting to Rs.3.51 lakhs though matured; remained unclaimed. Out of this, fixed deposits aggregating Rs.3.12 lakhs have been repaid / renewed subsequently.

**PARTICULARS OF EMPLOYEES:**

There was no employee whose remuneration during the financial period attracted the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**AUDITORS:**

The Auditors, Messrs. Kuruvilla & Kuruvilla, Chartered Accountants, retire and are eligible for re-appointment.

**SUBSIDIARY:**

In compliance with the provisions of Section 212 of the Companies Act, 1956 the audited Statements of Account of a subsidiary company of your company together with the Reports of the Auditors and Directors and also the Statement under the said Section are attached along with the Balance Sheet of the Company.

**R&D EFFORTS AND TECHNOLOGY ABSORPTION:**

Details of R & D Efforts and Technology Absorption are given in Form "B" hereunder:

**FORM "B"****RESEARCH AND DEVELOPMENT (R&D):****1) Specific areas in which R&D carried out by the Company:**

The Company carried out extensive development work in bringing out cheaper but quality Foam Mattresses.

The Company also has an ongoing programme on latex technology development and its related application to various products.

**2) Benefits derived as a result of the above R & D:**

Company has brought out a new Foam Rubber Mattress by brand name "Eco Rest" during the current financial period which will increase the sales of Foam Rubber Division.

**3) Future Plan of Action**

Studies are being made to make partial use of the BOPP Plant to make other products. Steps to reduce cost of foam rubber are being made.

**4) Expenditure on R & D**

Expenditure on in-house Research & Development has been shown under respective heads of expenditure in the Profit & Loss Account

**5) Technology Absorption, Adaptation and Innovation**

The latest technology is being adopted in the factory for improving productivity and product quality and reducing consumption of raw materials and fuel

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

Statutory particulars with regard to foreign exchange earnings and outgo appear in the Notes pertaining to the accounts.



**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Section 217(2A) of the Companies Act, 1956, the Directors confirm the following in respect of the audited accounts for the period ended 31st March 2001.

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied them consistently except in respect of the gratuity provision as stated in Note No.1-E of Notes on Accounts attached to the Balance Sheet (which is dealt with in detail under "Accounts" in this Report) and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial period i.e. 31st March 2001 and the profit or loss account of the Company for that period;
- (iii) that the Directors have taken proper and sufficient care for 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.

**APPRECIATION:**

Your Directors place on record their appreciation of the valuable contribution of the Company's bankers. The Directors also take the opportunity to thank the customers, dealers and all employees for their continued co-operation.

**REPLY TO AUDITORS' REPORT:**

Due to heavy losses incurred and shortage of funds, the Company could not make full payment to the Gratuity Trust based on actuarial valuation. As against the actual amount of Rs.67.52 lakhs required only a sum of Rs.25.50 lakhs was paid to the Gratuity Trust. This is also dealt with in detail earlier in this report.

By Order of the Board

Place : Chennai  
Date : 13.8.2001

MAMMEN PHILIP  
Managing Director

MAMMEN VARGHESE  
Director

ASHOK KURIYAN  
Director



## AUDITORS' REPORT

To the Shareholders of M M Rubber Company Limited, Chennai on the Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the period ended on that date.

We have audited the annexed Balance Sheet of M M Rubber Company Limited, Chennai, as at 31st March, 2001 and the relative Profit and Loss Account for the period ended on that date, and report that:

1. 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.
2. In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of those books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards as applicable to the Company referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 except in the case of AS-15 relating to actuarial valuation for gratuity (Refer Note No.1-E)
5. We have not visited the branches and the returns received from the branches were considered adequate for the purposes of audit except certain bank statements. (Refer Note No.8)
6. Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and also give a true and fair view:
  - (a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2001; and
  - (b) In the case of the Profit and Loss Account, of the Loss for the period ended on that date.
7. Based on the declarations made by all the Directors of the Company and the information and explanations as made available, the Directors of the Company do not prima facie have any disqualifications as referred to in Section 274(1)(G) of the Companies Act, 1956.
8. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Orders.

Place: Chennai  
Date : 16.08.2001

For KURUVILLA & KURUVILLA  
Chartered Accountants  
K. RAMACHANDRAN  
Partner

## ANNEXURE TO THE AUDITORS' REPORT

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals. The discrepancies noticed on such verification are not material and have been properly dealt with in the books of accounts. The inventories produced to us do not however indicate the cost of individual items in the case of furniture and fittings, moulds, office equipments, laboratory equipments, tools, implements and electrical fittings acquired prior to the Companies (Auditors' Report) Order 1975.
- (ii) The fixed assets of the Company have not been revalued during the period
- (iii) The stock of finished goods, stores, spare parts and raw materials have been physically verified by the Management at reasonable intervals during the period





- (iv) In our opinion, the procedures of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (v) In our opinion, the discrepancies noticed on physical verification of the stocks, as compared to book records are not material and have been properly dealt with in the books of account.
- (vi) In our opinion and on the basis of our examination the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
- (vii) In our opinion, the rate of interest and the terms and conditions on which loans have been obtained from Companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956 in which the Directors are interested, are not prima facie prejudicial to the interests of the Company. We are informed that there are no companies under the same management.
- (viii) The Company has granted loans to its subsidiary company, which are exempt under section 372A of the Companies Act 1956.
- (ix) In respect of interest-free loans and advances in the nature of loans given by the Company, the parties are generally repaying the principal amounts as stipulated.
- (x) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and for sale of goods.
- (xi) According to the information and explanations given to us, the transactions of purchase and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the period to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or the prices at which transactions for similar goods have been made with other parties.
- (xii) The Company has a regular procedure for determining the unserviceable or damaged stores, raw materials and finished goods and necessary adjustments for the loss have been made in the accounts.
- (xiii) In our opinion, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scraps. The Company has no bye-products.
- (xv) In our opinion, the Company has an internal audit system which has to be made commensurate with the size and nature of its business.
- (xvi) We are informed that the Central Government has not prescribed maintenance of cost records for the Company's products under Section 209(1)(d) of the Companies Act, 1956.
- (xvii) The Company is regular in depositing Provident Fund dues. The Employees' State Insurance dues were deposited with the appropriate authorities with occasional delays for a day or two.
- (xviii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at 31st March, 2001 for a period of more than six months from the date they became payable.
- (xix) According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account.
- (xx) The Company is not a Sick Industrial Company within the meaning of Section 3(1)(0) of the Sick Industrial Companies (Special Provisions) Act, 1985.

Place: Chennai  
Date : 16.08.2001

For KURUVILLA & KURUVILLA  
Chartered Accountants  
K. RAMACHANDRAN  
Partner

## M.M. RUBBER COMPANY LIMITED

### BALANCE SHEET AS AT 31ST MARCH 2001

		Schedules		(Rupees in Lakhs)	
		Rs.	Rs.	Rs.	Previous Year Rs.
<b>SOURCES OF FUNDS:</b>					
<b>Shareholders' Funds:</b>					
Share Capital	1	498.06		498.06	
Reserves & Surplus	2	<u>26.36</u>		<u>26.36</u>	
			524.42		524.42
<b>Loan Funds :</b>					
Secured Loans	3	659.90		664.45	
Unsecured Loans	4	<u>64.98</u>		<u>77.15</u>	
			724.88		741.60
			<u>1249.30</u>		<u>1266.02</u>
<b>APPLICATION OF FUNDS:</b>					
<b>Fixed Assets:</b>					
Gross Block		1066.99		1071.78	
Less: Depreciation		<u>667.34</u>		<u>570.39</u>	
Net Block	5		399.65		501.39
<b>Investments</b>	6		14.06		14.06
<b>Current Assets, Loans and Advances:</b>					
Accrued Interest		0.50		0.50	
Inventories	7	418.84		517.31	
Sundry Debtors	8	273.55		480.73	
Cash & Bank Balances	9	44.31		87.49	
Loans & Advances	10	<u>99.73</u>		<u>100.18</u>	
		836.93		1186.21	
<b>Less:</b>					
<b>Current Liabilities &amp; Provisions:</b>					
Current Liabilities	11	357.10		472.83	
Provisions	12	<u>2.49</u>		<u>2.49</u>	
		359.59		475.32	
<b>Net Current Assets</b>			477.34		710.89
<b>Miscellaneous Expenditure</b>					
(To the extent not written off or adjusted)	13		4.40		7.15
<b>Profit &amp; Loss Account</b>			<u>353.85</u>		<u>32.53</u>
			<u>1249.30</u>		<u>1266.02</u>

Schedules referred to and the accompanying Notes form an Integral part of this Balance Sheet.

MAMMEN PHILIP  
Managing Director

MAMMEN VARGHESE  
Director

Vide our report of even date  
For KURUVILLA & KURUVILLA  
Chartered Accountants  
K.RAMACHANDRAN  
Partner

ASHOK KURIYAN  
Director

Place : Chennai  
Date : 13th August, 2001

Chennai, Dated 16th August, 2001.