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**37th**  
**ANNUAL REPORT**  
**2002-2003**

**MM RUBBER COMPANY LIMITED**

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

## **BOARD OF DIRECTORS**

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

**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: 28523501

### **NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Thirtyseventh Annual General Meeting of the Shareholders of M.M. Rubber Company Limited will be held at 11.00 a.m. on Monday, the 15th December 2003 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 year ended 31st March 2003.
2. To appoint a Director in place of Mr. Ashok Kuriyan who retires by rotation and being eligible offers himself for re-election.
3. To appoint Auditors for the current year and fix their remuneration. The retiring auditors, Messrs. Kuruvilla & Kuruvilla, Chartered Accountants, are eligible for re-appointment.



By Order of the Board

Place: Chennai  
Date : 14.11.2003

(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 Friday, the 12th December 2003 to Monday, the 15th December 2003 (both days inclusive)

## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors hereby present the Thirty-seventh Annual Report together with the audited statements of Account for the financial year ended 31st March 2003.

### WORKING OF THE COMPANY

The working of the Company for the year ended 31<sup>st</sup> March 2003 as compared to the previous year was as follows

	Current Year Ended 31.3.2003	Previous Year Ended 31.3.2002
	(Rupees in Lakhs)	
Profit / Loss before Interest & Depreciation	(-) 52.05	(+) 19.92
Interest	93.45	99.44
Depreciation	48.66	53.55
Loss	(-) 194.16	(-) 133.07

The working of the Company continues to be under severe strain. The production of BOPP Film continues to be suspended and the Foam Factory is working at low levels of production due to demand / production constraints and financial problems. Meanwhile, measures to reduce costs continue to be undertaken. In view of the erosion of the net worth, necessary timely steps will be taken to report the same to BIFR and comply with other related requirements.

### DIVIDEND

In view of the loss for the year, no dividend is recommended for the financial year ended 31st March 2003.

### ACCOUNTS

After charging Interest of Rs.93.45 lakhs and Depreciation of Rs.48.66 lakhs, the Company's working has ended in a loss of Rs.194.16 lakhs for the year ended 31st March 2003. After taking into account the carry forward loss of Rs.486.92 lakhs from the previous year, the total loss of Rs.681.08 lakhs has been carried over to the Balance Sheet.

During the year the amount to be paid to the Gratuity Trust was Rs.63.55 lakhs on actuarial valuation as on 31.3.2003. In view of severe paucity for funds, the company could pay only Rs.12.42 lakhs to settle all gratuity claims. All claims received during the year were settled promptly. The employee strength of the Company which was 285 as on 31.3.2002 reduced to 254 as on 31.3.2003. There were no gratuity claims pending settlement as on 31.3.2003.

The Directors have no convincing evidence that sufficient taxable income in the near future will be available and feel as a measure of prudence not to recognize deferred tax asset / liability in view of past unabsorbed depreciation and carry forward business loss.

### DIRECTORS

Mr. Ashok Kuriyan retires by rotation at the Annual General Meeting and is eligible for re-election. Dr. K.O. Mammen and Mr. Mammen Mathew ceased to be Directors from 28-10-2002 and 28-4-2003 respectively and the Board places on record its appreciation for the valuable contribution rendered by them.

### FIXED DEPOSITS

At the close of the year, fixed deposits amounting to Rs.0.17 lakhs though matured, remained unclaimed. The Company

had not accepted/renewed fixed deposits after the date of Annual General Meeting held on 27.9.2001 and deposits maturing have been repaid.

#### **PARTICULARS OF EMPLOYEES**

There was no employee whose remuneration during the financial year 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.

#### **R&D EFFORTS AND TECHNICAL 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 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:**

The Company during the year had produced samples of fire retardant foam rubber and got the same approved by FIRA, England, which approval makes it saleable in the European market. The Company is also developing a new "Life Companion" series of products, of which the "Life Companion Pillow" has been introduced in the market.

##### **3) Future Plan of Action**

We plan to introduce more varieties of mattresses including one for hospital use and pillows.

##### **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.

##### **6) 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(2AA) of the Companies Act, 1956, the Directors confirm the following in respect of the audited accounts for the year ended 31st March 2003.



- (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 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 year i.e. 31st March 2003 and the profit or loss account of the Company for that year;
- (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.

#### **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Reports on Management Discussion and Analysis and on Corporate Governance have been included separately in this Annual Report.

#### **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.

By Order of the Board

**Mammen Philip**  
Managing Director

**Mammen Varghese**  
Director

**Roy Mammen**  
Director

Place: Chennai

Date : 29.10.2003

**ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2003**  
(Pursuant to Clause 49 of the Listing Agreement)

**MANAGEMENT DISCUSSION & ANALYSIS**

**Overview**

The Company is now mainly engaged in the production & sale of Latex foam rubber products like Mattresses, Pillows, Cushions etc., under the brand name of "mm foam". The sleep segment, the upholstery segment & Transport segment etc., have very large usage for Foam Rubber products.

**OPPORTUNITIES AND THREATS**

**Opportunities**

With many of the European countries shifting to usage of eco-friendly products, the demand for Foam mattresses is considerably going up. Even in the domestic market though alternate products like Polyurethane, Rubberised coir & spring mattresses are available, Foam rubber has its own edge over these products. Foam rubber products have a good retail as well as institutional market, keeping in line with the trend in Western countries.

**Threats**

Foam rubber being an Industry 'ear marked' for Small Scale Sector, competitors are exempted from excise duty and much cheaper, sub-standard Mattresses are available at very low prices in the market. The overall Customer awareness of the quality of foam rubber is poor which leads to purchase of unbranded cheaper products. Further, the acute shortage of working capital stifles our efforts to increase production and sales.

**Segment Analysis**

The Foam rubber mattresses, Pillows, Cushions etc., despite the recessionary condition did reasonably well during the year. But with a sustained advertisement the sale could have gone up considerably, which could not be done due to paucity for funds.

As regards BOPP, the production had to be stopped in October 2000 due to Labour problem & the Company have no idea of restarting the same.

**Internal Control System**

The Internal Control Systems are adequate enough for the present level of operation. Management is taking steps to put in place more controls in various areas.

**Financial Performance**

With focus on market collections the Company could manage the level of production & sale achieved during the year. However, heavy financial constraints like large bank borrowing, BOPP division not operating, the Company is under great financial strain, which is being addressed to by the Management.

**Human Resources / Industrial Relation**

The Company has been taking considerable action in reducing the manpower over the last 3-4 years. The employment level has come down from 663 in 1996 to 254 in March 2003.

**Outlook**

We expect to maintain the foam rubber production & sale at the current level during the coming year.

## REPORT ON CORPORATE GOVERNANCE

Corporate Governance envisages transparency, supervision and internal controls. The Company believes that all actions must serve the need to encourage efficient use of resources and ensure accountability.

### Board of Directors

The Board comprises of 5 Directors with a mix of both Executive and Non-Executive Directors. Mr. Mammen Philip is the Managing Director of the Company. Dr. Karun Philip is a Non-Executive Director. Mr. Mammen Varghese, Mr. Roy Mammen and Mr. Ashok Kuriyan are Non-Executive, Independent Directors. The composition of Independent Directors are as per the requirements of Clause 49 of the Listing Agreement. Particulars of attendance in Board Meetings and last Annual General Meeting (AGM) and also membership in other Boards and Board Committees are furnished hereunder.

The Board of Directors met six times during the financial year i.e. on 26.04.2002, 26.07.2002, 16.08.2002, 30.09.2002, 28.10.2002, and 28.01.2003.

Name of the Director	No. of Board Meetings attended	Executive / Non-Executive/ Independent	Whether attended last AGM	Membership In other Boards(*)	Other Board Committee Membership Member Chairman
Mr. Mammen Philip	6	Managing Director	Yes	5	— —
Mr.Mammen Varghese	5	Non-Executive Independent	Yes	13	— —
Mr. Roy Mammen	6	Non-Executive Independent	Yes	4	— —
Mr. Ashok Kuriyan	3	Non-Executive Independent	Yes	12	— —
Dr. Karun Philip	—	Non-Executive	No	2	— —
Mr.Mammen Mathew (**)	2	Non-Executive Independent	No	4	— —
Dr.K.O. Mammen (***)	1	Non-Executive Independent	Yes	1	— —

\* Including Private Limited Companies

\*\* Ceased to be a Director from 28.4.2003

\*\*\* Ceased to be a Director from 28.10.2002



### **Audit Committee**

In line with the requirements of Clause 49 of the Listing Agreement requiring to put in place Corporate Governance on or before 31.3.2003 for Companies having Paid-up Capital over Rs.3 crores, the Company constituted on 1.2.2003 an independent Audit Committee consisting of three members, all of whom are Non-Executive, Independent Directors. Mr. Mammen Varghese is the Chairman of the Committee. The Composition of the Committee is –

Mr. Mammen Varghese	-	Chairman
Mr. Roy Mammen	-	Member
Mr. Ashok Kuriyan	-	Member

All the above Members have financial and accounting knowledge.

The terms of reference of the Audit Committee are wide enough covering the matters stipulated in terms of the Listing Agreement. After the constitution of the Audit Committee on 1.2.2003, the Committee met on 4.3.2003 which was attended by all the Members of the Committee.

### **Remuneration Committee**

As per Clause 49 of the Listing Agreement, the Company constituted on 1.2.2003 a Remuneration Committee consisting of three members all of whom are Non-Executive Independent Directors. Mr. Mammen Varghese is the Chairman of the Committee. The Composition of the Committee is –

Mr. Mammen Varghese	-	Chairman
Mr. Roy Mammen	-	Member
Mr. Ashok Kuriyan	-	Member

Mr. Ashok Kuriyan has been nominated as Member of this Committee in place of Mr. Mammen Mathew who ceased to be a Member of the Board from 28.4.2003

**Remuneration of Directors:** The remuneration of the Managing Director has been approved by the Shareholders in General Meeting. The other Non-wholetime Directors of the Company are only paid Sitting Fee of Rs.500/- per meeting for attending the Board Meetings. The Directors who are Members of the Board Committees have waived the receipt of sitting fees for such committee meetings. Details of remuneration paid during the year to Non-Wholetime Directors and the Managing Director are given hereunder:

### **Remuneration paid to Non-Wholetime Directors for attending Board Meetings.**

Mr. Mammen Varghese	:	Rs. 2500/-	} Apart from
Mr. Roy Mammen	:	Rs. 3000/-	} Sitting Fees
Mr. Ashok Kuriyan	:	Rs. 1500/-	} no other
Mr. Mammen Mathew	:	Rs. 1000/-	} remuneration
Dr. K.O.Mammen	:	Rs. 500/-	} is paid.

### **Remuneration of Managing Director**

Salary	:	Rs. 180000/-
Contribution to PF	:	Rs. 21600/-
Other Benefits	:	Rs. 108396/-

Period of Contract of Managing Director	:	5 years from 1.7.2000
Stock Option	:	Nil
Severance Fee / Notice Period	:	Nil

Since the Managing Director's remuneration was fixed and approved by the Shareholders in July 2001 itself and there being no other Director receiving remuneration from the Company, except the Sitting Fees paid for Board Meetings, no meeting of the Remuneration Committee was held after its constitution on 1.2.2003. Due to inadequacy of profits/loss, the Managing Director was paid minimum remuneration only.

#### Shareholders' Committee

As required by Clause No. 49 of the Listing Agreement, a Shareholders' Committee was constituted on 1.2.2003 comprising of the following Non-Executive, Independent Directors to specifically look into the redressal of Investors' complaints like transfer of shares, non-receipt of balance sheet, etc. and the Committee thereafter met once on 4.3.2003 which was attended by all the Members of this Committee.

Mr. Mammen Varghese	-	Chairman
Mr. Roy Mammen	-	Member
Mr. Ashok Kuriyan	-	Member

Mr. Bhanu Mathew, General Manager and Compliance Officer is a permanent invitee.

No. of complaints received from Shareholders  
from 1.4.2002 to 31.3.2003 : 15

No. of complaints not solved to the satisfaction of the shareholders  
as on 31.3.2003 : Nil

No. of share transfers pending as on 31.3.2003  
(Lodged between 24.3.03 and 31.3.03) : 6

In respect of compulsory dematerialization of the Company's Shares as required by SEBI through the Stock Exchanges, the Company had already initiated action and submitted applications to Central Depository Services Limited (CDSL) and National Securities Depository Limited (NSDL) in September 2001 itself. While CDSL had established electronic connectivity and allotted the ISIN Number, NSDL has deferred its approval in this regard and the matter is still pending with them. The Company had already represented to the respective Stock Exchanges and SEBI for solving this issue and the matter is still being pursued with them for sorting out this matter as SEBI required that the electronic connectivity should be established by both CDSL and NSDL to comply with compulsory demat requirement. As soon as NSDL approves and establishes the electronic connectivity, the shareholders will be communicated in this regard.

Name and Address of Compliance Officer	:	Mr. Bhanu Mathew General Manager 748 Anna Salai, Chennai-600002
Telephone	:	91-044 - 28523501 - 28523511
Fax	:	91-044 - 28523329
e-mail	:	<a href="mailto:mmrc@xlweb.com">mmrc@xlweb.com</a> <a href="mailto:mmfoam@mmfoam.com">mmfoam@mmfoam.com</a>

#### General Body Meetings

Venue and Time of the last 3 Annual General Meetings

S.No.	Date	Time	Venue
1	28.03.2000	11.00 a.m.	Swami Sankaradas Auditorium 153 Habibullah Road, T'Nagar, Chennai-600 017
2	27.09.2001	11.00 a.m.	- do -
3	30.09.2002	11.00 a.m.	- do -