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WRAP**

**38th
ANNUAL REPORT
2003-2004**

MM RUBBER COMPANY LIMITED

M. M. RUBBER COMPANY LIMITED

BOARD OF DIRECTORS

MAMMEN PHILIP

(Managing Director)

MAMMEN VARGHESE

ASHOK KURDIAN

KARUN PHILIP

ROY MAMMEN

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 Thirty-eighth Annual General Meeting of the Shareholders of M.M. Rubber Company Limited will be held at 11.00 a.m. on Thursday, the 30th September 2004 at Swami Sankaradas Auditorium, 153 Habibullah Road, TNagar, 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 2004.
2. To appoint a Director in place of Mr. Roy Mammen 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

(MAMMEN PHILIP)
Managing Director

Place : Chennai
Date : 27.8.2004

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 28th September 2004 to Thursday, the 30th September 2004 (both days inclusive)



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors hereby present the Thirty-eighth Annual Report together with the audited statements of Account for the financial year ended 31st March 2004.

WORKING OF THE COMPANY

The working of the Company for the year ended 31st March 2004 as compared to the previous year was as follows:

| | Current Year Ended 31.3.2004 | Previous Year Ended 31.3.2003 |
|-------------------------------------|---------------------------------|----------------------------------|
| | (Rupees in Lakhs) | |
| Loss before Interest & Depreciation | (-) 1.80 | (-) 52.05 |
| Interest | 97.59 | 93.45 |
| Depreciation | 45.94 | 48.66 |
| Loss | (-) 145.33 | (-) 194.16 |

The Company continues to work under severe financial strain. The Production of BOPP Film continues to be suspended and the foam factory is working at low levels of production due to various factors, mainly shortage of funds. In view of the erosion of the net worth, your Company has reported the same to BIFR.

DIVIDEND

In view of the loss for the year, no dividend is recommended for the financial year ended 31st March 2004.

ACCOUNTS

After charging Interest of Rs.97.59 lakhs and Depreciation of Rs.45.94 lakhs, the Company's working has ended in a loss of Rs.145.33 lakhs for the year ended 31st March 2004. After taking into account the carry forward loss of Rs.681.08 lakhs from the previous year, the total loss of Rs.826.41 lakhs has been carried over to the Balance Sheet.

During the year the amount to be paid to the Gratuity Trust was Rs.53.14 lakhs on actuarial valuation as on 31.3.2004. In view of severe paucity for funds, the company could pay only Rs.20.50 lakhs to the Gratuity Trust Fund. All claims received during the year were settled promptly. The employee strength of the Company which was 254 as on 31.3.2003 reduced to 172 as on 31.3.2004. There were no gratuity claims pending settlement as on 31.3.2004.

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, in view of past unabsorbed depreciation and carry forward business loss.

DIRECTORS

Mr. Roy Mammen retires by rotation at the Annual General Meeting and is eligible for re-election.

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:

During the year the Company brought out "Medibed" mattresses and pillows meant for the exclusive use in hospitals.

3) Future Plan of Action

We plan to introduce more varieties of mattresses 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 2004.

- (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 judgment 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 2004 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 : 23.8.2004

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2004
(Pursuant to Clause 49 of the Listing Agreement)**MANAGEMENT DISCUSSION & ANALYSIS****Overview**

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

OPPORTUNITIES AND THREATS**Opportunities**

Many western countries are shifting to usage of eco-friendly products and the demand for Foam mattresses is 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 the trend in Western countries.

Threats

Foam rubber being an industry earmarked 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. Moreover, the acute shortage of working capital chokes our efforts to increase production and sales.

Segment Analysis

The Foam Rubber mattresses, pillows, cushions etc. did reasonably well during the year. The Company could not launch sustained advertisement and other sales promotional schemes due to financial constraints.

As regards BOPP, the production stopped in October 2000 due to labour problem and the Company has 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 and sale achieved during the year. However, heavy financial constraints like large bank borrowing, BOPP division not operating, the Company continues to be under severe financial strain.

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. This has further been reduced to 172 in March 2004.

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 28.4.2003, 31.7.2003, 20.10.2003, 29.10.2003, 15.12.2003 and 30.1.2004.

| 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 | 4 | — — |
| Mr. Mammen Varghese | 6 | Non-Executive Independent | Yes | 11 | — — |
| Mr. Roy Mammen | 6 | Non-Executive Independent | Yes | 4 | — — |
| Mr. Ashok Kuriyan | 2 | Non-Executive Independent | Yes | 9 | — — |
| Dr. Karun Philip | — | Non-Executive | No | 2 | — — |

* Including Private Limited Companies

Audit Committee

The composition of the Audit Committee consists of the following three members, all of whom are Non-Executive Independent Directors. Mr. Mammen Varghese is the Chairman of the Committee. 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. The Audit Committee met on 28.4.2003, 29.10.2003 and 30.01.2004.

| Name | No. of Committee Meetings attended |
|--------------------------------|------------------------------------|
| Mr. Mammen Varghese - Chairman | 3 |
| Mr. Roy Mammen - Member | 3 |
| Mr. Ashok Kuriyan - Member | 2 |

Remuneration Committee

In terms of Clause 49 of the Listing Agreement, the Remuneration Committee consists of the following three members all of whom are Non-Executive Independent Directors. Mr. Mammen Varghese is the Chairman of the Committee.

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

Remuneration of Directors:. The remuneration of the Managing Director has been approved by the Shareholders in General Meeting. The other Non-Wholtime Directors of the Company are paid only 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-Wholtime Directors and the Managing Director are given hereunder:

Remuneration paid to Non-Wholtime Directors for attending Board Meetings.

| | | | |
|---------------------|---|------------|---------------------------|
| Mr. Mammen Varghese | : | Rs. 3000/- | } Apart from Sitting Fees |
| Mr. Roy Mammen | : | Rs. 3000/- | } no other remuneration |
| Mr. Ashok Kuriyan | : | Rs. 1000/- | } 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 during the financial year. Due to inadequacy of profits/loss, the Managing Director was paid minimum remuneration only.



Shareholders' Committee

The Shareholders' Committee comprising of the following Non-Executive, Independent Directors specifically looks into the redressal of Investors' complaints for transfer of shares, non-receipt of balance sheet, etc. The Committee met on 29.10.2003 and 30.01.2004.

| Name | | No. of Committee Meetings attended |
|---------------------|------------|------------------------------------|
| Mr. Mammen Varghese | - Chairman | 2 |
| Mr. Roy Mammen | - Member | 2 |
| Mr. Ashok Kuriyan | - Member | 2 |

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

No. of complaints received from Shareholders
from 1.4.2003 to 31.3.2004 : 30

No. of complaints not solved to the satisfaction
of the shareholders as on 31.3.2004 : Nil

No. of share transfers pending as on 31.3.2004
(Lodged between 28.03.04 and 31.3.04) : 2

The Company's shares are being Dematerialized by Central Depository Services Limited (CDSL) and National Securities Depository Limited (NSDL) under ISIN No. INE159E01018 and our Shareholders have begun sending their shares for dematerialization to these Depositories.

| | | |
|---|---|---|
| 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 | : | mmc@xlweb.com & mmrc@vsnl.net |

General Body Meetings

Venue and Time of the last 3 Annual General Meetings

| S.No. | Date | Time | Venue |
|-------|------------|------------|--|
| 1 | 27.09.2001 | 11.00 a.m. | Swami Sankaradas Auditorium 153 Habibullah Road, T'Nagar Chennai-600 017 |
| 2 | 30.09.2002 | 11.00 a.m. | - do - |
| 3 | 15.12.2003 | 11.00 a.m. | - do - |