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WRAP**

**39th  
ANNUAL REPORT  
2004-2005**

**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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### REGISTRARS & SHARE TRANSFER AGENTS

CAMEO CORPORATE SERVICES LTD.  
Subramaniam Buildings,  
No. 1, Club House Road,  
Chennai - 600 002.  
Phone : 28460390

### 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-ninth Annual General Meeting of the Shareholders of M.M. Rubber Company Limited will be held at 11.00 a.m. on Thursday, the 15th December 2005 at Bala Mandir German Hall, 17, Prakasam Street, T.Nagar, Chennai-600 017, to transact the following business:

#### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, Auditors' Report and the Audited Statement of Account for the financial year ended 31st March 2005.
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 Auditors for the current year and fix their remuneration. The retiring auditors, Messrs. Kuruville & Kuruville, Chartered Accountants, are eligible for re-appointment.

#### AS SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modifications the following Ordinary Resolution.

"RESOLVED that subject to the applicable provisions of the Companies Act read with Schedule XIII of the Companies Act, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Mammen Philip as Managing Director of the Company for a period of five years with effect from 1st July 2005 on the following terms and conditions.

1. a) Salary - Rs. 15,000/- per month.
- b) Housing - HRA at 60% of the salary or provision of unfurnished residential accommodation subject to ceiling of 60% of the salary over and above 10% payable by him.
- c) Medical reimbursement of expenses actually incurred subject to ceiling of One month's salary in a year or three months salary in a period of three years.
2. a) Contribution to Provident Fund at 12% of salary or 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 purpose 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.



5. To consider and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution.

"RESOLVED that the Members hereby note and record the fact that the Board of Directors of the Company have formed an opinion as on 31st March 2005 that the company has become a sick industrial company within the meaning of clause(O) of sub-section(1) of Sec. 3 of the Sick Industrial Company (Special Provisions) Act, 1985 and reference has been made to the Board for Industrial & Finance Reconstructions.

6. To transact any other business which the meeting is competent to deal with.

By Order of the Board

Place : Chennai  
Date : 28.10.2005

(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. A form of proxy is enclosed.
- (2) The Register of Members will remain closed from the 13th December 2005 to 15th December 2005 - both days inclusive.

#### **EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ORDINARY RESOLUTION - (ITEM No. 4 and 5)**

##### **Regarding Item No. 4**

Mr. Mammen Philip was appointed as Managing Director of the Company for five years with effect from 1st July 2000 and his remuneration and other perquisites were approved by the members at the meeting held on 27th September 2001. The remuneration as approved was however modified by reduction in salary and withdrawal of certain benefits which were more fully described in the Notice under Section 302(2) circulated to the members. Presently the Managing Director is drawing the said reduced salary and perquisites. The Board at their meeting held on April 26th, 2005 has re-appointed Mr. Mammen Philip as Managing Director for a period of five years from 1st July 2005 on the terms and conditions as proposed above. As the approval of the shareholders is required for payment of remuneration to the Managing Director under Sec. 309(1) the proposed resolution is to be considered.

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

##### **Regarding Item No. 5**

The Board of Directors at their meeting held on 28th October 2005 after considering a draft accounts of the company for the year ending 31st March 2005 formed an opinion that the company has become a sick company within the meaning of clause(O) of sub-section(1) of Sec. 3 of Sick Industrial Company (Special Provisions) Act, 1985 and accordingly suitable reference has been made to BIFR, who have registered the application. The detailed rehabilitation proposals are being prepared and submitted. According to the provisions of the Act the Company has to record the fact before the general meeting. Hence the resolutions is recommended for approval.

The Directors are interested/concerned in the resolution being shareholders and/or being part of the management.

By Order of the Board

Place : Chennai  
Date : 28.10.2005

(MAMMEN PHILIP)  
MANAGING DIRECTOR

## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Ladies / Gentlemen,

Your Directors welcome you to the Thirty-ninth Annual General Meeting of the Members of the Company and present their report on the audited accounts for the financial year ended 31st March 2005.

### WORKING OF THE COMPANY:

During the year under report, your Directors are happy to inform you that the working of the foam Division has stabilized. Further, considering the level of activities and keeping in view the necessity for reduction in cost, the Company shifted its manufacturing facility to a smaller premises and also restructured its personnel. The entire turnover of the Company of Rs. 10.26 crores (Previous year Rs. 11.08 crores) represents that of foam division only. Your Directors regret to inform you that inspite of their best efforts they were not able to revive BOPP Division and steps are being taken to dispose off the assets and to settle labour dues.

Your Directors further reviewed the realisability of debtors and advances on account of closure of BOPP Division and scaling down of the operations of foam Division. A sum of Rs. 174.54 lakhs being irrecoverable amount revealed on such review have to be written off and hence the same is provided in the books of accounts. After such adjustment, the position of the loss was Rs. 185.04 lakhs as against Rs. 145.33 lakhs of the previous year and the details are as under:

	Current Year Ended 31.3.2005	Previous Period Ended 31.3.2004
	(Rupees in Lakhs)	
Profit / Loss before Interest, Depreciation & writing off bad debts	(+) 100.20	(-) 1.80
Less / Add:		
Interest	91.50	97.59
Depreciation	<u>19.20</u>	<u>45.94</u>
Loss after Interest & Depreciation	(-) 10.50	(-) 145.33
Less : Bad debts & Prior period expenses written off	<u>174.54</u>	<u>Nil</u>
Loss as per Published Accounts	<u>185.04</u>	<u>145.33</u>

Company's working thus improved during the year as compared to previous year and your Directors are confident of improving further in the coming years.

### DIVIDEND

In view of the loss for the year, no dividend is recommended for the financial year ended 31st March 2005.

### ACCOUNTS

For the reasons stated above the Company's working for the year showed a loss of Rs. 185.04 lakhs and the accumulated loss up to the date has completely eroded the capital of the company. In view of the same, company is a sick industrial unit and is registered as such before BIFR. The declaration by BIFR and the appointment of operating agency if any is under process.

In view of severe paucity of funds, the company is unable to fund its gratuity liability as per actuarial valuation which stood at Rs. 43.42 Lakhs.



## DIRECTORS

Dr. Karun Philip 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) Future Plan of Action**

We plan to introduce more varieties of mattresses and pillows.

**3) Expenditure on R & D**

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

**4) 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.

**5) 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 2005.

- (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 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 2005 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 : 28.10.2005

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## **ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2005**

(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 segments, the upholstery segments & Transport segments 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 goods retail as well as institutional market, keeping in line the trend in Western countries.

##### **Threats**

Foam rubber being a 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 over all 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 172 in March 2004. This has further been reduced to 152 in March 2005.

##### **Out Look**

We expect to maintain the Form 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 29.4.2004, 30.7.2004, 23.08.2004, 30.09.2004, 27.10.2004 and 30.1.2005.

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	5	Managing Director	Yes	4	— —
Mr. Mammen Varghese	6	Non-Executive Independent	Yes	11	— —
Mr. Roy Mammen	5	Non-Executive Independent	Yes	4	— —
Mr. Ashok Kuriyan	4	Non-Executive Independent	Yes	9	— —
Dr. Karun Philip	1	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 29.4.2004, 23.08.2004, 27.10.2004 and 30.01.2005.

Name	No. of Committee Meetings attended
Mr. Mammen Varghese - Chairman	4
Mr. Roy Mammen - Member	3
Mr. Ashok Kuriyan - Member	2

### Remuneration Committee

As per 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-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: The Board has decided to waive the sittings fees at 30.01.05 Board Meetings in respect of future meetings.

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

Mr. Mammen Varghese	:	Rs. 3000/-	} Apart from Sitting Fees
Mr. Roy Mammen	:	Rs. 2500/-	} no other remuneration
Mr. Ashok Kuriyan	:	Rs. 2000/-	} is paid

**Remuneration of Managing Director**

Salary	:	Rs. 180000/-
Contribution to PF	:	Rs. 21600/-
Other Benefits	:	Rs. 108000/-
Period of Contract of Managing Director	:	5 years from 1.7.2005
Stock Option	:	Nil
Severance Fee / Notice Period	:	Nil

The Managing Director's remuneration from July,2005 was fixed at the Board Meeting as is placed before the present Shareholders meetings for the necessary approval 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 like transfer of shares, non-receipt of balance sheet, etc. The Committee met on

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

No. of complaints received from Shareholders from 1.4.2004 to 31.3.2005 : 14

No. of complaints not solved to the satisfaction of the shareholders as on 31.3.2005 : Nil

No. of share transfers pending as on 31.3.2005 lodged between 28.3.05 - 31.3.05 : 3

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.