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ANNUAL REPORT
2005-2006

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 40th Annual General Meeting of the members of M.M. RUBBER COMPANY LIMITED will be held on Thursday, the 28th day of September 2006 at 11.00 A.M. at Bala Mandir German Hall, No.17, Prakasam Street, T.Nagar, Chennai- 600 017, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006, the Profit and Loss Account for the period ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. MAMMEN VARGHESE who retires by rotation and is eligible for re-appointment.
3. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary resolution.

"RESOLVED THAT M/s. S.R.MANDRE CO., Chartered Accountants, be and are hereby appointed as Auditors of the company in place of retiring auditors M/s. KURUVILLA & KURUVILLA, who have expressed their unwillingness to be re-appointed, to hold office until the conclusion of the next annual general meeting at a remuneration to be fixed by the Board."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary resolution.

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 and 310 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (herein after referred to as "the said Act", including any statutory modification(s) or reenactment(s) thereof for the appointment of Mr. ROY MAMMEN as Managing Director of the Company, with effect from 01.10.2006 for five years at a remuneration as set out below:

- 1) Salary:

Basic Salary: Rs18500/- per month in the scale of Rs.18500-2500-23500- 3000-31500.

- 2) Allowance and perquisites:

- i) Housing accommodation: furnished accommodation subject to a maximum expenditure of 60% of the basic salary per month and in case no accommodation is provided by the company, House Rent Allowance subject to a maximum 50% of the basic salary per month.
- ii) Medical reimbursement: Reimbursement of medical expenditure incurred for self and family subject to a limit of Rs.15,000/- per annum.
- iii) Medical Insurance and personal accident insurance for self and family subject to a maximum premium of Rs.15, 000/- per annum.
- iv) Club fees not exceeding Rs.10, 000/- per annum subject to a maximum of two Clubs and excluding life membership.
- v) Leave Travel Concession up to a maximum of one-month basic salary.
- vi) Company Car with the Driver as per the rules of the company.
- vii) Leave Encashment: As per rules of the company.
- viii) Perquisite and allowances shall be evaluated subject to Income-tax Rules, 1962 wherever applicable.



- 3) Contribution to Provident Fund shall be as per rules of the company to the extent that the same is not taxable under the Income-tax Act, 1961.
- 4) Gratuity shall be applicable as per the rules of the company.
- 5) Other Terms:
 - i) He is entitled to reimbursement of entertainment, travelling and all other expenditure incurred for the business of the company as per the rules of the company.
 - ii) He shall also be eligible for housing and other loans and facilities in accordance with the rules of the company.
 - iii) Free use of telephone in his residence for official purpose.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to alter, vary and modify the said terms including salary, allowances and perquisites in such manner as may be agreed to between the Board and Mr. ROY MAMMEN within and in accordance with and subject to the limits prescribed in Schedule XIII to the said Act, and if necessary, as may be stipulated by the Central Government as may be agreed to accordingly between the Board and Mr. ROY MAMMEN."

"RESOLVED FURTHER THAT not withstanding anything herein above stated, where in any financial year, during the currency of the term of Mr. ROY MAMMEN Managing Director, the Company has no profits or its profits are inadequate, the Company shall and perquisites as specified in section II of the part II of Schedule XIII to the said Act, or such other limits as may be prescribed by the Central Government from time to time as Minimum Remuneration".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to alter, vary and modify the said terms including salary, allowances and perquisites in such manner as may be agreed to between the Board and Mr. ROY MAMMEN, within and in accordance with and subject to the limits prescribed in Schedule XIII to the said Act, and if necessary, as may be stipulated by the Central Government as may be agreed to accordingly between the Board and Mr. ROY MAMMEN"

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

"RESOLVED THAT Mr. JACOB MAMMEN, in respect of whom the Company has received notice in writing from a member proposing him as candidate for the office of a Director under the provisions of Section 257 of the Companies Act, 1956, along with the deposit of Rs500/-, and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company."

6. To consider and if thought fit, to pass with or without modification, the following resolution as an special resolution.

"RESOLVED THAT pursuant to section 100 of the Companies Act, 1956, and subject to confirmation by the High Court, the capital of the company be reduced from Rs. 49805650, divided into 4980565, shares of Rs. 10 each) to Rs. 9961130, (divided into 4980565, shares of Rs 2 each) and that such reduction be effected by cancelling capital which has been lost or is unrepresented by available assets, to the extent of Rs. 39844520, upon each of the Rs.10 shares which have been issued and by reducing the nominal amount of all the shares in the Company's capital from Rs.10 to Rs. 2 per share.

"RESOLVED FURTHER THAT consequential amendments be made in the capital clause of the memorandum of association of the Company after the said reduction becomes operative and effective.

7. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as Special Resolutions.

RESOLVED THAT pursuant to the provision of Section 314 (1) of the Companies Act, 1956 and subject to such consents, approvals permissions as may be required, the approval be and is hereby accorded to the appointment of Mr. MAMMEN PHILIP, to hold an office or place of profit under the Company as Consultant in Corporate Affairs, for a period of five years and on such terms and conditions and on such remuneration payable to Mr. MAMMEN PHILIP which shall not exceed Rs. 30,000/- per month w.e.f 01.10.2006.

8. To consider, and if thought fit, to pass, with or without modifications, the following Resolutions as Special Resolutions.

"RESOLVED THAT pursuant to section 146 and other applicable provisions, if any, of the Companies Act, 1956, the registered office of the company be changed from No.748, Anna Salai, Chennai – 600 002, to Plot No.44, SIPCOT Industrial Estate, Ranipet - 632403 within the State of Tamil Nadu with effect from 28.09.2006,".

By Order of the Board

Place : Chennai
Date : 04.09.2006

(MAMMEN PHILIP)
MANAGING DIRECTOR

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and a proxy need not be a member of the company.
2. The instrument appointing proxy must be sent so as to reach the Registered Office of the company not later than 48 hours before the time fixed for the commencement of the meeting.
3. The Register of Members and Share Transfer Books will remain closed from 26.09.2006 to 28.09.2006 (Both days inclusive).
4. Members are requested to notify immediately any change in their address to the registered office of the Company.
5. Members/proxies should bring their attendance slips duly filled in for attending the meeting. Members are requested to bring their copy of the Annual Report to the Meeting.

EXPLANATORY STATEMENT UNDER SECTION 173(1)

ITEM No.3:

M/s Kuruvilla & Kuruvilla Chartered Accountants who were appointed as auditors to hold office till the conclusion of this meeting, have informed the Company that they don't want to be reappointed.

Further a special notice in terms of section 190 of the Companies Act, 1956 has been received from a member proposing the appointment of M/s S.R.Mandre & Co. Chartered Accountants, as auditors of the company in place of M/s. Kuruvilla & Kuruvilla, the retiring auditors of the company and hence the proposed resolution.

ITEM No.4:

Mr. ROY MAMMEN, director of the company has been actively assisting the Managing Director in discharge of the day to day affairs of the company. He is also well versed in Foam & Rubber business. Accordingly, Board considers it desirable to appoint him as Managing Director of the Company, consequent on resignation of the present incumbent Mr. Mammen Phillip with effect from 01.10.06, Mr. Roy Mammen presently the whole time director of M/s Badra Estates Industries Ltd. and continues in that position in that company. The aggregate of the total remuneration drawn by him from M/s Badra Estates Industries Ltd. and that proposed here in comes within the ceiling prescribed under Part II of Schedule XIII of Companies Act, 1956.

Mr. ROY MAMMEN, is interested in the resolution to the appointment and payment of remuneration.

This may also be treated as an abstract of the terms of the contract and memorandum of interest in relation to the appointment of Mr. ROY MAMMEN, pursuant to Sec 302 of the Companies Act, 1956.

ITEM No.5:

In respect of Mr. JACOB MEMMEN, the Company has received notice in writing from a member of the Company along with the prescribed fees proposing his candidature for the office of director under the provision of Section 257 of the Companies Act, 1956.



None of the directors of the Company are interested in the resolution except Mr. RoyMammen, who is the brother of Mr. Jacob Mammen.

Your Directors recommend the Ordinary Resolution for the approval of the Members.

ITEM No.6:

As you are aware that the company has been incurring continuous losses and the accumulated loss standing in the Balance sheet of the company is Rs. 847.98 lakhs as on 31.03.06 and hence the net worth of the company is negative. As there are no reserves, the paid-up capital of the company, to the extent of Rs 498.06 lakhs is unrepresented by available assets.

The proposal is to set off Rs.398.44 lakhs, out of the accumulated loss of Rs. 847.98 lakhs. Pursuant to section 100 of the Companies Act, 1956, this resolution will be effective after confirmation by the High Court. After the shareholders have passed this resolution, the company would approach the High Court for its confirmation.

None of the directors of the company is directly interested or concerned in the proposed resolution, except to the extent of reduction as may be caused in the capital of the shares held by them.

ITEM No.7:

Mr. Mammen Philip who was appointed as Managing Director of the Company for 5 years with effective from 01.07.05 has resigned. The Board considering his vast experience in Corporate Management and taking into consideration its plans for expansion of existing foam business considered prudent to request Mr. Mammen Philip to render advisory service on corporate affairs and accordingly requested him to be a consultant from 01.10.06 to which Mr. Mammen Philip agreed.

As the total monthly remuneration to Mr. MAMMEN PHILIP is Rs.30,000/- p.m. approval of shareholders by way of a Special Resolution is required under provision of section 314(1) of the Companies Act, 1956. Hence the proposed resolution.

The Board commends the Resolution for Approval of Shareholders.

None of the directors is interested in the resolution except Mr. MAMMEN PHILIP.

ITEM No.8:

The registered office of the company is presently situated at No.748, Anna Salai, Chennai - 600 002, due to administrative convenience and location of the factory, your directors proposes to change the Registered Office from Chennai to Ranipet which is outside the purview of city but with in the same state of Tamil Nadu. It is, therefore, proposed to shift the registered office to Plot No.44, SIPCOT Industrial Estate, Ranipet - 632403.

The special resolution is recommended for approval by the shareholders.

None of the directors is interested in the aforesaid resolution.

By Order of the Board

Place : Chennai
Date : 04.09.2006

(MAMMEN PHILIP)
MANAGING DIRECTOR

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Ladies / Gentlemen,

Your Directors take pleasure to welcome you to the 40th Annual General Meeting and present their Report on the Audited Accounts for the year ended 31st March 2006.

At the outset, your Directors wish to inform that the Company during the year under report successfully negotiated for one time settlement of its dues with its Bankers, Indian Overseas Bank, and obtained substantial concession amounting to more than Rs 150 lakhs. The Company subsequent to 31st March 2006 settled the said dues fully.

WORKING OF THE COMPANY:

The foam division working continues to be impressive and the turn over had gone up by about 10% as compared to that of the previous year. There has been an un precedent escalation during the year in the price of rubber latex, a major raw material, which adversely affected the profitability of the operation. Accordingly, the loss from the operation for the year is Rs 17.52 lakhs as against Rs 10.50 lakhs of the previous year. However, the Company's profit & loss account showed a net profit after taking into consideration an extraordinary income relating to concession obtained on settlement of Bank dues.

Your Directors have taken adequate steps by increasing the price of Company's product in tune with the rise in latex prices and hope the increase in latex price would not impair Company's profitability in future.

FINANCIAL RESULTS

The financial results of the Company after taking into consideration the concessions obtained on account of one time settlement are as under:

	Current Year Ended 31.3.2006	Previous Period Ended 31.3.2005
	(Rupees in Lakhs)	
Profit / Loss before Interest, Depreciation	38.77	100.20
Less: Depreciation	19.21	19.20
Interest	<u>37.08</u>	<u>91.50</u>
	56.29	110.70
Loss after depreciation & Interest	-17.52	-10.50
Add : Bad debts & Prior period expenses written off	Nil	174.54
Provision for FBT	<u>1.35</u>	<u>Nil</u>
	-18.87	-185.04
Less: Prior period Income & extraordinary Income considered	<u>182.34</u>	<u>Nil</u>
Profit/Loss as per published accounts	<u>+163.47</u>	<u>-185.04</u>

Your Directors are confident of improving turn over of foam business in the coming years and of posting profits there from.

DIVIDEND

In view of the accumulated losses no dividend is recommended for the financial year ended 31.3.06.



PROSPECTS FOR THE CURRENT YEAR

The Company in view of its settlement with the Bank is expected to accelerate its growth in manufacturing and marketing of foam products by capitalizing on its brand equity and accordingly, the working of the Company in future is expected to be better.

CLOSURE OF BOPP DIVISION

During the year Company by filing closure notice before the competent authorities closed down BOPP Division, sold all machineries and settled the workers accounts.

PROPOSAL FOR REDUCTION IN CPAITAL

The Director after taking into consideration the impact of closure of BOPP & Glove Division and evaluating the Asset position, have decided to recommend to the shareholders for reduction in capital.

COMPANY'S REFERENCE BEFORE BIFR

During the year the BIFR Bench disposed off company's reference before it and declared our company as a sick industrial company and directed company to prepare revival package. Company is in the process of submitting such package.

DIRECTORS

Mr Mammen Varghese retires by rotation at the Annual General Meeting and is elgible for reelection. A notice has been received proposing Mr Jacob Mammen as an additional Director of the Company. Mr Jacob Mammen is eligible for appointment.

FIXED DEPOSIT

At the close of the year, Fixed Deposits amounting to Rs 0.17 lakh though matured remained unclaimed. The Company has 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 retiring Auditors, Messrs Kuruvilla & Kuruvilla, Chartered Accountants, have expressed their inability to continue as Auditors, if re-appointed. Hence, a notice has been received from a shareholder proposing M/s. S.R.Mandre & Co., Chartered Accountants, to be appointed as Auditors of the Company.

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

2) Future Plan of Action

The Company is planning to expand its production capacity in order to take advantage of surge in demand for natural rubber, latex home products globally on account of eco friendly nature of latex foams, re cyclebility , comparable with Eu II Fire Safety.

3) Expenditure on R & D

Expenditure 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. In this connection, use of PRE VALCANISED Latex is being explored.

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 2006.

- (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 2006 and the profit and 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

Place : Chennai
Date : 04.09.06

Chairman



ADDENDUM REGARDING QUALIFICATION IN AUDITORS REPORT

The Auditors have qualified in their report that the Company has not provided for loss if any on old, damaged and non-moving stocks and also short provision has been made for gratuity liability.

The Directors wish to clarify on the above qualification as under :

The Company had identified old, damaged and non-moving stocks and is in the process of ascertaining its realizable value. Pending such ascertainment, Company as per its Accounting Policy, continue to value such stocks "At Cost". Company will charge off loss, if any, on ascertainment/disposal of such stock in the year of ascertainment/disposal.

In view of paucity of funds, Company could not fully fund the gratuity liability nor provide for the same in view of operational loss for the year. Company on improvement of fund position would fund such liability fully.

By Order of the Board

Place : Chennai
Date : 04.09.06

Chairman

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