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**41st**

**ANNUAL REPORT**

**2006-07**

**MM RUBBER COMPANY LIMITED**

## M.M. RUBBER COMPANY LIMITED

### BOARD OF DIRECTORS

MAMMEN VARGHESE

MAMMEN PHILIP

ASHOK KURIYAN

ROY MAMMEN - Managing Director

KARUN PHILIP

JACOB 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**  
S R MANDRE & CO

**REGISTERED OFFICE**  
44, SIPCOT INDUSTRIAL ESTATE,  
RANIPET - 632 403

**M M RUBBER COMPANY LIMITED**

No.44, Sipcot Industrial Estate. Ranipet-632403

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Forty First Annual General Meeting of the members of MM Rubber Co. Ltd., will be held on

Thursday the 27<sup>th</sup> September 2007 at 11.00 a.m.

Hotel Emerald Inn

Opp. TCL, SIPCOT,

Ranipet 632 403, Vellore District

To transact the following business.

1. To receive, consider, and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2007 and the Profit & Loss Account for the year ended that date and the report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr.Ashok Kuriyan who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr.Karun Philip who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

BY ORDER OF THE BOARD  
For M.M.RUBBER CO. LTD.,

PLACE: BANGALORE  
DATE: 20.8.2007

**ROY MAMMEN**  
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 the proxy need not be a member of the company
2. An instrument appointing a 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 the share transfer books will remain closed from 26.9.2007 to 28.9.2007 both days inclusive.
4. Members are requested to notify immediately any change in their address to the registered office of the company
5. Members or proxies should bring their attendance slip duly filled in for attending the meeting. Members are requested to bring their copy of Annual Report to the meeting.

BY ORDER OF THE BOARD  
For M.M.RUBBER CO. LTD.,

PLACE: BANGALORE  
DATE: 20.8.2007

**ROY MAMMEN**  
MANAGING DIRECTOR

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**REPORT OF THE DIRECTORS TO THE SHAREHOLDERS**

Ladies and Gentlemen:

Your directors are happy to welcome you to the Forty First Annual General meeting of the Company and to present their report along with the audited accounts for the year ended 31<sup>st</sup> March 2007.

During the year the company successfully concluded on favourable terms the settlement of its liability with the bank. Further, the company's petition for reduction of capital has been filed before the Hon'ble High Court of Madras and the matter is pending.

Your Directors are confident that the settlement of bank liability and the restructuring of the capital will have a positive effect on the prospects of the company in the coming years.

**WORKING OF THE COMPANY**

The Company continued its improved performance from its Foam business. Further, as part of restructuring exercise the company identified the old obsolete and non-moving stocks and discarded the same resulting in adversely affecting the operational profit for the year. However, the company's profit and loss account showed a profit on account of profit from the sale of land. Your directors are confident to show improved results in the coming years.

**FINANCIAL RESULTS**

The financial results of the company after taking into consideration the impact of discarding of old and obsolete stock and profit on sale of land are as under:

Rupees in lakhs

Particulars	Current Year ended 31.3.2007		Previous Period ended 31.3.2006	
Profit/Loss before depreciation, interest and extra-ordinary items		(-)159.03		(+) 38.77
Add/Less: Depreciation	14.41		19.21	
Interest	22.96		37.08	
		37.37		56.29
Loss after depreciation & Interest		(-)196.40		(-) 17.52
Add: Prior Period expenses written off		44.45		—
		(-)240.85		(-) 17.52
Add: Extra-ordinary income		655.01		182.34
		(+)414.16		(+)164.82
Less: Provision for FBT		1.60		1.35
Profit per published accounts		412.56		163.47

**DIVIDEND**

In view of accumulated losses, which have not been fully set-off no dividend is recommended for the financial year ended 31<sup>st</sup> March 2007.

**REDUCTION OF SHARE CAPITAL**

The Company has filed petition before the Hon'ble High Court of Madras for confirmation of the reduction in capital as approved by the shareholders and the matter is pending.

**MATTER BEFORE BIFR**

The Company's revival package submitted to BIFR has been accepted.

**PROSPECTS FOR THE CURRENT YEAR**

Company's performance in the coming year appears to be good and it is likely that the Company's turnover may go up as the company is in the process of identifying and implementing the scheme for increase in production.

**DIRECTORS**

M/s. Ashok Kuriyan and Karun Philip retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

**FIXED DEPOSITS**

At the close of the year, Fixed Deposits amounting to Rs.0.17 lakhs 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 members are requested to appoint Auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

M/s. S.R. Mandre & Co., Chartered Accountants, Bangalore who retires is 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 & DEVELOPMENT (R & D)****1. Specific areas in which R&D carried out by the Company**

The company has an ongoing programme on latest 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-cycleability, comparable with Eu II Fire Safety.

**3. Expenditure on R & D**

Expenditure in-house research and development has been shown under respective heads of expenditure in the Profit and 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- vulcanized latex is being explored.

**5. Foreign Exchange Earnings and Outgo**

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

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, the Directors confirm the following in respect of the audited accounts for the year ended 31<sup>st</sup> March 2007

- a) That in the preparation of accounts for the financial year ended 31<sup>st</sup> March 2007, the applicable accounting standards have been followed, along with proper explanation relating to material departures.
- b) That the Directors have selected the accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the

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state of affairs of the Company, at the end of the year under review and of the Profit of the Company, for the year under review.

- c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) That the Directors have prepared the annual accounts for the year ended 31<sup>st</sup> March 2007 on a "going concern" basis.

**CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, reports on management discussion and analysis and on Corporate Governance have been included separately in this Annual Report.

**APPRECIATION**

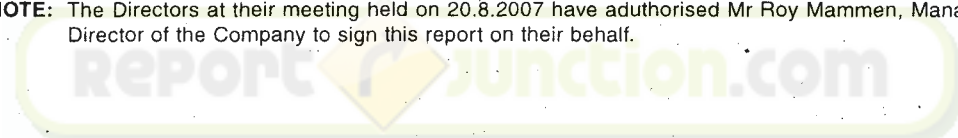
Your Directors place on record their appreciation of the valuable contribution of the Company's bankers. The Directors are also take the opportunity to thank the customers, dealers and all employees for their continued co-operation.

BY ORDER OF THE BOARD  
For **M.M.RUBBER CO. LTD.,**

PLACE: BANGALORE  
DATE: 20.8.2007

**ROY MAMMEN**  
MANAGING DIRECTOR

**NOTE:** The Directors at their meeting held on 20.8.2007 have authorised Mr Roy Mammen, Managing Director of the Company to sign this report on their behalf.



**ADDENDUM REGARDING QUALIFICATION IN AUDITORS REPORT**

The auditors in their report have qualified regarding:

- 1. The non-ascertainment of the impact on the accounts, in respect of un-reconciled balance in Creditors Account consequent on migration of data from old software to new software.
- 2. The non provision in the accounts of retirement benefits as well as lack of internal control leading to obsolete, old and non-moving stocks.

Your Directors wish to clarify as under:

- i) Steps are being initiated to identify and reconcile the migrated data accounted under Sundry Creditors and on such reconciliation the relevant accounts will be rectified.
- ii) In view of the loss for the year and carry forward loss the accrued liability on retirement benefit will be accounted in the year of settlement of accrued liability.
- iii) Steps are being taken to strengthen the existing internal control system in general and more particularly in the periodical identification of old and non-moving stocks and dealing the same in the accounts then and there.

BY ORDER OF THE BOARD  
For **M.M.RUBBER CO. LTD.,**

PLACE: BANGALORE  
DATE: 20.8.2007

**ROY MAMMEN**  
MANAGING DIRECTOR

**ANNEXURE TO DIRECTORS REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007  
(PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)**

**MANAGEMENT DISCUSSION & ANALYSIS**

**Overview**

The company under its brand name "MM Foam" manufactures and markets latex foam rubber products like mattresses, pillows, cushions etc. In addition, the company has started marketing coir mattresses under its own brand name. Company's products are well known in Foam and Furnishing segments.

**Opportunities & Threats**

a) Opportunities

In view of positive tilt towards usage of eco friendly products worldwide there has been increase in the demand for foam mattresses. The foam rubber which faces competition from alternative products like polyurethane, rubberized coir and spring mattresses has an edge in view of Latex Foam's eco-friendly nature and resistant to fire.

b) Threats

The basic raw material of company's products is natural rubber latex which forms substantial portion of its cost of production. Any upward revision in its price will adversely affect the cost of production and the profitability.

**Segment Analysis**

The company during the year achieved consistency in production and sale of foam rubber products and on account of all round reduction in costs including in finance cost on account of bank settlement, the margins have improved

**Internal Control System**

On account of shifting of the usage of software during the year there has been certain errors while migrating the data resulting in un-reconciled balance in certain accounts. Further, there has been accumulation of old and un-saleable stocks in the earlier years in view of change in the production plan. This has resulted in slackening of internal control which the company is addressing to have it strengthened.

**Financial Performance**

Owing to the financial constraints, the company's plans of shifting its production facility to a better environment has been deferred and accordingly the matter relating to use of pre-vulcanized latex, bringing down of wastage is being addressed in a phased manner and company is confident of running its plant to its utmost efficiency in due course.

**Outlook**

The company with its limited financial resource available is trying to expand its production capacity by identifying the reliable outsourcers and are confident in increasing the production and show better results in the coming years.

**Report on Corporate Governance**

*The Corporate governance envisages transparency, supervision and internal controls. The company believes that all action must serve the need to encourage efficient use of resources and ensure accountability.*

**Board of Directors**

The Board comprises of six directors with a mix of both executive and non-executive directors. Mr.Roy Mammen who earlier served as Director of the company was appointed by the shareholders as Managing Director of the company with effect from 1.10.2006. Mr.Mammen Philip who hitherto was the Managing Director, though resigned from the Managing Directorship, agreed to serve as Director-Corporate Affairs to the Board with effect from 1.10.2006. Mr.Jacob Mammen is a Non-executive Director and Dr.Karun Philip, Mr.Mammen Varghese and Mr.Ashok Kuriyan are non-executive independent directors.

The composition of the independent directors are as per requirement of Clause 49 of the Listing Agreement. Particulars of attendance in Board Meeting and the last Annual General Meeting and also membership in other Board and Board Committee are furnished hereunder.

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The Board of Directors met six times during the financial year i.e., on 18<sup>th</sup> April 2006, 7<sup>th</sup> June 2006, 24<sup>th</sup> July 2006, 4<sup>th</sup> September 2006, 17<sup>th</sup> October 2006 and 24<sup>th</sup> January 2007

Name of the Director	No. of Board meetings attended	Executive/ Non-Executive Independent	Whether attended last AGM	Member-ship in other Boards	Other Board Committee Membership Member Chairman
Mr.Mammen Varghese	6	Non Executive Independent	Yes	11	
Mr.Mammen Philip	6	Executive	Yes	4	
Mr.Roy Mammen	6	Managing Director	Yes	4	
Mr.Ashok Kuriyan	6	Non Executive Independent	Yes	9	
Mr.Jacob Mammen	2	Non Executive	Yes	5	

**Audit Committee**

There has been reconstitution of audit committee during the year. Mr.Roy Mammen who was non-executive independent member served in the committee till 30<sup>th</sup> September 2006 and resigned after being appointed as Managing Director of the company. Dr.Karun Philip was co-opted as member of the Audit Committee with effect from 1.10.2006. The other members of the Audit Committee namely Mr.Mammen Varghese and Mr.Ashok Kuriyan are the Non-executive independent directors. Mr.Mammen Varghese is the Chairman of the committee. All the members have financial and accounting knowledge and Dr.Karun Philip, in addition is an expert in information technology. The terms and reference of audit committee are wide enough covering the matters stipulated in terms of the Listing Agreements. The Audit Committee met four times namely 18.4.2006, 24.7.2006, 17.10.2006 and 24.1.2007

**Remuneration Committee**

There has been reconstitution of remuneration committee during the year. Mr.Roy Mammen who was non-executive independent member served in the committee till 30<sup>th</sup> September 2006 and resigned after being appointed as Managing Director of the company. Dr.Karun Philip was co-opted as member of the remuneration Committee with effect from 1.10.2006. The other members of the remuneration Committee namely Mr.Mammen Varghese and Mr.Ashok Kuriyan are the Non-executive independent directors. Mr.Mammen Varghese is the Chairman of the committee.

**Remuneration of Directors**

During the year Mr.Mammen Philip was paid remuneration as Managing Director till he resigned with effect from 30.9.2006 and thereafter on his appointment as Director-Corporate Affairs remuneration as per the terms approved by the members have been paid. Also Mr.Roy Mammen who was appointed as Managing Director of the Company with effect from 1.10.2006 was paid remuneration. Further all the Directors waived the sitting fees for attending the board meeting and accordingly no sitting fee was paid. The details of the remuneration paid to Mr.Roy Mammen and Mr.Mammen Philip are as under.

Particulars	Roy Mammen	Mammen Philip
	Rs.	Rs.
Salary	111000	90000
Contribution to PF	13320	10800
Other Benefits	55500	54000
Advisory Fees	—	180000

Period of contract of Managing Director – Five years from 1.10.2006.

Stock option : Nil

Severance fee or notice period NIL



**Shareholders Committee**

The shareholders committee comprising of the following non-executive independent directors specifically looks into the redressal of investors' complaint like transfer of shares, non receipt of balance sheet, etc. The committee comprising of M/s.Mammen Varghese, Ashok Kuriyan and Karun Philip met twice under the chairmanship of Mr.Mammen Varghese.

Number of complaints received from shareholders from 1.4.2006 to 31.3.2007 : Nil

Number of complaints not solved for the satisfaction of the shareholders as on 31.3.2007 – Not applicable

Number of share transfer pending as on 31.3.2007 lodged between 28.3.2007 to 31.3.2007 : NIL

The company's shares are being dematerialized by Central Depository Services Ltd., (CDSL) and National Securities Depository Ltd., (NSDL) under ISIN No.INE:159E:01018 and the shareholders are sending the shares for dematerialization to these depositories.

Name and address of the compliance officer :

**Mr.Roy Mammen**  
Managing Director  
No.748, Anna Salai, Chennai-600 002  
Telephone: 91-044 28523501, 28523511  
Fax: 91-044 28523329 E-mail: mmrc@vsnl.net

**General Body Meeting**

Venue and time of the last three Annual General Meetings.

Sl.No.	Date	Time	Venue
1.	30.09.2004	11.A.M.	Swami Shankara Das Auditoria 153, Habibullah Road, T.Nagar, Chennai-600 017
2.	15.12.2005	11 A.M.	Bala Mandir German Hall, No.70, Prakasam Street, T.Nagar, Chennai-600 017
3.	28.09.2006	11 A.M.	-do-

There was no requirement for seeking approval of the shareholders by a postal ballot in respect of any subject placed before the shareholders at the last annual general meeting.

**General Shareholders Information**

Annual General Meeting	Date	27.9.2007
	Time	11 A.M.
	Venue	Hotel Emerald Inn Opp.TCL, SIPCOT, RANIPET-632 403 Vellore District

Financial Year 1.4.2006 to 31.3.2007

Book closure dates 26.9.2007 to 28.9.2007

Dividend No dividend has been recommended for the year 2006-07

There is no resolution requiring approval of shareholders by a postal ballot at the ensuing annual general meeting

**Listing**

The company's shares are listed in the following Stock Exchanges

- The Stock Exchange, Mumbai, Phiroze Jeejeebóy Towers, 25<sup>th</sup> Floor, Dalal Street, Mumbai-400 001
- Madras Stock Exchange Ltd., Exchange Building, 11 Second Line Beach, Chennai-600 011
- Bangalore Stock Exchange - Stock Exchange Towers, No.51, 1<sup>st</sup> Cross, J.C.Road, Bangalore-560 027

The company has paid the annual listing fees to each of the above Stock Exchanges for the year 2006-07. There are no arrears.

Code (Equity Shares – Physical Form)  
(Demat – ISIN No.)

MM RUBBER  
INE 159E01018