

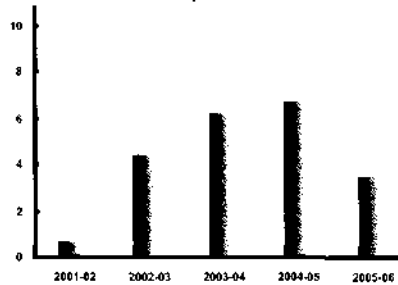
# Schrader Duncan Limited



**Annual Report 2005-2006**

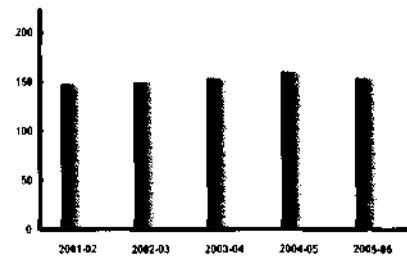
## Schrader Duncan Limited

**Earning Per Share**  
Rupees

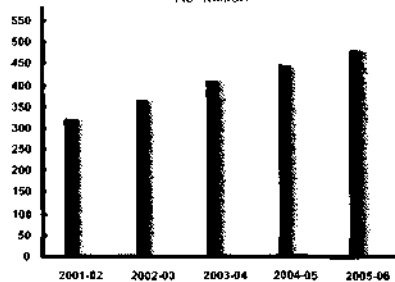


**Key Financial Indicators**  
2001 - 2006

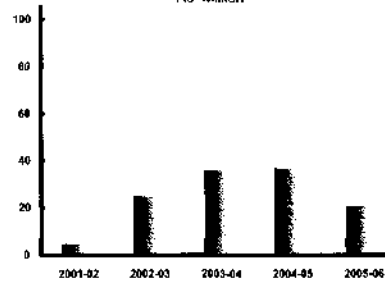
**Net Worth**  
Rs. Million



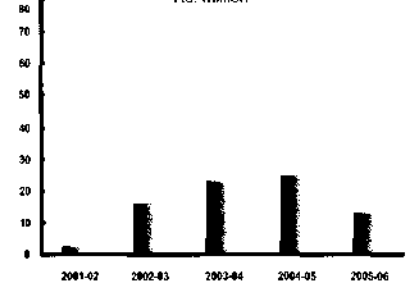
**Income**  
Rs. Million



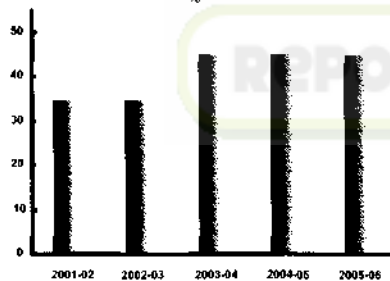
**Profit Before Taxes**  
Rs. Million



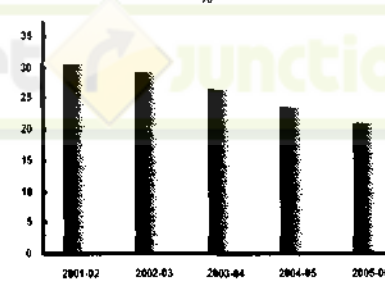
**Profit After Taxes**  
Rs. Million



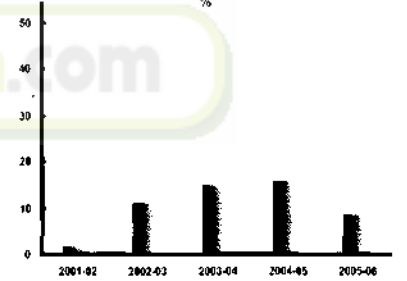
**Dividend**  
%



**Working Capital**  
%



**Return On Investment**  
%



### Ten Year Review

Rs. Million

Accounting Year	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Income	366.69	288.49	293.59	319.71	306.48	321.28	364.77	411.72	447.36	481.03
Profit Before Taxes	95.99	32.35	35.60	29.48	20.18	4.60	24.76	36.34	37.09	20.55
Profit After Taxes	73.38	20.30	23.76	23.29	16.25	2.41	16.30	22.95	25.01	13.07
Dividend %	165.00	50.00	50.00	50.00	35.00	35.00	35.00	45.00	45.00	45.00
Working Capital %	16.51	22.38	21.86	24.36	29.55	30.69	29.27	26.47	23.49	21.06
Net Worth	151.93	151.90	155.15	157.92	159.92	147.91	149.61	153.80	159.54	153.64
Earning Per Share* Rs.	19.85	5.49	6.43	6.30	4.40	0.65	4.41	6.21	6.77	3.54
Return On Investment %	50.04	13.36	15.48	14.88	10.23	1.56	10.96	15.13	15.96	8.35

\* The original number of 350,000 shares as increased to 385,000 in 1967-68 to 462,000 in 1970-71 to 924,000 in 1975 to 1,848,000 in 1993-94 and to 3,696,000 in 1995-96 through Bonus issues.

\*\* One time profit on sale of a Fixed Asset.

\*\*\* Includes exceptional provision for diminution in value of UTI's US-64 scheme.

**Registered Office**

L B S Marg, Mulund  
Mumbai 400 080

**Plants**

Mumbai (Maharashtra)  
Nashik (Maharashtra)

**Branch Offices**

31, Netaji Subhash Road,  
Kolkata 700 001

Hindustan Times House,  
Kasturba Gandhi Marg,  
New Delhi 110 001

**Auditors**

Price Waterhouse & Co.

**Bankers**

State Bank of India

**Legal Advisors**

Crawford Bayley & Co.

**Share Transfer Agent**

MCS Limited,  
"Harmony", Plot No. 6,  
Sector 1, Khanda Colony,  
New Panvel (West),  
Mumbai 410 206.

**Listed at**

Mumbai

Report  junction.com

## Contents

Board of Directors	1
Notice	2
Directors' Report	5
Auditors' Report	21
Balance Sheet	24
Profit & Loss Account	25
Schedules forming part of the Balance Sheet and Profit and Loss Account	26
Annual Report of Associated Polymers Limited	49
Consolidated Accounts	73



5. Members are requested to intimate their queries, if any, relating to the accounts or any other matters at least seven days in advance so that the information can be made readily available and furnished at the meeting.
6. The Company's Registrar and Share Transfer Agent, MCS Limited undertake the transfer of shares, both in physical and demat form. The shareholders may send their transfer requests and other share related queries either to the Company at the Registered Office or MCS Limited.
7. The dividend as recommended by the Board, if declared sanctioned at the meeting, will be paid on August 1, 2006 to those members whose names appear on the Company's Register of Members as on July 26, 2006. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
8. Member are requested to notify immediately any change in their address/bank mandate to their Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company at MCS Limited in respect of their physical share folios, if any.

**By Order of the Board**

Registered Office:  
L B S Marg, Mulund (West) Mumbai - 400 080

May 26, 2006

**A. L. Narasimhan**  
Managing Director

Report  junction.com

**Annexure to Notice****Item No 5**

Mr. Ronald J. Cervelli was appointed as an Additional Director from January 23, 2006. As such, pursuant to Section 260, of the Companies Act, 1956, Mr. Ronald J. Cervelli holds office of a Director upto the date of this Annual General Meeting. It is proposed to appoint Mr. Ronald J. Cervelli as a Director liable to retire by rotation. A notice in writing, pursuant to Section 257 of the Companies Act, 1956, has been received from a member entitled to propose Mr. Ronald J. Cervelli as a candidate for the office of Director, at the Annual General Meeting; along with the requisite deposit as required under that section.

Except Mr. Ronald J. Cervelli, none of the Directors of the Company is concerned or interested in the resolution.

**Item No 6**

Mr. Brian Bauer was appointed as an Additional Director from January 23, 2006. As such, pursuant to Section 260, of the Companies Act, 1956, Mr. Brian Bauer holds office of a Director upto the date of this Annual General Meeting. It is proposed to appoint Mr. Brian Bauer as a Director liable to retire by rotation. A notice in writing, pursuant to Section 257 of the Companies Act, 1956, has been received from a member entitled to propose Mr. Brian Bauer as a candidate for the office of Director, at the Annual General Meeting, along with the requisite deposit as required under that section.

Except Mr. Brian Bauer none of the Directors of the Company is concerned or interested in the resolution.

**By Order of the Board**

Registered Office:

L B S Marg, Mulund (West) Mumbai - 400 080

May 26, 2006

**A. L. Narasimhan**  
Managing Director

Report  Junction.com

**Directors' Report**

Your Directors have pleasure in presenting their Forty Fifth report to the shareholders together with the accounts for the year ended March 31, 2006. The operating results as disclosed in the accounts are summarised below :

	2005-2006		2004-2005	
	Rupees	Rupees	Rupees	Rupees
Profit before charging depreciation and taxes		<b>23,093,941</b>		39,736,493
Less : Depreciation		<b>2,547,482</b>		2,643,904
Profit before tax		<b>20,546,459</b>		37,092,589
Provision for Tax				
Current tax	<b>8,100,000</b>		12,409,000	
Deferred Tax	<b>(2,665,736)</b>		(323,784)	
Fringe Benefit Tax	<b>796,392</b>		-	
Short provision for earlier years	<b>1,244,512</b>	<b>7,475,168</b>	-	12,085,216
Profit after tax		<b>13,071,291</b>		25,007,373
Balance carried from previous year		<b>79,847,423</b>		76,305,688
		<b>92,918,714</b>		101,313,061
Less : Proposed Dividend	<b>16,632,000</b>		16,632,000	
Tax on proposed Dividend	<b>2,332,638</b>		2,332,638	
		<b>18,964,638</b>		18,964,638
Transfer to General Reserve		<b>1,308,000</b>		2,501,000
Balance carried forward		<b>72,646,076</b>		79,847,423

**Dividend**

The Directors are pleased to recommend for consideration of the shareholders a dividend of 45% for the year on the existing share capital of Rs. 36,960,000 amounting to Rs. 16,632,000 and tax on proposed dividend of Rs. 2,332,638 for which provision has been made in the accounts.

**Operations**

The Company suffered a major disruption in its activities as a consequence of flooding in the plant on July 26, 2005 when Mumbai experienced unprecedented rains. The automotive division with its mass manufacturing set up particularly suffered. There was another disruption in the Company's activities in January 2006 on account of an Industrial relations issue. As a result of this the sales of Automotive Division products, viz. tyre tube valves and accessories remained flat at Rs.234.80 million as compared to Rs.228.00 million in the previous year. Spurred by the overall Industry growth Pneumatic Division recovered from the set back and posted a 14.8% sales growth from Rs.200.30 million in the previous year to Rs.229.90 million in the year ended as on March 31, 2006. The profitability of the Automotive Division was seriously impaired on account of unprecedented increase in global prices of copper and zinc. Major initiatives taken by the Company to compensate increase in these material costs will improve profitability in the current year.

Industry continues to show signs of robust growth and both the divisions planned to take full advantage of the growth opportunity.

The combined sales of the Company's two divisions were Rs.481.03 million compared to Rs.447.36 million during the previous year, a growth of 7.5%.



## Raw Materials

The Automotive Division faced and continues to face in the current year, abnormal increases in the cost of key raw materials viz. copper and zinc. This has seriously impacted material consumption.

The unrelenting and extraordinary increase in prices of copper and zinc, two of the major raw material inputs for manufacture of tyre tube valves, has assumed crisis proportions. While seriously impacting the operating profits in the year that has passed, the current year threatens to pile up huge losses. Emergency efforts are under way to persuade customers to revise product prices to ensure survival.

Increases in prices of aluminium, castings, steel etc. which are inputs to the pneumatic range of products are also causing concern though the business has promise to take these in its stride. The availability of raw materials has been smooth.

## Finance

The Company's management of finance ensured smooth operations in the Company. This cost of working capital continues to be under effective control.

## Conservation of Energy, Technology Absorption, Exports and Foreign Exchange Earnings and Outgo.

A statement giving details of conservation of energy, technology absorption, exports and foreign exchange earning and outgo in accordance with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is annexed.

## Industrial Relations

Industrial Relations were smooth during the year with all sections of employees. Certain issues that came up were resolved amicably. Details pursuant to the requirements of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time is annexed to the report.

## Sale of Surplus Land

With a view to unlock the value of surplus unutilisable land at the plant site in Mulund, Mumbai which would facilitate investment for further growth of the Company, the Company has signed an MOU with a reputed developer. We expect to complete the transaction during the current financial year.

## Expansion and Diversification

The Automotive Division added to its forging capacity and also has acquired two new vulcanising presses.

The Pneumatics Division has diversified its product offering through addition of new products such as positioner cylinders, high range of high flow and 2-way valves etc. The division's foray into tubings and fittings is moving forward.

## Associated Polymers Limited

During the year ended March 31, 2006 the Company processed 387 M.T. of rubber compound against 362 M.T. in the previous year.

## Directors

To appoint a Director in place of Mr. Steven Lutz who retires by rotation and is eligible for re-appointment.

Mr. Ronald J. Cervelli and Mr. Brian Bauer were appointed as Additional Directors on January 23, 2006 and their term shall expire at the ensuing Annual General Meeting. Your Directors propose their re-appointment as set out in the notice. Mr. James C. Pelletier and Mr. Lou Braga resigned from Directorship of the Company with effect from January 23, 2006. Your Board proposes to place on record their appreciation for the support extended by them during their tenure in office.

## Directors Responsibility Statement

In Compliance to the provisions of the section 217 (2AA) of the Companies Act, 1956, your Directors wish to place on record.

- i) that in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departure;
- ii) that the Directors had selected such 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 state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of this 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**

As per clause 49 of the Listing Agreement with the Stock Exchanges, a section on Corporate Governance and Management Discussion and Analysis together with a certificate from M/s. N.L. Bhatia & Associates who have issued a Corporate Governance Report confirming compliance is set out in the Annexure forming part of this report.

**Auditors**

M/s. Price Waterhouse & Co., Chartered Accountants, retire at the Annual General Meeting and are eligible for re-appointment.

**On behalf of the Board of Directors**

Mumbai, May 26, 2006

**J. P. Goenka**  
Chairman

Report  junction.com