

EIGHTH ANNUAL REPORT 2001-2002



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VAMSHI RUBBER LIMITED

(IN COLLABORATION WITH HERCULES TIRE & RUBBER CO. U.S.A.)

| | | |
|---------------------------|---|--|
| BOARD OF DIRECTORS | : | Shri M.Ramesh Reddy, Chairman & Managing Director Shri P.Varun Kumar, Shri R.Surendra Reddy, Shri K.V.Sarma, Shri S.Ramachandra Prasad, Shri Donald B.Gillespie. |
| AUDITORS | : | M/s.A.M.Reddy & Co, Chartered Accountants, 103, My Home Plaza, Masab Tank, Hyderabad – 500 028. |
| BANKERS | : | State Bank of India, Commercial Branch, Bank Street, Kothi, Hyderabad – 500 001. |
| REGD.OFFICE | : | 3-5-612, Himayathnagar, Hyderabad – 500 029. |
| FACTORY | : | Survey No.312/E, Lingojigudem Village, Choutuppal Mandal, Nalgonda District. (A.P) |

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**VAMSHI RUBBER LIMITED****NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of M/s. VAMSHI RUBBER LIMITED, will be held on Saturday the 28th Day of September, 2002 at 10.30 A.M. at Hotel Deccan Continental, Sir Ronald Ross Road, Secunderabad to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as on 31ST March 2002 and Profit & Loss Account for the year ended 31ST March 2002 along with Auditor's Report and Directors Report thereon.
- 2) To appoint a Director in place of Sri K.V.Sarma, who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint M/s.A.M.Reddy & Co., Chartered Accountants, Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

**By Order of the Board
for VAMSHI RUBBER LIMITED,**

Place : Hyderabad
Dated : 30th July, 2002

(M.RAMESH REDDY)
Chairman & Managing Director

NOTES :

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote, on a poll instead of him/herself and such proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. Register of Members and Share Transfer Books of the Company will remain closed from 26.9.2002 to 28.9.2002 (both days inclusive).
3. Members intending to seek clarifications at the Annual General Meeting concerning the accounts and any aspect of operations of the Company are requested to send their questions in writing to the Secretarial Department so as to reach the Company at least 7 days in advance before the date of the Annual General Meeting, specifying the points.
4. Members are requested to bring Annual Report with them for the Annual General Meeting. No copies of Annual Report will be distributed at the meeting.
5. Members are requested to notify immediately any change in their address to the Company's Registered Office with their Ledger Folio Number(s).
6. Members are requested to correspond on all matters regarding transfer, transmission of Shares etc. only at the Registered Office of the Company.



VAMSHI RUBBER LIMITED
DIRECTORS' REPORT

Dear Members.

Your Directors have pleasure in presenting the Eighth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS:

The performance during the period ended 31st March, 2002 has been as under:

| | Year ended 2001-2002 | Year ended 2000-2001 |
|---|-------------------------|-------------------------|
| | (Rs.) | (Rs.) |
| 1. Sales & Other Income | 17,01,65,889 | 18,07,81,476 |
| 2. Operating Profit before Financial Charges & Depreciation | 1,13,98,182 | 1,27,48,246 |
| 3. Financial Charges | 42,19,338 | 48,81,216 |
| 4. Profit before Depreciation | 71,78,844 | 78,67,030 |
| 5. Depreciation | 37,56,013 | 32,60,358 |
| 6. Prior Period Expenses | - | - |
| 7. Profit/(Loss) Before Tax | 34,22,831 | 46,06,672 |
| 8. Provision for Taxation | 2,61,846 | 3,90,120 |
| 9. Deferred Tax For the Current Year | 16,89,197 | - |
| 10. Opening Deferred Tax Liability | 11,397,911 | - |
| 11. Profit/(Loss) brought forward from previous year | 58,90,280 | 16,73,729 |
| 12. Balance Carried Forward | (40,35,843) | 58,90,280 |

OPERATIONS:

Your Company achieved a turnover of Rs.169,956,640 during the year under review as against Rs.180,198,509. The decrease is mainly due to economic recession and realisation value decreasing.

FUTURE OUTLOOK:

In the Current year, we are mainly putting thrust in Exports to enhance a better realization for our products. In this direction, we have appointed a General Manager exclusively to follow up the Export Market.



VAMSHI RUBBER LIMITED

FIXED DEPOSITS:

The Company has not accepted any deposits and consequently no deposits have matured/become due for repayment as on 31st March, 2002.

AUDITORS' REPORT:

The observations of the auditors are explained, wherever necessary, in appropriate notes to the accounts.

DIRECTORS:

Sri K.V.Sarma, Director of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

AUDITORS:

M/s.A.M.Reddy & Co., Chartered Accountants, Auditors of the Company retires at the Annual General Meeting and are eligible for reappointment. Members are requested to reappoint them and to authorize the Board to fix their remuneration.

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956:

In compliance of section 217 (2AA), as incorporated by the Companies (Amendment) Act, 2000, in the Companies Act, 1956, your directors confirm: -

- a) That in the preparation of the accounts for the financial year ended 31st March 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 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 accounts for the financial year ended 31st March, 2002 on a going concern basis.

CORPORATE GOVERNANCE :

As the shareholders may be aware, the Securities and Exchange board of India (SEBI) has formulated a code of Corporate Governance to be implemented by listed companies. Pursuant to this, the Stock Exchange, Hyderabad, where the shares of your Company are listed, has introduced a new clause 49 in the Listing Agreement providing the compliance with the code. In the case of your Company, the code would be required to be implemented with the effect from 1st April 2002.



VAMSHI RUBBER LIMITED

The Company is in the process of progressively implementing the various compliance requirements of the code.

CONSERVATION OF ENERGY, FOREIGN EXCHANGE ETC.,

Information on conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are provided in the Annexure forming part of this Report.

EMPLOYEE RELATIONS:

Your Directors are pleased to record their sincere appreciation of the contribution by the workmen and staff at all levels in the improved performance of the Company.

Your Company has no employees whose salary exceeds the limits prescribed Under Section 217(2A) of the Companies Act, 1956. Hence the information required under the said Section, read with Companies (particulars of Employees) Rules 1975, has not been given in this report.

LISTING INFORMATION:

The Equity Shares of your Company continue to be listed during the year under review at (i) The Hyderabad Stock Exchange limited, 3-6-275, Himayathnagar, Hyderabad - 500 029 and (ii) The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001. The Company has paid the Annual listing fees to the aforesaid Stock Exchanges.

ACKNOWLEDGEMENTS:

The Directors thank the Company's Banker namely State Bank of India and also the Financial Institution viz., Industrial Development Bank of India and officials of concerned Government Departments for their co-operation and continued support to the Company.

For and on behalf of the Board

Place: Hyderabad
Dated : 30th July, 2002

(M.RAMESH REDDY)
Chairman & Managing Director

ANNEXURE TO DIRECTOR'S REPORT

Disclosure of particulars with respect to conservation of energy, technology absorption and Foreign exchange earnings and outgo as required under Companies (Disclosure of particulars in the Board of Directors Report) Rules, 1988:

I). CONSERVATION OF ENERGY:

- a) Energy Conservation Measures taken:


VAMSHI RUBBER LIMITED

- i) A new type of dual press and 8" extruder being added to the existing set up, which improves the effective utilisation of fuel.
- ii) Automatic Central Lubrication system on trial was introduced in Mixing Mills to reduce consumption of Lubricating oils.
- iii) Automatic power factor controllers were installed to maintain power factor optimally resulting in reduced consumption of electrical energy.
- b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy:
 - i) M/s. APITCO were engaged for conducting a thorough Energy Audit, Report is awaited.
- c) Impact of the measures taken for energy consumption and consequent impact on the cost of production of goods.
 - i) By adding the above Machinery the cost of power consumption per unit has come down inspite of increase in power tariff.
 - ii) By central lubrication, power consumption has been brought down due to reduced machinery wear and tear.
- d) Form for disclosure of particulars with respect to conservation of Energy.

FORM - 'A'
A) Power & Fuel Consumption:

| | | PERIOD ENDED | PERIOD ENDED |
|----|--------------------------------|---------------------|---------------------|
| | | 31-03-2002 | 31-03-2001 |
| 1) | Electricity | | |
| a) | Purchased | | |
| | Total Amount (Rs) | 62,81,899 | 64,84,372 |
| | Units | 14,41,374 | 14,79,858 |
| | Rate per Unit (Rs) | 4.36 | 4.38 |
| b) | Own Generation | | |
| | Through Diesel Generator Units | 1,19,232 | 2,10,512 |
| | Unit per Liter of Diesel | 2.40 | 2.65 |
| | Cost / Unit (Rs.) | 7.35 | 5.50 |
| 2) | L.D.O (Rs.) | 21,19,899 | 20,64,386 |



VAMSHI RUBBER LIMITED
B) Consumption per unit of production:

Calculation of consumption per unit of production is not possible since no separate account is maintained for each product.

II) TECHNOLOGY ABSORPTION ADAPTION AND INNOVATION:

- 1) Efforts in brief made towards Technology Absorption adaptation and innovation.
 - a) Technology suitable to Indian Condition has been fully absorbed and adapted.
- 2) Benefits derived as a result of the above effect.
 - a) Cost reduction of the product has been achieved.
 - b) Improvement in the quality of the product has been achieved.
- 3) In case of Imported Technology following information may be furnished.
 - a) Technology Imported : Manufacture of Precured Tread Rubber and its allied Products and Retreading Equipment.
 - b) Year of Import : 1995
 - c) Has the Technology been fully absorbed : Yes

III) FOREIGN EXCHANGE EARNINGS AND OUTGO:

- i) Activities relating to Exports initiatives taken : During the year your company has submitted available options to the collaborator for ensuring the export orders and expecting the same during the current year.
- ii) Foreign Exchange earned : (Rs.in Lakhs)

| | |
|----------------------------|-------|
| On account of Export Sales | : Nil |
| Others | : Nil |
| Foreign Exchange outgo | : Nil |

For and on behalf of the Board

Place: Hyderabad
Dated: 30th July, 2002

(M.RAMESH REDDY)
Chairman & Managing Director