

# **TENTH ANNUAL REPORT 2003-2004**

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## **VAMSHI RUBBER LIMITED**

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

# **BOARD OF DIRECTORS :**

- 1) Shri M.Ramesh Reddy, Chairman & Managing Director
- 2) Shri P.Varun Kumar
- 3) Shri R.Surendra Reddy
- 4) Shri K.V.Sarma
- 5) Shri Donald B.Gillespie
- 6) Shri S.Ramachandra Prasad
- 7) Shri E.Mahipal Reddy
- 8) Shri M. Arun Kumar
- 9) Shri A.Vamshidhar Reddy
- 10) Shri A.Venkat Reddy

# **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

# **REGISTERED OFFICE :**

3-5-612, Himayathnagar  
Hyderabad – 500 029.

# **FACTORY :**

Survey No.312/E, Lingojigudem Village,  
Choutuppal Mandal,  
Nalgonda District, Andhra Pradesh.

# **STATUTORY COMMITTEES**

## **Audit Committee**

Shri E.Mahipal Reddy  
Shri A.Venkat Reddy  
Shri A.Vamshidhar Reddy

## **Remuneration Committee**

Shri A.Venkat Reddy  
Shri E.Mahipal Reddy  
Shri M.Arun Kumar

## **Share Holders / Investors**

*Grievance Committee*  
Shri A.Vamshidhar Reddy  
Shri A.Venkat Reddy

# **C O N T E N T S**

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## VAMSHI RUBBER LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of M/s.VAMSHI RUBBER LIMITED, will be held on Thursday, the 30th Day of September, 2004 at 11.30 A.M. at Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad to transact the following business:

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2004 and Profit & Loss Account for the year ended 31st March 2004 along with Auditor's Report and Directors Report thereon.
2. To appoint a Director in place of Shri P.Varun Kumar, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri R.Surendra Reddy, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri K.V.Sarma, who retires by rotation and being eligible offers himself for reappointment.
5. 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 authorize the Board to fix their remuneration.

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By Order of the Board  
for VAMSHI RUBBER LIMITED,

Place : Hyderabad  
Dated : 31st July, 2004

(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. The Register of Members and Share Transfer Books of the Company will remain closed from 28.9.2004 to 30.9.2004 (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/Beneficial Owners are requested to advise immediately any change in their address to Registrar and Transfer Agent quoting their registered folio number/Client ID.
6. Members/Beneficial Owners/Proxies should bring the attendance slips duly filled in for attending the meeting.



VAMSHI RUBBER LIMITED

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Tenth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2004.

### FINANCIAL RESULTS:

The performance during the period ended 31st March 2004 has been as under:

	Year ended 2003-2004	Year ended 2002-2003
	(Rs.)	(Rs.)
1) Sales & Other Income	29,76,85,906	22,59,08,970
2) Operating Profit Before Financial Charges & Depreciation	1,69,65,712	1,56,02,741
3) Financial Charges	75,92,126	79,99,198
4) Profit before Depreciation	93,73,586	76,03,543
5) Depreciation	49,44,655	48,18,084
6) Profit/(Loss) Before Tax	44,28,931	27,85,459
7) Provision for Taxation	3,36,517	2,20,171
8) Deferred Tax for the Current Year	10,50,525	18,34,712
9) Excess provision of Deferred Tax Liability no longer required	—	16,89,197
10) Deferred Tax Asset for the year 2001-2002	—	46,44,879
11) Profit/(Loss) brought forward from previous year	30,28,809	(40,35,843)
12) Balance Carried Forward	60,70,698	30,28,809

### OPERATIONS :

In spite of economic slow down and adverse market conditions, your Company achieved a turn-over of Rs 29,69,28,282 during the year under review as against Rs.22,50,17,812.

### 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 Manger exclusively to follow up Export Market.

### FIXED DEPOSITS:

Your Company has not invited any deposits from the Public for the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

### INTERNAL CONTROL SYSTEMS:

Your Company has well established procedures for internal control across its various locations, commensurate with its size and operations. The organization is adequately staffed with qualified and experienced personnel for implementing and monitoring the internal control environment. The internal audit function is adequately resourced commensurate with the operations of the Company and reports to the Audit Committee of the Board.



## **VAMSHI RUBBER LIMITED**

### **INSURANCE**

The Properties and assets of your Company are adequately insured.

### **CORPORATE GOVERNANCE:**

The Company has been in full compliance of the norms of Corporate Governance as outlined in Clause 49 of the Listing Agreement with the BSE, Mumbai. A separate report on Corporate Governance is produced as a part of the Annual Report along with the Auditor's Certificate on its compliance.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement forms part of this report and the same is annexed.

### **DIRECTORS:**

Shri P.Varun Kumar, Shri R.Surendra Reddy and Shri. K.V.Sarma, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for reappointment.

### **ISO 9001 CERTIFICATION:**

Your Company continues to hold ISO 9001 Certification by meeting all the requirements of certification from time to time.

### **AUDITORS' REPORT:**

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

### **AUDITORS:**

M/s.A.M.Reddy & Co., Chartered Accountants, Auditors of the Company retires at the Annual General Meeting and the Company has received certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Members are requested to reappoint them and to authorize the Board to fix their remuneration.

### **DIRECTOR'S 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, 2004, 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 judgements 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 2004 on a going concern basis.

**VAMSHI RUBBER LIMITED****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.

**DELISTING OF EQUITY SHARES:**

Your Company's equity shares are delisted from The Hyderabad Stock exchange Limited (HSE) with effect from 31-03-2004 vide their letter No. HSE:LIST:2004:835, dt.29-03-2004.

**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.

None of the employees are drawing Rs.2,00,000/- and above per month or Rs.24,00,000/- and above in aggregate per annum, the limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence the information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not annexed to this report.

**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 : 31st July, 2004

**(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:

**1) CONSERVATION OF ENERGY:****a) Energy Conservation Measures taken:**

- i) Automatic Central Lubrication system was introduced in Mixing areas to reduce consumption of Lubricating oils.
- ii) Automatic power factor controllers were installed to maintain power factor optimally resulting in reduced consumption of electrical energy

**b) Impact of the measures taken for energy consumption and consequent impact on the cost of production of goods.**

- i) By central lubrication, power consumption has been brought down and reduces machinery wear and tear and lubricant consumption.

**c) Form for disclosure of particulars with respect to conservation of Energy.**



VAMSHI RUBBER LIMITED

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

			<b>Year ended 31-03-2004</b>	<b>Year ended 31-03-2003</b>
1		Electricity		
	a)	Purchased		
		Total Amount (Rs)	87,29,631	78,88,704
		Units	21,28,302	18,05,028
		Rate per Unit (Rs)	4.10	4.37
	b)	Own Generation		
		Through Diesel Generator Units	60,424	1,62,195
		Unit per Liter of Diesel	2.24	2.14
		Cost / Unit (Rs.)	8.26	8.86
2		L.D.O (Rs.)	38,54,807	23,95,688

**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. : Appointed a G.M. separately to monitor the export activities.
- ii) Foreign exchange earned (in Rs.) :
  - On account of export sales : 51,57,699
  - Others : Nil
  - Foreign exchange outgo : 1,02, 90,819

For and on behalf of the Board

Place: Hyderabad  
Dated : 31st July, 2004

(M.RAMESH REDDY)  
Chairman & Managing Director



VAMSHI RUBBER LIMITED

## REPORT ON CORPORATE GOVERNANCE

## 1. Company's Philosophy on Code of Governance

The Company's philosophy of Corporate Governance aims at assisting the management of the Company in the efficient conduct of its business and in meeting its responsibilities to all the stakeholders and to provide customer satisfaction through best quality at lowest price. It is towards this end that efforts are made to maintain high standards of disclosure to the shareholders and internal compliance guidelines for better Corporate Governance.

## 2. Board of Directors

## a) The Board consists of 10 members comprising:

- 5 Independent Non-Executive Directors
- 1 Dependent Non-Executive Director
- 4 Executive Directors

## ATTENDANCE RECORD: 2003-2004

Sl. No.	Name of Director	Category	No. of Board Meetings attended	Attendance in last AGM held on 28.09.2003
1	SHRI M.RAMESH REDDY	Promoter Executive	7	Yes
2	SHRI P.VARUN KUMAR	Promoter Executive	7	Yes
3	SHRI K.V.SARMA	Executive	7	Yes
4	SHRI R.SURENDRA REDDY	Promoter Executive	7	Yes
5	SHRI DONALD B.GILLESPIE	Dependent Non-Executive	—	No
6	SHRI S.RAMACHANDRA PRASAD	Independent Non-Executive	3	No
7	SHRI E.MAHIPAL REDDY	Independent Non-Executive	2	No
8	SHRI M.ARUN KUMAR	Independent Non-Executive	4	Yes
9	SHRI A.VAMSHIDHAR REDDY	Independent Non-Executive	4	Yes
10	SHRI A.VENKAT REDDY	Independent Non-Executive	4	Yes

## B) NUMBER OF OTHER DIRECTORSHIPS &amp; COMMITTEE MEMBERSHIP/ CHAIRMANSHIP

Sl. No.	Name of Director	Other Directorship	Committee Membership	Committee Chairmanship
1	SHRI M.RAMESH REDDY	4	None	None
2	SHRI P.VARUN KUMAR	None	None	None
3	SHRI K.V.SARMA	None	None	None
4	SHRI R.SURENDRA REDDY	1	None	None
5	SHRI DONALD B.GILLESPIE	None	None	None
6	SHRI S.RAMACHANDRA PRASAD	None	None	None
7	SHRI E.MAHIPAL REDDY	None	None	None
8	SHRI M.ARUN KUMAR	None	None	None
9	SHRI A.VAMSHIDHAR REDDY	None	None	None
10	SHRI A.VENKAT REDDY	None	None	None





## VAMSHI RUBBER LIMITED

### c) Number of Board Meetings held and the date on which held:

Seven Board Meetings were held during the year. The maximum gap between any two meetings was not more than four months.

The dates on which the Board meetings were held are as follows:

10-04-2003, 30-06-2003, 31-07-2003, 30-10-2003, 24-01-2004, 30-01-2004, 23-03-2004

### d) Pecuniary relationship or transactions of Non-Executive Directors:

Apart from receiving director's remuneration, non-executive directors do not have any other material pecuniary relationship or transactions with the company, its promoters or its management, which in the judgement of the board may affect independence of judgment of the director.

### 3. Audit Committee:

The Audit Committee comprises of 3 Non Executive Directors and is chaired by Mr.E.Mahipal Reddy. Shri M.Ramesh Reddy, Managing Director, Statutory Auditors are permanent invitees to the meetings. Any other person/Executive, where necessary, is also required to attend the meetings.

The terms of reference of this committee are in line with the norms specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The Committee met 4 times during the year 2003-04 on 30-06-2003, 31-07-2003, 30-10-2003 and 30-01-2004.

The attendance details of the members of the Committee are given below :

Sl. No.	Name of the Director	No. of Meetings attended
1.	Shri E.Mahipal Reddy	2
2.	Shri A.Venkat Reddy	4
3.	Shri. M. Arun Kumar	4

### 4. Remuneration Committee :

The Remuneration Committee was set up on 30th October 2002 to review and recommend the payment of annual salaries; commission, service agreements and other employment conditions of Managing/Executive Directors. The Committee fixes the remuneration after taking into consideration remuneration practices followed by Companies of similar size and standing in the industry. All the members of the committee are independent, non-executive and persons of repute and have sound knowledge of management practices. The power and role of the Remuneration Committee is as per guidelines set out in the listing agreement. The following is the constitution of the remuneration committee as on 31-03-2004:

1.	Shri A. Venkat Reddy	-	Chairman
2.	Shri E. Mahipal Reddy	-	Member
3.	Shri A. Vamshidhar Reddy	-	Member

During the year under report one meeting of remuneration committee was held on 30-07-2003 to review the increase of remuneration to the Managing/Whole-time Directors. The meeting was attended by all the members of the Committee.

### Remuneration of Directors:

The Managing/Whole-time Directors are paid remuneration approved by the Board of Directors. In the Board Meeting, the remuneration (subject to the subsequent approval by the shareholders at the general body meeting and such other authorities as the case may be) is fixed by the Remuneration Committee. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the corporate world, financial position of the Company etc. The remuneration structure comprises of Basic Salary, Commission, perquisites and allowances, Contribution to Provident Fund and other funds in accordance with the Provisions of the Companies Act, 1956. The Non-Executive Director do not draw any remuneration from the Company except sitting fees for each meeting of the Board, Audit, Remuneration and Shareholders/Investors Grievance Committee attended by them.

**VAMSHI RUBBER LIMITED**

(In Rs.)

Sl. No.	Name of Director	Salary	Perquisites & Other benefits	Performance Bonus/ Commission	Sitting Fee	Total
1.	Shri M. Ramesh Reddy	4,35,000	10,231	NIL	NIL	4,45,231
2.	Shri P. Varun Kumar	421,000	1,03,144	NIL	NIL	5,24,144
3.	Shri K.V. Sharma	421,000	23,617	NIL	NIL	4,44,617
4.	Shri R. Surendra Reddy	421,000	1,16,459	NIL	NIL	5,37,459
5.	Shri Donald P. Gillespsie	NIL	NIL	NIL	NIL	NIL
6.	Shri S. Ramachandra Prasad	NIL	NIL	NIL	NIL	NIL
7.	Shri E. Mahipal Reddy	NIL	NIL	NIL	1000	1000
8.	Shri M. Arun Kumar	NIL	NIL	NIL	2000	2000
9.	Shri A. Vamshidhar Reddy	NIL	NIL	NIL	2000	2000
10.	Shri A. Venkat Reddy	NIL	NIL	NIL	2000	2000

**5. Shareholders/Investors Grievance Committee:**

The Shareholders/Investors Grievance Committee constituted by the Board of Director and comprising of Shri A. Vamshidhar Reddy (Chairman) and Shri A. Venkat Reddy, inter-alia oversees the transfer of shares and redressal of Shareholders/Investors Grievances and other complaints.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review was Two. There are no outstanding complaints as on 31st March, 2004.

The Committee had received and approved 137 request for transfer and 567 request for Dematerialisation of Physical Shares during the year under review. There were no transfers or demat request pending as on 31st March 2004.

The Board has designated Shri B. Vinod Reddy, as the Compliance Officer.

**6. General Body Meetings :****a) Location and time of last 3 Annual General Meetings of the Company**

YEAR	CATEGORY	LOCATION	DATE	TIME
2002-2003	Annual General Meeting	Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.	28-09-2003	10.30 A.M
2001-2002	Annual General Meeting	Hotel Deccan Continental, Sir Ronald Ross Road, Secunderabad	28-09-2002	10.30 A.M
2000-2001	Annual General Meeting	Hotel Deccan Continental, Sir Ronald Ross Road, Secunderabad	29-09-2001	10.30 A.M

**b) No special resolution was put through postal ballot last year nor it is proposed to put any special resolution to vote through postal ballot this year.**

**7. Disclosures:**

There was no materially significant transaction with related parties entered into by the Company with its promoters, Directors or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large. The Register of Contracts contained the transactions in which Directors are interested is placed at the Board Meetings.

Disclosures on transactions with related parties as required under Accounting Standard 18 have been incorporated in the notes to the Accounts.

There were no strictures or penalties imposed on the Company by Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other statutory authority for non-compliance of any matter related to capital markets, during the last three years.