

ELEVENTH ANNUAL REPORT 2004-2005

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

AUDITORS :

M/S.A.M.Reddy & Co,
Chartered Accountants
103, My Home Plaza,
Masab Tank, Hyderabad – 500 028

STATUTORY COMMITTEES**Audit Committee**

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

BANKERS :

State Bank of India
Commercial Branch,
Bank Street, Kothi
Hyderabad – 500 001

Remuneration Committee

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

REGISTERED OFFICE :

8-2-594/1/A/1, Opp. Hotel Taj Krishna,
Banjara Hills, Road No. 1,
Hyderabad - 500 034.

Share Holders / Investors

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

FACTORY :

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

CONTENTS

Notice to Share Holders	: 1	Profit & Loss Account	: 21
Director's Report	: 5	Schedules to Accounts	: 22
Report on Corporate Governance	: 9	Notes on Accounts	: 27
Auditor's Report	: 17	Cash Flow Statements	: 32
Balance Sheet	: 20	Balance Sheet Abstract	: 33


VAMSHI RUBBER LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of M/s. VAMSHI RUBBER LIMITED, will be held on Friday 30th day of September, 2005 at 10.45 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 2005 and Profit & Loss Account for the year ended 31st March 2005 along with Auditor's Report and Directors Report thereon.
2. To appoint a Director in place of Shri Donald B Gillespie, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri. S.Ramachandra Prasad, who retires by rotation and being eligible offers himself for reappointment.
4. 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.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT in supersession to the earlier resolution passed by the members of the Company and pursuant to the provisions of Section 198, 269, 309, 310, 314 and other enabling provisions of the Companies Act, 1956, and Schedule XIII of the Companies Act, 1956, Shri R.Surendra Reddy, Whole-time Director, be and is hereby appointed as Managing Director of the Company with effect from 1st July, 2005 for a period of 2 years i.e. upto 30-06-2007 to look after the day to day affairs of the Company subject to the superintendence, guidance and directions of the Board of Directors on the following terms and conditions set out below as approved by the Remuneration Committee at its meeting held on 29th June, 2005 :

A) REMUNERATION :

The Company shall pay to Managing Director in consideration of the performance of his duties a salary of Rs.50,000/- (Rupees Fifty thousand only) per month.

**B) PERQUISITES :**

In addition to salary as above, the Managing Director shall be entitled to perquisites as under :

CATEGORY - A**i) Housing :**

- a) The Expenditure incurred by the Company on hiring furnished accommodation for Managing Director will be subject to 50% of the salary.
- b) In case the accommodation is owned by the Company, 20% of the Salary of Managing Director shall be deducted by the Company.
- c) In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in (a) above.

ii) Gas & Electricity :

The expenditure incurred by the Company on Gas, Electricity, Water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall however be subject to a ceiling of 10% of the salary of Managing Director.

iii) Medical Reimbursement :

Expenses actually incurred for Managing Director and his family shall be reimbursed subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

iv) Leave Travel concession:

For Managing Director and his family once in a year incurred in accordance with any rule specified by the Company.

v) Club Fees:

Fees of clubs subject to a maximum of two clubs provided no life membership or admission fee shall be paid.

vi) Personal Accident Insurance:

Personal Accident Insurance of an amount the annual premium whereof shall not exceed Rs.4, 000/-.

Explanation: For the purpose of Category 'A', family means the spouse, the dependent children and the dependent parents of Managing Director.

Overall Limit: The monetary value of perquisites listed in (B) at Category-A(i),(ii),(iii),(iv),(v) and (vi) above shall not exceed an amount equal to the annual salary.

CATEGORY - B**i) Provident and Superannuation Fund:**

The Company's contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act. The said contribution will not be included in the computation of the ceiling on remuneration.

**VAMSHI RUBBER LIMITED****ii) Gratuity :**

Gratuity payable shall not exceed one half month's salary for each completed year of services and will not be included in the computation of the ceiling on remuneration.

CATEGORY - C**i) Provision of Car and Telephone :**

The Managing Director shall be entitled to a motor car for use on Company's business and telephone at residence, however use of car for private purpose and personal long distance calls on telephone shall be billed by the Company to the Managing Director.

C) OTHER BENEFITS :

i) The Managing Director shall be entitled to reimbursement of entertainment expenses actually and properly incurred for the business of the Company.

ii) He will not be eligible for any sitting Fees of the Company's Board/Committee Meetings.

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

Place : Hyderabad

Dated : 30th July, 2005

(R.SURENDRA REDDY)

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 28.9.2005 to 30.9.2005 (both days inclusive).
3. The Explanatory Statement relating to **Item No.5** of the Special Business of the Meeting referred to above is annexed to this Notice as required by section 173(2) of the Companies Act, 1956.
4. 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.
5. 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.
6. 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.
7. Members/Beneficial Owners/Proxies should bring the attendance slips duly filled in for attending the meeting.



VAMSHI RUBBER LIMITED

EXPLANATORY STATEMENT
(PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)

ITEM No.5 :

Shri R.Surendra Reddy was appointed as Managing Director of the Company by the Board of Directors at its meeting held on 30th June, 2005 for a period of 2 years i.e., upto 30-06-2007, as per Section 198,269,309, Schedule XIII and other applicable provisions of the Companies Act, 1956.

As per the provisions of Schedule XIII of the Companies Act, 1956 approval by a resolution of the Shareholders in General Meeting is required for appointment of Managing Director. The Remuneration Committee in its meeting held on 29th June, 2005 reviewed the remuneration payable to Shri R.Surendra Reddy keeping in view the objectivity of remuneration package payable to Executives while striking a balance between the interest of the Company and the shareholders. Hence, the resolution is placed before you for approval.

None of the Directors except Shri R.Surendra Reddy is concerned or interested in the above resolution.

By Order of the Board
for VAMSHI RUBBER LIMITED,

Place : Hyderabad
Dated : 30th July, 2005

(R.SURENDRA REDDY)
Managing Director

**VAMSHI RUBBER LIMITED****DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Eleventh Annual Report and the Audited Statement of Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS:

The performance during the period ended 31st March 2005 has been as under:

	Year ended 2004-2005	Year ended 2003-2004
	(Rs.)	(Rs.)
1) Sales & Other Income	31,23,61,464	29,76,85,906
2) Operating Profit Before Financial Charges & Depreciation	78,93,664	1,69,65,712
3) Financial Charges	78,91,645	75,92,126
4) Profit before Depreciation & Preliminary Exp.	2,019	96,43,352
5) Depreciation & Preliminary Exp.	53,05,358	52,14,421
6) Profit/(Loss) Before Tax	-53,03,339	44,28,931
7) Provision for Taxation	0	3,36,517
8) Deferred Tax for the Current Year	13,42,841	10,50,525
9) Profit/(Loss) brought forward from previous year	60,70,698	30,28,809
10) Balance Carried Forward	-5,75,482	60,70,698

OPERATIONS:

During the year your Company recorded a turnover of Rs. 3107.05 Lacs as against Rs.2969.28 Lacs in the previous year and a net loss of Rs. 53.03 Lacs as against a profit of Rs.44.29 Lacs during the previous year.

FUTURE OUTLOOK:

In the current year, the management is concentrating mainly on improving the profitability of operations in addition to improving the volumes. The market looks to be promising for the products of your company.

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 S.Ramachandra Prasad and Mr. Donald B Gillespie, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for reappointment.

At the Board Meeting held on 30th June 2005, Shri M. Ramesh Reddy was resigned from the post of Managing Director of the company, but continue to be the Chairman and Director of the company w.e.f. 1-7-2005 and Shri R. Surendra Reddy was appointed as Managing Director of the company w.e.f. 01.07.2005 for a period of 2 years i.e. upto 30.06.2007

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.

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, 2005, 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;



VAMSHI RUBBER LIMITED

- d) That the directors have prepared the accounts for the financial year ended 31st March 2005 on a going concern basis.

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.

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.

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For and on behalf of the Board

Place: Hyderabad
Dated : 30th July, 2005

(M. RAMESH REDDY)
Chairman

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:**

			Year ended 31-03-2005	Year ended 31-03-2004
1		Electricity		
	a)	Purchased		
		Total Amount (Rs)	92,91,322	87,29,631
		Units	23,25,634	21,28,302
		Rate per Unit (Rs)	4.00	4.10
	b)	Own Generation		
		Through Diesel Generator Units	30,306	60,424
		Unit per Liter of Diesel	2.19	2.24
		Cost / Unit (Rs.)	11.52	8.26
2		L.D.O (Rs.)	39,77,311	38,54,807

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.
Technology suitable to Indian conditions has been fully absorbed and adopted.
- 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 products and retreading equipment
 - b) Year of Import : 1995
 - c) Has the technology been fully absorbed : Yes

III) FOREIGN EXCHANGE EARNINGS AND OUTGO:

- i) Foreign exchange earned (in Rs.) :

on export sales	: 37,64,045
Others	: Nil
- ii) Foreign exchange outgo:

On Travel	: 52,684
On Royalty	: 3,71,840
On Imports	: 12,74,583

For and on behalf of the Board

Place: Hyderabad
Dated : 30th July, 2005

(M. RAMESH REDDY)
Chairman