

# **THIRTEENTH ANNUAL REPORT 2006-2007**

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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 - Finance
- 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

**BANKERS :**

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

**REGISTERED OFFICE :**

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

**FACTORY :**

Survey No.312/E, Lingoijigudem 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

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## VAMSHI RUBBER LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 13th Annual General Meeting of the Members of **VAMSHI RUBBER LIMITED**, will be held on Saturday, the 29th day of September, 2007 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 2007 and Profit & Loss Account for the year ended 31st March 2007 along with Auditor's Report and Directors Report thereon.
2. To appoint a Director in place of Shri A.Vamshidhar Reddy, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri A.Venkat Reddy, 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 a Special Resolution:

"RESOLVED THAT 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 be and is hereby re-appointed as Managing Director of the Company with effect from 1st July, 2007 for a period of 5 years 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 30th June, 2007 :

##### **i) Salary :**

The Company shall pay to the Managing Director in consideration of the performance of his duties a salary of Rs.1,00,000/- (Rupees One Lakh only) per month.

##### **ii) Perquisites & Allowances :**

In addition to the above salary, the Managing Director shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowances in lieu thereof, reimbursement of expenses or allowance for gas, electricity, water, furnishing etc., medical reimbursement, leave travel allowances, club fee and such other perquisites and allowances under the Company's rules.

The total cost of the aforesaid perquisites, allowances and other benefits (including Rent/HRA) shall be restricted to Rs.75,000 per month.

##### **iii) Other Benefits :**

In addition to the above salary and perquisites, the Managing Director shall be entitled to the following annual benefits which shall not be included in the computation of the ceiling of remuneration specified in paragraph (i) and (ii) above.




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**VAMSHI RUBBER LIMITED**

- a) 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.
- b) 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.
- c) Leave encashment : Encashment of leave at the end of the tenure in accordance with the rules of the Company.
- d) 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.
- iv) The Managing Director shall be entitled to reimbursement of entertainment expenses, traveling, boarding and lodging expenses actually and properly incurred for the business of the Company.
- v) He will not be eligible for any sitting Fees of the Company's Board/Committee Meetings.

"RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto in order to give effect to the foregoing resolution, or as may be otherwise consideration by it to be in the best interest of the Company".

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

"RESOLVED THAT in supersession to the resolution passed by the members of the company at the Annual General Meeting held on 29-9-2003 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 P.Varun Kumar be and is hereby re-appointed as Whole-time Director of the Company and shall be designated as Director – Finance for a period of 5 years with effect from 1st July, 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 30th June, 2007.

**i) Salary :**

The Company shall pay to the Whole-time Director in consideration of the performance of his duties a salary of Rs.1,00,000/- (Rupees One Lakh only) per month.

**ii) Perquisites & Allowances :**

In addition to the above salary, the Whole-time Director shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowances in lieu thereof, reimbursement of expenses or allowance for gas, electricity, water, furnishing etc., medical reimbursement, leave travel allowances, club fee and such other perquisites and allowances under the Company's rules.

The total cost of the aforesaid perquisites, allowances and other benefits (including Rent/HRA) shall be restricted to Rs.75,000/- per month.



## **SANSICO SERVICES**

**Other Benefits:** In addition to the above salary and perquisites, the Whole-time Director shall be entitled to the following annual benefits which shall not be included in the computation of the ceiling of remuneration specified in paragraph (i) and (ii) above:

a) **Provident and Superannuation Fund:** The Company's contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these are 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.

b) **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.

c) **Leave encashment:** Encashment of leave at the end of the tenure, in accordance with the rules of the Company.

d) **Provision of Car and Telephone:** The Whole-time 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 and will not be included in the computation of the ceiling on remuneration.

iv) The Whole-time Director shall be entitled to reimbursement of entertainment expenses, travelling, boarding and lodging expenses actually and properly incurred for the business of the Company.

v) He will not be eligible for any sitting fees of the Company's Board/Committee Meetings".

**RESOLVED FURTHER** that the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution, or as may be otherwise consideration by it to be in the best interest of the Company.

7. To consider and if thought fit to pass with or without modification(s) the following resolution as a Special Resolution:

**RESOLVED FURTHER** that the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution, or as may be otherwise consideration by it to be in the best interest of the Company.

**RESOLVED THAT** in supersession to the resolution passed by the members of the company at the Annual General Meeting held on 29.9.2003 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 K. Venkateshwara Sarma be and is hereby re-appointed as Whole-time Director of the Company and shall be designated as Director - Operation for a period of 5 years with effect from 1st July, 2007 to look after the day to day affairs of the Company subject to the Superintendence, guidance and directions of the Board of Directors or other authorised persons on the conditions set out below as approved by the Remuneration Committee at its meeting held on 30th June, 2007.

### **i) Salary :**

The Company shall pay to the Whole-time Director in consideration of the performance of his duties a salary of Rs. 1,00,000/- (Rupees One Lakh only) per month.

### **ii) Perquisites & Allowances :**




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**VAMSHI RUBBER LIMITED**

In addition to the above salary, the Whole-time Director shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowances in lieu thereof, reimbursement of expenses or allowance for gas, electricity, water, furnishing etc., medical reimbursement, leave travel allowances, club fee and such other perquisites and allowances under the Company's rules.

The total cost of the aforesaid perquisites, allowances and other benefits (including Rent/HRA) shall be restricted to Rs.75,000/- per month.

**iii) Other Benefits :**

In addition to the above salary and perquisites, the Whole-time Director shall be entitled to the following annual benefits which shall not be included in the computation of the ceiling of remuneration specified in paragraph (i) and (ii) above.

- a) **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.
- b) **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.
- c) **Leave encashment :** Encashment of leave at the end of the tenure in accordance with the rules of the Company.
- d) **Provision of Car and Telephone :** The Whole-time 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 Whole-time Director.
- iv) The Whole-time Director shall be entitled to reimbursement of entertainment expenses, traveling, boarding and lodging expenses actually and properly incurred for the business of the Company.
- v) He will not be eligible for any sitting Fees of the Company's Board/Committee Meetings".

"RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto in order to give effect to the foregoing resolution, or as may be otherwise consideration by it to be in the best interest of the Company".

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

Place : Hyderabad  
Dated : 31-07-2007

**(R.SURENDRA REDDY)**  
**Managing Director**





## VAMSHI RUBBER LIMITED

### 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 26-09-2007 to 29-09-2007 (both days inclusive).
3. The Explanatory Statement relating to Item 5 to 7 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.

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

#### Item No.5 to 7:

Shri R. Surendra Reddy was appointed as Managing Director of the Company for a period of two years, which with effect from 1st July, 2005, Shri P. Varun Kumar & Shri K. Venkateshwara Sarma were re-appointed as wholetime Directors of the company for a period of 5 years with effect from 1st October, 2002 respectively and the members of the company approved their appointments at the Annual General Meeting held on 30th September 2005 and 29th September 2003 respectively.

Members may be aware that there has been substantial improvement in the business and financial growth of the company. In view of the increased volume of business and other statutory compliances, the duties and responsibilities of Managing Director and Whole-time Directors have also increased manifold. The Remuneration Committee at its meeting held on 30th June 2007 reviewed and recommended the remuneration payable to Shri R. Surendra Reddy, Shri P. Varun Kumar & Shri K. Venkateshwara Sarma keeping in view the objectivity of remuneration package payable to executives while striking a balance between the interest of the company and the shareholder. The Board therefore, on the recommendation of the committee, at its meeting held on 30th June 2007 re-appointed them with effect from 1st July 2007 on the terms and conditions set out in the resolutions. The particulars of Shri R. Surendra Reddy, Shri P. Varun Kumar & Shri K. Venkateshwara Sarma are detailed in the Report on Corporate Governance, which is herewith enclosed.

As per the provisions of the Section 198, 269 309 and Schedule XIII of the companies act 1956 approval of the members of the company is required for re-appointment as Managing Director and Whole-time Directors on the remunerations as set out in the resolutions. Hence the resolutions are placed before you for approval.

The General Information as required in Schedule XIII of the Companies Act, 1956 is contained in



## VAMSHI RUBBER LIMITED

the statement annexed hereto.

NOTES:

The explanatory statement together with the accompanying notice should be treated as abstracts of the terms of agreement and memorandum of concern or interest under section 302 of the Companies Act, 1956.

Shri B. Surendra Reddy, Shri P. Varun Kumar and Shri K. Venkateshwara Sarma shall be deemed to be interested in the said resolutions.

The Register of Members and Share Transfer Books of the Company will remain closed from 28-09-2007 to 09-10-2007 (both days inclusive).

By Order of the Board

for VAMSHI RUBBER LIMITED

The Explanatory Statement relating to Item 2 to 7 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.

Place: Hyderabad (R. SURENDRA REDDY)

Dated: 31st July 2007 Managing Director

### Annexure referred to in the Explanatory Statement

Statement containing the information as required per Notification No. G.S.R. 36(E) dated January 16, 2002 amending Schedule XIII to the Companies, Act, 1956 in respect of re-appointment of Shri R. Surendra Reddy, Shri P. Varun Kumar and Shri K. Venkateshwara Sarma.

#### I. GENERAL INFORMATION:

1) Nature of Industry: Manufacturing of precured tread rubber, cushion gum and vulcanising solution

2) Year of commencement of commercial production: 1994

3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable

4) Financial performance: Shri R. Surendra Reddy was appointed as Managing Director of the Company for a period of two years with effect from 1st July, 2005. Shri P. Varun Kumar and Shri K. Venkateshwara Sarma were appointed as Joint Managing Directors of the Company for a period of 5 years with effect from 1st October, 2005 respectively.

	Year Ended 31-03-2007	Year Ended 31-03-2006	Year Ended 31-03-2005
Turnover	4598.06	2827.61	3107.05
Net Profit/(Loss) before interest	209.43	137.55	78.95
Depreciation & Tax	68.77	2.44	(66.46)
Net Profit/(Loss) as per Profit & Loss account	140.66	135.11	12.49
Amount of dividend			
Rate of dividend declared			

The effective capital of the Company based on the last audited accounts of the Company for the year ended 31st March, 2007 is over Rs. 600.44 Lakhs.

The company after rescheduling of its debts, has not made any default in the repayment of its dues (including public deposits) or interest payments thereon.

5) Experts performance and net foreign exchange earnings for the year ended 31st March, 2007 is Rs. 19.24 lakhs.

6) Foreign investments or collaborations, if any: NIL

The General Information as required in Schedule XIII of the Companies Act, 1956 is contained in





## VAMSHI RUBBER LIMITED

### II. INFORMATION ABOUT THE APPOINTEES :

#### 1) Background & Job profile Details

- Sri R. Surendra Reddy is the holder of Bachelor degree in engineering from Regional Engineering College, Warangal. He is the Promoter Director of the Company and is having more than 12 years of experience in retreading industry and holding the position of Managing Director of the Company
- Sri P. Varun Kumar is the holder of Bachelor degree in Commerce with Master degree in Business Administration and Bachelor degree in Law. He is the Promoter Director of the Company and is having more than 16 years of experience in retreading industry and presently holding the position as Director – Finance looking after the day to day activities of the financial matters.
- Sri K. V. Sarma is the holder of Bachelor degree in engineering from Regional Engineering College, Warangal and Master degree in Business Administration. He is the Promoter Director of the Company and is having more than 12 years of experience in the retreading industry and holding the position of Director – Operation looking after the day to day activities of the factory operations.

#### 2) Past remunerations :

NIL

#### 3) Recognition or awards :

NIL

#### 4) Remuneration proposed : Rs. 1,00,000/- each Per Month for Managing Director and for two Whole-time Directors.

#### 5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin) **NA**

#### 6) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. **NO**



VAMSHI RUBBER LIMITED

## DIRECTORS' REPORT

**Dear Members,**

Your Directors have pleasure in presenting the Thirteenth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2007.

### **FINANCIAL RESULTS:**

The performance during the period ended 31st March 2007 has been as under:

	Year ended 2006-2007 (Rs.)	Year ended 2005-2006 (Rs.)
1 Sales & Other Income	46, 04, 37, 035	28,40,38,558
2. Operating Profit before Financial Charges & Depreciation	2,09,42,432	1,37,55,432
3 Financial Charges	87,13,547	71,13,194
4 Profit before Depreciation	1,22,28,885	66,42,238
5 Depreciation	54,51,103	51,98,665
6 Profit/(Loss) Before Tax	67,77,782	14,43,573
7 Provision for Taxation	8,20,743	1,21,477
8 Deferred Tax for the Current Year	(11,62,073)	8,27,320
9 Fringe Benefit tax	2,42,101	2,50,600
9 Profit/(Loss) brought forward from previous year	(3,31,306)	(5,75,842)
10 Balance Carried Forward	65,45,705	(3,31,306)

### **OPERATIONS:**

During the year, your Company recorded a turnover of Rs. 4598.06 Lacs as against Rs. 2827.61 Lacs in the previous year and a net profit of Rs. 67.78 Lacs as against Rs. 14.44 Lacs during the previous year.

### **FUTURE OUTLOOK**

As the roads are improving and over loading of the transport vehicles is being curbed, the potential for new tyres and thereby our products of tyre retreading materials are also experiencing a tremendous growth. With huge growth in all segments of economy including roads and transportation, we foresee a good growth for the tyre retreading industry. In view of this the Company has undertaken capacity expansion which would be completed during the financial year 2007-2008.

### **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 thereunder.

### **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.