

VAMSHI RUBBER LIMITED

AN ISO 9001:2008 CERTIFIED COMPANY

VAMSHI RUBBER LIMITED



16th Annual Report
2009-2010



VAMSHI RUBBER LIMITED

BOARD OF DIRECTORS :

- 1) Sri M. Ramesh Reddy, Chairman
- 2) Sri R. Surendra Reddy, Managing Director
- 3) Sri P. Varun kumar, Director – Finance
- 4) Sri K. V. Sarma, Director – Operations
- 5) Sri S. Ramachandra Prasad, Director
- 6) Sri A. Vamshidhar Reddy, Director
- 7) Sri A. Venkat Reddy, Director

AUDITORS :

M/s. Ramana Reddy & Associates
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
Phone : 040-23353280 /23353281
Fax : 040-23353282
Email: info@vamshirubber.org

FACTORY :

Survey No. 312/E, Lingojigudem Village,
Choutuppal Mandal,
Nalgonda District - 508 252,
Andhra Pradesh

STATUTORY COMMITTEES

Audit Committee

Sri A. Venkat Reddy
Sri A. Vamshidhar Reddy
Sri S. Ramachandra Prasad

Remuneration Committee

Sri S. Ramachandra Prasad
Sri A. Venkat Reddy
Sri A. Vamshidhar Reddy

Share Holders / Investors

Grievance Committee

Sri. P. Varun Kumar
Sri A. Vamshidhar Reddy
Sri A. Venkat Reddy
e-mail : grievance@vamshirubber.org

Registrars & Share Transfer Agent

CIL SECURITIES LIMITED

214, Raghava Ratna Towers
Chirag Ali Lane, Abids,
Hyderabad - 500 001.
Phone : 040-23203155 / 23202465
Fax : 040-23203028 / 66661267
e-mail : advisors@cilsecurities.com

CONTENTS

Notice to Share Holders	: 1	Profit & Loss Account	: 26
Directors' Report	: 6	Schedules to Accounts	: 27
Report on Corporate Governance	: 10	Notes on Accounts	: 33
Auditors' Report	: 22	Cash Flow Statements	: 39
Balance Sheet	: 25	Balance Sheet Abstract	: 40



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 16th Annual General Meeting of the Members of **VAMSHI RUBBER LIMITED**, will be held on Wednesday, the 29th day of September, 2010 at 10.30 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 2010 and Profit & Loss Account for the year ended 31st March 2010 along with Auditors' Report and Directors' Report, thereon.
2. To consider and declare dividend on equity shares for the financial year ended 31st March 2010.
3. To appoint a Director in place of Sri M. Ramesh Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri A.Venkat Reddy, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Ramana Reddy & Associates, 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:

6. To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 269, Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, Remuneration payable to Sri. R.Surendra Reddy, Managing Director be enhanced to Rs. 2,50,000/- per Month (including all Perquisites) with effect from 1st July, 2010, as recommended by the Remuneration Committee, for the remaining period of tenure of appointment and all other terms and conditions be remained un-altered."

"FURTHER RESOLVED THAT while calculating the above remuneration, the following be not considered as perquisites:

- a. Payment of Provident Fund contribution, as per company's Rules.
- b. Payment of Gratuity, as per Company Rules.
- c. Payment of Leave Encashment, at the time of termination of services.

"FURTHER RESOLVED THAT Sri. P.Varun Kumar, Director - Finance be and is hereby authorised to file Form 23 and 25 C with Registrar of Companies, A.P., Hyderabad and also to do all such other acts thereon".

7. To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 269, Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, Remuneration payable to Sri. P.Varun Kumar, Director - Finance be enhanced to Rs. 2,50,000/- per Month (including all Perquisites) with effect from 1st July, 2010, as recommended by the Remuneration Committee, for the remaining period of tenure of appointment and all other terms and conditions be remained un-altered."



VAMSHI RUBBER LIMITED

"FURTHER RESOLVED THAT while calculating the above remuneration, the following be not considered as perquisites:

- a. Payment of Provident Fund contribution, as per company's Rules
- b. Payment of Gratuity, as per Company Rules
- c. Payment of Leave Encashment, at the time of termination of services

"FURTHER RESOLVED THAT Sri. R.Surendra Reddy, Managing Director be and is hereby authorised to file Form 23 and 25 C with Registrar of Companies, A.P., Hyderabad and also to do all such other acts thereon".

8. To consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 269, Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, Remuneration payable to Sri. K.Venkateswara Sarma Director - Operations be enhanced to Rs. 2,50,000/- per Month (including all Perquisites) with effect from 1st July, 2010, as recommended by the Remuneration Committee, for the remaining period of tenure of appointment and all other terms and conditions be remained un-altered"

"FURTHER RESOLVED THAT while calculating the above remuneration, the following be not considered as perquisites:

- a. Payment of Provident Fund contribution, as per company's Rules
- b. Payment of Gratuity, as per Company Rules
- c. Payment of Leave Encashment, at the time of termination of services

"FURTHER RESOLVED THAT Sri. P.Varun Kumar, Director - Finance be and is hereby authorised to file Form 23 and 25 C with Registrar of Companies, A.P., Hyderabad and also to do all such other acts thereon"

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

Place : Hyderabad
Dated : 31st July, 2010

(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 24-09-2010 to 29-09-2010 (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.
7. Dividend upon its declaration at the meeting will be paid to those members whose names appear:
 - (i) As members on the Register of Members of the Company as on 29th September 2010 after giving effect to all valid share transfers in physical form which would be received by the Company up to the closing hours of the business as on 23rd September 2010.
 - (ii) As beneficial owners as per list to be furnished by NSDL/CDSL as at the closing hours of the business on 23rd September 2010.
8. Members holding shares in physical form are requested to intimate the following directly to the Company's Registrar and Share Transfer Agent **M/s. CIL Securities Limited**, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad – 500 001.
 - (a) Bank Mandate with full particulars for remittance of dividend directly into their bank accounts, if declared at the meeting.
 - (b) Changes, if any, in their address at an early date.
 - (c) Apply for consolidation of folios, if shareholdings are under multiple folios and should send their share certificates for consolidation.
 - (d) Request for nomination forms for making nominations as per amended provisions of the Company Act, 1956.
9. Electronic Clearing Service (ECS) facility: with respect to payment of dividend, the Company provides the facility of ECS to shareholders residing in all major cities and towns. Shareholders holding shares in the physical form who now wish to avail ECS facility, are requested to forward their ECS mandate in the prescribed form to Company's Registrar and Share Transfer Agent **M/s. CIL Securities Limited**, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad – 500 001.
10. Shareholders who have not encashed their dividend warrants may please be noted that the unclaimed dividend for the year 2007-08 & 2008-09 will be transferred to Investor Education Protection Fund at the end of the Seventh year.
11. Explanatory Statement as required under Section 173 (2) of the Companies Act, is annexed herewith

Brief profile of Directors retiring at this AGM is given in Corporate Governance Report.



VAMSHI RUBBER LIMITED

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

Item No. 6 to 8:

The Remuneration Committee has considered and approved for enhancement of remuneration, as detailed in the above resolutions, of all the three working directors, keeping in view of the increase in operations and market conditions of similar industries in the Country as annexed here under. As per Schedule XIII of the Act, any change in terms and conditions in appointment of the Working Directors need to be approved by the share holders at the ensuring Annual General Meeting and hence the resolutions are placed before for your approval, Board of Directors and Remuneration Committee had recommended for your approval.

None of the Directors is interested in the above resolutions, except Sri R.Surendra Reddy, Sri P.Varun Kumar and Sri K.Venkateswara Sarma shall be deemed to be interested in the said respective resolutions.

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

Place : Hyderabad
Dated : 31st July, 2010

(R.SURENDRA REDDY)
Managing Director

Annexure referred to in the Explanatory Statement

I. GENERAL INFORMATION :

- 1) Nature of Industry: Manufacturing of Precured Tread Rubber, Cushion Gum, Vulcanising Solution and Curing Envelopes.
- 2) Year of commencement of commercial production: 1995
- 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

(Rs. In Lakhs)

	Year Ended 31-03-2010	Year Ended 31-03-2009	Year Ended 31-03-2008
Turnover	5929.28	5489.59	5115.76
Net Profit/(Loss) before interest, Depreciation & Tax	310.95	115.89	263.24
Net Profit/(Loss) as per Profit and Loss account	195.07	99.26	186.58
Amount of dividend	42.06	21.03	21.03
Rate of dividend declared	10%	5%	5%



VAMSHI RUBBER LIMITED

The effective capital of the Company based on the last audited accounts of the Company for the year ended 31st March, 2010 is about Rs. 10.70 Crores.

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) Exports performance and net foreign exchange earnings for the year ended 31st March, 2010 is NIL.
- 6) Foreign investments or collaborations, if any - **NIL**

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 14 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 18 years of experience in retreading industry and presently holding the position of 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. He is the Promoter Director of the Company and is having more than 14 years of experience in the retreading industry and presently holding the position of Director – Operations looking after the day to day activities of the factory operations.

2) **Past Remuneration** : Rs. 1,75,000/- for all the Directors

3) **Recognition or awards**: **NIL**

4) **Remuneration proposed** : Rs. 2,50,000/- Per Month for Managing Director and other 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**

**DIRECTORS' REPORT****Dear Members,**

The Directors have the pleasure of presenting the Sixteenth Annual Report of your company together with the Audited Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS:

The performance during the period ended

(Rs. In Lakhs)

For the year ended	31 st March 2010	31 st March 2009
Sales & Other Income	5,968.14	5,512.25
Operating profit before Financial Charges & Depreciation	496.22	308.17
Financial Charges	106.71	120.94
Profit before Depreciation	389.51	187.23
Depreciation	78.48	70.43
Profit / (Loss) before taxes	311.03	116.80
Prior Period Expenses	0.08	0.91
Provision for Taxation	105.71	18.61
Excess Income Tax Provision Written Back	—	(5.67)
Deferred Tax for the Current Year	10.17	1.60
Fringe Benefit Tax	—	2.09
Net profit after taxes	195.07	99.26
Profit/(Loss) brought forward from previous year	302.08	227.42
Dividend (including tax on Dividend)	49.05	24.61
Balance of profit brought forward	448.49	302.08

OPERATIONS:

During the year under review, the gross revenue of the Company increased to Rs. 5,968.14 Lakhs compared to Rs.5,512.25 Lakhs in the previous year, registering a growth of 8%. The Profit after tax for the year increased by 97% to Rs.195.07 Lakhs compared to Rs.99.26 Lakhs in the previous year. The Production quantity for the year increased by 20% to 4,490 M.T. compared to 3,726 M.T. in the previous year.

FUTURE OUTLOOK:

As our Country is undergoing excellent growth in infrastructure sector especially roads, the potential for new tyres and thereby our products of tyre retreading materials is also very immense. With improvement in Roads, radialisation of tyres is taking place at a rapid pace which again will be beneficial for our industry. We are expecting a growth of 10% to 20% during the financial year 2010-2011.

DIVIDEND:

The Board of Directors recommended a dividend of Rupee 1.00 per equity share (Previous Year dividend 50 paise per equity share) for the financial year ended 31st March 2010, which if approved at the forthcoming Annual General Meeting on 29th September 2010, will be paid to those shareholders whose names appear in the Register of Members as at the closing hours of business on 23rd September 2010. In respect of shares held in electronic form, the dividend will be paid on the basis



VAMSHI RUBBER LIMITED

of beneficial ownership furnished by Depositories viz., NSDL and CDSL for this purpose. The Register of Members and Share Transfer Books will remain closed from 24th September 2010 to 29th September 2010 (both days inclusive). If Dividend payment is approved, the amount payable would be Rs. 42.06 lakhs (previous year Dividend is Rs. 21.03 lakhs). The tax on distributed profits payable on this dividend is Rs. 6.99 lakhs (previous year tax is Rs. 3.57 lakhs)

FIXED DEPOSITS:

Your Company has not invited any deposits from the Public nor outstanding 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.

INSURANCE :

The Properties and assets of your Company are adequately insured.

CORPORATE GOVERNANCE:

The Company has been in full compliance with the norms of Corporate Governance as outlined in Clause 49 of the Listing Agreement with the Bombay Stock Exchange, 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. Following are the members of the Audit Committee.

1. Sri A. Venkat Reddy, Chairman
2. Sri A. Vamshidhar Reddy, Member
3. Sri S. Ramachandra Prasad, Member.

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 :

Board recommended reappointment of Sri M. Ramesh Reddy & Sri A. Venkat Reddy, Directors of the Company, who retire by rotation at the Annual General Meeting. Resolutions relating to enhancement of remuneration of Sri. R. Surendra Reddy, Sri. P. Varun Kumar, Sri K. Venkateswara Sarma Working Directors of the Company have been placed before for your approval.

ISO 9001- 2008 CERTIFICATION :

Your Company continues to hold ISO 9001 - 2008 Certification by meeting all the requirements of certification from time to time.

AUDITORS :

M/s. Ramana Reddy & Associates, (Formerly 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.



AUDITORS' REPORT :

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

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, 2010 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 2010 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 is not annexed to this report.

ACKNOWLEDGEMENTS:

The Directors thank the Company's Banker State Bank of India, officials of concerned Government Departments and share holders for their co-operation and continued support to the Company.

For and on behalf of the Board of Directors

Place : Hyderabad

Dated : 31st July, 2010

(M.RAMESH REDDY)
Chairman