

34th
ANNUAL
REPORT 2013



Indag Rubber Limited



- **BOARD OF DIRECTORS**
Sh. Nand Khemka
(Chairman cum Managing Director)
Sh. S.L.Khemka
Sh. P.R.Khanna
Sh. R. Parameswar
Sh. K.M.S.Ahluwalia
Sh. K.K.Kapur
(CEO & Whole-Time Director)
- **BANKERS**
State Bank of Bikaner & Jaipur
H D F C Bank
- **AUDITORS**
M/s S. R.Batliboi & Co. LLP
Chartered Accountants
Golf View Corporate Tower-B,
Sector-42, Sector Road,
Gurgaon-122002 (HR) India
- **REGISTERED OFFICE**
11, Community Centre,
Saket, New Delhi -110017
- **WORKS**
1. Plot No. SP 86, Industrial Area,
Bhiwadi-301019, Dist. Alwar, (Rajasthan)
2. Village Jhiriwala, Hadbast No. 73,
Nalagarh, District Solan (HP)

Indag Rubber Limited

Quality Policy

Indag is committed to

1. CONSISTENTLY deliver world class quality products and services,
2. CONTINUOUSLY improve upon its quality standards to meet the best expectations of customers, &
3. Ensure that each employee is CONTINUALLY of the need to respect and participate in the quality improvement mission,

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY-FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON FRIDAY, THE 19TH DAY OF JULY, 2013 AT 10:00 A.M. AT SAI INTERNATIONAL CENTRE, PRAGATI VIHAR, LODHI ROAD, NEW DELHI - 110003 TO TRANSACT THE FOLLOWING BUSINESS:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2013 and the Profit and Loss Account for the year ended on that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sh. S.L.Khemka, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. K.K.Kapur, who retires by rotation and being eligible, offers himself for re-appointment.
4. To declare dividend and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT pursuant to the recommendation of the Directors, final dividend at the rate of Rs. 5.50/- per equity share of Rs.10/- each, in addition to the interim dividend of Rs. 2.50/- per equity share already paid, thus making a total of Rs. 8.00/- per equity share for the year ended 2012-13, be and is hereby declared out of the current profits of the company and that the same be paid to those Members whose name appear on the Company's register of members on 19th July, 2013."

5. To appoint Statutory Auditors of the Company and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

"RESOLVED THAT M/s. S.R.Batlboi & Co.LLP (Registration no.301003E) Chartered Accountants (erstwhile M/s. S.R.Batlboi & Co. Firm) be and are hereby appointed as Statutory Auditors of the Company to audit the Accounts for the Accounting Year 2013-2014 and to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration plus reimbursement of out-of-pocket expenses, as may be mutually agreed to between the Board of Directors and the Auditors."

AS SPECIAL BUSINESS:

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

"RESOLVED THAT Sh. K.M.S.Ahluwalia who was appointed as an Additional Director of the company and who holds office as such upto the date of Thirty-Fourth Annual General Meeting under section 260 of the Companies Act, 1956, is eligible for re-appointment and in respect of whom a notice under section 257 of the Companies Act, 1956, has been received from a member proposing his candidature for the office of Director be and is hereby appointed as a Director of the company, liable to retire by rotation."

7. 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 309(4) of the Companies Act, 1956, consent of the members be and is hereby accorded for payment of commission not exceeding 1% of the net profits of the company for each financial year computed in accordance with the provisions of section 198 of the Companies Act, 1956, to its Directors (other than the Managing Director / Whole-Time Director), to be divided amongst them in such proportion as may be determined by the Board of Directors from time to time, for a period of five (5) years commencing from 1st April, 2013."

By Order of the Board of Directors
for **Indag Rubber Limited**

Place: Delhi
Date: May 10, 2013

Manali D. Bijlani
Company Secretary

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 10th July to 19th July, 2013 (both days inclusive).
3. Members/Proxies should bring the attendance slips duly filled-in for attending the meeting & deliver the same at the entrance of the meeting place. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. Members seeking further information about the accounts are requested to write atleast 7 days before the date of the meeting so that it may be convenient to get the information ready at the meeting.
5. Members are requested to inform the Company's Registrar and Share Transfer Agent i.e. Skyline Financial Services Private Limited, D-153/A, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi-110020, about the changes, if any, in their registered address along with the Pin Code, quoting their Folio Number and DP ID. All correspondence relating to transfer of shares may be sent directly to the aforesaid Registrar and Share Transfer Agent of the Company.
6. Members are requested to bring their copies of Annual Report to the meeting, as the same will not be supplied again at the meeting as a measure of economy.
7. Members are requested to furnish or update their e-mail IDs with the Registrar for sending the soft copies of the Annual Accounts of the Company as required vide circular no. 17/2011 dated April 21, 2011 and circular no. 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs.
8. Pursuant to the prohibition imposed vide Secretarial Standard on General Meetings (SS-2) issued by the ICSI and the draft MCA circular, no gifts/coupons shall be distributed at the Meeting.
9. Members are advised not to carry their personal belongings such as bags, eatables, laptops, mobile phones, arms, ammunitions or any other harmful/dangerous objects to the meeting venue.
10. **Pursuant to Clause 49 of the Listing Agreement, the brief profile of Directors eligible for re-appointment/ appointment vide item no. 2, 3 and 6 is as follows:**

Name of the Director(s)	DIN	Date of Birth	Date of Appointment	Qualifications	Number of shares held in the company	List of outside Directorships held on 31 st March 2013
Sh. S.L.Khemka	00297387	01-01-1927	Since Incorporation	Graduate	Nil	Nil
Sh. K.K.Kapur	00745117	15-10-1937	09-04-2001	- Post-Graduate in Mathematics - Member of the Institute of Cost and Works Accountants of India	Nil	Nil
Sh. K.M.S. Ahluwalia	00104762	24-09-1946	01-09-2012	- Graduate in History - Post-Graduate Diploma in Management Sciences from Britain	Nil	Nil



Explanatory Statement

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 6: Appointment of a Director

Pursuant to the provisions of the Companies Act, 1956, Sh. K.M.S.Ahluwalia was appointed as an Additional Director of the company with effect from 1st September, 2012.

Sh. K.M.S.Ahluwalia graduated in History from the University of Delhi and then obtained a Post-Graduate Diploma in Management Sciences from Britain. He holds the unique distinction of having headed the three largest market research companies in India - IMRB, of which he became the Chief Executive at the age of 30; then MARG, which he had set up in 1983, and subsequently ORG, which later merged with MARG in 1996.

Sh. K.M.S.Ahluwalia was India's first National Representative to ESOMAR, the world body representing the market research and opinion polling professions.

Pursuant to section 260 of the Companies Act, 1956, Sh. K.M.S.Ahluwalia vacates the office at this Annual General Meeting. As required under section 257, the company has received notice from a member stating his intention to propose Sh. K.M.S.Ahluwalia for the office of Director. The company has also received deposit of Rs. 500/- as required under the Act.

Your Directors recommend the appointment of Sh. K.M.S.Ahluwalia as per proposed resolution.

Except Sh. K.M.S.Ahluwalia, no other Director is interested in the proposed resolution.

Item No.7: Remuneration to Directors other than the Managing Director/ Whole-Time Director

The Members in the Annual General Meeting held on 22nd July, 2009, approved payment of commission not exceeding 1% of the net profits of the company for each financial year computed in accordance with the provisions of section 198 of the Companies Act, 1956 to its Directors (other than the Managing Director / Whole-Time Directors) to be divided amongst them in such proportion as may be determined by the Board of Directors from time to time, for a period of five (5) years commencing from 1st April, 2008, as recommended by the Board.

Since the aforesaid term of five (5) years ends on 31st March, 2013, the Board recommends to the Members for approving payment of commission to Non-Executive Directors for a further period of five (5) years commencing from 1st April, 2013.

The payment of commission is subject to the approval of members by way of a Special Resolution.

The Non-Executive Directors are interested in the said resolution to the extent of payment they may receive by way of commission.

The Board, thus, recommends passing of the resolution as set out at Item No. 7 of the Notice.

By Order of the Board of Directors
for **Indag Rubber Limited**

Place: Delhi
Date: May 10, 2013

Manali D. Bijlani
Company Secretary



DIRECTORS' REPORT

To
THE MEMBERS,

Your Directors are pleased to present the 34th Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

Particulars	2012-13 (Rs. in lacs)	2011-12 (Rs. in lacs)
Sales and Operating Income	23627.60	21634.40
Profit before Finance Cost & Depreciation	3556.96	3027.33
Finance Cost	16.69	92.49
Profit before Depreciation	3540.27	2934.84
Depreciation	248.79	233.69
Profit before tax	3291.48	2701.15
Profit after tax	2497.38	2087.13
Transfer to General Reserve	250.00	210.00
Interim Dividend	131.25	78.75
Proposed Final Dividend	288.75	236.25

OPERATIONAL PERFORMANCE

During the year under review, your Company has achieved a turnover of Rs. 236.27 crore as against Rs. 216.34 crore in the previous year. The Operational Profit, before making provision for finance cost and depreciation, amounted to Rs. 35.56 crore as against Rs. 30.27 crore in the previous year.

Profit before tax during the year worked out to Rs. 32.91 crore as compared to Rs. 27.01 crore in the previous year.

During the year, your Company has been awarded 'Certificate of Excellence' in recognition of exemplary growth by Inc. India 500 (2012).

DIVIDEND

During the year, your Directors declared an interim dividend of Rs. 2.50 per equity share on October 8, 2012 which has been paid.

The Directors are pleased to recommend a final dividend of Rs.5.50 per equity share, thus, making a total dividend of Rs.8.00 per equity share for the financial year 2012-2013. The dividend is tax free in the hands of the Members.

INDUSTRY EXPERIENCE

The retread industry's growth is very much linked to the general growth of the economy; like general economy the growth of retread market in the country has also slowed down during the year. The reduction in mining activity and disturbances in some areas have also adversely affected the growth of retread industry during the year.



OPPORTUNITIES AND THREATS

In the next few years, tyre retreading industry would witness growth due to number of factors such as rise in prices of tyres, growth in commercial vehicles, increasing level of radialisation, development of national highways and increased share of multi-axle trucks.

RISKS AND THEIR MITIGATION

The Company is exposed to various risks which are normal in any business enterprise. The main ones, and the steps undertaken to mitigate these risks are mentioned below:-

- Financial risk: Credit risk on account of material supplied to customers has been mitigated to a large extent by insisting on a number of parties to pay against delivery. In some cases, PDCs are taken against supplies. The risk of delayed payment from STUs is controlled and managed by rigorous follow-up, supply of good quality tread etc., and obtaining PDC before delivery, wherever possible.
- Increase in prices of raw materials: Normal increase in prices of raw materials is generally factored while fixing product prices to the customers. Unexpected increases, however, do affect profitability till prices are revised to meet the increased costs. In case of fixed price contracts, mainly with STUs, unprecedented increase in raw material prices has serious impact on margins. Some STUs do not agree to tread prices being indexed to prices of raw material.
- Changes in government's policies: Changes in government policies can, at times, materially affect Company's financial position or investments. There is not much that can be done about it.
- Operational risk: Preventive maintenance is carried out to achieve high level of machine availability. Adequate inventory of stocks at each stage of operation is maintained to keep production going in case of any breakdown.
- Product risk: Research and development is continuously being undertaken to deliver better products, service and value to end-customers.

INTERNAL CONTROL SYSTEM

The Company has adequate internal control systems and procedures designed to effectively control the operations at its Head Office, Plant and Depots. The internal control systems are designed to ensure that the financial and other records are reliable for the preparation of financial statements and for maintaining account of assets.

The Company has adequate Budgetary Control System and actual performance is constantly monitored by the management. The Company has well designed organization structure, authority levels and internal guidelines and rules.

Independent Internal Auditors conduct audit covering a wide range of operational matters and ensure compliance with specified standards. Planned periodic reviews are carried out resulting in identification of control deficiencies, opportunities for bridging gaps with best practices. The findings of Internal Audit are reviewed by the top management and by the Audit Committee of the Board of Directors.

The External Auditors have evaluated the system of internal controls in the Company and have reported that the same is adequate and commensurate with the size of the Company and the nature of its business.

HUMAN RESOURCE DEVELOPMENT

During the year, the Company had cordial relations with workers, staff and officers. The shop floor management is done through personal touch, using various motivational tools and meeting their training needs/ requirements.

Your Company believes in empowering its employees through greater knowledge, team spirit and developing greater sense of responsibility. There were 329 regular employees during the year.

COMMITMENT TO QUALITY

Indag recognizes quality and productivity as a pre-requisite for its operations and has implemented ISO 9001:2008 standards at Nalagarh Plant and Head Office.

ENVIRONMENTAL PROTECTION

Anti-pollution systems are fully installed and operational. Continuous efforts to preserve the environment are pursued.



DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Article 99 of the Articles of Association of the Company, Sh. S.L.Khemka and Sh. K.K.Kapur, Directors of the Company, are due to retire by rotation and, being eligible, offer themselves for re-appointment.

During the year, Sh. K.M.S. Ahluwalia was appointed as an Additional Director of the company with effect from 1st September 2012. Pursuant to the provisions of section 257 of the Companies Act, 1956, Company has received notice from a Member proposing the candidature of Sh. K.M.S.Ahluwalia for the office of Director and the requisite fee has been deposited. Your Directors recommend the appointment of Sh. K.M.S.Ahluwalia.

The information on the particulars of Director eligible for re-appointment in terms of Clause 49 of the Listing Agreement has been provided in the notes to the notice convening the Annual General Meeting.

AUDITORS

The retiring Auditors of the Company M/s.S.R.Batliboi & Co. LLP, Chartered Accountants (erstwhile M/s S.R.Batliboi & Co.(Firm), Chartered Accountants) retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Company has received a certificate from them that their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

Qualification

Attention is invited to note 32 to the financial statements. The Company is disputing the entry tax liability of Rs. 350.17 lacs. The matter is pending for resolution for similar cases in the Hon'ble Supreme Court. The Company may have a liability of the entire entry tax, along with interest, should the matter be decided against the Company by the Hon'ble Supreme Court. Pending final outcome of this matter, we are unable to comment on the possible effects, if any, of the same on the accompanying financial statements. Our audit opinion on the financial statements for the previous year was also qualified in respect of the above matter.

Management Response

The facts of the case are mentioned in Note 32 of Notes to the financial statements. Company is of the view that if entry tax provision is made in the books of accounts and if the case is decided by the Court in favour of the Company, then we may be deprived of any refund of entry tax on the basis of "Doctrine of Unjust Enrichment", which has been applied in past in similar cases elsewhere.

COST AUDITORS

M/s. Shome & Banerjee, Cost Accountants, were appointed as Cost Auditors of the Company for conducting Cost Audit for the Financial Year ended 31st March, 2012.

The Cost Audit Report (xBRL) for the Financial Year ended 31st March, 2012, was filed with the Ministry of Corporate Affairs on 28th January, 2013 (due date was 28th February, 2013).

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

The particulars required to be furnished under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars of Board of Directors) Rules, 1988 as amended, are set out in Annexure 'I', which forms part of the report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is given in Annexure 'II'.

LISTING

The equity shares of your Company are listed with the Bombay Stock Exchange and the Delhi Stock Exchange.

DEPOSITORY SYSTEM

The shares of your Company are being traded in electronic form and the Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, Members are



requested to avail the facility of dematerialization of shares with either of the Depositories as aforesaid. As on March 31, 2013, a total of 49,53,785 equity shares which form 94.36% of the share capital stand dematerialized.

CORPORATE GOVERNANCE

A separate report of the Board of Directors of the Company on Corporate Governance is included in the Annual Report and Certificate from Practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is annexed thereto.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion and Analysis Report, as required by Clause 49 of the Listing Agreement, is already dealt with in various sections of this Report.

CAUTIONARY STATEMENT

Statements in this report, describing the Company's objectives, expectations and/or anticipations may be forward looking within the meaning of applicable Securities Law and Regulations.

Actual results may differ materially from those stated in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, availability of inputs and their prices, changes in the Government policies, regulations, tax laws, economic developments within the country and outside and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of the forward-looking statements, which may undergo changes in future on the basis of subsequent developments, information or events.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2012-13 are in conformity with the requirements of the Companies Act, 1956. They believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operation.

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956; your Directors further confirm as under:

- i) That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial period and of profit or loss of the Company for that period;
- iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the Directors have prepared the annual accounts on a "going concern basis".

The Company's Internal Auditors have conducted periodic audits to provide reasonable assurance that the Company's approved policies and procedures have been followed.

APPRECIATIONS

Your Directors wish to place on record their appreciation for the continuous support received from the Members, customers, suppliers, bankers, various statutory bodies of the Government of India and the Company's employees at all levels.

For and on behalf of the Board of Directors
Indag Rubber Limited

Place: Delhi
Date: May 10, 2013

Nand Khemka
Chairman cum Managing Director
DIN: 00211084



ANNEXURE "I"

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A) Conservation of Energy

The Company has implemented various energy conservation measures during the financial year which has resulted in the reduction of overall electrical energy and fuel consumption per ton of production. Our Energy Efficiency drive includes:

- All air conditioners, lights and computers are shut down after office hours (except at the time work commitments).
- There is an optimum ratio of glass windows to utilize natural daylight and proper insulation/ventilation to balance temperature and reduce heat.
- Indag supports the 'Green Initiative' taken by the Ministry of Corporate Affairs ("MCA") and urges its Members to accept electronic delivery of documents as prescribed by Law and provide valuable support to the Company in conserving the environment by reducing impact of printing.

B) Technology Absorption, Research and Development (R&D)

Efforts made in technology absorption are given in prescribed Form (B) as annexed.

C) Foreign Exchange Earning and Outgo

Activities relating to export, initiatives taken to increase export, development of new export market for products and services and export plans. Efforts continue to enlarge the product range and geographical reach on export market in order to maximize foreign exchange inflow and every effort made to minimize the foreign exchange outflow.

During the year the Company has exported retreading material of Rs. 233.66 lacs.

Total Foreign Exchange used and earned:

Particulars	2012-13 (Rs. in Lacs)	2011-12 (Rs. in Lacs)
Foreign Exchange earned	233.66	191.07
Foreign Exchange used	12.27	28.76

For and on behalf of the Board of Directors
Indag Rubber Limited

Place: Delhi
Date: May 10, 2013

Nand Khemka
Chairman cum Managing Director
DIN: 00211084



FORM - B
(See Rule 2)

Disclosure of particulars with respect to Absorption

Research and development (R&D):

Sustained R&D efforts are being made by the Company to develop improved tread quality and designs, which suit Indian road conditions.

Rs. 7,60,694/- were spent as Capital Expenditure in R&D. The amount of expenditure on salary with respect to R&D was Rs. 37,24,695/-.

Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:-
The Company being quality conscious, continually updates technology, and greater emphasis is laid on indigenisation and cost reduction. Specific areas in which R&D is carried out by the Company are:
 - a) Development of new components, designs and products,
 - b) Process changes to further improve quality and consistency of the product.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.:-
 - We continue to be in a position to offer our Indian customers better and more qualitative services in the field of tyre retreading.
 - Evaluation and introduction of new raw materials are regularly carried out to offer specific property improvements and thereby to achieve improved product performance.
 - New patterns are developed and introduced to obtain specific performance characteristics.
3. Information regarding technology imported during last five years: No technology has been imported during the last five years.

ANNEXURE "II"

PARTICULARS OF EMPLOYEES REQUIRED UNDER PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975.

Name	Designation	Nature of Duties (Employment)	Gross Remuneration (Rs.)	Qualifications	Date of Commencement of Employment	Total Experience	Age in years	Last Employment
Sh. Nand Khemka	Chairman cum Managing Director	Business Head (Contractual)	1,85,69,743	MS in Foreign Trade and Masters Degree in Business Administration from Columbia University, New York, U.S.A	01-04-2010	Over 50 years	78	Promoter and Chairman of Indag Rubber Ltd. since incorporation.
Sh. K.K. Kapur	Whole Time Director & CEO	Business Head (Contractual)	1,85,69,743	Masters in Mathematics, ICWA	09-04-2001	Over 50 years	75	Enron India Pvt. Ltd.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

I. Company's Philosophy on Code of Governance

The Company recognizes the importance of good Corporate Governance, which is a tool for building a strong and everlasting beneficial relationship with the customers, suppliers, bankers and more importantly with the investors.

The Company believes that its key decisions must serve the underlying goals of enhancing shareholders' value over a sustained period of time, and achieving the definite and measurable performance targets

II. Board of Directors

(a) Composition of the Board

The Board comprises of six directors, which include two executive directors and four non-executive directors as on March 31, 2013. The Board is primarily responsible for the overall management of the Company's business. The Directors on the Board are from varied fields with wide range of skills and experience. The non-executive directors bring statutory and wider perspective in the Board's deliberations and decisions.

The Composition of the Board of Directors as on March 31, 2013 with their attendance at the Board Meetings held during the year 2012-13 and at the last Annual General Meeting is given below:

DIN	Name of the Directors	Categories of Directors	Number of Board Meetings attended	Attendance at the last AGM held on July 14, 2012	No. of other Directorship(s) held in Public Companies	No. of Membership(s) in Committees (including INDAG)	
						Member	Chairman
00211084	Sh. Nand Khemka (Chairman cum Managing Director)	Executive Promoter (Interested)	Nil	No	1	2	Nil
00297387	Sh. S.L.Khemka	Non-Executive (Interested)	1	Yes	Nil	Nil	Nil
00048800	Sh. P.R.Khanna	Non-Executive (Independent)	4	Yes	8	8	5
01879913	Sh. R.Parameswar	Non-Executive (Independent)	4	Yes	Nil	2	2
00745117	Sh. K.K.Kapur (Whole-Time Director)	Executive (Interested)	4	Yes	Nil	1	Nil
00104762	Sh. K.M.S. Ahluwalia [#]	Non-Executive (Independent)	1	NA	Nil	1	Nil

appointed as an Additional Director w.e.f. 01st September, 2012

- (b) Four meetings of the Board of Directors were held during the year, viz. on 16th April, 2012, 14th July, 2012, 08th October, 2012 and 08th February, 2013. Agenda papers were circulated to the Directors in advance for each meeting. All relevant information as required under Clause 49 of the Stock Exchange Listing Agreement was placed before the Board from time to time.
- (c) Sh. K.M.S.Ahluwalia was appointed as an Additional Director on 01st September, 2012. There was a delay of 18 days in appointment as against the prescribed time-limit.

III. Audit Committee

- (a) The Audit Committee comprises of three non-executive directors and one executive director having financial management expertise and the Chairman of the committee is an independent director, elected by the Members of the Committee.

Four meetings of the Audit Committee were held during the year viz. on 16th April, 2012, 14th July, 2012, 08th October, 2012 and 08th February, 2013, respectively. The composition of the Audit Committee and details of their attendance at the meetings are as follows:

Name of the Director	Position	Category	No. of meetings attended
Sh. R.Parameswar	Chairman	Non-Executive Independent Director	4
Sh. P. R.Khanna	Member	Non-Executive Independent Director	4
Sh. K.M.S.Ahluwalia	Member	Non-Executive Independent Director	Nil
Sh. Nand Khemka	Member	Executive Promoter Director	Nil

- (b) Sh. K.M.S.Ahluwalia was appointed as a member of the Audit Committee on 8th February 2013. On invitation, Sh. Ahluwalia participated in the meeting held on 8th February 2013.
- (c) Terms of reference: The terms of reference of Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956.

IV. Remuneration Committee

The Board has framed remuneration policy, which is generally in line with the existing industry practice and applicable laws.

Name of the Director	Position	Category
Sh. Nand Khemka	Chairman	Executive Promoter Director
Sh. R.Parameswar	Member	Non-Executive Independent Director
Sh. P. R.Khanna	Member	Non-Executive Independent Director

Terms of reference: To oversee the method, criteria and quantum of compensation for directors.

Remuneration policy: The Company has paid the following remuneration to Directors during the year under review, which is in accordance with the provisions of the Companies Act, 1956:

a. Non-Executive Directors

The remuneration of Non-Executive Directors of the Company is decided by the Board of Directors. The Non-Executive Directors are paid remuneration by way of Commission and Sitting fee. In terms of approval of the members at the 30th Annual General Meeting of the Company held on July 22, 2009, Commission is paid at the rate not exceeding one percent of the net profits of the Company calculated in accordance with the provisions of section 198, 349 and 350 of the Companies Act, 1956. The distribution of Commission amongst the Non-Executive Directors is determined by the Board broadly on the basis of contribution made at the Board meeting(s) as well as various Committee meeting(s) and the time spent on operational matters.

Name of the Director	Relationship with other Directors	Business relationship with the company, if any	Sitting fee paid during 2012-13 (Rs.)	Commission paid for the year (Rs.)		Number of shares and convertible instruments held
				2012-13	2011-12	
Sh. S.L.Khemka	Brother of Sh. Nand Khemka	Nil	20,000	Nil	Nil	Nil
Sh. P.R.Khanna	Nil	Nil	1,70,000	16,06,974	14,74,663	Nil
Sh. R.Parameswar	Nil	Nil	1,90,000	16,06,974	14,74,663	Nil
Sh. K.M.S.Ahluwalia #	Nil	Nil	20,000	5,00,000	Nil	Nil

appointed as an Additional Director w.e.f. 01st September, 2012

No severance fee was paid to the non-executive directors of the Company.

b. Whole-Time Director

Executive Director	Relationship with other Directors	Business relationship with the Company, if any	Remuneration paid during 2012-13 (Rs. in lacs)			
			All elements of remuneration package i.e. salary, benefits, bonuses, pension etc.	Fixed component & performance linked incentives, along with performance criteria	Service contracts, notice period, severance fee	Stock option details, if any
Sh. K. K.Kapur	Nil	Whole-Time Director	185.70	185.70	-	-

a. Bonus for the year 2012-2013 amounted to Rs. 130.96 lacs.

b. The appointment is subject to termination by giving one month notice in writing on either side. Sh. K.K.Kapur has been re-appointed as the Whole-Time Director w.e.f. June 1, 2011 for a period of five years.

c. The Company does not have, at present, any scheme for grant of Stock Options to its Directors or Employees.

c. Managing Director

Executive Director	Relationship with other Directors	Business relationship with the Company, if any	Remuneration paid during 2012-13 (Rs. in lacs)			
			All elements of remuneration package i.e. salary, benefits, bonuses, pension etc.	Fixed component & performance linked incentives, along with performance criteria	Service contracts, notice period, severance fee	Stock option details, if any
Sh. Nand Khemka	Brother of Sh. S.L.Khemka	Chairman cum Managing Director	185.70	185.70	-	-



- a. Bonus for the year 2012-2013 amounted to Rs. 131.70 lacs.
- b. The appointment is subject to termination by giving one month notice in writing on either side. Sh. Nand Khemka has been appointed as the Managing Director w.e.f. April 1, 2010.
- c. The Company does not have, at present, any scheme for grant of Stock Options to its Directors or Employees.

V. Shareholders' Committee

- (i) The Share Transfer and Shareholders' Grievance Committee looks into shareholders' and investors' grievances. Sh. R.Parameswar, Non-Executive Independent Director is the Chairman of the Committee. The Board has designated Mrs. Manali D. Bijlani, Company Secretary as the Compliance Officer.
- (ii) No. of investors' complaints received by the RTA/Company during the year: 01
No. of complaints not solved to the satisfaction of shareholders during the year: 01
No. of complaints pending as at 31st March 2013: 01

However, the above-mentioned complaint was duly resolved and disposed-off by SEBI on 04th April, 2013.

Warning against Insider Trading

Comprehensive guidelines advising and cautioning the management, staff and other relevant business associates on the procedure to be followed while dealing with the securities of the company have been issued and implemented.

VI. General Body Meetings

The details of the last three Annual General Meetings held are as under:

AGM	Day	Date	Time	Venue	Special Resolution passed
31 st	Friday	30 th July 2010	10:00 A.M.	Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003	Nil
32 nd	Tuesday	09 th August 2011	10:00 A.M.	Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003	Re-appointment of Sh. K.K.Kapur as the Whole-Time Director (designated as Chief Executive Officer) of the Company for a period of five years with effect from June 1, 2011 and fixation of his remuneration; pursuant to provisions of Section(s) 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956.
33 rd	Saturday	14 th July 2012	10:00 A.M.	Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003	Nil

The details of Special Resolution(s) passed through Postal Ballot are as under:

No special resolution was passed in the year 2012-2013 through Postal Ballot.



VII. Disclosures

During the financial year ended 31st March, 2013 there were no materially significant related party transactions that may have potential conflict with the interests of the Company at large.

Neither were any penalties imposed, nor were any strictures passed on any capital market related matters during the last three years.

Pursuant to the circular issued by SEBI on September 30, 2011 for achieving 100% of promoter & promoter's group shareholding in dematerialized form latest by 31st December 2011, only 97.31% shares of promoter and promoters' group were converted in dematerialized form as on 31st March 2013.

The Company has not announced any formal Whistle Blower policy. However, no personnel has been denied access to the Audit Committee.

The Company has complied with the mandatory requirements of Listing Agreement. The Company has adopted various non-mandatory requirements as well, as discussed under relevant headings.

VIII. Means of Communication

Quarterly, half-yearly and annual financial results are communicated to the Stock Exchanges at Delhi and Mumbai immediately after these are considered and approved by the Audit Committee and the Board; and thereafter regularly published in prominent newspapers like Business Standard (both English & Hindi), Financial Express etc. as required. Quarterly and annual financial statements, along with segmental information, are posted on our website: www.indagrubber.com. Further, all other price sensitive and other information is sent to the Stock Exchanges where shares of the Company are listed, enabling them to display the same on their website.

IX. General Shareholders' Information

(i) Annual General Meeting to be held:

Day	: Friday
Date	: 19 th July 2013
Time	: 10:00 A.M.
Venue	: Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi - 110003

(ii) **Financial Year** : 1st April 2012 to 31st March 2013

(iii) **Dates of Book Closure** : 10th July to 19th July, 2013 (both days inclusive)

(iv) **Dividend Payment Date** : 25th July, 2013

(v) Stock Exchanges on which the Company's Shares are listed:

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai – 400 001

Delhi Stock Exchange Association Limited
DSE House,
3/1, Asaf Ali Road,
New Delhi – 110 002

(vi) Stock Code:

ISIN under depository system	INE802D01015
The Stock Exchange, Mumbai	509162
The Delhi Stock Exchange	3939



(vii) Market Price Data: High/Low during each month in last financial year:

During the year, there was no trading of Company's securities on Delhi Stock Exchange.

The details of Monthly High and Low price(s) on the Stock Exchange, Mumbai, for the Financial Year 2012-2013 are as under:

Month	Monthly High	Monthly Low	S&P BSE SENSEX Monthly High	S&P BSE SENSEX Monthly Low
April, 2012	238.00	177.10	17,664.10	17,010.16
May, 2012	240.00	188.05	17,432.33	15,809.71
June, 2012	224.00	193.25	17,448.48	15,748.98
July, 2012	250.80	198.00	17,631.19	16,598.48
August, 2012	222.00	200.00	17,972.54	17,026.97
September, 2012	329.50	212.75	18,869.94	17,250.80
October, 2012	315.00	257.00	19,137.29	18,393.42
November, 2012	273.00	252.50	19,372.70	18,255.69
December, 2012	287.95	255.10	19,612.18	19,149.03
January, 2013	287.00	260.00	20,203.66	19,508.93
February, 2013	275.00	230.00	19,966.69	18,793.97
March, 2013	257.00	194.00	19,754.66	18,568.43

(viii) Registrar & Share Transfer Agent:

Skyline Financial Services (P) Limited, D-153/A, 1st Floor, Okhla Industrial Area, Phase-1, New Delhi-110020

(ix) Share Transfer System: In order to expedite the process of share transfers, the Board has delegated power to approve share transfers to senior executives, who attend to share transfer formalities fortnightly. The Company has appointed Skyline Financial Services (P) Limited as Registrar and Share Transfer Agents for physical transfer of securities as well as dematerialization/ rematerialization of securities.

(x) Distribution of Shareholding as on March 31, 2013:

No. of equity shares held	Shareholders		% of Shareholding	
	Number	% to total	Total shares	% in total
Up to 500	5,391	93.95	4,17,004	7.94
501 to 1000	158	2.75	1,21,737	2.32
1001 to 2000	96	1.67	1,41,236	2.69
2001 to 3000	30	0.52	74,104	1.41
3001 to 4000	10	0.17	34,407	0.66
4001 to 5000	10	0.17	46,716	0.89
5001 to 10000	23	0.40	1,61,942	3.08
10001 and above	20	0.35	42,52,854	81.01
Total	5,738	100.00	52,50,000	100.00



(xi) Categories of Shareholding as on March 31, 2013:

Category	No. of Shares held	% of Shareholding
Indian Promoters	15,85,365	30.20
Foreign Promoters (OCD)	1,02,600	1.95
Directors & their relatives	23,57,002	44.90
UTI/Financial Institutions & Banks	2,050	0.04
Body Corporate	93,040	1.77
NRI/ OCB/ Clearing House/ Public Trust	54,006	1.03
Foreign Institutional Investors	0	0
Indian Public	10,55,937	20.11
Total	52,50,000	100.00

(xii) Unclaimed Dividend:

The Company is required to transfer dividend which has remained unpaid/unclaimed for a period of seven years to the Investor Education & Protection Fund established by the Government. The Company was not required to transfer any such amount during the year 2012-13.

(xiii) Dematerialization of shares:

The Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL) to handle dematerialization of shares. As on March 31, 2013, a total of 49,53,785 equity shares which form 94.36% of the share capital stand dematerialized.

(xiv) Plant Location :

- (a) Plot No. 86, Industrial Area, Bhiwadi – 301019, Dist.Alwar, Rajasthan (India)
- (b) Village Jhiriwala, Hadbast No. 73, Nalagarh, District Solan (Himachal Pradesh)

(xv) Address for Correspondence :

- (a) For Transfer of physical shares, request for dematerialisation of shares, change of mandates/ address or any other query : Skyline Financial Services (P) Limited
D-153/A, 1st Floor, Okhla Industrial Area, Phase-1, New Delhi-110020.
Phone no.: (011) 26812682, 26812683
Email ID: grievances@skylinerta.com
- (b) For any investor grievance : The Company Secretary
Indag Rubber Limited
11, Community Centre, Saket, New Delhi – 110 017.
Phone no.: (011) 26963172, 26963173
Email ID: info@indagrubber.com

X. Compliance with the Code of Conduct

It is hereby declared and confirmed by Sh. K. K.Kapur, Chief Executive Officer of the Company, that all the Board members and Senior Management of the Company have complied with the Code of Conduct for the period from 1st April 2012 to 31st March 2013.

For and on behalf of the Board of Directors
Indag Rubber Limited

New Delhi
Date : May 10, 2013

Nand Khemka
Chairman cum Managing Director
DIN: 00211084



Compliance Certificate

(Pursuant to Clause 49 of the Listing Agreement)

Registration No.: 009038

Nominal Capital: Rs. 7.00 crore

To

The Members of Indag Rubber Limited

We have examined the compliance of conditions of Corporate Governance by **Indag Rubber Limited** ('the Company'), for the year ended on 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with all the mandatory conditions of Corporate Governance as stipulated in Clause 49 the Listing Agreement, except the following:

- There has been a delay of 18 days in appointment of an Independent Director on the Board, against the prescribed time-limit of 180 days which ended on 13th August, 2012. The actual appointment was made on 01st September, 2012 and
- Pursuant to Circular dated September 30, 2011 issued by SEBI for achieving 100% of promoters' & promoters' group shareholding in dematerialized form latest by 31st December, 2011, only 97.31% shares of promoters & promoters' group have been converted in dematerialized form as on 31st March, 2013.

We further state that this certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Date: May 10, 2013
Place: New Delhi

For and on behalf of P. K. Jain & Associates

P.K. Jain
Practising Company Secretary
Membership No.: FCS 1929
Certificate of Practice No.: 10761

S.R. BATLIBOI & CO. LLP

Chartered Accountants

Golf View Corporate Tower-B
Sector-42, Sector Road
Gurgaon-122 002, Haryana,
India
Tel: +91 124 464 4000
Fax: +91 124 464 4050

Independent Auditor's Report

To the Members of Indag Rubber Limited

Report on the financial statements

We have audited the accompanying financial statements of Indag Rubber Limited ("the Company"), which comprise the balance sheet as at March 31, 2013, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Attention is invited to note 32 to the financial statements. The Company is disputing the entry tax liability of Rs. 350.17 lacs. The matter is pending for resolution for similar cases in the Hon'ble Supreme Court. The Company may have a liability of the entire entry tax, along with interest, should the matter be decided against the Company by the Hon'ble Supreme Court. Pending final outcome of this matter, we are unable to comment on the possible effects, if any, of the same on the accompanying financial statements. Our audit opinion on the financial statements for the previous year was also qualified in respect of the above matter.

Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph*, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) *except for the matter described in the Basis for Qualified Opinion paragraph*, in our opinion, the balance sheet, statement of profit and loss and cash flow statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For S. R. Batliboi & Co. LLP

Chartered Accountants

Firm's Registration Number: 301003E

per Anil Gupta

Partner

Membership Number: 87921

Place : Gurgaon

Date: May 10, 2013

Annexure referred to in paragraph 3 of our report of even date

Re: Indag Rubber Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All fixed assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Companies (Auditor's report) Order, 2003 (as amended) are not applicable to the Company and hence not commented upon.
 - (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, related to the manufacture of products, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, sales-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs in lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax demand	139.15	1998-99	Delhi High Court
Income Tax Act, 1961	Income Tax demand	55.83	2011-12	Assistant Commissioner, Income Tax (CPC)
Himachal Pradesh VAT Act, 2005	Sales Tax	6.88	2006-07	Additional Excise and Taxation Commissioner (South Zone), Shimla
Himachal Pradesh Tax on entry of Goods into Local Area Act, 2010	Entry Tax	242.25	March 2011, 2011-12, 2012-13	High Court, Himachal Pradesh

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any bank. The Company did not have any outstanding debentures and loan from financial institution during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S. R. BATLIBOI & CO. LLP
Chartered Accountants
Firm's Registration No.: 301003E

per Anil Gupta
Partner
Membership No.: 87921

Place: Gurgaon
Date: May 10, 2013



Balance Sheet as at 31 March 2013

	Notes	As at 31 March 2013 (Rs. in lacs)	As at 31 March 2012 (Rs. in lacs)
Equity and liabilities			
Shareholder's funds			
Share capital	3	525.00	525.00
Reserves and surplus	4	7,640.66	5,633.63
		<u>8,165.66</u>	<u>6,158.63</u>
Non-current liabilities			
Deferred tax liabilities (net)	5	146.85	86.13
Long-term provisions	6	-	23.66
		<u>146.85</u>	<u>109.79</u>
Current liabilities			
Short-term borrowings	7	-	130.01
Trade payables	8	1,745.87	1,506.87
Other current liabilities	8	576.72	476.09
Short-term provisions	6	441.16	355.06
		<u>2,763.75</u>	<u>2,468.03</u>
		<u>11,076.26</u>	<u>8,736.45</u>
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	2,307.61	2,398.08
Intangible assets	10	14.53	20.90
Capital work-in-progress		46.77	22.03
Loans and advances	11	362.13	441.33
Other non-current assets	16	0.62	7.54
		<u>2,731.66</u>	<u>2,889.88</u>
Current assets			
Current investments	12	2,665.44	50.02
Inventories	13	3,162.40	3,368.23
Trade receivables	14	2,114.45	2,122.19
Cash and bank balances	15	181.33	152.80
Loans and advances	11	212.70	132.44
Other current assets	16	8.28	20.89
		<u>8,344.60</u>	<u>5,846.57</u>
		<u>11,076.26</u>	<u>8,736.45</u>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co. LLP

Chartered Accountants
Firm's Registration No.: 301003E

per **Anil Gupta**

Partner
Membership No. 87921
Place: Gurgaon
Date: May 10, 2013

K. K. Kapur
CEO and Whole Time Director

Nand Khemka
Chairman cum Managing Director

Manali D. Bijlani
Company Secretary

J. K. Jain
Chief Financial Officer



Statement of profit and loss for the year ended 31 March 2013

	Notes	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Income			
Revenue from operations (net)	17	23,462.85	21,612.62
Other income	18	164.75	21.78
Total revenue (I)		23,627.60	21,634.40
Expenses			
Cost of raw materials consumed	19	16,272.65	16,500.38
Purchase of traded goods		8.56	32.87
Decrease / (increase) in inventories	20	136.84	(979.22)
Employee benefit expenses	21	1,354.32	1,096.91
Other expenses	22	2,298.27	1,956.13
Depreciation and amortisation expenses	23	248.79	233.69
Finance costs	24	16.69	92.49
Total expenses (II)		20,336.12	18,933.25
Profit before tax (I-II)		3,291.48	2,701.15
Tax expenses			
Current tax-Minimum Alternative Tax (MAT)		640.75	539.57
Add: Utilisation of MAT credit		82.93	33.79
Deferred tax charge		60.72	39.21
Income tax adjustment for earlier years		9.70	1.45
Total tax expenses		794.10	614.02
Profit for the year		2,497.38	2,087.13
Earnings per share			
Basic and diluted (Rs.) [Nominal value of shares Rs. 10/- (previous year Rs. 10/-)]	25	47.57	39.75
Summary of significant accounting policies			
	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. Batliboi & Co. LLP

Chartered Accountants

Firm's Registration No.: 301003E

per **Anil Gupta**

Partner

Membership No. 87921

Place: Gurgaon

Date: May 10, 2013

K. K. Kapur

CEO and Whole Time Director

Nand Khemka

Chairman cum Managing Director

Manali D. Bijlani

Company Secretary

J. K. Jain

Chief Financial Officer



Cash flow statement for the year ended 31 March 2013

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
A. Cash flow from operating activities		
Net profit before tax	3,291.48	2,701.15
Non - cash adjustments to reconcile profit before tax to net cash flows		
Depreciation / amortisation expenses	248.79	233.69
(Profit) / loss on sale/disposal of fixed assets (net)	(46.77)	5.88
Provision for doubtful debts and advances	0.86	(80.46)
Provision for diminution in the value of current investment	4.99	-
Dividend received	(96.20)	(0.02)
Interest expenses	8.30	78.14
Interest income	(5.12)	(5.64)
Operating profit before working capital changes	<u>3,406.33</u>	<u>2,932.74</u>
Movements in working capital:		
Decrease / (increase) in trade receivables	6.88	(580.41)
Decrease / (increase) in inventories	205.83	(885.60)
(Increase) / decrease in loans and advances and other assets	(84.18)	23.41
Increase in trade payables and other current liabilities	338.58	546.97
Increase in provisions	10.37	20.75
Cash generated from operations	<u>3,883.81</u>	<u>2,057.86</u>
Direct taxes paid (net of refunds)	(653.76)	(507.93)
Net cash flow from operating activities	<u>3,230.05</u>	<u>1,549.93</u>
B. Cash flow from investing activities		
Purchase of fixed assets, including cwip and capital advances	(180.45)	(559.91)
Proceeds from sale of fixed assets	57.28	5.91
Purchase of current investments	(7,270.43)	(50.02)
Redemption of current investments	4,650.02	-
Interest received	3.20	4.10
Dividend received	96.20	0.02
Investments in bank deposits during the year (having original maturity of more than three months)	(43.33)	(30.77)
Maturity of bank deposits during the year (having original maturity of more than three months)	12.77	28.06
Net cash (used in) investing activities	<u>(2,674.74)</u>	<u>(602.61)</u>
C. Cash flow from financing activities		
(Repayment) of long-term borrowings	-	(2.13)
(Repayment) of short-term borrowings	(130.01)	(590.91)
Interest paid	(14.39)	(78.14)
Dividend paid	(360.13)	(211.71)
Tax on dividend paid	(59.62)	(34.07)
Net cash (used in) financing activities	<u>(564.15)</u>	<u>(916.96)</u>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	<u>(8.83)</u>	<u>30.36</u>
Cash and cash equivalents at the beginning of the year	<u>130.26</u>	<u>99.90</u>
Cash and cash equivalents at the end of the year	<u>121.43</u>	<u>130.26</u>
Components of cash and cash equivalents		
Cash in hand	1.67	3.97
Balances with scheduled banks:		
-on current accounts	91.11	116.17
-on cash credit accounts	11.16	-
-on unclaimed dividend accounts*	17.49	10.12
Total cash and cash equivalents (refer note 15)	<u>121.43</u>	<u>130.26</u>

* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

Notes:

1. Previous year's figures have been regrouped, where necessary to conform to current year's classification.
2. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements.

As per our report of even date

For S. R. Batliboi & Co. LLP

Chartered Accountants

Firm's Registration No.: 301003E

per **Anil Gupta**

Partner

Membership No. 87921

Place: Gurgaon

Date: May 10, 2013

For and on behalf of the Board of Directors

K. K. Kapur

CEO and Whole Time Director

Manali D. Bijlani

Company Secretary

Nand Khemka

Chairman cum Managing Director

J. K. Jain

Chief Financial Officer

Notes to financial statements for the year ended 31 March 2013

1 Corporate information

Indag Rubber Limited (hereinafter referred to as 'the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the manufacturing and selling of Precured Tread Rubber and allied products.

2 Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets or liabilities in future years.

b) Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the year during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

c) Depreciation on tangible fixed assets

Depreciation on fixed assets is provided using straight line method and written down value method at the rates based on the estimated useful life of the asset, which is in accordance with the rates specified in Schedule XIV of the Companies Act, 1956.

- i) Cost of leasehold land is being amortised over the lease period of 95/99 years.
- ii) Assets costing less than or equal to Rs. 5,000 are depreciated fully in the year of purchase.
- iii) Depreciation on Buildings and Plant & Machinery has been provided on SLM at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- iv) Depreciation on all other fixed assets has been provided on WDV at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- v) Depreciation on the amount of adjustment to fixed assets on account of capitalisation of insurance spares is provided over the remaining useful life of related assets.

d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Costs relating to software, software licenses and website development, which are acquired, are capitalised and amortised on a straight-line basis over their four year useful lives or actual period of license, whichever is lower.

e) Leases

Where the Company is lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

f) Borrowing costs

Borrowing cost includes interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

g) Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses, including impairment on inventories, are recognised in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the

asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

h) Investments

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long - term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of share or other securities, the acquisition cost is the fair value of the securities issued, if an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, which is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long - term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

i) Inventories

Inventories are valued as follows:

Raw materials, stores and spares and packing materials

Lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated, are expected to be sold at or above cost. Cost is determined on moving weighted average method.

Work in progress and finished goods (own manufactured)

Lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost is determined on monthly moving weighted average basis.

Traded goods

Lower of cost and net realisable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on moving weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale.

j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue.

Sale of services (Income from services)

Revenue from sale of services is recognised as and when the services are rendered.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

Export Benefits

Export entitlements in the form of Duty Drawback Scheme and Duty Entitlement Passbook Scheme are recognised in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of exports made and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

Dividends

Dividend income is recognised when the Company's right to receive dividend is established at the reporting date.

k) Foreign currency translation

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

Exchange differences

Exchange differences arising on the settlement of monetary items, or on reporting such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

l) Retirement and other benefits

- (i) Retirement benefits in the form of provident fund (where contributed to the Regional PF Commissioner) is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

Retirement benefits in the form of provident fund contributed to the Trust set up by the employer is a defined benefit scheme and the payments are charged to the statement of profit and loss of the year when the payments to the Trust are due. Shortfall in the funds, if any, is adequately provided for by the Company.

- (ii) Gratuity liability under the Payment of Gratuity Act is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The gratuity plan has been funded by policy taken from Life Insurance Corporation of India. Actuarial gains and losses for defined benefit plan are recognised in full in the year in which they occur in the statement of profit and loss.
- (iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
- (iv) The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided, based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains / losses are immediately taken to the statement of profit and loss and are not deferred.

m) Income taxes

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the income tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

In the situation where the Company is entitled to a tax holiday under the Income Tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognised in respect of timing differences which reverse during the tax holiday period, to the extent the company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company write-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and write down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

n) Segment reporting

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

o) Earnings per share

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

p) Provisions

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

q) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

r) Government grants and subsidies

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Company will comply with the conditions attached to them and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

Government grants of the nature of promoter's contribution are credited to capital reserve and treated as a part of the shareholder's funds.

3. Share capital

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Authorised shares (No. lacs)		
70 (previous year 70) equity shares of Rs. 10 each	700.00	700.00
Issued, subscribed & fully paid-up shares (No. lacs)		
52.50 (previous year 52.50) equity shares of Rs. 10 each fully paid up	525.00	525.00
Total subscribed & fully paid-up share capital	525.00	525.00

(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

Equity shares	31 March 2013		31 March 2012	
	No. of shares	(Rs. in lacs)	No. of shares	(Rs. in lacs)
At the beginning of the year	5,250,000	525.00	5,250,000	525.00
Outstanding at the end of the year	5,250,000	525.00	5,250,000	525.00

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2013, the amount of per share dividend recognized as distributions to equity shareholders was Rs. 8.00, previous year Rs. 6.00.

(c) Detail of shareholders holding more than 5% shares in the Company

	31 March 2013		31 March 2012	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Equity shares of Rs. 10/- each fully paid				
(i) Mrs. Jeet Khemka	1,853,001	35.30%	1,853,001	35.30%
(ii) Khemka Aviation Private Limited	1,254,465	23.89%	1,254,465	23.89%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

4. Reserves and surplus

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Capital reserve		
a) Central Cash Subsidy (As per the last financial statement)	30.00	30.00
b) Profit on re-issue of forfeited shares (As per the last financial statement)	0.29	0.29
	<u>30.29</u>	<u>30.29</u>
Securities premium account (As per the last financial statement)	<u>450.00</u>	<u>450.00</u>
General reserve		
Balance as per the last financial statement	588.80	378.80
Add: Amount transferred from surplus balance in the statement of profit and loss	250.00	210.00
Closing balance	<u>838.80</u>	<u>588.80</u>
Surplus in the statement of profit and loss		
Balance as per the last financial statement	4,564.54	3,053.52
Profit for the year	2,497.38	2,087.13
Amount available for appropriation	<u>7,061.93</u>	<u>5,140.65</u>
Less: Appropriations		
Transferred to general reserve	250.00	210.00
Proposed final dividend (amount per share Rs. 5.50, previous year Rs. 4.50)	288.75	236.25
Interim dividend (amount per share Rs. 2.50, previous year Rs. 1.50)	131.25	78.75
Tax on dividend	70.36	51.11
Net surplus in the statement of profit and loss	<u>6,321.57</u>	<u>4,564.54</u>
Total reserves and surplus	<u>7,640.66</u>	<u>5,633.63</u>

5. Deferred tax liabilities (net)

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Deferred tax liabilities		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation charged for the financial reporting	182.86	97.43
Payment of statutory dues allowable under Income Tax Act, 1961 but not charged to the statement of profit and loss	-	11.38
Gross deferred tax liabilities (A)	182.86	108.81
Deferred tax assets		
Impact of expenditure charged to the statement of profit and loss in the current year/earlier years but allowable for tax purposes on payment basis	35.43	22.32
Provision for doubtful debts and advances	0.58	0.36
Gross deferred tax assets (B)	36.01	22.68
Net deferred tax liabilities (A-B)	146.85	86.13

6. Provisions

	Long-term		Short-term	
	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Provision for employee benefits				
Provision for gratuity (refer note 36)	-	23.66	36.44	8.22
Provision for leave encashment	-	-	49.06	43.25
	-	23.66	85.50	51.47
Other provisions				
Income tax (net of advance tax)	-	-	17.84	29.01
Proposed final dividend	-	-	288.75	236.25
Tax on proposed final dividend	-	-	49.07	38.33
	-	-	355.66	303.59
	-	23.66	441.16	355.06

7. Short-term borrowings

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Cash credit from banks (secured)	-	130.01
	<u>-</u>	<u>130.01</u>
The above amount includes:		
Secured borrowings	-	130.01
Unsecured borrowings	-	-

Cash credit from banks are secured by first charge on entire current assets including stocks and book debts lying at the Company's factory at Nalagarh and on entire fixed assets of the Company, present and future. The cash credit is repayable on demand and carries interest @ 12.50% p.a.

8. Other current liabilities

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Trade payables (refer note 34 for details of dues to micro and small enterprises) *	1,745.87	1,506.87
(A)	<u>1,745.87</u>	<u>1,506.87</u>

Other liabilities

Investor Education and Protection Fund shall be credited by following amount (as and when due):

Unpaid dividend	17.49	10.12
Others:		
Payable towards capital goods	13.84	14.07
Retention money and security deposits	138.36	156.69
Advances from customers	18.25	28.34
Sales tax / VAT payable	109.59	103.08
Interest on income tax payables	1.25	7.34
Others statutory dues payables	126.35	41.90
Other payables	151.59	114.55
(B)	<u>576.72</u>	<u>476.09</u>
Total (A+B)	<u>2,322.59</u>	<u>1,982.96</u>

*Includes payable to directors Rs. 218.64 lacs (previous year Rs. 220.57 lacs).

9. Tangible assets

(Rs. in lacs)

	Freehold Land	Leasehold Land	Buildings	Plant & machinery	Furniture & fixtures	Office equipment	Vehicles	Total
Cost								
As at 01.04.2011	80.37	18.63	1,116.99	2,445.12	41.13	134.94	38.83	3,876.01
Additions	-	-	244.23	250.24	2.89	7.59	42.10	547.05
Deductions	-	-	7.87	-	-	6.22	18.29	32.38
Adjustments	-	-	8.56	-	-	-	-	8.56
As at 31.03.2012	80.37	18.63	1,344.79	2,695.36	44.02	136.31	62.64	4,382.12
Additions	-	-	44.24	121.69	2.53	18.16	0.56	187.18
Deductions	-	-	15.91	200.09	0.16	5.35	6.30	227.81
As at 31.03.2013	80.37	18.63	1,373.12	2,616.96	46.39	149.12	56.90	4,341.49
Depreciation								
As at 01.04.2011	-	1.91	201.22	1,423.42	34.92	95.58	28.80	1,785.85
Charge for the year	-	0.19	39.17	158.37	2.26	11.67	7.12	218.78
Deductions	-	-	1.48	-	-	5.01	14.10	20.59
As at 31.03.2012	-	2.10	238.91	1,581.79	37.18	102.24	21.82	1,984.04
Charge for the year	-	0.19	38.22	172.98	2.47	11.31	10.57	235.74
Deductions	-	-	-	175.10	0.16	4.58	6.06	185.90
As at 31.03.2013	-	2.29	277.13	1,579.67	39.49	108.97	26.33	2,033.88
Net block								
As at 31.03.2012	80.37	16.53	1,105.88	1,113.57	6.84	34.07	40.82	2,398.08
As at 31.03.2013	80.37	16.34	1,095.99	1,037.29	6.90	40.15	30.57	2,307.61

Note: Adjustments to fixed assets during the previous year represented Rs. 8.56 lacs being liabilities written back.

10. Intangible assets

(Rs. in lacs)

	Software	Website development	Total
Gross block			
As at 01.04.2011	52.14	1.41	53.55
Purchase	7.61	-	7.61
Deductions	-	-	-
As at 31.03.2012	59.75	1.41	61.16
Purchase	6.68	-	6.68
Deductions	-	-	-
As at 31.03.2013	66.43	1.41	67.84
Amortisation			
As at 01.04.2011	24.97	0.38	25.35
Charge for the year	14.56	0.35	14.91
Deductions	-	-	-
As at 31.03.2012	39.53	0.73	40.26
Charge for the year	12.70	0.35	13.05
Deductions	-	-	-
As at 31.03.2013	52.23	1.08	53.31
Net block			
As at 31.03.2012	20.22	0.68	20.90
As at 31.03.2013	14.20	0.33	14.53

11. Loans and advances

	Non-current		Current	
	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Capital advances				
Unsecured, considered good	22.85	29.83	-	-
(A)	22.85	29.83	-	-
Deposits				
Unsecured, considered good	40.77	24.33	130.02	68.86
Doubtful	-	-	1.10	1.10
	40.77	24.33	131.12	69.96
Less: Provision for doubtful deposits	-	-	1.10	1.10
(B)	40.77	24.33	130.02	68.86
Advances recoverable in cash or in kind or for value to be received				
Unsecured, considered good	-	-	22.58	13.82
(C)	-	-	22.58	13.82
Loan and advances to related parties (refer note 27)				
Unsecured, considered good	-	-	7.52	3.19
(D)	-	-	7.52	3.19
Others loans & advances				
Unsecured, considered good				
Advance tax / tax deducted at source / income tax refundable (net of income tax provision)	29.90	29.90	-	-
MAT credit entitlement	265.21	356.01	-	-
Prepaid expenses	1.63	-	21.67	22.90
Loan and advances to employees	1.77	1.26	18.33	14.91
Balances with statutory / government authorities	-	-	6.56	4.47
Other advances	-	-	6.02	4.29
(E)	298.51	387.17	52.58	46.57
Total (A+B+C+D+E)	362.13	441.33	212.70	132.44



12. Current investment (valued at lower of cost and fair value)

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Unquoted mutual funds - Non Trade		
4,155.537 (previous year nil) units of Rs. 1,000 each of UTI Liquid Cash Plan Institutional - Direct plan - Dividend Reinvestment	42.36	-
26,325.300 (previous year nil) units of Rs. 1,000 each of IDBI Liquid Fund - Daily Dividend - Reinvestment Plan	263.28	-
4,321,030.976 (previous year nil) units of Rs. 10 each of UTI Short Term Income Fund - Institutional - Direct plan - Reinvestment - Dividend	475.43*	-
50,071.574 (previous year nil) units of Rs. 1,000 each of IDBI Ultra Short Term Fund - Daily Dividend - Reinvestment Plan	501.15	-
12,608,470.279 (previous year nil) units of Rs. 10 each of UTI Short Term Income Fund - Institutional - Reinvestment Plan - Dividend	1,383.22	-
Nil (previous year 4,986.03) units of Rs. 1,000 each of SBI Premier Liquid Fund - Institutional - Daily Dividend	-	50.02
	<u>2,665.44</u>	<u>50.02</u>
Aggregate amount of unquoted investments.	2,665.44	50.02
* Net of provision for diminution in the value of current investment.	4.99	-

13. Inventories (valued at lower of cost and net realisable value)

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Raw materials [including stock in transit Rs. 192.32 lacs (previous year Rs. 125.32 lacs)] (refer note 19)	822.49	856.68
Packing materials	21.04	19.31
Stores and spare parts	77.58	114.11
Work-in-progress (refer note 20)	255.87	245.14
Finished goods (refer note 20)	1,973.18	2,112.08
Traded goods	12.24	20.91
	<u>3,162.40</u>	<u>3,368.23</u>

14. Trade receivables

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Debts outstanding for a period exceeding six months from the date they are due for payments		
Unsecured, considered good	53.58	48.32
Secured, considered good	-	2.25
Doubtful	0.86	-
	<u>54.44</u>	<u>50.57</u>
Provision for doubtful receivables	0.86	-
	(A) 53.58	<u>50.57</u>
Other receivables		
Secured, considered good	94.52	108.36
Unsecured, considered good	1,966.35	1,963.26
	(B) 2,060.87	<u>2,071.62</u>
Total (A + B)	2,114.45	<u>2,122.19</u>

15. Cash and bank balances

	Non-current		Current	
	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Cash and cash equivalents				
Balances with banks:				
On current accounts	-	-	91.11	116.17
On cash credit accounts	-	-	11.16	-
On unpaid dividend accounts	-	-	17.49	10.12
Cash in hand	-	-	1.67	3.97
	<u>-</u>	<u>-</u>	<u>121.43</u>	<u>130.26</u>
Other bank balances:				
Deposits with original maturity for more than 12 months *	0.56	7.36	7.48	-
Deposits with original maturity for more than 3 months but less than 12 months *	-	-	52.38	22.50
Post office savings bank account (Pass Book pledged with excise authorities)	-	-	0.04	0.04
	<u>0.56</u>	<u>7.36</u>	<u>59.90</u>	<u>22.54</u>
Amount disclosed under non-current assets (refer note 16)	<u>(0.56)</u>	<u>(7.36)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>181.33</u>	<u>152.80</u>

* Receipts pledged with banks and other government authorities of Rs. 60.42 lacs (previous year Rs 29.86 lacs).

16. Other assets

	Non-current		Current	
	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Unsecured, considered good unless otherwise stated				
Non-current bank balances (refer note 15)	0.56	7.36	-	-
(A)	0.56	7.36	-	-
Others				
Interest accrued but not due on deposits with banks and others	0.06	0.18	4.29	2.25
Export benefits receivable	-	-	3.99	18.64
(B)	0.06	0.18	8.28	20.89
Total (A+B)	0.62	7.54	8.28	20.89

17. Revenue from operation

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Revenue from operations		
Sale of products:		
Manufactured goods	23,359.34	21,518.10
Traded goods	23.08	23.27
	23,382.42	21,541.37
Less: Rebate and claims	24.53	5.68
	23,357.89	21,535.69
Sale of services	57.00	38.99
Other operating revenue:		
Scrap sales	36.63	29.40
Export benefits	11.33	8.54
Revenue from operations (net)	23,462.85	21,612.62
Details of products sold		
Finished goods sold		
Precured tread rubber	20,405.58	18,937.66
Bonding repair & extrusion gums (including envelopes)	1,666.29	1,698.68
Other materials	1,286.02	899.35
	23,357.89	21,535.69

18. Other Income

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Interest income on:		
- Bank deposits	3.89	2.01
- Income tax refund	-	0.80
- Others	1.23	2.83
Dividend income on current investments - Non Trade	96.20	0.02
Profit on sale / disposal of fixed assets (net)	46.77	-
Exchange differences (net)	6.43	2.57
Provision for doubtful debts written back (net)	-	2.70
Other non-operating income	10.23	10.85
	<u>164.75</u>	<u>21.78</u>

19. Cost of raw materials consumed

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Inventory at the beginning of the year	856.68	963.47
Add : Purchases	16,238.46	16,393.59
Less : Inventory at the end of the year	822.49	856.68
Cost of raw materials consumed	<u>16,272.65</u>	<u>16,500.38</u>

Details of raw materials consumed (indigenous only)

Rubber	10,371.38	11,503.38
Carbon Black	3,094.18	2,622.87
Chemicals	2,525.48	2,087.66
Others	281.61	286.47
	<u>16,272.65</u>	<u>16,500.38</u>

Details of Inventory

Raw materials

Rubber	410.55	614.99
Carbon Black	201.62	159.70
Chemicals	159.44	67.83
Others	50.88	14.16
	<u>822.49</u>	<u>856.68</u>

20. Decrease / (increase) in Inventories

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	Decrease / (increase) (Rs. in lacs)
Inventories at the end of the year			
			31 March 2013
Traded goods	12.24	20.91	8.67
Work-in-progress	255.87	245.14	(10.73)
Finished goods	1,973.18	2,112.08	138.90
	<u>2,241.29</u>	<u>2,378.13</u>	<u>136.84</u>
Inventories at the beginning of the year			
			31 March 2012
Traded goods	20.91	10.69	(10.22)
Work-in-progress	245.14	177.60	(67.54)
Finished Goods	2,112.08	1,210.62	(901.46)
	<u>2,378.13</u>	<u>1,398.91</u>	<u>(979.22)</u>
	<u>136.84</u>	<u>(979.22)</u>	
Work in Progress			
Precured Tread Rubber	189.58	191.21	
Bonding repairs & extrusion gums (including envelopes)	5.25	19.76	
Other materials	2.19	1.30	
Raw materials at shop floor	58.85	32.87	
	<u>255.87</u>	<u>245.14</u>	
Finished Goods			
Precured tread rubber	1,864.47	1,942.21	
Bonding repairs & extrusion gums (including envelopes)	65.06	110.78	
Other materials	43.65	59.08	
	<u>1,973.18</u>	<u>2,112.08</u>	

21. Employee benefit expenses

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Salaries and wages	1,242.24	1,016.76
Contribution to provident and other funds	69.21	51.82
Gratuity expenses (refer note 36)	20.15	12.08
Staff welfare expenses	22.72	16.25
	<u>1,354.32</u>	<u>1,096.91</u>

22. Other expenses

	31 March 2013 (Rs. in lacs)		31 March 2012 (Rs. in lacs)
Consumption of stores and spare parts (indigenous only)	64.16		58.98
Packing expenses	204.18		156.29
Power and fuel	518.96		454.08
Repairs and maintenance:			
-Plant & machinery	108.90		65.16
-Buildings	6.66		10.85
-Others	23.65		19.34
Rent [including rent on leasehold land of Rs. 9.38 lacs, (previous year Rs. 4.06 lacs)]	108.46		88.88
Rates & taxes	49.37		33.78
Insurance	23.42		24.35
Travelling & conveyance	189.41		158.96
Communication costs	48.92		48.84
Printing & stationary	16.78		18.62
Legal and professional fees	179.58		144.39
Payments to auditors	27.14		24.80
Freight and forwarding charges	476.13		391.32
Provision for doubtful debts	0.86		-
Ir-recoverable balances written off	0.21	81.74	
Less: Provision for doubtful debts and advances adjusted out of above	-	77.76	3.98
Vehicle running and maintenance	27.84		21.30
Loss on sale / disposal of fixed assets (net)	-		5.88
Provision for diminution in the value of current investment	4.99		-
Security and other service charges	30.03		28.26
Service charges to C & F agents	79.84		72.62
Advertisement and publicity	8.10		11.63
Commission on sales (other than to sole selling agents)	8.31		31.47
Bank charges	25.57		32.31
Donation	0.10		2.11
Miscellaneous expenses	66.70		47.93
	<u>2,298.27</u>		<u>1,956.13</u>
Payment to auditors			
As auditor:			
Audit fees	22.47		20.02
Tax audit fees	2.81		3.36
Reimbursement of expenses	1.86		1.42
	<u>27.14</u>		<u>24.80</u>

23. Depreciation and amortisation expenses

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Depreciation of tangible assets	235.74	218.78
Amortisation of intangible assets	13.05	14.91
	<u>248.79</u>	<u>233.69</u>

24. Finance costs

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Interest expenses (including interest on income tax of Rs. 1.40 lacs, previous year Rs. 8.84 lacs)	8.30	78.14
Other borrowing cost	8.39	14.35
	<u>16.69</u>	<u>92.49</u>

25. Earning per equity share

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Net profit as per statement of profit and loss	2,497.38	2,087.13
No. of equity shares at the beginning and closing of the year	5,250,000	5,250,000
Weighted average number of equity shares for calculating basic and diluted EPS	5,250,000	5,250,000
Basic and Diluted earnings per share (Rs.)	<u>47.57</u>	<u>39.75</u>

26. Segment Information

The Company is engaged in the manufacturing of the Precured Tread Rubber, Bonding Repair and Extrusion Gum and Rubber Cement, which are used for retreading of tyres. These products do not have any different risk and returns and thus the Company has only one business segment.

Segment Information

Geographical Segments

The Company has organized its manufacturing operations into two major geographical segments :

Domestic (in India) and Export (Outside India)

The analysis of geographical segments is based on the geographical location of the customers.

The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.



The following table shows the distribution of the Company's consolidated sales and trade receivables by geographical market, regardless of where the goods were produced:

Revenue (net) by Geographical Market

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Domestic	22,438.11	20,661.02
Export	1,024.74	951.60
Total	23,462.85	21,612.62

Carrying amount of Segment Trade Receivables (net) by Geographical Market

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Domestic	1,943.61	1,932.90
Export	170.84	189.29
Total	2,114.45	2,122.19

The Company has common fixed assets in India for producing goods / providing services to domestic as well as overseas market. Hence, separate figures for fixed assets / addition to fixed assets have not been furnished.

27. Related party disclosures

Name of related parties and their relationships

(a) Key management personnel

- Mr. Nand Khemka (Chairman cum Managing Director)
- Mr. K.K.Kapur (Whole Time Director)

(b) Relatives of key management personnel

- Mr. Shyam Lal Khemka, brother of Mr. Nand Khemka
- Mrs. Jeet Khemka, wife of Mr. Nand Khemka
- Mr. Shiv Vikram Khemka, son of Mr. Nand Khemka
- Mr. Uday Harsh Khemka, son of Mr. Nand Khemka
- Mrs. Urvasi Khemka, daughter-in-law of Mr. Nand Khemka
- Mrs. Nitya Mohan Khemka, daughter-in-law of Mr. Nand Khemka

(c) Enterprises owned or significantly influenced by key management personnel or their relatives (either individually or with others)

- Unipatch Rubber Limited
- Khemka Aviation Private Limited
- Nand and Jeet Khemka Foundation
- Khemka & Co. Pvt. Ltd.
- Pankaj Dilip Pvt. Ltd.
- Sun Securities Ltd.
- Sun London Limited
- Khemka Technical Services Pvt. Ltd.
- Khemka Instruments Pvt. Ltd.

No amount has been provided as doubtful debt or advance written off or written back in the year in respect of debts due from / to above related parties.

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Enterprises owned or significantly influenced by key management personnel or their relatives (either individually or with others)		Relative of Key Management Personnel		Key Management Personnel		Total	
	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Transactions for the year:								
Purchases (Raw materials, stores, spares and packing materials)								
- Unipatch Rubber Limited	1.63	5.07	-	-	-	-	1.63	5.07
Rent paid								
- Khemka Aviation Pvt. Ltd.	69.44	62.21	-	-	-	-	69.44	62.21
Remuneration								
- Mr. Nand Khemka	-	-	-	-	185.70	147.47	185.70	147.47
- Mr. K.K. Kapur	-	-	-	-	185.70	147.47	185.70	147.47
Sitting fees								
- Mr. Shyam Lal Khemka	-	-	0.20	0.40	-	-	0.20	0.40
Reimbursement of expenses received								
- Unipatch Rubber Limited	15.84	12.64	-	-	-	-	15.84	12.64
- Khemka Aviation Pvt. Ltd.	0.52	0.41	-	-	-	-	0.52	0.41
- Nand and Jeet Khemka Foundation	1.51	1.11	-	-	-	-	1.51	1.11
Reimbursement of expenses given								
- Unipatch Rubber Limited	0.47	0.80	-	-	-	-	0.47	0.80

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Enterprises owned or significantly influenced by key management personnel or their relatives (either individually or with others)		Relative of Key Management Personnel		Key Management Personnel		Total
	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	
Dividend paid							
- Mr. Nand Khemka	-	-	-	-	0.26	0.15	0.15
- Mrs. Jeet Khemka	-	-	129.71	74.12	-	-	74.12
- Khemka Aviation Pvt. Ltd.	87.81	50.18	-	-	-	-	50.18
- Unipatch Rubber Limited	18.01	10.29	-	-	-	-	10.29
- Others	12.34	7.05	35.02	20.02	-	-	27.07
Balances at the year end:							
Loans and advances							
- Unipatch Rubber Limited	7.52	3.19	-	-	-	-	3.19
Trade payables							
- Mr. Nand Khemka	-	-	-	-	91.00	93.47	93.47
- Mr. K.K. Kapur	-	-	-	-	90.50	100.56	100.56

Note: The remuneration to the key managerial personnel does not include the provision made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

28. Income tax

The Company has till date recognised Rs. 265.21 lacs (previous year Rs. 356.01 lacs) as Minimum Alternate Tax (MAT) credit entitlement which represents that portion of the MAT Liability, the credit of which would be available based on the provision of Section 115 JAA of the Income Tax Act, 1961. The management is confident, based on the future profitability projections and profit earned during the current year that there would be sufficient taxable profit in future which will enable the Company to utilise the above MAT credit entitlement.

29. Capital and other commitments

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of Rs. 22.85 lacs, previous year Rs. 29.83 lacs)	302.63	36.30

30. Contingent liabilities (not provided for) in respect of :

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
a) The Company is under litigation with the revenue authorities regarding an expenditure claimed by the Company arising out of an arbitration award. As per the Company, the expenditure should be allowed to them in the year the arbitrator has passed the award. The department is of the view that the liability is not accrued till the award becomes a Rule of Court and has therefore disallowed the expenditure in the AY 98-99 (the year in which the Company claimed the expenditure). During the financial year 2006-2007, the Company has received a demand notice from Income tax authorities pursuant to the order by Income Tax Appellate Tribunal, Delhi. The Company is presently in appeal before the Hon'ble High Court. The Company has deposited Rs. 20 lacs against the above demand which is included in the Advance Tax shown under note no. 11.	159.15*	159.15*
b) Demand raised by the Service Tax Authorities but disputed by the Company and the appeal is pending before the CESTAT.	-	1.93*
c) Pending Labour cases	5.31*	9.75*
d) Demands raised by the Sales Tax Authorities, being disputed by the Company.	21.00*	22.27*
e) Differential amount of custom duty payable by the Company in case of non-fulfillment of export obligation including interest thereon against the import of capital goods made at concessional rate of duty. The Company has fulfilled the export obligation.	-	22.67
f) Claims against the Company not acknowledged as debts	41.77*	28.95*
Total	227.23	244.72

* Based on the discussions with the solicitor / expert opinions taken / status of the case, the management believes that the Company has strong chances of success in above mentioned cases and hence no provision against there is considered necessary at this point in time.



31. Leases

Operating Lease

The Company has taken office and warehouse premises under operating lease agreements. There are no purchase options in the lease agreements. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements. There are no subleases. The agreements are generally cancellable at the mutual consent of both the lessor and the lessee.

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Lease payments for the year	99.05	84.82

32. The Company had obtained a stay of the Himachal Pradesh Government order levying entry tax @ 2% on all goods entering the state w.e.f. 24 January 2011. The same has been reduced to 1% w.e.f. 13 July 2011. The Hon'ble High Court while staying the levy in an interim order, directed the Company to deposit 1/3rd of the assessed amount as "deposit" with the state government and furnish a bank guarantee for the balance 2/3rd amount to them. Since the cash payment as per Court order is in the nature of deposits, no amount has been charged to the accounts as entry tax. The estimated amount of entry tax upto 31 March 2013 is Rs. 350.17 lacs (excluding the amount of interest and penalty, if any, which can't be determined at this stage). However, the cash deposited so far is Rs. 107.92 lacs and bank guarantee furnished is for an amount of Rs. 215.84 lacs.

33. As per the requirement of Clause 40A of the Listing Agreement, the minimum public shareholding in a public listed Company should at least be 25% or above of the total paid up capital. Pursuant to Securities Contracts (Regulation) (Second Amendment) Rules, 2010- Amendment in rules 2, 19 and 19A (Notification no. G.S.R. 662(E) dated August 09, 2010, any listed Company which has public shareholding below 25% shall increase its public shareholding to atleast 25% latest by June 2013. The public shareholding of the Company as at 31 March 2013 was 22.95%. The promoters of the Company are in the process of off loading the shares to ensure that the Company complies with the aforesaid clause.

34. Details of dues to Micro and Small Enterprises as per Micro, Small and Medium Enterprise Development (MSMED) Act, 2006

		31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
1	The principal amount and interest due thereon remaining unpaid to any supplier as at the end of each accounting period.	Nil	Nil
2	The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amount of the payments made to the supplier beyond the appointed day during each accounting period.	Nil	Nil
3	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.	Nil	Nil
4	The amount of interest accrued and remaining unpaid at the end of each accounting period; and	Nil	Nil
5	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprise Development Act, 2006.	Nil	Nil

35.1 Value of Imports calculated on CIF Basis (on accrual basis)

Particulars	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Raw materials	-	0.10
Stores and spare parts	3.17	-
Capital goods	-	4.94
	<u>3.17</u>	<u>5.04</u>

35.2 Earnings in Foreign Currency (on accrual basis)

Particulars	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Exports at F.O.B value	<u>233.66</u>	<u>191.07</u>
	<u>233.66</u>	<u>191.07</u>

35.3 Expenditure in Foreign Currency (on accrual basis)

Particulars	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Travelling & conveyance	0.91	5.39
Others	1.01	5.03
	<u>1.92</u>	<u>10.42</u>

35.4 Net Dividend remitted in foreign currency

Particulars	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Number of NRI shareholders	8	8
Number of shares held by them	2,459,602	2,459,602
Dividend paid*	7.18	13.30
Year to which dividend relates	2011-12 & 2012-13	2007-08, 2008-09, 2009-10, 2010-11 & 2011-12

* Excluding dividend of Rs. 164.99 lacs (previous year Rs. 94.28 lacs) credited to FCNR / NRE account of NRI's and paid to Overseas Corporate Bodies on repatriation basis.

36. Gratuity and other post employment benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets gratuity on departure at 15 days salary (last drawn salary) for each completed year of service or part thereof in excess of six months. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expenses recognised in the statement of profit and loss and the funded status and amount recognised in the balance sheet for the gratuity plan.

Statement of profit and loss

Net employee benefit expenses recognised in employee cost:

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Current service cost	22.39	15.00
Interest cost on benefit obligation	10.10	8.59
Expected return on plan assets	(8.04)	(7.38)
Net actuarial (gain) recognised in the year	(4.30)	(4.14)
Net benefit expenses	20.15	12.08
Actual return on plan assets	8.04	7.38

Balance Sheet

Benefit asset / liability

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Defined benefit obligation	145.09	118.87
Fair value of plan assets	108.65	86.98
	<u>(36.44)</u>	<u>(31.88)</u>
Less: Unrecognised past service cost	-	-
Plan (liability)	<u>(36.44)</u>	<u>(31.88)</u>

Changes in present value of the defined benefit obligation are as follows :

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Opening defined benefit obligation	118.87	101.12
Interest cost	10.10	8.59
Current service cost	22.39	15.00
Benefits paid	(3.24)	(2.09)
Actuarial (gain) on obligation	(3.03)	(3.76)
Closing defined benefit obligation	145.09	118.87

Changes in the fair value of plan assets are as follows:

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Opening fair value of plan assets	86.98	80.65
Expected return	8.04	7.38
Contributions by employer	15.59	0.66
Benefits paid	(3.24)	(2.09)
Actuarial gains	1.27	0.38
Closing fair value of plan assets	108.65	86.98

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 March 2013 %	31 March 2012 %
Investment with insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the year over which the obligation is to be settled.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	31 March 2013 (%)	31 March 2012 (%)
Discount rate	8.50	8.50
Expected rate of return on plan assets	9.25	9.15
Increase in compensation cost	8.00	8.00
Employee turnover		
- upto 30 years	3.00	3.00
- above 30 years but upto 44 years	2.00	2.00
- above 44 years	1.00	1.00

The estimates of future salary increases, considered in actuarial valuation, taking account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current year and previous years are as follows:

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2011 (Rs. in lacs)	31 March 2010 (Rs. in lacs)	31 March 2009 (Rs. in lacs)
Defined benefit obligation	145.09	118.87	101.12	53.60	44.99
Plan assets	108.65	86.98	80.65	50.01	37.87
(Deficit)	(36.44)	(31.88)	(20.47)	(3.59)	(7.12)
Experience adjustment on plan liabilities – gain / (loss)	3.02	(1.17)	19.57	(1.51)	(2.61)
Experience adjustment on plan assets – (loss) / gain	(7.84)	0.38	4.44	0.18	(0.80)

The Company expects to contribute Rs. 55.01 lacs (previous year Rs. 8.22 lacs) to gratuity fund during the next year.

Provident Fund

The provident fund of few employees is being administered by a provident fund trust. The provident fund being administered by this Trust is a defined benefit scheme whereby the Company deposits an amount determined as a fixed percentage of basic pay to the fund every month. The benefit vests upon commencement of employment. The interest credited to the accounts of the employees is adjusted on an annual basis to conform to the interest rate declared by the government for the Employees Provident Fund. The Guidance Note on implementing AS-15, Employee Benefits (Revised 2005) issued by the Accounting Standard Board (ASB) states that provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities. The actuary has accordingly provided a valuation and based on the below provided assumptions, there is no shortfall as at 31 March 2013.

The principal assumptions used in determining provident fund obligations for the Company's plans are shown below:

	31 March 2013 (%)	31 March 2012 (%)
Discount rate	8.50	8.50
Employee turnover	LIC (1994-1996)	LIC (1994-1996)
Disability	None	None
Normal Retirement Age	58	58

The detail of fund and plan asset position as at 31 March 2013 is given below:

	31 March 2013 (%)	31 March 2012 (%)
Plan assets at fair value	139.66	108.51
Present value of the defined benefit obligation	136.39	103.34
Surplus in fund	3.27	5.17
Asset recognised in the balance sheet	-	-

Defined contribution plan:

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)	31 March 2011 (Rs. in lacs)	31 March 2010 (Rs. in lacs)	31 March 2009 (Rs. in lacs)
Contribution to provident and other funds	44.37	34.53	28.63	22.51	17.18



37. Particulars of unhedged foreign currency exposure as at the reporting date

Particulars	Currency	31 March 2013		31 March 2012	
		Amount in foreign currency	Exchange rate	Amount in foreign currency	Exchange rate
Advance from customers	USD	966	54.39	966	51.16
Trade receivables	USD	103,033	54.39	182,801	51.16
Capital commitment	USD	440,000	54.39	-	-
Cash in hand	YUAN	-	-	51	8.07
	USD	-	-	1,883	51.16

38. Previous year comparatives

Previous year figures have been regrouped wherever necessary to conform to this year's classification.

39. All figures in values are rupees in lacs.

As per our report of even date

For and on behalf of the Board of Directors

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

Firm's Registration No.: 301003E

K. K. Kapur

CEO and Whole Time Director

Nand Khemka

Chairman cum Managing Director

per **Anil Gupta**

Partner

Membership No. 87921

Place: Gurgaon

Date: May 10, 2013

Manali D. Bijlani

Company Secretary

J. K. Jain

Chief Financial Officer



Indag Rubber Limited

Regd. Off. 11, Community Centre,
Saket, New Delhi-110017

Proxy Form

Regd. Folio No. _____
DP ID & Client ID _____
DP Name _____
No. of Shares _____

I/We _____

R/o _____

being a Member(s) of Indag Rubber Limited hereby appoint _____

R/o _____

or failing him _____

as my/our Proxy to attend for me/us and to vote on my/our behalf at the 34th Annual General Meeting of the Company on **Friday, the 19th of July 2013** at 10:00am Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi - 110003 and at adjournment(s) thereof.

Signed this _____ day of _____ 2013

Proxy Signature _____ Member(s) Signature(s) _____

Affix Revenue Stamp of Re.1/-

Note : * The proxy must be submitted so as to reach at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid Meeting. ** The Proxy need not be a member.

Indag Rubber Limited

Regd. Off. 11, Community Centre,
Saket, New Delhi-110017

Attendance Slip

Regd. Folio No. _____
DP ID & Client ID _____
DP Name _____
No. of Shares _____

I hereby record my presence at the 34th Annual General Meeting of the Company on **Friday, the 19th of July 2013** at 10:00am Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003 and at adjournment(s) thereof.

Name

(Signature of Member/Proxy Present)

Note : * Please handover this attendance slip duly signed as a Member or Proxy, as the case may be at the attendance registration counter at the meeting. ** Members are requested to bring this attendance slip alongwith them to the meeting. No duplicate attendance slip will be issued at the time of meeting.

Indag Rubber Limited

Regd. Off. 11, Community Centre,
Saket, New Delhi-110017

Entry Pass

Folio No./DP ID & Client ID _____

Name

(Authorised Signature with Rubber Stamp)

(Signature at Attendance Counter)

(Signature at Entry Counter)

Note : * Members may please note that Entry Pass will be issued only after verification of signature of the member/proxy as recorded with the Company at the computerised attendance registration counter at the meeting.

No gift/coupon will be distributed at the meeting.

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