

Abridged

**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.Batliboi & Co.LLP (Registration no.301003E) Chartered Accountants (erstwhile M/s. S.R.Batliboi & 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.Batlboi & Co. LLP, Chartered Accountants (erstwhile M/s S.R.Batlboi & 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 on Abridged Financial Statements

To the Board of Directors of Indag Rubber Limited

The accompanying abridged financial statements, which comprise the abridged balance sheet as at March 31, 2013 the abridged statement of profit & loss and abridged cash flow statement for the year then ended and related notes, are derived from the audited financial statement of Indag Rubber Limited ('the Company') as at and for the year ended March 31, 2013. We expressed a qualified audit opinion on those financial statements in our report dated May 10, 2013.

The abridged financial statements do not contain all the disclosures required by the 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"). Reading the abridged financial statements, therefore, is not a substitute for reading the audited financial statement of the Company.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") and accounting principles generally accepted in India.

Auditor's Responsibility

Our responsibility is to express an opinion on the abridged financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

Basis for Qualified Opinion

Attention is invited to note 6 of Notes to the abridged financial statements (Corresponding to the note 32 to the complete set of 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 abridged financial statements for the previous year was also qualified in respect of the above matter.

Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the abridged financial statements derived from the audited financial statements of the Company as at and for the year ended March 31, 2013 are a fair summary of those financial statements, in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") and accounting principles generally accepted in India.

For S. R. Batliboi & Co. LLP

Chartered Accountants

Firm's Registration Number: 301003E

per Anil Gupta

Partner

Membership No.: 87921

Place : Gurgaon

Date: May 10, 2013



Abridged Balance Sheet as at 31 March 2013

	As at 31 March 2013 (Rs. in lacs)	As at 31 March 2012 (Rs. in lacs)
Equity and liabilities		
Shareholders' funds		
Paid up share capital		
Equity share capital	525.00	525.00
Reserves and surplus		
Capital Reserve	30.29	30.29
Securities premium account	450.00	450.00
General reserve	838.80	588.80
Surplus in the statement of profit and loss	6,321.57	4,564.55
	<u>8,165.66</u>	<u>6,158.64</u>
Non-current liabilities		
Deferred tax liabilities (net)	146.85	86.13
Long-term provisions	-	23.66
	<u>146.85</u>	<u>109.79</u>
Current liabilities		
Short-term borrowings	-	130.01
Trade payables	1,745.87	1,506.87
Other current liabilities	576.72	476.09
Short-term provisions	441.16	355.06
	<u>2,763.75</u>	<u>2,468.03</u>
	<u>11,076.26</u>	<u>8,736.46</u>
Assets		
Non-current assets		
Fixed assets		
Tangible assets	2,307.61	2,398.08
Intangible assets	14.53	20.90
Capital work-in-progress	46.77	22.03
Loans and advances	362.13	441.33
Other non-current assets	0.62	7.54
	<u>2,731.66</u>	<u>2,889.88</u>
Current assets		
Current investments	2,665.44	50.02
Inventories	3,162.40	3,368.23
Trade receivables	2,114.45	2,122.19
Cash and bank balances	181.33	152.80
Loans and advances	212.70	132.44
Other current assets	8.28	20.89
	<u>8,344.60</u>	<u>5,846.57</u>
	<u>11,076.26</u>	<u>8,736.45</u>

The accompanying notes forms an integral part of the abridged financial statement.

As per our report on the abridged financial statement of even date

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
Firm's Registration No.: 301003E

For and on behalf of the Board of Directors

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



Abridged statement of profit and loss for the year ended 31 March 2013

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Revenue		
Revenue from operations (net)	23,462.85	21,612.62
Other income :		
Dividend income on current investments - Non Trade	96.20	0.02
Profit on sale / disposal of fixed assets (net)	46.77	-
Others	21.78	21.76
Total revenue (I)	23,627.60	21,634.40
Expenses		
Cost of raw materials consumed	16,272.65	16,500.38
Purchase of traded goods	8.56	32.87
Decrease / (increase) in Traded goods, Work-in-progress and finished goods	136.84	(979.22)
Employee benefit expenses:		
Salaries and wages	1,242.24	1,016.76
Others	112.08	80.15
Finance costs	16.69	92.49
Depreciation and amortisation expenses	248.79	233.69
Other expenses:		
Power and fuel	518.96	454.08
Freight and forwarding charges	476.13	391.32
Others	1,303.18	1,110.73
Total expenses (II)	20,336.12	18,933.25
Profit before tax (I-II)	3,291.48	2,701.15
Tax expenses		
Current tax	723.68	573.36
Deferred tax	60.72	39.21
Income tax adjustment for earlier years	9.70	1.45
Total tax expenses	794.10	614.02
Profit after tax	2,497.38	2,087.14
Basic and diluted (Rs.) [Nominal value of shares Rs. 10/- (previous year Rs. 10/-)]	47.57	39.75

The accompanying notes forms an integral part of the abridged financial statement.

As per our report on the abridged financial statement of even date

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
Firm's Registration No.: 301003E

For and on behalf of the Board of Directors

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



Abridged 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	3,230.05	1,549.93
B. Cash (used in) investing activities	(2,674.74)	(602.61)
C. Cash (used in) financing activities	(564.15)	(916.96)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(8.83)	30.36
Cash and cash equivalents at the beginning of the year	130.26	99.90
Cash and cash equivalents at the end of the year	121.43	130.26

Note: The above abridged 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 on the abridged financial statement 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 the abridged financial statements for the year ended 31 March 2013

(The note numbers appearing in the brackets “[]” are as they appear in the Complete Set of Financial Statements)

1. Basis of preparation

These abridged financial statements have been prepared in accordance with the requirements of Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and clause 32 of the Listing Agreement. These abridged financial statements have been prepared on the basis of the complete set of financial statements for the year ended 31 March 2013.

2. [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.

3. [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. Urvashi 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)	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Dividend paid								
- Mr. Nand Khemka	-	-	-	-	0.26	0.15	0.26	0.15
- Mrs. Jeet Khemka	-	-	129.71	74.12	-	-	129.71	74.12
- Khemka Aviation Pvt. Ltd.	87.81	50.18	-	-	-	-	87.81	50.18
- Unipatch Rubber Limited	18.01	10.29	-	-	-	-	18.01	10.29
- Others	12.34	7.05	35.02	20.02	-	-	47.36	27.07
Balances at the year end:								
Loans and advances								
- Unipatch Rubber Limited	7.52	3.19	-	-	-	-	7.52	3.19
Trade payables								
- Mr. Nand Khemka	-	-	-	-	91.00	93.47	91.00	93.47
- Mr. K.K. Kapur	-	-	-	-	90.50	100.56	90.50	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.

4. [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)	302.63	36.30

5. [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.

6. [32] The following note has been referred to by the Auditors in their report on the complete set of financial statement dated 10 May 2013:

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.

7. [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.

8. [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



9. Revenue from operations (net)

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
Sale of products manufactured	23,334.81	21,512.42
Sale of goods traded	23.08	23.27
Revenue from services provided	57.00	38.99
Other operational revenue	47.96	37.94
	<u>23,462.85</u>	<u>21,612.62</u>

10. Cash and cash equivalent

	31 March 2013 (Rs. in lacs)	31 March 2012 (Rs. in lacs)
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	<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.

11. Amounts disclosed under abridged financial statements are same as that shown in the corresponding aggregated heads in the financial statement prepared in accordance with Revised Schedule VI or as near thereto as possible.

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

As per our report on the abridged financial statement 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

Indag Rubber LimitedRegd. 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 LimitedRegd. 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 LimitedRegd. 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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Registered Office
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