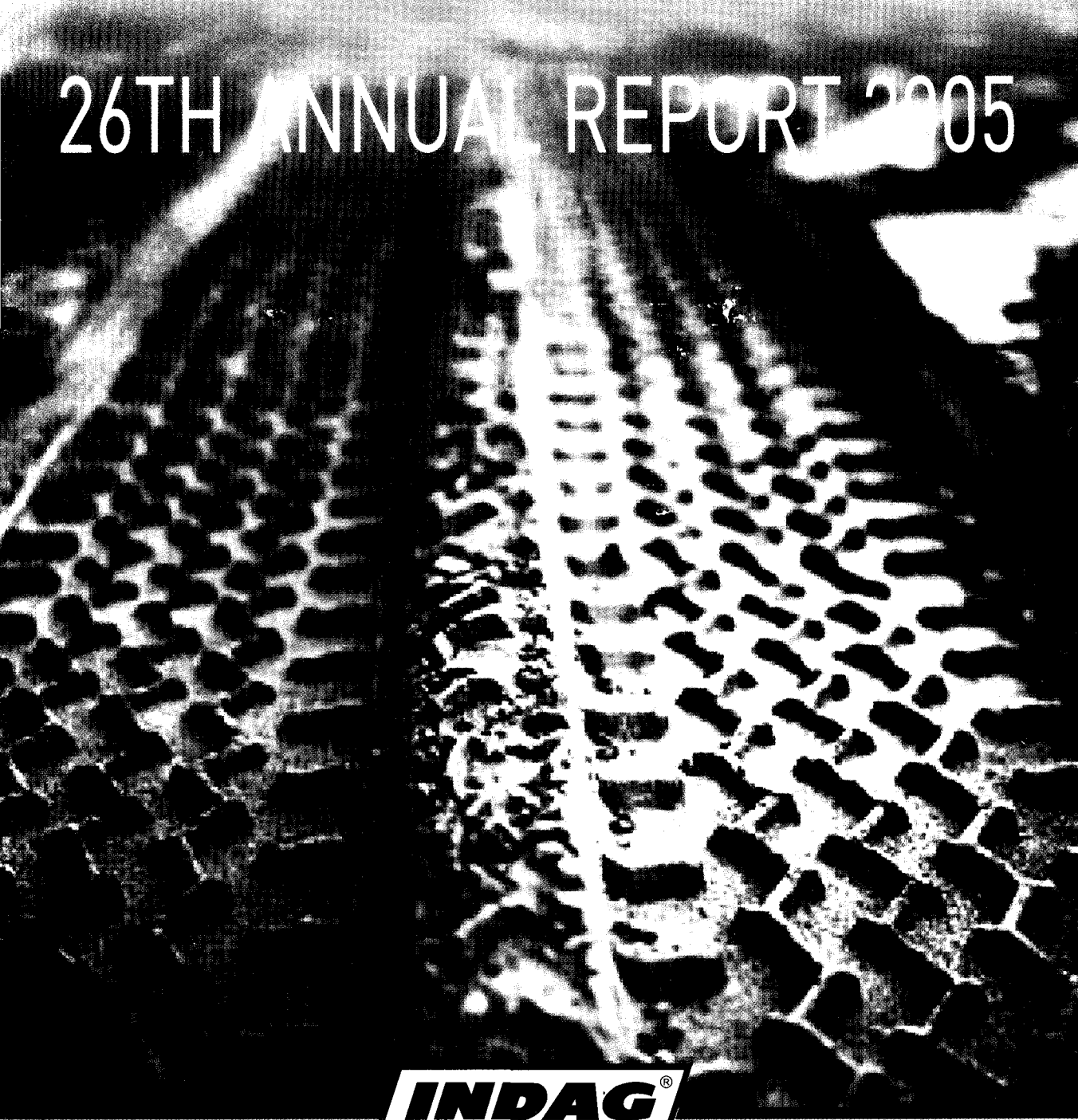


RABAccreditation# 01011998

26TH ANNUAL REPORT 2005



INDAG[®]

Indag Rubber Limited



- **BOARD OF DIRECTORS**

Nand Khemka
Chairman

S.L. Khemka

Mark R. Thoeny

P.R. Khanna

R. Parameswar

K.K. Kapur
(Whole Time Director)
- **BANKERS**

Corporation Bank
State Bank of Bikaner & Jaipur
- **FOREIGN COLLABORATOR**

Bandag Inc., U.S.A.
- **AUDITORS**

S.R. Batliboi & Co.
Chartered Accountants
B-26, Qutab Institutional Area,
New Delhi-110016 (India)
- **REGISTERED OFFICE**

11, Community Centre, Saket,
New Delhi-110017
- **WORKS**

Plot No. SP 86, Industrial Area,
Bhiwadi-301019, Dist. Alwar, (Rajasthan)

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 expectation of customers.
3. Ensure that each employee is **CONSCIOUS** of the need to respect and participate in the quality improvement mission.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY SIXTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON THURSDAY, 29TH SEPTEMBER, 2005 AT 10:00 A.M AT DOLLY FARMS & RESORTS (P) LIMITED, (NEAR THE EXECUTIVE CLUB) 439, VILLAGE SHAHOORPUR, P.O. FATEHPUR BERI, NEW DELHI- 110030 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2005 and the Balance Sheet as on that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr.S.L.Khemka, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr.R.Parneswar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and fix their remuneration and if thought fit, to pass with or without modification the following Resolution as a **SPECIAL RESOLUTION**:

“RESOLVED THAT S.R. Battiboi & Co., Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to audit the Accounts for the Accounting Year 2005-2006 and to hold office from the conclusion of this 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.”

SPECIAL BUSINESS

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

“ RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the members be and is hereby accorded for re-appointment and remuneration of Mr.K.K.Kapur as Whole-time Director (designated as Chief Executive Officer) of the Company for a period of three years with effect from June 1, 2005 upon the terms and conditions & remuneration as set out below with the liberty to the Board of Directors to alter and vary the terms & conditions thereto in such manner as may be agreed to between the Board of Directors and Mr.K.K.Kapur.

(A) The Whole Time Director shall control day-to-day affairs of the Company and its business affairs subject to the ultimate supervision and control of the Board of Directors.

(B) Period of Agreement : Three Years w.e.f. June 1, 2005.

(C) REMUNERATION

Fixed Salary Component

- 1) Salary : Rs.76,000/- (Rupees Seventy six thousand only) per month
- 2) Perquisites : Perquisites will be allowed in addition to salary restricted to an amount equal to the Annual Salary or Rs.6,39,600/- (Rupees Six lac thirty nine thousand six hundred only) per annum, whichever is less. For this purpose, perquisites are classified into three categories, category-A, category-B and category-C and ceiling shall apply only to category-A.
- 3) The remuneration will be increased every year at the rate of Rs.25,000/- per month.

Variable Salary Component

- 4) Bonus : : The Whole-time Director will also be entitled to profit sharing bonus, at the rate of 2% of profits before tax earned by the company.

Classification of Perquisites:

Category A

- Housing : The Expenditure by the Company on hiring unfurnished leased accommodation will be subject to a ceiling of Rs.456,000/- (Rupees Four lac fifty six thousand only) per annum.
- Leave Travel Allowance : Reimbursement towards the expenses incurred by him and his family on leave travel once in a year for an amount not exceeding Rs.76,000/- (Rupees Seventy six thousand only) per annum.
- Medical Expenses : Reimbursement towards the medical expenses incurred on himself or on his family for an amount not exceeding Rs.38,000/- (Rupees Thirty eight thousand only) per annum.
- Driver Salary : The expenditure on hiring a driver for his official car not exceeding Rs. 69,600/- (Rupees Sixty nine thousand six hundred only) per annum.

Category B

Company's contribution to Provident Fund, Superannuation fund or annuity fund to the extent under the Income Tax Rules, 1962.

Gratuity payable shall not exceed fifteen days salary for each completed year of services or part thereof in excess of six months, subject to a ceiling as per Payment of Gratuity of Act 1972. For this purpose, he will be deemed to have been in continuous service of the company since 9th April 2001.

Category C

The Company shall provide a car and telephone facility at the residence of the Whole time Director.

Other Terms and conditions:

- 1) The Whole Time Director shall not become interested or otherwise concerned directly or through his wife and/or minor children in any buying and selling agency of the Company in future without the prior approval of the Board of Directors or subject to such other approvals as may be considered necessary.
- 2) The Whole Time Director shall not be entitled to fees payable to Directors for attendance at Board Meetings and of all Committees appointed by the Board.
- 3) The Agreement may be terminated by either party by giving to the other one-month notice of such termination or one month salary in lieu thereof at the Company's option, which may be given at any time. The Whole Time Director will not be entitled to any compensation for loss of office due to termination under Section 318 of the Company Act, 1956 or otherwise.
- 4) The Whole Time Director shall exercise such power and function and on such term as the Board of Directors of the Company may prescribe from time to time, it being agreed and understood that the Board shall have the power to alter modify, revoke or withdraw all or any of the powers so conferred.
- 5) The Whole Time Director shall be liable to retire by rotation ”.
6. To consider and if thought fit, to pass with or without modification the following resolution as an

SPECIAL RESOLUTION:

“Resolved that pursuant to the provisions of the Section 310 of the Companies Act, 1956 read with Rule 10B of General Rules & Forms, and other applicable laws, if any, consent of the members be and is hereby accorded for payment of sitting fees to the Directors at the rate of Rs.10,000/- (Rupees Ten Thousand only) for attending each meetings of the Board and Committees thereof with the liberty to the Board of Directors to pay such sum of rupees as may be prescribed for the time being by the Central Government as the maximum sitting fee payable.”

7. To consider and if thought fit, to pass with or without modification the following resolution as an

SPECIAL RESOLUTION:

“Resolved that pursuant to the provisions of SEBI (Delisting of Securities) Guidelines, 2003 the equity shares of the Company be delisted from The Stock Exchange, Delhi.”

For and on behalf of the Board of Directors

Manali D.Bijlani

Company Secretary

New Delhi

July 22, 2005

NOTES

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business set out at item nos. 4, 5, 6 and 7 of the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND A 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 FORTY-EIGHT HOURS BEFORE THE TIME FIXED FOR THE ANNUAL GENERAL MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 15th September 2005 to 29th September 2005 (both days inclusive).
4. Members/Proxies must bring the Attendance Slip duly filled in for attending the meeting and hand it over at the entrance duly signed.
5. Members desiring any information on the Accounts are required to write to the company at its Registered Office giving at least seven days time before the date of the Annual General Meeting to enable the Management to collect and keep the information ready.
6. Members are requested to bring their copy of Annual Report with them, as the same will not be supplied again at the meeting as a measure of economy.
7. Pursuant to the prohibition imposed vide Secretarial Standard on General Meetings (SS-2) issued by ICSI, no gifts/coupon will be distributed at or in connection with the meeting.

Explanatory Statement

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

Item No. 4

Pursuant to Article No. 147(2) of the Articles of Association of the Company, Special Resolution is to be passed for re-appointment of Statutory Auditors.

The resolution as set out in item no. 4 of the annexed notice is, therefore recommended for your approval.

None of the Directors is concerned or interested in the proposed resolution.

Item No. 5

Mr. K.K.Kapur has been re-appointed as a Whole-time Director of the company by the Board of Directors with effect from June 1, 2005, for a period of three years, pursuant to the provisions of the Companies Act, 1956.

Mr.K.K.Kapur, aged 68 years, is a post-graduate in Mathematics and a member of the Institute of Cost and Works Accountants of India. Mr.K.K.Kapur has an experience of over 44 years and has served in various capacities with Steel Authority of India Limited, Gas Authority of India Limited and Enron India.

Mr.K.K.Kapur has retired from the office of Chairman & Managing Director of Gas Authority of India in the year 1996, thereafter served as Managing Director of Enron India (NG) till the year 1998.

Presently, Mr.K.K.Kapur is not a director on the Board of any other company or a member/chairman of any other Committee.

The terms & conditions of appointment & remuneration of Mr.K.K.Kapur as a Whole-time Director are outlined in the resolution placed before the members.

The Remuneration Committee and the Board of Directors in their meetings held on 19th April 2005 approved the terms of appointment and remuneration of Mr.K K Kapur.

The resolution as set out in item no. 5 of the annexed notice is, therefore recommended for your approval. The Board considers that it would be in interest of the Company to appoint Mr.K K Kapur as the Whole-time Director of the Company.

Except Mr.K.K.Kapur, no other director is interested in the proposed resolution.

The abstract of the terms of appointment and memorandum of interest pursuant to Section 302 of the Companies Act, 1956 were sent vide notice dated April 19, 2005.

Item No. 6

Pursuant to the revised Clause 49 of the Listing Agreement of the Stock Exchange, Delhi and Mumbai all fees/compensation payable to the non-executive directors as fixed by the Board requires approval of the shareholders.

At present a sitting fee of Rs.10,000/- is being paid to non-executive directors for attending each meeting of the Board and Committees thereof, which is within the limit prescribed under the law.

The resolution as set out in item no.6 of the annexed notice is, therefore recommended for your approval.

All the Directors except the Whole-time Director are deemed to be concerned or interested in the resolution.

Item No. 7

At present the Company shares are to be listed in The Stock Exchange Mumbai and The Stock Exchange Delhi. There is no or negligible trading in the shares of the Company in The Stock Exchange Delhi. Hence it is proposed to delist the shares of the Company in The Stock Exchange Delhi. The Company shares will continue to remain listed in The Stock Exchange Mumbai. Since The Stock Exchange Mumbai has nation wide reach, interest of the investors would not be jeopardised. The proposed delisting will be within the SEBI (Delisting of Securities) Guidelines, 2003.

Your Directors recommend the resolution for your approval.

None of the Directors is deemed to be interested in this resolution.

INSPECTION OF DOCUMENTS

The draft agreement to be entered into between the Company and Mr.K.K.Kapur as Whole Time Director will be open for inspection by any member at the Registered office of the Company between 2:00pm to 5:00 pm on any working day of the Company by and including the date of the meeting.

For and on behalf of the Board of Directors

New Delhi
July 22, 2005

Manali D.Bijlani
Company Secretary

DETAILS OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

(IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)

Name of Directors	Shri R. Parameswar	Shri S.L.Khemka
Date of Birth	17 th May 1933	1 st January 1927
Date of Appointment	27 th April 1993	Since incorporation
Qualifications	Post Graduate (History) Indian Audit and Accounts Service	Graduate
List of outside Directorship held on 31st March 2005	Universal Print System Ltd	Nil

ANNEXURE FORMING PART TO THE EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION II (B) (IV) OF PART II OF SCHEDULE XIII IN RESPECT OF APPOINTMENT OF MR.K.K.KAPUR AS WHOLE-TIME DIRECTOR

I. General Information :

- (1) **Nature of industry** : Manufacture, sell and deal in Precast or Precured Tread Rubber for the retreading of tyres of every kind.
- (2) **Date or expected date of commencement of commercial production** : 3rd September 1979
- (3) **In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.** : Not applicable
- (4) **Financial performance based on given indicators** : Refer Annual Report for the year ended March 31, 2005.
- (5) **Export performance and net foreign exchange collaborations** : Refer Annual Report for the year ended March 31, 2005.
- (6) **Foreign investments or collaborators, if any.** : Foreign Collaborator Bandag, USA is holding 38% equity shares in the company.

II. Information about the appointee :

- (1) **Background details** : As given in the Explanatory Statement under Item no.5 of the Notice
- (2) **Past remuneration** : Rs.14,79,947/- per annum for year 2004-05
- (3) **Recognition or awards** –Nothing Special
- (4) **Job profile and his suitability** : As given in the Explanatory Statement under Item no.5 of the Notice
- (5) **Remuneration proposed** : Refer resolution no.5 of the Notice dated July 22, 2005
- (6) **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (In case of expatriates the relevant details would be w.r.t. the country of his origin)** : The remuneration profile proposed is comparable with respect to the industry, size of the company and profile of the position subject to the ceiling as per Schedule XIII.
- (7) **Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.** :Mr.K K Kapur is not related to any Director or any employee of the company.

III. Other Information :

- (1) **Reasons of loss or inadequate profits** : Commodity price increase coupled with fierce competition limiting the scope for increasing the price of the products have resulted in inadequate profits during the year.
- (2) **Steps taken or proposed to be taken for improvement** : The company has introduced new products and developed new marketing strategies to increase share of market.
- (3) **Expected increase in productivity and profits in measurable terms.** : A new manufacturing facility is being set up at Nalagarh to cater to the additional demand from the market and meet the long-term expected growth and reduce excise liability.

IV. Disclosures :

- (1) **The shareholders of the company shall be informed of the remuneration package of the managerial person.** - Refer resolution no.5 of the Notice dated July 22, 2005
- (2) **The following disclosures shall be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the annual report** : - (i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors; (ii) Details of fixed component and performance linked incentives along with the performance criteria;(iii) Service contracts, notice period, severance fees; (iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable. Refer to report on Corporate Governance annexed to the Directors' Report dated 22nd July 2005.

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors are pleased to present the 26th Annual Report together with the Audited Statement of Accounts of the Company for the accounting year ended March 31, 2005. We have included, as a part of this report the Management Discussion and Analysis.

FINANCIAL RESULTS :

Particulars	2004-2005 (Rs.In lacs)	2003-2004 (Rs.in Lacs)
Profit before Interest & Depreciation	199.15	180.78
Finance Expenses	49.48	53.70
Profit before Depreciation	149.67	127.08
Depreciation	45.35	44.41
Profit before Income Tax	104.32	82.67
Provision for Minimum Alternate Tax	(2.50)	(2.50)
Deferred Tax Assets/(Liabilities)	(75.02)	(29.29)
Profit (Loss) for the year	26.80	50.88
(Debit) Balance brought forward from previous year	(82.66)	(133.54)
(Loss) carried to balance sheet	(55.86)	(82.66)

OPERATIONAL PERFORMANCE

During the year under review the gross turnover of your company amounted to Rs.3447.30 lacs as against Rs.3380.38 lacs in the previous year. The Operational Profit, before making provision for interest and depreciation, worked out to Rs.199.15 lacs (previous year Rs. 180.78 lacs).

The year saw substantial increase in raw material costs, which could not be passed on to the customers fully. Your company has taken rigorous measures to reduce outstandings, control the inventories of finished goods, further improve production efficiencies and has thus been able to maintain its performance.

DIVIDEND

In view of the carry forward losses, your Directors are not in a position to recommend any dividend for the year under review.

INDUSTRY EXPERIENCE

Developments in the transport industry effect the retreading industry too. While the Medium and Heavy Commercial Vehicle Production has grown well in 2004-05, propelled as it was by easy availability of finance, the sale of diesel in transport sector has remained stagnant, while there has been reduction in new tyre replacement market during the same period. The retread industry has thus witnessed little growth during 2004 – 2005.

OPPORTUNITIES AND THREATS

The continued thrust on road projects such as Golden Quadrilateral and East-West Corridor as well as rural road projects will create more opportunities for growth of transport industry.

The radialisation in the passenger cars in India has seen significant growth in recent years. However, the same has not been witnessed in medium & heavy vehicles. This trend is likely to get a boost in the coming years with new & existing tyre players investing in truck & bus radial capacity as well as on marketing the same.

The above developments are expected to result in better prospects for retreading industry. Further, the ban on the overloading of commercial vehicles, if rigorously implemented will provide additional fillip to the retreading industry.

The implementation of VAT in most states is expected to reduce the unfair competition from the unorganized retreading industry.

Your company is continuing its efforts to grow by introducing new products, developing new marketing strategies to have increased share of the market, which is somewhat stagnant at present.

The reduction of excise duty to 16% from 24% on new tyres is however, working as disincentive for retreading, as gap between the price of new tyre and that of retreaded tyres has got narrowed down.

NALAGARH PROJECT

The project being set up in Nalagarh, Himachal Pradesh, is expected to begin production around September/October 2005.

With the commissioning of this project, Indag would be able to cater to the additional demand from the market and meet the long-term expected growth. The company would be able to avail benefits being offered by the Central and State Governments by locating the Plant in Himachal Pradesh.

RISK AND CONCERNS

The Company is exposed to the risks of fluctuations of interest rates, commodity prices and changes in government policies.

Interest Rate risk: In view of continuous risk mitigating strategy adopted by the company, it does not perceive interest rate fluctuations as a significant risk having any material impact on its profitability.

Commodity Price risk: The company is exposed to the risk of price fluctuations of raw materials in all its products. These risks generally get mitigated by adjusting the price of finished goods, except in the case of STU's, where prices are fixed for six months or year's supply.

Changes in governments policies: Changes in government polices can at times materially effect company financial position or investments. There is little that can be done about it.

HUMAN RESOURCE DEVELOPMENT

During the year, the Company had cordial industrial relations. Focus on efficient shop floor management, strengthening Sales and Marketing team, improving competencies, continuous training to enhance the human capital has resulted in amiable association with our 220 employees.

We believe in empowering our employees through greater knowledge, opportunity, responsibility and accountability.

INTERNAL CONTROL SYSTEM

The Company has adequate 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 accountal of assets. The Company has an elaborate 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.

COMMITMENT TO QUALITY

Indag recognizes quality as a pre-requisite for its operations and has implemented ISO 9002 standards at the Plant and the Head Office. The Company has taken requisite steps for up gradation of its standards to conform to ISO 9000: 2000 versions.

ENVIRONMENT PROTECTION

Anti Pollution systems are fully installed and operational. Continuous efforts to nurture and preserve the environment are vigorously pursued.

DIRECTORS

The term of the office of Sh. K.K.Kapur as Whole-time director ceased on 31st May, 2005. The Board recommends re-appointment of Sh.K.K.Kapur as whole-time director of the Company w.e.f. June 1, 2005 for a period of three years.

In accordance with Article 99 of the Articles of Association of the Company, Sh. S.L.Khemka and Sh.R.Parmeswar will retire from office by rotation, and being eligible, offers themselves for re-appointment.

AUDITORS' REPORT

The observations of the Auditors are self-explanatory and therefore, do not call for any further comments.

AUDITORS

The Auditors of the Company, S.R.Batliloi & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The requisite certificate under section 224(1B) of the Companies Act 1956 has been received from them.

PARTICULARS OF EMPLOYEES

The Company had no employee during the year, whose particulars are required to be disclosed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975.

RESEARCH AND DEVELOPMENT/TECHNOLOGY ABSORPTION/FOREIGN EXCHANGE EARNING AND OUTGO.

The information to be disclosed under Section 217 (1)(e) of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is appended hereto as Annexure -I and forms part of this Report.

LISTING

Your Company is listed with the Stock Exchanges of Delhi and Mumbai and the annual listing fee for the financial year 2005-2006 has been paid.

The Shares of the company have not been traded on Delhi Stock Exchange as no trading of shares of any company has taken place for the last nearly three years. It is therefore proposed, subject to the approval of the shareholders, for which separate special resolution has been circulated, that the company delists its shares from 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 the shares on either of the Depositories as aforesaid. As on March 31, 2005, a total of 700510 equity shares which forms 13.34% of the share capital stands dematerialised.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is included in the Annual Report and the Certificate from the 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.

CAUTIONERY STATEMENT

Statements in this report, describing the Company's objectives, expectations and/or predictions 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.

DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors wish to inform Members that the Audited Accounts containing Financial Statements for the Financial Year 2004-2005 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.

Your Directors further confirm that:

- i. in presentation of the Annual Accounts, applicable Accounting Standards have been followed.
- ii. the accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year.
- 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.
- iv. that the Directors had 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 established policies and procedures have been followed.

APPRECIATIONS

Your Directors acknowledge and appreciate the support received from Bandag Inc. and Company's Bankers.

Your Directors also wish to place on record their appreciation for the continuous support received from the shareholders, franchisees, customers, suppliers and the Company's employees at all levels.

For and on behalf of the Board
INDAG RUBBER LIMITED

New Delhi
July 22, 2005

NAND KHEMKA
CHAIRMAN

ANNEXURE-I

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS 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 the fuel consumption per ton of production and reduction in overall electrical energy consumption per ton of production.

(B) TECHNOLOGY ABSORPTION:

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

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

(a) Activities relating to export, initiatives taken to increase export, development of new export market for products and services and export plans.

During the year the Company has not made any exports. However, we are exploring new markets for export.

(b) Total Foreign Exchange used and earned:

Particulars	2004-2005 (Rs. in Lacs)	2003-2004 (Rs. Lacs)
Foreign Exchange earned	Nil	Nil
Foreign Exchange used	20.63	9.88

FORM - B

(See Rule 2)

Disclosure of particulars with respect to Absorption, Research and Development.

RESEARCH AND DEVELOPMENT

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

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | |
|--|--|
| <p>1 Efforts, in brief, made towards technology absorption, adaptation and innovation
Specific Areas in which R&D is carried out by the Company are:</p> | <p>The Company being quality conscious, continually updates technology absorption, technology, and greater emphasis is laid on indigenisation and cost reduction.</p> |
| <p>2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.</p> | <p>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.</p> |
| <p>3. Information regarding technology imported during last five years.</p> | <p>No technology, as such, has been imported during last five years.</p> |

REPORT ON CORPORATE GOVERNANCE

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 ever lasting 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.

I. BOARD OF DIRECTORS

The Board comprises of six directors, which includes one executive director and five non-executive directors. The composition of the directors and the number of other Directorships, along with their attendance at the Board Meetings during the year and at the last Annual General Meeting were as follows:

Directors	Executive/Non-executive/ Independent	Number of Board Meetings attended	Attendance at the last AGM held on July 20, 2004	No. of Other Directorship Held in Public Companies	Number of Membership Committees	
					Member	Chairman
Mr. Nand Khemka	Chairman, interested	3	Yes	4	Nil	Nil
Mr.S.L.Khemka	Non-Executive, interested	Nil	No	Nil	Nil	Nil
Mr. Mark Richter Thoeny	Non-Executive, interested	Nil	No	Nil	Nil	Nil
Mr. P.R.Khanna	Non-Executive, independent	4	Yes	2	7	1
Mr.R.Parmeswar	Non-Executive, independent	4	Yes	1	1	Nil
Mr. K.K.Kapur (Whole-time Director)	Executive, independent	4	Yes	Nil	Nil	Nil

Four meetings of the Board of Directors were held during the year on April 26 2004, July 20 2004, October 7 2004 and January 20 2005. Agenda papers along with notes were circulated to the Directors in advance of each meeting. All relevant information as required under Clause 49 of the Stock Exchange Listing Agreement were placed before the Board from time to time.

II. AUDIT COMMITTEE

The Committee comprises of three non-executive directors having financial management expertise. The terms of reference of Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

Five meetings of the Audit Committee were held during the year on April 26 2004, July 20 2004, August 9 2004, October 7 2004 and January 20 2005. The composition of the Audit Committee and details of their attendance at the meetings are as follows:

Name of the member	Status	No. of meetings attended
Mr.R.Parmeswar (Chairman)	Non-executive, Independent	5
Mr.P.R.Khanna (Member)	Non-executive, Independent	5
Mr.Mark R.Thoeny (Member)	Non-executive, Interested	Nil

III. REMUNERATION COMMITTEE

The Board of Directors in their meeting held on 19th April 2005 constituted the Remuneration Committee comprising of three non-executive directors. The Board has framed the remuneration policy, which is in consonance with the existing industry practice and applicable laws. Indag's remuneration strategy aims at attracting and retaining high calibre talent and leverage performance significantly.

Name of the member	Status
Mr.Nand Khemka (Chairman)	Non-executive, Interested
Mr.R.Parmeswar (Member)	Non-executive, Independent
Mr.P.R.Khanna (Member)	Non-executive, Independent

Remuneration Committee meeting was held on 19th April 2005 to review and approve the terms of appointment and remuneration of Mr.K K Kapur. The Committee approved the remuneration payable to Mr.K K Kapur (Whole-time Director) for a period of three years w.e.f. June 1, 2005.

No remuneration is paid to Non-Executive Directors except sitting fees for attending the Board Meetings and Committees thereof.

A. Non-Executive Directors

Directors	Relationship with other Directors	Business relationship with the company, if any	Sitting fee paid during 2004-2005 (Rs.)
Mr. Nand Khemka	Brother of Mr. S.L.Khemka	Nil	33000
Mr. S.L.Khemka	Brother of Mr. Nand Khemka	Nil	Nil
Mr. Mark Richter Thoeny	Nil	Nil	Nil
Mr. P.R.Khanna	Nil	Nil	86000
Mr. R.Parameswar	Nil	Nil	76000

Indag has a policy of not advancing any loans and or paying commission on profits to its non-executive/independent directors.

No severance fee is payable to 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 the 2004-2005			
			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
Mr. K.K. Kapur	Nil	Whole Time Director	Rs.11.14 lacs	Rs.5.00 lacs Ref. note a	Ref. note b	Ref. note c

- Performance Bonus is linked to the achievement of targets to be decided by the Board or Committee thereof. The Board has approved payment of lump sum amount of Rs.5 lacs as bonus for the year 2004-2005.
- The appointment is subject to termination by one month notice in writing on either side. Mr. Kapur was re-appointed as Whole-time Director on the Board w.e.f. June 1, 2004 for a period of one year. It is proposed to reappoint him as Whole-time Director for three years with effect from June 1, 2005.
- The Company does not have at present any scheme for grant of Stock options to its Directors or Employees.

IV. SHAREHOLDERS COMMITTEE

The share transfer and shareholders grievance committee is mandated to look into redressing of shareholders and investors grievances. Mr.Nand Khemka is Chairman of this Committee.

The Board has designated Mrs.Manali D.Bijlani, Company Secretary as the Compliance Officer. During the year, grievance was received from three shareholders, which has been resolved.

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.

V. GENERAL BODY MEETINGS

The dates, time and venue of the three previous Annual General Meetings held during the last three years are given below:

DATE	TIME	VENUE
23 rd AGM- 10 th September, 2002	11:00 A.M.	The Air Force Auditorium, Subroto Park, New Delhi –110 010
24 th AGM – 18 th July, 2003	9:30 A.M.	Dolly Farms & Resorts (P) Limited, (Near Executive Club), 439 Village Shahoorpur, P.O.Fatehpur Beri, New Delhi – 110030
25 th AGM – 20 th July, 2004	10:00 AM	Dolly Farms & Resorts (P) Limited, (Near Executive Club), 439 Village Shahoorpur, P.O.Fatehpur Beri, New Delhi – 110030

No special resolutions were put through postal ballot in the last AGM. There is no proposal at present to conduct the postal ballot exercise for passing resolution. In the previous three AGMs special resolution have been passed by the members on show of hands.

VI. DISCLOSURES

During the financial year ended the 31st March, 2005 there were no materially significant related party transactions that may have potential conflict with the interests of Company at large.

The Company complied with all the statutory requirements mentioned in the listing agreements/regulations/guidelines/rules of the Stock Exchanges/SEBI/other statutory authorities. No penalties were imposed nor any strictures were passed on any capital markets related matters during the last three years.

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 all the mandatory requirements of clause 49 of the listing agreement. However non-mandatory requirements of this clause have not yet been adopted.

VII. MEANS OF COMMUNICATION

The Unaudited quarterly and Audited full year financial results are sent to the Stock Exchanges at Delhi and Mumbai where the shares of the Company are listed. The results are also published in "The Financial Express" (English) and "Jansatta" (Hindi).

The quarterly results and audited annual results are also displayed on the Company's website www.indagrubber.com.

The Management discussion and analysis report forms a part of the Directors' Report.

VIII. GENERAL SHAREHOLDERS INFORMATION

(i) AGM Date, time & venue	: 29 th September 2005 at 10:00 a.m.
	Dolly Farms & Resorts (P) Limited, (Near Executive Club), 439 Village Shahoorpur, P.O.Fatehpur Beri, New Delhi – 110030
(ii) Financial Calendar & Financial Reporting	
For 1 st quarter ending June 30, 2005	By end of July 2005
For half year ending September 30, 2005	By end of November 2005
For 3 rd quarter ending December 31, 2005	By end of January 2006
For year ending March 31, 2006	By end of May 2006
Annual General Meeting for the year ending 31 st March 2006	By end of September 2006
(iii) Date of Book Closure:	: 15 th September 2005 to 29 th September 2005
(iv) Dividend Payment Date	: No dividend has been recommended
(v) Listing on Stock Exchanges	: 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) Stock Market Price data	: During the year, there was no trading of Company's securities at Delhi Stock Exchange. The details of monthly High and Low price on the Stock Exchange, Mumbai are as under-

Month	Monthly High Prices (Rs.) on BSE	Monthly Low Prices (Rs.) on BSE	Number of shares traded	BSE Sensex
April 2004	6.00	3.81	1303	5655.09
May 2004	4.17	4.00	350	4759.62
June 2004	7.95	5.00	174650	4795.46
July 2004	9.39	6.00	57977	5170.32
August 2004	13.90	7.00	286335	5192.08
September 2004	13.50	10.25	76917	5583.61
October 2004	15.30	12.95	75911	5672.27
November 2004	17.10	12.55	85876	6234.29
December 2004	25.00	15.50	283850	6602.69
January 2005	24.90	20.00	128431	6555.94
February 2005	24.00	20.85	83380	6713.86
March 2005	34.50	21.90	283770	6492.82

(viii) Registrar & Share Transfer Agents : Skyline Financial Services (P) Limited
123 Vinobha Puri, Lajpat Nagar – II
New Delhi - 110024

(ix) Share Transfer System : In order to expedite the process of share transfers the Board has delegated the power to approve share transfers to a committee, which attends 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. Some cases of dematerialization/ rematerialization were delayed by few days.

(x) Distribution of Shareholding : As on March 31, 2005

No. of equity shares held	Shareholders		% of Shareholding	
	Number	% to total	Total (in Rs.)	% in total
Up to 5000	4665	96.54	3743770	7.131
5001 to 10000	68	1.41	561750	1.07
10001 to 100000	85	1.76	2985030	5.686
100001 and above	14	0.29	45209450	86.113
Total	4832	100	52500000	100

(xi) Categories of Shareholding : As on March 31, 2005

Category	No. of Shares held	% of Shareholding
Indian Promoters	2041244	38.880
Foreign Promoters	2013000	38.343
Directors & their relatives	401	0.010
UTI/Financial Institutions & Banks	2050	0.039
Body Corporate	227116	4.326
NRI/ OCB	112800	2.149
Indian Public	853389	16.255
Total	5250000	100.00

- (xii) Dematerialization of shares : Shares dematerialized with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
As on March 31, 2005, a total of 700510 equity shares which forms 13.34% of the share capital stands dematerialised.
- (xiii) Plant Location : Plot No.86, Industrial Area
Bhiwadi – 301019, Dist.Alwar
Rajasthan (India)
- (xiv) 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
123 Vinobha Puri
Lajpat Nagar – II
New Delhi – 110024
Phone no.: (011)29833777, 29847136
- (b) For any investor grievance : The Company Secretary
Indag Rubber Limited
11, Community Center, Saket
New Delhi – 110017
Phone no.: (011) 26963172, 26963173

To

The Members of Indag Rubber Limited

We have examined the compliance of conditions of corporate governance by Indag Rubber Limited, for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 the conditions of Corporate Governance as stipulated in the Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

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

For **P.K.JAIN & ASSOCIATES**
Company Secretaries

Place: New Delhi
Date: 22-07-2005

Pradeep Kumar Jain
Company Secretary
C.P.No.834

**AUDITORS' REPORT
TO THE MEMBERS OF INDAG RUBBER LIMITED**

1. We have audited the attached Balance Sheet of Indag Rubber Limited as at March 31, 2005 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. 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;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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, 2005;
 - b) In the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For **S. R. BATLIBOI & CO.**

Chartered Accountants

per **Anil Gupta**
Partner
Membership No.: 87921
New Delhi
Date: April 19, 2005

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) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified 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) As informed, 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.
- (b) As informed, 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.
- (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, no major weakness has been noticed in the internal control system 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 Act 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) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (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, sales-tax, wealth-tax, service tax, custom 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, service tax, sales-tax, customs duty, excise duty, cess and other 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, custom 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
Uttar Pradesh Trade Tax Act., 1948	Sales tax demand	4.85	1998-99	Referred back to Assessing Officer for reassessment by Tribunal Trade Tax, Ghaziabad

- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth 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 banks. The Company has not issued any debentures nor availed any loan from any 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) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement 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 course of our audit.

For **S. R. BATLIBOI & CO.**

Chartered Accountants

per **Anil Gupta**
Partner
Membership No.: 87921

New Delhi
Date: April 19, 2005

BALANCE SHEET AS AT MARCH 31, 2005

(Rs. in lacs)

	<i>Schedule</i>	As at 31st March, 2005	As at 31st March, 2004
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	525.00	525.00
Reserves and surplus	2	<u>472.22</u>	<u>472.22</u>
		997.22	997.22
Loan funds			
Secured loans	3	477.37	415.90
TOTAL		<u>1,474.59</u>	<u>1,413.12</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	4	1,343.17	1,271.52
Less : Depreciation		<u>1,000.04</u>	<u>971.31</u>
Net block		343.13	300.21
Capital work in progress (including capital advances)		244.87	0.56
Expenditure during construction period (Pending Allocation)	5	47.75	9.27
		<u>635.75</u>	<u>310.04</u>
Deferred Tax Assets (net)	6	58.83	133.85
Current Assets, Loans And Advances			
Inventories	7	584.62	539.33
Sundry debtors	8	385.31	630.12
Cash and bank balances	9	166.43	182.28
Other current assets	10	3.09	3.37
Loans and advances	11	114.42	152.28
		<u>1,253.87</u>	<u>1,507.38</u>
Less : Current Liabilities and Provisions			
Current liabilities	12	507.73	602.42
Provisions	13	21.99	18.39
		<u>529.72</u>	<u>620.81</u>
Net Current Assets		<u>724.15</u>	<u>886.57</u>
Debit Balance as per attached Profit & Loss Account		55.86	82.66
TOTAL		<u>1,474.59</u>	<u>1,413.12</u>
Notes to Accounts	22		

The schedules referred to above including notes to accounts form an integral part of the Balance Sheet.
As per our report of even date For and on behalf of the Board of Directors

For **S. R. BATLIBOI & CO.**
Chartered Accountants

Manali D. Bijlani
Company Secretary

Anil Bhardwaj
Sr. Manager (Finance)

per **Anil Gupta**
Partner
Membership No. 87921
New Delhi
Date: April 19, 2005

K. K. Kapur
CEO & Whole Time Director

Nand Khemka
Chairman

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

(Rs. in lacs)

	Schedule	Year Ended March, 2005	Year Ended March, 2004
INCOME			
Turnover (Gross)	14	3,447.30	3,380.38
Less : Excise duty		<u>477.10</u>	<u>458.98</u>
Turnover (Net)		2,970.20	2,921.40
Other income	15	<u>10.19</u>	<u>45.61</u>
TOTAL		<u>2,980.39</u>	<u>2,967.01</u>
EXPENDITURE			
Raw materials consumed	16	1,781.33	1,814.97
Purchases of Trading Goods		15.46	15.97
Personnel expenses	17	332.59	317.35
Operating and other expenses	18	612.76	643.79
(Increase)/ decrease in inventories	19	59.67	(5.85)
Depreciation	4	45.35	44.41
Financial expenses	20	49.48	53.70
		<u>2,896.64</u>	<u>2,884.34</u>
Profit before Prior period items and tax		83.75	82.67
Prior period item- Claims adjusted		20.57	-
Profit before tax		104.32	82.67
Minimum Alternate Tax		(2.50)	(2.50)
Deferred tax charge on prior period item		(6.92)	-
Deferred tax charge on items other than prior period		(68.10)	(29.29)
Total tax expense		<u>(77.52)</u>	<u>(31.79)</u>
Net profit for the year		26.80	50.88
(Debit) balance brought forward from previous year		(82.66)	(133.54)
Deficit carried to Balance Sheet		<u>(55.86)</u>	<u>(82.66)</u>
Earnings per share	21		
Basic & diluted (Nominal value of shares Rs. 10) (Previous year Rs. 10)		0.51	0.97
Notes to Accounts	22		

The schedules referred to above including notes to accounts form an integral part of the Profit & Loss Account

As per our report of even date

For and on behalf of the Board of Directors

For **S. R. BATLIBOI & CO.**
Chartered Accountants

Manali D. Bijlani
Company Secretary

Anil Bhardwaj
Sr. Manager (Finance)

per **Anil Gupta**
Partner
Membership No. 87921
New Delhi
Date: April 19, 2005

K. K. Kapur
CEO & Whole Time Director

Nand Khemka
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2005

(Rs. in lacs)

	2004-05	2003-04
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	104.32	82.67
Adjustments for :		
Depreciation	45.35	44.41
Loss on disposal of fixed assets	2.19	0.23
Interest expenses	57.28	61.72
Interest income	(14.58)	(17.41)
Operating profit before working capital changes	194.56	171.62
Movement in working capital:		
(Increase)/ decrease in sundry debtors	244.81	(113.63)
(Increase) in inventories	(45.29)	(54.65)
Decrease in loans and advances	37.69	1.19
Increase/ (Decrease) in current liabilities and provisions	(93.59)	106.84
Cash generated from operations	338.18	111.37
Direct taxes (paid) / refunds	0.17	2.11
Net cash from operating activities	338.35	113.48
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(368.31)	(47.68)
Proceeds from sale of fixed assets	1.67	0.25
Interest received	14.86	25.05
Net cash used in investing activities	(351.78)	(22.38)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/ (Repayment) of long-term borrowings	186.97	(4.65)
(Repayment) of short-term borrowings	(126.95)	(10.65)
Interest paid	(62.44)	(61.72)
Net cash used in financing activities	(2.42)	(77.02)
Net Increase/ (decrease) in cash and cash equivalents (A+B+C)	(15.85)	14.08
Cash and cash equivalents at the beginning of the year	182.28	168.20
Cash and cash equivalents at the end of the year	166.43	182.28
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cheque on hand	21.44	52.86
With Banks - on current accounts	23.85	15.07
- on deposit accounts	121.14	114.35

Note: The above cash flow statement has been prepared under the "Indirect Method" as stated in the Accounting Standard 3 on Cash Flow Statement.

In terms of our attached report of even date

For S.R. Batliboi & Co.
Chartered Accountants

Manali D. Bijlani
Company Secretary

Anil Bhardwaj
Sr. Manager (Finance)

per Anil Gupta
Partner

K.K. Kapur
CEO & Whole Time Director

Nand Khemka
Chairman

Membership No. 87921

Place: New Delhi
Date: April 19, 2005

(Rs. In lacs)

	As at 31st March, 2005	As at 31st March, 2004
Schedule 1 : Share Capital		
Authorised		
7000000 Equity Shares of Rs. 10 each	700.00	700.00
Issued, subscribed and paid up		
5250000 Equity Shares of Rs. 10 each fully paid-up	525.00	525.00

Schedule 2 : Reserves and Surplus

	As at 31st March, 2005	As at 31st March, 2004
Capital Reserve		
a) Central Cash Subsidy	15.00	15.00
b) Profit on Reissue of Forfeited Shares	0.29	0.29
Securities Premium Account	450.00	450.00
Investment Allowance Reserve	6.93	6.93
	<u>472.22</u>	<u>472.22</u>

Schedule 3 : Secured Loans

	As at 31st March, 2005	As at 31st March, 2004
Term Loan from a bank	185.30	-
(Secured by first charge on the entire fixed assets of a new unit setting up at Nalagarh in the state of Himachal Pradesh and further secured by guarantee given by a private limited company in which one of the Directors of the Company is interested as Director)		
Car Finance Loans from Banks and Body Corporate	8.20	6.53
(Secured by hypothecation of Vehicles financed out of proceeds of loan)		
Loans and advances from banks		
Loans against Fixed Deposits	94.00	94.17
(Secured by way of pledge of Fixed Deposits Receipts of Rs.114.00 lacs, Previous year Rs. 107.71 lacs)		
Cash Credit Borrowings	188.25	315.20
(Secured by a first charge over all the immovable properties, both present and future, ranking parri passu and hypothecation of all movable and other assets of the Company(excluding entire fixed assets of Nalagarh project of the Company). These Borrowings are further secured by the personal guarantee of a Director of the Company)		
Interest Accrued and Due	1.62	-
	<u>477.37</u>	<u>415.90</u>

Note: Installments of Term Loan, Car Finance Loans and Loans from Banks against Fixed Deposits repayable within one year Rs. 172.18 lacs (Previous year Rs. 97.66).

Schedule 4 : Fixed Assets

(Rs. In lacs)

	Lease Hold Land	Freehold Land	Buildings	Plant & Machinery	Office Equipment	Furniture & Fixtures	Vehicles	Total	Previous Year
Gross Block									
As on 01.04.2004	4.82	-	168.66	994.33	54.31	23.57	25.83	1,271.52	1,250.66
Additions	-	63.58	5.17	8.69	8.64	0.88	5.50	92.46	22.14
Deductions	-	-	-	18.63	2.09	0.09	-	20.81	1.28
As at 31.03.2005	4.82	63.58	173.83	984.39	60.86	24.36	31.33	1,343.17	1,271.52
Depreciation									
As At 01.04.2004	1.00	-	96.79	794.65	41.34	22.40	15.13	971.31	927.70
Additions	0.05	-	5.26	31.88	4.65	0.71	3.13	45.68	44.41
Deductions	-	-	-	16.53	0.34	0.08	-	16.95	0.80
As at 31.03.2005	1.05	-	102.05	810.00	45.65	23.03	18.26	1,000.04	971.31
For Previous year	0.05	-	5.21	31.04	3.78	0.59	3.74	44.41	-
Net Block									
As at 31.03.2005	3.77	63.58	71.78	174.39	15.21	1.33	13.07	343.13	300.21
As at 01.04.2004	3.82	-	71.87	199.68	12.97	1.17	10.70	300.21	-
Capital Work in Progress :									
Capital Work in Progress Including capital advances								244.87	0.56
Total								244.87	0.56
Grand Total								588.00	300.77

Notes:

1. Fixed assets of the cost Rs. 18.63 lacs (W.D.V. Rs. 2.10 lacs) have been discarded during the year.
2. Depreciation provided during the year includes Rs. 0.33 lac debited to pre- operative expenses.

Schedule 5 : Expenditure during construction period (Pending Allocation)
(Rs. In lacs)

	As at 31st March, 2005	As at 31st March, 2004
Salary and bonus	14.29	5.49
Contribution to provident fund	1.18	0.44
Travelling and conveyance	4.95	1.37
Legal and professional fees	8.13	1.64
Communication costs	0.62	0.05
Vehicle hire charges	1.12	-
Rent	0.58	-
Interest on Term Loan	6.61	-
Bank charges and loan processing fee	2.38	-
Miscellaneous expenses	7.56	0.28
Depreciation	0.33	-
	47.75	9.27

Schedule 6 : Deferred Tax Assets (Net)

	As at 31st March, 2005	As at 31st March, 2004
a) Deferred Tax Assets		
Arising on account of timing differences in:		
- Provision for doubtful debts and advances	43.41	38.79
- Accrued expenses allowable on actual payments	3.62	1.95
- Carry forward business losses	33.71	84.54
- Carry forward unabsorbed depreciation	57.00	60.74
	137.74	186.02
Less:Deferred Tax Assets not recognised on Business Losses	33.71	-
	104.03	186.02
b) Deferred Tax Liabilities		
Arising on account of timing differences in:		
- Depreciation	45.20	52.17
Net Deferred Tax Assets	58.83	133.85

Schedule 7 : Inventories

	As at 31st March, 2005	As at 31st March, 2004
Raw materials	245.34	139.26
Packing materials	2.32	2.64
Stores and spares	38.66	39.46
Work-in-progress	7.73	13.99
Finished goods		
- Manufactured	269.59	312.84
- Traded	20.98	31.14
	584.62	539.33

Schedule 8 : Sundry Debtors**(Rs. In lacs)**

	As at 31st March, 2005	As at 31st March, 2004
Debts Outstanding for a period exceeding six months		
Unsecured, considered good	27.17	48.90
Unsecured, considered doubtful	125.62	94.01
Other debts		
Unsecured, considered good	358.14	581.22
Unsecured, considered doubtful	0.62	3.99
	<u>511.55</u>	<u>728.12</u>
Less : Provision for doubtful debts	126.24	98.00
	<u>385.31</u>	<u>630.12</u>

Schedule 9 : Cash and Bank Balances

	As at 31st March, 2005	As at 31st March, 2004
Cash in hand	0.52	2.41
Cheques on hand	20.92	50.45
Balances with scheduled banks:		
on current accounts	23.85	15.07
on fixed deposit accounts (Receipts pledged with Banks)	121.10	114.31
Post Office Savings Bank Account (Pass Book pledged with Excise Authorities)	0.04	0.04
	<u>166.43</u>	<u>182.28</u>

Schedule 10 : Other Current Assets

	As at 31st March, 2005	As at 31st March, 2004
Interest accrued on fixed deposits	3.09	3.37
	<u>3.09</u>	<u>3.37</u>

Schedule 11 : Loans and Advances (Unsecured)

	As at 31st March, 2005	As at 31st March, 2004
Considered good		
Loans to staff	7.42	7.77
Advances recoverable in cash or in kind or for value to be received	34.43	81.45
Balance with Excise Authorities	9.12	10.25
Advance payment of income tax/tax deducted at source/ income tax refundable	3.92	4.09
Deposits - others	59.53	48.72
Considered doubtful		
Advances recoverable in cash or in kind or for value to be received	1.51	9.03
Deposits -Others	1.20	1.10
	<u>117.13</u>	<u>162.41</u>
Less : Provision	2.71	10.13
	<u>114.42</u>	<u>152.28</u>

Included in Loans and advances are:

Due from a private company in which one of the director of the company are interested as director Rs. 12.66 lacs (previous year Rs. 13.07 lacs.)

Schedule 12: Current Liabilities**(Rs. In lacs)**

	As at 31st March, 2005	As at 31st March, 2004
Sundry creditors	474.82	542.76
Retention money and security deposits	26.20	14.42
Advances from customers	6.71	45.24
	<u>507.73</u>	<u>602.42</u>

Included in Sundry Creditors are:

Due to small scale industrial undertakings Rs. 7.35 lacs (Previous year Rs. 9.12 lacs)

Note: There are no amount outstanding for more than thirty days to Small Scale Industrial Undertaking.

Schedule 13: Provisions

	As at 31st March, 2005	As at 31st March, 2004
Taxation	5.00	2.50
Gratuity	6.22	7.56
Leave encashment	10.77	8.33
	<u>21.99</u>	<u>18.39</u>

Schedule 14 : Turnover (Gross)

	Year Ended March, 2005	Year Ended March,2004
Sale of Finished Goods		
- Manufactured	3,403.38	3,342.75
- Traded	29.81	32.98
Sale of Services	38.86	11.19
	<u>3,472.05</u>	<u>3,386.92</u>
Less: Trade Discounts etc.	24.75	6.54
	<u>3,447.30</u>	<u>3,380.38</u>

Schedule 15 : Other Income

	Year Ended March, 2005	Year Ended March,2004
Unspent liabilities/provisions written back	-	28.46
Recovery of bad debts written off in earlier years	1.36	-
Foreign exchange fluctuation (net)	-	1.36
Miscellaneous income	8.83	15.79
	<u>10.19</u>	<u>45.61</u>

Schedule 16 : Raw Materials Consumed

	Year Ended March, 2005	Year Ended March,2004
Inventories at March 31, 2004	139.26	95.89
Add: Purchases	1,887.41	1,858.34
Less: Inventories as at March 31, 2005	245.34	139.26
	<u>1,781.33</u>	<u>1,814.97</u>

Schedule 17 : Personnel Expenses**(Rs. In lacs)**

	Year Ended March, 2005	Year Ended March,2004
Salaries, wages and bonus	285.90	271.62
Contribution to gratuity fund	10.78	11.86
Contribution to provident and other funds	21.92	21.56
Workmen and staff welfare expenses	13.99	12.31
	<u>332.59</u>	<u>317.35</u>

Schedule 18 : Operating and Other Expenses

	Year Ended March, 2005	Year Ended March,2004
Consumption of stores and spares	22.65	24.40
Packing expenses	16.59	19.62
Power and fuel	174.57	177.35
Repairs and maintenance :		
Plant and machinery	29.30	29.25
Buildings	0.49	3.35
Others	8.36	6.87
Rent (net)	36.48	38.54
Rates and taxes	7.95	15.10
Insurance (net)	11.42	10.77
Traveling and conveyance	85.15	85.90
Communication costs	22.16	24.15
Printing and stationery	7.24	6.69
Legal and professional fees	21.02	24.20
Director's remuneration	16.14	14.77
Auditors remuneration :		
Audit fee	3.31	3.32
Quarterly review of financial statements	1.65	1.62
Certification etc.	0.54	0.40
Out of pocket expenses	0.12	0.06
Freight and forwarding charges	62.22	61.14
Provision for doubtful debts and advances	20.82	-
Excise Duty on stocks	(6.86)	9.03
Vehicle running and maintenance	7.28	6.41
Director's meeting fees	1.95	0.72
Foreign exchange fluctuation (net)	0.47	-
Security and other service charges	14.55	15.07
Service charges to C&F agents	15.89	14.53
Loss on disposal of fixed assets (net)	2.19	0.23
Advertisement and publicity	11.25	8.15
Irrecoverable balances written off (net)	1.25	25.35
Miscellaneous expenses	16.61	16.80
	<u>612.76</u>	<u>643.79</u>

Schedule 19 : (Increase)/ Decrease in Inventories**(Rs. In lacs)**

	Year Ended March, 2005	Year Ended March,2004
Inventories as at March 31, 2005		
Work-in-progress	7.73	13.99
Finished goods		
- Manufactured	269.59	312.84
- Traded	20.98	31.14
	<u>298.30</u>	<u>357.97</u>
 Inventories as at March 31, 2004		
Work-in-progress	13.99	21.84
Finished goods		
- Manufactured	312.84	290.90
- Traded	31.14	39.38
	<u>357.97</u>	<u>352.12</u>
	<u>59.67</u>	<u>(5.85)</u>

Schedule 20 : Financial Expenses

	Year Ended March, 2005	Year Ended March,2004
Interest paid		
On Car finance loans	0.79	1.22
To Banks and others	56.49	60.50
	<u>57.28</u>	<u>61.72</u>
Less: Interest income		
(Tax Deducted at Source Rs. 1.39 lacs, Previous year Rs. 1.93 lacs)	(14.58)	(17.41)
	<u>42.70</u>	<u>44.31</u>
Bank Charges	6.78	9.39
	<u>49.48</u>	<u>53.70</u>

Schedule 21 : Earnings per share (EPS)

	Year Ended March, 2005	Year Ended March,2004
Net profit as per profit and loss account	26.80	50.88
Net profit for calculation of basic and diluted EPS	26.80	50.88
No. of Equity Share 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 Earning per share (Rs.)	<u>0.51</u>	<u>0.97</u>

Schedule 22 : Notes to Account**1. Nature of Operations**

Indag Rubber Limited is a joint venture between Bandag Incorporated of USA and Khemka Group. The Company is engaged in manufacturing and selling of precured tread rubber and allied products. The Company has set up plant at Bhiwadi in the state of Rajasthan and is in the process of setting up a new unit in the state of Himachal Pradesh for manufacturing precured tread rubber and allied products.

2. Statement of Significant Accounting Policies**(a) Basis of preparation**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in the following cases where income are accounted for on acceptance basis on account of uncertainties:

- a) Claims lodged with insurance company but not settled
- b) Interest on delayed payments and cheque bouncing charges receivable from customers.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(b) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Financing cost relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to put to use.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts and where carrying value exceeds their estimated recoverable amounts, assets are written down to their recoverable amount.

(c) Depreciation

- i) Cost of leasehold land is being amortised over the lease period.
- ii) Assets costing less than or equal to Rs. 5000 are depreciated fully in the year of purchase.
- iii) *Depreciation on Buildings and Plant & Machinery* has been provided on Straight Line Method (SLM) at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- iv) Depreciation on all other fixed assets has been provided on Written Down Value Method (WDV) at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- v) Depreciation on the amount of adjustment to fixed assets acquired outside India on account of exchange differences is provided over the remaining useful life of such assets. Depreciation on capitalization of Insurance spares is provided retrospectively from the date, the related mother assets are put to use.

(d) Inventories

Inventories are valued as follows:

Raw materials, stores and spares,
packing materials and traded goods

Lower of cost and net realizable 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 First In First Out basis.

Work in progress and finished goods
(own manufactured)

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

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

(e) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

(f) Foreign currency translation

Foreign currency transactions

(i) 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.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise except exchange difference on liabilities for purchase of fixed assets acquired from outside India, which are adjusted to the carrying cost of respective assets.

(g) Retirement and other benefits

- i. Retirement benefits in the form of Provident and Gratuity Fund is charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. Liability for gratuity is ascertained by Life Insurance Corporation of India based on actuarial valuation at the year end.
- ii. Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

(h) Income taxes

Tax expense comprises both current 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. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized 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 realized. Deferred tax assets are recognized on carry forward of business losses and unabsorbed depreciation only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

(i) Expenditure on new projects

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit & Loss Account.

(j) Earnings Per Share

Basic earnings 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. The weighted average number of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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.

(k) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a

reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3. 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 fixing on the old used tyres and thus has only one business segment.

The Company sells its products mostly within India with insignificant export income and does not have any operation in economic environments with different risks and returns. Hence, it is considered operating in a single geographical segment.

4. Related Party Disclosure

(Rs in lacs)

Particulars	Other parties which significantly influence/ are influenced by the Company (either individually or with others)		Key Management Personnel		Total	
	2005	2004	2005	2004	2005	2004
Sales						
- Unipatch Rubber Limited	1.06	0.43	-	-	1.06	0.43
Purchases (Raw Materials, Stores, Spares & Packing Materials)						
- Unipatch Rubber Limited	5.20	4.96	-	-	5.20	4.96
- Bandag Incorporated, USA	0.31	1.09	-	-	0.31	1.09
Purchases (Fixed Assets)						
- Bandag Incorporated, USA	-	0.55	-	-	-	0.55
Rent paid						
- Unipatch Rubber Limited	2.90	2.71	-	-	2.90	2.71
- Khemka Aviation Pvt. Limited	24.80	23.95	-	-	24.80	23.95
Remuneration						
- Mr. K.K. Kapur	-	-	16.14*	14.77*	16.14	14.77
Reimbursement of expenses						
- Unipatch Rubber Limited	3.39	2.33	-	-	3.39	2.33
- Khemka Aviation Pvt. Limited	2.66	2.90	-	-	2.66	2.90
Trade/ Other Receivables						
- Khemka Aviation Pvt. Limited	12.66	13.07	-	-	12.66	13.07
- Others	0.25	0.32	-	-	0.25	0.32
Trade/ Other Payables						
- Unipatch Rubber Limited	-	1.89	-	-	-	1.89
- Mr. K.K. Kapur	-	-	3.49	9.00	3.49	9.00
Corporate Guarantee						
- Khemka Aviation Pvt. Limited	186.92	-	-	-	186.92	-
Personal Guarantee given by Directors						
- Mr Nand Khemka	-	-	188.25	315.20	188.25	315.20

*Excluding contribution to gratuity fund and provision for leave encashment

Names of Related Parties

Key Management Personnel	Mr Nand Khemka (Chairman) Mr. K. K. Kapur (Whole Time Director)
Other Parties which significantly influence/ are influenced by the Company (either individually or with others)	Bandag Incorporated, USA Unipatch Rubber Limited Khemka Aviation Pvt. Limited

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.

5. Income tax

- Deferred Tax Assets at the year end has been measured in term of the provisions of the Finance Bill, 2005 which is pending approval by Parliament.
- Pursuant to Accounting Standard (AS) 22 "Accounting for Taxes on Income" the Company has, based on prudence, reversed deferred tax assets recognized on business losses of Rs. 33.71 lacs in earlier years .

6. Capital Commitments

	2005 (Rs in lacs)	2004 (Rs in lacs)
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of Rs.170.21 lacs (Previous year Rs.16.24 lacs) included under Capital Work-in -Progress)	353.91	48.64

7. Contingent Liabilities (not provided for) in respect of :

- | | | |
|---|--------|------|
| a) Demand raised by Sales Tax Authority being disputed by the Company. The Company is hopeful of getting relief in appeal. The Company has deposited a sum of Rs. 2.41 lacs against the above demand. | 7.26* | 7.26 |
| b) Income tax matters decided by Additional CIT in favour of the Company but the department has gone into further appeal | 93.34* | - |
| c) Bank Guarantees outstanding | 8.60 | 6.67 |
| d) Other claims against the Company not acknowledged as debts | 1.45** | 1.45 |

* Based on the discussions with the solicitors, the management believes that the Company has a strong chance of success in above mentioned cases and hence no provision thereagainst is considered necessary.

** Since the Company has met the contractual terms and conditions, management believes that the claim filed / demand raised by above party has no ground and no provision needs to be made thereagainst.

8. Supplementary Statutory Information
8.1 Whole Time Directors' Remuneration

Salary and Bonus	11.75	12.30
Contribution to Provident Fund	0.81	0.40
Perquisites *	3.58	2.07
	<u>16.14</u>	<u>14.77</u>

*Excluding contribution to gratuity fund and provision for leave encashment.

	2005 (Rs in lacs)	2004 (Rs in lacs)
8.2 Expenditure in foreign currency (on Accrual basis)		
Foreign Traveling	<u>1.04</u>	<u>-</u>
8.3 Value of imports calculated on CIF basis		
Raw Materials	-	9.33
Spares	0.31	-
Capital goods	15.43	0.55
	<u>19.59</u>	<u>9.88</u>
8.4 Earning in foreign currency (on cash basis)	Nil	Nil

9 Additional Information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 (As certified by Management)

9.1 Licensed Capacity, Installed Capacity and Actual Production

Class of Goods	Unit	Licensed Capacity		Installed Capacity		Actual Production	
		2005	2004	2005	2004	2005	2004
Precured Tread Rubber	MT	6,000	6,000	3,500	3,500	2,953.33	3,203.30
Bonding Repair & Extrusion Gums (Including Envelopes)	MT	1,150	1,150	1,150*	1,150*	182.88	239
Rubber Cement	K. Ltrs	300	300	300	300	141.79	147.34
Tyre Retreading Equipment	Sets	15	15	15	15	-	-

*Subject to installation of balancing equipment.

9.2 Sales(Gross)

	Unit	Quantity		Value (Rs. in lacs)	
		2005	2004	2005	2004
Precured Tread Rubber	MT	3000.47	3176.95	3073.26	2998.71
Bonding Repair & Extrusion Gums (Including Envelopes)	MT	209.83	234.7	242.35	263.97
Rubber Cement	MT	121.72	124.48	58.68	56.23
Miscellaneous		NA	NA	67.95	35.03
				<u>3,442.24</u>	<u>3,353.94</u>

9.3 Details of Finished Goods

		Quantity		Value (Rs. in lacs)	
		2005	2004	2005	2004
Opening Stock					
Precured Tread Rubber	MT	330.81	306.98	268.15	245.65
Bonding Repair & Extrusion Gums (Including Envelopes)	MT	39.29	36.11	41.25	40.44
Rubber Cement	K.Ltrs.	9.72	10.88	2.83	3.45
Miscellaneous		-	-	0.62	1.36
				<u>312.85</u>	<u>290.9</u>
Closing Stock					
Precured Tread Rubber	MT	282.86	330.81	254.27	268.15
Bonding Repair & Extrusion Gums (Including Envelopes)	MT	7.85	39.29	12.64	41.25
Rubber Cement	K.Ltrs.	5.06	9.72	1.73	2.83
Miscellaneous		-	-	0.95	0.61
				<u>269.59</u>	<u>312.84</u>

Difference in quantitative tally is on account of shortages, captive consumption etc.

9.4 Consumption of raw materials

		Quantity		Value (Rs. in lacs)	
Unit		2005	2004	2005	2004
Rubber	MT	1664.066	1821.238	1106.34	1072.26
Carbon Black	MT	1023.05	1115.387	338.39	393.92
Chemicals		-	-	218.89	238.77
Others		-	-	117.71	110.02
				<u>1781.33</u>	<u>1814.97</u>

9.5 Imported and Indigenous raw materials, stores and spares consumed

		Percentage of total consumption		Value (Rs. in lacs)	
		2005	2004	2005	2004
Raw Materials					
Imported		0.73%	0.98%	12.96	17.43
Indigenously obtained		99.27%	99.02%	1768.37	1797.54
		<u>100%</u>	<u>100%</u>	<u>1781.33</u>	<u>1814.97</u>
Packing Materials					
Imported		-	-	-	-
Indigenously obtained		100%	100%	16.59	19.62
		<u>100%</u>	<u>100%</u>	<u>16.59</u>	<u>19.62</u>
Stores and Spares (Including booked under Machinery Repairs)					
Imported		0.48%	1.39%	0.22	0.64
Indigenously obtained		99.52%	98.61%	45.52	45.57
		<u>100%</u>	<u>100%</u>	<u>45.74</u>	<u>46.21</u>

9.6 Details of Trading Goods

Class of Goods	Unit	Quantity		Value (Rs. in lacs)	
		2005	2004	2005	2004
Patches	Nos.				
Opening Stock		6802	12930	3.54	5.87
Purchases		12230	5994	4.28	3.76
		19032	18924	7.82	9.63
Sales		8635	11848	3.97	6.29
Closing stock		<u>8215</u>	<u>6802</u>	<u>3.59</u>	<u>3.54</u>
2) Poly	Tonnes				
Opening Stock		3.80	4.26	3.08	3.36
Purchases		5.75	5.28	6.45	5.31
		9.55	9.54	9.53	8.67
Sales		5.43	5.50	8.18	7.99
Closing stock		<u>3.59</u>	<u>3.80</u>	<u>3.92</u>	<u>3.08</u>
3) Spares					
Opening Stock		NA	NA	24.52	30.15
Purchases		NA	NA	4.73	6.9
		NA	NA	29.25	37.05
Sales		NA	NA	17.66	18.7
Closing stock		<u>NA</u>	<u>NA</u>	<u>13.47</u>	<u>24.52</u>

Difference in quantitative tally is on account of shortages, captive consumption etc.

10 Previous Year Comparatives

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

As per our report of even date

For **S.R.BATLIBOI & CO.**
Chartered Accountants

per **Anil Gupta**
Partner
Membership No. 87921
New Delhi
Date: April 19, 2005

For and on behalf of the Board of Directors

Manali D. Bijlani
Company Secretary

Anil Bhardwaj
Sr. Manager (Finance)

K. K. Kapur
CEO & Whole Time Director

Nand Khemka
Chairman

Indag Rubber Limited

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

Proxy Form

Regd. Folio No. _____

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 26th Annual General Meeting of the Company to be held on Thursday 29th September, 2005 at Dolly Farms & Resorts Pvt. Ltd., (near The Executive Club), 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-110030 and at adjournment(s) thereof.

signed this _____ day of _____ 2005

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

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 Number _____

DP Name _____

No. of Shares _____

I hereby record my presence at the 26th General Meeting of the Company on Thursday 29th September 2005 at Dolly Farms & Resorts Pvt. Ltd., (near The Executive Club), 439, Village Shahoorpur, P.O. Fatehpur Beri, New Delhi-110030 and at adjournment(s) thereof.

Name

(Signature of Member/Proxy Present)

Note : * Please handover this attendance slip duly signed as Member or Proxy, as the case may be at the attendance registration counter at the meeting. * Members are requested to bring this attendance slip along with 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 Number _____

Name

(Authorised Signature with Rubber Stamp)

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

No gift/coupon will be distributed at the meeting.



INDIA'S MOST TRUSTED ~~RE~~ READ

Indag Rubber Limited

Registered Office

11, Community Centre, Saket, New Delhi-110017
