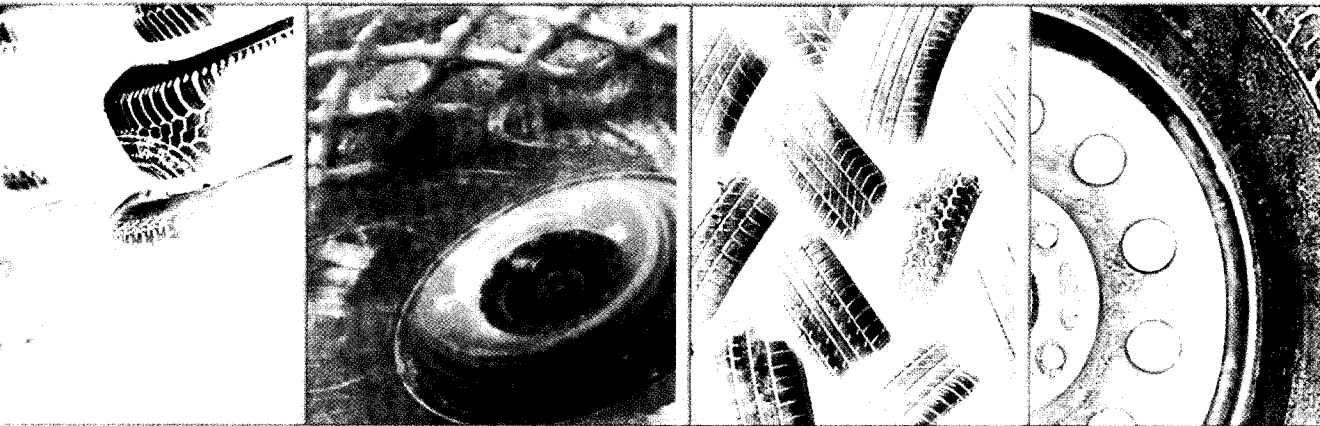




RABAccreditation# 01011998

27th

Annual Report 2006



INDAG[®]

Indag Rubber Limited

- **BOARD OF DIRECTORS**

Nand Khemka
Chairman

S.L. Khemka

P.R. Khanna

R. Parameswar

K.K. Kapur
(Whole Time Director)

Prakash Kalothia
(Alternate Director to Mr. R. Parmeswar)
- **BANKERS**

Corporation Bank
State Bank of Bikaner & Jaipur
- **AUDITORS**

S.R. Batliboi & Associates
Chartered Accountants
B-26, Qutab Institutional Area,
New Delhi-110016 (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 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-SEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDAG RUBBER LIMITED WILL BE HELD ON SATURDAY, 24TH JUNE 2006 AT 10:00 A.M AT DOLLY FARMS & RESORTS PVT. LTD., (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 2006 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.P.R.Khanna, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr.K.K.Kapur, 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. Batliboi & Associates., Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to audit the Accounts for the Accounting Year 2006-2007 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 **SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of section 31 of the Companies Act, 1956 and other applicable provisions, if any, and subject to the transfer of entire shareholding in the company by Bandag Inc., to the Indian Promoters, the Articles of Association of the Company be altered in the following manner:

(A) In Article 1: Interpretation, the word "Bandag" and its interpretation be deleted, and the definition of "Khemka" be amended as under :

"KHEMKA" means Mr.Nand Khemka of Speed Bird House, 41/2 M-Block, Connaught Place, New Delhi 110001, India including his successors, assignees, nominee or nominees.

- (b) Article 3 in respect of Company not to purchase its own share be deleted.
- (c) Article 61 in respect of Notice of meeting be amended as under
61. Save as provided in sub-clause (2) of section 171 of the Act, a General Meeting of the company be convened by giving not less than 21 days notice in writing specifying the place, the day and the hour of the meeting and in case of special business the general nature of such business shall be given to the members. Where under provisions of the Act, a special notice is required to any resolution, a notice of intention to move such resolution shall be given by the company not less than 14 days before the meeting at which it is to be moved.
- (d) Article 82 in respect of Number of Directors be amended as under.
82. The number of the Directors of the company shall not be less than three and not more than ten.
- (e) Article 90 be renumbered as 90 (1) and a new sub-clause be added as Article 90 (2) as under
90 (2). A person shall not be capable of being appointed as a Director if he has the disqualifications referred to in Section 274 of the Act.
- (f) Article 95 in respect of Appointment & retirement of directors be amended and substituted as under:
95. Not less than two-third of the total number of directors of the company shall be persons whose period of office is liable to termination by retirement of Directors by rotation. One-third of the total number of Directors appointed in accordance with the provisions of these Articles shall not be liable to retire by rotation.
- (g) Article 96(1) in respect of Bandag's right to appoint one Director be deleted and Article 96(2) be re-numbered as Article 96.
- (h) Article 97 in respect of appointment of Special Directors by Financial Institutions be deleted.

- (i) Article 104 in respect of appointment of Alternate Director be amended and substituted as under:
104. In the event that any Director is away from the State in which the registered office of the company is located for a continuous period of not less than three months, a suitable Alternate Director shall be appointed for such a Director as approved by Mr.Nand Khemka.
- (j) Article 114(2) be deleted and in its place the following new Article shall be substituted:
114(2). In respect of any of the matters specified below, the resolution of the Board of Directors to be effective shall be approved by the majority vote of the Directors, which majority shall include the affirmative vote of Khemka or the non-retiring Director (s) appointed by Khemka, who shall vote as per directions of Khemka, which may be communicated at the meeting of the Board or the Committee thereof at which the decision is taken, or if he is unable to be present at that meeting, the concurrence may be provided by cable, letter, e-mail.
- i. Appointment or reappointment of a Managing Director or Whole-time Director of the company.
 - ii. Borrowing monies for the business of the company in excess of Rs.60,00,000 excluding any long term loans.
 - iii. Acquisition of immovable property or rights in immovable property not connected with the business of the company.
 - iv. Appointment of Additional Directors or filling any casual vacancies on the Board of Directors.
 - v. Obtaining any long-term loan or altering of the terms and conditions of any such loan.
 - vi. Creating any mortgage, charge or other encumbrance in respect of the company's fixed properties and assets.
 - vii. Substantially changing the business of the company whether through acquisition or otherwise.
 - viii. Investment of surplus funds not immediately required for the business of the company.
 - ix. Any allotment of shares.
- (k) Article 147(2) in respect of Appointment and remuneration of Auditors be amended as under
147(2). The company at each Annual General Meeting shall appoint or reappoint an Auditor or Auditors to hold office from the conclusion of that meeting until the conclusion of next Annual General Meeting and shall within seven days of the appointment, give intimation thereof to every Auditor or Auditors so appointed, unless he is retiring Auditor or Auditors. The appointment, remuneration, rights and duties of the Auditor or Auditors shall be regulated by section 224 to 227 of the Act.

For and on behalf of the Board of Directors

New Delhi
April 18, 2006

Manali D.Bijlani
Company Secretary

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 and 5 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 23rd June 2006 to 24th June 2006 (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

Indag was formed as a joint venture company between Khemka group and Bandag Inc., USA for the manufacture and marketing of pre-cured retreads.

The joint venture partners have mutually agreed to terminate the Joint Venture Agreement and decided that Bandag shall transfer its entire shareholding in Indag to Indian promoters.

Accordingly, it is proposed to make necessary amendments in the Articles of Association of the company so as to ensure that the decisions taken by the Management are not ultra-vires and void, which are as under:

- An affirmative vote of Bandag will no more be required to take the decision on crucial matters
- Bandag will not have the right to appoint any Director on the Board.

As at present the company has not availed any loan from any of the Financial Institutions i.e. IDBI, IFCI, ICICI, UTI, or LIC, the power with the financial institutions to appoint a non-retiring director on the Board is deleted. Further the appointment of the statutory auditors of the company be approved by passing an ordinary resolution instead of special resolution.

Pursuant to section 31 of the Companies Act, 1956 your Directors recommend the proposed resolution for approval.

None of the directors are interested in the proposed resolution.

For and on behalf of the Board of Directors

New Delhi
April 18, 2006

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 P.R.Khanna	Shri K.K.Kapur
Date of Birth	2nd July 1933	15th October 1937
Date of Appointment	8th September 1983	9th April 2001
Qualifications	- Member of Institute of Chartered Accountants of India	- Post-graduate in Mathematics - Member of the Institute of Cost and Works Accountants of India
Names of other companies in which director and member of Committees	1. Ansal Properties & Industries Ltd. 2. DCM Shriram Ltd 3. Uniproducts India Limited 4. Control & Switchgears Contractors Limited	Nil
Number of shares held in the company	Nil	Nil

DIRECTORS' REPORT**TO
THE MEMBERS,**

Your Directors are pleased to present the 27th Annual Report together with the Audited Statement of Accounts of the Company for the accounting year ended March 31, 2006. We have included, as a part of this report the Management Discussion and Analysis.

FINANCIAL RESULTS :

Particulars	2005-2006 (Rs.in lacs)	2004-2005 (Rs.in Lacs)
Profit before Interest & Depreciation	173.12	213.73
Finance Expenses	83.80	64.06
Profit before Depreciation	89.32	149.67
Depreciation	64.14	45.35
Profit before Income Tax	25.18	104.32
Provision for Minimum Alternate Tax	-	(2.50)
Fringe Benefit Tax	(7.71)	-
Deferred Tax Assets/(Liabilities)	(58.83)	(75.02)
Profit (Loss) for the year	(41.36)	26.80
(Debit) Balance brought forward from previous year	(55.86)	(82.66)
(Loss) carried to balance sheet	(90.29)	(55.86)

OPERATIONAL PERFORMANCE

During the year under review the gross turnover of your company amounted to Rs. 4343.82 lacs as against Rs. 3447.30 lacs in the previous year. While there was 26% increase in turnover, the profit before depreciation and interest, declined by nearly 19%. The main reason for reduction in profitability was that most of the increase in turnover was on account of sale to STU's where contribution is small which got further eroded due to unprecedented increase in the prices of raw materials over the period of the fixed price contracts. The unprecedented increase in prices of raw materials also adversely affected the profitability of sales to franchisee too. Further, there were certain items of expenditure incurred in connection with the setting up the Nalagarh project, which could not be capitalised to conform to the Accounting Standards.

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

While the medium and long term prospects of the industry appear to be good. However, they are dependant on improvement in the quality of roads, effective check on over-loading of vehicles and radialisation of tyres in the bus ,truck and tanker sections. Although retreading of tyres is done world over, as it reduces costs substantially, in India there is danger of retreading getting bad name as there is mushrooming growth of parties not conforming to any standards both in the manufacture of tread rubber as well as in retreading. It is necessary for the government to enforce quality standards in these areas for transport sector to derive benefits of retreading.

OPPORTUNITIES AND THREATS

Government of India during the last few years has paid special attention to the construction of good quality roads in the country. The Golden Quadrilateral and the corridor forming part of NHDP phases I and II are scheduled to be completed December, 2008. The budget for the year 2006-2007 envisaged construction of 1000 KM of Express Ways between major cities of the country. With the completion of these projects, road transport is expected to become cheaper and faster. Privatisation of construction, maintenance and operation of road work is expected to effectively check overloading. There has also been healthy growth in auto sector in the last few years. These factors give hope for good growth in the retread industry.

The threats to this industry come from unprecedented increase in raw material prices and unfair and unhealthy competition from units who make retreading unreliable by marketing cheap products of unreliable quality.

NALAGARH PROJECT

During the last quarter of the financial year 2005-2006, the state of art plant was completed and commissioned at Nalagarh, Himachal Pradesh, showing your company's confidence in the future and its continued commitment to develop this industry.

TERMINATION OF JOINT VENTURE

Indag was formed as a joint venture company between Khemka group and Bandag Inc., USA for the manufacture and marketing of pre-cured retreads, in the year 1978.

The joint venture partners have mutually agreed to terminate the Joint Venture Agreement and decided that Bandag shall transfer its entire shareholding in Indag to Indian promoters.

Both the partners signed the Settlement Agreement for termination of JVA in March 2006. Other steps involved for completing the termination of JVA are expected to be completed shortly.

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:-

- (i) *Financial risk: Credit risk on account of material supplied to customers has been mitigated by insisting on most of the parties to pay in advance before supplies are made. In the case of others, PDC's are taken against supplies. The risk of delayed payment from STU's is reduced by cutting down the supplies if payment is delayed much beyond the contracted period.*
- (ii) *Increase in price of raw materials: Normal increase in prices of raw materials is generally factored while fixing products prices to the franchisees. Unexpected increases however do affect the profitability for some time till prices are revised to pass on the cost increases to the customers. In the case of fixed price, fixed period contracts, unprecedented increase in raw material prices do affect profitability.*
- (iii) *Changes in governments policies: Changes in government polices can at times materially effect company's financial position or investments. There is little that can be done about it.*
- (iv) *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 on in case of any breakdown.*
- (v) *Product risk: Research and development is being undertaken to deliver better products, service and value to end-customers.*

HUMAN RESOURCE DEVELOPMENT

During the year, the Company had generally cordial industrial relations. Focus on efficient shop floor management, strengthening Sales and Marketing team, continuous training to enhance the human capital has resulted in amiable association with our 272 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, Plants 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 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.

COMMITMENT TO QUALITY

Indag recognizes quality as a pre-requisite for its operations and has implemented ISO 9002 standards at the Bhiwadi 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

In accordance with Article 99 of the Articles of Association of the Company, Sh. P.R.Khanna and Sh.K.K.Kapur will retire from office by rotation, and being eligible, offer themselves for re-appointment.

On April 6 2006, Mr.Prakash Kalkotia was appointed as an Alternate Director to Mr.R Parmeswar. Mr.Kalkotia vacated the office of Alternate Director on April 18, 2006.

Mr.Mark Thoeny, representative director of Bandag is expected to resign from the Board on the completion of formalities with dissolution of Joint Venture Agreement.

AUDITORS' REPORT

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

AUDITORS

The Auditors of the Company, S.R.Batlboi & 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 .

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, 2006, a total of 748545 equity shares which forms 14.26% 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 2005-2006 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:

- in presentation of the Annual Accounts, applicable Accounting Standards have been followed.
- 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.
- 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.
- 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 during their partnership in Indag. 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
April 18, 2006

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	2005-2006 (Rs. in Lacs)	2004-2006 (Rs. Lacs)
Foreign Exchange earned	Nil	Nil
Foreign Exchange used	Nil	20.63

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</p> | <p>Specific Areas in which R&D is carried out by the Company are:</p> <ul style="list-style-type: none"> a) Evaluation and assessment of raw materials from alternate sources. b) Evaluation of new raw materials. c) Development of new designs and products. d) Process improvisation to further improve consistency of the product. e) Development of substitutes for imported raw materials and equipments. |
| <p>2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.</p> | <p>Technology provided by Bandag has been adapted considerably and we continue to be in a position to offer our Indian customers a better and more qualitative range of services in the field of tyre retreading.</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.</p> <p>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:

<i>Directors</i>	<i>Executive/Non-executive/Independent</i>	<i>Number of Board Meetings attended</i>	<i>Attendance at the last AGM held on Sep. 29, 2005</i>	<i>No. of Other Directorship Held in Public Companies</i>	<i>Number of Membership Committees</i>	
					<i>Member</i>	<i>Chairman</i>
Mr. Nand Khemka	Chairman, interested	4	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	6	Yes	4	5	Nil
Mr.R.Parmeswar	Non-Executive, independent	6	Yes	1	1	Nil
Mr. K.K.Kapur (Whole-time Director)	Executive, independent	6	Yes	Nil	Nil	Nil
Mr.Prakash Kalothia (Alternate Director to Mr.R Parmeswar)	Non- Executive, independent	NA	N.A	Nil	Nil	Nil

Six meetings of the Board of Directors were held during the year on April 19 2005, July 22 2005, October 31 2005, January 18 2006, February 13 2006 and February 23 2006. 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.

Four meetings of the Audit Committee were held during the year on April 19 2005, July 22 2005, October 31 2005 and January 18 2006. The composition of the Audit Committee and details of their attendance at the meetings are as follows:

<i>Name of the member</i>	<i>Status</i>	<i>No. of meetings attended</i>
Mr.R.Parmeswar (Chairman)	Non-executive, Independent	4
Mr.P.R.Khanna (Member)	Non-executive, Independent	4
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, which has been approved by the Shareholders in the Annual General Meeting, held on 29th September 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.)	Number of Shares and convertible instruments held
Mr. Nand Khemka	Brother of Mr. S.L.Khemka	Nil	60,000	451 equity shares
Mr. S.L.Khemka	Brother of Mr. Nand Khemka	Nil	Nil	Nil
Mr. Mark Richter Thoeny	Nil	Nil	Nil	Nil
Mr. P.R.Khanna	Nil	Nil	1,20,000	Nil
Mr. R.Parameswar	Nil	Nil	1,10,000	Nil

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 2005-2006			
			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.14.69 lacs	Rs.0.51 lacs Ref. note a	Ref. note b	Ref. note c

a. Whole Time Director is entitled to profit sharing bonus, at the rate of 2% of profits before tax earned by the company. The Board has approved payment of Rs.0.51 lacs as bonus for the year 2005-2006.

- b. 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, 2005 for a period of three years.
- c. 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
24th AGM 18th July, 2003	9:30 A.M.	Dolly Farms &Resorts (P) Limited,(Near Executive Club), 439 Village Shahoorpur, P.O.Fatehpur Beri, New Delhi 110030
25th AGM 20th July, 2004	10:00 AM	Dolly Farms &Resorts (P) Limited,(Near Executive Club), 439 Village Shahoorpur, P.O.Fatehpur Beri, New Delhi 110030
26th AGM 29th September 2005	10:00 A.M.	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, 2006 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 : 24th June 2006 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 1st quarter ending June 30, 2006 | By end of July 2006 |
| For half year ending September 30, 2006 | By end of November 2006 |
| For 3rd quarter ending December 31, 2006 | By end of January 2007 |
| For year ending March 31, 2007 | By end of June 2007 |
| Annual General Meeting for the year ending 31st March 2007 | By end of September 2007 |

(iii) Date of Book course : 23rd June 2006 to 24th June 2006

(vi) Stock Code : ISIN under depository system INE802D01015
The Stock Exchange, Mumbai 9162
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
April 2005	27.00	20.85	56,569
May 2005	26.00	16.80	55,871
June 2005	36.95	22.65	4,40,709
July 2005	32.00	24.75	47245
August 2005	33.00	21.65	111100
September 2005	35.50	25.25	94395
October 2005	26.60	19.30	23573
November 2005	26.25	19.50	22784
December 2005	24.80	21.25	9304
January 2006	24.40	19.75	22924
February 2006	24.05	18.25	37938
March 2006	24.15	19.50	39398

(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 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. Some cases of dematerialization/ rematerialization were delayed by few days.

(x) Distribution of shareholding : As on March 31, 2006

No. of equity shares held	Shareholders		% of Shareholding	
	Number	% to total	Total (in Rs.)	% in total
Up to 5000	4344	96.55	3503840	6.67
5001 to 10000	63	1.40	494280	0.94
10001 to 100000	78	1.74	2534330	4.83
100001 and above	14	0.31	45967550	87.56
Total	4499	100	52500000	100

(xi) Categories of Shareholding : As on March 31, 2006

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	220795	4.205
NRI/ OCB	122011	2.324
Indian Public	850499	16.199
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, 2006, a total of 748545 equity shares which forms 14.26% of the share capital stands dematerialised.

(xiii) Plant Location : Plot No.86, Industrial Area, Bhiwadi 301019, Dist.Alwar Rajasthan (India)

: Village Jhiriwala, Hadbast No. 73, Nalagarh District Solan (Himachal Pradesh)

(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**IX. COMPLIANCE OF CODE OF CONDUCT**

It is hereby declared and confirmed that all the Board members and senior management of the company have complied with the Code of Conduct for the period from 1st January 2006 to 31st March 2006.

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, 2006, 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**Pradeep Kumar Jain**
Company Secretary
C.P.No.834Place: New Delhi
Date: 18-04-2006

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, 2006 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 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, 2006;
 - b) In the case of the profit and loss account, of the loss 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 **Pankaj Chadha**
Partner
Membership No.: 91813
New Delhi
Date: April 18, 2006

Annexure referred to in paragraph 3 of our report of even date**Re: Indag Rubber Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) 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, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, 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, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs in lacs)	Period to which the amount relates	Forum where dispute is pending
Uttar Pradesh Trade Tax Act., 1948	Sales tax demand	4.68	1998-99 and 1999-00	Appeal with Trade Tax, Ghaziabad
Trade Tax Act, 1961	Income Tax demand	93.34	1998-99	Appeal filed with High Court

- (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.
- (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 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.
- (xvix) The Company did not have any outstanding debentures during the year.
- (xx) The company did not raise 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 **Pankaj Chadha**
Partner
Membership No.: 91813

New Delhi
Date: April 18, 2006

BALANCE SHEET AS AT MARCH 31, 2006

(Rs. in lacs)

	<i>Schedule</i>	As at 31st March, 2006	As at 31st March, 2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	525.00	525.00
Reserves and surplus	2	465.29	472.22
		<u>990.29</u>	<u>997.22</u>
Loan funds			
Secured loans	3	1,129.10	477.37
		<u>1,129.10</u>	<u>477.37</u>
TOTAL		<u>2,119.39</u>	<u>1,474.59</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	4	2,406.76	1,343.17
Less : Depreciation		1,064.72	1,000.04
Net block		<u>1,342.04</u>	343.13
Capital work in progress (including capital advances)		0.35	244.87
Expenditure during construction period	5	-	47.75
		<u>1,342.39</u>	<u>635.75</u>
Deferred Tax Assets (Net)	6	-	58.83
Current Assets, Loans And Advances			
Inventories	7	793.03	584.62
Sundry debtors	8	498.89	385.31
Cash and bank balances	9	164.24	166.43
Other current assets	10	3.01	3.09
Loans and advances	11	155.75	114.42
		<u>1,614.92</u>	<u>1,253.87</u>
Less : Current Liabilities and Provisions			
Liabilities	12	900.05	507.73
Provisions	13	28.16	21.99
		<u>928.21</u>	<u>529.72</u>
Net Current Assets		<u>686.71</u>	<u>724.15</u>
Debit Balance as per attached Profit & Loss Account		90.29	55.86
TOTAL		<u>2,119.39</u>	<u>1,474.59</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)

K. K. Kapur
CEO & Whole Time Director

per **Pankaj Chadha**
Partner
Membership No. 91813
New Delhi
Date: April 18, 2006

Nand Khemka
Chairman

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

(Rs. in lacs)

	<i>Schedule</i>	Year Ended March, 2006	Year Ended March, 2005
INCOME			
Turnover (Gross)	14	4,343.82	3,447.30
Less : Excise duty		560.37	477.10
Turnover (Net)		<u>3,783.45</u>	<u>2,970.20</u>
Other income	15	38.39	24.77
TOTAL		<u>3,821.84</u>	<u>2,994.97</u>
EXPENDITURE			
Raw materials consumed	16	2,784.90	1,781.33
Purchases of Trading Goods		16.21	15.46
Personnel expenses	17	350.64	343.41
Operating and other expenses	18	726.60	608.80
(Increase)/decrease in inventories	19	(231.27)	52.81
Depreciation	4	64.14	45.35
Financial expenses	20	83.80	64.06
		<u>3,795.02</u>	<u>2,911.22</u>
Profit before prior period items and tax		26.82	83.75
Prior period items		(1.64)	20.57
Profit before tax		25.18	104.32
Minimum Alternate Tax		-	(2.50)
Fringe Benefit Tax		(7.71)	-
Deferred tax charge on prior period items		-	(6.92)
Deferred tax charge on items other than prior period items		(58.83)	(68.10)
Net profit/(loss) for the year		<u>(41.36)</u>	<u>26.80</u>
Add: Investment allowance reserve transferred from Reserves & Surplus		6.93	-
(Debit) balance brought forward from previous year		(55.86)	(82.66)
Deficit carried to Balance Sheet		<u>(90.29)</u>	<u>(55.86)</u>
Earnings per share	21		
Basic & diluted (Nominal value of shares Rs. 10)		(0.79)	0.51
(Previous year Rs. 10)			
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)

K. K. Kapur
CEO & Whole Time Director

per **Pankaj Chadha**
Partner
Membership No. 91813
New Delhi
Date: April 18, 2006

Nand Khemka
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**(Rs. in lacs)**

	2005-06	2004-05
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	25.18	104.32
Adjustments for :		
Depreciation	64.14	45.35
Loss on disposal of fixed assets	-	2.19
Interest expenses	72.39	57.28
Interest income	(16.36)	(14.58)
Operating profit before working capital changes	145.35	194.56
Movement in working capital:		
(Increase)/ decrease in sundry debtors	(113.58)	244.81
(Increase) in inventories	(208.41)	(45.29)
(Increase)/ decrease in loans and advances	(39.87)	37.69
Increase/ (decrease) in current liabilities and provisions	399.77	(93.59)
Cash generated from operations	183.26	338.18
Direct taxes (paid) / refunds	(10.45)	0.17
Net cash from operating activities	172.81	338.35
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(737.84)	(368.31)
Proceeds from sale of fixed assets	0.02	1.67
Interest received	16.44	14.86
Net cash used in investing activities	(721.38)	(351.78)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of long-term borrowings	256.46	186.97
(Repayment) of long-term borrowings	(36.50)	-
Proceeds/ (repayment) of short-term borrowings	433.39	(126.95)
Interest paid	(106.97)	(62.44)
	546.38	(2.42)
Net increase in cash and cash equivalents (A+B+C)	(2.19)	(15.85)
Cash and cash equivalents at the beginning of the year	166.43	182.28
Cash and cash equivalents at the end of the year	164.24	166.43
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cheque on hand	10.50	21.44
With Banks - on current accounts	13.49	23.85
- on deposit accounts	140.25	121.14

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

As per our report of even date

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

per **Pankaj Chadha**
Partner
Membership No. 91813
New Delhi
Date: April 18, 2006

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

Schedule 1 : Share Capital

(Rs. In lacs)

	As at 31st March, 2006	As at 31st March, 2005
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, 2006	As at 31st March, 2005
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
Less: Transferred to Profit & Loss Account	6.93	-
	465.29	472.22

Schedule 3 : Secured Loans

	As at 31st March, 2006	As at 31st March, 2005
Term Loan from a bank	401.50	185.30
(Secured by first charge on the entire fixed assets of Nalagarh Unit 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	11.96	8.20
(Secured by hypothecation of Vehicles financed out of proceeds of loan)		
Loans and advances from banks		
Loans against Fixed Deposits	109.00	94.00
(Secured by way of pledge of Fixed Deposits Receipts of Rs.121.52 lacs, Previous year 114.00 lacs)		
Cash Credit Borrowings	606.64	188.25
(Borrowings from Corporation Bank are 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. Borrowings from State Bank of Bikaner and Jaipur are secured by a first charge over all the immovable properties, both present and future (excluding fixed assets of Nalagarh Unit of the Company), ranking parri passu and hypothecation of all movable and other assets of the Company. These borrowings are further secured by guarantee given by a private limited company in which one of the Directors of the Company is interested as Director.)		
Interest Accrued and Due	-	1.62
	1,129.10	477.37

Note: Installments of Term Loan, Car Finance Loans from Banks against Fixed Deposits repayable within one year Rs. 182.5 lacs, Rs. 6.45 lacs and Rs. 109.00 lac respectively (Previous year Rs. 73.00 lacs, Rs. 5.18 lacs and Rs. 94.00 lacs respectively).

Schedule 4 : Fixed Assets

(Rs. In Lacs)

	Leasehold Land	Freehold Land	Buildings	Plant & Machinery	Office Equipment	Furniture & Fixtures	Vehicles	Total	Previous Year
Gross Block									
As on 01.04.2005	4.82	63.58	173.83	984.39	60.86	24.36	31.33	1,343.17	1,271.52
Additions	-	9.53	265.89	770.31	6.99	0.69	10.33	1,063.74	2.46
Deductions	-	-	-	-	0.15	-	-	0.15	0.81
As at 31.03.2006	4.82	73.11	439.72	1,754.70	67.70	25.05	41.66	2,406.76	1,343.17
Depreciation									
As At 01.04.2005	1.05	-	102.05	810.00	45.65	23.03	18.26	1,000.04	971.31
Additions	0.05	-	7.13	47.49	5.00	1.05	4.09	64.81	45.68
Deductions	-	-	-	-	0.13	-	-	0.13	16.95
As at 31.03.2006	1.10	-	109.18	857.49	50.52	24.08	22.35	1,064.72	1,000.04
For Previous year	0.05	-	5.26	31.88	4.65	0.71	3.13	45.68	-
Net Block									
As at 31.03.2006	3.72	73.11	330.54	897.21	17.18	0.97	19.31	1,342.04	343.13
As at 01.04.2005	3.77	63.58	71.78	174.39	15.21	1.33	13.07	343.13	-
Capital Work in Progress :									
Capital Work in Progress including capital advances								0.35	24.87
Total								0.35	24.87
Grand Total								1,342.39	588.00

Note:

1. Depreciation provided during the year includes Rs. 0.67 lacs (previous year 0.33 lacs) debited to pre-operative expenses.
2. Additions to plant and machinery includes cost of power transmission lines amounting to Rs. 14.43 lacs paid to Himachal Pradesh State Electricity Board and is being depreciated over five years. The capital expenditure is not represented by any asset owned by the Company.

Schedule 5 : Expenditure during construction period (Pre-operative Expenses)**(Rs. In lacs)**

	As at 31st March, 2006	As at 31st March, 2005
Salary and bonus	14.20	14.29
Contribution to provident and other funds	1.25	1.18
Consumption of stores and spares	1.79	-
Traveling & conveyance	3.17	4.95
Legal & professional fees	8.31	8.13
Communication costs	1.19	0.62
Testing expenses	9.92	0.05
Power and fuel	17.78	1.20
Insurance Charges	2.81	-
Security and other services charges	2.74	0.53
Vehicle hire charges	1.13	1.12
Rent	3.56	0.58
Interest on Term Loan	32.96	6.61
Bank charges	0.13	2.38
Depreciation	0.67	0.33
Miscellaneous expenses	0.32	5.78
	<u>101.93</u>	<u>47.75</u>
Add: Expenses brought forward from previous year	47.75	-
	<u>149.68</u>	<u>-</u>
Less: Allocated to fixed assets	149.68	-
	<u>-</u>	<u>47.75</u>

Schedule 6 : Deferred Tax Assets (Net)

	As at 31st March, 2006	As at 31st March, 2005
a) Deferred Tax Assets		
Arising on account of timing differences in:		
- Provision for doubtful debts & advances	41.52	43.41
- Accrued expenses allowable on actual payments	7.07	3.62
- Carry forward business losses	31.76	33.71
- Carry forward unabsorbed depreciation	59.77	57.00
	<u>140.12</u>	<u>137.74</u>
b) Deferred Tax Liabilities		
Arising on account of timing differences in:		
- Depreciation	57.21	45.20
Net Deferred Tax Assets	<u>82.91</u>	<u>92.54</u>
Less: Deferred tax Assets not recognised (Refer Note No. 5 in the Notes to Accounts)	82.91	33.71
	<u>-</u>	<u>58.83</u>

Schedule 7 : Inventories

	As at 31st March, 2006	As at 31st March, 2005
Raw materials	218.88	245.34
Packing materials	6.50	2.32
Stores and spares	52.64	38.66
Work-in-progress	91.90	7.73
Finished goods		
- Manufactured	403.41	269.59
- Traded	19.70	20.98
	<u>793.03</u>	<u>584.62</u>

Schedule 8 : Sundry Debtors

(Rs. In lacs)

	As at 31st March, 2006	As at 31st March, 2005
Debts outstanding for a period exceeding six months		
Unsecured, considered good	24.78	27.17
Unsecured, considered doubtful	120.64	125.62
Other debts		
Unsecured, considered good	474.11	358.14
Unsecured, considered doubtful	-	0.62
	<u>619.53</u>	<u>511.55</u>
Less : Provision for doubtful debts	<u>120.64</u>	<u>126.24</u>
	<u>498.89</u>	<u>385.31</u>

Schedule 9 : Cash and Bank Balances

	As at 31st March, 2006	As at 31st March, 2005
Cash in hand	0.96	0.52
Cheques on hand	9.54	20.92
Balances with scheduled banks:		
on current accounts	13.49	23.85
on fixed deposit accounts (Receipts pledged with Banks)	140.21	121.10
Post Office Savings Bank Account	0.04	0.04
(Pass Book pledged with Excise Authorities)		
	<u>164.24</u>	<u>166.43</u>

Schedule 10 : Other Current Assets

	As at 31st March, 2006	As at 31st March, 2005
Interest accrued on fixed deposits	3.01	3.09
	<u>3.01</u>	<u>3.09</u>

Schedule 11 : Loans and Advances (Unsecured)

	As at 31st March, 2006	As at 31st March, 2005
Considered good		
Loans to staff	8.43	7.42
Advances recoverable in cash or in kind or for value to be received	76.18	34.43
Balance with Excise Authorities	5.81	9.12
Tax deducted at source/ income tax refundable	5.38	3.92
Deposits - others	59.95	59.53
Considered doubtful		
Advances recoverable in cash or in kind or for value to be received	1.51	1.51
Deposits -Others	1.20	1.20
	<u>158.46</u>	<u>117.13</u>
Less : Provision	<u>2.71</u>	<u>2.71</u>
	<u>155.75</u>	<u>114.42</u>

Included in loans and advances are:

Due from a private limited company in which one of the director of the company are interested as director - Rs.10.93 lacs (Previous year Rs.12.66 lacs).

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

	As at 31st March, 2006	As at 31st March, 2005
Sundry creditors	816.09	450.22
Retention money and security deposits	29.16	26.20
Advances from customers	10.13	6.71
Other liabilities	44.67	24.60
	<u>900.05</u>	<u>507.73</u>

Included in Sundry Creditors are:

Due to small scale industrial undertakings Rs. 11.13 lacs (Previous year Rs. 7.35 lacs).

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

Schedule 13: Provisions

	As at 31st March, 2006	As at 31st March, 2005
Provision for Income Tax	3.72	5.00
Gratuity	9.43	6.22
Leave encashment	15.01	10.77
	<u>28.16</u>	<u>21.99</u>

Schedule 14 : Turnover (Gross)

	Year Ended March, 2006	Year Ended March,2005
Sale of Finished Goods		
- Manufactured	4,268.66	3,403.38
- Traded	28.62	29.81
Sale of Services	66.22	38.86
	<u>4,363.50</u>	<u>3,472.05</u>
Less: Trade discounts & claims	19.68	24.75
	<u>4,343.82</u>	<u>3,447.30</u>

Schedule 15 : Other Income

	Year Ended March, 2006	Year Ended March,2005
Interest income		
On bank deposits	7.08	6.90
(Tax deducted at source Rs. 1.50 lacs, Previous year Rs. 1.39 lacs)		
On others	9.28	7.68
Unspent liabilities/ provisions written back	2.50	-
Recovery of bad debts written off in earlier years	0.54	1.36
Foreign exchange fluctuation (net)	0.05	-
Miscellaneous income	18.94	8.83
	<u>38.39</u>	<u>24.77</u>

Schedule 16 : Raw Materials Consumed

	Year Ended March, 2006	Year Ended March,2005
Inventories at March 31, 2005	245.34	139.26
Add: Purchases	2,758.43	1,887.41
Less: Inventories as at March 31, 2006	218.87	245.34
	<u>2,784.90</u>	<u>1,781.33</u>

Schedule 17 : Personnel Expenses

	Year Ended March, 2006	Year Ended March, 2005
Salaries, wages and bonus	303.31	297.58
Contribution to provident and other funds	26.49	26.47
Contribution to gratuity fund	11.65	10.78
Workmen and staff welfare expenses	9.19	8.58
	<u>350.64</u>	<u>343.41</u>

Schedule 18 : Operating and Other Expenses

	Year Ended March, 2006	Year Ended March, 2005
Consumption of stores and spares	22.02	22.65
Packing expenses	27.92	16.59
Power and fuel	241.50	174.57
Repairs and maintenance :		
Plant & Machinery	36.16	29.30
Buildings	2.24	0.49
Others	8.92	8.36
Rent (net)	36.54	36.48
Rates and taxes	11.90	7.95
Insurance (net)	11.84	11.42
Traveling and conveyance	62.92	74.33
Communication costs	20.44	22.16
Printing and stationery	8.95	7.24
Legal and professional fees	33.92	21.02
Director's remuneration	15.19	16.14
Auditors remuneration :		
Audit fee	3.31	3.31
Quarterly review of financial statements	1.65	1.65
Certification etc.	0.53	0.54
Out of pocket expenses	0.08	0.12
Freight and forwarding charges	85.91	62.22
Provision for doubtful debts and advances	11.12	20.82
Vehicle running & maintenance	9.31	7.28
Director's meeting fees	2.90	1.95
Foreign exchange fluctuation (net)	-	0.47
Security & other service charges	13.86	14.55
Service charges to C & F agents	22.49	15.89
Loss on disposal of fixed assets (net)	-	2.19
Advertisement & Publicity	11.41	11.25
Irrecoverable balance written off (net)	-	1.25
Miscellaneous expenses	23.57	16.61
	<u>726.60</u>	<u>608.80</u>

Schedule 19 : (Increase)/ Decrease in Inventories

(Rs. In lacs)

	Year Ended March, 2006	Year Ended March, 2005
Inventories as at March 31, 2006		
Work-in-progress	91.90	7.73
Finished goods		
- Manufactured	403.41	269.59
- Traded	19.70	20.98
	<u>515.01</u>	<u>298.30</u>
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>
Excise duty on finished goods as at March 31, 2005	43.75	50.61
Excise duty on finished goods as at March 31, 2006	29.19	43.75
	<u>(231.27)</u>	<u>52.81</u>

Schedule 20 : Financial Expenses

	Year Ended March, 2006	Year Ended March, 2005
Interest paid		
On car finance loans from banks	0.83	0.79
On term loan from a bank	8.43	-
On other loans from banks	46.69	40.94
On others	16.44	15.55
Bank Charges	11.41	6.78
	<u>83.80</u>	<u>64.06</u>

Schedule 21 : Earnings per share (EPS)

	Year Ended March, 2006	Year Ended March, 2005
Net profit/(loss) as per profit and loss account	(41.36)	26.80
Net profit/(loss) for calculation of basic and diluted EPS	(41.36)	26.80
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>(0.79)</u>	<u>0.51</u>

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

Indag Rubber Limited was set up as a joint venture between Bandag Incorporated of USA and Khemka Group. Under a settlement agreement dated March 1, 2006, the partners have decided to terminate the joint venture and Bandag has agreed to sell the shares held by it to the Khemka Group. The process of termination and transfer of shares is likely to be affected soon.

The Company is engaged in manufacturing and selling of precured tread rubber and allied products. The Company has a plant at Bhiwadi in the state of Rajasthan. The Company has set up a new plant in the state of Himachal Pradesh, which has started the commercial production from January 18, 2006.

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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to put to use.

(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 of 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 of 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) Impairment

- i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(e) 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.

(f) 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. Excise duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year.

(g) 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. Exchange differences arising in respect of fixed assets acquired from outside India are capitalized as a part of fixed asset.

(h) 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.

(i) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit 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. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised 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.

(j) 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. Income earned during construction period is deducted from the total of the indirect expenditure.

(k) 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.

(l) Provisions

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.

(m) Cash and Bank balances

Cash and bank balances in the balance sheet comprise cash at bank and in hand and cheques in hand.

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	Parties which significantly influence/ are influenced by the Company (either individually or with others)		Key Management Personnel		Total	
	2006	2005	2006	2005	2006	2005
Sales						
Sales of Finished Goods						
- Unipatch Rubber Limited	3.62	1.06	-	-	3.62	1.06
Sales of Services						
-Unipatch Rubber Limited	15.83	-	-	-	15.83	-
Purchases (Raw Materials, Stores, Spares & Packing Materials)						
- Unipatch Rubber Limited	0.78	5.20	-	-	0.78	5.20
- Bandag Incorporated, USA	0.82	0.31	-	-	0.82	0.31
Rent paid						
- Unipatch Rubber Limited	0.24	2.90	-	-	0.24	2.90
- Khemka Aviation Pvt. Limited	26.95	24.80	-	-	26.95	24.80
Remuneration						
- Mr. K.K. Kapur	-	-	15.19*	16.14*	15.19	16.14
Reimbursement of expenses						
- Unipatch Rubber Limited	3.95	3.39	-	-	3.95	3.39
- Khemka Aviation Pvt. Limited	4.52	2.66	-	-	4.52	2.66
Trade/ Other Receivables						
- Unipatch Rubber Limited	9.27	-	-	-	9.27	-
- Khemka Aviation Pvt. Limited	10.92	12.66	-	-	10.92	12.66
- Others	-	0.25	-	-	-	0.25
Trade/ Other Payables						
- Mr. K.K. Kapur	-	-	0.89	3.49	0.89	3.49
Corporate Guarantee						
- Khemka Aviation Pvt. Limited	1008.14	186.92	-	-	1008.14	186.92
Personal Guarantee given by Directors						
- Mr Nand Khemka	-	-	-	188.25	-	188.25

*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

Pursuant to Accounting Standard (AS) 22 "Accounting for Taxes on Income" the Company has a net deferred tax asset on account of carry forward of losses, unabsorbed depreciation and other timing differences. However, as the subsequent realization of such amount is not virtually certain as required by the standard, the management has, based on prudence, reversed the deferred tax assets recognized in earlier years.

6. Capital Commitments

	2006 (Rs in lacs)	2005 (Rs in lacs)
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of Rs.0.35 lacs (Previous year Rs.170.21 lacs) included under Capital Work-in - Progress)	1.71	353.91

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.	6.85*	7.26
b) Income tax matters decided by ITAT in favour of the Department but the Company has gone into appeal in High Court	93.34*	93.34
c) Income tax matters decided by ITAT in favour of the Company but the Department has gone into appeal in High Court.	4.00*	-
d) Other claims against the Company not acknowledged as debts	1.45**	1.45

* Based on the discussions with the solicitor / legal opinions taken, the management believes that the Company has a strong chance of success in the above-mentioned cases and hence no provision there against is considered necessary.

** Since the Company has met the contractual terms and conditions, management believes that the claims filed/ demands raised by above parties have no ground and no provision needs to be made there against.

105.64	102.05
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8. Supplementary Statutory Information

8.1 Whole Time Directors' Remuneration

Salary and Bonus	9.36	11.75
Contribution to Provident Fund	1.06	0.81
Perquisites *	4.77	3.58
	15.19	16.14

*As the future liability of gratuity and leave encashment is provided on an actuarial basis for the company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

	2006 (Rs in lacs)	2005 (Rs in lacs)
8.2 Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 for calculation of bonus payable to whole time director		
Profit as per Profit and Loss Account	25.18	
Add:		
Directors' Remuneration	15.19	
Provision for doubtful debts	11.12	
Less:		
Provision for doubtful debts adjusted during the year	16.72	
	<u>34.77</u>	
Net Profit as per Section 349 of the Companies Act, 1956		
Bonus payable to whole time director at 2% of profit before tax which amounts to Rs. 0.50 lacs.		
8.3 Expenditure in foreign currency (on Accrual basis)		
Foreign Traveling	<u>-</u>	<u>1.04</u>
8.4 Value of imports calculated on CIF basis		
Raw Materials	0.26	-
Spares	0.56	0.31
Capital goods	<u>2.51</u>	<u>15.43</u>
	<u>3.33</u>	<u>15.74</u>

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	
		2006	2005	2006	2005	2006	2005
Precured Tread Rubber (at Bhiwadi)	MT	6,000	6,000	1,750*	3,500	3192.63	2953.33
Precured Tread Rubber (at Nalagarh)	MT	-	-	4,800**	-	591.57	-
Bonding Repair & Extrusion Gums (Including Envelopes)	MT	1,150	1,150	1,150***	1,150***	285.19	182.88
Rubber Cement	K. Ltrs	300	300	300	300	229.79	141.79
Tyre Retreading Equipment	Sets	15	15	15	15	-	-

* The capacity was reduced from 3500 MT to 1750 MT during the year.

** Represents annual capacity, production is only for a part of the year.

*** Subject to installation of balancing equipment.

9.2 Sales(Gross)

	Unit	Quantity		Value (Rs. in lacs)	
		2006	2005	2006	2005
Precured Tread Rubber	MT	3681.84	3000.47	3852.27	3073.26
Bonding Repair & Extrusion	MT	257.21	209.83	299.47	242.35
Gums (Including Envelopes)					
Rubber Cement	MT	195.63	121.72	102.02	58.68
Miscellaneous		NA	NA	81.82	67.95
				<u>4334.88</u>	<u>3,442.24</u>

9.3 Details of Finished Goods

Opening Stock

Precured Tread Rubber	MT	282.86	330.81	254.27	268.15
Bonding Repair & Extrusion	MT	7.85	39.29	12.64	41.25
Gums (Including Envelopes)					
Rubber Cement	K.Ltrs.	5.06	9.72	1.73	2.83
Miscellaneous		-	-	0.95	0.62
				<u>269.59</u>	<u>312.85</u>

Closing Stock

Precured Tread Rubber	MT	383.90	282.86	355.25	254.27
Bonding Repair & Extrusion	MT	34.82	7.85	39.15	12.64
Gums (Including Envelopes)					
Rubber Cement	K.Ltrs.	16.34	5.06	6.37	1.73
Miscellaneous		-	-	2.64	0.95
				<u>403.41</u>	<u>269.59</u>

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

9.4 Consumption of raw materials

	Unit	Quantity		Value (Rs. in Lacs)	
		2006	2005	2006	2005
Rubber	MT	2255.967	1664.066	1718.98	1106.34
Carbon Black	MT	1365.934	1023.050	512.36	338.39
Chemicals		-	-	380.35	218.89
Others (Includes freight inward on material consumed)				173.21	117.71
				<u>2784.90</u>	<u>1781.33</u>

9.5 Imported and indigenous raw materials, packaging materials, stores and spares consumed

	Percentage of total consumption		Value (Rs. in lacs)	
	2006	2005	2006	2005
Raw Materials				
Imported	0.33%	0.73%	9.28	12.96
Indigenously obtained	99.67%	99.27%	2775.62	1768.37
	<u>100%</u>	<u>100%</u>	<u>2784.90</u>	<u>1781.33</u>
Packing Materials				
Imported	-	-	-	-
Indigenously obtained	100%	100%	27.92	16.59
	<u>100%</u>	<u>100%</u>	<u>27.92</u>	<u>16.59</u>

	Percentage of total consumption		Value (Rs. in lacs)	
	2006	2005	2006	2005
Stores and Spares (Including booked under Machinery Repairs)				
Imported	2.77%	0.48%	1.35	0.22
Indigenously obtained	97.23%	99.52%	47.41	45.52
	<u>100%</u>	<u>100%</u>	<u>48.76</u>	<u>45.74</u>

9.3 Details of Trading Goods

Class of Goods	Unit	Quantity		Value (Rs. in Lacs)	
		2006	2005	2006	2005
1) Patches	Nos.				
Opening Stock		8215	6802	3.59	3.54
Purchases		1540	12230	0.57	4.28
		<u>9665</u>	<u>19032</u>	<u>4.16</u>	<u>7.82</u>
Sales		5160	8635	2.41	3.97
Closing stock		<u>2137</u>	<u>8215</u>	<u>0.89</u>	<u>3.59</u>
2) Poly	Tonnes				
Opening Stock		3.59	3.80	3.92	3.08
Purchases		5.42	5.75	6.61	6.45
		<u>9.01</u>	<u>9.55</u>	<u>10.53</u>	<u>9.53</u>
Sales		4.89	5.43	8.05	8.18
Closing stock		<u>4.26</u>	<u>3.59</u>	<u>5.05</u>	<u>3.92</u>
3) Spares					
Opening Stock		NA	NA	13.47	24.52
Purchases		NA	NA	9.03	4.73
		<u>NA</u>	<u>NA</u>	<u>22.50</u>	<u>29.25</u>
Sales		NA	NA	18.16	17.66
Closing stock		<u>NA</u>	<u>NA</u>	<u>13.76</u>	<u>13.47</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 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)

K. K. Kapur
CEO & Whole Time Director

per **Pankaj Chadha**
Partner
Membership No. 91813
New Delhi
Date: April 18, 2006

Nand Khemka
Chairman

ADDITIONAL INFORMATION AS REQUIRED UNDER PART-IV OF SCHEDULE-VI TO THE COMPANIES ACT, 1956.

Balance Sheet Abstract and Company's General Business Profile.

I. Registration Details

Registration No.

9 0 3 8

State Code

(Refer Code List)

5 5

Balance Sheet Date

3 1 0 3 2 0 0 6
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)

Total Liabilities

2 1 1 9 3 9

Total Assets

2 1 1 9 3 9

Sources of Funds

Paid-up Capital

5 2 5 0 0

Reserves & Surplus

4 6 5 2 9

Secured Loans

1 1 2 9 1 0

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

1 3 4 2 3 9

Investment

N I L

Net Current Assets

6 8 6 7 1

Misc. Expenditure

N I L

Accumulated losses

4 1 3 4

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including Other Income)

4 3 8 2 2 1

Total Expenditure

4 3 5 7 0 3

+ / -

+

Profit/Loss before Tax

2 5 1 8

+ / -

-

Profit/Loss after Tax

4 1 3 6

Earning per Share in Rs.

- 0 . 7 9

Dividend Rate %

N I L

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.

(ITC Code)

4 0 0 8 - 2 1

Product Description

P R E C U R E D

T R E A D

M A T E R I A L

Item Code No.

(ITC Code)

4 0 0 6 - 1 0

Product Description

C U S H I O N G U M

Item Code No.

(ITC Code)

8 4 - 7 7

Product Description

R E T R E A D S H O P

E Q U I P M E N T

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 27th Annual General Meeting of the Company to be held on Saturday, 24th June 2006 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 _____ 2006

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 27th General Meeting of the Company on Saturday, 24th June 2006 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 alongwith them to the meeting. No duplicate attendance slip will be issued at the time of meeting.

Indag Rubber Limited

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

Entry Pass

Folio No./DP ID & Client ID 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.



INDAG[®]

INDIA'S MOST TRUSTED RETREAD

Indag Rubber Limited

Registered Office

11, Community Centre, Saket, New Delhi-110017