

**VAMSHI RUBBER LIMITED**

AN ISO 9001:2008 CERTIFIED COMPANY

**VAMSHI RUBBER LIMITED**



**16th Annual Report  
2009-2010**



**VAMSHI RUBBER LIMITED**

**BOARD OF DIRECTORS :**

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

**AUDITORS :**

M/s. Ramana Reddy & Associates  
Chartered Accountants  
103, My Home Plaza,  
Masab Tank, Hyderabad – 500 028

**BANKERS :**

State Bank of India,  
Commercial Branch,  
Bank Street, Kothi,  
Hyderabad – 500 001

**REGISTERED OFFICE :**

8-2-594/1/A/1, Opp. Hotel Taj Krishna,  
Banjara Hills, Road No.1,  
Hyderabad – 500 034  
Phone : 040-23353280 /23353281  
Fax : 040-23353282  
Email: [info@vamshirubber.org](mailto:info@vamshirubber.org)

**FACTORY :**

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

**STATUTORY COMMITTEES**

**Audit Committee**

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

**Remuneration Committee**

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

**Share Holders / Investors**

**Grievance Committee**

Sri. P. Varun Kumar  
Sri A. Vamshidhar Reddy  
Sri A. Venkat Reddy  
e-mail : [grievance@vamshirubber.org](mailto:grievance@vamshirubber.org)

**Registrars & Share Transfer Agent**

**CIL SECURITIES LIMITED**

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

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**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 16th Annual General Meeting of the Members of **VAMSHI RUBBER LIMITED**, will be held on Wednesday, the 29<sup>th</sup> day of September, 2010 at 10.30 A.M. at Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad to transact the following business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2010 and Profit & Loss Account for the year ended 31<sup>st</sup> March 2010 along with Auditors' Report and Directors' Report, thereon.
2. To consider and declare dividend on equity shares for the financial year ended 31<sup>st</sup> March 2010.
3. To appoint a Director in place of Sri M. Ramesh Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri A.Venkat Reddy, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Ramana Reddy & Associates, Chartered Accountants, Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

**SPECIAL BUSINESS:**

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

Place : Hyderabad  
Dated : 31<sup>st</sup> July, 2010

**(R.SURENDRA REDDY)**  
Managing Director

**NOTES:**

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote, on a poll instead of him/herself and such proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 24-09-2010 to 29-09-2010 (both days inclusive).
3. Members intending to seek clarifications at the Annual General Meeting concerning the accounts and any aspect of operations of the Company are requested to send their questions



in writing to the Secretarial Department so as to reach the Company at least 7 days in advance before the date of the Annual General Meeting, specifying the points.

4. Members are requested to bring Annual Report with them for the Annual General Meeting. No copies of Annual Report will be distributed at the meeting.
5. Members/Beneficial Owners are requested to advise immediately any change in their address to Registrar and Transfer Agent quoting their registered folio number/Client ID.
6. Members/Beneficial Owners/Proxies should bring the attendance slips duly filled in for attending the meeting.
7. Dividend upon its declaration at the meeting will be paid to those members whose names appear:
  - (i) As members on the Register of Members of the Company as on 29th September 2010 after giving effect to all valid share transfers in physical form which would be received by the Company up to the closing hours of the business as on 23<sup>rd</sup> September 2010.
  - (ii) As beneficial owners as per list to be furnished by NSDL/CDSL as at the closing hours of the business on 23<sup>rd</sup> September 2010.
8. Members holding shares in physical form are requested to intimate the following directly to the Company's Registrar and Share Transfer Agent **M/s. CIL Securities Limited**, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad – 500 001.
  - (a) Bank Mandate with full particulars for remittance of dividend directly into their bank accounts, if declared at the meeting.
  - (b) Changes, if any, in their address at an early date.
  - (c) Apply for consolidation of folios, if shareholdings are under multiple folios and should send their share certificates for consolidation.
  - (d) Request for nomination forms for making nominations as per amended provisions of the Company Act, 1956.
9. Electronic Clearing Service (ECS) facility: with respect to payment of dividend, the Company provides the facility of ECS to shareholders residing in all major cities and towns. Shareholders holding shares in the physical form who now wish to avail ECS facility, are requested to forward their ECS mandate in the prescribed form to Company's Registrar and Share Transfer Agent **M/s. CIL Securities Limited**, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad – 500 001.
10. Shareholders who have not encashed their dividend warrants may please be noted that the unclaimed dividend for the year 2007-08 & 2008-09 will be transferred to Investor Education Protection Fund at the end of the Seventh year.
11. Explanatory Statement as required under Section 173 (2) of the Companies Act, is annexed herewith

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



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

**Item No. 6 to 8:**

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

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

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

Place : Hyderabad  
Dated : 31<sup>st</sup> July, 2010

**(R.SURENDRA REDDY)**  
Managing Director

**Annexure referred to in the Explanatory Statement**

**I. GENERAL INFORMATION :**

- 1) Nature of Industry: Manufacturing of Precured Tread Rubber, Cushion Gum, Vulcanising Solution and Curing Envelopes.
- 2) Year of commencement of commercial production: 1995
- 3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
- 4) Financial performance

**(Rs. In Lakhs)**

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



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

The company, after rescheduling of its debts, has not made any default in the repayment of its dues (including public deposits) or interest payments thereon.

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

## II. INFORMATION ABOUT THE APPOINTEES:

### 1) Background & Job Profile Details

- Sri R. Surendra Reddy is the holder of Bachelor degree in engineering from Regional Engineering College, Warangal. He is the Promoter Director of the Company and is having more than 14 years of experience in retreading industry and holding the position of Managing Director of the Company.
- Sri P. Varun Kumar is the holder of Bachelor degree in Commerce with Master degree in Business Administration and Bachelor degree in Law. He is the Promoter Director of the Company and is having more than 18 years of experience in retreading industry and presently holding the position of Director – Finance looking after the day to day activities of the financial matters.
- Sri K. V. Sarma is the holder of Bachelor degree in engineering from Regional Engineering College, Warangal. He is the Promoter Director of the Company and is having more than 14 years of experience in the retreading industry and presently holding the position of Director – Operations looking after the day to day activities of the factory operations.

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

3) Recognition or awards: NIL

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

5) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin): **NA**

6) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any: **NO**

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

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

**FINANCIAL RESULTS:**

The performance during the period ended

(Rs. In Lakhs)

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

**OPERATIONS:**

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

**FUTURE OUTLOOK:**

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

**DIVIDEND:**

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





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**VAMSHI RUBBER LIMITED**

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

**FIXED DEPOSITS:**

Your Company has not invited any deposits from the Public nor outstanding for the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

**INTERNAL CONTROL SYSTEMS :**

Your Company has well established procedures for internal control across its various locations, commensurate with its size and operations. The organization is adequately staffed with qualified and experienced personnel for implementing and monitoring the internal control environment. The internal audit function is adequately resourced commensurate with the operations of the Company and reports to the Audit Committee of the Board.

**INSURANCE :**

The Properties and assets of your Company are adequately insured.

**CORPORATE GOVERNANCE:**

The Company has been in full compliance with the norms of Corporate Governance as outlined in Clause 49 of the Listing Agreement with the Bombay Stock Exchange, Mumbai. A separate report on Corporate Governance is produced as a part of the Annual Report along with the Auditor's Certificate on its compliance. Following are the members of the Audit Committee.

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

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement, forms part of this report and the same is annexed.

**DIRECTORS :**

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

**ISO 9001- 2008 CERTIFICATION :**

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

**AUDITORS :**

M/s. Ramana Reddy & Associates, (Formerly M/s. A.M. Reddy & Co.) Chartered Accountants, Auditors of the Company retires at the Annual General Meeting and the Company has received certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Members are requested to reappoint them and to authorize the Board to fix their remuneration.



**AUDITORS' REPORT :**

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

**DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956:**

In compliance of section 217 (2AA), as incorporated by the Companies (Amendment) Act, 2000, in the Companies Act, 1956, your directors confirm: -

- a) that in the preparation of the accounts for the financial year ended 31st March, 2010 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review;
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) that the Directors have prepared the accounts for the financial year ended 31st March 2010 on a going concern basis.

**CONSERVATION OF ENERGY, FOREIGN EXCHANGE ETC. :**

Information on conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are provided in the Annexure forming part of this Report.

**EMPLOYEE RELATIONS:**

Your Directors are pleased to record their sincere appreciation of the contribution by the workmen and staff at all levels in the improved performance of the Company.

None of the employees are drawing Rs. 2,00,000/- and above per month or Rs. 24,00,000/- and above in aggregate per annum, the limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence the information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not annexed to this report.

**ACKNOWLEDGEMENTS:**

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

**For and on behalf of the Board of Directors**

Place : Hyderabad

Dated : 31<sup>st</sup> July, 2010

**(M.RAMESH REDDY)**  
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

Disclosure of particulars with respect to conservation of energy, technology absorption and Foreign exchange earnings and outgo as required under Companies (Disclosure of particulars in the Board of Directors Report) Rules, 1988:

**I) CONSERVATION OF ENERGY:**

- a) Energy Conservation Measures taken:
- i) New Dual Die Press installed for achieving improved efficiency in use of process heat energy.
- b) Impact of the measures taken for energy consumption and consequent impact on the cost of production of goods.
- i) Cost of heat energy reduced from Rs.2.65 per kg of production in 2008-09 to Rs.2.57 per kg of production in 2009-10 yielding a net savings of Rs.3.31 Lakhs during 2009-10.
- c) Form for disclosure of particulars with respect to conservation of Energy.

**FORM - 'A'****A) Power & Fuel Consumption:**

			Period ended 31-03-2010	Period ended 31-03-2009
1		Electricity		
	a)	Purchased Total Amount (Rs) Units Rate per Unit (Rs)	91,58,476 22,93,772 3.99	82,18,840 20,44,209 4.02
	b)	Own Generation Through Diesel Generator Units Unit per Litre of Diesel Cost / Unit (Rs.)	1,68,720 2.57 18.50	1,06,862 2.56 14.07
2		Thermic Fluid Heaters (Rs.)	1,02,98,523	88,17,384

**B) Consumption per unit of production:**

Electricity Consumption : 518.15 Kwh/M.T.  
Fuel Consumption : 67.66 Ltrs/M.T.

Calculation of consumption per unit of production product wise is not possible since no separate account is maintained for each product.

**II) TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION:**

- 1) Efforts in brief made towards Technology Absorption adaptation and innovation. Technology suitable to Indian conditions has been fully absorbed and adapted.
- 2) Benefits derived as a result of the above effect.
  - a) Cost reduction of the product has been achieved.
  - b) Improvement in the quality of the product has been achieved.
- 3) In case of Imported Technology following information may be furnished.
  - a) Technology imported : Manufacture of Precured Tread Rubber its Products and retreading equipment.
  - b) Year of Import : 1995
  - c) Has the technology been fully absorbed : Yes

**III) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

- i) Foreign exchange earned (in Rs.)  
on export sales : NIL
- ii) Foreign exchange outgo  
on Import of Raw Material : Rs. 1,11,28,344  
on Import of Machinery consumables : Rs. 21,02,392

Place : Hyderabad

For and on behalf of the Board

Dated : 31<sup>st</sup> July, 2010.

(M.RAMESH REDDY)  
Chairman

**REPORT ON CORPORATE GOVERNANCE****1. Company's Philosophy on Code of Governance**

The Company's philosophy of Corporate Governance aims at assisting the management of the Company in the efficient conduct of its business and in meeting its responsibilities to all the stakeholders and to provide customer satisfaction through best quality at lowest price. It is towards this end that efforts are made to maintain high standards of disclosure to the shareholders and internal compliance guidelines for better Corporate Governance.

**2. Board of Directors****a) The Board consists of 7 Members comprising of:**

- 1 Non-Independent Non-Executive Director
- 3 Executive Directors
- 3 Independent Non-Executive Directors

**ATTENDANCE RECORD: 2009-2010**

Sl. No.	Name of Director	Category	Designation	No. of Board Meetings attended	Attendance in last AGM held on 29.09.2009
1.	Sri M. Ramesh Reddy	Non-Independent Non-Executive	Chairman	5	Yes
2.	Sri R. Surendra Reddy	Executive	Managing Director	5	Yes
3.	Sri P. Varun Kumar	Executive	Director - Finance	5	Yes
4.	Sri K. V. Sarma	Executive	Director - Operations	5	Yes
5.	Sri S.Ramachandra Prasad	Independent Non-Executive	Director	3	No
6.	Sri A.Venkat Reddy	Independent Non-Executive	Director	5	Yes
7.	Sri A.Vamshidhar Reddy	Independent Non-Executive	Director	5	No

**b) Number of other Directorships & Committee Membership/ Chairmanship**

Sl. No.	Name of Director	Other Directorship	Committee Membership	Committee Chairmanship
1.	Sri M. Ramesh Reddy	9	None	None
2.	Sri P. Varun Kumar	2	None	None
3.	Sri K.V. Sarma	1	None	None
4.	Sri R. Surendra Reddy	1	None	None
5.	Sri S.Ramachandra Prasad	None	None	None
6.	Sri A.Vamshidhar Reddy	None	None	None
7.	Sri A.Venkat Reddy	None	None	None



**c) Number of Board Meetings held and the date on which held:**

Five Board Meetings were held during the year. The maximum gap between any two meetings was not more than four months.

The dates on which the Board meetings were held are as follows:

30-06-2009, 25-07-2009, 31-10-2009, 31-01-2010 and 18-02-2010.

**d) Pecuniary relationship or transactions of Non-Executive Directors:**

Apart from receiving director's remuneration, non-executive directors do not have any other material pecuniary relationship or transactions with the company, its promoters or its management which in the judgment of the board may affect independence of judgment of the director.

**e) Code of Conduct for the Board & Senior Management Personnel :**

The Company has formulated and implemented a Code of Conduct at the meeting of the Board of Directors held on 30<sup>th</sup> October 2005 for all its Non-Executive Directors and for Executive Directors and Senior Management Personnel of the Company in compliance with Clause 49(I)(D) of the Listing Agreement.

**d) CEO/CFO Certification:**

As required under Clause 49 of the Listing Agreement with the Stock Exchange, the Managing Director and Whole-time Directors have certified to the Board the financial statements for the year ended 31<sup>st</sup> March, 2010.

**3. Audit Committee:**

The Audit Committee comprises of 3 Non-Executive Directors and is chaired by Sri A. Venkat Reddy, Sri R. Surendra Reddy, Managing Director and Statutory Auditors are permanent invitees to the meetings. Any other person/Executive, where necessary, is also required to attend the meetings.

**Role:**

The terms of reference of the Audit Committee are as under:

- ❖ Recommending the appointment and removal of external auditors, fixation of audit fee and approval for payment for any other services.
- ❖ Reviewing with the management the annual financial statements, before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Any related party transactions i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
  - Reviewing the Quarterly and Annual financial statements and submit the same to the Board with recommendations, if any.
  - Discussions with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.



- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, share holders (in case of non-payment of declared dividends) and creditors.
- The Chairman of the Audit Committee shall attend the Annual General Meeting of the Company to provide any clarifications on matters relating to audit as may be required by the members of the Company.

The Committee met 4 times during the year 2009-10 on 30-06-2009, 25-07-2009, 31-10-2009 and 31-01-2010. The attendance details of the members of the Committee are given below:

Sl. No.	Name of the Director	No. of Meetings attended
1.	Sri A.Venkat Reddy, Chairman	4
2.	Sri A.Vamshidhar Reddy	4
3.	Sri S. Ramachandra Prasad	3

#### 4. Remuneration Committee:

The Committee was constituted on 30<sup>th</sup> October 2002 to review the remuneration package of Managing Director/Executive Directors and to recommend suitable revision in the same, if any to the Board of Directors. During the financial year 2009-10, no Committee meeting was held as there was no review of Remuneration of working Directors.

The following is the constitution of the remuneration committee as on 31-03-2010:

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

#### Remuneration of Directors:

The Company pays remuneration by way of salary, perquisites and other allowances to the Managing Director and Whole-time Directors as approved by the Board and Shareholders of the Company.

The remuneration is fixed considering various factors such as qualification, experience, expertise, and prevailing remuneration in the corporate world, financial position of the Company etc. The remuneration structure comprises of Basic Salary, Commission, perquisites and allowances, Contribution to Provident Fund and other funds in accordance with the Provisions of the Companies Act, 1956. The Non-Executive Director do not draw any remuneration from the Company except sitting fees for each meeting of the Board attended by them.

(In Rs.)

Sl. No.	Name of the Director	Salary	Perks & other Benefits	Performance Bonus/ Commission	Sitting Fee	Total
1.	Sri M. Ramesh Reddy	NIL	NIL	NIL	5,000	5,000
2.	Sri R. Surendra Reddy	16,50,000	27,135	NIL	NIL	16,77,135
3.	Sri P. Varun Kumar	16,50,000	16,871	NIL	NIL	16,66,871
4.	Sri K.V. Sarma	16,50,000	24,169	NIL	NIL	16,74,169
5.	Sri S. Ramachandra Prasad	NIL	NIL	NIL	3,000	3,000
6.	Sri A.Venkat Reddy	NIL	NIL	NIL	5,000	5,000
7.	Sri A.Vamshidhar Reddy	NIL	NIL	NIL	5,000	5,000



**5. Shareholders/Investors Grievance Committee:**

The Shareholders/Investors Grievance Committee constituted by 1 Executive Director and 2 Independent Non-Executive Directors comprising of Sri P. Varun Kumar (Chairman) and Sri A.Venkat Reddy and Sri A.Vamshidhar Reddy, inter-alia oversees the transfer of shares and redressal of Shareholders/Investors Grievances and other complaints.

The total number of complaints received was **TWO** and replied to the satisfaction of shareholders during the year under review was **ONE** and **ONE** complaint is in pending as on 31st March 2010.

The Committee had received 67 requests, approved 39 requests for transfer and 69 requests for Dematerialisation of Physical Shares during the year under review. There were no transfers or demat request pending as on 31st March, 2010.

The Board has designated Sri P. Varun Kumar, Director as the Compliance Officer.

**6. Details of General Body Meetings:**

a) Location date and time of Annual General Meetings held during the last three years are given:

Year	Date	Venue	Time
2008-2009	29-09-2009	Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.	10.30 A.M.
2007-2008	23-09-2008	Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.	11.00 A.M.
2006-2007	29-09-2007	Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.	11.30 A.M.

b) No special resolution was put through postal ballot last year nor it is proposed to put any special resolution to vote through postal ballot this year.

**7. Disclosures:**

There was no materially significant transaction with related parties entered into by the Company with its promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. The Register of Contracts contained the transactions in which Directors are interested is placed at the Board Meetings. Disclosures on transactions with related parties as required under Accounting Standard 18 have been incorporated in the notes to the Accounts.

There were no strictures or penalties imposed on the Company by Stock Exchange or Securities and Exchange Board of India (SEBI) or any other statutory authority for non-compliance of any matter related to capital markets, during the last three years.

**8. Means of Communication:**

Quarterly Results	The quarterly results of the Company are generally published in a leading English Newspaper & in a local language Newspaper.
Newspapers in which Published	Business Standard (English) and Andhra Bhoomi (Telugu)
Website where the results and other official news releases are displayed	<a href="http://www.vamshirubber.org">www.vamshirubber.org</a>

**9. The Management Discussion and Analysis Report**

A separate Report of Management discussion and analysis is attached as a part of the Annual Report.

**10. General Shareholder Information:**

- (i) **AGM Date and time** 29<sup>th</sup> September 2010 at 10.30 a.m.  
**Venue** At Surana Udyog Auditorium, FAPCCI,  
Red Hills, Hyderabad
- (ii) **Financial Calendar**  
1<sup>st</sup> Quarter 1<sup>st</sup> April to 30<sup>th</sup> June  
2<sup>nd</sup> Quarter 1<sup>st</sup> July to 30<sup>th</sup> September  
3<sup>rd</sup> Quarter 1<sup>st</sup> October to 31<sup>st</sup> December  
4<sup>th</sup> & last Quarter 1<sup>st</sup> January to 31<sup>st</sup> March
- (iii) **Date of Book Closure** 24-09-2010 to 29-09-2010  
(both days inclusive)
- (iv) **Dividend payment** on or before 13<sup>th</sup> October 2010
- (v) **Listing of**  
**(1) Equity Shares** Bombay Stock Exchange Ltd, Mumbai  
Phiroze Jheejheebhoy Towers,  
Dalal Street, Mumbai – 400 001
- (2) Listing Fees** Paid to Bombay Stock Exchange for  
the year 2009-2010
- (vi) **Address of Registered Office** 8-2-594/1/A/1, Opp: Hotel Taj Krishna  
Road No.1, Banjara Hills,  
Hyderabad – 500 034
- (vii) a) **Stock Exchange Security Code for** 530369  
**Equity Shares**  
b) **Demat ISIN Number in NSDL & CDSL** INE380C01014  
**for Equity Shares**

**(viii) Monthly High and Low quotations for shares traded in BSE during the year 2009-2010**

Month	High (Rs.)	Low (Rs.)	Volume (Nos)
Apr, 2009	17.35	11.30	24467
May, 2009	18.00	11.45	33162
Jun, 2009	14.99	11.22	36337
Jul, 2009	15.34	9.94	31843
Aug, 2009	16.25	13.36	50276
Sep, 2009	17.00	14.20	34211
Oct, 2009	18.25	14.80	19500
Nov, 2009	27.00	17.15	251345
Dec, 2009	27.50	22.20	88509
Jan, 2010	30.50	23.50	85336
Feb, 2010	33.40	24.10	219521
Mar, 2010	33.20	27.00	198228



**Registrar & Share Transfer Agent:****CIL Securities Limited**

214, Raghava Ratna Towers,

Chirag Ali Lane, Abids, Hyderabad - 500001.

Ph: 040-23203155/ 23202465, Fax : 040-23203028 / 66661267

Email:advisors@cilsecurities.com

**11. Share Transfer System:**

All the transfers received are processed and approved by the Shareholders/Grievance Committee, which normally meets twice a month. Share transfers are registered and returned within 15 days from the date of lodgment if documents are complete in all respect.

**12. Distribution Shareholdings as on 31st March 2010:**

Share Holdings of nominal value of Rs.10/- each (1)	Share Holders		Share Amount	
	Number (2)	% of Total (3)	in Rs. (4)	% of Total (5)
Upto - 5000	3893	98.98	11,423,570	27.16
5001 - 10000	12	0.31	976,840	2.32
10001 - 20000	10	0.25	1,404,310	3.34
20001 - 30000	3	0.08	672,000	1.60
30001 - 40000	2	0.05	649,800	1.54
40001 - 50000	2	0.05	817,100	1.94
50001 - 100000	8	0.08	1,883,480	4.48
100001 and above	8	0.20	24,240,900	57.62
<b>TOTAL</b>	<b>3933</b>	<b>100.00</b>	<b>42068000</b>	<b>100.00</b>

**13. Category of Shareholders :**

Sl. No.	Category	No. of Shares held	Percentage to Total issued Shares
1.	Promoters	2160178	51.35
2.	Mutual Funds	-	-
3.	Banks/FI	-	-
4.	Private Corporate Bodies	246266	5.85
5.	Public	1351278	32.12
6.	NRIs/OCBs	449078	10.68
	<b>TOTAL</b>	<b>4206800</b>	<b>100.00</b>

**14. Dematerialization of Shares & Liquidity:**

The trading in Company's shares is permitted only in dematerialised form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scripless trading, the Company has enlisted its shares with NSDL and CDSL.

**15. Share Dematerialisation Records:**

The following data indicates the extent of Dematerialisation of company's shares as on 31st March 2010:

No. of Share holders in dematerialisation form	1709	43.45% of the total number of share holders
No. of Shares in Demat form	3190139	75.82% of the total Share Capital

- 16. Outstanding GDRs/ADRs/Warrant or any convertible instruments, conversion date and likely impact on Equity** : The Company has not issued any of these instruments till date

**17. Secretarial Audit for Reconciliation of Capital:**

As stipulated by SEBI, a qualified practicing Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchange where the Company's shares are listed. The audit confirms that the total listed and paid-up capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.

**18. Factory Location** : Survey No.312/E, Lingojigudem Village, Choutuppal Mandal, Nalgonda District – 508 252 Andhra Pradesh.

**19. ADDRESS FOR CORRESPONDENCE:**

S.No	Shareholders Correspondence for	Addressed to
1.	Transfer/Dematerialization/Consolidation/Split of Shares, Issue of Duplicate Share Certificate, Change of Address of members and beneficial owners and any other query relating to the shares of the Company	<b>CIL Securities Ltd.</b> 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad-500001. Phone: 040-23203155/ 23202465 Fax : 040-23203028 / 66661267 Email:advisors@cilsecurities.com
2.	Investor Correspondence/Query on Annual Report	<b>Sri. P. VARUN KUMAR, Director</b> Compliance Officer Vamshi Rubber Ltd 8-2-594/1/A/1, Opp: Hotel Taj Krishna, Road No.1, Banjara Hills, Hyderabad – 500 034. Phone : 040-23353280 / 23353281 Fax : 040-23353282 Email: info@vamshirubber.org

**20. Profiles of Directors to be re-appointed on retirement:**

- Sri M. Ramesh Reddy, aged about 50 years, is a Chemical Engineer by qualification. He has completed his B.Tech from Regional Engineering College, Warangal. He has also done his Masters in Chemical Engineering from University of Florida, USA. He is Promoter Director since the formation of the Company.
- Sri A. Venkat Reddy, aged about 40 years, is a Graduate and he has good experience in Corporate Affairs and does not hold any directorship in other companies and does not hold any shares of the company.



**21. Depository Services:**

For guidance on depository services, Shareholders may write to the Company or to the respective Depositories: -

National Securities Depository Ltd.  
Trade World, 4th Floor,  
Kamala Mills Compound,  
Senapati Bapat Marg, Lower Parel,  
Mumbai-400013.  
Tel : 091-022-24994200  
Fax: 091-022-24972993/24976351  
Email : [info@nsdl.co.in](mailto:info@nsdl.co.in)

Central Depository Services (India) Ltd.  
Phiroze Jeejeebhoy Towers,  
17th Floor, Dalal Street,  
Mumbai-400023.  
Tel : 091-022-22723333  
Fax : 091-022-22723199  
Email : [investors@cdslindia.com](mailto:investors@cdslindia.com)

**22. Nomination Facility:**

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Company the prescribed Form 2B for this purpose.

**23. Company's Policy on prevention of Insider Trading:**

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company had framed a Code of Conduct for prevention of insider trading. Sri. P.Varun Kumar, Director had been appointed as the Compliance Officer for the purpose. The code is applicable to all such employees of the Company who are expected to have access to the unpublished price sensitive information relating to the Company and the same is being implemented as a self-regulatory mechanism.

**DECLARATION UNDER CODE OF CONDUCT**

As required under Clause 49(1D) of the Listing Agreement, it is hereby declared that the Company has obtained confirmation from all the Board Members and Senior Management Personnel of the Company for the compliance of the Code of Conduct of the Company for the year 2009-10.

Place: Hyderabad  
Date: 31<sup>st</sup> July 2010

**(R.SURENDRA REDDY)**  
Managing Director



**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

**1. INDUSTRY STRUCTURES & DEVELOPMENTS:**

As the Economic recession receded, the industrial growth has picked up leading to exponential growth in automobile field. As your company's products cater to transportation industry, there is ample scope for the products.

**2. OPPORTUNITIES & THREATS:**

Your Company enjoys goodwill from its customers for providing superior quality products. As the marketing network is spread throughout the country, vast opportunities are available for increasing the market share. The excess availability of the products in the domestic market is affecting your Company's net realization. The manufacturers of the products by the competitors in the SSI field are posing a problem with their low prices because of Excise Duty exemption for them. The management is able to counter this with better quality.

**3. OUTLOOK:**

In order to meet the changing market realities, your Company has been following the philosophy of providing the highest quality products and services at the lowest possible prices. All endeavors are made to achieve possible cost reduction in every area of operations. Your Company's philosophy to provide high class quality products i.e. full value for money to consumers would greatly benefit in the long run. In the otherwise increasing cost arena, every expense, whether capital or revenue is minutely reviewed to achieve all possible savings.

**4. RISKS AND CONCERNS:**

Your Company's products are largely intended for sale in the domestic market. Apart from normal risks as are applicable to an Industrial Undertaking the Company does not foresee any serious area of concern. The Company is obtaining adequate insurance coverage for its assets at the plant and the field locations etc. The company has no foreign exchange risk coverage due to its limited exposure. Compliance of safety requirements and norms placed by different Government agencies is a top priority of your Management.

**6. INTERNAL CONTROL SYSTEMS**

The Company has proper and adequate systems of internal controls in order to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly. An Audit Committee headed by a non-executive independent Director is in place to review various areas of the control systems.

**7. DISCUSSION OF FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:**

The details of the financial performance of the Company are appearing in the Balance Sheet, Profit & Loss Account and other financial statements etc. appearing separately. Highlights for the year 2009-10 are as under:

	Rs. in Lakhs
Sales & Other Income	5,968.14
Profit before Interest, Depreciation, Voluntary Retirement Absorption & Tax	496.22



The financial performance of the Company has been explained in the Directors' Report of the Company for the year 2009-10 appearing separately.

**8. HUMAN RESOURCES:**

During the year under review, the Company has undertaken extensive steps in optimizing the manpower at the Plant, Corporate Office and Field locations. Employee and employer relations were cordial throughout the year. Measures for safety of the employees, training and development continued to receive top priorities.

**9. CAUTIONARY STATEMENT:**

Certain statement in the Management Discussion and Analysis describing the Company's views about the industry, expectations/predictions, objectives etc, may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement. Company's operations may inter-alia affect with the supply and demand situations, input prices and their availability, changes in Government regulations, tax laws and other factors such as Industrial relations and economic developments etc. Investors should bear the above in mind.



**CERTIFICATION BY CEO & CFO OF THE COMPANY**

We, R.Surendra Reddy, Managing Director and P. Varun Kumar, Director - Finance of Vamshi Rubber Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet, Profit and Loss Account, its schedule & notes to the accounts and cash flow statement for the year ended 31<sup>st</sup> March 2010 and that to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements together present a true and fair view of the Company's and are in compliance with existing accounting standards, applicable laws and regulations.
2. We also certify, that based on our knowledge and the information provided to us, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee:
  - a) significant changes in internal control during the year;
  - b) significant changes in accounting policies during the year and that the same have been disclosed in notes to the financial statements; and
  - c) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Place: Hyderabad  
Date: 31<sup>st</sup> July 2010

**(R.SURENDRA REDDY)**  
Managing Director

**(P. VARUN KUMAR)**  
Director - Finance



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VAMSHI RUBBER LIMITED

**CERTIFICATE**

To the Members  
**Vamshi Rubber Limited**

We have examined the compliance of conditions of Corporate Governance by **Vamshi Rubber Limited** for the year ended March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

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 to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

Place: Hyderabad  
Date: 31<sup>st</sup> July 2010

**For M/s. Ramana Reddy & Associates,  
(Formerly A.M.REDDY & CO.,)  
Chartered Accountants  
FRN No. 003246S**

**Partner**



**AUDITORS' REPORT**

The Members of  
M/s. VAMSHI RUBBER LIMITED,  
HYDERABAD.

1. We have audited the attached Balance Sheet of M/s. VAMSHI RUBBER LIMITED as at 31<sup>st</sup> March, 2010, 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 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out 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 in paragraph 3 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 written representations received from the directors, as on 31<sup>st</sup> March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2010 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 to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956 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 31<sup>st</sup> March 2010;
    - (b) In the case of the Profit and Loss account, of the profit for the year ended on that date;
    - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For A.M.REDDY & CO.,  
CHARTERED ACCOUNTANTS  
FRN No. 003246S**

**PLACE : HYDERABAD.  
DATE : 29th May, 2010**

**(CA.RAMANA REDDY.A.V.)  
PARTNER  
Membership No. 024329**





**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph (3) of our report of even date)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the company have been physically verified by the management during the year as per a programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. (a) The stock of finished goods, raw materials and stores has been physically verified by the management during the year, in our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of records of stocks, in our opinion, the company has maintained proper records of stocks. The discrepancies noticed on physical verification between the physical stocks and the book records were not material.
3. (a) The company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained u/s.301 of the Act.
- (b) The company has not taken any interest free loans from companies, firms or other parties listed in the register maintained u/s.301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of stores, raw materials, including components, plant and machinery, equipment and other assets with regard to the sale of goods and services. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under section 301 of Act, have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the company has not made any contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of any party during the year.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are applicable.
7. In our opinion, the internal audit system of company is commensurate with its size and nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 to this company.



9. (a) The company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.  
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.  
(c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute.
10. The company has no accumulated losses as on 31.03.2010 and has not incurred any cash losses during the financial year ended on that date and in the immediately preceding financial year.
11. The company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. 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 are not applicable to this company.
14. 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 are not applicable to this company.
15. The company has not given any guarantees for loans taken by others, from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prima facie prejudicial to the interest of the company.
16. In our opinion and according to the information and explanations given to us and on an overall examination, we report that the company has not availed any term loan during the year under report.
17. 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.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by public issue, during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For A.M.REDDY & CO.,  
CHARTERED ACCOUNTANTS  
FRN No. 003246S**

**PLACE : HYDERABAD.  
DATE : 29th May, 2010**

**(CA.RAMANA REDDY.A.V.)  
PARTNER  
Membership No. 024329**



VAMSHI RUBBER LIMITED

**VAMSHI RUBBER LIMITED  
BALANCE SHEET AS AT 31ST MARCH, 2010**

Particulars	Schedules	AS ON	
		31/3/2010	31/3/2009
		Rs.	Rs.
<b>SOURCES OF FUNDS</b>			
1. Share Holder's Funds			
Share Capital	A	42,068,000	42,068,000
Reserves & Surplus	B	46,309,277	31,707,916
2. Loan Funds			
Secured Loans	C	111,239,855	101,989,404
Unsecured Loans	D	46,305,267	53,370,317
3. Deferred Tax Liability (Net)		14,958,718	13,941,230
<b>TOTAL</b>		<b>260,881,117</b>	<b>243,076,867</b>
<b>APPLICATION OF FUNDS</b>			
1. Fixed Assets	E		
a) Gross Block		164,655,084	158,693,964
b) Less: Depreciation		63,531,728	55,985,281
c) Net Block		101,123,356	102,708,683
d) Capital Work in Progress		1,674,714	5,200,807
		102,798,070	107,909,490
2. Current Assets, Loans & Advances	F		
a) Inventories		90,344,540	67,451,996
b) Sundry Debtors		57,527,335	58,444,433
c) Cash & Bank Balances		6,453,615	18,886,437
d) Loans & Advances		57,606,018	13,378,276
		211,931,507	158,161,143
Less: Current Liabilities and Provisions	G	54,877,193	24,876,755
Net Current Assets		157,054,314	133,284,388
3. Miscellenous Expenses (to the extent not written off or adjusted) H		1,028,733	1,882,989
<b>TOTAL</b>		<b>260,881,117</b>	<b>243,076,867</b>
Notes on Accounts	O		

Vide our report of even date:

For and on behalf of the Board

For A.M.Reddy & Co.,  
Chartered Accountants  
FRN No. 003246S

(CA.Ramana Reddy.A.V.)  
Partner  
Membership No. 024329

(M.Ramesh Reddy)  
Chairman

(R.Surendra Reddy)  
Managing Director

Place: Hyderabad  
Date : 29th May 2010



VAMSHI RUBBER LIMITED

**VAMSHI RUBBER LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

Particulars	Schedules	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
Sales			592,927,775		548,958,939
Other Income	I		3,886,541		2,265,817
Increase/(Decrease) in Stocks	J		18,563,529		(12,424,210)
<b>TOTAL</b>			<b>615,377,845</b>		<b>538,800,547</b>
<b>EXPENDITURE</b>					
Purchases			833,048		683,920
Manufacturing Expenses	K		466,367,396		422,088,646
Salaries, Wages & Amenities	L		29,768,749		23,840,475
Administrative & Selling Expenses	M		68,786,529		61,370,444
Financial Charges	N		10,671,118		12,094,389
Depreciation			7,847,653		7,042,959
<b>TOTAL</b>			<b>584,274,492</b>		<b>527,120,833</b>
Net Profit for the year Before Tax			<b>31,103,353</b>		<b>11,679,713</b>
Less: Prior Period Expenses			8,450		90,803
			<b>31,094,903</b>		<b>11,588,910</b>
Less : Provision for Tax					
1) Income Tax					
- Current Year		10,570,556		1,860,529	
Excess Income Tax Provision Written Back		-		(566,902)	
2) Deferred Tax Asset / Liability		1,017,488		160,010	
3) Fringe Benefit Tax					
- Current Year		-		209,094	
			11,588,044		1,662,731
Net profit after tax			19,506,859		9,926,179
Add: Balance brought forward from Previous Year			30,207,915		22,742,609
Balance available for Appropriation			<b>49,714,774</b>		<b>32,668,789</b>
<b>Appropriation</b>					
Proposed Dividend			4,206,800		2,103,400
Income Tax on Distributed Profits			698,697		357,473
Balance Carried to Balance Sheet			44,809,277		30,207,916
<b>TOTAL</b>			<b>49,714,774</b>		<b>32,668,789</b>
Notes on Accounts	O				

Vide our report of even date:

For and on behalf of the Board

For A.M.Reddy & Co.,  
Chartered Accountants  
FRN No. 003246S(CA.Ramana Reddy.A.V.)  
Partner  
Membership No. 024329(M.Ramesh Reddy)  
Chairman(R.Surendra Reddy)  
Managing DirectorPlace: Hyderabad  
Date : 29th May 2010

**VAMSHI RUBBER LIMITED**

<b>SCHEDULES TO ACCOUNTS</b>	<b>AS ON 31/3/2010</b>	<b>AS ON 31/3/2009</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE "A"</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
45,00,000 Equity Shares of Rs.10/- each	45,000,000	45,000,000
	=====	=====
Issued, Subscribed and Paid up:		
42,06,800 Equity Shares of Rs.10/- each fully paid up	42,068,000	42,068,000
	-----	-----
<b>TOTAL</b>	<b>42,068,000</b>	<b>42,068,000</b>
	=====	=====
<b>SCHEDULE "B"</b>		
<b>RESERVES AND SURPLUS</b>		
Investment Subsidy	1,500,000	1,500,000
Profit and Loss Account	44,809,277	30,207,916
	-----	-----
<b>TOTAL</b>	<b>46,309,277</b>	<b>31,707,916</b>
	=====	=====
<b>SCHEDULE "C"</b>		
<b>SECURED LOANS</b>		
Long Term Loans from :		
- SBI Term Loan	18,590,000	25,350,000
Short Term Loans:		
Working Capital from State Bank of India, Hyderabad	92,409,195	76,017,295
Hire Purchase Finance From :		
- From ICICI Bank	-	31,861
- From Kotak Mahindra Prime Ltd	240,660	590,248
	-----	-----
<b>TOTAL</b>	<b>111,239,855</b>	<b>101,989,404</b>
	=====	=====
<b>SCHEDULE "D"</b>		
<b>UNSECURED LOANS</b>		
Deferred Sales Tax Liability	4,985,791	2,328,751
Sales Tax Loan	41,319,476	51,041,566
	-----	-----
<b>TOTAL</b>	<b>46,035,267</b>	<b>53,370,317</b>
	=====	=====



**VAMSHI RUBBER LIMITED**

**SCHEDULE "E"**

**FIXED ASSETS STATEMENT AS ON 31-03-2010**

(Amount in Rs.)

SL. NO.	NAME OF THE ASSET	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
		AS ON 01/04/2009	ADDITIONS DURING THE YEAR	DEDUCTIONS DURING THE YEAR	AS ON 31/03/2010	AS ON 01/04/2009	FOR THE YEAR	ON DEDUCTIONS	UPTO 31/03/2010	AS ON 31/03/2010	AS ON 31/03/2009
1)	LAND	1,229,313	-	45,413	1,183,900	-	-	-	-	1,183,900	1,229,313
2)	FACTORY BUILDINGS	17,505,689	-	-	17,505,689	6,910,718	584,690	-	7,495,408	10,010,281	10,594,971
3)	NON FACTORY BUILDINGS	9,864,077	-	30,000	9,834,077	990,284	160,767	7,847	1,143,204	8,690,873	8,873,793
4)	PLANT AND MACHINERY	105,204,768	5,864,656	309,849	110,759,575	36,840,507	5,142,415	167,659	41,815,263	68,944,312	68,364,261
5)	ELECTRICAL INSTALLATIONS	8,936,597	22,006	-	8,958,603	3,749,432	424,654	-	4,174,086	4,784,517	5,187,165
6)	LAB EQUIPMENT	2,230,631	-	-	2,230,631	837,217	105,955	-	943,172	1,287,459	1,393,414
7)	OFFICE EQUIPMENT	1,647,053	353,825	-	2,000,878	485,486	80,011	-	565,497	1,435,381	1,161,567
8)	COMPUTERS	4,811,227	66,600	-	4,877,827	3,502,213	779,959	-	4,282,172	595,655	1,309,014
9)	FURNITURE AND FIXTURES	3,847,409	43,692	-	3,891,101	1,362,901	245,088	-	1,607,989	2,283,112	2,484,508
10)	VEHICLES	3,417,200	427,196	431,593	3,412,803	1,306,523	324,114	125,700	1,504,937	1,907,866	2,110,677
	<b>TOTAL</b>	<b>158,693,964</b>	<b>6,777,975</b>	<b>816,855</b>	<b>164,655,084</b>	<b>55,985,281</b>	<b>7,847,653</b>	<b>301,207</b>	<b>63,531,728</b>	<b>101,123,356</b>	<b>102,708,683</b>

**SCHEDULES TO ACCOUNTS****AS ON  
31/3/2010****AS ON  
31/3/2009**

Rs.

Rs.

Rs.

Rs.

**SCHEDULE "F"****CURRENT ASSETS, LOANS & ADVANCES**

<b>A. Inventories (As certified by the Management)</b>				
Stock of Raw Materials	14,973,360		11,209,129	
Stock- in- Process	14,936,354		14,918,542	
Stock of Finished Goods	56,621,231		38,199,154	
Stock of Stores and Spares	2,846,457		2,281,674	
Stock of Other Items	967,138		843,498	
		90,344,540		67,451,996
<b>B. Sundry Debtors (Unsecured and considered Good)</b>				
I) Debts outstanding for a period exceeding 6 months	5,113,423		4,653,189	
II) Other Debts	52,413,912		53,791,244	
		57,527,335		58,444,433
<b>C. Cash and Bank Balances</b>				
I) Cash in Hand	57,569		50,846	
II) Balances with Scheduled Banks				
In Current Accounts	6,350,546		18,790,092	
In Fixed deposits	45,500		45,500	
		6,453,615		18,886,437
<b>D. Loans and Advances</b>				
Advances recoverable in Cash or Kind or for value to be received (Unsecured and Considered Good)	2,455,433		2,271,121	
Inter Corporate Deposits	33,087,678		-	
Advances for Capital Assets	2,560,000		-	
Advance to Suppliers	2,734,068		1,965,855	
Advance Fringe Benefit Tax	-		214,330	
Advance Tax	9,992,000		1,791,000	
Deposits with Govt. Depts.	2,607,235		2,554,789	
Deposits (others)	1,292,895		1,808,208	
TDS Receivable	401,571		369,551	
Income Tax Refundable A/C	1,420,488		1,117,746	
CENVAT Receivable	203,778		280,981	
VAT Receivable	320		192,688	
Prepaid Expenses	659,071		630,716	
Interest Accrued but not due	191,481		181,292	
		57,606,018		13,378,276
<b>TOTAL</b>		<b>211,931,507</b>		<b>158,161,143</b>



SCHEDULES TO ACCOUNTS	AS ON		AS ON	
	Rs.	31/3/2010	Rs.	31/3/2009
<b>SCHEDULE "G"</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>A. CURRENT LIABILITIES</b>				
Outstanding dues of micro enterprises and Small enterprises @		-		-
Outstanding dues of Creditors other than micro enterprises and Small enterprises		31,624,547		12,756,019
Advance from Customers		5,057,138		5,796,681
<b>B. PROVISIONS</b>				
for Gratuity		2,719,455		1,793,559
for Income Tax		10,570,556		1,860,529
for Fringe Benefit Tax		-		209,094
for Dividend		4,206,801		2,103,400
for Tax on Distributed Profits		698,697		357,473
<b>TOTAL</b>		<b>54,877,193</b>		<b>24,876,755</b>
<b>SCHEDULE "H"</b>				
Miscellaneous Expenses (to the extent not written off or adjusted)				
Forward Contract Premium		1,028,733		1,882,989
<b>TOTAL</b>		<b>1,028,733</b>		<b>1,882,989</b>
<b>SCHEDULE "I"</b>				
<b>OTHER INCOME</b>				
Interest Earned		3,599,980		1,501,496
Misc. Receipts		179,621		436,861
Profit on Sale of Land		78,526		-
Profit on sale of Fixed Assets		28,414		-
Gratuity - Excess Provision Written Back		-		327,460
<b>TOTAL</b>		<b>3,886,541</b>		<b>2,265,817</b>
<b>SCHEDULE "J"</b>				
<b>INCREASE / (DECREASE) IN STOCKS</b>				
<b>Closing Stock</b>				
Work-in-progress		14,936,354		14,918,542
Finished Goods		56,621,231		38,199,154
Others		967,138		843,498
		72,524,723		53,961,194
<b>Less: Opening Stocks</b>				
Work-in-progress		14,918,542		11,322,622
Finished Goods		38,199,154		54,204,090
Others		843,498		858,691
		53,961,194		66,385,403
<b>Increase / (Decrease) in stocks</b>		<b>18,563,529</b>		<b>(12,424,210)</b>



**SCHEDULES TO ACCOUNTS****AS ON  
31/3/2010****AS ON  
31/3/2009**

Rs.

Rs.

Rs.

Rs.

**SCHEDULE "K"****MANUFACTURING EXPENSES**

## Consumption of Raw Materials

Opening Stocks 11,209,129 18,734,743

Add: Purchases 384,960,010 323,559,538

-----  
396,169,139 342,294,282

Less: Closing Stock 14,973,360 11,209,129

-----  
381,195,780 331,085,153

Consumption of Stores and Spares 8,467,111 7,486,848

Power and Fuel 22,775,755 19,563,157

Repairs and Maintenance 1,895,688 1,382,285

Processing Charges 4,845,879 3,732,842

Insurance 365,722 397,112

Factory Maintenance 69,789 102,107

Excise Duty 44,917,117 56,716,892

Cess on Rubber 1,834,554 1,622,250

-----  
**TOTAL 466,367,396 422,088,646**  
=====**SCHEDULE "L"****SALARIES, WAGES & AMENITIES:**

Salaries, Wages &amp; Other Allowances 25,157,786 20,835,412

Contribution to Provident Fund 1,413,812 1,218,647

Contribution to Employees' State Insurance 553,686 494,974

Provision for Gratuity 1,063,111 -

Provision for Bonus 501,532 481,395

Workmen and Staff Welfare Expenses 1,078,822 810,047

-----  
**TOTAL 29,768,749 23,840,475**  
=====**SCHEDULE "M"****ADMINISTRATIVE & SELLING EXPENSES**

## A. Administrative Expenses

Rent 1,866,847 1,691,825

Rates, Taxes and Licenses 171,175 156,609

Managerial Remuneration 4,950,000 3,600,000

Managerial Perquisites 68,175 71,867

Postage and Telegrams 245,259 258,287

Telephone and Telex Charges 777,153 875,643

Vehicle Maintenance

- Motor Cars 336,173 356,864

- Others 230,983 249,489

Books and Periodicals 8,531 11,678

Security Charges 623,416 558,372



<b>SCHEDULES TO ACCOUNTS</b>	<b>AS ON 31/3/2010</b>	<b>AS ON 31/3/2009</b>
	<b>Rs.</b>	<b>Rs.</b>
Printing and Stationery	403,848	456,289
Office Maintenance	312,742	213,181
Advances Written Off	223,837	-
Insurance	124,695	99,444
Professional Charges	2,147,289	1,835,732
Electricity Charges	145,483	149,267
General Expenses	260,858	228,775
Registration, Listing & Filing Fee	22,320	24,550
Board Meeting Expenses		
- Sitting Fees to Directors	18,000	8,500
- Incidental Charges	29,000	-
Travelling Expenses	3,515,369	3,891,716
Conveyance	573,728	607,143
Membership Fee	17,234	16,100
AGM Expenses	33,440	30,612
Auditor's Fee	100,000	75,000
Loss on sale of Fixed Assets	181,648	-
Donations	10,600	10,000
<b>B) Selling Expenses</b>		
Sales Tax (VAT & CST)	25,134,706	25,034,143
Discounts & Allowances	12,069,412	9,309,986
Carriage Outwards	8,089,468	6,472,855
Loading and Unloading Charges	1,050,351	726,107
Commission	1,458,483	707,646
Advertisements	1,154,304	1,474,140
Business Promotion Exp.	310,416	51,242
Bad Debts written off	2,003,341	1,644,400
Royalty	118,245	472,983
<b>TOTAL</b>	<b>68,786,529</b>	<b>61,370,444</b>
<b>SCHEDULE "N"</b>		
<b>FINANCE CHARGES</b>		
Interest on Term Loan	2,499,451	1,975,326
Interest on Working Capital	5,040,189	7,569,423
Exchange Variation	1,950,986	946,727
HP Financial Charges	48,901	93,455
Other Financial Charges	97,569	102,570
Bank Charges	1,034,022	1,406,889
<b>TOTAL</b>	<b>10,671,118</b>	<b>12,094,389</b>



**SCHEDULE - O**

**ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

**1. DISCLOSURE OF ACCOUNTING POLICIES:**

**a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

- i) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.
- ii) Accounting policies not specifically referred to otherwise are in consonance with prudent accounting principles.
- iii) All income and expenditure items having material bearing on the financial statements are recognised on accrual basis.

**b) FIXED ASSETS**

Fixed Assets are stated at acquisition cost (Net of Cenvat, if any) including directly attributable cost of bringing them to their respective working conditions for the intended use less accumulated depreciation. All costs, including financing/borrowing cost till commencement of commercial production attributable to the fixed assets have been capitalized.

**c) REVENUE RECOGNITION**

All revenue income and expenditure are recognized on accrual concept of accounting.

**d) DEPRECIATION**

Depreciation on fixed assets has been provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956 on pro-rata basis.

**e) INVENTORIES**

Inventories are valued at lower of cost or net realizable value. Cost is determined using FIFO method.

**f) FOREIGN CURRENCY TRANSACTIONS**

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

Forward contracts for hedging: The company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the company and the company does not use the foreign exchange forward contracts for speculation purposes.

The premium arising at the inception of such a forward exchange contract be amortised as expense over the life of the contract.

**g) INVESTMENTS**

Investments made by the company are primarily of long term nature and are value at cost. Provision will be made for decline, other than temporary, in the value of investments.

**h) BORROWING COSTS**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing cost are charged to revenue.

**i) EMPLOYEE BENEFITS**

**Gratuity:** Liability towards gratuity is provided on the basis of actuarial valuation made by an independent actuary.

**Provident Fund:** Contributions paid to the prescribed authority are charged to revenue every year.

**Leave Encashment:** is at the discretion of the management and is charged to revenue in the year of payment.

**j) EARNING PER SHARE**

The Company reports its Earnings per Share (EPS) in accordance with Accounting Standard 20 issued by the Institute of Chartered Accountants of India.

**k) TAXES ON INCOME**

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates / laws that have been enacted or substantively enacted by the Balance Sheet date.

**l) PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**2. NOTES TO THE ACCOUNTS**

	Current Year Rs.	Previous Year Rs.
a) Contingent Liabilities not provided for: Bank Guarantees issued	1,50,000	1,50,000

**b) SECURED LOANS:****i. LONG TERM LOAN**

From State Bank of India, Commercial Branch, Bank Street, Koti, Hyderabad is secured by First Charge by deposit of title deeds of the immovable properties by creation of equitable mortgage on additional properties and guaranteed by four directors of the company in their personal capacity.

**ii. SHORT TERM LOANS**

From State Bank of India, Hyderabad is secured by hypothecation of Stock of Raw Materials, Work-in-Progress, Finished Goods, Stores & Spares, Book Debts etc., also guaranteed by four Directors of the Company in their personal capacity.

	Current Year Rs.	Previous Year Rs.
c) Estimated contracts remaining to be Executed on Capital Account and not Provided for	Nil	Nil



**VAMSHI RUBBER LIMITED**

<b>d) AUDITORS REMUNERATION:</b>	<b>Current Year</b>	<b>Previous Year</b>
	<b>Rs.</b>	<b>Rs.</b>
Audit Fees	70,000	45,000
Tax Audit	20,000	20,000
Other Services	10,000	10,000
Service Tax	10,300	7,725
<b>TOTAL</b>	<b>1,10,300</b>	<b>82,725</b>

<b>e) MANAGERIAL REMUNERATION:</b>		
Remuneration		
- Managing Director	16,50,000	12,00,000
- Whole Time Directors	33,00,000	24,00,000
Perquisites		
- Managing Director	27,135	24,315
- Whole Time Directors	41,040	47,552
<b>TOTAL</b>	<b>50,18,175</b>	<b>36,71,867</b>

d) Number of Employees who were in receipt of Rs.24,00,000 or more per annum or Rs.2,00,000 or more per month if employed for a part of the year. Nil Nil

**e) PARTICULARS REGARDING CAPACITY, PRODUCTION, SALES & STOCKS:**

i. Licensed Capacity: Due to de-licensing of Industry there is no licensed Capacity.

**ii. INSTALLED CAPACITY:**

	<b>Current Year</b>	<b>Previous Year</b>
Precured Tread Rubber	4600 TPA	4600 TPA
Cushion Gum	300 TPA	300 TPA
Vulcanizing Solution	150 K.Lts	150 K.Lts
Curing Envelopes	12000 Nos	12000 Nos

**iii. PRODUCTION:**

	<b>Current Year</b>	<b>Previous Year</b>
Precured Tread Rubber (Kgs)	41,21,122	34,09,476
Cushion Gum (Kgs)	1,88,125	1,60,482
Vulcanizing Solution (Lts)	1,80,700	1,56,075
Curing Envelopes (Nos)	342	272
<b>Total</b>	<b>44,90,289</b>	<b>37,26,305</b>

**iv. OPENING STOCK OF FINISHED GOODS:**

	<b>Current Year</b>		<b>Previous Year</b>	
	Qty (Kg)	Value Rs.	Qty (Kg)	Value Rs.
Precured Tread Rubber	3,14,937	3,69,60,688	4,31,330	5,19,13,645
Cushion Gum	7,804	9,60,027	10,531	13,90,442
Vulcanizing Solution (Lts)	4,475	2,56,097	11,175	8,03,946
Curing Envelopes (Nos)	10	22,342	52	96,056
Others		8,43,498		8,58,691
<b>Total</b>		<b>3,90,42,652</b>		<b>55,062,780</b>



v. CLOSING STOCK OF FINISHED GOODS:

	Current Year		Previous Year	
	Qty (Kg)	Value Rs.	Qty (Kg)	Value Rs.
Precured Tread Rubber	3,98,082	5,50,24,058	3,14,937	3,69,60,688
Cushion Gum	4,113	6,67,369	7,804	9,60,027
Vulcanizing Solution (Lts)	5,700	4,23,938	4,475	2,56,097
Curing Envelopes (Nos)	228	5,05,866	10	22,342
Others		9,67,138		8,43,498
<b>Total</b>		<b>5,75,88,369</b>		<b>3,90,42,652</b>

vi. SALES:

	Current Year		Previous Year	
	Qty (Kg)	Value Rs.	Qty (Kg)	Value Rs.
Precured Tread Rubber	40,37,976	54,88,05,509	35,25,869	50,62,60,268
Cushion Gum	1,91,816	2,93,49,151	1,63,209	2,70,71,862
Vulcanizing Solution (Ltrs)	1,79,475	1,34,76,643	1,62,775	1,38,34,689
Curing Envelopes (Nos)	124	3,04,733	314	8,21,374
Others		9,91,739		9,70,746
<b>TOTAL</b>		<b>59,29,27,775</b>		<b>54,89,58,939</b>

vii. PARTICULARS OF RAW MATERIALS CONSUMPTION:

Particulars	Current Year		Previous Year	
	Qty (Kg)	Value Rs.	Qty (Kg)	Value Rs.
1. Natural Rubber	12,13,336	14,02,75,108	10,81,200	11,26,29,392
2. Synthetic Rubber	11,83,862	10,01,34,849	7,79,179	9,53,87,798
3. Carbon Black	13,76,797	9,35,73,027	11,60,550	7,83,58,073
4. Rubber Chemicals & Others	4,69,696	3,01,18,192	5,32,697	3,02,08,131
5. Process Oil (Kgs)	4,89,486	1,28,51,025	4,11,747	1,12,98,215
6. Zinc Oxide	51,900	42,43,579	43,050	32,03,543
<b>Total</b>		<b>38,11,95,780</b>		<b>33,10,85,153</b>

	Current Year Rs.	Previous Year Rs.
f) Expenditure in Foreign Currency:		
- on import of Raw Material	1,11,28,344	NIL
- on import of Machinery Consumables	21,02,392	14,57,093
Earning in Foreign Currency:		
- Sales	NIL	NIL

**g) Transactions with the Related Parties pursuant to Accounting Standard 18**

Sl.No.	Name	Relationship	Amount involved Rs.	Balance as on 31.03.10 Rs.
	Payment of Remuneration			
1.	R.Surendra Reddy	Is the Managing Director of the Company	16,77,135	1,19,220
2.	P.Varun Kumar	Is the Director Finance of the Company	16,66,871	82,983
3.	K.V.Sarma	Is the Director Operations of the Company	16,74,169	1,06,889

**h) Earning per Share (EPS) –**

The numerators and denominators used to calculate Earning per Share:

Particulars	Current Year	Previous Year
Profit attributable to the Equity Share Holders (Rs.)	1,95,06,859	99,26,179
No. of Equity Shares	42,06,800	42,06,800
Nominal Value of Share (Rs.)	10	10
Earning Per Share – Basic (Rs.)	4.64	2.36
Earning Per Share – Diluted (Rs.)	3.47	1.77

- i) @ Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

	In Rupees	
	2009-10	2008-09
A Principal amount remaining unpaid as on 31 <sup>st</sup> March	-	-
B Interest due thereon as on 31 <sup>st</sup> March	-	-
C Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year	-	-
D Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006	-	-
E Interest accrued and remaining unpaid as at 31 <sup>st</sup> March	-	-
F Further Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	-	-

- j) In compliance with the Accounting Standard "AS-22 Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has recognized Rs.10,17,488/- towards deferred tax liability for the year 2009-10. The major components of deferred tax asset / liability is on account of timing difference in depreciation.



- k) Quarterly financial results are published in accordance with the requirements of listing agreement with stock exchange. The recognition and measurement principle as laid down in the Accounting Standard – 25 “Interim Financial Reporting” have been followed in the presentation of these results.
- e) Borrowing costs as per the Accounting Standard AS-16 are attributable to the acquisition or construction of qualifying assets are capitalized Rs. 3, 37,151/- as part of the cost of such assets. All other borrowing costs are charged to the profit and loss account Rs.24,99,451/- as incurred.
- f) Paise have been rounded off to the nearest rupee.
- g) Previous year figures have been regrouped wherever necessary.

Notes, Schedules, Cash Flow Statement and statement on accounting policies form an integral part of the balance sheet and profit and loss account.

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**SIGNATURES TO SCHEDULE A TO O**

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**VIDE OUR REPORT OF EVEN DATE**

**FOR AND ON BEHALF OF THE BOARD**

For **A.M.REDDY & CO.,**  
**CHARTERED ACCOUNTANTS**  
FRN No. 003246S

**(M.RAMESH REDDY)**  
**CHAIRMAN**

**(CA.RAMANA REDDY.A.V.)**  
**PARTNER**  
**MEMBERSHIP NO. 024329**

**(R.SURENDRA REDDY)**  
**MANAGING DIRECTOR**

Place: Hyderabad  
Date : 29<sup>th</sup> May, 2010



**VAMSHI RUBBER LIMITED****CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2010.****(Amount in Rs.)**

	Year Ended 31-03-2010	Year Ended 31-03-2009
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Tax and Extra-Ordinary items	31,094,903	11,588,910
Adjustment for:		
Depreciation	7,847,653	7,042,959
Bad Debts Written off	2,003,341	1,644,400
Advances Written off	223,837	-
Excess Balance In Provision For Tax	-	566,902
Exchange Variation	1,950,986	64,011
Interest	10,671,118	12,094,389
<b>Operating Profit before working Capital Changes</b>	<b>53,791,838</b>	<b>33,001,572</b>
<b>Adjustment for:</b>		
Increase/(Decrease) in Inventories	(22,892,543)	20,224,025
Increase/(Decrease) in Sundry Debtors	(1,310,080)	(204,209)
Increase/(Decrease) in Loans and Advances	(44,227,742)	6,799,573
Increase/(Decrease) in Current Liabilities & Provisions	27,555,814	(16,251,206)
Increase/(Decrease) in Cash Credit (Hyp.)	14,440,914	(3,686,219)
Direct Taxes Paid (Net)	(10,570,556)	(2,069,623)
<b>Cash generated from operations</b>	<b>(37,004,193)</b>	<b>4,812,340</b>
<b>Net cash flow from operating activities</b>	<b>16,787,645</b>	<b>37,813,912</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3,177,174)	(18,620,849)
Sale of Fixed Assets	440,941	-
<b>Net cash used in Investing Activities</b>	<b>(2,736,233)</b>	<b>(18,620,849)</b>
<b>C) CASH FLOW FROM FINANCIAL ACTIVITIES:</b>		
Proceeds from Long-Term Borrowings	(13,352,243)	(10,827,187)
Interest Paid	(10,671,118)	(12,094,389)
Dividend	(2,460,873)	(2,460,873)
<b>Net Cash flow in Financial Activities</b>	<b>(26,484,234)</b>	<b>(25,382,449)</b>
<b>Net Increase/Decrease in Cash and Cash Equivalent</b>	<b>(12,432,822)</b>	<b>(6,189,386)</b>
Opening Balance of Cash and Cash Equivalent	18,886,437	25,075,823
<b>Closing Balance of Cash and Cash Equivalent</b>	<b>6,453,615</b>	<b>18,886,437</b>

For and on behalf of the Board

Place : Hyderabad  
Date: 29<sup>th</sup> May, 2010**(M. RAMESH REDDY)**  
Chairman**(R. SURENDRA REDDY)**  
Managing Director

We have examined the above Cash Flow Statement of M/s Vamshi Rubber Ltd for the year ended 31<sup>st</sup> March 2010. The statement has been prepared by the Company in accordance with the requirements of Listing Agreement Clause 32 with Bombay Stock Exchange and is based on and in Agreement with corresponding Profit and loss Account and Balance Sheet of the Company covered by our report of 29<sup>th</sup> May 2010 to the members of the Company.

Place : Hyderabad  
Date: 29<sup>th</sup> May, 2010**For A.M.REDDY & CO,**  
Chartered Accountants  
FRN No. 003246S**(CA.RAMANA REDDY.A.V.)**  
Partner  
Membership No. 024329



Information as required under schedule-VI to the Companies Act, 1956 as amended to date:

**SCHEDULE – VI**

**PART –IV**

**BALANCE SHEET ABSTRACT AND COMPANY BUSINESS PROFILE**

**I) REGISTRATION DETAILS**

Registration Number : 01-16634 of 1993-94  
State Code : 01  
Balance Sheet Date : 31-03-2010

**II) CAPITAL RAISED DURING THE YEAR (AMOUNT RS.IN THOUSANDS)**

Public Issue : - Nil –  
Rights Issue : - Nil –  
Bonus Issue : - Nil –  
Private Placement / Others : - Nil –

**III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**

Total Liabilities : 315758  
Total Assets : 315758  
Sources of Funds : 260881  
Paid-Up Capital : 42068  
Reserves & Surplus : 46309  
Secured Loans : 111240  
Un-Secured Loans : 46305  
Application of Funds : 260881  
Net Fixed Assets : 102798  
Investments : -  
Net Current Assets : 157054  
Miscellaneous Expenditure : 1029  
Deferred Tax Net : 14959  
Profit & Loss : -

**IV) PERFORMANCE OF COMPANY**

Turnover : 592928  
Total Expenditure : 584274  
Profit before Tax : 31095  
Profit after Tax : 19507  
Earnings per Share in Rs. : 4.64 (Basic)  
: 3.47 (Diluted)  
Dividend Rate (%) : 10%

**V) GENERIC NAMES OF FOUR PRINCIPAL PRODUCTS / SERVICES OF COMPANY (AS PER MONETARY TERMS)**

Item Code (ITC Code) : 4008.29.40  
Product Description : PRECURED TREAD RUBBER  
Item Code (ITC Code) : 4002.99.20  
Product Description : CUSHION GUM  
Item Code (ITC Code) : 3506.99.99  
Product Description : VULCANISING SOLUTION  
Item Code (ITC Code) : 4016.99.90  
Product Description : CURING ENVELOPES

**Vamshi Rubber Limited**

Regd. Office: 8-2-594/1/A/1, Opp. Hotel Taj Krishna, Banjara Hills, Road No. 1, Hyderabad - 500 034. A.P.,

**ATTENDANCE SLIP**

16th Annual General Meeting, Wednesday the 29th Day of September, 2010

D.P.Id*
Client Id*

Reg. Folio No.
----------------

Name & Address of the Share Holder : \_\_\_\_\_

No. of share(s) held : \_\_\_\_\_

I certify that I am a member/proxy for a member of the company. I hereby record my presence at the 16<sup>th</sup> Annual General Meeting of the Company being held on Wednesday the 29<sup>th</sup> day of September, 2010 at 10.30 A.M. at Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.

\*\* Member's/Proxy's Name in Block Letters

\*\* Member's/Proxy's Signature

**Note:** Member / Proxy must bring the Attendance Slip to the Meeting and hand it over, duly signed at the registration counter.

\* Applicable for Investors holding shares in electronic form.

\*\* Strike out whichever is not applicable



**Vamshi Rubber Limited**

Regd. Office: 8-2-594/1/A/1, Opp. Hotel Taj Krishna, Banjara Hills, Road No. 1, Hyderabad - 500 034. A.P.,

**PROXY FORM**

D.P.Id*
Client Id*

Reg. Folio No.
----------------

I/We.....

of .....

being a member/members of M/s. VAMSHI RUBBER LIMITED hereby appoint.....

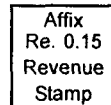
of .....

or failing him/her.....

of .....

as my/our proxy to vote for me/us on behalf at the 16th Annual General Meeting of the Company to be held on Wednesday the 29<sup>th</sup> day of September, 2010 at 10.30 A.M. at Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.

Signed this ..... day of ..... 2010



Signature

Note : 1. Proxy need not be a member.

2. Proxy Form, complete in all respects, should reach the Registered Office of the Company, not less than 48 hours before the time of holding of the meeting.

\* Applicable for Investors holding shares in electronic form.



## **Vamshi Rubber Limited**

8-2-594/1/A/1, Opp. Hotel Taj Krishna, Banjara Hills,  
Road No.1, Hyderabad – 500 034. A.P.

e-mail : [info@vamshirubber.org](mailto:info@vamshirubber.org)

Website : [www.vamshirubber.org](http://www.vamshirubber.org)