

BOOK-POST



## 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)

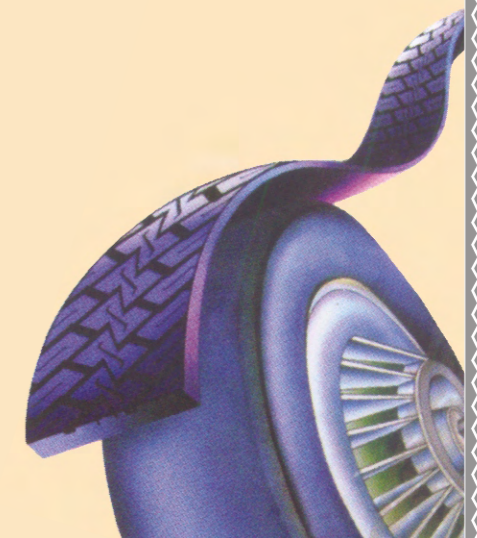
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## VAMSHI RUBBER LIMITED

AN ISO 9001:2008 CERTIFIED COMPANY

# 17th Annual Report 2010-2011





**ATTENTION MEMBERS**

1.All Members (both Physical and Demat) are requested to lodge their e-mail ID's along with Name and Folio / Client ID No. at the following address / e-mail to enable us to send all future communications including annual report through e mode

Compliance officer  
Vamshi Rubber Limited  
8-2-594/1/A/1,  
Opp: Hotel Taj Krishna,  
Road No.1, Banjara Hills,  
HYDERABAD – 500 034  
Email: info@vamshirubber.org

Registrar & Share Transfer Agent  
CIL Securities Ltd.  
214, Raghava Ratna Towers,  
Chirag Ali Lane, Abids,  
Hyderabad-500001.  
Phone: 040-23203155/ 23202465  
Fax : 040-23203028 / 6661267  
Email:advisors@cilsecurities.com

2.SEBI has made it mandatory for every participant in the securities/capital market to furnish the details of Income Tax Permanent Account Number (PAN). Accordingly, all the shareholders holding shares in physical form are requested to submit their details of PAN along with photocopy of both sides of PAN card, duly attested to the Registrar and Share Transfer Agent of the company, M/s. CIL Securities Ltd, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001.

**NOTICE OF 17th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 17th Annual General Meeting of the Members of **VAMSHI RUBBER LIMITED**, will be held on Thursday, the 29<sup>th</sup> day of September, 2011 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 2011 and Profit & Loss Account for the year ended 31<sup>st</sup> March 2011 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 2011.
3. To appoint a Director in place of Sri S.Ramachandra Prasad, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri A. Vamshidhar Reddy, who retires by rotation and being eligible offers himself for re-appointment
5. To appoint M/s. Ramanareddy & Associates (Formerly A.M. Reddy & Co.,) Chartered Accountants, as 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 Ordinary Resolution

“RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions (including any modification or re-enactment thereof), if any, of the Companies Act, 1956, and subject to the approval of shareholders in Annual General Meeting, Sri. N. Sundeeep Kumar Reddy, be and is hereby appointed as a Director of the Company whose period of office will be liable to determination by retirement of directors by rotation.”

“RESOLVED FURTHER THAT the Board be and are hereby severally authorized to do all the acts, deeds and things which are necessary to give effect to the above said resolution”.

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

“RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956 and the Articles of Association of the Company and pursuant to the approval of the remuneration committee, approval of members be and is hereby accorded for the appointment Sri. M. Ramesh Reddy, as Executive Chairman of the Company for a period of 5 years, w.e.f 30th July 2011.

RESOLVED FURTHER THAT pursuant to the provisions of Section 198, 309, 310 and 311 and other applicable provisions if any, of the Companies Act, 1956 (including any Statutory modifications or re-enactment thereof, for the time being in force) read with Schedule XIII to the Companies Act, 1956, and pursuant to approval of Remuneration Committee, the consent of the members be and is hereby accorded to the payment Rs. 2,50,000 per month as remuneration to Sri Ramesh Reddy by way of Salary , Dearness Allowance, perquisites and other allowance.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year, Sri M Ramesh Reddy be paid a minimum remuneration as specified in Part II and Part III of Schedule XIII to the Companies Act, 1956 as in force in each financial year.

RESOLVED FURTHER THAT the terms and conditions may be altered from time to time by the Board as it may in its discretion deem fit within the maximum amount payable to the Executive Chairman in accordance with Schedule XIII to the Act including any amendments thereto.

RESOLVED FURTHER THAT THE Board be and is hereby authorized to do all acts, deeds and things as may be necessary , proper or expedient to give effect to this resolution”

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

Place : Hyderabad  
Dated : 30<sup>th</sup> July, 2011

**(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 26-09-2011 to 29-09-2011 (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 2011 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 26<sup>th</sup> September 2011.
  - (ii) As beneficial owners as per list to be furnished by NSDL/CDSL as at the closing hours of the business on 26th September 2011.
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.
  - (d) Send their share certificates for consolidation.
  - (e) 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 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 the unclaimed dividend for the year 2007-08, 2008-09 & 2009-10 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.**



VAMSHI RUBBER LIMITED

## EXPLANATORY STATEMENT

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

### Item No: 6

Mr. N.Sundeeep Kumar Reddy was appointed as additional Director of the Company with effect from 30<sup>th</sup> July 2011 pursuant to section 260 of the Companies Act read with Articles of Association of the Company. Sri. N.Sundeeep Kumar Reddy holds office upto the date of Annual General Meeting. The company has received notice in writing from the Director alongwith necessary deposit of Rs.500/- proposing his candidature for office of Director under the provisions of Section 257 of the Companies Act, 1956. None of the Directors of the Company, other than Mr. N. Sundeeep Kumar Reddy is interested or concerned in the resolution.

The Board accordingly recommends the resolution as set out in Item No: 6 of the notice for approval of the members”

### Item No: 7

The Board of Directors of the company at the Board Meeting dated July 30<sup>th</sup> 2011, have appointed Sri M Ramesh Reddy as Executive Chairman of the company for a period of 5 Years w.e.f July 30<sup>th</sup> 2011.

The remuneration Committee of the Board at its meeting held on 30<sup>th</sup> July 2011 has reviewed and recommended an overall remuneration by way of Salary, Dearness Allowance, Perquisites, Commission and other allowances upto a maximum amount equivalent to Rs. 2,50,000 per month.

It has also recommended that:

- i. subject to a limit of Rs.2,50,000 per month towards Salary, Dearness Allowance, Perquisites, and other allowances , the terms and conditions may be altered from time to time by the Board as it may in its discretion deem fit within the maximum amount payable to the Executive Chairman in accordance with Schedule XIII to the Act including any amendments thereto.;
- ii. in the event of the absence in the event of absence or inadequacy of profits in any year, Sri M Ramesh Reddy be paid a minimum remuneration as specified in Part II and Part III of Schedule XIII to the Companies Act, 1956 as in force in each financial year.

The Board has accepted the recommendations of the Remuneration committee and has approved the remuneration as mentioned above for the approval of the members in accordance with the provisions of Sections 198,269, 309 & 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956.

This may be treated as an abstract of the terms and conditions of the engagement of Sri M Ramesh Reddy, Executive Chairman in terms of Section 302 of the Companies Act, 1956.

None of the directors are interested in the above resolution except Sri M Ramesh Reddy.

The Board recommends the resolution set out in item no: 6 of the notice for approval of the members

By Order of the Board  
For VAMSHI RUBBER LIMITED,

Place : Hyderabad  
Dated : 30<sup>th</sup> July, 2011

(R.SURENDRA REDDY)  
Managing Director

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

The Directors have the pleasure of presenting the Seventeenth Annual Report of your company together with the Audited Accounts for the year ended 31st March, 2011.

**FINANCIAL RESULTS:**

The performance during the period ended

(Rs. In Lakhs)

For the year ended	31 <sup>st</sup> March 2011	31 <sup>st</sup> March 2010
Sales & Other Income	7282.86	5,968.14
Operating profit before Financial Charges & Depreciation	520.71	496.22
Financial Charges	110.80	106.71
Profit before Depreciation	409.91	389.51
Depreciation	78.72	78.48
Profit / (Loss) before taxes	331.19	311.03
Prior Period Expenses	0.11	0.08
Provision for Taxation	119.73	105.71
Excess Income Tax Provision Written Back	(0.16)	—
Deferred Tax for the Current Year	(13.53)	10.17
Net profit after taxes	225.05	195.07
Profit/(Loss) brought forward from previous year	448.10	302.08
Dividend (including tax on Dividend)	48.89	49.05
Balance of profit brought forward	624.25	448.09

**OPERATIONS:**

During the year under review, the gross revenue of the Company increased to Rs. 7,282.86 Lakhs compared to Rs. 5,968.14 Lakhs in the previous year, registering a growth of 22%. The Profit after tax for the year increased by 15% to Rs.225.05 Lakhs compared to Rs.195.07 Lakhs in the previous year.

**FUTURE OUTLOOK:**

As the transportation in the country is increasing, the demand for retreading also keeps increasing. Hence we forecast a growth of 10% to 20% during the financial year 2011-2012.

**DIVIDEND:**

The Board of Directors recommended a dividend of Rs.1.00 per Equity Share for the financial year ended 31<sup>st</sup> March 2011, which if approved at the forthcoming Annual General Meeting on 29<sup>th</sup> September 2011, will be paid to those shareholders whose names appear in the Register of Members as at the closing hours of business on 26<sup>th</sup> September 2011. In respect of shares held in electronic form, the dividend will be paid on the basis 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 26<sup>th</sup> September 2011 to 29<sup>th</sup> September 2011 (both days inclusive).



**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. The Board of Directors reconstituted the Audit Committee and presently following are the members.

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 S. Ramachandra Prasad and Sri A. Vamshidhar Reddy, Directors of the Company, who retire by rotation at the Annual General Meeting.

Board has recommended for the appointment of Sri. M.Ramesh Reddy as Executive Chairman.

**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, 2011 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 2011 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.5,00,000/- and above per month or Rs.60,00,000/- 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 namely M/s. 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 : 30<sup>th</sup> July, 2011

**(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) Optimized loading and properly planned preventive maintenance activities on Diesel Generator Sets through continuous monitoring of performance parameters during the period from September-2010 to March-2011.
- b) Impact of the measures taken for energy consumption and consequent impact on the cost of production of goods.
- i) Cost of internal generation of electrical energy reduced from Rs.18.22 per liter of diesel consumed during the period April-August,2010 to Rs.13.07 per liter of diesel consumed during the period September,2010-March,2011, yielding a net savings of Rs.2.79 Lakhs during 2010-11.
- c) Form for disclosure of particulars with respect to conservation of Energy.

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

		Period ended 31-03-2011	Period ended 31-03-2010
1	Electricity		
	a) Purchased		
	Total Amount (Rs)	1,20,91,821	91,58,476
	Units	26,79,686	22,93,772
	Rate per Unit (Rs)	4.51	3.99
	b) Own Generation		
	Through Diesel Generator Units	1,13,968	1,68,720
	Unit per Litre of Diesel	2.55	2.57
	Cost / Unit (Rs.)	15.77	18.50
2	Thermic Fluid Heaters (Rs.)	1,15,75,195	1,02,98,523

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

Electricity Consumption : 655.76 Kwh/M.T.  
Fuel Consumption : 72.29 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 ADAPTION AND INNOVATION:**

- 1) Efforts in brief made towards Technology Absorption adaptation and innovation.  
Technology suitable to Indian conditions has been fully absorbed and adopted.
- 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 and 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 : Rs. 22,84,124
- ii) Foreign exchange outgo:
  - On Import of Raw Material : NIL
  - On import of Machinery consumables : NIL

Place : Hyderabad

Dated : 30<sup>th</sup> July, 2011.**For and on behalf of the Board****(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 8 members comprising of:**

- 4 Executive Directors
- 4 Independent Non-Executive Directors

**ATTENDANCE RECORD: 2010-2011**

Sl. No.	Name of Director	Category	Designation	No. of Board Meetings attended	Attendance in last AGM held on 29.09.2010
1.	Sri M. Ramesh Reddy	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	4	No
6.	Sri A.Venkat Reddy	Independent Non-Executive	Director	5	Yes
7.	Sri A.Vamshidhar Reddy	Independent Non-Executive	Director	4	No
8.	Sri N. Sundeep Kumar Reddy	Independent Non-Executive w.e.f. 30-07-2011	Director	NA	NA

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

Sl. No.	Name of Director	Other Directorship	Committee Membership	Committee Chairmanship
1.	Sri M. Ramesh Reddy	7	None	None
2.	Sri P. Varun Kumar	0	None	None
3.	Sri K.V. Sarma	1	None	None
4.	Sri R. Surendra Reddy	0	None	None
5.	Sri S.Ramachandra Prasad	1	None	None
6.	Sri A.Vamshidhar Reddy	1	None	None
7.	Sri A.Venkat Reddy	0	None	None
8.	Sri N. Sundeep Kumar Reddy	0	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:

29-06-2010, 31-07-2010, 30-09-2010, 04-11-2010, and 29-01-2011.

**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 Exchanges, the Managing Director and Whole-time Director have certified to the Board the financial statements for the year ended 31<sup>st</sup> March, 2011.

**3. Audit Committee:**

The Audit Committee comprises of Three 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.

**The following are the members of the Audit Committee:**

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

**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 2010-11 on 29-05-2010, 31-07-2010, 04-11-2010 and 29-01-2011. 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 31-03-2011:

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/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 Provided 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	18,00,000	28,997	NIL	NIL	18,28,997
3.	Sri P. Varun Kumar	18,00,000	20,814	NIL	NIL	18,20,814
4.	Sri K.V. Sarma	18,00,000	44,285	NIL	NIL	18,44,285
5.	Sri S. Ramachandra Prasad	NIL	NIL	NIL	4,000	4,000
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 the Board of Director and 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 **FIVE** and replied to the satisfaction of shareholders during the year under review was **FIVE**. There are no outstanding complaints pending as on 31st March 2011.

The Committee had received and approved **195** requests' approved **171** requests for transfer and **160** requests for Dematerialisation of Physical Shares during the year under review. There were no transfers or demat request pending as on 31st March, 2011.

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

**6. General Body Meetings:**

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

Year	Date	Venue	Time
2009-2010	29-09-2010	Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.	10.30 A.M.
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.

c) No special resolution was put through postal ballot last year nor is it 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 Exchanges 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 Line (English) and Andhra Prabha (Telugu)
Website where the results and other official news releases are displayed	www.vamshirubber.org

**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 2011 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** 26-09-2011 to 29-09-2011  
(both days inclusive)
- (iv) **Dividend payment** on or before 13<sup>th</sup> October 2011
- (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 2010-2011
- (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 2010-2011

Month	High (Rs.)	Low (Rs.)	Volume (Nos)
April 2010	56.00	24.50	21,54,371
May 2010	53.00	33.30	2,96,388
June 2010	47.50	29.80	8,76,851
July 2010	50.25	38.00	5,16,667
Aug, 2010	46.00	36.10	2,50,234
Sep, 2010	43.90	37.60	2,04,277
Oct, 2010	58.00	36.00	12,73,802
Nov, 2010	52.50	29.50	3,21,392
Dec, 2010	35.00	26.60	1,11,088
Jan, 2011	36.45	25.00	99,718
Feb, 2011	31.25	23.00	75,422
Mar, 2011	31.00	21.30	52,704

**Registrar & Share Transfer Agent:** **CIL Securities Limited**  
 214, Raghava Ratna Towers,  
 Chirag Ali Lane, Abids, Hyderabad - 500001.

**11. Share Transfer System:**

All the transfers received are processed and approved by the Seal and 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. Shareholding Pattern as on 31st March 2011:**

Sl. No.	Category	No. of Shares held	Percentage to Total issued Shares
1.	Promoters	2161414	51.38
2.	Mutual Funds	—	—
3.	Banks/FI	—	—
4.	Private Corporate Bodies	250050	5.94
5.	Public	1349102	32.07
6.	NRIs/OCBs	446234	10.61
	<b>TOTAL</b>	<b>4206800</b>	<b>100.00</b>

**13. Distribution Pattern as on 31st March 2011:**

Share Holding of nominal value of Rs.10/-	Share Holders		Share Amount	
	Number	% of Total	in Rs.	% of Total
(1)	(2)	(3)	(4)	(5)
Upto - 5000	4770	99.22	12,679,270	30.14
5001 - 10000	14	0.29	970,990	2.31
10001 - 20000	4	0.08	611,760	1.45
20001 - 30000	5	0.10	1,159,750	2.76
30001 - 40000	2	0.04	621,800	1.48
40001 - 50000	2	0.04	817,100	1.94
50001 - 100000	4	0.08	2,550,610	6.06
100001 and above	7	0.15	22,656,720	53.86
<b>TOTAL</b>	<b>4808</b>	<b>100.00</b>	<b>42,068,000</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 2011:

No. of Share holders in dematerialisation form		57.09% of the total number of share holders
No. of Shares in Demat form		77.47% 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, Lingo jigudem Village, Choutuppall 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 Fax : 040-23203028 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:**

a) Directors to be re-appointed on retirement:

- Sri S. Ramachandra Prasad, Master in Business Administration, aged about 52 Years and having vast experience in Marketing of Tyres and Allied products. He is not holding any shares in the company and holds directorship in Manatec Electronics Private Limited.
- Sri A. Vamshidhar Reddy, aged about 40 years, is a Graduate and he has good experience in Tyre Retreading Business and holds Directorship in Ramsri Infratech Private Limited.
- 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 and holds directorship in 7 other Companies.
- Sri N.Sundeep Kumar Reddy, aged about 28 years, has more than 6 years experience in Business 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 2010-11.

Place: Hyderabad  
Date: 30<sup>th</sup> July 2011

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



**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 2011 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: 30<sup>th</sup> July 2011

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

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



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VAMSHI RUBBER LIMITED

**AUDITORS' 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 31<sup>st</sup> March 2011, 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: 30<sup>th</sup> July 2011

**For RAMANA REDDY & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**  
**Firm Regn. No.003246S**

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



**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

**1. INDUSTRY STRUCTURES & DEVELOPMENTS:**

Transportation in the uprising mode, the prospects for retreading are lucrative. The demand for retreading products is in positive domain which creates ample scope for good growth to our company.

**2. OPPORTUNITIES & THREATS:**

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

The 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 of 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 2010-11 are as under:

	Rs.in Lakhs
Sales & Other Income	7282.86
Profit before Interest, Depreciation, Voluntary Retirement Absorption & Tax	520.71



The financial performance of the Company has been explained in the Directors' Report of the Company for the year 2010-11 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/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.



**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, 2011, 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, 2011, 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 2011 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 2011;
    - (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 RAMANA REDDY & ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn. No.003246S**

PLACE : HYDERABAD.  
DATE : 28th May, 2011

**(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, firm 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 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 section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder 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



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**VAMSHI RUBBER LIMITED**

in arrears, as at 31<sup>st</sup> March, 2011 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 except for the following dues outstanding of sales tax on account of disputes:

Name of the Statute	Nature of Dues	Amount (in Rs. Lakhs)	Period for which amount relates	Forum where dispute is pending
West Bengal VAT Act, 2003	Sales Tax	7.44	2007-08	Dy. Commissioner of Commercial Taxes, Behala, West Bengal.
AP VAT Act, 2005	Sales Tax	13.52	2005-06 to 2009-10	Appellate Dy. Commissioner (CT), Secunderabad Division, Hyderabad.

10. The company has no accumulated losses as on 31.03.2011 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, during the year the company has not availed any term loan.
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 RAMANA REDDY & ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn. No.003246S**

PLACE : HYDERABAD.  
DATE : 28th May, 2011

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





VAMSHI RUBBER LIMITED

**VAMSHI RUBBER LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH, 2011**

Particulars	Schedules	AS ON	
		31/03/2011	31/03/2010
		Rs.	Rs.
<b>SOURCES OF FUNDS</b>			
1. Share Holder's Funds			
Share Capital	<b>A</b>	42,068,000	42,068,000
Reserves & Surplus	<b>B</b>	63,925,357	46,309,277
2. Loan Funds			
Secured Loans	<b>C</b>	97,406,001	111,239,855
Unsecured Loans	<b>D</b>	39,364,349	46,305,267
3. Deferred Tax Liability (Net)		13,605,239	14,958,718
<b>TOTAL</b>		<b>256,368,946</b>	<b>260,881,117</b>
<b>APPLICATION OF FUNDS</b>			
1. Fixed Assets	<b>E</b>		
a) Gross Block		168,776,182	164,655,084
b) Less: Depreciation		69,665,350	63,531,728
c) Net Block		99,110,832	101,123,356
d) Capital Work in Progress		3,760,334	1,674,714
		102,871,166	102,798,070
2. Current Assets, Loans & Advances	<b>F</b>		
a) Inventories		113,454,804	90,344,540
b) Sundry Debtors		73,248,461	57,527,335
c) Cash & Bank Balances		11,211,592	6,453,615
d) Loans & Advances		27,133,240	57,606,018
		225,048,096	211,931,507
Less: Current Liabilities and Provisions	<b>G</b>	71,550,317	54,877,193
Net Current Assets		153,497,780	157,054,314
3. Miscellenous Expenses (to the extent not written off or adjusted)	<b>H</b>	-	1,028,733
<b>TOTAL</b>		<b>256,368,946</b>	<b>260,881,117</b>
Notes on Accounts	<b>O</b>		

Vide our report of even date:

**For Ramana Reddy &  
Associates**  
Chartered Accountants  
Firm Regn. No.003246S

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

Place: Hyderabad  
Date : 28th May 2011

For and on behalf of the Board

**(M.Ramesh Reddy)**  
Chairman

**(R.Surendra Reddy)**  
Managing Director



VAMSHI RUBBER LIMITED

**VAMSHI RUBBER LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

Particulars	Schedules	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
Sales			726,116,667		592,927,775
Other Income	I		2,169,757		3,886,541
Increase/(Decrease) in Stocks	J		17,408,342		18,563,529
<b>TOTAL</b>			<b>745,694,766</b>		<b>615,377,845</b>
<b>EXPENDITURE</b>					
Purchases			451,326		833,048
Manufacturing Expenses	K		584,101,092		466,367,396
Salaries, Wages & Amenities	L		32,020,251		29,768,749
Administrative & Selling Expenses	M		77,050,617		68,786,529
Financial Charges	N		11,080,356		10,671,118
Depreciation			7,872,485		7,847,653
<b>TOTAL</b>			<b>712,576,127</b>		<b>584,274,492</b>
Net Profit for the year Before Tax			<b>33,118,639</b>		<b>31,103,353</b>
Less: Prior Period Expenses			10,644		8,450
			<b>33,107,995</b>		<b>31,094,903</b>
Less : Provision for Tax					
1) Income Tax					
-Current Year		11,972,820		10,570,556	
-Excess Income Tax Provision Written Back		(16,381)		-	
2) Deferred Tax (Asset) / Liability		(1,353,479)		1,017,488	
			10,602,960		11,588,044
Net profit after tax			22,505,035		19,506,859
Add: Balance brought forward from Previous Year			44,809,569		30,207,915
Balance available for Appropriation			<b>67,314,605</b>		<b>49,714,774</b>
<b>Appropriation</b>					
Proposed Dividend			4,206,800		4,206,800
Income Tax on Distributed Profits			682,448		698,697
Balance Carried to Balance Sheet			62,425,357		44,809,277
<b>TOTAL</b>			<b>67,314,605</b>		<b>49,714,774</b>
Notes on Accounts	O				

Vide our report of even date:

**For Ramana Reddy &  
Associates**  
**Chartered Accountants**  
**Firm Regn. No.003246S**  
  
**(CA. Ramana Reddy A.V.)**  
**Partner**  
Membership No. 024329

For and on behalf of the Board

**(M.Ramesh Reddy)**  
**Chairman**

**(R.Surendra Reddy)**  
**Managing Director**

Place: Hyderabad  
Date : 28th May 2011

**VAMSHI RUBBER LIMITED**

<b>SCHEDULES TO ACCOUNTS</b>	<b>AS ON 31/03/2011</b>	<b>AS ON 31/03/2010</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	62,425,357	44,809,277
<b>TOTAL</b>	<b>63,925,357</b>	<b>46,309,277</b>
	=====	=====
<b>SCHEDULE "C"</b>		
<b>SECURED LOANS</b>		
<b>Long Term Loans from :</b>		
- SBI Term Loan	11,830,000	18,590,000
<b>Short Term Loans:</b>		
Working Capital from State Bank of India, Hyderabad	85,576,001	92,409,195
Hire Purchase Finance From :		
- From Kotak Mahindra Prime Ltd	0	240,660
<b>TOTAL</b>	<b>97,406,001</b>	<b>111,239,855</b>
	=====	=====
<b>SCHEDULE "D"</b>		
<b>UNSECURED LOANS</b>		
Deferred Sales Tax Liability	4,286,551	4,985,791
Sales Tax Loan	35,077,798	41,319,478
<b>TOTAL</b>	<b>39,364,349</b>	<b>46,305,267</b>
	=====	=====



**VAMSHI RUBBER LIMITED**

**SCHEDULE "E"  
FIXED ASSETS STATEMENT AS ON 31-03-2011**

(Amount in Rs.)

SL. NO.	NAME OF THE ASSET	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
		COST AS ON 01-04-2010	ADDITIONS	DEDUCTIONS	COST AS ON 31/03/2011	AS ON 01/04/2010	DURING THE YEAR	DEDUCTIONS	UPTO 31/03/2011	AS ON 31/03/2011	AS ON 31/03/2010
1)	LAND & SITE DEVELOPMENT	1,183,900	-	-	1,183,900	-	-	-	-	1,183,900	1,183,900
2)	FACTORY BUILDINGS	17,505,689	324,455	-	17,830,144	7,495,408	588,130	-	8,083,538	9,746,606	10,010,281
3)	NON FACTORY BUILDINGS	9,834,077	499,738	-	10,333,815	1,143,204	165,884	-	1,309,088	9,024,727	8,690,873
4)	PLANT AND MACHINERY	110,759,575	5,093,772	1,655,270	114,198,077	41,815,263	5,342,444	1,181,462	45,976,245	68,221,832	68,944,312
5)	ELECTRICAL INSTALLATIONS	8,958,603	-	-	8,958,603	4,174,086	425,534	-	4,599,620	4,358,983	4,784,517
6)	LAB EQUIPMENT	2,230,631	-	-	2,230,631	943,172	105,955	-	1,049,127	1,181,504	1,287,459
7)	OFFICE EQUIPMENT	2,000,878	153,444	13,000	2,141,322	565,497	96,870	2,588	659,779	1,481,543	1,435,381
8)	COMPUTERS	4,877,827	109,438	-	4,987,265	4,282,172	608,103	-	4,890,275	96,990	595,655
9)	FURNITURE AND FIXTURES	3,891,101	-	-	3,891,101	1,607,989	246,307	-	1,854,296	2,036,805	2,283,112
10)	VEHICLES	3,412,803	349,175	740,653	3,021,325	1,504,997	293,258	554,813	1,243,382	1,777,943	1,907,866
	<b>TOTAL</b>	<b>164,655,084</b>	<b>6,530,022</b>	<b>2,408,923</b>	<b>168,776,182</b>	<b>63,531,728</b>	<b>7,872,485</b>	<b>1,738,863</b>	<b>69,665,350</b>	<b>99,110,832</b>	<b>101,123,356</b>



**VAMSHI RUBBER LIMITED**

SCHEDULES TO ACCOUNTS	AS ON		AS ON	
	Rs.	31/03/2011	Rs.	31/03/2010
<b>SCHEDULE "F"</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
A. Inventories (As certified by the Management)				
Stock of Raw Materials	20,054,430		14,973,360	
Stock- in- Process	13,080,617		14,936,354	
Stock of Finished Goods	75,963,905		56,621,231	
Stock of Stores and Spares	3,467,016		2,846,457	
Stock of Other Items	888,836		967,138	
		113,454,804		90,344,540
B. Sundry Debtors (Unsecured and considered Good)				
I) Debts outstanding for a period exceeding 6 months	2,264,939		5,113,423	
II) Other Debts	70,983,522		52,413,912	
		73,248,461		57,527,335
C. Cash and Bank Balances				
I) Cash in Hand		66,745		57,569
II) Balances with Scheduled Banks				
In Current Accounts	11,099,347		6,350,546	
In Fixed deposits	45,500		45,500	
		11,211,592		6,453,615
D. Loans and Advances				
Advances recoverable in Cash or Kind or for value to be received (Unsecured and Considered Good)	2,611,958		2,455,433	
Inter Corporate Deposits	6,083,537		33,087,678	
Advances for Capital Assets	0		2,560,000	
Advance to Suppliers	962,686		2,734,068	
Advance Tax	10,664,000		9,992,000	
Deposits with Govt. Depts.	3,570,683		3,205,735	
Deposits (others)	778,820		694,395	
TDS Receivable	148,821		401,571	
Income Tax Refundable A/C	1,420,488		1,420,488	
CENVAT Receivable	237,168		204,098	
Prepaid Expenses	463,597		659,071	
Interest Accrued but not due	191,481		191,481	
		27,133,240		57,606,018
<b>TOTAL</b>		<b>225,048,096</b>		<b>211,931,507</b>

**VAMSHI RUBBER LIMITED**

<b>SCHEDULES TO ACCOUNTS</b>	<b>AS ON</b>		<b>AS ON</b>	
	<b>31/03/2011</b>	<b>31/03/2010</b>	<b>31/03/2011</b>	<b>31/03/2010</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<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	46,790,601		31,624,547	
Forward Contract Payable				
Advance from Customers	4,665,109		5,057,138	
<b>B. PROVISIONS</b>				
for Gratuity	3,232,539		2,719,455	
for Income Tax	11,972,820		10,570,556	
for Dividend	4,206,800		4,206,801	
for Tax on Distributed Profits	682,448		698,697	
<b>TOTAL</b>	<b>71,550,317</b>		<b>54,877,193</b>	
<b>SCHEDULE "H"</b>				
Miscellaneous Expenses (to the extent not written off or adjusted)				
Forward Contract Premium	0		1,028,733	
<b>TOTAL</b>	<b>0</b>		<b>1,028,733</b>	
<b>SCHEDULE "I"</b>				
<b>OTHER INCOME</b>				
Interest Earned	1,992,799		3,599,980	
Misc. Receipts	176,958		179,621	
Profit on sale of Fixed Assets	0		106,940	
<b>TOTAL</b>	<b>2,169,757</b>		<b>3,886,541</b>	
<b>SCHEDULE "J"</b>				
<b>INCREASE/DECREASE IN STOCKS</b>				
<u>Closing Stock</u>				
Work-in-progress	13,080,617		14,936,354	
Finished Goods	75,963,905		56,621,231	
Others	888,836		967,138	
		89,933,357		72,524,723
<u>Less: Opening Stocks</u>				
Work-in-progress	14,936,354		14,918,542	
Finished Goods	56,621,231		38,199,154	
Others	967,430		843,498	
		72,525,015		53,961,194
Increase(Decrease) in stocks	<b>17,408,342</b>		<b>18,563,529</b>	



**VAMSHI RUBBER LIMITED**

SCHEDULES TO ACCOUNTS	AS ON		AS ON	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE "K"</b>				
<b>MANUFACTURING EXPENSES</b>				
Consumption of Raw Materials				
Opening Stocks	14,973,360		11,209,129	
Add: Purchases	485,960,135		384,960,010	
	-----		-----	
Less: Closing Stock	500,933,495		396,169,139	
	-----		-----	
		480,879,064		381,195,780
Consumption of Stores and Spares		7,280,913		8,467,111
Power and Fuel		26,122,715		22,775,755
Repairs and Maintenance		1,614,057		1,895,688
Processing Charges		670,391		4,845,879
Insurance		378,868		365,722
Factory Maintenance		19,220		69,789
Excise Duty		65,787,364		44,917,117
Cess on Rubber		1,348,500		1,834,554
		-----		-----
<b>TOTAL</b>		<b>584,101,092</b>		<b>466,367,396</b>
		=====		=====
<b>SCHEDULE "L"</b>				
<b>SALARIES, WAGES &amp; AMENITIES:</b>				
Salaries, Wages & Other Allowances		27,451,543		25,157,786
Contribution to Provident Fund		1,494,215		1,413,812
Contribution to Employees' State Insurance		729,036		553,686
Provision for Gratuity		741,754		1,063,111
Provision for Bonus		515,334		501,532
Workmen and Staff Welfare Expenses		1,088,369		1,078,822
		-----		-----
<b>TOTAL</b>		<b>32,020,251</b>		<b>29,768,749</b>
		=====		=====
<b>SCHEDULE "M"</b>				
<b>ADMINISTRATIVE &amp; SELLING EXPENSES</b>				
A. Administrative Expenses				
Rent		2,481,367		1,866,847
Rates, Taxes and Licenses		254,778		171,175
Managerial Remuneration		5,400,000		4,950,000
Managerial Perquisites		94,096		68,175
Postage and Telegrams		239,132		245,259
Telephone and Telex Charges		813,115		777,153
Vehicle Maintenance		574,529		567,156
Books and Periodicals		8,931		8,531
Security Charges		695,417		623,416
Printing and Stationery		416,730		403,848

**VAMSHI RUBBER LIMITED**

<b>SCHEDULES TO ACCOUNTS</b>	<b>AS ON 31/3/2011</b>	<b>AS ON 31/3/2010</b>
	<b>Rs.</b>	<b>Rs.</b>
Office Maintenance	190,361	312,742
Insurance	161,842	124,695
Professional Charges	3,133,060	2,147,289
Electricity Charges	171,700	145,483
General Expenses	427,818	260,858
Registration, Listing & Filing Fee	24,682	22,320
Sitting Fees to Directors	19,000	47,000
Travelling Expenses	3,595,836	3,515,369
Conveyance	568,794	573,728
Membership Fee	11,000	17,234
AGM Expenses	64,292	33,440
Auditor's Fee	100,000	100,000
Loss on sale of Fixed Assets	289,757	181,648
Donations	-	10,600
<b>B) Selling Expenses</b>		
Sales Tax (VAT & CST)	31,799,958	25,134,706
Discounts & Allowances	12,579,804	12,069,412
Carriage Outwards	7,902,278	8,089,468
Loading and Unloading Charges	1,014,023	1,050,351
Commission	606,424	1,458,483
Advertisements	1,210,981	1,154,304
Business Promotion Exp.	333,122	310,416
Bad Debts written off	1,867,790	2,227,178
Royalty	-	118,245
<b>TOTAL</b>	<b>77,050,617</b>	<b>68,786,529</b>
	=====	=====
<b>SCHEDULE "N"</b>		
<b>FINANCE CHARGES</b>		
Interest on Term Loan	1,827,612	2,499,451
Interest on Working Capital	7,093,685	5,040,189
Exchange Variation A/C	1,036,411	1,950,986
HP Financial Charges	10,402	48,901
Other Financial Charges	39,267	97,569
Bank & Collection Charges	1,072,979	1,034,022
<b>TOTAL</b>	<b>11,080,356</b>	<b>10,671,118</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 Modvat / 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.

**Sale of Precured Tread Rubber**

Revenue is recognized when significant risks and rewards of ownership of goods have passed to the buyer and is disclosed including Excise Duty and Sales tax and excluding returns, as applicable.

**Interest**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**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. in Lakhs	Previous Year Rs. in Lakhs
<b>a) Contingent Liabilities not provided for:</b>		
a. Bank Guarantees	1.50	1.50
b. Disputed Sales Liability	20.96	----
<b>b) Excise Duty Refund Receivable Balance</b>		
The company has paid Rs.17.48 lakhs towards the Excise Duty on Finished Products viz., Precured Tread Rubber, Cushion Gum, Vulcanising solution during the period 1995-96, 1996-97 against the show cause notice issued by the Central Excise Department dispute in tariff classification and computation of aggregate value of clearances. The company has filed petition before the Hon'ble High court of Andhra Pradesh and pending the final decision. The amount is treated as Excise duty refund receivable account and shown under the head "Loans and Advances". The management is confident that the same will be recovered.		
<b>c) SECURED LOANS:</b>		
<b>i. LONG TERM LOAN</b>		
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 deposit of title deeds by creation of equitable mortgage on additional properties and guaranteed by four directors of the company in their personal capacity.		
<b>ii. SHORT TERM LOANS</b>		
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.
<b>d) Estimated contracts remaining to be Executed on Capital Account and not Provided for</b>	Nil	Nil



**VAMSHI RUBBER LIMITED**

<b>e) AUDITORS REMUNERATION:</b>	<b>Current Year</b>	<b>Previous Year</b>
	<b>Rs.</b>	<b>Rs.</b>
Audit Fees	70,000	70,000
Tax Audit	20,000	20,000
Other Services	10,000	10,000
Service Tax	10,300	10,300
	-----	-----
<b>TOTAL</b>	<b>1,10,300</b>	<b>1,10,300</b>
	=====	=====
<b>f) MANAGERIAL REMUNERATION:</b>		
Remuneration		
- Managing Director	18,00,000	16,50,000
- Whole Time Directors	36,00,000	33,00,000
Perquisites		
- Managing Director	28,997	27,135
- Whole Time Directors	65,099	41,040
	-----	-----
<b>TOTAL</b>	<b>54,94,096</b>	<b>50,18,175</b>
	=====	=====
g) Number of Employees who were in receipt of Rs.60,00,000 or more per annum or Rs.5,00,000 or more per month if employed for a part of the year.	Nil	Nil

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

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

**ii. INSTALLED CAPACITY:**

	Current Year	Previous Year
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:**

	Current Year	Previous Year
Precured Tread Rubber (Kgs)	39,48,201	41,21,122
Cushion Gum (Kgs)	1,85,470	1,88,125
Vulcanizing Solution (Lts)	1,67,075	1,80,700
Curing Envelopes (Nos)	256	342
<b>Total</b>	<b>43,01,002</b>	<b>44,90,289</b>

**iv. OPENING 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 (Ltrs)	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>



v. CLOSING STOCK OF FINISHED GOODS:

	Current Year		Previous Year	
	Qty (Kg)	Value Rs.	Qty (Kg)	Value Rs.
Precured Tread Rubber	4,33,838	7,32,90,760	3,98,082	5,50,24,058
Cushion Gum	7,247	14,01,775	4,113	6,67,369
Vulcanizing Solution (Ltrs)	12,700	9,39,166	5,700	4,23,938
Curing Envelopes (Nos)	221	3,31,903	228	5,05,866
Others		8,88,836		9,67,138
<b>Total</b>		<b>7,68,52,440</b>		<b>5,75,88,369</b>

vi. SALES:

	Current Year		Previous Year	
	Qty (Kg)	Value Rs.	Qty (Kg)	Value Rs.
Precured Tread Rubber	39,12,445	67,44,64,139	40,37,976	54,88,05,509
Cushion Gum	1,82,337	3,65,71,776	1,91,816	2,93,49,151
Vulcanizing Solution (Ltrs)	1,60,075	1,37,70,381	1,79,475	1,34,76,643
Curing Envelopes (Nos)	263	6,13,467	124	3,04,733
Others		6,96,904		9,91,739
<b>Total</b>		<b>72,61,16,667</b>		<b>59,29,27,775</b>

vii. PARTICULARS OF RAW MATERIALS CONSUMPTION:

Particulars	Current Year		Previous Year	
	Qty (Kg)	Value Rs.	Qty (Kg)	Value Rs.
1. Natural Rubber	9,15,915	16,83,56,519	12,13,336	14,02,75,108
2. Synthetic Rubber	15,41,200	18,39,92,976	11,83,862	10,01,34,849
3. Carbon Black	12,36,465	8,38,76,184	13,76,797	9,35,73,027
4. Rubber Chemicals & Others	3,82,226	3,04,54,289	5,21,596	3,43,61,771
5. Process Oil (Kgs)	4,47,610	1,41,99,096	4,89,486	1,28,51,025
<b>Total</b>		<b>48,08,79,064</b>		<b>38,11,95,780</b>

	Current Year Rs.	Previous Year Rs.
i) Expenditure in Foreign Currency:		
On Raw Material	NIL	1,11,28,344
On Machinery Consumables	NIL	21,02,392
Earning in Foreign Currency:		
Sales	22,84,124	NIL

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

Sl.No.	Name	Relationship	Amount involved Rs.	Balance as on 31.03.11 Rs.
	Payment of Remuneration			
1.	R.Surendra Reddy	Is the Managing Director of the Company	18,28,997	1,21,720
2.	P.Varun Kumar	Is the Director Finance of the Company	18,20,814	1,19,220
3.	K.V.Sarma	Is the Director Operations of the Company	18,44,285	1,10,389

**k) 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.)	<b>2,25,05,035</b>	<b>1,95,06,859</b>
No. of Equity Shares	42,06,800	42,06,800
Nominal Value of Share (Rs.)	10	10
Earning Per Share – Basic (Rs.)	<b>5.35</b>	<b>4.64</b>

- l) @ 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	
	2010-11	2009-10
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		
E Micro, Small and Medium Enterprises Development Act, 2006 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.	-	-

- m) 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.13,53,479/- towards deferred tax asset for the year 2010-11. The major component of deferred tax asset / liability is on account of timing difference in depreciation.



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**VAMSHI RUBBER LIMITED**

- n) 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.
- o) Borrowing costs as per the Accounting Standard AS-16 are attributable to the acquisition or construction of qualifying assets are capitalized Rs. 1,76,975/- as part of the cost of such assets. All other borrowing costs are charged to the profit and loss account Rs.18,27,612/- as incurred.
- p) Paise have been rounded off to the nearest rupee.
- q) 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 Ramana Reddy & Associates  
Chartered Accountants  
Firm Regn. No.003246S**

**(M.RAMESH REDDY)  
CHAIRMAN**

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

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

**Place: Hyderabad  
Date : 28th May 2011**

**VAMSHI RUBBER LIMITED****CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2011.****(Amount in Rs.)**

	<b>Year Ended 31-03-2011</b>	<b>Year Ended 31-03-2010</b>
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Tax and Extra-Ordinary items	33,107,995	31,094,903
Adjustment for:		
Depreciation	7,872,485	7,847,653
Bad Debts Written off	1,867,790	2,227,178
Loss on Sale of Fixed Assets	289,757	181,648
Exchange Variation	1,036,411	1,950,986
Interest	11,080,356	10,671,118
Operating Profit before working Capital Changes	<b>55,254,794</b>	<b>53,973,486</b>
<b>Adjustment for:</b>		
(Increase)/Decrease in Inventories	(23,110,264)	(22,892,543)
(Increase)/Decrease in Sundry Debtors	(17,588,916)	(1,310,080)
(Increase)/Decrease in Loans and Advances	30,472,779	(44,227,742)
Increase/(Decrease) in Current Liabilities&Provisions	16,673,124	27,555,814
Increase/(Decrease) in Cash Credit (Hyp.)	(7,869,605)	14,440,914
Direct Taxes Paid (Net)	(11,956,439)	(10,570,556)
Cash generated from operations	<b>(13,379,322)</b>	<b>(37,004,193)</b>
Net cash flow from operating activities	<b>41,875,472</b>	<b>16,969,293</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(7,245,622)	(3,358,822)
Sale of Fixed Assets	380,303	440,941
Net cash used in Investing Activities	<b>(6,865,319)</b>	<b>(2,917,881)</b>
<b>C) CASH FLOW FROM FINANCIAL ACTIVITIES:</b>		
Proceeds from Long-Term Barrowings	(14,266,324)	(13,352,243)
Interest Paid	(11,080,356)	(10,671,118)
Dividend	(4,905,497)	(2,460,873)
Net Cash flow in Financial Activities	<b>(30,252,177)</b>	<b>(26,484,234)</b>
Net Increase/Decrease in Cash and Cash Equivalent	4,757,977	(12,432,822)
Opening Balance of Cash and Cash Equivalent	6,453,615	18,886,437
Closing Balance of Cash and Cash Equivalent	<b>11,211,591</b>	<b>6,453,615</b>

For and on behalf of the Board

Place : Hyderabad  
Date: 28<sup>th</sup> May, 2011**(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 2011. 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 28<sup>th</sup> May 2011 to the members of the Company.

**For RAMANA REDDY & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**  
Firm Regn. No.003246SPlace : Hyderabad  
Date: 28<sup>th</sup> May, 2011**(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 : 31-03-2011

**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 : 327,919  
Total Assets : 327,919  
Sources of Funds : 256,369  
Paid-Up Capital : 42,068  
Reserves & Surplus : 63,925  
Secured Loans : 97,406  
Un-Secured Loans : 39,364  
Application of Funds : 256,369  
Net Fixed Assets : 102,871  
Investments : -  
Net Current Assets : 153,498  
Miscellaneous Expenditure : --  
Deferred Tax Net : 13,605  
Profit & Loss : --

**IV) PERFORMANCE OF COMPANY**

Turnover : 726,117  
Total Expenditure : 712,576  
Profit before Tax : 33,108  
Profit after Tax : 22,505  
Earnings per Share in Rs. : 5.35  
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**

17th Annual General Meeting, Thursday the 29th Day of September, 2011

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 17<sup>th</sup> Annual General Meeting of the Company being held on Thursday the 29<sup>th</sup> day of September, 2011 at 10.30 A.M. at Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.

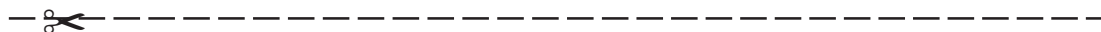
\_\_\_\_\_  
\*\* Member's/Proxy's Name in Block Letters

\_\_\_\_\_  
\*\* 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 17th Annual General Meeting of the Company to be held on Thursday the 29<sup>th</sup> day of September, 2011 at 10.30 A.M. at Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad.

Signed this ..... day of ..... 2011



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

**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
- 8) Sri N. Sundeep Kumar Reddy, Director (w.e.f. 30-07-2011)

**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

**FACTORY :**

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

**STATUTORY COMMITTEES**

**Audit Committee**

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

**Remuneration Committee**

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

**Share Holders / Investors**

**Grievance Committee**

Sri. P. Varun Kumar, Chairman  
Sri A. Vamshidhar Reddy  
Sri A. Venkat Reddy  
e-mail : 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

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