

Annexure III to the Directors' Report Management Discussion & Analysis Report

1. Industry structure and development

The Rubber Products Ltd. (RPL) is a 40 year old Company engaged in the manufacture of Industrial Rubber Products, such as Hose Pipes, Rubber Sheets, Moulded goods, Extruded goods, Coated fabrics etc.

The Company has been supplying indigenously its products mainly to Indian Railways, Oil Companies, Defence, Naval Dock etc. in bulk. Besides this the Company is also engaged in export of its products to U.S.A, U.K., Spain, Italy, Australia, Germany, France, South Africa, Singapore & U.A.E.

Of late the Company has developed some high value added products such as coated fabrics, Life Rafts, Helipads etc.

2. Opportunities and Threats

Basically due to government policies in India, the opportunity for the development and growth of rubber industry has been limited. The other reasons that may be attributable for limited growth are due to external competition wherein various overseas countries such as China, Indonesia and Malaysia are able to sell their products at a comparatively low rate as the basic raw materials required for the manufacture of rubber items are cheaper at their end compared to our prices.

Further more, the cost of other raw materials like raw rubber rates were ruling high in the whole of last year and the cost of processing oil, carbon black etc. have also increased substantially. Added to this the State/Central Government are also levying duties at such an exorbitant rates which are also to some extent responsible for increase in cost of production. As a result of these key factors, the cost of production of rubber products in India as compared to countries like China, Indonesia, Malaysia is much higher.

Unless the Government of India relaxes its policies in favour of rubber industries by reducing the duties and levies, in all likelihood the rubber industry will have to face further severe and serious problem in the future years to come.

Implementation of Value Added Tax with effect from 1st April, 2005 in Maharashtra & other States, will help the Company to garner more market share due to uniform rate of VAT in all States in India.

3. Financial & operational performance

During the financial year 2004-2005, the turnover of the Company was Rs. 2254.96 lacs as compared to the turnover of Rs.2539.86 lacs in the previous financial year. There is a increase in export from Rs. 379.00 lacs in the previous financial year to Rs. 464.63 lacs.

The management has a strong conviction that with the introduction/ development of more new products, increase in the clientele base, taking strict measure for cost reduction, the Company will be in a position to accomplish a turnover of Rs.4,000lacs during the next financial year and accordingly it has envisaged that the profit will also increase correspondingly.

4. Outlook

The Growth of rubber industry mainly hinges on the policy of Government. The Company expects that the stringent policies and procedures which are saddled on the rubber industry would be relaxed in future and considerable incentives, subsidies and concession are granted with a view that the rubber industry would be allowed to have a uniform growth like other industries.

5. Internal control systems

The Company has a proper and adequate internal control system. The internal controls of the Company are operated through a system of internal checks and balances which involves inter-dependence of job responsibility and the same also ensures that proper approvals are given before any financial commitments are made. The Company has a comprehensive internal audit manual which is strictly adhered to for carrying out internal audits. The Company also has a system of Management review which ensures strict compliance with a prescribed procedure.

6. Human resources development

The Company's work environment is oriented towards providing the employees creative, challenging and job enrichment. The Industrial relations remained cordial during the year. The total number of employees as on 31st March, 2005 was 233.

7. Cautionary Statement

This report may contain certain statements that might appear to be forward looking. However, these statements are subject to certain risks and uncertainties. The end results accomplished might differ materially from those expressed in these statements as the operations of the Company could have the impact of Government policies, economic development, risk inherent to the Company's growth and such other relevant factors.