

Annual Report 2013 - 2014



Elgi Rubber Company Limited

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Chairman & Managing Director

Sudarsan Varadaraj

Non Executive Directors

Dr Jairam Varadaraj

Suresh Jagannathan

M D Selvaraj

P Vijay Raghunath

Vidyasankar Bhuvanewari

Key Managerial Personnel

Sudarsan Varadaraj
(Chairman & Managing Director)

SR Venkatachalam
(Vice President Finance - CFO)

C Shankar
(Company Secretary)

Head Office

2000, Trichy Road
Coimbatore - 641 005
Tamilnadu

Registered Office

2000, Trichy Road
Coimbatore - 641 005
Tamilnadu
CIN : L25119TZ2006PLC013144

Plants

Kanjikode, Palakkad
Annur, Coimbatore
Kurichi, Coimbatore
Kovilpalayam, Coimbatore
Thimmavaram, Chengalpattu
Colombo, Sri Lanka
Nairobi, Kenya
Lorena, SP, Brasil
Luling, Texas, USA
Maastricht, The Netherlands
New South Wales, Australia

Bankers

State Bank of India
Commercial Branch
Coimbatore

Auditors

Reddy, Goud & Janardhan
Chartered Accountants
Bangalore

Internal Auditors

MS Jagannathan & Viswanathan
Chartered Accountants
Coimbatore

M Ramakrishnan
Chartered Accountant
Coimbatore

Registrar & Share Transfer Agent

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, L.B.S. Marg
Bhandup (West)
Mumbai - 400 078

Registrar & Share Transfer Agent - Branch Office

Link Intime India Private Limited
"Surya", 35, May Flower Avenue
Behind Senthil Nagar
Sowripalayam, Coimbatore - 641 028

Directors' Report

The Board of Directors take pleasure in presenting the 8th annual report and the audited accounts for the year ended March 31, 2014. The Management Discussion and Analysis (MD & A) Report have been included at the appropriate places in this report.

Abstract of the Financial Results of the Company

	(Rs. in million)	
	2013-2014	2012-2013
Profit before depreciation and tax	259.99	268.96
Less : Depreciation	50.92	36.30
Profit before taxation	209.07	232.66
Less: Provision for taxation	51.63	52.13
(Add) / Less: Provision for deferred tax	6.20	3.22
Profit after tax	151.24	177.31
Add: Opening surplus	932.76	812.94
Add: Dividend distribution tax of earlier year return back		3.85
Profit available for appropriation	1,084.00	994.10
Appropriation		
General reserve	15.12	17.73
Proposed dividend	18.52	40.04
Dividend distribution tax	-	3.57
Balance surplus carried to balance sheet	1,050.36	932.76

Dividend

The directors recommend a dividend of INR 0.37 per equity share of INR 1.00 each. This comes to INR 18.52 million. The dividend will be paid, upon approval by the members of the Company at the ensuing annual general meeting to the registered members, who are in the register of members as on the book closure date and in respect of the dematerialised shares, dividend will be paid to the beneficial owners based on the list provided by the depositories.

Review of Operations and Future Outlook

During the year under review, the Company recorded sales of INR 1442.86 million as against INR 1407.32 million in the previous year. The company earned a net profit of INR 151.24 million as against INR 177.31 million in the previous year.

The Indian Subsidiaries, Treadsdirect Limited and Titan Tyrecare Products Limited achieved sales of INR 1670.88 million and INR 45.66 million respectively during the year under review. The revenue from windmill operations increased to INR 35.41 million from INR 33.63 million in the previous year recording an increase of 5%.

There was only marginal improvement in overall sales due to global economic slowdown. The decrease in input costs was inadequate to offset the increases in employee, depreciation and overhead costs. Hence the margins were lower.

In February 2014, the Company commenced manufacture of buffing rasp blades, with the installation and commissioning of a state of the art furnace and relocated two presses at Kovilpalayam in September 2013 at total cost of INR 72.75 million.

The Company acquired the entire business of its wholly owned subsidiary Titan Tyrecare Products Limited with effect from 01.09.2013 consisting of manufacture of retreading machineries and a 100% EOU division engaged in manufacture of brazed carbide products for a consideration of INR 169.63 million.

During the year under review, two hydraulic presses were installed at Annur and new moulds were procured at a total cost of INR 20.62 million.

The Karur facility manufacturing tyre repair units was shifted to Annur in order to consolidate operations.

The wholly owned subsidiary Treadsdirect LLC, USA acquired the assets of Western states manufacturing company Inc which was engaged in manufacture and distribution of tyre repair and related products.

The Company has successfully retreaded aircraft tyres for the Indian Airforce on commercial basis in November 2013.

The Company expects to have considerable growth in sales and profitability in future on account of substantial capital investments made during the year.

Risk and Concerns

The company does not face any risks other than those that are prevalent in the industry. The company has taken all possible steps to overcome such risks. The main concerns are the volatility in raw material prices and fluctuations in foreign exchange rates. Effective

planning in raw material purchasing and the ability to pass on raw material price increases have minimised the risk relating to the volatility in raw material prices. Foreign exchange fluctuation risk is minimised through proper planning and natural hedging.

As a part of the overall risk management strategy, all assets are appropriately insured.

Internal Control Systems

Quarterly Internal Audit is carried out by an independent firm of Chartered Accountants and the observations are reported to the management. Immediate steps are taken to rectify any discrepancies. All significant audit observations are discussed in the audit committee meetings.

Human Resources and Industrial Relations

The Company continues to enjoy a cordial relationship with all its employees. The employee count as on March 31, 2014 is 306.

Subsidiaries

The consolidated financial statements presented in this annual report include financial results of all the subsidiary companies. The details of the Subsidiary Companies are furnished in the statement pursuant to section 212 of the Companies Act, 1956.

Directors

The Board of Directors, at their meeting held on 31st July, 2014, have appointed Ms Vidyasankar Bhuvanewari as an Additional Director of the Company and she holds office upto the ensuing Annual General Meeting. Further, the Board has recommended the appointment of Ms Vidyasankar Bhuvanewari as the Independent Director and accordingly necessary Resolution has been included in the Agenda of the Notice convening the Annual General Meeting.

Further, the Board of Directors, at their meeting held on 31st July, 2014, has recommended the appointment of Mr Suresh Jagannathan, Mr P Vijay Raghunath and Mr M D Selvaraj, as the Independent Directors of the Company for a period of 5 consecutive years. Accordingly, necessary Resolution(s) proposing their appointment(s) has been included in the Agenda of the Notice convening the Annual General Meeting.

Dr Jairam Varadaraj, Director of the Company, retires by rotation and being eligible offers himself for re-appointment.

Auditors

Pursuant to the Section 139 of Companies Act, 2013 read with the Company (Audit and Auditors) Rules, 2014, the present auditors, M/s. Reddy, Goud and Janardhan, Chartered Accountants, Bangalore, is recommended for appointment as Statutory Auditors of the Company to hold the office for 3 years from the conclusion of the ensuing Annual General Meeting till the conclusion of 11th Annual General Meeting of the Company. Further, such appointment is liable to ratification by the members of the company at every annual general meeting during their tenure of office.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that they have

1. In the preparation of the annual accounts, followed the applicable accounting standards and there are no material departures.
2. Selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and of the profit of the Company for the financial year.
3. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. Prepared the annual accounts on a going concern basis.

Other Information

Particulars as required by Section 217(1) (e) of the Companies Act, 1956, relating to Conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo are provided as an annexure to this report. There are no employees who are in receipt of remuneration exceeding the specified limit as notified by the Government.

The Company has not accepted any fixed deposits and hence there were no unclaimed fixed deposit as on 31.03.2014.

Corporate Governance

A separate report on the compliance with Clause 49 of the Listing Agreement with the Stock Exchanges and the Auditor's Certificate on the compliance form part of this report.

Cautionary Statement

Statements in this report, especially those relating to MD & A giving details of company's objectives, projections, estimates and expectations may be construed as "forward looking statements" within the realm of applicable laws and regulations. Actual results are liable to differ materially from those either expressed or implied.

Acknowledgement

The Directors thank the Company's customers, vendors, investors, business associates and bankers for their support to the Company. The Directors also wish to place on record their appreciation of the contributions made by all the employees towards the growth of the Company

Annexure to Directors' Report

A. Conservation of energy

a. Energy conservation measures taken

Energy conservation is an on-going process

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy

There are no significant proposals

c. Impact of the measures taken in (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

No significant reduction

d. Total energy consumption per unit of production

Not applicable

B. Technology absorption

e. Efforts made in technology absorption

i. Research and Development (R & D)

1. Specific areas in which R & D is carried out by the Company

Improvements in products and processes

2. Benefit derived as a result of above R & D

Increase in orders from new markets

3. Future plan of action

No significant plans

4 Expenditure on R & D

Rs. in Million

a. Capital	:	Nil
b. Recurring	:	9.15
c. Total	:	9.15
d. Total R & D expenditure as a percentage of total turnover	:	0.63 %

ii. Technology absorption, adaptation and innovation

Not applicable

C. Foreign exchange earnings & outgo

f. Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services and export plan

The Company is constantly and consciously planning to penetrate unexplored markets to improve its international market share.

g. Total foreign exchange earned and used

Foreign exchange earned : Rs. 251.73 million

Foreign exchange used : Rs. 38.38 million

For the Board of Directors

Coimbatore
31.07.2014

Sudarsan Varadaraj
Chairman & Managing Director

**Report on Corporate Governance – Annexure to Director’s Report
(In compliance with Clause 49 of the Listing Agreement)**

1. Company’s Philosophy on Corporate Governance

The Company’s philosophy on corporate governance is to ensure that its obligations are discharged in a fair and transparent manner and to enhance the value to all its stakeholders through sound and professional governance. The company has adopted a code of conduct for its non - executive directors.

2. Board of Directors

- i. The board of directors of the company comprises of an Executive Chairman & Managing Director and five Non - Executive Directors (out of which four directors are independent directors). None of the directors on the board is a member of more than 10 committees or chairman of more than 5 committees across all companies in which he is a director. Necessary disclosure regarding committee positions in other public companies as on March 31, 2014 have been made by the directors.
- ii. The composition of the directors and their attendance in the board meetings during the year and at the last annual general meeting, and also the number of the other directorships are as follows

Name of the Directors	Category of Directorship	Attendance Particulars		No. of other Directorship held in Public Companies*	No. of Committee positions held in all Companies #	
		Board	AGM		Chairman	Member
Sudarsan Varadaraj	Chairman & Managing Director - Promoter	5	Yes	7	1	2
Dr. Jairam Varadaraj	Non Executive Director - Promoter	1	No	8	-	4
MD Selvaraj	Non Executive Director - Independent	6	Yes	2	2	-
Suresh Jagannathan	Non Executive Director - Independent	2	No	3	-	2
P Vijay Raghunath	Non Executive Director - Independent	6	No	1	1	1

* Directorships in foreign companies and private companies have not been considered.

Only audit committee and share transfer committee are considered.

Sudarsan Varadaraj, Chairman & Managing Director and Dr Jairam Varadaraj, Director are related to each other. None of the other directors are related.

Six board meetings were held during the year and the gap between the meetings did not exceed four months. The date on which the board meetings were held are as follows

Sl No	Date of Board Meeting	No. of Directors Attended
1	17.05.2013	5
2	03.07.2013	3
3	31.07.2013	4
4	21.10.2013	3
5	16.01.2014	2
6	21.01.2014	3

3. Audit Committee

The Audit Committee has been constituted by the Board of Directors of the Company, on January 06, 2011, with three Non-Executive Independent Directors and all such members of the Committee possess knowledge in the fields of accounts, finance and allied areas. The quorum for the meeting is minimum of two Independent Directors.

The role, powers and functions of the committee are as per section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreement with the stock exchange. The terms of reference of this committee are as required by SEBI – under clause 49 of the listing agreement. Besides having access to all the required information from within the company, the committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors of the company. It is authorised to select and establish accounting policies, review reports of the statutory and the internal auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the statutory auditors.

During the year under review the committee met 4 times on May 14, 2013, July 31, 2013, October 21, 2013 and January 21, 2014.

The composition of the audit committee and particulars of meetings attended by the members of the audit committee are given below

Name	Category	No. of Meetings during the year 2013 - 2014	
		Held	Attended
MD Selvaraj (Chairman)	Non Executive Director – Independent	4	4
Suresh Jagannathan (Member)	Non Executive Director – Independent	4	2
P Vijay Raghunath (Member)	Non Executive Director – Independent	4	4

The representatives of both Statutory and Internal Auditors of the Company and the Vice President Finance of the Company attend the committee meetings. Company secretary and compliance officer act as secretary of the audit committee. The minutes of the audit

committee meetings are circulated to the board, where it is discussed and duly recorded. The committee considered and reviewed the accounts for the year 2013 – 2014, at their meeting held on May 19, 2014 before it was placed in the board.

The Board of Directors of the Company, at their meeting held on 19th May 2014, have revised the terms of reference of the Audit Committee in conformity with the provisions of Section 177 of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement.

4. Remuneration Committee

- i. The Remuneration Committee consists of the following Non-Executive Independent Directors as its members
 - a. MD Selvaraj - Non Executive Independent Director
 - b. Suresh Jagannathan - Non Executive Independent Director
 - c. P Vijay Raghunath - Non Executive Independent Director
- ii. The Committee is responsible for the appointment of, determining the compensation payable to the Executive and Non - Executive Directors and other responsibilities specified in the Section 178 read with the Schedule V of Companies Act, 2013 and the Companies (Meeting of Board and Its powers) Rules, 2014.
- iii. No Committee meetings were held during the year under review.
- iv. M D Selvaraj, Director of the Company is the Chairman and C Shankar, Company Secretary of the Company is the Secretary of the Committee.
- v. The Board of Directors of the Company, at their meeting held on 19th May 2014, have renamed its Remuneration Committee as “Nomination and Remuneration Committee” and have also revised the terms of reference of the said Committee in conformity with the applicable provisions of Section 178 of the Companies Act, 2013 read with the amended Clause 49 of the Listing Agreement:

Details of remuneration paid to the directors for the year ended March 31, 2014 are as follows

a. Executive Directors

Remuneration paid to Managerial personnel during the year is given below

Name	Position	Total Remuneration (in Rs.)	Service Contract
Sudarsan Varadaraj	Chairman & Managing Director	4,032,000	For a period of 5 years w.e.f. 01.01.2011

Remuneration includes salary & Company's contribution to provident fund.

b. Non Executive Directors

Sitting fees for attending board / committee meetings paid to non executive directors are given below

Name of the Directors	Sitting Fees Paid (in Rs.)
Dr Jairam Varadaraj	10,000
MD Selvaraj	1,00,000
Suresh Jagannathan	40,000
P Vijay Raghunath	1,00,000

The Company does not pay any remuneration to its non executive directors except sitting fees for attending the board / committee meeting(s) during the year.

c. The Company does not have any **Employee Stock Option Scheme**.

d. Shareholdings of Non Executive Directors

Name of the Director	No. of Shares held (as on March 31, 2014)
Dr Jairam Varadaraj	141,750
MD Selvaraj	116

None of the other non executive directors are holding any shares in the Company. There has been no materially relevant pecuniary transaction or relationship between the Company and its non executive independent directors during the year.

5. Share Transfer & Stakeholders Relationship Committee

The Company has constituted Share Transfer & Investors' Relation Committee with majority of Independent Directors, to look into the redressal of complaints of investors such as transfer / transmission of shares, non receipt of dividend warrants and to approve transfers, transmissions, consolidation and splitting of share certificates and to make necessary endorsements on the share certificates.

The committee had met 24 times during the year 2013 – 2014. The composition of Share Transfer & Investors Relations Committee and the attendance of the members in the meeting are as given below

Name of the Directors	Category	No. of Meetings Attended
MD Selvaraj - Chairman	Non Executive Independent Director	24
Sudarsan Varadaraj - Member	Chairman & Managing Director	11
P Vijay Raghunath - Member	Non Executive Independent Director	24

C Shankar is Company secretary and compliance officer of the Company. The minutes of the Share Transfer & Stakeholders Relationship Committee were placed before the board meeting for due ratification and approval.

During the year, the Company had received five complaints from the shareholders and all of them were resolved satisfactorily by furnishing the requisite information / documents to the shareholders.

The Board of Directors of the Company at their meeting held on 19th May 2014, have renamed its Share Transfers and Investors' Relations Committee as "Stakeholders Relationship Committee" and have also revised the terms of reference of the said Committee in conformity with the applicable provisions of Section 178 of the Companies Act, 2013 and amended Clause 49 of the Listing Agreement.

Unclaimed Suspense Account

Pursuant to Clause 5A of the listing agreement, the Company had transferred 273,958 Unclaimed shares to Elgi Rubber Company Limited Unclaimed Securities Suspense Account, opened with SBICAP Securities Limited.

The claimed details of the Unclaimed Securities Suspense Account is given below

Unclaimed Shares as on 01.04.2013		Shares claimed during the year		Unclaimed Shares as on 31.03.2014	
No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares
222	273,958	2	2,884	220	271,074

The voting rights of the shares lying in the Unclaimed Securities Suspense Account will remain frozen till the rightful owner claims the shares.

Investors' complaints

The Company has attended to the investors' grievances and correspondence within a maximum period of 5 days from the date of receipt of the same during the year 2013 – 2014. There were no outstanding complaints as on March 31, 2014.

Number of shares transferred during 2013 - 2014

Physical transfers	: 235 Nos. constituting 318,226 shares
Transmission	: 7 Nos. constituting 11,309 shares
No. of pending share transfers / demat requests as on March 31, 2014	: NIL
Average turn around time	: 10 days for transfer / transmission of physical shares.
Bad deliveries received	: NIL

Management Discussion and Analysis Report

The contents of the Management Discussion and Analysis Report have been included in the Directors' Report at the appropriate places and thus the said report forms part of the annual report.

6. Annual General Meetings

Location and time where the last three annual general meetings were held and details of the special resolutions passed.

Details of meeting	Date of meeting	Time of meeting	Venue of meeting	Special Resolutions
Annual General Meeting 2010 - 2011	16.08.2011	3.00 P M	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	Appointment of Sudarsan Varadaraj as Chairman & Managing Director of the Company.
Annual General Meeting 2011 - 2012	13.08.2012	3.00 P M	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	Nil
Annual General Meeting 2012 - 2013	12.08.2013	3.00 P M	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	Nil

No extra ordinary general meeting was held during the financial year 2013 - 2014.

Postal ballots

During the year there were no ordinary or special resolutions passed by the members through Postal ballot. As required under Clause 35B of the Listing Agreement, the company has proposed to provide e-voting /postal ballot (in-lieu of e-voting) in respect of all resolutions to be passed at ensuing Annual General Meeting.

7. Disclosures

i. Disclosures on materially significant related party transactions

There are no materially significant related party transactions that may have potential conflict with the interest of the Company at large. (Kindly refer to the notes forming part of accounts for details of related party transactions.)

ii. Details of non compliance by the Company, penalties, strictures imposed on the company by stock exchange or SEBI or any Statutory Authorities or any matter relating to capital markets during the last three years

The Company has complied with all the requirements of the listing agreement of the stock exchange as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, Stock Exchange or any other statutory authority on matters relating to capital markets during the last year.

iii. Notes on Whistle Blower Policy

The Company has adopted a whistle blower policy and has established necessary mechanism for employees to report concerns about unethical behaviour. Any employee if he/she so desires, would have free access to meet the Audit Committee/Senior level management and report any matter of concern.

iv. Details of compliance with mandatory requirements and adoption of the non mandatory requirements of clause 49 of Listing Agreement

The Company has complied with all the mandatory requirements of corporate governance norms as enumerated in Clause 49 of the Listing Agreement with the stock exchange.

The Company has adopted the non mandatory requirement of corporate governance recommended under Clause 49 of the Listing Agreement and constituted a Nomination & Remuneration Committee comprising of three non executive independent directors. The Company has not adopted any other non - mandatory requirements.

8. Code of Conduct

The Company has framed a code of conduct for prevention of insider trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all directors / officers / designated employees. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

The board of directors have laid down a code of conduct for all board members and senior management of the Company. The same has been posted on the website of the Company. All board members and senior management personnel have affirmed their compliance with the code of conduct for the year under review.

The Company's Chairman & Managing Director's declaration to this effect forms part of this report.

9. Means of Communication

- The quarterly / half yearly unaudited financial and the annual audited financial results are normally published in Financial Express & Malai Malar. The book closure and dividend declaration notices are published in Financial Express & Malai Malar. The financial results are also placed on the Company's website – www.elgirubber.com.
- The copies of the results are forwarded to concerned stock exchanges immediately after they are approved by the board for publication in their website. The company has a dedicated help desk with mail id info@elgirubber.com for providing necessary information to investors.
- There were no specific presentations made to Institutional Investors or to the analysts during the year.

10. General Shareholder Information

i. Annual General Meeting

Date : September 27, 2014
Time : 10.00 A.M.
Venue : Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045

ii. Financial Calender

Year Ending : March 31
AGM : September 27, 2014
First Quarter Results : 2nd Fortnight of July 2014
Second Quarter Results : 2nd Fortnight of October 2014
Third Quarter Results : 2nd Fortnight of January 2015
Annual Results : 2nd Fortnight of May 2015
Dividend Payment : October 8, 2014
Date of Book Closure : From September 20, 2014 to September 27, 2014 (Both days inclusive)

Listing on Stock Exchanges

The shares are listed in National Stock Exchange of India Limited, Exchange Plaza, 5th floor, Plot no. C/1, G Block, Bandra - Kurla Complex, Bandra (East), Mumbai - 400 051. Annual listing fee have been duly paid to National Stock Exchange of India Limited, Mumbai.

The quarterly, half yearly and annual results of the Company are published in leading newspapers in India which include the Financial Express and Malai Malar.

Type of Security : Equity
Trading group in stock exchange : B1
Stock Code at the stock exchanges : ELGIRUBCO (NSE)
International Securities Identification Number (ISIN) under depository system : INE819L01012

Share Price Movements (Monthly High & Low)

The high and low prices during each month in the last financial year on National Stock Exchange of India Limited are given below

Month	Apr'13	May'13	June'13	July'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13	Jan'14	Feb'14	Mar,14
High Price	25.00	24.40	24.45	24.00	24.00	24.00	23.00	23.00	24.00	23.00	22.65	22.50
Low Price	21.20	21.00	21.15	23.10	21.00	18.65	18.20	18.00	19.95	19.70	16.40	19.50

Registrar & Share Transfer Agent: (For both physical & demat segments)**Head Office**

M/s Link Intime India Private Limited, C/13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai 400 078.
Ph.: 91 - 022 - 25963838, E-Mail: helpline@linkintime.co.in

Branch

M/s Link Intime India Private Limited, Surya, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028. Ph: 0422 - 2314792/ 2315792, E mail: coimbatore@linkintime.co.in

Reconciliation of Share Capital Audit

A qualified Company Secretary carried out reconciliation of share capital 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. The reconciliation of share capital audit report confirms that the total issued/ paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL & CDSL.

Share Transfer System

The company's shares are transferable through the depository system. Shares in physical form are processed by the registrar and share transfer agents, Link Intime India Private Ltd and approved by the Share transfer & investor relation committee of the Company. The share transfers are processed within a period of 15 days from the date of receipt of the transfer documents by Link Intime India Private Limited, if the documents are complete in all respects. All requests for dematerialization of shares are processed and confirmed to the depositories, NSDL and CDSL, within 15 days. The Share transfer and Investors' Relation Committee generally meets once in fortnight or in such other frequency as necessary for approving share transfers and other related activities.

Legal proceeding / disputes on share transfer against the company : Nil

Shares under lock - in : Nil

Share Holding Pattern

Category	No of Shares	% of Share Holding
Directors and their relatives	26,959,388	53.87
Domestic Companies	8,140,119	16.26
Non Domestic Companies	Nil	Nil
Mutual Funds	815	0.00
Commercial Banks	36,484	0.07
Non Resident Indians	95,453	0.19
Public Financial Institutions	1,360,041	2.72
Foreign Institutional Investors	350	0.00
Resident Individuals	13,457,350	26.89
Total	50,050,000	100.00

Distribution of Shareholding

Range of Shareholding	No of Shares	% of Share Holding
0001 - 5000	7,541,389	15.07
5001 - 10000	1,946,465	3.89
10001 - 20000	1,516,450	3.03
20001 - 30000	816,773	1.63
30001 - 40000	638,064	1.27
40001 - 50000	353,523	0.71
50001 - 100000	1,207,295	2.41
100000 and above	36,030,041	71.99
Total	50,050,000	100.00

Number of Shareholders as on March 31, 2014 : 11,777

Dematerialisation of shares and liquidity : There are 47,738,019 Equity shares accounting for nearly 95.38% of the paid up capital of the Company has been dematerialised as on March 31, 2014. The Company has entered into agreements with both NSDL (National Securities Depository Limited, Mumbai) & CDSL (Central Depository Services (India) Limited, Mumbai) whereby shareholders have an option to dematerialise their shares with any one of the two depositories. There are no outstanding warrants or any convertible instruments. The Company has not issued GDR/ADR.

Plant Locations : Thimmavaram, Kanjikode, Annur, Kovilpalayam, Kurichi.

Address for Communication

For annual report, transfer of physical / demat shares, dividend on shares, change of address & other query relating to shares of the Company and investors correspondence, may be addressed to

Link Intime India Private Limited
"Surya", 35, May Flower Avenue Behind Senthil Nagar,
Sowripalayam, Coimbatore 641 028, Tamilnadu.
Ph : 91 - 0422 - 2314 792 / 2316 755,
E-Mail : coimbatore@linkintime.co.in
Contact Person : S Dhanalakshmi

Contact address for Shareholders

: C Shankar
Company Secretary
Regd Office: Elgi Rubber Company Limited,
2000, Trichy Road, Coimbatore 641 005, Tamilnadu.
Phone : (0422) - 232 1000
Fax : (0422) - 232 2222
E-mail : info@elgirubber.com

Declaration

I, hereby declare that all the Board Members, Senior Management and Employees of the Company have affirmed to and complied with the "Code of Conduct" laid down by the Company, as on March 31, 2014.

For **Elgi Rubber Company Limited**

Coimbatore
31.07.2014

Sudarsan Varadaraj
Chairman & Managing Director

Certificate

To the members of **M/s Elgi Rubber Company Limited**

We have examined the compliance of conditions of Corporate Governance by M/s Elgi Rubber Company Limited, for the year ended on March 31, 2014 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 not an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Share transfer & Investors' Relation committee.

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

For **Reddy, Goud & Janardhan**
Chartered Accountants
Firm Registration No. 003254S

Coimbatore
31.07.2014

B Anand
Partner
Membership No. 29146

Independent Auditors' Report

To the members of **M/s Elgi Rubber Company Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of M/s Elgi Rubber Company Limited ("the Company"), which comprises the Balance Sheet as at 31st March 2014, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Company Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014;
- ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. 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;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Company Affairs in respect of Section 133 of the Companies Act, 2013 and
 - e. on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **Reddy, Goud & Janardhan**
Chartered Accountants
Firm Registration No. 003254S

Coimbatore
19.05.2014

B Anand
Partner
Membership No. 29146

The Annexure referred to in 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 assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c. The Company has not disposed off substantial part of fixed assets during the year and in our opinion, it has not affected the status of going concern and assumption of the company.
2.
 - a. The inventories have been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
 - b. In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - c. The company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stock and the book records were not material.
3.
 - a. The Company had not granted any loan secured or unsecured to any companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act, 1956 except in the case of one subsidiary company wherein the company has granted trade advance in the nature of loan and hence the provisions of clause (iii) (a) to clause (iii) (d) of the said Order (as amended) are not applicable.

In the case of the trade advance in the nature of loan granted to the subsidiary company, the rate of interest and other terms and conditions on which such advance is given, in our opinion, is not prima facie prejudicial to the interest of the company. The receipt of the trade advance and interest are in accordance with the terms and conditions as agreed to by the company.
 - b. The Company had not taken any loan secured or unsecured from the companies or firms/parties as covered in the register maintained under section 301 of the Companies Act, 1956 except from one party amounting to Rs.18.0 Million during the year and the year-end balance is Nil in respect of such party. The maximum amount involved during the year was Rs.18.0 Million.
 - c. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are prima-facie not prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.
5. In our opinion and according to the information and explanations given to us and to the best of our knowledge and belief,
 - a. The particulars of contract or arrangements referred to in Section 301 of the Companies Act,1956 that needed to be entered into the register maintained under the said section have been so entered.
 - b. Where such transactions are in excess of Rs. 0.5 million in respect of any party during the year, the transactions have been made at prices, which are prima-facie reasonable having regard to the prevailing market prices at the relevant time, except that reasonableness could not be ascertained where comparable quotations are not available having regard to the specialized nature of some of the transactions of the Company.
6. The company has not accepted any deposits from public and hence provisions of Para (vi) of the said order (as amended) are not applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size of the company and nature of its business.
8. We have broadly reviewed the books of account relating to material, labour and other items of cost maintained by the company, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
9.
 - a. According to the information and explanations given to us and books and the records as produced and examined by us, in our opinion, undisputed statutory dues including provident fund, investors education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable have been regularly deposited by the company during the year with the appropriate authorities.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2014 for a period of more than six months from the date they became payable.

- c. According to the information and explanations given to us, the details of disputed statutory dues remaining unpaid and the forum where the dispute is pending are listed as under:

Name of the statute	Nature of dues	Amount (Rs. in million)	Period to which amount relates	Forum where dispute is pending
Service Tax	Service Tax on Wind Mill	0.09	01.04.2005-31.03.2008	CESTAT, Chennai
	Service Tax on Wind Mill	0.05	01.04.2008-31.03.2009	CESTAT, Chennai
Service Tax	Service Tax on Wind Mill	0.09	01.04.2005-31.03.2008	CESTAT, Chennai
	Service Tax on knowhow	1.48	01.04.2008-31.03.2009	Additional Commissioner Coimbatore.
Excise Duty	Excise duty on Capital Goods	0.14	01.04.1997-31.03.1999	CESTAT, Chennai
VAT	VAT on movement of hired Goods	0.26	01.04.2013-31.03.2014	Enquiry Officer, Walayar
Income Tax	Disallowance of Depreciation expense related to exempted income	0.67	01.04.2008-31.03.2009	ITAT Chennai
Stamp duty	Stamp Duty demand	4.37	01.04.2009-31.03.2010	DR(Stamps), Coimbatore

10. There are no accumulated losses and the company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or to a bank. There are no debenture holders during the year.
12. We are of the opinion that the Company has not granted 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 (xiii) of Para 4 of the Order (as amended) are not applicable.
14. In our opinion, in respect of dealing or trading in shares and securities, the company has maintained proper records and timely entries have been made therein. Further, the company has held the shares and securities in its own name.
15. In our opinion, the Company has given guarantees for banking facilities availed by a few subsidiary companies from banks and according to the information and explanations given to us, the terms and conditions on which such guarantees have been given are not prima facie prejudicial to the interest of the company.
16. The Company has not borrowed any term loan during the year and hence the provisions of clause (xvi) of Para 4 of this Order (as amended) are not applicable.
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 funds raised on short term basis have prima-facie, not been used during the year for long term investments.
18. The Company has not made any preferential allotment of shares during the year and hence the provisions of clause (xviii) of Para 4 of this Order (as amended) are not applicable.
19. The Company has not issued any debentures during the year and hence the provisions of clause (xix) of Para 4 of this Order (as amended) are not applicable.
20. The company has not raised any monies by way of public issues during the year and hence the provisions of clause (xx) of Para 4 of this Order (as amended) are not applicable.
21. During the course of our examination of the books of accounts carried on in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have been informed of such case by the management.

For **Reddy, Goud & Janardhan**
Chartered Accountants
Firm Registration No. 003254S

Coimbatore
19.05.2014

B Anand
Partner
Membership No. 29146

Balance Sheet as at 31st March 2014

	Notes	31.03.2014 Rs.	31.03.2013 Rs.
I. Equity and Liabilities			
Shareholders' funds			
a. Share capital	2.01	50,050,000	50,050,000
b. Reserves and surplus	2.02	2,456,274,228	2,323,546,908
Non current liabilities			
a. Long term borrowings		-	-
b. Deferred tax liabilities (Net)	2.03	6,354,000	154,000
c. Other long term liabilities		-	-
d. Long term provisions	2.04	2,711,203	21,840,312
Current liabilities			
a. Short term borrowings	2.05	180,963,729	142,107,126
b. Trade payables	2.06	42,473,972	38,154,784
c. Other current liabilities	2.07	37,114,934	19,268,893
d. Short term provisions	2.08	30,331,942	53,268,625
		2,806,274,008	2,648,390,648
II. Assets			
Non current assets			
a. Fixed assets			
i. Tangible assets	2.09	615,906,692	491,548,623
ii. Intangible assets	2.09	36,593,950	-
iii. Capital work in progress		593,545	15,612,895
b. Non current investments	2.10	648,923,650	623,312,918
c. Deferred tax assets (Net)		-	-
d. Long term loans and advances	2.11	305,519,300	380,168,580
e. Other non current assets	2.12	193,231,336	276,700,000
Current assets			
a. Current investments	2.13	-	4,904,005
b. Inventories	2.14	396,867,132	283,593,062
c. Trade receivables	2.15	211,580,729	175,540,998
d. Cash and bank balances	2.16	207,018,253	136,445,282
e. Short term loans and advances	2.17	170,477,200	221,517,156
f. Other current assets	2.18	19,562,221	39,047,129
		2,806,274,008	2,648,390,648
Significant accounting policies	1		

The Notes are an integral part of these financial statements

**As per our report of even date
For Reddy, Goud & Janardhan**
Chartered Accountants
Firm Registration No. 003254S

B Anand

Partner
Membership No. 29146

Coimbatore
19.05.2014

MD Selvaraj
Director

C Shankar
Company Secretary

SR Venkatachalam
Vice President - Finance

Sudarsan Varadaraj
Chairman & Managing Director

Statement of Profit and Loss for the year ended 31st March 2014

Notes	31.03.2014 Rs.	31.03.2013 Rs.
Income		
Revenue from operations (Gross)	2.21 1,564,786,640	1,526,399,400
Less : Excise duty	121,921,893	119,079,807
Revenue from operations (Net)	1,442,864,747	1,407,319,593
Other income	2.22 184,509,682	190,809,824
	1,627,374,429	1,598,129,417
Expenses		
Cost of materials consumed	2.23 840,962,922	879,953,058
Purchases of stock in trade	72,343,872	72,876,730
Changes in inventories of finished goods and work in process	2.24 (6,538,518)	(27,236,163)
Employee benefit expenses	2.25 104,650,764	81,971,733
Finance costs	2.26 6,503,269	5,801,983
Depreciation and amortisation expenses	2.27 50,920,672	36,299,264
Other expenses	2.28 349,455,628	319,295,856
	1,418,298,609	1,368,962,461
Profit before exceptional items and tax	209,075,820	229,166,956
Add: Exceptional items	2.29 -	3,492,343
Profit before tax	209,075,820	232,659,299
Less: Tax expenses		
a. Current tax	51,630,000	52,127,000
b. Deferred tax	6,200,000	3,216,000
Profit after tax	151,245,820	177,316,299
Significant accounting policies	1	
Earnings per share (Nominal value per share 2014 Re.1/- (2013 Re.1/-) (including extraordinary items)		
a. Basic	3.02	3.54
b. Diluted	3.02	3.54
(excluding extraordinary items net of taxes)		
a. Basic	3.02	3.54
b. Diluted	3.02	3.54

The Notes are an integral part of these financial statements

As per our report of even date
For Reddy, Goud & Janardhan
Chartered Accountants
Firm Registration No. 003254S

B Anand
Partner
Membership No. 29146
Coimbatore
19.05.2014

MD Selvaraj
Director

C Shankar
Company Secretary

SR Venkatachalam
Vice President - Finance

Sudarsan Varadaraj
Chairman & Managing Director

Cash Flow Statement for the year ended 31st March 2014

	31.03.2014 Rs.	31.03.2013 Rs.
A Cash flow from operating activities		
Profit before taxation	209,075,820	229,166,956
Adjustments for		
Depreciation	50,920,672	36,299,264
Profit on sales of tangible assets (Net)	(637,881)	(10,262,594)
Profit on sales of Investments (Net)	(1,700,176)	(484,256)
Write back of Dividend distribution Tax relating to earlier year	-	(3,852,841)
Write back of Income Tax of earlier years	-	(3,492,343)
Provision for doubtful debts	4,173,063	32,462
Liabilities no longer required written back	(19,129,109)	(24,100,798)
Interest Income	(38,871,835)	(49,069,509)
Dividend Income	(64,627,450)	(52,448,514)
Interest Expenses	5,613,162	5,539,838
Other non cash items	937,762	2,851,080
Operating profit before working capital changes	145,754,028	130,178,745
Increase / (Decrease) in trade payables	4,319,188	(15,606,920)
Increase / (Decrease) in long term provisions	-	4,133,657
Increase / (Decrease) in short term provisions	2,160,565	1,391,186
Increase / (Decrease) in other current liabilities	17,440,566	2,357,927
Increase / (Decrease) in short term borrowings	38,856,603	69,189,901
(Increase) / Decrease in trade receivables	(41,150,556)	49,153,771
(Increase) / Decrease in inventories	(113,274,070)	(6,104,960)
(Increase) / Decrease in long term loans and advances	74,649,280	87,898,904
(Increase) / Decrease in short term loans and advances	59,028,263	(114,505,458)
(Increase) / Decrease in other current assets	19,484,908	(13,454,634)
(Increase) / Decrease in other non-current assets	83,468,664	(160,700,000)
(Increase) / Decrease in bank deposits with maturity more than 3 to 12 months	15,000,000	(19,945,783)
Cash generated from Operations	305,737,439	13,986,336
Taxes paid (Net of refunds)	(59,618,307)	(55,344,114)
Net cash generated from operating activities (A)	246,119,132	(41,357,778)
B Cash flow from Investing activities		
Purchase of tangible / intangible assets	(213,079,810)	(29,844,713)
Increase in capital work in progress	15,019,350	(10,953,609)
Sale of tangible / intangible assets	1,845,000	10,952,387
Non current investments	(23,910,556)	(21,265,515)
Current investments	4,904,005	478,451
Interest Income	38,871,835	49,069,509
Dividend Income	64,627,450	52,448,514
Net Cash from investing activities (B)	(111,722,726)	50,885,024
C Cash flow from Financing activities		
Dividend and Distribution tax paid	(43,615,748)	(21,433,215)
Interest paid	(5,613,162)	(5,539,838)
Net cash used in Financing Activities (C)	(49,228,910)	(26,973,053)
Net increase/(decrease) in cash and cash equivalents(A+B+C)	85,167,496	(17,445,807)
Cash and Cash equivalents comprise of		
Cash on hand	657,530	613,223
Balance with banks*	177,625,561	135,832,059
* Including the following balance which are not available for use by the Company		
Unpaid dividend account	3,735,162	3,329,687
Cash and Cash equivalents at the beginning of the year	93,115,595	110,561,402
Cash and cash equivalents at the end of the year	178,283,091	93,115,595

Explanatory notes to Cash flow statement

- The Cash flow statement is prepared as per Accounting Standard 3 (notified pursuant to the Companies (Accounting Standards) Rules, 2006).
- The net profit / loss arising due to conversion of current assets / liabilities, receivable / payable in foreign currency is furnished in other non cash items.

As per our report of even date

For Reddy, Goud & Janardhan

Chartered Accountants

Firm Registration No. 003254S

B Anand

Partner
Membership No. 29146

MD Selvaraj
Director

C Shankar
Company Secretary

SR Venkatachalam
Vice President - Finance

Sudarsan Varadaraj
Chairman & Managing Director

Coimbatore
19.05.2014

1. Significant Accounting Policies

Elgi Rubber Company Limited ('Company' or 'ERCL') was incorporated on 16.10.2006. ERCL is a leading Company providing solutions to Rubber Industry and engaged in the business of manufacture of Reclaimed Rubber, Retreading machinery, and Retread rubber.

1. a. Basis of preparation of financial statements

The financial statements have been prepared to comply in all material respect with the accounting standards notified by Companies (Accounting Standards) Rules 2006,(as amended) and the relevant provisions of Companies Act, 1956 ('the Act'). The financial statements have been prepared under the historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India. Accounting policies have been consistently applied by the company and are consistent with those used in the previous year and in case of any such variations in the accounting policies as compared to the previous year, such variations are disclosed separately as a part of notes to accounts.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from the estimates. Significant estimates used by the management in the preparation of these financial statements include, work in progress, provisions for bad and doubtful debts, estimates of the useful life of the fixed assets.

2. Scheme of amalgamation and arrangement

- a. As per the Scheme of Amalgamation and Arrangement (hereinafter referred to as "Scheme", as approved by the Hon'ble High Court of Judicature at Madras on 16.12.2010 between Elgi Rubber Company Limited (ERCL) and Treadsdirect Limited(TDL) and Elgi Rubber International Limited(ERIL) and Titan Tyrecare Products Limited (TTPL) and Treadsdirect (India) Limited (TDIL), the whole of the undertaking of ERCL and TDL comprising of its business, all assets, both movables and immovables, and liabilities of whatsoever nature and wheresoever situated were transferred to and vested in ERIL as a going concern as from the appointed date ie. 1st April 2010.
- b. Engineering undertaking of ERIL was vested in TTPL and tread rubber undertaking of ERIL was vested with TDIL by way of slump sale with effect from the appointed date (01.01.2011).

3. Revenue recognition

- a. Sales are recognized upon delivery of products and are recorded exclusive of excise duty, service tax and sales tax.
- b. Export benefits are accounted on accrual basis.
- c. Dividend income from investment in Mutual Funds is recognized on declaration of the same by the respective agency.
- d. Dividend from other companies is accounted on confirmation in the Annual General Meeting of the respective companies.
- e. Interest Income is recognised on a time proportionate basis taking into account the amount outstanding and the rate applicable.

4. Fixed assets

- a. Fixed Assets are reflected at historical cost (net of Cenvat / VAT) less depreciation to date.
- b. At Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

An assessment is also done at each Balance Sheet date whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss is recognized in the Statement of Profit and Loss.

After recognition of impairment loss or reversal of impairment loss as applicable, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any) on straight line basis over its remaining useful life.

5. Depreciation

- a. Depreciation on fixed assets for items other than referred to in item 5(c), is provided on written down value method on a pro-rata basis, at the rates as specified in Schedule XIV of the Companies Act, 1956.
- b. Assets purchased, where the actual cost does not exceed Rs.5,000/- is depreciated at the rate of 100%, in the year of purchase.
- c. Intangible assets of software are amortized over a period of 3 years on a pro-rata basis, which is estimated to be the life of the intangible asset.

6. Research and Development

Any intangible / tangible asset generated out of the Research and Development activity is amortized / written off over the estimated life of the asset.

7. Investments

Investments are reflected at cost, except cases where provision is considered necessary.

8. Inventories / Stock of securities

Inventories / Stock of Securities are stated at the lower of cost or net realisable value. Cost in respect of inventories is determined at the weighted average method. The cost of finished goods and work-in-process comprises raw material, direct labour, other direct costs and related production overheads allocated on the basis of the normal capacity of production. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

9. Cash flow statement

Cash Flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash on hand and balance with banks in current and deposit accounts, with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

10. Exchange fluctuation

- a. Foreign Currency transactions are accounted at the exchange rates prevailing at the date of the transaction.
- b. Gains and Losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end rates are recognized in the Statement of Profit and Loss.
- c. In the case of forward contract, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

11. Employee / Retirement benefits

- a. Provident Fund: Eligible employees receive benefits from a Provident Fund, which is a defined Contribution Plan. Aggregate contributions along with interest thereon, are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the Government administered Provident Fund. The Company has no obligation beyond its contribution.
- b. Gratuity: A defined benefit retirement plan (the "Gratuity Plan") is provided for all eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lumpsum amount to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the Elgi Rubber Company Limited Employees Gratuity Fund Trust and the contributions to the trust are invested in the Life Insurance Corporation of India administered Fund.
- c. Superannuation: Certain employees of the Company are also participants in a defined contribution plan. The Company makes the contributions to the Superannuation Plan administered by the Elgi Rubber Company Employees Superannuation Fund Trust. The Company has no further obligations to the Plan beyond its monthly contributions.
- d. Expenses on ex-gratia payment to employees, a defined contribution plan, is accounted as and when accepted by the management.
- e. Provision in respect of compensated absence is made, based on actuarial valuation.

12. Lease

The Company is leasing out tyre re-treading machineries to customers. In respect of assets given under a finance lease, the same is recognized as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognized as revenue.

13. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

14. Borrowing costs

Borrowing costs relating to acquisition are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/sale. All other borrowing costs not eligible for inventorisation / capitalisation are charged to revenue.

15. Taxes

Tax expense comprises of current and deferred tax.

Deferred tax

- a. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- b. Deferred tax assets are recognized on unabsorbed capital losses only if it is reasonably certain that such deferred tax assets can be realised against future taxable capital gains.

16. Treatment of contingent liabilities

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a 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 on accounts for the year ended 31st March 2014

The previous year figures have been regrouped / reclassified, wherever necessary to conform to the current year presentation.

2.01 Share capital

	31.03.2014 Rs.	31.03.2013 Rs.
Authorised		
300,300,000 (300,300,000) equity shares of Re.1/- each (Re.1/- each)	300,300,000	300,300,000
Issued and subscribed and fully Paid-up		
50,050,000 (50,050,000) equity shares of Re.1/- each (Re. 1/- each) fully paid up	50,050,000	50,050,000
	50,050,000	50,050,000

The Company has only one class of shares referred to as equity shares having a par value of Re.1/-. Each holder of equity shares is entitled to one vote per share held.

The company declares and pays dividend in Indian Rupees. The dividend recommended by the board of directors is subject to the approval of the shareholders in the ensuing annual general meeting.

The board of directors, in their meeting held on 19th May 2014, recommended a final dividend of Re. 0.37 per share. The recommendation is subject to the approval of the shareholders at the annual general meeting to be held. The total dividend appropriation for the year ended March 31, 2014 amounted to Rs.18,518,500/-. Dividend, if approved, is payable to the shareholders in proportion to their shareholding.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the Company. The distribution will be in proportion to the number of equity shares, held by the shareholders.

Reconciliation of number of shares

	No. of Shares	31.03.2014 Rs.	No. of Shares	31.03.2013 Rs.
Equity shares				
Balance as at the beginning of the previous year	50,050,000	50,050,000	50,050,000	50,050,000
Add: Shares issued during the year	-	-	-	-
Balance as at the end of the year	50,050,000	50,050,000	50,050,000	50,050,000

Note

Neither shares are reserved for issue under options nor securities have been issued, which are convertible into equity / preference shares in future as on the date of balance sheet.

Details of shares held by shareholders, holding more than 5% of the aggregate shares in the Company.

	No. of shares	Percentage	No. of shares	Percentage
Sudarsan Varadaraj	22,291,000	44.53	20,602,454	41.16
LRG Technologies Limited	3,541,475	7.08	3,541,475	7.08

No shares have been allotted as fully paid up, by way of bonus shares during 5 years immediately preceding March 31, 2014.

49,550,000 equity shares of Re. 1/- each were allotted in accordance with the scheme of amalgamation and arrangement during the year 2010-11.

	31.03.2014 Rs.	31.03.2013 Rs.
2.05 Short term borrowings		
Secured		
From State Bank of India		
Loan against fixed deposits	-	26,500,000
Cash credit facility	74,249,503	70,912,476
Packing credit facility	71,589,554	27,194,650
From Bank of India		
Loan against fixed deposits	13,500,000	13,500,000
From City Union Bank Ltd		
Loan against fixed deposits	9,000,000	-
From HDFC Bank Ltd		
Overdraft facility	12,624,672	-
Unsecured		
Loan from director	-	4,000,000
	180,963,729	142,107,126

Securities offered in connection with the credit facilities availed by the Company

- Loan against fixed deposits with State Bank of India amounting to Rs.Nil(Rs.26,500,000), with Bank of India amounting to Rs.13,500,000 (Rs.13,500,000) and with City Union Bank Limited amounting to Rs.9,000,000 (Rs.Nil) are secured by a lien and pledge of fixed deposit receipts with the State Bank of India, Bank of India and City Union Bank Limited respectively and are repayable on demand.
- Overdraft facility against fixed deposit with HDFC Bank Ltd., is secured by a lien and pledge of fixed deposit receipts with HDFC Bank Ltd., which is repayable on demand.
- Cash credit/ export packing credit facility availed from State Bank of India is secured by first charge over raw materials, stock in process, finished goods, receivables, and other current assets.
- Bill discounting/letter of credit and bank guarantee facilities are secured by documents to title goods and first charge over the current assets as stipulated.

Banking facilities referred to in (c) and (d) above are further secured by first charge over the entire fixed assets of the company exclusively including equitable mortgage of land and building located at Kanjikode, Chengalpattu, Kurichi, Neelambur, Aralvaimozhi and Tirunelveli.

2.06 Trade payables		
Trade payables - related parties	1,630,107	1,112,446
Trade payables - others	40,843,865	37,042,338
	42,473,972	38,154,784

Refer to Note No.: 2.39 regarding further disclosures relating to MSMED Act.

2.07 Other current liabilities		
Employee benefits payable	704,655	1,459,385
Employee recoveries payable	240,284	282,422
Unpaid dividend	3,735,162	3,329,687
Statutory dues (Including provident fund, withholding and other taxes payable)	10,782,690	8,189,212
Other payables to a related company	16,499,523	-
Other payables	46,164	354,423
Advance received from customers	5,106,456	5,653,764
	37,114,934	19,268,893

There are no amounts due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end.

2.08 Short term provisions		
Provision for compensated absence (Refer Note No.: 2.36 regarding disclosure requirement as per AS 15)	3,148,619	2,498,964
Other provisions	8,664,823	7,153,913
Provision for proposed dividend on equity shares	18,518,500	40,040,000
Provision for dividend distribution tax on proposed dividend on equity shares	-	3,575,748
	30,331,942	53,268,625

2.09 Fixed assets

Description	Gross Block			Depreciation			Net Block			
	As at 01.04.2013 Rs.	Additions Rs.	Transfer/ Deletions Rs.	As at 31.03.2014 Rs.	As at 01.04.2013 Rs.	For the year Rs.	Transfer/ Deletions Rs.	As at 31.03.2014 Rs.	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
Land	307,863,747	-	-	307,863,747	-	-	-	-	307,863,747	307,863,747
Building	172,717,580	38,739,589	-	211,457,169	87,251,799	8,457,751	-	95,709,550	115,747,619	85,465,781
Plant & Machinery	571,226,570	129,330,713	-	700,557,283	478,758,594	32,380,797	-	511,139,391	189,417,892	92,467,976
Furniture & Fittings	11,864,285	23,834	-	11,888,119	10,113,349	319,397	-	10,432,746	1,455,373	1,750,936
Vehicle	11,307,847	-	2,714,025	8,593,822	7,307,664	1,371,003	1,506,906	7,171,761	1,422,061	4,000,183
Intangible Assets	13,149,245	44,985,674	-	58,134,919	13,149,245	8,391,724	-	21,540,969	36,593,950	-
Total	1,088,129,274	213,079,810	2,714,025	1,298,495,059	596,580,651	50,920,672	1,506,906	645,994,417	652,500,642	491,548,623
						31.03.2014				31.03.2013
						Rs.	Rs.	Rs.		Rs.
2.10 Non current investments										
Trade investments (Long term, valued at cost)										
Unquoted										
Investment in subsidiaries				650,339,634				619,945,734		
Less: Provision for fall in value of investment in subsidiaries				21,403,837				21,403,837		
						628,935,797				598,541,897
Other investments (Long term, valued at cost)										
Quoted										
a. Investment in equity instruments						4,928,988				250,400
b. Investment under the portfolio management scheme of HDFC						3,153,865				5,371,621
Unquoted										
a. Investment in government securities						5,000,000				10,000,000
b. Investment in mutual fund						6,905,000				9,149,000
(Refer Note No.: 2.47 regarding details of investments)										
						648,923,650				623,312,918
2.11 Long term loans and advances										
(Unsecured, considered good)										
Capital advances						41,636,297				67,375,682
Security deposits						10,021,060				5,950,899
Statutory payments						924,272				810,897
Advances recoverable in cash or kind						1,810,000				1,810,000
Loans and advances to related parties						251,127,671				304,221,102
						305,519,300				380,168,580
2.12 Other non current assets										
Long term deposits with banks with maturity period more than 12 months						-				-
Margin money deposits						193,231,336				276,700,000
(Lien marked by banks against bank guarantees)										
						193,231,336				276,700,000
2.13 Current investments										
(Quoted, at cost or market value, whichever is less)										
Investment in equity instruments										
332,040 equity shares of Re.1/- each paid up in Elgi Equipments Limited				4,713,300				4,713,300		
Less : Transfer to non-current investments				4,713,300				-		4,713,300
2,150 equity shares of Rs.10/- each paid up in Precot Meridian Limited				190,705				190,705		
Less : Transfer to non-current investments				190,705				-		190,705
Aggregate value of quoted investments										4,904,005
Aggregate market value of quoted investments										25,093,705

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.14 Inventories				
a. Raw materials				
Polimers	69,246,543		53,155,762	
Carbon black	12,891,998		2,601,055	
Butyl scrap & rubber dust	112,557,803		99,096,963	
Others	<u>86,410,548</u>		<u>24,753,958</u>	
		281,106,892		179,607,738
b. Work in process		13,151,232		24,420,564
c. Finished goods (Reclaimed rubber materials and retreading raw materials)		70,791,047		41,955,825
d. Stock in trade (Traded goods)		11,733		11,044,603
e. Stores and spares		23,170,232		20,110,441
f. Others				
Packing materials		7,814,249		5,454,318
Scrap		821,747		816,249
Material in transit		-		183,324
		396,867,132		283,593,062
2.15 Trade receivables				
(Unsecured considered good)				
Outstanding for a period exceeding six months from the date they are due for payment	20,589,143		12,793,465	
Others	<u>190,991,586</u>		<u>162,747,533</u>	
		211,580,729		175,540,998
(Unsecured considered doubtful)				
Outstanding for a period exceeding six months from the date they are due for payment	4,173,063		32,462	
Less: Provision for doubtful debts	<u>4,173,063</u>	-	<u>32,462</u>	-
(Refer Note No.: 2.48 relating to receivable amount from related parties)				
		211,580,729		175,540,998
2.16 Cash and bank balances				
Cash and Cash equivalents				
Cash on hand		657,530		613,223
Bank balances				
In current account		10,751,503		4,969,379
In demand deposits		48,500,000		87,500,000
(Out of the above, deposits of Rs. 15,000,000/- (Rs. 45,000,000/-) have been pledged with the bank for the purpose of availing loan on fixed deposit)				
Other bank balances		-		32,993
Demand deposits with maturity of more than 3 months but less than 12 months		25,000,000		40,000,000
(Out of the above, deposits of Rs. 25,000,000/- (Rs. 15,000,000/-) have been pledged with the bank for the purpose of availing loan on fixed deposit)				
Margin money deposits		118,374,058		-
Unpaid dividend account		3,735,162		3,329,687
		207,018,253		136,445,282
2.17 Short term loans and advances				
(Unsecured considered good)				
Advance payment of income tax (Net of provision of Rs. 247,417,225/-) (Rs. 195,787,225/-)		32,284,249		24,295,942
Balances with customs, central excise, VAT etc.,		31,391,318		23,125,189
Receivable from Government-DEPB/Duty draw back, etc.,		2,715,714		7,695,855
Dividend receivable from related parties		1,876,560		27,055,969
Prepaid expenses		6,957,031		8,134,072
Due from related parties		50,681,244		112,880,618
Others		44,571,084		18,329,511
		170,477,200		221,517,156

	31.03.2014 Rs.	31.03.2013 Rs.
2.18 Other current assets		
(Unsecured considered good)		
Income accrued on bank deposits	17,835,139	24,057,908
Income accrued on investments and others	300,000	304,110
Due from related parties	1,427,082	14,685,111
	19,562,221	39,047,129
2.19 Contingent liabilities and commitments (to the extent not provided for)		
i. Claims against the company not acknowledged as debts		
a. Income tax matters	667,560	2,597,600
b. Excise and Service Tax Matters	1,696,185	776,362
c. Sales tax	261,000	-
d. Stamp duty	4,368,304	4,368,304
ii. Capital commitments		
a. Estimated amount of contracts remaining to be executed on capital account and not provided for	16,359,035	27,670,271
b. Uncalled liability on shares and other investments partly paid - Payable in respect of purchase of shares of Rubber Resources B.V., (RR) on achievement of milestones	EUR 210,000	EUR 1,080,000
iii. Other commitments		
a. The company has issued an undertaking to provide need based financial support to its following wholly owned subsidiary companies		
i. Pincott International Pty Ltd., Australia	AUD 577,771	AUD 577,771
	USD 800,000	-
ii. Borrachas e Equipamentos ELGI Ltda, Brasil	BRL 9,900,000	BRL 3,900,000
iii. Elgi Rubber Company B.V., The Netherlands	EUR 300,000	EUR 300,000
iv. Elgi Rubber Company LLC, USA	USD 2,516,579	-
v. Rubber Resources B.V., The Netherlands	EUR 2,500,000	-
b. Guarantee on account of unpaid liability on account of purchase of shares of RR as stated in column (ii) (b) above	EUR 720,000	EUR 1,080,000
c. Guarantee on account of security deposits with various electricity boards, state road transport corporations and other statutory authorities	8,005,484	7,469,208
d. Letter of credit on account of import of goods	USD 498,600	USD 114,580
iv. Overseas subsidiaries		
Securities offered in connection with standby letter of credit extended by ING Vysya Bank Limited and Export-Import Bank of India, in favour of the respective banks, which have granted credit facilities to the following subsidiary companies		
Facilities offered		
1. for the credit facilities granted by ING Bank NV, Filial De Sao Paulo, Brasil to M/s Borrachas e Equipamentos Elgi Ltda, Brasil.		
2. for the credit facilities granted by ING Bank NV, Amsterdam, to M/s Rubber Resources B.V., Netherlands.		
3. for the credit facilities granted by Export-Import Bank of India, London to M/s Pincott International Pty., Ltd, Australia.		
4. for the credit facilities granted by Export-Import Bank of India, London to M/s Elgi Rubber Company LLC, USA.		
Securities offered		
By deposit of title deeds and equitable mortgage of immovable property located at Trichy Road, Coimbatore and Kurichi, Coimbatore, in favour of ING Vysya Bank Ltd., Coimbatore ranking pari-passu with Export-Import Bank of India, Mumbai.		
The facilities relating to the standby letter of credit extended by M/s ING Vysya Bank Ltd., is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to Rs.184.13 Million.		
2.20 Proposed dividend		
The final dividend recommended for the year is as follows		
On equity shares of Re.1/- each		
Amount of recommended dividend per equity share	Re. 0.37	Re. 0.80

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.24 Changes in inventory of finished goods and work in process				
Stock at the end of the year				
Finished goods	70,791,047		41,955,825	
Work in process	13,151,232		24,420,564	
Stock in trade	11,733		11,044,603	
Scrap	821,747		816,249	
Securities	-		4,904,005	
		(84,775,759)		(83,141,246)
Less: Stock at the beginning of the year				
Finished goods	41,955,825		22,390,822	
Work in process	24,420,564		17,515,471	
Stock in trade	11,044,603		10,790,495	
Scrap	816,249		310,095	
Securities	4,904,005		4,898,200	
Less: Transfer to non current investments	(4,904,005)		-	
		78,237,241		55,905,083
(Increase) / Decrease in inventory of finished goods and work in process		(6,538,518)		(27,236,163)
2.25 Employee benefit expenses				
Salaries, wages and bonus		80,443,191		67,217,238
Voluntary retirement scheme payments		12,313,846		-
Contribution to provident and other funds		8,580,286		8,212,777
Gratuity paid		856,155		3,152,041
Staff welfare expenses		2,457,286		3,389,677
		104,650,764		81,971,733
(Refer Note No.: 2.36 on disclosure requirement as per Accounting Standard 15 on Employee benefits)				
2.26 Finance costs				
Interest on borrowings				
On borrowings from banks		5,064,630		4,953,968
Others		548,532		585,870
Financial charges on borrowings		890,107		262,145
		6,503,269		5,801,983
2.27 Depreciation and amortisation expenses				
Depreciation on tangible assets		42,528,948		36,299,264
Amortisation on intangible assets		8,391,724		-
		50,920,672		36,299,264
2.28 Other expenses				
Consumption of stores and spare parts		20,827,261		16,739,017
Excise duty*		2,097,909		4,422,641
Power and fuel		123,136,865		127,938,131
Rent		1,680,082		1,323,977
Labour charges		28,686,609		21,077,006
Repairs and maintenance – plant and machinery		35,681,569		30,614,037
Repairs and maintenance – building		3,787,068		2,867,217
Repairs and maintenance – others		10,120,911		10,891,231
Insurance		6,126,749		6,866,033
Rates and taxes		4,912,450		3,820,546
Travelling and conveyance		17,237,186		13,576,532
Directors' sitting fees		250,000		240,000
Statutory Auditors : Audit fees	550,000		500,000	
Tax audit fee	50,000		50,000	
Other services	5,000		5,000	
Reimbursement of expenses	99,417		96,595	
		704,417		651,595
Professional fees		34,688,935		21,631,038
Sales commission		1,242,750		1,421,552
Advertisement and other selling expenses		7,417,945		6,416,132
Carriage inward		14,771,548		13,045,707
Freight charges		9,387,330		11,060,604
Managerial remuneration		4,032,000		4,032,000
Provision for doubtful debts		4,173,063		32,462
Loss on sale / redemption of investment		-		38,985
Miscellaneous expenses		18,492,981		20,589,413
		349,455,628		319,295,856

* represents excise duty related to the difference between the closing stock and opening stock.

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.29 Exceptional items				
Income tax relating to previous years		-		3,492,343
		-		3,492,343
2.30 CIF value of imports				
Raw materials		87,293,244		39,391,984
Components and spare parts		684,522		2,731,334
Capital goods		19,893,579		716,160
Others		141,767		1,837,052
2.31 Expenditure incurred in foreign currency				
Professional and consultation fees		28,384,007		11,210,503
Interest / bank charges		812,936		593,404
Travelling expenses		2,268,341		821,135
Membership fee, books & periodicals		157,063		161,823
Advertisement		6,258,724		3,544,204
Sales commission		-		239,081
Royalty		187,824		-
Others		310,381		1,521,733
2.32 Dividend remitted in foreign exchange				
Dividend paid during the year		Nil		Nil
Number of non resident shareholders		Nil		Nil
Number of equity shares held by such non resident shareholders		Nil		Nil
Year to which the dividend relate to		Nil		Nil
2.33 Earnings in foreign currency				
Revenue from exports on FOB basis		203,045,642		194,549,755
Interest		1,427,082		7,763,631
Dividend		44,655,477		8,578,946
Other income		2,601,644		3,714,811
2.34 Details of consumption and purchases				
a. Details of raw materials consumed				
Rubber scrap		258,059,429		263,899,926
Polymer		314,092,443		346,819,418
Carbon black		87,985,466		83,260,006
Chemicals & other raw materials		168,207,360		169,242,559
		828,344,698		863,221,909
b. Purchase of traded goods				
Retreading machinery and tools, spares & accessories		72,343,872		72,876,730
		72,343,872		72,876,730
c. Details of value of imported and indigenous material consumed	Value Rs.	31.03.2014 (% of total Consumption)	Value Rs.	31.03.2013 (% of total Consumption)
Imported	56,960,432	6.71	42,724,240	4.86
Indigenous	792,211,527	93.29	837,236,686	95.14
	849,171,959	100.00	879,960,926	100.00
2.35 Earnings per share	Before extraordinary items	After extraordinary items	Before extraordinary items	After extraordinary items
a. Basic				
Profit after tax	151,245,820	151,245,820	177,316,299	177,316,299
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Basic EPS	3.02	3.02	3.54	3.54
b. Diluted				
Profit after tax	151,245,820	151,245,820	177,316,299	177,316,299
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Diluted EPS	3.02	3.02	3.54	3.54

2.36 Employee benefits

The details required under AS 15 – Employee Benefits are as follows

The Employees' Gratuity Fund Scheme managed by the Life Insurance Corporation of India is a defined benefit plan. The present value of the obligation is determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to additional unit of employees benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Compensated absence is recognised in the same manner as gratuity.

	31.03.2014		31.03.2013	
	Rs. Gratuity	Rs. Compensated absence	Rs. Gratuity	Rs. Compensated absence
Present value of defined benefit obligation				
Obligations at period beginning	24,437,541	2,498,964	20,828,254	2,593,981
Service cost	1,873,070	827,952	1,452,155	864,532
Interest cost	1,955,003	-	1,666,260	-
Actuarial (gain) / loss	913,449	2,276,216	1,997,418	(52,501)
Benefits paid	(3,674,856)	(2,454,513)	(1,506,546)	(907,048)
Obligations at period at the end of the year	25,504,207	3,148,619	24,437,541	2,498,964

Defined benefit obligation liability, on account of gratuity, as at the balance sheet has been funded to the extent of Rs. 32,110,909/- by the Company. The Company has not funded for the obligations on account of compensated absence.

Fair value of plan assets				
Plan assets at period beginning at fair value	27,818,507	-	21,906,728	-
Expected return on plan assets	2,332,549	-	1,963,792	-
Contributions	4,081,891	-	5,454,533	-
Transfer/Adjustment	1,552,818	-	-	-
Benefits paid	(3,674,856)	(2,454,513)	(1,506,546)	(907,048)
Plan assets at period end at fair value	32,110,909	-	27,818,507	-
Assets/Liabilities recognised in the balance sheet				
Fair value of plan assets at period end	32,110,909	-	27,818,507	-
Present value of the defined benefit obligations at the end of the period	25,504,207	-	24,437,541	-
Asset / (Liability) recognised in the balance sheet *	6,606,702	-	3,380,966	-
Assumptions				
Interest rate	8.75%	-	9.25%	-
Discount rate	8.00%	8.00%	8.00%	8.00%
Estimated salary escalation rate	6.50%	6.50%	6.50%	6.50%
Expenses recognised in the statement of profit and loss				
Service cost	1,873,070	827,952	1,452,155	864,532
Interest cost	1,955,003	-	1,666,260	-
Expected return on plan assets	(2,332,549)	-	(1,963,792)	-
Actuarial (Gain) / Loss	913,449	2,276,216	1,997,418	(52,501)
Transfer/Adjustment	(1,552,818)	-	-	-
Net cost	856,155	3,104,168	3,152,041	812,031

The funds have been invested in the LIC Group Gratuity (Cash Accumulation Policy), administered by the Life Insurance Corporation of India.

2.37 Segment reporting

The Company is engaged primarily in one segment of providing solutions to the rubber industry and hence the segment reporting is not applicable.

2.38 Particulars of derivative instruments and un-hedged foreign currency exposure as at the reporting date

Purpose	31.03.2014		31.03.2013			
Trade payable	AUD	7,500	55.43	-	-	
	EURO	4,800	82.58	-	-	
	US\$	23,976	60.10	US\$	26,481	54.39
Trade receivable	US\$	1,229,517	60.10	US\$	325,505	54.39
	EURO	216,452	82.58	-	-	
Bank balance in EEFC Account	US\$	37,223	60.10	US\$	5,956	54.39
Bank balance in EEFC Account	EURO	19,292	82.58	EURO	19,292	69.54
Packing credit facility	US\$	1,191,178	60.10	US\$	500,000	54.39
Dividend receivable	US\$	25,651	60.10	US\$	141,959	54.39
Loan Receivables as at the year end	US\$	3,293,745	60.10	US\$	1,770,000	54.39
			31.03.2014		31.03.2013	
			Rs.		Rs.	

2.39 Dues to micro and small enterprises

Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at the year end		1,761,621		1,559,242
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at the year end		Nil		Nil
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year		Nil		Nil
Interest paid other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year		Nil		Nil
Interest paid under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year		Nil		Nil
Interest due and payable towards suppliers registered under MSMED Act, for payments already made.		Nil		Nil

2.40 In the opinion of Board of Directors, current assets, loans and advances, have atleast the value as stated in the balance sheet, if realised in the ordinary course of the business.

2.41 (a) Number of units of investment in mutual funds are rounded off to the nearest whole number.

(b) All investments are fully paid up, unless otherwise stated.

2.42 Income tax assessment has been completed in respect of erstwhile Companies viz., Elgi Rubber Company Limited upto the accounting year ended 31st March 2011.

2.43 No intangible / tangible asset has been generated during the year out of the research and development activity.

2.44 Pursuant to Accounting Standard (AS 28) – Impairment of assets, the Company assessed its fixed assets for impairment as at March 31, 2014 and concluded that there has been no significant impaired fixed asset that needs to be recognised in the books of account.

	31.03.2014	31.03.2013
	Rs.	Rs.
2.45 Loans and advances include		
Treadsdirect LLC, USA	90,149,700	-
Borrachas e Equipamentos Elgi Ltda, Brasil	106,376,646	81,583,950
2.46 Sundry debtors include		
Due from the company under the same management as Defined u/s 370 (1-B) of the Companies Act, 1956		
Treadsdirect Limited, India	43,988,250	56,685,203
ELGI Rubber Company LLC, USA	12,793,637	4,312,381
Rubber Resources USA, LLC	3,867,855	-
Treadsdirect Limited, Kenya	81,444	45,465
Treadsdirect Limited, Sri Lanka	407,623	-
Elgi Rubber Company B.V., The Netherlands	12,124,601	-
Rubber Resources B.V., The Netherlands	3,825,683	-
Pinncott International Pty., Ltd., Australia	12,261,136	-
Treadsdirect LLC, USA	9,385,660	5,369,041
Borrachas e Equipamentos Elgi Ltda, Brasil	5,487,087	2,184,789

2.47 Non current investments

The following is classification of investments in accordance with AS 13: Accounting for investment

No. of units / shares		Description of investment	31.03.2014		31.03.2013	
Current year	Previous year		Rs.	Rs.	Rs.	Rs.
In Subsidiaries (Unquoted)						
(All investment in shares are fully paid up unless otherwise stated)						
-	6,515,000	Equity stock of R\$ 1 each in Elgi Industria E Comercio De Borrachas Ltda, Brasil	102,118,893		102,118,893	
		Less : Cost of investment transferred to Borrachas e Equipamentos Elgi Ltda consequent to the merger of Elgi Industria E Comercio De Borrachas Ltda with Borrachas e Equipamentos Elgi Ltda	102,118,893	-	-	102,118,893
3,000,000	3,000,000	LLC Unit of \$1 each in ELGI Rubber Company LLC,USA		147,990,798		147,990,798
175,000	175,000	Equity Shares of MRs.10 each in Treadsdirect Limited., Mauritius	4,651,645		4,651,645	
		Less : Provision for fall in value of investment	3,200,000		3,200,000	
				1,451,645		1,451,645
23,999	23,999	Equity Shares of KSh.100 each in Treadsdirect Limited, Kenya		2,008,731		2,008,731
1,000,000	1,000,000	Equity Shares of SLRs.10 each in Treadsdirect Limited, Srilanka	6,955,177		6,955,177	
690,000	690,000	12.5% Redeemable cumulative preference shares of SLRs.10 each in Treadsdirect Limited., Srilanka	4,404,698		4,404,698	
				11,359,875		11,359,875
		100% Interest in equity in Treadsdirect LLC. USA	23,254,715		23,254,715	
		Less : Provision for fall in value of investment	18,203,837		18,203,837	
				5,050,878		5,050,878
51,700	51,700	Equity shares of TK.100 each in Treadsdirect Limited,Bangladesh		4,417,290		4,417,290
10,005,000	3,485,000	Equity shares of R\$1 each in Borrachas e Equipamentos Elgi Ltda., Brasil	56,134,552		56,134,552	
		Add : 6,520,000 shares allotted during the year consequent to the merger of Elgi Industria E Comercio De Borrachas Ltda with Borrachas e Equipamentos Elgi Ltda	102,118,893		-	56,134,552
				158,253,445		
1,000	1,000	Shares of EUR 500 each in Rubber Resources B.V., The Netherlands	92,652,183		70,712,918	
		Add: Payment made during the year (Refer Note No.: 2.19)	30,393,900		25,357,500	
		Less : Refund of capital contribution	123,046,083		96,070,418	
				123,046,083		92,652,183
100	100	Shares of AUD 1 each in Pincott International Pty., Ltd, Australia		106,634,402		106,634,402
18,000	18,000	Equity shares of EUR 1 each in Elgi Rubber Company B.V., The Netherlands		1,222,650		1,222,650
1,000,000	1,000,000	Equity shares of Rs.10/- each in Titan Tyrecare Products Limited	10,000,000		10,000,000	
1,000,000	1,000,000	10% Redeemable Preference shares of Rs. 10/- each in Titan Tyrecare Products Limited	10,000,000		10,000,000	
				20,000,000		20,000,000
4,750,000	4,750,000	Equity Shares of Rs.10/- each in Treadsdirect Limited		47,500,000		47,500,000
				628,935,797		598,541,897

No. of units / shares		Description of investment	31.03.2014		31.03.2013	
Current year	Previous year		Rs.	Rs.	Rs.	Rs.
In Equity Investments (Quoted)						
(Face Value of the Unit is Rs.10/- each unless otherwise stated and are fully paid up)						
332,080	40	Equity shares of Re. 1/- each in Elgi Equipments Limited	400		400	
		Add : Transferred from current investments (332,040 Equity shares of Re.1/- each)	4,713,300	4,713,700	-	400
-	25,000	Equity Shares of Magna Electro Castings Limited.	250,000		250,000	
		Less : Sold during the year	250,000		-	250,000
2,150	-	Precot Meridian Limited	215,288		-	
		(Transferred from current investment during the year)				
1,075		Add : Bonus shares issued during the year	-	215,288	-	-
				4,928,988		250,400
In the Portfolio Management Scheme of HDFC Asset Management Company- Real Estate Portfolio – I (PMS) – (Quoted)						
In Debentures						
(Face Value of the Unit is Rs.1,000/- each)						
108	164	Ariisto Realtors Private Limited		108,000		164,000
41	41	Ariisto Realtors Private Limited – II		41,000		41,000
58	58	Ariisto Realtors Private Limited – III		58,000		58,000
139	139	Ariisto Realtors Private Limited – IV		139,000		139,000
320	320	Atithi Building Commodities Private Limited		320,000		320,000
44	44	Atithi Building Commodities Private Limited – II		44,000		44,000
(Face Value of the Unit is Rs.100/- each)						
-	2,904	Almond Infrabuild Private Limited		-		290,400
1,310	1,310	Anand Divine Developers Private Limited – II		131,000		131,000
1,786	1,786	Arimas Developers Private Limited Class B – Aug 2011		178,600		178,600
-	9	BCC Infrastructure Private Limited Class A		-		900
806	1,152	BCC Infrastructure Private Limited Class A – III		80,600		115,200
1,152	1,152	BCC Infrastructure Private Limited Class A – IV		115,200		115,200
-	683	Bhaveswar Properties Private Limited		-		68,300
1,310	1,455	Dharmesh Constructions Private Limited		131,000		145,500
1,462	1,462	Dharmesh Constructions Private Limited – II		146,200		146,200
-	237	Ekta Parksville Class A – Series 2		-		23,700
208	2,105	Ekta Parksville Homes Private Limited		20,800		210,500
527	527	Ekta Parksville Homes Private Limited – II		52,700		52,700
-	419	Ekta Parksville Homes Private Limited– III		-		41,900
-	55	Ekta World Private Limited – Class A – I		-		5,500
353	615	Ekta World Private Limited – Class A – 2		35,300		61,500
368	796	Kunal Spaces Private Limited– Class A		36,800		79,600
800	800	Kunal Spaces Private Limited – Class A - II		80,000		80,000
445	692	Marvel Realtors and Developers – Series 1		44,500		69,200
1,001	1,001	Marvel Realtors and Developers – Series 2		100,100		100,100
-	914	Neelkanth Vinayak Realtors Private Limited		-		91,400
-	96	Nilkanth Tech Park Private Limited – 2011 - I		-		9,600
115	1,308	Nilkanth Tech Park Private Limited – 2011 - II		11,500		130,800
784	784	Nilkanth Tech Park Private Limited – 2011 – III		78,400		78,400
-	278	Nitesh Housing Developers Private Limited– III		-		27,800
-	332	Nitesh Housing Developers Private Limited – IV		-		33,200
551	551	Nitesh Land Holding Private Limited		55,100		55,100

No. of units / shares		Description of investment	31.03.2014		31.03.2013	
Current year	Previous year		Rs.	Rs.	Rs.	Rs.
In Equity / Preference Shares						
1,514	1,514	Runwal Township Private Limited Class B		151,400		151,400
-	5,321	Runwal Township Private Limited		-		532,100
3,440	3,440	Total Environment Habitat Private Limited		344,000		344,000
923	923	Total Environment Projects – I		92,300		92,300
55	55	Total Environment Projects – II		5,500		5,500
212	212	Total Environment Projects – III		21,200		21,200
-	864	VBHC Chennai Value Homes Private Limited – Class A		-		86,400
-	499	VBHC Delhi Projects Private Limited – 2011		-		49,900
-	699	VBHC Delhi Value Homes Private Limited – I		-		69,900
-	1,501	VBHC Mumbai Value Homes Private Limited		-		150,100
				2,622,200		4,611,100
1,399	1,399	Ansal Hi-Tech Townships Ltd		123,441		123,441
284	284	Arimas Developers Private Limited (Preference)		284		284
28	28	BCC Infrastructure Private Limited		280		280
85	85	BCC Infrastructure Private Limited (Preference)		850		850
256	256	Ekta World Private Limited (Preference)		256		256
-	6	Godrej Estate Developers Private Limited		-		110,204
-	68	Godrej Sea View Properties Private Limited		-		152,653
26	26	Kunal Spaces Private Limited		260		260
139	139	Nitesh Housing Developers Private Limited		49,545		49,545
26	26	Runwal Township Private Limited Class A (Preference)		26		26
39	39	Runwal Township Private Limited Class B (Preference)		39		39
26	26	Runwal Township Private Limited Class C (Preference)		109,135		109,135
74	74	Total Environment Projects Private Limited		740		740
-	13	VBHC Chennai Value Homes Private Limited		-		130
-	131	VBHC Delhi Projects Private Limited Class A		-		131
-	12	VBHC Delhi Value Homes Private Limited .		-		120
-	131	VBHC Mumbai Value Homes Private Limited		-		131
				284,856		548,225
In Mutual Funds						
(Face value of the units is Rs.10/- each)						
24,534	21,142	HDFC Treasury Advantage Plan – WD		246,809		212,296
				3,153,865		5,371,621
In Government Securities (Unquoted)						
(Face value of the unit is Rs. 10/- each unless otherwise stated)						
500	1,000	Non-Convertible redeemable taxable bonds National Highways Authority of India (Bonds of Rs.10,000/- each)	10,000,000		10,000,000	
		Less : Redeemed during the year	5,000,000		5,000,000	
			5,000,000		5,000,000	
		Add : Purchased during the year	-		5,000,000	
				5,000,000		10,000,000
In Mutual Funds (Unquoted)						
(Face value of the unit is Rs.10/- each unless otherwise stated)						
6,905	9,149	IL & FS Milestone Fund – I (Units of Rs.1,000/- each)	9,149,000		9,199,000	
		Less : Return of contribution	2,244,000		50,000	
				6,905,000		9,149,000
				648,923,650		623,312,918
Aggregate amount of investments						
Unquoted				640,840,797		617,690,897
Quoted: Cost				8,082,853		5,622,021
Market value				40,235,769		9,998,980

2.48 Related party disclosure (as identified by the Company)

Description of the nature of transaction	Description of relationship	Related party	31.03.2014 Rs.	31.03.2013 Rs.	
Income from sale of goods	Subsidiary	Treadsdirect Limited, India	657,642,869	647,283,752	
		Titan Tyrecare Products Limited, India	134,168	570,672	
		ELGI Rubber Company LLC, USA	13,843,394	11,253,091	
		Treadsdirect Limited, Kenya	6,215,670	23,751,382	
		Treadsdirect Limited, Sri Lanka	6,248,900	8,055,474	
		Treadsdirect LLC, USA	445,929	-	
		Borrachas e Equipamentos Elgi Ltda, Brasil	2,322,460	1,507,615	
		Elgi Rubber Company B.V., The Netherlands	7,122,105	1,364,709	
		Pincott International Pty., Ltd, Australia	11,324,399	159,051	
		Treadsdirect Limited, India	22,004,276	38,616,121	
Purchase of goods	Subsidiary	Titan Tyrecare Products Limited, India	2,417,095	16,126,751	
		ELGI Rubber Company LLC, USA	141,767	1,923,278	
		Pincott International Pty., Ltd, Australia	1,121,580	9,821	
		Borrachas e Equipamentos Elgi Ltda, Brasil	662,087	-	
		Rubber Resources B.V., The Netherlands	4,408,960	-	
		Rubber Resources B.V., The Netherlands	762,070	-	
		Rubber Resources, USA	3,078,152	-	
		Other Related Parties	Elgi Ultra Industries Limited, India	3,614,521	4,123,755
		Ellargi & Co., India	1,342,223	2,776,943	
		Treadsdirect Limited, India	-	1,000,323	
Purchase of fixed assets	Subsidiary	Titan Tyrecare Products Limited, India	16,565,773	-	
		Treadsdirect Limited, India	12,724,846	12,460,931	
Rendering of services	Subsidiary	Elgi Equipments Limited, India	-	922,688	
	Other Related Parties	Treadsdirect Limited, India	-	1,502,526	
Labour charges	Subsidiary	Titan Tyrecare Products Limited, India	235,127	402,779	
Receiving of services	Subsidiary	Treadsdirect Limited, India	1,063,909	2,206,133	
		Other Related Parties	Elgi Equipments Limited, India	93,931	182,173
Managerial remuneration Salary to other key managerial personnel	Key Managerial Personnel	Sudarsan Varadaraj	4,032,000	4,032,000	
	Key Managerial Personnel	T.Ashokanand	1,481,261	1,103,202	
Rent received	Subsidiary	S.R.Venkatachalam	1,518,420	1,349,038	
		Treadsdirect Limited, India	8,595,261	8,037,939	
Rent paid	Key Managerial Personnel	Titan Tyrecare Products Limited, India	289,410	669,771	
		Sudarsan Varadaraj	360,000	360,000	
Dividend received	Subsidiary	Treadsdirect Limited, Kenya	42,942,542	6,096,985	
		Treadsdirect Limited, Sri Lanka	1,712,936	2,481,961	
		Treadsdirect Limited, India	19,000,000	42,750,000	
		Other Related Parties	Elgi Equipments Limited, India	332,080	332,080
		Titan Tyrecare Products Limited, India	-	2,375,814	
		Borrachas e Equipamentos Elgi Ltda, Brasil	-	7,342,556	
		ELGI Rubber Company B.V., The Netherlands	-	421,075	
Interest received	Subsidiary	Treadsdirect LLC, USA	1,427,082	-	
		Sudarsan Varadaraj	537,031	585,568	
		Pincott International Pty., Ltd., Australia	AUD 577,771	AUD 577,771	
		Pincott International Pty., Ltd., Australia	USD 800,000	-	
Interest paid Guarantees given	Subsidiary	ELGI Rubber Company B.V., The Netherlands	EUR 300,000	EUR 300,000	
		Borrachas e Equipamentos Elgi Ltda, Brasil	BRL 9,900,000	BRL 3,900,000	
		ELGI Rubber Company LLC, USA	USD 2,516,579	-	
		Rubber Resources B.V., The Netherlands	EUR 2,500,000	-	
		ELGI Rubber Company B.V.,The Netherlands	-	9,218,600	
		Borrachas e Equipamentos Elgi Ltda, Brasil	14,685,111	-	
		Treadsdirect LLC, USA	92,650,680	-	
Loan taken	Key Managerial Personnel	Sudarsan Varadaraj	18,000,000	20,000,000	
Loan outstanding	Key Managerial Personnel	Sudarsan Varadaraj	-	4,000,000	
Trade payables	Subsidiary	Treadsdirect Limited, India	585,608	897,740	
		Titan Tyrecare Products Limited,India	-	31,702	
		ELGI Rubber Company LLC, USA	68,076	100,940	
		Rubber Resources B.V., The Netherlands	396,367	-	
		Borrachas e Equipamentos Elgi Ltda, Brasil	169,301	-	
		Other Related Parties	Elgi Ultra Industries Limited, India	400,411	71,967
		Ellargi & Co., India	10,344	10,097	

Description of the nature of transaction	Description of relationship	Related party	31.03.2014 Rs.	31.03.2013 Rs.	
Trade receivables	Subsidiary	Treadsdirect Limited, India	43,988,250	56,685,203	
		ELGI Rubber Company LLC, USA	12,793,637	4,312,381	
		Treadsdirect Limited, Kenya	81,444	45,465	
		Treadsdirect Limited, Sri Lanka	407,623	-	
		Treadsdirect LLC, USA	9,385,660	5,369,041	
		Borrachas e Equipamentos Elgi Ltda, Brasil	5,487,087	2,184,789	
		Pincott International Pty., Ltd., Australia	12,261,136	-	
		Elgi Rubber Company B.V., The Netherlands	12,124,601	-	
		Rubber Resources B.V., The Netherlands	3,825,683	-	
		Rubber Resources US, LLC	3,867,855	-	
		Other Related Parties	Elgi Equipments Limited, India	-	568,096
			Ellargi & Co., India	100,000	100,000
		Advance for purchase of capital goods & others	Subsidiary	Borrachas e Equipamentos Elgi Ltda, Brasil	-
Elgi Rubber Company B.V., The Netherlands	-			359,671	
Rubber Resources US, LLC	41,147,284			27,218,438	
Titan Tyrecare Products Limited, India	-			73,575,359	
Treadsdirect Limited, India	-			7,875,321	
Pincott International Pty., Ltd., Australia	9,533,960			4,211,500	
Receivable on account of sale of undertaking	Subsidiary	Treadsdirect Limited, India	54,601,325	172,537,229	
		Titan Tyrecare Products Limited, India	-	50,099,923	
Payable on account of purchase of undertaking	Subsidiary	Titan Tyrecare Products Limited, India	16,499,523	-	
		Treadsdirect Limited, Bangladesh	334,918	334,918	
Dividend Receivable	Subsidiary	Treadsdirect Limited, Kenya	-	5,487,286	
		Treadsdirect Limited, India	19,000,000	19,000,000	
		Treadsdirect Limited, Sri Lanka	1,541,642	2,233,765	
		Titan Tyrecare Products Limited, India	106,376,646	81,583,950	
Loan receivable	Subsidiary	Treadsdirect LLC, USA	90,149,700	-	
		Borrachas e Equipamentos Elgi Ltda, Brasil	-	14,685,111	
Interest Receivable	Subsidiary	Treadsdirect LLC, USA	1,427,082	-	
		Titan Tyrecare Products Limited, India	-	2,138,233	

In respect of the above parties, there is no provision for doubtful debts as on 31st March 2014 and no amount has been written off / written back during the year in respect of debts due from / to them.

As per our report of even date
For Reddy, Goud & Janardhan
Chartered Accountants
Firm Registration No. 003254S

B Anand

Partner
Membership No. 29146

Coimbatore
19.05.2014

MD Selvaraj
Director

C Shankar

Company Secretary

SR Venkatachalam

Vice President - Finance

Sudarsan Varadaraj

Chairman & Managing Director

Performance and Financial Indicators

Performance

Particulars	(Rs. In Million)			
	31.03.2014	31.03.2013	31.03.2012	31.03.2011
Sales and other income	1,627.37	1,598.13	1,240.05	2,018.43
Profit before depreciation and tax	259.99	265.47	178.59	344.29
Profit before tax	209.08	229.17	139.22	284.21
Profit after tax	151.25	177.31	93.87	188.69
Dividend %	37*	80	50	85
Net fixed assets	653.09	507.16	503.35	425.16
Investments	648.92	623.31	602.13	464.85
Net working capital	1,210.66	1,243.28	1,127.50	1,276.30
Total capital employed	2,806.27	2,648.39	2,454.96	2,342.06
Share holder's funds	2,506.32	2,373.59	2,236.04	2,171.26
* Subject to approval in the Annual General Meeting				

Financial Indicators

Particulars	31.03.2014	31.03.2013	31.03.2012	31.03.2011
Earning per share – Rs.	3.02	3.54	1.88	3.77
Cash earnings per share – Rs.	5.19	5.30	3.57	6.88
Gross sales per share – Rs.	31.26	30.50	23.66	41.28
Book value per share – Rs.	50.08	47.42	44.68	43.38
EBITDA / Sales %	18.47	19.28	16.47	17.75
Net profit margin %	10.48	12.60	8.42	9.71
ROCE %	6.03	7.47	4.20	8.69

Independent Auditors' Report on Consolidated Accounts

To the Board of Directors of Elgi Rubber Company Limited

We have audited the accompanying consolidated financial statements of Elgi Rubber Company Limited ('the Company') and its subsidiaries, which comprise the consolidated balance sheet as at 31 March 2014, the consolidated statement of profit and loss and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 2,601,637,911/- as at March 31, 2014 and total revenue of Rs.3,407,364,956/- (including other income) for the year then ended. These financial statements have been audited by the other auditors whose reports have been furnished to us, and opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the consolidated balance sheet, of the state of affairs of the Company as at 31 March 2014;
- ii. in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and
- iii. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

**As per our report of even date
For Reddy, Goud & Janardhan**
Chartered Accountants
Firm Registration No. 003254S

Coimbatore
19.05.2014

B Anand
Partner
Membership No. 29146

Consolidated Balance Sheet of Elgi Rubber Company Limited and its Subsidiary Companies as on 31st March 2014

	Notes	31.03.2014 Rs.	31.03.2013 Rs.
I. Equity and Liabilities			
Shareholders' funds			
a. Share capital	2.01	50,050,000	50,050,000
b. Reserves and surplus	2.02	2,909,406,283	2,650,853,587
Non current liabilities			
a. Long term borrowings	2.03	728,347,270	406,016,360
b. Deferred tax liabilities (Net)		-	-
c. Other long term liabilities	2.04	-	50,071,536
d. Long term provisions	2.05	2,711,203	21,840,312
Current liabilities			
a. Short term borrowings	2.06	748,086,084	468,694,752
b. Trade payables	2.07	517,348,522	489,608,617
c. Other current liabilities	2.08	313,324,194	161,097,955
d. Short term provisions	2.09	138,638,363	129,346,990
		5,407,911,919	4,427,580,109
II. Assets			
Non current assets			
a. Fixed assets			
i. Tangible assets	2.10	1,644,647,177	937,692,395
ii. Intangible assets	2.10	85,580,178	6,979,827
iii. Capital work in progress		268,697,688	15,612,895
b. Goodwill on consolidation		100,824,077	100,824,077
c. Non current investments	2.11	19,990,853	24,777,021
d. Deferred tax assets (Net)	2.12	20,092,459	25,994,276
e. Long term loans and advances	2.13	59,504,370	613,952,089
f. Other non current assets	2.14	310,941,852	284,071,500
Current assets			
a. Current investments	2.15	-	4,904,005
b. Inventories	2.16	1,259,726,562	1,037,381,256
c. Trade receivables	2.17	767,889,890	730,662,984
d. Cash and bank balances	2.18	493,580,220	265,466,983
e. Short term loans and advances	2.19	357,322,719	339,111,814
f. Other current assets	2.20	19,113,874	40,148,987
		5,407,911,919	4,427,580,109

Significant accounting policies 1

The Notes are an integral part of these financial statements

As per our report of even date
For Reddy, Goud & Janardhan
Chartered Accountants
Firm Registration No. 003254S

B Anand
Partner
Membership No. 29146
Coimbatore
19.05.2014

MD Selvaraj
Director

C Shankar
Company Secretary

SR Venkatachalam
Vice President - Finance

Sudarsan Varadaraj
Chairman & Managing Director

Consolidated Statement of Profit and Loss for the year ended 31st March 2014

Notes	31.03.2014 Rs.	31.03.2013 Rs.
Revenue		
Revenue from operations (Gross)	5,104,319,404	5,008,286,122
Less: Excise duty	216,432,573	233,544,598
Revenue from operations (Net)	4,887,886,831	4,774,741,524
Other income	146,852,554	148,794,461
	5,034,739,385	4,923,535,985
Expenses		
Cost of materials consumed	1,882,905,188	1,961,686,335
Purchases of stock in trade	869,065,140	664,547,169
Changes in inventories of finished goods and work in process	(136,198,786)	10,061,401
Employee benefit expenses	659,781,048	639,121,228
Finance costs	106,348,526	79,864,563
Depreciation and amortisation expenses	133,800,959	114,773,396
Other expenses	1,286,157,970	1,122,555,793
	4,801,860,045	4,592,609,885
Profit before exceptional items and tax	232,879,340	330,926,100
Add: Exceptional items	-	3,778,179
Profit before tax	232,879,340	334,704,279
Less: Tax expense		
a. Current tax	116,513,910	100,927,605
b. Deferred tax	5,901,817	9,280,212
c. MAT credit	833,000	(833,000)
Profit after tax	109,630,613	225,329,462
Significant accounting policies	1	
Earnings per share (Nominal value per share 2014 Re.1/- (2013 Re.1/-) (including extraordinary items)		
a. Basic	2.19	4.50
b. Diluted	2.19	4.50
(excluding extraordinary items net of taxes)		
a. Basic	2.19	4.50
b. Diluted	2.19	4.50

The Notes are an integral part of these financial statements

As per our report of even date
For Reddy, Goud & Janardhan
Chartered Accountants
Firm Registration No. 003254S

B Anand

Partner
Membership No. 29146

Coimbatore
19.05.2014

MD Selvaraj
Director

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Company Secretary

SR Venkatachalam
Vice President - Finance

Sudarsan Varadaraj
Chairman & Managing Director

Consolidated Cash Flow Statement for the year ended 31st March 2014

	31.03.2014 Rs.	31.03.2013 Rs.
A Cash Flow from Operating activities		
Profit before taxation	232,879,340	330,926,100
Adjustments for		
Depreciation	133,800,959	114,773,396
Profit on sales of tangible assets (Net)	(7,991,692)	(10,502,702)
Profit on sales of Investments (Net)	(1,700,176)	(484,256)
Write back of Income tax of earlier years	-	(3,778,179)
Provision for doubtful debts	6,084,169	837,705
Liabilities no longer required written back	(19,129,109)	(27,149,801)
Interest income	(47,632,701)	(60,587,290)
Dividend Income	(971,972)	(1,119,569)
Interest Expenses	57,391,615	36,539,049
Other non cash items	170,669,633	34,243,803
Operating profit before working capital changes	523,400,066	413,698,256
Increase / (Decrease) in trade payables	27,739,905	186,979,163
Increase / (Decrease) in long term provisions	-	4,063,998
Increase / (Decrease) in short term provisions	31,159,571	(32,028,168)
Increase / (Decrease) in other long term liabilities	(50,071,536)	(15,320,524)
Increase / (Decrease) in other current liabilities	151,820,764	39,094,956
Increase / (Decrease) in short term borrowings	279,391,332	187,191,691
Increase / (Decrease) in long term borrowings	322,330,910	366,696,320
(Increase) / Decrease in trade receivables	(43,311,075)	(13,636,258)
(Increase) / Decrease in inventories	(222,345,306)	(21,848,085)
(Increase) / Decrease in long term loans and advances	554,447,719	(541,692,140)
(Increase) / Decrease in short term loans and advances	(36,849,867)	(133,491,443)
(Increase) / Decrease in other current assets	21,035,113	(13,867,514)
(Increase) / Decrease in other non-current assets	(26,870,352)	(160,700,000)
(Increase) / Decrease in bank deposit with maturity more than 3 to 12 months	65,556,140	(71,900,965)
Cash generated from Operations	1,597,433,384	193,239,287
Taxes paid (net of refunds)	(98,707,948)	(148,647,492)
Net cash generated from operating activities (A)	1,498,725,436	44,591,795
B Cash flow from Investing activities		
Purchase of tangible / intangible assets	(908,465,064)	(90,538,716)
Increase in capital work in process	(253,084,793)	23,513,571
Sale of tangible / intangible assets	(2,899,336)	11,507,399
Non current investments	6,486,344	1,896,400
Current investments	4,904,005	478,451
Interest income	47,632,701	60,587,290
Dividend Income	971,972	1,119,569
Net Cash from investing activities (B)	(1,104,454,171)	8,563,964
C Cash flow from Financing activities		
Dividend and Distribution tax paid	(44,021,223)	(29,138,897)
Interest paid	(57,391,615)	(36,539,049)
Net cash used in Financing Activities (C)	(101,412,838)	(65,677,946)
Net increase/(decrease) in cash and cash equivalents(A+B+C)	292,858,427	(12,522,187)
Cash and Cash equivalents comprise of		
Cash on hand	3,542,196	6,100,219
Balance with banks*	448,982,067	153,160,142
* Including the following balance which are not available for use by the Company		
Unpaid dividend account	3,735,162	3,329,687
Cash and Cash equivalents at the beginning of the year	159,260,361	171,782,548
Cash and cash equivalents at the end of the year	452,118,788	159,260,361

Explanatory notes to Cash flow statement

- The Cash flow statement is prepared as per Accounting Standard 3 (notified pursuant to the Companies (Accounting Standards) Rules, 2006).
- The net profit / loss arising due to conversion of current assets / liabilities, receivable / payable in foreign currency is furnished in other non cash items.

As per our report of even date

For Reddy, Goud & Janardhan

Chartered Accountants

Firm Registration No. 003254S

B Anand

Partner
Membership No. 29146

MD Selvaraj
Director

C Shankar
Company Secretary

SR Venkatachalam
Vice President - Finance

Sudarsan Varadaraj
Chairman & Managing Director

Coimbatore
19.05.2014

Significant accounting policies to the consolidated accounts

1. a. Basis of preparation of financial statements

The Consolidated financial statements (CFS) relate to M/s. Elgi Rubber Company Limited (hereinafter referred to as the “Company”) and its Subsidiaries (hereinafter referred as the “Group”).

The accounts of the Group are prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India (“GAAP”) and comply with the mandatory accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

b. Use of estimates

The preparation of financial statements in conformity with (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities at the date of financial statements and the results of operations during the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from the estimates. Any revision to accounting estimates is recognised in the period in which such results are known / materialised.

c. Principles of consolidation

- i. The consolidated financial statements of M/s Elgi Rubber Company Limited together with audited financial statements of its subsidiaries as described in 1c (vi) hereunder, have been considered for the purpose of consolidation.
- ii. The financial statements of the parent company and its subsidiaries as described hereunder have been combined to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses. The results of the subsidiaries acquired or disposed off during the year are included in the consolidated statement of profit and loss from the effective date of the acquisition or upto the effective date of disposal as appropriate. All significant intra-group balances and transactions have been eliminated on consolidation. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its shares in the post acquisition change in the relevant reserves of the Subsidiaries.
- iii. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the parent company’s financial statements.
- iv. Minority interest in the net income and in the net asset of the consolidated financial statements are computed and shown separately. Losses applicable to minority in excess of the minority interest in the subsidiaries equity are allocated against the interest of the group.
- v. Unamortised carrying value of the goodwill is tested for impairment as at each balance sheet date,
- vi. Subsidiaries
 - Treadsdirect Limited, India
 - Titan Tyrecare Products Limited, India
 - ELGI Rubber Company LLC, USA
 - Treadsdirect Limited, Kenya
 - Treadsdirect Limited, Sri Lanka
 - Treadsdirect Limited, Bangladesh
 - Treadsdirect LLC, USA
 - Treadsdirect Limited, Mauritius
 - Borrachas e Equipamentos Elgi Ltda, Brasil
 - Rubber Resources B.V., The Netherlands
 - & its subsidiary of Rubber Resources LLC, USA
 - Pincott International Pty Ltd., Australia
 - Elgi Rubber Company B.V., The Netherlands
- vii. In respect of subsidiaries having different reporting date, adjustments have been made for the effects of significant transactions or other events that occurred between dates of financial statements of subsidiaries and the date of the financial statements of the parent company.
- viii. The transaction of foreign currencies into Indian Rupees (reporting currency) is performed for monetary assets and liabilities using the current exchange rates in effect at the balance sheet date. For revenues, cost and expenses using the simple average of the monthly closing rates prevailing during the reporting period. For share capital, exchange rate on the date of the transaction has been adopted.

2. Revenue recognition

- a. Sales are recognized upon delivery of products and are recorded exclusive of excise duty, service tax and sales tax.
- b. Export benefits are accounted on accrual basis.
- c. Dividend income from investment in mutual funds is recognized on declaration of the same by the respective agency
- d. Dividend from other companies is accounted on confirmation in the Annual General Meeting of the respective companies.
- e. Interest Income is recognised on a time proportionate basis taking into account the amount outstanding and the rate applicable.

3. Fixed assets

- a. Fixed assets are reflected at historical cost (net of Cenvat / VAT) less depreciation to date.
- b. At Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

An assessment is also done at each balance sheet date whether there is any indication that an impairment loss recognized for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The carrying amount of the fixed asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss is recognized in the statement of profit and loss.

After recognition of impairment loss or reversal of impairment loss as applicable, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any) on straight line basis over its remaining useful life.

4. Depreciation

- a. Depreciation on fixed assets for items other than referred to in item 4(c), is provided on written down value / straight line method as the case may be and at rates permissible under applicable local laws or such rates so as to write off the value of assets over their useful life.
- b. Assets purchased, where the actual cost does not exceed Rs. 5,000/- is depreciated at the rate of 100%, in the year of purchase.
- c. Intangible assets of software / technical know how are amortized over a period of 3 / 10 years respectively on a pro rata basis, which is estimated to be the life of the intangible asset.
- d. Depreciation in respect to assets of overseas subsidiaries is provided over the estimated useful life by using the written down value (WDV) / straight line method.
- e. However, the said rates of depreciation, in respect of overseas subsidiaries are higher than the rates prescribed vide Schedule XIV to the Companies Act, 1956.

5. Research and Development

Any intangible / tangible asset generated out of the Research and Development activity is amortized / written off over the estimated life of the asset.

6. Investments

Investments are reflected at cost, except cases where provision is considered necessary.

7. Inventories / Stock of securities

Inventories / Stock of Securities are stated at the lower of cost or net realisable value. Cost in respect of inventories is determined at the weighted average method. The cost of finished goods and work in process comprises raw material, direct labour, other direct costs and related production overheads allocated on the basis of the normal capacity of production. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

8. Cash flow statement

Cash Flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash on hand and balance with banks in current and deposit accounts, with necessary disclosure of cash and cash equivalent balances that are not available for use by the company.

9. Exchange fluctuation

- a. Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction.
- b. Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end rates are recognized in the statement of profit and loss.
- c. In the case of forward contract, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

10. Employee / Retirement benefits

In respect of Parent Company and Indian subsidiaries

- a. Provident Fund: Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon, are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the government administered provident fund. The Company has no obligation beyond its contribution.
- b. Gratuity: A defined benefit retirement plan (the "Gratuity Plan") is provided for all eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lumpsum amount to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the gratuity plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the respective Employees' Gratuity Fund Trust and the contributions to the trust are invested in the Life Insurance Corporation of India Administered Fund.
- c. Superannuation: Certain employees of the Company are also participants in a defined contribution plan. The Company makes the contributions to the Superannuation plan administered by the Company Employees' Superannuation Fund Trust. The Company has no further obligations to the Plan beyond its monthly contributions.
- d. Expenses on exgratia payment to employees, a defined contribution plan, is accounted as and when accepted by the management.
- e. Provision in respect of compensated absence is made, based on actuarial valuation.

In respect of foreign subsidiaries

Foreign subsidiaries make contribution to various social security plans and insurance schemes as per local requirements and generally accepted practices in their respective country of incorporation. Such contributions are charged to Statement of Profit and Loss in the year in which liability arises.

11. Lease

The Company is leasing out tyre retreading machineries to customers. In respect of assets given under a finance lease, the same is recognized as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognized as revenue.

12. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

13. Borrowing costs

Borrowing costs relating to acquisition are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use / sale. All other borrowing costs not eligible for inventorisation / capitalisation are charged to revenue.

14. Deferred tax

- a. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- b. Deferred tax assets are recognized as unabsorbed capital losses only if it is reasonably certain that such deferred tax assets can be realised against future taxable capital gains.
- c. In the absence of requirement, the following subsidiaries have not provided for deferred tax
 - Treadsdirect Limited, Bangladesh
 - Treadsdirect Limited, Mauritius
 - Borrachas e Equipamentos Elgi Ltda, Brasil
 - Elgi Rubber Company B.V., The Netherlands
 - Rubber Resources, USA
 - Pincott International Pty Ltd., Australia

15. Treatment of contingent liabilities

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a 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 on consolidated accounts for the year ended 31st March 2014

The previous year figures have been regrouped / reclassified, wherever necessary to conform to the current year presentation.

2.01 Share Capital

	31.03.2014 Rs.	31.03.2013 Rs.
Authorised		
300,300,000 (300,300,000) equity shares of Re.1/- each (Re.1/- each)	300,300,000	300,300,000
Issued and subscribed and fully paid up		
50,050,000 (50,050,000) equity shares of Re.1/- each (Re. 1/- each) fully paid up	50,050,000	50,050,000
	50,050,000	50,050,000

The Company has only one class of shares, referred to as equity shares, having a par value of Re.1/-. Each holder of equity shares is entitled to one vote per share held.

The Company declares and pays dividend in Indian rupees. The dividend recommended by the board of directors is subject to the approval of the shareholders in the ensuing annual general meeting.

The board of directors, in their meeting on 19th May, 2014, recommended a final dividend of Rs. 0.37 per share. The recommendation is subject to the approval of the shareholders at the annual general meeting to be held. The total dividend appropriation for the year ended March 31,2014 amounted to Rs. 18,518,500/- including corporate dividend tax of Rs. 3,229,050/- Dividend, if approved, is payable to the shareholders in proportion to their shareholding.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company. The distribution will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of number of shares

	No.of Shares	31.03.2014 Rs.	No. of Shares	31.03.2013 Rs.
Equity Shares				
Balance as at the beginning of the previous year	50,050,000	50,050,000	50,050,000	50,050,000
Add: Shares issued during the year	-	-	-	-
Balance as at the end of the year	50,050,000	50,050,000	50,050,000	50,050,000

Note

Neither shares are reserved for issue under options nor securities have been issued, which are convertible into equity / preference shares in future as on the date of balance sheet.

Details of Shares held by shareholders, holding more than 5% of the aggregate shares in the Company.

	No. of shares	Percentage	No. of shares	Percentage
Sudarsan Varadaraj	22,291,000	44.53	20,602,454	41.16
LRG Technologies Limited	3,541,475	7.08	3,541,475	7.08

No shares have been allotted as fully paid up, by way of bonus shares during 5 years immediately preceding March 31, 2014.

49,550,000 Equity shares of Re.1/- each were allotted in accordance with the scheme of amalgamation and arrangement during the year 2010 - 11.

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.02 Reserves and surplus				
a. Capital reserve				
Opening balance	283,417,665		283,417,665	
Add: Addition during the year	34,776,940		-	
Balance as at the end of the year	<u> </u>	318,194,605	<u> </u>	283,417,665
b. Securities premium account				
Opening balance	1,914,864		1,914,864	
Add: Receipt on issue of securities	-		-	
Balance as at the end of the year	<u> </u>	1,914,864	<u> </u>	1,914,864
c. General reserve				
Opening balance	1,226,609,427		1,197,878,427	
Add : Transfer from Statement of Profit and Loss	15,124,582		28,731,000	
Balance as at the end of the year	<u> </u>	1,241,734,009	<u> </u>	1,226,609,427
d. Foreign currency translation reserve				
Opening balance	208,250,452		176,857,729	
Add: Addition during the year	135,892,693		31,392,723	
Balance as at the end of the year	<u> </u>	344,143,145	<u> </u>	208,250,452
e. Investment reserve for fall in value of investments				
Opening balance	21,403,837		21,403,837	
Add: Addition during the year	-		-	
Balance as at the end of the year	<u> </u>	21,403,837	<u> </u>	21,403,837
f. Surplus in Statement of Profit and Loss				
Opening balance	909,257,342		756,274,628	
Add: Profit for the year	109,630,613		225,329,462	
Amount available for appropriation	1,018,887,955		981,604,090	
Less : Appropriations				
Proposed dividend on equity shares for the year	18,518,500		40,040,000	
Dividend distribution tax on proposed dividend of equity equity shares	3,229,050		3,575,748	
Transfer to general reserve	15,124,582		28,731,000	
Balance as at the end of the year	<u> </u>	982,015,823	<u> </u>	909,257,342
		2,909,406,283		2,650,853,587
2.03 Long term borrowings				
Secured				
Long term debts from banks		520,024,270		406,016,360
Other loans and advances (Refer Note No.: 2.06 for details of securities offered)		208,323,000		-
		728,347,270		406,016,360
2.04 Other long term liabilities				
Consideration payable for acquisition of subsidiary		-		50,071,536
		-		50,071,536
2.05 Long term provisions				
Provision for excise disputes		146,616		146,616
Provision for purchase tax/vat disputes		-		19,129,109
Provision for EPCG disputes		2,564,587		2,564,587
		2,711,203		21,840,312
Provisions in respect of disputes represents claims against the company on account of differential treatment given by statutory authorities/rejection of certain claims by the company.				
2.06 Short term borrowings				
Secured				
Loan against fixed deposits from banks		22,500,000		40,000,000
Cash credit facility from banks		653,996,530		397,500,102
Packing credit facility from banks		71,589,554		27,194,650
Unsecured				
Loan from directors		-		4,000,000
		748,086,084		468,694,752

Holding Company

- a. Loan against fixed deposits with State Bank of India amounting to Rs.Nil(Rs.26,500,000), with Bank of India amounting to Rs.13,500,000 (Rs.13,500,000) and with City Union Bank Limited amounting to Rs.9,000,000 (Rs.Nil) are secured by a lien and pledge of fixed deposit receipts with the State Bank of India, Bank of India and City Union Bank Limited respectively and are repayable on demand.
- b. Overdraft facility against fixed deposit with HDFC Bank Ltd., is secured by a lien and pledge of fixed deposit receipts with HDFC Bank Ltd., which is repayable on demand.
- c. Cash credit/ export packing credit facility availed from State Bank of India is secured by first charge over raw materials, stock in process, finished goods, receivables, and other current assets.
- d. Bill discounting/Letter of credit and bank guarantee facilities are secured by documents to title goods and first charge over the current assets as stipulated.

Banking facilities referred to in (c) and (d) above are further secured by first charge over the entire fixed assets of the company exclusively including equitable mortgage of land and building located at Kanjikode, Chengalpattu, Kurichi, Neelambur, Aralvaimozhi and Tirunvelveli.

Subsidiary Companies

- a. Treadsdirect Limited, India
 - i. Cash credit facility availed from State Bank of India is secured by first charge over raw materials, stock in process, finished goods, receivables and other current assets.
 - ii. Letter of credit and bank guarantee facilities are secured by documents to title goods and first charge over the current assets as stipulated for cash credit facility.

Banking facilities referred to in (i) and (ii) above are further secured by first charge over the entire fixed assets of the company including land and building located at Palakkad and Puducherry.
 - iii. The company has not availed cash credit facility as at the end of the year.
- b. Treadsdirect Limited, Sri Lanka

Banking facility availed from State Bank of India, Colombo, Srilanka is secured by Inventories, trade debtors and further secured by first charge over the fixed assets of the company including building on leasehold land located at Dankotuwa, Srilanka.
- c. Pincott International Pty. Ltd., Australia

Banking facility availed from Export-Import Bank of India, London is secured by an unconditional and irrevocable standby letter of credit issued by Export-Import Bank of India, Mumbai and Deposit under Bank's lien equivalent to 4.5 months interest at all times.

Commercial hire purchase loan obtained from National Australia Bank, NSW, Australia is secured by fixed assets for which the loan is taken.
- d. Rubber Resources B.V., The Netherlands

Banking facility availed from Rabobank, Masstricht, the Netherlands is secured by Inventories, trade debtors and further secured by first charge over the plant and machinery of the company.

Banking facility availed from ING Bank, Amstredam, is secured by a standby letter of credit issued by ING Vysya Bank Ltd., India.

Term loan facility from Rabobank, Maastricht is secured by mortgage of property located at Schoenerweg 36, 6222NX, Maastricht, Section No. 4116 and 4117, Maastricht.
- e. Elgi Rubber Company LLC, USA

Banking facility availed from Export-Import Bank of India, London is secured by an unconditional and irrevocable standby letter of credit issued by Export-Import Bank of India, Mumbai and Deposit under Bank's lien equivalent to 4.5 months interest at all times.
- f. Borrachas e Equipamentos Elgi Ltda., Brasil

Banking facility availed from ING Vysya Bank N.V, Sao Paulo Branch, is secured by way of standby letter of credit issued by ING Vysya Bank Ltd., India.
- g. Elgi Rubber Company B.V., The Netherlands

Banking facility availed from Rabobank, Masstricht, the Netherlands is secured by standby letter of credit issued by the bankers of the holding company

	31.03.2014 Rs.	31.03.2013 Rs.
2.07 Trade payables		
Trade payables	517,348,522	489,608,617
	517,348,522	489,608,617
2.08 Other current liabilities		
Current maturities of long term debt	38,028,997	53,054,838
Employee benefits payable	1,977,375	4,044,027
Employee recoveries payable	1,104,388	3,878,724
Unpaid dividend	3,735,162	3,329,687
Statutory dues (Including provident fund, withholding and other taxes payable)	119,058,426	24,488,785
Other payables	129,603,001	52,901,812
Advance received from customers	19,816,845	19,400,082
	313,324,194	161,097,955

There are no amounts due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end.

2.09 Short term provisions		
Provision for compensated absence	8,227,865	6,740,328
Other provisions	103,490,928	75,719,793
Payable to key managerial personnel	5,172,020	3,271,121
Provision for proposed dividend on equity shares	18,518,500	40,040,000
Provision for dividend distribution tax on proposed dividend on equity shares	3,229,050	3,575,748
	138,638,363	129,346,990

2.10 Fixed Assets

Description	Gross Block				Depreciation					Net Block		
	Asat 01.04.2013 Rs.	FCTR Rs.	Additions Rs.	Transfer/ Deletions Rs.	Asat 31.03.2014 Rs.	Asat 01.04.2013 Rs.	FCTR Rs.	For the year Rs.	Transfer/ Deletions Rs.	Asat 31.03.2014 Rs.	Asat 31.03.2014 Rs.	Asat 31.03.2013 Rs.
Land	311,853,994	184,053	180,350,828	(6,617,269)	499,006,144	-	-	-	-	-	499,006,144	311,853,994
Building	265,269,684	10,260,214	359,243,506	(84,179,571)	718,952,975	115,837,991	4,716,153	12,266,995	(55,024)	132,876,163	586,076,812	149,431,693
Plant & Machinery	3,065,867,999	415,659,844	275,581,651	146,065,935	3,611,043,559	2,598,345,670	381,886,556	109,529,439	31,504,765	3,058,256,900	552,786,659	467,522,329
Furniture & Fittings	18,196,798	220,250	97,053	1,993,383	16,520,718	14,071,456	163,014	633,733	1,681,628	13,186,575	3,334,143	4,125,342
Vehicle	26,983,056	2,793,023	1,483,982	2391,080	28,868,981	22,224,019	2,610,553	2,341,714	1,750,724	25,425,562	3,443,419	4,759,037
Intangible Assets	24,524,682	3,799,746	91,708,044	(13,733,567)	133,766,039	17,544,855	3,644,837	9,029,078	(17,967,091)	48,185,861	85,580,178	6,979,827
Total	3,712,696,213	432,917,130	908,465,064	45,919,991	5,008,158,416	2,768,023,991	393,021,113	133,800,959	16,915,002	3,277,931,061	1,730,227,355	944,672,222
							31.03.2014 Rs.					31.03.2013 Rs.

2.11 Non current investments		
Other investments (long term, valued at cost)		
Quoted		
a. Investment in equity instruments	4,928,988	250,400
b. Investment under the portfolio management scheme of HDFC	3,153,865	5,371,621
Unquoted		
a. Investment in government securities	5,003,000	10,006,000
b. Investment in mutual fund	6,905,000	9,149,000
	19,990,853	24,777,021

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.12 Deferred taxes assets (Net)				
Deferred tax assets - Attributable to				
Expenses allowable for tax purpose when paid				
Elgi Rubber Company Limited, India	5,437,700		7,981,000	
Treadsdirect Limited, India	1,077,000		774,000	
Treadsdirect LLC, USA	8,596,069		9,241,177	
Rubber Resources, B.V., The Netherland	15,362,367		13,407,624	
Provision for doubtful debts				
Elgi Rubber Company Limited, India	1,418,300		11,000	
Treadsdirect Limited, India	650,000		261,000	
Voluntary retirement scheme payment allowed				
Treadsdirect Limited, India	3,652,000		5,051,000	
Titan Tyrecare Products Limited, India	-		1,420,000	
Total (A)		36,193,436		38,146,801
Deferred tax liability – Attributable to depreciation				
Elgi Rubber Company Limited, India	13,210,000		8,146,000	
Treadsdirect Limited, India	732,000		781,000	
Titan Tyrecare Products Limited, India	-		1,019,000	
Treadsdirect Limited, Kenya	724,148		754,943	
ELGI Rubber Company LLC, USA	-		1,413,197	
Treadsdirect Limited, Srilanka	91,418		38,385	
Treadsdirect LLC, USA	1,343,411		-	
Total (B)		16,100,977		12,152,525
Deferred tax – assets/(liability) Total (A)-(B)		20,092,459		25,994,276
2.13 Long term loans and advances				
(Unsecured, considered good)				
Capital advances		41,636,297		593,186,512
Security deposits		14,602,801		10,991,082
Statutory payments		1,189,772		810,897
Advances recoverable in cash or kind		1,810,000		1,810,000
Deposit against sales tax disputes		265,500		7,153,598
		59,504,370		613,952,089
2.14 Other non current assets				
Long term deposits with banks with maturity period more than 12 months		1,880,886		1,871,500
Margin money deposits (lien marked by bank against bank guarantees)		198,231,336		282,200,000
Deferred expenses		110,829,630		-
		310,941,852		284,071,500
2.15 Current investments				
(Quoted, at cost or market value, whichever is less)				
Investment in equity instruments				
332,040 equity shares of Re.1/- each paid up in Elgi Equipments Limited	4,713,300		4,713,300	
Less : Transfer to non-current investments	4,713,300	-	-	4,713,300
2,150 equity shares of Rs.10/- each paid up in Precot Meridian Limited	190,705		190,705	
Less : Transfer to non-current investments	190,705	-	-	190,705
		-	-	4,904,005
Aggregate value of quoted investments		-	-	4,904,005
Aggregate market value of quoted investments		-	-	25,093,705

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.16 Inventories				
a. Raw materials				
Polimers	155,635,218		217,801,881	
Carbon black	26,558,024		44,770,163	
Butyl scrap & Rubber dust	112,557,803		99,945,848	
Others	<u>232,286,530</u>	527,037,575	<u>104,833,747</u>	467,351,639
b. Work in progress		41,897,575		50,331,882
c. Finished goods (reclaimed rubber materials and retreading raw materials)		498,640,176		364,727,129
d. Stock in trade(traded goods)		42,247,099		32,091,050
e. Stores and spares		107,434,961		95,181,201
f. Others				
Packing materials		20,712,105		16,020,331
Scrap		966,968		402,971
Material in transit		18,105,787		8,996,508
Goods sent for exhibition		2,684,316		-
Consignment Stock		-		2,278,545
		1,259,726,562		1,037,381,256
2.17 Trade receivables				
(Unsecured, considered good)				
Outstanding for a period exceeding six months from the date they are due for payment	24,518,001		15,858,566	
Others	<u>743,371,889</u>		<u>714,804,418</u>	
		767,889,890		730,662,984
(Unsecured, considered doubtful)				
Outstanding for a period exceeding six months from the date they are due for payment	44,730,434		25,963,079	
Others	<u>1,911,106</u>		<u>805,243</u>	
	46,641,540		26,768,322	
Less: Provision for doubtful debts	<u>46,641,540</u>	-	<u>26,768,322</u>	-
		767,889,890		730,662,984
2.18 Cash and Bank Balances				
Cash and cash equivalents				
Cash on hand		3,542,196		6,100,219
Bank balances				
in current account		236,250,745		63,425,988
in demand deposits		72,625,261		87,500,000
(Out of the above, deposits of Rs. 15,000,000 (Rs. 45,000,000) have been pledged with the bank for the purpose of availing loan on fixed deposit)				
Other bank balances		6,370,045		2,043,912
Demand deposits with maturity of more than 3 months but less than 12 months		37,320,795		102,876,935
(Out of the above, deposits of Rs. 35,000,000 (Rs. 25,000,000) have been pledged with the Bank for the purpose of availing loan on fixed deposit)				
Margin money deposits		118,374,058		-
Unpaid dividend account		3,735,162		3,329,687
Funds in transit		15,361,958		190,242
		493,580,220		265,466,983
2.19 Short term loans and advances				
(Unsecured, considered good)				
Advance payment of IncomeTax		39,527,772		57,333,734
MAT credit		-		833,000
Balances with customs, central excise,VAT etc.		143,260,137		50,266,408
Receivable from Government - DEPB / Duty draw back etc		17,467,746		24,345,431
Prepaid expenses		11,973,734		10,689,167
Others		145,093,330		195,644,074
		357,322,719		339,111,814

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.20 Other current assets (Unsecured, considered good)				
Income accrued on bank deposits		18,813,874		25,159,766
Income accrued on investments and others		300,000		14,989,221
		19,113,874		40,148,987
2.21 Contingent liabilities and commitments (to the extent not provided for)				
i. Claims against the company not acknowledged as debts				
a. Income tax matters		12,161,840		13,402,060
b. Excise and Service tax matters		7,418,395		13,226,362
c. Sales tax		68,589,442		-
d. Stamp duty		4,368,304		4,368,304
ii. Capital commitments				
a. Estimated amount of contracts remaining to be executed on capital account and not provided for		16,359,035		76,528,781
b. Uncalled liability on shares and other investments partly paid - Payable in respect of purchase of shares of Rubber Resources B.V., (RR) on achievement of milestones		EUR 210,000		EUR 1,080,000
iii. Other commitments				
a. The Company has issued an undertaking to provide need based financial support to its following Wholly owned Subsidiary companies:				
i. Pincott International Pty., Ltd., Australia		AUD 577,771		AUD 577,771
ii. Borrachas e Equipamentos ELGI Ltda, Brasil		USD 800,000		-
iii. Elgi Rubber Company B.V, The Netherlands		BRL 9,900,000		BRL 3,900,000
iv. Elgi Rubber Company LLC, USA		EUR 300,000		EUR 300,000
v. Rubber Resources B.V., The Netherlands		USD 2,516,579		-
b. Guarantee on account of unpaid liability on account of purchase of shares of RR as stated in column (ii) (b) above		EUR 2,500,000		-
c. Guarantee on account of security deposits with various electricity boards, state road transport corporations and other statutory authorities		EUR 720,000		EUR 1,080,000
d. Letter of credit on account of import of goods		10,863,204		26,418,919
		USD 498,600		USD 114,580
iv. Overseas subsidiaries				
Securities offered in connection with standby letter of credit extended by ING Vysya Bank Limited and Export-Import Bank of India, in favour of the respective banks, which have granted credit facilities to the following subsidiary companies				
Facilities offered				
1. for the credit facilities granted by ING Bank NV, Filial De Sao Paulo, Brasil to M/s Borrachas e Equipamentos Elgi Ltda, Brasil.				
2. for the credit facilities granted by ING Bank NV, Amsterdam to M/s Rubber Resources B.V., Netherlands.				
3. for the credit facilities granted by Export-Import Bank of India, London to M/s Pincott International Pty., Ltd., Australia.				
4. for the credit facilities granted by Export-Import Bank of India, London to M/s Elgi Rubber Company LLC, USA.				
Securities offered				
By deposit of title deeds and equitable mortgage of immovable property located at Trichy Road, Coimbatore and Kurichi, Coimbatore, in favour of ING Vysya Bank Ltd., Coimbatore ranking pari-passu with Export-Import Bank of India, Mumbai.				
The facilities relating to the standby letter of credit extended by M/s ING Vysya Bank Ltd., is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to Rs.184.13 Million.				
2.22 Proposed dividend				
The final dividend recommended for the year is as follows				
On equity shares of Re.1/- each				
Amount of recommended dividend per equity share		Re. 0.37		Re. 0.80

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.23 Revenue from operations				
a. Sale of Products				
Finished goods	4,131,387,242		4,023,870,519	
Traded goods	967,284,453		971,770,529	
b. Sale of services	219,346		2,766,422	
c. Sales of electricity	4,076,875		6,479,588	
d. Other operating revenues scrap sales	<u>1,351,488</u>		<u>3,399,064</u>	
		5,104,319,404		5,008,286,122
Sales (Finished goods)				
Reclaim rubber material	2,401,913,795		2,052,234,851	
Retreading raw material	1,601,137,118		1,853,331,899	
Envelope	95,062,094		102,333,716	
Rubber compound sheets	<u>33,274,235</u>		<u>15,970,053</u>	
		4,131,387,242		4,023,870,519
Sales (Traded goods)				
Retreading machinery accessories and others		967,284,453		971,770,529
2.24 Other income				
a. Interest Income				
from Bank	37,319,179		48,023,681	
from Others	<u>10,313,522</u>		<u>12,563,609</u>	
		47,632,701		60,587,290
b. Dividend income		971,972		1,119,569
c. Net gain on sale of investments		1,700,176		523,241
d. Net gain on sale of assets		7,991,692		10,502,702
e. Rent received		137,459		180,000
f. Income from electricity generations		31,338,584		27,154,489
g. Liabilities written back to the extent no longer required		19,129,109		27,149,801
h. Net gain on foreign currency transactions and translations		26,576,259		4,275,669
i. Claims received from insurance company		346,285		7,779,754
j. Miscellaneous income		11,028,317		9,521,946
		146,852,554		148,794,461
2.25 Cost of material consumed				
Raw material consumed				
Opening inventory	467,351,639		497,747,258	
Add: Purchase	1,925,052,208		1,815,995,868	
Less: Inventory at the end of the year	<u>527,037,575</u>		<u>467,351,639</u>	
Cost of raw material consumed during the year		1,865,366,272		1,846,391,487
Packing material consumed				
Opening inventory	16,020,331		17,748,949	
Add: Purchase	22,230,690		113,566,230	
Less: Inventory at the end of the year	<u>20,712,105</u>		<u>16,020,331</u>	
Cost of Packing material consumed during the year		17,538,916		115,294,848
		1,882,905,188		1,961,686,335
2.26 Changes in inventory of finished goods and work in process				
Stock at the end of the year				
Finished goods	498,640,176		364,727,129	
Work in progress	41,897,575		50,331,882	
Stock in trade	42,247,099		32,091,050	
Scrap	966,968		402,971	
Securities	-		4,904,005	
		(583,751,818)		(452,457,037)
Less: Stock at the beginning of the year				
Finished goods	364,727,129		260,990,027	
Work in progress	50,331,882		83,210,894	
Stock in trade	32,091,050		112,964,870	
Scrap	402,971		454,447	
Securities	4,904,005		4,898,200	
Less : Transfer to non current investment	<u>(4,904,005)</u>		-	
		447,553,032		462,518,438
(Increase)/Decrease in inventory of finished goods and work in process		(136,198,786)		10,061,401

	Rs.	31.03.2014 Rs.	Rs.	31.03.2013 Rs.
2.27 Employee benefit expenses				
Salaries, wages and bonus		568,299,262		560,412,266
Voluntary retirement scheme payments		12,841,846		-
Contribution to provident and other funds		61,431,911		57,490,238
Gratuity paid		3,329,699		9,768,169
Staff welfare expenses		13,878,330		11,450,555
		659,781,048		639,121,228
2.28 Finance costs				
Interest on borrowings		57,391,615		36,539,049
Financial charges on borrowings		48,956,911		43,325,514
		106,348,526		79,864,563
2.29 Depreciation and amortisation expenses				
Depreciation on tangible assets		124,771,881		113,576,165
Amortisation on intangible assets		9,029,078		1,197,231
		133,800,959		114,773,396
2.30 Other expenses				
Consumption of stores and spare parts		51,142,318		38,173,711
Excise duty*		6,404,491		1,099,585
Power and fuel		301,775,491		298,521,250
Rent		24,665,706		36,710,826
Labour charges		89,997,087		115,074,418
Repairs and maintenance – Plant and machinery		133,856,271		103,553,927
Repairs and maintenance – Building		10,353,655		8,166,371
Repairs and maintenance – Others		40,184,661		28,190,857
Insurance		42,860,069		28,790,062
Rates and taxes		16,707,579		22,747,935
Travelling and conveyance		49,877,011		38,351,515
Directors' sitting fees		250,000		240,000
Statutory auditors : Audit fees	6,876,267		4,590,205	
Tax audit fees	70,000		137,385	
Other services	6,594		15,000	
Reimbursement of expenses	159,347		112,952	
		7,112,208		4,855,542
Professional fees		67,396,138		27,737,779
Sales commission		4,224,913		4,055,562
Advertisement and other selling expenses		146,896,043		132,869,846
Carriage inward		36,821,397		20,803,878
Freight charges		168,066,005		133,274,566
Managerial remuneration		20,865,936		17,848,085
Provision for doubtful debts		6,084,169		837,705
Loss on sale / redemption of investment		-		38,985
Miscellaneous expenses		60,616,822		60,613,388
		1,286,157,970		1,122,555,793

* represents excise duty related to the difference between the closing stock and opening stock

2.31 Exceptional items				
Income tax relating to previous years		-		3,778,179
		-		3,778,179
2.32 Earnings per share				
		Before extraordinary items	After extraordinary items	Before extraordinary items
a. Basic				
Profit after tax	109,630,613	109,630,613	225,329,462	225,329,462
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Basic EPS	2.19	2.19	4.50	4.50
b. Diluted				
Profit after tax	109,630,613	109,630,613	225,329,462	225,329,462
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Diluted EPS	2.19	2.19	4.50	4.50

Segment reporting

- 2.33** The Company is engaged primarily in one segment of providing solutions to the rubber industry and hence the segment reporting is not applicable.
- 2.34** In the opinion of Board of Directors, current assets, loans and advances, have atleast the value as stated in the balance sheet, if realised in the ordinary course of the business.
- 2.35** a. Number of units of investment in mutual funds are rounded off to the nearest whole number.
b. All investments are fully paid up, unless otherwise stated.
- 2.36** No intangible / tangible asset has been generated during the year out of the Research and Development activity.
- 2.37** Pursuant to Accounting Standard (AS 28) - Impairment of assets, the Company assessed its fixed assets for impairment as at March 31, 2014 and concluded that there has been no significant impaired fixed asset that needs to be recognised in the books of account.
- 2.38** The subsidiary companies in the consolidated financial statements and its reporting date are as under

Name of the company	Reporting Date	Country of Incorporation	% of Voting power held
Treadsdirect Limited	31.03.2014	India	100.00
Titan Tyrecare Products Limited	31.03.2014	India	100.00
Borrachas e Equipamentos Elgi Ltda	31.12.2013	Brasil	99.99
Treadsdirect LLC	31.12.2013	USA	100.00
Elgi Rubber Company LLC	31.12.2013	USA	100.00
Treadsdirect Limited	31.12.2013	Kenya	99.99
Treadsdirect Limited	31.12.2013	Mauritius	100.00
Treadsdirect Limited	31.12.2013	Srilanka	99.99
Treadsdirect Limited	31.12.2013	Bangladesh	100.00
Rubber Resources B.V., & its Subsidiary	31.12.2013	The Netherlands	100.00
Pincott International Pty., Ltd.,	31.12.2013	Australia	100.00
Elgi Rubber Company B.V.,	31.12.2013	The Netherlands	100.00

- 2.39** In view of the beneficial interest being held in the name of the holding company, no minority interest has been calculated in the case of Brasil and Sri Lanka subsidiaries.

2.40 Non current investments

The following is classification of investments in accordance with AS 13: Accounting for investments

No. of units / shares		Description of investment	31.03.2014		31.03.2013	
Current year	Previous year		Rs.	Rs.	Rs.	Rs.
In Equity Investments (Quoted)						
(Face Value of the Unit is Rs.10/- each unless otherwise stated and are fully paid up)						
332,080	40	Equity shares of Re. 1/- each in Elgi Equipments Limited	400		400	
		Add : Transferred from current investments (332,040 Equity shares of Re.1/- each)	4,713,300	4,713,700	-	400
-	25,000	Equity Shares of Magna Electro Castings Limited.	250,000		250,000	
		Less : Sold during the year	250,000	-	-	250,000
2,150	-	Precot Meridian Limited	215,288		-	
		(Transferred from current investment during the year)				
1,075		Add : Bonus shares issued during the year	-	215,288	-	-
				4,928,988		250,400
In the Portfolio Management Scheme of HDFC Asset Management Company- Real Estate Portfolio – I (PMS) – (Quoted)						
In Debentures						
(Face Value of the Unit is Rs.1,000/- each)						
108	164	Ariisto Realtors Private Limited		108,000		164,000
41	41	Ariisto Realtors Private Limited – II		41,000		41,000
58	58	Ariisto Realtors Private Limited – III		58,000		58,000
139	139	Ariisto Realtors Private Limited – IV		139,000		139,000
320	320	Atithi Building Commodities Private Limited		320,000		320,000
44	44	Atithi Building Commodities Private Limited – II		44,000		44,000

No. of units / shares		Description of investment	31.03.2014	31.03.2013
Current year	Previous year		Rs.	Rs.
(Face Value of the Unit is Rs.100/- each)				
-	2,904	Almond Infrabuild Private Limited	-	290,400
1,310	1,310	Anand Divine Developers Private Limited – II	131,000	131,000
1,786	1,786	Arimas Developers Private Limited Class B – Aug 2011	178,600	178,600
-	9	BCC Infrastructure Private Limited Class A	-	900
806	1,152	BCC Infrastructure Private Limited Class A – III	80,600	115,200
1,152	1,152	BCC Infrastructure Private Limited Class A – IV	115,200	115,200
-	683	Bhaveshwar Properties Private Limited	-	68,300
1,310	1,455	Dharmesh Constructions Private Limited	131,000	145,500
1,462	1,462	Dharmesh Constructions Private Limited – II	146,200	146,200
-	237	Ekta Parksville Class A – Series 2	-	23,700
208	2,105	Ekta Parksville Homes Private Limited	20,800	210,500
527	527	Ekta Parksville Homes Private Limited – II	52,700	52,700
-	419	Ekta Parksville Homes Private Limited– III	-	41,900
-	55	Ekta World Private Limited – Class A – I	-	5,500
353	615	Ekta World Private Limited – Class A – 2	35,300	61,500
368	796	Kunal Spaces Private Limited– Class A	36,800	79,600
800	800	Kunal Spaces Private Limited – Class A - II	80,000	80,000
445	692	Marvel Realtors and Developers – Series 1	44,500	69,200
1,001	1,001	Marvel Realtors and Developers – Series 2	100,100	100,100
-	914	Neelkanth Vinayak Realtors Private Limited	-	91,400
-	96	Nilkanth Tech Park Private Limited – 2011 - I	-	9,600
115	1,308	Nilkanth Tech Park Private Limited – 2011 - II	11,500	130,800
784	784	Nilkanth Tech Park Private Limited – 2011 – III	78,400	78,400
-	278	Nitesh Housing Developers Private Limited– III	-	27,800
-	332	Nitesh Housing Developers Private Limited – IV	-	33,200
551	551	Nitesh Land Holding Private Limited	55,100	55,100
1,514	1,514	Runwal Township Private Limited Class B	151,400	151,400
-	5,321	Runwal Township Private Limited	-	532,100
3,440	3,440	Total Environment Habitat Private Limited	344,000	344,000
923	923	Total Environment Projects – I	92,300	92,300
55	55	Total Environment Projects – II	5,500	5,500
212	212	Total Environment Projects – III	21,200	21,200
-	864	VBHC Chennai Value Homes Private Limited– Class A	-	86,400
-	499	VBHC Delhi Projects Private Limited – 2011	-	49,900
-	699	VBHC Delhi Value Homes Private Limited – I	-	69,900
-	1,501	VBHC Mumbai Value Homes Private Limited	-	150,100
			2,622,200	4,611,100
In Equity / Preference Shares				
1,399	1,399	Ansal Hi-Tech Townships Ltd	123,441	123,441
284	284	Arimas Developers Private Limited (Preference)	284	284
28	28	BCC Infrastructure Private Limited	280	280
85	85	BCC Infrastructure Private Limited (Preference)	850	850
256	256	Ekta World Private Limited (Preference)	256	256
-	6	Godrej Estate Developers Private Limited	-	110,204
-	68	Godrej Sea View Properties Private Limited	-	152,653
26	26	Kunal Spaces Private Limited	260	260
139	139	Nitesh Housing Developers Private Limited	49,545	49,545
26	26	Runwal Township Private Limited Class A (Preference)	26	26
39	39	Runwal Township Private Limited Class B (Preference)	39	39
26	26	Runwal Township Private Limited Class C (Preference)	109,135	109,135
74	74	Total Environment Projects Private Limited	740	740
-	13	VBHC Chennai Value Homes Private Limited	-	130
-	131	VBHC Delhi Projects Private Limited Class A	-	131
-	12	VBHC Delhi Value Homes Private Limited .	-	120
-	131	VBHC Mumbai Value Homes Private Limited	-	131
			284,856	548,225

No. of units / shares		Description of investment	31.03.2014		31.03.2013	
Current year	Previous year		Rs.	Rs.	Rs.	Rs.
		In Mutual Funds				
		(Face value of the units is Rs.10/- each)				
24,534	21,142	HDFC Treasury Advantage Plan – WD		246,809		212,296
				3,153,865		5,371,621
		In Government Securities (Unquoted)				
		(Face value of the unit is Rs.10/- each unless otherwise stated)				
500	1,000	Non-Convertible redeemable taxable bonds National Highways Authority of India (Bonds of Rs.10,000/- each)	10,000,000		10,000,000	
		Less : Redeemed during the year	5,000,000		5,000,000	
			5,000,000		5,000,000	
		Add : Purchased during the year	-		5,000,000	
		National Savings Certificate		5,000,000		10,000,000
				3000		6,000
		In Mutual Funds (Unquoted)				
		(Face value of the unit is Rs.10/- each unless otherwise stated)				
6,905	9,149	IL & FS Milestone Fund – I (Units of Rs.1,000/- each)	9,149,000		9,199,000	
		Less : Return of contribution	2,244,000		50,000	
				6,905,000		9,149,000
				19,990,853		24,777,021
Aggregate amount of investments						
Unquoted				11,908,000		19,155,000
Quoted: Cost				8,082,853		5,622,021
Market Value				40,235,769		9,998,980

2.41 Related Party disclosure (as identified by the Company)

Description of the nature of transaction	Description of relationship	Related party	31.03.2014 Rs.	31.03.2013 Rs.
Purchase of goods	Other related parties	Elgi Ultra Industries Limited	10,695,359	8,433,696
		Elgi Equipments Limited	-	270,000
		Ellargi & Co.,	1,342,223	2,883,239
Rendering of services	Other related parties	Elgi Equipments Limited	-	922,688
Receiving of services	Other related parties	Elgi Equipments Limited	93,931	182,173
Managerial remuneration	Key managerial personnel	Sudarsan Varadaraj	19,443,842	16,183,121
Salary to other key managerial personnel	Key managerial personnel	SR Venkatachalam	1,518,420	1,349,038
		T Ashokanand	1,481,261	1,488,006
		R Gopalan	1,422,094	1,280,160
Rent paid	Key managerial personnel	Sudarsan Varadaraj	360,000	360,000
Dividend received	Other related parties	Elgi Equipments Limited	332,080	332,080
Interest paid	Key managerial personnel	Sudarsan Varadaraj	537,031	585,568
Loans taken	Key managerial personnel	Sudarsan Varadaraj	18,000,000	20,000,000
Loan outstanding	Key managerial personnel	Sudarsan Varadaraj	-	4,000,000
Payable to managerial person	Key managerial personnel	Sudarsan Varadaraj	5,172,020	3,271,121
Trade payables	Other related parties	Elgi Ultra Industries Limited	400,411	71,967
		Ellargi & Co.,	10,344	10,097
		Elgi Equipments Limited	47,191	615,287
Trade receivable	Other related parties	Ellargi & Co.,	100,000	100,000
		Elgi Equipments Limited		
Labour charges paid	Other related parties	Elgi Equipments Limited	42,000	46,326

In respect of the above parties, there is no provision for doubtful debts as on 31st March 2014 and no amount has been written off / written back during the year in respect of debts due from / to them .

As per our report of even date

For Reddy, Goud & Janardhan

Chartered Accountants

Firm Registration No. 003254S

B Anand

Partner

Membership No. 29146

Coimbatore

19.05.2014

MD Selvaraj

Director

C Shankar

Company Secretary

SR Venkatachalam

Vice President - Finance

Sudarsan Varadaraj

Chairman & Managing Director

Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Financial year ending of the subsidiary	Number of shares held ordinary	Extent of holding %	Net aggregate amount of subsidiary's profit / (loss) not dealt with in the holding Company's account		Net aggregate amount of subsidiary's profit / (loss) dealt with in the Holding Company's account		Dividend declared for the year	
				for the current financial year	for the previous financial year	for the current financial year	for the previous financial year		
	1	2	3	4	5	6	7	8	9
Treadsdirect Limited, India	31.03.2014	Equity shares 4,750,000	100.00	Rs. 117,552,022	Rs. 109,990,701	Nil	Nil	Rs.19,000,000	
Titan Tyrecare Products Limited, India	31.03.2014	Equity shares of 1,000,000 preference shares 1,000,000	100.00	Rs. (28,201)	Rs.3,912,887	Nil	Nil	Nil	
ELGI Rubber Company LLC, USA	31.12.2013	Units 3,000,000	100.00	\$ (112,575)	\$ 12,138	Nil	Nil	Nil	
Borrachas e Equipamentos Elgi Ltda, Brasil	31.12.2013	Equity shares 10,005,000	99.99	R\$ (2,345,754)	R\$ (1,024,172)	Nil	Nil	Nil	
Treadsdirect Limited, Kenya	31.12.2013	Ordinary shares 23,999	99.99	Ksh. 7,021,155	Ksh. 14,175,177	Nil	Nil	Ksh.60,000,000	
Treadsdirect Limited, Sri Lanka	31.12.2013	Ordinary shares 1,000,000 Preference shares 690,000	99.99	SLR 23,772,006	SLR 19,180,434	Nil	Nil	SLR 3,725,002	
Treadsdirect Limited, Bangladesh	31.12.2013	Ordinary shares 51,700	100.00	TK 352,109	TK 551,793	Nil	Nil	Nil	
Treadsdirect Limited, Mauritius	31.12.2013	Ordinary Shares 175,000	100.00	M.Rs (57,856)	M.Rs. (1,035)	Nil	Nil	Nil	
Treadsdirect LLC, USA	31.12.2013	Ordinary Shares 1,000	100.00	\$ (63,812)	\$ 10,718	Nil	Nil	Nil	
Rubber Resources B.V., The Netherlands	31.12.2013	Ordinary Shares 18,000	100.00	Euro (151,458)	Euro 337,320	Nil	Nil	Nil	
ELGI Rubber Company B.V., The Netherlands	31.12.2013	Ordinary Shares 18,000	100.00	Euro (86,672)	Euro (82,961)	Nil	Nil	Nil	
Rubber Resources, USA	31.12.2013	Ordinary Shares 100	100.00	\$ (146,124)	Nil	Nil	Nil	Nil	
Pincott international pty., Ltd., Australia	31.12.2013	Ordinary Shares 100	100.00	\$ 7,832	\$ (163,035)	Nil	Nil	Nil	

1. Changes in the interest of the Holding company between the end of the Subsidiary's financial year ended March 31, 2014 and December 31, 2013 (as the case may be) and Holding company for the financial year ended March 31, 2014: NIL

2. Material changes between the end of the Subsidiary's financial year ended March 31, 2014 and December 31, 2013 (as the case may be) and Holding company for the financial year ended March 31, 2013: NIL

Value in INR

Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total assets	Total liabilities	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
Treadsdirect Limited, India	Rupee	1.00	47,500,000	314,045,088	546,058,754	184,513,666	1,670,882,324	178,210,022	60,658,000	117,552,022	19,000,000
Titan Tyrecare Products Limited, India	Rupee	1.00	20,000,000	(3,233,907)	17,166,093	400,000	45,662,847	1,963,799	1,992,000	(28,201)	-
ELGI Rubber Company LLC, USA	Dollar	60.10	147,990,798	23,823,848	388,236,560	216,421,914	285,913,173	(5,093,712)	1,699,928	(6,793,640)	-
Borrachas e Equipamentos Elgi Ltda, Brasil	Real	26.37	158,253,445	(8,819,634)	498,362,683	348,928,872	248,912,678	(62,795,144)	-	(62,795,144)	-
Treadsdirect Limited, Kenya	Shilling	0.68	2,008,731	24,902,031	29,747,161	2,836,399	44,516,006	7,012,110	2,182,433	4,829,677	41,272,500
Treadsdirect Limited, Sri Lanka	Rupee	0.46	11,359,875	22,705,808	38,700,985	4,635,302	56,594,464	12,290,823	1,338,267	10,952,556	1,716,233
Treadsdirect Limited, Bangladesh	Taka	0.76	4,417,290	3,539,326	8,185,782	229,166	-	522,190	254,018	268,172	-
Treadsdirect Limited, Mauritius	Rupee	1.91	1,451,645	(159,085)	1,498,565	206,005	-	109,744	-	(109,744)	-
Treadsdirect LLC, USA	Dollar	60.10	5,050,878	1,435,004	249,414,951	242,929,069	71,174,554	(3,148,335)	702,571	(3,850,906)	-
Rubber Resources B.V., The Netherlands	Euro	82.58	123,046,083	259,614,863	1,781,321,192	1,398,660,246	1,701,944,432	(14,147,366)	(1,880,979)	(12,266,387)	-
ELGI Rubber Company B.V., The Netherlands	Euro	82.58	1,222,650	(13,727,574)	58,013,093	70,518,017	31,128,718	(8,542,817)	(1,527,511)	(7,015,306)	-
Rubber Resources, USA	Dollar	60.10	-	(36,352,525)	19,656,859	56,009,384	124,212,134	(8,818,194)	-	(8,818,194)	-
Pincott international pty., Ltd., Australia	Dollar	55.26	106,634,402	(107,289,843)	65,381,875	66,037,316	105,453,652	439,418	-	439,418	-

The figures in the foreign currency have been converted into Indian Rupees based on the appropriate exchange rates as on 31.03.2014.

Coimbatore
19.05.2014

C Shankar
Company Secretary

SR Venkatachalam
Vice President - Finance

Sudarsan Varadaraj
Chairman & Managing Director

Elgi Rubber Company Limited

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