

# Elgi Rubber Company Limited

## Annual Report 2011 - 2012

### Chairman & Managing Director

Sudarsan Varadaraj

### Non Executive Directors

Dr Jairam Varadaraj  
Suresh Jagannathan  
MD Selvaraj  
P Vijay Raghunath

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### Head Office

2000, Trichy Road  
Singanallur  
Coimbatore - 641 005  
Tamilnadu

### Bankers

State Bank of India  
Commercial Branch  
Coimbatore

### Registered Office

2000, Trichy Road  
Singanallur  
Coimbatore - 641 005  
Tamilnadu

### Auditors

Reddy, Goud & Janardhan  
Chartered Accountants  
Bangalore

### Plants

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

### Internal Auditors

MS Jagannathan & Visvanathan  
Chartered Accountants  
Coimbatore

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### Registrar & Share Transfer Agent

Link Intime India Private Limited  
C/13, Pannalal Silk Mills Compound  
Bhandup (West)  
Mumbai - 400 078

### Registrar - 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 6th annual report and the audited accounts for the year ended March 31, 2012. 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)

	2011 - 2012	2010 - 2011
<b>Profit Before Depreciation and Tax</b>	<b>178.59</b>	<b>344.29</b>
Less : Depreciation	39.37	58.68
<b>Profit Before Taxation</b>	<b>139.22</b>	<b>285.61</b>
Less : Provision for Taxation	42.52	105.15
(Add) / Less: Provision for Deferred Tax	1.88	(9.64)
<b>Profit after Tax</b>	<b>94.82</b>	<b>190.10</b>
Less : Adjustment relating to earlier years (Income tax)	<b>0.95</b>	<b>1.40</b>
	93.87	188.70
Add : Balance surplus incorporated on amalgamation	-	637.15
Add : Opening Surplus	<b>757.54</b>	-
<b>Profit available for appropriation</b>	<b>851.41</b>	<b>825.85</b>
<b>Appropriation</b>		
General Reserve	9.39	18.87
Proposed Dividend	25.02	42.54
Dividend Distribution Tax	4.06	6.90
<b>Balance surplus carried to balance sheet</b>	<b>812.94</b>	<b>757.54</b>

### Dividend

The directors recommend a dividend of INR 0.50 per equity share of INR 1.00 each. This along with the dividend distribution tax comes to INR 29.08 Million. The dividend will be paid to the registered members, who are in the register of members as on the book closure date and upon approval by the members of the Company at the ensuing annual general meeting. 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 reviewed the Company recorded sales of INR 1,115.45 Million as against INR 1,942.38 Million in the previous year. The company earned a net profit of INR 93.87 Million as against INR 188.70 Million in the previous year. The current year figures are not comparable with the previous year on account of the Scheme of Amalgamation and Arrangement implemented during the last year.

The Indian Subsidiaries, Treadsdirect Limited and Titan Tyrecare Products Limited achieved sales of INR 1,943.18 Million and 51.78 Millions respectively during the year under review.

Despite healthy improvement in sales quantities and higher capacity utilisation, high input costs during the second half of the financial year, has affected the bottom line. Through an aggressive marketing strategy, the company is expanding into new products and markets, both domestic and overseas. To meet the projected demand, addition to manufacturing capacities is being implemented.

In October 2011, the company acquired Pincott International Pty Ltd, an Australian company manufacturing buffing blade refills used in the tyre retreading and recycling industry. This wholly owned subsidiary registered sales of INR 47.77 Million for the 9 months ending March, 31 2012. This acquisition brings to the company new technologies and globally respected brand.

### 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, 2012 is 288.

## **Subsidiaries**

In accordance with the circular issued by Ministry of Corporate Affairs, the Board of Directors of the Company at their meeting held on May 23, 2012 have approved waiving the requirement to attach the various documents related to the subsidiary companies. Upon request, the annual accounts of the subsidiary companies will be made available for inspection by any member of the Company at the registered office of the Company and that of the subsidiary companies. The consolidated financial statements presented in this annual report include financial results of the subsidiary companies. The details of the Subsidiary Companies are furnished in the statement pursuant to section 212 of the Companies Act, 1956.

## **Directors**

During the year CN Srivatsan, director, resigned with effect from November 01, 2011. As per the provisions of Companies Act and the Articles of Association of the Company, the directors of the Company Dr. Jairam Varadaraj and P Vijay Raghunath retire by rotation. Being eligible, they offer themselves for re-appointment.

## **Auditors**

Reddy, Goud and Janardhan, Chartered Accountants, Statutory Auditors of the Company, retire in the ensuing Annual General Meeting and are eligible for re-appointment.

## **Cost Accounting Records**

In conformity with the provisions of the Companies (Cost Accounting Records) Rules, 2011 (notified vide notification No. 52/26/CAB-2010 dated 24<sup>th</sup> January 2012) issued by the Ministry of Corporate affairs, the company has appointed M/s K.R.S & Associates, Cost Accountants, Coimbatore as Cost Auditor for the year 2012 - 13.

## **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 31.03.2012.

## **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 one of the primary objectives of the company and measures taken albeit small, is an ongoing 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 at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**

There is a marginal reduction in energy costs.

#### **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	:	5.19
c. Total	:	5.19
d. Total R & D expenditure as a percentage of total turnover	:	0.47%

**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. 254.10 Million

Foreign Exchange Used : Rs. 12.36 Million

**For the Board of Directors**

**Coimbatore  
23.05.2012**

**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 four non - executive directors (out of which three 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, 2012 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 Director	Category of Directorship	Attendance Particulars		No. of other Directorship held in Public Companies *	No. of Committee positions in all companies #	
		Board	AGM		Chairman	Member
Sudarsan Varadaraj	Chairman & Managing Director - Promoter	3	Yes	7	-	3
Jairam Varadaraj	Non executive - Promoter	2	No	9	-	4
MD Selvaraj	Non executive - Independent	4	Yes	2	2	-
Suresh Jagannathan	Non executive - Independent	3	No	3	-	2
P Vijay Raghunath	Non executive - Independent	4	No	1	1	2
CN Srivatsan^	Non executive - Independent	1	No	4	-	-

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

# Only audit committee and share transfer committee are considered.

^ CN Srivatsan resigned from the Board with effect from November 1, 2011.

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

Four 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	30.05.2011	6
2	13.07.2011	4
3	17.10.2011	3
4	25.01.2012	4

**3. Audit Committee**

The audit committee was constituted by the Board of Directors of the Company on January 06, 2011, in accordance with the provisions of Clause 49 of the Listing Agreement with the stock exchange read with Section 292A of the Companies Act, 1956 and comprises of three non-executive 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 30, 2011, July 9, 2011, October 15, 2011 and January 21, 2012.

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 2011 - 2012	
		Held	Attended
MD Selvaraj (Chairman)	Independent - Non Executive	4	4
Suresh Jagannathan (Member)	Independent - Non Executive	4	1
P Vijay Raghunath (Member)	Independent - Non Executive	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 2011 - 2012, at their meeting held on May 23, 2012 before it was placed in the board.

#### 4. Remuneration Committee

- i. Remuneration committee consists of the following non - executive directors.
  1. MD Selvaraj
  2. Suresh Jagannathan
  3. P Vijay Raghunath^
- ii. The committee is responsible for the appointment of and determining the compensation payable to the executive and non - executive directors. No committee meetings were held during the year under review.
- iii. MD Selvaraj, Director of the Company is the chairman and K Vijayalakshmi, Company secretary of the Company is the Secretary of the Committee.
- iv. CN Srivatsan resigned from the Board with effect from November 1, 2011.

^ P Vijay Raghunath appointed as Member in the committee with effect from January 23, 2012.

Details of remuneration paid to the directors for the year ended March 31, 2012 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 (Rs.)
Dr Jairam Varadaraj	20,000
MD Selvaraj	80,000
Suresh Jagannathan	40,000
P Vijay Raghunath	80,000
CN Srivatsan	10,000

^ CN Srivatsan resigned from the Board with effect from November 1, 2011.

The Company does not pay any remuneration to its non executive directors barring sitting fees for attendance for the meetings during the year.

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

##### d. Shareholdings of Non Executive Directors

Name of Director	No. of Shares held (as on March 31, 2012)
Dr Jairam Varadaraj	141,750
Suresh Jagannathan	1,050
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 & Investors' Relation Committee

The Company has Share Transfer and Investors' Relation Committee of 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 twenty four times during the year 2011 – 2012.

The composition of Share transfer & investors' relation committee and the attendance of the members in the meetings are given below:

Name	Category	No. of Meetings Attended
MD Selvaraj - Chairman	Non Executive Director	24
Sudarsan Varadaraj - Member	Chairman & Managing Director	17
P Vijay Raghunath - Member	Non Executive Director	24

K Vijayalakshmi is Company Secretary and Compliance Officer of the Company. The minutes of the share transfer & investors' relation committee were placed before the board meeting for due ratification and approval.

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

Pursuant to Clause 5A of the listing agreement, the Company has initiated the implementation of the same by sending reminders to the shareholders whose shares remain unclaimed. If no response is received, the unclaimed shares will be credited to a demat suspense account and the voting rights on such shares 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 2011 – 2012. There were no outstanding complaints as on March 31, 2012.

#### Number of shares transferred during 2011 – 2012

Physical transfers	:	26 Nos. constituting 24,861 shares
Transmission	:	13 Nos. constituting 23,291 shares
No. of pending share transfers / demat requests as on March 31, 2012	:	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 Resolution
Annual General Meeting 2008 - 2009	30.09.2009	9.00 A.M	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	Nil
Annual General Meeting 2009 - 2010	30.08.2010	10.00 A. M	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	Nil
Annual General Meeting 2010 - 2011	16.08.2011	03.00 P. M	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore 641 045.	Appointment of Sudarsan Varadaraj as Charman & Managing Director of the Company

No extra ordinary general meeting was held during the financial year 2011 – 2012.

**Postal ballots :** During the year there were no ordinary or special resolutions passed by the members through Postal ballot. The board does not recommend any other special resolution for the approval of the members through postal ballot.

#### 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 does not have any whistle blower policy. However any employee, if he / she so desires, would have free access to meet 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 the 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 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

- i. 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.
- ii. 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@in.elgirubber.com for providing necessary information to investors.
- iii. 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	:	August 13, 2012
Time	:	3.00 PM
Venue	:	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045

### ii. Financial Calender

Year Ending	:	March 31
AGM in	:	August 2013
First Quarter Results	:	2 <sup>nd</sup> Fortnight of July 2012
Second Quarter Results	:	2 <sup>nd</sup> Fortnight of October 2012
Third Quarter Results	:	2 <sup>nd</sup> Fortnight of January 2013
Annual Results	:	2 <sup>nd</sup> Fortnight of May 2013
Dividend Payment Date	:	August 24, 2012
Date of Book Closure	:	From August 4, 2012 to August 13, 2012 (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 exchange	:	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 Limited are given below

The equity shares of the company have been traded from August 10, 2011 and hence the high and low prices are available from the month of August 2011.

Period	National Stock Exchange of India Limited	
	High	Low
August 2011	42.20	21.00
September 2011	30.90	23.60
October 2011	27.00	22.35
November 2011	27.00	20.00
December 2011	23.00	17.30
January 2012	25.00	18.00
February 2012	25.00	21.25
March 2012	24.50	19.25

## Registrar & Share Transfer Agent : (For both physical & demat segments)

### Head Office

M/s Link Intime India Private Ltd., C/13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai 400 078, Ph.: +91 22 25963838, E-Mail: helpline@linkintime.co.in

### Branch

M/s Link Intime India Private Limited, Surya, 35, Mayflower Avenue, Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028, Ph : +91 422 2314792/ 2315792, E-mail : coimbatore@linkintime.co.in

## Secretarial Audit

A qualified Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial 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 & investors' relation committee of the Company. The share transfers are processed within a period of 21 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 & 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	24,418,537	48.79
Domestic Companies	7,185,910	14.36
Non Domestic Companies	Nil	Nil
Mutual Funds	4,615	0.01
Commercial Banks	36,834	0.07
Non Resident Indians	256,657	0.51
Public Financial Institutions	2,630,365	5.26
Foreign Institutional Investors	7,175	0.01
Resident Individuals	15,509,907	30.99
<b>Total</b>	<b>50,050,000</b>	<b>100.00</b>

### Distribution of Shareholding

Range of Shareholding	No. of Shares	% of Share Holding
0001 - 5000	7,933,427	15.85
5001 - 10000	2,082,079	4.16
10001 - 20000	1,385,788	2.77
20001 - 30000	945,370	1.89
30001 - 40000	663,286	1.33
40001 - 50000	272,731	0.54
50001 - 100000	1,437,417	2.87
100000 and above	35,329,902	70.59
<b>Total</b>	<b>50,050,000</b>	<b>100.00</b>

**Number of Shareholders as on March 31, 2012** : 13,612

**Dematerialisation of shares and liquidity** : There are 47,203,395 Equity shares accounting for nearly 94.31 % of the paid up capital of the Company has been dematerialised as on March 31, 2012. 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 : +91 422 2314 792 / 2316 755  
E-Mail : coimbatore@linkintime.co.in  
Contact Person : S. Dhanalakshmi

**Contact address for Shareholder**

: K Vijayalakshmi  
Company Secretary  
Regd Office : Elgi Rubber Company Limited,  
2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu  
Ph : +91 422 232 1000  
Fax : +91 422 232 2222  
E-mail : info@in.elgirubber.com

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**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, 2012.

**For Elgi Rubber Company Limited**

**Coimbatore**  
**23.05.2012**

**Sudarsan Varadaraj**  
**Chairman & Managing Director**

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**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, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information 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  
23.05.2012

**B Anand**  
Partner  
Membership No. 29146

## Auditors' Report

We have audited the attached Balance Sheet of M/s Elgi Rubber Company Limited as at March 31, 2012, the Statement of Profit and Loss and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order (as amended) 2003, issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that
  - 2.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - 2.2 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.
  - 2.3 The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - 2.4 In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
  - 2.5 On the basis of written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as at March 31, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 and
  - 2.6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
    - a. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
    - b. In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
    - c. In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

Coimbatore  
23.05.2012

**B Anand**  
Partner  
Membership No. 29146

**Annexure referred to in paragraph 1 of our report of even date**

1.
  - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b. The 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 and the nature of its assets.
  - 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 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 and hence the provisions of clause (iii) (a) to clause (iii) (d) of the said Order (as amended) are not applicable.
  - b. The Company had not taken any loan secured or unsecured from the companies or firms or parties as covered in the register maintained under section 301 of the Companies Act, 1956 except from one party amounting to Rs.37 Million during the year and the same had been repaid before the end of the year. The maximum amount involved during the year was Rs.32.5 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 records as produced and examined by us, in our opinion, the 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 2012 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 on wind mill	0.07	01.04.2009-31.03.2010	Commissioner (Appeals) Chennai
Excise duty	Service tax on cenvat credit	0.30	01.04.2007-31.03.2008	CCE, Cochin
	Excise duty on cenvat credit	0.13	01.04.2007-31.03.2008	CCE, Cochin
	Excise duty on capital goods	0.14	01.04.1997-31.03.1999	CESTAT, Chennai
Income tax	Disallowance of depreciation expense related to exempted income	0.71	01.04.2008-31.03.2009	CIT Appeals Coimbatore.
Stamp duty	Stamp duty demand	4.37	01.04.2009-31.03.2010	DR(Stamps), CBE

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 subsidiary company from a bank 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 account 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  
23.05.2012

**B Anand**  
Partner  
Membership No. 29146

## Balance Sheet as at 31st March 2012

	Notes	31.03.2012 Rs.	31.03.2011 Rs.
<b>I. Equity and Liabilities</b>			
Shareholders' Funds			
a. Share Capital	2.01	50,050,000	50,050,000
b. Reserves and Surplus	2.02	2,185,993,516	2,121,207,464
<b>Non current liabilities</b>			
a. Long term borrowings		-	-
b. Deferred tax liabilities (Net)		-	-
c. Other long term liabilities		-	-
d. Long term provisions	2.03	41,807,453	41,807,453
<b>Current liabilities</b>			
a. Short term borrowings	2.04	72,917,225	-
b. Trade payables	2.05	52,943,339	29,720,685
c. Other current liabilities	2.06	16,965,183	28,722,751
d. Short term provisions	2.07	37,346,370	75,494,703
		<b>2,458,023,086</b>	<b>2,347,003,056</b>
<b>II. Assets</b>			
<b>Non Current assets</b>			
a. Fixed Assets			
i. Tangible assets	2.08	498,692,967	424,889,130
ii. Intangible assets	2.08	-	251,011
iii. Capital work in progress		4,659,286	19,992
b. Non current Investments	2.09	602,132,478	464,848,062
c. Deferred tax assets (Net)	2.10	3,062,000	4,946,000
d. Long term loans and advances	2.11	468,067,484	566,413,831
e. Other non current assets	2.12	116,000,000	113,500,000
<b>Current assets</b>			
a. Current Investments	2.13	4,898,200	2,711,112
b. Inventories	2.14	277,488,102	182,678,580
c. Trade receivables	2.15	226,759,945	208,664,785
d. Cash and bank balances	2.16	133,945,306	247,430,134
e. Short term loans and advances	2.17	96,724,823	117,765,971
f. Other current assets	2.18	25,592,495	12,884,448
		<b>2,458,023,086</b>	<b>2,347,003,056</b>
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

**Sudarsan Varadaraj**  
Chairman & Managing Director

**MD Selvaraj**  
Director

**K Vijayalakshmi**  
Company Secretary

**SR Venkatachalam**  
Vice President - Finance

**B Anand**  
Partner  
Membership No.29146

Coimbatore  
23.05.2012

**Statement of Profit and Loss for the year ended 31st March 2012**

	Notes	31.03.2012 Rs.	31.03.2011 Rs.
<b>Income</b>			
Revenue from operations(Gross)	2.21	1,184,321,586	2,065,956,827
Less: Excise duty		68,871,717	123,581,008
Revenue from operations(Net)		1,115,449,869	1,942,375,819
Other Income	2.22	124,604,844	76,049,599
		<b>1,240,054,713</b>	<b>2,018,425,418</b>
<b>Expenses</b>			
Cost of materials consumed	2.23	649,742,730	977,135,641
Purchases of stock in trade		96,893,920	50,406,027
Changes in inventories of finished goods and work in process	2.24	(6,586,962)	135,026,104
Employee benefits expenses	2.25	63,258,202	130,699,236
Finance costs	2.26	5,176,265	506,868
Depreciation and amortisation expenses	2.27	39,366,152	58,679,785
Other expenses	2.28	252,984,106	380,366,514
		<b>1,100,834,413</b>	<b>1,732,820,175</b>
<b>Profit before exceptional and extraordinary items and Tax</b>		<b>139,220,300</b>	<b>285,605,243</b>
Exceptional items	2.29	945,567	1,397,392
<b>Profit before extraordinary items and tax</b>		<b>138,274,733</b>	<b>284,207,851</b>
Extraordinary Items		-	-
<b>Profit before Tax</b>		<b>138,274,733</b>	<b>284,207,851</b>
Tax expenses			
a. Current tax		42,520,000	105,152,000
b. Deferred tax		1,884,000	(9,643,000)
<b>Profit after Tax</b>		<b>93,870,733</b>	<b>188,698,851</b>
Significant accounting policies	1		
Earnings per share (Nominal value per share 2012 Re.1/-(2011 Re.1/-) (including extraordinary items)			
a. Basic		1.88	3.77
b. Diluted		1.88	3.77
(excluding extraordinary items net of taxes)			
a. Basic		1.88	3.77
b. Diluted		1.88	3.77

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

**Sudarsan Varadaraj**  
Chairman & Managing Director

**MD Selvaraj**  
Director

**K Vijayalakshmi**  
Company Secretary

**SR Venkatachalam**  
Vice President - Finance

**B Anand**  
Partner  
Membership No.29146

Coimbatore  
23.05.2012

## Cash Flow Statement for the year ended 31st March 2012

	31.03.2012	31.03.2011
	Rs.	Rs.
<b>A. Cash Flow from Operating activities</b>		
Profit before taxation and extraordinary item	138,274,733	284,207,851
Adjustments for		
Depreciation	39,366,152	58,679,785
Profit on sales of tangible assets (net)	(37,445,205)	(9,505,031)
Profit on sale of investments (net)	(64,373)	4,317,960
Provision for diminution in the value of investments	1,398,690	16,805,147
Provision for doubtful debts and advances	104,243	-
Interest Income	(31,282,918)	(30,146,432)
Dividend Income	(7,537,927)	(5,169,365)
Interest Expenses	4,714,232	145,658
Other non cash items	(8,955,052)	119,764
<b>Operating profit before working capital changes</b>	<b>98,572,575</b>	<b>319,455,337</b>
Increase / (Decrease) in trade payables	23,222,654	29,720,685
Increase / (Decrease) in short term provisions	(17,789,056)	75,494,704
Increase / (Decrease) in other current liabilities	(12,151,911)	(172,934,258)
Increase / (Decrease) in short term borrowings	72,917,225	-
(Increase) / Decrease in trade receivables	(9,244,351)	(364,183,606)
(Increase) / Decrease in inventories	(94,809,522)	341,226,260
(Increase) / Decrease in long term loans and advances	98,346,347	249,759,807
(Increase) / Decrease in short term loans and advances	28,707,521	(117,765,971)
(Increase) / Decrease in other current assets	(12,708,047)	(12,884,448)
(Increase) / Decrease in other non-current assets	(2,500,000)	(113,500,000)
<b>Cash generated from Operations</b>	<b>172,563,435</b>	<b>234,388,510</b>
Taxes paid (net of refunds)	(50,186,373)	(130,006,556)
<b>Net Cash from Operating Activities (A)</b>	<b>122,377,062</b>	<b>104,381,954</b>
<b>B. Cash flow from Investing activities</b>		
Purchase of tangible / intangible assets	(144,455,565)	(69,316,679)
Sale of tangible / intangible assets	64,342,497	64,496,130
Long term investments	(138,618,733)	(102,845,207)
Current investments	(2,187,088)	(609,224)
Interest Income	31,282,918	29,524,417
Dividend Income	7,537,927	5,169,365
<b>Net Cash from investing activities (B)</b>	<b>(182,098,044)</b>	<b>(73,581,198)</b>
<b>C. Cash flow from Financing activities</b>		
Dividend and Distribution tax paid	(49,049,614)	(52,554,492)
Interest paid	(4,714,232)	(145,658)
<b>Net cash used in Financing Activities (C)</b>	<b>(53,763,846)</b>	<b>(52,700,150)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>(113,484,828)</b>	<b>(21,899,394)</b>
<b>Cash and Cash equivalents comprise of</b>		
Cash on hand	574,210	371,377
Balance with banks*	133,371,096	247,058,757
* includes the following balance which are not available for use by the Company		
Unpaid dividend account	<b>3,383,904</b>	<b>2,989,561</b>
Cash and Cash equivalents at the beginning of the year	247,430,134	269,329,528
Cash and cash equivalents at the end of the year	133,945,306	247,430,134

### 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 other non cash items

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

**Sudarsan Varadaraj**  
Chairman & Managing Director

**MD Selvaraj**  
Director

**K Vijayalakshmi**  
Company Secretary

**SR Venkatachalam**  
Vice President - Finance

**B Anand**  
Partner  
Membership No.29146

Coimbatore  
23.05.2012



## 1. Significant Accounting Policies

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Elgi Rubber Company Limited ("Company" or "ERCL") is one of the leading companies providing solutions to the rubber industries and engaged in the business of manufacture of reclaim rubbers, retreading machinery and retreading 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 i.e. 1<sup>st</sup> 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. Income 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 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 be 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 2012

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

Previous years figures are not comparable as the previous year figures include nine months operations ending 31.12.2010 of its units located at Kovillpalayam, Puducherry and Palakkad and its retreading units located all over India, whereas the current year figures are without the operations of the said units for the whole accounting period.

### 2.01 Share Capital

	31.03.2012 Rs.	31.03.2011 Rs.
<b>Authorised</b>		
300,300,000 (300,300,000) Equity Shares of Re.1/- each (Re.1/- each)	300,300,000	300,300,000
<b>Issued and Subscribed and fully Paid up</b>		
50,050,000 (50,050,000) Equity Shares of Re.1/- each (Re. 1/- each) fully paid up	50,050,000	50,050,000
	<b>50,050,000</b>	<b>50,050,000</b>

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 proposed by the Board of Directors is subject to the approval of the share holders in the ensuing annual general meeting.

The Board of Directors, in their meeting on 23rd May, 2012, proposed a final dividend of Re. 0.50 per share. The proposal 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 31,2012 amounted to Rs. 29,084,680 including Corporate dividend tax of Rs. 4,059,680. 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

	31.03.2012		31.03.2011	
	No.of Shares	Rs.	No.of Shares	Rs.
<b>Equity Shares</b>				
Balance as at the beginning of the previous year	50,050,000	50,050,000	50,000	500,000
Add: Increase in number of shares on account of reduction of par value of shares from Rs. 10/- to Re.1/-*	-	-	450,000	-
Add: Shares issued during the year**	-	-	49,550,000	49,550,000
<b>Balance as at the end of the year</b>	<b>50,050,000</b>	<b>50,050,000</b>	<b>50,050,000</b>	<b>50,050,000</b>

### 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.

	31.03.2012		31.03.2011	
	No.of Shares	Percentage	No.of Shares	Percentage
Sudarsan Varadaraj	19,578,642	39.12%	19,084,785	38.13%
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, 2012.

\*\* 49,550,000 Equity shares of Re.1/- each were allotted in accordance with the Scheme of Arrangement and Amalgamation during the year 2010-11.

	31.03.2012	31.03.2011
	Rs.	Rs.
<b>2.02 Reserves and Surplus</b>		
<b>a. Capital Reserve</b>		
Opening balance	173,276,500	
Add: On Amalgamation	-	173,276,500
<b>Balance as at the end of the year</b>	<u>173,276,500</u>	<u>173,276,500</u>
<b>b. Securities Premium account</b>		
Opening balance	1,900,000	1,900,000
Add: Receipt on issue of securities	-	-
<b>Balance as at the end of the year</b>	<u>1,900,000</u>	<u>1,900,000</u>
<b>c. General Reserve</b>		
Opening balance	1,188,491,354	-
Add : On Amalgamation	-	1,169,621,470
Add : Transfer from statement of Profit and Loss	9,387,073	18,869,885
<b>Balance as at the end of the year</b>	<u>1,197,878,427</u>	<u>1,188,491,355</u>
<b>d. Surplus in statement of Profit and Loss</b>		
Opening balance	757,539,609	-
Add: Surplus incorporated on amalgamation	-	637,154,600
Profit for the year	93,870,733	188,698,851
Amount available for appropriation	851,410,342	825,853,451
<b>Less : Appropriations</b>		
Proposed dividend on equity shares for the year	25,025,000	42,542,500
Dividend distribution tax on proposed dividend of equity shares	4,059,680	6,901,457
Transfer to General Reserve	9,387,073	18,869,885
<b>Balance as at the end of the year</b>	<u>812,938,589</u>	<u>757,539,609</u>
	<b>2,185,993,516</b>	<b>2,121,207,464</b>
<b>2.03 Long Term Provisions</b>		
Provision for excise disputes	146,616	146,616
Provision for purchase tax, vat disputes	39,096,250	39,096,250
Provision for EPCG disputes	2,564,587	2,564,587
	<b>41,807,453</b>	<b>41,807,453</b>

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.

#### 2.04 Short Term Borrowings

	31.03.2012	31.03.2011
	Rs.	Rs.
<b>Secured</b>		
Loan against fixed deposits with State Bank of India	45,353,527	-
Packing credit facility from State Bank of India	27,563,698	-
	<b>72,917,225</b>	<b>-</b>

- Loan against fixed deposits with State Bank of India amounting to Rs.45,353,527( March 31,2011- Rs.Nil) are secured by lien and pledge of fixed deposit receipts with the State Bank of India and are 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 (b) and (c) above are further secured by first charge over the entire fixed assets of the company including land and building located at Kanjikode, Chenglepatu, Kurichi, Neelambur, Aralvaimozhi and Tirunvelveli.

	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>2.05 Trade Payables</b>		
Trades payables	52,943,339	29,720,685
	<b>52,943,339</b>	<b>29,720,685</b>

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

<b>2.06 Other Current Liabilities</b>		
Employee benefits payable	1,537,929	1,691,190
Dues to key managerial personnel	-	12,085,980
Employee recoveries payable	219,403	210,636
Unpaid dividend	3,383,904	2,989,561
Statutory dues	2,440,090	3,082,441
(Including provident fund, withholding and other taxes payable)		
Royalty payable	-	85,753
Other payables	368,089	16,099
Advance received from customers	9,015,768	8,561,091
	<b>16,965,183</b>	<b>28,722,751</b>

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

<b>2.07 Short Term Provisions</b>		
Provision for compensated absence (Refer Note: 2.36 regarding disclosure requirement as per AS 15)	2,593,981	2,257,944
Other provisions	5,667,709	23,792,802
Provision for proposed dividend on equity shares	25,025,000	42,542,500
Provision for dividend distribution tax on proposed dividend on equity shares	4,059,680	6,901,457
	<b>37,346,370</b>	<b>75,494,703</b>

## 2.08 Fixed Assets

Description	Gross Block			Depreciation				Net Block		
	As at 01.04.2011 Rs.	Additions Rs.	Transfer / Adjustments Rs.	As at 31.03.2012 Rs.	As at 01.04.2011 Rs.	For the year Rs.	Transfer / Adjustments Rs.	As at 31.03.2012 Rs.	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.
Land	197,527,296	125,089,104	16,659,574	305,956,826	-	-	-	-	305,956,826	197,527,296
Building	187,082,884	-	14,387,685	172,695,199	76,315,447	8,983,896	5,860,481	79,438,862	93,256,337	110,767,437
Plant & Machinery	534,557,317	14,217,363	2,495,993	546,278,687	428,974,211	27,698,661	2,334,334	454,338,538	91,940,149	105,583,106
Furniture & Fittings	13,849,285	-	1,985,000	11,864,285	11,119,656	488,653	1,881,880	9,726,429	2,137,856	2,729,629
Vehicle	12,973,505	509,806	2,451,078	11,032,233	4,691,843	1,943,931	1,005,340	5,630,434	5,401,799	8,281,662
Intangible Assets	13,149,245	-	-	13,149,245	12,898,234	251,011	-	13,149,245	-	251,011
<b>Total</b>	<b>959,139,532</b>	<b>139,816,273</b>	<b>37,979,330</b>	<b>1,060,976,475</b>	<b>533,999,391</b>	<b>39,366,152</b>	<b>11,082,035</b>	<b>562,283,508</b>	<b>498,692,967</b>	<b>425,140,141</b>

	31.03.2012		31.03.2011	
	Rs.	Rs.	Rs.	Rs.
<b>2.09 Non Current Investments</b>				
<b>Trade Investments (Long term-valued at cost)</b>				
<b>Un quoted</b>				
Investment in subsidiaries	596,783,819		456,549,477	
Less: Provision for fall in value of investment in subsidiaries	<u>21,403,837</u>	575,379,982	<u>20,005,147</u>	436,544,330
<b>Other Investments (Long term-valued at cost)</b>				
<b>Quoted</b>				
a. Investment in equity instruments		250,400		250,400
b. Investment under the portfolio management scheme of HDFC		7,261,076		8,812,312
<b>Un quoted</b>				
a. Investment in equity instruments		42,020		42,020
b. Investment in Government Securities		10,000,000		10,000,000
c. Investment in Mutual Fund		9,199,000		9,199,000
(Refer Note No.2.48 regarding details of investments)				
		<b>602,132,478</b>		<b>464,848,062</b>
<b>2.10 Deferred Taxes</b>				
Deferred tax assets - Attributable to Expenses allowable for tax purposes when paid	13,628,000		15,607,000	
Carry forward capital loss	-		4,116,000	
Provision for doubtful debts	<u>34,000</u>		-	
<b>Total (A)</b>		13,662,000		19,723,000
Deferred tax liability - Attributable to depreciation	<u>10,600,000</u>		<u>14,777,000</u>	
<b>Total (B)</b>		10,600,000		14,777,000
<b>Deferred tax assets/(liability) Total (A)-(B)</b>		<b>3,062,000</b>		<b>4,946,000</b>
<b>2.11 Long Term Loans and Advances</b>				
(Unsecured - considered good)				
Capital advances		48,201,460		34,528,564
Security deposits		6,493,294		6,867,840
Statutory payments		1,804,522		1,000,000
Advances recoverable in cash or kind		1,810,000		1,810,000
Loans and advances to related parties		409,758,208		522,207,427
		<b>468,067,484</b>		<b>566,413,831</b>
<b>2.12 Other Non Current Assets</b>				
Long term deposits with banks with maturity period more than 12 months		-		2,500,000
Margin money deposits (Lien marked by bank against bank guarantees)		116,000,000		111,000,000
		<b>116,000,000</b>		<b>113,500,000</b>
<b>2.13 Current Investments</b>				
<b>(Quoted, at cost or market value, whichever is less)</b>				
<b>Investment in equity instruments</b>				
332,040 equity shares of Re.1/- each paid up in Elgi Equipments Limited		4,713,300		2,495,824
2,150 equity shares of Rs.10/- each paid up in Precot Meridian Limited		184,900		215,288
		<b>4,898,200</b>		<b>2,711,112</b>
Aggregate value of quoted investments		4,898,200		2,711,112
Aggregate market value of quoted investments		25,087,900		30,439,617

	Rs.	31.03.2012 Rs.	Rs.	31.03.2011 Rs.
<b>2.14 Inventories</b>				
a. Raw materials				
Polimers	73,935,709		15,039,601	
Carbon black	5,948,396		6,827,551	
Butyl scrap & rubber dust	93,591,162		72,185,584	
Others	32,569,911	206,045,178	24,254,231	118,306,967
b. Work in process		17,515,471		13,752,905
c. Finished goods (Reclaimed rubber materials and retreading raw materials)		22,390,822		24,055,489
d. Stock in trade(Traded goods)		10,790,495		8,757,755
e. Stores and spares		14,350,977		12,462,438
f. Others				
Packing materials		6,085,064		3,475,562
Scrap		310,095		40,860
Material in transit		-		1,826,604
		<b>277,488,102</b>		<b>182,678,580</b>
<b>2.15 Trade Receivables</b>				
(Unsecured - considered good)				
Outstanding for a period exceeding six months from the date they are due for payment	19,229,575		19,042,053	
Others	207,530,370	226,759,945	189,622,732	208,664,785
(Unsecured - considered doubtful)				
Outstanding for a period exceeding six months from the date they are due for payment	104,243		-	
Others	-		-	
Less: Provision for doubtful debts	104,243	-	-	-
		<b>226,759,945</b>		<b>208,664,785</b>
<b>2.16 Cash and Bank Balances</b>				
Cash and cash equivalents				
Cash on hand		574,210		371,377
Bank balances				
In current account		5,308,162		53,832,045
In demand deposits		95,000,000		137,770,000
(Out of the above, deposits of Rs. 50,000,000 have been pledged with the bank for the purpose of availing loan on fixed deposit)				
Other bank balances		9,679,030		5,452,151
Long term deposits with maturity more than 3 months but less than 12 months		20,000,000		45,000,000
(Out of the above, deposits of Rs. 5,000,000 have been pledged with the bank)				
Unpaid dividend account		3,383,904		2,989,561
Funds in transit		-		2,015,000
		<b>133,945,306</b>		<b>247,430,134</b>
<b>2.17 Short Term Loans and Advances</b>				
(Unsecured - considered good)				
Advance Payment of Taxes		14,094,142		21,760,515
(Net of Provision of Rs.147,571,998/-(Rs.379,118,760/-)				
Balances with customs, central excise,VAT etc.		29,548,065		28,457,448
Receivable from Government-DEPB/Duty draw back etc		19,156,218		27,478,843
Prepaid expenses		6,625,330		7,542,367
Others		27,301,068		32,526,798
		<b>96,724,823</b>		<b>117,765,971</b>



	31.03.2012	31.03.2011
	Rs.	Rs.
<b>2.18 Other Current Assets</b> (Unsecured, considered good)		
Income accrued on deposits	17,903,126	11,881,802
Income accrued on others	7,689,369	1,002,646
	<b>25,592,495</b>	<b>12,884,448</b>
<b>2.19 Contingent Liabilities and Commitments</b> <b>(to the extent not provided for)</b>		
Claims against the Company not acknowledged as debts		
a. Income tax matters	711,290	2,940,118
b. Excise and Service Tax Matters	776,362	776,362
c. Stamp duty	4,368,304	4,368,304
<b>Capital Commitments</b>		
a. Estimated amount of contracts remaining to be executed on capital account and not provided for	8,733,750	6,617,536
b. Uncalled liability on shares and other investments partly paid Payable in respect of purchase of shares of Rubber Resources BV (RR) on achievement of milestones	EUR 1,440,000	EUR 1,800,000
<b>Other Commitments</b>		
a. During the year, the Company has issued an undertaking to provide need based financial support to its wholly owned subsidiary Company Pincott International Pty Ltd, Australia	AUD 477,771	-
b. Guarantee on account of unpaid liability on account of purchase of shares of Rubber Resources BV as stated in column (b) above	EUR 1,440,000	EUR 1,800,000
c. Guarantee on account of security deposits with various electricity boards, State Road Transport Corporations and other statutory authorities	4,858,409	6,435,000
<b>2.20 Proposed Dividend</b>		
The final dividend proposed for the year is as follows On equity shares of Re.1/- each		
Amount of proposed dividend per equity share	Re.0.50	Re.0.85
<b>2.21 Revenue from Operations</b>		
a. Sale of Products		
Finished goods	796,297,189	1,959,460,125
Traded goods	364,017,490	93,712,497
b. Sale of services	13,230,609	3,293,689
c. Sale of electricity	7,500,074	8,311,714
d. Other operating revenues		
Scrap Sales	3,276,224	1,178,802
	<b>1,184,321,586</b>	<b>2,065,956,827</b>
<b>Sales (Finished Goods)</b>		
Reclaim rubber material	461,697,258	462,389,855
Retreading raw material	192,791,331	1,401,395,416
Envelope	94,863,372	89,765,617
Rubber compound sheets	46,945,228	5,909,237
	<b>796,297,189</b>	<b>1,959,460,125</b>
<b>Sales (Traded goods)</b>		
Retreading machinery accessories	45,287,513	25,568,572
Others	318,729,977	68,143,925
	<b>364,017,490</b>	<b>93,712,497</b>

	Rs.	31.03.2012 Rs.	Rs.	31.03.2011 Rs.
<b>2.22 Other Income</b>				
a. Interest Income				
from bank	23,053,021		26,904,623	
from others	8,229,897		3,387,467	
		31,282,918	<u>30,292,090</u>	30,292,090
b. Dividend Income				
from Subsidiaries	6,383,302		3,844,075	
from Others	1,154,625	7,537,927	1,325,290	5,169,365
c. Net gain on sale of investments		64,373		629,800
d. Net gain on sale of assets		37,445,205		9,505,031
e. Rent received		10,092,000		2,178,000
f. Income from electricity generations		17,282,157		18,305,181
g. Lease receipts on machinery		-		4,780
h. Liabilities written back to the extent no longer required		-		5,791,924
i. Net gain on foreign currency transactions and translations		19,324,802		2,430,379
j. Claims received from Insurance Company		1,093,393		-
k. Miscellaneous income		482,069		1,743,049
		<b>124,604,844</b>		<b>76,049,599</b>
<b>2.23 Cost of Material Consumed</b>				
Raw Material consumed				
Opening inventory	118,306,967		311,632,390	
Add: Purchase	722,451,290		769,700,707	
Less: Inventory at the end of the year	206,045,178		118,306,967	
Cost of raw material consumed during the year		634,713,079		963,026,130
Packing material consumed				
Opening inventory	3,475,562		6,639,384	
Add: Purchase	17,639,153		10,945,689	
Less: Inventory at the end of the year	6,085,064		3,475,562	
Cost of packing material consumed during the year		15,029,651		14,109,511
		<b>649,742,730</b>		<b>977,135,641</b>
<b>2.24 Changes in inventory of finished goods and work in process</b>				
(Increase)/Decrease in Stocks				
<b>Stock at the end of the year</b>				
Finished Goods	22,390,822		24,055,489	
Work in process	17,515,471		13,752,905	
Stock in trade	10,790,495		8,757,755	
Scrap	310,095		40,860	
Securities	4,898,200		2,711,112	
		(55,905,083)		(49,318,121)
<b>Less: Stock at the beginning of the year</b>				
Finished Goods	24,055,489		134,685,896	
Work in process	13,752,905		38,880,154	
Stock in trade	8,757,755		8,508,874	
Scrap	40,860		167,413	
Securities	2,711,112		2,101,888	
		49,318,121		184,344,225
<b>(Increase)/Decrease in inventory of finished goods and work in process</b>		<b>(6,586,962)</b>		<b>135,026,104</b>
<b>2.25 Employee Benefit Expenses</b>				
Salaries, wages and bonus		50,680,869		106,870,970
Contribution to provident and other funds		6,586,897		12,102,868
Gratuity paid		2,773,917		7,735,678
Staff welfare expenses		3,216,519		3,989,720
		<b>63,258,202</b>		<b>130,699,236</b>

(Refer Note: 2.36 on disclosure requirement as per Accounting Standard 15 on Employee benefits)

	Rs.	31.03.2012 Rs.	Rs.	31.03.2011 Rs.
<b>2.26 Finance Cost</b>				
Interest on long term borrowings		-		-
Other borrowing cost		4,714,232		145,658
Financial charges on borrowings		462,033		361,210
		<b>5,176,265</b>		<b>506,868</b>
<b>2.27 Depreciation and Amortisation Expenses</b>				
Depreciation on tangible assets		39,115,142		55,470,670
Amortisation on Intangible assets		251,010		3,209,115
		<b>39,366,152</b>		<b>58,679,785</b>
<b>2.28 Other Expenses</b>				
Consumption of stores and spare		14,251,916		23,951,006
Excise duty*		200,704		184,489
Power and fuel		82,557,240		103,922,121
Rent		908,730		3,577,291
Labour charges		16,079,717		17,513,078
Repairs and Maintenance - Plant and Machinery		25,003,264		41,003,023
Repairs and Maintenance - Building		2,102,697		4,601,559
Repairs and Maintenance - Others		11,667,205		12,307,673
Insurance		4,901,352		6,048,257
Rates and Taxes		3,421,165		6,251,653
Travelling and Conveyance		10,159,914		14,798,301
Directors' Sitting fees		230,000		385,000
Statutory Auditors : Audit fees	450,000		450,000	
Tax matter	50,000		50,000	
Certification fees	5,000		5,000	
Reimbursement of expenses	88,155	593,155	201,349	706,349
Professional fees		12,124,643		11,721,053
Sales commission		3,802,699		5,226,164
Advertisement and other selling expenses		10,504,255		16,030,405
Carriage Inward		5,133,063		12,370,093
Freight charges		28,582,093		36,628,127
Managerial remuneration		4,032,000		15,465,141
Provision for doubtful debts		104,243		-
Loss on sale of assets		-		86,204
Loss on discarding of asset		-		457,116
Loss on sale / redemption of Investment		325		4,947,760
Provision for fall in value of investments		1,398,690		16,805,147
Miscellaneous expenses		15,225,036		25,379,504
		<b>252,984,106</b>		<b>380,366,514</b>
* represents excise duty related to the difference between the closing stock and opening stock				
<b>2.29 Exceptional Items</b>				
Income tax relating to previous years		945,567		1,397,392
		<b>945,567</b>		<b>1,397,392</b>
<b>2.30 CIF Value of Imports</b>				
Raw materials		44,790,586		146,387,898
Components and spare parts		1,848,321		1,789,727
Capital Goods / Work in progress		2,480,000		1,716,078
		<b>49,118,907</b>		<b>149,893,703</b>

	31.03.2012		31.03.2011	
	Rs.	Rs.	Rs.	Rs.
<b>2.31 Expenditure Incurred in Foreign Currency</b>				
Professional and consultation fees		6,008,757		1,621,054
Interest/Bank charges		395,891		747,323
Travelling expenses		756,862		752,939
Membership fee, books & periodicals		150,408		124,782
Advertisement		4,784,676		3,455,925
Sales commission		103,605		3,724,094
Royalty		88,372		104,592
Others		70,722		268,204
		<b>12,359,293</b>		<b>10,798,913</b>
<b>2.32 Dividend remitted in foreign exchange</b>				
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
<b>2.33 Earnings in Foreign Currency</b>				
Revenue from exports on FOB basis		231,680,454		412,776,030
Interest		6,836,751		61,095
Dividend		6,383,302		3,844,075
Other Income		9,203,204		8,646,159
		<b>254,103,711</b>		<b>425,327,359</b>
<b>2.34 Details of Consumption and purchase</b>				
<b>a. Details of Raw Materials Consumed</b>				
Rubber scrap		230,747,156		215,946,177
Polymer		214,102,989		593,809,177
Carbon black		40,654,587		138,294,082
Chemicals & other raw materials		149,208,347		14,976,694
		<b>634,713,079</b>		<b>963,026,130</b>
<b>b. Purchase of Traded goods</b>				
Retreading machinery		103,750		41,500
Tools, Spares and accessories		96,790,170		50,364,527
		<b>96,893,920</b>		<b>50,406,027</b>
<b>c. Details of value of imported and indigenous material consumed</b>	<b>Value</b>	<b>31.03.2012</b>	<b>Value</b>	<b>31.03.2011</b>
	<b>Rs. (% of total consumption)</b>		<b>Rs. (% of total consumption)</b>	
Imported	60,817,342	9.37	84,495,555	8.56
Indigenous	588,147,653	90.63	902,481,581	91.44
	<b>648,964,995</b>	<b>100.00</b>	<b>986,977,136</b>	<b>100.00</b>
<b>2.35 Earnings per Share</b>				
	Before	After	Before	After
	extraordinary items	extraordinary items	extraordinary items	extraordinary items
<b>a. Basic</b>				
Profit after tax	93,870,733	93,870,733	188,698,851	188,698,851
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Basic EPS	1.88	1.88	3.77	3.77
<b>b. Diluted</b>				
Profit after tax	93,870,733	93,870,733	188,698,851	188,698,851
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Diluted EPS	1.88	1.88	3.77	3.77

## 2.36 Employee Benefits

The details required under AS 15 - Employee Benefits as follow

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.

	31.03.2012		31.03.2011	
	Rs.	Rs.	Rs.	Rs.
	Gratuity	Compensated absence	Gratuity	Compensated absence
Present value of defined benefit obligation				
Obligations at period beginning	16,972,500	2,257,944	37,239,678	4,056,363
Service cost	863,866	788,582	2,220,828	2,007,718
Interest cost	1,357,800	-	2,464,275	-
Actuarial (Gain) / Loss	2,273,058	(452,545)	2,207,915	-
Benefits paid	(638,970)	-	-	-
Obligations transferred out on scheme	-	-	(27,160,196)	(3,806,137)
Obligations at period at the end of the year	20,828,254	2,593,981	16,972,500	2,257,944

Defined benefit obligation liability, on account of gratuity, as at the Balance Sheet has been funded to the extent of Rs.21,906,728 /- by the Company. The Company has not funded for the obligations on account of compensated absence. Benefits paid to beneficiaries directly amounting to Rs. 721,766 on account of compensated absence, has not been reflected under the head benefits paid.

<b>Fair value of plan assets</b>				
Plan assets at period beginning at fair value	18,210,744	-	-	-
Expected return on plan assets	1,667,351	-	23,569	-
Actuarial (Gain) / Loss	-	-	-	-
Contributions	2,667,603	-	18,187,175	-
Benefits paid	(638,970)	-	-	-
Plan assets at period end at fair value	21,906,728	-	18,210,744	-
<b>Assets/liabilities recognised in the balance sheet</b>				
Fair value of plan assets at period end	21,906,728	-	18,210,744	-
Present value of the defined benefit obligations at the end of the period	20,828,254	-	16,972,500	-
Asset / (Liability) recognised in the balance sheet*	1,078,474	-	1,238,244	-
<b>Assumptions</b>				
Interest rate	9.25%	9.15%	9.25%	9.00%
Discount rate	8.00%	8.00%	8.00%	8.00%
Estimated salary escalation rate	6.00%	6.50%	6.50%	6.50%
<b>Expenses recognised in the statement of Profit and Loss</b>				
Service cost	863,866	788,582	2,220,828	2,007,718
Interest cost	1,357,800	-	2,464,275	-
Expected return on plan assets	(1,667,351)	-	(23,569)	-
Actuarial (Gain) / Loss	2,273,058	(452,545)	2,207,915	-
Net cost	2,827,373	336,037	6,869,449	2,007,718
<b>Assumptions</b>				
Interest rate	9.25%	9.15%	9.25%	9.00%
Discount rate	8.00%	8.00%	8.00%	8.00%
Estimated salary escalation rate	6.00%	6.50%	6.50%	6.50%

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

\* Surplus in plan value of assets amounting to Rs. 1,078,474 over the liability has not been recognised in the Statement of Profit and Loss on a conservative basis.

## 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 un-hedged foreign currency exposure as at the reporting date

Purpose	31.03.2012		31.03.2011	
Trade payable	-	-	US\$ 7,413	44.65
Trade receivable	US\$ 946,144	51.15	US\$ 1,834,611	44.65
	EURO 680,096	68.34	EURO 18,200	63.24
Others	US\$ 1,635,000	51.15	US\$ 501,356	44.65
Bank Balance	US\$ 15,819	51.15	US\$ 1,137,918	44.65
Bank Balance	EURO 19,298	68.34	-	-
Borrowings	US\$ 538,000	51.15	-	-
	<b>31.03.2012</b>		<b>31.03.2011</b>	
	<b>Rs.</b>		<b>Rs.</b>	

## 2.39 Dues to Micro and small enterprises

Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	271,999	350,237
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at 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 and Treadsdirect Limited upto the accounting year ended 31st March 2009.

2.43 Confirmation from debtors and creditors has not been received in a few cases.

2.44 No intangible / tangible asset has been generated during the year out of the Research and Development activity.

2.45 Pursuant to Accounting Standard (AS 28) - Impairment of assets, the Company assessed its fixed assets for impairment as at March 31, 2012 and concluded that there has been no significant impaired fixed asset that needs to be recognised in the books of account.

## 2.46 Loans and advances include

Treadsdirect Industria E Comercio De Artefator De Borracha Ltda, Brasil	76,734,750	22,325,000
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## 2.47 Sundry Debtors Includes

Due from the Company under the same management as Defined u/s 370 (1-B) of the Companies Act, 1956		
Elgi Rubber Company LLC, USA	339,982	2,186,866
Treadsdirect Limited, Kenya	3,754,400	6,101,662
Treadsdirect Industria E Comercio De Artefator De Borracha Ltda, Brasil	6,664,746	447,524
Treadsdirect Limited, Sri Lanka	-	556,740
Treadsdirect LLC, USA	11,489,741	29,644,779
Treadsdirect Limited.	11,337,136	512,015,402
Titan Tyrecare Products Limited	-	64,795,923

## 2.48 Non Current Investment

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

No. of Units / Shares		Description of Investment	31.03.2012		31.03.2011	
Current Year	Previous Year		Rs.	Rs.	Rs.	Rs.
		<b>In Subsidiaries (Unquoted)</b> (All investment in shares are fully paid up unless otherwise stated)				
6,515,000	6,515,000	Equity Stock of R\$.1 each in Elgi Industria E Comercio De Borrachas Ltda, Brasil	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	1,451,645	3,200,000	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	11,359,875	4,404,698	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	5,050,878	16,805,147	6,449,568
51,700	51,700	Equity Shares of TK.100 each in Treadsdirect Limited, Bangladesh		4,417,290		4,417,290
3,485,000	3,485,000	Equity Shares of R\$1 each in Treadsdirect Industria E Comercio De Artefator De Borracha Ltda., Brasil	56,134,552		56,134,552	
1,000	1,000	Shares of EUR 500 each in Rubber Resources B.V., The Netherlands	47,112,978		47,112,978	
		Add: Payment made during the year (Refer Note No.2.19 )	23,599,940	70,712,918		- 47,112,978
100	-	Shares of AUD 1 each in Pincott International Pty Limited, Australia		106,634,402		-
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	-	10% Redeemable Preference shares of Rs. 10/- each in Titan Tyrecare Products Limited	10,000,000	20,000,000		- 10,000,000
4,750,000	4,750,000	Equity Shares of Rs.10/- each in Treadsdirect Limited		47,500,000		47,500,000
			<b>575,379,982</b>		<b>436,544,330</b>	
		<b>In Equity Investments (Quoted)</b> (Face value of the unit is Rs.10/- each unless otherwise stated and are fully paid up)				
40	40	Equity shares of Re. 1/- each in Elgi Equipments Limited		400		400
25,000	25,000	Equity Shares of Magna Electro Castings Limited		250,000		250,000
			<b>250,400</b>		<b>250,400</b>	
		<b>In the Portfolio Management Scheme of HDFC Asset Management Company Real Estate Portfolio - I (PMS) - (Quoted)</b>				
		<b>a. In Debentures</b> (Face value of the unit is Rs.1000/- each)				
238	238	Ariisto Realtors Private Limited		238,000		238,000
41	41	Ariisto Realtors Private Limited - II		41,000		41,000
58	58	Ariisto Realtors Private Limited - III		58,000		58,000

No. of Units / Shares		Description of Investment	31.03.2012	31.03.2011
Current Year	Previous Year		Rs.	Rs.
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)		
3,395	-	Almond Infrabuild Private Limited	339,500	-
1,074	-	Anand Divine Developers Private Limited - I	107,400	-
2,148	-	Anand Divine Developers Private Limited - II	214,800	-
1,282	1,282	Arimas Developers Private Limited Class A	128,200	128,200
267	-	Arimas Developers Private Limited Class A - Aug 2011	26,700	-
1,786	-	Arimas Developers Private Limited Class B - Aug 2011	178,600	-
-	679	ATS Apartments Private Limited - I	-	67,900
-	722	ATS Apartments Private Limited - II	-	72,200
851	851	BCC Infrastructure Private Limited	85,100	85,100
862	862	BCC Infrastructure Private Limited Class A	86,200	86,200
1,152	1,152	BCC Infrastructure Private Limited Class A - III	115,200	115,200
1,152	1,152	BCC Infrastructure Private Limited Class A - IV	115,200	115,200
1,384	1,384	Bhaveshwar Properties Private Limited	138,400	138,400
1,384	1,384	Bhaveshwar Properties Private Limited - II	138,400	138,400
1,455	1,455	Dharmesh Constructions Private Limited	145,500	145,500
1,462	-	Dharmesh Constructions Private Limited - II	146,200	-
633	-	Ekta Parksville Class A - Series 2	63,300	-
2,105	-	Ekta Parksville Homes Private Limited	210,500	-
527	-	Ekta Parksville Homes Private Limited - II	52,700	-
419	-	Ekta Parksville Homes Private Limited - III	41,900	-
639	639	Ekta World Private Limited - Class A - I	63,900	63,900
615	615	Ekta World Private Limited - Class A - 2	61,500	61,500
796	796	Kunal Spaces Private Limited- Class A	79,600	79,600
800	-	Kunal Spaces Private Limited - Class A - II	80,000	-
1,379	-	Marvel Omega Builders	137,900	-
989	989	Marvel Realtors and Developers - Series 1	98,900	98,900
1,001	1,001	Marvel Realtors and Developers - Series 2	100,100	100,100
914	-	Neelkanth Vinayak Realtors Private Limited	91,400	-
1,307	-	Nilkanth Tech Park Private Limited - 2011 - I	130,700	-
1,308	-	Nilkanth Tech Park Private Limited - 2011 - II	130,800	-
784	-	Nilkanth Tech Park Private Limited - 2011 - III	78,400	-
193	193	Nitesh Housing Developers Private Limited - I	19,300	19,300
689	689	Nitesh Housing Developers Private Limited - II	68,900	68,900
496	496	Nitesh Housing Developers Private Limited - III	49,600	49,600
332	332	Nitesh Housing Developers Private Limited - IV	33,200	33,200
551	551	Nitesh Land Holding Private Limited	55,100	55,100
-	3,768	Runwal Homes - Class A	-	376,800
-	1,705	Runwal Homes - Class B	-	170,500
1,514	-	Runwal Township Private Limited Class B	151,400	-
5,321	5,321	Runwal Township Private Limited	532,100	532,100
1,330	1,330	Total Environment Building Private Limited	133,000	133,000
799	799	Total Environment Building Private Limited - II	79,900	79,900
665	665	Total Environment Building Private Limited - III	66,500	66,500
691	691	Total Environment Building Private Limited - IV	69,100	69,100
3,440	3,440	Total Environment Habitat Private Limited	344,000	344,000
923	-	Total Environment Projects - I	92,300	-
-	1,720	Total Environment Projects I Private Limited - I	-	172,000
55	55	Total Environment Projects - II	5,500	5,500
212	212	Total Environment Projects - III	21,200	21,200
-	678	VBHDC Bangalore Value Homes Private Limited - I	-	67,800
864	864	VBHC Chennai Value Homes Private Limited - Class A	86,400	86,400
736	-	VBHC Delhi Projects Private Limited - 2011	73,600	-
699	699	VBHC Delhi Value Homes Private Limited - I	69,900	69,900
1,896	-	VBHC Mumbai Value Homes Private Limited	189,600	-
678	-	VBHDC Bangalore Value Homes Private Limited - I	67,800	-
			<b>6,435,400</b>	<b>4,757,100</b>



No. of Units / Shares		Description of Investment	31.03.2012	31.03.2011
Current Year	Previous Year		Rs.	Rs
<b>b. In Equity / Preference Shares</b>				
-	972	Ananta Landmarks Private Limited	-	9,720
-	230	Ananta Landmarks Private Limited (Preference)	-	230,000
1,700	1,700	Ansal Hi-Tech Townships Limited	150,000	150,000
284	-	Arimas Developers Private Limited (Preference)	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	6	Godrej Estate Developers Private Limited	110,204	110,204
68	68	Godrej Sea View Properties Private Limited	152,653	152,653
26	26	Kunal Spaces Private Limited	260	260
25	-	Marvel Omega Builders Class B	250	-
-	38	Neo Pharma Private Limited (Preference)	-	38,000
139	139	Nitesh Housing Developers Private Limited	49,545	49,545
107	107	Runwal Homes Private Limited	153,940	153,940
26	-	Runwal Township Private Limited Class A (Preference)	26	-
39	-	Runwal Township Private Limited Class B (Preference)	39	-
26	-	Runwal Township Private Limited Class C (Preference)	109,135	-
74	74	Total Environment Projects I Private Limited	740	740
30	30	VBHDC Bangalore Value Homes Private Limited	300	300
13	13	VBHC Chennai Value Homes Private Limited	130	130
131	-	VBHC Delhi Projects Private Limited Class A	131	-
12	12	VBHC Delhi Value Homes Private Limited	120	120
131	-	VBHC Mumbai Value Homes Private Limited	131	-
			<b>729,274</b>	<b>896,998</b>
<b>c. In Mutual Funds</b>				
(Face value of the unit is Rs.10/- each)				
9,617	314,964	Treasury Advantage Plan - WD	96,402	3,158,214
			<b>7,261,076</b>	<b>8,812,312</b>
<b>In Equity Investment (Unquoted)</b>				
(Face value of the unit is Rs.10/- each unless otherwise stated and are fully paid up)				
11,000	11,000	Equity Shares of Vijay Electro Automation Limited	42,020	42,020
<b>In Government Securities (Unquoted)</b>				
(Face value of the unit is Rs.10/- each unless otherwise stated)				
1,000	1,000	Non-convertible redeemable taxable bonds National Highways Authority of India (Bonds of Rs. 10,000/- each)	10,000,000	10,000,000
<b>In Mutual Funds (Unquoted)</b>				
(Face value of the unit is Rs.10/- each unless otherwise stated)				
9,199	9,199	IL & FS Milestone Fund - I (Units of Rs.1,000/- each)	9,199,000	9,199,000
			<b>602,132,478</b>	<b>464,848,062</b>
<b>Aggregate amount of investments</b>				
Unquoted			594,621,002	455,785,350
Quoted :		Cost	7,511,476	9,062,712
		Market Value	11,533,509	12,400,989

## 2.49 Related Party disclosure (as identified by the Company)

Description of the nature of Transaction	Description of relationship	Related Party	31.03.2012 Rs.	31.03.2011 Rs.	
Income from sale of goods	Subsidiary	Treadsdirect Limited, India	334,004,297	78,080,555	
		Titan Tyrecare Products Limited, India	651,535	-	
		ELGI Rubber Company LLC, USA	9,022,050	3,760,181	
		Treadsdirect Limited, Kenya	49,178,379	39,411,690	
		Treadsdirect Limited, Sri Lanka	2,325,210	4,996,041	
		Treadsdirect Limited, Bangladesh	-	1,693,445	
		Treadsdirect LLC., USA	-	14,802,017	
		Treadsdirect Industria E Comercio De Artefator De Borracha Ltda., Brasil	5,907,653	447,524	
		Rubber Resources B.V., The Netherlands	48,705,709	-	
		Pincott International Pty. Limited, Australia	255,680	-	
Purchase of goods	Subsidiary	Treadsdirect Limited, India	102,788,430	22,532,841	
		Titan Tyrecare Products Limited, India	33,053,910	2,269,312	
		Pincott International Pty. Limited, Australia	278,665	-	
		Other related parties	Elgi Ultra Industries Limited	2,767,148	9,973,662
Elgi Equipments Limited	5,515		-		
Ellargi & Co.,	2,897,659		2,349,319		
Purchase of Fixed Assets	Subsidiary	Treadsdirect Limited, India	3,749,637	-	
Sale of Fixed Assets	Subsidiary	Titan Tyrecare Products Limited, India	780,993	-	
Rendering of Services	Subsidiary	Treadsdirect Limited, India	12,798,137	316,302	
	Other related parties	Elgi Equipments Limited	969,452	1,068,894	
Receiving of Services	Subsidiary	Titan Tyrecare Products Limited, India	-	1,450,000	
		Treadsdirect LLC., USA	-	577,569	
Managerial Remuneration	Other related parties	Elgi Equipments Limited	-	274,228	
		Key Managerial Personnel	L G Varadarajulu	-	79,032
		Sudarsan Varadaraj	4,032,000	15,386,109	
Salary to other Key Managerial Personnel	Key Managerial Personnel	T.Ashokanand	1,381,968	1,030,086	
		S.R.Venkatachalam	1,214,465	1,106,345	
Rent Received	Subsidiary	Treadsdirect Limited, India	9,282,000	1,885,500	
		Titan Tyrecare Products Limited, India	630,000	157,500	
Rent Paid	Key Managerial Personnel	Sudarsan Varadaraj	360,000	360,000	
Dividend Received	Subsidiary	Treadsdirect Limited, Kenya	4,434,701	3,844,075	
		Treadsdirect Limited, Sri Lanka	1,948,601	-	
	Other related parties	Elgi Equipments Limited	332,080	200,000	
		Treadsdirect Limited, India	-	150,000	
Loans given	Subsidiary	Treadsdirect Industria E Comercio De Artefator De Borracha Ltda., Brasil	54,409,750	22,325,000	
Loans taken	Key Managerial Personnel	Sudarsan Varadaraj	37,000,000	-	
Interest received	Subsidiary	Treadsdirect Industria E Comercio De Artefator De Borracha Ltda, Brasil	6,836,751	61,095	
		Sudarsan Varadaraj	1,321,808	-	
Interest paid	Key Managerial Personnel	Sudarsan Varadaraj	1,321,808	-	
		Subsidiary	Pincott International Pty. Limited, Australia	25,422,195	-
Guarantees given	Subsidiary	Treadsdirect Limited, Bangladesh	-	2,232,500	
		Treadsdirect Limited, India	13,962,535	647,617	
Trade Payables	Subsidiary	Titan Tyrecare Products Limited, India	9,241	-	
		Treadsdirect LLC., USA	-	874,703	
		Treadsdirect Limited, Mauritius	-	1,235,383	
		Other related parties	Elgi Equipments Limited	5,515	-
	Elgi Ultra Industries Limited	103,804	132,360		
	Ellargi & Co.,	47,900	-		
	Key Managerial Personnel	Sudarsan Varadaraj	-	12,085,980	

Description of the nature of Transaction	Description of relationship	Related Party	31.03.2012 Rs.	31.03.2011 Rs.	
Trade receivables	Subsidiary	Treadsdirect Limited, India	22,344,658	512,015,402	
		Titan Tyrecare Products Limited, India	7,504,849	64,795,923	
		ELGI Rubber Company LLC., USA	339,945	2,186,866	
		Treadsdirect Limited, Kenya	3,754,530	9,561,330	
		Treadsdirect Limited, Sri Lanka	359,807	556,740	
		Treadsdirect LLC., USA	-	29,644,779	
		Treadsdirect Limited, Bangladesh	-	334,918	
		Treadsdirect Industria E Comercio De			
		Artefator De Borracha Ltda, Brasil	6,664,746	22,833,619	
		Rubber Resources B.V., The Netherlands	42,362,593	-	
		Pincott International Pty. Limited, Australia	4,456,444	-	
		Other related parties	Elgi Equipments Limited	361,011	286,168
			Ellargi & Co.,	100,000	-
			L R G Technologies Limited	-	190,000
Tyre Point Private Limited	-		14,428		
Receivable on account of sale of undertaking	Subsidiary	Treadsdirect Limited, India	280,759,428	435,086,504	
		Titan Tyrecare Products Limited, India	52,264,029	64,795,923	
Loan receivable	Subsidiary	Treadsdirect Industria E Comercio De			
		Artefator De Borracha Ltda, Brasil	76,734,750	22,325,000	
Interest accrued on loans	Subsidiary	Treadsdirect Industria E Comercio De			
		Artefator De Borracha Ltda, Brasil	6,906,128	61,095	

In respect of the above parties, there is no provision for doubtful debts as on 31st March 2012 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

**Sudarsan Varadaraj**  
Chairman & Managing Director

**MD Selvaraj**  
Director

**K Vijayalakshmi**  
Company Secretary

**SR Venkatachalam**  
Vice President - Finance

**B Anand**  
Partner  
Membership No.29146

Coimbatore  
23.05.2012

## Performance and Financial Indicators

### Performance

Particulars	31.03.2012	(Rs. In Million)
		31.03.2011
Sales and other income	1,240.05	2,018.43
Profit before depreciation and tax	178.59	344.29
Profit before tax	138.27	284.21
Profit after tax	93.87	188.69
Dividend%	50*	85
Net fixed assets	503.35	425.16
Investments	602.13	464.85
Net working capital	1,127.50	1,276.30
Total capital employed	2,454.96	2,342.06
Share holder's funds	2,236.04	2,171.26
* Subject to approval in the Annual General Meeting		

### Financial Indicators

Particulars	31.03.2012	(Rs. In Million)
		31.03.2011
Earnings per share - Rs.	1.88	3.77
Cash earnings per share - Rs.	3.57	6.88
Gross sales per share - Rs.	23.66	41.28
Book value per share - Rs.	44.68	43.38
EBITA/Sales %	16.47	17.75
Net profit margin %	8.42	9.71
ROCE%	4.20	8.69

## **Auditors' Report on Consolidated Accounts**

We have examined the attached, Consolidated Balance Sheet of M/s.Elgi Rubber Company Limited and its Subsidiaries (collectively referred to as "Elgi Rubber Group") as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of the Elgi Rubber Company Limited management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our audit in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs.1,031,627,734/- as at March 31, 2012 and total revenues of Rs.3,706,340,724/- (including other income) for the year then ended. These financial statements have been audited by other Auditors whose reports have been furnished to us, and our 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 report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, prescribed by the Company's (Accounting Standards) Rules 2006 and on the basis of the separate audited financial statements of M/s. Elgi Rubber Company Limited and its Subsidiaries, included in the Consolidated Financial Statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of M/s. Elgi Rubber Company Limited and its aforesaid Subsidiaries, we are of the opinion that:

- a. the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of M/s. Elgi Rubber Company Limited and its Subsidiaries as at March 31, 2012
- b. the Consolidated Statement of Profit and Loss gives a true and fair view of the consolidated results of operations of M/s. Elgi Rubber Company Limited and its Subsidiaries for the year then ended and
- c. the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of M/s. Elgi Rubber Company Limited and its Subsidiaries for the year then ended.

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

**B Anand**  
Partner  
Membership No.29146

Coimbatore  
23.05.2012

**Consolidated Balance Sheet of Elgi Rubber Company Limited and its Subsidiary Companies as at 31st March 2012**

		31.03.2012	31.03.2011
Notes		Rs.	Rs.
<b>I. Equity and Liabilities</b>			
Shareholder's Funds			
a.	Share Capital	2.01	50,050,000
b.	Reserves & Surplus	2.02	2,437,747,151
<b>Non current liabilities</b>			
a.	Long term borrowings	2.03	39,320,039
b.	Other Long term liabilities	2.04	65,392,060
c.	Long term provisions	2.05	64,818,026
<b>Current liabilities</b>			
a.	Short term borrowings	2.06	281,503,061
b.	Trade payables	2.07	301,811,088
c.	Other current liabilities	2.08	114,675,525
d.	Short term provisions	2.09	134,333,870
		<b>3,489,650,820</b>	<b>3,185,894,666</b>
<b>II. Assets</b>			
<b>Non current assets</b>			
a.	Fixed Assets		
i.	Tangible assets	2.10	962,156,023
ii.	Intangible assets	2.10	7,755,576
iii.	Capital work in progress		39,126,466
b.	Goodwill on consolidation		100,824,077
c.	Non current Investments	2.11	26,758,496
d.	Deferred tax assets (Net)	2.12	21,866,864
e.	Long term loans and advances	2.13	68,875,287
f.	Other non current assets	2.14	123,371,500
<b>Current assets</b>			
a.	Current Investments	2.15	4,898,200
b.	Inventories	2.16	1,015,533,171
c.	Trade receivables	2.17	719,897,145
d.	Cash and bank balances	2.18	206,088,205
e.	Short term loans and advances	2.19	165,877,676
f.	Other current assets	2.20	26,622,134
		<b>3,489,650,820</b>	<b>3,185,894,666</b>
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

**Sudarsan Varadaraj**  
Chairman & Managing Director

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Coimbatore  
23.05.2012

**Consolidated Statement of Profit and Loss for the year ended 31st March 2012**

	Notes	31.03.2012 Rs.	31.03.2011 Rs.
<b>Income</b>			
Revenue from operations(Gross)	2.23	4,980,361,606	3,383,489,757
Less: Excise duty		196,509,526	156,150,861
Revenue from operations(Net)		4,783,852,080	3,227,338,896
Other Income	2.24	162,543,357	86,008,358
		<b>4,946,395,437</b>	<b>3,313,347,254</b>
<b>Expenses</b>			
Cost of materials consumed	2.25	3,108,087,852	1,791,577,182
Purchases of stock in trade		96,893,920	50,406,027
Changes in inventories of finished goods and Work in process	2.26	(284,975,790)	67,240,314
Employee benefits expenses	2.27	580,767,949	332,617,549
Finance costs	2.28	51,708,978	19,911,810
Depreciation and amortisation expenses	2.29	120,588,584	87,409,299
Other expenses	2.30	1,024,668,285	642,008,203
		<b>4,697,739,778</b>	<b>2,991,170,384</b>
<b>Profit before exceptional and extraordinary items and tax</b>			
		248,655,659	322,176,870
Exceptional items	2.31	945,567	1,397,392
<b>Profit before extraordinary items and tax</b>			
		247,710,092	320,779,478
Extraordinary Items		-	-
<b>Profit before Tax</b>			
		247,710,092	320,779,478
Tax expense			
a. Current tax		115,853,814	135,566,707
b. Deferred tax		(10,549,650)	(10,193,000)
<b>Profit after Tax</b>			
		<b>142,405,928</b>	<b>195,405,771</b>
Significant accounting policies 1			
Earnings per share:(Nominal value per share 2012 Re.1/-(2011 Re.1/-) (including extraordinary items)			
a. Basic		2.85	3.90
b. Diluted		2.85	3.90
(excluding extraordinary items net of taxes)			
a. Basic		2.85	3.90
b. Diluted		2.85	3.90

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

**Sudarsan Varadaraj**  
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Coimbatore  
23.05.2012

## Consolidated Cash flow statement for the year ended 31st March 2012

	31.03.2012	31.03.2011
	Rs.	Rs.
<b>A Cash Flow from operating activities</b>		
Profit before taxation and extraordinary item	247,710,092	320,779,478
Adjustments for		
Depreciation	120,588,584	87,409,299
Profit on sales of tangible assets (net)	(64,876,776)	(5,187,071)
Profit on sale of investments (net)	(64,373)	(629,800)
Provision for diminution in the value of investments	1,399,015	16,805,147
Provision for doubtful debts and advances	1,421,659	1,684,746
Dividend Income	(1,154,625)	(1,325,290)
Interest Expenses (Net)	12,022,574	(13,316,099)
Other non cash items	22,870,844	81,841,029
<b>Operating profit before working capital changes</b>	<b>339,916,994</b>	<b>488,061,439</b>
Increase / (Decrease) in trade payables	(36,898,693)	338,709,781
Increase / (Decrease) in long term provisions	(1,162,942)	65,980,968
Increase / (Decrease) in short term provisions	27,507,440	126,791,365
Increase / (Decrease) in other long term liabilities	(24,840,000)	(391,727,540)
Increase / (Decrease) in other current liabilities	22,314,143	92,361,382
Increase / (Decrease) in short term borrowings	159,254,205	122,248,856
Increase / (Decrease) in long term borrowings	6,119,039	33,201,000
(Increase) / Decrease in trade receivables	(104,270,673)	(274,077,284)
(Increase) / Decrease in inventories	(149,889,569)	(240,286,297)
(Increase) / Decrease in long term loans and advances	(16,436,608)	80,370,768
(Increase) / Decrease in short term loans and advances	41,704,441	(215,033,847)
(Increase) / Decrease in other current assets	(13,354,594)	(13,267,540)
(Increase) / Decrease in other non-current assets	(6,943,929)	112,654,571
<b>Cash generated from Operations</b>	<b>243,019,254</b>	<b>325,987,622</b>
Taxes paid (net of refunds)	(109,206,606)	(170,640,202)
<b>Net cash from operating activities (A)</b>	<b>133,812,648</b>	<b>155,347,420</b>
<b>B Cash flow from Investing activities</b>		
Purchase of tangible / intangible assets	(414,699,723)	(82,050,319)
Sale of tangible / intangible assets	201,086,272	12,912,743
Non current investments	1,550,911	(14,413,577)
Current investments	(2,122,715)	(609,224)
Dividend Income	1,154,625	1,325,290
<b>Net Cash from investing activities (B)</b>	<b>(213,030,630)</b>	<b>(82,835,087)</b>
<b>C Cash flow from Financing activities</b>		
Dividend and distribution tax paid	(49,049,614)	(52,554,492)
Interest paid(Net)	(12,022,574)	12,367,881
<b>Net Cash used in Financing Activities(C)</b>	<b>(61,072,188)</b>	<b>(40,186,611)</b>
<b>Net increase/(decrease) in cash and cash equivalents(A+B+C)</b>	<b>(140,290,170)</b>	<b>32,325,722</b>
Cash and Cash equivalents comprise of		
Cash on hand	2,184,133	1,715,005
Balance with banks*	203,904,072	344,663,370
* includes the following balance which are not available for use by the Company		
Unpaid dividend account	3,383,904	2,989,561
Cash and Cash equivalents at the beginning of the year	346,378,375	314,052,653
Cash and cash equivalents at the end of the year	206,088,205	346,378,375

### 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 other non cash items

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

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**MD Selvaraj**  
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**SR Venkatachalam**  
Vice President - Finance

**B Anand**  
Partner  
Membership No.29146

Coimbatore  
23.05.2012



## Significant Accounting Policies to the Consolidated Accounts

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### 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 disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting periods. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could vary from these 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. Un-amortised 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 Industria E Comercio De Borrachas Ltda., Brasil
  - ELGI Rubber Company LLC, USA
  - Treadsdirect Limited, Kenya
  - Treadsdirect Limited, Sri Lanka
  - Treadsdirect Limited, Bangladesh
  - Treadsdirect LLC, USA
  - Treadsdirect Limited, Mauritius
  - Treadsdirect Industria E Comercio De Artefator De Borracha Ltda., Brasil
  - Rubber Resources B.V., The Netherlands
  - & its subsidiary of Rubber Resources LLC., USA
  - Pincott International Pty. Limited, Australia
- 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 translation 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. **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 December 16, 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 i.e., April 1, 2010.

- b. Engineering undertaking of ERIL was vested in TTPL by way of slump sale with effect from the appointed date (on January1, 2011) and Tread Rubber undertaking of ERIL was vested with TDIL by way of slump sale with effect from the appointed date (on January1, 2011).

### **3. Income 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 / Straight line method as the case may be and at rates permissible under applicable local laws or at 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.

### **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. Investment**

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 realizable 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 realizable 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 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 amortized as expense or income over the life of the contract.

## **11. Employee / Retirement Benefits**

### **In respect of Parent Company including 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 on the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the Elgi Rubber Company Limited Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and the contributions 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 Limited 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.

### **f. 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.

## **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 by the weighted average number of equity shares outstanding during the year. The weighted average number of 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. 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 realized against future taxable capital gains.
- c. In the absence of requirement, the following subsidiaries have not provided for deferred tax  
Treadsdirect Industria E Comercio De Artefator De Borracha Ltda., Brasil  
Elgi Industria E Comercio De Borrachas Ltda., Brasil  
Treadsdirect Limited, Bangladesh  
Treadsdirect Limited, Mauritius  
Rubber Resources BV, The Netherlands  
& its subsidiary Rubber Resources LLC., USA  
Pincott International Pty. Limited, Australia

## **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 consolidated accounts for the year ended 31st March 2012

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

Previous years figures are not comparable, as the consolidation in respect of Subsidiaries located at Brasil, United States of America, Sri Lanka, Kenya, Mauritius, Bangladesh were being consolidated based on their financials for the year ended 31st December, until financial year ended 31st March 2011,

Since current year, their financials for the year ended 31st March are being consolidated. Being the first year of consolidation with uniform year ending financials for all the subsidiary companies ie 31st March, financials for the period 1st January 2011 to 31st March 2012 have been considered for in respect of those subsidiaries stated above.

### 2.01 Share Capital

	31.03.2012 Rs.	31.03.2011 Rs.
<b>Authorised</b>		
300,300,000 (300,300,000) Equity Shares of Re.1/- each (Re.1/- each)	300,300,000	300,300,000
<b>Issued and Subscribed and fully Paid up</b>		
50,050,000 (50,050,000) Equity Shares of Re.1/- each (Re. 1/- each) fully paid up	50,050,000	50,050,000
	<b>50,050,000</b>	<b>50,050,000</b>

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 proposed by the Board of Directors is subject to the approval of the share holders in the ensuing Annual General Meeting.

The Board of Directors, in their meeting on 23rd May, 2012, proposed a final dividend of Re.0.50 per share. The proposal 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 31,2012 amounted to Rs. 29,084,680 including Corporate dividend tax of Rs.4,059,680. 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	31.03.2012 Rs.	No.of Shares	31.03.2011 Rs.
<b>Equity Shares</b>				
Balance as at the beginning of the previous year	50,050,000	50,050,000	50,000	500,000
Add: Increase in number of shares on account of reduction of par value of shares from Rs.10/- to Re.1/-*	-	-	450,000	-
Add: Shares issued during the year**	-	-	49,550,000	49,550,000
<b>Balance as at the end of the year</b>	<b>50,050,000</b>	<b>50,050,000</b>	<b>50,050,000</b>	<b>50,050,000</b>

### 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	19,578,642	39.12%	19,084,785	38.13%
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, 2012.

\*\* 49,550,000 Equity shares of Re.1/- each were allotted in accordance with the Scheme of Arrangement and Amalgamation during the year 2010-11.

	Rs.	31.03.2012 Rs.	Rs.	31.03.2011 Rs.
<b>2.02 Reserves and Surplus</b>				
<b>a. Capital Reserve</b>				
Opening balance	283,417,665		-	
Add: On Amalgamation	-		<b>283,417,665</b>	
Add: Addition during the year	-		-	
<b>Balance as at the end of the year</b>		283,417,665		283,417,665
<b>b. Securities Premium account</b>				
Opening balance	1,914,864		-	
Add: On Amalgamation	-		1,914,864	
Add: Receipt on issue of securities	-		-	
<b>Balance as at the end of the year</b>		1,914,864		1,914,864
<b>c. General Reserve</b>				
Opening balance	1,188,491,355		-	
Add: On Amalgamation	-		1,169,621,470	
Add : Transfer from statement of Profit and Loss	9,387,073		18,869,885	
<b>Balance as at the end of the year</b>		1,197,878,428		1,188,491,355
<b>d. Foreign Currency Translation Reserve</b>				
Opening balance	120,149,771		-	
Add: Addition during the year	56,707,958		120,149,771	
<b>Balance as at the end of the year</b>		176,857,729		120,149,771
<b>e. Investment Reserve for fall in value of investments</b>				
Opening balance	20,005,147		-	
Add: Addition during the year	1,398,690		20,005,147	
<b>Balance as at the end of the year</b>		21,403,837		20,005,147
<b>f. Surplus in statement of Profit and Loss</b>				
Opening balance	652,340,453		-	
Add: Surplus incorporated on amalgamation	-		525,248,524	
Profit for the year	142,405,928		195,405,771	
Amount available for appropriation	794,746,381		720,654,295	
<b>Less : Appropriations</b>				
Proposed Dividend on equity shares for the year	25,025,000		42,542,500	
Dividend distribution tax on proposed dividend of equity shares	4,059,680		6,901,457	
Transfer to General Reserve	9,387,073		18,869,885	
<b>Balance as at the end of the year</b>		756,274,628		652,340,453
		<b>2,437,747,151</b>		<b>2,266,319,255</b>
<b>2.03 Long term borrowings</b>				
<b>Secured</b>				
Long term debts from banks		39,320,039		33,201,000
(Refer note 2.06 for details of securities offered)		<b>39,320,039</b>		<b>33,201,000</b>
<b>2.04 Other long term liabilities</b>				
Consideration payable for acquisition of subsidiary		65,392,060		90,232,060
		<b>65,392,060</b>		<b>90,232,060</b>
<b>2.05 Long term provisions</b>				
Provision for excise disputes		146,616		146,616
Provision for purchase tax, VAT disputes		42,214,912		41,972,397
Provision for EPCG disputes		2,564,587		2,564,587
Provision for gratuity and social cost		19,891,911		21,297,368
		<b>64,818,026</b>		<b>65,980,968</b>
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.				
<b>2.06 Short term borrowings</b>				
<b>Secured</b>				
Loan against fixed deposits with State Bank of India		45,353,527		-
Packing credit facility from State Bank of India		27,563,698		-
Working capital and cash credit facility from banks		208,585,836		122,248,856
		<b>281,503,061</b>		<b>122,248,856</b>

## Holding Company

- a. Loan against Fixed Deposits with State Bank of India is secured by lien and pledge of fixed deposit receipts with the State Bank of India and are repayable on demand.
- b. 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.
- c. 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 (b) and (c) above are further secured by first charge over the entire fixed assets of the company including land and building located at Kanjikode, Chenglepattu, 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.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.
- b. Treadsdirect Limited, Sri Lanka  
Banking facility availed from State Bank of India, Colombo, Sri Lanka 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 National Australia Bank, NSW, Australia is secured by Inventories, Trade debtors and further secured by first charge over the plant and machinery of the company.  
Further, it has been secured by a Standby letter of credit issued by the banker's of the holding company
- d. Rubber Resources BV., The Netherlands  
Banking facility availed from Rabobank, Maastricht, The Netherlands is secured by Inventories, Trade debtors and further secured by first charge over the plant and machinery of the company.

	31.03.2012 Rs.	31.03.2011 Rs
<b>2.07 Trade payables</b>		
Trades payables	301,811,088	338,709,781
	<b>301,811,088</b>	<b>338,709,781</b>
<b>2.08 Other Current Liabilities</b>		
Current maturities of long term debt	26,125,921	18,972,000
Employee benefits payable	7,743,475	7,035,788
Dues to key managerial personnel	12,510,220	12,085,980
Employee recoveries payable	219,403	210,636
Unpaid dividend	3,383,904	2,989,561
Statutory dues	20,387,447	18,456,283
(Including provident fund, withholding and other taxes payable)		
Royalty payable	-	85,753
Other payables	26,453,518	23,336,688
Advance received from customers	17,851,637	9,188,693
	<b>114,675,525</b>	<b>92,361,382</b>

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

<b>2.09 Short term provisions</b>		
Provision for compensated absence	5,857,290	5,368,389
Other provisions	99,391,900	71,979,018
Provision for proposed dividend on equity shares	25,025,000	42,542,500
Provision for dividend distribution tax on proposed dividend on equity shares	4,059,680	6,901,457
	<b>134,333,870</b>	<b>126,791,364</b>

## 2.10 Fixed Assets

Description	Gross Block					Depreciation					Net Block		
	As at 01.04.2011 Rs.	FCTR Rs.	Additions Rs.	Transfer / Adjustments Rs.	As at 31.03.2012 Rs.	As at 01.04.2011 Rs.	FCTR Rs.	For the year Rs.	Transfer / Adjustments Rs.	As at 31.03.2012 Rs.	As at 31.03.2012 Rs.	As at 31.03.2011 Rs.	
Land	207,841,068	583,618	125,089,103	(23,276,843)	310,236,946	-	-	-	-	-	310,236,946	207,841,068	
Building	337,790,979	10,166,034	-	(90,296,510)	257,660,503	79,711,052	174,665	11,704,511	13,525,884	105,116,112	152,544,391	258,079,927	
Plant & Machinery	912,816,708	27,764,925	158,087,775	1,884,498,125	2,983,167,533	495,145,092	4,881,119	104,584,405	1,888,152,820	2,492,763,436	490,404,097	417,671,616	
Furniture & Fittings	17,979,256	315,711	-	(4,670,832)	13,624,135	12,751,546	121,628	787,051	(2,441,785)	11,218,440	2,405,695	5,227,710	
Vehicle	15,982,904	261,338	100,336	10,130,621	26,475,199	5,624,066	77,101	2,472,889	11,736,249	19,910,305	6,564,894	10,358,838	
Intangible Assets	18,921,517	-	4,867,344	-	23,788,861	13,372,668	-	1,039,728	1,620,889	16,033,285	7,755,576	5,548,849	
<b>Total</b>	<b>1,511,332,432</b>	<b>39,091,626</b>	<b>288,144,558</b>	<b>1,776,384,561</b>	<b>3,614,953,177</b>	<b>606,604,424</b>	<b>5,254,513</b>	<b>120,588,584</b>	<b>1,912,594,057</b>	<b>2,645,041,578</b>	<b>969,911,599</b>	<b>9,047,280,008</b>	

	Rs.	31.03.2012 Rs.	Rs.	31.03.2011 Rs.
<b>2.11 Non Current Investments</b>				
<b>Other Investments (Long term-valued at cost)</b>				
<b>Quoted</b>				
a. Investment in equity instruments		250,400		250,400
b. Investment under the portfolio management scheme of HDFC		7,261,076		8,812,312
<b>Unquoted</b>				
a. Investment in equity instruments		42,020		42,020
b. Investment in Government Securities		10,006,000		10,006,000
c. Investment in Mutual Fund		9,199,000		9,199,000
(Refer Note No. 2.41 regarding details of Investments)				
		<b>26,758,496</b>		<b>28,309,732</b>
<b>2.12 Deferred Taxes</b>				
Deferred tax asset - Attributable to				
<b>Expenses allowable for tax purpose when paid</b>				
Elgi Rubber Company Limited, India	13,628,000		15,607,000	
Treadsdirect Limited, India	7,797,000		1,061,000	
Titan Tyrecare Products Limited, India	1,893,184		-	
ELGI Rubber Company LLC, USA	1,420,534		14,444	
Treadsdirect Limited, Sri Lanka	-		283,007	
Treadsdirect LLC, USA	9,079,002		8,586,009	
<b>Provision for doubtful debts</b>				
Elgi Rubber Company Limited, India	34,000		4,116,000	
Treadsdirect Limited, India	979,000		-	
<b>Total (A)</b>		34,830,720		29,667,460
<b>Deferred tax liability - Attributable to depreciation</b>				
Elgi Rubber Company Limited, India	10,600,000		14,777,000	
Treadsdirect Limited, India	571,000		-	
Titan Tyrecare Products Limited, India	813,184		511,000	
Treadsdirect Limited, Kenya	943,036		946,216	
ELGI Rubber Company LLC, USA	-		2,116,030	
Treadsdirect LLC, USA	36,636		-	
<b>Total (B)</b>		12,963,856		18,350,246
<b>Deferred tax -assets/(liability) Total (A)-(B)</b>		<b>21,866,864</b>		<b>11,317,214</b>
<b>2.13 Long Term Loans and Advances</b>				
(Unsecured - Considered good)				
Capital advances		47,914,668		34,528,564
Statutory payments		1,804,522		1,000,000
Security deposits		17,346,097		14,295,593
Advances recoverable in cash or kind		1,810,000		1,810,000
		<b>68,875,287</b>		<b>51,634,157</b>

	Rs.	31.03.2012 Rs.	Rs.	31.03.2011 Rs
<b>2.14 Other Non Current Assets</b>				
Long term deposits with banks with maturity period more than 12 months		1,871,500		4,386,500
Margin money deposits (Lien marked by bank against bank guarantees)		121,500,000		112,041,071
		<b>123,371,500</b>		<b>116,427,571</b>
<b>2.15 Current investments (Quoted, at cost or market value, whichever is less)</b>				
Investment in equity instruments				
332,040 equity shares of Re.1/- each paid up in Elgi Equipments Limited		4,713,300		2,495,824
2,150 equity shares of Rs.10/- each paid up in Precot Meridian Limited		184,900		215,288
		<b>4,898,200</b>		<b>2,711,112</b>
Aggregate value of quoted investments		4,898,200		2,711,112
Aggregate market value of quoted investments		25,087,900		30,439,617
<b>2.16 Inventories</b>				
a. Raw materials				
Polimers	73,935,709		15,039,601	
Carbon black	5,948,396		6,827,551	
Butyl scrap & rubber dust	93,591,162		72,185,584	
Others	324,271,991		525,885,322	
		<b>497,747,258</b>		<b>619,938,058</b>
b. Work in process		83,210,894		26,479,530
c. Finished goods (Reclaimed Rubber materials and retreading raw materials)		260,990,027		109,392,135
d. Stock in trade(Traded goods)		112,964,870		36,148,057
e. Stores and spares		36,396,774		64,433,293
f. Others				
Packing materials	17,748,949		2,697,020	
Scrap	454,447		2,811,814	
Material in transit	6,019,952		3,743,695	
		<b>24,223,348</b>		<b>9,252,529</b>
		<b>1,015,533,171</b>		<b>865,643,602</b>
<b>2.17 Trade Receivables</b>				
(Unsecured - considered good)				
Outstanding for a period exceeding six months from the date they are due for payment	26,764,179		38,862,734	
Others	693,132,966	719,897,145	578,185,397	617,048,131
(Unsecured - considered doubtful)				
Outstanding for a period exceeding six months from the date they are due for payment	54,516,895		43,436,825	
Less: Provision for doubtful debts	54,516,895	-	43,436,825	-
		<b>719,897,145</b>		<b>617,048,131</b>
<b>2.18 Cash and Bank Balances</b>				
Cash and cash equivalents				
Cash on hand		2,184,133		1,715,005
Bank balances				
In current Account		39,553,024		118,238,174
In Demand deposits (Out of the above, deposits of Rs. 50,000,000 have been pledged with the bank for the purpose of availing loan on fixed deposit)		120,366,361		156,496,944
Other bank balances		9,679,030		9,923,691
Long term deposits with maturity more than 3 months but less than 12 months (Out of the above, deposits of Rs. 15,921,753		30,921,753		55,000,000



	31.03.2012 Rs.	31.03.2011 Rs
have been pledged with the bank)		
Unpaid dividend account	3,383,904	2,989,561
Funds in transit	-	2,015,000
	<b>206,088,205</b>	<b>346,378,375</b>
<b>2.19 Short Term Loans and Advances</b> (Unsecured - considered good)		
Advance payment of taxes	14,632,113	21,279,321
Balances with customs, central Excise,VAT etc.	48,263,272	44,392,426
Receivable from Government-DEPB/Duty draw back etc.	19,868,121	6,268,543
Prepaid expenses	9,080,841	9,297,219
Others	74,033,329	133,796,338
	<b>165,877,676</b>	<b>215,033,847</b>
<b>2.20 Other Current Assets</b> (Unsecured - considered good)		
Income accrued on deposits	18,592,104	12,208,005
Income accrued on others	7,689,369	1,002,646
Unamortized formation cost	340,661	56,889
	<b>26,622,134</b>	<b>13,267,540</b>
<b>2.21 Contingent liabilities and Commitments (to the extent not provided for)</b>		
Claims against the Company not acknowledged as debts		
a. Income tax matters	711,290	2,940,118
b. Excise and Service Tax Matters	13,446,362	6,696,362
c. Stamp duty	4,368,304	4,368,304
<b>Capital Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	8,733,750	6,617,536
<b>Other commitments</b>		
a. During the year, the Company has issued an undertaking to provide need based financial support to its wholly owned subsidiary company Pincott International Pty. Limited, Australia	AUD 477,771	-
b. Guarantee on account of unpaid liability on account of purchase of shares of Rubber Resources BV, The Netherlands	EUR 1,440,000	EUR 1,800,000
c. Guarantee on account of security deposits with various electricity boards, State Road Transport corporations and other statutory authorities	14,908,970	15,855,585
d. During the Financial year 2010-11, the Company has acquired the entire outstanding share capital of Company, viz. Rubber Resources BV (RR) incorporated under the laws of Netherlands totalling to 1,000 shares with a nominal value of EUR 500 each, by means of a share purchase agreement (SPA) dated 16th March 2011. Accordingly, the Company had invested an amount of EUR 487,000 to acquire the shares of the aforesaid Company. The SPA further provides for a further payment of EUR 1,800,000 falling due, in equal annual instalments of EUR 360,000 each towards the sale consideration of the aforesaid shares, on achieving milestones over a period of five years. The Company is yet to pay EUR 1,440,000 on the date of this balance sheet date.		
<b>2.22 Proposed Dividend</b>		
The final dividend proposed for the year is as follows		
On equity shares of Re.1/- each		
Amount of proposed dividend per equity share	Re.0.50	Re.0.85

	Rs.	31.03.2012 Rs.	Rs.	31.03.2011 Rs
<b>2.23 Revenue from Operations</b>				
a. Sale of Products				
Finished goods	4,592,337,209		3,247,349,845	
Traded goods	364,017,490		93,712,498	
b. Sale of services	13,230,609		32,936,898	
c. Sale of Electricity	7,500,074		8,311,714	
d. Other operating revenues				
Scrap sales	3,276,224		1,178,802	
		<b>4,980,361,606</b>		<b>3,383,489,757</b>
<b>Sales (Finished Goods)</b>				
Reclaim rubber material		461,697,258		462,389,855
Retreading raw material		3,989,830,751		2,689,285,136
Envelope		94,863,972		89,765,617
Rubber compound sheets		45,945,228		5,909,237
		<b>4,592,337,209</b>		<b>3,247,349,845</b>
<b>Sales (Traded goods)</b>				
Retreading machinery accessories		45,287,513		25,568,572
Others		318,729,977		68,143,926
		<b>364,017,490</b>		<b>93,712,498</b>
<b>2.24 Other income</b>				
a. Interest income				
from bank	27,209,358		27,386,040	
from others	12,477,046		5,841,869	
		39,686,404		33,227,909
b. Dividend income		1,154,625		1,325,290
c. Net gain on sale of investments		64,373		629,800
d. Net gain on sale of assets		65,288,330		9,505,031
e. Rent received		763,740		682,610
f. Income from electricity generations		17,282,157		18,305,181
g. Lease receipts on machinery		-		4,780
h. Liabilities written back to the extent no longer required		-		4,770,461
i. Net gain on foreign currency transactions and translations		19,270,983		907,053
j. Claims received from Insurance Company		1,093,393		-
k. Miscellaneous income		17,939,352		16,650,243
		<b>162,543,357</b>		<b>86,008,358</b>
<b>2.25 Cost of material consumed</b>				
Raw material consumed				
Opening inventory	619,938,028		103,521,857	
Add: Purchase	2,963,078,862		2,290,540,436	
Less: Inventory at the end of the year	497,747,258		619,938,028	
Cost of raw material consumed during the year		3,085,269,632		1,774,124,265
Packing material consumed				
Opening inventory	2,697,020		4,944,081	
Add: Purchase	37,870,149		15,205,856	
Less: Inventory at the end of the year	17,748,949		2,697,020	
Cost of packing material consumed during the year		22,818,220		17,452,917
		<b>3,108,087,852</b>		<b>1,791,577,182</b>
<b>2.26 Changes in inventory of finished goods and work in process</b>				
(Increase) / decrease in stocks				
<b>Stock at the end of the year</b>				
Finished goods	260,990,027		109,392,135	
Work in process	83,210,894		26,479,530	
Stock in trade	112,964,870		36,148,057	
Scrap	454,447		2,811,814	
Securities	4,898,200		2,711,112	
		<b>(462,518,438)</b>		<b>(177,542,648)</b>

	31.03.2012	31.03.2011
	Rs.	Rs.
<b>Less: Stock at the beginning of the year</b>		
Finished goods	109,392,135	193,097,793
Work in process	26,479,530	40,799,166
Stock in trade	36,148,057	8,616,702
Scrap	2,811,814	167,413
Securities	2,711,112	2,101,888
	177,542,648	244,782,962
<b>(Increase)/Decrease in inventory of finished goods and work in process</b>	<b>(284,975,790)</b>	<b>67,240,314</b>
<b>2.27 Employee Benefit Expenses</b>		
Salaries, wages and bonus	539,927,913	294,158,819
Contribution to provident and other funds	21,612,574	14,745,704
Gratuity paid	8,118,750	9,477,890
Staff welfare expenses	11,108,712	14,235,136
	<b>580,767,949</b>	<b>332,617,549</b>
<b>2.28 Finance costs</b>		
Interest on long term borrowings	2,721,556	735,671
Other borrowing cost	48,987,422	19,176,139
	<b>51,708,978</b>	<b>19,911,810</b>
<b>2.29 Depreciation and amortisation expenses</b>		
Depreciation on tangible assets	119,548,856	83,725,751
Amortisation on Intangible assets	1,039,728	3,683,548
	<b>120,588,584</b>	<b>87,409,299</b>
<b>2.30 Other expenses</b>		
Consumption of stores and spares	52,625,170	31,544,591
Excise Duty*	(2,881,042)	8,190,108
Power and fuel	257,194,164	142,668,757
Rent	49,026,872	6,693,419
Labour charges	118,257,220	99,602,213
Repairs and Maintenance - Plant and Machinery	66,970,951	48,000,176
Repairs and Maintenance - Building	6,132,100	5,742,501
Repairs and Maintenance - Others	96,083,438	26,079,138
Insurance	24,574,515	8,730,141
Rates and taxes	15,367,134	13,183,799
Travelling and conveyance	37,880,794	19,425,480
Directors sitting fees	230,000	385,000
Statutory Auditors : Audit fees	2,970,021	1,695,496
Tax matters	167,230	100,000
Certification fees	15,000	15,000
Reimbursement of expenses	284,595	246,325
Professional fees	25,124,461	12,571,311
Sales commission	10,346,837	19,560,615
Advertisement and other selling expenses	44,401,233	20,846,880
Carriage inward	21,078,309	20,954,393
Freight charges	72,670,498	47,299,548
Managerial remuneration	19,124,188	15,758,141
Provision for doubtful debts	1,421,659	1,684,746
Loss on sale of assets	-	153,491
Loss on discarding of asset	411,554	526,634
Loss on sale / redemption of Investment	325	4,947,760
Provision for fall in value of investments	1,398,690	16,805,147
Bad debts	-	1,991,201
Miscellaneous expenses	103,792,369	66,606,192
	<b>1,024,668,285</b>	<b>642,008,203</b>

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

	31.03.2012		31.03.2011	
	Rs.	Rs.	Rs.	Rs.
<b>2.31 Exceptional items</b>				
Income tax relating to previous years		945,567		1,397,392
		<b>945,567</b>		<b>1,397,392</b>
<b>2.32 Earnings per Share</b>				
	Before extraordinary items	After extraordinary items	Before extraordinary items	After extraordinary items
<b>a. Basic</b>				
Profit after tax	142,405,928	142,405,928	195,405,771	195,405,771
Weighted average number of share outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Basic EPS	2.85	2.85	3.90	3.90
<b>b. Diluted</b>				
Profit after tax	142,405,928	142,405,928	195,405,771	195,405,771
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Diluted EPS	2.85	2.85	3.90	3.90

### 2.33 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.

**2.34** 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** Confirmation from debtors and creditors has not been received in a few cases.

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

**2.38** Pursuant to Accounting Standard (AS 28) - Impairment of assets, the Company assessed its fixed assets for impairment as at March 31, 2012 and concluded that there has been no significant impaired fixed asset that needs to be recognised in the books of account.

**2.39** The subsidiary company in the consolidated financial statements and its reporting date is as under:

Name of the Company	Reporting Date	Country of Incorporation	% of voting power held
Treadsdirect Limited	31.03.2012	India	100.00
Titan Tyrecare Prodcuts Limited	31.03.2012	India	100.00
Treadsdirect Industria E Comercio De Artefator De Borracha Ltda.,	31.12.2011	Brasil	100.00
Elgi Industria E Comercio De Borrachas Ltda.	31.12.2011	Brasil	99.92
Treadsdirect LLC	31.12.2011	USA	100.00
ELGI Rubber Company LLC	31.12.2011	USA	100.00
Treadsdirect Limited	31.12.2011	Kenya	99.99
Treadsdirect Limited	31.12.2011	Mauritius	100.00
Treadsdirect Limited	31.12.2011	Sri Lanka	99.99
Treadsdirect Limited	31.12.2011	Bangladesh	100.00
Rubber Resources BV	31.12.2011	The Netherlands	100.00
& its subsidiary Rubber Resources LLC	31.12.2011	USA	100.00
Pincott International Pty. Limited	31.03.2012	Australia	100.00

**2.40** 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 Brazilian Subsidiary.

## 2.41 Non Current Investment

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

No. of Units / Shares		Description of Investment	31.03.2012	31.03.2011
Current Year	Previous Year		Rs.	Rs.
<b>In Equity Investments (Quoted)</b>				
(Face value of the unit is Rs.10/- each unless otherwise stated and are fully paid up)				
40	40	Equity shares of Re. 1/- each in Elgi Equipments Limited	400	400
25,000	25,000	Equity Shares of Magna Electro Castings Limited	250,000	250,000
			<b>250,400</b>	<b>250,400</b>
<b>In the Portfolio Management Scheme of HDFC Asset Management Company Real Estate Portfolio - I (PMS) - (Quoted)</b>				
<b>a. In Debentures</b>				
(Face value of the unit is Rs.1000/- each)				
238	238	Ariisto Realtors Private Limited	238,000	238,000
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)				
3,395	-	Almond Infrabuild Private Limited	339,500	-
1,074	-	Anand Divine Developers Private Limited - I	107,400	-
2,148	-	Anand Divine Developers Private Limited - II	214,800	-
1,282	1,282	Arimas Developers Private Limited Class A	128,200	128,200
267	-	Arimas Developers Private Limited Class A - Aug 2011	26,700	-
1,786	-	Arimas Developers Private Limited Class B - Aug 2011	178,600	-
-	679	ATS Apartments Private Limited - I	-	67,900
-	722	ATS Apartments Private Limited - II	-	72,200
851	851	BCC Infrastructure Private Limited	85,100	85,100
862	862	BCC Infrastructure Private Limited Class A	86,200	86,200
1,152	1,152	BCC Infrastructure Private Limited Class A - III	115,200	115,200
1,152	1,152	BCC Infrastructure Private Limited Class A - IV	115,200	115,200
1,384	1,384	Bhaveshwar Properties Private Limited	138,400	138,400
1,384	1,384	Bhaveshwar Properties Private Limited - II	138,400	138,400
1,455	1,455	Dharmesh Constructions Private Limited	145,500	145,500
1,462	-	Dharmesh Constructions Private Limited - II	146,200	-
633	-	Ekta Parksville Class A - Series 2	63,300	-
2,105	-	Ekta Parksville Homes Private Limited	210,500	-
527	-	Ekta Parksville Homes Private Limited - II	52,700	-
419	-	Ekta Parksville Homes Private Limited - III	41,900	-
639	639	Ekta World Private Limited - Class A - I	63,900	63,900
615	615	Ekta World Private Limited - Class A - 2	61,500	61,500
796	796	Kunal Spaces Private Limited- Class A	79,600	79,600
800	-	Kunal Spaces Private Limited - Class A - II	80,000	-
1,379	-	Marvel Omega Builders	137,900	-
989	989	Marvel Realtors and Developers - Series 1	98,900	98,900
1,001	1,001	Marvel Realtors and Developers - Series 2	100,100	100,100
914	-	Neelkanth Vinayak Realtors Private Limited	91,400	-
1,307	-	Nilkanth Tech Park Private Limited - 2011 - I	130,700	-
1,308	-	Nilkanth Tech Park Private Limited - 2011 - II	130,800	-
784	-	Nilkanth Tech Park Private Limited - 2011 - III	78,400	-
193	193	Nitesh Housing Developers Private Limited - I	19,300	19,300
689	689	Nitesh Housing Developers Private Limited - II	68,900	68,900
496	496	Nitesh Housing Developers Private Limited - III	49,600	49,600
332	332	Nitesh Housing Developers Private Limited - IV	33,200	33,200
551	551	Nitesh Land Holding Private Limited	55,100	55,100
-	3,768	Runwal Homes - Class A	-	376,800
-	1,705	Runwal Homes - Class B	-	170,500
1,514	-	Runwal Township Private Limited Class B	151,400	-
5,321	5,321	Runwal Township Private Limited	532,100	532,100

No. of Units / Shares		Description of Investment	31.03.2012	31.03.2011
Current Year	Previous Year		Rs.	Rs
1,330	1,330	Total Environment Building Private Limited	133,000	133,000
799	799	Total Environment Building Private Limited - II	79,900	79,900
665	665	Total Environment Building Private Limited - III	66,500	66,500
691	691	Total Environment Building Private Limited - IV	69,100	69,100
3,440	3,440	Total Environment Habitat Private Limited	344,000	344,000
923	-	Total Environment Projects - I	92,300	-
-	1,720	Total Environment Projects I Private Limited - I	-	172,000
55	55	Total Environment Projects - II	5,500	5,500
212	212	Total Environment Projects - III	21,200	21,200
-	678	VBHDC Bangalore Value Homes Private Limited - I	-	67,800
864	864	VBHC Chennai Value Homes Private Limited - Class A	86,400	86,400
736	-	VBHC Delhi Projects Private Limited - 2011	73,600	-
699	699	VBHC Delhi Value Homes Private Limited - I	69,900	69,900
1,896	-	VBHC Mumbai Value Homes Private Limited	189,600	-
678	-	VBHDC Bangalore Value Homes Private Limited - I	67,800	-
			<b>6,435,400</b>	<b>4,757,100</b>
		<b>b. In Equity / Preference Shares</b>		
-	972	Ananta Landmarks Private Limited	-	9,720
-	230	Ananta Landmarks Private Limited (Preference)	-	230,000
1,700	1,700	Ansai Hi-Tech Townships Limited	150,000	150,000
284	-	Arimas Developers Private Limited (Preference)	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	6	Godrej Estate Developers Private Limited	110,204	110,204
68	68	Godrej Sea View Properties Private Limited	152,653	152,653
26	26	Kunal Spaces Private Limited	260	260
25	-	Marvel Omega Builders Class B	250	-
-	38	Neo Pharma Private Limited (Preference)	-	38,000
139	139	Nitesh Housing Developers Private Limited	49,545	49,545
107	107	Runwal Homes Private Limited	153,940	153,940
26	-	Runwal Township Private Limited Class A (Preference)	26	-
39	-	Runwal Township Private Limited Class B (Preference)	39	-
26	-	Runwal Township Private Limited Class C (Preference)	109,135	-
74	74	Total Environment Projects I Private Limited	740	740
30	30	VBHDC Bangalore Value Homes Private Limited	300	300
13	13	VBHC Chennai Value Homes Private Limited	130	130
131	-	VBHC Delhi Projects Private Limited Class A	131	-
12	12	VBHC Delhi Value Homes Private Limited	120	120
131	-	VBHC Mumbai Value Homes Private Limited	131	-
			<b>729,274</b>	<b>896,998</b>
		<b>c. In Mutual Funds</b>		
		(Face value of the unit is Rs.10/- each)		
9,617	314,964	Treasury Advantage Plan - WD	96,402	3,158,214
			<b>7,261,076</b>	<b>8,812,312</b>
		<b>In Equity Investment (Unquoted)</b>		
		(Face value of the unit is Rs.10/- each unless otherwise stated and are fully paid up)		
11,000	11,000	Equity Shares of Vijay Electro Automation Limited	42,020	42,020
		<b>In Government Securities (Unquoted)</b>		
		(Face value of the unit is Rs.10/- each unless otherwise stated)		
1,000	1,000	Non-convertible redeemable taxable bonds National Highways Authority of India (Bonds of Rs. 10,000/- each)	10,000,000	10,000,000
-	-	National Savings Certificate	6,000	6,000
			<b>10,006,000</b>	<b>10,006,000</b>

No. of Units / Shares		Description of Investment	31.03.2012	31.03.2011
Current Year	Previous Year		Rs.	Rs
		<b>In Mutual Funds (Unquoted)</b> (Face value of the unit is Rs.10/- each unless otherwise stated)		
9,199	9,199	IL & FS Milestone Fund - I (Units of Rs.1,000/- each)	<b>9,199,000</b>	<b>9,199,000</b>
			<b>26,758,496</b>	<b>28,309,732</b>
<b>Aggregate amount of investments</b>				
Unquoted			19,247,020	19,247,020
Quoted :		Cost	7,511,476	9,062,712
		Market Value	11,533,509	12,400,989

## 2.42 Related Party disclosure (as identified by the Company)

Description of the nature of Transaction	Description of relationship	Related Party	31.03.2012 Rs.	31.03.2011 Rs.
Purchase of goods	Other related parties	Elgi Ultra Industries Limited	2,767,148	9,973,662
		Elgi Equipments Limited	5,515	-
		Ellargi & Co.,	2,897,659	2,349,319
Rendering of Services	Other related parties	Elgi Equipments Limited	969,452	1,068,894
Receiving of Services	Other related parties	Elgi Equipments Limited	-	274,228
Managerial Remuneration	Key Managerial Personnel	L G Varadarajulu	-	79,032
		Sudarsan Varadaraj	16,542,220	15,386,109
Salary to other Key Managerial Personnel	Key Managerial Personnel	T Ashokanand	1,381,968	1,030,086
		SR Venkatachalam	1,214,465	1,106,345
		R Gopalan	1,200,000	293,000
		Sudarsan Varadaraj	360,000	360,000
Rent Paid	Key Managerial Personnel	Sudarsan Varadaraj	360,000	360,000
Dividend Received	Other related parties	Elgi Equipments Limited	332,080	200,000
		Treadsdirect Limited, India	-	150,000
Loans taken	Key Managerial Personnel	Sudarsan Varadaraj	37,000,000	-
Interest paid	Key Managerial Personnel	Sudarsan Varadaraj	1,321,808	-
Trade Payables	Other related parties	Elgi Equipments Limited	5,515	-
		Elgi Ultra Industries Limited	103,804	132,360
		Ellargi & Co.,	47,900	-
		Sudarsan Varadaraj	12,510,220	12,085,980
		Elgi Equipments Limited	361,011	286,168
Trade receivables	Other related parties	Ellargi & Co.,	100,000	-
		L R G Technologies Limited	-	190,000
		Tyre Point Private Limited	-	14,428

In respect of the above parties, there is no provision for doubtful debts as on 31st March 2012 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

**Sudarsan Varadaraj**  
Chairman & Managing Director

**MD Selvaraj**  
Director

**K Vijayalakshmi**  
Company Secretary

**SR Venkatachalam**  
Vice President - Finance

**B Anand**  
Partner  
Membership No.29146

Coimbatore  
23.05.2012

**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	for the Current Financial year	
1	2	3	4	5	6	7	8	9	
Treadsdirect Limited	31.03.2012	4,750,000	100.00	Rs. 118,100,679	Nil	Nil	Nil	Nil	
Titan Tyrecare Products Limited, India	31.03.2012	Equity shares of 1,000,000 & 10% Redeemable preference shares 1,000,000	100.00	Rs. (4,983,258)	Nil	Nil	Nil	Nil	
ELGI Rubber Company LLC, USA	31.12.2011	3,000,000	100.00	\$(38,700.98)	Nil	Nil	Nil	Nil	
Elgi Industria E Comercio De Borrachas Ltda, Lorena, Brasil	31.12.2011	6,515,000	99.92	Nil	Nil	Nil	Nil	Nil	
Treadsdirect Limited - Kenya	31.12.2011	Ordinary shares 23,999	99.99	Ksh. 11,423,342.43	Nil	Nil	Nil	Ksh 7,200,000	
Treadsdirect Limited - Sri Lanka	31.12.2011	Ordinary shares 1,000,000	99.99	SLR 4,250,570	Nil	Nil	Nil	SLR 4,312,500	
Treadsdirect Limited - Bangladesh	31.12.2011	Preference shares 690,000	100.00	TK 229,626	Nil	Nil	Nil	Nil	
Treadsdirect Limited - Mauritius	31.12.2011	Ordinary shares 51,700	100.00	M.Rs (1,035)	Nil	Nil	Nil	Nil	
Treadsdirect LLC - USA	31.12.2011	Ordinary Shares 175,000	100.00	\$20,480.43	Nil	Nil	Nil	Nil	
Treadsdirect Industria E Comercio De Artefator De Borracha Ltda, Brasil	31.12.2011	Ordinary shares 3,485,000	100.00	R\$ (2,536,514)	Nil	Nil	Nil	Nil	
Rubber Resources BV, The Netherlands	31.12.2011	Euro 1,000	100.00	Euro 179,571.43	Nil	Nil	Nil	Nil	
Pincott International Pty Ltd, Australia	31.03.2012	Ordinary Shares 100 of \$ 1 Each	100.00	\$(,84,463 )	Nil	Nil	Nil	Nil	

1. Changes in the interest of the Holding company between the end of the Subsidiary's financial year ended March 31, 2012 and December 31, 2011 (as the case may be) and Holding company for the financial year ended March 31, 2012: NIL

2. Material changes between the end of the Subsidiary's financial year ended March 31, 2012 and December 31, 2011 (as the case may be) and Holding company for the financial year ended March 31, 2012: NIL

Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total assets	Investments	Total liabilities	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend	Value in INR	
													10	11
1	2	3	4	5	6	7	8	9	10	11	12	13	10	11
Treadsdirect Limited	Rupee	1.00	47,500,000	158,560,311	576,734,115	-	370,673,804	1,943,175,456	175,956,679	57,856,000	118,100,679	-	175,956,679	57,856,000
Titan Tyrecare Products Limited, India	Rupee	1.00	20,000,000	(7,118,592)	75,996,661	-	63,115,253	51,781,315	(6,574,258)	(1,591,000)	(4,983,258)	-	(6,574,258)	(1,591,000)
ELGI Rubber Company LLC, USA	Dollar	48.65	147,990,798	(139,706,027)	24,839,497	-	16,554,726	24,445,959	(811,523)	184,748	(996,271)	-	(811,523)	184,748
Elgi Industria E Comercio De Borracha Ltda, Brasil	Real	28.19	102,118,893	20,165,112	128,099,325	-	5,815,320	-	-	-	-	-	-	-
Treadsdirect Limited - Kenya	Shilling	0.59	2,008,731	53,458,759	70,878,843	-	15,411,353	98,496,030	16,003,273	4,885,917	11,117,356	4,434,701	16,003,273	4,885,917
Treadsdirect Limited - Sri Lanka	Rupee	0.41	11,359,875	4,916,484	30,165,775	-	13,889,416	51,217,416	4,763,667	1,093,585	3,670,082	1,948,601	4,763,667	1,093,585
Treadsdirect Limited - Bangladesh	Taka	0.64	4,417,290	1,732,931	6,238,397	-	88,176	2,485,594	233,300	87,487	145,813	-	233,300	87,487
Treadsdirect Limited - Mauritius	Rupee	1.76	1,451,645	(76,350)	5,288,599	-	3,913,304	-	(1,816)	-	(1,816)	-	(1,816)	-
Treadsdirect LLC - USA	Dollar	48.65	5,050,878	148,973,595	185,679,021	-	31,654,548	251,011,388	(2,745,912)	(863,303)	(1,882,609)	-	(2,745,912)	(863,303)
Treadsdirect Industria E Comercio De Artefator De Borracha Ltda, Brasil	Real	28.19	56,134,552	(122,402,960)	228,504,820	-	294,773,228	359,196,115	(71,504,337)	-	(71,504,337)	-	(71,504,337)	-
Rubber Resources BV, The Netherlands	Euro	66.62	70,712,918	236,920,813	2,810,684,033	(24,552,335)	2,478,497,967	1,515,019,675	10,851,478	(1,110,672)	11,962,150	-	10,851,478	(1,110,672)
Pincott International Pty Ltd, Australia	Dollar	50.42	106,634,402	(100,103,010)	51,426,236	-	44,894,844	25,335,490	(4,258,192)	-	(4,258,192)	-	(4,258,192)	-

The figures in the foreign currency have been converted into Indian Rupee based on the appropriate exchange rate as on 31.03.2012.

Coimbatore  
23.05.2012

**Sudarsan Varadaraj**  
Chairman & Managing Director

**MD Selvaraj**  
Director

**K Vijayalakshmi**  
Company Secretary

**SR Venkatachalam**  
Vice President - Finance