

Elgi Rubber Company Limited

Annual Report 2010 - 2011

Chariman & Managing Director

Sudarsan Varadaraj

Non Executive Directors

Dr Jairam Varadaraj
Suresh Jagannathan
MD Selvaraj
CN Srivatsan
P Vijay Raghunath

Head Office

2000, Trichy Road
Singanallur
Coimbatore - 641 005
Tamilnadu

Registered Office

2000, Trichy Road
Singanallur
Coimbatore - 641 005
Tamilnadu

Plants

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

Bankers

State Bank of India
Commercial Branch
Coimbatore

Auditors

Reddy, Goud & Janardhan
Chartered Accountants
Bangalore

Internal Auditors

MS Jagannathan & Visvanathan
Chartered Accountants
Coimbatore

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 5th annual report and the audited accounts for the year ended March 31, 2011. The Management Discussion and Analysis (MD&A) Report have been included at the appropriate places in this report.

Scheme of Amalgamation and Arrangement

Pursuant to the Scheme of Amalgamation and Arrangement under Sections 391 to 394 of the Companies Act, 1956, sanctioned by the Hon'ble High Court of Judicature at Madras vide its Order dated December 16, 2010 between the erstwhile Elgi Rubber Company Limited and Treadsdirect Limited, all the divisions of the said companies were amalgamated with the Company with effect from April 01, 2010. This Order was filed with the Registrar of Companies, Coimbatore, Tamilnadu on January 01, 2011. This being the effective date of the Scheme, certain divisions were transferred and vested with the wholly owned subsidiaries of the Company namely – Treadsdirect (India) Limited, and Titan Tyrecare Products Limited with effect from January 01, 2011.

Further, in accordance with the sanctioned scheme, the necessary application for listing of equity shares of the Company with the National Stock Exchange of India Limited, Mumbai (NSE), was filed on January 24, 2011. The said exchange has granted in principle approval dated February 21, 2011 for the listing of shares, pending relaxation under Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 by the Securities Exchange Board of India (SEBI).

In accordance with the scheme, the company has changed its name as Elgi Rubber Company Limited with effect from April 07, 2011 and its subsidiary, Treadsdirect (India) Limited as Treadsdirect Limited with effect from May 04, 2011.

Abstract of the Financial Results of the Company

(Rs. in Million)

	2010 - 2011
Profit Before Depreciation and Tax	344.29
Less : Depreciation	58.68
Profit Before Taxation	285.61
Less : Provision for Taxation	105.15
(Add) / Less: Provision for Deferred Tax	(9.64)
Profit after Tax	190.10
Less : Adjustment relating to earlier years (Income tax)	1.40
	188.70
Add : Balance surplus incorporated on amalgamation	637.15
Profit available for appropriation	825.85
Appropriation	
General Reserve	18.87
Proposed Dividend at Re 0.85 per share (85 %)	42.54
Dividend Distribution Tax	6.90
Balance surplus carried to balance sheet	757.54

Dividend

The directors recommend a dividend of Re 0.85 per equity share of Re 1 each. This along with the dividend distribution tax comes to Rs. 49.44 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 dematerialized shares, dividend will be paid to the beneficial owners based on the list provided by the depositories. The dividend will be disbursed through the National Electronic Clearing Service of State Bank of India.

Review of Operations and Future Outlook

During the year the company has recorded sales of Rs. 1,937.90 Million. This constitutes nine months of operations of erstwhile Elgi Rubber Company Limited and Treadsdirect Limited and three months of the amalgamated company after vesting certain operations to its subsidiaries. Other income amounted to Rs. 80.52 Million. Prior to April 01, 2010, there were no operations in the company and hence the previous year's performance has not been shown in the annual report.

The performance of the company is dependent on the growth of the rubber industry, primarily in the tyre sector. During the year under review, the tyre sector covering new tyre manufacture and retreading had shown improved performance during the last three quarters of the financial year. This has helped the overall performance of the company. The spiralling cost of raw materials – particularly natural rubber and synthetic rubber, and an increased trend by tyre manufacturers to produce "green" products has resulted in a very encouraging demand for reclaimed rubber.

In March 2011, the company acquired Rubber Resources BV, a reclaimed rubber manufacturing company based in the Netherlands, effective from January 01, 2011. This unit recorded sales of Rs. 337.64 Million for the 3 month period ending March 31, 2011. This acquisition brings to the company new technologies and access to new markets. This, coupled with the planned capacity expansion in India, will give the company market leadership on a global level.

The sale of accessories to the tyre and retreading sectors have also registered a very healthy growth, especially overseas. In order to meet the increased demand, addition to manufacturing capacities are planned during the current year.

Treadsdirect Limited and Titan Tyrecare Products Limited became wholly owned subsidiaries of the Company with effect from January 01, 2011. These units have achieved sales of Rs. 447.38 Million and Rs. 4.46 Million respectively during the last quarter of 2010-2011.

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 minimized the risk relating to the volatility in raw material prices. Foreign exchange fluctuation risk is minimized 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, 2011 is 256.

Subsidiaries

The Ministry of Corporate Affairs vide its general circular No. 02/2011 dated February 08, 2011 has granted general exemption for all public limited Companies from publishing the annual accounts of the subsidiary companies pursuant to Section 212 of the Companies Act, 1956. This circular provides a blanket relaxation to holding companies from the compliance of the said Section subject to certain conditions. The said relaxation is applicable from the financial year 2010-2011 onwards.

According to the circular, the Board of Directors of the Company at their meeting held on May 30, 2011 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 MD Selvaraj, Dr. Jairam Varadaraj, Suresh Jagannathan, CN Srivatsan and P Vijay Raghunath were co-opted as additional directors at the board meeting held on January 06, 2011 and subsequently were appointed as directors at the Extra-ordinary general meeting, Further M John Edward and SR Venkatachalam, directors resigned from the board with effect from January 06, 2011.

As per the provisions of Companies Act and the Articles of Association of the Company, directors of the Company MD Selvaraj and Suresh Jagannathan retire by rotation. Being eligible, they offer themselves for re-appointment.

Sudarsan Varadaraj, Director of the Company was appointed as Chairman & Managing Director with effect from January 01, 2011. Considering his expertise and experience, the Board of Directors at their meeting held on January 6, 2011 have appointed him as per the terms and conditions set out in the agenda of the notice of the Annual General Meeting. The board recommends the approval of the resolution by the members in the ensuing Annual General Meeting.

Auditors

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

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 annual accounts, followed the applicable accounting standards along with proper explanation relating to material departures.
2. Selected such accounting policies and applied them consistently and made judgments 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 along with the particulars of employees as required under section 217(2A) of the Companies Act, 1956.

Corporate Governance

A separate report on the compliance with Clause 49 of the Listing Agreement with the Stock Exchanges and the Auditors' 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 *

Annexure 1

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	: 1.99
b. Recurring	: 6.60
c. Total	: 8.59
d. Total R & D expenditure as a percentage of total turnover	: 0.44%

(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. 425.33 Million

Foreign Exchange Used : Rs. 160.69 Million

Annexure – 2

Information Pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors Report for the year ended March 31, 2011

Name	Designation & Nature of Duties	Age / Qualification & Experience	Total Remuneration (In Rs.)	Date & of Commencement of Employment	Previous Employer
Sudarsan Varadaraj	Chairman & Managing Director	53 years BE (Hons) MS (ME) 30 years	15,386,109	01.01.2011	LSA Engineers Inc Houston, US Ertswile ERCL

Note

1. The Chairman & Managing Director was appointed for a period of five years.

2. Remuneration includes salary, company's contribution to provident fund and reimbursement of medical expenses, commission and other perquisites as applicable.

3. Sudarsan Varadaraj, Chairman & Managing Director is related to Dr. Jairam Varadaraj, Director of the Company.

* vide the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

For the Board of Directors

Coimbatore
30.05.2011

**Sudarsan Varadaraj
Chairman & Managing Director**

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

1. Company’s Philosophy on Corporate Governance

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

2. Board of Directors

- i. The Board of Directors of the Company comprises of an executive Chairman & Managing Director and five non - executive directors (out of which four directors are independent directors). None of the directors on the board is a member of more than 10 committees or chairman of more than 5 committees across all companies in which he is a director. Necessary disclosure regarding committee positions in other public companies as on March 31, 2011 have been made by the directors.
- ii. The composition of the directors and their attendance in the board meetings during the year, 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	11	Yes	7	-	3
Jairam Varadaraj ^	Non executive – Promoter	1	No	9	-	4
MD Selvaraj ^	Non executive – Independent	2	No	2	2	-
P Vijay Raghunath ^	Non executive – Independent	2	No	2	1	2
Suresh Jagannathan ^	Non executive – Independent	1	No	3	-	2
CN Srivatsan ^	Non executive – Independent	Nil	No	4	1	2
SR Venkatachalam \$	Non executive – Non Independent	9	Yes	2	-	-
M John Edward \$	Non executive – Non Independent	10	Yes	2	-	-

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

Only audit committee and share transfer committee are considered.

^ Directors appointed in the Board with effect from January 06, 2011.

\$ Directors resigned from the Board with effect from January 06, 2011

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

Twelve 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	Sl. No.	Date of Board Meeting	No. of Directors Attended
1	21.05.2010	2	7	13.10.2010	3
2	31.05.2010	3	8	15.12.2010	2
3	23.06.2010	3	9	30.12.2010	3
4	30.06.2010	3	10	06.01.2011	3
5	10.07.2010	3	11	06.01.2011	3
6	23.07.2010	3	12	09.02.2011	5

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 no committee meetings were held, since it is not required.

The composition of the audit committee of the board are given below

Name	Category
MD Selvaraj (Chairman)	Independent - Non Executive
Suresh Jagannathan (Member)	Independent - Non Executive
P Vijay Raghunath (Member)	Independent - Non Executive

The representatives of both Statutory and Internal Auditors of the Company and the Vice President Finance of the Company will attend the committee meetings. Company Secretary and Compliance Officer will act as Secretary of the audit committee. The minutes of the audit committee meetings will be circulated to the board, where it will be discussed and duly recorded. The committee considered and reviewed the accounts for the year 2010 – 2011, on their meeting held on May 30, 2011 before it was placed in the board.

4. Remuneration Committee

- (i) Remuneration committee consists of the following non - executive directors.
1. Suresh Jagannathan
 2. MD Selvaraj
 3. CN Srivastan
- (ii) The committee is responsible for the appointment of and determining the compensation payable to the executive and non - executive directors. The committee met on January 06, 2011 to recommend the remuneration payable to Sudarsan Varadaraj, Chairman & Managing Director. MD Selvaraj, Chairman and Suresh Jagannathan, member were present at the meeting.
- (iii) The minutes of the remuneration committee meeting was circulated to the board, where it was discussed and duly approved. Details of remuneration paid to the directors for the year ended March 31, 2011 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
LG Varadarajulu *	Executive Chairman of Ertswhile ERCL	79,032	For a period of 3 years w.e.f. 01.04.2008
Sudarsan Varadaraj	Chairman & Managing Director	15,386,109	For a period of 5 years w.e.f. 01.01.2011

* Deceased on May 19, 2010.

Remuneration includes salary, Company's contribution to Provident Fund, reimbursement of medical expenses and other perquisites.

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	10,000
MD Selvaraj	10,000
Suresh Jagannathan	10,000
P Vijay Raghunath	10,000
CN Srivatsan	-
M John Edward	-
SR Venkatachalam	-

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

In addition to the above Rs. 345,000/- was paid as sitting fees to directors for attending the board and audit committee meetings of ertswhile Elgi Rubber Company Limited & Treadsdirect Limited.

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, 2011)
Suresh Jagannathan	1,050
MD Selvaraj	137

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 Share Transfer & Investors' Relation Committee was constituted by the Board of Directors with effect from January 06, 2011, 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 composition of share transfer & investors' relation committee and the attendance of the members in the meetings are given below:

Name	Category	No. Meetings Held	No. of Meetings Attended
MD Selvaraj - Chairman	Non Executive Director	2	2
Sudarsan Varadaraj - Member	Executive Promoter	2	2
P Vijay Raghunath - Member	Non Executive Director	2	2

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 one complaint from a shareholder and it was resolved satisfactorily by furnishing the requisite information / documents to the said shareholders.

Investors' complaints

The Company has attended to the investors' grievances and correspondence within a maximum period of 7 days from the date of receipt of the same during the year 2010 – 2011. There were no outstanding complaints as on March 31, 2011.

Number of shares transferred during 2010 – 2011

Physical transfers	:	2 Nos. constituting 3,075 shares
Transmission	:	7 Nos. constituting 7,317 shares
No. of pending share transfers / demat requests as on March 31, 2011	:	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, extra ordinary general meetings 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 2007 - 2008	29.09.2008	2.00 PM	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	—
Annual General Meeting 2008 - 2009	30.09.2009	9.00 A.M	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	—
Annual General Meeting 2009 - 2010	30.08.2010	10.00 A.M	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	—
Extra Ordinary General Meetings	30.06.2010	10.00 A.M	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	1. Change in name of the Company 2. Adoption of new Articles of Association
	23.07.2010	12.30 P.M	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	—
	12.11.2010	10.30 A.M	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	1. Change in name of the Company
	14.01.2011	10.30 A.M	2000, Trichy Road, Singanallur, Coimbatore 641 005, Tamilnadu.	—

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

(1) 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.)

(2) 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. Since the company's shares are not yet listed, the relevant provisions are not applicable.

(3) 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.

(4) Details of compliance with mandatory requirements and adoption of the non mandatory requirements of clause 49

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

- (1) 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.
- (2) 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.
- (3) 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 16, 2011
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 2012
First Quarter Results	: 2 nd Fortnight of July 2011
Second Quarter Results	: 2 nd Fortnight of October 2011
Third Quarter Results	: 2 nd Fortnight of January 2012
Annual Results	: 2 nd Fortnight of May 2012
Dividend Payment Date	: September 1, 2011
Date of Book Closure	: From August 6, 2011 to August 16, 2011 (Both days inclusive)

Listing on Stock Exchanges

The Company has received in - principle approval for listing of its shares on the 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	: Not yet allotted
Stock Code at the stock exchange	: Not yet allotted
International Securities Identification Number (ISIN) under Depository System	: INE819L01012

Share Price Movements (Monthly High & Low)

The equity shares of the Company have not yet commenced its trading in the stock exchange and hence the information of high and low prices of the shares in the last financial year could not be furnished.

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 investor 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 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 : 7,131,248 – Expiry date: 04.07.2011
(Continuation of lock-in from erstwhile Treadsdirect Limited)

Share Holding Pattern

Category	No. of Shares	% of Share Holding
Directors and their relatives	23,820,415	47.60
Domestic Companies	7,504,656	14.99
Non Domestic Companies	Nil	Nil
Mutual Funds	4,615	0.01
Commercial Banks	38,409	0.08
Non Resident Indians	220,887	0.44
Public Financial Institutions	2,630,365	5.25
Foreign Institutional Investors	7,175	0.01
Resident Individuals	15,823,478	31.62
Total	50,050,000	100.00

Distribution of Shareholding

Range of Shareholding	No. of Shares	% of Share Holding
0001 - 5000	8,102,022	16.19
5001 - 10000	2,006,982	4.01
10001 - 20000	1,407,110	2.81
20001 - 30000	854,947	1.71
30001 - 40000	564,861	1.13
40001 - 50000	225,290	0.45
50001 - 100000	1,407,580	2.81
100000 and above	35,481,208	70.89
Total	50,050,000	100.00

Number of Shareholders as on March 31, 2011 : 14,092

Dematerialisation of shares and liquidity : Dematerialisation commenced with effect from 15.01.2011. So far 46,947,536 Equity shares accounting for nearly 93.80 % of the paid up capital of the Company has been dematerialised as on March 31, 2011. 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

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, 2011.

For Elgi Rubber Company Limited

**Coimbatore
30.05.2011**

**Sudarsan Varadaraj
Chairman & Managing Director**

CERTIFICATE

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

We have examined the compliance of conditions of Corporate Governance by M/s Elgi Rubber Company Limited, for the year ended on March 31, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

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

In our opinion and to the best of our information 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 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
30.05.2011**

B Anand
Partner
Membership No. 29146

Auditors' Report

We have audited the attached Balance Sheet of M/s Elgi Rubber Company Limited (Formerly known as Elgi Rubber International Limited) as at March 31, 2011, the Profit and Loss Account 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.
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 Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and returns.
 - 2.4 In our opinion, the Balance Sheet, the Profit and Loss Account 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, 2011 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, 2011, 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, 2011;
 - b. In the case of the Profit and Loss Account, 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
30.05.2011

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 disposed off assets of certain divisions to its subsidiary companies on a slump sale basis during the year and in our opinion the same 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/parties as covered in the register maintained under section 301 of the Companies Act, 1956 and hence provisions of clause (iii) (e) to clause (iii) (g) of the order are not applicable.
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 purchase 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, in respect of its Windmill Division 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. To the best of our knowledge and belief and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of Cost records for any other products of the Company.
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 2011 for a period of more than six months from the date they became payable.
 - c. According to the information and explanations given to us, 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	0.31	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 certain expenses	2.94	01.04.2007-31.03.2008	CIT Appeals,CBE
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 to the Companies, firms or parties covered in the register maintained under section 301 of the Companies Act,1956 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 money by way of public issues during the year except for allotment of shares to the existing shareholders as per "the Scheme" and hence the provisions of clause (xx) of Para 4 of this Order (as amended) are not applicable.
21. During the course of our examination of the books of accounts carried on in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year nor have been informed of such case by the management.

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

Coimbatore
30.05.2011

B Anand
Partner
Membership No. 29146

Balance Sheet as at 31st March 2011

	Schedule	Rs.	31.03.2011 Rs.	Rs.	31.03.2010 Rs.
I. Sources of Funds					
Shareholders' Funds					
Capital	1		50,050,000		500,000
Reserves & Surplus	2		2,121,207,464		-
Secured Loan			-		-
Unsecured Loan			-		-
			2,171,257,464		500,000
II. Application of Funds					
Fixed Assets					
Gross Block	3	959,139,532		-	
Less : Depreciation		<u>533,999,391</u>		-	
Net Block			425,140,141		-
Capital Work in Progress			19,992		-
Investments	4		464,848,062		-
Deferred Tax Assets(Net)			4,946,000		-
Current Assets, Loans and Advances					
Interest accrued on Investments		1,002,646		-	
Inventories	5	182,678,580		-	
Stock of Securities	6	2,711,112		-	
Sundry Debtors	7	708,547,212		-	
Cash and Bank Balances	8	360,930,134		345,977	
Other Current Assets	9	11,881,802		1,437	
Loans and Advances	10	184,297,375		2,446	
		1,452,048,861		349,860	
Less					
Current Liabilities and Provisions					
Liabilities	11	124,043,691		7,051	
Provisions		51,701,901		-	
		175,745,592		7,051	
Net Current Assets			1,276,303,269		342,809
Miscellaneous Expenditure	12		-		157,191
(to the extent not written off or adjusted)			2,171,257,464		500,000

Notes and Schedules 1 to 12 form part of this Balance Sheet.

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
30.05.2011

Profit and Loss Account for the year ended 31st March 2011

	Schedule	Rs.	31.03.2011 Rs.	31.03.2010 Rs.
Income				
Sales		2,061,484,335		
Less: Excise Duty		123,581,008	1,937,903,327	-
Other Income	13		80,522,090	25,875
			2,018,425,417	25,875
Expenditure				
Material and other expenditure	14		1,673,994,731	8,668
Interest			145,658	-
Depreciation			58,679,785	-
			1,732,820,174	8,668
Excess of Pre-operative expenses over income				17,207
Transfer to Pre-operatiave expenses				17,207
Profit before Tax			285,605,243	-
(Add) / Less				
Provision for Income Tax			105,100,000	-
Provision for Wealth Tax			52,000	-
Deferred Tax			(9,643,000)	-
Profit after Tax			190,096,243	-
Add / (Less) : Income tax of earlier years			(1,397,392)	-
			188,698,851	-
Add / (Less)				
Balance surplus incorporated on amalgamation			637,154,601	-
Profit available for Appropriation			825,853,452	-
Appropriations				
Proposed Final Dividend			42,542,500	-
Tax on Dividend			6,901,457	-
General Reserve			18,869,885	-
Balance surplus carried to Balance Sheet			757,539,610	-
			825,853,452	-
Earnings per share - Basic & Diluted (Face value of the share is Re.1/- each)			3.77	-

Notes and Schedules 13 and 14 form part of this Profit & Loss Account.

**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
30.05.2011

Schedules forming part of the Balance Sheet as at 31st March 2011

	Rs.	31.03.2011 Rs.	31.03.2010 Rs.
Schedule - 1			
Share Capital			
Authorised			
300,300,000 (500,000) Equity Shares of Re.1/- each (Rs.10/- each)		300,300,000	5,000,000
Issued and Subscribed			
50,050,000 (50,000) Equity Shares of Re.1/- each (Rs. 10/- each) fully paid up (of the above, 49,550,000 (Nil) Equity shares were allotted to the shareholders in accordance with the Scheme of arrangement and amalgamation during the year, as referred to in point No. 2 of Significant Accounting Policies)		50,050,000	500,000
		50,050,000	500,000

Schedule - 2

Reserves and Surplus

Capital Reserve (on amalgamation)		173,276,500	-
Share Premium		1,900,000	-
General Reserve			
As per Last Balance Sheet	-		
Add : On Amalgamation	1,169,621,469		
Add : Transfer from Profit and Loss Account	18,869,885	1,188,491,354	-
Surplus in Profit and Loss Account		757,539,610	-
		2,121,207,464	-

Schedule - 3

Fixed Assets

Description	Gross Block			Depreciation				Net Block		
	As at 01.04.2010 (Refer Note 1 below) Rs.	Additions Rs.	Transfer / Deletion Rs.	As at 31.03.2011 Rs.	As at 01.04.2010 (Refer Note 2 below) Rs.	For the year Rs.	Transfer / Deletion Rs.	As at 31.03.2011 Rs.	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
Land	152,355,054	48,920,642	3,748,400	197,527,296	-	-	-	-	197,527,296	-
Building	207,286,627	2,469,888	22,673,631	187,082,884	84,942,484	10,109,883	18,736,920	76,315,447	110,767,437	-
Plant & Machinery	712,899,891	12,334,080	190,676,654	534,557,317	535,471,846	42,765,816	149,263,451	428,974,211	105,583,106	-
Furniture & Fittings	15,350,121	-	1,500,836	13,849,285	11,880,544	621,846	1,382,734	11,119,656	2,729,629	-
Vehicle	8,943,441	6,029,192	1,999,128	12,973,505	4,258,318	1,973,125	1,539,600	4,691,843	8,281,662	-
Intangible Assets	24,746,745	-	11,597,500	13,149,245	15,514,348	3,209,115	5,825,229	12,898,234	251,011	-
Total	1,121,581,879	69,753,802	232,196,149	959,139,532	652,067,540	58,679,785	176,747,934	533,999,391	425,140,141	-

Note 1: Gross Block value of Assets represents, assets of amalgamating companies taken over as per "Scheme"

Note 2: Accumulated depreciation of assets of amalgamating Companies taken over as per "Scheme"

Previous year figures have not been furnished as there were no assets during the earlier year

	Rs.	31.03.2011 Rs.	31.03.2010 Rs.
Schedule - 4			
Investments - Long Term			
(Unquoted - at cost)			
1,000 Nos. of Bonds of Rs.10,000/- each in National Highways Authority of India		10,000,000	-
Investment in Subsidiaries (Unquoted)	456,549,477		
Less : Provision for fall in value of investment	20,005,147	436,544,330	-
Investment in Shares (Non-Trade)	<u> </u>	42,020	-
(Quoted - at cost)			
Investment in Shares(Trade)		250,400	-
Investment in Mutual Funds (Non - Trade)		18,011,312	-
		464,848,062	-
(Refer Notes on accounts No.24 for details of investments)		-	
Schedule - 5			
Inventories			
Raw Materials		118,306,967	-
Work in process		13,752,905	-
Finished goods		24,055,489	-
Trading goods		8,757,755	-
Stores and Spares		12,462,438	-
Packing materials		3,475,562	-
Scrap		40,860	-
Material in Transit		1,826,604	-
		182,678,580	-
Schedule - 6			
Stock of Securities			
Stock of Equity Shares		2,711,112	-
		2,711,112	-
(Refer Notes on accounts No.25 for details of stock of securities)			
Schedule - 7			
Sundry Debtors (unsecured - considered good)			
Debts outstanding for a period exceeding 6 months		30,088,688	-
Others		678,458,524	-
		708,547,212	-
Schedule - 8			
Cash and Bank Balances			
Cash and Cheques on hand		371,377	-
Balance with Scheduled Banks			
In Current Accounts		53,832,045	22,099
In Cash Credit Accounts		5,452,151	-
In Deposit Accounts		185,270,000	323,878
In Margin Money Deposit Accounts		111,000,000	-
In Dividend Accounts		2,989,561	-
Funds in Transit		2,015,000	-
		360,930,134	345,977
Schedule - 9			
Other Current Assets			
Income Receivable from Banks and Others		11,881,802	1,437
		11,881,802	1,437

	Rs.	31.03.2011 Rs.	Rs.	31.03.2010 Rs.
Schedule - 10				
Loans and Advances (Unsecured - considered good)				
Advances recoverable in cash or kind or for value to be received		69,358,008		-
Loan to Subsidiary		22,325,000		-
Advances on account of Capital items		34,528,564		-
Other Deposits		7,867,840		-
Balances with Customs, Central Excise, VAT etc.		28,457,448		-
Advance payment of Taxes (Net of Provision) (Previous Year Rs. Nil)		21,760,515		2,446
		184,297,375		2,446

Schedule - 11

Current Liabilities and Provisions

Current liabilities

Sundry Creditors		29,720,685		-
Other Liabilities		82,772,354		7,051
Advances received from Customers		8,561,091		-
Unclaimed dividend		2,989,561		-
		124,043,691		7,051

Provision

Provision for Compensated absence		2,257,944		-
Proposed Dividend		42,542,500		-
Tax on Proposed Dividend		6,901,457		-
		51,701,901		-

Schedule - 12

Miscellaneous Expenditure

(To the extent not written off or adjusted)

Pre-Operative expenses brought forward from previous year	157,191		174,398	
Add: Excess of pre-operative expenses over income during the year	-		(17,207)	
Less: Written off during the year	157,191	-	-	157,191

Schedules forming part of the Profit and Loss Account for the year ended 31st March 2011

Schedule - 13

Other Income

Interest Receipts (TDS Rs.2,691,225/-)(Previous Year TDS Rs.2,446/-)		30,292,090		25,875
Income from electricity generation		18,305,181		-
Rent Received (TDS Rs188,550/-) (Previous Year TDS Rs. Nil)		2,178,000		-
Dividend		5,169,365		-
Profit on sale / redemption of investments		629,800		-
Profit on sale of assets		9,505,031		-
Liabilities no longer required written back		4,770,461		-
Exchange Fluctuation (Net)		2,430,378		-
Lease Receipts		4,780		-
Others		7,237,004		-
		80,522,090		25,875

		31.03.2011		31.03.2010
	Rs.	Rs.	Rs.	Rs.
Schedule - 14				
Material and Other Expenditure				
Material				
Raw Material consumed		963,210,619		-
Purchases - Trading Goods		50,406,027		-
Stores and Spares consumed		23,951,006		-
Power and Fuel		103,922,121		-
Carriage Inward		12,370,093		-
Establishment Charges				
Salaries, Wages and Bonus	106,870,970		-	
Contribution to Provident Fund and Other Funds	9,630,386		-	
Gratuity paid	7,735,678		-	
Contribution to ESIC	2,472,482		-	
Labour Charges	17,513,078		-	
Workmen and Staff Welfare expenses	3,989,720	148,212,314	-	-
Selling and distribution Expenses				
Packing Materials	14,109,511		-	
Sales Commission	5,226,164		-	
Others	16,030,405	35,366,080	-	-
Repairs and Maintenance				
Plant and Machinery	41,003,023		-	
Building	4,601,559		-	
Others	12,307,673	57,912,255	-	-
Auditors' Remuneration				
Statutory Auditors : Audit fees	450,000		3,309	
Tax Matters	50,000		-	
Certification fees	5,000		-	
Reimbursement of expenses	201,349	706,349	-	3,309
Rent		3,577,291		-
Rates and Taxes		6,251,653		-
Insurance		6,048,257		-
Freight charges		36,628,126		-
Travelling and Conveyance		14,798,301		-
Directors' Sitting fees		385,000		-
Managerial Remuneration		15,465,141		-
Miscellaneous expenses		37,461,767		5,359
Loss on sale of assets		86,204		-
Loss on discarding of assets		457,116		-
Loss on sale / redemption of Investments		4,947,760		-
Provision for fall in value of investments		16,805,147		-
		1,538,968,627		8,668
Less : Closing Stock				
Work in process	13,752,905		-	
Finished Goods	24,055,489		-	
Trading Goods	8,757,755		-	
Scrap	40,860		-	
Securities	2,711,112	(49,318,121)	-	-
Add : Opening Stock on account of Scheme				
Work in process	38,880,154		-	
Finished Goods	134,685,896		-	
Trading Goods	8,508,874		-	
Scrap	167,413		-	
Securities	2,101,888	184,344,225	-	-
		73,994,731		8,668

Significant Accounting Policies

1. a. Basis of Preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India. The 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 variation in the accounting policy 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 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 the financial statements and the results of the 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 these estimates.

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 January 1, 2011) and Tread Rubber undertaking of ERIL was vested with TDIL by way of slump sale with effect from the appointed date (on January 1, 2011).

Consideration

In terms of the "Scheme",

- i. Each of the eligible shareholders of ERCL as on the record date were allotted one equity share of Re. 1/- each (fully paid up) of ERIL in respect of every five equity shares of Re. 1/- each fully paid up held by them in ERCL.
- ii. Each of the eligible shareholders of TDL as on the record date were allotted one equity share of Re. 1/- each (fully paid up) of ERIL in respect of every four equity shares of Re. 1/- each fully paid up held by them in TDL.
- iii. Lumpsum consideration payable by TTPL and TDIL for the vesting of Engineering division and Tread rubber division respectively, by means of a slump sale were arrived at based on the net book value of the assets as on the effective date i.e., January 1, 2011.

Accounting Treatment

- i. ERIL has recorded the assets and liabilities of ERCL and TDL vested in it pursuant to the scheme at their respective book values in the same form as appearing in the books of ERCL and TDL at the close of business of the immediately preceding the appointed date.
 - ii. The excess/short fall of the book value of the assets over the value of the liabilities of ERCL and TDL, after adjusting the aggregate face value of the shares issued by the ERIL to the members of ERCL and TDL pursuant to the scheme is adjusted in its capital reserve account.
 - iii. Effect on account of Inter-corporate investments, loans or balances between ERCL and TDL and the ERIL, inter se has been given in the books of accounts and records of ERIL for the reduction of assets and liabilities as the case may be.
- c. In respect of certain assets including land/fixed deposits etc., vested with the Company based on the aforesaid scheme, formalities regarding change of name in the relevant legal records/ title deeds in the name of the Company in accordance with the scheme are under progress.

3. Income Recognition

- a. Sales are recognized upon delivery of products and are recorded exclusive of excise duty, service tax but is net of 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.

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 profit and loss statement.

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 profit and loss account.
- c. In the case of forward contract, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract.

11. Employee / Retirement Benefits

- a. Provident Fund : Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon, are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the government administered provident fund. The Company has no obligation beyond its contribution.
- b. Gratuity : A defined benefit retirement plan (the "Gratuity Plan") is provided for all eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lumpsum amount to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of

employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the Elgi Rubber Company Limited Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and the contributions are invested in the Life Insurance Corporation of India administered Fund. (Though the policy for the same has been approved by the LIC of India, the formation of Trust for this purpose is still under progress)

- 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. (Though the policy for the same has been approved by the LIC of India, the formation of Trust for this purpose is still under progress)
- 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. 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.

14. 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.

15. Treatment of Contingent Liabilities

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

Notes on Accounts

1. Previous year figures have been regrouped and reclassified wherever necessary.
2. Previous year figures are not comparable due to the fact that previous year operations do not include the activities of erstwhile ERCL and TDL and hence previous year figures are not furnished.
3. Estimated amount of contracts remaining to be executed on capital works and not provided for is Rs.6,617,536/-
4. Deposit account with banks include fixed deposit of Rs.111,000,000/- lodged with bank as margin money and Rs.5,000,000/- towards overdraft facilities.
5.
 - i. The Company has executed a counter guarantee for Rs.6,435,000/- against the guarantee issued by Company's bankers.
 - ii. The Company has also executed a counter guarantee for Rs. 116,064,500/- towards its subsidiaries.
 - iii. Contingent liability on account of letters of credit established by Company's bankers is Rs.1,665,742/- on account of its subsidiaries.
 - iv. Contingent liabilities not provided for

31.03.2011

(Rs.)

a.	Excise Duty	265,714
b.	Service Tax	510,648
c.	Income Tax	2,940,118
d.	Stamp Duty	4,368,304

6. Secured Loans from State Bank of India
 - i. Cash Credit and Bills Discounting
Secured by the hypothecation of raw materials, semi-finished products, components, finished goods, book debts, other current assets and by creation of equitable mortgage by way of deposit of title deeds of immovable properties of factory land and building located at Kanjikode, Chengalpattu, Kurichi, Neelambur, Aralvaimozhi and Tirunelveli and also collaterally secured by first charge on fixed assets of the company. The equitable mortgage created on its factory's land and building located at Pondicherry and Palakkad which have been transferred to its subsidiary viz., TDIL are yet to be updated in the records of the bank.
 - ii. Packing Credit
Secured by lien on goods meant for export and collaterally secured by securities offered for Cash Credit Account.
7. Sundry Creditors includes
 - i. Dues of Micro and Small Enterprises, as ascertained by the management Rs. 350,237/-
 - ii. Dues of other Creditors other than Micro and Small Enterprises Rs.29,370,448/-
8. Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below
 - i. Principal amount remaining unpaid as on 31st March 2011 : Rs.350,237/-
 - ii. Interest due thereon as on 31st March 2011 : Rs. Nil
 - iii. Interest paid by the company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year : Rs. Nil
 - iv. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006. : Rs. Nil
 - v. Interest accrued and remaining unpaid as at the year end : Rs. Nil
 - vi. Further interest remaining due and payable even in the succeeding years until such date when the interest dues as above are actually paid to the small enterprise : Rs. Nil
9. 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.
10. Foreign currency exposure that are not hedged by derivative or forward contracts as on March 31, 2011 amounts to Rs. 58,002,361/-

11. Number of units of investment in mutual funds are rounded off to the nearest whole number.
12. Interest receipts include Rs.867,543/- received on investments.
13. Dividend income includes
 - i. Rs. 210,750/- received from stock of securities.
 - ii. Rs. 1,114,540/- received on investments from Companies other than Subsidiary Companies.
 - iii. Rs. 3,844,075/- received from its subsidiaries.
14. All Investments are fully paid up, unless otherwise stated.
15. Income Tax assessment has been completed in respect of erstwhile companies viz., Elgi Rubber Company Limited and Treadsdirect Limited upto the accounting year ended March 31, 2008.
16. Confirmation from debtors and creditors has not been received in a few cases.
17. 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.
18. Deferred Tax assets of Rs. 4,116,000/- relating to carry forward of unabsorbed capital losses are recognized in the books, as there is a reasonable certainty that such deferred tax assets can be realised against future taxable capital gains.
19. No intangible / tangible asset has been generated during the year out of the Research and Development activity.
20. Pursuant to Accounting Standard (AS 28) - Impairment of assets notified by Companies Accounting Standards Rules, 2006, the Company assessed its fixed assets for impairment as at March 31, 2011 and concluded that there has been no significant impaired fixed asset that needs to be recognized in the books of account.
21. Additional information pursuant to Part II of Schedule VI of the Companies Act, 1956.

	31.03.2011 Rs.
Expenditure incurred in Foreign Currency (actual payment)	
Travelling expenses	752,939
Membership Fee, Books & Periodicals	124,782
Bank Charges / Interest	747,323
Advertisement	3,455,925
Sales Commission	3,724,094
Other Professional Charges	1,621,054
Royalty	104,592
Others	268,204
1. Earnings in Foreign Exchange	
Calculated on FOB basis for export of goods	412,776,030
Dividend	3,844,075
Interest	61,095
Other Income	8,646,159
2. Value of Imports- CIF Value	
Raw Materials	146,387,898
Spares, Repairs & Maintenance	1,789,727
Capital Goods	1,716,078

Value of raw materials, spare parts and components consumed during the year

	Value Rs.	31.03.2011 (% of total Consumption)
Imported	84,495,555	8.56
Indigenous	902,666,070	91.44
	987,161,625	100.00

22. Capacity, Production, Stock & Turnover**22.1 Licensed/Installed capacities and Production**

Sl.No.	Particulars	Licensed	Installed	31.03.2011 Production
1.	Reclaimed Rubber Materials (MT)	10,800	12,600	11,551
2.	Retreading Raw Materials (MT)	15,000	12,500	7,060
3.	Retreading Machinery (Nos.)			4

22.2 Trading goods

Sl.No.	Particulars	Opening stock value Rs.	Purchase Value Rs.	31.03.2011 Closing stock value Rs.
1.	Retreading Machinery	46,910	41,500	-
		(2)	(2)	-
2.	Tools, Spares & Accessories	8,461,964	50,364,527	8,757,755
3.	Securities	2,101,888	-	2,711,112
		10,610,762	50,406,027	11,468,867

Figures within parentheses represent quantity in Nos.

(Opening Stock value has been arrived out based on the inventory vested with the company as on 1.4.2010)

22.3 Consumption of Raw materials

Sl.No.	Particulars	Qty.	31.03.2011 value Rs.
1.	Rubber Scrap (MT)	11,308	215,946,177
2.	Polymers (MT)	4,199	593,809,177
3.	Carbon Black (MT)	2,396	138,294,082
4.	Chemicals & Other raw materials	-	15,161,183
			963,210,619

22.4 Manufactured items

Sl.No.	Particulars	Opening Stock value Rs.	31.03.2011 Closing Stock value Rs.
1.	Reclaimed Rubber Materials	770,862	671,089
		(16)	(13)
2.	Retreading Raw Materials	115,532,989	21,423,907
		(1,120)	(168)
3.	Retreading Machinery	1,423,510	-
		(4)	-
4.	Others	16,958,535	1,960,493
		134,685,896	24,055,489

Figures within parentheses represents quantity in Nos. / MT

22.5 Turnover

Sl.No.	Particulars	Qty.	31.03.2011 value Rs.
1.	Reclaimed Rubber Materials (MT)	11,554	462,389,855
2.	Retreading Raw Materials (MT)	7,335	1,403,491,561
3.	Retreading Machinery (Nos)	8	6,215,569
4.	Others	-	189,387,350
			2,061,484,335

23. Sundry debtors includes

	31.03.2011 Rs.
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	2,186,866
Treadsdirect Limited, Kenya	6,101,662
Treadsdirect Do Industria E Comercio De Artefator De Borracha Ltda.,Brasil	447,524
Treadsdirect Limited, Sri Lanka	556,740
Treadsdirect LLC, USA	29,644,779
Treadsdirect Limited	512,015,402
Titan Tyrecare Products Limited	64,795,923

24. Details of Investments

No. of Units / Shares Current year	Description of Investment	Rs.	31.03.2011 Rs.
	Government Securities (Unquoted – at cost)		
	National Highways Authority of India		
500	Non-convertible redeemable taxable bonds	5,000,000	
500	Add : Purchase during the year	5,000,000	
			10,000,000
	Investment in Subsidiaries (Unquoted)		
	(All investment in shares are fully paid up unless otherwise stated)		
6,515,000	Equity Stock of R\$.1 each in Elgi Industria E Comercio De Borrachas Ltda., Brasil		102,118,893
3,000,000	LLC Unit of \$1 each in ELGI Rubber Company LLC,USA		147,990,798
175,000	Equity Shares of MRs.10 each in Treadsdirect Limited, Mauritius	4,651,645	
	Less : Provision for fall in value of investment	3,200,000	
			1,451,645
23,999	Equity Shares of KSh.100 each in Treadsdirect Limited, Kenya		2,008,731
1,000,000	Equity Shares of SLRs.10 each in Treadsdirect Limited, Srilanka	6,955,177	
690,000	12.5% Redeemable Cumulative Preference Shares of SLRs.10 each in Treadsdirect Limited, Srilanka	4,404,698	
			11,359,875
	100% Interest in Equity in Treadsdirect LLC. USA	23,254,715	
	Less : Provision for fall in value of investment	16,805,147	
			6,449,568
51,700	Equity Shares of TK.100 each in Treadsdirect Limited, Bangladesh		4,417,290
3,483,963	Equity Shares of R\$1 each in Treadsdirect Do Industria E Comercio De Artefator De Borracha Ltda., Brasil		56,134,552
1,000	Shares of EUR 500 each in Rubber Resources B.V., The Netherlands		47,112,978
1,000,000	Equity Shares of Rs.10/- each in Titan Tyrecare Products Limited		10,000,000
4,750,000	Equity Shares of Rs.10/- each in Treadsdirect Limited		47,500,000
			436,544,330
	Investment in Shares (Unquoted)		
	(Face value of the unit is Rs.10/- each unless otherwise stated and are fully paid up)		
11,000	Equity Shares of Vijay Electro Automation Limited		42,020
			42,020
	Investment in Shares (Quoted)		
	(Face value of the unit is Rs.10/- each unless otherwise stated and are fully paid up)		
200,000	Equity shares of KLRF Limited		
(200,000)	Sold during the year		
40	Equity shares of Re.1/-each fully paid in Elgi Equipments Limited		400
25,000	Equity Shares of Magna Electro Castings Limited		250,000
			250,400

No. of Units / Shares Current year	Description of Investment	Rs.	31.03.2011 Rs.
	Investment in Mutual Funds (Non - Trade) - Quoted (Face value of the unit is Rs.10/- each unless otherwise stated)		
500,000 (500,000)	In ICICI Prudential Mutual Fund Real Estate Securities Fund – Retail – G Less : Redeemed during the year	5,000,000 5,000,000	-
	In Milestone Real Estate Fund		
10,000 (801) 9,199	IL & FS Milestone Fund – I (Units of Rs.1,000/- each) Less : Partly redeemed during the year	10,000,000 801,000	
		9,199,000	
	Under the Portfolio Management Scheme of HDFC Asset Management Company		
	Real Estate Portfolio – I (PMS) - (Quoted) In Debentures (Face value of the unit is Rs.1,000 each)		
238	Ariisto Realtors Private Limited	238,000	
41	Ariisto Realtors Private Limited – II	41,000	
58	Ariisto Realtors Private Limited – III	58,000	
139	Ariisto Realtors Private Limited – IV	139,000	
320	Atithi Building Commodities Pvt Limited	320,000	
44	Atithi Building Commodities Pvt Limited – II (Face value of the unit is Rs.100/- each)	44,000	
1,282	Arimas Developers Pvt Limited Class A	128,200	
679	ATS Apartments Pvt Limited – I	67,900	
722	ATS Apartments Pvt Limited – II	72,200	
851	BCC Infrastructure Pvt Limited	85,100	
862	BCC Infrastructure Pvt Limited Class A	86,200	
1,152	BCC Infrastructure P Limited Class A – III	115,200	
1,152	BCC Infrastructure P Limited Class A – IV	115,200	
1,384	Bhaveshwar Properties Pvt Limited	138,400	
1,384	Bhaveshwar Properties Pvt Limited – II	138,400	
1,455	Dharmesh Constructions Pvt Limited	145,500	
639	Ekta World Private Limited – Class A - I	63,900	
615	Ekta World Private Limited – Class A - 2	61,500	
796	Kunal Spaces Private Limited – Class A	79,600	
989	Marvel Realtors and Developers – Series 1	98,900	
1,001	Marvel Realtors and Developers – Series 2	100,100	
193	Nitesh Housing Developers Pvt Limited – I	19,300	
689	Nitesh Housing Developers Pvt Limited – II	68,900	
496	Nitesh Housing Developers Pvt Limited – III	49,600	
332	Nitesh Housing Developers Pvt Limited – IV	33,200	
551	Nitesh Land Holding Pvt Limited	55,100	
3,768	Runwal Homes - Class A	376,800	
1,705	Runwal Homes - Class B	170,500	
5,321	Runwal Township Pvt Limited	532,100	
1,330	Total Environment Building Pvt Limited	133,000	
799	Total Environment Building Pvt Limited – II	79,900	
665	Total Environment Building Pvt Limited – III	66,500	
691	Total Environment Building Pvt Limited – IV	69,100	
3,440	Total Environment Habitat Pvt Limited	344,000	
1,720	Total Environment Projects I Pvt Limited - I	172,000	
55	Total Environment Projects – II	5,500	
212	Total Environment Projects - III	21,200	
678	VBHDC Bangalore Value Homes Pvt Limited – I	67,800	
864	VBHC Chennai Value Homes Pvt Limited – Class A	86,400	
699	VBHC Delhi Value Homes Pvt Limited – I	69,900	
		4,757,100	

No. of Units / Shares Current year	Description of Investment	Rs.	31.03.2011 Rs.
	In Equity / Preference Shares		
972	Ananta Landmarks Pvt Limited	9,720	
230	Ananta Landmarks Pvt Limited (Preference)	230,000	
1,700	Ansal Hi-Tech Townships Limited	150,000	
28	BCC Infrastructure Pvt Limited	280	
85	BCC Infrastructure Pvt Limited (Preference)	850	
256	Ekta World Private Limited (Preference)	256	
6	Godrej Estate Developers Pvt Limited	110,204	
68	Godrej Sea View Properties Pvt Limited	152,653	
26	Kunal Spaces Pvt Limited	260	
38	Neo Pharma Pvt Limited (Preference)	38,000	
139	Nitesh Housing Developers Pvt Limited	49,545	
107	Runwal Homes Pvt Limited	153,940	
74	Total Environment Projects I Pvt Limited	740	
30	VBHDC Bangalore Value Homes Pvt Limited	300	
13	VBHC Chennai Value Homes Pvt Limited	130	
12	VBHC Delhi Value Homes Pvt Limited	120	
		896,998	
	In Mutual Funds - Quoted		
	(Face value of the unit is Rs.10/- each)		
314,964	Treasury Advantage Plan – WD	3,158,214	
		3,158,214	
			18,011,312

Aggregate amount of investments

Unquoted		446,586,350
Quoted	Cost	18,261,712
	Market Value	21,599,989

25. Details of Stock of Securities

(Face Value of the share / unit is Rs.10/- each unless otherwise stated)

No of Units/ Shares Current Year	Description of Investment	31.03.2011 Rs.
332,040	Elgi Equipments Limited of Re.1/- each fully paid	2,495,824
2,150	Precot Meridian Limited	215,288
		2,711,112

26. Debtors include a sum of Rs. 64,795,923/- due from M/s Titan Tyrecare Products Limited and Rs.435,086,504/- due from Treadsdirect Limited on account of the sale of undertaking as per the scheme.

27. Remuneration of Managerial Personnel

		31.03.2011 Rs.
Computation of net profit under Sec.309(5) of the Companies Act, 1956		
	Net Profit as per Profit and Loss Account	285,605,243
Add	: Book depreciation	58,679,785
	Managerial Remuneration	15,465,141
	Sitting Fees for Directors	385,000
	Loss on discarding of assets	457,116
	Provision for fall in value of investments	16,805,147
	Loss on sale of investments (Net)	4,317,960
Less	: Depreciation as per Section 350	58,679,785
	Profit on sale of assets	9,505,031
	Provision no longer required written back	4,227,760
	Profit for Managerial Remuneration (referred to below)	309,302,816
	(subject to a maximum of 5% on profits as calculated above)	
	Managing Director's Commission	12,741,912
	Salary to Managing Director	2,538,900
	Perquisites to Managing Director	105,297
	Salary to Erstwhile Chairman	79,032
		15,465,141

As the future liability for gratuity is provided on actuarial basis for the Company as a whole, the amount pertaining to the Directors is not ascertainable and therefore not included above.

28. Earnings Per Share

- Basic Earnings Per Share is calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.
- The following reflects the income and share data used in the computation of basic and diluted earnings per share.

	31.03.2011 Rs.
Amount used as the numerator	
Net profit attributable to the ordinary shareholders for basic earnings Per Share of Re. 1/- each fully paid up	188,698,851
No. of Ordinary Shares used as denominator	
Weighted average number of ordinary shares in issue applicable to Basic earnings per share	50,050,000
Diluted earnings per share	50,050,000
Earnings per share – Basic & Diluted	3.77

29. The Company has acquired the entire outstanding share capital of the Company viz. Rubber Resources BV (RR) incorporated under the laws of the Netherlands totaling 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 the transfer of economic benefit of RR with effect from the effective date i.e., January 1, 2011. The SPA also provides for a further payment of EUR 1,800,000 falling due, in equal annual installments of EUR 360,000 each towards the sale consideration of the aforesaid shares, on achieving milestones over a period of five years. The standalone financials for the year ended 31st March 2011, reflect a sum of EUR 487,000 as investment in the said Company.

30. 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 recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for Compensated absence is recognized in the same manner as gratuity.

The following table sets out the Gratuity plan as required under AS15. Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

Particulars	31.03.2011	31.03.2011
	Rs.	Rs.
	Gratuity	Compensated Absence
Obligations at Period beginning	37,239,678	4,056,363
Service Cost	2,220,828	2,007,718
Interest Cost	2,464,275	-
Actuarial (Gain)/ Loss	2,207,915	-
Benefits paid	-	-
Obligations transferred out on scheme	(27,160,196)	(3,806,137)
Obligations at Period at the end of the year	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.18,210,744/- by the Company. The company has not funded for the obligations on account of compensated absence.

Change in Plan Assets		
Plan assets at period beginning at fair value	-	-
Expected return on plan assets	23,569	-
Actuarial Gain / (Loss)	-	-
Contributions	18,187,175	-
Benefits paid	-	-
Plan assets at period end at fair value	18,210,744	-
Reconciliation of present value of the obligation and the fair value of the plan assets		
Fair value of plan assets at period end	18,210,744	-
Present value of the defined benefit obligations at the end of the period	16,972,500	-
Asset /(Liability) recognized in the balance sheet	1,238,244	-
Assumptions		
Interest rate	9.25%	9.00%
Discount rate	8.00%	8.00%
Estimated salary escalation rate	6.50%	6.50%

Particulars	31.03.2011	31.03.2011
	Rs.	Rs.
	Gratuity	Compensated Absence
Cost of the period		
Service Cost	2,220,828	2,007,718
Interest Cost	2,464,275	-
Expected return on plan assets	(23,569)	-
Actuarial (Gain) / Loss	2,207,915	-
Net Cost	6,869,449	2,007,718
Assumptions		
Interest rate	9.25%	9.00%
Discount rate	8.00%	8.00%
Estimated salary escalation rate	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 over the liability has not been recognized in the profit & loss account.

31. Deferred Tax Liability/Asset are attributable to the following

	31.03.2011 Rs.
Deferred Tax Liability – Attributable to Depreciation Total (A)	14,777,000 14,777,000
Deferred Tax Asset – Attributable to Expenses allowable for tax purposes when paid Carry forward Capital Loss Total (B)	15,607,000 4,116,000 19,723,000
Deferred Tax Liability / (Asset) Total (A) – (B)	(4,946,000)

32. Related Party Disclosures (As identified by the Management)

Nature of Transaction	Subsidiary Company	Key Management Personnel	Other Related Parties	Total
	31.03.2011 Rs.	31.03.2011 Rs.	31.03.2011 Rs.	31.03.2011 Rs.
Purchases of goods	24,802,153	-	12,322,981	37,125,134
Sales of goods	143,191,453	-	-	143,191,453
Managerial Remuneration	-	15,465,141	-	15,465,141
Sale of undertaking (Net Book Value)	499,478,067	-	-	499,478,067
Key Personnel salary other than Director	-	2,136,431	-	2,136,431
Rendering of services	316,302	-	1,068,894	1,385,196
Receiving of services	2,027,569	-	274,228	2,301,797
Loans given	22,325,000	-	-	22,325,000
Interest received	61,095	-	-	61,095
Rent received	2,043,000	-	-	2,043,000
Rent paid	-	360,000	-	360,000
Dividend received	3,844,075	-	350,000	4,194,075
Guarantees given as on 31.03.2011	116,064,500	-	-	116,064,500
Balance as on 31.03.2011 (Net receivables)	641,929,576	-	490,596	642,420,172
Balance as on 31.03.2011 (Net payables)	2,757,703	12,085,980	132,360	14,976,043

Note

Names of related parties and description of relationship

Holding Company

Nil

Key Management Personnel

Sudarsan Varadaraj
SR Venkatachalam
T Ashokanand (Ertswhile TDL)

Associates

Nil

Other Related Parties

Ellargi & Co.
L R G Technologies Limited
ATS Elgi Limited
Elgi Equipments Limited
Elgi Ultra Industries Limited
Tyre Point Private Limited

Subsidiary Companies

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 Do Industria E Comercio De Artefator De Borracha Ltda., Brasil
Rubber Resources B.V., The Netherlands
& its subsidiary Rubber Resources LLC., USA

In respect of the above parties, there is no provision for doubtful debts as on 31st March 2011 and no amount has been written off / written back during the year in respect of debts due from / to them.

The under noted companies constitute the "Group" in terms of Regulation 3(e)(i) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended, with effect from 09.09.2002.

Elgi Ultra Industries Limited
Elgi Equipments Limited

LRG Technologies Limited
ATS Elgi Limited

Tyre Point Private Limited
Salem Services (P) Limited

Signatures to Schedules 1 to 14, Accounting Policies and Notes on Accounts.

**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
30.05.2011

Cash Flow Statement for the year ended 31st March 2011

	Rs.	31.03.2011 Rs.
A. Cash Flow from Operating Activities		
Profit before Tax		285,605,243
<i>Adjustments for</i>		
Depreciation		58,679,785
Interest receipts (Net)		(30,146,432)
Investment income - Dividend		(5,169,365)
Unrealised foreign exchange fluctuation		942,793
Other non cash items		(823,029)
Profit on sale of fixed assets		(9,505,031)
Loss on sale of Investments(Net)		4,317,960
Operating Profit before Working Capital Changes		303,901,924
<i>Adjustments for</i>		
Inventories	341,226,260	
Debtors	(364,183,606)	
Loans & Advances (other than advance tax)	5,609,388	
Stock of securities	(609,224)	
Liabilities (excluding unclaimed dividends)	(67,718,870)	
Net changes in working capital		(85,676,052)
Cash generated from Operations		218,225,872
Direct taxes paid (net off tax refunds)		(131,403,947)
Net Cash from Operating Activities (A)		86,821,925
B. Cash Flow from Investment Activities		
On account of amalgamation		
Purchase of fixed assets		(69,316,679)
Sale of fixed assets		64,496,130
Investment income - Dividend		5,169,365
Interest receipts		30,292,090
Purchase / sale of investments		4,967,771
Investment in subsidiaries		(91,007,831)
Adjustments for movement of interest receivable		(622,015)
Net Cash used in Investment Activities (B)		(56,021,169)
C. Cash Flow from Financing Activities		
Dividend paid		(52,554,492)
Interest paid		(145,658)
Cash generated from Financing Activities (C)		(52,700,150)
Net Increase in Cash & Cash Equivalents (A+B+C)		(21,899,394)
Opening Balance - Cash & Cash Equivalents		345,977
Add: - Cash & Cash Equivalents transferred on amalgamation		382,483,551
		382,829,528
Closing Balance - Cash & Cash Equivalents		360,930,134

Explanatory notes to Cash Flow Statement

- 1 The Cash Flow Statement is prepared as per Accounting Standard 3 (notified pursuant to the Companies (Accounting Standards) Rules, 2006).
- 2 The net profit / loss arising due to conversion of current assets / liabilities, receivable / payable in foreign currency is furnished under the head "Unrealized foreign exchange fluctuation".
- 3 Other non cash items represents miscellaneous adjustments not affecting cash flow.

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
30.05.2011

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No :

1	3	1	4	4
---	---	---	---	---

 State Code :

1	8
---	---

Balance Sheet Date :

3	1
---	---

0	3
---	---

2	0	1	1
---	---	---	---

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue :

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

 Rights Issue :

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

Bonus Issue :

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

 Private Placement :

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities :

		2	1	7	1	2	5	7
--	--	---	---	---	---	---	---	---

 Total Assets :

		2	1	7	1	2	5	7
--	--	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital :

				5	0	0	5	0
--	--	--	--	---	---	---	---	---

 Reserves & Surplus :

		2	1	2	1	2	0	7
--	--	---	---	---	---	---	---	---

Secured Loans :

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

 Deferred Tax Liability :

													N	I	L
--	--	--	--	--	--	--	--	--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets :

			4	2	5	1	6	0
--	--	--	---	---	---	---	---	---

 Investments :

			4	6	4	8	4	8
--	--	--	---	---	---	---	---	---

Net Current Assets :

		1	2	7	6	3	0	3
--	--	---	---	---	---	---	---	---

 Deferred Tax Asset :

						4	9	4	6
--	--	--	--	--	--	---	---	---	---

Accumulated Losses :

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

IV. Performance of Company (Amount in Rs. Thousands)

Turnover :

		2	0	1	8	4	2	5
--	--	---	---	---	---	---	---	---

 Total Expenditure :

		1	7	3	2	8	2	0
--	--	---	---	---	---	---	---	---

Profit/Loss before Tax :

		2	8	5	6	0	5
--	--	---	---	---	---	---	---

 Profit/Loss after Tax :

		1	8	8	6	9	8
--	--	---	---	---	---	---	---

Earnings per share in Rs.:

					3	.	7	7
--	--	--	--	--	---	---	---	---

 Dividend Rate :

										8	5	%
--	--	--	--	--	--	--	--	--	--	---	---	---

V. Generic Names of Principal Products / Services of Company (as per monetary terms)

Item Code No. :

4	0	0	3	-	0	0	0	0
---	---	---	---	---	---	---	---	---

Product Description :

R	E	C	L	A	I	M	R	U	B	B	E	R							
---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--

Item Code No. :

4	0	0	8	-	2	9	4	0
---	---	---	---	---	---	---	---	---

Product Description :

P	R	E	C	U	R	E	T	Y	R	E	T	R	E	A	D	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Item Code No. :

4	0	1	6	-	9	9	9	0
---	---	---	---	---	---	---	---	---

Product Description :

E	N	V	E	L	O	P	E	S	&	P	A	T	C	H	E	S			
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	--	--	--

Coimbatore
30.05.2011

Sudarsan Varadaraj
Chairman & Managing Director

MD Selvaraj
Director

K Vijayalakshmi
Company Secretary

SR Venkatachalam
Vice President - Finance

Performance and Financial Indicators

Performance

Particulars	(Rs. In Million) 31.03.2011
Sales and other income	2,142.01
Profit before depreciation and tax	344.29
Profit before tax	285.61
Profit after tax	188.69
Dividend %	85*
Gross fixed assets	959.14
Net fixed assets	425.16
Investments	464.85
Net working capital	1,276.30
Total capital employed	2,166.31
Share holders Funds	2,171.26

* Subject to the approval in the Annual General Meeting

Financial Indicators

Particulars	(Rs. In Million) 31.03.2011
Earnings per share - Rs.	3.77
Cash earnings per share - Rs.	6.88
Gross Sales per share - Rs.	41.19
Book value per share - Rs.	43.38
EBITA / Sales %	16.71
Net profit margin %	9.15
ROCE%	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, 2011, the Consolidated Profit and Loss Account 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.319,533,647/- as at March 31, 2011 and total revenues of Rs.1,294,921,837/- (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, 2011
- b. the Consolidated Profit and Loss Account 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
30.05.2011

Consolidated Balance Sheet of Elgi Rubber Company Limited and its Subsidiary Companies as at 31st March 2011

Schedule	31.03.2011		31.03.2010	
	Rs.	Rs.	Rs.	Rs.
I. Sources of Funds				
Shareholders' Funds				
Capital	1	50,050,000		500,000
Reserves & Surplus	2	2,266,319,255		-
Secured Loan		174,421,856		-
Unsecured Loan		-		-
		2,490,791,111		500,000
II. Application of Funds				
Fixed Assets				
Gross Block	3	1,516,170,418		
Less : Depreciation		606,604,425		
Net Block			909,565,993	-
Capital Work in Progress			8,557,392	-
Investments	4		28,309,732	-
Deferred Tax Assets(Net)			11,317,214	-
Current Assets, Loans and Advances				
Interest accrued on Investments		1,002,646		-
Inventories	5	865,643,602		-
Stock of Securities	6	2,711,112		-
Sundry Debtors	7	617,048,131		-
Cash and Bank Balances	8	462,805,946		345,977
Other Current Assets	9	12,208,005		1,437
Loans and Advances	10	270,141,215		2,446
		2,231,560,657		349,860
Less				
Current Liabilities and Provisions	11			
Liabilities		643,450,455		7,051
Provisions		55,126,311		-
		698,576,766		7,051
Net Current Assets			1,532,983,891	342,809
Miscellaneous Expenditure	12		56,889	157,191
(to the extent not written off or adjusted)				
		2,490,791,111		500,000

Notes and Schedules 1 to 12 form part of this Balance Sheet.

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
30.05.2011

Consolidated Profit and Loss Account for the year ended 31st March 2011

Schedule	Rs.	31.03.2011 Rs.	31.03.2010 Rs.
Income			
Sales	3,381,053,758		
Less: Excise Duty	<u>156,150,861</u>	3,224,902,897	-
Other Income	13	88,444,357	25,875
		3,313,347,254	25,875
Expenditure			
Material and other expenditure	14	2,883,849,275	8,668
Interest		19,911,810	-
Depreciation		87,409,299	-
		2,991,170,384	8,668
Excess of Pre-operative expenses over income			17,207
Transfer to Pre-operative expenses			17,207
Profit before Tax		322,176,870	-
(Add) / Less			
Provision for Income Tax		135,514,707	-
Provision for Wealth Tax		52,000	-
Deferred Tax		(10,193,000)	-
Profit after Tax		196,803,163	-
Add / (Less) : Income tax of earlier years		(1,397,392)	-
		195,405,771	-
Add / (Less)			
Balance surplus incorporated on amalgamation		525,248,524	-
Profit available for Appropriation		720,654,295	-
Appropriations			
Proposed Final Dividend		42,542,500	-
Tax on Dividend		6,901,457	-
General Reserve		18,869,885	-
Balance surplus carried to Balance Sheet		652,340,453	-
		720,654,295	-
Earnings per share - Basic & Diluted (Face value of the share is Re.1/- each)		3.90	-

Notes and Schedules 13 to 14 form part of this Profit and Loss Account

**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
30.05.2011

Schedules forming part of the Consolidated Balance Sheet as at 31st March 2011

	Rs.	31.03.2011 Rs.	31.03.2010 Rs.
Schedule - 1			
Share Capital			
Authorised			
300,300,000 (500,000) Equity Shares of Re.1/- each (Rs.10/- each)		300,300,000	5,000,000
Issued and Subscribed			
50,050,000 (50,000) Equity Shares of Re.1/- each (Rs. 10/- each) fully paid up (of the above, 49,550,000 (Nil) Equity shares were allotted to the shareholders in accordance with the Scheme of arrangement and amalgamation during the year, as referred to in Point No.2 of Significant Accounting Policies)		50,050,000	500,000
		50,050,000	500,000
Schedule - 2			
Reserves and Surplus			
Capital Reserve (on amalgamation)		283,417,665	-
Share Premium		1,900,000	-
General Reserve	18,869,885		
As per last balance sheet			
Add: On Amalgamation	<u>1,169,635,241</u>		
Add : Transfer from Profit and Loss Account		1,188,505,126	-
Investment Reserve		20,005,147	-
Foreign Currency Translation Reserve		120,150,864	-
Surplus in Profit and Loss Account		652,340,453	-
		2,266,319,255	-
Schedule - 3			
Consolidated Fixed Assets			

Description	Gross Block				Depreciation					Net Block		
	As at 01.04.2010 (Refer Note 1 below)	FCTR	Additions	Transfer / Deletion	As at 31.03.2011	As at 01.04.2010 (Refer Note 1 below)	FCTR	For the year	Transfer / Deletion	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Goodwill	4,837,986	-	-	-	4,837,986	-	-	-	-	-	4,837,986	-
Land	160,485,287	552,989	48,920,643	2,117,850	207,841,069	-	-	-	-	-	207,841,069	-
Building	345,914,806	8,161,506	2,469,888	18,755,221	337,790,979	86,885,971	73,439	11,488,562	18,736,920	79,711,052	258,079,927	-
Plant & Machinery	1,039,715,548	6,759,203	16,072,249	149,730,293	912,816,707	573,495,538	1,970,824	68,964,655	149,285,925	495,145,092	417,671,615	-
Furniture & Fittings	19,243,054	118,296	955	1,383,049	17,979,256	13,269,976	14,720	849,585	1,382,734	12,751,547	5,227,709	-
Vehicle	12,408,514	81,031	6,029,192	2,535,833	15,982,904	4,895,680	14,390	2,422,949	1,708,953	5,624,066	10,358,838	-
Intangible Assets	24,746,745	-	-	5,825,228	18,921,517	15,514,348	-	3,683,548	5,825,228	13,372,668	5,548,849	-
Total	1,607,351,940	15,673,025	73,492,927	180,347,474	1,516,170,418	694,061,513	2,073,373	87,409,299	176,939,760	606,604,425	909,565,993	-

Note 1: Gross Block value of Assets represents, assets of amalgamating companies taken over as per "Scheme"

Note 2: Accumulated depreciation of assets of amalgamating Companies taken over as per "Scheme"

Previous year figures have not been furnished as there were no assets during the earlier year

	31.03.2011	31.03.2010
	Rs.	Rs.
Schedule - 4		
Investments - Long Term		
(Unquoted - at cost)		
Government Securities		
National Savings Certificate	6,000	-
1,000 Nos. of Bonds of Rs.10,000/- each in National Highways Authority of India	10,000,000	-
Investment in Shares (Non-Trade)	42,020	-
(Quoted - at cost)		
Investment in Shares(Trade)	250,400	-
Investment in Mutual Funds (Non - Trade)	18,011,312	-
	28,309,732	-
(Refer Notes on accounts No.13 for details of investments)		
Schedule – 5		
Inventories		
Raw Materials	619,938,058	-
Work in process	26,479,530	-
Finished goods	109,392,135	-
Trading goods	36,148,057	-
Stores and Spares	64,433,293	-
Packing materials	2,697,020	-
Scrap	2,811,814	-
Material in Transit	3,743,695	-
	865,643,602	-
Schedule – 6		
Stock of Securities		
Stock of Equity Shares	2,711,112	-
	2,711,112	-
(Refer Notes on accounts No.14 for details of stock of securities)		
Schedule – 7		
Sundry Debtors (unsecured - considered good)		
Debts outstanding for a period exceeding 6 months	38,862,734	-
Others	621,622,223	-
	660,484,957	-
Less: Provision for doubtful debts	43,436,826	-
	617,048,131	-
Schedule – 8		
Cash and Bank Balances		
Cash and Cheques on hand	1,715,005	-
Balance with Scheduled Banks		
In Current Accounts	118,238,174	22,099
In Cash Credit Accounts	9,923,691	-
In Deposit Accounts	215,883,444	323,878
In Margin Money Deposit Accounts	112,041,071	-
In Dividend Accounts	2,989,561	-
Funds in Transit	2,015,000	-
	462,805,946	345,977
Schedule – 9		
Other Current Assets		
Income Receivable from Banks and Others	12,208,005	1,437
	12,208,005	1,437

	Rs.	31.03.2011 Rs.	Rs.	31.03.2010 Rs.
Schedule – 10				
Loans and Advances (Unsecured - considered good)				
Advances recoverable in cash or kind or for value to be received		155,290,239		-
Advance on account of Capital items		34,528,564		-
Other Deposits		11,177,454		-
Balances with Customs, Central Excise, VAT etc.		40,719,905		-
Advance payment of Taxes (Net of Provision) (Previous year Rs. Nil)		28,425,053		2,446
		270,141,215		2,446

Schedule – 11

Current Liabilities and Provisions

Current liabilities

Sundry Creditors		338,709,781		-
Other Liabilities		292,562,419		7,051
Advances received from Customers		9,188,694		-
Unclaimed dividend		2,989,561		-
		643,450,455		7,051

Provision

Provision for gratuity		313,965		-
Provision for compensated absence		5,368,389		-
Proposed Dividend		42,542,500		-
Tax on Proposed Dividend		6,901,457		-
		55,126,311		-

Schedule – 12

Miscellaneous Expenditure

(To the extent not written off or adjusted)

Pre-Operative expenses brought forward from previous year	157,191		174,398	
Add : Excess of pre-operative expenses over income during the year	56,889		(17,207)	
Less: Written off during the year	157,191	56,889	-	157,191

Schedules forming part of the Consolidated Profit and Loss Account for the year ended 31st March 2011

Schedule – 13

Other Income

Interest Receipts		33,227,909		25,875
(TDS Rs.2,741,275/-) (Previous Year TDS Rs.2,446/-)				-
Income from electricity generation		18,305,181		-
Rent Received (TDS Rs.188,550/-) (Previous year TDS Rs. Nil)		682,610		-
Dividend		1,325,290		-
Profit on sale / redemption of investments		629,800		-
Profit on sale of assets		9,505,031		-
Liabilities no longer required written back		4,770,461		-
Exchange Fluctuation (Net)		907,053		-
Lease Receipts		4,780		-
Others		19,086,242		-
		88,444,357		25,875

	31.03.2011		31.03.2010	
	Rs.	Rs.	Rs.	Rs.
Schedule – 14				
Material and Other Expenditure				
Material				
Raw Material consumed		1,701,425,032		-
Purchases - Trading Goods		131,295,368		-
Stores and Spares consumed		31,544,591		-
Processing and Labour charges		32,311,102		-
Power and Fuel		142,668,757		-
Carriage Inward		20,954,393		-
Establishment Charges				
Salaries, Wages and Bonus	294,158,819		-	
Contribution to Provident Fund and Other Funds	11,623,486		-	
Gratuity paid	9,477,890		-	
Contribution to ESIC	3,122,218		-	
Labour Charges	67,291,110		-	
Workmen and Staff Welfare expenses	14,235,137	399,908,660	-	-
Selling and distribution Expenses				
Packing Materials	17,452,917		-	
Sales Commission	19,560,614		-	
Others	20,846,880	57,860,411	-	-
Repairs and Maintenance				
Plant and Machinery	48,000,176		-	
Building	5,742,501		-	
Others	26,079,138	79,821,815	-	-
Auditors' Remuneration				
Statutory Auditors : Audit fees	1,695,496		3,309	
Tax Matters	100,000		-	
Certification fees	15,000		-	
Reimbursement of expenses	246,325	2,056,821	-	3,309
Rent		6,693,419		-
Rates and Taxes		13,183,799		-
Insurance		8,730,141		-
Freight charges		47,299,548		-
Travelling and Conveyance		19,425,480		-
Directors' Sitting fees		385,000		-
Managerial Remuneration		15,758,141		-
Miscellaneous expenses		79,177,504		5,359
Loss on sale of assets		153,491		-
Loss on discarding of assets		526,634		-
Loss on sale / redemption of Investments		4,947,760		-
Bad debts		1,991,201		-
Provision for bad and doubtful debts		1,684,746		-
Provision for fall in value of investment		16,805,147		-
		2,816,608,961		8,668
Less: Closing Stock				
Work in process	26,479,530		-	
Finished Goods	109,392,135		-	
Trading Goods	36,148,057		-	
Scraps	2,811,814		-	
Securities	2,711,112	(177,542,648)	-	
Add: Opening Stock on account of Scheme				
Work in process	40,799,166		-	
Finished Goods	193,097,793		-	
Trading Goods	8,616,702		-	
Scrap	167,413		-	
Securities	2,101,888	244,782,962	-	-
		2,883,849,275		8,668

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 profit and loss account 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 Do Industria E Comercio De Artefator De Borracha Ltda., Brasil
 - Rubber Resources B.V., The Netherlands
 - & its subsidiary of Rubber Resources LLC., USA
- (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, inventories and fixed assets, 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 January 1, 2011) and Tread Rubber undertaking of ERIL was vested with TDIL by way of slump sale with effect from the appointed date (on January 1, 2011).

3. Income Recognition

- a. Sales are recognized upon delivery of products and are recorded exclusive of excise duty, service tax but is net of 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.

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 profit and loss statement.

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, 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 profit and loss account.
- 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 of the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the Elgi Rubber International 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. (Though the policy for the same has been approved by the LIC of India, the formation of Trust for this purpose is still under progress)
- 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 International Limited Employees' Superannuation Fund Trust. The Company has no further obligations to the Plan beyond its monthly contributions. (Though the policy for the same has been approved by the LIC of India, the formation of Trust for this purpose is still under progress)
- 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 profit & loss account in the year in which liability to may arise

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. 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 Do 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

14. 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.

15. Treatment of Contingent Liabilities

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

Notes on Accounts to Consolidated Financial Statements

1. 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	31.03.2011	India	100.00
Titan Tyrecare Prodcuts Limited	31.03.2011	India	100.00
Treadsdirect Do Industria E Comercio De Artefator De Borracha Ltda.,	31.12.2010	Brasil	100.00
Elgi Industria E Comercio De Borrachas Ltda.,	31.12.2010	Brasil	99.92
Treadsdirect LLC	31.12.2010	USA	100.00
ELGI Rubber Company LLC	31.12.2010	USA	100.00
Treadsdirect Limited	31.12.2010	Kenya	99.99
Treadsdirect Limited	31.12.2010	Mauritius	100.00
Treadsdirect Limited	31.12.2010	Sri Lanka	99.99
Treadsdirect Limited	31.12.2010	Bangladesh	100.00
Rubber Resources BV	31.03.2011	The Netherlands	100.00
& its subsidiary Rubber Resources LLC	31.03.2011	USA	100.00

2. 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.

3. Deposit account with banks include fixed deposit of Rs.111,000,000/- lodged with bank as margin money and Rs.5,000,000/- towards overdraft facilities

4. i. The Company has executed a counter guarantee for Rs.6,435,000/- against the guarantee issued by Company's bankers.
 ii. The Company has also executed a counter guarantee for Rs. 116,064,500/- towards its subsidiaries.
 iii. Contingent liability on account of letters of credit established by Company's bankers is Rs.1,665,742/- on account of its subsidiaries.
 iv. Contingent liabilities not provided for

31.03.2011
Rs.

a. Excise Duty	265,714
b. Service Tax	510,648
c. Income Tax	2,940,118
d. Stamp Duty	4,368,304

5. Secured Loans from State Bank of India

i. Cash Credit and Bills Discounting

Secured by the hypothecation of raw materials, semi-finished products, components, finished goods, book debts, other current assets and by creation of equitable mortgage by way of deposit of title deeds of immovable properties of factory land and building located at Kanjikode, Chengalpattu, Kurichi, Neelambur, Aralvaimozhi and Tirunelveli and also collaterally secured by first charge on fixed assets of the company. The equitable mortgage created on its factory's land and building located at Pondicherry and Palakkad which have been transferred to its subsidiary viz. TDIL are yet to be updated in the records of the bank.

ii. Packing Credit

Secured by lien on goods meant for export and collaterally secured by securities offered for Cash Credit Account.

iii. In respect of foreign Subsidiaries

The loans are secured by fixed assets / current assets / guarantee of shareholders wherever applicable.

6. In the opinion of Board of Directors, Current Assets, Loans and Advances, have atleast the value as stated in the balance sheet, if realized in the ordinary course of the business.

7. Number of units of investment in mutual funds are rounded off to the nearest whole number.

8. All Investments are fully paid up, unless otherwise stated.

9. 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.

10. Deferred Tax assets of Rs. 4,116,000/- relating to carry forward of unabsorbed capital losses are recognized in the books, as there is a reasonable certainty that such deferred tax assets can be realized against future taxable capital gains.

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

12. Pursuant to Accounting Standard (AS 28) - Impairment of assets notified by Companies Accounting Standards Rules, 2006, the Company assessed its fixed assets for impairment as at March 31, 2011 and concluded that there has been no significant impaired fixed asset that needs to be recognized in the books of account.

13. Details of Investments

No. of Units / Shares Current year	Description of Investment	Rs.	31.03.2011 Rs.
	Government Securities (Unquoted – at cost)		
	National Highways Authority of India		
500	Non-convertible redeemable taxable bonds	5,000,000	
500	Add : Purchase during the year	5,000,000	
			10,000,000
	Investment in Shares (Unquoted)		
	(Face value of the unit is Rs.10/- each unless otherwise stated and are fully paid up)		
11,000	Equity Shares of Vijay Electro Automation Limited		42,020
			42,020
	Investment in Shares (Quoted)		
	(Face value of the unit is Rs.10/- each unless otherwise stated and are fully paid up)		
200,000	Equity shares of KLRG Limited		
(200,000)	Sold during the year		
40	Equity shares of Re.1/- each fully paid in Elgi Equipments Limited		400
25,000	Equity Shares of Magna Electro Castings Limited.		250,000
			250,400
	Investment in Mutual Funds (Non - Trade) - Quoted		
	(Face value of the unit is Rs.10/- each unless otherwise stated)		
	In ICICI Prudential Mutual Fund		
500,000	Real Estate Securities Fund – Retail – G	5,000,000	
(500,000)	Less : Redeemed during the year	5,000,000	
			-
	In Milestone Real Estate Fund		
10,000	IL & FS Milestone Fund – I	10,000,000	
	(Units of Rs.1,000/- each)		
(801)	Less : Partly redeemed during the year	801,000	
9,199		9,199,000	
	Under the Portfolio Management Scheme of HDFC Asset Management Company		
	Real Estate Portfolio – I (PMS) - (Quoted)		
	In Debentures		
	(Face value of the unit is Rs.1,000/- each)		
238	Ariisto Realtors Private Limited	238,000	
41	Ariisto Realtors Private Limited – II	41,000	
58	Ariisto Realtors Private Limited – III	58,000	
139	Ariisto Realtors Private Limited – IV	139,000	
320	Atithi Building Commodities Pvt Limited	320,000	
44	Atithi Building Commodities Pvt Limited – II	44,000	
	(Face Value of the Unit is Rs.100/- each)		
1,282	Arimas Developers Pvt Limited Class A	128,200	
679	ATS Apartments Pvt Limited – I	67,900	
722	ATS Apartments Pvt Limited – II	72,200	
851	BCC Infrastructure Pvt Limited	85,100	
862	BCC Infrastructure Pvt Limited Class A	86,200	
1,152	BCC Infrastructure P Limited Class A – III	115,200	
1,152	BCC Infrastructure P Limited Class A – IV	115,200	
1,384	Bhaveswar Properties Pvt Limited	138,400	
1,384	Bhaveswar Properties Pvt Limited – II	138,400	
1,455	Dharmesh Constructions Pvt Limited	145,500	
639	Ekta World Private Limited – Class A - I	63,900	

No. of Units / Shares Current year	Description of Investment	Rs.	31.03.2011 Rs.
615	Ekta World Private Limited – Class A - 2	61,500	
796	Kunal Spaces Private Limited – Class A	79,600	
989	Marvel Realtors and Developers – Series 1	98,900	
1,001	Marvel Realtors and Developers – Series 2	100,100	
193	Nitेश Housing Developers Pvt Limited – I	19,300	
689	Nitेश Housing Developers Pvt Limited – II	68,900	
496	Nitेश Housing Developers Pvt Limited – III	49,600	
332	Nitेश Housing Developers Pvt Limited – IV	33,200	
551	Nitेश Land Holding Pvt Limited	55,100	
3,768	Runwal Homes - Class A	376,800	
1,705	Runwal Homes - Class B	170,500	
5,321	Runwal Township Pvt Limited	532,100	
1,330	Total Environment Building Pvt Limited	133,000	
799	Total Environment Building Pvt Limited – II	79,900	
665	Total Environment Building Pvt Limited – III	66,500	
691	Total Environment Building Pvt Limited – IV	69,100	
3,440	Total Environment Habitat Pvt Limited	344,000	
1,720	Total Environment Projects I Pvt Limited - I	172,000	
55	Total Environment Projects – II	5,500	
212	Total Environment Projects - III	21,200	
678	VBHDC Bangalore Value Homes Pvt Limited – I	67,800	
864	VBHC Chennai Value Homes Pvt Limited – Class A	86,400	
699	VBHC Delhi Value Homes Pvt Limited – I	69,900	
		4,757,100	
	In Equity / Preference Shares		
972	Ananta Landmarks Pvt Limited	9,720	
230	Ananta Landmarks Pvt Limited (Preference)	230,000	
1,700	Ansal Hi-Tech Townships Limited	150,000	
28	BCC Infrastructure Pvt Limited	280	
85	BCC Infrastructure Pvt Limited (Preference)	850	
256	Ekta World Private Limited (Preference)	256	
6	Godrej Estate Developers Pvt Limited	110,204	
68	Godrej Sea View Properties Pvt Limited	152,653	
26	Kunal Spaces Pvt Limited	260	
38	Neo Pharma Pvt Limited (Preference)	38,000	
139	Nitेश Housing Developers Pvt Limited	49,545	
107	Runwal Homes Pvt Limited	153,940	
74	Total Environment Projects I Pvt Limited	740	
30	VBHDC Bangalore Value Homes Pvt Limited	300	
13	VBHC Chennai Value Homes Pvt Limited	130	
12	VBHC Delhi Value Homes Pvt Limited	120	
		896,998	
	In Mutual Funds - Quoted		
	(Face Value of the Unit is Rs.10/- each)		
314,964	Treasury Advantage Plan – WD	3,158,214	
		3,158,214	
			18,011,312
Aggregate amount of investments			
	Unquoted		10,042,020
	Quoted	Cost	18,267,712
		Market Value	21,605,989

14. Details of Stock of Securities

(Face Value of the share / unit is Rs.10/- each unless otherwise stated)

No. of Units / Shares Current Year	Description of Investment	31.03.2011 Rs.
332,040	Elgi Equipments Limited of Re.1/- each fully paid	2,495,824
2,150	Precot Meridian Limited	215,288
		2,711,112

15. Earnings Per Share

- Basic Earnings Per Share is calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.
- The following reflects the income and share data used in the computation of Basic and Diluted Earnings Per Share.

	31.03.2011 Rs.
Amount used as the numerator	
Net profit attributable to the ordinary Shareholders for Basic Earnings Per Share of Re.1/-each fully paid up	195,405,771
No. of Ordinary Shares used as denominator	
Weighted average number of ordinary shares in issue applicable to Basic Earnings Per Share	50,050,000
Diluted Earnings Per Share	50,050,000
Earnings Per Share – Basic & Diluted	3.90

16. 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 recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for compensated absence is recognized in the same manner as gratuity.

The following table sets out the Gratuity plan as required under AS15. Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

Particulars	31.03.2011	31.03.2011
	Rs.	Rs.
	Gratuity	Compensated Absence
Obligations at Period beginning	64,399,874	7,862,500
Service Cost	2,673,148	3,044,099
Interest Cost	2,979,173	-
Actuarial (Gain)/ Loss	1,712,477	-
Benefits paid	-	-
Obligations transferred out on scheme	(27,160,196)	(5,538,210)
Obligations at Period at the end of the year	44,604,476	5,368,389

Defined benefit obligation liability on account of gratuity as at the Balance Sheet has been funded to the extent of Rs.47,761,913/- by the Company. The company has not funded for the obligations on account of compensated absence.

Change in Plan Assets

Plan assets at period beginning at fair value	-	-
Expected return on plan assets	66,778	-
Actuarial Gain / (Loss)	-	-
Contributions	47,695,135	-
Benefits paid	-	-
Plan assets at period end at fair value	47,761,913	-

Reconciliation of present value of the obligation and the fair value of the plan assets

Fair value of plan assets at period end	47,761,913	-
Present value of the defined benefit obligations at the end of the period	44,604,476	-
Asset /(Liability) recognized in the balance sheet	3,157,437	-

Particulars	31.03.2011	31.03.2011
	Rs.	Rs.
	Gratuity	Compensated Absence
Assumptions		
Interest rate	9.25%	9.25%
Discount rate	8.00%	8.00%
Estimated salary escalation rate	6.50%	6.50%
Cost of the period		
Service Cost	2,673,148	3,044,099
Interest Cost	2,979,173	-
Expected return on plan assets	(66,778)	-
Actuarial (Gain) / Loss	1,712,477	-
Net Cost	7,298,020	3,044,099
Assumptions		
Interest rate	9.25%	9.00%
Discount rate	8.00%	8.00%
Estimated salary escalation rate	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 over the liability has not been recognized in the profit & loss account.

17. Deferred Tax Liability / Asset are attributable to the following

	31.03.2011 Rs.
Deferred Tax Liability – Attributable to Depreciation	
Elgi Rubber Company Limited, India	14,777,000
Titan Tyrecare Products Limited, India	511,000
Treadsdirect Limited, Kenya	946,216
ELGI Rubber Company LLC, USA	2,116,030
Total (A)	18,350,246
Deferred Tax Asset – Attributable to Expenses allowable for tax purposes when paid	
Elgi Rubber Company Limited, India	15,607,000
Treadsdirect Limited, India	1,061,000
Treadsdirect Limited, Sri Lanka	283,007
ELGI Rubber Company, LLC., USA	14,444
Treadsdirect LLC, USA	8,586,009
Carry forward Capital Loss	
Elgi Rubber Company Limited, India	4,116,000
Total (B)	29,667,460
Deferred Tax Liability / (Asset) Total (A) – (B)	(11,317,214)

18. Related Party Disclosures (As identified by the Management)

Nature of Transaction	Key Management Personnel	Other Related Parties	Total
	31.03.2011 Rs.	31.03.2011 Rs.	31.03.2011 Rs.
Purchases of goods	-	12,322,981	12,322,981
Managerial Remuneration	15,465,141	-	15,465,141
Key Personnel Salary other than Director	2,136,431	-	2,136,431
Rendering of services	-	1,068,894	1,068,894
Receiving of services	-	274,228	274,228
Rent paid	360,000	-	360,000
Dividend received	-	350,000	350,000
Balance as on 31.03.2011 (Net receivables)	-	490,596	490,596
Balance as on 31.03.2011 (Net payables)	12,085,980	132,360	12,218,340

Note

Names of related parties and description of relationship

Holding Company

Nil

Key Management Personnel

Sudarsan Varadaraj
SR Venkatachalam
T Ashokanand (ertswile TDL)

Associates

Nil

Other Related Parties

Ellargi & Co.
L R G Technologies Limited
ATS Elgi Limited
Elgi Equipments Limited
Elgi Ultra Industries Limited
Tyre Point Private Limited

In respect of the above parties, there is no provision for doubtful debts as on 31st March 2011 and no amount has been written off / written back during the year in respect of debts due from / to them.

19. Previous year figures have not been furnished, since the Consolidated accounts of the Company are being prepared from the current financial year only.

Signatures to Schedules 1 to 14, Accounting Policies and Notes on Accounts.

**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
30.05.2011

Consolidated Cash Flow Statement for the year ended 31st March 2011

	31.03.2011
	Rs. Rs.
A. Cash Flow from Operating Activities	
Profit before Tax	322,176,871
<i>Adjustments for</i>	
Depreciation	87,409,299
Interest receipts(Net)	(13,316,099)
Investment income - Dividend	(1,325,290)
Unrealised foreign exchange fluctuation	942,793
Other non cash items	80,898,236
Profit on sale of fixed assets	(9,505,031)
Loss on sale of investments(Net)	4,317,960
Operating Profit before Working Capital Changes	471,598,739
<i>Adjustments for</i>	
Inventories	(240,286,297)
Debtors	(274,077,284)
Loans & Advances (other than advance tax)	(31,704,801)
Stock of securities	(609,224)
Liabilities (excluding unclaimed dividends)	387,565,811
Net changes in working capital	(159,111,795)
Cash generated from Operations	312,486,944
Direct taxes paid (net off tax refunds)	(172,037,595)
Net Cash from Operating Activities (A)	140,449,349
B. Cash Flow from Investment Activities	
Purchase of fixed assets	(82,050,319)
Sale of fixed assets	12,912,743
Investment income - Dividend	1,325,290
Interest receipts	33,227,909
Purchase / sale of investments	1,761,770
Adjustments for movement of interest receivable	(948,218)
Net Cash used in Investment Activities (B)	(33,770,825)
C. Cash Flow from Financing Activities	
Dividend paid	(52,554,492)
Interest paid	(19,911,810)
Cash generated from Financing Activities (C)	(72,466,302)
Net Increase in Cash & Cash Equivalents (A+B+C)	34,212,222
Opening Balance - Cash & Cash Equivalents	345,977
Add: - Cash & Cash Equivalents transferred on amalgamation	428,247,747
	428,593,724
Closing Balance - Cash & Cash Equivalents	462,805,946

Explanatory notes to Cash Flow Statement

1. The Cash Flow Statement is prepared as per Accounting Standard 3 (notified pursuant to the Companies (Accounting Standards) (Rules, 2006).
2. The net profit / loss arising due to conversion of current assets / liabilities, receivable / payable in foreign currency is furnished under the head "Unrealized foreign exchange fluctuation".
3. Other non cash items represents miscellaneous adjustments not affecting cash flow.

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
30.05.2011

Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Financial year ending of the Subsidiary	Number of Shares held (Ordinary)	Extent of Holding %	Net aggregate amount of subsidiary's Profit / (Loss) not dealt with in the Holding Company's Account		Net aggregate amount of subsidiary's Profit / (Loss) dealt with in the Holding Company's Account		Dividend declared for the year
				for the Current Financial year	for the Previous Financial year	for the Current Financial year	for the Previous Financial year	
1	2	3	4	5	6	7	8	9
Treadsdirect Limited, India	31.03.2011	4,750,000	100.00	Rs.40,458,632	Nil	Nil	Nil	Nil
Titan TyreCare Products Limited, India	31.03.2011	1,000,000	100.00	Rs.(2,135,332)	Nil	Nil	Nil	Nil
ELGI Rubber Company LLC, USA	31.12.2010	3,000,000	100.00	\$113,254	Nil	Nil	Nil	Nil
Elgi Industria E Comercio De Borrachas Ltda., Lorena, Brasil	31.12.2010	6,515,000	99.92	R\$ (46,004)	Nil	Nil	Nil	Nil
Treadsdirect Limited - Kenya	31.12.2010	Ordinary shares 23,999	99.99	Ksh. 12,539,532	Nil	Nil	Nil	Ksh 7,200,000
Treadsdirect Limited - Sri Lanka	31.12.2010	Ordinary shares 1,000,000	99.99	SLR 5,584,968	Nil	Nil	Nil	Nil
Treadsdirect Limited - Bangladesh	31.12.2010	Preference shares 690,000	100.00	TK 162,993	Nil	Nil	Nil	Nil
Treadsdirect Limited - Mauritius	31.12.2010	Ordinary shares 51,700	100.00	M.Rs.(170,312)	Nil	Nil	Nil	Nil
Treadsdirect LLC - USA	31.12.2010	Ordinary Shares 175,000	100.00	\$ 43,730	Nil	Nil	Nil	Nil
Treadsdirect Do Industria E Comercio De Artefator De Borracha Ltda., Brasil	31.12.2010	Ordinary shares 3,483,963	100.00	R\$ (785,448)	Nil	Nil	Nil	Nil
Rubber Resources BV, The Netherlands & its subsidiary Rubber Resources LLC, USA	31.03.2011	Euro 1,000	100.00	Euro (275,500)	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, 2011 and December 31, 2010 (as the case may be) and Holding company for the financial year ended March 31, 2011: NIL

2. Material changes between the end of the Subsidiary's financial year ended March 31, 2011 and December 31, 2010 (as the case may be) and Holding company for the financial year ended March 31, 2011: NIL

Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total assets	Total liabilities	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed dividend
1	2	3	4	5	6	7	8	9	10	11	12
Treadsdirect Limited, India	Rupee	1.00	47,500,000	40,459,632	677,041,145	589,081,513	447,381,705	62,475,632	22,017,000	40,458,632	-
Titan TyreCare Products Limited, India	Rupee	1.00	10,000,000	-	75,468,097	65,468,097	4,461,398	(1,624,332)	511,000	(2,135,332)	-
ELGI Rubber Company LLC, USA	Dollar	46.29	147,990,798	(9,291,555)	160,392,178	21,692,935	193,624,290	7,492,060	2,401,043	5,091,017	-
Elgi Industria E Comercio De Borrachas Ltda., Lorena, Brasil	Real	27.34	56,134,552	60,805,569	122,501,308	5,561,187	-	(1,257,747)	-	(1,257,747)	-
Treadsdirect Limited - Kenya	Shilling	0.58	2,008,731	42,644,488	60,616,894	15,963,675	57,082,080	14,208,287	3,326,589	7,037,623	3,844,075
Treadsdirect Limited - Sri Lanka	Rupee	0.41	11,359,875	3,619,703	24,124,577	9,144,999	39,369,966	3,713,585	1,468,790	2,244,795	-
Treadsdirect Limited - Bangladesh	Taka	0.66	4,417,290	1,759,206	6,214,533	38,037	12,772,812	456,771	348,912	107,859	-
Treadsdirect Limited - Mauritius	Rupee	1.55	1,451,645	(307,116)	1,222,172	77,643	-	(35,719)	226,632	(262,351)	-
Treadsdirect LLC - USA	Dollar	46.29	6,449,568	(33,435)	44,620,238	38,204,105	44,317,734	3,023,552	1,042,631	1,980,721	-
Treadsdirect Do Industria E Comercio De Artefator De Borracha Ltda., Brasil	Real	27.34	102,118,893	(26,286,774)	197,227,293	121,395,174	318,675,889	(20,858,313)	-	(20,858,313)	-
Rubber Resources BV, The Netherlands & its subsidiary Rubber Resources LLC, USA	Euro	59.81	47,112,978	243,506,442	696,873,180	406,253,760	337,638,360	(17,928,540)	(505,920)	(17,422,620)	-

The figures in the foreign currency have been converted into Indian Rupee based on the appropriate exchange rate as on 31.03.2011.

Coimbatore
30.05.2011

Sudarsan Varadaraj
Chairman & Managing Director

MD Selvaraj
Director

K VijayaLakshmi
Company Secretary

SR Venkatachalam
Vice President - Finance