



Elgi Rubber Company Limited
(Formerly Elgi Rubber International Limited)

Information Memorandum for listing of 5,00,50,000 equity shares of Re. 1/- each fully paid up

No Equity Shares are proposed to be sold or offered pursuant to this Information Memorandum

Registered Office: 2000 Trichy Road, Singanallur, Coimbatore – 641 005
Phone: 0422-232 1000 Fax: 0422-232 2222 Website: www.elgirubber.com
Contact Person: K Vijayalakshmi, Company Secretary
E-mail: info@in.elgirubber.com
Website: www.elgirubber.com

General risks

Investment in equity and equity related securities involve a degree of risk and investors should not invest in the equity shares of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) unless they can afford to take the risk of losing their investment.

Investors are advised to read the risk factors carefully before taking an investment decision in the shares of the Company. For taking an investment decision, investors must rely on their own examination of the company including the risks involved.

Absolute responsibility of Elgi Rubber Company Limited

Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to the Company, which is material, that the information contained in this Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

Listing

The equity shares of the Company are currently not listed in any stock exchange.

It is proposed to list the equity shares of the company in the National Stock Exchange of India Limited (NSE). The company has submitted this Information Memorandum to the NSE and has also published in the company's website. The Information Memorandum would also be made available in the website of NSE (<http://www.nseindia.com/>).

Registered Office of the Company

2000 Trichy Road
 Singanallur
 Coimbatore – 641 005
 Tel: 0422-2321000
 Fax: 0422-2322222

Corporate Identity Number: U25119TZ2006PLC013144

Address of Registrar of Companies

Registrar of Companies, Coimbatore
 II Floor
 Stock Exchange Building
 683 Trichy Road
 Singanallur
 Coimbatore – 641 005
 Tamilnadu

Board of Directors

S.No	Name	Category	Din
1	Sudarsan Varadaraj	Executive, Promoter	00133533
2	Jairam Varadaraj	Non executive, Promoter	00058056
3	Suresh Jagannathan	Non executive, Independent	00011326
4	MD Selvaraj	Non executive, Independent	00001608
5	CN Srivatsan	Non executive, Independent	00002194
6	P Vijay Raghunath	Non executive, Independent	00002963

Company Secretary & Compliance Officer

K Vijayalakshmi
 Email: info@in.elgirubber.com

Auditors

Reddy Goud & Janardhan
 Chartered Accountants
 Apt.No.104 & 203
 Embassy Centre
 No.11, Crescent Road
 Bangalore – 560 001
 Tel: 080-22202709, 22260055
 Fax: 080-22265572

Share Transfer Agent

Link Intime India Pvt Limited
 (Unit: Elgi Rubber Company Limited)

Registered Office
 C- 13 Pannalal Silk Mills Compound,
 L.B.S Marg
 Bhandup (West)
 Mumbai – 400 078
 Email: mumbai@linkintime.co.in
 Tel: 022 – 25963838
 Fax: 022 – 25946969
 Contact Person: Mr. Sanjeev Nandu

Branch Office of R & T Agents:

"Surya"
 35 May Flower Avenue,
 Behind Senthil Nagar
 Sowripalayam
 Coimbatore – 641 028
 Email: coimbatore@linkintime.co.in
 Tel: 0422 – 2314792
 Fax: 0422 – 2316755
 Contact Person: S Dhanalakshmi

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I - DEFINITIONS, ABBREVIATIONS & INDUSTRY RELATED TERMS

Term	Description
Articles/ Articles of Association	Articles of Association of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited)
Auditors	The Statutory Auditors of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited)
Board of Directors/ Board/ Directors	The Board of Directors of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited)
CDSL	Central Depository services (India) Limited
Companies Act/ Act	The Companies Act, 1956, as amended from time to time
Current year	April 1, 2010 to March 31, 2011
Engineering Division of ERCL (Formerly ERIL)	<p>Engineering Undertaking shall mean (i) Engineering division - tyre retreading machinery manufacturing, mould division along with the design and development of Rubber processing equipments, tyre retreading machines, Precured retreading machineries, accessories, carbide rasps, tools etc., and Reconditioning services division (ii) EOU Division – Manufacture of Brased Abrasive products of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), situated at Kovilpalayam and includes -</p> <p>(a) All the assets forming part of the Engineering Undertaking as on the Appointed Date;</p> <p>(b) All debts, liabilities, duties and obligations including reserves, if any, appertaining or allocated to the Engineering Undertaking as on the Appointed Date;</p> <p>(c) Without prejudice to the generality of sub-clauses (a) and (b) above, the said Engineering Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall include all assets and properties, whether movable or immovable, real or personal, fixed assets, in possession or reversion, corporeal or incorporeal, tangible or intangible, present assets including stock, investments, claims, powers, authorities, allotments, approvals, registrations, contracts, engagements, arrangements, Carbon Credits, Energy/ Power purchase agreements, Security deposits entered/executed with any of the State Electricity Boards, State Utilities, Transmission and Distributions Corporations and any other approvals/documents/application in relation to the operations of the said Undertakings, rights, titles, interests, benefits, advantages, lease-hold rights, tenancy rights, permits, authorisations, quota rights, trade marks, copyrights, patents and intellectual properties, including reserves, provisions, funds, import quotas, import licenses, pollution control board licenses, factory licenses, industrial designs, labels, label designs, equipment and installations and utilities, electricity, water and other service connections, records, files, employees, benefits of agreements, contracts and arrangements, powers, authorities, balances with all regulatory authorities, liberties, advantages, easements and all the right, title, interest, goodwill, reserves, provisions, advances, receivables, funds, cash, bank balances, accounts, earnest moneys/ security deposits and all other rights, claims and powers, of whatsoever nature and where so ever situated belonging to or in the possession of or granted in favour of or enjoyed by the Engineering Undertaking ERIL, as on the commencement of the Appointed Date and all earnest money and/or deposits including security deposits paid by ERCL (Formerly ERIL) in relation to Engineering Undertaking as on the commencement of the Appointed Date and all other rights, benefits available under any rules, regulations, statutes including direct and indirect tax laws and particularly VAT/CST benefits, Service Tax, Cenvat benefits, import and export benefits and excise/custom duty benefits, balances lying in the credit of cenvat, service tax and other taxes of ERCL (Formerly ERIL) in relation to Engineering Undertaking and in each case, as on the Appointed Date and as modified and altered from time to time to the Effective Date</p>
EPS	Earning per equity share
Equity Shares	Equity shares of the Company of Re.1/- each unless otherwise specified in the context thereof
Erstwhile ERCL	Erstwhile Elgi Rubber Company Limited is a Public Limited Company incorporated under the provisions of the Companies Act, 1956 and dissolved without winding up as per the Scheme of Amalgamation and Arrangement
"ERCL (Formerly ERIL)" or "Company" or "Resulting Company" or Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) or it or its	Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), a Public Limited Company incorporated under the provisions of the Companies Act, 1956
Financial Year/fiscal/FY	The twelve months ended 31 st March, unless otherwise stated
HUF	Hindu Undivided Family
Information Memorandum	This document filed with the Stock Exchange is known as and referred to as the Information Memorandum
I.T.Act	The Income Tax Act, 1961 as amended from time to time, except as stated otherwise
Memorandum / Memorandum of Association	The Memorandum of Association of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited)

NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
RBI	Reserve Bank of India
Registered Office of the Company	2000, Trichy Road, Singanallur, Coimbatore – 641 005
ROC	Registrar of Companies, Coimbatore, Tamilnadu
Scheme	Scheme of Amalgamation and Arrangement between Elgi Rubber Company Limited, Treadsdirect Limited, Elgi Rubber International Limited, Titan Tyrecare Products Limited and Treadsdirect (India) Limited and their respective shareholders sanctioned by the Hon'ble High Court of Judicature at Madras vide its Order dated 16.12.2010 issued on 29.12.2010.
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI Guidelines	Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by Securities and Exchange Board of India effective from January 27, 2000, as amended, including instructions and clarifications issued by Securities and exchange Board of India from time to time
Stock Exchange	National Stock Exchange of India Limited, Mumbai
TDL (Formerly TDIL)	Treadsdirect Limited (Formerly Treadsdirect (India) Limited), a Public Limited Company incorporated under the provisions of the Companies Act, 1956
Erstwhile TDL	Erstwhile Treadsdirect Limited is a Public Limited Company incorporated under the provisions of the Companies Act, 1956 and dissolved without winding up as per the Scheme of Amalgamation and Arrangement
TTPL	Titan Tyrecare Products Limited, a Public Limited Company incorporated under the provisions of the Companies Act, 1956
Tread rubber undertaking	<p>"Tread Rubber Undertaking" shall mean (i) 2 (two) rubber manufacturing factories of Elgi Rubber International Limited at Pondicherry and Palakkad along with the entire franchising network and (ii) 12 (twelve) retreading units of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) situated at Aralvoimozhli, Bangalore, Coimbatore, Hyderabad, Hindupur, Ooty, Pondicherry, Sivakasi, Thirunelveli, Tirupur, Vellore and Vijayawada and includes -</p> <p>(a) All the assets forming part of the Tread Rubber Undertaking as on the Appointed Date;</p> <p>(b) All debts, liabilities, duties and obligations including reserves, if any, appertaining or allocated to the Tread Rubber Undertaking as on the Appointed Date;</p> <p>(c) Without prejudice to the generality of sub-clauses (i) and (ii) above, the said Tread Rubber Undertaking of ERCL (Formerly ERIL) shall include all assets and properties, whether movable or immovable, real or personal, fixed assets, in possession or reversion, corporeal or incorporeal, tangible or intangible, present assets including stock, investments, claims, powers, authorities, allotments, approvals, registrations, contracts, engagements, arrangements, Carbon Credits, Energy/ Power purchase agreements, Security deposits entered/executed with any of the State Electricity Boards, State Utilities, Transmission and Distributions Corporations and any other approvals/documents/application in relation to the operations of the said Undertakings, rights, titles, interests, benefits, advantages, lease-hold rights, tenancy rights, permits, authorisations, quota rights, trade marks, copyrights, patents and intellectual properties, including reserves, provisions, funds, import quotas, import licenses, Pollution control board licenses, factory licenses, industrial designs, labels, label designs, equipment and installations and utilities, electricity, water and other service connections, records, files, employees, benefits of agreements, contracts and arrangements, powers, authorities, balances with all regulatory authorities, liberties, advantages, easements and all the right, title, interest, goodwill, reserves, provisions, advances, receivables, funds, cash, bank balances, accounts, earnest moneys/ security deposits and all other rights, claims and powers, of whatsoever nature and where so ever situated belonging to or in the possession of or granted in favour of or enjoyed by the Tread Rubber Undertaking of ERIL, as on the commencement of the Appointed Date and all earnest money and/or deposits including security deposits paid by ERCL (Formerly ERIL) in relation to Tread Rubber Undertaking as on the commencement of the Appointed Date and all other rights, benefits available under any rules, regulations, statutes including direct and indirect tax laws and particularly VAT/CST benefits, Service Tax, Cenvat benefits, import and export benefits and excise/custom duty benefits, balances lying in the credit of cenvat, service tax and other taxes of ERCL (Formerly ERIL) in relation to Tread Rubber Undertaking and in each case, as on the Appointed Date and as modified and altered from time to time to the Effective Date.</p>
Undertaking	<p>"Undertaking" shall mean and include the whole of the undertaking(s) of the erstwhile ERCL and erstwhile TDL as a going concern, including all secured and unsecured debts, liabilities including deferred tax liabilities (if any), duties and obligations and all the assets and properties, whether movable or immovable, real or personal, in possession or reversion, corporeal or incorporeal, tangible or intangible, present or contingent and including, but without being limited to, Land and Building, all fixed and movable plant and machinery, vehicles, fixed assets,</p>

	<p>work in progress, current assets, deferred tax assets (if any), investments including investments made in all subsidiaries, both Indian and overseas subsidiaries, reserves, provisions, funds, quota rights, import quotas, import licenses, other licenses, Intellectual Property Rights, registrations, copyrights, patents, trade names, trade marks, industrial designs, and other industrial rights and licenses in respect thereof, applications for registration of Intellectual Property Rights, copyrights, patents, trade names and trade marks, containers, packaging materials, leases, licenses, including software licenses, pollution control board licenses, factory licenses, tenancy rights, premises, ownership flats, hire purchase and lease arrangements, franchisee agreements, power purchase agreements, computers, office equipment, telephones, telexes, facsimile connections, communication facilities, windmills, equipment and installations and utilities, electricity, water and other service connections, employees, benefits of agreements, contracts and arrangements, arrangements with original equipment manufacturers, technical collaboration agreements, long term supply contracts, powers, authorities, permits, allotments, approvals, recognitions from Government Departments, consents, privileges, benefits available under any rules, regulations, statutes including direct and indirect tax laws and particularly VAT/CST benefits, Service Tax, Cenvat benefits, import and export benefits and excise/ custom duty benefits, balances with all regulatory authorities, liberties, advantages, easements and all the rights, titles, interests, goodwill, benefits and advantages, deposits, reserves, provisions, advances, receivables, funds, cash, bank balances, accounts, balances lying in the credit of cenvat, service tax and other taxes and all other rights, claims and powers, of whatsoever nature and wheresoever situated belonging to or in the possession of or granted in favour of or enjoyed by erstwhile ERCL and erstwhile TDL, as on the Appointed Date and all earnest monies and/ or deposits including security deposits paid by erstwhile ERCL and erstwhile TDL as on the Appointed Date.</p>
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II - CONVENTIONS

Unless stated otherwise, the financial data in this Information Memorandum is derived from the company's financial statements prepared in accordance with Indian GAAP. The Company's current financial year commenced on April 01, 2010 and ended on March 31, 2011. In this Information Memorandum, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

For definitions, please see the section titled "Definitions, Abbreviations and Industry Related Terms".

III - FORWARD LOOKING STATEMENTS

The statements in this Information Memorandum, that contain words or phrases such as "will", "aim", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "future", "objective", "should" and similar expressions or variations of such expressions that are "forward-looking statements".

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward looking statement. Important factors that could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions in India and other countries;
- Company's ability to successfully implement the strategy, growth and expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in Indian or international interest rates;
- Changes in laws and regulations in India;
- Changes in political conditions in India; and
- Changes in the foreign exchange control regulations in India.

For further discussion of factors that could cause the company's actual results to differ, see the section titled "Risk Factors". By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

The company does not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.

IV – ABOUT ELGI RUBBER COMPANY LIMITED (FORMERLY ELGI RUBBER INTERNATIONAL LTD)

Incorporation and Promoters

Elgi Rubber Company Limited was incorporated on October 16, 2006 as a public limited Company in the State of Tamilnadu under the name and style of M/s. Elgi Aviation Tyres Limited. The Company had obtained the Certificate of Commencement of Business from Registrar of Companies, Coimbatore vide the certificate dated February 28, 2007. The Company's Corporate Identification Number is **U25119TZ2006PLC013144**.

Subsequently the name of the Company was changed to Elgi Rubber International Limited vide the fresh certificate of incorporation from the Registrar of Companies, Coimbatore dated July 7, 2010. Further as per the Scheme of Amalgamation and Arrangement as approved by the Hon'ble High Court of Judicature at Madras, the name of the Company was changed to Elgi Rubber Company Limited with effect from April 7, 2011 i.e. the date of issue of the fresh certificate of incorporation by the Registrar of Companies, Coimbatore.

The Company was incorporated to carry on the business of manufacture of retreads, tyre retreading, tyre retreading machinery, tyre treads, tubes, treads compounds, tyre repair materials, wind mill operations, reclaim rubber products, envelopes and patches and other related accessories materials and tools.

However, due to complexity of the regulations prevailing at that time, this was not feasible. As a result, there have been no operations in the company from the time it was formed.

The details of the promoters of the Company are as follows:

S.N.	Name & Address	Educational Qualification	Experience
1	Smt. Amirtham Varadaraj 2000, Trichy Road, Singanallur, Coimbatore – 641 005	BA	25 years of experience in administration
2	Sri. Sudarsan Varadaraj 2000, Trichy Road, Singanallur, Coimbatore – 641 005	BE (Hons) MS (ME)	30 years of experience in the rubber industry
3	Ms. Varshini Varadaraj 2000, Trichy Road, Singanallur, Coimbatore – 641 005	MBBS, MS (Ophthalmology)	
4	Sri. Harsha Varadaraj 2000, Trichy Road, Singanallur, Coimbatore – 641 005	B Com., MSc (UK)	
5	Sri. T Balaji 1996/1, Krishna Colony Trichy Road, Coimbatore – 641 005	MBBS, MS, DLO	
6	Ms. Gayathri Balaji 1996/1, Krishna Colony Trichy Road, Coimbatore – 641 005	MSc	
7	Sri. Uday Balaji 1996/1, Krishna Colony Trichy Road, Coimbatore – 641 005	BE MBA	
8	Sri. Vinay Balaji 1996/1, Krishna Colony Trichy Road, Coimbatore – 641 005	MDS	
9	Sri. R Sumanth Elgi Towers, 737 D, Green Fields Puliakulam Road, Coimbatore – 641 045	BS ELECL ENGG	19 years of experience in textile industry
10	Sri. Anvar Jay Varadaraj Elgi Equipments Limited Elgi Industrial Complex	BA	

	Trichy Road Coimbatore – 641 005		
11	Sri. Varun Jay Varadaraj Elgi Equipments Limited Elgi Industrial Complex Trichy Road, Coimbatore – 641 005	Bachelor of Management Studies	
12	Ms. Maya Jay Varadaraj Elgi Equipments Limited Elgi Industrial Complex Trichy Road, Coimbatore – 641 005	Bachelor of Fine Arts	
13	Sri. Jairam Varadaraj Elgi Equipments Limited Elgi Industrial Complex Trichy Road, Coimbatore – 641 005	B Com., MBA Ph. D (USA)	20 years of experience in automobile industry

14. LRG Technologies Limited is a Company incorporated under the Companies Act, 1956, promoted by Sri.Sudarsan Varadaraj and his family members. The Company was engaged in the Business of tyre retreading, manufacturing of retreading accessories and investments, later the business of the Company was demerged to erstwhile Treadsdirect Limited pursuant to the Composite Scheme of Arrangement and Amalgamation dated April 4, 2008. Presently the Company holds investments in group companies.

V – SCHEME OF AMALGAMATION AND ARRANGEMENT

In order to synergies the rubber and retreading companies in the group, a scheme was proposed it bring about efficiencies in the various companies and unlock latent potential. The following are the details of the scheme of amalgamation and arrangement.

Salient features of the Scheme:

(i) Amalgamation of erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited with Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited):

- a) The Appointed date for this Scheme is 1st April 2010.
- b) With effect from the Appointed Date, the whole of the Undertaking of the erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited comprising its business, all assets, both movables and immoveables, and liabilities of whatsoever nature and wheresoever situated, shall, under the provisions of Section 391 read with Section 394 and all other applicable provisions, if any, of the Act, without any further act or deed, be transferred to and vested in and/ or be deemed to be transferred to and vested in Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) as a going concern so as to become, as from the Appointed Date, the Undertaking of ERCL (Formerly ERIL) and to vest in ERCL (Formerly ERIL) all the rights, title, interest or obligations of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited therein.
- c) All debts, liabilities, contingent liabilities, duties and obligations of every kind, nature, description, whether or not provided for in the books of accounts and whether disclosed or undisclosed in the balance sheet of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited shall also, under the provisions of Section 391 read with Section 394 of the Act, without any further act or deed, be transferred to or be deemed to be transferred to Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) so as to become as from the Appointed Date, the debts, liabilities, contingent liabilities, duties and obligations of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
- d) Loans or other obligations, if any, due between the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited and Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall stand discharged and there shall be no liability, relating either to principal or to interest after the Appointed Date, in respect of such loans and other obligations.

- e) All suits, actions and proceedings of whatsoever nature by or against the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited on the Appointed Date shall be transferred to the name of the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) and the same shall be continued and enforced by or against the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), to the exclusion of the erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited.
- f) All contracts, deeds, bonds, agreements, insurance policies and other instruments of whatsoever nature, to which the erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited is a party, subsisting or having effect immediately before this arrangement under this Scheme, shall be, in full force and effect, against or in favour of the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), and may be enforced as fully and as effectively as if instead of the erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited, the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) had been a party thereto.
- g) Upon the Scheme becoming effective, all the executives, staff, workmen and other employees in the service of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited immediately before the Effective Date shall become the executives, staff, workmen and other employees of the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) without any break in their service and the terms and conditions of their employment with the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall not be less favourable than those applicable to them with reference to the erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited immediately before the transfer.
- h) With effect from the Appointed Date and upon the Scheme becoming effective, the investments of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited in its wholly owned subsidiaries in India and abroad, shall, without any further act or deed, stand transferred to and vested in Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), however subject to the applicable statutory regulations.
- i) With effect from the Appointed Date and upto and including the Effective Date:
- (i) The Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited shall carry on, and be deemed to have been carrying on, all business activities and shall be deemed to have been held for and on account of, and in trust for, Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
 - (ii) Any income or profit accruing or arising to the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited and all costs, charges, expenses and losses or taxes (including but not limited to advance tax, tax deducted at source, Minimum Alternate Tax credit, taxes withheld/paid in a foreign country, etc), incurred by the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited shall for all purposes be treated as the income, profits, costs, charges, expenses and losses or taxes, as the case may be, of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) and shall be available to Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) for being disposed off in any manner as it thinks fit.
 - (iii) The Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited shall carry on its business activities with proper prudence and diligence and shall not, without prior written consent of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), alienate, charge or otherwise deal with or dispose off any of the business undertaking or any part thereof (except in the ordinary course of business or pursuant to any pre-existing obligations undertaken by erstwhile ERCL and erstwhile TDL prior to the Appointed Date).
 - (iv) Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall also be entitled, pending sanction of the Scheme, to apply to the Central Government, State Government, and all other agencies, departments and statutory authorities concerned, wherever necessary, for such consents, approvals and sanctions which the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) may require in relation to the Undertaking of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited including the registration, approvals, exemptions,

reliefs, etc., as may be required / granted under any law for time being in force for carrying on business by Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).

- (v) Erstwhile ERCL and erstwhile TDL shall not declare any dividend for the financial year commencing from the Appointed Date without the prior written consent of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
- (vi) Pending sanction of the Scheme, erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited shall not make any change in their respective capital structure either by any increase, (by issue of equity shares on a rights basis, bonus shares, convertible debentures or otherwise) decrease, reduction, reclassification, sub-division or consolidation, re-organisation, or in any other manner, except by mutual consent of the respective Boards of Directors of erstwhile ERCL & erstwhile TDL and Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) or as may be expressly permitted under the Scheme.
- j) The authorised share capital of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited shall stand combined with the authorised Share capital of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) .
- k) Upon this Scheme coming into effect, in consideration of the transfer and vesting of the Undertaking of the erstwhile Elgi Rubber Company Limited in Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in terms of this Scheme, Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall, without any further application, act or deed, issue and allot to every eligible shareholder of the erstwhile ERCL, holding fully paid-up Equity Share(s) in the erstwhile Elgi Rubber Company Limited and whose names appear in the Register of Members of the erstwhile Elgi Rubber Company Limited on the Record Date, his/ her heirs, executors, administrators or the successors-in-title, as the case may be, 1 (one) Equity Share of Re.1/- each credited as fully paid up of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in respect of every 5 (five) Equity Shares of Re.1/- each fully paid up held in the erstwhile ERCL.
- l) Upon this Scheme coming into effect, in consideration of the transfer and vesting of the Undertaking of erstwhile TDL in Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in terms of this Scheme, Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall, without any further application, act or deed, issue and allot to every eligible shareholder of erstwhile TDL, holding fully paid-up Equity Share(s) in erstwhile TDL and whose names appear in the Register of Members of erstwhile TDL on the Record Date, his/ her heirs, executors, administrators or the successors-in-title, as the case may be, 1 (one) Equity Share of Re.1/- each credited as fully paid up of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in respect of every 4 (four) Equity Shares of Re.1/- each fully paid up held in erstwhile TDL.
- m) The Board of Directors of the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall consolidate all fractional entitlements arising due to the issue of Equity Shares as aforesaid to Equity shareholders of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited and thereupon issue and allot Equity Shares in lieu of such fractional entitlements to a separate Trust created for the purpose or to a Director or an Officer of the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), which/who shall hold such Shares in trust for and on behalf of the shareholders entitled to such fractional entitlements with the express understanding that such Trust/ Director/ Officer shall sell the same at such time or times and at such price or prices to such person or persons, as it deems fit. The said Trust/ Director/ Officer shall distribute such net sale proceeds to the shareholders in the same proportion as their respective fractional entitlements bear to the consolidated fractional entitlements.
- n) The shares issued by Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall be either in certificate form or in dematerialised form.
- o) The Equity Shares so issued and allotted, shall rank *pari passu* in all respects with the existing Equity Shares of the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) and shall also be eligible for full dividend for the financial year ending 31st March 2011, if the same is

declared subsequent to the date of allotment by the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) pursuant to the Scheme coming into effect, however subject to the applicable statutory regulations.

- p) The issue and allotment of new equity shares in the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) to the members of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited as provided in this Scheme shall be deemed to have been carried out in compliance with the procedure laid down under Section 81(1A) and other applicable provisions, if any, of the Act and the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall not be required to obtain any further approvals in this regard.
- q) The Equity Shares of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) issued in terms of the Scheme shall, subject to applicable regulations, be listed and / or admitted to trading on the relevant stock exchanges in India, where the equity shares of the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited were listed to trading. The shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/ trading permission is given by the designated stock exchange.
- r) Upon the Equity Shares being issued and allotted, as aforesaid by Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), the Equity Shares issued by the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited and held by its shareholders, whether in dematerialised or physical form, shall be deemed to have been automatically cancelled and of no effect.
- s) Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall, upon the Scheme coming into effect, record the assets and liabilities of erstwhile ERCL and erstwhile TDL vested in it pursuant to this Scheme, at their respective book values and in the same form as appearing in the books of erstwhile ERCL and erstwhile TDL at the close of business of the day immediately preceding the Appointed Date.
- t) The excess/ shortfall of the book value of the assets over the value of the liabilities of erstwhile ERCL and erstwhile TDL, after adjusting the aggregate face value of the shares issued by the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) to the members of the erstwhile ERCL and erstwhile TDL pursuant to this Scheme, be adjusted in its Capital Reserve Account.
- u) In case of any differences in accounting policy between erstwhile ERCL and erstwhile TDL and Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), the impact of the same till the amalgamation will be quantified and adjusted in the General Reserve of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) to ensure that the financial statements of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) reflect the financial position on the basis of consistent accounting policy.
- v) To the extent there are inter-corporate investments, loans or balances between erstwhile ERCL and erstwhile TDL and the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), inter se, the obligations in respect thereof shall come to an end and corresponding effect shall be given in the books of accounts and records of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) for the reduction of any assets or liabilities, as the case may be.
- w) There shall be no change in the shareholding pattern or control in Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) between the record date and the listing which may affect the status of the approval of the designated stock exchange.
- x) Upon the Scheme becoming effective, the Erstwhile Elgi Rubber Company Limited & erstwhile Treadsdirect Limited shall, without any further act or deed, stand dissolved without winding up.

(ii) Slump sale of Engineering Division of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) to Titan Tyrecare Products Limited (TTPL)

- (a) Appointed Date, for the purpose of this slump sale, means the date from which this Scheme shall become operative viz., the effective date, i.e. the date on which the certified copy of the order of the Court sanctioning the Scheme is filed with the Registrar of Companies, Coimbatore by Elgi

Rubber Company Limited (Formerly Elgi Rubber International Limited) and with Registrar of Companies, Pondicherry by TTPL.

- (b) With effect from the effective date, Engineering Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall be vested in TTPL, by way of Slump Sale, without any further act or deed, and by virtue of the order passed by the Court, in the following manner:
- (c) All the Engineering Undertaking shall stand vested in TTPL, with effect from the Effective Date, and shall become the property and an integral part of TTPL in accordance with all applicable laws. With effect from the Effective Date, TTPL shall be entitled to exercise all rights and privileges and be liable to pay all taxes and charges including ground rent, and fulfill all obligations, in relation to or applicable to such Engineering Undertaking.
- (d) With effect from the Effective Date, all debts, Liabilities, contingent liabilities, duties and obligations, secured or unsecured of each of the Engineering Undertaking, shall become and be deemed to be the debts, liabilities, contingent liabilities, duties and obligations of TTPL.
- (e) With effect from the Effective Date, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature (including the benefits under any of the approvals of third parties to such documents) in relation to the Engineering Undertaking shall deem to be vested in TTPL.
- (f) With effect from the Effective Date, all licenses and registrations relating to trademarks, privileges, powers, facilities of every kind and description of whatsoever nature in relation to the Engineering Undertaking shall be enforceable as fully and effectually as if, instead of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), TTPL had been a party or beneficiary or obligee thereto.
- (g) With effect from the Effective Date, any statutory licenses, no-objection certificates, permissions, registrations, approvals, consents, permits, quotas, entitlements or rights required to carry on the operations of the Engineering Undertaking shall stand vested in TTPL without further act or deed, and shall be appropriately transferred or assigned by the statutory authorities concerned herewith in favour of TTPL upon vesting of the Engineering Undertaking pursuant to this Scheme.
- (h) TTPL shall, on and from the Effective Date, if so required under any law or otherwise, execute deeds of confirmation or other writings or arrangements with any party to any contract or arrangement in relation to the Engineering Undertaking in order to give formal effect to the above provisions.
- (i) With effect from the Effective Date, TTPL shall bear the burden and the benefits of any legal or other proceedings initiated by or against the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in relation to the Engineering Undertaking.
- (j) If any suit, appeal or other proceeding of whatever nature by or against the Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in relation to Engineering Undertaking be pending, the same shall not abate, be discontinued or in any way be prejudicially affected by reason of the transfer of the Engineering Undertaking or of anything contained in this Scheme but the proceedings may be continued, prosecuted and enforced by or against TTPL in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) as if this Scheme had not been made.
- (k) On occurrence and with effect from the Effective Date, the Employees of Engineering Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall become employees of the TTPL with compensation and benefits that are substantially similar to the Employee Benefits and with continuity of service and without any break or interruption in service. With regard to provident fund, gratuity fund, superannuation fund or any other special fund or obligation created or existing for the benefit of the Employees of Engineering Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), upon occurrence and with effect from the Effective Date, TTPL shall stand substituted for Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), for all purposes whatsoever relating to the

obligation to make contributions to the said funds in accordance with the provisions of such schemes or funds in the respective trust deeds or other documents. The existing provident fund, gratuity fund and superannuation fund or any other special fund or obligation, if any, created by Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in respect of the Employees of Engineering Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall be continued for the benefit of such employees on the same terms and conditions. It is the aim and intent of this Part 4 of the Scheme that all the rights, duties, powers and obligations of each of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in relation to Engineering Undertaking shall become those of TTPL.

- (l) Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall ensure that lawful, peaceful and unencumbered possession, right, title, interest of Engineering Undertaking is given to TTPL.
- (m) The lump sum consideration payable by TTPL to Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), for the vesting of the Engineering Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) with TTPL, by means of a Slump Sale, shall be no less than the net book value of the assets, as on the effective date, which shall be discharged, by TTPL to Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
- (n) Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall credit the excess of the lump sum consideration received / receivable pursuant to the Scheme, over the book value of the net assets/worth of the Engineering Undertaking, to the profit and loss account of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
- (o) On and from the Effective Date, all assets, properties and Liabilities of Engineering Undertaking shall stand transferred and vested into TTPL and carried to the books of TTPL at a value no less than the net book value of the assets as at the commencement of the business hours on the Effective Date and accounted in accordance with the generally accepted accounting principles.
- (p) The aggregate excess or deficit of value of the net assets of Engineering Undertaking and cost, charges, taxes and expenses in terms of the Scheme over the lump sum consideration payable by TTPL to Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall be transferred by TTPL to the Capital Reserve or Goodwill as the case may be.

(iii) Slump sale of Tread Rubber Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) to Treadsdirect Limited (Formerly Treadsdirect (India) Limited)

- (a) Appointed Date, for the purpose of this Slump sale, means the date from which this Scheme shall become operative viz., the effective date, i.e. the date on which the certified copy of the order of the Court sanctioning the Scheme is filed with the Registrar of Companies, Coimbatore Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) and Treadsdirect Limited (Formerly Treadsdirect (India) Limited)
- (b) With effect from the effective date, Tread Rubber Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall be vested in Treadsdirect Limited (Formerly Treadsdirect (India) Limited), by way of Slump Sale, without any further act or deed, and by virtue of the order passed by the Court, in the following manner:
- (c) All the Tread Rubber Undertaking shall stand vested in Treadsdirect Limited (Formerly Treadsdirect (India) Limited), with effect from the Effective Date, and shall become the property and an integral part of Treadsdirect Limited (Formerly Treadsdirect (India) Limited) in accordance with all applicable laws. With effect from the Effective Date, Treadsdirect Limited (Formerly Treadsdirect (India) Limited) shall be entitled to exercise all rights and privileges and be liable to pay all taxes and charges including ground rent, and fulfill all obligations, in relation to or applicable to such Tread Rubber Undertaking.
- (d) With effect from the Effective Date, all debts, Liabilities, contingent liabilities, duties and obligations, secured or unsecured of each of the Tread Rubber Undertaking, shall become and be deemed to be the debts, liabilities, contingent liabilities, duties and obligations of Treadsdirect Limited (Formerly Treadsdirect (India) Limited).

- (e) With effect from the Effective Date, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature (including the benefits under any of the approvals of third parties to such documents) in relation to the Tread Rubber Undertaking shall deem to be vested in Treadsdirect Limited (Formerly Treadsdirect (India) Limited).
- (f) With effect from the Effective Date, all licenses and registrations relating to trademarks, privileges, powers, facilities of every kind and description of whatsoever nature in relation to the Tread Rubber Undertaking shall be enforceable as fully and effectually as if, instead of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), Treadsdirect Limited (Formerly Treadsdirect (India) Limited) had been a party or beneficiary or obligee thereto.
- (g) With effect from the Effective Date, any statutory licenses, no-objection certificates, permissions, registrations, approvals, consents, permits, quotas, entitlements or rights required to carry on the operations of the Tread Rubber Undertaking shall stand vested in Treadsdirect Limited (Formerly Treadsdirect (India) Limited) without further act or deed, and shall be appropriately transferred or assigned by the statutory authorities concerned herewith in favour of Treadsdirect Limited (Formerly Treadsdirect (India) Limited) upon vesting of the Tread Rubber Undertaking pursuant to this Scheme.
- (h) Treadsdirect Limited (Formerly Treadsdirect (India) Limited) shall, on and from the Effective Date, if so required under any law or otherwise, execute deeds of confirmation or other writings or arrangements with any party to any contract or arrangement in relation to the Tread Rubber Undertaking in order to give formal effect to the above provisions.
- (i) With effect from the Effective Date, Treadsdirect Limited (Formerly Treadsdirect (India) Limited) shall bear the burden and the benefits of any legal or other proceedings initiated by or against Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in relation to the Tread Rubber Undertaking.
- (j) If any suit, appeal or other proceeding of whatever nature by or against Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in relation to Tread Rubber Undertaking be pending, the same shall not abate, be discontinued or in any way be prejudicially affected by reason of the transfer of the Tread Rubber Undertaking or of anything contained in this Scheme but the proceedings may be continued, prosecuted and enforced by or against Treadsdirect Limited (Formerly Treadsdirect (India) Limited) in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) as if this Scheme had not been made.
- (k) On occurrence and with effect from the Effective Date, the Employees of Tread Rubber Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall become employees of Treadsdirect Limited (Formerly Treadsdirect (India) Limited) with compensation and benefits that are substantially similar to the Employee Benefits and with continuity of service and without any break or interruption in service. With regard to provident fund, gratuity fund, superannuation fund or any other special fund or obligation created or existing for the benefit of the Employees of Tread Rubber Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), upon occurrence and with effect from the Effective Date, Treadsdirect Limited (Formerly Treadsdirect (India) Limited) shall stand substituted for Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), for all purposes whatsoever relating to the obligation to make contributions to the said funds in accordance with the provisions of such schemes or funds in the respective trust deeds or other documents. The existing provident fund, gratuity fund and superannuation fund or any other special fund or obligation, if any, created by Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in respect of the Employees of Tread Rubber Undertaking of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall be continued for the benefit of such employees on the same terms and conditions. It is the aim and intent of this Part 5 of the Scheme that all the rights, duties, powers and obligations of each of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) in relation to Tread Rubber Undertaking shall become those of Treadsdirect Limited (Formerly Treadsdirect (India) Limited).
- (l) Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall ensure that lawful, peaceful and unencumbered possession, right, title, interest of Tread Rubber Undertaking is given to Treadsdirect Limited (Formerly Treadsdirect (India) Limited).

- (m) The lump sum consideration payable by Treadsdirect Limited (Formerly Treadsdirect (India) Limited) to Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), for the vesting of the Tread Rubber Undertaking with Treadsdirect Limited (Formerly Treadsdirect (India) Limited), by means of a Slump Sale, shall be no less than the net book value of the assets, as on the effective date, which shall be discharged, by Treadsdirect Limited (Formerly Treadsdirect (India) Limited) to Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
- (n) Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall credit the excess of the lump sum consideration received / receivable over the book value of the net assets/worth of their respective Tread Rubber Undertaking, to the profit and loss account of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
- (o) On and from the Effective Date, all assets, properties and Liabilities of Tread Rubber Undertaking shall stand transferred and vested into Treadsdirect Limited (Formerly Treadsdirect (India) Limited) and carried to the books of Treadsdirect Limited (Formerly Treadsdirect (India) Limited) at a value no less than the net book value of the assets as at the commencement of the business hours on the effective date and accounted in accordance with the generally accepted accounting principles.
- (p) The aggregate excess or deficit of value of the net assets of Tread Rubber Undertaking and cost, charges, taxes and expenses in connection with Part 5 of the Scheme over the lump sum consideration payable by Treadsdirect Limited (Formerly Treadsdirect (India) Limited) to Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall be transferred by Treadsdirect Limited (Formerly Treadsdirect (India) Limited) to the General Reserve or Goodwill as the case may be.

(iv) Remaining Business

- (a) The Remaining Business, other than the Engineering Undertaking and Tread Rubber Undertaking shall continue with Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
- (b) The Remaining Business and all the assets, liabilities and obligations pertaining thereto shall continue to belong to, be vested in and be managed by Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited).
- (c) All legal, taxation or other proceedings whether civil or criminal (including before any statutory or quasi-judicial authority or tribunal), by or against Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) under any statute, whether pending on the Effective Date or which may be instituted at any time thereafter, and in each case, relating to the Remaining Business (including those relating to any property, right, power, liability, obligation or duties of ERCL (Formerly ERIL)) in respect of the Remaining Business, shall be continued and enforced by or against Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) after the Effective Date.
- (d) If any proceedings are made against TTPL and Treadsdirect Limited (Formerly Treadsdirect (India) Limited) in respect of the outstanding matters referred to above, TTPL and Treadsdirect Limited (Formerly Treadsdirect (India) Limited) shall defend the same in accordance with the advice of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) and at the cost of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited), and Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) shall reimburse and indemnify TTPL and Treadsdirect Limited (Formerly Treadsdirect (India) Limited) against all liabilities and obligations incurred by TTPL and Treadsdirect Limited (Formerly Treadsdirect (India) Limited) in respect thereof.

(v) Change Of Name Of Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) & Treadsdirect Limited (Formerly Treadsdirect (India) Limited)

- (a) Upon the Scheme becoming effective, the name of "ELGI RUBBER INTERNATIONAL LIMITED" shall be changed to "ELGI RUBBER COMPANY LIMITED" and the said change of name shall be deemed to have been carried out in compliance with the provisions of Sections 21, 23 and other applicable provisions, if any, of the Companies Act, 1956 and "ELGI RUBBER INTERNATIONAL LIMITED" shall not be required to obtain any further approvals in this regard.

- (b) Upon the Scheme becoming effective, the name of "TREADSDIRECT (INDIA) LIMITED" shall be changed to "TREADSDIRECT LIMITED" and the said change of name shall be deemed to have been carried out in compliance with the provisions of Sections 21, 23 and other applicable provisions, if any, of the Companies Act, 1956 and "TREADSDIRECT (INDIA) LIMITED" shall not be required to obtain any further approvals in this regard.
- (c) On change of name of the Company, the PAN, TAN, Excise and Service Tax registration numbers and any other licenses standing in the names of erstwhile ERCL and erstwhile TDL shall be transferred and vested with Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited) and Treadsdirect Limited (Formerly Treadsdirect (India) Limited) respectively.

VI –OBJECT OF THE SCHEME OF AMALGAMATION AND ARRANGEMENT

1. Erstwhile ERCL and Erstwhile TDL operate in the same industry group and there is a duplication of overheads. By combining the operations, the resulting amalgamated company would see a substantial reduction in the overheads.
2. Engineering Division of the Company is focused on the manufacturing of tyre retreading equipment and has the capability to manufacture and refurbish equipment used in the rubber industry. In order to grow this division, the company needs to look at partnerships and strategic alliances, globally. In order to achieve this objective and without having to give up equity in the amalgamated entity, the companies think that it is prudent to move the related segments into a wholly owned subsidiary.
3. Globally, the "branded" retreading segment is moving into the domain of tyre manufacturing companies. In order to maintain its leadership in the Indian sub-continent, there will be a need at some point in time, work closely with a tyre manufacturer. At such time, it makes financial sense in having partnership or joint venture with the relevant parts of the businesses in a subsidiary company.
4. Erstwhile ERCL and Erstwhile TDL have a high paid up capital in comparison to the turnover. This will reflect itself in the equity of amalgamated entity. In order to keep the paid up capital in reasonable proportion to sales, it is proposed to keep the capital of amalgamated entity at a reasonable level as per the Industry Standards during the amalgamation process.

This restructuring was proposed through a Scheme of Amalgamation and Arrangement. Post restructuring, the following entities will conduct business with specific objectives:

Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited): This company would focus on manufacture of tyre repair materials, reclaim rubber products, envelopes, patches and other related accessories and windmill operations of the group.

Treadsdirect Limited (Formerly Treadsdirect (India) Limited): This company would primarily focus on manufacture of tyre treads, precured treads, tread compounds, repair materials and tyre retreading and franchising system of the group.

Titan Tyrecare Products Limited: This company would primarily focus on manufacturing of brased abrasive products, nickel brased products, rubber processing machinery, precured tyre retreading machinery, reconditioning of precured retreading machinery, buffing blades and other accessories for tyre retreading operations of the group.

Approvals of the Scheme of Amalgamation and Arrangement

The Hon'ble High Court of Judicature at Madras, vide orders dated 16.12.2010 read with its order dated 25.01.2011 approved the Scheme of Amalgamation and Arrangement between Elgi Rubber Company Limited, Treadsdirect Limited, Elgi Rubber International Limited, Titan Tyrecare Products Limited and Treadsdirect (India) Limited and their respective shareholders.

In accordance with the said scheme, the equity shares of ERCL (Formerly ERIL), issued pursuant to the scheme, subject to applicable provisions, are to be listed and admitted for trading on the National Stock Exchange of India Limited (NSE). The Company had obtained in-principle approval for listing for NSE

vide its letter no. NSE/LIST/158913-3 dated 21.02.2011. However, the permission of admission for trading is not automatic and subject to the terms and conditions the NSE may prescribe.

The aforesaid orders of the Hon'ble High Court of Judicature at Madras was filed by ERCL, TDL, ERIL and TDL (Formerly TDIL) with the Registrar of Companies (ROC), Coimbatore and by TTPL with the Registrar of Companies, Pondicherry on 01.01.2011 and 23.02.2011 respectively. The Effective Date of the Scheme is 01.01.2011.

Further as per Part 6 of the above said scheme, the Company had applied for name change from Elgi Rubber International Limited to Elgi Rubber Company Limited, for which the Registrar of Companies, Coimbatore had granted the approval for the name change and issued a fresh Certificate of Incorporation dated 07.04.2011.

The Securities and Exchange Board of India has, vide their letter no. CFD/DIL/SP/JAK/OW/23781/2011 dated 22.07.2011 relaxed the applicability of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957.

ERCL (Formerly ERIL) has submitted its Information Memorandum, containing information about itself and making disclosures in line with the disclosure requirement for public issues, to the NSE, for making the said Information Memorandum available to public through their websites.

This Information Memorandum is available on the website of ERIL (www.elgirubber.com) and website of NSE (www.nseindia.com).

ERCL (Formerly ERIL) will publish an advertisement in the newspapers, containing the details required as per the SEBI circular no. SEBI/CFD/SCRR/01/2009/03/09 dated September 3, 2009. The advertisement will draw a specific reference to the availability of this Information Memorandum on the website of ERCL (Formerly ERIL) as well as in the stock exchange website.

ERCL (Formerly ERIL) also undertakes that all material information about itself shall be disclosed to stock exchanges on a continuous basis so as to make the same available to the public, in addition to any requirements specified in Listing Agreement for disclosures about subsidiaries.

Post Scheme

Pursuant to the scheme, the business of all the Undertakings of erstwhile ERCL & erstwhile TDL were vested with the Company. Further to it, the Engineering Division was transferred and vested with TTPL and Tread Rubber Manufacturing Division was transferred and vested with TDL (Formerly TDIL) by way of slump sale.

With the implementation of the scheme, ERCL (Formerly ERIL) has 10 manufacturing facilities in 6 countries (5 of them in India) and distribution operations in 2 countries.

The company has 2 wholly owned Indian subsidiaries:

- a. Treadsdirect Limited (Formerly Treadsdirect (India) Limited)
- b. Titan Tyrecare Products Limited

The company has 9 wholly owned overseas subsidiaries:

- a. Elgi Rubber Company LLC, USA
- b. Elgi Industria E Comercio De Borrachas Ltda, Brasil
- c. Treadirect Limited – Kenya
- d. Treadsdirect Limited – Sri Lanka
- e. Treadsdirect Limited – Bangladesh
- f. Treadsdirect LLC – USA
- g. Treadsdirect Limited - Mauritius
- h. Treadsdirect Do Industria E Comercio De Artefator De Borracha Ltda, Brasil
- i. Rubbe Resources BV, The Netherlands
- j. Rubber Resources LLC, USA

Dividend

Dividend is intended to be declared based on the quantum and availability of future profits and will be disbursed based on shareholder approval on the recommendation of the Board of directors. The Board of directors have recommended the payment of Re. 0.85 as dividend for the year ended March 31, 2011.

Main objects of the ERCL (Formerly ERIL) as set out in Memorandum of Association

1. To carry on the business of manufacturers, retreaders, repairers, importers, exporters, buyers, sellers, distributors and dealers in all kinds and types of aeronautical tyres & tubes, service equipments and related accessories, materials and tools.
2. To construct, produce, prepare, manufacture, purchase, sell, import, export and generally to deal in all types of raw materials and machinery required for the manufacture, retreading and production of all types of tyres and semi-tyres for any type of vehicle, in particular for aircraft.
3. To carry on the business as manufacturers, importers, exporters, buyers, sellers and dealers in tyres and tubes, tyre treads, trade compounds, cushion compounds, repair materials, tyre retreading machinery and service equipment and related accessories, materials and tools.
4. To manufacture, produce, prepare, press, vulcanize, repair, retread, export, import, purchase, sell and generally to carry on the business in tyres and semi-tyres for different types of vehicles, including buses, omnibuses, charabancs, trucks, lorries, automobiles, motor cycles, cycles, tractors, aeroplanes, and also in industrial tyres, inner tubes, flaps, miscellaneous repair materials and other articles and appliances made with or from natural or synthetic rubber.

Changes in Memorandum and Articles of Association since the Company's incorporation

Date	Particulars
30.06.2010	Alteration of Articles of Association of the Company
07.07.2010	Change of name from Elgi Aviation Tyres Limited to Elgi Rubber International Limited
23.07.2010	Substitution of Clause V of Memorandum of Association and Article 4 of Articles of Association relating to authorised share capital, pursuant to sub-division of nominal value of the equity shares from Rs. 10/- to Re. 1/-.
12.11.2010	Change of name from Elgi Rubber International Limited to Elgi Rubber Company Limited
01.01.2011	Substitution of Clause V of Memorandum of Association and Article 4 of Articles of Association relating to authorised share capital, pursuant to the Scheme of Amalgamation and Arrangement the total authorized share capital was increased to Rs. 300,300,000 divided into 300,300,000 equity shares of Re. 1/-.

Employees

Upon the Scheme becoming effective, all the staff, workmen and other employees in the service of erstwhile ERCL and erstwhile TDL immediately before the transfer of the Undertaking under the Scheme shall become the staff, workmen and employees of ERCL (Formerly ERIL) on the basis that:

- (a) their service shall have been continuous and shall not have been interrupted by reason of the transfer of the Undertaking;
- (b) the terms and conditions of service applicable to the said staff, workmen or employees after such transfer shall not in any way be less favourable to them than those applicable to them immediately before the transfer; and it is expressly provided that as far as Provident Fund, Gratuity Fund, Superannuation Fund or any other Special Fund created or existing or the benefit of the staff, workmen and the employees of erstwhile ERCL and erstwhile TDL are concerned, upon the Scheme becoming effective, ERCL (Formerly ERIL) shall stand substituted for erstwhile ERCL and erstwhile TDL for all purposes whatsoever related to the administration or operation of such Funds or in relation to the obligation to make contributions to the said Funds in accordance with the provisions of such Funds as per the terms provided in the respective Trust Deeds. It is the aim and intent that all the rights, duties, powers and obligations of erstwhile ERCL and erstwhile TDL in relation to such funds shall become those of ERCL (Formerly ERIL) and all the rights, duties and benefits of the employees employed in different units of erstwhile ERCL and erstwhile TDL under such Funds and Trusts shall be protected. It is clarified that the services of the employees of erstwhile ERCL and erstwhile TDL will also be treated as having been continuous for the purpose of the aforesaid Funds.

VII – INDUSTRY AND BUSINESS OVERVIEW

The performance of the company is dependent on the growth of the rubber industry, primarily in the tyre sector. The tyre sector covering new tyre manufacture and retreading is showing improved performance in comparison to last years' performance. This will help the overall performance of the company in future years.

Retreading is primarily dependent on the transport industry. Presently there are numerous manufacturers of retreading materials in the market. It is extremely competitive, with a large presence of unorganized manufacturers. The manufacturing does not involve any sophisticated technology and has very little entry barriers. Close to 70% of the production is in the unorganized sector. This is mainly on account of the central excise benefits they enjoy and often manipulate to their advantage.

The spiraling 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.

The company acquired Rubber Resources BV, a reclaimed rubber manufacturing company based in the Netherlands, effective from 01.01.2011. This unit recorded sales of Rs. 337.64 Million for the 3 month period ending 31.03.2011. 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, especially overseas, offers good potential for companies with an ability to be a single source supplier. The company is well and strategically positioned to take advantage of this situation. 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 01.01.2011. These units have achieved sales of Rs. 447.38 Million and Rs. 4.46 Million respectively during the last quarter of 2010-2011.

VIII – RISK FACTORS

An investment in equity shares involves a high degree of risk; the investor should carefully consider all of the information in this Information Memorandum, including the risks and uncertainties described below. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of the company's Equity Shares could decline, and the investor may lose all or part of their investment.

Risks related to the company's business

1. The tyre retreading business is largely dependent on the transport industry. The level of activity in the transport industry is dependent on various factors including activities in other industries.
2. Uncertain political and economic environments in the international markets and legal systems.
3. Foreign currency restrictions, foreign exchange rate fluctuations and changes in tax rates in connection with exports.
4. The main raw material such as natural rubber is an agricultural product and other raw materials such as synthetic rubber materials are petroleum-based products. Hence any factor, which affects agriculture and the price and availability of crude oil, will impact the price of raw materials.
5. The manufacturing facilities are subject to various operating risks such as the breakdown or failure of equipment or processes, power supply, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities.
6. The company sells its products in highly competitive markets and competition in these markets is based primarily on demand and price. To remain competitive in these markets, the company

must continuously strive to reduce its cost relating to production, transportation and distribution and improves its operating efficiencies.

7. While the current labour relations are very good, there can be no assurance that the company will not experience future disruptions to the operations due to disputes or other problems with the work force.
8. Promoters of the company own approximately 56.52% of post demerger equity share capital. As a result, the promoter family will have the ability to control the business. As long as the promoter family continues to exercise significant control over the company, they may influence the material policies of the Company in a manner that could conflict with the interests of other shareholders.
9. Taxes and other levies imposed by the central or state governments in India that affect the industry include import duties on raw materials, import duties on imports by foreign competitors, anti-dumping duties on imports, excise duty on the manufacture of products, central and state sales tax and other levies, income tax, value added tax, octroi tax and entry tax, turnover tax, service tax and other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time.
10. The manufacturing operations, business operations and performance are dependent on the overall economy, the gross domestic product ("GDP") growth rate and the economic cycle in India. Any slowdown in the Indian economy or volatility in global commodity prices could adversely affect the Indian economy. The Indian economy could also be adversely affected by a general rise in interest rates and unfavourable weather conditions adversely affecting agriculture.
11. Political instability and significant changes in the Government's policy on liberalisation of the Indian economy could impact the financial results and prospects.
12. Terrorist attacks and other acts of violence or war may adversely affect the global equity markets and economic growth. These acts may also result in a loss of business confidence and have other consequences that could have an adverse effect on the company's business, results of operations and financial condition.
13. India has experienced natural calamities such as earthquakes, floods, drought and a tsunami in recent years. The extent and severity of these natural disasters determines their impact on the Indian economy. Droughts, prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy, which could adversely affect the company's business.
14. Although, economic conditions are different in each country, investors' reactions to developments in one country may have an adverse effect on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. Any financial disruption could have an adverse effect on the company's business, future financial performance, shareholders' equity and the price of the shares.

IX – CAPITAL AND SHAREHOLDING STRUCTURE

Share capital

Upon issue and allotment of shares, pursuant to the scheme, the share capital of the company is as follows:

A	Authorised Share Capital 30,03,00,000 equity shares of Re.1 each	Rs. 30,03,00,000
B	Paid-up Capital 5,00,50,000 equity shares of Re.1 each	Rs. 5,00,50,000
C	Share Premium Account Before the Scheme After the Scheme	Nil Nil

- 1) The authorised share capital of the company at the time of incorporation was Rs. 5,000,000 divided in to 500,000 equity shares of Rs.10 each.
- 2) The nominal value of the equity shares was sub-divided from Rs. 10/- to Re. 1/- and hence the authorised share capital of the company pre-scheme was Rs. 5,000,000 divided into 5,000,000 equity shares of Re.1 each.
- 3) The authorised share capital of the company has been increased to Rs. 30,03,00,000 divided in to 30,03,00,000 equity shares of Re.1 each in terms of clause 3.25 of the scheme.
- 4) As per clause 3.17 of the scheme, the company has issued and allotted on 15.01.2010, 1,99,87,431 equity shares to the eligible members of ERCL its record date.
- 5) As per clause 3.18 of the scheme, the company has issued and allotted on 15.01.2011, 2,69,60,105 equity shares to the eligible members of TDL its record date.

Share capital history of the company

Sr. No	Date of allotment	Date when fully paid-up	Consideration	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	% of post arrangement paid-up capital	Lock-in-period
1	25.10.2006	25.10.2006	Cash	50,000	10	10	0.00	NA
2	23.07.2010	Converted in to shares of Re.1/- each	NA	500,000 #	1	1	0.28 #	NA
3	15.01.2011	15.01.2011	Non-cash	49,906,250 *	1	1	99.71	NA*

Out of the share capital of 500,000 equity shares, 356,250 equity shares was cancelled on account of cross holdings between the companies in the scheme and hence the post-scheme percentage of the share capital is reduced to that extent.

Shareholding pattern of the company before and after the allotment pursuant to the scheme

(a) Shareholding pattern of the Company Pre allotment of shares pursuant to Scheme of Amalgamation and Arrangement:

Name of the Company :	Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited)		
Partly paid-up shares:-	No. of partly paid-up shares	As a % of total no. of partly paid-up shares	As a % of total no. of shares of the company
Held promoter/promoter group	0.00	0.00	0.00
Held by public	0.00	0.00	0.00
Total	0.00	0.00	0.00
Outstanding convertible securities:-	No. of outstanding securities	As a % of total no. of outstanding convertible securities	As a % of total no. of shares of the company, assuming full conversion of the convertible securities
Held promoter/promoter group	0.00	0.00	0.00
Held by public	0.00	0.00	0.00
Total	0.00	0.00	0.00
Warrants:-	No. of warrants	As a % of total no. of warrants	As a % of total no. of shares of the company, assuming full conversion of warrants
Held promoter/promoter group	0.00	0.00	0.00
Held by public	0.00	0.00	0.00
Total	0.00	0.00	0.00
Total paid-up capital of the company, assuming full conversion of warrants and convertible securities	0.00	0.00	0.00

Name of the Company:		Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited)						
Category code	Category of Shareholder	Number of Shareholders	Total number of shares	No. of shares held in dematerialised form	Total shareholding as a percentage of total no. of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	No. of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
(A)	Shareholding of Promoter and Promoter Group							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	3	1,43,750	0	28.75	28.75	0	0.00
(b)	Central Government/ State Government(s)		0	0	0.00	0.00	0	0.00
(c)	Bodies Corporate	4	3,56,250	0	71.25	71.25	0	0.00
(d)	Financial Institutions/ Banks		0	0	0.00	0.00	0	0.00
(e)	Any Others(Specify)		0	0	0.00	0.00	0	0.00
	Sub Total(A)(1)	7	5,00,000	0	100.00	100.00	0	0.00
2	Foreign							
a	Individuals (Non-Residents Individuals/ Foreign Individuals)		0	0	0.00	0.00	0	0.00
b	Bodies Corporate		0	0	0.00	0.00	0	0.00
c	Institutions		0	0	0.00	0.00	0	0.00
d	Any Others(Specify)		0	0	0.00	0.00	0	0.00
	Sub Total(A)(2)	0	0	0	0.00	0.00	0	0.00
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	7	5,00,000	0	100.00	100.00	0	0.00
(B)	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI		0	0	0.00	0.00	0	0.00
(b)	Financial Institutions/ Banks		0	0	0.00	0.00	0	0.00
(c)	Central Government/ State Government(s)		0	0	0.00	0.00	0	0.00
(d)	Venture Capital Funds		0	0	0.00	0.00	0	0.00
(e)	Insurance Companies		0	0	0.00	0.00	0	0.00
(f)	Foreign Institutional Investors		0	0	0.00	0.00	0	0.00
(g)	Foreign Venture Capital Investors		0	0	0.00	0.00	0	0.00
(h)	Any Other (specify)		0	0	0.00	0.00	0	0.00
(h-i)	Trust		0	0	0.00	0.00	0	0.00
(h-ii)			0	0	0.00	0.00	0	0.00
	Sub-Total (B)(1)	0	0	0	0.00	0.00	0	0.00
B 2	Non-institutions							
(a)	Bodies Corporate		0	0	0.00	0.00	0	0.00
(b)	Individuals							

(b-I)	Individual shareholders holding nominal share capital up to Rs 1 lakh	0	0	0.00	0.00	0	0.00
(b-II)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	0	0	0.00	0.00	0	0.00
(c)	Any Other (specify)	0	0	0.00	0.00	0	0.00
(c-i)	Individual Directors	0	0	0.00	0.00	0	0.00
(c-ii)	NRI(Repatriate)	0	0	0.00	0.00	0	0.00
(c-iii)	NRI(Non-Repatriate)	0	0	0.00	0.00	0	0.00
	Sub-Total (B)(2)	0	0	0.00	0.00	0	0.00
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	0	0	0.00	0.00	0	0.00
	TOTAL (A)+(B)	7	5,00,000	0	100.00	100.00	0.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0.00	0.00	0	0.00
	GRAND TOTAL (A)+(B)+(C)	7	5,00,000	0	100.00	100.00	0.00

(I)(b) Statement showing shareholding of persons belonging to the category "Promoter and Promoter Group"

Sl. No.	Name of Shareholder	Total shares held		Shares pledged or otherwise encumbered		
		Number	As a % of grand total (A)+(B)+(C)	Number	As a percentage	As a % of grand total (A)+(B)+(C) of sub-clause(I)(a)
(I)	(II)	(III)	(IV)	(V)	(VI) = (V)/(III)*100	(VII)
1	Sudarsan Varadaraj	1,41,750	28.35	0	0.00	0.00
2	Harsha Varadaraj	1,000	0.20	0	0.00	0.00
3	Varshini Varadaraj	1,000	0.20	0	0.00	0.00
4	Elgi Rubber Company Limited along with 1 representative holder	1,78,120	35.62	0	0.00	0.00
5	Treadsdirect Limited along with 1 representative holder	1,78,130	35.63	0	0.00	0.00
	TOTAL	5,00,000	100.00	0	0.00	0.00

(I)(c) Statement showing shareholding of persons belonging to the category 'Public' and holding more than 1% of the total number of shares

Sl. No.	Name of Shareholder	No. of shares	Shares as a percentage of total No. of shares (I.e Grand total (A+B+C) indicated in statement as para (1) (a) above)
			Not Applicable

(I)(d) Statement showing details of locked-in-shares

Sl. No.	Name of Shareholder	No. of shares	Category of shareholders (Promoters/Public)	Shares as a percentage of total No. of shares (I.e Grand total (A+B+C) indicated in statement as para (1) (a) above)
			NIL	

(II)(a) Statement showing details of Depository Receipts (DRs)

Sl. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	No. of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total No. of shares (I.e Grand total (A+B+C) indicated in statement as para (1) (a) above)
			NIL	

(II)(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares held by Promoter/ Promoter group are in excess of 1% of the total number of shares

Sl. No.	Name of the DR holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total No. of shares (I.e Grand total (A+B+C) indicated in statement as para (1) (a) above)
			NIL	

(III)(a) Statement showing the voting pattern of shareholders, if more than one class of shares/ securities is issued by the issuer

Category code	Category of Shareholder	Number of Voting rights held in each class of securities			Total Voting Rights (III+IV+V) (VI)	Total shareholding as a percentage of total no. of shares	
		Class X (III)	Class Y (IV)	Class Z (V)		As a percentage of (A+B) (VII)	As a percentage of (A+B+C) (VIII)
			NIL				

(b) Shareholding pattern of the Company Post allotment of shares pursuant to Scheme of Amalgamation and Arrangement:

Name of the Company :		Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited)		
Partly paid-up shares:-	No. of partly paid-up shares	As a % of total no. of partly paid-up shares	As a % of total no. of shares of the company	
Held promoter/promoter group	0.00	0.00	0.00	
Held by public	0.00	0.00	0.00	
Total	0.00	0.00	0.00	
Outstanding convertible securities:-	No. of outstanding securities	As a % of total no. of outstanding convertible securities	As a % of total no. of shares of the company, assuming full conversion of the convertible securities	
Held promoter/promoter group	0.00	0.00	0.00	
Held by public	0.00	0.00	0.00	
Total	0.00	0.00	0.00	
Warrants:-	No. of warrants	As a % of total no. of warrants	As a % of total no. of shares of the company, assuming full conversion of warrants	
Held promoter/promoter group	0.00	0.00	0.00	
Held by public	0.00	0.00	0.00	
Total	0.00	0.00	0.00	
Total paid-up capital of the company, assuming full conversion of warrants and convertible securities	0.00	0.00	0.00	

Name of the Company :		Elgi Rubber Company Limited (Formerly Elgi Rubber International Limited)						
Category code	Category of Shareholder	Number of Shareholders	Total number of shares	No. of shares held in dematerialised form	Total shareholding as a percentage of total no. of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	No. of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
(A)	Shareholding of Promoter and Promoter Group							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	13	2,39,84,750	2,38,41,000	47.92	47.92	0	0.00
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00	0	0.00
(c)	Bodies Corporate	2	43,05,175	43,05,175	8.60	8.60	0	0.00
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00	0	0.00
(e)	Any Others(Specify)			0	0.00	0.00	0	0.00
	Sub Total(A)(1)	15	2,82,89,925	2,81,46,175	56.52	56.52	0	0.00
2	Foreign							
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
b	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
c	Institutions	0	0	0	0.00	0.00	0	0.00
d	Any Others(Specify)	0	0	0	0.00	0.00	0	0.00
	Sub Total(A)(2)	0	0	0	0.00	0.00	0	0.00
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	15	2,82,89,925	2,81,46,175	56.52	56.52	0	0.00
(B)	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI	6	2,765	675	0.01	0.01	0	0.00
(b)	Financial Institutions/ Banks	3	38,409	36,834	0.08	0.08	0	0.00
(c)	Central Government/ State Government(s)	1	11,79,696	11,79,696	2.36	2.36	0	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0.00	0	0.00
(e)	Insurance Companies	2	14,50,669	14,50,669	2.90	2.90	0	0.00
(f)	Foreign Institutional Investors	2	7,175	7,000	0.01	0.01	0	0.00
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00	0	0.00
(h)	Any Other (specify)	0	0	0	0.00	0.00	0	0.00
(h-i)	Trust	1	1,850	1,850	0.00	0.00	0	0.00
(h-ii)		0	0	0	0.00	0.00	0	0.00
	Sub-Total (B)(1)	15	26,80,564	26,76,724	5.36	5.36	0	0.00
B 2	Non-institutions							
(a)	Bodies Corporate	411	31,99,481	31,91,416	6.39	6.39	0	0.00
(b)	Individuals							
(b-l)	Individual shareholders holding	13,466	1,28,59,568	1,01,02,530	25.70	25.70	0	0.00

	nominal share capital up to Rs 1 lakh							
(b-II)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	13	27,98,388	26,12,538	5.59	5.59	0	0.00
(c)	Any Other (specify)	0	0	0	0.00	0.00	0	0.00
(c-i)	Individual Directors	2	1,187	116	0.00	0.00	0	0.00
(c-ii)	NRI(Repatriate)	109	1,34,551	1,31,701	0.27	0.27	0	0.00
(c-iii)	NRI(Non-Repatriate)	46	86,336	86,336	0.17	0.17	0	0.00
	Sub-Total (B)(2)	14,047	1,90,79,511	1,61,24,637	38.12	38.12	0	0.00
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	14,062	2,17,60,075	1,88,01,361	43.48	43.48	0	0.00
	TOTAL (A)+(B)	14,077	5,00,50,000	4,69,47,536	100.00	100.00	0	0.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued							
1	Promoter & Promoter group	0	0	0	0.00	0.00	0	0.00
2	Public	0	0	0	0.00	0.00	0	0.00
	GRAND TOTAL (A)+(B)+(C)	14,077	5,00,50,000	4,69,47,536	100.00	100.00	0	0.00

(I)(b) Statement showing shareholding of persons belonging to the category "Promoter and Promoter Group"

Sl. No.	Name of Shareholder	Total shares held		Shares pledged or otherwise encumbered		
		Number	As a % of grand total (A)+(B)+(C)	Number	As a percentage (VI) = (V)/(III)*100	As a % of grand total (A)+(B)+(C) of sub-clause(I)(a) (VII)
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)
1	Balaji T	77,609	0.16	0	0.00	0.00
2	Gayathri Balaji	74,200	0.15	0	0.00	0.00
3	Uday Balaji	20,944	0.04	0	0.00	0.00
4	Vinay Balaji	1,52,600	0.30	0	0.00	0.00
5	Sumanth R	7,875	0.02	0	0.00	0.00
6	Anvar Jay Varadaraj	7,084	0.01	0	0.00	0.00
7	Varun Jay Varadaraj	7,084	0.01	0	0.00	0.00
8	Maya Jay Varadaraj	7,084	0.01	0	0.00	0.00
9	Dr.Jairam Varadaraj	1,41,750	0.28	0	0.00	0.00
10	Ramamurthi L G	2,751	0.01	0	0.00	0.00
11	Sudarsan Varadaraj	1,92,50,769	38.46	0	0.00	0.00
12	Harsha Varadaraj	21,17,500	4.23	0	0.00	0.00
13	Varshini Varadaraj	21,17,500	4.23	0	0.00	0.00
14	Elgi Equipment Limited	7,63,700	1.53	0	0.00	0.00
15	LRG Technologies Limited	35,41,475	7.08	0	0.00	0.00
	TOTAL	2,82,89,925	56.52	0	0.00	0.00

(I)(c) Statement showing shareholding of persons belonging to the category 'Public' and holding more than 1% of the total number of shares

Sl. No.	Name of Shareholder	No. of shares	Shares as a percentage of total No. of shares (i.e Grand total (A+B+C) indicated in statement as para (1) (a) above)
1	The Oriental Insurance Company Limited	11,02,096	2.20
2	The Tamilnadu Industrial Investment Corporation Ltd	11,79,696	2.36
3	Ramsingh Motilal Agarwal	5,67,000	1.13
4	Sudarshan Securities Private Limited	537223	1.07
	TOTAL	33,86,015	6.77

(I)(d) Statement showing details of locked-in-shares

Sl. No.	Name of Shareholder	No. of shares	Category of shareholders (Promoters/Public)	Shares as a percentage of total No. of shares (i.e Grand total (A+B+C) indicated in statement as para (1) (a) above)
1	Sudarsan Varadaraj	61,18,005	Promoter	12.22
2	Varshini Varadaraj	4,13,672	Promoter	0.83
3	Harsha Varadaraj	4,13,670	Promoter	0.83
4	Bharathi Varadaraj	1,85,850	Public	0.37
5	T.Ashokanand	17	Public	0.00
6	S.R.Venkatachalam	17	Public	0.00
7	MD Selvaraj	17	Public	0.00
	TOTAL	71,31,248		14.25

Note: The above said equity shares were under lock in upto 04.07.2011, after which the lock in was released.

(II)(a) Statement showing details of Depository Receipts (DRs)

Sl. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	No. of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total No. of shares (i.e Grand total (A+B+C) indicated in statement as para (1) (a) above)
			NIL	

(II)(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares held by Promoter/ Promoter group are in excess of 1% of the total number of shares

Sl. No.	Name of the DR holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total No. of shares (i.e Grand total (A+B+C) indicated in statement as para (1) (a) above)
			NIL	

(III)(a) Statement showing the voting pattern of shareholders, if more than one class of shares/ securities is issued by the issuer

Category code	Category of Shareholder	Number of Voting rights held in each class of securities			Total Voting Rights (III+IV+V) (VI)	Total shareholding as a percentage of total no. of shares	
		Class X (III)	Class Y (IV)	Class Z (V)		As a percentage of (A+B) (VII)	As a percentage of (A+B+C) (VIII)
			NIL				

List of persons/ entities comprising the promoter group

Sl. No.	Name of the shareholder	Number of shares	Shares as a percentage of total No. of shares
1	T Balaji	77,609	0.16
2	Gayathri Balaji	74,200	0.15
3	Uday Balaji	20,944	0.04
4	Vinay Balaji	1,52,600	0.30
5	Elgi Equipments Limited	7,63,700	0.02
6	R Sumanth	7,875	0.01
7	Anvar Jay Varadaraj	7,084	0.01
8	Varun Jay Varadaraj	7,084	0.01
9	Maya Jay Varadaraj	7,084	0.01
10	Jairam Varadaraj	1,41,750	0.28
11	LG Ramamurthi (Late)	2,751	0.01
12	Sudarsan Varadaraj	1,92,50,769	38.46
13	Varshini Varadaraj	21,17,500	4.23
14	Harsha Varadaraj	21,17,500	4.23
15	LRG Technologies Limited	35,41,475	7.08
	TOTAL	2,82,89,925	56.52

List of the top 10 shareholders of the company and the number of equity shares held by them

a) Top 10 shareholders on the date of filing the Information Memorandum

S.N	Name of Shareholders	No. of equity shares
1	Sudarsan Varadaraj **	1,92,50,769
2	LRG Technologies Limited **	35,41,475
3	Varshini Varadaraj **	21,17,500
4	Harsha Varadaraj **	21,17,500
5	The Tamilnadu Industrial Investment Corporation Limited	11,79,696
6	The Oriental Insurance Company Limited	11,02,096
7	Elgi Equipments Limited **	7,63,700
8	Ramsingh Motilal Agarwal	5,67,000
9	Sudarshan Securities Private Ltd.	5,37,223
10	National Insurance Company Ltd.	3,48,573

** Forming part of promoter group

b) Top 10 shareholders 10 days prior to the date of the Information Memorandum

S.N	Name of Shareholders	No. of equity shares
1	Sudarsan Varadaraj **	1,92,50,769
2	LRG Technologies Limited **	35,41,475
3	Varshini Varadaraj **	21,17,500
4	Harsha Varadaraj **	21,17,500
5	The Tamilnadu Industrial Investment Corporation Limited	11,79,696
6	The Oriental Insurance Company Limited	11,02,096
7	Elgi Equipments Limited **	7,63,700
8	Ramsingh Motilal Agarwal	5,67,000
9	Sudarshan Securities Private Ltd.	5,37,223
10	National Insurance Company Ltd.	3,48,573

** Forming part of promoter group

c) Top 10 shareholders of the company on the date of incorporation

Sl No.	Name of Shareholders	No. of equity shares
1	LG Varadarajulu	100
2	Amirtham Varadaraj	100
3	Sudarsan Varadaraj	25,600
4	SR Venkatachalam	100

5	Varshini Varadaraj	100
6	LRG Technologies P Limited	12,000
7	Elgi Rubber Products Limited	12,000
	TOTAL	500,000

Notes:

- 1) As on the date of this Information Memorandum, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments of the company into equity shares of the company.
- 1) The company, its directors, its promoters have not entered into any buy-back, standby or similar arrangements to purchase equity shares of the company from any person.
- 2) There will be no further issue of capital by ERCL (Formerly ERIL) whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of approval of the scheme by the High Court till listing of the equity shares.
- 3) There shall be only one denomination for the equity shares of the company, subject to applicable regulations and company shall comply with such disclosure and accounting norms specified by SEBI, from time to time.
- 4) The Company has approximately 14,085 members as on the date of filing this Information Memorandum.

X - MANAGEMENT

As per the Articles of Association of the company, until otherwise decided by the general meeting, the minimum and maximum number of directors shall be three and twelve respectively (including nominee director(s) if any).

The Board of directors of the company comprises of the following individuals:

	Name, Father's Name & Address	Designation & Age	Other directorships	Occupation	Din
1	Sri. Sudarsan Varadaraj S/o.Sri.LG Varadarajulu 227/1, Tea Estates Compound Race Course Coimbatore – 641 018	Chairman & Managing Director 53 Years	1. Elgi Equipments Ltd 2. KLRF Ltd 3. Titan Tyrecare Products Ltd 4. Super Spinning Mills Ltd 5. Treadsdirect Ltd 6. Elgi Ultra Industries Ltd 7. LRG Technologies Ltd 8. Festo Controls Pvt Ltd 9. Tyre Point Pvt Ltd	Executive Chairman of the Company	00133533
2	Sri. MD Selvaraj S/o.Sri. M Doraiswamy "Surya", No.35 May Flower Avenue Sowripalayam Road Coimbatore – 641 028	Non executive, Independent 58 Years	1. Treadsdirect Ltd 2. Titan Tyrecare Products Ltd 3. Suryavaradh Securities Pvt Ltd	Practising Company Secretary	00001608
3	Sri. Suresh Jagannathan S/o.Sri.V Jagannathan 222, Race Course Coimbatore – 641 018	Non executive, Independent 54 Years	1. KLRF Ltd 2. Pricol Ltd 3. Precot Meridian Ltd 4. Cape Flour Mills Pvt Ltd 5. Chempaka General Finance Pvt Ltd	Industrialist	00011326
4	Sri. CN Srivatsan S/o.Sri.CR Natarajan 9, North Hozur Road Coimbatore – 641 018	Non executive, Independent 54 Years	1. Kar Mobiles Ltd 2. Rane Engine Valve Ltd 3. Precot Meridian Ltd 4. Astral Consulting Ltd 5. Astral Auto Print Business Solutions Pvt Ltd 6. SKP Astral Consulting Pvt Ltd	Chartered Accountant	00002194
5	Dr. Jairam Varadaraj S/o.Sri.LG Varadarajulu 5-1, Ward No.13 Ruckmani Nagar Ramanathapuram Coimbatore – 641 045	Non executive, Promoter 50 Years	1. Elgi Equipments Ltd 2. ATS Elgi Ltd 3. Elgi Ultra Industries Ltd 4. Adisons Precision Instruments Manufacturing Company Ltd 5. Precot Meridian Ltd 6. Thermax Ltd 7. Magna Electro Castings Ltd 8. Executive and Business Coaching Foundation India Ltd 9. Elgi Sauer Compressors Ltd	Industrialist	00058056
6	Sri. P. Vijay Raghunath S/o.Sri.M Panchapakesan 12-1, Ruckmani Nagar Ramanathapuram Coimbatore – 641 045	Non executive, Independent 44 Years	1. English Tools & Casting Ltd 2. Vijayeswari Textiles Ltd	Advocate	00002963

XI – CORPORATE GOVERNANCE

The provisions of the listing agreement to be entered into with the stock exchanges with respect to corporate governance will be applicable to the company immediately upon the listing of its equity shares on the stock exchanges. The company is fully compliant with the provisions of clause 49 of the listing agreement.

Presently Mr. Sudarsan Varadaraj is the executive Chairman & Managing Director of the Board. The Board of directors of the company comprises of 6 directors including 4 Independent directors. The Board has also constituted the Audit Committee and Shareholders/ Investors' Grievance Committee as required under Clause 49 of the listing agreement as under:

Audit Committee

Director	Category	Member/ Chairman of the committee
MD Selvaraj	Independent	Chairman
Suresh Jagannathan	Independent	Member
P Vijay Raghunath	Independent	Member

Shareholders/ Investors' Grievance Committee

Director	Category	Member/Chairman of the committee
MD Selvaraj	Independent	Chairman
Sudarsan Varadaraj	Promoter Executive	Member
P Vijay Raghunath	Independent	Member

The role, powers, scope of functions and duties of the Audit Committee and Shareholders/ Investors' Grievance Committee of the board are as per the applicable provisions of the Companies Act, 1956 and clause 49 of the listing agreement.

Since, the company was not listed, the clause 49 of the listing agreement was not applicable to the company. However the same is complied with & will be complied with continuously, with effect from the date of this Information Memorandum

Change in Board of directors since the company's incorporation

At the time of incorporation, the board of directors consisted of three directors Mr. LG Varadarajulu, Mr. Sudarsan Varadaraj and Mr. M John Edward. Consequent upon the sudden demise of Director - Mr. LG Varadarajulu on May 19, 2010, the Board of Directors at their meeting held on May 21, 2010 appointed Mr.SR Venkatachalam as Director.

Further, the board of directors at the meeting held on January 6, 2011 has appointed Mr. MD Selvaraj, Mr. P Vijay Raghunath, Mr. CN Srivatsan and Mr. Suresh Jagannathan as additional directors with effect from that date.

Subsequently, Mr.SR Venkatachalam and Mr. M John Edward resigned from the directorship of the company with effect from January 6, 2011. Mr. Sudarsan Varadaraj was appointed as Chairman & Managing Director of the company with effect from January 1, 2011.

Shareholding of Directors

Name of Director	No. of shares held
Sudarsan Varadaraj	1,92,50,769
Suresh Jagannathan	1,050
MD Selvaraj	137

None of the other directors have any holdings of the Company's share as on date of the submission of this Information Memorandum.

XII – STATEMENT OF TAX BENEFITS

The statement of tax benefits has been certified by auditors, Reddy, Goud & Janardhan, Chartered Accountants vide their letter dated 29.07.2011. As per the present provisions of Income-tax Act, 1961 (hereinafter referred to as "the I.T. Act") and other laws as applicable for the time being in force in India, the following tax benefits are available to the company and to the shareholders of the company, subject to fulfillment of prescribed conditions:

A. To the company under the Income Tax Act, 1961 ('the I. T. Act')

- 1) Under section 32 of the I.T. Act, the company is entitled to claim depreciation allowance at the prescribed rates on all its tangible and intangible assets acquired and put to use for its business.
- 2) Under section 10(34) of the Act, dividend income (whether interim or final) received by the company from any other domestic company (in which the company has invested) is exempt from tax in the hands of the company.
- 3) The income received by the company from distribution made by any mutual fund specified under section 10(23D) of the I.T. Act or from the Administrator of the specified undertaking or from the specified companies referred to in section 10(35) of the I.T. Act is exempt from tax in the hands of the company under section 10(35) of the Act.
- 4) Under section 10(38) of the Act, the long-term capital gains arising from transfer of equity shares in any other company or units of equity oriented mutual funds, which are chargeable to securities transaction tax, are exempt from tax in the hands of the company. However, the said exemption will not be allowable as deduction from book profits under section 115JB of the Act.
- 5) The company is entitled to claim depreciation @ 20% (10% if the assets are used for less than 180 days) in accordance with provisions of section 32(1)(iia) for the purchase of new plant and machinery acquired and installed after 31st March, 2005
- 6) In accordance with and subject to the provisions of section 35, the company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.
- 7) As per the provisions of section 112(1)(b) of the Act, other long-term capital gains arising to the company are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to that section, the long-term capital gains resulting from transfer of listed securities or units or zero coupon bonds are subject to tax at the rate of 20% worked out after considering indexation benefit (plus applicable surcharge and education cess), which would be restricted to 15% worked out without considering indexation benefit (plus applicable surcharge and education cess).
- 8) As per the provisions of section 111A of the Act, short-term capital gains arising to the company from transfer of equity shares in any other company or of units of any equity oriented fund (as defined in section 10(38) of the Act), are subject to tax @ 15% (plus applicable surcharge and education cess), if such a transaction is subjected to securities transaction tax.
- 9) In accordance with and subject to the conditions specified in section 54EC of the Act, the company would be entitled to exemption from tax on long-term capital gain if such capital gain is invested maximum investment permitted is rupees fifty lakhs, in any of the long term specified assets (hereinafter referred to as the "new asset") to the extent and in the manner prescribed in the said section. However if the new asset is transferred or converted into money or takes any loan or advance on the security of such specified assets at any time within a period of three years from the date of its acquisition, the amount of capital gains for which exemption is availed earlier, would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.

- 10) As per the provisions of section 88E of the Act, where the business income of the company includes profits and gains from sale of securities liable to securities transaction tax, a rebate is allowable from the amount of income tax on such business income, to the extent of securities transaction tax paid on such transaction. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
- 11) Under section 115JAA(1A) of the Act, credit is allowed in respect of any minimum alternate tax ('MAT') paid under section 115JB of the Act for any assessment year commencing on or after April 1st, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 7 years succeeding the year in which the MAT credit is allowed.

B. To the shareholders of the Company

I. Resident shareholders

- 1) Under section 10(34) of the Act, dividend (whether interim or final) referred to in section 115-O received from a domestic company is exempt from tax in the hands of the shareholders of the company.
- 2) Under section 10(38) of the Act, the long-term capital gain arising from transfer of equity shares in the company, which is chargeable to securities transaction tax, is exempt from tax in the hands of the shareholders.
- 3) As per the provisions of section 112(1)(a) of the Act, other long-term capital gains arising to the resident shareholders are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per proviso to that section, the long-term capital gains arising from transfer of listed securities are subject to tax at the rate of 20% after considering the indexation benefit (plus applicable surcharge and education cess), which would be restricted to 15% of long term capital gains without considering the indexation benefit (plus applicable surcharge and education cess).
- 4) As per the provisions of section 111A of the Act, short-term capital gains arising to the shareholders from the transfer of equity shares in a company defined in section 10(38) of the act, are subject to tax @ 15% (plus applicable surcharge and education cess) if such a transaction is subjected to Securities Transaction Tax.
- 5) As per the provisions of section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to securities transaction tax, a rebate is allowable from the amount of income tax on such business income, to the extent of securities transaction tax paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
- 6) In accordance with and subject to the conditions specified in section 54EC of the Act, the shareholders would be entitled to exemption from tax on long-term capital gains if such capital gains are invested maximum investment permitted is rupees fifty lakhs, in any of the long-term specified assets (hereinafter referred to as the "new asset") to the extent and in the manner prescribed in the said sections. If the new asset is transferred or converted into money or takes loan or advance on the security of such specified assets at any time within a period of three years from the date of its acquisition, the amount of capital gains for which exemption is availed earlier, would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.
- 7) In case of a shareholder being an individual or a hindu undivided family, in accordance with and subject to the conditions and to the extent provided in section 54F of the Act, the shareholder is entitled to exemption from long-term capital gains arising from the transfer of any long term capital asset, not being on residential house if the net consideration is invested for purchase or construction of a residential house. If part of the net consideration is invested within the

prescribed period in a residential house, such gains would not be chargeable to tax on a proportionate basis. If, however, such new residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long-term capital gains in the year in which such residential house is transferred.

- 8) As per section 74, short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

II. Mutual Funds

In case of a shareholder being a mutual fund, as per the provisions of section 10(23D) of the Act, any income of mutual funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder, mutual funds set up by public sector banks or public financial institutions and mutual funds authorised by the Reserve Bank of India are exempt from income-tax, subject to the conditions notified by Central Government in this regard.

III. Venture Capital Companies /Funds

In case of a shareholder being a Venture capital company / fund, any income of venture capital companies / funds registered with the Securities and Exchange Board of India, are exempt from income-tax, subject to the conditions specified in section 10(23FB) of the Act.

IV. Non-Resident / Non-Resident Indian Member

- 1) Dividend (both interim and final) income, if any, received by the non-resident/non-resident Indian shareholders from the domestic company shall be exempt under section 10(34) of the Act.
- 2) Benefits outlined in paragraph B(1) above are also available to a non-resident/non-resident Indian shareholder except that under first proviso to section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation is not available to nonresident shareholders.
- 3) Benefits outlined in paragraph A(8) above are also applicable to the non-resident/nonresident Indian shareholder.
- 4) As per section 90(2) of the Act, the provisions of the I.T. Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident/nonresident Indian shareholder. Thus, a non-resident/ non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.
- 5) Capital gains tax – Options available to a non-resident Indian under the Act:
 - ◆ Non- resident Indian: As per section 115C(e) of the Act, a 'non-resident Indian' means an individual, being a citizen of India or a person of Indian origin who is not a 'resident'. As per the Explanation to the said clause, a person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.
 - ◆ Where shares have been subscribed in convertible foreign exchange, the non-resident Indians [as defined in section 115C(e) of the Act], being shareholders of an Indian company, have the option of being governed by the provisions of chapter XII-A of the Act,

which, inter alia, entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- As per the provisions of section 115D read with section 115E of the I.T. Act and subject to the conditions specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge on tax and education cess on tax and surcharge), without indexation benefit.
- As per the provisions of section 115F of the I.T. Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset (in cases not covered under section 10(38) of the Act) being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset (being shares in the Indian Company) as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificates in which the investment has been made, is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier, would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided, tax has been deducted at source from such income as per the provisions of chapter XVII-B of the Act.
- Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under section 139 of the I.T. Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

V. Foreign Institutional Investors (FIIs)

- 1) Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under section 10(34) of the Act.
- 2) Capital gains
 - Under section 115AD, income (other than income by way of dividends referred in section 115-O) received in respect of securities (other than units referred to in section 115AB) shall be taxable at the rate of 20% (plus applicable surcharge on tax and education cess on tax and surcharge).
 - Under section 115AD, capital gains arising from transfer of securities (other than units referred to in section 115AB) which are not exempt under section 10(38), shall be taxable as follows:
 - Securities which are held for the period of upto or less than twelve months and where such transaction is chargeable to securities transaction tax, capital gain shall be taxable at the rate of 15% (plus applicable surcharge on tax and education cess on tax and surcharge). Securities other than those held for the period of upto or less than twelve

months and where such transaction is not chargeable to securities transaction tax, capital gain shall be taxable at the rate of 30% (plus applicable surcharge on tax and education cess on tax and surcharge); Securities which are held for the period of more than twelve months shall be taxable at the rate of 15% (plus applicable surcharge on tax and education cess on tax and surcharge). Such capital gains would be computed without giving effect of first proviso and without indexation as provided in the second proviso to section 48.

- 3) Long-term capital gains arising on transfer of equity shares in the company, which is held for the period of more than twelve months and where such transaction is chargeable to securities transaction tax, shall be exempt from tax under section 10(38) of the Act.
- 4) Benefit of exemption under section 54EC shall be available as outlined in paragraph B(1)(6) above.
- 5) Benefit as outlined in paragraph A(8) above are also available to FIIs.
- 6) As per section 90(2) of the Act, the provisions of the I.T. Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

Note: There is a legal uncertainty over whether a FII can elect to be governed by the normal provisions of the Act, instead of the provisions of section 115AD. Investors are advised to consult their tax advisors in this regard.

C. Benefits available under the Wealth Tax Act, 1957

'Asset' as defined under Section 2(ea) of the Wealth Tax Act, 1957, does not include share in companies. Hence, the shares in companies are not liable to Wealth Tax.

D. Benefits available under the Gift Tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax. However they may be taxed as the income of the recipient of the Gift under section 56 (2) (v) of the Act.

Notes:

- 1) All the above benefits are as per the current tax law. Shareholder is advised to consider in his/her/its own case, the tax implications of any new enactments, which may change / modify the law.
- 2) In view of the nature of tax consequences, being based on all the facts, in totality, of the investors, each investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences.
- 3) The statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice.
- 4) In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has physical domicile.

XIII – FINANCIAL RESULTS

The audited financial statements of the company for the year ended March 31, 2011:

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		5,00,50,000		5,00,000
Reserves and Surplus	2		2,12,12,07,464		-
Secured Loan			-		-
Unsecured Loan			-		-
			2,17,12,57,464		5,00,000
II. Application of Funds					
Fixed Assets					
Gross Block	3	95,91,39,532			-
Less : Depreciation		53,39,99,391			-
Net Block			42,51,40,141		-
Capital Work in Progress			19,992		-
Investments	4		46,48,48,062		-
Deferred Tax Assets(Net)			49,46,000		-
Current Assets, Loans and Advances					
Interest accrued on Investments		10,02,646			-
Inventories	5	18,26,78,580			-
Stock of Securities	6	27,11,112			-
Sundry Debtors	7	70,85,47,212			-
Cash and Bank Balances	8	36,09,30,134		3,45,977	
Other Current Assets	9	1,18,81,802		1,437	
Loans and Advances	10	18,42,97,375		2,446	
		1,45,20,48,861		3,49,860	
Less:					
Current Liabilities and Provisions	11				
Liabilities		12,40,43,691		7,051	
Provisions		5,17,01,901		-	
		17,57,45,592		7,051	
Net Current Assets			1,27,63,03,269		3,42,809
Miscellaneous Expenditure	12		-		1,57,191
(to the extent not written off or adjusted)			2,17,12,57,464		5,00,000

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

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

	Schedule	Rs.	31.03.2011 Rs.	Rs.	31.03.2010 Rs.
Income					
Sales		2,06,14,84,335			
Less: Excise Duty		12,35,81,008	1,93,79,03,327		
Other Income	13		8,05,22,090		25,875
			2,01,84,25,417		25,875
Expenditure					
Material and other expenditure	14		1,67,39,94,731		8,668
Interest			1,45,658		
Depreciation			5,86,79,785		
			1,73,28,20,174		8,668
Excess of Pre-operative expenses over Income					17,207
Transfer to Pre-operatiave Expenses					17,207
Profit before Tax			28,56,05,243		
(Add)/Less:					
Provision for Income Tax			10,51,00,000		
Provision for Wealth Tax			52,000		
Deferred Tax			(96,43,000)		
Profit after Tax			19,00,96,243		
Add/(Less): Income Tax of earlier years			(13,97,392)		
			18,86,98,851		
Add/(Less):					
Balance surplus incorporated on amalgamation			63,71,54,601		
Profit available for Appropriation			82,58,53,452		
Less: Appropriations					
Proposed Final Dividend			4,25,42,500		
Tax on Dividend			69,01,457		
General Reserve			1,88,69,885		
Balance surplus carried to Balance Sheet			75,75,39,610		
			82,58,53,452		
Earnings per share - Basic & Diluted			3.77		
(Face Value of the share is Re. 1/- each)					

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

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

(In Rupees)

		31.03.2011		31.03.2010
Schedule - 1				
Share Capital				
Authorised				
300,300,000 (500,000) Equity Shares of Re. 1/- each (Rs. 10/- each)		30,03,00,000		50,00,000
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 Policy)		5,00,50,000		5,00,000
		5,00,50,000		5,00,000
Schedule - 2				
Reserves and Surplus				
Capital Reserve		17,32,76,500		-
Share Premium		19,00,000		-
General Reserve				-
As per Last Balance Sheet				-
Add: On Amalgamation	1,16,96,21,469			-
Add : Transfer from Profit and Loss Account	1,88,69,885	1,18,84,91,354		-
Surplus in Profit and Loss Account		75,75,39,610		-
		2,12,12,07,464		-

Schedule – 3 Fixed Assets

Description	Gross Block				Depreciation				Net Block	
	As on 01.04.2010 (Refer Note 1 below)	Additions	Transfer/ Deletion	As at 31.03.2011	As at 01.04.2010 (Refer Note 2 below)	for the year	Transfer/ Deletion	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	15,23,55,054	4,89,20,642	37,48,400	19,75,27,296	-	-	-	-	19,75,27,296	-
Building	20,72,86,627	24,69,888	2,26,73,631	18,70,82,884	8,49,42,484	1,01,09,883	1,87,36,920	7,63,15,447	11,07,67,437	-
Plant & Machinery	71,28,99,891	1,23,34,080	19,06,76,654	53,45,57,317	53,54,71,846	4,27,65,816	14,92,63,451	42,89,74,211	10,55,83,106	-
Furniture & Fittings	1,53,50,121	-	15,00,836	1,38,49,285	1,18,80,544	6,21,846	13,82,734	1,11,19,656	27,29,629	-
Vehicle	89,43,441	60,29,192	19,99,128	1,29,73,505	42,58,318	19,73,125	15,39,600	46,91,843	82,81,662	-
Intangible Assets	2,47,46,745	-	1,15,97,500	1,31,49,245	1,55,14,348	32,09,115	58,25,229	1,28,98,234	2,51,011	-
Total	1,12,15,81,879	6,97,53,802	23,21,96,149	95,91,39,532	65,20,67,540	5,86,79,785	17,67,47,934	53,39,99,391	42,51,40,141	-

Note 1: Gross block value of assets represents, assets of amalgamating companies taken over as per the "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.

Schedule -- 4	31.03.2011		31.03.2010
Investments - Long Term			
<u>(Unquoted - at cost)</u>			
1,000 Nos. of Bonds of Rs.10,000/- each in National Highways Authority of India	1,00,00,000		
Investment in Subsidiaries	45,65,49,477		
Less : Provision for fall in value of investment	2,00,05,147	43,65,44,330	
Investment in Shares (Non-Trade)		42,020	
<u>(Quoted - at cost)</u>			
Investment in Shares(Trade)		2,50,400	
Investment in Mutual Funds (Non - Trade)		1,80,11,312	
(Refer notes on accounts no. 24 for details of investments)			
		46,48,48,062	
Schedule -- 5			
Inventories			
Raw Materials		11,83,06,967	
Work in process		1,37,52,905	
Finished goods		2,40,55,489	
Trading goods		87,57,755	
Stores and Spares		1,24,62,438	
Packing Materials		34,75,562	
Scrap		40,860	
Material in Transit		18,26,604	
		18,26,78,580	
Schedule -- 6			
Stock of Securities			
Stock of Equity Shares		27,11,112	
(Refer notes on accounts no. 25 for the details of stock of securities)			
		27,11,112	
Schedule -- 7			
Sundry Debtors (unsecured - considered good)			
Debts outstanding for a period exceeding 6 months		3,00,88,688	
Others		67,84,58,524	
		70,85,47,212	

Schedule -- 8	31.03.2011		31.03.2010
Cash and Bank Balances			
Cash and Cheques on hand	3,71,377		-
Balance with Scheduled Banks			
In Current Accounts	5,38,32,045		22,099
In Cash Credit Accounts	54,52,151		-
In Deposit Accounts	18,52,70,000		3,23,878
In Margin Money Deposit Accounts	11,10,00,000		-
In Dividend Accounts	29,89,561		-
Funds in Transit	20,15,000		-
	36,09,30,134		3,45,977
Schedule -- 9			
Other Current Assets			
Income Receivable from Banks and Others	1,18,81,802		1,437
	1,18,81,802		1,437
Schedule -- 10			
Loans and Advances (Unsecured - considered good)			
Advances recoverable in cash or kind or for value to be received	6,93,58,008		-
Loans to Subsidiaries	2,23,25,000		-
Advances on account of Capital items	3,45,28,564		-
Other Deposits	78,67,840		-
Balances with Customs, Central Excise, VAT etc.	2,84,57,448		-
Advance payment of Taxes (Net of Provision)	2,17,60,515		2,446
	18,42,97,375		2,446
Schedule -- 11			
Current Liabilities and Provisions			
Current liabilities			
Sundry Creditors	2,97,20,685		-
Other Liabilities	8,27,72,354		7,051
Advances received from Customers	85,61,091		-
Unclaimed dividend	29,89,561		-
	12,40,43,691		7,051
Provision			
Provision for Compensated absence	22,57,944		-
Proposed Dividend	4,25,42,500		-
Tax on Proposed Dividend	69,01,457		-
	5,17,01,901		-

Schedule -- 12		31.03.2011		31.03.2010
Miscellaneous Expenditure				
(To the extent not written off or adjusted)				
Pre-Operative expenses brought forward from previous year	1,57,191		1,74,398	
Add: Excess of pre-operative expenses over income during the year	-		(17,207)	
Less: Written off during the year	1,57,191		-	1,57,191
Schedules forming part of the Profit and Loss Account for the year ended 31st March 2011				
Schedule -- 13				
Other Income				
Interest Receipts		3,02,92,090		25,875
(TDS Rs.2,691,225/-)(Previous Year TDS Rs.2,446/-)				
Income from Electricity generation		1,83,05,181		
Rent Received (TDS Rs188,550/- (Previous Year TDS Rs. Nil)		21,78,000		
Dividend		51,69,365		
Profit on Sale / Redemption of Investments		6,29,800		
Profit on Sale of Assets		95,05,031		
Liabilities no longer required written back		47,70,461		
Exchange Fluctuation (Net)		24,30,378		
Lease Receipts		4,780		
Others		72,37,004		
		8,05,22,090		25,875
Schedule -- 14				
Material and Other Expenditure				
Material				
Raw Material consumed		96,32,10,619		
Purchases - Trading Goods		5,04,06,027		
Stores and Spares consumed		2,39,51,006		
Power and Fuel		10,39,22,121		
Carriage Inward		1,23,70,093		
Establishment Charges				
Salaries, Wages and Bonus	10,68,70,970			
Contribution to Provident Fund and Other Funds	96,30,386			
Gratuity paid	77,35,678			
Contribution to ESIC	24,72,482			
Labour Charges	1,75,13,078			
Workmen and Staff Welfare expenses	39,89,720	14,82,12,314		

Selling and distribution Expenses			
Packing Materials	1,41,09,511		
Sales Commission	52,26,164		
Others	1,60,30,405	3,53,66,080	
Repairs and Maintenance			
Plant and Machinery	4,10,03,023		
Building	46,01,559		
Others	1,23,07,673	5,79,12,255	
Auditors' Remuneration			
Statutory Auditors : Audit fees	4,50,000		
Tax Matters	50,000		
Certification fees	5,000		
Service Tax	-		3,309
Reimbursement of expenses	2,01,349	7,06,349	3,309
Rent		35,77,291	
Rates and Taxes		62,51,653	
Insurance		60,48,257	
Freight charges		3,66,28,126	
Travelling and Conveyance		1,47,98,301	
Directors' Sitting fees		3,85,000	
Managerial Remuneration		1,54,65,141	
Miscellaneous expenses		3,74,61,767	5,359
Loss on Sale of assets		86,204	
Loss on discarding of asset		4,57,116	
Loss on sale / redemption of Investment		49,47,760	
Provision for fall in value of investments		1,68,05,147	
		1,53,89,68,627	8,668
Less: Closing Stock			
Work in process	1,37,52,905		
Finished Goods	2,40,55,489		
Trading Goods	87,57,755		
Scrap	40,860		
Securities	27,11,112	(4,93,18,121)	
Add: Opening Stock on account of Scheme			
Work in process	3,88,80,154		
Finished Goods	13,46,85,896		
Trading Goods	85,08,874		
Scrap	1,67,413		
Securities	21,01,888	18,43,44,225	
		1,67,39,94,731	8,668

XIV - 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.

XV - 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.66,17,536/-
4. Deposit account with banks include fixed deposit of Rs.11,10,00,000/- 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.64,35,000/- against the guarantee issued by Company's bankers.
- ii. The Company has also executed a counter guarantee for Rs. 11,60,64,500/- towards its subsidiaries.
- iii. Contingent liability on account of letters of credit established by Company's bankers is Rs.16,65,742/- on account of its subsidiaries.
- iv. Contingent liabilities not provided for

31.03.2011

(Rs.)

a.	Excise Duty	2,65,714
b.	Service Tax	5,10,648
c.	Income Tax	29,40,118
d.	Stamp Duty	43,68,304

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 Karjikkode, 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. 3,50,237/-

ii. Dues of other Creditors other than Micro and Small Enterprises Rs.2,93,70,448/-

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.3,50,237/-

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

: Rs. Nil

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. 5,80,02,361/-

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

12. Interest receipts include Rs.8,67,543/- received on investments.

13. Dividend income includes

i. Rs. 2,10,750/- received from stock of securities.

ii. Rs. 1,14,540/- received on investments from Companies other than Subsidiary Companies.

iii. Rs. 38,44,075/- 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. 41,16,000/- 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

7,52,939

Membership Fee, Books & Periodicals

1,24,782

Bank Charges / Interest	7,47,323
Advertisement	34,55,925
Sales Commission	37,24,094
Other Professional Charges	16,21,054
Royalty	1,04,592
Others	2,68,204

1. Earnings in Foreign Exchange

Calculated on FOB basis for export of goods	41,27,76,030
Dividend	38,44,075
Interest	61,095
Other Income	86,46,159

2. Value of Imports- CIF Value

Raw Materials	14,63,87,898
Spares, Repairs & Maintenance	17,89,727
Capital Goods	17,16,078

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

	Value	31.03.2011
	Rs.	(% of total Consumption)
Imported	8,44,95,555	8.56
Indigenous	90,26,66,070	91.44
	98,71,61,625	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	84,61,964	5,03,64,527	87,57,755
3.	Securities	21,01,888	-	27,11,112
		1,06,10,762	5,04,06,027	1,14,68,867

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

Figures within parentheses represent quantity in No.s.

(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.	Value Rs.
1.	Rubber Scrap (MT)	11,308	21,59,46,177
2.	Polymers (MT)	4,199	59,38,09,177
3.	Carbon Black (MT)	2,396	13,82,94,082
4.	Chemicals & Other raw materials	-	1,51,61,183
			96,32,10,619

22.4 Manufactured items

SI.No.	Particulars	31.03.2011	
		Opening stock value Rs.	Closing stock value Rs.
1.	Reclaimed Rubber Materials	7,70,862 (16)	6,71,089 (13)
2.	Retreading Raw Materials	11,55,32,989 (1120)	2,14,23,907 (168)
3.	Retreading Machinery	14,23,510 (4)	0 (0)
4.	Others	1,69,58,535	19,60,493
		13,46,85,896	2,40,55,489

Figures within parentheses represents quantity in No.s / MT.

22.5 Turnover

SI.No.	Particulars	Qty.	31.03.2011
			Value Rs.
1.	Reclaimed Rubber Materials (MT)	11,554	46,23,89,855
2.	Retreading Raw Materials (MT)	7,335	1,40,34,91,561
3.	Retreading Machinery (Nos)	8	62,15,569
4.	Others	-	18,93,87,350
			2,06,14,84,335

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		21,86,866
Treadsdirect Limited, Kenya		61,01,662
Treadsdirect Do Industria E Comercio De Artefatos De Borracha Ltda,Brasil		4,47,524
Treadsdirect Limited, Sri Lanka		5,56,740
Treadsdirect LLC, USA		2,96,44,779
Treadsdirect Limited		51,20,15,402
Titan Tyrecare Products Ltd		6,47,95,923

24. Details of Investments

No of Units/ Shares Current Year	Description of Investment	31.03.2011	
		Rs.	Rs.
	Government Securities (Unquoted – at cost)		
	National Highways Authority of India		
500	Non-convertible redeemable taxable bonds	50,00,000	
500	Add : Purchase during the year	50,00,000	
		-----	1,00,00,000
	Investment in Subsidiaries (Unquoted)		
65,15,000	Equity Stock of R\$.1 each in Elgi Industria E Comercio De Borrachas Ltda, Brasil		10,21,18,893
30,00,000	LLC Unit of \$1 each in ELGi Rubber Company LLC,USA		14,79,90,798
1,75,000	Equity Shares of MRs.10 each in Treadsdirect Ltd., Mauritius	46,51,645	
	Less : Provision for fall in value of investment	32,00,000	
		-----	14,51,645
23,999	Equity Shares of KSh.100 each in Treadsdirect Ltd., Kenya		20,08,731

10,00,000	Equity Shares of SLRs.10 each in Treadsdirect Ltd., Srilanka	69,55,177	
6,90,000	12.5% Redeemable Cumulative Preference Shares of SLRs.10 each in Treadsdirect Ltd., Srilanka	44,04,698	
		-----	1,13,59,875
	100% Interest in Equity in Treadsdirect LLC. USA	2,32,54,715	
	Less : Provision for fall in value of investment	1,68,05,147	
		-----	64,49,568
51,700	Equity Shares of TK.100 each in Treadsdirect Ltd. Bangladesh		44,17,290
34,83,963	Equity Shares of R\$1 each in Treadsdirect Do Industria E Comercio De Artefator De Borracha Ltda., Brasil		5,61,34,552
1,000	Shares of EUR 500 each in Rubber Ressources B.V., The Netherlands		4,71,12,978
10,00,000	Equity Shares of Rs.10 each in Titan Tyrecare Products Limited		1,00,00,000
47,50,000	Equity Shares of Rs.10 each in Treadsdirect Limited		4,75,00,000
			43,65,44,330
	Investment in Shares (Un-quoted) (Face Value of the Unit is Rs.10 each unless otherwise stated)		
11,000	Equity Shares of Vijay Electro Automation Ltd.		42,020
			42,020
	Investment in Shares (Quoted) (Face Value of the Unit is Rs.10 each unless otherwise stated)		
2,00,000 (2,00,000)	Equity shares of KLRf Ltd Sold during the year		
40	Equity shares of Re. 1/- each fully paid in Elgi Equipments Ltd		400
25,000	Equity Shares of Magna-Electro Castings Ltd.		2,50,000
			2,50,400
	Investment in Mutual Funds (Non - Trade) - Quoted (Face Value of the Unit is Rs.10 each unless otherwise stated)		
	In ICICI Prudential Mutual Fund		
5,00,000 (5,00,000)	Real Estate Securities Fund – Retail – G	50,00,000	
	Less : Redeemed during the year	50,00,000	

	In Milestone Real Estate Fund		
10,000	IL & FS Milestone Fund – I (Units of Rs.1000/- each)	1,00,00,000	
(801) 9,199	Less : Partly redeemed during the year	8,01,000	
		-----	91,99,000
	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.1000 each)		
238	Ariisto Realtors Private Ltd		2,38,000
41	Ariisto Realtors Private Ltd – II		41,000
58	Ariisto Realtors Private Ltd – III		58,000
139	Ariisto Realtors Private Ltd – IV		1,39,000
320	Atithi Building Commodities Pvt Ltd		3,20,000
44	Atithi Building Commodities Pvt Ltd – II (Face Value of the Unit is Rs.100 each)		44,000
1,282	Arimas Developers Pvt Ltd Class A		1,28,200
679	ATS Apartments Pvt Ltd – I		67,900
722	ATS Apartments Pvt Ltd – II		72,200
851	BCC Infrastructure Pvt Ltd		85,100
862	BCC Infrastructure Pvt Ltd Class A		86,200
1,152	BCC Infrastructure P Ltd Class A – III		1,15,200
1,152	BCC Infrastructure P Ltd Class A – IV		1,15,200
1,384	Bhaveswar Properties Pvt Ltd		1,38,400
1,384	Bhaveswar Properties Pvt Ltd – II		1,38,400
1,455	Dharmesh Constructions Pvt Ltd		1,45,500
639	Ekta World Private Ltd – Class A - 1		63,900
615	Ekta World Private Ltd – Class A - 2		61,500
796	Kunal Spaces Private Ltd – Class A		79,600

989	Marvel Realtors and Developers – Series 1	98,900
1,001	Marvel Realtors and Developers – Series 2	1,00,100
193	Nitesh Housing Developers Pvt Ltd – I	19,300
689	Nitesh Housing Developers Pvt Ltd – II	68,900
496	Nitesh Housing Developers Pvt Ltd – III	49,600
332	Nitesh Housing Developers Pvt Ltd – IV	33,200
551	Nitesh Land Holding Pvt Ltd	55,100
3,768	Runwal Homes - Class A	3,76,800
1,705	Runwal Homes - Class B	1,70,500
5,321	Runwal Township Pvt Ltd	5,32,100
1,330	Total Environment Building Pvt Ltd	1,33,000
799	Total Environment Building Pvt Ltd – II	79,900
665	Total Environment Building Pvt Ltd – III	66,500
691	Total Environment Building Pvt Ltd – IV	69,100
3,440	Total Environment Habitat Pvt Ltd	3,44,000
1,720	Total Environment Projects I Pvt Ltd – I	1,72,000
55	Total Environment Projects – II	5,500
212	Total Environment Projects - III	21,200
678	VBHDC Bangalore Value Homes Pvt Ltd – I	67,800
864	VBHC Chennai Value Homes Pvt Ltd – Class A	86,400
699	VBHC Delhi Value Homes Pvt Ltd – I	69,900
		47,57,100
	In Equity / Preference Shares	
972	Ananta Landmarks Pvt Ltd	9,720
230	Ananta Landmarks Pvt Ltd (Preference)	2,30,000
1,700	Ansal Hi-Tech Townships Ltd	1,50,000
28	BCC Infrastructure Pvt Ltd	280
85	BCC Infrastructure Pvt Ltd (Preference)	850
256	Ekta World Private Ltd (Preference)	256
6	Godrej Estate Developers Pvt Ltd	1,10,204
68	Godrej Sea View Properties Pvt Ltd	1,52,653
26	Kunal Spaces Pvt Ltd	260
38	Nec Pharma Pvt Ltd (Preference)	38,000
139	Nitesh Housing Developers Pvt Ltd	49,545
107	Runwal Homes Pvt Ltd	1,53,940
74	Total Environment Projects I Pvt Ltd	740
30	VBHDC Bangalore Value Homes Pvt Ltd	300
13	VBHC Chennai Value Homes Pvt Ltd	130
12	VBHC Delhi Value Homes Pvt Ltd.	120
		8,96,998
	In Mutual Funds - Quoted (Face Value of the Unit is Rs.10 each)	
314,964	Treasury Advantage Plan – WD	31,58,214
		31,58,214
		1,80,11,312

Aggregate amount of investments

Unquoted		44,65,86,350
Quoted	Cost	1,82,61,712
	Market Value	2,15,99,989

25. Details of Stock of Securities

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

No of Units/ Shares	Description of Investment	30.03.2011
Current Year		Rs.
332,040	Elgi Equipments Ltd., of Re.1/- each fully paid	24,95,824
2,150	Precot Meridian Ltd.	2,15,288
		27,11,112

26. Debtors include a sum of Rs. 6,47,95,923/- due from M/s Titan Tyrecare Products Limited and Rs.43,50,86,504/- 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	28,56,05,243
Add : Book depreciation	5,86,79,785
Managerial Remuneration	1,54,65,141
Sitting Fees for Directors	3,85,000
Loss on discarding of assets	4,57,116
Provision for fall in value of investments	1,68,05,147
Loss on sale of investments (Net)	43,17,960
Less : Depreciation as per Section 350	5,86,79,785
Profit on Sale of Assets	95,05,031
Provision no longer required written back	42,27,760
Profit for Managerial Remuneration (referred to below) (subject to a maximum of 5% on profits as calculated above)	30,93,02,816
Managing Director's Commission	1,27,41,912
Salary to Managing Director	25,38,900
Perquisites to Managing Director	1,05,297
Salary to Erstwhile Chairman	79,032
	1,54,65,141

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

- i. 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.
- ii. 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	18,86,98,851
Per Share of Re. 1/- each fully paid up	
No. of Ordinary Shares used as denominator	
Weighted average number of ordinary shares in issue applicable to	
Basic Earnings Per Share	5,00,50,000
Diluted Earnings Per Share	5,00,50,000
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 4,87,000 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 18,00,000 falling due, in equal annual installments of EUR 3,60,000 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 4,87,000 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 Rs.	31.03.2011 Rs.
	Gratuity	Compensated Absence
Obligations at Period beginning	37,239,678	40,56,363
Service Cost	22,20,828	20,07,718
Interest Cost	24,64,275	Nil
Actuarial (Gain)/Loss	22,07,915	Nil
Benefits paid	Nil	Nil
Obligations transferred out on scheme	(2,71,60,196)	(38,06,137)
Obligations at Period at the end of the year	1,69,72,500	22,57,944

Defined benefit obligation liability on account of gratuity as at the Balance Sheet has been funded to the extent of Rs.1,82,10,744/- 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	1,81,87,175	-
Benefits paid	-	-
Plan assets at period end at fair value	1,82,10,744	-

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

Fair value of Plan assets at period end	1,82,10,744	-
Present value of the defined benefit obligations at the end of the period	1,69,72,500	-
Asset /(Liability) recognized in the Balance Sheet	12,38,244	-

Assumptions

Interest Rate	9.25%	9.00%
Discount Rate	8.00%	8.00%
Estimated Salary Escalation Rate	6.50%	6.50%

Cost of the period

Service Cost	22,20,828	20,07,718
Interest Cost	24,64,275	Nil
Expected return on plan assets	(23,569)	Nil
Actuarial (Gain) / Loss	22,07,915	Nil
Net Cost	68,69,449	20,07,718
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	1,47,77,000
Total (A)	1,47,77,000
Deferred Tax Asset – Attributable to - Expenses allowable for tax purposes when paid	1,56,07,000
- Carry forward Capital Loss	41,16,000
Total (B)	1,97,23,000
Deferred Tax Liability / (Asset)	Total (A) – (B)
	(49,46,000)

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

	Subsidiary Company	Key Management Personnel	Other Related Parties	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
Purchases of goods	2,48,02,153	-	1,23,22,981	3,71,25,134
Sales of goods	14,31,91,453	-	-	14,31,91,453
Managerial Remuneration	-	1,54,65,141	-	1,54,65,141
Sale of Undertaking (Net Book Value)	49,94,78,067	-	-	49,94,78,067
Key Personnel Salary other than Director	-	21,36,431	-	21,36,431
Rendering of Services	3,16,302	-	10,68,894	13,85,196
Receiving of Services	20,27,569	-	2,74,228	23,01,797
Loans given	2,23,25,000	-	-	2,23,25,000
Interest received	61,095	-	-	61,095
Rent Received	20,43,000	-	-	20,43,000
Rent Paid	-	3,60,000	-	3,60,000
Dividend Received	38,44,075	-	3,50,000	41,94,075
Guarantees given as on 31.03.2011	11,60,64,500	-	-	11,60,64,500
Balance as on 31.03.2011 (Net Receivables)	64,19,29,576	-	4,90,596	64,24,20,172
Balance as on 31.03.2011 (Net Payables)	27,57,703	1,20,85,980	1,32,360	1,49,76,043

Note: Names of related parties and description of relationship

Holding Company

Nil

Associates

Nil

Key Management Personnel

Sudarsan Varadaraj
SR Venkatachalam
T Ashokanand (till 31.12.2010)

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	LRG Technologies Limited
Elgi Equipments Limited	ATS Elgi Limited
Tyre Point Private Limited	Salem Services (P) Limited

Signatures to Balance sheet, Profit & Loss account, 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

B Anand	Sudarsan Varadaraj	MD Selvaraj	K Vijayalakshmi	SR Venkatachalam
Partner	Chairman & Managing Director	Director	Company Secretary	Vice President - Finance
Membership No.29146				

XVI - GROUP COMPANIES

Group Companies of the Company are as follows: (i) ATS Elgi Limited, (ii) Elgi Equipments Limited, (iii) Elgi Ultra Industries Limited, (iv) LRG Technologies Limited, (v) Salem Services (P) Limited and (vi) Tyre Point Private Limited

Elgi Equipments Limited is the only listed Company in the group. No other company is listed company in the group.

The above noted companies constitute the "Group" which infers that the Promoters and relatives hold more than 26% of the entire paid up share capital in the said company.

FINANCIAL STATEMENT OF COMPANIES UNDER SAME MANAGEMENT

A. Profit and loss account for the year ended March 31, 2011

Rs. in Lakhs

Particulars	LRG Technologies Limited	Titan Tyrecare Products Limited *	Treadsdirect Limited *
Income			
Net sales	-	44.61	4,473.81
Other Income	48.68	14.88	29.87
Total	48.68	59.50	4,503.68
Expenditure			
(Increase)/decrease in stock	-		
Consumption of raw material	-	24.75	2,504.64
Staff Cost	0.06	29.46	210.07
Other Expenditure	4.25	4.77	1,159.34
Depreciation	0.43	16.74	4.86
Interest	0.05	-	-
Profit before tax	43.87	(16.24)	624.77
Provision for taxation	2.58	-	230.78
Income tax	* (1.79)	-	-
Wealth Tax	-	-	-
Deferred Tax	-	5.11	(10.61)
Other adjustments related to prior years	0.10	-	-
Profit after tax	42.98	(21.35)	404.59
Transfer on account of scheme	-	-	-
Profit available for appropriation	42.98	-	404.59
Proposed Dividend	-	-	-
Tax on Dividend	-	-	-
Transfer to General Reserve	-	-	-
Balance surplus carried to balance sheet	42.98	(21.35)	404.59

* - Income tax related to earlier years

B. Balance sheet as at March 31, 2011

Particulars	Rs. in Lakhs		
	LRG Technologies Limited	Titan Tyrecare Products Limited	Treadsdirect Limited
Sources of Funds			
Share Capital	407.50	100.00	475.00
Share suspense	-	-	-
Reserves & Surplus	627.90	-	404.59
Deferred tax liability (Net)	-	5.11	-
Total	1035.40	105.11	879.59
Application of Funds			
Fixed Assets			
Gross Block	220.19	400.13	141.49
Less: Depreciation	0.76	16.74	4.86
Net Block	219.43	383.38	136.63
Capital work in progress	-	-	-
Investments	643.51	-	0.06
Deferred tax Asset (Net)	-	-	10.61
Current assets, loans & advances	177.08	371.30	6,623.11
Less: Current liabilities & provisions	4.62	670.92	5,890.81
Net current assets	172.46	(299.62)	732.30
Miscellaneous expenditure (to the extent not w/o)	-	21.35	-
Total	1035.40	105.11	878.59

* - WOS of the Company situated in India.

Financial information of WOS outside India:

Name of the Subsidiary Company	Capital	Reserves	Total assets	Total Liabilities	Turnover	Profit before taxation	Provision for taxation	Profit after taxation
1	2	3	4	5	6	7	8	9
ELGI Rubber Company LLC, USA	14,79,90,798	(92,91,555)	16,03,92,178	2,16,92,935	19,36,24,290	74,92,060	24,01,043	50,91,017
Elgi Industria E Comercio De Borrachas Ltda, Lorena, Brasil	5,61,34,552	6,08,05,569	12,25,01,308	55,61,187	-	(12,57,747)	-	(12,57,747)
Treadsdirect Limited - Kenya	20,08,731	4,26,44,488	6,06,16,894	1,59,63,675	5,70,82,080	1,42,08,287	33,26,589	70,37,623
Treadsdirect Limited - Sri Lanka	1,13,59,875	36,19,703	2,41,24,577	91,44,999	3,93,69,966	37,13,585	14,68,790	22,44,795
Treadsdirect Limited - Bangladesh	44,17,290	17,59,206	62,14,533	38,037	1,27,72,812	4,56,771	3,48,912	1,07,859
Treadsdirect Limited - Mauritius	14,51,645	(3,07,116)	12,22,172	77,643	-	(35,719)	2,26,632	(2,62,351)
Treadsdirect LLC - USA	2,32,54,715	(33,435)	4,46,20,238	3,82,04,105	4,43,17,734	30,23,552	10,42,831	19,80,721
Treadsdirect Do Industria E Comercio De Artefator De Borracha Ltda, Brasil	10,21,18,893	(2,62,86,774)	19,72,27,293	12,13,95,174	31,86,75,889	(2,08,58,313)	-	(2,08,58,313)
Rubber Resources BV, The Netherlands its subsidiary Rubber Resources LLC, USA	4,71,12,978	24,35,06,442	69,68,73,180	40,62,53,760	33,76,38,360	(1,79,28,540)	(5,05,920)	(1,74,22,620)

The Balance sheets of the wholly owned subsidiary companies are available for inspection at the registered office of the Company during the business hours on working days.

XVII – LEGAL AND OTHER INFORMATION

Outstanding litigations and defaults of the company, promoters, directors or any of the group companies

A) Company (Transferee entity) : As given below

S.N.	Statute	Location	Nature of Dues	Financial year	Amount involved (In Million)	Forum where the dispute is pending	Current Status/ Action Initiated
1	Excise Duty	Annur – Erstwhile Elgi Rubber Company Ltd	Cenvat of capital goods on leased machinery	1997 - 1999	0.14	Cestat, Chennai	Appeal & Stay Filed.
		Erstwhile Elgi Rubber Company Ltd	Denial of Cenvat Credit on supplementary invoices	2007 - 2008	0.13	Commissioner Appeals, Cochin	2 nd Appeal filed before CCE, Cochin.
2	Service Tax	Erstwhile Elgi Rubber Products Ltd	(i) Service Tax on Windmill Services	2004 - 2005	0.09	CESTAT Chennai	Appeal & Stay Filed.
		Erstwhile Elgi Rubber Products Ltd	(ii) Service Tax on Windmill Services	2008 - 2009	0.05	CESTAT Chennai	Appeal & Stay Filed.
		Erstwhile Elgi Rubber Products Ltd	(iii) Service Tax on Windmill Services	2009 - 2010	0.07	Commissioner of Central Excise	Appeal & Stay Filed.
		Erstwhile Elgi Rubber Company Ltd	Denial of Cenvat Credit on supplementary invoices	2007 - 2008	0.31	Commissioner Appeals, Cochin	2 nd Appeal filed before CCE, Cochin.
3	Income Tax	Erstwhile Elgi Rubber Co. Ltd & Treadsdirect Ltd	Disallowance of certain expenses	01.04.2007-31.03.2008	2.94	CIT Appeals, Coimbatore	Appeal filed
4	Stamp duty (Land Registration)	Kovilpalayam – Erstwhile Elgi Rubber Company Ltd	Differential rate in stamp duty on registration	2008 - 2009	4.37	Deputy Collector of Stamps, Coimbatore	Awaiting reply from DRO. Inspection was duly completed by Tasildhar, Stamps, Pollachi dist.

Further, there are no outstanding litigation/ legal proceedings against the Promoters of the Company, Directors of the Company and Group Companies as on date of submission of this Information Memorandum.

Government approvals

The company has received all the necessary permissions and approvals from the Government and various Government agencies for the existing activities.

No further approvals from any Government authority/ Reserve Bank of India (RBI) are required by the company to undertake the existing activities, save and except those approvals, which may be required to be taken in the normal course of business from time to time.

XVIII - REGULATORY AND STATUTORY DISCLOSURES

Authority for the scheme

The Hon'ble High Court of Judicature at Madras, by its orders dated December 16, 2010 and January 25, 2011 has approved the Scheme of Amalgamation and Arrangement between Elgi Rubber Company Limited, Treadsdirect Limited, Elgi Rubber International Limited Titan Tyrecare Products Limited and Treadsdirect (India) Limited and their respective shareholders and creditors (the "Scheme").

Prohibition by SEBI

The company, its directors, its promoters, other companies promoted by the promoters and companies with which the company's directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

Caution

The company accepts no responsibility for statements made otherwise than in the Information Memorandum or in the advertisements to be published in terms of the SEBI circular no. SEBI/CFD/SCRR/01/2009/03/09 dated September 3, 2009 or any other material issued by or at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his or her own risk. All information shall be made available by the company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner.

Disclaimer Clause of the NSE

As required, a copy of this Information Memorandum has been submitted to NSE. The NSE has vide its letter dated August 23, 2010 has approved the said scheme under clause 24(f) of the listing agreement and has granted in-principle approval for listing of the equity shares of the Company vide its letter dated February 21, 2011 and by virtue of the above said approvals, the NSE's name in this Information Memorandum has been incorporated as the stock exchange on which the company's securities are proposed to be listed.

As required, a copy of the Information Memorandum has been submitted to NSE. It is to be distinctly understood that it should not in any way be deemed or construed that this Information Memorandum has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Information Memorandum; nor does it warrant that the company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme of this company.

Every person who desires to acquire the company's securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

Copies of this Information Memorandum have been filed with NSE.

Listing

Application has been submitted to National Stock Exchange of India Limited (NSE) seeking permission to deal in and for an official quotation of the equity shares of the company. The company has nominated NSE as the designated stock exchange for the aforesaid listing of the shares.

The company shall ensure that all steps for the completion of necessary formalities for listing and commencement of trading at the stock exchange mentioned above.

Demat Credit

The company has executed agreements with NSDL and CDSL for admitting its securities in demat form. On January 15, 2011 the company made allotment of the equity shares and such shares were credited in demat form by NSDL on January 28, 2011 & January 29, 2011 and by CDSL on January 31, 2011, to the respective demat account of those shareholders who have provided necessary details to the company and/or who were holding their shares in erstwhile ERCL and erstwhile TDL in demat form, as on the record date.

Despatch of Share Certificates

Upon allotment of shares to eligible shareholders pursuant to the scheme on January 15, 2011, the company despatched share certificates on January 31, 2011, to those shareholders who were holding shares in erstwhile ERCL & erstwhile TDL in physical form, as on the record date.

Expert Opinions

Save as stated elsewhere in this Information Memorandum, the company has not obtained any expert opinions.

Previous rights and public issues

The company has not made any public or rights issue since incorporation.

Commission and brokerage on previous issues

Since the company has not issued shares to the public in the past, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the equity shares since its inception.

Companies under the same management

Save and except the companies mentioned in the Notes on accounts for the financial statements for the year ended 31.03.2010, there is no other listed company under the same management within the meaning of erstwhile section 370 (1B) of the Companies Act.

Promise vis-à-vis performance

This is for the first time the company is being listed on the Stock Exchange.

Disposal of investor grievances

Link Intime India Pvt Limited is the Registrars and Transfer Agents of the company. Documents/ Letters are also received from the Investors directly at Mumbai by courier/ post.

All documents are received at the inward department, where the same are classified based on the nature of the queries/actions to be taken and coded accordingly. The documents are then electronically captured before forwarding to the respective processing units.

The Company has appointed K Vijayalakshmi, Company Secretary as the Compliance Officer and she may be contacted in case of any queries. She can be contacted at the following address:

K Vijayalakshmi - Email address: info@in.elgirubber.com
Elgi Rubber Company Limited
2000, Trichy Road
Singanallur
Coimbatore – 641 005
Telephone: 0422-2321000
Fax: 0422-2322222

Articles of Association

Articles of Association comply with the requirements of the Companies Act, 1956, other relevant laws and the requirements of the Listing agreement.

Other Information**Documents available for Inspection during business hours at the Registered office of Company**

1. Memorandum and Articles of Association, as amended till date.
2. Certification of incorporation dated October 16, 2006 and Certificate of Commencement of Business dated February 28, 2007.
3. Scheme of Amalgamation and Arrangement sanctioned by the Hon'ble High Court of Judicature at Madras vide its orders dated December 16, 2010 and January 25, 2011 approving the Scheme of Amalgamation and Arrangement.
4. Letter dated August 23, 2010 of NSE approving the scheme under Clause 24(f) of the Listing Agreement.
5. Tripartite agreement with NSDL dated January 4, 2011 and with CDSL dated January 14, 2011.
6. In-principle approval granted by NSE dated February 21, 2011.
7. SEBI letter ref.no.CFD/DIL/SP/JAK/OW/23781/2011 dated July 22, 2011 granting relaxation from the enforcement of the requirement of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 (SCRA) for the purpose of listing of shares of ERCL (Formerly ERIL).
8. Certificate from Reddy, Goud & Janardhan, Chartered Accountants regarding Statement of Tax Benefits, dated July 29, 2011.

Declaration

No statement made in this Information Memorandum contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements, guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

To the best of knowledge and belief of the board of directors of the company, all the information contained in this Information Memorandum are true and correct.

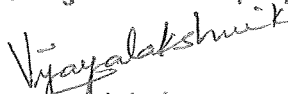
**By order of the board of directors
For Elgi Rubber Company Limited**

Sd/-

**Sudarsan Varadaraj
Chairman & Managing Director**

30.07.2011
Coimbatore

For Elgi Rubber Company Limited


**K. Vijayalakshmi
Company Secretary**