Borrachas e Equipmentos Elgi Ltda, Brazil,

Memorandum of work performed for the year ended March 31, 2022

Addressee
To M/s. M.S.Jagannathan & Visvanathan

Restrictions of use:

The memorandum is intended solely for the use of M/s. M.S. Jagannathan & Visvanathan, Chartered Accountants, in connection with the review of the financial information and results of Elgi Rubber Company Limited, for the quarter ended March 31, 2022 and is not to be used for any other purpose. The matters raised in this memorandum are only those that have come to my attention arising from my work on the Interim financial information of Borrachas e Equipmentos Elgi Ltda, Brazil, which was performed in accordance with Group letter of instruction ('Instructions').

Scope of the work performed by me:

The scope of the work performed by me on the interim financial information of Borrachas e Equipmentos Elgi Ltda, Brazil, was in accordance with the instructions received from you.

Identification of financial information Being Reported On
Report identifiers: Financial statements for the period ended March 31, 2022
Financial information: Currency used – INR in million

Particulars	YE – 31.03.2022	YE – 31.03.2021
Turnover	206.50	150.72
Profit after tax	(28.63)	(43.45)
Total assets	557.39	447.04
Total liabilities	557.39	447.04

Significant Risks and my Responses: No significant risks identified

Law and Regulations: No instances of Non-compliance requiring your attention were noted.

Fraud: No instances of Fraud requiring your attention were noted.

Indication of Management bias: No indicators of Management bias were detected by me.

Significant Matters - Nil

Key Audit Matters (KAMs): Not applicable

Summary of uncorrected misstatements: No uncorrected misstatements were noted.

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Compliance with group accounting policies: I performed the procedures as requested. No instances of non-compliance requiring your attention were noted.

Differences in GAAP/ Differences in Group accounting policies: No differences of GAAP were identified

Summary of significant control deficiencies at the component level: No significant control deficiencies were noted

Related parties: No related parties were identified by me in addition to the names by you in your instructions

Subsequent evidence procedures:

1. I performed the procedures as requested.
2. No items requiring your attention were noted.

Matters to be communicated to (Group Management/Those charged with governance): No specific representations to be included

Specific representations from Group management: No Specific representations to be included

Going concern status of Component: No items requiring your attention were noted.

Litigation and claims: No items requiring your attention were noted.

Changes in accounting policies from previous year and its impact on the financial statements: No items requiring your attention were noted.

Financial statement and Statutory Audit Report: Attached is copy of the special purpose financial statement and the audit report on these special purpose financial statements.

Compliance with Ethical requirements: I confirm that I comply with the code of ethics, issued by the institute of Chartered Accountants of India, in relation to the work carried out on the Component.

Other matters: I confirm that apart from matters noted above, I have not become aware of any other matters relating to the financial information of Borrachas e Equipmentos Elgi Ltda, Brazil, or the Group financial statements of Elgi Rubber Company Limited that I need to report to you. I also confirm that I have complied with all your requirements, as set out in your instructions dated 4th May 2022.

Garisenuru & Co Bengaluru-79 Chartered Accountant

Borrachas e Equipmentos Elgi Ltda, Brazil
Balance Sheet as at 31st MAR 2022
All amounts in Local Currency _ INR Million

	Notes	As at Mar 31, 2022 (12 Months)	As at Mar 31, 2021 (12 Months)
ASSETS			
Non-current assets			
Property, plant and equipment	4	167.43	138.25
Intangible assets	4	-	-
	5		
Goodwill on consolidation		-	-
Financial assets			
Investments	6	-	-
Loans	7	-	-
Other non-current financial asset	8	10.81	8.50
Deferred tax asset (Net)	9	114.07	91.21
Other non-current assets	10	17.26	-
Total non-current assets		309.57	237.96
Current assets			
Inventories	11	80.88	68.28
Financial assets			
Trade receivables	12	52.96	47.10
Cash and cash equivalents	13	2.75	8.79
Bank balances other than above	14	-	-
Loans	15	-	-
Other Financial Assets	16	-	-
Other current assets	17	111.23	84.92
Total current assets		247.82	209.08
Total Assets		557.39	447.04
EQUITY AND LIABILITIES			
Equity			
Equity share capital	18	255.95	204.65
Share application money pending allotment		57.37	45.87
Reserves & Surplus	19	(524.74)	(285.15)
Total equity		(211.41)	(34.62)
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	20	-	-
Other financial liabilities		-	-
Provisions	21	-	-
Deferred tax liabilities (Net)	22	-	-
Total non-current liabilities		-	-

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Current liabilities			
Financial liabilities			
Borrowings	23	597.63	301.23
Trade payables	24	136.43	123.48
Short Term Provisions	25	-	-
Other current liabilities	26	34.73	56.96
Total current liabilities		768.79	481.67
Total liabilities		768.79	481.67
Total Equity and Liabilities		557.39	447.04

The Accompanying notes form an integral part of the financial statements

For Garisenuru & Co
Chartered Accountant
Firms Registration No.018666S

Subba Reddy G
Propriter
Membership No.244907

Date: 25.05.2022
UDIN: 22244907AJPVHO9004

Borrachas e Equipmentos Elgi Ltda, Brazil
Statement of Profit & Loss for the Year Ended 31st March 2022
All amounts in Local Currency _ INR Million

		Notes	Period Ended Mar 31, 2022	Period Ended Mar 31, 2021
	Continuing Operations		**(12 Months)**	**(12 Months)**
A	**Income**			
	Revenue from operations	27	206.50	150.72
	Other income	28	13.56	0.28
	Total income		**220.06**	**151.00**
B	**Expenses**			
	Cost of materials consumed	29	75.93	84.46
	Purchase of stock in trade - Traded goods	30	1.88	7.02
	Changes in inventories of finished goods	31	0.19	(19.03)
	Employee Benefits Expense	32	60.30	33.26
	Depreciation and amortisation expense	33	6.41	6.98
	Other expenses	34	65.09	40.87
	Excise Duty on Sales	35	-	
	Finance costs	36	38.91	40.80
	Total expenses		**248.70**	**194.36**
C	**Profit before exceptional items and tax**		**(28.63)**	**(43.35)**
	Exceptional items	37	-	-
D	**Profit before tax from continuing operations**		**(28.63)**	**(43.35)**
	Income tax expense	38		
	Current tax		-	-
	MAT Tax		-	-
	Deferred tax charge/ (credit)		-	-
	Profit for the year		**(28.63)**	**(43.35)**
E	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			
	Remeasurement of post employment benefit obligations		-	-
	Income tax relating to these items		-	-
	Other comprehensive income for the year, net of tax		-	-
	Total comprehensive income for the year		**(28.63)**	**(43.35)**

The Accompanying notes form an integral part of the financial statements

For Garisenuru & Co
Chartered Accountant
Firms Registration No.018666S

Subba Reddy

Garisenuru & Co Bengaluru-79 Chartered Accountant

Subba Reddy G
Propriter
Membership No.244907

Date: 25.05.2022
UDIN: 22244907AJPVHO9004

Borrachas e Equipmentos Elgi Ltda, Brazil
Notes to Accounts
All amounts in Local Currency _ INR Million

		Period Ended Mar 31, 2022	Period Ended Mar 31, 2021
5	**Capital Work-in-progress**		
	Capital work in progress	-	-
		-	-
6	**Non-current assets - Financial Assets: Investments**		
	Trade - Unquoted at Cost		
	Investment in Subsidiaries	-	-
	Less: Transfer to capital work in progress	-	-
	Less: Provision for fall in value of investments	-	-
		-	-
	Trade - Quoted at FVTPL		
	Investments in Equity Instruments	-	-
	Non Trade - Unquoted at FVTPL		
	Investment in mutual fund	-	-
		-	-
7	**Non-current assets - Financial Assets: Loans**		
	(Unsecured, considered good)		
	Loans to employees	-	-
	Loans to Related parties	-	-
		-	-
8	**Other non-current financial asset**		
	(Unsecured, considered good)		
	Security Deposits	-	-
	Unamortised finance cost	-	-
	Rent & other advance	10.81	8.50
		10.81	**8.50**
9	**Non-current assets- Deferred tax asset (Net)**		
	Expenses allowable for tax purposes when paid	114.07	91.21
	Voluntary retirement scheme payment to be allowed	-	-
	On Property, plant, and equipment	-	-
		114.07	91.21
	MAT Credit Entitlement	-	-
		114.07	**91.21**
10	**Other Non Current Assets**		
	(Unsecured, considered good)		
	Advance income-tax	-	-
	Due from related parties	17.26	
	Disputed income tax Payments	-	-
	Other disputed statutory payments/deposits	-	-
	Statutory Payments	-	-
	Advance recoverable in cash or in kind or for value to be received	-	-
		17.26	-

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Borrachas e Equipmentos Elgi Ltda, Brazil

Notes to Accounts

All amounts in Local Currency _ INR Million

		Period Ended Mar 31, 2022	Period Ended Mar 31, 2021
11	**Inventories**		
	Raw Materials	23.57	17.78
	Work-in-progress	6.26	8.67
	Finished products	37.84	41.82
	Stock-in-trade (acquired for trading)-Retreading Machinery	6.20	-
	Goods in Transit	-	-
	Packing materials	-	-
	Stores and spares	7.01	-
	Scrap	-	-
		80.88	**68.28**
12	**Trade receivables**		
	Outstanding for a period less than six months from the date they are due for payment		
	Unsecured, considered good	52.96	47.10
	Unsecured, considered doubtful	-	-
	Other debts		
	Unsecured, considered good	-	-
	Unsecured, considered doubtful	-	-
		52.96	47.10
	Less : Allowance for expected credit losses	-	-
		52.96	**47.10**
13	**Cash and cash equivalents**		
	Cash on hand	0.16	0.13
	Balances with banks		
	In current accounts	2.59	8.66
		2.75	**8.79**
14	**Other Bank Balances**		
	In fixed deposits maturing within next 12 months	-	-
	In margin money deposits	-	-
	In earmarked accounts	-	-
	Unpaid dividend account	-	-
		-	-
15	**Other Loans and Receivables**		
	(Unsecured, considered good)		
	Loans to employees	0.05	0.07
	Due from subsidiary company	-	-
			-
		0.05	**0.07**
16	**Other current financial assets**		
	(Unsecured, considered good)		
	Dividend receivable from related parties	-	-
		-	-

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Borrachas e Equipmentos Elgi Ltda, Brazil

Notes to Accounts

All amounts in Local Currency _ INR Million

		Period Ended Mar 31, 2022	Period Ended Mar 31, 2021
17	**Other current assets**		
	(Unsecured, considered good)		
	Prepaid expenses	33.84	29.34
	Balance with govt authorities:	44.35	40.13
	Advance recoverable in cash or in kind or for value to be received	13.60	-
	Others	19.38	15.38
	Deferred tax Assets (Net)		-
		111.18	**84.85**
18	**Capital**		
	Subscribed and fully paid up share capital		
	Subscribed and fully paid up share capital	255.95	204.65
		255.95	**204.65**
18A	**Share application money pending allotment**		
	Share application money pending allotment	57.37	45.87
		57.37	**45.87**
19	**Other Equity**		
	Capital Reserves	4.24	4.24
	General Reserve	(30.03)	(30.03)
	Foreign Currency Translation Reserve	(2.26)	208.69
	Retained earnings	(496.69)	(468.05)
		(524.74)	**(285.15)**
	a) Capital Reserve		
	Balance at the beginning and end of the year	4.24	4.24

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Borrachas e Equipmentos Elgi Ltda, Brazil
Notes to Accounts
All amounts in Local Currency _ INR Million

	Period Ended Mar 31, 2022	Period Ended Mar 31, 2021
b) General Reserve		
Balance at the beginning of the year	(30.03)	(30.03)
Additions/ (deductions) during the year	-	-
Balance at the end of the year	**(30.03)**	**(30.03)**
c) Foreign Currency Translation Reserve		
Balance at the beginning of the year	208.69	84.04
Additions/ (deductions) during the year	(210.95)	124.65
Balance at the end of the year	**(2.26)**	**208.69**
d) Retained earnings		
Balance at the beginning of the year	(468.05)	(424.70)
Net profit/(Loss) for the period	(28.63)	(43.35)
Balance at the end of the year	**(496.69)**	**(468.05)**
20 Long Term Borrowings		
Term Loans (Secured)		
From Banks	-	4.50
	-	4.50
Less : Current maturities due within 1 year (refer note 26 below)	-	4.50
	-	-
21 Provisions (Non -current)		
Provision for excise disputes	-	-
Total	-	-
22 Deferred tax liabilities (Net)		
Deferred tax liabilities (Net)	-	-
Total	-	-

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Borrachas e Equipmentos Elgi Ltda, Brazil
Notes to Accounts
All amounts in Local Currency _ INR Million

		Period Ended Mar 31, 2022	Period Ended Mar 31, 2021
23	**Current liabilities - Financial Liabilities: Borrowings**		
	a) Secured		
	Loans repayable on Demand		
	From banks		
	Cash credit facility	7.93	-
	Overdraft against Fixed Deposit	-	-
	b) Unsecured		
	From banks	-	-
	Loans from related parties	589.71	301.23
	Total	**597.63**	**301.23**
24	**Trade payables**		
	Trade payables	136.43	123.48
	Total	**136.43**	**123.48**
26	**Other current liabilities**		
	Current maturities of long-term debt	-	4.50
	Statutory Dues Payable	3.70	0.94
	Employee benefits payable	7.46	4.28
	Employee recoveries payable	-	-
	Other Payable to related party	12.85	-
	Other payables	10.71	46.93
	Payable on purchase of fixed assets	-	-
	Advance and deposits from customers etc.,	-	0.31
	Total	**34.73**	**56.96**
25	**Provisions (Current)**		
	Provision for proposed equity dividend	-	-
	Provision for Income Tax(Net)	-	-
	Provision - others	-	-
	Total	-	-

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Borrachas e Equipmentos Elgi Ltda, Brazil
Notes to Accounts
All amounts in Local Currency _ INR Million

		Period Ended Mar 31, 2022	Period Ended Mar 31, 2021
27	**Revenue from Operations**		
	Sale of Products	204.40	149.62
	Sale of Service	0.99	0.56
	Other Operating Revenue - Scrap Sales	1.11	0.54
		206.50	**150.72**
	Sale of products comprise of		
	Finished goods	204.40	149.62
	Traded goods		
		204.40	**149.62**
28	**Other income**		
	Interest Income	0.86	0.28
	Other non operating income	12.71	-
		13.56	**0.28**
28(a)	**Interest Income**		
	Interest from Banks	0.86	0.28
	Interest from subsidiary companies	-	-
	Other interest receipts	-	-
		0.86	**0.28**
28(b)	**Other Non - Operating Income**		
	Dividend Income from		
	Subsidiary Companies	-	-
	.Others	-	-
	Profit on sale of fixed assets (net)	-	-
	Rent received	-	-
	Net gain on foreign currency transactions and translations	-	-
	Claims received from Insurance Company	-	-
	Duty drawback/Rebate of excise duty	-	-
	Increase in fair valuation of equity instruments	-	-
	Provisions no longer required written back	-	-
	Miscellaneous income	12.71	-
		12.71	**-**
29	**Cost of materials consumed**		
	Raw material Consumed	75.93	84.46
	Opening inventory	-	-
	Add: Purchase	-	-
	Less: Inventory at the end of the period	-	-
		75.93	**84.46**
	Packing material Consumed		
	Opening inventory	-	-
	Add: Purchase		
	Less: Inventory at the end of the period		
		-	**-**

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30	**Purchase of stock in trade - Traded goods**		
	Purchase of stock in trade	1.88	7.02
		1.88	**7.02**
	Changes in inventories of work-in-progress, stock in trade and finished goods		
	Opening Stock		
	Finished Goods	28.50	14.86
	Work in Process	8.67	1.30
	Stock in Trade	13.32	15.30
	Scrap		
		50.49	31.46
	Closing Balance		
	Finished goods	37.84	28.50
	Work-in-progress	6.26	8.67
	Stock in trade	6.20	13.32
	Scarp		
		50.30	50.49
	Total Changes in Work in Progress and finished goods	**0.19**	**(19.03)**
	Stock of traded goods comprise of		
	Curing Bags	-	-
	Other Traded goods	-	-
		-	-
32	**Employee benefits expense**		
	Salaries, wages and bonus	41.60	22.67
	Managerial remuneration	-	-
	Contribution to provident and other funds	15.61	8.66
	Gratuity paid (net of reversals)	-	-
	Staff welfare expenses	3.10	1.93
		60.30	**33.26**
33	**Depreciation and amortisation expense**		
	Depreciation of property, plant and equipment	6.41	6.98
	Amortisation on intangoible assets	-	
		6.41	**6.98**

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34	**Other expenses**		
	Consumption of stores and spare parts	2.82	1.63
	Packing Materials consumed	-	-
	Excise duty	-	-
	Power and fuel	9.47	6.21
	Rent	-	(0.06)
	Labour charges	-	-
	Repairs and Maintenance – Plant and machinery	7.23	6.39
	Repairs and Maintenance – Building	1.58	1.15
	Repairs and Maintenance – Others	0.19	(0.30)
	Insurance	0.77	0.71
	Rates and taxes	1.65	1.35
	Exchange fluctuation expenses (Net)	-	(0.00)
	Travelling and conveyance	1.42	0.93
	Directors' sitting fees	-	-
	Auditors' Remuneration (see note below)	2.75	1.77
	Professional fees	5.49	3.21
	Sales commission	-	-
	Advertisement and other selling expenses	1.89	3.70
	Carriage Inward	1.53	2.31
	Freight charges	6.77	3.71
	Miscellaneous expenses	21.52	8.17
		65.09	**40.87**
	Auditors' Remuneration		
	Audit fees	1.77	1.77
	Other services	-	-
	Reimbursement of expenses	-	-
		1.77	**1.77**
35	**Excise Duty on Sales**		
	Excise Duty on Sales	-	-
		-	-
36	**Finance Cost**		
	Interest on Borrowings		
	On borrowings from banks	-	-
	Interest paid to related party	37.75	37.57
	Others	0.00	0.00
	Financial charges on borrowings	1.16	3.23
		38.91	**40.80**
37	**Exceptional items**		
	Exceptional items	-	-
	Total	-	-
38	**Income tax expense**		
	(a) Income tax expense		
	Current tax		
	Current tax on profits for the year	-	-
	Tax for earlier years based on assessment		
	Total current tax expense	-	-
	Deferred tax		
	Deferred tax adjustments	-	-
	Total deferred tax expense/(benefit)	-	-
	Income tax expense	-	-

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