

Annual Report 2016 - 2017



Elgi Rubber Company Limited

Elgi Rubber Company Limited

CIN : L25119TZ2006PLC013144

Annual Report 2016 - 2017

Chairman & Managing Director

Sudarsan Varadaraj

Non Executive Directors

Dr Jairam Varadaraj

Suresh Jagannathan

M D Selvaraj

P Vijay Raghunath

Vidyasankar Bhuvaneshwari

Key Managerial Personnel

Sudarsan Varadaraj
(Chairman & Managing Director)

SR Venkatachalam
(Chief Financial Officer)

D Selvakumar
(Company Secretary)

Head Office

2000, Trichy Road
Coimbatore - 641 005
Tamil Nadu

Registered Office

2000, Trichy Road
Coimbatore - 641 005
Tamil Nadu

Plants

Kanjikode, Palakkad
Kottayi, Palakkad
Annur, Coimbatore
Kurichi, Coimbatore
Kovilpalayam, Coimbatore
Thimmavaram, Chengalpattu
Sriperumbudur, Kancheepuram
Colombo, Sri Lanka
Nairobi, Kenya
Lorena, SP, Brasil
Luling, Texas, USA
Stoughton, Wisconsin, USA
Fairfield, Ohio, USA
Maastricht, The Netherlands
Nijkerkerveen, The Netherlands

Bankers

State Bank of India
Commercial Branch
Coimbatore

Auditors

Reddy, Goud & Janardhan
Chartered Accountants
Bengaluru

Cost Auditors

P. Mohan Kumar & Co.,
Cost Accountants
Coimbatore

Internal Auditors

MS Jagannathan & Visvanathan
Chartered Accountants
Coimbatore

M Ramakrishnan
Chartered Accountant
Coimbatore

RJC Associates
Chartered Accountants
Coimbatore

Registrar & Share Transfer Agent

Link Intime India Private Limited
C-101, 247 Park, L.B.S. Marg
Vikhroli (West)
Mumbai - 400 083

Registrar & Share Transfer Agent - Branch Office

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

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Directors' Report

The board of directors have pleasure in presenting the 11th annual report of the company and the audited accounts for the year ended March 31, 2017 covering 12 months of operation. The Management Discussion and Analysis (MD&A) Report has been included at the appropriate places in this report.

Financial Highlights

(₹ in million)

	2016-2017	2015-2016
Profit before exceptional items, depreciation and tax	143.27	224.64
Less: Depreciation	85.21	90.56
Less/(Add): Exceptional items	1.98	377.89
Profit before taxation	56.08	(243.81)
Less: Provision for taxation	24.70	32.19
(Add) / Less: Provision for deferred tax	(8.71)	(11.09)
Profit after tax	40.09	(264.91)
Add: Opening surplus	1,022.16	1,082.45
Add: Transfer of surplus from Treadsdirect Limited upon amalgamation	-	342.27
(Less): Transfer of deficit from Parani Steels Private Limited upon amalgamation	-	(115.36)
Profit available for appropriation	1,062.25	1044.45
Appropriation		
Proposed dividend	-	18.52
Dividend distribution tax	-	3.77
Balance surplus carried to balance sheet	1,062.25	1,022.16

Review of Business Operations and Future Outlook

During the year under review, your company recorded a sales of ₹ 1,999.64 million as against ₹ 2,012.04 million in the previous year. The company had made a net profit of ₹ 40.09 million as against the net loss of ₹ 264.91 million in the previous year.

Your company's The Netherlands operation had recorded an income of ₹ 1,574.52 million as against ₹ 1,447.63 million during the previous year, thereby increasing its revenue by 9%. Further it expects a turnaround in its operations during the financial year 2017-18. However, your company's Brazil operations continue to face problem, where the homologation of products are getting delayed.

On the other hand, United States operations had shown a 21% growth over last year. We have commenced marketing of our products through a network programme for the major retreading chains. Currently, they are undergoing an approval process, which has prolonged than expected and hence the operations had not been profitable during the year.

Your company's windmill operations generated a very impressive revenue of ₹ 44.40 million during the year under review, as against ₹ 27.35 million during the previous year.

Change in the nature of Business

There has been no change in the nature of business of the company during the financial year ended March 31, 2017.

Transfer to Reserves

During the year under review, an amount of ₹ 1,062.25 million (including the previous year closing balance of ₹ 1,022.16 million) has been retained under surplus in the Statement of Profit and Loss.

Dividend

For the financial year 2016-17, the board of directors has recommended a dividend of ₹ 0.13 per equity share of ₹ 1.00 each, on the paid up share capital of 50,050,000 shares, subject to the approval of shareholders. The dividend including the dividend distribution tax, would amount to ₹ 7.83 million as against ₹ 22.29 million during the previous year.

Transfer of Unclaimed Dividend to Investor Education and Protection Fund

The company had transferred an amount of ₹ 0.49 million to Investor Education and Protection Fund during the financial year 2016-17, as per the terms of section 124 and 125 of the Companies Act, 2013. As stipulated under the Act, unclaimed or unpaid dividend relating to the financial year 2009-10 is due for remittance on October 5, 2017 to the Investor Education and Protection Fund, established by the Central Government.

Share Capital

The paid-up capital of the company as at March 31, 2017 stood at ₹ 50.05 million. During the year under review, your company had not made any fresh issue of shares.

Extract of Annual Return

The extract of annual return pursuant to the provisions of section 92 of the Companies Act, 2013 read with rule 12 of the Companies (Management and Administration) Rules, 2014 is furnished in **Annexure I** of this report.

Board and Committee meetings conducted during the period under review

During the year under review, 7 meetings of the board of directors, 4 meetings of the audit committee, 1 meeting each of the nomination and remuneration committee and the corporate social responsibility committee, 19 meetings of the stakeholders' relationship committee, 1 meeting of the finance and administrative committee and 1 meeting of the independent directors were held. Further details of the same have been enumerated in the Corporate Governance Report annexed herewith.

Directors' Responsibility Statement

Pursuant to the requirement of section 134(3)(c) of the Companies Act, 2013 with respect to Directors Responsibility Statement, the board hereby confirms that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed and there were no material departures
- b. the directors had selected such accounting policies, applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. the directors had prepared the annual accounts on a going concern basis
- e. the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively and
- f. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Details in respect of frauds reported by Auditors under Section 143(12) of the Companies Act, 2013 other than those which are reportable to the Central Government

There had been no frauds reported by the auditors pursuant to section 143(12) of the Companies Act, 2013.

Declaration of Independent Directors

The company has received declarations from all the Independent Directors of the company confirming that they meet the criteria of independence as prescribed both under the Companies Act, 2013 and regulation 16(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Company's policy relating to Directors appointment, payment of remuneration and other matters provided under Section 178(3) of the Companies Act, 2013

The board, on the recommendation of the nomination and remuneration committee, had framed a policy for fixing and revising remuneration of directors, key and senior management personnel and employees of the company. The criteria for determining qualifications, positive attributes and independence of directors and senior management personnel has been stated in **Annexure II** to this report. The nomination and remuneration policy of the company is annexed herewith as **Annexure III** and can also be accessed on the company's website www.elgirubber.com.

Comments on Audit Report

There are no qualifications, reservations or adverse remarks or disclaimers made by Reddy, Goud and Janardhan, Statutory Auditors and by CN Paramasivam, Secretarial Auditor, in their reports.

Particulars of loans, guarantees or investments made under Section 186 of the Companies Act, 2013

Details of loans given, investments made, guarantees given and securities provided pursuant to the provisions of section 186 of the Companies Act, 2013 have been given in the notes to the financial statements.

Particulars of contracts or arrangements made with related parties

All transactions entered into with related parties as defined under the Companies Act, 2013 and regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year 2016-17 were in the ordinary course of business and on an arm's length pricing basis. Since there are no transactions which are not on arm's length basis and material in nature, Form AOC-2 is not being annexed.

The policy on related party transactions as approved by the board of directors of the company has been uploaded on the company's website www.elgjrubber.com.

Material changes and commitment if any affecting the financial position of the company occurred between the end of the financial year to which this financial statements relate and the date of the report

No material changes and commitments affecting the financial position of the company occurred between the end of the financial year to which this financial statements relate and the date of this report.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under section 134(3)(m) of the Companies Act, 2013 read with rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in **Annexure IV** of this report.

Statement on Risk Management

The board identifies and reviews the various elements of risk which the company has to face and laid out the procedures and measures for mitigating those risks. The elements of risk threatening the company's existence are very minimal.

The company does not face any risks other than those that are prevalent in the industry and has taken all possible steps to overcome such risks. The main concerns are volatility in raw material prices and fluctuations in foreign exchange rates. Effective planning in raw material purchasing and the ability to pass on raw material price increases have minimised the risk relating to the volatility in raw material prices. Foreign exchange fluctuation risk is minimised through proper planning and natural hedging. As a part of the overall risk management strategy, all assets are appropriately insured.

Details about the policy developed and implemented by the Company on Corporate Social Responsibility initiatives

The board has formed a Corporate Social Responsibility (CSR) Committee comprising of Sudarsan Varadaraj, MD Selvaraj and Suresh Jagannathan. The CSR policy deals with allocation of funds, activities, identification of programmes, approval, implementation, monitoring and reporting mechanisms for CSR activities.

As part of its initiatives under CSR, the company has undertaken projects in the areas of education, social development, medical relief, sports, women empowerment, animal welfare and cultural protection etc. These projects are by and large in accordance with Schedule VII of the Companies Act, 2013.

The CSR spend is predominantly directed through a registered trust. The trust expends the sums contributed by the company towards educational and related activities and also for having a corpus for undertaking construction of new school building within the next 5-10 years. The trust has a proven track record of over four years in involvement in educational activities as it runs a full-fledged school and has earned a good reputation over a period. The trust has medium term plans to construct a new school building with all modern amenities and is working to make it in par to international standards in the years to come. Hence, the company would continue to significantly contribute to the trust.

The trust also expends the funds towards educational scholarships, medical relief, to help the upliftment of rural people by way of building infrastructure like, schools, street lights, roads etc., to support special children's school and also for the building corpus. The annual report on CSR activities is annexed herewith as **Annexure V**.

Annual evaluation of the Board on its own performance and of the individual directors

On the advice of the board of directors, the nomination and remuneration committee formulated the criteria for evaluating the performance of the board of directors & its committees, independent directors, non-independent directors and the Chairman & Managing Director. Based on that, performance evaluation has been undertaken. The independent directors of the company have also convened a separate meeting for this purpose. The results and evaluation has been communicated to all concerned.

Directors and Key Managerial Personnel

As per the provisions of section 152 of the Companies Act, 2013, Sudarsan Varadaraj, the Director of the company, retires by rotation at this annual general meeting. Being eligible, he offers himself for re-appointment.

Subsidiaries, Joint Ventures and Associate Companies

The company has 7 subsidiaries, 3 step-down subsidiaries and one LLP. The statement pursuant to section 129(3) of the Companies Act, 2013 containing the salient features of the financial statements of subsidiary companies forms part of this annual report.

The board has approved a policy for determining material subsidiaries which has been uploaded on the company's website www.elgirubber.com.

The annual accounts of the subsidiary companies are posted on the website of the company www.elgirubber.com and kept for inspection by the shareholders at the registered office of the company. The company shall provide the copy of the annual accounts of subsidiary companies to the shareholders upon their request.

Deposits

The company has not accepted or renewed any fixed deposit and hence there are no unclaimed deposits as on March 31, 2017.

Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operation in future

There were no significant or material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

Adequacy of internal financial controls with reference to the financial statements

The company has implemented and evaluated the internal financial controls which provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes and policies, safeguarding of assets, prevention and detection of frauds, accuracy and completeness of accounting records. The company has appointed internal auditors with a dedicated internal audit team. The internal audit reports were reviewed periodically by the board. Further, the board annually reviews the effectiveness of the company's internal control system.

The directors and management confirm that the internal financial controls are adequate with respect to the operations of the company. A report of auditors pursuant to Section 143(3)(i) of the Companies Act, 2013 certifying the adequacy of internal financial controls is annexed with the Auditors report.

Statutory Auditors

Reddy, Goud and Janardhan, Chartered Accountants, Bengaluru were appointed as statutory auditors for a period of 3 years at the annual general meeting of the company held on September 27, 2014. Their term will be ending at the conclusion of the annual general meeting to be held on August 26, 2017. The board has recommended M/s MS Jagannathan & Visvanathan, Chartered Accountants, as the statutory auditors of the company with effect from conclusion of the annual general meeting to be held on August 26, 2017 for a period of 5 years. The board of directors seek your approval for their appointment. The company has received the consent from the above auditors to the effect that if the appointment is approved, it would be in accordance with the provisions of section 141 of the Companies Act, 2013.

Secretarial Auditors

Pursuant to the provisions of section 204 of the Companies Act, 2013 read with corresponding rules framed thereunder, CN Paramasivam, Company Secretary in Practice, was appointed as the secretarial auditor of the company to carry out the secretarial audit for the year ended March 31, 2017. A secretarial audit report given by the secretarial auditors in Form No. MR-3 is enclosed with this report as **Annexure VI**.

Cost Auditors

The board of directors at their meeting held on May 20, 2017 have appointed M/s. P. Mohan Kumar & Co. (Firm Registration No.100490), Cost Accountants, as the Cost Auditors of the company for the financial year 2017-18. Pursuant to Section 148 of the Companies Act, 2013 read with Rule 14 of the Companies (Accounts) Rules, 2014, the remuneration payable to the Cost Auditors of the company is subject to the ratification by the shareholders at the annual general meeting. The board recommends their remuneration.

Particulars of employees

There are no employees who are in receipt of remuneration in excess of ₹ 10.20 million for the whole financial year 2016-17 or a part thereof during the year. Particulars pursuant to Rule of Companies (Appointment and Remuneration of Managerial personal) Rules, 2014, is enclosed as **Annexure VII**.

Human Resources and Industrial Relations

The company continues to enjoy a cordial relationship with all its employees. The employee count as on March 31, 2017 is 556.

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The company has in place a policy on sexual harassment of women at workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An internal complaints committee has been set up to redress complaints received. All employees (permanent, contractual, temporary and trainees) are covered under this policy. There were no complaints received from any employee during the financial year 2016-17.

Corporate Governance

A report on corporate governance, as per regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is annexed as **Annexure VIII** and forms part of this report. The company has complied with the conditions relating to corporate governance as stipulated in clause C of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Audit Committee

Audit committee is in existence in accordance with the provisions of Section 177 of the Companies Act, 2013. Kindly refer to the Section on Corporate Governance, under the head, 'Audit committee' for matters relating to the composition, meetings and functions of the committee. The board has accepted the Audit committee recommendations during the year whenever required and hence no disclosure is required under Section 177(8) of the Companies Act, 2013 with respect to rejection of any recommendations of Audit committee by board.

Whistle Blower Policy

The company has a whistle blower policy to deal with unethical or improper practice or violation of company's code of business conduct or any complaints regarding accounting, auditing, internal controls or disclosure practices of the company. The policy gives a platform to the whistle blower to report the complaints on the above mentioned practices to the chairman of the audit committee. Although the complainant is not expected to prove the truth of an allegation, the complainant aims to demonstrate that there are sufficient grounds for concern and is not done as a malicious act against an individual. The audit committee of the board reviews the complaints received, redressed, objected, withdrawn and dismissed for, every quarter in their meeting. The whistle blower policy is available in the company's website www.elgirubber.com.

Cautionary Statement

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

Acknowledgement

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

For the board of directors

Coimbatore
20.05.2017

Sudarsan Varadaraj
Chairman & Managing Director
(DIN: 00133533)

FORM NO. MGT – 9

Extract of annual return as on the financial year ended 31.03.2017

[Pursuant to Section 92(3) of the Companies Act, 2013, and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other details

i	CIN	L25119TZ2006PLC013144
ii	Registration Date	16/10/2006
iii	Name of the Company	Elgi Rubber Company Limited
iv	Category / Sub-Category of the company	Public Limited Company having Share Capital
v	Address of the Registered office and contact details	2000, Trichy Road, Singanallur, Coimbatore - 641 005, Tamil Nadu, India. Telephone No.: 0422-2321000 Fax No.: 0422-2322222 E-mail Id: info@elgirubber.com
vi	Whether listed Company Yes / No	Yes
vii	Name, Address and contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited (Coimbatore Branch) "Surya" 35, Mayflower Avenue, Senthil Nagar, Coimbatore - 641028, Tamil Nadu. Telephone No.: 0422-2314792 E-mail Id: coimbatore@linkintime.co.in

II. Principal business activities of the company

All the business activities contributing 10% or more of the total turnover of the Company shall be stated

Sl. No	Name and description of main products / services	NIC Code of the Products/ Service	% to total turnover of the Company
1.	Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres	25119	100

III. Particulars of holding, subsidiary and associate companies

Sl. No	Name and Address of the Company	CIN / GLN	Holding / Subsidiary/ Associate	% of Shares held	Applicable Section
1	Borrachas e Equipamentos Elgi Ltda Estrada Chiquito De Aquino, 150 - Bairro Mondesir, CEP 12612 - 550 Lorena, SP - Brasil	Not applicable	Subsidiary	99.99	Section 2 (87)
2	Pincott International Pty Limited No.11, Precision Place, Mulgrave - NSW 2756 - Australia	Not applicable	Subsidiary	100.00	Section 2 (87)
3	Elgi Rubber Company Limited (Formerly Known as Treadsdirect Limited) P.O.Box 39521 - 00623 Commercial Street, Industrial Area Nairobi - Kenya	Not applicable	Subsidiary	99.99	Section 2 (87)
4	Elgi Rubber Company Limited (Formerly Known as Treadsdirect Limited) No.9, Industrial Estate Dankotuwa - Sri Lanka	Not applicable	Subsidiary	99.99	Section 2 (87)
5	Treadsdirect Limited C/o G. Biswas & Co, 45, Bangabandu Avenue, Dhaka - 1000 - Bangladesh	Not applicable	Subsidiary	100.00	Section 2 (87)

Sl. No	Name and Address of the Company	CIN / GLN	Holding / Subsidiary/ Associate	% of Shares held	Applicable Section
6	Elgi Rubber Company LLC P.O. Box 1025 600 North Magnolia Ave. Luling, TX 78648 - USA	Not applicable	Subsidiary	100.00	Section 2 (87)
7	Elgi Rubber Company Holdings B.V., Schoenerweg 36, 6222 NX Maastricht, P O Box 437 - 6200 AK Maastricht - The Netherlands	Not applicable	Subsidiary	100.00	Section 2 (87)

IV. Share holding pattern (Equity share capital breakup as percentage of total equity)

i. Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year (As on 01.04.2016)				No. of shares held at the end of the year (As on 31.03.2017)				% of Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A Promoters									
1. Indian									
a. Individual/ HUF	27,049,078	-	27,049,078	54.05	27,049,078	-	27,049,078	54.05	0.00
b. Central Govt	-	-	-	-	-	-	-	-	-
c. State Govt(s)	-	-	-	-	-	-	-	-	-
d. Bodies corporate	4,305,175	-	4,305,175	8.60	4,305,175	-	4,305,175	8.60	0.00
e. Banks / FI	-	-	-	-	-	-	-	-	-
f. Any other	-	-	-	-	-	-	-	-	-
Sub - Total (A)(1)	31,354,253	-	31,354,253	62.65	31,354,253	-	31,354,253	62.65	0.00
2. Foreign									
a. NRIs - Individuals	-	-	-	-	-	-	-	-	-
b. Others - Individual	-	-	-	-	-	-	-	-	-
c. Bodies corporate	-	-	-	-	-	-	-	-	-
d. Banks / FI	-	-	-	-	-	-	-	-	-
e. Any other	-	-	-	-	-	-	-	-	-
Sub - Total (A)(2)	-	-	-	-	-	-	-	-	-
Total shareholding of promoter (A) = (A)(1)+(A)(2)	31,354,253	-	31,354,253	62.65	31,354,253	-	31,354,253	62.65	0.00
B. Public shareholding									
1. Institutions									
a. Mutual funds	675	140	815	0.00	675	140	815	0.00	0.00
b. Banks / FI	36,834	-	36,834	0.07	36,834	-	36,834	0.07	0.00
c. Central Govt	-	-	-	-	-	-	-	-	-
d. State Govt(s)	1,179,696	-	1,179,696	2.36	1,179,696	-	1,179,696	2.36	0.00
e. Venture Capital Funds	-	-	-	-	-	-	-	-	-
f. Insurance companies	1,309,943	-	1,309,943	2.62	1,111,700	-	1,111,700	2.22	(0.40)
g. FIs	-	-	-	-	-	-	-	-	-
h. Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i. Others (specify)	-	-	-	-	-	-	-	-	-
Sub - Total (B)(1)	2,527,148	140	2,527,288	5.05	2,328,905	140	2,329,045	4.65	(0.40)

Category of Shareholders	No. of shares held at the beginning of the year (As on 01.04.2016)				No. of shares held at the end of the year (As on 31.03.2017)				% of Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
2. Non-Institutions									
a. Bodies corporate									
i. Indian	2,846,117	2,234	2,848,351	5.69	3,310,223	2,234	3,312,457	6.62	0.93
ii. Overseas	-	-	-	-	-	-	-	-	-
b. Individuals									
l. Individual shareholders holding nominal share capital upto ₹ 1 lakh	8,565,741	1,847,331	10,413,072	20.81	8,348,542	1,772,810	10,121,352	20.22	(0.58)
ll. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,667,349	185,850	1,853,199	3.70	1,680,471	185,850	1,866,321	3.73	0.03
c. Others (specify)									
Individual directors	116	-	116	0.00	116	-	116	0.00	0.00
Hindu Undivided Family	687,725	-	687,725	1.37	719,622	-	719,622	1.44	0.06
NRI (Repatriate)	48,993	2,100	51,093	0.10	53,199	3,150	56,349	0.11	0.01
NRI (Non-Repatriate)	44,998	-	44,998	0.09	26,383	-	26,383	0.05	(0.04)
Unclaimed shares	269,905	-	269,905	0.54	264,102	-	264,102	0.53	(0.01)
Sub - Total (B)(2)	14,130,944	2,037,515	16,168,459	32.30	14,402,658	1,964,044	16,366,702	32.70	0.40
Total shareholding of public (B) = (B)(1)+ (B)(2)	16,658,092	2,037,655	18,695,747	37.35	16,731,563	1,964,184	18,695,747	37.35	0.00
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	48,012,345	2,037,655	50,050,000	100.00	48,085,816	1,964,184	50,050,000	100.00	0.00

ii. Shareholding of promoters

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of change in shareholding during the year
		No. of shares	% of total shares of the company	% of shares Pledged/encumbered to total shares	No. of shares	% of total shares of the company	% of shares Pledged/encumbered to total shares	
1	Sudarsan Varadaraj	22,372,014	44.70	-	22,372,014	44.70	-	-
2	LRG Technologies Limited	3,541,475	7.08	-	3,541,475	7.08	-	-
3	Harsha Varadaraj	2,252,635	4.50	-	2,252,635	4.50	-	-
4	Varshini Varadaraj	2,252,635	4.50	-	2,252,635	4.50	-	-
5	Elgi Equipments Limited	763,700	1.53	-	763,700	1.53	-	-
6	Jairam Varadaraj	141,750	0.28	-	141,750	0.28	-	-
7	Sumanth R	8,792	0.02	-	8,792	0.02	-	-
8	Anvar Jay Varadaraj	7,084	0.01	-	7,084	0.01	-	-
9	Maya Jay Varadaraj	7,084	0.01	-	7,084	0.01	-	-
10	Varun Jay Varadaraj	7,084	0.01	-	7,084	0.01	-	-
	TOTAL	31,354,253	62.65	-	31,354,253	62.65	0.00	0.00

iii. Change in promoters' shareholding

S.No.	Name of the Promoters	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	Sudarsan Varadaraj				
	At the beginning of the year	22,372,014	44.70	22,372,014	44.70
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	22,372,014	44.70	22,372,014	44.70
2	LRG Technologies Limited				
	At the beginning of the year	3,541,475	7.08	3,541,475	7.08
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	3,541,475	7.08	3,541,475	7.08
3	Harsha Varadaraj				
	At the beginning of the year	2,252,635	4.50	2,252,635	4.50
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	2,252,635	4.50	2,252,635	4.50
4	Varshini Varadaraj				
	At the beginning of the year	2,252,635	4.50	2,252,635	4.50
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	2,252,635	4.50	2,252,635	4.50
5	Elgi Equipments Limited				
	At the beginning of the year	763,700	1.53	763,700	1.53
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	763,700	1.53	763,700	1.53
6	Jairam Varadaraj				
	At the beginning of the year	141,750	0.28	141,750	0.28
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	141,750	0.28	141,750	0.28
7	Sumanth R				
	At the beginning of the year	8,792	0.02	8,792	0.02
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	8,792	0.02	8,792	0.02
8	Anvar Jay Varadaraj				
	At the beginning of the year	7,084	0.01	7,084	0.01
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	7,084	0.01	7,084	0.01
9	Maya Jay Varadaraj				
	At the beginning of the year	7,084	0.01	7,084	0.01
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	7,084	0.01	7,084	0.01
10	Varun Jay Varadaraj				
	At the beginning of the year	7,084	0.01	7,084	0.01
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	7,084	0.01	7,084	0.01

iv. Shareholding pattern of top ten shareholders: (other than directors, promoters and holders of GDRs and ADRs)

S.No.	Name of the Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	The Tamilnadu Industrial Investment Corporation Limited				
	At the beginning of the year	1,179,696	2.36	1,179,696	2.36
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	1,179,696	2.36	1,179,696	2.36
2	Amrit Petroleums Private Limited				
	At the beginning of the year	999,223	2.00	999,223	2.00
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	999,223	2.00	999,223	2.00
3	The Oriental Insurance Company Limited				
	At the beginning of the year	961,370	1.92	961,370	1.92
	Decrease on 06.05.2016 - Transfer	(34,412)	(0.07)	926,958	1.85
	Decrease on 13.05.2016 - Transfer	(15,588)	(0.03)	911,370	1.82
	Decrease on 27.05.2016 - Transfer	(21,904)	(0.04)	889,466	1.78
	Decrease on 14.10.2016 - Transfer	(15,764)	(0.03)	873,702	1.75
	Decrease on 21.10.2016 - Transfer	(10,000)	(0.02)	863,702	1.73
	Decrease on 28.10.2016 - Transfer	(27,283)	(0.05)	836,419	1.67
	Decrease on 04.11.2016 - Transfer	(11,312)	(0.02)	825,107	1.65
	Decrease on 13.01.2017 - Transfer	(35,000)	(0.07)	790,107	1.58
	Decrease on 20.01.2017 - Transfer	(8,980)	(0.02)	781,127	1.56
	Decrease on 27.01.2017 - Transfer	(18,000)	(0.04)	763,127	1.52
	At the end of the year	763,127	1.52	763,127	1.52
4	Prescient Securities Private Limited				
	At the beginning of the year	581,000	1.16	581,000	1.16
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	581,000	1.16	581,000	1.16
5	National Insurance Company Limited				
	At the beginning of the year	348,573	0.70	348,573	0.70
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	348,573	0.70	348,573	0.70
6	Harsha Hitesh Javeri				
	At the beginning of the year	300,000	0.60	300,000	0.60
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	300,000	0.60	300,000	0.60
7	Nemish S Shah				
	At the beginning of the year	280,000	0.56	280,000	0.56
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	280,000	0.56	280,000	0.56
8	Shah Durgesh Sumatilal				
	At the beginning of the year	273,000	0.55	273,000	0.55
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	273,000	0.55	273,000	0.55
9	Gagandeep Credit Capital Private Limited				
	At the beginning of the year	241,500	0.48	241,500	0.48
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	241,500	0.48	241,500	0.48

S.No.	Name of the Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
10	Mayank Jashwantlal Shah & Shruthi Mayank Shah				
	At the beginning of the year	288,678	0.58	288,678	0.58
	Decrease on 29.07.2016 – Transfer	(3,916)	(0.01)	284,762	0.57
	Decrease on 14.10.2016 – Transfer	(50,378)	(0.10)	234,384	0.47
	Decrease on 28.10.2016 – Transfer	(19,339)	(0.04)	215,045	0.43
	Decrease on 13.01.2017 – Transfer	(35,045)	(0.07)	180,000	0.36
	Decrease on 20.01.2017 – Transfer	(73,402)	(0.15)	106,598	0.21
	Decrease on 27.01.2017 – Transfer	(17,500)	(0.03)	89,098	0.18
	At the end of the year	89,098	0.18	89,098	0.18

v. Shareholding of directors and key managerial personnel

S. No.	Name of the Director & Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	Sudarsan Varadaraj				
	At the beginning of the year	22,372,014	44.70	22,372,014	44.70
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	22,372,014	44.70	22,372,014	44.70
2	Jairam Varadaraj				
	At the beginning of the year	141,750	0.28	141,750	0.28
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	141,750	0.28	141,750	0.28
3	M D Selvaraj				
	At the beginning of the year	116	0.00	116	0.00
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	116	0.00	116	0.00

V. Indebtedness

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(₹ in million)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i. Principal Amount	608.62	62.98	-	671.60
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	1.21	-	-	1.21
Total (i+ii+iii)	609.83	62.98	-	672.81
Change in Indebtedness during the financial year				
Addition	412.26	163.21	-	575.47
Reduction	131.89	6.00	-	137.89
Net Change	280.37	157.21	-	437.58
Indebtedness at the end of the financial year				
i. Principal Amount	887.19	219.60	-	1,106.79
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	3.01	0.59	-	3.60
Total (i+ii+iii)	890.20	220.19	-	1,110.39

VI. Remuneration of directors and key managerial personnel

(₹ in million)

A. Remuneration to managing director, whole-time directors and/or manager

S.No.	Particulars of Remuneration	Name of MD/WTD/Manager
		Sudarsan Varadaraj (Chairman & Managing Director)
1	Gross salary a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 b. Value of perquisites under section 17(2) of the Income Tax Act, 1961 c. Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	6.72 - -
2	Stock Option	-
3	Sweat Equity	-
4	Commission - as % of profit - others, specify	- -
5	Others, please specify	-
	Total (A)	6.72
	Ceiling as per the Act	As per section 197 of the Companies Act, 2013

B. Remuneration to other directors

(₹ in million)

S.No.	Name of directors	Particulars of remuneration			Total Amount
		Fee for attending board / committee meetings	Commission	Others, please specify	
1	Independent directors				
	Suresh Jagannathan	0.09	-	-	0.09
	P Vijay Raghunath	0.11	-	-	0.11
	M D Selvaraj	0.11	-	-	0.11
	Vidyasankar Bhuvaneshwari	0.04	-	-	0.04
	Total (1)	0.35	-	-	0.35
2	Other non executive directors				
	Jairam Varadaraj	0.04	-	-	0.04
	Total (2)	0.04	-	-	0.04
	Total (B) = (1+2)	0.39	-	-	0.39
	Total managerial remuneration (A+B)				7.11
	Overall ceiling as per the Act	-	-	-	₹ 0.10 per meeting

C. Remuneration to key managerial personnel other than MD/Manager/WTD

(₹ in million)

S.No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		SR Venkatachalam, Chief Financial Officer	D Selvakumar, Company Secretary	
1	Gross salary			
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	2.38	1.45	3.83
	b. Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-
	c. Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	2.38	1.45	3.83

VII. Penalties / Punishment / Compounding of Offences

Type	Section of the Companies Act	Brief description	Details of penalty / punishment / compounding fees imposed	Authority [RD / NCLT / Court]	Appeal made, if any (give details)
A. Company Penalty Punishment Compounding					
B. Directors Penalty Punishment Compounding	NIL	NIL	NIL	NIL	NIL
C. Other officers in default Penalty Punishment Compounding					

For the board of directors

Sudarsan Varadaraj
Chairman & Managing Director
(DIN: 00133533)

Coimbatore
20.05.2017

Criteria for selection of Non-Executive Directors

The Non Executive Director shall

- ❖ have adequate skills, background, experience and knowledge
- ❖ possess industry bias, i.e., should be reasonably conversant with and follow the rubber, retreading and automotive industry
- ❖ be a person of intellect and integrity
- ❖ not be discriminated on the basis of age, gender and race
- ❖ believe in and be committed to practice the Elgi values
- ❖ be capable of working in harmony with other board members and contribute effectively in board and shareholder meetings
- ❖ be in alignment with the Company's objectives and goals

ANNEXURE-III**Nomination and remuneration policy**

This nomination and remuneration policy is being formulated in compliance with section 178 of the Companies Act, 2013 read along with the applicable rules thereto and as specified in Regulation 19 read with Part D of Schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. This policy on nomination and remuneration of directors, key managerial personnel and senior management has been formulated by the nomination and remuneration committee (NRC or the committee) and has been approved by the board of directors.

Definitions

"**Remuneration**" means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income Tax Act, 1961

"**Key managerial personnel**" means

- i. the chief executive officer or the managing director or the manager
- ii. the company secretary
- iii. the whole-time director
- iv. the chief financial officer and
- v. such other officer as may be prescribed

"**Senior managerial personnel**" means the personnel of the company who are members of its core management team excluding board of directors. Normally, this would comprise all members of management, of rank equivalent to general manager and above, including all functional heads.

Objective

- a. To guide the board in relation to appointment and removal of directors, key managerial personnel and senior management.
- b. To evaluate the performance of the members of the board and provide necessary report to the board for further evaluation of the board.
- c. To recommend to the board on remuneration payable to the directors, key managerial personnel and senior management.

Role of the committee

The role of the NRC will be the following

- ❖ To formulate criteria for determining qualifications, positive attributes and independence of a director.
- ❖ To formulate criteria for evaluation of independent directors and the board.
- ❖ To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down in this policy.
- ❖ To carry out evaluation of director's performance.
- ❖ To recommend to the board the appointment and removal of directors and senior management.
- ❖ To recommend to the board policy relating to remuneration for directors, key managerial personnel and senior management.
- ❖ To devise a policy on board diversity, composition and size.
- ❖ Succession planning for replacing key executives and overseeing.
- ❖ To carry out any other function as is mandated by the board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
- ❖ To perform such other functions as may be necessary or appropriate for the performance of its duties.

Appointment and removal of director, key managerial personnel and senior management

- ❖ The committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as director, KMP or at senior management level and recommend his / her appointment, as per company's policy.
- ❖ A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The committee has authority to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position.
- ❖ The company shall not appoint or continue the employment of any person as whole-time director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution.

Term / tenure

Managing director/whole-time director

The company shall appoint or re-appoint any person as its executive chairman, managing director or executive director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

Independent director

An independent director shall hold office for a term up to five consecutive years on the board of the company and will be eligible for re-appointment on passing of a special resolution by the company and disclosure of such appointment in the board's report.

No independent director shall hold office for more than two consecutive terms of upto maximum of 5 years each, but such independent director shall be eligible for appointment after expiry of three years of ceasing to become an independent director.

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

At the time of appointment of independent director it should be ensured that number of boards on which such independent director serves is restricted to seven listed companies as an independent director and three listed companies as an independent director in case such person is serving as a whole-time director of a listed Company or such other number as may be prescribed under the Act.

Evaluation

The committee shall carry out evaluation of performance of director, KMP and senior management personnel yearly or at such intervals as may be considered necessary.

Removal

The committee may recommend with reasons recorded in writing, removal of a director, KMP or senior management personnel subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the company.

Retirement

The director, KMP and senior management personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the company. The board will have the discretion to retain the director, KMP, senior management personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the company.

Policy for remuneration to directors / KMP / senior management personnel

1. Remuneration to managing director / whole-time directors
 - a. The remuneration / commission etc. to be paid to managing director / whole-time directors, etc. shall be governed as per the provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force and the approvals obtained from the members of the company.
 - b. The nomination and remuneration committee shall make such recommendations to the board of directors, as it may consider appropriate with regard to remuneration to managing director / whole-time directors.
2. Remuneration to non-executive / independent directors
 - a. The non-executive / independent directors may receive sitting fees and such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the nomination and remuneration committee and approved by the board of directors.
 - b. All the remuneration of the non-executive / independent directors (excluding remuneration for attending meetings as prescribed under section 197 (5) of the Companies Act, 2013) shall be subject to ceiling / limits as provided under Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the nomination and remuneration committee and approved by the board of directors or shareholders, as the case may be.
 - c. An independent director shall not be eligible to get stock options and also shall not be eligible to participate in any share based payment schemes of the company.
 - d. Any remuneration paid to non-executive / independent directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (b) above if the following conditions are satisfied:

- i. The services are rendered by such director in his capacity as the professional and
 - ii. In the opinion of the committee, the director possesses the requisite qualification for the practice of that profession;
3. Remuneration to key managerial personnel and senior management
- a. The remuneration to key managerial personnel and senior management shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the company's policy.
 - b. The compensation committee of the company, constituted for the purpose of administering the employee stock option / purchase schemes, shall determine the stock options and other share based payments to be made to key managerial personnel and senior management.
 - c. The fixed pay shall include monthly remuneration, employer's contribution to provident fund, contribution to pension fund, pension schemes, etc., as decided time to time.
 - d. The incentive pay shall be decided based on the balance between performance of the company and performance of the key managerial personnel and senior management, to be decided annually or at such intervals as may be considered appropriate.

Implementation

- ❖ The committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate.
- ❖ The committee may delegate any of its powers to one or more of its members.

ANNEXURE - IV

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

[Section 134(3)(m) of The Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014]

A. Conservation of Energy

i. Steps taken or impact on conservation of energy

Energy conservation is one of the primary objectives of the company and measures are taken on an ongoing process.

ii. Steps taken by the company for utilising alternate sources of energy

Through the arrangement with the State Electricity Board, wind energy generated by the company's windmill division is supplied to the grid, thereby indirectly using alternate source of energy.

iii. Capital investment on energy conservation equipments : Nil

B. Technology absorption

i. Efforts made towards technology absorption

Steps are being taken for in-house development of technology and consequent absorption.

ii. The benefits derived like product improvement, cost reduction, product development or import substitution

It is expected that proposed in-house technology development would result in product development.

iii. In case of imported technology

- a. the details of technology imported Nil
- b. the year of import Nil
- c. whether the technology have been fully absorbed N.A
- d. if not fully absorbed, areas where absorption has not taken place and the reasons thereof N.A

iv. the expenditure incurred on research and development : ₹ 3.62 million

C. Foreign exchange earnings & outgo during the year

Foreign exchange earned : ₹ 597.89 million

Foreign exchange outgo : ₹ 234.83 million

Annual Report on CSR Activities of the Company

1. A brief outline of the company's CSR policy, including overview of projects or programmes proposed to undertaken and a reference to the web-link to the CSR policy and projects or programmes.

The CSR policy deals with allocation of funds, activities, identification of programmes, approval, implementation, monitoring and reporting mechanisms for CSR activities. As part of its initiatives under CSR, the company has undertaken projects in the areas of education, social development, medical relief, sports, women empowerment, animal welfare, cultural protection etc. These projects are by and large in accordance with Schedule VII of the Companies Act, 2013. The CSR spend is predominantly directed through a registered trust. The trust expends the sums contributed by the company towards educational and related activities only and also for having a corpus for undertaking construction of new school building within the next 5-10 years. CSR policy of the company is also uploaded on the website of the company, www.elgirubber.com.

2. The composition of the CSR committee

The company has constituted a corporate social responsibility committee comprising of Sudarsan Varadaraj, Suresh Jagannathan and MD Selvaraj as members of the committee.

3. Average profit of the company for the last three financial years. : ₹ 116.94 million

4. Prescribed CSR expenditure (two percent of the amount as in item 3 above) : ₹ 2.34 million

5. Details of CSR spent during the year.

- a. Total amount to be spent for the financial year : ₹ 2.34 million

- b. Amount unspent, if any : Nil

- c. Manner in which the amount spent during the financial year

(₹ in million)

Sl. No.	CSR Project or Activity Identified	Sector in which the project is covered	Project or programmes: Local area or other Specify the state and district where projects or programmes were undertaken	Amount outlay (budget) project or program wise	Amount spent on the project or program	Cumulative expenditures up to the reporting period	Amount spent direct or through implementing agencies
1.	Promoting Education & Rural Development	Education	Coimbatore, Tamil Nadu	2.35	2.35	2.35	Through a Registered Trust
			Total	2.35	2.35	2.35	

6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, reasons for the same

The company has spent the required two percent of the average net profit of the last three financial years.

7. Responsibility statement of the CSR committee

The CSR committee confirms that the implementation and governance of CSR programmes have been elaborated in the company's CSR policy. The CSR committee further confirms that the implementation and monitoring of CSR policy is in compliance with CSR objectives and policy of the company.

Coimbatore
20.05.2017

MD Selvaraj
Director
Member, CSR Committee
(DIN: 00001608)

Sudarsan Varadaraj
Chairman & Managing Director
Chairman, CSR Committee
(DIN: 00133533)

FORM NO. MR-3

Secretarial Audit Report

for the Financial Year ended 31st March, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members
Elgi Rubber Company Limited
CIN: L25119TZ2006PLC013144
2000, Trichy Road, Singanallur
Coimbatore - 641005
Tamil Nadu, India

I have conducted the Secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Elgi Rubber Company Limited (hereinafter called the 'Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of M/s. Elgi Rubber Company Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017, complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017 according to the provisions of

- i. The Companies Act, 2013 (the Act) and the rules made thereunder
- ii. The Companies Act, 1956 (the Act) and the rules made thereunder (to the extent applicable)
- iii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder
- iv. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder
- v. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investments and External Commercial Borrowings
- vi. The following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')
 - a. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
 - b. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
 - c. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
 - d. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client
- vii. Laws specifically applicable to the industry to which the Company belongs, as identified by the management
 - a. The Rubber Act, 1947
 - b. The Petroleum Act, 1934 and the Petroleum Rules, 2002
 - c. The Indian Boilers Act, 1923 and the Indian Boiler Regulations, 1950
 - d. The Explosives Act, 1884, the Explosives Substances Act, 1908 and the Explosives Rules, 2008

I have also examined compliance with the applicable clause(s) of the following

- a. Secretarial Standards with respect to Board Meetings (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India (ICSI)
- b. Listing Agreement entered into by the Company with National Stock Exchange of India Limited.

During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations and Standards etc., mentioned above.

I further report that, during the year under review, there were no actions / events in pursuance of the following Rules/Regulations requiring compliance thereof by the Company

- a. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
- b. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
- c. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008

- d. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and
e. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.

I further report that having regard to the compliance system prevailing in the Company and on the review of quarterly compliance reports taken on record by the board of directors and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the labour laws and environmental laws as applicable to the Company.

I further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this audit since the same has been subject to review by statutory financial auditor and other designated professionals.

I further report that

The board of directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and a Woman Director. There were no changes in the composition of the board of directors during the period under review.

Adequate notice is given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at board meetings and committee meetings are carried out unanimously as recorded in the minutes of the meetings of the board of directors or committee of the board, as the case may be.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

I further report that during the period, there were no instances of

- ❖ Public / Rights / Preferential issue of shares / debentures / sweat equity
- ❖ Redemption / buy-back of securities
- ❖ Major decision taken by the members pursuant to section 180 of the Companies Act, 2013
- ❖ Merger / Amalgamation / Reconstruction, etc.,
- ❖ Foreign technical collaborations

Place : Coimbatore

Date : 20.05.2017

C N PARAMASIVAM

FCS No. 4654

C P No. 3687

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

‘Annexure A’

To

The Members

Elgi Rubber Company Limited
(CIN: L25119TZ2006PLC013144)
2000 Trichy Road, Singanallur
Coimbatore - 641005

My report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, I have obtained the management representation about the compliance of laws, rules, and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable standards, laws, rules and regulation is the responsibility of management. My examination was limited to the verification of procedures on random test basis.
6. The secretarial audit report is neither an assurance as to the future viability of the company nor the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place : Coimbatore

Date : 20.05.2017

C N PARAMASIVAM

FCS No. 4654

C P No. 3687

**Statement pursuant to Section 197(12) of the Companies Act, 2013
read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

1. The ratio of the remuneration of each director to the employee's median remuneration for the financial year

Name	Ratio
Sudarsan Varadaraj, Chairman & Managing Director	26 : 1

2. The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year

Sudarsan Varadaraj	-	Chairman & Managing Director	:	Nil
SR Venkatachalam	-	Chief Financial Officer	:	5.70%
D Selvakumar	-	Company Secretary	:	5.70%

3. Percentage increase in the median remuneration of employees in the financial year : 5.39%

4. Number of permanent employees on the rolls of the Company: 556

5. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and exceptional circumstances for increase in the managerial remuneration

Average increase in remuneration is 5.70% for employees.

It is affirmed that the remuneration is as per the remuneration policy of the company.

It is also affirmed that no persons were employed through out the year and were drawing remuneration as stipulated under the rule 5(2) of Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014.

For the board of directors

**Sudarsan Varadaraj
Chairman & Managing Director
(DIN: 00133533)**

Coimbatore
20.05.2017

Report on Corporate Governance – Annexure to Directors’ Report**(In compliance with Regulation 34(3) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)****1. Company’s Philosophy on Corporate Governance**

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

2. Board of Directors

- The board of directors of the company comprises of an Executive Chairman & Managing Director and five Non - Executive Directors [of which four (4) are Independent Directors including one (1) Woman Director]
- The composition of the directors and their attendance in the board meetings during the year and at the last annual general meeting, and also the number of the other directorships are as follows

Name of the Director	Category of Directorship	Attendance Particulars		No. of other Directorship held in Public Companies*	No. of Committee positions held in all Companies #	
		Board	AGM		Chairman	Member
Sudarsan Varadaraj (DIN: 00133533)	Chairman & Managing Director - Promoter	7	Yes	5	1	1
Jairam Varadaraj (DIN: 00058056)	Non Executive - Promoter	4	No	8	1	3
MD Selvaraj (DIN: 00001608)	Non Executive - Independent	7	Yes	-	2	-
Suresh Jagannathan (DIN: 00011326)	Non Executive - Independent	5	No	3	-	2
P Vijay Raghunath (DIN: 00002963)	Non Executive - Independent	7	No	-	-	2
V Bhuvaneshwari (DIN: 01628512)	Non Executive - Independent	4	No	1	-	-

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

Only Audit Committee and Stakeholders Relationship committee are considered

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

As per the disclosures received from the directors, none of the directors serve as member of more than 10 committees nor are they the Chairman / Chairperson of more than 5 committees, as per the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Seven board meetings were held during the year and the date on which the board meetings were held are as follows

Sl No	Date of Board Meeting	No. of Directors Attended	Sl No	Date of Board Meeting	No. of Directors Attended
1	29.04.2016	6	5	05.12.2016	3
2	30.05.2016	6	6	25.01.2017	6
3	28.07.2016	5	7	17.03.2017	4
4	26.10.2016	4			

Shareholdings of non-executive directors

Name of director	No. of shares held (as on March 31, 2017)
Jairam Varadaraj	141,750
MD Selvaraj	116
Suresh Jagannathan	-
P Vijay Raghunath	-
V Bhuvaneshwari	-

a. Familiarization Program for Independent Directors

The board members are regularly provided with documents / brochures, report and other internal policies of the company to familiarize them with the company’s policies, procedures and practices. Periodic presentations are made at the board/committee meetings on the company’s business and developments. The Independent directors of the company are regularly briefed by the Managing Director of the company about the foreign subsidiaries, processes followed by them and the results made. The directors are also updated about the various statutory compliances. The details of familiarization programmes imparted to independent directors are disclosed on the company’s website at www.elgirubber.com.

b. Separate Meeting of the Independent Directors

The meeting of independent directors of the company was held on January 25, 2017 and they inter-alia, reviewed the performance of the non-independent directors and the board as a whole, reviewed the performance of the Chairman and assessed the quality, quantity and timeliness of flow of information between the company and the board.

c. Performance evaluation of non-executive and independent directors

Pursuant to the provisions of the Companies Act, 2013 and as per Regulation 17(10) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the board has carried out the annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of the committees of the board. They also evaluated various aspects of the board such as adequacy of the composition of the board and its committees, board diversity, execution and performance of specific duties, obligations and governance.

3. Audit Committee

The audit committee comprises of three non-executive independent directors and all such members of the committee possess knowledge in the fields of accounts, finance and allied areas.

The role, powers and functions of the committee are as per section 177 of the Companies Act, 2013 and the guidelines set out in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The terms of reference of this committee are as required by SEBI – under Regulation 18 read with Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Besides having access to all the required information from within the company, the committee can obtain external professional advice whenever required.

The committee acts as a link between the statutory and internal auditors and the board of directors of the company. It is authorised to select and establish accounting policies, review reports of the statutory and the internal auditors and meet them to discuss their findings, suggestions and other related matters. The committee is empowered to recommend the appointment and remuneration payable to the statutory auditors.

During the year under review the committee met 4 times on May 30, 2016, July 28, 2016, October 26, 2016 and January 25, 2017.

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

Name	Category	No. of Meetings during the year 2016 - 2017	
		Held	Attended
MD Selvaraj (Chairman)	Independent – Non Executive	4	4
Suresh Jagannathan (Member)	Independent – Non Executive	4	4
P Vijay Raghunath (Member)	Independent – Non Executive	4	4

The representatives of both statutory and internal auditors of the company and the Chief Financial Officer of the company attend the committee meetings. Company Secretary acts as Secretary of the audit committee. The minutes of the audit committee meetings are circulated to the board, where it is discussed and duly recorded. The committee considered and reviewed the accounts for the year 2016–17, at their meeting held on May 20, 2017 before it was placed in the board.

4. Nomination and Remuneration Committee

The role, powers and functions of the nomination and remuneration committee are as per Section 178 of the Companies Act, 2013 and the guidelines set out in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The terms of reference of this Committee are as required by SEBI - under Regulation 19 read with part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Committee comprises of 3 Independent Non-Executive Directors. The Committee during the year met once in 2016-17 on January 25, 2017. The attendance of the members was as under

Name	Category	No. of Meetings during the year 2016 - 2017	
		Held	Attended
MD Selvaraj (Chairman)	Independent – Non Executive	1	1
Suresh Jagannathan (Member)	Independent – Non Executive	1	1
P Vijay Raghunath (Member)	Independent – Non Executive	1	1

The company has devised a Policy for performance evaluation of independent directors, board, committees and other directors which includes criteria for performance of the non-executive directors and executive directors.

This committee shall identify the persons, who are qualified to become directors of the company / who may be appointed in senior management in accordance with the criteria laid down, recommend to the board their appointment and removal and also shall carry out evaluation of every director's performance. The committee shall also formulate the criteria for determining qualifications, positive attributes, independence of the directors and recommend to the board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

The remuneration policy is annexed to the Board's Report and can also be accessed on company's website at www.elgirubber.com.

5. DETAILS OF REMUNERATION

Details of remuneration paid to the directors for the year ended March 31, 2017 are as follows

a. Executive Directors

Remuneration paid to Managing Director during the year is given below

Name	Service Contract	Salary (₹ in million)	Allowances	Commission	Total Remuneration (₹ in million)
Sudarsan Varadaraj Chairman & Managing Director	For a period of 5 years w.e.f. 01.01.2016	6.72	-	-	6.72

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

b. Non Executive Directors

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

Name of the Directors	Sitting Fees Paid (₹ in million)
Dr. Jairam Varadaraj	0.04
MD Selvaraj	0.11
Suresh Jagannathan	0.09
P Vijay Raghunath	0.11
V Bhuvaneshwari	0.04

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

There are no pecuniary relationships or transactions of non executive directors vis-a-vis the company.

c. The company does not have any employee stock option scheme.

6. Stakeholders Relationship Committee

The Stakeholders Relationship Committee is responsible for the satisfactory redressal of investors' complaints pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates, transfer and transmission of shares and other miscellaneous complaints. In addition, the Committee looks into other issues including status of dematerialization / re-materialization of shares as well as systems and procedures followed to track investor complaints and suggest measures for improvement from time to time.

The composition of stakeholders relationship committee and the attendance of the members in the meetings are given below

Name	Category	No. of Meetings during the year 2016 - 2017	
		Held	Attended
MD Selvaraj (Chairman)	Non-Executive Director	19	19
Sudarsan Varadaraj (Member)	Chairman & Managing Director	19	11
P Vijay Raghunath (Member)	Non-Executive Director	19	19

D. Selvakumar was the Company Secretary and Compliance Officer of the company with effect from November 14, 2015. The minutes of the Stakeholders Relationship Committee were placed before the Board Meeting for due ratification and approval.

The committee had met 19 times during the year 2016-17.

During the year, the company had received one complaint from a shareholder and the same was resolved satisfactorily by furnishing the requisite information / documents to the shareholder.

Pursuant to Regulation 40(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a certificate on half yearly basis confirming due compliance of share transfer formalities by the company from Practicing Company Secretary has been submitted to the Stock Exchange within stipulated time.

a. Unclaimed Suspense Account

Pursuant to Regulation 34(3) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had transferred 273,958 unclaimed shares to Elgi Rubber Company Limited Unclaimed Securities Suspense Account, opened with SBICAP Securities Limited.

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

Unclaimed Shares as on 01.04.2016		Shares claimed during the year		Unclaimed Shares as on 31.03.2017	
No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares	No. of Share Holders	No. of Shares
218	269,905	4	5,803	214	264,102

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

b. Investors' complaints

The Company has attended to the investors' grievances and correspondences within a maximum period of 5 days from the date of receipt of the same during the year 2016-17. There were no outstanding complaints as on March 31, 2017.

c. Number of shares transferred during 2016-17

Physical transfers	:	9 Nos. constituting 12,271 shares
Transmission	:	4 Nos. constituting 7,000 shares
No. of pending share transfers / demat requests as on March 31, 2017	:	NIL
Average turn around time	:	15 days for transfer / transmission of physical shares
Bad deliveries received	:	NIL

d. Management Discussion and Analysis Report

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

7. Corporate Social Responsibility (CSR) Committee

In compliance with the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014, the company has constituted the corporate social responsibility committee.

The committee comprises Sudarsan Varadaraj, MD Selvaraj and Suresh Jagannathan as members.

The CSR committee met once during the year on May 30, 2016 and the necessary quorum was present for the meeting. The attendance record of the members at the meeting was as follows

Name	Category	No. of Meetings during the year 2016 - 2017	
		Held	Attended
Sudarsan Varadaraj (Chairman)	Chairman & Managing Director	1	1
MD Selvaraj (Member)	Non-Executive Director	1	1
P Vijay Raghunath (Member)	Non-Executive Director	1	1

The committee evaluates and recommends the CSR proposals to the board for approval. The company formulated CSR Policy, which is uploaded on the website of the company viz. www.elgirubber.com

8. Annual General Meetings

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

Details of meeting	Date of meeting	Time of meeting	Venue of meeting	Special Resolutions
Annual General Meeting 2013 - 2014	27.09.2014	10.00 A M	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	<ol style="list-style-type: none"> 1. Appointment of Suresh Jagannathan as an Independent Director. 2. Appointment of P Vijay Raghunath as an Independent Director. 3. Appointment of MD Selvaraj as an Independent Director. 4. Appointment of V Bhuvaneshwari as an Independent Director. 5. Authorisation to mortgage, hypothecate or create charge on the assets of the Company pursuant to section 180(1)(a) of the Companies Act, 2013 6. Authorisation to borrow upto a limit of ₹ 500 crores pursuant to section 180(1) (c) of the Companies Act, 2013

				7. Authorisation to enter into related party transaction with the wholly owned subsidiary Treadsdirect Limited pursuant to section 188 of the Companies Act, 2013. 8. Alteration of Articles of Association
Annual General Meeting 2014 - 2015	26.09.2015	10.45 AM	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	Nil
Annual General Meeting 2015 - 2016	12.09.2016	04.00 PM	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	Nil

No extra ordinary general meeting was held during the financial year 2016-17.

Postal ballots

No resolution were put through Postal Ballot last year. No special resolution requiring Postal Ballot is being proposed on or before the ensuing Annual General Meeting of the company.

9. Means of Communication

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

10. General Shareholder Information

i. Annual General Meeting

Date : August 26, 2017
Time : 11.30 AM
Venue : Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045.

ii. Financial Calender

Year Ending : April 01, 2016 to March 31, 2017
Dividend Payment : On or before September 23, 2017
Date of Book Closure : From August 20, 2017 to August 26, 2017 (both days inclusive)

Listing on Stock Exchanges

The shares are listed in National Stock Exchange of India Limited, Exchange Plaza, C/1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. Annual listing fee have been duly paid to National Stock Exchange of India Limited, Mumbai.

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

Share Price Movements (Monthly High & Low)

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

Month	Apr'16	May'16	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17
High Price ₹	35.80	40.40	34.80	38.60	35.30	36.80	49.50	43.35	44.90	70.45	63.50	62.40
Low Price ₹	25.05	27.65	29.25	31.05	31.50	31.10	32.30	30.55	32.10	40.60	51.75	52.20

Stock performance in comparison to broad-based indices of NSE(NIFTY50)

2016-17	ELGIRUBCO share price data			NIFTY50 index of NSE	
Month	High (in ₹)	Low (in ₹)	Volume (Nos.)	High	Low
April	35.80	25.05	906,796	7,992.00	7,516.85
May	40.40	27.65	1,976,750	8,213.60	7,678.35
June	34.80	29.25	439,181	8,308.15	7,927.05
July	38.60	31.05	641,538	8,674.70	8,287.55
August	35.30	31.50	336,566	8,819.20	8,518.15
September	36.80	31.10	414,416	8,968.70	8,555.20
October	49.50	32.30	3,659,815	8,806.95	8,506.15
November	43.35	30.55	489,718	8,669.60	7,916.40
December	44.90	32.10	964,512	8,274.95	7,893.80
January	70.45	40.60	5,731,438	8,672.70	8,133.80
February	63.50	51.75	1,786,558	8,982.15	8,537.50
March	62.40	52.20	1,157,220	9,218.40	8,860.10
Closing price as on March 31, 2017 in ₹					54.35
Market capitalisation as on Mar 31, 2017 (₹ In million)					2720.22

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

M/s Link Intime India Private Limited

Head Office

C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400 083. Ph.: 022 - 49186270, E-Mail: rnt.helpdesk@linkintime.co.in

Branch

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

Reconciliation of Share Capital Audit

A qualified Company Secretary carried out reconciliation of share capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The reconciliation of share capital audit report confirms that the total issued/ paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL & CDSL.

Share Transfer System

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

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

Shares under lock - in : Nil

Share Holding Pattern

Category	No of Shares	% of Share Holding
Directors and their relatives	27,040,402	54.03
Domestic Companies	7,617,632	15.22
Non Domestic Companies	-	-
Mutual Funds	815	0.00
Commercial Banks	36,834	0.07
Non Resident Indians	82,732	0.17
Public Financial Institutions	2,291,396	4.58
Foreign Institutional Investors	-	-
Resident Individuals	12,980,189	25.93
Total	50,050,000	100.00

Distribution of Shareholding						
Range of Shareholding			No of Shares Holding	% of Share holders	No. of Share holders	% of Share
0001	-	5,000	6,247,120	12.48	10,474	96.13
5,001	-	10,000	1,706,150	3.41	242	2.22
10,001	-	20,000	1,152,751	2.30	83	0.76
20,001	-	30,000	758,576	1.52	31	0.28
30,001	-	40,000	600,330	1.20	17	0.16
40,001	-	50,000	410,771	0.82	9	0.08
50,001	-	100,000	778,700	1.56	11	0.10
100,000 and above			38,395,602	76.71	29	0.27
Total			50,050,000	100.00	10,896	100.00

Number of Shareholders as on March 31, 2017	:	10,896
Dematerialisation of shares and liquidity	:	48,085,816 equity shares accounting for nearly 96.08% of the paid up capital of the company have been dematerialised as on March 31, 2017. The company has entered into agreements with both NSDL (National Securities Depository Limited, Mumbai) & CDSL (Central Depository Services (India) Limited, Mumbai) whereby shareholders have an option to dematerialize their shares with any one of the two depositories.
Outstanding GDRs / ADRs / Warrants /any Convertible Instruments/conversion date and their likely impact on equity :	:	There are no outstanding warrants or any convertible instruments. The company has not issued any GDR/ADR.
Commodity price risk or foreign exchange risk and hedging activities	:	The company did not engage in hedging activities and has no foreign exchange risk.
Plant Locations	:	Kanjikode, Annur, Kurichi, Kovilpalayam, Kottayi, Chengalpet, Sriperumbudur, Sri Lanka, Kenya, Brasil, USA and The Netherlands.
Address for Correspondence	:	Link Intime India Private Limited "Surya", 35, May Flower Avenue, Behind Senthil Nagar, Sowripalayam, Coimbatore - 641028, Tamil Nadu. Ph: 91 - 0422 - 2314 792 / 2315 792 E-mail: coimbatore@linkintime.co.in Contact Person : S. Dhanalakshmi
Contact address for Shareholders	:	D Selvakumar Company Secretary Regd Office: Elgi Rubber Company Limited 2000, Trichy Road, Coimbatore 641 005, Tamil Nadu. Phone : (0422) - 232 1000 Fax : (0422) - 232 2222 E-mail : info@elgirubber.com

11. Disclosures

- a. Disclosures on materially significant related party transactions
 - . All the related party transactions are entered on arm's length basis, in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations. There are no materially significant related party transactions made by the company with promoters, directors or key managerial personnel etc., which may have potential conflict with the interest of the company at large. The details of the transactions with related party are provided in the company's financial statements in accordance with the Accounting Standards.

All the related party transactions are presented to the audit committee and the board. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions is presented before the audit committee on a quarterly basis, specifying the nature, value and terms and conditions of the transaction.

The related party transaction policy as approved by the board is uploaded on the company's website viz. www.elgirubber.com.
- b. Details of non compliance by the company, penalties, strictures imposed on the company by stock exchange or SEBI or any statutory authorities, on any matter relating to capital markets, during the last three years

The company has complied with all the requirements of the Listing Agreement of the stock exchange as well as regulations and guidelines of SEBI including SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. No penalties have been levied or strictures have been passed by SEBI, stock exchange or any other statutory authority on matters relating to capital markets during the last three years.

- c. Details of establishment of vigil mechanism, whistle blower policy and affirmation that no personnel has been denied access to the Audit Committee

The company has adopted a whistle blower policy to provide a formal mechanism to the Directors and employees to report their concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. The policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the chairman of the audit committee. It is affirmed that no personnel of the company has been denied access to the audit committee.

Your company hereby affirms that no complaints were received during the year under review.

- d. Details of compliance with mandatory requirements and adoption of the non mandatory requirements

The company has complied with all the mandatory requirements of corporate governance norms as enumerated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The company has adopted the non-mandatory requirement of reporting of internal auditors to Audit Committee as recommended under Regulation 27(1) read with Part E of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The company has not adopted any other non- mandatory requirements.

- e. Policy for determining material subsidiaries and policy on Related Party Transactions

Policy for determining material subsidiaries and Policy on dealing with Related Party Transactions has been disclosed on the website of the company at www.elgirubber.com.

Material unlisted subsidiary

During the year, the company did not have any material unlisted subsidiary company which is subject to special governance norms in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. However, minutes of meetings of the board of directors of all subsidiary companies are placed before the board of directors of the company for their review and noting.

- f. Commodity price risk and commodity hedging activities

During the financial year ended March 31, 2017, the company did not engage in commodity hedging activities.

- g. Accounting Treatment

In the preparation of the financial statements, the company has followed the accounting standards referred to in Section 133 of the Companies Act, 2013. The significant accounting policies which are consistently applied are set out in the Notes to the financial statements.

- h. Risk Management

Business risk evaluation and management is an ongoing process within the company. The assessment is periodically examined by the board.

12. There has been no instance of non-compliance of any requirement of corporate governance report as stated above in para 2 to 11

13. The company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

14. Certificate from Chief Executive Officer / Chief Financial Officer

The CEO and CFO certification of the financial statements for the year has been submitted to the board of directors, in its meeting held on 20th May, 2017 as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

15. Code of Conduct

The Company has framed a Code of Conduct for prevention of insider trading based on SEBI (Prohibition of Insider Trading) Regulations, 2015. This code is applicable to all directors / officers / designated employees. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

The Company has also formulated 'The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive

Information (UPSI)' in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015.

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

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

Declaration

(Pursuant to Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

I hereby affirm and state that all board members and senior management personnel of the company have given a declaration in accordance with Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and I hereby affirm compliance with the said code of conduct for the financial year 2016-17.

For Elgi Rubber Company Limited

Coimbatore
20.05.2017

Sudarsan Varadaraj
Chairman & Managing Director

Certificate

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

We have examined the compliance conditions of corporate governance by M/s.Elgi Rubber Company Limited (the Company) for the financial year ended March 31, 2017 as stipulated under SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementations thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the directors and management we certify that the company has complied with the conditions of corporate governance as stipulated under SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015.

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

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

Coimbatore
20.05.2017

B Anand
Partner
Membership No. 29146

Independent Auditors' Report

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

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Elgi Rubber Company Limited ("the Company"), which comprise the balance sheet as at March 31, 2017, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The company's board of directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section 11 of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143 (3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

- c. The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure B; and
- g. With respect to the other matters to be included in the auditors' report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2017 on its financial position in its standalone financial statements;
 - ii. The Company has made provision as at March 31, 2017, as required under the applicable law or accounting standards for material foreseeable losses, if any, on long-term contracts including derivative contracts; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017.
 - iv. The Company has provided requisite disclosures in its standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note no. 2.47 to the standalone financial statements.

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

B Anand
Partner
Membership No. 29146

Coimbatore
20.05.2017

Annexure - A to the Independent Auditor's Report

Referred to in para 9 of the independent auditors' report of even date to the members of Elgi Rubber Company Limited on the standalone financial statements for the year ended March 31, 2017.

We report that,

1.
 - a. The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - b. The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
 - c. The title deeds of immovable properties, as disclosed in Note 2.09 on fixed assets to the financial statements, are held in name of the company, except for certain land and building acquired, pursuant to the scheme of merger having a carrying value of ₹ 190.19 million from its subsidiary company viz Treadsdirect Limited and ₹ 4.28 million from its another subsidiary company viz Parani Steels Private Limited, as at March 31, 2017 which are in the process of getting transferred in the name of the company.
2. The physical verification of inventory excluding stocks with third parties has been conducted at reasonable intervals by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been appropriately dealt with in the books of accounts.
3. The Company has granted unsecured loans to 4 companies covered in the register maintained under Section 189 of the Act. There are no firms /LLPs/ other parties covered in the register maintained under Section 189 of the Act to whom the company has granted any unsecured loans.

- a. In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.
 - b. In respect of the aforesaid loans, the schedule of repayment of principal and interest has been stipulated, and the parties are repaying the principal amounts, as stipulated, and also regular in payment of interest as applicable.
 - c. In respect of the aforesaid loans, there is no amount which is overdue for more than ninety days.
4. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made, and guarantees and security provided by it.
 5. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
 6. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
 7.
 - a. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues in respect of sales tax including value added tax and is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, service tax, duty of customs, duty of excise, cess and other material statutory dues, as applicable, with the appropriate authorities.
 - b. According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax and service-tax, sales tax including value added tax, duty of customs and duty of excise which have not been deposited on account of any dispute other than the following as at March 31, 2017

Name of the statute	Nature of dues	Amount (₹ in million)	Period to which amount relates	Forum where dispute is pending
Income tax	Rejection of certain claims and disallowances, Non deduction of tax deducted at source on foreign payment and recalculation of capital gains	4.68	FY 2011-12	Income Tax Appellate Tribunal, Chennai.
Income tax	Non deduction of tax deducted at source on foreign payments	8.77	FY 2012 - 13	CIT Appeals, Coimbatore.
Income tax	Non deduction of tax deducted at source on foreign payments and Rejection of certain claims	11.74	FY 2013-14	CIT Appeals, Coimbatore.
Income tax	Non deduction of tax deducted at source on foreign payments	1.53	FY 2009-10	CIT Appeals, Coimbatore.
Excise Duty (Erstwhile Treads direct Ltd)	Differential duty on own consumption	5.27	FY 2006-07	CESTAT, Bangalore
Excise Duty (Erstwhile Treads direct Ltd)	Valuation dispute	0.45	FY 2006-07 to 2009-10	Commissioner of Central Excise, Chennai.
Excise Duty (Erstwhile Treads direct Ltd)	Valuation dispute	4.20	FY 2009-14	Commissioner (Appeals), Cochin
Excise Duty (Erstwhile Treads direct Ltd)	Valuation dispute	1.28	FY 2014-15	Commissioner (Appeals), Cochin
Excise Duty (Erstwhile Treads direct Ltd)	Valuation dispute	0.56	FY 2015-16	Commissioner (Appeals), Cochin

Name of the statute	Nature of dues	Amount (₹ in million)	Period to which amount relates	Forum where dispute is pen
Legal Metrology	Compounding Fee	0.15	FY 2015-16	Hon'ble High Court, Kerala.
Service Tax (Erst while Elgi Rubber Products Ltd)	Tax on Windmill services	0.09	FY 2005-08	CESTAT - Chennai
Service tax (Erst while Titan Tyre Care Products Ltd)	Service Tax on Know how	1.47	FY 2008-09	Appellate Tribunal, Chennai
VAT (Erstwhile Treadsdirect Ltd)	Levy of Entry Tax on Rubber Products	0.08	FY 2004-05	Deputy Commissioner, Bhopal.
VAT (Erstwhile Treadsdirect Ltd)	Dispute on rate of tax	4.17	FY 2008-09 to 2010-11	Appellate Tribunal, Hyderabad
VAT (Erstwhile Treadsdirect Ltd)	Dispute on rate of tax	1.04	FY 2008-09 to 2010-11	Appellate Tribunal, Hyderabad
VAT (Erstwhile Treadsdirect Ltd)	Non Submission of documents	33.21	FY 2007-08	Deputy Commissioner Appeals, Ernakulam.
VAT (Erstwhile Treadsdirect Ltd)	Non Submission of documents	25.24	FY 2009-10	Assistant Commissioner, Special Circle, Palakkad
VAT (Erstwhile Treadsdirect Ltd)	Levy of Tax on labour charges on Works Contract	4.59	FY 2010-11 to 2012-13	Hon'ble High Court of Chennai.
VAT (Erstwhile Treadsdirect Ltd)	ITC Reversal on VAT Dispute	7.56	FY 2014-15	Assistant Commissioner, Palakkad.
VAT (Erstwhile Treadsdirect Ltd)	Non-submission of documents	5.64	FY 2010-11	Appellate and Revisional board of Commercial Taxes.
VAT (Erstwhile Treadsdirect Ltd)	Non-submission of documents	2.34	FY 2011-12	Sales Tax Officer (STO), Kolkatta.
VAT (Erstwhile Treadsdirect Ltd)	ITC Reversal on VAT Dispute	12.06	FY 2010-11 to 2011-12	Kerala Appellate Tribunal, Palakkad.
VAT	Goods detained by Roving sward at Villupuram check post	0.07	FY 2016-17	Deputy Commissioner, CT - Villupuram.

8. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
9. In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
11. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
12. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
13. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
15. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

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

Coimbatore
20.05.2017

B Anand
Partner
Membership No. 29146

Annexure - B to the Independent Auditor's Report

The annexure referred to the Independent Auditors' Report of even date to the members of Elgi Rubber Company Limited on the standalone financial statements for the year ended March 31, 2017.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Elgi Rubber Company Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that
 1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company

2. provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

B Anand
Partner
Membership No. 29146

Coimbatore
20.05.2017

Balance Sheet as at 31st March 2017

	Notes	31.03.2017 ₹ in million	31.03.2016 ₹ in million
I. Equity and Liabilities			
Shareholders' funds			
a. Share capital	2.01	50.05	50.05
b. Reserves and surplus	2.02	2,503.85	2,580.40
Non current liabilities			
a. Long term borrowings	2.03	318.27	184.22
b. Long term provisions	2.04	0.15	0.15
Current liabilities			
a. Short term borrowings	2.05	780.47	484.82
b. Trade payables	2.06		
i. Total outstanding dues of micro enterprises and small enterprises		1.61	2.12
ii. Total outstanding dues of creditors other than micro enterprises and small enterprises		89.63	74.22
c. Other current liabilities	2.07	105.26	88.66
d. Short term provisions	2.08	19.46	42.28
		3,868.75	3,506.92
II. Assets			
Non current assets			
a. Fixed assets			
i. Property, plant and equipment	2.09	809.79	859.81
ii. Intangible assets	2.09	25.76	40.58
iii. Capital work in progress		197.58	210.33
b. Non current investments	2.10	488.02	489.27
c. Deferred tax asset (Net)	2.11	23.70	14.99
d. Long term loans and advances	2.12	608.57	430.19
e. Other non current assets	2.13	242.63	284.06
Current Assets			
a. Inventories	2.14	567.01	492.10
b. Trade receivables	2.15	591.94	387.33
c. Cash and bank balances	2.16	50.53	65.02
d. Short term loans and advances	2.17	226.82	215.21
e. Other current assets	2.18	36.40	18.03
		3,868.75	3,506.92

Significant accounting policies 1

Notes are an integral part of these financial statements

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

B Anand
Partner
Membership No. 29146
Coimbatore
20.05.2017

MD Selvaraj
Director
DIN: 00001608

D Selvakumar
Company Secretary

SR Venkatachalam
Chief Financial Officer

Sudarsan Varadaraj
Chairman & Managing Director
DIN: 00133533

Statement of Profit and Loss for the year ended 31st March 2017

	Notes	31.03.2017 ₹ in million	31.03.2016 ₹ in million
Income			
Revenue from operations(Gross)	2.21	2,138.97	2,121.52
Less: Excise duty		139.33	109.48
Revenue from operations(Net)		1,999.64	2,012.04
Other income	2.22	109.30	87.89
		2,108.94	2,099.93
Expenses			
Cost of materials consumed	2.23	1,104.28	1,173.42
Purchase of stock in trade		38.58	45.90
Changes in inventories of finished goods and work in progress	2.24	24.86	(105.70)
Employee benefits expenses	2.25	242.15	232.45
Finance costs	2.26	78.41	45.21
Depreciation and amortisation expense	2.27	85.21	90.56
Other expenses	2.28	477.39	484.01
		2,050.88	1,965.85
Profit / (Loss) before exceptional items and tax		58.06	134.08
Less : Exceptional items	2.29	1.98	377.89
Profit / (Loss) before tax		56.08	(243.81)
Less : Tax expense			
a. Current tax		24.70	32.19
b. Deferred tax		(8.71)	(11.09)
Profit / (Loss) after tax		40.09	(264.91)
Significant accounting policies	1		
Earning per share (Nominal value per share 2017 ₹ 1/- (2016 ₹ 1/-) including extraordinary items)			
a. Basic (in ₹)		0.80	(5.29)
b. Diluted (in ₹)		0.80	(5.29)
(excluding extraordinary items net of taxes)			
a. Basic (in ₹)		0.80	(5.29)
b. Diluted (in ₹)		0.80	(5.29)

Notes are an integral part of these financial statements

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

B Anand
Partner
Membership No. 29146
Coimbatore
20.05.2017

MD Selvaraj
Director
DIN: 00001608

D Selvakumar
Company Secretary

SR Venkatachalam
Chief Financial Officer

Sudarsan Varadaraj
Chairman & Managing Director
DIN: 00133533

Cash Flow Statement for the year ended 31st March 2017

	31.03.2017 ₹ in million	31.03.2016 ₹ in million
A. Cash Flow from Operating activities		
Profit before taxation	56.08	(243.81)
Adjustments for		
Depreciation	85.21	90.56
Profit on sales of property, plant and equipment (net)	(8.21)	(9.18)
(Profit)/Loss on sales of Investments (net)	0.64	0.29
Provision for doubtful debts	3.32	16.14
Provision for fall in value of investments	-	(375.84)
Income tax relating to earlier years	1.98	2.05
Liabilities no longer required written back	-	(2.56)
Loss on account of discarded stock	9.06	-
Interest Income	(50.75)	(33.68)
Dividend Income	(4.54)	(5.11)
Interest expenses	72.42	35.92
Other non cash items	(13.30)	0.58
Operating profit before working capital changes	151.91	(524.64)
Increase / (Decrease) in trade payables	13.64	45.89
Increase / (Decrease) in short term provisions	(0.53)	9.58
Increase / (Decrease) in other current liabilities	16.60	2.72
Increase / (Decrease) in short term borrowings	295.65	314.67
(Increase) / Decrease in trade receivables	(193.37)	(280.08)
(Increase) / Decrease in inventories	(83.97)	(99.48)
(Increase) / Decrease in long term loans and advances	(178.38)	(123.82)
(Increase) / Decrease in short term loans and advances	(11.37)	(68.41)
(Increase) / Decrease in other current assets	(18.37)	5.46
(Increase) / Decrease in other non current assets	41.43	(31.54)
Cash generated from Operations	33.24	(749.65)
Taxes paid (net of refunds)	(26.92)	(34.60)
Net cash generated from operating activities (A)	6.32	(784.25)
B. Cash flow from Investing activities		
Purchase of property, plant and equipment / intangible assets	(253.73)	(106.09)
Increase in capital work in progress	12.75	(109.15)
Sale of property, plant and equipment / intangible assets	124.93	10.12
Property, plant and equipment transfer on account of amalgamation	-	(283.86)
Transfer of reserve on account of amalgamation	-	369.76
Non current Investment	0.61	758.91
Interest Income	50.75	33.67
Dividend Income	4.54	5.11
Net Cash from investing activities (B)	(60.15)	678.47
C. Cash flow from Financing activities		
Increase / (Decrease) in long term borrowings	134.05	146.68
Dividend and Distribution tax paid	(22.29)	(10.51)
Interest paid	(72.42)	(35.92)
Net cash used in Financing Activities (C)	39.34	100.25
Net increase/(decrease) in cash and cash equivalents(A+B+C)	(14.49)	(5.53)
Cash and cash equivalents at the beginning of the year	65.02	70.55
Cash and cash equivalents at the end of the year	50.53	65.02

Explanatory notes to cash flow statement

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

As per our report of even date

For Reddy, Goud & Janardhan

Chartered Accountants

Firm Registration No. 003254S

B Anand
Partner
Membership No. 29146
Coimbatore
20.05.2017

MD Selvaraj
Director
DIN: 00001608

D Selvakumar
Company Secretary

SR Venkatachalam
Chief Financial Officer

Sudarsan Varadaraj
Chairman & Managing Director
DIN: 00133533

1. Significant Accounting Policies

Elgi Rubber Company Limited ('Company' or 'ERCL') was incorporated on 16th October 2006. ERCL is leading Company providing solutions to Rubber Industry and engaged in the business of manufacture of Reclaimed Rubber, Retreading machinery, and Retread rubber.

1a. i. Basis of Preparation of Financial Statements

The company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

ii. Use of Estimates

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

2. a. Scheme of Amalgamation and Arrangement

As per the scheme of amalgamation and arrangement herein referred to as "Scheme" as approved by the Honourable High Court of Judicature at Madras on January 22, 2016 among Elgi Rubber Company Ltd (ERCL), Treadsdirect Limited (TDL) and Prarani Steels Private Limited (PSPL) the whole of the undertaking of TDL and PSPL company of its business, all assets both movable and immovable and liabilities of whatsoever nature and wherever situated were transferred to and vested with ERCL as a group concern as from the appointment date i.e., April 1, 2015.

b. Accounting treatment

Though the effect of transfer of certain assets including land was given in the books of account, based on the aforesaid scheme, formalities regarding change of name in relevant legal records/title deeds in the name of the company in accordance with the scheme is still under progress.

3.1 Revenue Recognition

Sales are recognized upon delivery of products and are recorded exclusive of excise duty, service tax and sales tax.

Export benefits are accounted on accrual basis.

Dividend income from investment in Mutual Funds is recognized on declaration of the same by the respective agency.

Revenue is recognised when the shareholders' or unit holders' right to receive payment is established by the balance sheet date.

Interest Income is recognised on a time proportionate basis taking into account the amount outstanding and the rate applicable

3.2 Fixed Assets

a. Property, Plant and Equipment

Tangible fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Borrowing costs directly attributable to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Consequent to revised AS-10 on fixed assets, the company has reversed the revaluation reserve given effect by the erstwhile PSPL prior to the amalgamation, amounting to ₹ 116.64 million.

b. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets, comprising of software and intellectual property rights are amortized on a straight line basis over a period of 3 years, which is estimated to be the useful life of the asset.

Goodwill reflected to the extent of ₹ 30.00 million is on account of the excess consideration paid over and above the net asset value, while acquiring the shares of M/s. Parani Steels Private Limited. The same is being written off over the period of 10 years in the books of account.

c. Depreciation

- a. Schedule II to the Companies Act 2013, which prescribes requirements concerning depreciation of fixed assets is effective from 1st April 2014, in respect of companies located in India. Schedule II allows companies to use higher/ lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements.
- b. Considering the applicability of Schedule II, the management has re-estimated useful lives and residual values of all its fixed assets in line with Schedule II with effect from 1st April 2014 and the same is being followed in the current year also. Depreciation on tangible assets for items other than referred to in item 3.2(c), is provided on written down value method on a pro-rata basis using the estimated life as prescribed under Schedule II, at the rates as specified in Schedule II of the Companies Act, 2013.

3.3 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.

3.4 Investments

Investments are reflected at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

3.5 Inventories

Inventories 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.

3.6 Exchange Fluctuation

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

3.7 Employee / Retirement Benefits

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.

Gratuity: A defined benefit retirement plan (the "Gratuity Plan") is provided for all eligible employees. In accordance with the Payment of Gratuity Act, 1972, the gratuity plan provides a lumpsum amount to be vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the gratuity plan are determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Elgi Rubber Company Limited Employees Gratuity Fund Trust and the contributions to the trust are invested in the Life Insurance Corporation of India administered Fund.

Superannuation: Certain employees of the company are also participants in a defined contribution plan. The Company makes the contributions to the superannuation plan administered by the Elgi Rubber Company Employees Superannuation Fund Trust. The company has no further obligations to the Plan beyond its monthly contributions.

Expenses on ex-gratia payment to employees, a defined contribution plan, is accounted as and when accepted by the management.

Compensated absence: A defined benefit plan is provided for all the eligible employees and the contributions of the company are invested in the Life Insurance Corporation of India administered Fund.

3.8 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.

3.9 Provisions

A provision is recognised when the company has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3.10 Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3.11 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.

3.12 Earnings per share

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

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

3.13 Borrowing Costs

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

3.14 Taxes

Tax expense comprises of current and deferred tax.

Deferred Tax

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

3.15 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.

3.16 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2. Notes on accounts for the year ended 31st March 2017

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

2.01 Share capital

	31.03.2017 ₹ in million	31.03.2016 ₹ in million
Authorised		
380,300,000 (380,300,000) Equity Shares of ₹ 1/- each (₹ 1/- each)	380.30	380.30
Issued, subscribed and fully Paid up		
50,050,000 (50,050,000) Equity Shares of ₹ 1/- each (₹ 1/- each)	50.05	50.05
	50.05	50.05

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

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

The board of directors, in their meeting held on May 20, 2017, recommended a final dividend of ₹ 0.13 per share. The recommendation is subject to the approval of the shareholders at the annual general meeting to be held. The total dividend appropriation for the year ended March 31, 2017 amounted to ₹ 6.51 million and corporate dividend tax of ₹ 1.32 million. Dividend, if approved, is payable to the shareholders in proportion to their shareholding.

Reconciliation of number of shares

	No. of Shares	31.03.2017 ₹ in million	No. of Shares	31.03.2016 ₹ in million
Equity Shares				
Authorised				
Balance at the beginning of the previous year	380,300,000	380.30	300,300,000	300.30
Addition during the year due to amalgamation				
Authorised share capital of Treadsdirect Limited	-	-	50,000,000	50.00
Authorised share capital of Parani Steels Private Limited	-	-	30,000,000	30.00
Balance at the end of the year	380,300,000	380.30	380,300,000	380.30
Issued, subscribed and fully paid up				
Balance at the beginning of the previous year	50,050,000	50.05	50,050,000	50.05
Add: Securities issued during the year	-	-	-	-
Balance at the end of the year	50,050,000	50.05	50,050,000	50.05

Note

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

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

	No. of shares	Percentage	No. of shares	Percentage
Sudarsan Varadaraj	22,372,014	44.70	22,372,014	44.70
LRG Technologies Limited	3,541,475	7.08	3,541,475	7.08

No shares have been allotted as fully paid up, by way of bonus shares during 5 years immediately preceding March 31, 2017

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

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.02 Reserves and surplus				
a. Capital reserve				
Opening balance	173.28		173.28	
Add: Addition during the year	-		-	
Balance at the end of the year		173.28		173.28
b. Securities premium account				
Opening balance	1.90		1.90	
Add: Receipt on issue of securities	-		-	
Balance at the end of the year		1.90		1.90
c. Revaluation reserve				
Opening balance	116.64		-	
Add: Transfer on account of amalgamation	-		116.64	
Less: Reversal of revaluation reserve	116.64		-	
Balance at the end of the year		-		116.64
d. General reserve				
Opening balance	1,266.42		1,236.39	
Add: General reserve on account of amalgamation	-		30.03	
Balance at the end of the year		1,266.42		1,266.42
e. Surplus in statement of profit and loss				
Opening balance	1,022.16		1,082.45	
Add/(Less): Surplus/(Deficit) on account of amalgamation of Treadsdirect Limited	-		342.27	
Add/(Less): Surplus/(Deficit) on account of amalgamation of Parani Steels Private Limited.	-		(115.36)	
Add: Profit / (Loss) for the year	40.09		(264.91)	
Amount available for appropriation	1,062.25		1,044.45	
Less: Appropriations				
Proposed dividend on equity shares for the year	-		18.52	
Dividend tax on proposed dividend on equity shares	-		3.77	
Balance as at the end of the year		1,062.25		1,022.16
		2,503.85		2,580.40

The board of directors of the company has proposed final dividend of ₹ 0.13 per share, which is subject to approval by the shareholders at the ensuing annual general meeting. In accordance with the revised Accounting Standard - 4 'contingencies & event occurring after the balance sheet date' (effective from April 1, 2016), proposed dividend for the year & corporate dividend tax thereon has not been recognised as a distribution of profit in the current year's account.

2.03 Long term borrowings				
Secured				
From ICICI Bank Limited				
Loan against property		31.36		34.97
From Export Import Bank of India				
Foreign currency term loan		286.91		149.25
		318.27		184.22

Securities offered

- Loan from ICICI Bank Limited is secured against exclusive charge by equitable mortgage on the commercial property situated at Chamiers Road, Chennai.
- Loan from Export Import Bank of India is secured by exclusive charge over the land and building located at Kovilpalayam (Mettupalayam Village), Coimbatore.
- The facility granted by Export Import Bank of India as above is further secured by first pari passu charge over industrial/commercial land located at Trichy Road, Coimbatore and Kurichi Village, Coimbatore along with Kotak Mahindra Bank Limited.

2.04 Long term provisions				
Provision for excise disputes		0.15		0.15
		0.15		0.15

Provision in respect of disputes represents claims against the Company on account of rejection of certain claims by the Company before the statutory authorities.

	31.03.2017	31.03.2016
	₹ in million	₹ in million
2.05 Short term borrowings		
Secured		
From State Bank of India		
Cash credit facility	254.20	282.49
Packing credit facility in foreign currency	28.41	11.65
Working capital demand loan	201.56	-
Buyers credit facility in foreign currency	62.61	-
Loan against fixed deposits	14.09	27.70
From ICICI Bank Limited		
Working capital short term loan facility	-	100.00
Unsecured		
From Kotak Mahindra Bank Limited		
Working capital demand loan	150.00	-
Loan from a related party	69.60	62.98
	780.47	484.82

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

- Cash credit / export packing credit facilities availed from State Bank of India (SBI) is secured by exclusive first charge over current assets viz. raw materials, stock in process, stores and spares, finished goods and receivables. Bill discounting/letter of credit and bank guarantee facilities are secured by documents to title goods and first charge over the current assets as stipulated above.
Banking facilities referred to above are further secured by first charge over the entire fixed assets of the company exclusively (including Plant and Machinery) by way of equitable mortgage of land and building located at Kanjikode, Chengalpattu, Neelambur, Aralvaimozhi and Palayamkottai village (Tirunelveli). The facilities are further secured by a second charge of equitable mortgage over company's landed property and factory building located at Palakkad, Pondicherry, Annur, Kurichi, Sengulam village (Tirunelveli) and Hyderabad.
- Loan against fixed deposits with SBI amounting to ₹ 14.09 million (₹ 27.70 million), is secured by a lien and pledge of fixed deposit receipts with SBI and is repayable on demand.
- Working capital short term loan facility from ICICI Bank Limited is secured by residuary charge by way of hypothecation of the company's entire stocks of raw material, semi finished goods, finished goods, consumable stores, spares and such other movables including book debts, bills, outstanding monies, receivables both present and future.

2.06 Trade payables		
Due to micro, small and medium enterprises	1.61	2.12
Others	89.63	74.22
	91.24	76.34

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

2.07 Other current liabilities		
Employee benefits payable	7.23	6.72
Employee recoveries payable	0.62	0.61
Unpaid dividend	3.37	3.56
Statutory dues (including provident fund, Withholding and other taxes payable)	22.57	24.43
Current maturities of long term borrowings from ICICI Bank Limited (Refer Note No.2.03)	3.19	2.56
Current maturities of long term borrowings from Export Import Bank of India (Refer Note No 2.03)	4.86	-
Other payable to a related parties	18.04	19.75
Other payables	17.05	17.94
Advance received from customers	25.78	10.63
Advance received from related party	2.55	2.46
	105.26	88.66

There are no amounts due for payment to the Investor Education and Protection Fund under section 125 of the the Companies Act, 2013 (corresponding to section 205C of the Companies Act, 1956) and rules made thereunder, as at the year end.

2.08 Short term provisions		
Provision for compensated absence (Refer Note No. 2.36 regarding disclosure requirement as per AS 15)	3.70	3.96
Other provisions	15.76	16.03
Provision for proposed dividend on equity shares	-	18.52
Provision for tax on proposed dividend on equity shares	-	3.77
	19.46	42.28

2.09 Fixed Assets (₹ in million)

Description	Gross Block				Depreciation				Net Block			
	As at 01.04.15	Additions	Deletions/ Transfer	As at 31.03.16	Total as on 01.04.15	For the Year	Deletions/ Transfer	Total as on 31.03.16	For the Year	Deletions/ Transfer	As at 31.03.17	As at 31.03.16
Property, Plant and Equipment												
Land	434.83	3.30	0.94	437.19	-	-	-	-	-	-	320.52	437.19
Building	317.14	22.33	-	339.47	143.50	15.29	-	158.79	15.67	-	174.46	180.68
Plant & Machinery	713.32	46.90	-	760.22	493.31	45.55	(0.31)	539.17	45.38	-	584.55	221.05
Electrical Fittings	29.76	2.81	-	32.57	23.28	2.36	-	25.64	2.16	-	27.80	6.93
Office Equipments	8.01	0.67	-	8.68	7.20	0.28	-	7.48	0.52	-	8.00	1.20
Computer	43.77	0.08	-	43.85	41.37	0.12	-	41.49	0.28	-	41.77	2.36
Furniture & Fittings	12.69	-	-	12.69	10.05	0.11	(1.67)	11.83	0.12	-	11.95	0.86
Vehicle	8.75	-	-	8.75	8.46	0.78	1.98	7.26	1.31	-	8.57	1.49
Lab Equipments	53.62	-	-	53.62	48.98	0.42	-	49.40	2.60	-	52.00	4.22
Canteen Equipments	0.02	-	-	0.02	0.01	-	-	0.01	-	-	0.01	0.01
Moulds and dies	11.00	-	-	11.00	4.73	2.45	-	7.18	2.35	-	9.53	3.82
	1,632.91	76.09	0.94	1,708.06	780.89	67.36	-	848.25	70.39	-	918.64	859.81
Intangible Assets												
Intangible Assets												
Technical knowhow	73.66	-	-	73.66	40.24	20.17	-	60.41	11.78	-	72.19	13.25
Goodwill	0.36	30.00	-	30.36	-	3.03	-	3.03	3.04	-	6.07	27.33
	74.02	30.00	-	104.02	40.24	23.20	-	63.44	14.82	-	78.26	40.58
	1,706.93	106.09	0.94	1,812.08	821.13	90.56	-	911.69	85.21	-	996.90	900.39

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.15 Trade receivables				
(Unsecured, considered good)				
Outstanding for a period exceeding six months from the date they are due for payment		92.93		6.26
Outstanding for a period not exceeding six months from the date they are due for payment	501.75		387.18	
Less: Provision for doubtful debts	<u>2.74</u>	499.01	<u>6.11</u>	381.07
		591.94		387.33
(Unsecured, considered doubtful)				
Outstanding for a period exceeding six months from the date they are due for payment	32.91		19.86	
Less: Provision for doubtful debts	<u>32.91</u>	-	<u>19.86</u>	-
		591.94		387.33
2.16 Cash and bank balances				
Cash and cash equivalents				
Cash on hand		1.92		2.94
Bank balances				
in current account		14.68		12.05
in demand deposits		15.56		31.47
(Pledged with the bank for the purpose of availing loan against fixed deposit)				
Demand deposits with maturity of more than 3 months but less than 12 months		15.00		15.00
(Pledged with the bank for availing overdraft facilities)				
Unpaid dividend account		3.37		3.56
		50.53		65.02
2.17 Short term loans and advances				
(Unsecured, considered good)				
Advance payment of income tax (Net)		18.45		18.21
Balances with customs, central excise, VAT etc.		92.95		86.76
Receivable from Government DEPB/Duty draw back etc.,		9.42		8.30
Dividend receivable from related parties		4.13		4.52
Prepaid expenses		8.08		7.34
Others		93.79		90.08
		226.82		215.21
2.18 Other current assets				
(Unsecured considered good)				
Income accrued on bank deposits		10.42		16.44
Income accrued from related parties		25.98		1.59
		36.40		18.03

	31.03.2017 ₹ in million	31.03.2016 ₹ in million
2.19 Contingent liabilities and commitments (to the extent not provided for)		
i. Claims against the Company not acknowledged as debts		
a. Income tax matters	26.72	15.40
b. Excise and service tax matters	13.32	11.95
c. Sales tax	95.99	109.69
d. Legal metrology	0.15	0.15
(The amounts shown do not include any additional levies that may arise on account of any further penalties, penal interest etc.)		
ii. Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	22.09	30.00

iii. Other commitments

A. Standby letter of credit (guarantee)

SBLC facilities were extended by Kotak Mahindra Bank Limited (KMBL), Export Import Bank of India (EXIM) and State Bank of India (SBI), to their foreign counterparts based on the counter guarantee given by the company. These foreign counterpart banks who in turn had granted credit facilities to the following subsidiary companies.

Outstanding amounts against facilities granted by	Currency	Amount in million	Currency	Amount in million
1 a. ING Bank NV, Amsterdam to Rubber Resources B.V., The Netherlands	EUR	3.08	EUR	2.80
b. ING Bank NV, Amsterdam to Rubber Resources B.V., The Netherlands	EUR	0.86	EUR	1.00
2. ING Bank NV, Amsterdam to Elgi Rubber Company B.V., The Netherlands		-	EUR	0.48
3. EXIM, London to Pincott International Pty Limited, Australia	USD	0.50	USD	1.00
4. EXIM, London to Elgi Rubber Company LLC, USA.	USD	4.96	USD	5.09
5. SBI, Antwerp to Rubber Resources B.V., The Netherlands	EUR	3.12	EUR	4.00
6. SBI, Antwerp to Elgi Rubber Company Holdings B.V., The Netherlands	EUR	6.00	EUR	2.50

Securities offered to

- a. KMBL, Coimbatore and EXIM, Mumbai, for the facilities granted by the banks to the subsidiary companies for serial Nos. 1, 2 and 3, 4 respectively as stated above.

By deposit of title deeds and equitable mortgage of immovable property located at Trichy Road, Coimbatore and Kurichi, Coimbatore, in favour of KMBL (in respect of the facility offered under item 1(a) above) ranking pari-passu with EXIM (in respect of the facilities offered under item 3 and 4 above). The facilities as referred to in item 1(a), 1(b) and 2 above relating to the standby letter of credit extended by KMBL, is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 99.90 Million (₹ 154.20 million).

- b. SBI, Coimbatore, for the credit facilities granted by SBI, Antwerp to Rubber Resources B.V., The Netherlands for serial no. 5 as stated above. By extension of first charge over the entire current assets of the company and equitable mortgage over company's landed property and factory building located at Annur, Kurichi and Hyderabad. The facilities relating to the standby letter of credit extended by SBI is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 50.14 Million (₹ 83.60 Million).

- c. SBI, Coimbatore, for the credit facilities granted by SBI, Antwerp to Elgi Rubber Company Holdings BV, The Netherlands for serial no.6 as stated above. By extension of first charge over the entire current assets of the company and equitable mortgage over company's landed property and factory building located at Palakkad, Pondicherry and Sengulam village (Tirunelveli). The facilities relating to the standby letter of credit extended by SBI is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 90.00 Million (₹ 37.50 Million).

B. Others

	Amount in million	Amount in million
a. Guarantee on account of security deposits with various electricity boards, state road transport corporations and other statutory authorities	INR 10.23	INR 9.20
b. Letter of credit on account of import of goods	EUR 0.02	-
	GBP 0.10	-
	USD 0.16	-

2.20 Dividend not recognised at the end of the reporting period

The directors have recommended the payment of a final dividend of ₹ 0.13 per fully paid equity share (March 31, 2016 – ₹ 0.37). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.21 Revenue from operations				
a. Sale of products				
Finished goods	2,097.29		2,069.27	
Traded goods	39.75		49.95	
b. Sale of services	1.39		1.27	
c. Other operating revenue - scrap sales	0.54		1.03	
	<u> </u>	2,138.97	<u> </u>	2,121.52
Sales (Finished goods)				
Reclaim rubber materials	370.23		412.10	
Butyl Scrap (merchant trade)	298.41		80.82	
Retreading raw materials and others	1,278.16		1,486.84	
Envelope	133.44		82.87	
Rubber compound sheets	17.05		6.64	
	<u> </u>	2,097.29	<u> </u>	2,069.27
Sales (Traded goods)				
Retreading machinery, accessories and others		39.75		49.95
2.22 Other Income				
a. Interest income from				
Banks	22.11		27.46	
Subsidiaries	24.44		1.59	
Others	4.20		4.63	
	<u> </u>	50.75	<u> </u>	33.68
b. Dividend income from				
Subsidiaries	4.21		4.60	
Others	0.33		0.51	
	<u> </u>	4.54	<u> </u>	5.11
c. Gain on sale of investments		-		0.04
d. Net gain on sale of assets		8.21		9.18
e. Income from electricity generation		44.40		27.35
f. Liabilities written back to the extent no longer required		-		2.56
g. Net gain on foreign currency transactions and translations		-		9.11
h. Claims received from Insurance company		0.45		0.60
i. Duty drawback/Rebate of excise duty		0.05		0.07
j. Miscellaneous income		0.90		0.19
		109.30		87.89
2.23 Cost of material consumed				
Raw material consumed				
Opening inventory	231.94		266.37	
Add: Purchase	1,137.79		1,126.69	
Less: Inventory at the end of the year	273.03		231.94	
	<u> </u>	1,096.70	<u> </u>	1,161.12
Packing material consumed				
Opening inventory	9.65		7.49	
Add: Purchase	8.63		14.46	
Less: Inventory at the end of the year	10.70		9.65	
	<u> </u>	7.58	<u> </u>	12.30
Cost of packing material consumed during the year		7.58		12.30
		1,104.28		1,173.42

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.24 Changes in inventory of finished goods and work in process				
Stock at the beginning of the year				
Finished goods	138.40		75.03	
Work in progress	41.11		14.41	
Stock in trade	15.31		0.35	
Scrap	2.16		1.49	
		196.98		91.28
Less : Stock at the end of the year				
Finished goods	121.68		138.40	
Work in progress	34.47		41.11	
Stock in trade	13.20		15.31	
Scrap	2.77		2.16	
		172.12		196.98
(Increase)/Decrease in inventory of finished goods and work in progress		24.86		(105.70)
2.25 Employee benefit expenses				
Salaries, wages and bonus		194.18		188.15
Voluntary retirement scheme payments		16.37		17.45
Managerial remuneration		6.72		6.57
Contribution to provident and other funds		19.07		17.19
Gratuity paid (net of reversals)		0.92		(0.96)
Staff welfare expenses		4.89		4.05
		242.15		232.45
(Refer Note No.: 2.36 on disclosure requirement as per Accounting Standard 15 on employee benefits)				
2.26 Finance costs				
Interest on borrowings				
On borrowings from banks		65.87		31.11
Interest paid to a related party		6.53		4.48
Others		0.02		0.33
Financial charges on borrowings		5.99		9.29
		78.41		45.21
2.27 Depreciation and amortisation expenses				
Depreciation on property, plant and equipment		70.39		67.36
Amortisation of intangible assets		11.78		20.17
Goodwill amortised		3.04		3.03
		85.21		90.56
2.28 Other expenses				
Consumption of stores and spare parts		16.82		15.55
Excise duty*		(2.42)		4.17
Power and fuel		118.30		132.47
Rent		6.50		6.08
Labour charges		39.57		39.75
Repairs and maintenance – plant and machinery		37.62		30.25
Repairs and maintenance – building		8.92		12.73
Repairs and maintenance – others		26.29		18.25
Insurance		6.16		5.60
Rates and taxes		7.16		8.47
Exchange fluctuation expenses (Net)		15.38		-
Travelling and conveyance		30.36		27.42
Directors' sitting fees		0.39		0.39
Statutory Auditors :				
Audit fees	1.00		1.00	
Tax audit fees	0.05		0.05	
Other services	0.01		0.01	
Reimbursement of expenses	0.18		0.19	
		1.24		1.25
Professional fees		39.92		37.38
Sales commission		0.47		3.02
Advertisement and other selling expenses		21.66		31.97
Carriage Inward		13.59		12.20
Freight charges		33.61		40.03
CSR expenditure (Refer Note No.2.41)		2.35		3.00
Bad debts		1.13		-
Provision for doubtful debts		3.32		16.14
Loss on account of discarded stock		9.06		-
Loss on sale/redemption of investment		0.64		0.33
Miscellaneous expenses		39.35		37.56
		477.39		484.01

* represents excise duty related to the difference between the opening and closing inventory of manufactured finished goods.

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.29 Exceptional items				
Income tax relating to previous years		1.98		2.05
Provision for fall in value of investment		-		375.84
		1.98		377.89
2.30 CIF value of imports				
Raw materials		132.68		81.94
Components and spare parts		5.21		4.73
Capital goods		33.78		5.58
		171.67		92.25
2.31 Expenditure incurred in foreign currency				
Professional and consultation fees		22.95		21.45
Interest / bank charges		16.61		1.69
Travelling expenses		2.80		1.81
Membership fee, books & periodicals		0.62		0.33
Advertisement		11.10		6.22
Others		9.08		21.82
		63.16		53.32
2.32 Dividend remitted in foreign exchange				
Dividend paid during the year		-		-
Number of non resident shareholders		-		-
Number of equity shares held by such non resident shareholders		-		-
2.33 Earnings in foreign currency				
Revenue from exports on FOB basis		559.29		429.26
Interest		24.44		1.59
Dividend		4.21		4.60
Other income		9.95		5.45
		597.89		440.90
2.34 Details of consumption and purchases				
a. Details of raw materials and stores and spares consumed				
Rubber scrap		105.40		114.69
Polymer		209.10		258.25
Carbon black		85.53		81.52
Chemicals & other raw materials		696.67		706.67
Stores and spares		16.82		15.55
		1,113.52		1,176.68
b. Purchase of traded goods				
Retreading machinery and tools, spares & accessories		38.58		45.90
		38.58		45.90
c. Details of value of imported and indigenous material consumed	Value ₹ in million	31.03.2017 (% of total Consumption)	Value ₹ in million	31.03.2016 (% of total Consumption)
Imported	86.07	7.73	86.67	7.37
Indigenous	1,027.45	92.27	1,090.00	92.63
	1,113.52	100.00	1,176.67	100.00

2.35 Earnings per share	31.03.2017		31.03.2016	
	Before extraordinary items	After extraordinary items	Before extraordinary items	After extraordinary items
a. Basic				
Profit/(Loss) after tax (₹ in million)	40.09	40.09	(264.91)	(264.91)
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Basic EPS (In ₹)	0.80	0.80	(5.29)	(5.29)
b. Diluted				
Profit/(Loss) after tax (₹ in million)	40.09	40.09	(264.91)	(264.91)
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Diluted EPS (In ₹)	0.80	0.80	(5.29)	(5.29)

2.36 Employee benefits

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

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

	31.03.2017		31.03.2016	
	Gratuity	Compensated absence	Gratuity	Compensated absence
	₹ in million	₹ in million	₹ in million	₹ in million
Present value of defined benefit obligation				
Obligations at the beginning of the period	52.40	5.51	29.53	2.93
Add : Transfer-in on account of scheme of amalgamation	-	-	26.80	2.73
Service cost	4.75	2.17	4.40	0.59
Interest cost	4.19	0.44	4.52	0.22
Actuarial (Gain) / Loss	(3.26)	1.83	(4.14)	3.00
Benefits paid	(9.61)	(4.82)	(8.71)	(3.96)
Obligations at the end of the period	48.47	5.13	52.40	5.51
Fair value of plan assets				
Plan assets at the beginning of the period	63.49	1.55	35.62	1.70
Add : Transfer-in on account of scheme of amalgamation	-	-	29.52	1.64
Expected return on plan assets	4.76	0.13	5.74	0.32
Contributions	1.70	4.57	1.32	1.85
Benefits paid	(9.61)	(4.82)	(8.71)	(3.96)
Plan assets at the end of the period	60.34	1.43	63.49	1.55
Assets/Liabilities recognised in the balance sheet				
Fair value of plan assets at the end of the period	60.34	1.43	63.49	1.55
Present value of the defined benefit obligations at the end of the period	48.47	5.13	52.40	5.51
Asset / (Liability) recognised in the balance sheet	11.87	(3.70)	11.09	(3.96)
Assumptions				
Interest rate	7.55%	7.55%	8.00%	8.00%
Discount rate	8.00%	8.00%	8.00%	8.00%
Estimated salary escalation rate	4.00%	4.00%	7.00%	6.50%
Expenses recognised in the statement of profit and loss				
Service cost	4.75	2.17	4.40	0.59
Interest cost	4.19	0.44	4.52	0.22
Expected return on plan assets	(4.76)	(0.13)	(5.74)	(0.32)
Actuarial (Gain) / Loss	(3.26)	1.83	(4.14)	3.00
Net Cost	0.92	4.31	(0.96)	3.49

Defined benefit obligation liability, on account of gratuity, as at the balance sheet has been funded to the extent of ₹ 60.34 million (₹ 63.49 million) and compensated absence has been funded to the extent of ₹ 1.43 million (₹ 1.55 million) by the company.

The funds in respect of gratuity have been invested in the LIC Group Gratuity Cash Accumulation Plan and in respect of compensated absence have been invested in the LIC Group Leave Encashment Plan, administered by the Life Insurance Corporation of India.

2.37 Segment reporting

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

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

	31.03.2017		INR Rate	31.03.2016		INR Rate
	Amount in million			Amount in million		
Trade payable	-	-	-	AUD 0.18	50.75	-
	EUR 0.06	69.25	-	EUR 0.02	75.10	-
	USD 0.26	64.84	-	USD 0.29	66.33	-
Trade receivable	USD 5.69	64.84	-	USD 2.66	66.33	-
	EUR 1.13	69.25	-	EUR 0.85	75.10	-
	AUD 0.02	49.62	-	AUD 0.10	50.75	-
	GBP 0.01	80.88	-	-	-	-
Bank balance in EEFC account	USD 0.01	64.84	-	-	-	-
Packing credit facility	USD 0.44	64.84	-	USD 0.18	66.33	-
Buyers credit facility	USD 0.97	64.84	-	-	-	-
Dividend receivable	USD 0.06	64.84	-	USD 0.07	66.33	-
Amounts receivables as at the year end	USD 5.36	64.84	-	USD 2.52	66.33	-
	EUR 0.98	69.25	-	EUR 0.35	75.10	-
Amounts payable as at the year end	USD 4.54	64.84	-	USD 2.26	66.33	-
Letter of credit - Imports	EUR 0.02	69.25	-	-	-	-
	GBP 0.10	80.88	-	-	-	-
	USD 0.16	64.84	-	-	-	-

	31.03.2017 ₹ in million	31.03.2016 ₹ in million
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2.39 Dues to micro and small enterprises

Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at the year end	1.61	2.12
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at the year end	-	-
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made.	-	-

2.40 During the year the Company has capitalised interest paid on term loans amounting to ₹ Nil (₹ 4.14 million) along with the immovable property which is constructed. Consequently interest amount shown in the notes is net off such expenditure capitalised.

2.41 Corporate Social Responsibility: As per Section 135 of the Companies Act, 2013, a CSR committee has been formed by the Company. The CSR expenditure for the year ended March 31, 2017 is contributed to a trust towards activities which are specified in schedule VII of the Companies Act, 2013.

	31.03.2017		31.03.2016	
	Total amount to be spent ₹ in Million	Amount spent	Total amount to be spent	Amount spent ₹ in Million
Gross amount required to be spent by the Company during the year in cash	2.34	-	2.54	-
i. Amount spent during the year on construction/ acquisition of any asset	-	-	-	-
ii. On purposes other than (i) above in the form of donations to the approved institutions	-	2.35	-	3.00

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

2.43 Income tax assessment has been completed upto the accounting year ended March 31, 2014.

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

2.45 Pursuant to Accounting Standard (AS 28) – impairment of assets, the Company assessed its fixed assets for impairment as at March 31, 2017 and concluded that there has been no significant impaired fixed asset that needs to be recognised in the books of account.

2.46 Deferred tax asset amounting to ₹ Nil (includes a sum of ₹ 3.82 million (Asset)) transferred from M/s Treadsdirect Limited, on account of the scheme of amalgamation.

2.47 Disclosure requirement as per the Central Government notification no.244/2017 regarding "Specified Bank Notes" dated March 30, 2017 is given under

	Specified bank notes ₹ in million	Other denomination notes ₹ in million	Total ₹ in million
Closing cash in hand as on 08.11.2016	0.80	0.34	1.14
(+) Non permitted receipts	3.94	-	3.94
(+) Permitted receipts	-	9.53	9.53
(-) Non permitted payments	0.03	-	0.03
(-) Permitted payments	-	1.45	1.45
(-) Amount deposited in banks	4.71	7.20	11.91
Closing cash in hand as on 30.12.2016	-	1.22	1.22

2.48 Non current investments

- Number of units of investment in mutual funds are rounded off to the nearest whole number.
- All investments are fully paid up, unless otherwise stated.
- Details of Investments

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

No. of units / shares		Description of investment	31.03.2017		31.03.2016	
Current year	Previous year		₹ in million	₹ in million	₹ in million	₹ in million
In Subsidiaries (Unquoted)						
-	-	100% interest in Elgi Rubber Company LLC, USA	171.24		147.99	
-	-	Add : Transfer of 100% interest in Treadsdirect LLC, USA on account of merger	-		23.25	
			171.24		171.24	
		Less : Provision for fall in value of investment	87.17	84.07	87.17	84.07
-	-	100% Interest in Treadsdirect LLC. USA	-		23.25	
		Less : Provision for fall in value of investment	-		18.20	
			-		5.05	
		Less : Interest In Treadsdirect LLC USA transferred to Elgi Rubber Company LLC, USA on account of merger	-	-	5.05	-
23,999	23,999	Equity Shares of KES.100 each in Elgi Rubber Company Limited, Kenya		2.01		2.01
1,000,000	1,000,000	Equity Shares of SLR.10 each in Elgi Rubber Company Limited, Sri Lanka		6.95		6.95
51,700	51,700	Equity Shares of BDT 100 each in Treadsdirect Limited, Bangladesh		4.42		4.42
100	100	Shares of AUD 1 each in Pincott International Pty. Limited, Australia	34.29		106.63	
		Less : Provision for fall in value of investment	34.29		34.29	
		Less : Transfer to capital work in progress	-		72.34	-
16,133,738	10,005,000	Equity Shares of R\$1 each in Borrachas e Equipamentos Elgi Ltda, Brasil	272.58		158.25	
-	6,128,738	Add : Investment during the year	-		114.33	
-	-	Less : Provision for fall in value of investment	272.58		272.58	
16,133,738	16,133,738			-		-
3,433,541	915,541	Equity Shares of EUR 1 each in Elgi Rubber Company Holdings B.V., The Netherlands	365.06		66.06	
-	2,500,000	Add : Transfer of investment from Rubber Resources B.V., The Netherlands	-		297.78	
-	18,000	Add : Transfer of investment from Elgi Rubber Company B.V., The Netherlands	-		1.22	
3,433,541	3,433,541			365.06		365.06
-	-	Shares of EUR 1 each in Rubber Resources B.V., The Netherlands	-		297.78	
-	-	Less : Transfer of investment to Elgi Rubber Company Holdings BV, The Netherlands	-	-	297.78	-
-	-	Equity Shares of EUR 1 each in Elgi Rubber Company B.V., The Netherlands	-		1.22	
-	-	Less : Transfer of investment to Elgi Rubber Company Holdings B.V., The Netherlands	-	-	1.22	-
-	-	Equity Shares of ₹ 10/- each in Treadsdirect Limited, India	-		47.50	
-	-	Less : Adjustment on account of scheme of amalgamation	-	-	47.50	-
-	-	Equity Shares of ₹ 10/- each in Parani Steels Private Limited, India	-		60.00	
-	-	Less : Adjustment on account of scheme of amalgamation	-	-	60.00	-

No. of units / shares		Description of investment	31.03.2017		31.03.2016	
Current year	Previous year		₹ in million	₹ in million	₹ in million	₹ in million
		Investment in the capital of Limited Liability Partnership firm (Subsidiary)				
-	-	Titan Tyrecare Products LLP Capital account		20.00		20.00
		Disclosure regarding Shareholding of LLP				
99.99%	99.99%	Elgi Rubber Company Limited				
0.01%	0.01%	Others				
				482.51		482.51
		In Equity Investments (Quoted and fully paid up)				
332,080	332,080	Elgi Equipments Limited (Equity Shares of ₹ 1/- each)		4.71		4.71
3,225	3,225	Precot Meridian Limited (Equity Shares of ₹ 10/- each)		0.22		0.22
				4.93		4.93
		In Government Securities (Unquoted)				
-	-	Non-Convertible redeemable taxable bonds of ₹ 10,000/- each in National Highways Authority of India	-	-	5.00	-
		Less : Redeemed during the year	-	-	5.00	-
		In Mutual Funds (Unquoted)				
578	1,834	IL & FS Milestone Fund – I (Units of ₹ 1,000/- each)	1.83		3.19	
		Less : Reduction in Contribution due to redemption and diminution in capital	1.25		1.36	
				0.58		1.83
				488.02		489.27
Aggregate amount of investments						
Unquoted				483.09		484.34
Quoted				4.93		4.93
Market value				71.54		43.37

2.49 Related party disclosure (as identified by the Company)

Description of the nature of transaction	Description of relationship	Related Party	31.03.2017 ₹ in million	31.03.2016 ₹ in million
Income from sale of goods	Subsidiary	Elgi Rubber Company LLC, USA	49.73	27.57
		Elgi Rubber Company Limited, Kenya	6.53	7.19
		Elgi Rubber Company Limited, Sri Lanka	4.09	4.15
		Borrachas e Equipamentos Elgi Ltda, Brasil	23.43	17.84
		Rubber Resources B.V., The Netherlands	308.05	122.69
		Rubber Compounding Holland B.V., The Netherlands	2.32	-
	Other related parties	Elgi Rubber Company B.V., The Netherlands	14.65	8.59
		Elgi Ultra Industries Limited	-	0.02
		LRG Technologies Limited	1.07	-
Purchase of goods	Subsidiary	Elgi Rubber Company LLC, USA	0.08	2.58
		Pincott International Pty Limited, Australia	-	0.15
		Borrachas e Equipamentos Elgi Ltda, Brasil	0.02	-
		Rubber Resources B.V., The Netherlands	3.46	-
	Other related parties	Elgi Ultra Industries Limited	7.89	1.89
		Ellargi & Co.,	0.66	0.96
		Elgi Equipments Limited	0.55	0.28
		Festo India Private Limited	1.49	-
		LRG Technologies Limited	0.25	-
Reimbursement of expenses (Paid)	Subsidiary	Elgi Rubber Company LLC, USA	5.04	6.06
		Elgi Rubber Company B.V., The Netherlands	-	5.66
Rendering of services	Other related parties	LRG Technologies Limited	3.06	-
		Elgi Equipments Limited	1.03	0.64
Receiving of services	Other related parties	Elgi Equipments Limited	0.26	0.17
Managerial remuneration	Key managerial personnel	Sudarsan Varadaraj	6.72	6.57
Salary to other key managerial personal	Key managerial personnel	SR Venkatachalam	2.38	2.23
		D Selvakumar	1.45	0.56
		C Shankar	-	0.72
Sitting fees	Other directors	M D Selvaraj	0.11	0.11
		P Vijay Raghunath	0.11	0.07
		Suresh Jagannathan	0.09	0.11
		Vidyasankar Bhuvaneshwari	0.04	0.05
		Jairam Varadaraj	0.04	0.05
Rent paid	Key managerial personnel	Sudarsan Varadaraj	0.36	0.36
Dividend received	Subsidiary	Elgi Rubber Company Limited, Sri Lanka	4.21	4.60
	Other related parties	Elgi Equipments Limited	0.33	0.33
Interest received	Subsidiary	Elgi Rubber Company Holding B.V., The Netherlands	5.58	0.20
		Borrachas e Equipamentos Elgi Ltda, Brasil	18.47	1.39
		Pincott International Pty Limited, Australia	0.22	-
		Elgi Rubber Company LLC, USA	0.17	-
Interest paid	Key managerial personnel	Sudarsan Varadaraj	6.53	4.48
Guarantees given (Outstanding amount)	Subsidiary	Pincott International Pty Limited, Australia	USD 0.50	USD 1.00
		Elgi Rubber Company B.V., The Netherlands	-	EUR 0.48
		Elgi Rubber Company LLC, USA	USD 4.96	USD 5.09
		Rubber Resources B.V., The Netherlands	EUR 7.06	EUR 7.80
		Elgi Rubber Company Holdings B.V., The Netherlands	EUR 6.00	EUR 2.50
Investment made	Subsidiary	Elgi Rubber Company LLC, USA		
		Transfer of Interest in Treadsdirect LLC, USA on account of merger	-	23.25
		Borrachas e Equipamentos Elgi Ltda, Brasil	-	114.33
		Elgi Rubber Company Holdings B.V., The Netherlands	-	66.06
		Transfer of Investment from Rubber Resource B.V., The Netherlands	-	297.78
		Transfer of Investment from Elgi Rubber Company B.V., The Netherlands	-	1.22
		Borrachas e Equipamentos Elgi Ltda, Brasil	130.86	185.58
		Elgi Rubber Company Holdings B.V., The Netherlands	41.27	26.59
Loan given	Subsidiary	Elgi Rubber Company LLC, USA	6.81	-
		Pincott International Pty Limited, Australia	15.34	-

Description of the nature of transaction	Description of relationship	Related Party	31.03.2017 ₹ in million	31.03.2016 ₹ in million	
Loan taken	Key managerial personnel	Sudarsan Varadaraj	12.62	79.00	
Loan repaid	Key managerial personnel	Sudarsan Varadaraj	6.00	23.02	
Loan outstanding	Key managerial personnel	Sudarsan Varadaraj	69.60	62.98	
Trade payables	Subsidiary	Elgi Rubber Company LLC, USA	1.16	0.37	
		Pincott International Pty Limited, Australia	-	8.98	
		Rubber Resources B.V., The Netherlands	3.23	0.14	
	Other related parties	Elgi Ultra Industries Limited	1.57	0.45	
		Ellargi & Co.,	-	0.04	
		LRG Technologies Limited	0.23	-	
Trade receivables	Subsidiary	Elgi Rubber Company LLC, USA	65.05	28.70	
		Elgi Rubber Company Limited, Kenya	3.21	3.43	
		Elgi Rubber Company Limited, Sri Lanka	1.40	2.07	
		Borrachas e Equipamentos Elgi Ltda, Brasil	29.74	17.84	
		Elgi Rubber Company B.V., The Netherlands	14.85	7.15	
		Rubber Resources B.V., The Netherlands	241.94	105.94	
		Elgi Rubber Company Holdings B.V., The Netherlands	1.22	(0.05)	
		Rubber Compounding Holland B.V., The Netherlands	2.29	-	
		Other related parties	Elgi Equipments Limited	0.49	0.32
			Subsidiary	Elgi Rubber Company LLC, USA	5.75
Other receivables	Subsidiary	Elgi Rubber Company Limited, Kenya	-	0.28	
		Elgi Rubber Company Limited, Sri Lanka	-	0.63	
		Borrachas e Equipamentos Elgi Ltda, Brasil	2.94	2.61	
		Elgi Rubber Company B.V., The Netherlands	5.30	19.68	
		Rubber Resources B.V., The Netherlands	20.30	2.12	
		Elgi Rubber Company Holdings B.V., The Netherlands	5.22	-	
		Other related parties	Ellargi & Co.,	0.10	0.10
			Subsidiary	Borrachas e Equipamentos Elgi Ltda, Brasil	11.76
Advance paid for purchase of Capital Goods	Subsidiary	Titan Tyrecare Products LLP, India	17.03	17.03	
Other payables	Subsidiary	Borrachas e Equipamentos Elgi Ltda, Brasil	0.02	-	
		Elgi Rubber Company Holdings B.V., The Netherlands	0.87	0.90	
		Elgi Rubber Company LLC USA	0.06	1.82	
		Pincott International Pty Limited, Australia	0.06	-	
		Treadsdirect Limited, Bangladesh	0.34	0.33	
		Elgi Rubber Company Limited, Sri Lanka	3.79	4.19	
Amount receivable	Subsidiary	Borrachas e Equipamentos Elgi Ltda, Brasil	403.30	283.24	
		Elgi Rubber Company Holdings B.V., The Netherlands	62.32	26.28	
		Pincott International Pty Limited, Australia	14.59	-	
		Elgi Rubber Company LLC, USA	6.48	-	
Amount payable	Subsidiary	Pincott International Pty Limited, Australia	2.55	2.46	
	Key managerial personnel	Sudarsan Varadaraj	-	1.87	
Interest receivable	Subsidiary	Elgi Rubber Company Holdings B.V., The Netherlands	5.76	0.20	
		Borrachas e Equipamentos Elgi Ltda, Brasil	19.83	1.39	
		Elgi Rubber Company LLC, USA	0.17	-	
		Pincott International Pty Limited, Australia	0.22	-	

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

B Anand
Partner
Membership No. 29146
Coimbatore
20.05.2017

MD Selvaraj
Director
DIN: 00001608

D Selvakumar
Company Secretary

SR Venkatachalam
Chief Financial Officer

Sudarsan Varadaraj
Chairman & Managing Director
DIN: 00133533

Performance and Financial Indicators

Performance

	(₹ in million)				
	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Sales and other income	2,108.94	2,099.93	1,447.25	1,627.38	1,598.13
Profit before depreciation and tax	143.27	(151.20)	146.53	259.99	265.47
Profit before tax	58.06	(241.76)	78.71	209.08	229.17
Profit after tax	40.29	(264.91)	56.55	151.25	177.31
Dividend %	13*	37	21	37	80
Net fixed assets	1,033.13	1,110.72	703.12	653.09	507.16
Investments	488.02	489.27	872.64	648.92	623.40
Net working capital	1,032.75	1,030.47	968.24	1,367.72	1,792.47
Total capital employed	3,868.75	3,506.92	2,891.77	2,806.27	2,648.24
Share holder's funds	2,553.90	2,630.46	2,544.07	2,506.32	2,373.59
* Subject to approval in the Annual General Meeting					

Financial Indicators

	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Earning per share – ₹	0.80	(5.29)	1.13	3.02	3.54
Cash earnings per share – ₹	2.86	(3.02)	2.93	5.19	5.30
Gross sales per share – ₹	42.74	42.39	28.94	31.26	30.50
Book value per share – ₹	51.03	52.56	50.83	50.08	47.42
EBITDA / Sales %	11.09	(5.27)	12.22	10.51	19.28
Net profit margin %	2.00	(13.17)	4.24	10.48	12.60
ROCE %	1.57	(10.07)	2.22	6.03	7.47

Form AOC-1
(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies(Accounts) Rules, 2014)
Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures
Part "A" : Subsidiaries

(Amount in million)

S. No.	Name of the subsidiary company	Reporting period, if different from the holding companies reporting period	Reporting currency	Exchange rate on the last date of the financial year	Share Capital	Reserves & Surplus	Total assets	Total liabilities	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed dividend	% of share holding
1	Borrachas e Equipamentos Elgi Ltda, Brazil	1 st Jan '16 to 31 st Dec '16	Real	20.70	272.57	(266.95)	460.63	454.91	28.28	1.53	-	1.53	-	99.99
2	Pincott International Pty Limited, Australia	1 st Jan '16 to 31 st Dec '16	AUD	49.62	106.63	(141.84)	13.26	48.47	1.28	(6.90)	-	(6.90)	-	100.00
3	Elgi Rubber Company Limited, Kenya	1 st Jan '16 to 31 st Dec '16	Shilling	0.62	2.01	21.70	28.77	5.06	24.86	(1.12)	(0.27)	(0.85)	-	99.99
4	Elgi Rubber Company Limited, Sri Lanka	1 st Jan '16 to 31 st Dec '16	Sri Lankan Rupee	0.42	6.96	37.05	49.57	5.56	50.79	8.96	1.87	7.09	4.21	99.99
5	Treaddirect Limited, Bangladesh	1 st Jan '16 to 31 st Dec '16	Taka	0.79	4.42	3.66	8.69	0.61	-	(0.05)	-	(0.05)	-	100.00
6	Elgi Rubber Company LLC, USA	1 st Jan '16 to 31 st Dec '16	USD	64.84	171.25	(37.66)	558.56	424.97	513.39	(14.38)	-	(14.38)	-	100.00
7	Elgi Rubber Company Holdings B.V, The Netherlands	1 st Jan '16 to 31 st Dec '16	Euro	69.25	365.06	(100.08)	2,081.76	1,816.78	1,574.52	(97.41)	2.51	(99.92)	-	100.00
8	Titan Tyre Care Products LLP, India	1 st Apr '16 to 31 st Mar '17	Rupee	1.00	20.00	(2.83)	17.17	-	-	(0.01)	-	(0.01)	-	99.99

Notes

- Names of subsidiaries which are yet to commence operations: NIL
- Names of subsidiaries which have been liquidated or sold during the year: NIL

Part "B" : Associates and Joint Ventures
The Company does not have Associates or Joint Ventures during the year 2016-17

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

B Anand
Partner
Membership No. 29146

Coimbatore
20.05.2017

MD Selvaraj
Director
DIN: 00001608

D Selvakumar
Company Secretary

SR Venkatachalam
Chief Financial Officer

Sudarsan Varadaraj
Chairman & Managing Director
DIN: 00133533

Independent Auditors' Report on Consolidated Accounts

To the members of Elgi Rubber Company Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Elgi Rubber Company Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), (refer Note [1] to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies, making judgements and estimates that are reasonable and prudent, and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 8 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group as at March 31, 2017, and their consolidated loss and their consolidated cash flows for the year ended on that date.

Other Matter

8. We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of ₹ 3,192.45 million and net assets of ₹ 436.70 million as at March 31, 2017, total revenue of ₹ 2,193.12 million, net loss of ₹ 109.32 million and net cash out flows amounting to ₹ 26.55 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our

opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) and (11) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

9. We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of ₹ 8.69 million and net assets of ₹ 8.09 million as at March 31, 2017, total revenue of ₹ Nil, net profit of ₹ Nil and net cash outflows amounting to ₹ Nil for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of ₹ Nil for the year ended March 31, 2017 as considered in the consolidated financial statements, in respect of one subsidiary company whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included and our report in terms of sub-sections (3) and (11) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary company, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group. Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, we report, to the extent applicable, that
- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b. In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group, incorporated in India including relevant records relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.
 - c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group, incorporated in India including relevant records relating to the preparation of the consolidated financial statements.
 - d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiary companies, incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
 - g. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact, if any, of pending litigations as at March 31, 2017 on the consolidated financial position of the Group.
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts as at March 31, 2017.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, incorporated in India during the year ended March 31, 2017.

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

B Anand
Partner
Membership No. 29146

Coimbatore
20.05.2017

Annexure - A to the Independent Auditors' Report

Referred to in paragraph 10(f) of the Independent auditor's report of even date to the members of Elgi Rubber Company Limited on the consolidation financial statements for the year ended 31st March, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Elgi Rubber Company Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies which are incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company, its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that
 - a. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
 - b. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
 - c. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company, its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

9. Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one LLP, which has been incorporated in India, is not material to be relied upon. Our opinion is not qualified in respect of this matter.

Coimbatore
20.05.2017

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

B Anand
Partner
Membership No. 29146

Consolidated Balance Sheet of Elgi Rubber Company Limited and its Subsidiary Companies as on 31st March 2017

	Notes	31.03.2017 ₹ in million		31.03.2016 ₹ in million
I. Equity and Liabilities				
Shareholders' funds				
a. Share capital	2.01	50.05		50.05
b. Reserves and surplus	2.02	2,417.86		2,574.41
Non current liabilities				
a. Long term borrowings	2.03	1,021.09		1,085.60
b. Long term provisions	2.04	0.15		0.15
Current liabilities				
a. Short term borrowings	2.05	1,439.94		1,201.55
b. Trade payables	2.06	273.19		386.10
c. Other current liabilities	2.07	345.16		320.41
d. Short term provisions	2.08	46.72		63.39
		5,594.16		5,681.66
II. Assets				
Non current assets				
a. Fixed assets				
i. Property, plant and equipment	2.09	2,099.61		2,337.25
ii. Intangible assets	2.09	140.68		111.89
iii. Capital work in progress		375.80		383.75
b. Goodwill on consolidation		130.35		130.35
c. Non current investments	2.10	5.51		6.76
d. Deferred tax asset (Net)	2.11	206.23		199.86
e. Long term loans and advances	2.12	154.03		124.38
f. Other non current assets	2.13	242.92		284.11
Current Assets				
a. Inventories	2.14	1,206.75		1,051.55
b. Trade receivables	2.15	629.57		591.06
c. Cash and bank balances	2.16	85.75		126.79
d. Short term loans and advances	2.17	306.54		317.37
e. Other current assets	2.18	10.42		16.54
		5,594.16		5,681.66

Significant accounting policies 1

Notes are an integral part of these financial statements

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

B Anand
Partner
Membership No. 29146

MD Selvaraj
Director
DIN: 00001608

D Selvakumar
Company Secretary

SR Venkatachalam
Chief Financial Officer

Sudarsan Varadaraj
Chairman & Managing Director
DIN: 00133533

Coimbatore
20.05.2017

Consolidated Statement of Profit and Loss for the year ended 31st March 2017

Notes	31.03.2017 ₹ in million	31.03.2016 ₹ in million
Revenue		
Revenue from operations(Gross)	2.21	3,889.85
Less: Excise Duty		139.33
Revenue from operations(Net)		3,750.52
Other Income	2.22	142.38
	3,892.90	3,727.48
Expenses		
Cost of materials consumed	2.23	1,669.35
Purchase of stock in trade		56.44
Changes in inventories of finished goods and work in progress	2.24	29.00
Employee benefits expense	2.25	836.34
Finance costs	2.26	153.29
Depreciation and amortisation expense	2.27	196.99
Other expenses	2.28	1,008.41
	3,949.82	3,833.32
Profit / (Loss) before exceptional items and tax	(56.92)	(105.84)
Less : Exceptional items	2.29	1.98
Profit / (Loss) before tax	(58.90)	(107.89)
Less : Tax expense		
a. Current tax		26.46
b. Deferred tax		(6.37)
Profit / (Loss) after Tax	(78.99)	(114.52)
Significant accounting policies	1	
Earnings per share (Nominal value per share 2017 ₹ 1/- (2016 ₹1/-) including extra ordinary item)		
a. Basic (In ₹)		(1.58)
b. Diluted (In ₹)		(1.58)
(excluding extraordinary items net of taxes)		
a. Basic (In ₹)		(1.58)
b. Diluted (In ₹)		(1.58)

Notes are an integral part of these financial statements

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

B Anand
Partner
Membership No. 29146

MD Selvaraj
Director
DIN: 00001608

D Selvakumar
Company Secretary

SR Venkatachalam
Chief Financial Officer

Sudarsan Varadaraj
Chairman & Managing Director
DIN: 00133533

Coimbatore
20.05.2017

Consolidated Cash Flow Statement for the year ended 31st March 2017

	31.03.2017 ₹ in million	31.03.2016 ₹ in million
A Cash Flow from Operating activities		
Profit before taxation	(58.90)	(107.89)
Adjustments for		
Depreciation	196.99	207.90
Profit on sales of property, plant and equipment (net)	(8.22)	(9.90)
Profit on sales of Investments(net)	0.64	0.29
Provision for doubtful debts	3.32	16.14
Income tax relating to earlier years	1.98	2.05
Liabilities no longer required written back	-	(2.57)
Loss on account of discarded stock	9.06	-
Interest income	(27.41)	(34.10)
Dividend Income	(0.33)	(0.51)
Interest expenses	138.95	138.55
Other non cash items	25.77	474.19
Operating profit before working capital changes	281.85	684.15
Increase / (Decrease) in trade payables	(114.17)	(123.91)
Increase / (Decrease) in short term provisions	2.37	(35.50)
Increase / (Decrease) in other current liabilities	24.75	26.97
Increase / (Decrease) in short term borrowings	238.39	312.73
(Increase) / Decrease in trade receivables	(27.26)	37.84
(Increase) / Decrease in inventories	(164.26)	69.89
(Increase) / Decrease in long term loans and advances	(29.65)	(23.88)
(Increase) / Decrease in short term loans and advances	11.44	(85.56)
(Increase) / Decrease in other current assets	6.12	6.60
(Increase) / Decrease in other non current assets	41.19	(24.71)
Cash generated from Operations	270.77	844.62
Taxes paid (net of refunds)	(25.80)	(28.15)
Net cash generated from operating activities (A)	244.97	816.47
B Cash flow from Investing activities		
Purchase of property, plant and equipment / intangible assets	(264.85)	(429.95)
Increase / (decrease) in capital work in process	7.95	(458.84)
Sale of property, plant and equipment / intangible assets	168.29	18.61
Non current investments	0.61	7.78
Interest income	27.41	34.10
Dividend Income	0.33	0.51
Net Cash from investing activities (B)	(60.26)	(827.79)
C Cash flow from Financing activities		
Increase / (Decrease) in long term borrowings	(64.51)	9.44
Dividend and Distribution tax paid	(22.29)	(10.51)
Interest paid(Net)	(138.95)	(138.55)
Net cash used in Financing Activities (C)	(225.75)	(139.62)
Net increase/(decrease) in cash and cash equivalents(A+B+C)	(41.04)	(150.94)
Cash and Cash equivalents at the beginning of the year	126.79	277.73
Cash and cash equivalents at the end of the year	85.75	126.79

Explanatory notes to cash flow statement

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

As per our report of even date

For Reddy, Goud & Janardhan

Chartered Accountants

Firm Registration No. 003254S

B Anand

Partner

Membership No. 29146

MD Selvaraj

Director

DIN: 00001608

D Selvakumar

Company Secretary

SR Venkatachalam

Chief Financial Officer

Sudarsan Varadaraj

Chairman & Managing Director

DIN: 00133533

Coimbatore

20.05.2017

1. Significant accounting policies to the consolidated accounts

1a. i. Basis of preparation of financial statements

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

The accounts of the Group are prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ("GAAP") and comply with the mandatory accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, which continue to apply under Section 133 of Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 1956, to the extent applicable.

ii. Use of estimates

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

2 a. Scheme of Amalgamation and Arrangement

As per the scheme of amalgamation and arrangement herein referred to as "Scheme" as approved by the Honourable High Court of Judicature at Madras on January 22, 2016 among Elgi Rubber Company Ltd (ERCL), Treadsdirect Limited (TDL) and Prarani Steels Private Limited (PSPL) the whole of the undertaking of TDL and PSPL company of its business, all assets both movable and immovable and liabilities of whatsoever nature and wherever situated were transferred to and vested with ERCL as a group concern as from the appointment date i.e., April 1, 2015.

b. Accounting treatment

Though the effect of transfer of certain assets including land was given in the books of account, based on the aforesaid scheme, formalities regarding change of name in relevant legal records/title deeds in the name of the company in accordance with the scheme is still under progress.

c. Principles of consolidation

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

3.1 Revenue recognition

Sales are recognized upon delivery of products and are recorded exclusive of excise duty, service tax and sales tax. Export benefits are accounted on accrual basis.

Dividend income from investment in mutual funds is recognized on declaration of the same by the respective agency Dividend from other companies is accounted on confirmation in the Annual General Meeting of the respective companies.

Interest Income is recognized on a time proportionate basis taking into account the amount outstanding and the rate applicable.

3.2 Fixed assets

Fixed assets are reflected at historical cost (net of Cenvat / VAT) less depreciation to date.

At Balance Sheet date, an assessment is done to determine whether there is any indication of impairment in the carrying amount of the Company's fixed assets. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

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

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

Depreciation

a. Schedule II to the Companies Act 2013, which prescribes requirements concerning depreciation of fixed assets is effective from 1st April 2014, in respect of companies located in India. Schedule II allows companies to use higher/ lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements.

b. Considering the applicability of Schedule II, the management has re-estimated useful lives and residual values of all its fixed assets in line with Schedule II with effect from 1st April 2014 and the same is being followed in the current year also.

Depreciation on fixed assets for items other than referred to in item 4(b), is provided on written down value / straight line method as the case may be and at rates permissible under applicable local laws or such rates so as to write off the value of assets over their useful life.

Depreciation in respect of the assets of the overseas subsidiaries is provided over the estimated life of asset by using the written down value (WDV) or straight line method (SLM).

3.3 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.

3.4 Investments

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

3.5 Inventories

Inventories 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.

3.6 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.

3.7 Exchange fluctuation

a. Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction.

b. Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end rates are recognized in the statement of profit and loss.

c. In the case of forward contract, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract.

3.8 Employee / Retirement benefits

In respect of parent company including Indian subsidiaries

a. Provident Fund: Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon, are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the government administered provident fund. The Company has no obligation beyond its contribution.

- b. **Gratuity:** A defined benefit retirement plan (the "Gratuity Plan") is provided for all eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lumpsum amount to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the gratuity plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the respective Employees' Gratuity Fund Trust and the contributions to the trust are invested in the Life Insurance Corporation of India administered Fund.
- c. **Superannuation:** Certain employees of the Company are also participants in a defined contribution plan. The Company makes the contributions to the Superannuation plan administered by the Company Employees' Superannuation Fund Trust. The Company has no further obligations to the plan beyond its contributions.
- d. **Expenses on exgratia payment to employees, a defined contribution plan, is accounted as and when accepted by the management.**
- e. **Compensated absence:** Provision in respect of compensated absence is made, based on actuarial valuation.
- f. **In respect of Foreign Subsidiaries**
Foreign subsidiaries make contribution to various social security plans and insurance schemes as per local requirements and generally accepted practices in their respective country of incorporation. Such contributions are charged to statement of profit and loss in the year in which liability arises.

3.9 Lease

The Company is leasing out tyre retreading machinery 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.

3.10 Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3.11 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3.12 Cash flow statements

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.

3.13 Earnings per share

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

3.14 Borrowing costs

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

3.15 Deferred tax

- a. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- b. Deferred tax assets are recognized on unabsorbed capital losses only if it is reasonably certain that such deferred tax assets can be realized against future taxable capital gains.
- c. In the absence of requirement, the following subsidiaries have not provided for deferred tax
Treadsdirect Limited, Bangladesh
Pincott International Pty Limited, Australia

3.16 Treatment of contingent liabilities

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

3.17 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2. Notes on consolidated accounts for the year ended 31st March 2017

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

2.01 Share Capital

	31.03.2017 ₹ in million	31.03.2016 ₹ in million
Authorised		
380,300,000 (380,300,000) Equity Shares of ₹ 1/- each (₹ 1/- each)	380.30	380.30
Issued, subscribed and fully paid up		
50,050,000 (50,050,000) Equity Shares of ₹ 1/- each (₹ 1/- each)	50.05	50.05
	50.05	50.05

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

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

The board of directors, in their meeting held on May 20, 2017, recommended a final dividend of ₹ 0.13 per share. The recommendation is subject to the approval of the shareholders at the annual general meeting to be held. The total dividend appropriation for the year ended March 31, 2017 amounting to ₹ 6.51 million and corporate dividend tax of ₹ 1.32 million. Dividend, if approved, is payable to the shareholders in proportion to their shareholding.

Reconciliation of number of shares

	No. of Shares	31.03.2017 ₹ in million	No. of Shares	31.03.2016 ₹ in million
Equity Shares				
Authorised				
Balance at the beginning of the previous year	380,300,000	380.30	300,300,000	300.30
Addition during the year due to amalgamation				
Authorised share capital of Treadsdirect Limited	-	-	50,000,000	50.00
Authorised share capital of Parani Steels Private Limited	-	-	30,000,000	30.00
Balance at the end of the year	380,300,000	380.30	380,300,000	380.30
Issued, subscribed and fully paid up				
Balance at the beginning of the previous year	50,050,000	50.05	50,050,000	50.05
Add: Securities issued during the year	-	-	-	-
Balance at the end of the year	50,050,000	50.05	50,050,000	50.05

Note

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

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

	No. of shares	Percentage	No. of shares	Percentage
Sudarsan Varadaraj	22,372,014	44.70	22,372,014	44.70
LRG Technologies Limited	3,541,475	7.08	3,541,475	7.08

No shares have been allotted as fully paid up, by way of bonus shares during 5 years immediately preceding March 31, 2017.

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

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.02 Reserves and surplus				
a. Capital reserve				
Opening balance	318.19		318.19	
Add: Addition during the year	-		-	
Balance as at the end of the year	-	318.19	-	318.19
b. Securities premium account				
Opening balance	1.91		1.91	
Add: Receipt on issue of securities	-		-	
Balance as at the end of the year	-	1.91	-	1.91
c. Revaluation reserve				
Opening balance	116.64		-	
Add: Transfer on account of amalgamation	-		116.64	
Less: Reversal of revaluation reserve	(116.64)		-	
Balance at the end of the year	-	-	-	116.64
d. General reserve				
Opening balance	1,254.66		1,254.66	
Add: Transfer from statement of profit and loss	-		-	
Balance as at the end of the year	-	1,254.66	-	1,254.66
e. Foreign currency translation reserve				
Opening balance	277.35		303.55	
Add/(Less): Addition/ (deletion) during the year	39.08		(26.20)	
Balance at the end of the year	-	316.43	-	277.35
f. Investment reserve for fall in value of investments				
Opening balance	394.04		18.20	
Add/(Less): Adjustment for provision fall in value of investment	-		375.84	
Balance at the end of the year	-	394.04	-	394.04
g. Surplus in statement of profit and loss				
Opening balance	211.62		724.26	
Add: Profit/(Loss) for the year	(78.99)		(114.52)	
Less: Adjustment for provision for fall in value of investment	-		(375.83)	
Amount available for appropriation	132.63		233.91	
Less: Appropriations				
Proposed Dividend on Equity shares for the year	-		18.52	
Dividend distribution tax on proposed final dividend	-		3.77	
Balance as at the end of the year	-	132.63	-	211.62
		2,417.86		2,574.41

The board of directors of the company has proposed final dividend of ₹ 0.13 per share, which is subject to approval by the shareholders at the ensuing annual general meeting. In accordance with the revised accounting standard - 4 'contingencies & event occurring after the balance sheet date' (effective from April 1, 2016) Proposed dividend for the year & corporate dividend tax thereon has not been recognised as a distribution of profit in the current year's account.

2.03 Long term borrowings				
Secured				
Long term debts from banks		1,021.09		1,085.60
		1,021.09		1,085.60
(Refer Note No. 2.05 regarding details of securities offered)				
2.04 Long term provisions				
Provision for excise disputes		0.15		0.15
		0.15		0.15

Provision in respect of disputes represents claims against the company on account of rejection of certain claims by the company before the statutory authority.

2.05 Short term borrowings				
Secured				
From Banks				
Cash credit facility		913.67		999.22
Packing credit facility in foreign currency		28.41		11.65
Working capital demand loan		201.56		-
Buyers credit facility in foreign currency		62.61		-
Loan against fixed deposits		14.09		27.70
Working capital short term loan facility		-		100.00
Unsecured				
Working capital demand loan from banks		150.00		-
Loan from a related party		69.60		62.98
		1,439.94		1,201.55

Securities offered in connection with the long and short term credit facilities availed by the Company for

I Borrowings of the Holding Company

- a. Loan from ICICI Bank Limited (ICICI) is secured against exclusive charge by equitable mortgage on the commercial property situated at Chamiers Road, Chennai.
- b. Loan from Export Import Bank of India (EXIM) is secured by exclusive charge over the land and building located at Kovilpalayam (Mettupalayam Village), Coimbatore.
- c. The facility granted by EXIM as above is further secured by first pari passu charge over industrial/commercial land located at Trichy Road, Coimbatore and Kurichi Village, Coimbatore along with Kotak Mahindra Bank Limited (KMBL).
- d. Cash credit / export packing credit facilities availed from State Bank of India (SBI) is secured by exclusive first charge over current assets viz. raw materials, stock in process, stores and spares, finished goods and receivables. Bill discounting/Letter of credit and Bank Guarantee facilities are secured by documents to title to goods and first charge over the current assets as stipulated above.

Banking facilities referred to above are further secured by first charge over the entire fixed assets of the company exclusively (including Plant and Machinery) by way of equitable mortgage of land and building located at Kanjikode, Chengalpattu, Neelambur, Aralvaimozhi and Palayamkottai village (Tirunelveli). The facilities are further secured by a second charge of equitable mortgage over company's landed property and factory building located at Palakkad, Pondicherry, Annur, Kurichi, Sengulam village (Tirunelveli) and Hyderabad.

- e. Loan against fixed deposits with SBI amounting to ₹ 14.09 million (₹ 27.70 million), is secured by a lien and pledge of fixed deposit receipts with SBI and is repayable on demand.
- f. Working capital short term loan facility from ICICI is secured by residuary charge by way of hypothecation of the company's entire stocks of raw material, semi finished goods, finished goods, consumable stores, spares and such other movables including book debts, bills, outstanding monies, receivables both present and future.

II Borrowings of the Subsidiary Companies

a. Elgi Rubber Company LLC, USA

- i. Banking facility availed from EXIM, London is secured by an unconditional and irrevocable standby letter of credit (SBLC) for the outstanding amount of USD 4.96 million issued by EXIM, India and deposit equivalent to 4.5 months interest at all times, which is under bank's lien.
- ii. SBLC facilities granted are secured by deposit of title deeds and equitable mortgage of immovable property located at Trichy Road, Coimbatore and Kurichi, Coimbatore in favour of EXIM, ranking pari-passu with KMBL and exclusive charge over the land and building located at Kovilpalayam (Mettupalayam Village), Coimbatore.
- iii. Mandate assigning all receivables due to ERCL including inter alia dividends, interest and any other monies from Elgi Rubber Company LLC, USA

b. Pincott International Pty Limited, Australia

- i. Banking facility availed from EXIM, London is secured by unconditional and irrevocable SBLC for USD 0.50 million, issued by EXIM, India and deposit equivalent to 4.5 months interest at all times, which is under bank's lien.
- ii. SBLC facilities granted are secured by deposit of title deeds and equitable mortgage of immovable property located at Trichy Road, Coimbatore and Kurichi, Coimbatore in favour of EXIM, ranking pari-passu with KMBL and exclusive charge over the land and building located at Kovilpalayam (Mettupalayam Village), Coimbatore.
- iii. Mandate assigning all receivables due to ERCL including inter alia dividends, interest and any other monies from Pincott International Pty Limited, Australia.

c. Rubber Resources B.V., The Netherlands

1. Banking facility availed from ING Bank N.V, The Netherlands is secured by
 - i. SBLC issued by KMBL India, for the outstanding amount of EUR 3.94 million.
 - ii. SBLC facilities granted are secured by deposit of title deeds and equitable mortgage of immovable property located at Trichy Road, Coimbatore and Kurichi, Coimbatore, in favour of KMBL ranking pari-passu with EXIM. The facilities relating to the standby letter of credit extended by KMBL, is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 99.90 million.
 - iii. A mortgage of immovable property (first charge) situated at Schoenerweg 36, Maastricht, The Netherlands.
2. Banking facility availed from SBI, Antwerp, Belgium is secured by
 - i. SBLC issued by SBI, India, for the outstanding amount of EUR 3.12 million.
 - ii. SBLC facilities granted are secured by first charge over the entire current assets of the company and equitable mortgage over company's landed property and factory building located at Annur, Kurichi and Hyderabad. The facilities relating to the standby letter of credit extended by SBI is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 50.14 million.

d. Elgi Rubber Company Holdings B.V., The Netherlands

- i. Banking facility availed from SBI, Antwerp is secured by SBLC for EUR 6.00 million, issued by SBI, India.
- ii. Banking facility granted is further secured by pledge of Company's movable assets to the extent of 15% of the limit.
- iii. SBLC facility granted is secured by extension of first charge over the entire current assets of the company and equitable mortgage over company's landed property and factory building located at Palakkad, Pondicherry and Sengulam village (Tirunelveli). The facilities relating to the standby letter of credit extended by SBI is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 90.00 Million.

e. Elgi Rubber Company Limited, Sri Lanka

Banking facility availed from SBI, Colombo, is secured by way of primary mortgage on stock in trade, book debts and movable plant a machinery for LKR 5.00 million and further secured by primary mortgage on freehold land and premises for LKR 20.00 million located at Dankotuwa, Sri Lanka.

	31.03.2017 ₹ in million	31.03.2016 ₹ in million
2.06 Trade payables		
Trade payables	273.19	386.10
	273.19	386.10
2.07 Other current liabilities		
Employee benefits payable	16.51	10.34
Unpaid dividend	3.37	3.56
Statutory dues (Including provident fund, withholding and other taxes payable)	34.95	38.69
Current maturities of long term borrowings	182.39	164.52
Other payables	80.42	92.61
Advance received from customers	27.52	10.69
	345.16	320.41

There are no amounts due for payment to the Investor Education and Protection Fund under section 125 of the the Companies Act, 2013 (corresponding to section 205C of the Companies Act, 1956) and rules made thereunder, as at the year end.

2.08 Short term provisions		
Provision for compensated absence	3.70	3.96
Other provisions	39.77	37.14
Provision for proposed dividend on equity shares	-	18.52
Provision for tax on proposed dividend on equity shares	-	3.77
Provision for Income Tax	3.25	-
	46.72	63.39

2.09 Fixed Assets (₹ in million)

Description	Gross Block						Depreciation						Net Block			
	As at 01.04.15	Additions	Deletions/ Transfer	FCTR	As at 31.03.16	Additions	Deletions/ Transfer	FCTR	As at 31.03.17	As at 01.04.15	For the Year	Deletion/ Transfer	FCTR	As at 31.03.17	As at 31.03.16	
Property, Plant and Equipment																
Land	589.91	3.30	0.94	88.69	680.96	0.05	116.72	(2.38)	561.91	-	-	-	-	-	561.91	680.96
Building	1,060.49	22.33	0.00	144.04	1,226.86	49.90	-	(49.76)	1,227.00	175.84	40.39	0.01	74.77	290.99	888.65	935.87
Plant & Machinery	3,427.86	235.65	0.55	187.60	3,850.56	104.15	50.08	(200.13)	3,704.50	2,767.52	132.78	1.22	238.98	3,138.06	638.72	712.50
Furniture and Fittings	15.54	2.24	0.09	3.49	21.18	-	0.08	(0.37)	20.73	11.51	1.11	0.02	2.62	15.22	5.43	5.96
Vehicles	27.48	0.25	-	1.90	29.63	4.65	-	(1.30)	32.98	24.31	1.82	0.12	1.66	27.67	4.90	1.96
	5,121.28	263.77	1.58	425.72	5,809.19	158.75	166.88	(253.94)	5,547.12	2,979.18	176.10	1.37	318.03	3,471.94	2,099.61	2,337.25
Intangible Assets																
Intangible Assets	158.05	51.65	13.03	27.90	224.57	61.23	1.46	(5.98)	278.36	64.36	31.80	4.53	21.05	112.68	140.68	111.89
	158.05	51.65	13.03	27.90	224.57	61.23	1.46	(5.98)	278.36	64.36	31.80	4.53	21.05	112.68	140.68	111.89
	5,279.33	315.42	14.61	453.62	6,033.76	219.98	168.34	(259.92)	5,825.48	3,043.54	207.90	5.90	339.08	3,584.62	2,240.29	2,449.14

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.10 Non current investments				
Other Investments (Long term, valued at cost)				
Quoted				
Investment in equity instruments		4.93		4.93
Unquoted				
Investment in mutual fund		0.58		1.83
		5.51		6.76
(Refer Note No. 2.35 regarding details of investments)				
2.11 Deferred taxes				
Deferred Tax assets attributable to				
Expenses allowable for tax purposes when paid		13.04		13.01
Carried Forward Losses		173.00		176.15
Provisions for doubtful debts		12.34		8.59
Voluntary Retirement Scheme payment to be allowed		8.15		4.61
Total A		206.53		202.36
Deferred Tax Liabilities attributable to				
Depreciation		0.30		2.50
Total B		0.30		2.50
Deferred tax assets/(liability) Total (A)-(B)		206.23		199.86
2.12 Long term loans and advances				
(Unsecured, considered good)				
Capital Advances		83.59		80.88
Security Deposits		31.87		15.31
Disputed Income tax payments		29.11		20.18
Other disputed statutory payments/deposits		7.65		6.20
Advances recoverable in cash or kind or for value to be received		1.81		1.81
		154.03		124.38
2.13 Other non current assets				
Security deposits held in the form of fixed deposits		2.59		2.59
Margin Money Deposits (Lien marked by banks against Bank guarantees)		240.18		281.47
Preliminary expenses		0.15		0.05
		242.92		284.11
2.14 Inventories				
a. Raw materials				
Natural rubber	27.17		32.34	
Polymers	20.27		69.21	
Carbon black	126.72		16.99	
Others	<u>267.06</u>	441.22	<u>226.37</u>	344.91
b. Work in progress		61.88		73.81
c. Finished goods (Reclaimed Rubber materials and retreading raw materials)		346.39		389.70
d. Stock in trade (Traded goods) – Retreading materials		78.67		53.04
e. Stores and spares		165.24		133.16
f. Others				
Packing materials		36.02		31.28
Scrap		2.77		2.16
g. Material in transit		74.56		23.49
		1,206.75		1,051.55

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.15 Trade receivables				
(Unsecured, considered good)				
Outstanding for a period exceeding six months from the date they are due for payment	23.32		23.67	
Others	606.25		567.39	
		629.57		591.06
(Unsecured, considered doubtful)				
Outstanding for a period exceeding six months from the date they are due for payment	62.06		51.67	
Less: Provision for doubtful debts	(62.06)	-	(51.67)	-
		629.57		591.06
2.16 Cash and Bank Balances				
Cash and Cash equivalents				
Cash on hand		2.78		10.93
Bank balances				
in current Account		45.95		30.02
in Demand deposits		15.56		67.28
(Out of the above, deposits of ₹ 15.56 million (Rs.31.47 million) have been pledged with the Bank for the purpose of availing loan against Fixed Deposit)				
Demand deposits with maturity of more than 3 months but less than 12 months		15.00		15.00
(Pledged with bank for availing over draft facilities)				
Unpaid dividend account		3.37		3.56
Funds in transit		3.09		-
		85.75		126.79
2.17 Short term loans and advances				
(Unsecured, considered good)				
Advance payment of Income Tax (Net)		21.60		20.99
Balances with customs, central excise, VAT, etc.		198.21		128.96
Receivable from government DEPB/Duty draw back etc		9.42		8.30
Prepaid expenses		16.60		14.22
Others		60.71		144.90
		306.54		317.37
2.18 Other current assets				
(Unsecured, considered good)				
Income accrued on bank deposits and others		10.42		16.54
		10.42		16.54

	31.03.2017 ₹ in million	31.03.2016 ₹ in million
2.19 Contingent liabilities and commitments (to the extent not provided for)		
i. Claims against the Company not acknowledged as debts		
a. Income tax matters	26.72	15.40
b. Excise and service tax matters	13.32	11.95
c. Sales tax	95.99	109.69
d. Legal metrology	0.15	0.15
(The amounts shown do not include any additional levies that may arise on account of any further penalties, penal interest etc.)		
ii. Capital commitments		
a. Estimated amount of contracts remaining to be executed on capital account and not provided for	22.09	30.00

iii. Other commitments

A. Standby letter of credit (guarantee)

SBLC facilities were extended by Kotak Mahindra Bank Limited (KMBL), Export Import Bank of India (EXIM) and State Bank of India (SBI), to their foreign counterparts based on the counter guarantee given by the company. These foreign counterpart banks who in turn had granted credit facilities to the following subsidiary companies.

Outstanding amounts against facilities granted by	Currency	Amount in million	Currency	Amount in million
1 a. ING Bank NV, Amsterdam to Rubber Resources B.V., The Netherlands	EUR	3.08	EUR	2.80
b. ING Bank NV, Amsterdam to Rubber Resources B.V., The Netherlands	EUR	0.86	EUR	1.00
2. ING Bank NV, Amsterdam to Elgi Rubber Company B.V., The Netherlands		-	EUR	0.48
3. EXIM, London to Pincott International Pty Limited, Australia	USD	0.50	USD	1.00
4. EXIM, London to Elgi Rubber Company LLC, USA.	USD	4.96	USD	5.09
5. SBI, Antwerp to Rubber Resources B.V., The Netherlands	EUR	3.12	EUR	4.00
6. SBI, Antwerp to Elgi Rubber Company Holdings B.V., The Netherlands	EUR	6.00	EUR	2.50

Securities offered to

- a. KMBL, Coimbatore and EXIM, Mumbai, for the facilities granted by the banks to the subsidiary companies for serial Nos. 1, 2 and 3, 4 respectively as stated above.

By deposit of title deeds and equitable mortgage of immovable property located at Trichy Road, Coimbatore and Kurichi, Coimbatore, in favour of KMBL (in respect of the facility offered under item 1(a) above) ranking pari-passu with EXIM (in respect of the facilities offered under item 3 and 4 above). The facilities as referred to in item 1(a), 1(b) and 2 above relating to the standby letter of credit extended by KMBL, is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 99.90 Million (₹ 154.20 million).

- b. SBI, Coimbatore, for the credit facilities granted by SBI, Antwerp to Rubber Resources B.V., The Netherlands for serial no. 5 as stated above. By extension of first charge over the entire current assets of the company and equitable mortgage over company's landed property and factory building located at Annur, Kurichi and Hyderabad. The facilities relating to the standby letter of credit extended by SBI is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 50.14 Million (₹ 83.60 Million).

- c. SBI, Coimbatore, for the credit facilities granted by SBI, Antwerp to Elgi Rubber Company Holdings BV, The Netherlands for serial no.6 as stated above. By extension of first charge over the entire current assets of the company and equitable mortgage over company's landed property and factory building located at Palakkad, Pondicherry and Sengulam village (Tirunelveli). The facilities relating to the standby letter of credit extended by SBI is further secured by marking of lien by the bank on the fixed deposits (grouped under margin money deposits) held with them amounting to ₹ 90.00 Million (₹ 37.50 Million).

B. Others	Amount in million	Amount in million
a. Guarantee on account of security deposits with various electricity boards, state road transport corporations and other statutory authorities	INR 10.23	INR 9.20
b. Letter of credit on account of import of goods	EUR 0.02	-
	GBP 0.10	-
	USD 0.16	-

2.20 Dividend not recognised at the end of the reporting period

The directors have recommended the payment of a final dividend of ₹ 0.13 per fully paid equity share (March 31, 2016 – ₹ 0.37). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.21 Revenue from operations				
a. Sale of products				
Finished goods	3,677.68		3,507.11	
Traded goods	205.65		220.86	
b. Sale of services	5.98		3.83	
c. Other operating revenue - scrap sales	0.54		1.03	
		3,889.85	3,732.83	3,732.83
		3,889.85		3,732.83
Sales (Traded goods)				
Retreading machinery accessories & others		205.65		220.86
2.22 Other income				
a. Interest Income from				
bank	22.82		28.80	
others	4.59		5.30	
		27.41	34.10	34.10
b. Dividend income from others		0.33		0.52
c. Gain on sale of investments		-		0.04
d. Net gain on sale of assets		8.22		9.90
e. Income from electricity generation		44.40		27.35
f. Liabilities written back to the extent no longer required		-		2.56
g. Net gain on foreign currency transactions and translations		47.04		20.30
h. Claims received from Insurance Company		0.45		0.60
i. Duty drawback/Rebate of excise duty		0.05		0.07
j. Miscellaneous income		14.48		8.69
		142.38		104.13
2.23 Cost of material consumed				
Raw material consumed				
Opening inventory	344.91		452.18	
Add: Purchase	1,753.44		1,470.63	
Less: Inventory at the end of the year	441.22		344.91	
Cost of Raw Material consumed during the year		1,657.13	1,577.90	1,577.90
Packing Material consumed				
Opening inventory	31.28		25.96	
Add: Purchase	16.96		14.46	
Less: Inventory at the end of the year	36.02		31.28	
Cost of Packing Material consumed during the year		12.22	9.14	9.14
		1,669.35		1,587.04
2.24 Changes in inventory of finished goods and work in process				
Stock at the beginning of the year				
Finished goods	389.70		438.11	
Work in progress	73.81		61.18	
Stock in trade	53.04		30.61	
Scrap	2.16		1.81	
		518.71	531.71	531.71
Less: Stock at the end of the year				
Finished goods	346.39		389.70	
Work in progress	61.88		73.81	
Stock in trade	78.67		53.04	
Scrap	2.77		2.16	
		489.71	518.71	518.71
(Increase)/Decrease in inventory of finished goods and work in progress		29.00		13.00

	₹ in million	31.03.2017 ₹ in million	₹ in million	31.03.2016 ₹ in million
2.25 Employee benefit expenses				
Salaries, wages and bonus		680.86		657.02
Voluntary retirement scheme payments		16.37		17.45
Managerial remuneration		6.72		6.57
Contribution to provident and other funds		115.92		133.71
Gratuity paid (net of reversals)		1.14		(0.74)
Staff welfare expenses		15.33		25.18
		836.34		839.19
2.26 Finance costs				
Interest on borrowings				
On borrowings from banks		132.06		127.33
Others		6.89		11.22
Financial charges on borrowings		14.34		9.37
		153.29		147.92
2.27 Depreciation and amortisation expenses				
Depreciation on property, plant and equipment		174.59		176.10
Amortisation of intangible assets		22.40		31.80
		196.99		207.90
2.28 Other expenses				
Consumption of stores and spare parts		20.90		47.45
Excise duty*		(2.42)		4.17
Power and fuel		222.61		231.80
Rent		39.84		44.45
Labour charges		67.30		46.63
Repairs and maintenance – plant and machinery		52.48		40.77
Repairs and maintenance – building		27.02		24.88
Repairs and maintenance – others		62.77		33.44
Insurance		31.68		31.28
Rates and taxes		16.37		16.03
Exchange fluctuations expenses (Net)		16.56		0.05
Travelling and conveyance		47.75		45.54
Directors' sitting fees		0.39		0.39
Statutory auditors : Audit fee	3.80		2.83	
Tax audit fee	0.05		0.05	
Other services	0.01		0.01	
Reimbursement of expenses	0.18		0.18	
		4.04		3.07
Professional fees		53.90		57.44
Sales commission		1.98		5.54
Advertisement and other selling expenses		41.93		59.28
Carriage inward		42.85		34.90
Freight charges		150.92		163.61
CSR expenditure		2.35		3.00
Bad debts		1.13		-
Provision for doubtful debts		3.32		16.14
Loss on sale/redemption of investment		0.64		0.33
Loss on sale of asset		-		0.04
Loss on account of discarded stock		9.06		-
Miscellaneous expenses		93.04		69.94
		1,008.41		980.17
* represents excise duty related to the difference between the opening and closing inventory of manufactured finished goods				
2.29 Exceptional items				
Income tax relating to previous years		1.98		2.05
		1.98		2.05

2.30 Earnings per share	31.03.2017		31.03.2016	
	Before extraordinary items	After extraordinary items	Before extraordinary items	After extraordinary items
a. Basic				
Profit/(Loss) after tax (₹ in million)	(78.99)	(78.99)	(114.52)	(114.52)
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Basic EPS (In ₹)	(1.58)	(1.58)	(2.29)	(2.29)
b. Diluted				
Profit/(Loss) after tax (₹ in million)	(78.99)	(78.99)	(114.52)	(114.52)
Weighted average number of shares outstanding	50,050,000	50,050,000	50,050,000	50,050,000
Diluted EPS (In ₹)	(1.58)	(1.58)	(2.29)	(2.29)

2.31 Segment reporting

The company is engaged primarily in one segment of providing solutions to the Rubber Industry and hence the segment reporting is not applicable.

2.32 Pursuant to accounting standard (AS 28) – impairment of assets, the Company assessed its fixed assets for impairment as at March 31, 2017 and concluded that there has been no significant impaired fixed asset that needs to be recognised in the books of account.

2.33 The subsidiary companies in the consolidated financial statements and its reporting date are as under:

Name of the company	Reporting Date	Country of Incorporation	% of Voting power held
Borrachas e Equipamentos Elgi Ltda	31.03.2017	Brasil	99.99
Pincott International Pty Limited	31.03.2017	Australia	100.00
Elgi Rubber Company Limited	31.03.2017	Kenya	99.99
Elgi Rubber Company Limited	31.03.2017	Sri Lanka	99.99
Treadsdirect Limited	31.03.2017	Bangladesh	100.00
Elgi Rubber Company LLC	31.03.2017	USA	100.00
Elgi Rubber Company Holdings B.V., & its subsidiaries	31.03.2017	The Netherlands	100.00
Titan Tyrecare Products LLP	31.03.2017	India	99.99

2.34 In view of the beneficial interest being held in the name of the holding company, no minority interest has been calculated in the case of Brasil, Kenya and Sri Lankan subsidiaries.

2.35 Non current investments

- Number of units of investment in mutual funds are rounded off to the nearest whole number.
- All investments are fully paid up, unless otherwise stated.
- Details of Investments

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

No. of units / shares		Description of investment	31.03.2017		31.03.2016	
Current year	Previous year		₹ in million	₹ in million	₹ in million	₹ in million
		In Equity Investments (Quoted and fully paid up)				
332,080	332,080	Elgi Equipments Limited (Equity Shares of ₹ 1/- each)		4.71		4.71
3,225	3,225	Precot Meridian Limited (Equity Shares of ₹ 10/- each)		0.22		0.22
				4.93		4.93
		In Government Securities (Unquoted)				
-	-	Non-Convertible redeemable taxable bonds of ₹ 10,000/- each in National Highways Authority of India		-	5.00	-
		Less : Redeemed during the year		-	5.00	-
		In Mutual Funds (Unquoted)				
578	1,834	IL & FS Milestone Fund – I (Units of ₹ 1,000/- each)	1.83		3.19	
		Less : Reduction in Contribution due to redemption and diminution in capital	1.25		1.36	
				0.58		1.83
				5.51		6.76
Aggregate amount of investments						
Unquoted				0.58		1.83
Quoted Cost				4.93		4.93
Market value				71.54		43.37

2.36 Related Party disclosure (as identified by the Company)

Description of the nature of transaction	Description of relationship	Related party	31.03.2017 ₹ in million	31.03.2016 ₹ in million
Income from sale of goods	Other related parties	Elgi Ultra Industries Limited	-	0.02
		LRG Technologies Limited	1.07	-
Purchase of goods	Other related parties	Elgi Ultra Industries Limited	7.89	1.89
		Ellargi & Co.,	0.66	0.96
		Elgi Equipments Limited	0.55	0.28
		Festo India Private Limited	1.49	-
		LRG Technologies Limited	0.25	-
Rendering of services	Other related parties	LRG Technologies Limited	3.06	-
		Elgi Equipments Limited	1.03	0.64
Receiving of services	Other related parties	Elgi Equipments Limited	0.26	0.17
Managerial remuneration	Key managerial personnel	Sudarsan Varadaraj	6.72	6.57
Salary to other Key managerial personnel	Key managerial personnel	SR Venkatachalam	2.38	2.23
		D Selvakumar	1.45	0.56
		C Shankar	-	0.72
Sitting Fees	Other directors	M D Selvaraj	0.11	0.11
		P Vijay Raghunath	0.11	0.07
		Suresh Jagannathan	0.09	0.11
		Vidyasankar Bhuvaneshwari	0.04	0.05
		Jairam Varadaraj	0.04	0.05
Rent paid	Key managerial personnel	Sudarsan Varadaraj	0.36	0.36
Dividend received	Other related parties	Elgi Equipments Limited	0.33	0.33
Interest paid	Key managerial personnel	Sudarsan Varadaraj	6.53	4.48
Loan taken	Key managerial personnel	Sudarsan Varadaraj	12.62	79.00
Loan repaid	Key managerial personnel	Sudarsan Varadaraj	6.00	23.02
Loan outstanding	Key managerial personnel	Sudarsan Varadaraj	69.60	62.98
Trade payables	Other related parties	Elgi Ultra Industries Limited	1.57	0.45
		Ellargi & Co.,	-	0.04
		LRG Technologies Limited	0.23	-
Trade receivables	Other related parties	Elgi Equipments Limited	0.49	0.32
		Elgi Ultra Industries Limited	-	-
Security deposit	Other related parties	Ellargi & Co.,	0.10	0.10
Amount payable	Key managerial personnel	Sudarsan Varadaraj	-	1.87

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

B Anand
Partner
Membership No. 29146

MD Selvaraj
Director
DIN: 00001608

D Selvakumar
Company Secretary

SR Venkatachalam
Chief Financial Officer

Sudarsan Varadaraj
Chairman & Managing Director
DIN: 00133533

Coimbatore
20.05.2017

NOTES

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