

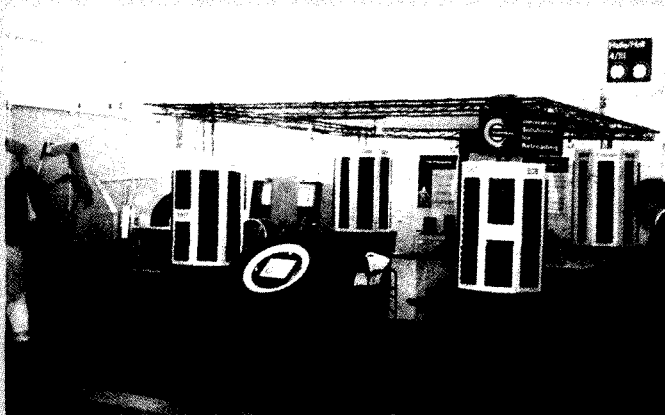
22nd Annual Report 2002-2003

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Elgitread (India) Ltd.

To enlarge it's presence in the international markets, Elgitread participated in several International Tradeshows & Exhibitions during 2002 - 2003.



◀ Fair at Reifen - Essen, Germany 2002



Recaufair, Sao paulo, Brazil 2002 ▶



◀ World Tire Expo, Louisville, Kentucky 2003

Elgitread (India) Limited

Registered Office : 2000, Trichy Road
Singanallur, Coimbatore - 641 005
Tamilnadu

Proxy Form

I/We _____ of _____ being a Member(s) of Elgitread (India) Limited hereby appoint _____ of _____ or failing him _____ of _____ as my/our Proxy to vote for me/us and on my/our behalf, at the Twenty Second Annual General Meeting of the company to be held on Tuesday, the 19th day of August, 2003 and at any adjournments thereof.

Signed by this _____ day of August, 2003.

Affix Re. 1/-
Revenue
Stamp
and Sign

Signature

Folio No. :

DP.ID* :

Client ID* :

*Applicable to investors holding shares in electronic form.

Note : The Proxy must be returned so as to reach the Registered Office of the company not less than 48 hours before the time for holding the aforesaid meeting.

Notice of the Annual General Meeting

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Elgitread (India) Limited, will be held at the "Ardra Hall", North Huzur Road, Coimbatore 641 018 at 4.00 p.m on Tuesday, 19th day of August, 2003 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2003 and Profit & Loss Account for the year ended on that date together with Reports of Directors and Auditors thereon.
2. To declare a dividend for the year ended March 31, 2003.
- 3.i. To appoint a Director in the place of Sri.K.Jayaraman, who retires by rotation and is eligible for reappointment.
- 3.ii. To appoint a Director in the place of Sri.M.D.Selvaraj, who retires by rotation and is eligible for reappointment.
- 3.iii. To appoint a Director in the place of Sri.Suresh Jagannathan, who retires by rotation and is eligible for reappointment.
4. To appoint the Auditors and to fix their remuneration.

Special Business

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.
RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Sri.Vijay Raghunath, who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, liable to retire by rotation.
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**.
RESOLVED THAT pursuant to the provisions of Sections 269 read with Schedule XIII, 198, 309, 310, 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members be and is hereby accorded for the reappointment of **Sri.T.Ashok Anand** as Director - Manufacturing, for a period of 3 years with effect from 16.10.2003 on a remuneration as detailed hereunder:
(i) Salary: Rs.35,000 p.m
(ii) Perquisites: As decided by the Board of Directors. Computation shall be as per Schedule XIII of the Companies Act, 1956.
The aggregate of salary and perquisites in any financial year shall not exceed Rs.1,000,000/-.
FURTHER RESOLVED THAT the remuneration mentioned above shall be the minimum remuneration payable in the event of absence or inadequacy of profits in any financial year.
FURTHER RESOLVED THAT Sri.T.Ashok Anand is subject to retirement by rotation.
FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter, vary the terms and conditions set out herein and / or agreements from time to time so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments made therein and the Board of Directors be and is hereby authorised to take steps as may be necessary, desirable, expedient to give effect to this resolution.
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**.
RESOLVED THAT pursuant to the provisions of Sections 269 read with Schedule XIII, 198, 309, 310, 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the members be and is hereby accorded to the appointment of **Sri.M.John Edward** as Director - Sales and Marketing, for a period of 3 years with effect from 16.10.2003 on a remuneration as detailed hereunder:
(i) Salary: Rs.35,000 p.m
(ii) Perquisites: As decided by the Board of Directors. Computation shall be as per Schedule XIII of the Companies Act, 1956.
The aggregate of salary and perquisites in any financial year shall not exceed Rs.1,000,000/-.
FURTHER RESOLVED THAT the remuneration mentioned above shall be the minimum remuneration payable in the event of absence or inadequacy of profits in any financial year.
FURTHER RESOLVED THAT Sri.M.John Edward is subject to retirement by rotation.
FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter, vary the terms and conditions set out herein and / or agreements from time to time so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments made therein and the Board of Directors be and is hereby authorised to take steps as may be necessary, desirable, expedient to give effect to this resolution.
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**.
RESOLVED THAT pursuant to the provisions of Section 309(1) and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded to the payment to **Sri.S.A.Subramanian** (Director - Company Secretary), remuneration for his services as Wholtime Company Secretary as given under for a period of 3 years with effect from 16.10.2003.
(i) Salary: Rs.35,000 p.m
(ii) Perquisites: as per the rules of the Company.
The aggregate of salary and perquisites in any financial year shall not exceed Rs.1,000,000/-.

9. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

RESOLVED that in modification of the Special Resolution passed by the members at the Annual General Meeting of the company held on 20th August 2001 and subject to the provisions of Section 61 of the Companies Act, 1956 (including any Statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution), the consent of the company be and is hereby accorded to the Board to delist the company's equity shares from all or any of the stock exchanges excluding the Coimbatore Stock Exchange Ltd., Coimbatore (Regional) and the National Stock Exchange of India Ltd., Mumbai (i.e.) delisting from The Madras Stock Exchange Ltd., Chennai, Hyderabad Stock Exchange Ltd., Hyderabad and the Stock Exchange, Mumbai.

RESOLVED FURTHER that the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with the legal and/or procedural formalities including authorising any Committee of Directors or any of the Directors / Officers / Executives of the Company to do all such acts, deeds or things to give effect to the above.

Explanatory Statement (Pursuant to Section 173 of the Companies Act, 1956.)

Item No.5

Sri.Vijay Raghunath was appointed by the Board of Directors as Additional Directors of the Company with effect from January 31, 2003. Pursuant to Section 260 of the Companies Act, 1956, he will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Sri.Vijay Raghunath, for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with the required deposit amount.

Sri.Vijay Raghunath is deemed to be concerned with the resolution which pertains to his appointment.

None of the Directors of the Company are, in any way, concerned or interested in the said resolution.

Item No.6 to 8

Sri.T.Ashok Anand has been associated with the Company since 1983 and as a Director - Manufacturing from 16.10.2000, in charge of the manufacturing operations of the company. Sri.M.John Edward has been associated with the Company since 1996 and as a Director - Sales & Marketing from 16.10.2000, in charge of the marketing operations of the company. Both of them have wide experience and expertise in their respective fields.

Sri.S.A.Subramanian has been associated with the company since 1991 and as a Director from 16.10.2000, in charge of Finance, Accounts and secretarial functions of the company. Sri.S.A.Subramanian occupies the position of Director in addition to the employment of Wholetime Company Secretary.

Under their direction, supervision and control, the company has been progressing well. Considering their wide managerial experience and also the responsibilities shouldered by them, the Board recommends their reappointment for a further period of 3 years on the remuneration and perquisites as set out item Nos. 6 to 8 of the Agenda. Their appointment would help the future growth of the company.

The appointment and remuneration payable to them are within the limits prescribed under Section 269 read with Schedule XIII of the Companies Act, 1956. The appointment and remuneration payable to them has been duly recommended by the Remuneration Committee subject to the approval of the members of the company.

Sri.T.Ashok Anand, Sri.M.John Edward and Sri.S.A.Subramanian are deemed to be concerned with the resolution which pertains to their respective appointment.

None of the other Directors of the Company are, in any way, concerned or interested in the said resolution.

This may be treated as an abstract of the terms of contract / reappointment pursuant to Section 302 of the Companies Act, 1956.

Item No: 9

Presently, the Company's equity shares are listed on the following stock exchanges in India.

1. National Stock Exchange of India Ltd (NSE)
2. Coimbatore Stock Exchange Ltd, Coimbatore (CSX)
3. The Stock Exchange, Mumbai (BSE)
4. Madras Stock Exchange Ltd., Chennai (MSE)
5. Hyderabad Stock Exchange Ltd., Hyderabad (HSE)

Consequent upon the Resolution passed by the members at the Annual General Meeting of the Company held on August 20, 2001 for delisting the Company's equity shares from the Stock Exchanges mentioned at (4) & (5) above, the company made applications to the Madras Stock Exchange Ltd., Chennai for delisting. MSE had requested the Company to take certain steps for delisting the shares and the Company was in the process of taking such steps as required in this direction. Meanwhile, Securities Exchange Board of India has vide the SEBI (Delisting of Securities) Guidelines issued in February 2003 done away with the requirement of offering an exit option to the members situated in the regions of the Stock Exchange from which a Company's are proposed to be delisted. Pursuant to the said Delisting Guidelines it is now proposed to seek approval of the Members from delisting from all the Stock Exchanges except the NSE & CSX such as BSE, MSE & HSE — BSE being addition to the Stock Exchanges which were referred to in the said resolution passed previously by the members.

With the wide and extensive networking of centers of NSE, the investors have access to online dealings of the Company's equity shares across the country. The trading volumes of the company's equity shares on the Stock Exchanges mentioned at (3) to (5) (herein after referred to as "the said Stock Exchanges") are either nil or insignificant Continued listing in the said Stock Exchanges neither serves the interest of the members/investors nor that of the company.

The Board of Directors at its meeting held on 16th May 2003, accordingly recommended for the approval of the members, the proposal to voluntarily delist the company's equity shares from the said Stock Exchanges at Mumbai, Chennai & Hyderabad. The Company's equity shares will however continue to be listed in NSE and CSX.

Delisting of the company's equity shares from the said Stock Exchanges would result in administrative convenience and saving in costs on account of listing fees etc.

The proposed voluntary delisting of the company's equity shares from the said Stock Exchanges would not adversely affect any investors including the members located in the region where the said Stock Exchanges are situated. As the company's shares are required to be compulsorily traded in the dematerialised form, the listing in NSE & CSX would not pose any difficulty to the members.

Pursuant to Section 61 of the Act and the SEBI (Delisting of Securities) Guidelines it is now proposed to seek the Members' approval by way of Special Resolution for voluntary delisting of the Company's equity shares from the Stock Exchanges (excluding NSE & CSX) as set out in the Resolution at item No.9.

The Directors holding the shares of the company are concerned or interested in the said resolution.

The Board recommends this Special Resolution for your approval.

Notes

- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.**
- The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the meeting.**
- Members who hold Shares of dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
- The Register of Members and Share Transfer Books of the Company shall remain closed from **01.08.2003 to 19.08.2003**, both days inclusive.
- The dividend for the year ended March 31, 2003 as recommended by the Board, if sanctioned at the meeting, will be paid on September 1, 2003, to those members whose names appear in the Company's Register of Members on August 1, 2003. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Ltd., and Central Depository Services (India) Ltd., for this purpose.
- Members are hereby informed that all unclaimed dividends for the accounting year upto 1994 - 1995 have been transferred to the General Revenue account of the Central Government pursuant to Section 205-A(5) of the Companies Act, 1956. Members are requested to claim the same from the Registrar of Companies, Andhra Pradesh.
- In terms of the amendment to Section 205A and introduction of Section 205C by the Companies (Amendment) Act, 1999, dividends for the financial year 1995 -1996 and thereafter, remaining unclaimed for a period of seven years will be transferred to the Investors' Education and Protection Fund.
- Members who have till date not encashed their dividend warrants for the financial year 1995 - 1996, or any subsequent financial years are advised to claim the dividend from the Share Department of the Company at the earliest. It may also be noted that once unclaimed dividends are transferred to the Investors' Education and Protection Fund, Members will lose their claim on these dividends.
- Appointment / Reappointment of Directors**
A brief resume, nature of experience in specific functional areas and other directorship of committees in respect of the appointment / reappointment of Directors are given in terms of clause 49 of the Listing Agreement.

Name : **Sri.K.Jayaraman**
Qualifications : M.A., B.L.,
Expertise : Practice in Labour Laws for the past 32 years
Other Directorships :

Name of the Company	Position held	Member of Committee
Vijay Super Cements P. Ltd	Director	Nil
Vijay Dairy Farm Products P. Ltd	Director	Nil

Name : **Sri.T.Ashok Anand**
 Qualifications : B.Tech
 Expertise : Experience in Engineering and Rubber Technology for the past 25 years.

Other Directorships :

Name of the Company	Position held	Member of Committee
Geo Renewable Power Ltd	Director	Nil
Kooltread Ltd	Director	Nil
Elgitread (Kenya) Ltd	Director	Nil
Elgitread (Mauritius) Ltd	Director	Nil
Elgitread (Tanzania) Ltd	Director	Nil
Elgitread Lanka (Pvt) Ltd	Director	Nil
Elgitread (Bangladesh) Ltd	Director	Nil

Name : **Sri.M.John Edward**
 Qualifications : B.A. (Econ)., Dip. in Marketing
 Expertise : Experience in the field of Marketing for the past 32 years.

Other Directorships :

Name of the Company	Position held	Member of Committee
Kooltread Ltd	Director	Nil
Elgitread (Kenya) Ltd	Director	Nil
Elgitread (Mauritius) Ltd	Director	Nil
Elgitread (Tanzania) Ltd	Director	Nil
Elgitread Lanka (Pvt) Ltd	Director	Nil
Elgitread (Bangladesh) Ltd	Director	Nil

Name : **Sri.S.A.Subramanian**
 Qualifications : BA, FICWA, FCS, MIMA
 Expertise : Experience in Finance and Secretarial Functions for the past 40 years.

Other Directorships :

Name of the Company	Position held	Member of Committee
Elgi Finance Ltd	Director	Nil
Elgitread (International) Ltd	Director	Nil
Geo Renewable Power Ltd	Director	Nil
Kooltread Ltd	Director	Nil
LRG Technologies P. Ltd	Director	Nil
Shambhavi Polymers P. Ltd	Director	Nil
Elgitread (Kenya) Ltd	Director	Nil
Elgitread (Mauritius) Ltd	Director	Nil
Elgitread (Tanzania) Ltd	Director	Nil
Elgitread Lanka (Pvt) Ltd	Director	Nil

Name : **Sri.M.D.Selvaraj**
 Qualifications : MCom, MBA, FCS, MIMA
 Expertise : Experience in Finance and Secretarial Functions for the past 22 years.

Other Directorships :

Name of the Company	Position held	Member of Committee
Festo Didactic P. Ltd	Director	Nil
Suryavaradh Securities P.Ltd	Director	Nil

Name : **Sri.Suresh Jagannathan**
 Qualifications : BS (USA)
 Expertise : Experience in Agro, Textiles and Electrical Engineering field for the past 24 years.

Other Directorships :

Name of the Company	Position held	Member of Committee
Kovilpatti		
Lakshmi Roller Flour Mills Ltd	Managing Director	Nil
Premier Instruments & Controls Ltd	Director	Nil
Eltex Super Castings Ltd	Director	Nil
Cape Flour Mills P. Ltd	Director	Nil
Chempaka		
General Finance P. Ltd	Director	Nil

Name : **Sri.Vijay Raghunath**
 Qualifications : B.Com., B.L.,
 Expertise : Practice in Law for the past 12 years
 Other Directorships : Nil

By Order of the Board

Place : Coimbatore
 Dated : 16.05.2003

S.A.Subramanian
 Director - Company Secretary

Elgitread (India) Ltd

Annual Report 2002 - 2003

Directors

L.G.Varadarajulu
(Chairman)
Sudarsan Varadaraj
(Managing Director)
K.Jayaraman
K.J.Janakar
Dr. Jairam Varadaraj
C.Thiagarajan
S.A.Subramanian
M.John Edward
T.Ashok Anand
M.D.Selvaraj
Suresh Jagannathan
Vijay Raghunath

Key Executives

L.G.Varadarajulu
(Chairman)
Sudarsan Varadaraj
(President)
S.A.Subramanian
(Director - Company Secretary)
M.John Edward
(Director - Sales & Marketing)
T.Ashok Anand
(Director - Manufacturing)

Head Office

"Elgi House"
1789, Trichy Road
Ramanathapuram
Coimbatore - 641 045
Tamilnadu

Bankers

State Bank of India
Commercial Branch
Coimbatore

Registered Office

2000, Trichy Road
Singanallur
Coimbatore - 641 005
Tamilnadu

Auditors

Reddy, Goud & Janardhan
Chartered Accountants
Bangalore

Plants

Korkadu, Pondicherry
Kottayi, Palakkad
Kurichi, Coimbatore
Nairobi, Kenya
Coromandel, Mauritius
Arusha, Tanzania
Colombo, Sri Lanka
Lorena-SP, Brasil

External Internal Auditors

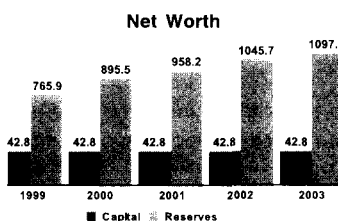
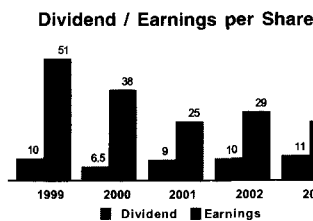
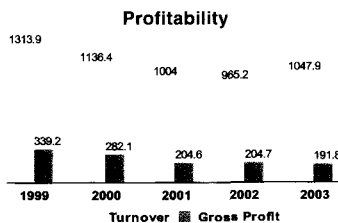
S.B.Billimoria & Co.
Chartered Accountants
Chennai

Historical Perspective - 10 Year Performance

(Rs. in Million)

Particulars	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Sales & Other Income	978.9	994.6	1307.6	1435.5	1461.3	1313.9	1136.4	1004.0	965.2	1047.9
Profit before Depreciation and Tax	105.8	102.5	156.0	264.5	278.8	339.2	282.1	204.6	204.7	191.8
Profit before Tax	56.0	57.0	114.8	233.3	247.8	306.1	250.4	177.1	181.5	161.3
Profit after Tax	45.0	39.5	75.8	161.8	182.8	216.1	160.4	105.1	125.6	105.2
Dividend %	30	27	35	50	50	100	65	90	100	110*
Gross Fixed Assets	246.4	270.0	308.2	324.5	389.2	423.3	439.9	439.1	456.1	573.1
Net Fixed Assets	134.7	120.8	135.4	126.5	163.0	167.1	162.4	153.5	148.4	238.6
Investments	15.4	16.4	38.4	73.0	34.4	32.9	160.8	278.4	342.4	454.1
Net Working Capital	208.4	313.2	376.7	458.8	471.0	611.4	612.2	562.5	499.2	414.6
Total Capital Employed	358.5	450.4	550.5	658.3	668.4	811.5	939.2	1001.2	1088.7	1140.6
Shareholders' Funds	214.5	249.3	315.2	462.7	629.9	808.7	938.3	1001.0	1088.4	1140.6
Borrowed Funds :										
Bank Overdraft	49.5	50.5	113.1	125.8	—	—	—	—	—	—
Long Term Loans	63.9	114.2	80.0	44.7	8.4	—	—	—	—	—
Other borrowed funds	30.6	36.4	42.2	25.1	30.1	2.8	0.9	0.2	0.2	—
	144.0	201.1	235.3	195.6	38.5	2.8	0.9	0.2	0.2	—

* Subject to the approval in the Annual General Meeting.



Directors' Report

We have pleasure in presenting the 22nd Annual Report and the Audited Accounts for the financial year ended March 31, 2003.

Management Discussion and Analysis Report

At the outset it is submitted that this report includes the Management Discussion and Analysis (M D & A) as appropriate so that duplication and overlap between this report and a separate MD & A Report is avoided. Also the Chairman's letter to members is merged into this report so that all information is provided in a single report.

Financial Results

	2002-2003	2001-2002
	Rs.	Rs.
Profit Before Depreciation	192,902,196	203,577,548
Less : Depreciation	30,551,007	23,183,367
Profit Before Taxation	162,351,189	180,394,181
Less : Provision for Taxation	60,015,000	70,027,000
Add : Provision for Deferred Tax	(3,950,000)	14,174,000
Profit After Tax	106,286,189	124,541,181
Add : Balance from previous year	31,714,229	20,129,165
Add : Adjustment relating to earlier years	(1,075,609)	1,105,883
Profit available for appropriation	136,924,809	145,776,229
Appropriation		
General Reserve	10,630,000	71,312,000
Proposed Dividend	47,025,000	42,750,000
Dividend Distribution Tax	6,025,078	—
Balance Carried to Balance Sheet	73,244,731	31,714,229

Dividend

We are pleased to recommend a dividend of Rs.11.00 per share for the year. This along with the Dividend Distribution Tax, translates to a payout ratio of 50% of the profit after tax. This is the highest payout by the company so far. The dividend, after approval by the members, will be paid to members whose name appear in the Register of Members as on the book closure date. In respect of the shares maintained electronically, dividend would be paid to the beneficial owners based on the list provided by the Depositories.

Industry Structure & Development

Elgitread (India) Ltd., is engaged in the business of providing solutions to the retreading industry. The retreading supplies industry in India is dominated by the unorganised sector that accounts for nearly 70% of the market.

While most companies in the industry supply only tread rubber to the retreaders, the company offers not only all the products required by the retreader but complete solutions backed by strong after sales support. Further the company focuses on a branded approach to the market. This is done primarily through a franchise network covering the entire country. These franchisees, who are retreaders, are supported by the company's extensive marketing team.

In addition, the company supplies materials directly to a number of State Transport Undertakings in the country.

Opportunities and threats

In the retreading supplies industry, to set up a manufacturing operation, unless the focus is to manufacture a high quality but cost effective product, heavy capital investment is not required. As a result the entry barrier is very low. For the company the main threat is not from well established and reputed competitors but from the small scale sector which predominates the industry. Given the present sluggishness in the economy and the increasing demand for low cost products the company is faced with the difficulty of extreme price pressure for its products.

Good growth in some of the key sectors of the transport industry and an increased pace of activity in infrastructure development projects, notably the Golden Quadrilateral Highway project, as well as strong recovery in commercial vehicle sales have some potential opportunities for the company.