

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.elgirubber.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)