



## Elgi Rubber Company Limited

2000 Trichy Road • Coimbatore 641 005 • India • CIN : L25119TZ2006PLC013144  
+91 (422) 232 1000 • info@in.elgirubber.com • www.elgirubber.com

Ref: ERCL/SEC/2020/Aug/01

6<sup>th</sup> August 2020

To  
Listing Compliance  
National Stock Exchange India Limited,  
Exchange Plaza, C-1, Block-G,  
Bandra Kurla Complex, Bandra (East),  
Mumbai-400051

Dear Sir / Madam,

**Sub: Submission of Annual Report for the financial year 2019-20**

Pursuant to Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Annual Report for the financial year 2019-20 of the company along with Notice of 14<sup>th</sup> Annual General Meeting.

We have also sent the same to through electronic mode on 5<sup>th</sup> August 2020 to those shareholders, whose e-mail addresses are registered with the company / Registrar and Share Transfer Agent / Depositories and the same is also available on the website of the company at [www.elgirubber.com](http://www.elgirubber.com).

Kindly take the same on record.

For Elgi Rubber Company Limited

V Santhanakrishnan  
Company Secretary & Compliance Officer

Encl.: as above.

# **Annual Report 2019 - 2020**



**Elgi Rubber Company Limited**



# Elgi Rubber Company Limited

CIN : L25119TZ2006PLC013144

## Annual Report 2019 - 2020

### Chairman & Managing Director

Sudarsan Varadaraj

### Non Executive Directors

Jairam Varadaraj  
Suresh Jagannathan  
MD Selvaraj  
P Vijay Raghunath  
V Bhuvaneshwari

### 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  
Vellalore, 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

### Registrar & Share Transfer Agent

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

### Key Managerial Personnel

Sudarsan Varadaraj  
(Chairman & Managing Director)  
SR Venkatachalam  
(Chief Financial Officer)  
V Santhanakrishnan  
(Company Secretary)

### Bankers

State Bank of India  
Commercial Branch  
Coimbatore

### Statutory Auditors

MS Jagannathan & Visvanathan  
Chartered Accountants  
Coimbatore

### Cost Auditors

P. Mohan Kumar & Co.,  
Cost Accountants  
Coimbatore

### Internal Auditors

Reddy, Goud & Janardhan  
Chartered Accountants  
Bengaluru

M Ramakrishnan  
Chartered Accountant  
Coimbatore

### Secretarial Auditors

C.N. Paramasivam  
Company Secretaries  
Coimbatore

### Registrar & Share Transfer Agent - Branch Office

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

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## **Notice of the 14<sup>th</sup> Annual General Meeting**

### **NOTICE TO MEMBERS**

**NOTICE** is hereby given that the 14<sup>th</sup> Annual General Meeting of the shareholders of the company will be held on **Friday, the August 28, 2020 at 10:00 AM** through **Video Conferencing (“VC”) / Other Audio Visual Means (“OAVM”)** to transact the following business:

### **AGENDA**

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited financial statements of the company along with consolidated financial statements for the financial year ended March 31, 2020 together with the reports of the board of directors and the auditors thereon.
2. To confirm the interim dividend paid as final dividend on equity shares for the financial year ended March 31, 2020
3. To appoint a Director in the place of Jairam Varadaraj (holding DIN: 00003361) who retires by rotation and being eligible, offers himself for re-appointment.

#### **SPECIAL BUSINESS**

4. **To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:**

**RESOLVED THAT** pursuant to the provisions of Section 196, 197, 198, 203, Schedule V and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and pursuant to the provisions of the Articles of Association of the Company, the consent of the company be and is hereby accorded to re-appoint Sudarsan Varadaraj (DIN: 00133533) as Chairman and Managing Director of the company for a period of 3 (three) years with effect from January 1, 2021 on the following terms and conditions, as recommended and approved by the Nomination and Remuneration Committee and the Audit Committee at their respective meetings held on June 25, 2020;

- a. Salary

₹ 500,000/- (Rupees five hundred thousand only) per month

- b. Commission on net profits

At the discretion of the Board and the amount determined shall be subject to the limits laid down under Section 197 and 198 of the Companies Act, 2013

- c. Perquisites

In addition to the salary and commission, the Chairman and Managing Director shall also be entitled to the following perquisites and benefits:

- i. Provision of Company car with driver for use on Company's business and telephone facility at his residence.
- ii. Furnished accommodation, where accommodation is not provided, 50% of the salary as HRA, gas, electricity, water, furnishings, medical reimbursement, LTA for self and family, club fees, medical insurance etc. The above perquisites are restricted to an amount equal to the salary drawn per annum. For the purpose of calculating the above ceiling, perquisites shall be valued as per Income Tax rules wherever applicable.
- iii. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per rules of the Company, to the extent it is not taxable under the Income Tax Act, 1961, shall not be included in the computation of the ceiling on remuneration or perquisites.
- iv. Gratuity payable shall not exceed half a month's salary for each completed year of service. The Managing Director is also entitled to encashment of leave at the end of tenure, which shall not be included in the computation of the ceiling on remuneration or perquisites.

**RESOLVED FURTHER THAT** in the event of loss or inadequacy of profits in any financial year, the above remuneration shall be payable as minimum remuneration to Sudarsan Varadaraj (DIN: 00133533), Chairman and Managing Director, as specified in Schedule V of the Companies Act, 2013 (as amended).

**RESOLVED FURTHER THAT** the Board of Directors (including its committees thereof) be and are hereby authorized to alter and vary the terms of re-appointment and/or remuneration payable to Sudarsan Varadaraj (DIN: 00133533) as it may deem fit, proper and necessary, subject to the same not exceeding the above limits.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby severally authorized to take all such steps as may be necessary and/or give such directions as may be necessary, proper or expedient to give effect to the above resolution without being required to seek any further consent or approval of the members and the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

**5. To consider and if thought fit, to pass the following resolution as a Special Resolution:**

**RESOLVED THAT** pursuant to the provisions of Section 73 and Section 76 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 and other applicable provisions, if any, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such conditions, approvals, permissions as may be necessary, consent of members of the Company be and is hereby accorded to invite / accept / renew from time to time deposits from public and / or members of the Company up to an amount not exceeding the permissible limits and on such other terms and conditions of acceptance of deposits in accordance with the terms and conditions of Acceptance of Deposits by Companies, as prescribed under the said provisions.

**RESOLVED FURTHER THAT** the Board of Directors is hereby authorized to do all such acts, deeds, things and matters as the Board of Directors may in its absolute discretion consider necessary or appropriate to give effect to the above resolution

**6. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:**

**RESOLVED THAT** pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the appointment of M/s. P. Mohan Kumar and Co, Cost Accountants, (Firm Registration No.100490) by the board of directors of the company to conduct the audit of cost records of the company for the financial year 2020-21, on a remuneration of ₹ 75,000/- (Rupees seventy five thousand only) exclusive of taxes as applicable and reimbursement of conveyance on actual basis as incurred by them in connection with the aforesaid audit be and is hereby ratified and confirmed.

**STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Item No 4**

Sudarsan Varadaraj (DIN : 00133533) was re-appointed as the Chairman and Managing Director of the Company for a period of 5 years with effect from January 1, 2016 and accordingly, the tenure of his office as the Chairman and Managing Director expires on December 31, 2020. In accordance with the provisions of Section 196 of the Companies Act, 2013 and pursuant to the recommendation of the Nomination and Remuneration Committee and the approval of the Audit Committee, the Board of Directors of the company at their meeting held on June 25, 2020 has approved the re-appointment of Sudarsan Varadaraj as Chairman and Managing Director of the company for a further period of 3 years with effect from January 1, 2020 on the terms and conditions as set out under Item No.4 of this notice, subject to the approval of the members of the Company.

Sudarsan Varadaraj (DIN: 00133533) is one of the Promoters of the company and he has been serving as the Chairman and Managing Director of the company for the past 14 years. Considering his rich and varied experience, skills and knowledge in the field of machine building, rubber and allied industry and his relentless pursuit in taking the company to global heights during his tenure as Chairman and Managing Director, the Board of Directors opine that his re-appointment as Chairman and Managing Director of the company would be greatly beneficial to the company.

Pursuant to the provisions of Section 196, 197, 203, Schedule V and other applicable provisions, if any, of the Companies Act, 2013, the ordinary resolution as set out in Item No. 4 of the Notice is placed for the approval of the members.

The Board recommends the resolution set out in Item No.4 of the Notice for the approval of the members.

The general information as required under Part II of Section II of Schedule V of the Companies Act, 2013 (as amended) and the disclosure as required in accordance with Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standards on General Meetings (SS-2) issued by the ICSI has been annexed and forms part of this Notice.

Members are informed that the re-appointment of Sudarsan Varadaraj (DIN: 00133533) as the Chairman and Managing Director for a further period of 3 years with effect from January 1, 2021 and the payment of remuneration, as set out under Item No.4 of the Notice are in conformity with Schedule V of the Companies Act, 2013.

The particulars set out above can also be treated as Memorandum required under the provisions of Section 190 of the Companies Act, 2013.

Except Sudarsan Varadaraj (DIN: 00133533), being the appointee Chairman and Managing Director and Dr. Jairam Varadaraj (DIN: 00003361) being his relative Director, none of the other Directors and Key Managerial Personnel of the company or their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

## Item No. 5

Being an eligible company to accept deposits from public and / or its members, the Board of Directors, at their meeting held on June 25, 2020, has proposed to invite / accept / renew, from time to time, deposits from public and / or members of the Company subject to the provisions of Sections 73 and 76 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 and subject to the approval of the members of the Company.

Pursuant to the provisions of Sections 73 and 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 (as amended), an eligible company shall invite, accept or renew deposits (a) from its members not exceeding 10% of the aggregate of the paid up share capital, free reserves and securities premium account of the company and (b) any other deposits not exceeding 25% of the aggregate of the paid up share capital, free reserves and securities premium account of the company, subject to approval of the members by passing a special resolution.

Accordingly, the special resolution as set out in Item No.5 of the Notice is placed for the approval of the members. The Board recommends the resolution set out in Item No.5 of the Notice for the approval of the members.

None of the directors or key managerial personnel of the company or their relatives is concerned or interested in the resolution except to the extent of their shareholding in the company, if any.

## Item No. 6

The board of directors of the company, on the recommendation of the audit committee, has approved the appointment and remuneration of M/s. P.Mohan Kumar and Co., Cost Accountants, (Firm Registration No.100490) to conduct the audit of the cost records of the company for the financial year ending March 31, 2021, at a remuneration of ₹ 75,000/- (Rupees seventy five thousand only), plus taxes as applicable and reimbursement of conveyance at actuals, subject to ratification by shareholders.

In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14(a)(ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors is required to be ratified by the Members of the company. Accordingly, the members are requested to ratify the remuneration payable to the Cost Auditors for the year 2020-21 as set out in Item No.6 for the aforesaid services to be rendered by them. The board recommends the resolution set out in Item No.6 of the notice for the approval of the Members.

None of the directors and key managerial personnel of the company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.6 of the Notice.

## Notes:

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") permitted the conduct of the Annual General Meeting ("AGM") through Video Conferencing (VC) / Other Audio Visual Means (OAVM), without the physical presence of the Members at a common venue. The deemed venue for the AGM shall be 2000, Trichy Road, Coimbatore-641005, the Registered Office of the Company. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and MCA Circulars, the 14<sup>th</sup> Annual General Meeting of the Company ("AGM") is being held through VC / OAVM.
2. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, the physical attendance of the Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

**Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.**

3. Members may note that M/s M.S.Jagannathan and Visvanathan (FRN 001209S), Chartered Accountants, were appointed as statutory auditors of the Company, at the 11<sup>th</sup> Annual General Meeting (AGM) held on August 26, 2017, to hold office for a period of 5 years till the conclusion of 16<sup>th</sup> Annual General Meeting to be held during the year 2022, subject to ratification by the shareholders at every AGM. However, the Ministry of Corporate Affairs vide notification dated 7<sup>th</sup> May 2018 has amended Section 139 of the Companies Act, 2013 by omitting the requirement of seeking ratification of the members for appointment of statutory auditors at every AGM. Accordingly, the members, at their 12<sup>th</sup> Annual General Meeting held on August 9, 2018 has approved to continue the appointment of M/s M.S.Jagannathan and Visvanathan (FRN 001209S), Chartered Accountants, as the statutory auditors without ratification till the conclusion of the 16<sup>th</sup> Annual General Meeting to be held in the year 2022. Hence, no resolution is being proposed for ratification of appointment of Statutory Auditors at this 14<sup>th</sup> Annual General Meeting.



4. Institutional / Corporate members intending to send their authorized representatives to attend the meeting through VC / OAVM are requested to send to Scrutinizer by email through its registered email address to suryaecom@gmail.com with a copy marked to company through e-mail address, i.e., info@in.elgirubber.com, a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the meeting.
5. Details as required under Schedule V of the Companies Act, 2013 read with Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard-2 (SS-2) on General Meetings, in respect of the director seeking reappointment at the 14<sup>th</sup> Annual General Meeting are furnished as annexure and forms part of the notice.
6. The register of members and share transfer books of the company will remain closed from August 22, 2020 to August 28, 2020 (both days inclusive).
7. Members holding shares in electronic form may note that bank particulars registered against their depository accounts will be used by the company for payment of dividend. The company or its registrar and share transfer agent, M/s. Link Intime India Private Limited cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the depository participant by the members. Members holding shares in physical form and desirous of registering bank particulars against their respective folios for payment of dividend, are requested to write to the registrar and share transfer agent of the company.
8. Members are advised to utilize the National Electronic Clearing System (NECS) for receiving dividends. Members holding shares in electronic form are requested to contact their respective Depository Participants for availing NECS facility. Members holding shares in physical form are requested to download the ECS form from the website of the Company viz., www.elgirubber.com and the same, duly filled up and signed along with original cancelled cheque leaf may be sent to the Company or to the Registrar and Share Transfer Agent.
9. **Change of Address:** Members holding shares in physical form are requested to notify immediately any change in their address along with respective address proof and bank particulars to the company or its registrar and share transfer agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective depository participants and not to the company/ registrar and transfer agent.
10. As per the green initiative taken by the Ministry of Corporate Affairs, members are advised to register their email address with the company in respect of shares held in physical form and with the concerned depository participant in respect of shares held in demat form to enable the company to serve documents in electronic form.
11. Members desirous of receiving any information on the accounts or operations of the company are requested to forward his/her queries to the company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.
12. **Dividend of prior years:** Pursuant to Section 124 of the Companies Act, 2013, the dividend which remained unpaid / unclaimed for a period of seven years from the date of transfer to the unpaid dividend account is required to be transferred to the "Investor Education and Protection Fund" established by the Central Government. The shareholders, whose unclaimed or unpaid amount has been transferred to the "Investor Education and Protection Fund (IEPF)", may claim the same from IEPF authority by filing form IEPF-5 along with requisite documents. Members who have not encashed the dividend warrant(s) so far, since the financial year 2012-13, are requested to send their claim with a cancelled cheque containing name of the shareholder (for their Bank details) immediately but not later than September 17, 2020 to the company/registrar and transfer agent for receiving the amounts through electronic channels such as RTGS/NEFT in lieu thereof. Details of the shareholders whose shares are liable to be transferred to IEPF are available on the company website: www.elgirubber.com. The shareholders whose unclaimed dividend /share has been transferred to the 'Investor Education and Protection Fund', may claim the same from IEPF authority by filing Form IEPF-5 along with requisite documents.
13. Members holding shares in physical form in identical order of names in more than one folio are requested to send to the company or Registrar and Share Transfer Agent, the details of such folios together with the share certificates for consolidating their holding in one folio. A consolidated share certificate will be returned to such members after making requisite changes thereon.
14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their depository participants with whom they are maintaining their demat account(s). Members holding shares in physical form can submit their PAN details to the company or to M/s. Link Intime India Private Limited, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore – 641028.
15. Pursuant to Finance Act 2020, dividend income will be taxable in the hands of shareholders w.e.f. April 1, 2020 and the company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the Company/RTA (in case of shares held in physical mode) and depositories (in case of shares held in demat mode) immediately.

A Resident individual shareholder having PAN and entitled to receive dividend amount exceeding Rs.5,000/- and who is not liable to pay income tax, can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by email to [info@in.elgirubber.com](mailto:info@in.elgirubber.com). Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an email to [info@in.elgirubber.com](mailto:info@in.elgirubber.com). The aforesaid declarations and documents need to be submitted by the shareholders as early as possible.

16. The Securities and Exchange Board of India ("SEBI") has mandated that the transfer of securities held in physical form, except in case of transmission or transposition, shall not be processed by the listed entities / Registrars and Share Transfer Agents with effect from April 1, 2019. Therefore, the members holding share(s) in physical form are requested to immediately dematerialize their shareholding in the Company. Necessary prior intimation in this regard was provided to the shareholders.
17. In case of transmission / transposition, the members are requested to forward their requests and other communications directly to the Registrar and Share Transfer Agent (RTA) of the company, M/s. Link Intime India Private Limited, "Surya", 35, Mayflower Avenue, 2nd Floor, Behind Senthil Nagar, Sowripalayam Road, Coimbatore – 641028.
18. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/RTA/Depositories. Members may note that the Notice and of the 14th Annual General Meeting and the Annual Report for the financial year 2019-20 will also be available on the Company's website [www.elgirubber.com](http://www.elgirubber.com), website of the Stock Exchange i.e. National Stock Exchange of India Limited at [www.nseindia.com](http://www.nseindia.com) respectively, and on the website of Link Intime India Private Limited <https://instavote.linkintime.co.in>.
19. Members holding shares in electronic form may please note that as per the regulations of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), the company is obliged to print the details on the dividend warrants as furnished by these depositories to the company and the company cannot entertain any request for deletion/change of bank details already printed on dividend warrants as per the information received from the concerned depositories. In this regard, members should contact their depository participants (DP) and furnish particulars of any changes desired by them.
20. Pursuant to the provisions of Section 72 of the Companies Act, 2013, members may file nomination forms in respect of their physical shareholdings. Any member wishing to avail this facility may submit to the company's Registrar and Share Transfer Agent in the prescribed statutory form. Should any assistance be desired, members shall get in touch with the company's Registrar and Share Transfer Agent.
21. Members are requested to register / update their email address in respect of shares held in dematerialized form with their respective depository participants and in respect of shares held in physical form with the Company's Registrar and Share Transfer Agent, M/s. Link Intime India Private Limited.
22. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.
23. Members are requested to note that the venue of the 14<sup>th</sup> Annual General Meeting **through Video Conferencing (VC) / Other Audio Visual Means (OAVM)**, and hence, the route map is not annexed in this Notice.
24. **Voting through electronic means:**
  - a) Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, and Regulation 44(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company is pleased to provide its members the facility to exercise their right to vote at the 14<sup>th</sup> Annual General Meeting (AGM) by electronic means and all the business as set out in the said notice may be transacted through e-voting services provided by Link Intime India Private Limited (LIPL).
  - b) Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of Annual General Meeting Notice and holding shares as of the cut-off date, i.e. Friday, August 21, 2020, may refer to this Notice of the Annual General Meeting, posted on company's website [www.elgirubber.com](http://www.elgirubber.com) for detailed procedure with regard to remote e-voting. Any person who ceases to be the member of the company as on the cut-off date and is in receipt of this Notice, shall treat this Notice for information purpose only.
  - c) The Members who have cast their vote by remote e-voting may also attend the meeting but shall not be entitled to cast their vote again.

The instructions for members for voting electronically are as under:-

- i. The voting period begins on Tuesday, August 25, 2020 at 9:00 AM and ends on Thursday, August 27, 2020 at 5:00 PM.
- ii. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of Friday, August 21, 2020, may cast their vote electronically. The e-voting module shall be disabled by LI IPL for voting thereafter.

**The instructions for members for voting electronically are as under:-**

**Log-in to e-Voting website of Link Intime India Private Limited (LI IPL)**

1. Visit the e-voting system of LI IPL. Open web browser by typing the following URL: <https://instavote.linkintime.co.in>.
2. Click on “Login” tab, available under ‘Shareholders’ section.
3. Enter your User ID, password and image verification code (CAPTCHA) as shown on the screen and click on “SUBMIT”.
4. Your User ID details are given below:
  - a. Shareholders holding shares in demat account with NSDL: Your User ID is 8 Character DP ID followed by 8 Digit Client ID
  - b. Shareholders holding shares in demat account with CDSL: Your User ID is 16 Digit Beneficiary ID
  - c. Shareholders holding shares in Physical Form (i.e. Share Certificate): Your User ID is Event No + Folio Number registered with the Company
5. Your Password details are given below:

If you are using e-Voting system of LI IPL: <https://instavote.linkintime.co.in> for the first time or if you are holding shares in physical form, you need to follow the steps given below:

Click on “Sign Up” tab available under ‘Shareholders’ section register your details and set the password of your choice and confirm (The password should contain minimum 8 characters, at least one special character, at least one numeral, at least one alphabet and at least one capital letter).

	<b>For Shareholders holding shares in Demat Form or Physical Form</b>
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (applicable for both demat shareholders as well as physical shareholders).  Members who have not updated their PAN with depository Participant or in the company record are requested to use the sequence number shared to the members
DOB/ DOI	Enter the DOB (Date of Birth)/ DOI as recorded with depository participant or in the company record for the said demat account or folio number in dd/mm/yyyy format.
Bank Account Number	Enter the Bank Account number (Last Four Digits) as recorded in your demat account or in the company records for the said demat account or folio number.  Please enter the DOB/ DOI or Bank Account number in order to register. If the above mentioned details are not recorded with the depository participants or company, please enter Folio number in the Bank Account number field as mentioned in instruction (iv-c).

If you are holding shares in demat form and had registered on to e-Voting system of LI IPL: <https://instavote.linkintime.co.in>, and/or voted on an earlier voting of any company then you can use your existing password to login.

**If Shareholders holding shares in Demat Form or Physical Form have forgotten password:**

Enter User ID, select Mode and Enter Image Verification code (CAPTCHA). Click on “SUBMIT”.

Incase shareholder is having valid email address, Password will be sent to the shareholders registered e-mail address. Else, shareholder can set the password of his/her choice by providing the information about the particulars of the Security Question and Answer, PAN, DOB/ DOI, Dividend Bank Details etc. and confirm. (The password should contain minimum 8 characters, at least one special character, at least one numeral, at least one alphabet and at least one capital letter)

NOTE: The password is to be used by demat shareholders for voting on the resolutions placed by the company in which they are a shareholder and eligible to vote, provided that the company opts for e-voting platform of LI IPL.

For shareholders holding shares in physical form, the details can be used only for voting on the resolutions contained in this Notice.

It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

### **Cast your vote electronically**

6. After successful login, you will be able to see the notification for e-voting on the home page of INSTA Vote. Select/ View “Event No” of the company, you choose to vote.
7. On the voting page, you will see “Resolution Description” and against the same the option “Favour/ Against” for voting.  
Cast your vote by selecting appropriate option i.e. Favour/Against as desired.  
Enter the number of shares (which represents no. of votes) as on the cut-off date under ‘Favour/Against’.
8. If you wish to view the entire Resolution details, click on the ‘View Resolutions’ File Link.
9. After selecting the appropriate option i.e. Favour/Against as desired and you have decided to vote, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “YES”, else to change your vote, click on “NO” and accordingly modify your vote.
10. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently.
11. You can also take the printout of the votes cast by you by clicking on “Print” option on the Voting page.

### **General Guidelines for shareholders:**

- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to e-Voting system of LIPL: <https://instavote.linkintime.co.in> and register themselves as ‘Custodian / Mutual Fund / Corporate Body’.  
They are also required to upload a scanned certified true copy of the board resolution /authority letter/power of attorney etc. together with attested specimen signature of the duly authorised representative(s) in PDF format in the ‘Custodian / Mutual Fund / Corporate Body’ login for the Scrutinizer to verify the same.
- During the voting period, shareholders can login any number of time till they have voted on the resolution(s) for a particular “Event”.
- Shareholders holding multiple folios/demat account shall choose the voting process separately for each of the folios/demat account.
- In case the shareholders have any queries or issues regarding e-voting, please refer the Frequently Asked Questions (“FAQs”) and Instavote e-Voting manual available at <https://instavote.linkintime.co.in>, under Help section or write an email to [enotices@linkintime.co.in](mailto:enotices@linkintime.co.in) or Call us :- Tel : 022 - 49186000.

### **Process for those shareholders whose email addresses are not registered with the depositories for obtaining login credentials for e-voting for the resolutions proposed in this notice:**

1. For physical shareholders - please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to [info@in.elgirubber.com](mailto:info@in.elgirubber.com) or [coimbatore@linkintime.co.in](mailto:coimbatore@linkintime.co.in)
2. For Demat shareholders - please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL- 16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to [info@in.elgirubber.com](mailto:info@in.elgirubber.com) or [coimbatore@linkintime.co.in](mailto:coimbatore@linkintime.co.in)
3. The Company/Registered Share Transfer Agent shall provide the login credentials to the above mentioned shareholders.

### **Instructions for Shareholders/Members to attend the Annual General Meeting through InstaMeet (VC/OAVM) are as under:**

- Shareholders/Members are entitled to attend the Annual General Meeting through VC/OAVM provided by Link Intime by following the below mentioned process. Facility for joining the Annual General Meeting through VC/OAVM shall open 30 minutes before the time scheduled for the Annual General Meeting and will be available to the Members on first come first serve basis.
- Shareholders/Members are requested to participate on first come first serve basis as participation through VC/OAVM is limited and will be closed on expiry of 15 (fifteen) minutes from the scheduled time of the Annual General Meeting. Shareholders/Members with >2% shareholding, Promoters, Institutional Investors, Directors, KMPs, Chairpersons of Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Auditors etc. may be allowed to the meeting without restrictions of first-come-first serve basis. Members can log in and join 30 (thirty) minutes prior to the schedule time of the meeting and window for joining shall be kept open till the expiry of 15 (fifteen) minutes after the schedule time.

### **Shareholders/ Members will be provided with InstaMeet facility wherein Shareholders/ Member shall register their details and attend the Annual General Meeting as under:**

1. Open the internet browser and launch the URL for InstaMeet <<<https://instameet.linkintime.co.in>>> and register with your following details:

- a. DP ID / Client ID or Beneficiary ID or Folio No.: Enter your 16 digit DP ID / Client ID or Beneficiary ID or Folio Number registered with the Company
  - b. PAN: Enter your 10-digit Permanent Account Number (PAN) (members who have not updated their PAN with the depository participant or Company shall use the sequence number provided to you, if applicable).
  - c. Enter your Mobile No.
  - d. Enter your Email ID, as recorded with your DP/ Company
2. Click “Go to Meeting”

**Note:**

- Shareholders/ Members are encouraged to join the Meeting through Tablets/ Laptops connected through broadband for better experience.
- Shareholders/ Members are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting.
- Please note that Shareholders/Members connecting from Mobile Devices or Tablets or through Laptops connecting via Mobile Hotspot may experience Audio/Visual loss due to fluctuation in their network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- In case the shareholders/members have any queries or issues regarding e-voting, you can write an email to [instameet@linkintime.co.in](mailto:instameet@linkintime.co.in) or Call us: - Tel : (022- 49186175)

**InstaMeet Support Desk**

**Link Intime India Private Limited**

**Instructions for Shareholders/Members to register themselves as Speakers during Annual General Meeting:**

- Shareholders/ Members who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request mentioning their name, demat account number/folio number, email id, mobile number, PAN at [info@in.elgirubber.com](mailto:info@in.elgirubber.com) from Friday, August 21, 2020 at 9.00 AM to Wednesday, August 26, 2020 at 05.00 PM.
- The first 10 Speakers on first come basis will only be allowed to express their views/ask questions during the meeting.
- Shareholders/ Members, who would like to ask questions, may send their questions in advance mentioning their name, demat account number/folio number, email id , mobile number, PAN at [info@in.elgirubber.com](mailto:info@in.elgirubber.com). The same will be replied by the Company suitably.

**Note:**

- Those shareholders/members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting. The Company reserves the right to restrict the number of speakers depending on the availability of time for the Annual General Meeting. Shareholders/ Members should allow using camera and are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting.

**Instructions for Shareholders/Members to Vote during the Annual General Meeting through Insta Meet:**

Once the electronic voting is activated by the scrutiniser during the meeting, shareholders/ members who have not exercised their vote through the remote e-voting can cast the vote as under:

1. On the Shareholders VC page, click on the link for e- Voting “Cast your vote”.
2. Enter Demat Account No. / Folio No. and OTP (received on the registered mobile number/ registered email Id) received during registration for InstaMeet and click on ‘Submit’.
3. After successful login, you will see “Resolution Description” and against the same the option “Favour/ Against” for voting.
4. Cast your vote by selecting appropriate option i.e. “Favour/Against” as desired. Enter the number of shares (which represents no. of votes) as on the cut-off date under ‘Favour/Against’.
5. After selecting the appropriate option i.e. Favour/Against as desired and you have decided to vote, click on “Save”. A confirmation box will be displayed. If you wish to confirm your vote, click on “Confirm”, else to change your vote, click on “Back” and accordingly modify your vote.
6. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently.

**Note:**

- Shareholders/ Members, who will be present in the Annual General Meeting through InstaMeet facility and have not cast their vote on the resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting facility during the meeting.
  - Shareholders/ Members who have voted through Remote e-Voting prior to the Annual General Meeting will be eligible to attend/ participate in the Annual General Meeting through InstaMeet. However, they will not be eligible to vote again during the meeting.
  - In case the shareholders/members have any queries or issues regarding e-voting, you can write an email to instameet@linkintime.co.in or Call us: - Tel : (022-49186175)
- d) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the company as on the cut-off date (record date) of August 21, 2020.
- e) Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. Further, the Members who have cast their vote by remote e-voting shall not vote by e-voting conducted during the Meeting.
- f) R Jayachandran, Partner, M/s. RJC Associates, Chartered Accountants, Coimbatore has been appointed as the scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- g) The Chairman shall, at the 14<sup>th</sup> Annual General Meeting, at the end of discussion on the resolutions on which voting is to be cast, allow e-voting for all those members who are present at the 14<sup>th</sup> Annual General Meeting by electronic means but have not cast their votes by availing the remote e-voting facility.
- h) The Scrutinizer shall after the conclusion of voting at the Annual General Meeting, will first count the votes casted during the AGM and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 hours of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- i) The results declared along with the consolidated scrutinizer's report shall be placed on the company's website [www.elgirubber.com](http://www.elgirubber.com) and on the website of LIPL and communicated to the Stock Exchange where the company's shares are listed.

**By and on behalf of the Board  
For Elgi Rubber Company Limited**

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

Place : Coimbatore  
Date : June 25, 2020



**GENERAL INFORMATION AS REQUIRED UNDER PART II OF SECTION II OF SCHEDULE V OF THE COMPANIES ACT, 2013 (AS AMENDED)**

I.	General information			
(1)	Nature of industry	The Company is engaged in the manufacturing of rubber products, tread rubber, reclaim rubber, retreading and rebuilding of rubber tyres		
(2)	Date or expected date of commencement of commercial production	The Company was incorporated on October 16, 2006 and the commercial operations were commenced subsequently.		
(3)	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not applicable		
(4)	Financial performance based on given indicators	Particulars	FY 31.03.2020 (₹ in million)	FY 31.03.2019 (₹ in million)
		Turnover (net)	1,843.15	2,028.81
		Profit/(Loss) before tax	61.39	1.61
		Profit/(Loss) after tax	57.96	4.56
		Paid-up Capital	50.05	50.05
		Reserves & Surplus	2,593.05	2,540.01
		Basic Earnings per Share (actual)	1.16	0.09
(5)	Foreign investments or collaborations, if any	Nil		
II.	Information about the appointee			
(1)	Background details	Sudarsan Varadaraj (DIN: 00133533) has done his B.E. in Mechanical Engineering and his master's degree in mechanical engineering in Stanford University. He has 38 years of experience in the field of machine building, rubber and allied industry. He is one of the Promoters of the Company and he is currently heading the entire business activities of the Company as Chairman and Managing Director.		
(2)	Past remuneration	FY 31.03.2020 - ₹ 6.72 million per annum		
		FY 31.03.2019 - ₹ 6.72 million per annum		
		FY 31.03.2018 - ₹ 6.72 million per annum		
(3)	Recognition or awards	Nil		
(4)	Job profile and his suitability	Sudarsan Varadaraj (DIN: 00133533), Chairman and Managing Director of the Company, is managing the overall affairs of the company and is entrusted with the substantial powers of management under the superintendence, control and direction of the Board of Directors. Sudarsan Varadaraj (DIN: 00133533) has adequate managerial experience in the relevant field and he is considered suitable for the said managerial position.		
(5)	Remuneration proposed	As set out in Item No.4 of the notice of the 14 <sup>th</sup> AGM		
(6)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)	Taking into consideration the size of the company, profile of Sudarsan Varadaraj (DIN: 00133533) responsibility shouldered by him and the industry standard, the remuneration profile is commensurate with the remuneration paid to the managerial personnel in similar other companies.		
(7)	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any	Sudarsan Varadaraj (DIN: 00133533) is one of the Promoters of the Company and Dr. Jairam Varadaraj 00003361), Director, is his relative.		

**GENERAL INFORMATION AS REQUIRED UNDER PART II OF SECTION II OF SCHEDULE V OF THE COMPANIES ACT, 2013 (AS AMENDED)**

<b>III.</b>	<b>Other information</b>	
(1)	Reasons of loss or inadequate profits	The Company has earned profits for the year ended 31.03.2020. The Company is passing an ordinary resolution pursuant to Section 196, 197 and Schedule V of the Companies Act, 2013 and as a matter of abundant precaution, as the profitability of the Company may be impacted in future due to the business environment during the period for which remuneration is payable to Sudarsan Varadaraj (DIN: 00133533) i.e. till December 31, 2023.
(2)	Steps taken or proposed to be taken for improvement	The Company has embarked on a series of strategic and operational measures that is expected to result in the improvement in the present position. The Company has also put in place measures to reduce cost and improve the bottom-line.
(3)	Expected increase in productivity and profits in measurable terms	The Company has taken necessary initiatives to improve its market position and financial performance.
(5)	Foreign investments or collaborations, if any	Nil
<b>IV.</b>	<b>Disclosures</b>	
	<b>The following disclosures shall be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the Financial statement:</b>	
(i)	All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors	The details of the remuneration package of Sudarsan Varadaraj (DIN: 00133533) is given under Item No.4 of this notice. The Company has also made requisite disclosure in relation to the remuneration of the appointee Chairman and Managing Director in the Board of Director's report under the heading "Corporate Governance". However, the Company has not issued any stock options.
(ii)	Details of fixed component. and performance linked incentives along with the performance criteria	
(iii)	Service contracts, notice period, severance fees	
(iv)	Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable	



**Details of director seeking re-appointment in terms of Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard-2 (SS-2) on General Meetings**

Name	Sudarsan Varadaraj
DIN	00133533
Date of Birth / Age	22.01.1958 / 62 years
Nationality	Indian
Date of Induction on the Board	16.10.2006
Relationship with other director	Brother of Dr.Jairam Varadaraj, Director
Qualification	B.E., M.S.,
Experience	38 years in Machine Building, Rubber and allied Industry
Shareholding	23,032,001 (46.02%)
List of Directorships held in other companies	<ol style="list-style-type: none"> <li>1. Kovilpatti Lakshmi Roller Flour Mills Limited (formerly KLRF Limited) (Listed)</li> <li>2. Elgi Equipments Limited (Listed)</li> <li>3. Super Spinning Mills Limited (Listed)</li> <li>4. Elgi Ultra Industries Limited</li> <li>5. LRG Technologies Limited</li> <li>6. Tyre Point Private Limited</li> <li>7. Festo India Private Limited</li> </ol>
Other Committee Memberships of the Board of other companies in which he is a Director:	
Membership in	<ol style="list-style-type: none"> <li>1. Elgi Rubber Company Limited - Stakeholders Relationship Committee</li> <li>2. Super Spinning Mills Limited - Nomination &amp; Remuneration Committee</li> <li>3. Kovilpatti Lakshmi Roller Flour Mills Limited (formerly KLRF Limited) - Audit Committee and Nomination &amp; Remuneration Committee, CSR Committee and Finance and Administrative Committee</li> </ol>
Chairmanship in	<ol style="list-style-type: none"> <li>1. Elgi Rubber Company Limited - CSR Committee and Finance and Administrative Committee</li> </ol>
Remuneration sought to be paid (per annum)	Salary, allowances other perquisites as stated in the agenda to the Notice of the 14 <sup>th</sup> Annual General Meeting of the Company as Item No. 4
Remuneration last drawn (per annum)	₹ 6,720,000/-
Terms & Conditions of Re-appointment	As set out in Item No.4 of the AGM notice
Number of Meetings of the Board attended during the year	5 out of 6

**By and on behalf of the Board  
For Elgi Rubber Company Limited**

**Sudarsan Varadaraj**

**DIN: 00133533**

**Chairman & Managing Director**

Place : Coimbatore  
Date : June 25, 2020

**Directors' Report**

The Board of Directors have pleasure in presenting the 14<sup>th</sup> annual report of the company and the audited financial statements for the year ended March 31, 2020 covering 12 months of operation. The Management Discussion and Analysis (MD&A) Report have been included at the appropriate places in this report.

**Financial Highlights**

		(₹ in million)
	2019-2020	2018-2019
Profit before exceptional items, depreciation and tax	59.84	67.67
Less: Depreciation	76.54	78.58
Add : Exceptional items	78.09	12.52
Profit before taxation	61.39	1.61
Less: Provision for taxation	4.41	0.31
(Add) / Less: Provision for deferred tax	(0.98)	(3.26)
Profit after tax	57.96	4.56
Add : Opening surplus	1,098.41	1,093.69
Less: Dividend & Dividend distribution tax paid during the year	(9.66)	-
Add : Transfer from Other Comprehensive Income	5.14	0.16
Less : Impact on adoption of Ind AS 116 on retained earnings	0.39	-
Profit available for appropriation	1,151.46	1,098.41

**Review of Business Operations and Future Outlook**

The company recorded a turnover of ₹ 1,843.15 million for the year against ₹ 2,028.81 million in the previous year. The net profit was ₹ 57.96 million against ₹ 4.56 million in the previous year.

The company is taking steps to reduce operating costs and to bring in higher efficiencies.

None of the assets of company have been impacted or impaired.

**Impact of the COVID-19 pandemic on the business**

The company's operations were closed from March 25, 2020 due to the lockdown. Operations commenced in a phased manner from May 7, 2020 and currently all facilities are fully operational.

Some of the issues faced by the company on account of the pandemic:

- Substantial drop in revenue due to non-movement of goods.
- Major customers are yet to re-start their operations and those that are operational are working at reduced capacities.
- Labour shortages due to non-availability of "guest workers".
- Delay in collection of payment due to cash flow issue in the market

The Company has availed the relief announced by the Reserve Bank of India by deferring the principal and interest falling due in the month of March 2020 to August 2020.

The company's subsidiaries in Brazil, the Netherlands and USA operations have also been adversely affected by the COVID-19 pandemic.

However, the Company and its management are confident to manage the crisis and the overall business operations is expected to evolve over a period of time.

**Change in the nature of Business**

There was no change in the nature of business of the company during the financial year ended March 31, 2020.

**Transfer to Reserves**

During the year under review, the company has not transferred any amount to the general reserves and the amount of ₹ 1,154.46 million (including the previous year closing balance of ₹ 1,098.41 million) has been retained under surplus in the Statement of Profit and Loss.

### **Dividend**

The Board of Directors of the Company (the Board) at their meeting held on March 6, 2020, declared an interim dividend of ₹ 0.16 per share (16%) for the year 2019-20 absorbing a sum of ₹ 9.66 million including dividend distribution tax, to those members whose names appears in the register of members as on March 19, 2020, being the record date fixed for the said purpose. The same was paid to the members on March 26, 2020.

The Board does not recommend any final dividend for the year under consideration and the interim dividend paid be confirmed as final dividend for the year ended March 31, 2020.

### **Transfer of Unclaimed Dividend to Investor Education and Protection Fund**

The company had transferred the unclaimed dividend of ₹ 0.40 million and 27,156 equity shares to Investor Education and Protection Fund during the financial year 2019-20, in 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 2012-13 will be remitted to the Investor Education and Protection Fund established by the Central Government within the due date. The shares in respect of such unclaimed or unpaid dividend will also be transferred to the Investor Education and Protection Fund Authority, Ministry of Corporate Affairs Demat Account within the due date, in accordance with the provisions of Section 124(6) of the Companies Act, 2013 read with Rule 6 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

### **Share Capital**

The paid-up capital of the company as at March 31, 2020 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 available on the company's website [www.elgirubber.com](http://www.elgirubber.com).

### **Board and Committee meetings conducted during the period under review**

During the year under review, 6 meetings of the Board of Directors, 4 meetings of the Audit Committee, 3 meetings of the Nomination and Remuneration Committee, 4 meetings of the Corporate Social Responsibility Committee, 19 meetings of the Stakeholders' Relationship Committee and 3 meetings of the Finance and Administrative Committee were held. Further details of the same have been enumerated in the Corporate Governance Report annexed herewith.

### **Statement on Compliance of applicable Secretarial Standards**

The Directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively. The Company has duly complied with Secretarial Standards issued by the Institute of Company Secretaries of India on the meeting of the Board of Directors (SS-1) and General Meetings (SS-2).

### **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:

- i. in the preparation of the annual accounts, the applicable accounting standards had been followed and there were no material departures from those standards
- ii. 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
- iii. 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;
- iv. the Directors had prepared the annual accounts on a going concern basis
- v. 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
- vi. 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 Section 149(6) of the Companies Act, 2013 and regulation 16(1)(b) of the 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 managerial personnel and senior management personnel of the company. The criteria for determining qualifications, positive attributes and independence of Directors 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](http://www.elgirubber.com).

**Comments on Audit Report**

There are no qualifications, reservations or adverse remarks or disclaimers made by M.S.Jagannathan & Visvanathan, 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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year 2019-20 were in the ordinary course of business and on 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, is available on the company's website [www.elgirubber.com](http://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**

Due to outbreak of COVID 19 pandemic and based on the directives of the Government of India, Government of Tamil Nadu, the operations of the Company was suspended on March 25, 2020 and resumed on May 7, 2020 in phased manner with minimal workforce by following requisite precautions/ guidelines. This has impacted the turnover and profitability of the Company.

**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 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 including support to the education of differently abled children and conservation of natural resources. The said projects are by and large in accordance with Schedule VII of the Companies Act, 2013 and the CSR Policy of the Company.

The CSR spend is predominantly directed through registered trust(s). The trust(s) expends the sums contributed by the company towards educational and nature conservation activities. 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 the concerned.

### **Directors and Key Managerial Personnel**

As per the provisions of section 152 of the Companies Act, 2013, of Jairam Varadaraj (holding DIN: 00003361), Chairman & Managing Director of the company, retires by rotation at this annual general meeting. Being eligible, he offers himself for re-appointment. Your Directors recommend his re-appointment.

The Board of Directors, on the recommendation and approval of the Nomination and Remuneration Committee and the Audit Committee, has approved the re-appointment of Sudarsan Varadaraj (holding DIN: 00133533) as the Chairman & Managing Director of the company for a further period of 3 years with effect from January 1, 2021, subject to the approval of the members in the ensuing 14<sup>th</sup> Annual General Meeting. Accordingly, necessary resolution has been included in the agenda of the notice of the said meeting for the approval of the members. Your Directors recommend his re-appointment.

Based on the Special Resolutions passed at Annual General Meeting held on August 26, 2020, M D Selvaraj (DIN: 00001608), P Vijay Raghunath (DIN: 00002963) and V Bhuvaneshwari (DIN: 01628512) were re-appointed as Independent Directors for a second term of 5 consecutive years with effect from September 27, 2019 in accordance with the provisions of Section 149 of the Companies Act, 2013.

Other than the above, there were no changes in the composition of the Board of Directors and the Key Managerial Personnel of the Company.

### **Subsidiaries, Joint Ventures and Associate Companies**

The company has 7 wholly-owned subsidiaries, 3 step-down subsidiaries. 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.

As per the provisions of Regulation 24(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the company has appointed P.Vijay Raghunath (DIN: 0002963), Independent Director of the company, as a Director on the Board of Elgi Rubber Company Holdings B.V., The Netherlands, a material subsidiary with effect from November 28, 2019.

Asset of the step-down subsidiary, Rubber Compounding Holland B.V., (RCH BV), have been sold to QEW Specialty Compounding B.V., the Netherlands. The value involved in the said transaction was EUR 0.89 million.

The Board has approved a policy for determining material subsidiaries which is available on the company's website [www.elgirubber.com](http://www.elgirubber.com).

The annual accounts of the subsidiary companies are available on the website of the company [www.elgirubber.com](http://www.elgirubber.com) and kept for inspection by the shareholders at the registered office during normal business hours 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, 2020.

However, your Company has proposed to invite and accept deposits from public and / or members as per the provisions of Sections 73 and 76 of the Companies Act, 2013 read together with the Companies (Acceptance of Deposits) Rules, 2014 (as amended) subject to the approval of the members by means of passing necessary special resolution in the ensuing 14<sup>th</sup> Annual General Meeting. Accordingly, necessary special resolution along with necessary statement setting out the material facts has been included in the agenda of the notice of the said meeting for the approval of the members.

### **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**

M.S. Jagannathan & Visvanathan, Chartered Accountants, Coimbatore were appointed as statutory auditors for a period of 5 consecutive years at the 11<sup>th</sup> annual general meeting of the Company held on August 26, 2017 subject to ratification by the shareholders at every annual general meeting. Consequent to the amendments made in the provisions of Section 139 of the Companies Act, 2013, the members, at their 12<sup>th</sup> Annual General Meeting, has approved to continue the appointment of M.S. Jagannathan & Visvanathan, Chartered Accountants, Coimbatore as statutory auditors for a period of 5 consecutive years till the conclusion of the 16<sup>th</sup> Annual General Meeting to be held in the year 2022 without ratification. Hence, no resolution for ratification of appointment of statutory auditors is included in the Notice convening the 14<sup>th</sup> Annual General Meeting. The Company has received a certificate from the statutory auditors to the effect that their appointment 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, 2020. A secretarial audit report given by the secretarial auditor in Form No. MR-3 is enclosed with this report as **Annexure VI**.

### **Cost Auditors**

The Company has made and maintained cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013. The Board of Directors, at their meeting held on June 25, 2020, 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 2020-21. 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 the ratification of their remuneration.

### **Particulars of employees**

There are no employees who are in receipt of remuneration in excess of the prescribed limits for the whole financial year 2019-20 or a part thereof during the year. Particulars pursuant to Rule 5 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, 2020 is 489.

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

The company has in place a policy for prevention of 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, if any. All employees (permanent, contractual, temporary and trainees) also are covered under this policy. However, there were no complaints received from any person or employee during the financial year 2019-20.

### **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. The particulars relating to the composition, meetings and functions of the committee has been disclosed in the Report on Corporate Governance under the head, 'Audit



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 on the company's website [www.elgirubber.com](http://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.

**By and on behalf of the Board  
For Elgi Rubber Company Limited**

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

Place : Coimbatore  
Date : June 25, 2020

## FORM No. MGT-9

## Extract of annual return as on the financial year ended on March 31, 2020

[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 – 641005, Tamil Nadu, India. Telephone No. : 0422-2321000 Fax No. : 0422-2322222 E-mail Id : info@in.elgirubber.com
vi)	Whether listed company	Yes
vii)	Name, address and contact details of registrar and transfer agent, if any	Link Intime India Private Limited (Coimbatore branch) CIN: U67190MH1999PTC118368 “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 / services	% to total turnover of the company
1	Manufacture of rubber products, tread rubber, reclaim rubber, retreading and rebuilding of rubber tyres	22119	100.00

## 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)



Sl. No.	Name and address of the company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
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)
6	Elgi Rubber Company LLC (Formerly known as Treadsdirect LLC, USA) 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)
8	Rubber Resources B.V. (subsidiary of Elgi Rubber Company Holdings B.V.,) Schoenerweg 36, 6222 NX Maastricht The Netherlands	Not applicable	Subsidiary	100.00	Section 2 (87)
9	Elgi Rubber Company B.V. (subsidiary of Elgi Rubber Company Holdings B.V.,) Koolhaaspark 15, 3864 PW Nijkerkerveen The Netherlands,	Not applicable	Subsidiary	100.00	Section 2 (87)
10	Rubber Compounding Holland B.V. (subsidiary of Elgi Rubber Company Holdings B.V.,) Koolhaaspark 15, 3864 PW Nijkerkerveen 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 April 1, 2019)				No. of shares held at the end of the year (As on March 31, 2020)				% of change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	27,699,078	-	27,699,078	55.34	27,709,065	-	27,709,065	55.36	0.02
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	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub - Total (A)(1)</b>	<b>32,004,253</b>	<b>-</b>	<b>32,004,253</b>	<b>63.94</b>	<b>32,014,240</b>	<b>-</b>	<b>32,014,240</b>	<b>63.96</b>	<b>0.02</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Others - Individual	-	-	-	-	-	-	-	-	-
c) Bodies corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
<b>Sub - Total (A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholding of promoter (A) = (A)(1)+(A)(2)</b>	<b>32,004,253</b>	<b>-</b>	<b>32,004,253</b>	<b>63.94</b>	<b>32,014,240</b>	<b>-</b>	<b>32,014,240</b>	<b>63.96</b>	<b>0.02</b>
<b>B. Public shareholding</b>									
<b>1. Institutions</b>									
a) Mutual funds	675	-	675	0.00	675	-	675	0.00	-
b) Banks / FI	350	-	350	0.00	350	-	350	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	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance companies	1,111,700	-	1,111,700	2.22	1,111,700	-	1,111,700	2.22	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub - Total (B)(1)</b>	<b>2,292,421</b>	<b>-</b>	<b>2,292,421</b>	<b>4.58</b>	<b>2,292,421</b>	<b>-</b>	<b>2,292,421</b>	<b>4.58</b>	<b>-</b>
<b>2. Non-Institutions</b>									
a) Bodies corporate									
i) Indian	2,602,642	1,359	2,604,001	5.20	2,485,386	1,359	2,486,745	4.97	(0.23)
ii) Overseas	-	-	-	-	-	-	-	-	-

Category of shareholders	No. of shares held at the beginning of the year (As on April 1, 2019)				No. of shares held at the end of the year (As on March 31, 2020)				% of change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	7,999,241	1,314,010	9,313,251	18.61	7,893,252	1,125,319	9,018,571	18.02	(0.59)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	2,471,774	185,850	2,657,624	5.31	2,785,986	-	2,785,986	5.57	0.26
iii) NBFCs registered with RBI	498	-	498	0.00	-	-	-	-	0.00
c) Others (specify)									
i) Individual directors	116	-	116	0.00	116	-	116	0.00	-
ii) Hindu Undivided Family	652,204	-	652,204	1.30	901,479	-	901,479	1.80	0.50
iii) NRI (Repatriate)	40,920	1,050	41,340	0.08	41,329	1,050	42,379	0.08	0.00
iv) NRI (Non-Repatriate)	34,718	-	34,718	0.07	35,726	-	35,726	0.07	0.00
v) Unclaimed shares	40,888	-	40,888	0.08	36,880	-	36,880	0.07	(0.01)
vi) IEPF	408,686	-	408,686	0.82	435,457	-	435,457	0.87	0.05
<b>Sub - Total (B)(2)</b>	<b>14,251,057</b>	<b>1,502,269</b>	<b>15,753,326</b>	<b>31.47</b>	<b>14,615,611</b>	<b>1,227,728</b>	<b>15,743,339</b>	<b>31.46</b>	<b>(0.02)</b>
<b>Total shareholding of promoter (B) = (B)(1)+ (B)(2)</b>	<b>16,543,478</b>	<b>1,502,269</b>	<b>18,045,747</b>	<b>36.06</b>	<b>16,908,032</b>	<b>1,227,728</b>	<b>18,035,760</b>	<b>36.04</b>	<b>(0.02)</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total (A+B+C)</b>	<b>48,547,731</b>	<b>1,502,269</b>	<b>50,050,000</b>	<b>100.00</b>	<b>48,922,272</b>	<b>1,227,728</b>	<b>50,050,000</b>	<b>100.00</b>	<b>-</b>

## ii) Shareholding of promoters

SI No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% of change in share holding 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	23,022,014	46.00	-	23,032,001	46.02	-	0.02
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	-	-
	<b>TOTAL</b>	<b>32,004,253</b>	<b>63.94</b>	<b>-</b>	<b>32,014,240</b>	<b>63.96</b>	<b>-</b>	<b>0.02</b>

## iii) Change in promoters' shareholding (please specify, if there is no change)

SI 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
<b>1</b>	<b>Sudarsan Varadaraj</b>				
	At the beginning of the year	23,022,014	46.00	23,022,014	46.00
	Increase on 29.06.2019 – Market purchase	9,987	0.02	23,032,001	46.02
	At the end of the year	23,032,001	46.02	23,032,001	46.02
<b>2</b>	<b>LRG Technologies Limited</b>				
	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
<b>3</b>	<b>Harsha Varadaraj</b>				
	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
<b>4</b>	<b>Varshini Varadaraj</b>				
	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
<b>5</b>	<b>Elgi Equipments Limited</b>				
	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
<b>6</b>	<b>Jairam Varadaraj</b>				
	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
<b>7</b>	<b>Sumanth R</b>				
	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
<b>8</b>	<b>Anvar Jay Varadaraj</b>				
	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
<b>9</b>	<b>Maya Jay Varadaraj</b>				
	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
<b>10</b>	<b>Varun Jay Varadaraj</b>				
	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):

SI 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
<b>1</b>	<b>The Tamilnadu Industrial Investment Corporation Limited</b>				
	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
<b>2</b>	<b>Shamyak Investment Private Limited</b>				
	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
<b>3</b>	<b>The Oriental Insurance Company Limited</b>				
	At the beginning of the year	763,127	1.52	763,127	1.52
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	763,127	1.52	763,127	1.52
<b>4</b>	<b>Prescient Securities Private Limited</b>				
	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
<b>5</b>	<b>Harsha Hitesh Javeri</b>				
	At the beginning of the year	479,689	0.96	479,689	0.96
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	479,689	0.96	479,689	0.96
<b>6</b>	<b>Chandrasekaran P #</b>				
	At the beginning of the year	197,577	0.39	197,577	0.39
	Increase on 27.06.2019 - Transfer	3,075	0.01	200,652	0.40
	Increase on 05.07.2019 - Transfer	7,278	0.01	207,930	0.42
	Increase on 12.07.2019 - Transfer	2,350	0.00	210,280	0.42
	Increase on 19.07.2019 - Transfer	10,538	0.02	220,818	0.44
	Increase on 26.07.2019 - Transfer	8,428	0.02	229,246	0.46
	Increase on 02.08.2019 - Transfer	20,431	0.04	249,677	0.50
	Increase on 09.08.2019 - Transfer	3,896	0.01	253,573	0.51
	Increase on 16.08.2019 - Transfer	19,952	0.04	273,525	0.55
	Increase on 20.09.2019 - Transfer	28,684	0.06	302,209	0.60
	Increase on 27.09.2019 - Transfer	2,092	0.00	304,301	0.61
	Increase on 18.10.2019 - Transfer	15,652	0.03	319,953	0.64
	Increase on 10.01.2020 - Transfer	60,884	0.12	380,837	0.76
	Increase on 17.01.2020 – Transfer	21,205	0.04	402,042	0.80
	Increase on 24.01.2020 – Transfer	3,840	0.01	405,882	0.81
	Increase on 31.01.2020 – Transfer	500	0.00	406,382	0.81
	Increase on 07.02.2020 – Transfer	13,670	0.03	420,052	0.84
	Increase on 14.02.2020 – Transfer	1	0.00	420,053	0.84
	Increase on 21.02.2020 – Transfer	27,301	0.05	447,354	0.89
	Increase on 28.02.2020 – Transfer	16,703	0.03	464,057	0.93
	Increase on 06.03.2020 – Transfer	8,260	0.02	472,317	0.94
	At the end of the year	472,317	0.94	472,317	0.94

SI 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
<b>7</b>	<b>National Insurance Company Limited</b>				
	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
<b>8</b>	<b>Nemish S Shah</b>				
	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
<b>9</b>	<b>Urmila D Shah</b>				
	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
<b>10</b>	<b>Hitesh Ramji Javeri</b>				
	At the beginning of the year	251,998	0.50	251,998	0.50
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	251,998	0.50	251,998	0.50
<b>11</b>	<b>Gagandeep Credit Capital Private Limited *</b>				
	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

\* Ceased to be in the list of Top 10 shareholders as on 31.03.2020. The same is reflected above since the shareholder was one of the top 10 shareholder as on 31.03.2019

# Not in the list of Top 10 shareholders as on 31.03.2019. The same is reflected above since the shareholder was one of the top 10 shareholder as on 31.03.2020

**v) Shareholding of directors and key managerial personnel:**

SI 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
<b>1</b>	<b>Sudarsan Varadaraj</b>				
	At the beginning of the year	23,022,014	46.00	23,022,014	46.00
	Increase on 29.06.2019 – Market purchase	9,987	0.02	23,032,001	46.02
	At the end of the year	23,032,001	46.02	23,032,001	46.02
<b>2</b>	<b>Jairam Varadaraj</b>				
	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
<b>3</b>	<b>M D Selvaraj</b>				
	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

SI 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
4	<b>S R Venkatachalam</b>				
	At the beginning of the year	100	0.00	100	0.00
	Increase / Decrease in shareholding during the year	-	-	-	-
	At the end of the year	100	0.00	100	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
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	1,080.71	184.15	-	1,264.86
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	5.25	0.28	-	5.53
<b>Total (i+ii+iii)</b>	<b>1,085.96</b>	<b>184.43</b>	<b>-</b>	<b>1,270.39</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	219.36	53.38	-	272.74
* Reduction	258.14	150.28	-	408.42
<b>Net Change</b>	<b>(38.78)</b>	<b>(96.90)</b>	<b>-</b>	<b>(135.68)</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	1,037.83	87.53	-	1,125.36
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	9.09	0.26	-	9.35
<b>Total (i+ii+iii)</b>	<b>1,046.92</b>	<b>87.79</b>	<b>-</b>	<b>1,134.71</b>

**VI. Remuneration of directors and key managerial personnel****A. Remuneration to managing director, whole-time directors and/or manager:**

(₹ In million)

SI 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	6.72
	(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	-
2	Stock Option	-
3	Sweat Equity	-
4	Commission	
	- as % of profit	-
	- others, specify	
5	Others, please specify	-
	<b>Total (A)</b>	<b>6.72</b>
	Ceiling as per the Act	As per section 197 of the Companies Act, 2013

**B. Remuneration to other directors**

(₹ In million)

SI No.	Name of directors	Particulars of remuneration			Total Amount
		Fee for attending board / committee meetings	Commission	Others, please specify	
<b>1</b>	<b>Independent directors</b>				
	M D Selvaraj	0.11	-	-	0.11
	P Vijay Raghunath	0.08	-	-	0.08
	V Bhuvaneshwari	0.11	-	-	0.11
	<b>Total (1)</b>	<b>0.30</b>	<b>-</b>	<b>-</b>	<b>0.30</b>
<b>2</b>	<b>Other non executive directors</b>				
	Jairam Varadaraj	0.04			0.04
	Suresh Jagannathan	0.08	-	-	0.08
	<b>Total (2)</b>	<b>0.12</b>	<b>-</b>	<b>-</b>	<b>0.12</b>
	<b>Total (B) = (1+2)</b>	<b>0.42</b>	<b>-</b>	<b>-</b>	<b>0.42</b>
	<b>Total managerial remuneration</b>				<b>7.14</b>
	Overall ceiling as per the Act	-	-	-	₹ 100,000 per meeting

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

(₹ In million)

SI No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		SR Venkatachalam, Chief Financial Officer	V Santhanakrishnan, Company Secretary	
<b>1</b>	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	3.25	0.68	3.93
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0.09	0.01	0.10
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
<b>2</b>	Stock Option	-	-	-
<b>3</b>	Sweat Equity	-	-	-
<b>4</b>	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
<b>5</b>	Others, please specify	-	-	-
	<b>Total</b>	<b>3.34</b>	<b>0.69</b>	<b>4.03</b>



**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	NIL	NIL	NIL	NIL	NIL
B. Directors Penalty Punishment Compounding					
C. Other officers in default Penalty Punishment Compounding					

**By and on behalf of the Board  
For Elgi Rubber Company Limited**

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

Place : Coimbatore  
Date : June 25, 2020

**ANNEXURE-II****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” or “Senior Management”** means the officers / personnel of the company who are members of its core management team excluding board of directors and comprise all members of management one level below the Chief Executive Officer / Managing Director / Whole-time Director / Manager including Chief Executive Officer / Manager, in case they are not part of the Board and 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 recommend to the Board, all remuneration, in whatever form, payable to 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 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.

**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 : ₹ 10.08 million****C. Foreign exchange earnings & outgo during the year**

Foreign exchange earned : ₹ 558.64 million

Foreign exchange outgo : ₹ 199.56 million

**By and on behalf of the Board  
For Elgi Rubber Company Limited**

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

Place : Coimbatore  
Date : June 25, 2020

## ANNEXURE-V

## 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, conservation of natural resources etc. These projects are by and large in accordance with Schedule VII of the Companies Act, 2013. The CSR spend is predominantly directed through the registered trust(s). The trusts expend the sums contributed by the company towards educational activities and activities for conservation of natural resources. CSR policy of the company is also uploaded on the website of the company [www.elgirubber.com](http://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 : ₹ 21.92 million

4. Prescribed CSR expenditure (two percent of the amount as in item 3 above) : ₹ 0.44 million

5. Details of CSR spent during the year:

- a) Total amount to be spent for the financial year : ₹ 0.50 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 programs: Local area or other Specify the state & district where projects or programs were undertaken	Amount outlay (budget) project or program wise	Amount spent on the project or program wise	Cumulative expenditures up to the reporting period	Amount spent direct or through implementing agencies
1.	Promoting Education & Rural Development	Education	Coimbatore, Tamil Nadu	0.40	0.40	0.40	Through Registered Trust
2.	Contribution to nature park	Conservation of natural sources	Coimbatore, Tamil Nadu	0.10	0.10	0.10	Through Registered Trust
<b>Total</b>				<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	

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.

Place : Coimbatore  
 Date : June 25, 2020

**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 ON 31ST MARCH 2020**

[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 and Pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

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, 2020** 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, 2020 according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii) The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Overseas Direct Investments;
- v) 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; and
  - e) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018
- vi) 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) The Listing Agreement entered into by the Company with the National Stock Exchange of India Limited;

During the year 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 pursuant 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 (Buy back of Securities) Regulations, 2018;

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 have 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 Director, Non-Executive Directors, Independent Directors and a Woman Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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 Committees 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 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.

**C N PARAMASIVAM**

Place : Coimbatore

**FCS No.: 4654**

Date : 25th June, 2020

**C P No.: 3687**

**UDIN: F004654B000381571**

***This report is to be read with my 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

Tamil Nadu, India

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 of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place : Coimbatore

**C N PARAMASIVAM**

**FCS No.: 4654**

Date : 25th June, 2020

**C P No.: 3687**

**UDIN: F004654B000381571**



## 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	23 : 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	:	4.21%
V Santhanakrishnan	-	Company Secretary	:	4.00%

**3. Percentage increase in the median remuneration of employees in the financial year : 4.00%****4. Number of permanent employees on the rolls of the Company : 489****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 2.57% 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 throughout the year and were drawing remuneration as stipulated under the rule 5(2) of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014.

**By and on behalf of the Board  
For Elgi Rubber Company Limited**

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

Place : Coimbatore  
Date : June 25, 2020

**Report on Corporate Governance – Annexure to Directors' Report****ANNEXURE-VIII**

(In compliance with Regulation 34(3) read with Schedule V of the 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**

- i. The board of directors of the company comprises of an Executive Chairman & Managing Director and five Non - Executive Directors [of which three (3) are Independent Directors including one (1) Woman Director]. Accordingly, the composition of the board of directors meets the requirement of Section 149 of the Companies Act, 2013 read with Regulation 17(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").
- ii. The composition of the board of directors and their attendance in the board meetings during the year and at the last annual general meeting held on August 12, 2019, and also the number of the other directorships are as follows

Name and DIN of the Director	Category of Directorship	Attendance Particulars			No. of other Directorship held in Public Companies *	No of committee positions held in all companies #	
		No. of Board meetings held	No. of Board meetings attended	AGM		Chairman	Member
Sudarsan Varadaraj (DIN: 00133533)	Chairman & Managing Director – Promoter	6	5	Yes	5	0	2
Jairam Varadaraj (DIN: 00003361)	Non executive – Promoter	6	4	No	8	1	4
MD Selvaraj (DIN: 00001608) @	Non executive – Independent	6	6	Yes	-	2	0
Suresh Jagannathan (DIN: 00011326)	Non executive – Non Independent	6	4	Yes	2	0	2
P Vijay Raghunath (DIN: 00002963) @	Non executive – Independent	6	4	No	3	1	2
V Bhuvaneshwari (DIN: 01628512) @	Non executive – Independent	6	6	No	2	0	2

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

# Only Audit Committee and Stakeholders Relationship Committee are considered

@M D Selvaraj (DIN: 00001608), P Vijay Raghunath (DIN: 00002963) and V Bhuvaneshwari (DIN: 01628512) were reappointed as the Independent Directors for a second term of 5 consecutive years with effect from September 27, 2019 vide the special resolutions passed at

the Annual General Meeting held on August 12, 2019.

**Disclosure of Directorships in other Listed Entities:**

Name of the Director	Details of the other listed entities where the Directors hold directorship	
	Name of the Listed Entity	Designation
Sudarsan Varadaraj (DIN: 00133533)	Kovilpatti Lakshmi Roller Flour Mills Limited (formerly "KLRF Limited")	Non Executive Non Independent Director
	Super Spinning Mills Limited	Non Executive Independent Director
	Elgi Equipments Limited	Non Executive Promoter Director
Jairam Varadaraj (DIN: 00003361)	Elgi Equipments Limited	Promoter Managing Director
	Precot Meridian Limited	Non Executive Independent Director
	Thermax Limited	Non Executive Independent Director
	Magna Electro Castings Limited	Non Executive Independent Director
MD Selvaraj (DIN: 00001608)	Nil	Not applicable
Suresh Jagannathan (DIN: 00011326)	Kovilpatti Lakshmi Roller Flour Mills Limited (formerly "KLRF Limited")	Promoter Managing Director
	Pricol Limited	Non Executive Independent Director
P Vijay Raghunath (DIN: 00002963)	Precot Meridian Limited	Non Executive Independent Director
V Bhuvaneshwari (DIN: 01628512)	Precot Meridian Limited	Non Executive Independent Director
	Kovai Medical Center and Hospital Limited	Non Executive Independent Director

None of the Directors holds directorship in more than 20 Companies (including limit of maximum directorships in 10 public companies) pursuant to the provisions of the Companies Act, 2013. Further, none of the Directors including Independent Directors hold directorships in more than the maximum number of Directorships prescribed under Regulation 17A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

The company has held at least one board meeting in every quarter and the gap between two consecutive meetings did not exceed one hundred and twenty days. The necessary quorum was present in all the meetings. Agenda papers were circulated to the directors in advance for each meeting. All relevant information as required under Schedule II of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 was placed before the board from time to time. Accordingly, six board meetings were held during the year and the date on which the board meetings were held and the particulars of attendance are as follows:

SI No	Date of board meeting	No of directors attended
1	20.05.2019	5
2	01.08.2019	6
3	14.11.2019	4
4	20.12.2019	3
5	13.02.2020	6
6	06.03.2020	5

**Shareholdings of non-executive directors**

<b>Name of director</b>	<b>No. of shares held (as on March 31, 2020)</b>
Jairam Varadaraj	141,750
MD Selvaraj	116
Suresh Jagannathan	-
P Vijay Raghunath	-
V Bhuvaneshwari	-

**Directors inter se relationship:**

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

**Chart/Matrix setting out the skills/expertise/competence of the Board of Directors**

The Board of Directors comprises of qualified members who bring in the required skills, competence and expertise that allow them to make effective decisions or contributions to the Board, its committees and the management.

The list of core skills / expertise / competencies identified by the Board of Directors as required in the context of Company's business vertical(s) and those already available with the Board are as follows:

<b>Core Skill/Expertise/Competencies</b>	<b>Description</b>
Industry skills	<ul style="list-style-type: none"> <li>Knowledge / experience in the manufacturing, sale and marketing of Retreaded Tyres and other technical products;</li> <li>Knowledge of the tyre industry and the products, business model and the market;</li> <li>Knowledge / experience in the area of Research and Development, in particular, in the technological fields that are relevant for the business of the Company;</li> <li>Broad range of commercial / business experience;</li> </ul>
Governance skills	<ul style="list-style-type: none"> <li>Knowledge / experience in the field of finance and accounting and audit and the ability to analyze and assess the key financial statements;</li> <li>Knowledge / experience in the governance, legal and compliance areas and the ability to identify key risks in a wide range of areas including legal and compliance risks;</li> <li>Knowledge / experience of the capital market and its developments;</li> <li>Ability to constructively manage crisis, provide leadership around solutions and contribute to communications strategy with stakeholders</li> </ul>
Personal attributes / Qualities	<ul style="list-style-type: none"> <li>Ability to understand the role and fulfillment of the duties and responsibilities of a Director while being transparent in disclosing potential conflict of interest, continue to self-educate on legal responsibility and ability to maintain board confidentiality;</li> <li>Ability to constructively contribute to board discussions and communicate effectively with management and other directors;</li> <li>Understand role as director and continue to self-educate on legal responsibility, ability to maintain board confidentiality;</li> </ul>

In the table below, the specific areas of focus or expertise of individual Board members have been highlighted.

<b>Name of the Director</b>	<b>Industry skills</b>	<b>Governance skills</b>	<b>Personal attributes / Qualities</b>
Sudarsan Varadaraj	✓	✓	✓
Jairam Varadaraj	✓	✓	✓
MD Selvaraj	✓	✓	✓
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 during the financial year 2019-20 are disclosed on the company's website at [www.elgirubber.com](http://www.elgirubber.com).

**b. Separate meeting of independent directors**

The meeting of independent directors of the company was held on February 13, 2020 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 management and the board in accordance with Schedule IV of the Companies Act, 2013 read with Regulation 25(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All the Independent Directors had attended the meeting.

**Confirmation on the fulfillment of the conditions of independence:**

Based on the declarations received from the Independent Directors, the Board of Directors are of the opinion that the Independent Directors fulfill the conditions specified in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013 and are independent of the management.

**Reappointment of Independent Directors / Resignation of Independent Directors before expiry of tenure:**

During the year, M D Selvaraj (DIN: 00001608), P Vijay Raghunath (DIN: 00002963) and V Bhuvaneshwari (DIN: 01628512) were reappointed as Independent Directors for a second term of 5 consecutive years with effect from September 27, 2019 vide the special resolutions passed at the Annual General Meeting held on August 12, 2019.

However, none of the Independent Directors have resigned before the expiry of their tenure during the year under review.

**3. Audit Committee**

The company has constituted an Audit Committee in line with the provisions of Section 177 of the Companies Act, 2013 read with Regulation 18 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The audit committee comprises of three Non-Executive Independent Directors and one Non-Executive Non-Independent Director 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 / re-appointment and remuneration payable to the statutory auditors.

During the year under review the committee has met 5 times on May 20, 2019, August 1, 2019, November 14, 2019, February 13, 2020 and March 6, 2020. The Chairman of the Audit Committee has attended the Annual General Meeting held on August 12, 2019.

The audit committee has MD Selvaraj as Chairman, Suresh Jagannathan, P Vijay Raghunath, and V Bhuvaneshwari as its Members. 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 2019 - 2020	
		Held	Attended
MD Selvaraj (Chairman)	Independent – Non Executive	5	5
Suresh Jagannathan (Member)	Non Independent – Non Executive	5	4
P Vijay Raghunath (Member)	Independent – Non Executive	5	4
V Bhuvaneshwari (Member)	Independent – Non Executive	5	5

The Chairman of the Audit Committee has attended the Annual General Meeting held on August 12, 2019. The representatives of both statutory and internal auditors of the company, the Chairman & Managing Director 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 annual financial statements for the financial year 2019-20, at their meeting held on June 25, 2020 before it was placed before the board.

#### 4. Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) has been constituted in accordance with Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Nomination and Remuneration Committee comprises of 3 Non-Executive Independent Directors and 1 Non-Executive Non-Independent Director.

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 nomination and remuneration committee has MD Selvaraj as Chairman, Suresh Jagannathan, P Vijay Raghunath, and V Bhuvaneshwari as its Members. During the year under review, the committee has met 3 times on May 20, 2019, August 1, 2019 and February 13, 2020. The composition of the nomination and remuneration committee and particulars of meetings attended by the members are given below

Name	Category	No of Meetings during the year 2019 - 2020	
		Held	Attended
MD Selvaraj (Chairman)	Independent – Non Executive	3	3
Suresh Jagannathan (Member)	Non Independent – Non Executive	3	3
P Vijay Raghunath (Member)	Independent – Non Executive	3	2
V Bhuvaneshwari (Member)	Independent – Non Executive	3	3

The chairman of the nomination and remuneration committee has attended the annual general meeting held on August 12, 2019.

The nomination and remuneration committee shall identify the persons, who are qualified to become directors of the company / who may be appointed as key managerial personnel / senior management personnel in accordance with the criteria laid down, recommend to the board their appointment and removal, to recommend to the board all remuneration, in whatever form, payable to senior management, to specify the manner for effective evaluation of performance of board, its committees and individual directors and also, shall carry out evaluation of every director's performance and the performance of the key managerial personnel and the senior management personnel.

The committee has carried out the evaluation of performance of every individual directors, key managerial personnel and the senior management personnel.

While recommending the appointment of the directors, key managerial personnel and senior management personnel, the nomination and remuneration committee considers criteria / attributes like qualification, expertise and experience of them in their respective fields. The nomination and remuneration committee has the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

The board of directors have adopted a nomination and remuneration policy, which, inter alia, deals with the criteria for appointment of the directors, key managerial personnel and senior management personnel and their remuneration. The nomination and remuneration policy is annexed to the board's report and it can also be accessed on company's website at [www.elgirubber.com](http://www.elgirubber.com).

#### Performance evaluation of non-executive and independent directors

The evaluation of the performance of the independent directors is based on their qualification, experience, knowledge and competency, ability to fulfill allotted functions / roles, ability to function as a team, pro-activeness, participation and attendance, commitment, contribution, integrity and ability to articulate independent views and judgement. Accordingly, the performance evaluation of independent directors has been conducted and the results have been communicated to the chairman of the board.

Pursuant to the provisions of the Companies Act, 2013 and as per Regulation 17(10) of the 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.

The Nomination and Remuneration Committee ("NRC") has evaluated the performance of every individual directors on the basis of the criteria approved by the Board.

## 5. Remuneration of Directors

Details of remuneration paid to the directors for the year ended March 31, 2020 are as follows:

### a) Executive Directors

Remuneration paid to Managing Director during the year is given below

Name	Service Contract	Salary (₹ in million)	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)
Jairam Varadaraj	0.04
MD Selvaraj	0.11
Suresh Jagannathan	0.08
P Vijay Raghunath	0.08
V Bhuvaneshwari	0.11

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 Board has constituted Stakeholders Relationship Committee (SRC) pursuant to the applicable provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015. 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 role of the Stakeholders' Relationship Committee covers all the areas specified in Part D of the Schedule II of the Listing Regulations.

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 2019 - 2020	
		Held	Attended
MD Selvaraj (Chairman)	Non-Executive Independent Director	19	18
Sudarsan Varadaraj (Member)	Chairman & Managing Director	19	9
P Vijay Raghunath (Member)	Non-Executive Independent Director	19	18

The chairman of the stakeholders relationship committee has attended the annual general meeting held on August 12, 2019.



Company secretary acts as secretary of the stakeholders relationship committee. 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 financial year 2019-20.

During the year, the company had received three complaints from shareholders and the said complaints were resolved satisfactorily by furnishing the requisite information / documents to the shareholder within the prescribed time.

Pursuant to Regulation 40(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a certificate on half-yearly basis confirming due compliance of share transfer formalities has been obtained by the company from a practicing company secretary and the same has been submitted to the stock exchange within the stipulated time.

#### Investors' complaints

The company has attended to the investors' grievances and correspondences within a maximum period of 15 days from the date of receipt of the same during the year 2019-20. There were no outstanding complaints as on March 31, 2020.

#### Number of shares transferred during 2019-20

Physical transfers	:	Nil
Transmissions	:	41 nos. constituting 44,996 shares
No. of pending share transfers / demat requests as on March 31, 2020	:	Nil
Average turnaround time	:	15 days for transmission of physical shares
Bad deliveries received	:	Nil

#### Unclaimed Suspense Account

Pursuant to Regulation 34(3) read with Schedule V of the 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 details of the Unclaimed Securities Suspense Account are given below

Particulars	Number of Shareholders	Number of Equity shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	30	40,888
Shares transferred to IEPF from unclaimed suspense account during the year	2	858
Number of shareholders who approached the Company for transfer of shares from suspense account during of the year	1	3,150
Number of shareholders to whom shares were transferred from suspense account during of the year	1	3,150
Aggregate number of shareholders and the outstanding shares in the suspense account lying as on March 31, 2020	27	36,880

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

All corporate benefits on such shares shall be credited to the unclaimed suspense account, as applicable for a period of seven years and thereafter be transferred in accordance with the provisions of Section 124(5) and Section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (IEPF Rules).

## 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 of Sudarsan Varadaraj, MD Selvaraj and Suresh Jagannathan as its members.



The CSR committee met four times during the year on May 20, 2019, August 1, 2019, November 14, 2019 and February 13, 2020. The attendance of the members of the meeting were as follows:

Name	Category	No. of Meetings during the year 2019 - 2020	
		Held	Attended
Sudarsan Varadaraj (Chairman)	Chairman & Managing Director	4	3
MD Selvaraj (Member)	Independent – Non Executive	4	4
Suresh Jagannathan (Member)	Non Independent – Non Executive	4	4

The committee evaluates and recommends the CSR projects/programmes to the board for approval. The company formulated CSR Policy, which is available on the website of the company viz. [www.elgirubber.com](http://www.elgirubber.com)

The Annual Report on CSR activities for the financial year 2019-20 forms part of the Board's Report.

#### **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.

#### **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 2016 - 2017	26.08.2017	11.30 AM	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	Nil
Annual General Meeting 2017 - 2018	09.08.2018	11.00 AM	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	1. Approval of the alteration of Main objects clause of the Memorandum of Association 2. Approval of the adoption of new sets of Articles of Association in line with the Companies Act, 2013
Annual General Meeting 2018 - 2019	12.08.2019	04.00 PM	Siruthuli, Noyyal Life Centre, Sungam Bye Pass Road, Coimbatore - 641 045	1. Re-appointment of M D Selvaraj (DIN: 00001608) as an Independent Director for a second term of 5 consecutive years 2. Re-appointment of P Vijay Raghunath (DIN: 00002963) as an Independent Director for a second term of 5 consecutive years 3. Re-appointment of V Bhuvaneshwari (DIN: 01628512) as an Independent Director for a second term of 5 consecutive years

No extra ordinary general meeting was held during the financial year 2019-20.

#### **Postal ballots**

No resolution was 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

- (1) The quarterly / half yearly unaudited financial and the annual audited financial results are normally published in Business Standard & Malai Murasu. The book closure and dividend declaration notices are published in Business Standard & Malai Murasu. The financial results are also placed on the company's website – [www.elgirubber.com](http://www.elgirubber.com)
- (2) The copies of the results are forwarded to concerned stock exchange immediately after they are approved by the Board for publication in their website. The company has a dedicated help desk with mail id [info@in.elgirubber.com](mailto:info@in.elgirubber.com) for providing necessary information to investors. Official news releases are made whenever it is considered necessary.
- (3) There were no specific presentations made to institutional investors or to the analysts during the year.

## 10. General Shareholder Information

### Annual General Meeting

Date	:	August 28, 2020
Time	:	10:00 AM
Venue	:	In view of the pandemic of COVID-19, the 14th Annual General Meeting will be held through Video Conferencing (VC) or Other Audio Visual Means (OAVM) for which purpose the Registered Office of the Company situated at 2000, Trichy Road, Coimbatore-641005, shall be deemed as the venue for the Meeting.

### Financial Year

Financial year ended	:	April 01, 2019 to March 31, 2020
		For the quarter and year ended March 31, 2020, the financial results were announced on June 25, 2020.
Date of Book Closure	:	August 22, 2020 to August 28, 2020 (both days inclusive)
Dividend payment date	:	The Board does not recommend a final dividend and therefore, the interim dividend of Rs.0.16 per equity share having face value of Rs.1/- each paid during the FY 2019-20 be confirmed as final dividend for the year ended March 31, 2020.

### Listing on Stock Exchange

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
Stock Code at the stock exchange	:	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	April 2019	May 2019	June 2019	July 2019	August 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
<b>High Price ₹</b>	25.00	28.90	27.90	22.50	20.00	20.00	18.95	20.75	19.00	21.95	21.50	17.65
<b>Low Price ₹</b>	22.00	18.75	17.55	16.05	15.05	15.30	15.15	15.80	14.60	15.00	16.05	10.10

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

2019-20	ELGIRUBCO SHARE PRICE DATA			NIFTY50 INDEX of NSE	
Month	High (in ₹)	Low (in ₹)	Volume (Nos.)	High	Low
April 2019	25.00	22.00	68,370	11856.15	11549.10
May 2019	28.90	18.75	156,884	12041.15	11108.30
June 2019	27.90	17.55	96,540	12103.05	11625.10
July 2019	22.50	16.05	153,681	11981.75	10999.40
August 2019	20.00	15.05	136,783	11181.45	10637.15
September 2019	20.00	15.30	122,058	11694.85	10670.25
October 2019	18.95	15.15	125,322	11945.00	11090.15
November 2019	20.75	15.80	212,303	12158.80	11802.65
December 2019	19.00	14.60	348,354	12293.90	11832.30
January 2020	21.95	15.00	307,979	12430.50	11929.60
February 2020	21.50	16.05	142,205	12246.70	11175.05
March 2020	17.65	10.10	159,416	11433.00	7511.10
<b>Closing price as on March 31, 2020 in ₹</b>					<b>11.10</b>
<b>Market capitalisation as on March 31, 2020 in (₹ In million)</b>					<b>555.56</b>

**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

The shares of the company are regularly traded and in no point of time the shares were suspended for trading in the stock exchange.

**Reconciliation of Share Capital Audit**

A qualified Company Secretary in whole-time practice has 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 only through the depository system (dematerialized form) except in case of request received for transmission or transposition of shares in terms of Regulation 40(1) of SEBI Listing Regulations, effective from April 1, 2019. The requests for transmissions or transpositions of shares held in physical form are processed within a period of 15 days from the date of receipt of the requisite documents by Link Intime India Private Limited (RTA), 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.

Members holding shares in physical form are requested to consider converting their holdings to dematerialized form at the earliest and avail of the various benefits of dealing in securities in electronic/dematerialized form. The shareholders have the option to hold Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).

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

Shares under lock – in : Nil

**Shareholding Pattern**

Category	No. of Shares	% of Shareholding
Directors and their relatives	27,700,389	55.34
Domestic Companies	6,791,920	13.57
Non Domestic Companies	Nil	Nil
Mutual Funds	675	0.00
Commercial Banks	350	0.00
Non Resident Indians	78,105	0.16
Public Financial Institutions	2,291,396	4.58
Foreign Institutional Investors	Nil	Nil
Resident Individuals	13,187,165	26.35
<b>Total</b>	<b>50,050,000</b>	<b>100.00</b>

**Distribution of Shareholding**

Range of Shareholding	No. of Shares	% of Shareholders	No. of Shareholders	% of Shareholding
0001 - 5000	5,459,486	10.91	9,432	96.20
5001 - 10000	1,457,050	2.91	208	2.12
10001 - 20000	1,070,370	2.14	78	0.80
20001 - 30000	577,786	1.15	24	0.24
30001 - 40000	575,643	1.15	17	0.17
40001 - 50000	362,098	0.72	8	0.08
50001 - 100000	593,809	1.19	9	0.09
100000 and above	39,953,758	79.83	29	0.30
<b>Total</b>	<b>50,050,000</b>	<b>100.00</b>	<b>9,805</b>	<b>100.00</b>

**Number of Shareholders as on March 31, 2020** : 9,805

**Dematerialization of shares and liquidity** : 48,922,272 Equity shares accounting for nearly 97.75% of the paid up capital of the Company have been dematerialised as on March 31, 2020. 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 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, Vellalore, Kottayi, Chengalpet, Sriperumbudur, Sri Lanka, Kenya, Brasil, USA and the Netherlands.

**Address for Correspondence:**

For annual report, transmission of shares, dividend on shares, change of address & other query relating to shares of the Company and investors correspondence, may be addressed to

: Link Intime India Private Limited  
 "Surya", 35, May Flower Avenue,  
 Behind Senthil Nagar, Sowripalayam,  
 Coimbatore – 641028, Tamilnadu  
 Ph: 91 - 0422 - 2314 792 / 2315 792  
 E-Mail: coimbatore@linkintime.co.in  
 Contact Person: S. Dhanalakshmi

**Contact address for Shareholders**

: V Santhanakrishnan  
Company Secretary & Compliance Officer  
Regd. Office: Elgi Rubber Company Limited,  
2000, Trichy Road, Coimbatore – 641005, Tamil Nadu  
Phone: (0422) – 232 1000  
Fax : (0422) – 232 2222  
Email : info@in.elgirubber.com

**11. Disclosures**

**(1) 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](http://www.elgirubber.com).

**(2) 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.

**(3) 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 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.

**(4) 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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The company has not adopted any other non- mandatory requirements.

**(5) 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](http://www.elgirubber.com).

**Material unlisted subsidiary**

As per the provisions of Regulation 24(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the company has appointed P.Vijay Raghunath (DIN: 0002963), Independent Director of the company, as a Director on the Board of Elgi Rubber Company Holdings B.V., The Netherlands, a material subsidiary with effect from November 28, 2019.

Other than the above, the company did not have any material unlisted subsidiary company which is subject to special governance norms in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**(6) Commodity price risk and commodity hedging activities**

During the financial year ended March 31, 2020, the company did not engage in commodity hedging activities.

**(7) Accounting Treatment**

In the preparation of the financial statements for the year ended March 31, 2020, the company has followed the applicable Indian accounting standards (Ind AS) as 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.

**(8) 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 above.

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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

14. Credit Rating:

The Company does not have any Debt instruments or fixed deposit programme or any scheme involving mobilization of funds either in India or abroad that requires Credit Rating as on March 31, 2020.

15. Other disclosures:

- The Company has not raised any funds through preferential allotment or qualified institutional placement as specified under Regulation 32 (7A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- A certificate from a Company Secretary in practice that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Security Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority has been obtained and is annexed to this report
- During the year under review, the recommendations made by the different Committees have been accepted and there were no instances where the Board of Directors had not accepted any recommendation of the Committees.
- The Company has paid a sum of ₹ 1.15 million as fees on consolidated basis to the Statutory auditor and all entities in the network firm / entity of which the Statutory auditor is a part for the services rendered by them.
- As per the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company has constituted an Internal Complaints Committee. During the year 2019-20, no complaint was received by the committee. As such, there are no complaints pending as at the end of the financial year.

**16. Certificate from CEO/CFO**

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 June 25, 2020 as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Code of Conduct**

The Company has framed a 'Code of conduct to regulate, monitor and report trading by designated persons' based on SEBI (Prohibition of Insider Trading) Regulations, 2015. This code is applicable to all directors / officers / designated persons. 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 the 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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and I hereby affirm compliance with the said code of conduct for the financial year 2019-20.

**By and on behalf of the Board  
For Elgi Rubber Company Limited**

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

Place : Coimbatore  
Date : June 25, 2020

### Auditors' Certificate on Corporate Governance

To

The Members of **M/s Elgi Rubber Company Limited**

We have examined the compliance of conditions of Corporate Governance by Elgi Rubber Company Limited ('the Company') for the year ended March 31, 2020 as per relevant Regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

#### Managements' Responsibility

The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

#### Auditors' Responsibility

Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have examined the books of account and other relevant records and documents maintained by the Company for the purpose of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

We have carried out an examination of the relevant records of the company in accordance with the Guidance Note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India, the standards on Auditing specified under section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India, which requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

#### Opinion

Based on our examination of the relevant records and to the best of our information and according to the explanations given to us and the representation provided by the management, we certify that the Company has complied with the conditions of Corporate Governance as specified in the relevant Regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), as applicable during the year ended 31st March 2020.

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

**For M S Jagannathan and Visvanathan**  
Chartered Accountants  
FRN : 001209S

Place : Coimbatore  
Date : June 25, 2020

**M V Jeganathan**  
M No 214178  
UDIN: 20214178AAAABX5617



**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

**(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)**

To

The Members,

**Elgi Rubber Company Limited**

CIN: L25119TZ2006PLC013144

2000 Trichy Road, Singanallur,

Coimbatore – 641005

Tamil Nadu, India

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **M/s. Elgi Rubber Company Limited** having CIN: L25119TZ2006PLC013144 and having registered office at 2000, Trichy Road, Singanallur, Coimbatore-641 005, Tamil Nadu, India (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company, as stated below for the Financial Year ending on 31st March, 2020, have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sl. No.	Name of the Director	DIN	Date of Appointment in Company
1.	Mr. Sudarsan Varadaraj, Chairman & Managing Director	00133533	16-10-2006
2.	Dr. Jairam Varadaraj	00003361	06-01-2011
3.	Mr. Muthuswamy Doraiswami Selvaraj	00001608	06-01-2011
4.	Mr. Suresh Jagannathan	00011326	06-01-2011
5.	Mr. Panchapakesan Vijay Raghunath	00002963	06-01-2011
6.	Mrs. Vidyasankar Bhuvaneshwari	01628512	31-07-2014

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate 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.

Place : Coimbatore

Date : 25th June, 2020

**C N PARAMASIVAM**

**FCS No.: 4654**

**C P No.: 3687**

**UDIN: F004654B000381646**



Independent Auditor's Report

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

Report on the audit of the Standalone Indian Accounting Standards (Ind AS) Financial Statements

Opinion

1. We have audited the Standalone Financial Statements of Elgi Rubber Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss, (including the statement of Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Standalone Financial Statements").
2. 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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the profit and total comprehensive income and changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Act and the Rules made thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. 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.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Standalone financial statements section of our report, including in relation to these matters.

S.No.	Key Audit Matter	Auditor's Response
1.	<p><b>Adoption of Ind AS 116, Leases</b></p> <p>As described in Note 3(n) to the standalone financial statements, during the current year the Company has adopted Ind AS 116, Leases ('Ind AS 116'), the new standard on lease accounting. The application and transition to this accounting standard is complex and is an area of focus in our audit as the Company has large number of leases with different contractual terms.</p> <p>Ind AS 116 introduces a new lease accounting model wherein lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet. The lease liabilities are initially measured by discounting future lease payments during the lease term as per the contract/ arrangement. Adoption of the standard involves significant judgements and estimates including, determination of the discount rates and the lease term.</p> <p>The Company adopted the modified retrospective approach method to transition to Ind AS 116, consequently comparative financial information was not restated.</p> <p>Additionally, the standard mandates detailed disclosures with respect of transition.</p> <p>Refer Note 6 and Note 47 to the standalone financial statements.</p>	<p><b>Principal Audit Procedures</b></p> <p>Our audit procedures on adoption of Ind AS 116 include the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and implementation of the processes and internal controls relating to implementation of the new lease standard.</li> <li>• Based on our evaluation of the contractual agreements entered into and our knowledge of the business, assessed the appropriateness of the leases identified by the Company.</li> <li>• Evaluated the discount rates used in computing the lease liabilities.</li> <li>• On transition to Ind AS 116 with effect from 1 April 2019:                     <ul style="list-style-type: none"> <li>Evaluated the method of transition and related adjustments.</li> <li>Tested completeness of the lease data by reconciling the Company's operating lease commitments as at 31 March 2019 to data used in computing the ROU asset and related lease liabilities.</li> <li>• For new / modified leases, tested the lease accounting and estimates/ judgments used by the Company.</li> <li>• Evaluated the appropriateness of the accounting policy, disclosures provided under the new lease standard and assessed the completeness and mathematical accuracy of the relevant disclosures, including those related to transition.</li> </ul> </li> </ul>

S.No.	Key Audit Matter	Auditor's Response
2.	<b>Recoverability of Income tax assets and Receivables from Government authorities</b>  As at March 31, 2020, non-current assets in respect of Income tax assets to the extent of Rs. 38.41 million and Receivable from government authorities to the extent of Rs. 28.68 million are outstanding.	<b>Principal Audit Procedures</b>  We analyzed and reviewed the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. The income tax assets represent excess taxes paid over the actual expected tax liabilities; the amounts receivable from government authorities represent input tax credits eligible for set off and as such we considered and concluded that these recoverable are sustainable upon final resolution.
3.	<b>Evaluation of uncertain tax positions</b>  The Company has no material uncertain tax positions including matters under dispute which involves significant judgment to determine the possible outcome of these disputes. (Refer note 45)	<b>Principal Audit Procedures</b>  We obtained details of completed tax assessments and demands received upto the end of the financial year and till the date of finalization of our report, from management. We analyzed the management's underlying assumptions in estimating the tax provision and the possible outcome of the disputes. We considered legal precedence and other rulings in evaluating management's position on these uncertain tax positions. Additionally, we considered the effect of new information in respect of uncertain tax positions to evaluate whether any change was required to management's position on these uncertainties.

We have determined that there are no other key audit matters to communicate in our report.

#### Information Other than the Standalone Financial Statements and Auditor's Report thereon

5. The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Standalone Financial Statements and our report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Management's Responsibility and those charged with governance for the Standalone Financial Statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Standalone Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material

misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

8. As required by Section 143(3) of the Act, based on our audit 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 including Other Comprehensive Income, Statement of Changes in Equity and the Cash Flow statement dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS 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, 2020 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2020 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”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act, as amended:  
  
In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
  - h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i) The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer note no.45 to the standalone Financial Statements.
    - ii) The company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
9. As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”) issued by the Central Government in terms of Section 143(11) of the Act, we give in “Annexure A” a statement on the matters specified in paragraphs 3and 4 of the Order.

**For M S Jagannathan and Visvanathan**  
Chartered Accountants  
FRN : 001209S

Place : Coimbatore  
Date : June 25, 2020

**M V Jeganathan**  
M No 214178  
UDIN: 20214178AAAABX5617

### **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, 2020.

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. According to the information and explanations given to us and the records examined by us, we report that, the title deeds, comprising all the immovable properties which are freehold, are held in the name of the company as at the balance sheet date. Immovable properties of whose title deeds have been pledged as security for Borrowings taken from Banks are held in the name of the company as confirmed by the respective banks and verified with the Memorandum of deposit of title deeds as produced to us. In respect of freehold assets, these have been confirmed by the Company.
2.
  - a. The physical verification of inventory excluding stocks with third parties has been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

- c. In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification as compared to the book records.
- 3 a. The Company has granted unsecured loans amounting to INR 872.40 million to 4 subsidiaries 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.
- b. In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.
- c. In respect of the loans granted, Company considering the pandemic situation on account of Covid-19, restructured the repayment schedule for principle and interest and as per the restructured agreement repayment of principle and interest for the year does not arise.
- d. In respect of the above loans, considering the restructured agreement, 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 and accordingly paragraph 3(v) of the order is not applicable
- 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 including Employees Provident Fund, Employees State Insurance, Income Tax, Goods and Services Tax, Customs Duty, 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, following are the dues of income tax, Goods and Services Tax and Customs Duty which have not been deposited on account of disputes:

Name of the statute	Nature of dues	Amount (₹ in million)	Period to which amount relates	Forum where dispute is pending
Income tax (erstwhile Elgitread India Limited)	Disallowance of depreciation on windmills and special deduction on windmill income	11.16	FY 2006 - 07	Madras High Court
Income tax	Non deduction of tax deducted at source on foreign payments	2.74	FY 2011 - 12	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
Excise Duty (Erstwhile Treadsdirect Ltd)	Differential duty on own consumption	5.27	FY 2006-07	CESTAT, Bengaluru
Excise Duty (Erstwhile Treads direct Ltd)	Valuation dispute	0.45	FY 2006-07 to 2009-10	CESTAT, Chennai
Excise Duty (Erstwhile Treads direct Ltd)	Valuation dispute	4.36	FY 2009-14	Commissioner (Appeals) Cochin
Excise Duty (Erstwhile Treads direct Ltd)	Valuation dispute	1.33	FY 2014-15	Commissioner (Appeals), Cochin
Excise Duty (Erstwhile Treadsdirect Ltd)	Valuation dispute	0.60	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 pending
Excise Duty (Erstwhile Treadsdirect Ltd)	Valuation dispute	0.16	FY 2016-17	Commissioner (Appeals), Cochin
Legal Metrology	Compounding Fee	0.15	FY 2015-16	Hon'ble High Court Kerala
Service tax (Erstwhile Titan Tyrecare Products Ltd)	Service Tax on Know how	1.47	FY 2008-09	CESTAT, Chennai
VAT (Erstwhile TreadsdirectLtd)	Levy of Entry Tax on Rubber Products	0.13	FY 2004-05	Deputy Commissioner, Bhopal
VAT (Erstwhile TreadsdirectLtd)	Dispute on rate of tax	8.34	FY 2008-09 to 2010-11	Appellate Tribunal, Hyderabad
VAT (Erstwhile Treadsdirect Ltd)	Dispute on rate of tax	2.08	FY 2008-09 to 2010-11	Appellate Tribunal, Hyderabad
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	12.06	FY 2010-11 to 2012-13	Hon'ble High Court of Chennai
VAT (Erstwhile Treadsdirect Ltd)	Sale / Purchase effected after RC cancellation	20.54	FY 2010-11	Hon'ble High Court of Kerala
VAT (Erstwhile Treadsdirect Ltd)	ITC Reversal on VAT Dispute	1.20	FY 2011-12	Deputy Commissioner Appeals - Palakkad
CST (Erstwhile Treadsdirect Ltd)	Non-submission of documents	1.50	FY 2011-12	Deputy Commissioner Appeals - Palakkad
VAT (Erstwhile Treadsdirect Ltd)	Non-submission of documents	5.64	FY 2010-11	Appellate and Revisional board of Commercial Taxes, Kolkatta
VAT (Erstwhile Treadsdirect Ltd)	Non-submission of documents	2.34	FY 2011-12	Sales Tax Officer (STO) Kolkatta
VAT (Elgi Rubber Company Ltd)	Goods detained by Roving sward at Villupuram check post	0.07	FY 2016-17	Madras High Court
VAT (Elgi Rubber Company Ltd)	ITC Reversal on VAT Dispute	1.46	FY 2011-12 to 2012-13	Deputy Commissioner Appeals - Palakkad
CST (Erstwhile Treadsdirect Ltd)	Dispute on C-Forms submitted	0.86	FY 2010-11	Deputy Commissioner Appeals, Palakkad
VAT (Erstwhile Treadsdirect Ltd)	ITC Reversal Dispute	2.67	FY 2012-13	Deputy Commissioner Appeals - Palakkad
CST (Erstwhile Treadsdirect Ltd)	Non-submission of documents	2.32	FY 2012-13	Deputy Commissioner Appeals, Palakkad
CST (Erstwhile TreadsdirectLtd)	Non-submission of documents	4.62	FY 2013-14	Deputy Commissioner Appeals, Palakkad
CST (Erstwhile Treadsdirect Ltd)	Non-submission of documents	3.00	FY 2014-15	Deputy Commissioner Appeals, Palakkad
VAT (Erstwhile Treadsdirect Ltd)	ITC Reversal	1.06	FY 2015-16	Deputy Commissioner Appeals, Palakkad



Name of the statute	Nature of dues	Amount (in million)	Period to which amount relates	Forum where dispute is pending
GST (Elgi Rubber Company Limited)	Defective E-way bill	0.08	2018-19	Assistant Excise & Taxation officer (Enf.), Gurugram (North)
CST (Erstwhile Treadsdirect Ltd)	Non-submission of documents	4.26	FY 2015-16	Deputy Commissioner Appeals, Palakkad
CST (Elgi Rubber Company Ltd)	Non-submission of documents	1.00	FY 2016-17	Deputy Commissioner Appeals, Palakkad
CST (Elgi Rubber Company Ltd)	Non-submission of documents	1.00	FY 2012-13	Deputy Commissioner Appeals, Palakkad
CST (Elgi Rubber Company Ltd)	Non-submission of documents	0.59	FY 2013-14	Deputy Commissioner Appeals, Palakkad
CST (Elgi Rubber Company Ltd)	Non-submission of documents	0.15	FY 2014-15	Deputy Commissioner Appeals, Palakkad
CST (Elgi Rubber Company Ltd)	Non-submission of documents	0.51	FY 2015-16	Deputy Commissioner Appeals, Palakkad
VAT (Erstwhile Treadsdirect Ltd)	ITC reversal dispute	2.59	FY 2014-15	Deputy Commissioner Appeals, Palakkad
VAT (Elgi Rubber Company Ltd)	Checkpoint cross verification	1.02	FY 2012-13	Deputy Commissioner Appeals, Palakkad
CST (Erstwhile Treadsdirect Ltd)	Non-submission of documents	0.67	FY 2016-17	Senior Joint Commissioner, Kolkatta
CST (Erstwhile Treadsdirect Ltd)	Non-submission of documents	0.49	FY 2017-18	Senior Joint Commissioner, Kolkatta

- 8 According to the records of the Company examined by us and on the basis of information and explanations given to us and considering the moratorium availed and approved by the banks, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government as at the balance sheet date.
- 9 In our opinion, and according to the information and explanations given to us, the moneys raised by way of term loans have been applied for the purposes for which they were obtained. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments).
- 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 According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- 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 According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with Directors or persons connected with him. Accordingly paragraph 3(xv) of the Order is not applicable.

- 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 **M S Jagannathan and Visvanathan**  
Chartered Accountants  
FRN : 001209S

Place : Coimbatore  
Date : June 25, 2020

**M V Jeganathan**  
M No 214178  
UDIN: 20214178AAAABX5617

### **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 Ind AS Financial Statements for the year ended March 31, 2020.

### **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, 2020 in conjunction with our audit of the standalone Ind AS 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. 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 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") and the Standards on Auditing as specified 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 Institute of Chartered Accountants of India. 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
- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;



- ii. 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
- iii. 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, 2020, 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 **M S Jagannathan and Visvanathan**  
Chartered Accountants  
FRN : 001209S

Place : Coimbatore  
Date : June 25, 2020

**M V Jeganathan**  
M No 214178  
UDIN: 20214178AAAABX5617

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**Standalone Financial Statements for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Balance Sheet as at March 31, 2020**

Particulars	Notes	March 31, 2020	March 31, 2019
<b>I. ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	673.71	752.53
Intangible Assets	4	5.54	13.80
Capital work in progress	5	109.46	95.96
Right-of-use assets	6	7.52	-
Financial assets			
i. Investments	7	499.79	544.18
ii. Loans	8	985.48	598.06
iii. Other financial asset	9	16.50	17.23
Deferred tax asset (Net)	10	106.26	109.64
Other non-current assets	11	133.36	133.29
<b>Total non-current assets</b>		<b>2,537.62</b>	<b>2,264.69</b>
<b>Current assets</b>			
Inventories	12	618.03	627.80
Financial assets			
i. Trade receivables	13	458.83	682.24
ii. Cash and cash equivalents	14	7.80	10.92
iii. Bank balances other than (ii) above	15	205.61	243.01
iv. Loans	16	2.87	2.83
v. Other financial assets	17	0.34	0.34
Other current assets	18	169.10	239.94
<b>Total current assets</b>		<b>1,462.58</b>	<b>1,807.08</b>
<b>TOTAL ASSETS</b>		<b>4,000.20</b>	<b>4,071.77</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	19	50.05	50.05
Other equity	20	2,593.06	2,540.01
<b>Total equity</b>		<b>2,643.11</b>	<b>2,590.06</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
i. Borrowings	21	470.11	507.50
ii. Lease liability	22	4.97	-
Provisions	23	-	0.15
<b>Total non-current liabilities</b>		<b>475.08</b>	<b>507.65</b>
<b>Current liabilities</b>			
Financial liabilities			
i. Borrowings	24	566.88	672.92
ii. Trade payables	25		
a. Outstanding dues of micro & small enterprises		2.44	2.85
b. Outstanding dues other than (a) above		122.83	131.18
Provisions	26	2.54	4.23
Other current liabilities	27	187.32	162.88
<b>Total current liabilities</b>		<b>882.01</b>	<b>974.06</b>
<b>Total liabilities</b>		<b>1,357.09</b>	<b>1,481.71</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,000.20</b>	<b>4,071.77</b>

The accompanying notes form an integral part of the standalone financial statements.

For and on behalf of the Board

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

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer

Coimbatore  
June 25, 2020

**V Santhanakrishnan**  
Company Secretary

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S

**MV Jeganathan**  
Partner  
Membership No. 214178

## Annual Report 2019-20

### Standalone Financial Statements for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

#### Statement of Profit and Loss for the year ended March 31, 2020

Particulars	Notes	March 31, 2020	March 31, 2019
<b>Income</b>			
Revenue from operations	28	1,843.15	2,028.81
Other income	29	178.82	96.51
<b>TOTAL INCOME</b>		<b>2,021.97</b>	<b>2,125.32</b>
<b>Expenses</b>			
Cost of materials consumed	30	943.90	969.29
Purchase of stock in trade	31	221.43	284.45
Changes in inventories of finished goods, work-in-progress and stock-in-trade	32	(35.56)	30.17
Employee benefits expense	33	234.66	235.87
Depreciation and amortisation expense	34	76.54	78.58
Finance costs	35	109.53	115.80
Other expenses	36	488.17	422.07
<b>TOTAL EXPENSES</b>		<b>2,038.67</b>	<b>2,136.23</b>
<b>Profit before exceptional items and tax</b>		<b>(16.70)</b>	<b>(10.91)</b>
Exceptional items	37	78.09	12.52
<b>Profit before tax from continuing operations</b>		<b>61.39</b>	<b>1.61</b>
Income tax expense	38		
Current tax (MAT)		-	2.01
Deferred tax		(0.98)	(5.27)
Income tax related to earlier year		4.41	0.31
<b>Profit after tax for the year</b>		<b>57.96</b>	<b>4.56</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit obligations		6.87	0.22
Income tax relating to these items		(1.73)	(0.06)
<b>Other comprehensive income for the year, net of tax</b>		<b>5.14</b>	<b>0.16</b>
<b>Total comprehensive income for the year</b>		<b>63.10</b>	<b>4.72</b>
<b>Earnings per share</b>	39		
Basic (in ₹)		1.16	0.09
Diluted (in ₹)		1.16	0.09

The accompanying notes form an integral part of the standalone financial statements.

For and on behalf of the Board

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

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer

**V Santhanakrishnan**  
Company Secretary

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S

**MV Jeganathan**  
Partner  
Membership No. 214178

Coimbatore  
June 25, 2020

**Standalone Financial Statements for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Cash Flow Statement for the year ended March 31, 2020**

Particulars	March 31, 2020	March 31, 2019
<b>A. Cash Flow from Operating activities</b>		
Profit before taxation	61.39	1.61
Adjustments for		
Depreciation and amortisation expense	76.54	78.58
(Profit)/ Loss on sale of fixed asset	(10.65)	(8.81)
(Profit)/ Loss on sale of Investments	-	3.58
Fair Value changes of investments considered to profit and loss	44.39	3.12
Interest received	(64.92)	(59.40)
Finance costs	109.53	115.80
Dividend Income	(4.93)	(4.70)
<b>Operating profit before working capital changes</b>	<b>211.35</b>	<b>129.78</b>
<b>Change in operating assets and liabilities</b>		
(Increase)/ decrease in loans	(0.04)	(0.42)
(Increase)/ decrease in Other financial assets	0.73	1.89
(Increase)/ decrease in inventories	9.78	54.80
(Increase)/ decrease in trade receivables	223.41	(151.28)
(Increase)/ decrease in Other assets	(31.17)	43.96
Increase/ (decrease) in provisions and other liabilities	25.44	50.88
Increase/ (decrease) in trade payables	(8.76)	6.52
<b>Cash generated from operations</b>	<b>430.74</b>	<b>136.13</b>
Income taxes paid (net of refunds)	(1.31)	4.98
<b>Net cash flow from operating activities (A)</b>	<b>429.43</b>	<b>141.11</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Property, Plant and Equipment (including movements in CWIP)	(58.93)	(82.63)
Sale proceeds of Property, Plant and Equipment	70.09	67.12
(Purchase)/ disposal proceeds of Investments	-	17.00
(Investments in)/ Maturity of fixed deposits with banks	37.24	(1.49)
Loans to subsidiaries (net)	(387.43)	(67.91)
Interest income	163.64	18.47
Dividend Income	4.93	4.70
<b>Net cash used in investing activities (B)</b>	<b>(170.46)</b>	<b>(44.74)</b>
<b>C. Cash Flow from Financing activities</b>		
Proceeds from/ (repayment of) long term borrowings	(37.39)	216.46
Proceeds from/ (repayment of) short term borrowings	(106.04)	(199.42)
Finance costs	(105.69)	(114.11)
Dividend paid	0.25	(0.06)
Dividend transferred to Investor Education and Protection Fund	(0.40)	(0.63)
Interim Dividend paid (Including dividend distribution tax)	(9.66)	
Payment of lease liabilities	(3.16)	
<b>Net cash from/ (used in) financing activities (C)</b>	<b>(262.09)</b>	<b>(97.76)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(3.12)</b>	<b>(1.39)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>10.92</b>	<b>12.31</b>
<b>Cash and cash equivalents at end of the year</b>	<b>7.80</b>	<b>10.92</b>

**Notes :**

1. The above cash flow statement has been prepared under indirect method prescribed in Ind AS 7 "Cash Flow Statements".

2. Components of cash and cash equivalents

Balances with banks		
Current accounts	6.87	9.46
Cash on hand	0.93	1.46
<b>Total cash and cash equivalents</b>	<b>7.80</b>	<b>10.92</b>

The accompanying notes form an integral part of the standalone financial statements.

For and on behalf of the Board

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

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer

Coimbatore  
June 25, 2020

**V Santhanakrishnan**  
Company Secretary

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S

**MV Jeganathan**  
Partner  
Membership No. 214178

## Annual Report 2019-20

### Standalone Financial Statements for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

#### Statement of Changes in Equity for the year ended March 31, 2020

##### (A) Equity Share Capital

Balance at the beginning of April 1, 2018	50.05
Changes in equity share capital during the year	—
<b>Balance at the end of March 31, 2019</b>	<b>50.05</b>
Changes in equity share capital during the year	—
<b>Balance at the end of March 31, 2020</b>	<b>50.05</b>

##### (B) Other Equity

Particulars	Capital Reserve	Securities Premium	Other Comprehensive Income	General Reserve	Retained Earnings	Total
<b>Balance at the end of April 1, 2018</b>	<b>173.28</b>	<b>1.90</b>	<b>-</b>	<b>1,266.42</b>	<b>1,093.69</b>	<b>2,535.29</b>
Additions/ (deductions) during the year	-	-	0.16	-	4.56	4.72
Total Comprehensive Income for the year	-	-	(0.16)	-	0.16	-
<b>Balance as at March 31, 2019</b>	<b>173.28</b>	<b>1.90</b>	<b>-</b>	<b>1,266.42</b>	<b>1,098.41</b>	<b>2,540.01</b>
Impact on adoption of Ind AS 116 on retained earning	-	-	-	-	(0.39)	(0.39)
Interim Dividend Paid	-	-	-	-	(8.01)	(8.01)
Taxes on Dividend Paid	-	-	-	-	(1.65)	(1.65)
Additions/ (deductions) during the year	-	-	5.14	-	57.96	63.10
Total Comprehensive Income for the year	-	-	(5.14)	-	5.14	-
<b>Balance as at March 31, 2020</b>	<b>173.28</b>	<b>1.90</b>	<b>-</b>	<b>1,266.42</b>	<b>1,151.46</b>	<b>2,593.06</b>

The accompanying notes form an integral part of the standalone financial statements.

For and on behalf of the Board

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

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer

**V Santhanakrishnan**  
Company Secretary

Coimbatore  
June 25, 2020

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S

**MV Jeganathan**  
Partner  
Membership No. 214178

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**1 Company Overview**

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.

**2 Basis of preparation of financial statements**

**Statement of compliance**

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

**Basis of preparation and presentation**

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- a) Derivative financial instruments
- b) Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Use of estimates**

The preparation of financial statements in conformity with Indian Accounting Standards (Ind AS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.

**Estimation uncertainty relating to COVID-19 outbreak:**

The Company has considered internal and certain external sources of information including credit reports, economic forecasts and industry reports up to the date of approval of the financial statements in determining the impact on various elements of its financial statements. The Company has used the principles of prudence in applying judgments, estimates and assumptions including sensitivity analysis and based on the current estimates, the Company expects to fully recover the carrying amount of trade receivables, intangible assets and investments. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

**Functional and presentation currency**

These financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest millions (up to two decimals). The financial statements are approved for issue by the Company's Board of Directors on June 25, 2020.

**2A Critical accounting estimates and management judgments**

In application of the accounting policies, which are described in note 2, the management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Information about significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

**Property, Plant and Equipment (PPE)**

The residual values and estimated useful life of PPEs, Intangible Assets and Investment Properties are assessed by the technical team at each reporting date by taking into account the nature of asset, the estimated usage of the asset, the operating condition of the asset, past history of replacement and maintenance support. Upon review, the management accepts the assigned useful life and residual value for computation of depreciation/amortisation. Also, management judgement is exercised for classifying the asset as investment properties or vice versa.

**Current tax**

Calculations of income taxes for the current period are done based on applicable tax laws and management's judgement by evaluating positions taken in tax returns and interpretations of relevant provisions of law.

**Deferred Tax Assets**

Significant management judgement is exercised by reviewing the deferred tax assets at each reporting date to determine the amount of deferred tax assets that can be retained / recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

**Fair value**

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

**Impairment of Trade Receivables**

The impairment for trade receivables are done based on assumptions about risk of default and expected loss rates. The assumptions, selection of inputs for calculation of impairment are based on management judgement considering the past history, market conditions and forward looking estimates at the end of each reporting date.

**Impairment of Non-financial assets (PPE/Intangible Assets/Investment Properties)**

The impairment of non-financial assets is determined based on estimation of recoverable amount of such assets. The assumptions used in computing the recoverable amount are based on management judgement considering the timing of future cash flows, discount rates and the risks specific to the asset.

**Defined Benefit Plans and Other long term benefits**

The cost of the defined benefit plan and other long term benefits, and the present value of such obligation are determined by the independent actuarial valuer. An actuarial valuation involves making various assumptions that may differ from actual developments in future. Management believes that the assumptions used by the actuary in determination of the discount rate, future salary increases, mortality rates and attrition rates are reasonable. Due to the complexities involved in the valuation and its long term nature, this obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities could not be measured based on quoted prices in active markets, management uses valuation techniques including the Discounted Cash Flow (DCF) model, to determine its fair value. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is exercised in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

**Provisions and contingencies**

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the reporting date. The actual outflow of resources at a future date may therefore vary from the figure estimated at end of each reporting period.



**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**3 Significant accounting policies**

**a) Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

- i) Expected to be realised or intended to be sold or consumed in normal operating cycle
- ii) Held primarily for the purpose of trading
- iii) Expected to be realised within twelve months after the reporting period, or
- iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- i) It is expected to be settled in normal operating cycle
- ii) It is held primarily for the purpose of trading
- iii) It is due to be settled within twelve months after the reporting period, or
- iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified 12 months as its operating cycle.

**b) Fair value measurement**

The Company has applied the fair value measurement wherever necessitated at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability;
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and the best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 : Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

significant to the fair value measurement as a whole) at the end of each reporting period.

The Company has designated the respective team leads to determine the policies and procedures for both recurring and non-recurring fair value measurement. External valuers are involved, wherever necessary with the approval of Company's board of directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above. The component wise fair value measurement is disclosed in the relevant notes.

**c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates, and similar allowances.

**Sale of goods and services**

Revenue from the sale of goods and services is recognized when the company transfers control of goods or services to its customer at the amount to which the company expects to be entitled.

**Export entitlements**

Export entitlements from Government authorities are recognised in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

**Interest income**

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

**Rental income**

Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease, if the escalation is not a compensation for increase in cost inflation index.

**Dividend income**

Dividend income is recognized when the company's right to receive dividend is established by the reporting date, which is generally when shareholders approve the dividend.

**d) Property, Plant and Equipment and Capital work-in-progress****Deemed cost option for first time adoption of Ind AS**

Under the previous GAAP (Indian GAAP), property, plant and equipment were carried in the balance sheet at cost less accumulated depreciation. The Company has elected to consider the previous GAAP carrying amount of the Property, Plant and Equipment as the deemed cost as at the date of transition, viz., 1 April 2016.

**Presentation**

Property, Plant and Equipment and capital work-in-progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs of a qualifying asset, if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Advances paid towards the acquisition of tangible assets outstanding at each balance sheet date, are disclosed as capital advances under long term loans and advances and the cost of the tangible assets not ready for their intended use before such date, are disclosed as capital work in progress.

**Component cost**

All material/ significant components have been identified and have been accounted separately. The useful life of such component are analysed independently and wherever components are having different useful life other than plant they are part of, useful life of components are considered for calculation of depreciation.

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Machinery spares/ insurance spares that can be issued only in connection with an item of fixed assets and their issue is expected to be irregular are capitalised. Replacement of such spares is charged to revenue. Other spares are charged as revenue expenditure as and when consumed.

**Derecognition**

Gains or losses arising from derecognition of property, plant and equipment 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.

**e) Depreciation on Property, Plant and Equipment**

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less 5% being its residual value.

Depreciation is provided on Written Down Value method, over the useful lives specified in Schedule II to the Companies Act, 2013.

Depreciation for PPE on additions is calculated on pro-rata basis from the date of such additions. For deletion/disposals, the depreciation is calculated on pro-rata basis up to the date on which such assets have been discarded / sold.

The residual values, estimated useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**f) Inventories**

Inventories are carried at the lower of cost or net realisable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs are determined on weighted average method as follows:

- (i) Raw materials, packing materials, stores and spares: At purchase cost including other cost incurred in bringing materials/ consumables to their present location and condition.
- (ii) Work-in-progress: At material cost, conversion costs and appropriate share of production overheads
- (iii) Finished goods: At material cost, conversion costs, appropriate share of production overheads.
- (iv) Stock-in-trade and goods in transit: At purchase cost including other cost incurred in bringing materials/consumables to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**g) Financial instruments**

**Financial assets**

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

**Initial recognition and measurement**

All financial assets are recognised initially at fair value including transaction costs that are attributable to the acquisition of the financial asset, in the case of financial assets not recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified on the basis of their contractual cash flow characteristics and the entity's business model of managing them.

Financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**Debt instruments at amortised cost**

The Company classifies a debt instrument as at amortised cost, if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

**Debt instrument at FVTOCI**

The Company classifies a debt instrument at FVTOCI, if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the profit and loss statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**Financial instruments other than equity instruments at FVTPL**

The Company classifies all debt instruments, which do not meet the criteria for categorization as at amortized cost or as FVTOCI, as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

**Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. Where the Company makes an irrevocable election of equity instruments at FVTOCI, it recognises all subsequent changes in the fair value in other comprehensive income, without any recycling of the amounts from OCI to profit and loss, even on sale of such investments.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

Financial assets are measured at FVTPL except for those financial assets whose contractual terms give rise to cash flows on specified dates that represents solely payments of principal and interest thereon, are measured as detailed below depending on the business model:

Classification	Name of the financial asset
Amortised cost	Trade receivables, Loans given, deposits, interest receivable, unbilled revenue and other advances recoverable in cash.
FVTPL	Other investments in equity instruments, mutual funds, forward exchange contracts (to the extent not designated as a hedging instrument).

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Derecognition**

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.
- b) Financial assets that are debt instruments and are measured at FVTOCI
- c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime Expected Credit Loss (ECL) at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 months ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 months ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, the Company considers all contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument and Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the profit and loss. The balance sheet presentation for various financial instruments is described below:

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, which reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

For impairment purposes, significant financial assets are tested on individual basis at each reporting date. Other financial assets are assessed collectively in groups that share similar credit risk characteristics. Accordingly, the impairment testing is done retrospectively on the following basis:

Name of the financial asset	Impairment Testing Methodology
Trade receivables	Expected Credit Loss model (ECL) is applied. The ECL over lifetime of the assets are estimated by using a provision matrix which is based on historical loss rates reflecting current conditions and forecasts of future economic conditions which are grouped on the basis of similar credit characteristics such as nature of industry, customer segment, past due status and other factors that are relevant to estimate the expected cash loss from these assets.
Other financial assets	When the credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. When there is significant change in credit risk since initial recognition, the impairment is measured based on probability of default over the life time. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12 month ECL.

**Financial liabilities****Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL and as at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at FVTPL**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to profit and loss. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The company has not designated any financial liability as at fair value through profit and loss.



**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

**Derivative financial instruments**

The Company holds derivative financial instruments such as foreign exchange forward and options contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

**Derivatives fair valued through profit or loss**

This category has derivative financial assets or liabilities which are not designated as hedges.

Although the Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated a hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income. Assets / liabilities in this category are presented as current assets / current liabilities if they are either held for trading or are expected to be realized within 12 months after the Balance Sheet date.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

S.No	Original classification	Revised classification	Accounting treatment
1	Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
2	FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
3	Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.



**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

S.No	Original classification	Revised classification	Accounting treatment
4	FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
5	FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
6	FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**h) Foreign currency transactions and translations****Transactions and balances**

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. However, for practical reasons, the Company uses an average rate, if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

**i) Borrowing costs**

Borrowing cost include interest computed using Effective Interest Rate method, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs that are directly attributable to the acquisition, construction, production of a qualifying asset are capitalised as part of the cost of that asset which takes substantial period of time to get ready for its intended use. The Company determines the amount of borrowing cost eligible for capitalisation by applying capitalisation rate to the expenditure incurred on such cost. The capitalisation rate is determined based on the weighted average rate of borrowing cost applicable to the borrowings of the Company which are outstanding during the period, other than borrowings made specifically towards purchase of the qualifying asset. The amount of borrowing cost that the Company capitalises during the period does not exceed the amount of borrowing cost incurred during that period. All other borrowings costs are expensed in the period in which they occur.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

**j) Government grants**

Government grants are recognised at fair value where there is a reasonable assurance that the grant will be received and all the attached conditions are complied with.

In case of revenue related grant, the income is recognised on a systematic basis over the period for which it is intended to compensate an expense and is disclosed under "Other operating revenue" or netted off against corresponding expenses wherever appropriate. Receivables of such grants are shown under "Other Financial Assets". Export benefits are accounted for

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

in the year of exports based on eligibility and when there is no uncertainty in receiving the same. Receivables of such benefits are shown under "Other Financial Assets".

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet by setting up the grant as deferred income. The grant set up as deferred income is recognised in profit or loss on a systematic basis over the useful life of the asset.

**k) Taxes**

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Where there is deferred tax assets arising from carry forward of unused tax losses and unused tax created, they are recognised to the extent of deferred tax liability.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**l) Retirement and other employee benefits**

**Short-term employee benefits**

A liability is recognised for short-term employee benefit in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

**Defined contribution plans**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund and super annuation fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Defined benefit plans**

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

**Compensated absences**

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

**Other long term employee benefits**

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by the employees up to the reporting date.

**m) Business Combinations**

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange of control of the acquiree. Acquisition-related costs are generally recognised in statement of profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Taxes and Ind AS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

In case of a bargain purchase, before recognising a gain in respect thereof, the Company determines whether there exists clear evidence of the underlying reasons for classifying the business combination as a bargain purchase. Thereafter, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognises any additional assets or liabilities that are identified in that reassessment. The Company then reviews the procedures used to measure the amounts that Ind AS requires for the purposes of calculating the bargain purchase. If the gain remains after this reassessment and review, the Company recognises it in other comprehensive income and accumulates the same in equity as capital reserve. This gain is attributed to the acquirer. If there does not exist clear evidence of the underlying reasons for classifying the business combination as a bargain purchase, the Company recognises the gain, after reassessing and reviewing (as described above), directly in equity as capital reserve.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill or capital reserve, as the case maybe. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates with the corresponding gain or loss being recognised in statement of profit and loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in statement of profit and loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to statement of profit and loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**n) Leases**

**Arrangements in the nature of lease**

The Company enters into agreements, comprising a transaction or series of related transactions that does not take the legal form of a lease but conveys the right to use the asset in return for a payment or series of payments. In case of such arrangements, the Company applies the requirements of Ind AS 116 – Leases to the lease element of the arrangement. For the purpose of applying the requirements under Ind AS 116 – Leases, payments and other consideration required by the arrangement are separated at the inception of the arrangement into those for lease and those for other elements.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other leases are operating leases.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**o) Impairment of non financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**p) Provisions, contingent liabilities and contingent asset****Provisions**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources embodying economic benefits in respect of which a reliable estimate can be made.

Provisions are discounted, if the effect of the time value of money is material, using pre-tax rates that reflects the risks specific to the liability. When discounting is used, an increase in the provisions due to the passage of time is recognised as finance cost. These provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

Necessary provision for doubtful debts, claims, etc., are made if realisation of money is doubtful in the judgement of the management.

**Contingent liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. Contingent liabilities are disclosed separately.

Show cause notices issued by various Government authorities are considered for evaluation of contingent liabilities only when converted into demand.

**Contingent assets**

Where an inflow of economic benefits is probable, the Company discloses a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect. Contingent assets are disclosed but not recognised in the financial statements.

**q) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances with original maturity of less than 3 months, highly liquid investments that are readily convertible into cash, which are subject to insignificant risk of changes in value.

**r) Cash flow statement**

Cash flows are presented using indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

Bank borrowings are generally considered to be financing activities. However, where bank overdrafts which are repayable on demand form an integral part of an entity's cash management, bank overdrafts are included as a component of cash and cash equivalents for the purpose of cash flow statement.

**s) Earnings per share**

The basic earnings per share are computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic EPS and also weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares, as appropriate.

## Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

## 4 Property, Plant and Equipment

Particulars	Tangible Assets						Intangible Assets	Total of Tangible assets and Intangible assets
	Land	Buildings	Plant and Equipment	Furniture and Fittings	Vehicle	Total		
Cost as at April 1, 2018	323.81	272.11	378.56	1.60	5.79	981.87	-	981.87
Additions	-	4.19	35.62	-	1.80	41.61	19.56	61.17
Disposals/ Adjustments	(55.68)	-	(6.55)	-	-	(62.23)	-	(62.23)
<b>Cost as at March 31, 2019</b>	<b>268.13</b>	<b>276.30</b>	<b>407.63</b>	<b>1.60</b>	<b>7.59</b>	<b>961.25</b>	<b>19.56</b>	<b>980.81</b>
Additions	3.51	0.54	39.99	0.08	0.30	44.42	1.02	45.44
Disposals/ Adjustments	(43.58)	(19.76)	(5.53)	-	(1.16)	(70.03)	-	(70.03)
Cost as at March 31, 2020	228.06	257.08	442.09	1.68	6.73	935.64	20.58	956.22
<b>Depreciation/Amortisation</b>								
As at April 1, 2018	-	34.75	102.04	0.33	2.71	139.83	-	139.83
Charge for the year	-	19.39	52.23	0.19	1.01	72.82	5.76	78.58
Disposals	-	-	(3.93)	-	-	(3.93)	-	(3.93)
<b>As at March 31, 2019</b>	<b>-</b>	<b>54.14</b>	<b>150.34</b>	<b>0.52</b>	<b>3.72</b>	<b>208.72</b>	<b>5.76</b>	<b>214.48</b>
Charge for the year	-	17.13	45.35	0.16	1.15	63.79	9.28	73.07
Disposals	-	(4.32)	(5.16)	-	(1.10)	(10.58)	-	(10.58)
As at March 31, 2020	-	66.95	190.53	0.68	3.77	261.93	15.04	276.97
<b>Net Block</b>								
<b>As at March 31, 2019</b>	<b>268.13</b>	<b>222.16</b>	<b>257.29</b>	<b>1.08</b>	<b>3.87</b>	<b>752.53</b>	<b>13.80</b>	<b>766.33</b>
As at March 31, 2020	228.06	190.13	251.56	1.00	2.96	673.71	5.54	679.25

## 5 Capital work-in-progress

Capital work-in-progress mainly comprises of machinery additions and others.

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>6 Right of use assets</b>		
Right of use Lease hold assets	7.52	-
	<b>7.52</b>	<b>-</b>
<b>7 Non-current financial assets - Investments</b>		
<b>Unquoted - At Cost</b>		
Investment in Subsidiaries *	859.55	859.55
Provision for impairment	(397.04)	(397.04)
	<b>462.51</b>	<b>462.51</b>
<b>Quoted - At Fair Value Through Profit or Loss</b>		
Investments in Equity instruments *	37.28	81.67
<b>Unquoted - At Fair Value Through Profit or Loss</b>		
Investment in mutual fund *	0.58	0.58
Provision for impairment	(0.58)	(0.58)
	<b>499.79</b>	<b>544.18</b>
Aggregate amount of		
Quoted investments and market value thereof	37.28	81.67
Unquoted investments	860.13	860.13
Provision for impairment	397.62	397.62
* Refer Note 49 for information on the above.		
<b>8 Non-current financial assets - Loans</b>		
(Unsecured, considered good)		
Loans and Advances to Related parties* (Refer Note No.51.c.9)	985.48	598.06
	<b>985.48</b>	<b>598.06</b>
<b>* Disclosure required as per section 186</b>		
The company has advanced loans to its subsidiaries to meet their working capital and capital projects requirements. The loans carry interest rates which are at par with the prevailing market rates. The company, considering the pandemic Covid-19 situation, has agreed for reschedulement of recovery of its loans and interests.		
<b>9 Non-current - Other financial assets</b>		
(Unsecured, considered good)		
Security deposits	14.00	14.19
Unamortised finance cost	0.27	0.55
Rent advance	2.23	2.49
	<b>16.50</b>	<b>17.23</b>
<b>10 Non-current - Deferred tax asset (Net)</b>		
Expenses allowable for tax purposes when paid	98.70	94.91
Voluntary retirement scheme payment to be allowed	1.28	3.29
Allowance for expected credit losses	11.45	10.02
Differential tax on capital gains	-	3.59
On Property, Plant, and Equipment	(3.10)	(4.80)
MAT credit Entitlement	-	2.63
On Lease Liability	(2.07)	-
	<b>106.26</b>	<b>109.64</b>
<b>11 Other non-current assets</b>		
(Unsecured, considered good)		
Capital advances	84.91	78.95
Advance income-tax	9.71	12.91
Disputed income tax payments	28.70	31.14
Other disputed statutory payments/deposits	8.67	8.48
Advance recoverable in cash or in kind or for value to be received	1.37	1.81
	<b>133.36</b>	<b>133.29</b>



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### Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>12 Inventories *</b>		
Raw materials	310.04	388.30
Work-in-progress	63.09	62.39
Finished goods	167.84	133.00
Stock-in-trade	14.40	14.76
Packing materials	25.29	12.22
Stores and spares	34.74	14.88
Scrap	2.63	2.25
	<b>618.03</b>	<b>627.80</b>
* Also refer note 30 and 32 for details of inventories.		
<b>13 Current financial assets - Trade receivables</b>		
Unsecured		
Considered good	458.83	682.24
Considered doubtful	45.50	36.01
	504.33	718.25
Allowance for expected credit losses	(45.50)	(36.01)
	<b>458.83</b>	<b>682.24</b>
<b>14 Cash and cash equivalents</b>		
Cash on hand	0.93	1.46
Balances with banks		
In current accounts	6.87	9.46
	<b>7.80</b>	<b>10.92</b>
<b>15 Other Bank balances</b>		
In deposit accounts (with original maturity period of more than 3 months but less than 12 months)*	15.35	15.35
Security deposits	0.17	0.17
In margin money deposits **	188.01	225.26
Unpaid dividend account (earmarked for payment of dividend)	2.08	2.23
	<b>205.61</b>	<b>243.01</b>
* lien on bank overdraft		
** lien on bank guarantees		
<b>16 Current financial assets - Loans</b>		
(Unsecured, considered good)		
Loans to employees	2.87	2.83
	<b>2.87</b>	<b>2.83</b>
<b>17 Current financial assets - Others</b>		
(Unsecured, considered good)		
Other receivable	0.34	0.34
	<b>0.34</b>	<b>0.34</b>
<b>18 Other current assets</b>		
(Unsecured, considered good)		
Prepaid expenses	11.23	10.49
Balance with Government authorities	22.79	38.29
Export incentives receivable	21.26	13.06
Interest accrued	5.49	104.22
Others	108.33	73.88
	<b>169.10</b>	<b>239.94</b>
<b>19 Equity share capital</b>		
<b>Authorised share capital</b>		
380,300,000 Equity shares of ₹ 1/- each	380.30	380.30
	<b>380.30</b>	<b>380.30</b>
<b>Issued share capital</b>		
50,050,000 Equity shares of ₹ 1/- each	50.05	50.05
	<b>50.05</b>	<b>50.05</b>
<b>Subscribed and fully paid up share capital</b>		
50,050,000 Equity shares of ₹ 1/- each	50.05	50.05
	<b>50.05</b>	<b>50.05</b>

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
Notes:		
<b>1) Reconciliation of number of equity shares subscribed</b>		
Balance at the beginning of the year	5,00,50,000	5,00,50,000
Adjustments during the year	-	-
<b>Balance at the end of the year</b>	<b>5,00,50,000</b>	<b>5,00,50,000</b>

- 2) There are no bonus shares and shares bought back during the period of five years immediately preceding the reporting date.
- 3) 49,550,000 equity shares of ₹1/- each were allotted in accordance with the scheme of amalgamation and arrangement during the year 2010-11.
- 4) The Company has no holding Company.
- 5) Rights, preferences and restrictions in respect of equity shares issued by the Company.
- The Company has only one class of equity shares having a par value of ₹1/- each. The equity shares of the company having par value of ₹1/- ranking pari-passu in all respects including voting rights and entitlement to dividend.
  - The Company has one class of equity shares having a par value of ₹1/- per share. Each shareholder is eligible for one vote per share held. During the year the Company has declared interim dividend of ₹ 0.16 per share of ₹1/- each. (Previous year dividend : Nil)
  - In the event of liquidation, shareholders will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be proportionate to the number of equity shares held by the shareholder.
- 6) Shareholders holding more than 5% of the total share capital

Name of the shareholder	March 31, 2020		March 31, 2019	
	No of shares	% of Holding	No of shares	% of Holding
Sudarsan Varadaraj	23,032,001	46.02%	23,022,014	46.00%
LRG Technologies Limited	3,541,475	7.08%	3,541,475	7.08%

**20 Other equity**

Capital Reserve	173.28	173.28
Securities Premium Account	1.90	1.90
General Reserve	1,266.42	1,266.42
Other Comprehensive Income	-	-
Retained earnings	1,151.46	1,098.41
	<b>2,593.06</b>	<b>2,540.01</b>
<b>a) Capital reserve</b>		
Balance at the beginning and end of the year	173.28	173.28
<b>b) Securities premium account</b>		
Balance at the beginning and end of the year	1.90	1.90
<b>c) General Reserve</b>		
Balance at the beginning of the year	1,266.42	1,266.42
Additions/ (deductions) during the year	-	-
Balance at the end of the year	1,266.42	1,266.42
<b>d) Other comprehensive income</b>		
Balance at the beginning of the year	-	-
Additions during the year	5.14	0.16
Transfer from Retained earnings	(5.14)	(0.16)
Balance at the end of the year	-	-

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### Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>e) Retained earnings</b>		
Balance at the beginning of the year	1,098.41	1,093.69
Impact on adoption of Ind AS 116 on retained earning	(0.39)	-
Net profit for the period	57.96	4.56
Transfer from Other Comprehensive Income	5.14	0.16
Interim Dividend paid	(8.01)	-
Taxes on Dividend Paid	(1.65)	-
<b>Balance at the end of the year</b>	<b>1,151.46</b>	<b>1,098.41</b>
<b>21 Non-current financial liabilities - Borrowings</b>		
Term Loans (Secured)		
From Banks	400.78	439.17
Others	69.33	68.33
	<b>470.11</b>	<b>507.50</b>
<b>Secured borrowings and assets pledged as security:</b>		
The borrowings from banks and others are secured by charges on specific land and building.		
There are no defaults in repayment of the above borrowings.		
<b>22 Lease Liability</b>		
Lease Liability	4.97	-
	<b>4.97</b>	<b>-</b>
<b>23 Non-current liabilities - Provisions</b>		
Provision for excise disputes*	-	0.15
	<b>-</b>	<b>0.15</b>
* Provision in respect of disputes represents claims against the Company on account of rejection of certain claims by the Company before the statutory authorities.		
<b>24 Current financial liabilities - Borrowings</b>		
<b>a) Secured</b>		
Loans from Banks	449.35	488.77
Loans from others	30.00	-
(includes cash credit, packing credit, demand loan, etc)		
<b>b) Unsecured</b>		
Loan from Banks	49.98	150.00
Loan from related parties	37.55	34.15
	<b>566.88</b>	<b>672.92</b>
<b>Secured borrowings and assets pledged as security:</b>		
The borrowings from Banks and others are secured by:		
a. Charge on entire current assets, both present and future		
b. Charge on specific land, building and machinery		
c. Lien and pledge of fixed deposits		
<b>25 Current liabilities - financial liabilities - Trades payables</b>		
a. Outstanding dues of micro & small enterprises	2.44	2.85
b. Outstanding dues other than (a) above	122.83	131.18
	<b>125.27</b>	<b>134.03</b>
<b>26 Current liabilities - Provisions</b>		
Provision for compensated absence	2.54	4.23
	<b>2.54</b>	<b>4.23</b>

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>27 Other current liabilities</b>		
Current maturities of long-term debt	91.60	84.44
Interest accrued but not due on secured loans	9.09	5.25
Interest accrued but not due on unsecured loans	0.26	0.28
Unclaimed dividends	2.08	2.23
Statutory dues payable	24.04	20.41
Employee benefits payable	5.61	4.16
Employee recoveries payable	0.67	0.46
Other payables	22.73	28.54
Advance and deposits from customers etc.,	31.24	17.11
	<b>187.32</b>	<b>162.88</b>
<b>28 Revenue from operations</b>		
Sale of Products	1,832.80	2,026.80
Sale of Service	1.45	0.99
Other Operating Revenue	8.90	1.02
	<b>1,843.15</b>	<b>2,028.81</b>
<b>Sale of products comprise of</b>		
Finished goods	1,800.43	1,971.14
Traded goods	32.37	55.66
	1,832.80	2,026.80
<b>Other operating revenue</b>		
Scrap sales	8.90	1.02
<b>29 Other income</b>		
Interest Income	64.92	59.40
Other non operating income	113.90	37.11
	<b>178.82</b>	<b>96.51</b>
<b>Interest income</b>		
Banks	15.52	16.25
Subsidiaries	42.73	37.07
Others	6.67	6.08
	<b>64.92</b>	<b>59.40</b>
<b>Other non operating income</b>		
Dividend Income from		
Subsidiary Companies	3.95	4.30
Others	0.98	0.40
Profit on sale of fixed assets (net)	10.65	-
Rent received	1.69	0.98
Net gain on foreign currency transactions and translations	84.38	21.05
Claims received from Insurance Company	0.65	0.53
Duty drawback/rebate of excise duty	11.27	6.48
Provisions no longer required written back	0.26	3.10
Miscellaneous income	0.07	0.27
	<b>113.90</b>	<b>37.11</b>
<b>30 Cost of materials consumed</b>		
Opening stock of raw materials	388.30	417.02
Purchase	865.64	940.57
Closing stock of raw materials	(310.04)	(388.30)
	<b>943.90</b>	<b>969.29</b>

## Annual Report 2019-20

### Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>31 Purchase of stock-in-trade</b>		
Curing bag	24.77	26.89
Butyl Scrap	192.32	243.54
Others	4.34	14.02
	<b>221.43</b>	<b>284.45</b>
<b>32 Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
<b>Opening balance</b>		
Work-in-progress	62.39	109.84
Finished goods	133.00	118.23
Stock-in-trade	14.76	12.74
Scrap	2.25	1.76
	<b>212.40</b>	<b>242.57</b>
<b>Closing balance</b>		
Work-in-progress	63.09	62.39
Finished goods	167.84	133.00
Stock-in-trade	14.40	14.76
Scrap	2.63	2.25
	<b>247.96</b>	<b>212.40</b>
	<b>(35.56)</b>	<b>30.17</b>
<b>33 Employee benefits expense</b>		
Salaries, wages and bonus	203.26	202.34
Managerial remuneration	6.72	6.72
Contribution to provident and other funds	18.36	19.51
Gratuity paid (net of reversals)	2.70	3.08
Staff welfare expenses	3.62	4.22
	<b>234.66</b>	<b>235.87</b>
<b>34 Depreciation and amortisation expense</b>		
Depreciation of property, plant and equipment	67.26	72.82
Amortisation of Intangible assets	9.28	5.76
	<b>76.54</b>	<b>78.58</b>
<b>35 Finance costs</b>		
Interest on Borrowings		
Banks	89.66	91.98
Related party	3.35	4.61
Others	10.56	11.46
Financial charges on borrowings	5.96	7.75
	<b>109.53</b>	<b>115.80</b>
<b>36 Other expenses</b>		
Consumption of stores and spare parts	16.71	13.61
Packing materials consumed	13.97	10.48
Decrease in fair valuation of equity instruments	44.39	3.12
Power and fuel	103.33	94.50
Rent	0.91	5.64
Labour charges	51.26	50.18
Repairs and maintenance – plant and machinery	17.37	25.98
Repairs and maintenance – building	3.17	4.02
Repairs and maintenance – others	13.60	19.35
Insurance	8.68	5.08
Rates and taxes	5.95	4.93

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
Travelling and conveyance	23.83	26.68
Directors' sitting fees	0.42	0.34
Auditors' remuneration (see note below)	1.15	1.31
Professional fees	25.83	34.38
Advertisement and other selling expenses	5.03	23.47
Freight charges	40.46	39.40
Van Hire charges	5.40	5.41
CSR expenditure	0.50	1.50
Bad debts	53.71	0.17
Allowance for expected credit losses	9.50	4.95
Loss of sale of assets	-	3.71
Impairment of investments	-	3.58
Miscellaneous expenses	43.00	40.28
	<b>488.17</b>	<b>422.07</b>
<b>Auditors' remuneration</b>		
Audit fees	1.15	1.10
Other services	-	0.16
Reimbursement of expenses	-	0.05
	<b>1.15</b>	<b>1.31</b>
<b>37 Exceptional items</b>		
Gain on sale of Land & Building	78.09	12.52
	<b>78.09</b>	<b>12.52</b>
<b>38 Income tax expense</b>		
<b>(a) Income tax expense</b>		
Current tax		
Current tax on profits for the year	-	2.01
<b>Total current tax expense</b>	<b>-</b>	<b>2.01</b>
<b>Deferred tax</b>		
Deferred tax adjustments	(0.98)	(5.27)
<b>Total deferred tax expense/(benefit)</b>	<b>(0.98)</b>	<b>(5.27)</b>
<b>Income tax related to earlier year</b>	<b>4.41</b>	<b>0.31</b>
<b>Income tax expense</b>	<b>3.43</b>	<b>(2.95)</b>
<b>b) The income tax expense for the year can be reconciled to the accounting profit as follows:</b>		
Profit before tax from continuing operations	61.39	1.61
Income tax expense calculated at 25.1680%	15.45	0.45
Tax rate changes (2019-20: 25.1680%-27.82%)*		
(2018-19: 27.82%-27.82%)	-	-
Effect of expenses that are not deductible in determining taxable profit	(15.45)	1.56
<b>Income tax expense</b>	<b>-</b>	<b>2.01</b>
* The Impact is due to the difference in tax rate adopted for the current year deferred tax and previous year deferred tax		
<b>Changes in Income Tax Rate</b>		
The newly introduced section 115BAA in the Income Tax Act, 1962 allows a domestic company to pay income tax at the rate of 22% with applicable surcharge and cess. This is subject to conditions that the company will not avail the specified exemptions, deductions and incentives. For the purpose of estimating the tax expense for financial year 2019-20, the company has considered the tax rate prescribed under the section 115BAA, i.e., effective rate of 25.1680%. For exercising the option to avail the rate prescribed under section 115BAA, the company has time till the due date for furnishing the return of income for the financial year 2019-20.		
<b>c) Income tax recognised in other comprehensive income</b>		
Remeasurement of defined benefit obligation	(1.73)	(0.06)
<b>Total income tax recognised in other comprehensive income</b>	<b>(1.73)</b>	<b>(0.06)</b>

## Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

## d) Movement of deferred tax expense during the year ended March 31, 2020

Deferred tax (liabilities) / assets in relation to:	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Closing balance
Property, plant, and equipment and Intangible Assets	(4.80)	1.68		(3.12)
Expenses allowable on payment basis under the Income Tax Act	98.20	4.22	(1.73)	100.69
Other temporary differences	13.61	(2.86)	-	10.75
Lease Liability	-	(2.07)	-	(2.07)
	<b>107.01</b>	<b>0.97</b>	<b>(1.73)</b>	<b>106.25</b>
MAT credit entitlement	2.63	(2.62)	-	-
	<b>109.64</b>	<b>(1.65)</b>	<b>(1.73)</b>	<b>106.25</b>

## e) Movement of deferred tax expense during the year ended March 31, 2019

Property, plant, and equipment and Intangible Assets	(2.23)	(2.57)		(4.80)
Expenses allowable on payment basis under the Income Tax Act	92.62	5.64	(0.06)	98.20
Other temporary differences	13.42	0.19	-	13.61
	<b>103.81</b>	<b>3.26</b>	<b>(0.06)</b>	<b>107.01</b>
MAT credit entitlement	0.62	2.01	-	2.63
	<b>104.43</b>	<b>5.27</b>	<b>(0.06)</b>	<b>109.64</b>

Particulars	March 31, 2020	March 31, 2019
<b>39 Earnings per share</b>		
Profit for the year attributable to owners of the company	57.96	4.56
Weighted average number of ordinary shares outstanding	5,00,50,000	5,00,50,000
Basic earnings per share (in ₹)	1.16	0.09
Diluted earnings per share (in ₹)	1.16	0.09
<b>40 Earnings in foreign currency</b>		
Revenue from exports on FOB basis	496.10	599.60
Interest	42.73	37.07
Dividend	3.95	4.30
Other income	15.86	17.46
	<b>558.64</b>	<b>658.43</b>
<b>41 Expenditure in foreign currency</b>		
Professional and consultation fees	15.12	18.61
Interest / bank charges	19.49	20.97
Travelling expenses	4.66	3.40
Membership fee, books and periodicals	0.40	0.22
Advertisement	3.21	17.04
Others	24.13	11.43
	<b>67.01</b>	<b>71.67</b>
<b>42 Value of Imports (on C.I.F basis)</b>		
Raw materials	110.33	69.26
Components and spare parts	5.58	2.87
Capital goods	16.64	26.18
	<b>132.55</b>	<b>98.31</b>



**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020		March 31, 2019	
<b>43 Value of imported and indigenous raw materials, packing materials consumed and consumable spares during the financial year and the percentage of each to the total consumption</b>	<b>Amount</b>	<b>(%)</b>	<b>Amount</b>	<b>(%)</b>
<b>Raw materials</b>				
Imported	120.88	12.81	71.77	7.40
Indigenous	823.02	87.19	897.52	92.60
	<b>943.90</b>	<b>100.00</b>	<b>969.29</b>	<b>100.00</b>
<b>Packing materials</b>				
Imported	-	-	-	-
Indigenous	13.97	100.00	10.48	100.00
	<b>13.97</b>	<b>100.00</b>	<b>10.48</b>	<b>100.00</b>
<b>Stores and spares consumed</b>				
Imported	5.58	33.39	2.87	21.09
Indigenous	11.13	66.61	10.74	78.91
	<b>16.71</b>	<b>100.00</b>	<b>13.61</b>	<b>100.00</b>

**44 Disclosures required by the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 are as under**

Particulars	March 31, 2020	March 31, 2019
(a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year*	2.44	2.85
(b) The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
(d) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	-	-

\*This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

**45 Contingent Liability****Claims against the Company not acknowledged as debts**

a. Income tax matters	25.64	9.17
b. Excise and service tax matters	13.64	13.33
c. Sales tax	107.49	91.72
d. Legal metrology	0.15	0.15

**Capital commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for

219.18	408.11
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In light of recent judgment of Honorable Supreme Court dated February 28, 2019 on the definition of "Basic Wages" under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on Company's evaluation, there are significant uncertainties and numerous interpretative issues relating to the judgement and hence, it is unclear as to whether the clarified definition of Basic Wages would be applicable prospectively or retrospectively. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence has currently been considered to be a contingent liability amounting to ₹ 0.55 million.

## Annual Report 2019-20

### Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>Other commitments</b>		
<b>A. Standby letter of credit (guarantee)</b>		
SBLC facilities were extended by Indian banks to their foreign counterparts based on the counter guarantee given by the company. These counterpart banks who in turn had granted credit facilities to the following subsidiaries.		
<b>Outstanding amounts against credit facilities granted to</b>	<b>Currency</b>	
1. Rubber Resources B.V., The Netherlands	EUR	1.25
2. Elgi Rubber Company Holdings B.V., The Netherlands	EUR	10.87
3. Elgi Rubber Company LLC, USA	USD	3.68
<b>Secured borrowings and assets pledged as security:</b>		
<b>The borrowings from banks are secured by:</b>		
a. Charge on extension of current assets		
b. Charge on specific land and building		
c. Cash margin		
<b>B. Others</b>		
a. Guarantee on account of security deposits with various electricity boards, state road transport corporations and other statutory authorities	INR 9.53	INR 9.88
b. Letter of credit on account of import of goods	USD 0.80	USD 0.03
<b>46 Operating Segments</b>		
The Company's business operation comprises of single operating segment viz., "Rubber Industry". Operating segment has been identified on the basis of nature of products and reported in a manner consistent with the internal reporting provided to Chief Operating Decision Maker.		
<b>(a) Revenue from external customers</b>		
India	1,308.69	1,408.29
Other Countries	534.46	620.52
	<b>1,843.15</b>	<b>2,028.81</b>
<b>(b) Non current assets</b>		
The manufacturing facilities of the Company is situated in India and no non-current assets are held outside India		
<b>(c) Information about major customers</b>		
Number of external customers each contributing more than 10% of total revenue	1	NA
Total revenue from the above customers	199.34	NA
<b>47 Operating lease arrangements</b>		
The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. As a result, the comparative information has not been restated. On transition to Ind AS 116, the Company recognised right-of-use assets amounting to ₹ 10.97 million, related accumulated depreciation amounting to ₹ 3.45 million, lease liabilities amounting to ₹ 8.21 million and ₹ 0.39 million in retained earnings as at April 1, 2019. The Company has discounted lease payments using the applicable incremental borrowing rate as at April 1, 2019 for measuring the lease liability. During the year ended March 31, 2020, the Company has recognised interest expense on lease liabilities amounting to ₹ 1.08 million and ₹ 3.45 million on depreciation on right-of-use.		
<b>As Lessor</b>		
The Company has entered into operating lease arrangements for certain surplus facilities. The leases are cancellable at the option of either party to lease and may be renewed based on mutual agreement of the parties.		
Lease income recognised in the statement of Profit and Loss	1.69	0.98
<b>As Lessee</b>		
The Company has entered into operating lease arrangements for certain facilities. The leases are cancellable at the option of either party to lease and may be renewed based on mutual agreement of the parties.		
Lease payments recognised in the statement of Profit and Loss	0.91	5.64

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**48 Disclosure on R&D expenditure**

Particulars	March 31, 2020	March 31, 2019
Salaries & wages	1.82	3.91
R&D materials	0.69	0.07
Maintenance	0.99	0.66
Other expenses	6.58	0.26
	<b>10.08</b>	<b>4.90</b>

The details of R&D expenses incurred in the prior periods for the financial year 2017-18 - ₹ 4.01 million, 2016-17 - ₹ 3.62 million, 2015-16 - ₹ 3.74 million, 2014-15 - ₹ 3.68 million and 2013-14 - ₹ 5.63 million.

**49 Non-current financial assets - Investments**

Particulars	No. of shares/Units (as on March 31, 2020)	Face value per share / units (in Respective Currency)	March 31, 2020	March 31, 2019
<b>Investment in equity instruments (Fully paid up) (Unquoted) At cost*</b>				
<b>Investment in subsidiaries</b>				
Elgi Rubber Company LLC, USA (Share 100%)	-	-	171.24	171.24
Less : Provision for impairment			(87.17)	(87.17)
			<b>84.07</b>	<b>84.07</b>
Elgi Rubber Company Limited, Kenya (Share 99.99%)	23,999	KES 100	2.01	2.01
Elgi Rubber Company Limited, Sri Lanka (Share 99.99%)	1,000,000	LKR 10	6.95	6.95
Treadsdirect Limited, Bangladesh (Share 100%)	51,700	BDT 100	4.42	4.42
Pincott International Pty Limited, Australia (Share 100%)	100	AUD 1	34.29	34.29
Less : Provision for impairment			(34.29)	(34.29)
			-	-
Borrachas e Equipamentos Elgi Ltda., Brazil (Share 99.99%)	16,133,738	RS 1	272.58	272.58
Less : Provision for impairment			(272.58)	(272.58)
			-	-
Elgi Rubber Company Holdings B.V., The Netherlands (Share 99.99%)	3,433,541	EUR 1	<b>365.06</b>	<b>365.06</b>
<b>Investment in Limited Liability Partnership Firm</b>				
Titan Tyrecare Products LLP	-	-	3.00	20.00
Less: Capital Reduction (Partial)			-	(17.00)
Less: Provision for impairment			(3.00)	(3.00)
			-	-
			<b>462.51</b>	<b>462.51</b>
<b>Investment in Equity Instruments (Fully paid up) (Quoted)</b>				
Fair value through profit or loss				
Elgi Equipments Limited	332,080	INR 1	37.21	81.53
Precot Meridian Limited	3,225	INR 10	0.07	0.14
			<b>37.28</b>	<b>81.67</b>
<b>In Mutual Funds (Unquoted)</b>				
IL & FS Milestone Fund – I	578	INR 1000	0.58	0.58
Less : provision for impairment			(0.58)	(0.58)
			-	-
			<b>499.79</b>	<b>544.18</b>

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**50 Financial instruments**

**Capital management**

The Company manages its capital to ensure that entities in the Company will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company determines the amount of capital required on the basis of annual operating plans and long-term product and other strategic investment plans. The funding requirements are met through equity, long-term borrowings and other short-term borrowings.

For the purposes of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders.

Particulars	March 31, 2020	March 31, 2019
<b>Gearing Ratio:</b>		
Debt	561.71	591.94
Less: Cash and bank balances	213.41	253.93
<b>Net debt</b>	<b>348.30</b>	<b>338.01</b>
Total equity	2,643.11	2,590.06
Net debt to equity ratio (%)	13.18%	13.05%
<b>Categories of Financial instruments</b>		
<b>Financial assets</b>		
<b>a. Measured at amortised cost</b>		
Non-current financial assets - Loans	985.48	598.06
Non-current - Other financial assets	16.50	17.23
Current financial assets - Trade receivables	458.83	682.24
Current financial assets - Cash and cash equivalents	7.80	10.92
Current financial assets - Bank balances other than above	205.61	243.01
Current financial assets - Loans	2.87	2.83
Current - Other financial assets	0.34	0.34
<b>b. Mandatorily measured at fair value through profit or loss (FVTPL)</b>		
Non-current financial assets - Investments	499.79	544.18
<b>Financial liabilities</b>		
<b>Measured at amortised cost</b>		
Non-current financial liabilities - Borrowings	561.71	591.94
Current financial liabilities - Borrowings	566.88	672.92
Current financial liabilities - Trade payables	125.27	134.03

**Financial risk management objectives**

The treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks by using natural hedging financial instruments and forward contracts to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives, and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Market risk**

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company actively manages its currency and interest rate exposures through its finance division and uses derivative instruments such as forward contracts and currency swaps, wherever required, to mitigate the risks from such exposures. The use of derivative instruments is subject to limits and regular monitoring by appropriate levels of management.

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Foreign currency risk management**

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company actively manages its currency rate exposures through a centralised treasury division and uses natural hedging principles to mitigate the risks from such exposures. The use of derivative instruments, if any, is subject to limits and regular monitoring by appropriate levels of management.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Currency	Liabilities			Assets			Net overall exposure on the currency-net assets / (net liabilities)
	Gross exposure	Exposure hedged using derivatives	Net liability exposure on the currency	Gross exposure	Exposure hedged using derivatives	Net asset exposure on the currency	
<b>As on March 31, 2020</b>							
USD	6.36	-	6.36	14.29	-	14.29	7.93
EUR	0.03	-	0.03	2.28	-	2.28	2.25
AUD	-	-	-	-	-	-	-
in INR	482.15	-	482.15	1,266.25	-	1,266.25	784.10
<b>As on March 31, 2019</b>							
USD	5.02	-	5.02	13.84	-	13.84	8.82
EUR	0.03	-	0.03	1.67	-	1.67	1.64
AUD	-	-	-	0.02	-	0.02	0.02
in INR	349.73	-	349.73	1,088.28	-	1,088.28	738.55

**Foreign currency sensitivity analysis**

Movement in the functional currencies of the various operations of the Company against major foreign currencies may impact the Company's revenues from its operations. Any weakening of the functional currency may impact the Company's cost of imports and cost of borrowings and consequently may increase the cost of financing the Company's capital expenditures. The foreign exchange rate sensitivity is calculated for each currency by aggregation of the net foreign exchange rate exposure of a currency and a simultaneous parallel foreign exchange rates shift in the foreign exchange rates of each currency by 2%, which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% change in foreign currency rates.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

**Interest rate risk management**

The Company is exposed to interest rate risk because it borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. Further, in appropriate cases, the Company also effects changes in the borrowing arrangements to convert floating interest rates to fixed interest rates.

**Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The 25 basis point interest rate changes will impact the profitability by INR 2.99 Million for the year (Previous INR 3.13 Million)

## Annual Report 2019-20

### Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

#### Credit risk management

Credit risk arises when a customer or counterparty does not meet its obligations under a customer contract or financial instrument, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily trade receivables and from its financing/ investing activities, including deposits with banks and foreign exchange transactions. The Company has no significant concentration of credit risk with any counterparty.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure is the total of the carrying amount of balances with banks, short term deposits with banks, trade receivables, margin money and other financial assets excluding equity investments.

#### (a) Trade receivables

Trade receivables are consisting of a large number of customers. The Company has credit evaluation policy for each customer and, based on the evaluation, credit limit of each customer is defined. Wherever the Company assesses the credit risk as high, the exposure is backed by either bank, guarantee/letter of credit or security deposits.

The Company does not have higher concentration of credit risks to a single customer. As per simplified approach, the Company makes provision of expected credit losses on trade receivables using a provision matrix to mitigate the risk of default in payments and makes appropriate provision at each reporting date wherever outstanding is for longer period and involves higher risk.

#### (b) Investments, Derivative instruments, Cash and cash equivalents and Bank deposits

Credit risk on cash and cash equivalents, deposits with the banks/financial institutions is generally low as the said deposits have been made with the banks/financial institutions, who have been assigned high credit rating by international and domestic rating agencies.

Credit risk on Derivative instruments is generally low as the Company enters into the derivative contracts with the reputed Banks.

There is no major Investments made by the Company and accordingly is not prone to any major investment risk.

#### Offsetting related disclosures

Offsetting of cash and cash equivalents to borrowings as per the consortium agreement is available only to the bank in the event of a default. The Company does not have the right to offset in case of the counter party's bankruptcy, therefore, these disclosures are not required.

#### Liquidity risk management

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company invests its surplus funds in bank fixed deposit and mutual funds, which carry minimal mark to market risks. The Company also constantly monitors funding options available in the debt and capital markets with a view to maintaining financial flexibility.

#### Liquidity tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Due in 1st year	Due in 2nd to 5th year	Due after 5th year	Carrying amount
<b>March 31, 2020</b>				
Trade payables	125.27	-	-	125.27
Borrowings (including interest accrued thereon upto the reporting date)	97.46	445.11	25.00	567.57
	<b>222.73</b>	<b>445.11</b>	<b>25.00</b>	<b>692.84</b>
<b>March 31, 2019</b>				
Trade payables	134.03	-	-	134.03
Borrowings (including interest accrued thereon upto the reporting date)	89.69	447.50	60.00	597.19
	<b>223.72</b>	<b>447.50</b>	<b>60.00</b>	<b>731.22</b>

## 51 Related party disclosure

## Subsidiaries

## Other Related Parties

### Key management personnel

Chairman and Managing Director  
Chief Financial Officer  
Company Secretary

### Relative of key management personnel

Son of Sudarsan Varadaraj

**b) Transactions during the year**

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### Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

S.No.	Nature of transactions	2019-20	2018-19
	Industrial Air Solutions LLP	0.79	0.31
	Ellargi & Co.,	0.76	0.89
<b>3</b>	<b>Reimbursement of expenses (Paid)</b>		
	Elgi Rubber Company LLC, USA	-	6.63
	Rubber Compounding Holland B.V., The Netherlands	1.76	-
	LRG Technologies Limited	2.89	6.83
<b>4</b>	<b>Rendering of services</b>		
	Elgi Equipments Limited	0.54	0.41
	LRG Technologies Limited	0.15	0.09
	Elgi Ultra Limited	0.02	-
	ATS Elgi Limited	0.62	0.32
	Cape Flour Mills Private Limited	0.50	0.42
<b>5</b>	<b>Receiving of services</b>		
	Elgi Equipments Limited	-	0.10
	LRG Technologies Limited	0.04	0.28
	Elgi Ultra Industries Limited	-	0.02
	Industrial Air Solutions LLP	0.38	-
<b>6</b>	<b>Commission paid</b>		
	Elgi Rubber Company LLC, USA	10.01	-
	Borrachas e Equipamentos Elgi Ltda, Brasil	5.58	-
<b>7</b>	<b>Managerial remuneration</b>		
	Sudarsan Varadaraj	6.72	6.72
<b>8</b>	<b>Salary to other key managerial personnel</b>		
	SR Venkatachalam	3.34	3.12
	V Santhanakrishnan	0.69	0.46
	Harsha Varadaraj	1.70	1.57
<b>9</b>	<b>Rent paid</b>		
	Sudarsan Varadaraj	0.18	0.36
<b>10</b>	<b>Dividend received</b>		
	Elgi Rubber Company Limited, Sri Lanka	3.95	4.30
	Elgi Equipments Limited	0.98	0.40
<b>11</b>	<b>Interest received</b>		
	Elgi Rubber Company LLC, USA	4.45	1.81
	Borrachas e Equipamentos Elgi Ltda, Brasil	27.34	24.98
	Elgi Rubber Company Holding B.V., The Netherlands	8.01	7.54
	Pincott International Pty Limited, Australia	2.93	2.74
<b>12</b>	<b>Interest paid</b>		
	Sudarsan Varadaraj	3.35	4.61
<b>13</b>	<b>Loan given (including reschedulement)</b>		
	Elgi Rubber Company LLC, USA	79.40	6.90
	Borrachas e Equipamentos Elgi Ltda, Brasil	189.74	-
	Elgi Rubber Company Holdings B.V., The Netherlands	88.12	42.29
	Pincott International Pty Limited, Australia	7.21	33.40
<b>14</b>	<b>Loan repaid</b>		
	Elgi Rubber Company Holdings B.V., The Netherlands	39.56	42.29
<b>15</b>	<b>Guarantees extended (+) / Reduced (-)</b>		
	Elgi Rubber Company LLC, USA	USD (0.43)	USD (0.43)
	Elgi Rubber Company Holdings B.V., The Netherlands	EUR (0.62)	EUR (0.41)
	Rubber Resources B.V., The Netherlands	EUR (0.50)	EUR (0.50)
	Pincott International Pty Limited, Australia	-	USD (0.50)
<b>16</b>	<b>Sudarsan Varadaraj</b>		
	Loans taken	23.85	32.30
	Loans repaid	20.45	72.85
<b>17</b>	<b>Bad debts</b>		
	Elgi Rubber Company LLC, USA	32.42	-
	Borrachas e Equipamentos Elgi Ltda, Brasil	21.29	-

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

S.No.	Nature of transactions	2019-20	2018-19
<b>c)</b>	<b>Balances at the end of the year</b>		
<b>1</b>	<b>Guarantees outstanding</b>		
	Elgi Rubber Company LLC, USA	USD 3.68	USD 4.10
	Elgi Rubber Company Holdings B.V., The Netherlands	EUR 11.08	EUR 11.69
	Rubber Resources B.V., The Netherlands	EUR 1.25	EUR 1.75
<b>2</b>	<b>Loan payables</b>		
	Sudarsan Varadaraj	37.55	34.15
<b>3</b>	<b>Trade receivables</b>		
	Elgi Rubber Company LLC, USA	49.14	118.34
	Elgi Rubber Company Limited, Kenya	1.53	14.22
	Elgi Rubber Company Limited, Sri Lanka	0.22	-
	Borrachas e Equipamentos Elgi Ltda, Brasil	62.30	127.08
	Rubber Resources B.V., The Netherlands	120.01	113.01
	Elgi Rubber Company B.V., The Netherlands	16.26	19.51
	Elgi Equipments Limited	0.75	0.23
	ATS Elgi Limited	0.02	0.14
<b>4</b>	<b>Other receivables</b>		
	Elgi Rubber Company LLC, USA	26.37	23.38
	Borrachas e Equipamentos Elgi Ltda, Brasil	1.46	-
	Elgi Rubber Company Holdings B.V., The Netherlands	33.70	26.76
	Rubber Resources B.V., The Netherlands	7.82	-
	LRG Technologies Limited	0.10	1.57
	ATS Elgi Limited	3.10	-
	Cape Flour Mills Private Limited	0.04	0.04
	Tyre Point Private Limited	0.05	-
<b>5</b>	<b>Security Deposit</b>		
	Ellargi & Co.,	0.10	0.10
	LRG Technologies Limited	0.05	0.05
	Cape Flour Mills Private Limited	0.07	0.07
<b>6</b>	<b>Advance paid for purchase of Capital Goods</b>		
	Borrachas e Equipamentos Elgi Ltda, Brasil	0.02	0.02
	Rubber Resources B.V., The Netherlands	15.86	-
<b>7</b>	<b>Trade and other Payables</b>		
	Elgi Rubber Company LLC, USA	1.34	0.51
	Borrachas e Equipamentos Elgi Ltda, Brasil	0.02	0.02
	Rubber Resources B.V., The Netherlands	0.02	0.02
	Pincott International Pty Limited, Australia	2.97	5.35
	Rubber Compounding Holland B.V., The Netherlands	-	0.01
	ATS Elgi Limited	0.48	-
	Elgi Ultra Industries Limited	-	1.22
	Elgi Ultra Limited	1.31	-
	Festo India Private Limited	0.19	-
	Ellargi & Co.,	-	0.03
	Industrial Air Solutions LLP	-	0.09
<b>8</b>	<b>Dividend receivable</b>		
	Treadsdirect Limited, Bangladesh	0.34	0.34
<b>9</b>	<b>Amount receivable</b>		
	Elgi Rubber Company LLC, USA	109.98	24.21
	Borrachas e Equipamentos Elgi Ltda, Brasil	692.45	456.54
	Elgi Rubber Company Holdings B.V., The Netherlands	124.20	69.93
	Pincott International Pty Limited, Australia	58.85	47.38
<b>10</b>	<b>Amount payable</b>		
	Pincott International Pty Limited, Australia	3.14	2.97
<b>11</b>	<b>Interest receivable</b>		
	Elgi Rubber Company LLC, USA	-	3.25
	Borrachas e Equipamentos Elgi Ltda, Brasil	-	69.53
	Elgi Rubber Company Holdings B.V., The Netherlands	-	20.91
	Pincott International Pty Limited, Australia	-	3.76

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**52 Retirement benefit plans****Defined contribution plans**

In accordance with Indian law, eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The contributions, as specified under the law, are made to the Provident Fund.

The total (income) / expense recognised in profit or loss of (₹ 4.17) million (for the year ended March 31, 2019: ₹ 2.86 million) represents contribution paid to these plans by the Company at rates specified in the rules of the plan.

**Defined benefit plans****(a) Leave obligations**

The Leave obligations cover the Company's liability for earned leave.

**(b) Gratuity**

Gratuity is payable as per Payment of Gratuity Act, 1972. In terms of the same, gratuity is computed by multiplying last drawn salary (basic salary including dearness Allowance if any) by completed years of continuous service with part thereof in excess of six months and again by 15/26. The Act provides for a vesting period of 5 years for withdrawal and retirement and a monetary ceiling on gratuity payable to an employee on separation, as may be prescribed under the Payment of Gratuity Act, 1972, from time to time. However, in cases where an enterprise has more favourable terms in this regard the same has been adopted.

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Particulars	March 31, 2020	March 31, 2019
Discount Rate	6.80%	7.50%
Rate of increase in compensation level	4.00%	4.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**Amounts recognised in total comprehensive income in respect of these defined benefit plans are as follows:**

Current service cost	3.29	3.73
Net interest expense	4.33	3.96
Return on plan assets (excluding amounts included in net interest expense)	(4.92)	(4.61)
Components of defined benefit costs recognised in profit or loss	<b>2.70</b>	<b>3.08</b>
Remeasurement on the net defined benefit liability comprising:		
Actuarial (gains)/losses recognised during the period		
Actuarial (gains)/losses	(6.87)	(0.22)
Components of defined benefit costs recognised in other comprehensive income	<b>(6.87)</b>	<b>(0.22)</b>
	<b>(4.17)</b>	<b>2.86</b>

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:**

Particulars	March 31, 2020	March 31, 2019
Present value of defined benefit obligation	49.10	57.61
Fair value of plan assets	(63.28)	(65.48)
<b>Net liability/(asset) arising from defined benefit obligation</b>	<b>(14.18)</b>	<b>(7.87)</b>
Funded	(14.18)	(7.87)
Unfunded	-	-
	<b>(14.18)</b>	<b>(7.87)</b>

Excess of fair value of plan assets over present value of obligation is reflected under 'Others' (other current assets) [Refer note 18].

**Movements in the present value of the defined benefit obligation in the current year were as follows:**

Opening defined benefit obligation	57.61	52.75
Current service cost	3.29	3.73
Interest cost	4.33	3.96
Actuarial (gains)/losses	(6.87)	(0.22)
Benefits paid	(9.26)	(2.61)
<b>Closing defined benefit obligation</b>	<b>49.10</b>	<b>57.61</b>

**Movements in the fair value of the plan assets in the current year were as follows:**

Opening fair value of plan assets	65.48	63.48
Return on plan assets	4.92	4.61
Contributions	2.14	-
Benefits paid	(9.26)	(2.61)
<b>Closing fair value of plan assets</b>	<b>63.28</b>	<b>65.48</b>

**Sensitivity analysis**

In view of the fact that the Company for preparing the sensitivity analysis considers the present value of the defined benefit obligation which has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

For and on behalf of the Board

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

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer

Coimbatore  
June 25, 2020

**V Santhanakrishnan**  
Company Secretary

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S

**MV Jeganathan**  
Partner  
Membership No. 214178

## Annual Report 2019-20

### Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

#### Performance and Financial Indicators

##### Performance

	31.03.2020	31.03.2019	31.03.2018	31.03.2017	31.03.2016
Sales and other income	2,021.97	2,125.32	2,003.25	2,232.04	2,099.93
Profit before depreciation and tax	59.84	80.19	106.17	169.71	(151.20)
Profit before tax	61.39	1.61	33.14	99.32	(241.76)
Profit after tax	57.96	4.56	19.30	78.80	(264.91)
Dividend %	16	-	-	13	37
Net fixed assets	796.23	862.29	916.55	935.03	1,110.72
Investments	499.79	544.18	567.87	554.63	489.27
Net working capital	580.57	833.02	595.16	673.30	1,030.47
Total Capital employed	4,000.20	4,071.77	3,991.14	3,891.09	3,506.92
Share holders funds	2,643.11	2,590.06	2,585.34	2,576.24	2,630.46

##### Financial Indicators

	31.03.2020	31.03.2019	31.03.2018	31.03.2017	31.03.2016
Earning per share	1.16	0.09	0.39	1.57	(5.29)
Cash earnings per share	1.20	1.60	2.12	3.39	(3.02)
Gross sales per share	36.83	40.54	37.14	39.95	42.39
Book value per share	52.81	51.75	51.66	51.47	52.56
EBITDA/SALES%	13.43	9.66	10.95	13.24	(5.27)
Net profit margin %	3.14	0.22	1.03	3.94	(13.17)
ROCE%	9.36	7.57	7.87	9.64	(10.07)

Note: Performance of Financial years are not comparable with financial year 2015-16 due to adoption Ind AS.

**Notes to the Standalone Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**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**

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 <sup>st</sup> Jan 19 to 31 <sup>st</sup> Dec 19	Real	14.62	272.57	(403.19)	508.25	638.87	160.13	(29.34)	-	(29.34)	-	99.99
2	Pincoff International Pty Limited, Australia	1 <sup>st</sup> Jan 19 to 31 <sup>st</sup> Dec 19	AUD	46.19	106.63	(150.67)	13.77	57.81	-	(3.68)	-	(3.68)	-	100.00
3	Elgi Rubber Company Limited, Kenya	1 <sup>st</sup> Jan 19 to 31 <sup>st</sup> Dec 19	Shilling	0.71	2.01	9.92	19.60	7.67	17.94	(12.52)	(0.51)	(12.01)	-	99.99
4	Elgi Rubber Company Limited, Sri Lanka	1 <sup>st</sup> Jan 19 to 31 <sup>st</sup> Dec 19	Sri Lankan Rupee	0.40	6.96	41.25	54.67	6.46	44.72	4.50	1.67	2.83	3.95 *	99.99
5	Treaddirect Limited, Bangladesh	1 <sup>st</sup> Jan 19 to 31 <sup>st</sup> Dec 19	Taka	0.89	4.42	3.66	16.77	8.69	-	-	-	-	-	100.00
6	Elgi Rubber Company LLC, USA	1 <sup>st</sup> Jan 19 to 31 <sup>st</sup> Dec 19	USD	75.39	171.25	(189.41)	635.42	653.58	528.22	(27.54)	-	(27.54)	-	100.00
7	Elgi Rubber Company Holdings B.V, The Netherlands	1 <sup>st</sup> Jan 19 to 31 <sup>st</sup> Dec 19	Euro	83.05	365.06	(471.66)	1,833.51	1,940.10	1,418.66	(124.49)	2.17	(126.66)	-	100.00
8	Titan Tyrecare Products LLP, India	1 <sup>st</sup> Apr 19 to 30 <sup>th</sup> Apr 19	Rupee	1.00	0.30	(0.30)	-	-	-	-	-	-	-	99.99

\* Dividend paid during the year.

**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 2019-20**

For and on behalf of the Board		As per our report of even date	
<b>Sudarsan Varadaraj</b>	<b>MD Selvaraj</b>	<b>For M.S. Jagannathan &amp; Visvanathan</b>	
Chairman & Managing Director	Director	Chartered Accountants	
DIN: 00133533	DIN: 00001608	FRN: 001209S	
Coimbatore		<b>MV Jeganathan</b>	
June 25, 2020		Partner	
		Membership No. 214178	

## Independent Auditor's Report

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

## Report on the audit of the Consolidated Ind AS Financial Statements

## Opinion

1. We have audited the Consolidated Financial Statements of Elgi Rubber Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss, (including the statement of Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Consolidated Financial Statements").
2. 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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the profit and total comprehensive income and changes in equity and its cash flows for the year ended on that date.

## Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Consolidated Financial Statements under the provisions of the Act and the Rules made thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

## Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Consolidated financial statements section of our report, including in relation to these matters.

S.No.	Key Audit Matter	Auditor's Response
1.	<p><b>Adoption of Ind AS 116, Leases</b></p> <p>As described in Note 3(n) to the Consolidated financial statements, during the current year the Company has adopted Ind AS 116, Leases ('Ind AS 116'), the new standard on lease accounting. The application and transition to this accounting standard is complex and is an area of focus in our audit as the Company has large number of leases with different contractual terms.</p> <p>Ind AS 116 introduces a new lease accounting model wherein lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet. The lease liabilities are initially measured by discounting future lease payments during the lease term as per the contract/ arrangement. Adoption of the standard involves significant judgements and estimates including, determination of the discount rates and the lease term.</p> <p>The Company adopted the modified retrospective approach method to transition to Ind AS 116, consequently comparative financial information was not restated.</p> <p>Additionally, the standard mandates detailed disclosures with respect of transition.</p> <p>Refer Note 6 to the Consolidated financial statements.</p>	<p><b>Principal Audit Procedures</b></p> <p>Our audit procedures on adoption of Ind AS 116 include the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and implementation of the processes and internal controls relating to implementation of the new lease standard.</li> <li>• Based on our evaluation of the contractual agreements entered into and our knowledge of the business, assessed the appropriateness of the leases identified by the Company.</li> <li>• Evaluated the discount rates used in computing the lease liabilities.</li> <li>• On transition to Ind AS 116 with effect from 1 April 2019: Evaluated the method of transition and related adjustments.</li> </ul> <p>Tested completeness of the lease data by reconciling the Company's operating lease commitments as at 31 March 2019 to data used in computing the ROU asset and related lease liabilities.</p> <ul style="list-style-type: none"> <li>• For new / modified leases, tested the lease accounting and estimates/ judgments used by the Company.</li> <li>• Evaluated the appropriateness of the accounting policy, disclosures provided under the new lease standard and assessed the completeness and mathematical accuracy of the relevant disclosures, including those related to transition.</li> </ul>



S.No.	Key Audit Matter	Auditor's Response
2.	<b>Recoverability of Income tax assets and Receivables from Government authorities</b>  As at March 31, 2020, non-current assets in respect of Income tax assets to the extent of Rs. 38.41 million and Receivable from government authorities to the extent of Rs. 28.68 million are outstanding.	<b>Principal Audit Procedures</b>  We analyzed and reviewed the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution. The income tax assets represent excess taxes paid over the actual expected tax liabilities; the amounts receivable from government authorities represent input tax credits eligible for set off and as such we considered and concluded that these recoverable are sustainable upon final resolution.
3.	<b>Evaluation of uncertain tax positions</b>  The Company has no material uncertain tax positions including matters under dispute which involves significant judgment to determine the possible outcome of these disputes. (Refer note 39)	<b>Principal Audit Procedures</b>  We obtained details of completed tax assessments and demands received upto the end of the financial year and till the date of finalization of our report, from management. We analyzed the management's underlying assumptions in estimating the tax provision and the possible outcome of the disputes. We considered legal precedence and other rulings in evaluating management's position on these uncertain tax positions. Additionally, we considered the effect of new information in respect of uncertain tax positions to evaluate whether any change was required to management's position on these uncertainties.

We have determined that there are no other key audit matters to communicate in our report.

#### Information Other than the Consolidated Financial Statements and Auditor's Report thereon

5. The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Consolidated Financial Statements and our report thereon.

Our opinion on the Consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Management's Responsibility and those charged with governance for the Consolidated Financial Statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Consolidated financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 Consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the Consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated financial statements, including the disclosures, and whether the Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors

Materiality is the magnitude of misstatements in the Consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Other Matter

8. We did not audit the financial statements of seven subsidiaries, whose financial statements reflect total assets of INR 3,064.55 million and net assets of INR 239.28 million as at March 31, 2020, total revenue of INR 2,169.67 million, net loss of INR 196.40 million and net cash out flows amounting to INR 29.99 million 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 INR Nil for the year ended March 31, 2020 as considered in the consolidated financial statements, in respect of one subsidiary whose financial statements have not been audited by us. 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 INR 8.73 million and net assets of INR 8.08 million as at March 31, 2020, total revenue of INR Nil, net profit of INR Nil and net cash outflows amounting to INR 8.04 for the year ended on that date, as considered in the consolidated financial statements. 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.

In 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, based on our audit 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 including Other Comprehensive Income, Statement of Changes in Equity and the Cash Flow statement dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid Consolidated financial statements comply with the Ind AS 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, 2020 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2020 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". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
  - i) The Company has disclosed the impact of pending litigations on its financial position in its Consolidated financial statements – Refer note no.39 to the Consolidated Financial Statements.
  - ii) The company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended March 31, 2020.

**For M S Jagannathan and Visvanathan**  
Chartered Accountants  
FRN : 001209S

Place : Coimbatore  
Date : June 25, 2020

**M V Jeganathan**  
M No 214178  
UDIN: 20214178AAAABZ5732

## **Annexure - A to the Independent Auditor's Report**

(Referred to in paragraph 10(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to Elgi Rubber Company Limited of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Act, 2013 ("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, 2020, 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 Board of Directors of the company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 ('the 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 internal financial controls over financial reporting of the Holding Company and its subsidiary companies, which are companies incorporated in India, 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 Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 Holding 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 authorizations of management and directors of the company; and
  - c) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 2020, 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

**For M S Jagannathan and Visvanathan**  
Chartered Accountants  
FRN : 001209S

Place : Coimbatore  
Date : June 25, 2020

**M V Jeganathan**  
M No 214178  
UDIN: 20214178AAAABZ5732

# Annual Report 2019-20

## Consolidated Financial Statements for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

### Consolidated Balance Sheet as at March 31, 2020

Particulars	Notes	March 31, 2020	March 31, 2019
<b>I. ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	4	1,915.67	2,072.62
Intangible assets	4	26.88	54.05
Capital work in progress	5	326.94	308.19
Goodwill on consolidation		130.35	130.35
Right of use assets	6	7.52	-
Financial assets			
i. Investments	7	37.28	81.67
ii. Other financial asset	8	27.15	23.44
Deferred tax asset (Net)	9	294.60	299.77
Other non-current assets	10	118.33	201.23
<b>Total non-current assets</b>		<b>2,884.72</b>	<b>3,171.32</b>
<b>Current assets</b>			
Inventories	11	1,357.13	1,424.66
Financial assets			
i. Trade receivables	12	497.35	613.32
ii. Cash and cash equivalents	13	44.84	55.29
iii. Bank balances other than (ii) above	14	206.61	245.81
iv. Loans	15	4.30	3.63
Other current assets	16	256.67	208.16
<b>Total current assets</b>		<b>2,366.90</b>	<b>2,550.87</b>
<b>TOTAL ASSETS</b>		<b>5,251.62</b>	<b>5,722.19</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	17	50.05	50.05
Other equity	18	1,805.38	2,181.77
<b>Total equity</b>		<b>1,855.43</b>	<b>2,231.82</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
i. Borrowings	19	999.21	1,087.63
ii. Lease liability	20	4.97	-
Provisions	21	-	0.15
<b>Total non-current liabilities</b>		<b>1,004.18</b>	<b>1,087.78</b>
<b>Current liabilities</b>			
Financial liabilities			
i. Borrowings	22	1,479.79	1,519.29
ii. Trade payables	23		
a. Outstanding dues of micro & small enterprises		2.44	2.85
b. Outstanding dues other than (a) above		527.15	465.53
Provisions	24	24.20	31.61
Other current liabilities	25	358.43	383.31
<b>Total current liabilities</b>		<b>2,392.01</b>	<b>2,402.59</b>
<b>Total liabilities</b>		<b>3,396.19</b>	<b>3,490.37</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,251.62</b>	<b>5,722.19</b>

The accompanying notes form an integral part of the consolidated financial statements.

For and on behalf of the Board

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

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer

**V Santhanakrishnan**  
Company Secretary

Coimbatore  
June 25, 2020

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S

**MV Jeganathan**  
Partner  
Membership No. 214178

**Consolidated Financial Statements for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Consolidated Statement of Profit and Loss for the year ended March 31, 2020**

Particulars	Notes	March 31, 2020	March 31, 2019
<b>Income</b>			
Revenue from operations	26	3,668.20	4,098.55
Other income	27	162.49	75.70
<b>TOTAL INCOME</b>		<b>3,830.69</b>	<b>4,174.25</b>
<b>Expenses</b>			
Cost of materials consumed	28	1,454.27	1,610.69
Purchase of stock in trade	29	266.14	425.54
Changes in inventories of finished goods, work-in-progress and stock-in-trade	30	41.39	(37.11)
Employee benefits expense	31	843.55	812.25
Depreciation and amortisation expense	32	168.43	183.51
Finance costs	33	193.82	178.82
Other expenses	34	1,086.40	1,176.95
<b>TOTAL EXPENSES</b>		<b>4,054.00</b>	<b>4,350.65</b>
<b>Profit before exceptional items and tax</b>		<b>(223.31)</b>	<b>(176.40)</b>
Exceptional items	35	78.10	12.52
<b>Profit before tax from continuing operations</b>		<b>(145.21)</b>	<b>(163.88)</b>
Income tax expense	36		
Current tax (MAT)		1.60	3.77
Deferred tax charge		0.76	(6.85)
Income tax related to earlier year		4.41	0.31
<b>Profit after tax for the year</b>		<b>(151.98)</b>	<b>(161.11)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit obligations		6.87	0.22
Income tax relating to these items		(1.73)	(0.06)
<b>Other comprehensive income for the year, net of tax</b>		<b>5.14</b>	<b>0.16</b>
<b>Total comprehensive income for the year</b>		<b>(146.84)</b>	<b>(160.95)</b>
<b>Earnings per share</b>	37		
Basic (in ₹)		(3.04)	(3.22)
Diluted (in ₹)		(3.04)	(3.22)

The accompanying notes form an integral part of the consolidated financial statements.

For and on behalf of the Board

**Sudarsan Varadaraj**  
Chairman & Managing Director  
DIN: 00133533  
Coimbatore  
June 25, 2020

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer  
  
**V Santhanakrishnan**  
Company Secretary

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S  
  
**MV Jeganathan**  
Partner  
Membership No. 214178



# Annual Report 2019-20

## Consolidated Financial Statements for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

### Consolidated Cash Flow Statement for the year ended 31st March, 2020

Particulars	March 31, 2020	March 31, 2019
<b>A. Cash Flow from Operating activities</b>		
Profit before Income tax	(145.21)	(163.88)
Adjustments for		
Depreciation and amortisation expense	168.43	183.51
(Profit) / Loss on sale of fixed asset	(89.00)	(8.81)
(Profit) / Loss on sale of Investments	-	3.58
Fair Value changes of investments considered to profit and loss	44.39	3.12
Interest received	(22.79)	(22.76)
Finance costs	193.82	178.82
Dividend Income	(0.88)	(0.40)
<b>Operating profit before working capital changes</b>	<b>148.76</b>	<b>173.18</b>
<b>Change in operating assets and liabilities</b>		
(Increase) / decrease in loans	(0.67)	(1.22)
(Increase) / decrease in other financial assets	(3.71)	(4.32)
(Increase) / decrease in inventories	67.53	(25.21)
(Increase) / decrease in trade receivables	115.97	(97.50)
(Increase) / decrease in other assets	28.50	95.65
(Increase) / (decrease) in provisions and other liabilities	(42.81)	69.29
(Increase) / (decrease) in trade payables	61.21	126.86
<b>Cash generated from operations</b>	<b>374.78</b>	<b>336.73</b>
Income taxes paid (net of refunds)	1.61	(2.03)
<b>Net cash from operating activities (A)</b>	<b>376.39</b>	<b>334.70</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Property, Plant and Equipment (including movements in CWIP)	(151.75)	(136.83)
Sale proceeds of Property, Plant and Equipment	241.12	135.36
(Purchase)/ disposal proceeds of Investments	-	(3.00)
(Investments in)/ Maturity of fixed deposits with banks	38.68	4.79
Interest income	24.07	20.57
Dividend Income	0.88	0.40
<b>Net cash used in investing activities (B)</b>	<b>153.00</b>	<b>21.29</b>
<b>C. Cash Flow from Financing activities</b>		
Changes in reserves	(207.81)	6.57
Proceeds from/ (repayment of) long term borrowings	(88.43)	44.96
Proceeds from/ (repayment of) short term borrowings	(39.49)	(242.66)
Finance costs	(190.73)	(177.21)
Interim Dividend paid (Including dividend distribution tax)	(9.82)	(0.06)
Dividend transferred to Investor Education and Protection Fund	(0.40)	(0.63)
Payment of lease liabilities	(3.16)	-
<b>Net cash from/ (used in) financing activities (C)</b>	<b>(539.84)</b>	<b>(369.03)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(10.45)</b>	<b>(13.04)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>55.29</b>	<b>68.33</b>
<b>Cash and cash equivalents at end of the year</b>	<b>44.84</b>	<b>55.29</b>

#### Notes :

- The above cash flow statement has been prepared under indirect method prescribed in Ind AS 7 "Cash Flow Statements".
- Components of cash and cash equivalents

#### Balances with banks

- in current accounts
- in demand deposits with original maturity of 3 months

#### Cash on hand

#### Total cash and cash equivalents

42.26	52.35
1.28	-
1.30	2.94
<b>44.84</b>	<b>55.29</b>

The accompanying notes form an integral part of the consolidated financial statements.

For and on behalf of the Board

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

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer

**V Santhanakrishnan**  
Company Secretary

Coimbatore  
June 25, 2020

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S

**MV Jeganathan**  
Partner  
Membership No. 214178

**Consolidated Financial Statements for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Statement of Changes in Equity for the year ended March 31, 2020****(A) Equity Share Capital**

<b>Balance at the beginning of April 1, 2018</b>	<b>50.50</b>
Changes in equity share capital during the year	—
<b>Balance at the end of March 31, 2019</b>	<b>50.50</b>
Changes in equity share capital during the year	—
<b>Balance at the end of March 31, 2020</b>	<b>50.50</b>

**(B) Other Equity**

Particulars	Capital Reserve	Securities Premium	General Reserve	Other comprehensive income	Foreign Currency Translation Reserve	Investment Reserve	Retained Earnings	Total
<b>Balance as at March 31, 2018</b>	<b>318.20</b>	<b>1.90</b>	<b>1,254.67</b>	<b>-</b>	<b>278.98</b>	<b>394.05</b>	<b>88.36</b>	<b>2,336.16</b>
Additions/ (deductions) during the year	-	-	-	0.16	6.57	-	(161.12)	(154.39)
Other Comprehensive Income for the year	-	-	-	(0.16)	-	-	0.16	-
<b>Balance as at March 31, 2019</b>	<b>318.20</b>	<b>1.90</b>	<b>1,254.67</b>	<b>-</b>	<b>285.55</b>	<b>394.05</b>	<b>(72.60)</b>	<b>2,181.77</b>
Impact of adoption of IND AS 116	-	-	-	-	-	-	(0.39)	(0.39)
Additions/ (deductions) during the year	-	-	-	5.14	(219.50)	-	(151.98)	(366.34)
Other Comprehensive Income for the year	-	-	-	(5.14)	-	-	5.14	-
Interim Dividend paid	-	-	-	-	-	-	(8.01)	(8.01)
Taxes on Dividend paid	-	-	-	-	-	-	(1.65)	(1.65)
<b>Balance as at March 31, 2020</b>	<b>318.20</b>	<b>1.90</b>	<b>1,254.67</b>	<b>-</b>	<b>66.05</b>	<b>394.05</b>	<b>(229.49)</b>	<b>1,805.38</b>

The accompanying notes form an integral part of the consolidated financial statements.

For and on behalf of the Board

**Sudarsan Varadaraj**  
Chairman & Managing Director  
DIN: 00133533  
Coimbatore  
June 25, 2020

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer

**V Santhanakrishnan**  
Company Secretary

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S

**MV Jeganathan**  
Partner  
Membership No. 214178

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Notes to the Consolidated Financial Statements for the year ended March 31, 2020**

**1 Company Overview**

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.

**2 Basis of preparation of financial statements**

**Statement of compliance**

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

**Basis of preparation and presentation**

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- a) Derivative financial instruments
- b) Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Basis of Consolidation**

The consolidated financial statements of the Group incorporate the financial statements of the Parent Company and its subsidiaries. The Parent Company has control over the subsidiaries as it is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to affect its returns through its power over the subsidiaries.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including rights arising from other contractual arrangements.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Adjustments are made to the financial statements of subsidiaries, as and when necessary, to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Use of estimates**

The preparation of consolidated financial statements in conformity with Indian Accounting Standards (Ind AS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.

**Estimation uncertainty relating to COVID-19 outbreak:**

The Company has considered internal and certain external sources of information including credit reports, economic forecasts and industry reports up to the date of approval of the financial statements in determining the impact on various elements of its financial statements. The Company has used the principles of prudence in applying judgments, estimates and assumptions including sensitivity analysis and based on the current estimates, the Company expects to fully recover the carrying amount of trade receivables, intangible assets and investments. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

**Functional and presentation currency**

These financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest millions (up to two decimals). The financial statements are approved for issue by the Company's Board of Directors on June 25, 2020.

**2A Critical accounting estimates and management judgments**

In application of the accounting policies, which are described in note 2, the management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Information about significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

**Property, Plant and Equipment (PPE)**

The residual values and estimated useful life of PPEs, Intangible Assets and Investment Properties are assessed by the technical team at each reporting date by taking into account the nature of asset, the estimated usage of the asset, the operating condition of the asset and past history of replacement and maintenance support. Upon review, the management accepts the assigned useful life and residual value for computation of depreciation/amortisation. Also, management judgement is exercised for classifying the asset as investment properties or vice versa.

**Current tax**

Calculations of income taxes for the current period are done based on applicable tax laws and management's judgement by evaluating positions taken in tax returns and interpretations of relevant provisions of law.

**Deferred Tax Assets**

Significant management judgement is exercised by reviewing the deferred tax assets at each reporting date to determine the amount of deferred tax assets that can be retained / recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

**Fair value**

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

**Impairment of Trade Receivables**

The impairment for trade receivables are done based on assumptions about risk of default and expected loss rates. The assumptions, selection of inputs for calculation of impairment are based on management judgement considering the past history, market conditions and forward looking estimates at the end of each reporting date.

**Impairment of Non-financial assets (PPE/Intangible Assets/Investment Properties)**

The impairment of non-financial assets is determined based on estimation of recoverable amount of such assets. The assumptions used in computing the recoverable amount are based on management judgement considering the timing of future cash flows, discount rates and the risks specifically attributable to the asset.

**Defined Benefit Plans and Other long term benefits**

The cost of the defined benefit plan and other long term benefits, and the present value of such obligation are determined by the independent actuarial valuer. An actuarial valuation involves making various assumptions that may differ from actual developments in future. Management believes that the assumptions used by the actuary in determination of the discount rate, future salary increases, mortality rates and attrition rates are reasonable. Due to the complexities involved in the valuation and its long term nature, this obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**Fair value measurement of financial instruments**

Where the fair values of financial assets and financial liabilities could not be measured based on quoted prices in active markets, management uses valuation techniques including the Discounted Cash Flow (DCF) model, to determine its fair value. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is exercised in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

**Provisions and contingencies**

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the reporting date. The actual outflow of resources at a future date may therefore

**3 Significant accounting policies**

**a) Current versus non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

- i) Expected to be realised or intended to be sold or consumed in normal operating cycle
- ii) Held primarily for the purpose of trading
- iii) Expected to be realised within twelve months after the reporting period, or
- iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- i) It is expected to be settled in normal operating cycle
- ii) It is held primarily for the purpose of trading
- iii) It is due to be settled within twelve months after the reporting period, or
- iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified 12 months as its operating cycle.

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**b) Fair value measurement**

The Company has applied the fair value measurement wherever necessitated at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability;
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and the best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 : Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company has designated the respective team leads to determine the policies and procedures for both recurring and non-recurring fair value measurement. External valuers are involved, wherever necessary with the approval of Company's board of directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above. The component wise fair value measurement is disclosed in the relevant notes.

**c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates, and similar allowances.

**Sale of goods and services**

Revenue from the sale of goods and services is recognized when the company transfers control of goods or services to its customer at the amount to which the company expects to be entitled.

**Export entitlements**

Export entitlements from Government authorities are recognised in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

**Interest income**

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash



**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

**Rental income**

Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease, if the escalation is not a compensation for increase in cost inflation index.

**Dividend income**

Dividend income is recognized when the company's right to receive dividend is established by the reporting date, which is generally when shareholders approve the dividend.

**d) Property, Plant and Equipment and Capital work-in-progress**

**Deemed cost option for first time adoption of Ind AS**

Under the previous GAAP (Indian GAAP), property, plant and equipment were carried in the balance sheet at cost less accumulated depreciation. The Company has elected to consider the previous GAAP carrying amount of the Property, Plant and Equipment as the deemed cost as at the date of transition, viz., 1 April 2016.

**Presentation**

Property, Plant and Equipment and Capital work-in-progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs of a qualifying asset, if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Advances paid towards the acquisition of tangible assets outstanding at each balance sheet date, are disclosed as capital advances under long term loans and advances and the cost of the tangible assets not ready for their intended use before such date, are disclosed as capital work in progress.

**Component cost**

All material/ significant components have been identified and have been accounted separately. The useful life of such component are analysed independently and wherever components are having different useful life other than plant they are part of, useful life of components are considered for calculation of depreciation.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as and when incurred.

Machinery spares that can be issued only in connection with an item of fixed assets and their issue is expected to be irregular are capitalised. Replacement of such spares are charged to revenue. Other spares are charged as revenue expenditure as and when consumed.

**Derecognition**

Gains or losses arising from derecognition of property, plant and equipment 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.

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately, where the cost exceeds ₹ 10,000 and the estimated useful life is two years or more, is capitalised and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets - research and development expenditure:

Expenditure on research activities e.g. the design and production of prototypes is recognised as an expense in the period in which it is incurred.



**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

An internally generated intangible asset arising from development (or from development phase of internal project) is recognised, if and only if, all of the following have been demonstrated:

- technical feasibility of completing the intangible asset;
- how the intangible asset will generate probable future economic benefit;
- availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably, the attributable expenditure during the development stage.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**De-recognition of intangible assets:**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

**Impairment of assets**

At the end of each reporting period, the Group determines whether there is any indication that its assets (tangible, intangible assets and investments in equity instruments in joint ventures and associates carried at cost) have suffered an impairment loss with reference to their carrying amounts. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount exceeds the recoverable amount. Recoverable amount is higher of the fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Intangible assets under development are tested for impairment annually at each balance sheet date.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount carried, had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**e) Depreciation on Property, Plant and Equipment**

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less 5% being its residual value.

Depreciation is provided on Written Down Value method, over the useful lives specified in Schedule II to the Companies Act, 2013.

Depreciation for PPE on additions is calculated on pro-rata basis from the date of such additions. For deletion/disposals, the depreciation is calculated on pro-rata basis up to the date on which such assets have been discarded / sold.

The residual values, estimated useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**f) Inventories**

Inventories are carried at the lower of cost or net realisable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs are determined on weighted average method as follows:

- (i) Raw materials, packing materials, stores and spares: At purchase cost including other cost incurred in bringing materials/ consumables to their present location and condition.
- (ii) Work-in-progress: At material cost, conversion costs and appropriate share of production overheads

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

- (iii) Finished goods: At material cost, conversion costs, appropriate share of production overheads.
- (iv) Stock-in-trade and goods in transit: At purchase cost including other cost incurred in bringing materials/consumables to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**g) Financial instruments**

**Financial assets**

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

**Initial recognition and measurement**

All financial assets are recognised initially at fair value including transaction costs that are attributable to the acquisition of the financial asset, in the case of financial assets not recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified on the basis of their contractual cash flow characteristics and the entity's business model of managing them.

Financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**Debt instruments at amortised cost**

The Company classifies a debt instrument as at amortised cost, if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

**Debt instrument at FVTOCI**

The Company classifies a debt instrument at FVTOCI, if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the profit and loss statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**Financial instruments other than equity instruments at FVTPL**

The Company classifies all debt instruments, which do not meet the criteria for categorization as at amortized cost or as FVTOCI, as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

**Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. Where the Company makes an irrevocable election of equity instruments at FVTOCI, it recognises all subsequent changes in the fair value in other comprehensive income, without any recycling of the amounts from OCI to profit and loss, even on sale of such investments.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

Financial assets are measured at FVTPL except for those financial assets whose contractual terms give rise to cash flows on specified dates that represents solely payments of principal and interest thereon, are measured as detailed below depending on the business model:

Classification	Name of the financial asset
Amortised cost	Trade receivables, Loans given, deposits, interest receivable, unbilled revenue and other advances recoverable in cash.
FVTPL	Other investments in equity instruments, mutual funds, forward exchange contracts (to the extent not designated as a hedging instrument).

**Derecognition**

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.
- Financial assets that are debt instruments and are measured at FVTOCI
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime Expected Credit Loss (ECL) at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 months ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 months ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, the Company considers all contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument and Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, which reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

For impairment purposes, significant financial assets are tested on individual basis at each reporting date. Other financial assets are assessed collectively in groups that share similar credit risk characteristics. Accordingly, the impairment testing is done retrospectively on the following basis:

Name of the financial asset	Impairment Testing Methodology
Trade receivables	Expected Credit Loss model (ECL) is applied. The ECL over lifetime of the assets are estimated by using a provision matrix which is based on historical loss rates reflecting current conditions and forecasts of future economic conditions which are grouped on the basis of similar credit characteristics such as nature of industry, customer segment, past due status and other factors that are relevant to estimate the expected cash loss from these assets.
Other financial assets	When the credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. When there is significant change in credit risk since initial recognition, the impairment is measured based on probability of default over the life time. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12 month ECL.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

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All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at FVTPL**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to profit and loss. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The company has not designated any financial liability as at fair value through profit and loss.

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

**Derivative financial instruments**

The Company holds derivative financial instruments such as foreign exchange forward and options contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

**Derivatives fair valued through profit or loss**

This category has derivative financial assets or liabilities which are not designated as hedges.

Although the Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated a hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income. Assets / liabilities in this category are presented as current assets / current liabilities if they are either held for trading or are expected to be realized within 12 months after the Balance Sheet date.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

S.No	Original classification	Revised classification	Accounting treatment
1	Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
2	FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
3	Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
4	FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
5	FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
6	FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**h) Foreign currency transactions and translations**

**Transactions and balances**

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. However, for practical reasons, the Company uses an average rate, if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

Exchange differences on translation or settlement of long term foreign currency monetary items in respect of loans borrowed before April 1, 2016 at rates different from those at which they were initially recorded or reported in the previous consolidated financial statements, insofar as it relates to acquisition of depreciable assets, are adjusted to the cost of the assets and depreciated over remaining useful life of such assets. In other cases of long term foreign currency monetary items, these are accumulated in "Foreign currency translation reserve" and amortised by recognition as income or expense in each period over the balance term of such items till settlement occurs.



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For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's entities whose functional currency is other than INR are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve (and attributed to non-controlling interests as appropriate).

**i) Borrowing Costs**

Borrowing cost include interest computed using Effective Interest Rate method, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset which takes substantial period of time to get ready for its intended use. The Company determines the amount of borrowing cost eligible for capitalisation by applying capitalisation rate to the expenditure incurred on such cost. The capitalisation rate is determined based on the weighted average rate of borrowing cost applicable to the borrowings of the Company which are outstanding during the period, other than borrowings made specifically towards purchase of the qualifying asset. The amount of borrowing cost that the Company capitalises during the period does not exceed the amount of borrowing cost incurred during that period. All other borrowings costs are expensed in the period in which they occur.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

**j) Government grants**

Government grants are recognised at fair value where there is a reasonable assurance that the grant will be received and all the attached conditions are complied with.

In case of revenue related grant, the income is recognised on a systematic basis over the period for which it is intended to compensate an expense and is disclosed under "Other operating revenue" or netted off against corresponding expenses wherever appropriate. Receivables of such grants are shown under "Other Financial Assets". Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same. Receivables of such benefits are shown under "Other Financial Assets".

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet by setting up the grant as deferred income. The grant set up as deferred income is recognised in profit or loss on a systematic basis over the useful life of the asset.

**k) Taxes****Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Where there is deferred tax assets arising from carry forward of unused tax losses and unused tax created, they are recognised to the extent of deferred tax liability.



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(All amounts are in Millions in INR, unless otherwise stated)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**l) Retirement and other employee benefits**

**Short-term employee benefits**

A liability is recognised for short-term employee benefit in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

**Defined contribution plans**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund and super annuation fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

**Defined benefit plans**

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

**Compensated absences**

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

**Other long term employee benefits**

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by the employees up to the reporting date.

**m) Business combinations**

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange of control of the acquiree. Acquisition-related costs are generally recognised in statement of profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that

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- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Taxes and Ind AS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

In case of a bargain purchase, before recognising a gain in respect thereof, the Company determines whether there exists clear evidence of the underlying reasons for classifying the business combination as a bargain purchase. Thereafter, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognises any additional assets or liabilities that are identified in that reassessment. The Company then reviews the procedures used to measure the amounts that Ind AS requires for the purposes of calculating the bargain purchase. If the gain remains after this reassessment and review, the Company recognises it in other comprehensive income and accumulates the same in equity as capital reserve. This gain is attributed to the acquirer. If there does not exist clear evidence of the underlying reasons for classifying the business combination as a bargain purchase, the Company recognises the gain, after reassessing and reviewing (as described above), directly in equity as capital reserve.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill or capital reserve, as the case maybe. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates with the corresponding gain or loss being recognised in statement of profit and loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in statement of profit and loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to statement of profit and loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### **n) Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or when there is an indication that the unit may be impaired. The recoverable amount of cash generating unit is determined for each legal entity based on a value in use calculation which uses cash flow projections and an appropriate discount rate is applied. The discount rate takes

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into account the expected rate of return to shareholders, the risk of achieving the business projections, risks specific to the investments and other factors. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised directly in equity as capital reserve in the period in which the investment is acquired.

When there is any objective evidence of impairment, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with Ind AS 36 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with Ind AS 36 to the extent that the recoverable amount of the investment subsequently increases.

**o) Leases**

**Arrangements in the nature of lease**

The Company enters into agreements, comprising a transaction or series of related transactions that does not take the legal form of a lease but conveys the right to use the asset in return for a payment or series of payments. In case of such arrangements, the Company applies the requirements of Ind AS 116 – Leases to the lease element of the arrangement. For the purpose of applying the requirements under Ind AS 116 – Leases, payments and other consideration required by the arrangement are separated at the inception of the arrangement into those for lease and those for other elements.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other leases are operating leases.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

**p) Impairment of non financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**q) Provisions, contingent liabilities and contingent asset****Provisions**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources embodying economic benefits in respect of which a reliable estimate can be made.

Provisions are discounted, if the effect of the time value of money is material, using pre-tax rates that reflects the risks specific to the liability. When discounting is used, an increase in the provisions due to the passage of time is recognised as finance cost. These provisions are reviewed at each Balance Sheet date and adjusted to reflect the best current estimates.

Necessary provision for doubtful debts, claims, etc., are made if realisation of money is doubtful in the judgement of the management.

**Contingent liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. Contingent liabilities are disclosed separately.

Show cause notices issued by various Government authorities are considered for evaluation of contingent liabilities only when converted into demand.

**Contingent assets**

Where an inflow of economic benefits is probable, the Company discloses a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect. Contingent assets are disclosed but not recognised in the financial statements.

**r) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances with original maturity of less than 3 months, highly liquid investments that are readily convertible into cash, which are subject to insignificant risk of changes in value.

**s) Cash flow statement**

Cash flows are presented using indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

Bank borrowings are generally considered to be financing activities. However, where bank overdrafts which are repayable on demand form an integral part of an entity's cash management they are included as a component of cash and cash equivalents for the purpose of Cash flow statement.

**t) Earnings per share**

The basic earnings per share are computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted EPS is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic EPS and also weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares, as appropriate.

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**4 Property, Plant and Equipment**

Particulars	Tangible Assets					Total Tangible Assets	Intangible Assets	Total of Tangible assets and Intangible assets
	Land	Buildings	Plant and Equipment	Furniture and Fittings	Vehicle			
<b>Cost as at March 31, 2018</b>	587.27	1,087.82	1,105.26	1.68	10.76	2,792.79	84.80	2,877.59
Additions	30.77	4.19	111.11	-	1.80	147.87	19.56	167.43
Disposals/ Adjustments	(55.68)	(0.09)	(61.44)	-	(0.32)	(117.53)	(13.11)	(130.64)
Exchange Difference (FCTR)	(6.37)	(34.51)	(113.77)	0.23	(0.84)	(155.26)	1.98	(153.28)
<b>Cost as at March 31, 2019</b>	<b>555.99</b>	<b>1,057.41</b>	<b>1,041.16</b>	<b>1.91</b>	<b>11.40</b>	<b>2,667.87</b>	<b>93.23</b>	<b>2,761.10</b>
Additions	3.51	0.54	46.66	2.76	0.92	54.39	1.37	55.76
Disposals/ Adjustments	(43.58)	(19.76)	(95.39)	-	(4.09)	(162.82)	(12.63)	(175.45)
Exchange Difference (FCTR)	6.39	47.25	200.66	-	-	254.30	-	254.30
<b>Cost as at March 31, 2020</b>	<b>522.31</b>	<b>1,085.44</b>	<b>1,193.09</b>	<b>4.67</b>	<b>8.23</b>	<b>2,813.74</b>	<b>81.97</b>	<b>2,895.71</b>
<b>Depreciation/amortisation</b>								
<b>As at March 31, 2018</b>	-	<b>105.72</b>	<b>418.62</b>	<b>0.48</b>	<b>5.21</b>	<b>530.03</b>	<b>25.31</b>	<b>555.34</b>
Charge for the year	-	48.50	118.80	0.34	1.60	169.24	14.27	183.51
Disposals	-	-	(4.09)	-	-	(4.09)	-	(4.09)
Exchange Difference (FCTR)	-	(4.62)	(94.55)	0.20	(0.96)	(99.93)	(0.40)	(100.33)
<b>As at March 31, 2019</b>	<b>-</b>	<b>149.60</b>	<b>438.78</b>	<b>1.02</b>	<b>5.85</b>	<b>595.25</b>	<b>39.18</b>	<b>634.43</b>
Charge for the year	-	45.41	102.50	0.53	1.63	150.07	14.92	164.99
Disposals	-	(7.83)	(5.53)	-	(1.10)	(14.46)	(8.88)	(23.34)
Exchange Difference (FCTR)	-	11.28	156.53	0.28	(0.88)	167.21	9.87	177.08
<b>As at March 31, 2020</b>	<b>-</b>	<b>198.46</b>	<b>692.28</b>	<b>1.83</b>	<b>5.50</b>	<b>898.07</b>	<b>55.09</b>	<b>953.16</b>
<b>Net Block</b>								
<b>As at March 31, 2019</b>	<b>555.99</b>	<b>907.81</b>	<b>602.38</b>	<b>0.89</b>	<b>5.55</b>	<b>2,072.62</b>	<b>54.05</b>	<b>2,126.67</b>
<b>As at March 31, 2020</b>	<b>522.31</b>	<b>886.98</b>	<b>500.81</b>	<b>2.84</b>	<b>2.73</b>	<b>1,915.67</b>	<b>26.88</b>	<b>1,942.55</b>

**5 Capital work-in-progress**

Capital work-in-progress mainly comprises of building, machinery and others.

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars		March 31, 2020	March 31, 2019
<b>6</b>	<b>Right of use assets</b>		
	Right of use Lease hold assets	7.52	-
		<b>7.52</b>	<b>-</b>
<b>7</b>	<b>Non-current financial assets - Investments</b>		
	<b>Quoted - At Fair Value Through Profit or Loss</b>		
	Investment in Equity Instruments*	37.28	81.67
	<b>Unquoted - At Fair Value Through Profit or Loss</b>		
	Investment in mutual fund *	0.58	0.58
	Provision for impairment	(0.58)	(0.58)
		<b>37.28</b>	<b>81.67</b>
	Aggregate amount of		
	Quoted investments and market value thereof	37.28	81.67
	Unquoted investments	0.58	0.58
	Provision for impairment	0.58	0.58
	* Refer note 41 for information on the above.		
<b>8</b>	<b>Non-current - Other financial assets</b>		
	(Unsecured, considered good)		
	Security deposits	14.00	19.85
	Unamortised finance cost	0.27	0.55
	Rent and other advances	12.88	3.04
		<b>27.15</b>	<b>23.44</b>
<b>9</b>	<b>Non-current - Deferred tax asset (Net)</b>		
	Expenses allowable for tax purposes when paid	246.99	284.41
	Voluntary retirement scheme payment to be allowed	1.28	3.29
	Allowance for expected credit losses	11.44	10.02
	Differential tax on fair value of investments	37.99	3.59
	On Property, plant, and equipment	(3.10)	(4.16)
	MAT credit entitlement	-	2.62
		<b>294.60</b>	<b>299.77</b>
<b>10</b>	<b>Other non-current assets</b>		
	(Unsecured, considered good)		
	Capital advance	69.83	78.93
	Advance income-tax	9.71	14.09
	Disputed income tax Payments	28.70	31.14
	Other disputed statutory payments/deposits	8.67	8.48
	Advance recoverable in cash or in kind or for value to be received	1.42	68.59
		<b>118.33</b>	<b>201.23</b>
<b>11</b>	<b>Inventories</b>		
	Raw materials	588.22	614.69
	Work-in-progress	102.78	73.44
	Finished goods	360.57	372.47
	Stock-in-trade	105.06	162.21
	Stock-in-transit	20.19	41.89
	Packing materials	30.14	30.95
	Stores and spares	147.53	124.69
	Scrap	2.64	4.32
		<b>1,357.13</b>	<b>1,424.66</b>

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### Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>12 Trade receivables</b>		
Unsecured, Outstanding for a period less than six months from the date they are due for payment		
Considered good	517.67	613.32
Considered doubtful	45.50	36.01
	<b>563.17</b>	<b>649.33</b>
Allowance for expected credit losses	(65.82)	(36.01)
	<b>497.35</b>	<b>613.32</b>
<b>13 Cash and cash equivalents</b>		
Cash on hand	1.30	2.94
Balances with banks		
In current accounts	43.54	52.35
	<b>44.84</b>	<b>55.29</b>
<b>14 Other Bank balances</b>		
In deposit accounts	15.35	18.15
(with original maturity period of more than 3 months but less than 12 months)*		
Security deposit	0.17	0.17
In margin money deposits **	189.01	225.26
Unpaid dividend account (earmarked for payment of dividend)	2.08	2.23
	<b>206.61</b>	<b>245.81</b>
* lien on bank overdraft		
**lien on bank guarantees		
<b>15 Current financial asset - Loans</b>		
(Unsecured, considered good)		
Loans to employees	4.30	3.63
	<b>4.30</b>	<b>3.63</b>
<b>16 Other current assets</b>		
(Unsecured, considered good)		
Prepaid expenses	37.68	11.15
Balance with govt authorities	127.27	127.95
Receivable from government DEPB/Duty draw back etc.,	21.37	13.06
Interest accrued	5.49	6.77
Others	64.86	49.23
	<b>256.67</b>	<b>208.16</b>
<b>17 Capital</b>		
<b>Authorised share capital</b>		
380,300,000 Equity shares of ₹ 1/- each	380.30	380.30
	<b>380.30</b>	<b>380.30</b>
<b>Issued share capital</b>		
50,050,000 Equity shares of ₹ 1/- each	50.05	50.05
	<b>50.05</b>	<b>50.05</b>
<b>Subscribed and fully paid up share capital</b>		
50,050,000 Equity shares of ₹ 1/- each	50.05	50.05
	<b>50.05</b>	<b>50.05</b>
Notes:		
<b>1) Reconciliation of number of equity shares subscribed</b>		
Balance at the beginning of the year	50,050,000	50,050,000
Adjustments during the year	-	-
<b>Balance at the end of the year</b>	<b>50,050,000</b>	<b>50,050,000</b>



**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

- 2) There are no bonus shares and shares bought back during the period of five years immediately preceding the reporting date.
- 3) 49,550,000 equity shares of ₹ 1/- each were allotted in accordance with the scheme of amalgamation and arrangement during the year 2010-11.
- 4) The Company has no holding Company.
- 5) Rights, preferences and restrictions in respect of equity shares issued by the Company:
  - a. The Company has only one class of equity shares having a par value of ₹ 1/- each. The equity shares of the Company having par value of ₹ 1/- ranking pari-passu in all respects including voting rights and entitlement to dividend.
  - b. The Company has one class of equity shares having a par value of ₹ 1/- per share. Each shareholder is eligible for one vote per share held. During the year, the company has declared interim dividend of ₹ 0.16 per share of ₹ 1/- each. (Previous year dividend: Nil)
  - c. In the event of liquidation, the shareholders will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be proportionate to the number of equity shares held by the shareholder.
- 6) Shareholders holding more than 5% of the total share capital

Name of the shareholder	March 31, 2020		March 31, 2019	
	No. of shares	% of holding	No. of shares	% of holding
Sudarsan Varadaraj	23,032,001	46.02%	23,022,014	46.00%
LRG Technologies Limited	3,541,475	7.08%	3,541,475	7.08%

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### Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>18 Other Equity</b>		
Capital Reserve	318.20	318.20
Securities Premium Account	1.90	1.90
General Reserve	1,254.67	1,254.67
Other Comprehensive Income	-	-
Foreign Currency Translation Reserve	66.05	285.55
Investment Reserve	394.05	394.05
Retained earnings	(229.49)	(72.60)
	<b>1,805.38</b>	<b>2,181.77</b>
<b>a) Capital reserve</b>		
Balance at the beginning and end of the year	<b>318.20</b>	<b>318.20</b>
<b>b) Securities premium account</b>		
Balance at the beginning and end of the year	<b>1.90</b>	<b>1.90</b>
<b>c) General reserve</b>		
Balance at the beginning of the year	1,254.67	1,254.67
Additions/ (deductions) during the year	-	-
Balance at the end of the year	<b>1,254.67</b>	<b>1,254.67</b>
<b>d) Other comprehensive income</b>		
Balance at the beginning of the year	-	-
Additions during the year	5.14	0.16
Transfer to retained earnings	(5.14)	(0.16)
Balance at the end of the year	-	-
<b>e) Foreign currency translation reserve</b>		
Balance at the beginning of the year	285.55	278.98
Additions during the year	(219.50)	6.57
Balance at the end of the year	<b>66.05</b>	<b>285.55</b>
<b>f) Investment reserve</b>		
Balance at the beginning of the year	394.05	394.05
Additions/ (deductions) during the year	-	-
Balance at the end of the year	<b>394.05</b>	<b>394.05</b>
<b>g) Retained earnings</b>		
Balance at the beginning of the year	(72.60)	88.36
Impact on adoption of Ind AS 116 on retained earnings	(0.39)	-
Net profit / (loss) for the period	(151.98)	(161.12)
Transfer from Other Comprehensive Income	5.14	0.16
Interim Dividend paid	(8.01)	-
Taxes on Dividend Paid	(1.65)	-
Balance at the end of the year	<b>(229.49)</b>	<b>(72.60)</b>
<b>19 Non-current financial liabilities - Borrowings</b>		
Term Loans (Secured)		
From Banks	929.88	1,019.30
Others	69.33	68.33
	<b>999.21</b>	<b>1,087.63</b>

#### Secured borrowings and assets pledged as security:

The borrowings from banks and others are secured by charges on specific land and building. There are no defaults in repayment of the above borrowings.

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>20 Non-current liabilities - Lease liabilities</b>		
Lease liability	4.97	-
	<b>4.97</b>	<b>-</b>
<b>21 Non-current liabilities - Provisions</b>		
Provision for excise disputes*	-	0.15
	<b>-</b>	<b>0.15</b>
*Provision in respect of disputes represents claims against the Company on account of rejection of certain claims by the Company before the statutory authorities.		
<b>22 Current financial liabilities - Borrowings</b>		
<b>a) Secured</b>		
Loan from Banks	1,362.26	1,335.14
Loans from others	30.00	-
(includes cash credit, packing credit, demand loan, etc.)		
<b>b) Unsecured</b>		
Loan from Banks	49.98	150.00
Loans from Related parties	37.55	34.15
	<b>1,479.79</b>	<b>1,519.29</b>
<b>Secured borrowings and assets pledged as security:</b>		
The borrowings from Banks and others are secured by:		
a. Charge on entire current assets, both present and future		
b. Charge on specific land, building and machinery		
c. Lien and pledge of fixed deposits		
<b>23 Trades payables</b>		
a. Outstanding dues of micro & small enterprises	2.44	2.85
b. Outstanding dues other than (a) above	527.15	465.53
	<b>529.59</b>	<b>468.38</b>
<b>24 Current liabilities - Provisions</b>		
Provision for compensated absence	2.54	4.23
Others	21.66	27.38
	<b>24.20</b>	<b>31.61</b>
<b>25 Other current liabilities</b>		
Current maturities of long-term debt	203.56	242.13
Interest accrued but not due on secured loans	9.09	5.97
Interest accrued but not due on unsecured loans	0.26	0.28
Unclaimed dividends	2.08	2.23
Statutory dues payable	44.09	45.60
Employee benefits payable	14.78	16.26
Employee recoveries payable	11.00	2.46
Other payables	51.40	45.27
Advance and deposits from customers etc.,	22.17	23.11
	<b>358.43</b>	<b>383.31</b>

## Annual Report 2019-20

### Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>26 Revenue from operations</b>		
Sale of products	3,654.85	4,096.54
Sale of service	4.45	1.00
Other operating revenue	8.90	1.01
	<b>3,668.20</b>	<b>4,098.55</b>
<b>Sale of products comprise of</b>		
Finished goods	3,503.93	3,845.45
Traded goods	150.92	251.09
	<b>3,654.85</b>	<b>4,096.54</b>
<b>Other operating revenue</b>		
Scrap sales	<b>8.90</b>	<b>1.01</b>
<b>27 Other income</b>		
Interest Income	22.79	22.76
Other non operating income	139.70	52.94
	<b>162.49</b>	<b>75.70</b>
<b>Interest income from</b>		
Banks	16.12	16.25
Others	6.67	6.51
	<b>22.79</b>	<b>22.76</b>
<b>Other non-operating income</b>		
Dividend Income	0.98	0.40
Profit on sale of fixed assets (net)	10.91	-
Rent received	1.69	3.00
Net gain on foreign currency transactions and translations	91.84	27.19
Claims received from Insurance Company	0.65	0.53
Duty drawback/Rebate of excise duty	11.27	6.48
Provisions no longer required written back	0.26	3.10
Miscellaneous income	22.10	12.24
	<b>139.70</b>	<b>52.94</b>
<b>28 Cost of materials consumed</b>		
Opening stock of raw materials	614.69	579.38
Purchase	1,428.40	1,646.00
Closing stock of raw materials	(588.82)	(614.69)
	<b>1,454.27</b>	<b>1,610.69</b>
<b>29 Purchase of stock-in-trade</b>		
Curing bag	24.76	26.89
Others	241.38	398.65
	<b>266.14</b>	<b>425.54</b>
<b>30 Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
<b>Opening Balance</b>		
Work-in-progress	73.44	136.62
Finished goods	372.47	329.63
Stock-in-trade	162.21	107.32
Scrap	4.32	1.76
	<b>612.44</b>	<b>575.33</b>

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>Closing Balance</b>		
Work-in-progress	102.78	73.44
Finished goods	360.57	372.47
Stock-in-trade	105.06	162.21
Scrap	2.64	4.32
	<b>571.05</b>	<b>612.44</b>
	<b>41.39</b>	<b>(37.11)</b>
<b>31 Employee benefits expense</b>		
Salaries, wages and bonus	702.08	680.43
Managerial remuneration	6.72	6.72
Contribution to provident and other funds	120.02	115.46
Gratuity paid (net of reversals)	4.08	3.08
Staff welfare expenses	10.65	6.56
	<b>843.55</b>	<b>812.25</b>
<b>32 Depreciation and amortisation expense</b>		
Depreciation of property, plant and equipment	150.07	169.24
Amortisation on intangible assets	18.36	14.27
	<b>168.43</b>	<b>183.51</b>
<b>33 Finance Cost</b>		
Interest on Borrowings		
Banks	142.82	132.26
Related party	3.35	4.61
Others	30.98	14.09
Financial charges on borrowings	16.67	27.86
	<b>193.82</b>	<b>178.82</b>
<b>34 Other expenses</b>		
Consumption of stores and spare parts	24.69	21.91
Packing materials consumed	18.64	16.49
Power and fuel	251.42	248.36
Rent	42.43	40.69
Labour charges	50.13	116.46
Repairs and Maintenance – plant and machinery	66.97	116.40
Repairs and Maintenance – building	10.21	51.21
Repairs and Maintenance – others	39.90	45.04
Insurance	47.82	43.45
Rates and taxes	23.60	15.12
Travelling and conveyance	37.64	39.98
Directors' sitting fees	0.42	0.34
Auditors' remuneration (see note below)	6.94	6.43
Professional fees	56.79	60.96
Decrease in Fair Valuation of Equity Instruments	44.39	3.12
Sales commission	0.11	-
Advertisement and other selling expenses	54.57	42.61
Freight charges	178.54	191.28
CSR expenditure	0.50	1.50

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### Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019		
Allowance for expected credit losses	14.50	4.95		
Loss on account of discarded stock	3.73	-		
Impairment of Investments	-	0.58		
Loss of sale of assets	-	3.71		
Miscellaneous expenses	112.46	106.36		
	1,086.40	1,176.95		
<b>Auditors' Remuneration</b>				
Audit fees	6.68	6.32		
Tax audit fees	0.09	-		
Other services	0.16	0.07		
Reimbursement of expenses	0.01	0.04		
	6.94	6.43		
<b>35 Exceptional items</b>				
Gain on sale of land and building	78.10	12.52		
	78.10	12.52		
<b>36 Income tax expense</b>				
<b>(a) Income tax expense</b>				
<b>Current tax</b>				
Current tax on profits for the year	1.60	3.77		
Tax for earlier years based on assessment	4.41	0.31		
<b>Total current tax expense</b>	<b>6.01</b>	<b>4.08</b>		
<b>Deferred Tax</b>				
Deferred tax adjustments	0.76	(6.85)		
<b>Total deferred tax expense/(benefit)</b>	<b>0.76</b>	<b>(6.85)</b>		
<b>Income tax expense</b>	<b>6.77</b>	<b>(2.77)</b>		
<b>b) Income tax recognised in other comprehensive income</b>				
Remeasurement of defined benefit obligation	(1.73)	(0.06)		
<b>Total income tax recognised in other comprehensive income</b>	<b>(1.73)</b>	<b>(0.06)</b>		
<b>c) Movement of deferred tax expense during the year ended March 31, 2020</b>				
<b>Deferred tax (liabilities) / assets in relation to:</b>	<b>Opening balance</b>	<b>Recognised in profit or loss</b>	<b>Recognised in Other comprehensive income</b>	<b>Closing balance</b>
Property, plant, and equipment and Intangible Assets	(4.16)	1.06	-	(3.10)
Expenses allowable on payment basis under the Income Tax Act	287.69	(41.17)	1.73	248.25
Other temporary differences	13.61	41.98	(6.14)	49.45
	297.14	1.87	(4.41)	294.60
MAT Credit entitlement	2.63	(2.63)	-	-
<b>Total</b>	<b>299.77</b>	<b>(0.76)</b>	<b>(4.41)</b>	<b>294.60</b>
<b>d) Movement of deferred tax expense during the year ended March 31, 2019</b>				
Property, plant, and equipment and Intangible Assets	(1.66)	(2.50)	-	(4.16)
Expenses allowable on payment basis under the Income Tax Act	103.56	184.19	(0.06)	287.69
Other temporary differences	190.46	(176.85)	-	13.61
	292.36	4.84	(0.06)	297.14
MAT Credit entitlement	0.62	2.01	-	2.63
<b>Total</b>	<b>292.98</b>	<b>6.85</b>	<b>(0.06)</b>	<b>299.77</b>

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>37 Earnings per share</b>		
Profit for the year attributable to owners of the company	(151.98)	(161.11)
Weighted average number of ordinary shares outstanding	50,050,000	50,050,000
Basic earnings per share (₹)	(3.04)	(3.22)
Diluted earnings per share (₹)	(3.04)	(3.22)
<b>38 Disclosures required by the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 are as under</b>		
(a) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year*	2.44	2.85
(b) The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
(c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
(d) The amount of interest accrued and remaining unpaid at the end of the year	-	-
(e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	-	-

\*This information has been determined to the extent such parties have been identified on the basis of information available with the Company.

Particulars	March 31, 2020	March 31, 2019
<b>39 Contingent Liability</b>		
<b>Claims against the Company not acknowledged as debts</b>		
a. Income tax matters	25.64	9.17
b. Excise and service tax matters	13.64	13.33
c. Sales tax	107.49	91.72
d. Legal metrology	0.15	0.15
<b>Capital commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	219.18	408.11

In light of recent judgment of Honorable Supreme Court dated February 28, 2019 on the definition of "Basic Wages" under the Employees Provident Funds & Misc. Provisions Act, 1952 and based on Company's evaluation, there are significant uncertainties and numerous interpretative issues relating to the judgement and hence, it is unclear as to whether the clarified definition of Basic Wages would be applicable prospectively or retrospectively. The amount of the obligation therefore cannot be measured with sufficient reliability for past periods and hence has currently been considered to be a contingent liability amounting to ₹ 0.55 Millions.

**Other commitments****A. Standby letter of credit (guarantee)**

SBLC facilities were extended by Indian banks to their foreign counterparts based on the counter guarantee given by the company. These counterpart banks who in turn had granted credit facilities to the following subsidiaries:

Outstanding amounts against credit facilities granted to	Currency		
1. Rubber Resources B.V., The Netherlands	EUR	1.25	1.63
2. Elgi Rubber Company Holdings B.V., The Netherlands	EUR	10.87	11.69
3. Elgi Rubber Company LLC, USA	USD	3.68	4.10

**Secured borrowings and assets pledged as security:****The borrowings from Banks are secured by:**

- Charge on extension of current assets
- Charge on specific land and building
- Cash margin



## Annual Report 2019-20

### Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

#### B. Others

- Guarantee on account of security deposits with various electricity boards, state road transport corporations and other statutory authorities
- Letter of credit on account of Import of goods

INR 9.53

INR 9.88

USD 0.80

USD 0.03

#### 40 Operating Segments

The Company's business operation comprises of single operating segment viz., "Rubber Industry". Operating segment has been identified on the basis of nature of products and reported in a manner consistent with the internal reporting provided to Chief Operating Decision Maker.

#### 41 Non-current financial assets - Investments

Particulars	No. of shares/Units (as on March 31, 2020)	Face value per share / units (in Respective Currency)	March 31, 2020	March 31, 2019
<b>Investment in Equity Instruments (Fully paid up) (Quoted)</b>				
Fair value through profit or loss				
Elgi Equipments Limited	332,080	INR 1	37.21	81.53
Precot Meridian Limited	3,225	INR 10	0.07	0.14
			<b>37.28</b>	<b>81.67</b>
<b>In Mutual Funds (Unquoted)</b>				
IL & FS Milestone Fund – I	578	INR 1000	0.58	0.58
Less : provision for impairment			(0.58)	(0.58)
			-	-
			<b>37.28</b>	<b>81.67</b>

#### 42 Basis of Consolidation

The Consolidated Financial Statements relate to Elgi Rubber Company Limited (the Parent Company) and its subsidiaries (the Parent Company and its subsidiaries together constitute the Group).

##### Principles of Consolidation

The Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standard 110 (IND AS110) "Consolidated Financial Statements", Indian Accounting Standard 28 (IND AS 28) "Investments in Associates and Joint Ventures prescribed under Section 133 of the Companies Act, 2013.

The Consolidated Financial Statements of the Group have been combined on a line-by-line basis by adding together likeitems of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealisedprofits have been fully eliminated

The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares inthe subsidiaries is recognised in the Consolidated Financial Statements as Goodwill.

The difference between the proceeds from the disposal of investments in the subsidiary and the carrying amount of itsassets and liabilities as on the date of disposal is recognised as profit or loss on disposal of investments in the subsidiary inthe Consolidated Statement of Profit and Loss.

Non-controlling interests in the net assets of consolidated subsidiaries consists of the amount of equity attributable tothe non-controlling shareholders at the dates on which investments are made by the Parent Company in the subsidiarycompanies and further movements in their share in the equity, subsequent to the dates of investments as stated above.

#### 43 Financial Instruments

##### Capital management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company determines the amount of capital required on the basis of annual operating plans and long-term product and other strategic investment plans. The funding requirements are met through equity, long-term borrowings and other short-term borrowings.

For the purposes of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders.

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
<b>Gearing Ratio:</b>		
Debt	1,202.77	1,329.76
Less: Cash and bank balances	251.45	301.10
<b>Net debt</b>	<b>951.32</b>	<b>1,028.66</b>
Total equity	1,855.43	2,231.82
Net debt to equity ratio (%)	51.27%	46.09%
<b>Categories of Financial Instruments</b>		
<b>Financial assets</b>		
<b>a. Measured at amortised cost</b>		
Non-current - Other financial assets	27.15	23.44
Current financial assets - Trade receivables	497.35	613.32
Current financial assets - Cash and cash equivalents	44.84	55.29
Current financial assets - Bank balances other than above	206.61	245.81
Current financial assets - Loans	4.30	3.63
<b>b. Mandatorily measured at fair value through profit or loss (FVTPL)</b>		
Non-current financial assets - Investments	37.28	81.67
<b>Financial liabilities</b>		
<b>Measured at amortised cost</b>		
Non-current financial liabilities - Borrowings	1,202.77	1,329.76
Current financial liabilities - Borrowings	1,479.79	1,519.29
Current financial liabilities - Trade payables	529.59	468.38

**Financial risk management objectives**

The treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks by using natural hedging financial instruments and forward contracts to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives, and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Market risk**

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company actively manages its currency and interest rate exposures through its finance division and uses derivative instruments such as forward contracts and currency swaps, wherever required, to mitigate the risks from such exposures. The use of derivative instruments is subject to limits and regular monitoring by appropriate levels of management.

**Foreign currency risk management**

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company actively manages its currency rate exposures through a centralised treasury division and uses natural hedging principles to mitigate the risks from such exposures. The use of derivative instruments, if any, is subject to limits and regular monitoring by appropriate levels of management.

**Foreign currency sensitivity analysis**

Movement in the functional currencies of the various operations of the Company against major foreign currencies may impact the Company's revenues from its operations. Any weakening of the functional currency may impact the Company's cost of imports and cost of borrowings and consequently may increase the cost of financing the Company's capital expenditures. The foreign exchange rate sensitivity is calculated for each currency by aggregation of the net foreign exchange rate exposure of a currency and a simultaneous parallel foreign exchange rates shift in the foreign exchange rates of each currency by 2%, which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% change in foreign currency rates.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

### Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

#### Interest rate risk management

The Company is exposed to interest rate risk because it borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. Further, in appropriate cases, the Company also effects changes in the borrowing arrangements to convert floating interest rates to fixed interest rates.

#### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The 25 basis point interest rate changes will impact the profitability by INR 6.91 Million for the year (Previous INR 7.11 Million)

#### Credit risk management

Credit risk arises when a customer or counterparty does not meet its obligations under a customer contract or financial instrument, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily trade receivables and from its financing/ investing activities, including deposits with banks and foreign exchange transactions. The Company has no significant concentration of credit risk with any counterparty.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure is the total of the carrying amount of balances with banks, short term deposits with banks, trade receivables, margin money and other financial assets excluding equity investments.

##### (a) Trade receivables

Trade receivables are consisting of a large number of customers. The Company has credit evaluation policy for each customer and, based on the evaluation, credit limit of each customer is defined. Wherever the Company assesses the credit risk as high, the exposure is backed by either bank, guarantee/letter of credit or security deposits.

The Company does not have higher concentration of credit risks to a single customer. As per simplified approach, the Company makes provision of expected credit losses on trade receivables using a provision matrix to mitigate the risk of default in payments and makes appropriate provision at each reporting date wherever outstanding is for longer period and involves higher risk.

##### (b) Investments, Derivative instruments, Cash and cash equivalents and Bank deposits

Credit Risk on cash and cash equivalents, deposits with the banks/financial institutions is generally low as the said deposits have been made with the banks/financial institutions, who have been assigned high credit rating by international and domestic rating agencies.

Credit Risk on Derivative Instruments is generally low as the Company enters into the derivative contracts with the reputed Banks.

There are no major Investments made by the Company and accordingly is not prone to any major investment risk.

#### Offsetting related disclosures

Offsetting of cash and cash equivalents to borrowings as per the consortium agreement is available only to the bank in the event of a default. The Company does not have the right to offset in case of the counter party's bankruptcy, therefore, these disclosures are not required.

#### Liquidity risk management

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company invests its surplus funds in bank fixed deposit and mutual funds, which carry minimal mark to market risks. The Company also constantly monitors funding options available in the debt and capital markets with a view to maintaining financial flexibility.

#### Liquidity tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

	Due in 1st year	Due in 2nd to 5th year	Due after 5th year	Carrying amount
<b>March 31, 2020</b>				
Trade payables	529.59	-	-	529.59
Borrowings (including interest accrued thereon upto the reporting date)	209.41	966.73	32.48	1,208.62
	<b>739.00</b>	<b>966.73</b>	<b>32.48</b>	<b>1,738.21</b>
<b>March 31, 2019</b>				
Trade payables	468.36	-	-	468.36
Borrowings (including interest accrued thereon upto the reporting date)	248.10	889.71	197.92	1,335.73
	<b>716.46</b>	<b>889.71</b>	<b>197.92</b>	<b>1,804.09</b>

**44 Related party disclosure****a) Name of related party and nature of relationship****Other Related Parties**

Elgi Equipments Limited  
 LRG Technologies Limited  
 Elgi Ultra Industries Limited  
 Elgi Ultra Limited  
 ATS Elgi Limited  
 Festo India Private Limited  
 Cape Flour Mills Private Limited  
 Kaapi Machines (India) Private Limited  
 Tyre Point Private Limited  
 Industrial Air Solutions LLP  
 Ellargi & Co.

**Key management personnel**

Sudarsan Varadaraj  
 SR Venkatachalam  
 V Santhanakrishnan

Chairman and Managing Director  
 Chief Financial Officer  
 Company Secretary

**Relative of key management personnel**

Harsha Varadaraj

Son of Sudarsan Varadaraj

**b) Transactions during the year**

S.No.	Nature of transactions	2019-20	2018-19
<b>1</b>	<b>Income from sale of goods</b>		
	Elgi Equipments Limited	1.31	-
	LRG Technologies Limited	0.08	0.05
	ATS Elgi Limited	13.71	-
<b>2</b>	<b>Purchase of goods</b>		
	LRG Technologies Limited	-	20.35
	Elgi Ultra Industries Limited	5.16	10.12
	ATS Elgi Limited	1.27	0.09
	Festo India Private Limited	0.41	0.44
	Kaapi Machines (India) Private Limited	0.01	-
	Industrial Air Solutions LLP	0.79	0.31
	Ellargi & Co.,	0.76	0.89
<b>3</b>	<b>Reimbursement of expenses (Paid)</b>		
	LRG Technologies Limited	2.89	6.83
<b>4</b>	<b>Rendering of services</b>		
	Elgi Equipments Limited	0.54	0.41
	LRG Technologies Limited	0.15	0.09
	Elgi Ultra Limited	0.02	-
	ATS Elgi Limited	0.62	0.32
	Cape Flour Mills Private Limited	0.50	0.42
<b>5</b>	<b>Receiving of services</b>		
	Elgi Equipments Limited	-	0.10
	LRG Technologies Limited	0.04	0.28
	Elgi Ultra Industries Limited	-	0.02
	Industrial Air Solutions LLP	0.38	-

## Annual Report 2019-20

### Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

S.No.	Nature of transactions	2019-20	2018-19
<b>6</b>	<b>Managerial remuneration</b>		
	Sudarsan Varadaraj	6.72	6.72
<b>7</b>	<b>Salary to other key managerial personnel</b>		
	SR Venkatachalam	3.34	3.12
	V Santhanakrishnan	0.69	0.46
	Harsha Varadaraj	1.70	1.57
<b>8</b>	<b>Rent paid</b>		
	Sudarsan Varadaraj	0.18	0.36
<b>9</b>	<b>Dividend received</b>		
	Elgi Equipments Limited	0.98	0.40
<b>10</b>	<b>Interest paid</b>		
	Sudarsan Varadaraj	3.35	4.61
<b>11</b>	<b>Sudarsan Varadaraj</b>		
	Loans taken	23.85	32.30
	Loans repaid	20.45	72.85
<b>c)</b>	<b>Balances at the end of the year</b>		
<b>1</b>	<b>Loan payable</b>		
	Sudarsan Varadaraj	37.55	34.15
<b>2</b>	<b>Trade receivables</b>		
	Elgi Equipments Limited	0.75	0.23
	ATS Elgi Limited	0.02	0.14
<b>3</b>	<b>Other receivables</b>		
	LRG Technologies Limited	0.10	1.57
	ATS Elgi Limited	3.10	-
	Cape Flour Mills Private Limited	0.04	0.04
	Tyre Point Private Limited	0.05	-
<b>4</b>	<b>Security deposit</b>		
	Ellargi & Co.,	0.10	0.10
	LRG Technologies Limited	0.05	0.05
	Cape Flour Mills Private Limited	0.07	0.07
<b>5</b>	<b>Trade and Other Payables</b>		
	ATS Elgi Limited	0.48	-
	Elgi Ultra Industries Limited	-	1.22
	Elgi Ultra Limited	1.31	-
	Festo India Private Limited	0.19	-
	Ellargi & Co.,	-	0.03
	Industrial Air Solutions LLP	-	0.09

#### 45 Information relating to Subsidiaries

Details of the Group's subsidiaries are as follows

Sl. No.	Name of the Subsidiary	Principal activity	Place of incorporation	% of shares held
1	Borrachas e Equipamentos Elgi Ltda	Manufacturing and trading of Tyre Retreading goods	Brasil	99.99
2	Pincott International Pty Limited	Trading of Tyre Retreading goods	Australia	100.00
3	Elgi Rubber Company Limited	Manufacturing and trading of Tyre Retreading goods	Kenya	99.99
4	Elgi Rubber Company Limited	Manufacturing and trading of Tyre Retreading goods	Sri Lanka	99.99
5	Treadsdirect Limited	Trading of Tyre Retreading goods	Bangladesh	100.00
6	Elgi Rubber Company LLC	Manufacturing and trading of Tyre Retreading goods	USA	100.00
7	Elgi Rubber Company Holdings B.V.	Manufacturing and trading of Reclaim rubber, Rubber compounds and trading of Tyre Retreading goods	The Netherlands	100.00
8	Titan Tyrecare Products LLP	Manufacturing and trading of Tyre Retreading machinery	India	99.99

**Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020**

(All amounts are in Millions in INR, unless otherwise stated)

**46 Retirement benefit plans****Defined contribution plans**

In accordance with Indian law, eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The contributions, as specified under the law, are made to the Provident Fund.

The total (income) / expense recognised in profit or loss of (₹ 4.17) million (for the year ended March 31, 2019: ₹ 2.86 million) represents contribution paid to these plans by the Company at rates specified in the rules of the plan.

**Defined benefit plans****(a) Leave obligations**

The Leave obligations cover the Company's liability for earned leave.

**(b) Gratuity**

Gratuity is payable as per Payment of Gratuity Act, 1972. In terms of the same, gratuity is computed by multiplying last drawn salary (basic salary including dearness Allowance if any) by completed years of continuous service with part thereof in excess of six months and again by 15/26. The Act provides for a vesting period of 5 years for withdrawal and retirement and a monetary ceiling on gratuity payable to an employee on separation, as may be prescribed under the Payment of Gratuity Act, 1972, from time to time. However, in cases where an enterprise has more favourable terms in this regard the same has been adopted.

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Particulars	March 31, 2020	March 31, 2019
Discount Rate	6.80%	7.50%
Rate of increase in compensation level	4.00%	4.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**Amounts recognised in total comprehensive income in respect of these defined benefit plans are as follows:**

Current service cost	3.29	3.73
Net interest expense	4.33	3.96
Return on plan assets (excluding amounts included in net interest expense)	(4.92)	(4.61)
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>2.70</b>	<b>3.08</b>
Remeasurement on the net defined benefit liability comprising:		
Actuarial (gains)/losses recognised during the period		
Actuarial (gains)/losses	(6.87)	(0.22)
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>(6.87)</b>	<b>(0.22)</b>
	<b>(4.17)</b>	<b>2.86</b>

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

## Annual Report 2019-20

### Notes to the Consolidated Financial Statements as at and for the year ended March 31, 2020

(All amounts are in Millions in INR, unless otherwise stated)

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:

	March 31, 2020	March 31, 2019
Present value of defined benefit obligation	49.10	57.61
Fair value of plan assets	(63.28)	(65.48)
Net liability/ (asset) arising from defined benefit obligation	(14.18)	(7.87)
Funded	(14.18)	(7.87)
Unfunded	-	-
	<b>(14.18)</b>	<b>(7.87)</b>

Excess of fair value of plan assets over present value of obligation is reflected under 'Others' (other current assets) [Refer note 16].

Movements in the present value of the defined benefit obligation in the current year were as follows:

Opening defined benefit obligation	57.61	52.75
Current service cost	3.29	3.73
Interest cost	4.33	3.96
Actuarial (gains)/losses	(6.87)	(0.22)
Benefits paid	(9.26)	(2.61)
Closing defined benefit obligation	<b>49.10</b>	<b>57.61</b>

Movements in the fair value of the plan assets in the current year were as follows:

Opening fair value of plan assets	65.48	63.48
Return on plan assets	4.92	4.61
Contributions	2.14	-
Benefits paid	(9.26)	(2.61)
Closing fair value of plan assets	<b>63.28</b>	<b>65.48</b>

#### Sensitivity analysis

In view of the fact that the Company for preparing the sensitivity analysis considers the present value of the defined benefit obligation which has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

For and on behalf of the Board

**Sudarsan Varadaraj**  
Chairman & Managing Director  
DIN: 00133533  
Coimbatore  
June 25, 2020

**MD Selvaraj**  
Director  
DIN: 00001608

**SR Venkatachalam**  
Chief Financial Officer  
**V Santhanakrishnan**  
Company Secretary

As per our report of even date  
**For M.S. Jagannathan & Visvanathan**  
Chartered Accountants  
FRN: 001209S  
**MV Jeganathan**  
Partner  
Membership No. 214178



## Notes

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**Elgi Rubber Company Limited**

2000 Trichy Road Coimbatore 641 005 India

Tel : +91 (422) 232 1000 Fax : +91 (422) 232 2222

e-mail : [info@in.elgirubber.com](mailto:info@in.elgirubber.com) [www.elgirubber.com](http://www.elgirubber.com)

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