

DIRECTORS' REPORT

The Directors have pleasure in presenting their 28th Annual Report together with Audited Accounts for the year ended 31st March, 2014. The summarized financial results for the year are given below :

	Year Ended 31-03-2014	Amount ₹ in lakhs Year Ended 31-3-2013
Profit before Exceptional Items, Interest, Depreciation and Tax	2,067.52	2,020.66
Less : Exceptional Item	24.74	0.00
Profit before Interest, Depreciation and Tax	2,042.78	2,020.66
Less : Interest	450.22	380.16
Profit before Depreciation and Tax	1,592.56	1,640.50
Less : Depreciation	274.94	202.87
Net Profit before Taxes	1,317.62	1,437.63
Less : Taxation (Including Deferred Tax)	446.57	462.85
Net Profit After Tax	871.05	974.78
Add : Brought forward from previous year	2,712.43	1,935.57
Balance Available for Appropriations	3,583.48	2,910.35
Appropriations		
Transfer to General Reserve	87.11	97.49
Proposed Dividend	120.17	85.84
Dividend Distribution Tax	20.42	14.59
Balance Carried over to Balance Sheet	<u>3,355.78</u>	<u>2,712.43</u>

REVIEW OF FINANCIAL PERFORMANCE

The Company's Sales turnover in the year under review aggregated ₹ 14885.98 lakhs, up by 11.60% over the previous year (₹ 13338.12 lakhs), on which it made a net profit (excluding exceptional item) of ₹ 895.79 lakhs as against ₹ 974.78 lakhs in 2012-13. Your Company has more or less maintained the profit level in the face of economic uncertainty compared to the last financial year.

DIVIDEND AND ISSUE OF BONUS SHARES

Your Directors are pleased to recommend payment of dividend of 35% i.e. ₹ 3.50 per Equity Share of ₹ 10 each for the financial year ended 31st March, 2014 (50% in the previous year) with the bonus shares issued in the ratio of 1:1 in September, 2013 being eligible for dividend for the full year. The dividend amount of ₹ 120.17 lakhs (₹ 85.84 lakhs in the previous year) together with dividend distribution tax of ₹ 20.42 lakhs (₹ 14.59 lakhs in the previous year) will absorb a sum of ₹ 140.59 lakhs (₹ 100.43 lakhs in the previous year).

During the year 2013 -14, the Company issued and allotted bonus shares in the ratio of one fully paid equity share for every one fully paid equity share held in the Company as on record date.

DIRECTORS' REPORT**REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS****ENVIRONMENT**

The year 2013-14 witnessed divergent growth globally with the US economy strengthening on the one side and an uneven subdued growth in Europe and Japan, coupled with a slowdown in developing and emerging markets. While the strengthening trend is expected to accelerate during the current year, the positive outlook is watered down to some extent due to the tapering of some of Quantitative Easing policies of the Federal Reserve. Overall, the year under review witnessed signs of slowdown of the economy.

GDP growth rate marginally increased from 4.5% in 2012-13 to 4.7% in 2013-14, still below 5% for the second year in succession. The rate of inflation continued to be high during the year, prompting the Reserve Bank of India to raise the lending rates (repo rates). During 2013-14 the manufacturing sector fell by 0.7% as against 1.1% growth in 2012-13. The Services sector grew by 5.8% in 2013-14 as against 5.6% in 2012-13.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The growth of core sector industries in India during the year 2013-14 stood at 2.6% as against a growth of 6.5% in the previous year. Tight financial position and resultant stagnation of a number of projects under implementation as well as issues relating to environmental clearance contributed largely to the fall in the growth of core sector industries during the year.

COMPANY PERFORMANCE AND KEY DEVELOPMENTS

As the Members are aware, the Company is engaged in manufacturing, marketing and servicing activities, all under one roof. The services business caters to Belt Splicing, Pulley Lagging, Belt Conveyor Maintenance, Installation of Belt Conveyors, Belt Reconditioning, Rubber Lining etc., and products business centers around design, development, manufacture and supply of Rubber and Polyurethane based engineered products for belt cleaning, spillage control, flow enhancement, impact & abrasion protection and screening applications.

TIE-UP WITH BRIDGESTONE

During the year 2013-14, the Company entered into share subscription agreement with Bridgestone Corporation, Tokyo, Japan, Bridgestone Engineered Products of Asia Sdn Bhd, Kuala Lumpur, Malaysia (subsidiary of Bridgestone Corporation, Japan) and Thejo Australia Pty Ltd. based on which, Bridgestone Engineered Products of Asia Sdn Bhd acquired 26% stake in the share capital of Thejo Australia Pty Ltd (Thejo Australia). With this transaction, your Company holds 76% in Thejo Australia Pty Ltd., and the balance is held by Bridgestone Engineered Products of Asia Sdn Bhd.

TRADING SEGMENT IN SME PLATFORM

The Equity Shares of the Company were traded in SME Platform of Nation Stock Exchange under Call Auction Market. The Company shifted the trading of equity shares from Call Auction Market to the Continuous Market with effect from 2nd May, 2014 for the benefit of the Members of the Company.

STATUS OF UTILIZATION OF PROCEEDS RAISED FROM IPO

The funds raised from IPO are to be utilized for the following purposes (apart from meeting General corporate needs and IPO expenses) :

Setting up of in-house R&D Center

Setting up of Polyurethane Unit

Investment in Wholly-Owned Subsidiary in Australia

Setting up of Lining Unit

Expansion of existing manufacturing Unit

DIRECTORS' REPORT

The Company has completed all the above mentioned objects of the IPO except expansion of existing manufacturing units. The expansion of existing units is currently under progress and is expected to be completed by the first half of the current financial year. As on 30th June, 2014, an amount of ₹ 305.05 lakhs remains to be utilized from the IPO proceeds.

The project-wise utilization of IPO proceeds is summarized in the following table :

(₹ in lakhs)

Projects	As per RHP	Utilized upto 30 th June, 2014	Balance as on 30 th June, 2014
PU Unit	68.28	68.28	0.00
Expansion of Unit I	686.61	381.56	305.05
R&D Center	283.05	283.05	0.00
Lining Plant	169.02	169.02	0.00
Thejo Australia Pty Ltd.	642.00	642.00	0.00
General Corporate Purposes	71.14	71.14	0.00
IPO Expenses	180.55	180.55	0.00
Total	2,100.65	1,795.60	305.05

RESEARCH AND DEVELOPMENT

During the year 2013 -14, the R&D Center of the Company obtained recognition from the Department of Scientific and Industrial Research, Ministry of Science & Technology, Government of India. The R&D Center will focus on developing new and innovative products as well as to bring continuous improvement of existing products so as to meet the needs of the customers and to tap new markets.

INSURANCE CLAIM

As mentioned in the Annual Report of last year, the Company had made a claim towards goods lost/destroyed on account of fire accident at the stores of the Ponneri manufacturing unit. The claim has been fully settled for a sum of ₹ 305.14 lakhs apart from salvage worth ₹ 29.44 lakhs being taken by the Company. The insurance Company has made full payment of the claim. There is an ultimate loss of ₹ 24.74 lakhs, primarily on account of policy excess. There has been no major disruption in the operations due to the accident.

SAFETY

As part of its policy giving utmost importance to safety, the Safety Department of your Company is continuously evaluating every process at its manufacturing as well as work sites, and taking necessary steps for the safety of personnel as well as of properties. The Company conducts safety audit on regular basis and takes appropriate steps based on the audit findings.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

The products as well as services offerings of the Company are intended for the core sector industries. The opportunities for the industry in which the Company operates are intertwined with the opportunities for core sector industries.

DIRECTORS' REPORT

Despite the current sluggishness in the domestic core sector, the prospects of the core sector industries are very bright and optimistic. Moreover, the Company's portfolio includes installation and maintenance services and products catering to both the categories. As a result, even during the period of sluggishness, any loss of business in installation-related work will be compensated to a fair extent by increased maintenance works as the maintenance of existing systems would be given due importance during periods of slowdown. This is evident in results of the last year, where the Services Division has shown significant growth.

The Company has started its Operations & Maintenance Division under which it offers comprehensive service. There is a perceptible momentum in favour of the concept of Operations & Maintenance and the market is expected to grow exponentially. The Company expects to tap a sizeable portion of the increasing demand for Operations & Maintenance service.

On the export front, the Company is exploring International Markets apart from Australia and Saudi Arabia. The Company intends to focus its attention on Brazil and Chile Markets as well. It takes considerable time to achieve breakthrough in these markets and we expect good business and returns from them in the medium term.

THREATS

There are only limited number of organized players in the segment in which the Company operates. However, competition from parties in the unorganized sector is a challenge for the services business of the Company.

Policy change in respect of core sector industries will have direct impact on the business of the Company as the Company primarily caters to core sector industries in the domestic market.

The prices of most of the raw materials used by the Company are highly volatile. The volatility is expected to continue in the near future as well. The Company is mitigating this risk by framing appropriate procurement and pricing policies.

FUTURE OUTLOOK

The General Elections of 2014 in India has given a clear majority to a single party for the first time in the last three decades, thereby raising expectations of a stable Government, which can make bold decisions and policies. The future outlook for the year 2014-15 is moderate with inflationary pressure, difficulties in passing the increase in input costs to customers fully and high interest rates continuing to be of challenge. The year 2015-16 may show considerable growth provided the appropriate policy initiatives are implemented without further delay.

FINANCIAL PERFORMANCE

The financial performance of the Company has shown an overall growth of about 11.60% in terms of turnover compared to the previous year. The increase in turnover has been contributed primarily by the Services Division and trading of raw rubber. The Service Division has grown by about 16% in terms of turnover as against 7% in Manufacturing and Trading Division. Export has shown a negative growth of about 28% on product front as against a growth of 105% on services front (where the base was lower at ₹ 52.12 lakhs). The production of moulded and extruded rubber products was 1,271 tonnes during the year, registering a growth of 10% over the previous year (1,158 tonnes). The production of adhesives during the year was 232 tonnes showing a modest growth of 8% over the previous year (215 tonnes).

SEGMENT WISE PERFORMANCE

Your Company has 3 segments of revenue – Manufacturing Units, Service Units, and Others. Audited financial results of these segments are furnished in Note 25.4 forming part of the financial statements.

DIRECTORS' REPORT**RISK AND CONCERNS**

The Company has put in place Risk Management Policy and Procedures for identification, assessment, management, monitoring and minimization of risks. The Company has identified potential risks under various categories like Business Dynamics, Operations, Liquidity, Market/Industry, Human Resources, Systems and Disaster Management. The Company is periodically reviewing the risks and their identification, assessment, monitoring and mitigation procedures. The Company does not perceive any major technological, operational, financial or environmental risks in the near future.

Continuing uncertainty in domestic and global markets, constraints in infrastructure, recent developments in the price of gold adversely affecting gold mining activities across the globe and latest developments in global mining activities are cause for concern in the immediate future.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has in place adequate internal control systems combined with Delegation of Powers and periodical review of the process. The control system is also supported by internal audits and management reviews with documented policies and procedures.

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

During the year, the Company, as part of ongoing exercise in skill upgradation, deputed different classes of its employees to programmes and seminars which would help them to add to their professional knowledge and skills.

In order to enthuse the employee base and increase the linear relationship between performance and reward, incentives are being provided based on performance. The Company continued to look at, identify, create and execute seamlessly, initiatives which enhance productivity and efficiency.

The Company continues to invest in people through various initiatives which enable the workforce to meet the production and service expectations and challenges related thereto and to infuse positive enthusiasm towards the organisation.

CAUTIONARY STATEMENT

Certain statements in the Management Discussion and Analysis describing the Company's views about the Industry, objectives and expectations, etc. may be considered as 'forward looking statements.' The Company has tried to identify such statements by using words such as 'expect', 'anticipate', 'hope', 'likely', 'plan', 'projected' and 'believe.' While making these statements, the Management has made certain assumptions which it believes are prudent. There is no guarantee that the assumptions would prove to be accurate. Actual results may differ substantially or materially from those expressed or implied in the statement. The Company undertakes no obligation to update any of the forward looking statements, whether as a result of any future events, change in assumptions or for any other reason, whatsoever. The forward looking statements are purely intended to put certain things in perspective based on the assumptions and estimates of the Management and in no way solicit investment. Members and others are requested to make their own judgment before taking any decision to invest in the shares of the Company.

SUBSIDIARY COMPANIES

As on date of this Report, the Company has two subsidiaries, namely, Thejo Hatcon Industrial Services Company LLC, Kingdom of Saudi Arabia (Thejo Hatcon) in which the Company has 51% shareholding and Thejo Australia Pty Ltd., Australia (Thejo Australia) in which the Company has 74% shareholding. Both the subsidiaries have obtained all the statutory approvals and have commenced their operations.

DIRECTORS' REPORT

As mentioned earlier, Bridgestone Engineered Products of Asia Sdn Bhd (Bridgestone), a wholly owned subsidiary of Bridgestone Corporation, Japan, acquired 26% stake in the share capital of Thejo Australia Pty Ltd. We believe that the arrangement with Bridgestone will contribute to the growth of Thejo Australia Pty Ltd as Bridgestone has a sizeable market share in Australia's conveyor market and the tie-up will enable Thejo Australia Pty Ltd., to bag product and service contracts including that of splicing materials.

The Audited Consolidated Financial Statements of the Company for the year ended 31st March, 2014 are annexed to its Financial Statements. These Statements have been prepared as per Accounting Standard 21 issued by the Institute of Chartered Accountants of India.

PERFORMANCE OF SUBSIDIARY COMPANIES

Thejo Hatcon Industrial Services Company LLC (Thejo Hatcon) is engaged primarily in rubber lining and related industrial services activities. During the period 01st April, 2013 to 31st March, 2014, Thejo Hatcon achieved a turnover of SAR 24.91 lakhs (₹ 379.72 lakhs) with a loss of SAR 2.70 lakhs (₹ 33.01 lakhs).

Thejo Australia Pty Ltd. (Thejo Australia) is a servicing Company, primarily engaged in belt splicing, belt jointing and related activities. During the period, 01st April, 2013 to 31st March, 2014, Thejo Australia achieved a turnover of AUD 14.49 lakhs (₹ 813.25 lakhs) with a loss of AUD 11.27 lakhs (₹ 634.48 lakhs).

INFORMATION AS PER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956

Your Company is doing its best to consciously utilize the energy optimally, avoiding any known wastages.

The Company does not fall under any of the industries listed under Rule 2 of The Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and hence, disclosure as per Form A is not applicable.

TECHNOLOGY ABSORPTION**a) Specific areas in which R & D carried out by the Company**

- Development of new innovative products
- Evaluation and usage of new raw materials
- Development of methods to achieve uniformity and consistency in product quality and performance by improved process controls.
- Productivity improvement and methods for reduction in energy consumption.

b) Benefits derived as a result of R&D

- Meeting the ever-changing product performance requirements of the market by developing suitable products to cater to these stringent requirements on a continuous basis.
- Improving the field service performance of existing products to surpass the quality of competitive products.
- Evaluating new and innovative raw materials for possible adoption and incorporation into the relevant products.
- Introduction of new methods and systems for improved productivity and reduction in energy consumption.

DIRECTORS' REPORT
c) Future plan of action

- Develop new products in the field of seismic protection to buildings, products for construction and infrastructure development.
- Develop environment-friendly materials and eliminate usage of hazardous chemicals.
- Develop applications for the cellulosic nano materials from waste agricultural produce.
- Adoption and usage of solar energy for reduced costs.
- Joint collaborative projects with relevant specialized Universities to carry out specific development projects in Engineering, Metallurgy, Materials and Bonding Systems.
- Utilization of the CSIR Laboratories for collaborative development projects.
- Develop specialty chemicals as a part of the effort for import substitution.

d) Expenditure on R&D

Particulars	2013-14 (₹ in lakhs)
Capital	7.08
Revenue (excluding depreciation)	75.32
Total	82.40
Total R&D expenditure as a % of total turnover	0.55%

FOREIGN EXCHANGE EARNINGS AND OUTGO

₹ in Lakhs

a) Payments in foreign currency towards Imports

Imports at CIF Value	2013-14	2012-13
Raw Materials and Traded goods	602.73	386.46
Capital goods	124.99	286.31

b) Payments in foreign currency towards Expenditure

Expenditure in Foreign currency	2013-14	2012-13
Royalty	-	11.82
Commission paid	-	15.84
Professional and consultation fees	78.75	29.58
Foreign Tour	17.64	10.53
Advertisement & Sales promotion/ Seminar	-	13.02

DIRECTORS' REPORT
c) Earnings in foreign currency on Accrual basis

Earnings in foreign currency	2013-14	2012-13
Exports – Products	1149.18	1592.74
Exports – Services	106.95	52.12
Sale of Fixed Asset	24.78	-

d) Net Gain or Loss on Foreign Currency Translation

Description	2013-14	2012-13
Profit on Foreign Currency Translation	52.13	86.62

DIRECTORS

Mr. V.K. Srivastava, Non-executive Independent Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Mr. Srivastava may be considered by the Members for reappointment as Independent Director under Sections 149, 152 read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013, for a term upto 31st March, 2019. A Resolution for his election as Independent Director of the Company is included in the Notice dated 2nd July, 2014 convening the Annual General Meeting.

Mr. A. Satyaseelan, Non-executive Independent Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Mr. Satyaseelan may be considered by the Members for reappointment as Independent Director under Sections 149, 152 read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013, for a term upto 31st March, 2019. A Resolution for his election as Independent Director of the Company is included in the Notice dated 2nd July, 2014 convening the Annual General Meeting.

Mr. M.P. Vijay Kumar, Non-executive Independent Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Mr. Vijay Kumar may be considered by the Members for reappointment as Independent Director under Sections 149, 152 read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013, for a term upto 31st March, 2019. A Resolution for his election as Independent Director of the Company is included in the Notice dated 2nd July, 2014 convening the Annual General Meeting.

Dr. C.N. Ramchand, Non-executive Independent Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Dr. Ramchand may be considered by the Members for reappointment as Independent Director under Sections 149, 152 read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013, for a term upto 31st March, 2019. A Resolution for his election as Independent Director of the Company is included in the Notice dated 2nd July, 2014 convening the Annual General Meeting.

Mr. N. Ganga Ram, Non-executive Independent Director was appointed as Director of the Company subject to retirement by rotation at the 27th Annual General Meeting. Mr. Ganga Ram may be considered by the Members for appointment as Independent Director under Sections 149, 152 read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013, for a term upto 31st March, 2019. A Resolution for his election as Independent Director of the Company is included in the Notice dated 2nd July, 2014 convening the Annual General Meeting.

DIRECTORS' REPORT

The Company has received declarations from all the above mentioned Independent Directors of the Company, confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and Clause 52 of the SME Listing Agreement.

A brief resume of these Directors and related information are given in the Notice convening the Annual General Meeting. The Directors recommend their appointment / re-appointment as Directors of the Company.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Your Directors have constituted a Corporate Social Responsibility Committee (CSR Committee) comprising Mr. K.J. Joseph, Mr. Thomas John, Mr. V.A. George and Mr. V.K. Srivastava as Members.

The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, monitoring the implementation of the framework of the CSR Policy and recommending the amount to be spent on CSR activities.

The Committee has since formulated the CSR policy of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm —

- i. that in the preparation of the accounts for the year ended 31st March, 2014, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the Directors have selected such accounting policies (as mentioned in Significant Accounting Policies under Note 2 of the Annual Accounts) and 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 31st March, 2014 and profit of the Company for the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv. that the annual accounts for the year ended 31st March, 2014, have been prepared on a going concern basis.

PERSONNEL

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees covered therein are to be set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto and if interested in obtaining the information, they may write to the Company Secretary at the Registered Office of the Company.

AUDITORS' REPORT

The Auditors' Report for the year ended 31st March, 2014 does not contain any qualification.

DIRECTORS' REPORT

AUDITORS

M/s. Joseph & Rajaram, Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

CORPORATE GOVERNANCE

Your Company has complied with the requirements of Corporate Governance stipulated under Clause 52 of the SME Listing Agreement entered into with the National Stock Exchange of India Ltd. (NSE). A report on Corporate Governance forms part of this Report.

The Statutory Auditors of the Company have examined the requirements of Corporate Governance stipulated under Clause 52 of the SME Listing Agreement, and have certified the compliance. The certificate is reproduced in the Corporate Governance Report.

ACKNOWLEDGEMENT

The Directors wish to thank the Company's bankers for their continued support. The Directors also wish to thank the Company's customers and stake-holders for their patronage.

Your Directors place on record their appreciation of the good work done by the employees of the Company at all levels.

For and on behalf of the Board

Place : Chennai
Date : 2nd July, 2014

V.A. GEORGE
Managing Director

THOMAS JOHN
Vice Chairman

K.J. JOSEPH
Chairman