

born to

CEAT

CEAT LIMITED
40TH ANNUAL REPORT
1998-99

RPC

Report Junction .com

The Rhino.

Signifying strength and resilience.

With the ability to endure the greatest challenges.

Qualities that we identify with.

Report  Junction.com

The Rhino. Like CEAT — Born Tough.

CONTENTS

Sr. No.	Description	Page Nos.
1.	Board of Directors	1
2.	Ten-Year Operating and Financial Records	2
3.	Financial Highlights	3
4.	Directors' Report	4-12
5.	Auditors' Report	13-15
6.	Balance Sheet	16
7.	Profit & Loss Account	17
8.	Schedules to Accounts	18-34
9.	Balance Sheet Abstract & Company's General Business Profile	35
10.	Cash Flow Statement	36-37
11.	Statement pursuant to Section 212 of the Companies Act, 1956 regarding Subsidiary Companies	38
12.	Subsidiary Companies	
	CEAT VENTURES LIMITED	39-43
	MALABAR COASTAL HOLDINGS LIMITED	44-47
	ATLANTIC HOLDINGS LIMITED	48-51
	METEORIC INDUSTRIAL FINANCE CO. LTD.	52-55
	CEAT HOLDINGS LIMITED	56-60
13.	Information regarding employees as per Section 217(2A) of the Companies Act, 1956	61-62

CEAT LIMITED**BOARD OF DIRECTORS**

R. P. GOENKA	<i>Chairman</i>
H. V. GOENKA	<i>Vice Chairman</i>
S. SAMUEL	<i>Managing Director</i>
G. ACCORNERO	
M. A. BAKRE	
J. N. GUZDER	
P. K. KHAITAN	<i>Resigned on 29th July, 1999</i>
H. KHAITAN	<i>Appointed on 29th July, 1999</i>
S. K. LALBHAI	
H. MAHINDRA	
B. C. MALU	
B. S. MEHTA	
H. L. MUNDRA	
B. L. PARANJPE	<i>Appointed on 10th September, 1998</i>
K. R. PODAR	
N. SRINIVASAN	
J. P. THACKER	<i>Resigned on 10th September, 1998</i>

COMPANY SECRETARY

T. M. ELAVIA

REGISTERED OFFICE

463, Dr. Annie Besant Road,
Mumbai 400 025.

PLANTS

Village Road, Bhandup, Mumbai-400 078.

82, MIDC Industrial Estate, Satpur, Nasik-422 007.

BANKERS

Bank of India
Bank of Baroda
Citibank N.A.
Indian Bank
State Bank of India
UCO Bank
Vijaya Bank
Corporation Bank
ABN – AMRO Bank
Banque Nationale de Paris
State Bank of Travancore

LEGAL ADVISERS

Mulla & Mulla and
Craigie Blunt & Caroe

AUDITORS

N. M. Rajji & Co.

REGISTRARS

Tata Consultancy Services,
6, Lotus House,
Sir Vithaldas Thackersey Marg,
New Marine Lines,
Mumbai - 400 020.

TEN-YEAR OPERATING AND FINANCIAL RECORD

(Rs. in Crores)

	1998-99	1997-98	1996-97	1994-96#	1993-94##	1992-93	1991-92	1990-91	1989-90	1988-89
OPERATING RECORD										
Sales	11,66	11,49	12,02	16,40	11,19	7,57	7,18	5,64	4,99	4,10
Miscellaneous Income	51	59	87	50	76	52	15	24	11	6
	12,17	12,08	12,89	16,90	11,95	8,09	7,33	5,88	5,10	4,16
Cost of Materials	5,80	6,12	6,45	8,45	5,62	3,81	3,67	2,92	2,66	2,06
Excise Duty	2,08	1,88	2,55	3,42	2,08	1,38	1,33	1,11	99	90
Expenses	4,11	3,93	3,82	4,85	3,98	2,70	2,09	1,57	1,23	84
Total	11,99	11,93	12,82	16,72	11,68	7,89	7,09	5,60	4,88	3,80
Profit before Taxation	18	15	7	18	27	20	24	28	22	36
As percentage of Sales (%)	1.61	1.27	0.55	1.07	2.38	2.60	3.30	4.87	4.49	8.74
Provision for Taxation	2	2	1	0	0	0	0	5	0	15
Deferred tax benefit / Adjustments	0	1	1	0	0	0	1	0	0	0
Profit after Taxation of earlier Yrs.	16	14	7	18	27	20	23	23	22	21
Dividend (including preference)	7	7	7	14	9	7	6	5	4	4
Per Share (Rs.)	1.92	1.92	1.92	3.90	2.80	2.80	2.80	3.30	3.00	3.00
FINANCIAL RECORD										
Share Capital	35	39	39	35	31	31	23	17	15	15
Reserves and surplus	5,13	4,45	4,47	5,01	2,54	2,40	1,79	1,31	1,09	1,01
Shareholders' Equity	5,48	4,84	4,86	5,36	2,85	2,71	2,02	1,48	1,24	1,16
Loan Funds	5,04	4,66	4,77	4,53	6,44	6,14	4,84	3,27	1,77	68
Capital and Loan funds employed	10,52	9,50	9,63	9,89	9,29	8,85	6,86	4,75	3,01	1,84
Fixed Assets - Gross	5,91	5,01	4,78	4,99	5,42	5,56	5,13	2,55	1,69	1,33
Depreciation	2,01	1,80	1,60	1,16	1,33	1,08	99	72	62	54
Fixed Assets Net	3,90	3,21	3,18	3,83	4,09	4,48	4,14	1,83	1,07	79
Investments	2,11	2,46	2,30	2,54	1,60	90	22	80	34	15
Current Assets - Net	4,51*	3,83*	4,15*	3,52*	3,60*	3,47	2,50	2,12	1,60	90
Capital and Loan Funds Applied	10,52	9,50	9,63	9,89	9,29	8,85	6,86	4,75	3,01	1,84

* Inclusive of Miscellaneous Expenditure to the extent not written off or adjusted Rs. 9 (Rs. 12 for 1997-98)

For 18 months ## For 15 months

Figures regrouped wherever necessary

FINANCIAL HIGHLIGHTS**(Rupees in Crores)**

	For the year ended 31-03-99	For the year ended 31-03-98
Income	1217.65	1208.61
Profit before Taxation	18.82	14.58
Profit after Taxation	16.82	13.75
Total Shareholders Equity	547.62	483.88
Total Loan Funds	504.23	465.73
Market price of Equity Share (Rs.)	20.25	23.85
Proposed Equity Dividend (Per cent)	20	20
Proposed Dividend – Aggregate (Rs. in Crores)	7.04	7.04
Number of Share/Debenture holders (Accounts) at year end	156230	146033
Number of Employees at year end	4,928	5,012
Personnel Cost (Rs. in Crores)	79.93	75.53

DIRECTORS' REPORT

The Directors present their Fortieth Report for the Financial Year 1st April, 1998 to 31st March, 1999.

FINANCIAL RESULTS

	For the year ended 31st March 1999	For the year ended 31st March 1998
	Rs. in crore	Rs. in crore
Profit before Depreciation	31.99	27.12
Less : Depreciation	13.17	12.54
Profit before Taxation	18.82	14.58
Less : Provision for Taxation	2.00	1.68
Add : Taxation for earlier years	—	0.85
Net Profit	16.82	13.75
Add : Excess Debenture Redemption Reserve written back	18.21	5.82
	35.03	19.57
Surplus brought forward from previous year	27.87	17.51
Sum available for appropriation	62.90	37.08
Appropriations:		
Capital Redemption Reserve	3.90	—
General Reserve	1.50	1.04
Dividend paid on Preference Shares	0.05	0.39
Proposed Dividend on Equity Shares	7.04	7.04
Tax on Dividends	0.78	0.74
Balance carried forward in the Profit and Loss Account	49.63	27.87
	62.90	37.08

DIVIDEND

The Directors recommend the maintenance of dividend at Rs. 2/- per equity share, which, if approved, will absorb Rs. 7.04 crore, the same as that for the previous year. The tax liability on this amount, inclusive of surcharge of 10%, will be Rs.0.78 crore (previous year Rs. 0.70 crore without the surcharge). This is in addition to the preference dividend of Rs. 0.05 crore paid in May 1998, as against Rs. 0.39 crore paid for the previous year. The tax liability on the preference dividend was 10%, the same as for the previous year. It did not bear the surcharge of 10% that was imposed in the 1999 Budget.

OPERATIONS

Difficult business conditions and recessionary trends persisted in the Automobile Sector, on which the Tyre Industry is dependent. The slight, but discernible, improvement in the economic climate was once again vitiated by the political turmoil. Fortunately the Budget, which was presented before the fall of the Government, was passed. It is to be hoped that after the elections, the new Government will provide the much-needed impetus to features of the Budget that will energise the economy. The crisis in Asian Countries is not yet over, and the U.S. and Latin American economies have also suffered a setback. As a result, exports have also suffered. While the Company's exports declined to Rs. 128 crore from Rs. 153 crore in the previous year, it remains a leading exporter of tyres.

The external environment notwithstanding, CEAT has been able to weather the storm better than the others. In the year under review, the market witnessed the launch of new CEAT products like Fleet Master, Turbo Lug, Samraat and Elevata. Improvements in quality and performance, backed by efficient service have contributed to enhanced customer

satisfaction. Sales growth, across various product segments, has been well above the Industry's performance. In the crucial replacement market, CEAT grew by over 8%, compared to a growth rate of less than 2% for the Industry. In the truck tyre segment, which constitutes two-thirds of the replacement market, CEAT's growth was in excess of 9%. Market share in the original equipment manufacturers' segment also increased by two percentage points.

The implementation of an integrated supply chain management system has resulted in quicker realisation of trade receivables. This system also helped the Company to plan its material purchases better and allowed it to gear up the manufacturing facilities to eliminate the build up of excess inventory.

Apart from the augmentation and upgradation of capacities at Company's plants, there has been a production increase in Rado Tyres Limited, the Company's affiliate in Kerala, where two and three wheeler tyres are being produced. Its operations are improving and with the expansion of capacity, its operations will soon be profitable.

A blue print for the Radial Tyre Project has been finalised and equipment has been ordered. The first phase of production capacity of 28,000 tyres per month is expected to commence by June 2000.

FINANCING

Cost control measures and the infusion of funds from the divestment in South Asia Tyres Limited have led to considerable savings in operating expenses and interest.

Major initiatives were taken to replace short term high cost loans with long term financing from Financial Institutions. The results of these initiatives will be fully reflected in the next year. The Consortium of Banks continues to be

responsive to the Company's financial needs. The Directors wish to place on record their appreciation of the valuable support received from these Institutions and Banks and for the confidence reposed in the Company.

STRATEGIC ALLIANCE IN SRI LANKA

The Strategic Alliance between Associated CEAT (Private) Limited (ACPL), the Company's overseas venture in Sri Lanka and Kelani Tyres Limited (KTL) has been effected. The Alliance comprises of two operating companies viz. ACPL and CEAT-KELANI International Tyres (Private) Limited (CKITL) which will have a combined production capacity of 34 MT per day. The commencement date of the Alliance was 1st November 1998. Prior to the commencement date, ACPL - for the period 1st April, 1998 to 31st October, 1998 - recorded a sales turnover of Sri Lankan Rs. 43.53 crore, as against Sri Lankan Rs. 59.52 crore for the year ended 31st March, 1998. For the year ended 31st March, 1999, ACPL has so far paid an interim dividend of 90%, as against 75% for the year ended 31st March, 1998. The turnover of the Alliance from 1st November, 1998 to 31st March, 1999 was Rs. 54.14 crore, representing a 55 to 60% of the market share.

Y2K

The Company uses computers in its business activities. Most functions, including Manufacturing, Marketing, Materials Management and Accounts are being integrated through a common software programme.

The Company's Y2K team, comprising of all the senior members of the Information Technology Department, commenced assessment and evaluation of Y2K issues in June 1998. Currently, most of the Application Software is already Y2K compliant while the remainder is in the final stage of testing.

The Company has invested Rs. 50 lakhs during Financial Year 1998-1999 on the Y2K project. Apart from this amount, 60% of IT employees have been working on various softwares to ensure Y2K compliance. The Company plans to invest a further amount of approximately Rs. 30 lakhs during the Financial Year 1999-2000.

The Company is confident that all Y2K issues will be resolved well before the turn of the Century. In any event, as a contingency, CEAT has prepared alternative processes to carry out the day-to-day business activities.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of the Report.

DIRECTORS

Mr. J.P. Thacker and Mr. P. K. Khaitan resigned as Directors of the Company with effect from 10th September, 1998 and 29th July, 1999 respectively. The Directors have placed on record their sense of appreciation for the valuable guidance and advice they have provided to the Company. In the casual vacancies so caused, the Board appointed Mr. B. L. Paranjape and Mr. H. Khaitan respectively on the said dates.

Mr. Thacker, had he continued, would have retired by rotation at the forthcoming Annual General Meeting and, accordingly, Mr. Paranjape will hold office only till that date. Notice has been received from a member proposing Mr. Paranjape as a Director retiring by rotation.

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, the other Directors retiring by rotation are Mr. S.K. Lalbhai, Mr. H. Mahindra, Mr. B.S. Mehta, Mr. K.R. Podar and Mr. N. Srinivasan who have offered themselves for re-election.

PERSONNEL

The commitment, willingness and ability of the employees to adapt to changes, in order to maintain a competitive edge continue to be a great strength. Your Company has initiated training and development activities, and attitude building programmes for employees at all levels. This will greatly enhance the Company's ability to provide customers with quality products and service at competitive prices.

During the year, the Company has also satisfactorily concluded Productivity Linked Long Term Wage Settlements at both Mumbai and Nasik Plants.

A Statement of Particulars of Employees of the Company, in terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed hereto and forms part of this Report.

AUDITORS

Shareholders are requested to appoint the Auditors and fix their remuneration. Messrs. N.M. Rajji & Co., the retiring Auditors, have informed the Company that they are eligible for re-appointment.

AUDITORS' REPORT

The attention of the members is invited to the observations made in paragraph 2(f)(i) of the Auditors' Report dated 24th May, 1999 attached to the Balance Sheet and Profit and Loss Account. In this regard, the members are requested to refer to Note No. 13 of Notes forming part of the Accounts under Schedule 21, which is self explanatory.

On behalf of the Board of Directors,

M. A. Bakre
Director

S. Samuel
Managing Director

Mumbai
29th July, 1999