
CEAT LIMITED
41ST ANNUAL RE
1999-2000
RPG

The Cover

1999-2000 was a landmark year, when Ceat regained the high growth path.

The pages within highlight the actions that led to this exceptional performance.

The cover depicts the artist's impression of a resurgent Ceat.

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CEAT LIMITED

BOARD OF DIRECTORS

R. P. GOENKA	*Chairman*
H. V. GOENKA	*Vice Chairman*
S. SAMUEL	*Managing Director*
G. ACCORNERO	
M. A. BAKRE	
A. C. CHOKSEY	*Appointed on 28th January 2000*
J. N. GUZDER	
H. KHAITAN	
S. K. LALBHAI	
H. MAHINDRA	*Expired on 4th December 1999*
B. C. MALU	
B. S. MEHTA	
H. L. MUNDRA	
B. L. PARANJAPE	
K. R. PODAR	
N. SRINIVASAN	

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.

MANAGEMENT COMMITTEE

S. SAMUEL	*Managing Director*
G. CHANDRASEKARAN	*Executive Director - Human Resources & Materials*
S. MAUDGAL	*Executive Director - Marketing*
P. K. MOHAMED	*Executive Director - Technical*
R. K. DHAWAN	*Vice President - Manufacturing*
K. J. RAO	*Vice President - Finance*

BANKERS

Bank of India
Bank of Baroda
Indian Bank
State Bank of India
UCO Bank
Vijaya Bank
Corporation Bank
ABN — AMRO Bank
State Bank of Travancore
The Dhanalakshmi Bank Limited
ICICI Bank Limited
The Karnataka Bank Limited

LEGAL ADVISERS

Mulla & Mulla and
Craigie Blunt & Caroe

AUDITORS

N. M. Raiji & 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)

	1999-2000	1998-99	1997-98	1996-97	1994-96#	1993-94##	1992-93	1991-92	1990-91	1989-90
OPERATING RECORD										
Sales	**13,48**	11,66	11,49	12,02	16,40	11,19	7,57	7,18	5,64	4,99
Miscellaneous Income	**27**	69	59	87	50	76	52	15	24	11
	13,75	12,35	12,08	12,89	16,90	11,95	8,09	7,33	5,88	5,10
Cost of Materials	**6,51**	5,85	6,12	6,45	8,45	5,62	3,81	3,67	2,92	2,66
Excise Duty	**2,45**	2,08	1,88	2,55	3,42	2,08	1,38	1,33	1,11	99
Expenses	**4,56**	4,23	3,93	3,82	4,85	3,98	2,70	2,09	1,57	1,23
Total	**13,52**	12,16	11,93	12,82	16,72	11,68	7,89	7,09	5,60	4,88
Profit before taxation	**23**	19	15	7	17	27	20	24	28	22
As percentage of Sales (%)	**1.71**	1.61	1.27	0.55	1.07	2.38	2.60	3.30	4.87	4.49
Provision for taxation	**3**	2	2	1	0	0	0	0	5	0
Deferred tax benefit/Adjustments	**0**	0	1	1	0	0	0	1	0	0
Profit after Taxation of earlier Yrs.	**20**	17	14	7	18	27	20	23	23	22
Dividend (including preference)	**7**	7	7	7	14	9	7	6	5	4
Per Share (Rs.)	**2.00**	1.92	1.92	1.92	3.90	2.80	2.80	2.80	3.30	3.00
FINANCIAL RECORD										
Share Capital	**35**	35	39	39	35	31	31	23	17	15
Reserves and surplus	**5,93**	5,13	4,45	4,47	5,01	2,54	2,40	1,79	1,31	1,09
Shareholders' Equity	**6,28**	5,48	4,84	4,86	5,36	2,85	2,71	2,02	1,48	1,24
Loan Funds	**5,43**	5,04	4,66	4,77	4,53	6,44	6,14	4,84	3,27	1,77
Capital & Loan Funds employed	**11,71**	10,52	9,50	9,63	9,89	9,29	8,85	6,86	4,75	3,01
Fixed Assets – Gross	**7,27**	5,91	5,01	4,78	4,99	5,42	5,56	5,13	2,55	1,69
Depreciation	**2,21**	2,01	1,80	1,60	1,16	1,33	1,08	99	72	62
Fixed Assets Net	**5,06**	3,90	3,21	3,18	3,83	4,09	4,48	4,14	1,83	1,07
Investments	**2,05**	2,11	2,46	2,30	2,54	1,60	90	22	80	34
Current Assets – Net	**4,60***	4,51*	3,83*	4,15*	3,52*	3,60*	3,47	2,50	2,12	1,60
Capital and Loan Funds Applied	**11,71**	10,52	9,50	9,63	9,89	9,29	8,85	6,86	4,75	3,01

* Inclusive of Miscellaneous Expenditure to the extent not written off or adjusted Rs. Nil (Rs. 9 for 1998-99)
# For 18 months ## For 15 months
Figures regrouped wherever necessary

FINANCIAL HIGHLIGHTS

(Rupees in Crores)

	For the year ended 31.03.2000	For the year ended 31.03.1999
Income	**1375.32**	1235.64
Profit before Taxation	**22.75**	18.82
Profit after Taxation	**20.11**	16.82
Total Shareholders' Equity	**628.09**	547.62
Total Loan Funds	**542.85**	504.23
Market price of Equity Share (Rs.)	**52.00**	20.25
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	**123451**	156230
Number of Employees at year end	**5,016**	4,928
Personnel Cost (Rs. in Crores)	**89.80**	79.93

DIRECTORS' REPORT

The Directors present their Forty-First Report for the Financial Year 1st April, 1999 to 31st March, 2000.

FINANCIAL RESULTS

	For the year ended 31st March, 2000	For the year ended 31st March, 1999
	Rs. in crore	Rs. in crore
Profit before Depreciation	**37.28**	31.99
Less: Depreciation	**14.53**	13.17
Profit before Taxation	**22.75**	18.82
Less: Provision for Taxation	**2.64**	2.00
Net Profit	**20.11**	16.82
Add: Transfer from Investment Allowance (Utilised) Reserve	**1.49**	—
Add: Excess Debenture Redemption Reserve written back	**10.57**	18.22
	32.17	35.04
Surplus brought forward from previous year	**49.63**	27.86
Sum available for appropriation	**81.80**	62.90
Appropriations:		
Capital Redemption Reserve	**—**	3.90
General Reserve	**15.00**	1.50
Dividend Paid on Preference Shares	**—**	0.05
Proposed Dividend on Equity Shares	**7.04**	7.04
Tax on Dividend	**1.55**	0.78
Balance carried forward in the Profit & Loss Account	**58.21**	49.63
	81.80	62.90

DIVIDEND

The Directors recommend a dividend of Rs. 2/- per equity share, which, if approved, will absorb Rs. 7.04 crore, the same as last year.

INDUSTRY OVERVIEW

During the year under review, the Tyre Industry grew by 7% in value and approximately 9% in volume. This clearly reflects the prevailing excess capacity situation.

The Tyre Industry continues to bear the brunt of increasing raw material costs. Rubber imports are still controlled, resulting in high prices. Additionally, the prices of synthetic rubber and rubber chemicals have risen steeply in international markets. There has also been 2% increase in excise duty, effected by the Union Budget announced in February, 2000 on all tyres, except two wheeler and farm rear types.

Thus, while there are valid reasons for a commensurate increase in prices, the intense competition has prevented this from happening. Margins, therefore, are under pressure.

CEAT'S PERFORMANCE

The year 1999-2000 saw CEAT move out of the consolidation phase and surge ahead with increased visibility in the market place.

Significant product quality improvements, innovative marketing strategies, a unique supply chain management model, cost optimisation measures, and a committed work force, all saw the Company emerge stronger inspite of increased competition. In doing so, CEAT further reinforced its "Born Tough" image and emerged as a preferred brand.

CEAT's growth rate of 15%, which was twice the industry growth, was a matter of great satisfaction. Particularly heartening was the 21% increase in the high value truck tyre category in the replacement market which was made possible by a 22% increase in truck tyre production — the highest in the country. CEAT gained market share in other replacement segments as well, further reiterating its superior product quality, borne out of improved technical design and manufacturing processes.

Other contributing factors to this improved performance have been the inculcation of the "Total Quality Management" culture, intensified training, exposure and involvement of employees at all levels, which have enabled a flexible market led manufacturing system to evolve. Constant initiatives were taken for more effective utilisation of resources and reduction of costs. These will be intensified even further in the future.

A lot of new initiatives in marketing were undertaken. A new advertising campaign and innovative communication during the Cricket World Cup which promoted the CEAT Cricket Ratings, helped improve brand visibility. The new look CEAT Shoppes were launched in phases across the country and have already set new standards in tyre retailing. A unique dealer loyalty programme to further reinforce CEAT's long standing relations with dealers elicited excellent response.

The consistently high quality of after sales service was maintained with the implementation of an ongoing training programme for all staff associated with this service, including technical service personnel at the dealer outlets.

The integrated logistics system – which links 126 stocking points with the two factories – continued to work well and ensured availability of the right product at the right time, thereby keeping inventory levels low.

EXPORTS

The decline in demand from the U.S. market, which was flooded with cheap brands from all over the world, led to CEAT's exports declining by 7.5%. Strategies have been drawn up to reverse this situation and steps to penetrate other markets have already been taken. These initiatives will see exports on the growth path once again.

MANUFACTURING

The capacity optimisation projects at the Mumbai and Nasik Plants are progressing on schedule. The new radial tyre facility coming up at Nasik is expected to be completed on time with manufacturing commencing in May-June 2000.

The Off-take Agreement for radials and two and three wheeler tyres with erstwhile joint venture partner, Goodyear, expires in August 2000. This may be extended for a further period.

The expansion plan at CEAT's associated company, Rado Tyres Limited, located in Kerala, has been implemented. This will enhance the conversion capacity of two and three wheeler tyres to 70,000 tyres per month.

JOINT VENTURE IN SRI LANKA

The Joint Venture structure of the Strategic Alliance in Sri Lanka which CEAT, jointly with Associated Motorways Limited, entered into with Kelani Tyres Limited, effective 1st November, 1998, has been completed.

The turnover of this joint venture, under CEAT-Kelani Associated Holdings Private Limited, grew from SL Rs. 1293 million in 1998-1999 to SL Rs. 1357 million in 1999-2000. Profit before tax rose 28% from SL Rs. 58.65 million to SL Rs. 75 million during this period.

The joint venture is presently in the process of implementing a strategy to meet the threat of cheaper imports into Sri Lanka.

Y2K

The Company successfully completed the transition into the year 2000 and its systems overcame the Y2K bug. The systems proved to be compliant and no inconsistencies have arisen.

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 the Board of Directors) Rules, 1988, is annexed hereto and forms part of the Report.

DIRECTORS

The Directors are sure that the Members will join them in mourning the loss of Mr. H. Mahindra who expired on 4th December, 1999. His industrial acumen and his deliberations at the Board Meetings were a great source of strength to the Company. The Directors have conveyed their sense of grief to his family members on behalf of the Company. In the casual vacancy so caused, the Directors have appointed Mr. A. Choksey with effect from 28th January, 2000.

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, the other Directors, retiring by rotation, are Mr. R.P. Goenka, Dr. G. Accornero, Mr. M.A. Bakre, Mr. J.N. Guzder and Mr. H. Khaitan who have offered themselves for re-election.

HUMAN RESOURCES

The responsiveness of the Company's employees to ensure that CEAT remained on the cutting edge of competition was extremely encouraging. Their commitment, willingness and adaptability in the current environment have contributed substantially to CEAT's improved performance. To ensure that this positive attitude goes further, the Company has also commenced a programme for skill and attitude building for all employees.

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.

ACKNOWLEDGEMENT

The Directors wish to thank the customers, financial institutions, banks, shareholders and employees for the faith they have reposed in CEAT.

AUDITORS

Shareholders are requested to appoint the Auditors and fix their remuneration. Messrs. N.M. Raiji & 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 5th May, 2000 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,

H.L. MUNDRA
Director

S. SAMUEL
Managing Director

Mumbai
5th May, 2000