

Born tough. Born to endure.



MPG CEAT LIMITED 42ND ANNUAL REPORT 2001

born tough

The Cover

Born Tough Born to Endure

The Road to success runs uphill

2000-2001 saw Ceat facing such a challenge
in its continuing Quest for Excellence

But Ceat is no stranger to tough situations
After all, we are truly "Born Tough"

CONTENTS

Sr. No.	Description	Page Nos.
1.	Board of Directors	1
2.	Ten-Year Operating and Financial Record	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	18-33
9.	Balance Sheet Abstract & Company's General Business Profile	34
10.	Cash Flow Statement	35-36
11.	Statement pursuant to Section 212 of the Companies Act, 1956 regarding Subsidiary Companies	37
12.	Subsidiary Companies	
	CEAT VENTURES LIMITED	38-42
	CEAT HOLDINGS LIMITED	43-47
	METEORIC INDUSTRIAL FINANCE CO. LTD.	48-51
	ATLANTIC HOLDINGS LIMITED	52-57
	MALABAR COASTAL HOLDINGS LIMITED	58-61
13.	Information regarding employees as per Section 217(2A) of the Companies Act, 1956	62

CEAT LIMITED

BOARD OF DIRECTORS

R. P. GOENKA	<i>Chairman</i>
H. V. GOENKA	<i>Vice Chairman</i>
P. K. CHOWDHARY	<i>Managing Director</i>
	<i>Appointed on 18/01/2001</i>

G. ACCORNERO	
M. A. BAKRE	
A. C. CHOKSEY	
S. DORESWAMY	<i>Appointed on 27/07/2000</i>
J. N. GUZDER	
H. KHAITAN	
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, Worli,
Mumbai 400 025.

PLANTS

Village Road, Bhandup. Mumbai 400 078.
82, MIDC Industrial Area, Satpur, Nasik 422 007.

AUDIT COMMITTEE

M. A. BAKRE	<i>Chairman</i>
B. L. PARANJAPE	<i>Member</i>
S. DORESWAMY	<i>Member</i>

SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

M. A. BAKRE	<i>Chairman</i>
P. K. CHOWDHARY	<i>Member</i>
H. L. MUNDRA	<i>Member</i>

BANKERS

Bank of India
Bank of Baroda
Indian Bank
State Bank of India
UCO Bank
Vijaya Bank
Corporation Bank
State Bank of Travancore
The Dhanalakshmi Bank Ltd.
ICICI Bank Limited
The Karnataka Bank Ltd.
United Western Indian Bank
ABN Amro. N.V.

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)

	2000-2001	1999-2000	1998-99	1997-98	1996-97	1994-96#	1993-94##	1992-93	1991-92	1990-91
OPERATING RECORD										
Sales	11,90	13,48	11,66	11,49	12,02	16,40	11,19	7,57	7,18	5,64
Miscellaneous Income	33	27	69	59	87	50	76	52	15	24
	12,23	13,75	12,35	12,08	12,89	16,90	11,95	8,09	7,33	5,88
Cost of Materials	6,05	6,51	5,85	6,12	6,45	8,45	5,62	3,81	3,67	2,92
Excise Duty	2,06	2,45	2,08	1,88	2,55	3,42	2,08	1,38	1,33	1,11
Expenses	4,26	4,56	4,23	3,93	3,82	4,85	3,98	2,70	2,09	1,57
Total	12,37	13,52	12,16	11,93	12,82	16,72	11,68	7,89	7,09	5,60
Profit/(Loss) before taxation	(14)	23	19	15	7	17	27	20	24	28
As percentage of Sales (%)	1.17	1.71	1.61	1.27	0.55	1.07	2.38	2.60	3.30	4.87
Provision for taxation	0	3	2	2	1	0	0	0	0	5
Deferred tax benefit/Adjustments	0	0	0	1	1	0	0	0	1	0
Profit/(Loss) after Taxation of earlier Yrs.	(14)	20	17	14	7	18	27	20	23	23
Dividend	4	7	7**	7**	7**	14	9	7	6	5
Per Share (Rs.)	1.00	2.00	1.92	1.92	1.92	3.90	2.80	2.80	2.80	3.30
FINANCIAL RECORD										
Share Capital	35	35	35	39	39	35	31	31	23	17
Reserves and surplus	5,67	5,93	5,13	4,45	4,47	5,01	2,54	2,40	1,79	1,31
Shareholders' Equity	6,02	6,28	5,48	4,84	4,86	5,36	2,85	2,71	2,02	1,48
Loan Funds	5,89	5,43	5,04	4,66	4,77	4,53	6,44	6,14	4,84	3,27
Capital & Loan Funds employed	11,91	11,71	10,52	9,50	9,63	9,89	9,29	8,85	6,86	4,75
Fixed Assets - Gross	7,69	7,27	5,91	5,01	4,78	4,99	5,42	5,56	5,13	2,55
Depreciation	2,44	2,21	2,01	1,80	1,60	1,16	1,33	1,08	99	72
Fixed Assets Net	5,25	5,06	3,90	3,21	3,18	3,83	4,09	4,48	4,14	1,83
Investments	1,99	2,05	2,11	2,46	2,30	2,54	1,60	90	22	80
Current Assets - Net	4,67	4,60*	4,51*	3,83*	4,15*	3,52*	3,60*	3,47	2,50	2,12
Capital and Loan Funds applied	11,91	11,71	10,52	9,50	9,63	9,89	9,29	8,85	6,86	4,75

* Inclusive of Miscellaneous Expenditure to the extent not written off or adjusted

** Includes preference share dividend

For 18 months ## For 15 months

Figures regrouped wherever necessary



FINANCIAL HIGHLIGHTS

(Rupees in Crores)

For the year ended
31.03.2001

For the year ended
31.03.2000

Income	1222.93	1375.32
Profit/(Loss) before Taxation	(13.52)	22.75
Profit/(Loss) after Taxation	(13.72)	20.11
Total Shareholders' Equity	601.98	628.09
Total Loan Funds	588.77	542.85
Market price of Equity Share (Rs.)	21.00	52.00
Proposed Equity Dividend (Per cent)	10	20
Proposed Dividend — Aggregate (Rs. in Crores)	3.52	7.04
Number of Share/Debenture holders (Accounts) at year end	120901	123451
Number of Employees at year end	5,009	5,016
Personnel Cost (Rs. in Crores)	90.38	89.80

DIRECTORS' REPORT

The Directors present their Forty-Second Report for the Financial Year 1st April, 2000 to 31st March, 2001.

FINANCIAL RESULTS

	For the year ended 31st March, 2001	For the year ended 31st March, 2000
	Rs. in crore	Rs. in crore
Profit before Depreciation	2.96	37.28
Less: Depreciation	16.48	14.53
(Loss)/Profit before Taxation	(13.52)	22.75
Less: Provision for Taxation	0.20	2.64
Net (Loss)/Profit	(13.72)	20.11
Add: Transfer from Investment Allowance (Utilised) Reserve	—	1.49
Add: Excess Debenture Redemption Reserve written back	—	10.57
	(13.72)	32.17
Surplus brought forward from previous year	58.21	49.63
Sum available for appropriation	44.49	81.80
Appropriations:		
General Reserve	—	15.00
Proposed Dividend on Equity Shares	3.52	7.04
Tax on Dividend	0.36	1.55
Balance carried forward in the Profit and Loss Account	40.61	58.21
	44.49	81.80

DIVIDEND

Considering the loss incurred by the Company for the year under review, the Directors, with regret, recommend a reduced dividend of Re. 1/- per share as against Rs. 2/- per share for the previous year.

INDUSTRY OVERVIEW

2000-2001 was an extremely challenging year for the Tyre Industry as a whole. Riding on a buoyant 1999-2000, the year started on a hopeful note. However, the tempo could not be sustained as the demand for tyres started showing a declining trend in line with the general recession in the economy. This led to a situation of oversupply in the market place and compelled tyre companies to cut back production.

While the demand was sluggish, raw material costs rose due to sharp increase in crude oil prices. The tyre industry was not in a position to pass on cost increases, including increase in excise duty due to adverse market conditions and, as a result, the margins remained under pressure.

CEAT'S PERFORMANCE

The depressing Industry scenario notwithstanding, the acceptability by consumer of CEAT's product offering has improved and provides a strong base for the Company to move forward. CEAT is a preferred Company to deal with, with its brand equity continuing to remain high, both with the consumers and dealers. During the year, the Company came out with many new products, both in the truck, as well as non truck category.

The products have been well received in the market and with this, the stage is set for CEAT to increase its market share in the domestic market. The Company is also in the process of broad basing its distribution network by spreading to smaller markets. CEAT Shoppes have been

revamped across the country providing the right ambience for the customer to select the right tyre.

The Radial Tyre Plant has commenced commercial production in Nasik and the Formula One radial tyres have been well received by the market. During the year, the Company concluded a long term wage settlement at Nasik which is expected to increase productivity.

In order to sustain competitiveness, several cost reduction measures were initiated to contain overheads, freight and manufacturing costs. The Company has restructured major term loans with the financial institutions and has also undertaken rationalisation of working capital management with a view to achieve reduction in cost of finance and improve cash flows.

The market conditions continue to remain depressed, yet the above operational initiatives are expected to facilitate improved performance in the coming year.

EXPORTS

Exports grew by 7% in terms of volume, despite stiff competition, by expanding to nearly 35 countries. In future, the Company plans to have a very focussed strategy in this area with a view to meet customer and country specific demands.

JOINT VENTURE IN SRI LANKA

Due to severe economic crisis in Sri Lanka and also due to import of low priced tyres from other countries, the Joint Venture in Sri Lanka had an adverse performance. The sales stood at SLR 139 crore resulting in net loss of SLR 4.3 crore.

Sri Lankan currency has significantly depreciated and is providing the much needed protection against Chinese imports. There is expectation of better performance in the coming year.

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 this Report.

PARTICULARS OF 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.

DIRECTORS

The Directors accepted, with regret, the resignation of Mr. S.K. Lalbhai on health grounds with effect from 27th July, 2000. Mr. Lalbhai was a Director of the Company since 7th September, 1990. The Directors have placed on record their appreciation of the valuable contributions made by Mr. Lalbhai with his deliberations on the Board. In the casual vacancy, so caused, the Directors appointed Mr. S. Doreswamy with effect from 27th July, 2000.

Mr. S. Samuel, Managing Director, retired with effect from 18th January, 2001 and in his place Mr. PK. Chowdhary was appointed as the Managing Director. The Directors place on record their warm appreciation for the valuable services rendered by Mr. Samuel.

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, the Directors retiring by rotation are Mr. A.C. Choksey, Mr. H.V. Goenka, Mr. B.C. Malu, Mr. H.L. Mundra and Mr. K. R. Podar who have offered themselves for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT

As specifically required under the Companies Act, 1956, your Directors state:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii. that such accounting policies have been selected which have been applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company in the Balance Sheet as at the end of the financial year ended 31st March, 2001 and of the Profit and Loss Account for the said Financial Year viz., 1st April, 2000 to 31st March, 2001.
- iii. that proper and sufficient care 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 have been taken.
- iv. that the Annual Accounts have been prepared on a 'going concern' basis.

CORPORATE GOVERNANCE

Under the Listing Agreement, the provisions of Clause 49 dealing with Corporate Governance are applicable to the Company effective 31st March, 2002. However, the Company has already initiated steps to comply with the requirements. The Audit Committee which has been formed pursuant to Section 292A of the Companies Act, 1956 comprises of Mr. M.A. Bakre, Mr. S. Doreswamy and Mr. B. Paranjape, all of whom are non-executive and independent Directors. A Shareholders/Investors Grievance Committee comprising of Mr. M.A. Bakre, Mr. PK. Chowdhary and Mr. H.L. Mundra has also been constituted. Both these Committees have started functioning effectively.

ACKNOWLEDGEMENT

On behalf of the Board of Directors

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.

H. L. Mundra
DirectorP. K. Chowdhary
Managing DirectorMumbai
25th June, 2001Report  Junction.com