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2003 : A YEAR OF TRIUMPH

In a year that was thoroughly demanding to even the best of companies, CEAT's performance has been a story of resurgence. A story of revitalisation and change; of steadfast resilience and nimble innovation. A statement of courage in the face of adversity; of success against all odds.

Small wonder then, that the mood at CEAT is one of confidence and enthusiasm. New lessons have been learnt, new strategies have been drawn up to meet challenges that are yet to come. The organisation is evolving and responding quicker to a dynamic environment. The hurdles and trials *emerge in the horizon, but CEAT races ahead, armed with the resolve to overcome and the determination to succeed.*

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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>
Dr. G. ACCORNERO	
M. A. BAKRE	
A. C. CHOKSEY	
S. DORESWAMY	
M. S. GUPTA	
J. N. GUZDER	
H. KHAITAN	
B. S. MEHTA	
H. L. MUNDRA	
B. L. PARANJPE	<i>Expired on 19th March, 2003</i>
K. R. PODAR	
N. SRINIVASAN	

COMPANY SECRETARY

T. M. ELAVIA

REGISTERED OFFICE

463, Dr. Annie Besant Road, Worli,
Mumbai 400 025.
(With effect from 1st November, 2003,
the pin code has changed
from 400 025 to 400 030).

PLANTS

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

AUDIT COMMITTEE

M. A. BAKRE	<i>Chairman</i>
S. DORESWAMY	<i>Member</i>
M. S. GUPTA	<i>Member (Appointed on 30th April, 2003)</i>
B. L. PARANJPE	<i>Member (Expired on 19th March, 2003)</i>

SHAREHOLDERS/

INVESTORS GRIEVANCE COMMITTEE

M. A. BAKRE	<i>Chairman</i>
P. K. CHOWDHARY	<i>Member</i>
M. S. GUPTA	<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

LEGAL ADVISERS

Mulla & Mulla and Craigie, Blunt & Caroe

AUDITORS

N. M. Rajji & Co.

REGISTRARS

Tata Consultancy Services,
Park West II, Raheja Estate,
Kulupwadi Road, Borivali (East),
Mumbai 400 066.

TEN-YEAR OPERATING AND FINANCIAL RECORD

(Rs. in Crores)

2002-2003 2001-2002 2000-2001 1999-2000 1998-99 1997-98 1996-97 1994-96# 1993-94## 1992-93

OPERATING RECORD

Sales	14,88	13,61	11,90	13,48	11,66	11,49	12,02	16,40	11,19	7,57
Miscellaneous Income	27	23	33	27	69	59	87	50	76	52
	15,15	13,85	12,23	13,75	12,35	12,08	12,89	16,90	11,95	8,09
Cost of Materials	7,47	7,18	6,05	6,51	5,85	6,12	6,45	8,45	5,62	3,81
Excise Duty	2,75	2,47	2,06	2,45	2,08	1,88	2,55	3,42	2,08	1,38
Expenses	4,64	4,16	4,26	4,56	4,23	3,93	3,82	4,85	3,98	2,70
Total	14,86	13,81	12,37	13,52	12,16	11,93	12,82	16,72	11,68	7,89
Profit/(Loss) before taxation	29	4	(14)	23	19	15	7	18	27	20
As percentage of Sales (%)	1.95	0.26	1.17	1.71	1.61	1.27	0.55	1.07	2.38	2.60
Provision for Taxation	11	0	0	3	2	2	1	0	0	0
Deferred tax benefit/Adjustments	0	0	0	0	0	1	1	0	0	0
Profit/(loss) after										
Taxation of earlier years	18	2	(14)	20	17	14	7	18	27	20
Dividend	4	4	4	7	7**	7**	7**	14	9	7
Per Share (Rs.)	1.00	1.00	1.00	2.00	1.92	1.92	1.92	3.90	2.80	2.80

FINANCIAL RECORD

Share Capital	35	35	35	35	35	39	39	35	31	31
Reserves & Surplus	5,88	5,51	5,67	5,93	5,13	4,45	4,47	5,01	2,54	2,40
Shareholders' Equity	6,23	5,86	6,02	6,28	5,48	4,84	4,86	5,36	2,85	2,71
Loan Funds &										
Deferred tax liability	5,23	5,57	5,89	5,43	5,04	4,66	4,77	4,53	6,44	6,14
Capital & Loan										
Funds employed	11,46	11,43	11,91	11,71	10,52	9,50	9,63	9,89	9,29	8,85
Fixed Assets- Gross	8,23	7,50	7,69	7,27	5,91	5,01	4,78	4,99	5,42	5,56
Depreciation	3,03	2,62	2,44	2,21	2,01	1,80	1,60	1,16	1,33	1,08
Fixed Assets- Net	5,20	4,88	5,25	5,06	3,90	3,21	3,18	3,83	4,09	4,48
Investments	1,93	1,93	1,99	2,05	2,11	2,46	2,30	2,54	1,60	90
Current Assets - Net &										
Deferred tax Asset	4,33*	4,62	4,67	4,60*	4,51*	3,83*	4,15*	3,52*	3,60*	3,47
Capital & Loan										
Funds applied	11,46	11,43	11,91	11,71	10,52	9,50	9,63	9,89	9,29	8,85

* 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**(Rs. in Crores)**

	For the year ended 31.03.2003	For the year ended 31.03.2002
Income	1515.81	1384.76
Profit/(Loss) before Taxation	29.31	3.51
Profit/(Loss) after Taxation	18.41	2.40
Total Shareholders' Equity	622.64	586.29
Total Loan Funds & Deferred tax liability	523.13	556.93
Market Price of Equity Share (Rs.)	25.45	25.55
Proposed Equity Dividend (%)	10	10
Proposed Dividend - Aggregate (Rs. in Crores)	3.52	3.52
Number of Shareholders (Accounts) at year end	1,19,837	1,35,076
Number of Employees at year end	4,806	4,893
Personnel Cost (Rs. in Crores)	114.87	101.97

DIRECTORS' REPORT

The Directors have pleasure in presenting their Forty Fourth Report for the Financial Year 1st April, 2002 to 31st March, 2003.

At the outset, the Directors would like to clarify the postponement in the date of presentation of the Annual Report and convening of the Annual General Meeting. The Company had sought extension of time from the Registrar of Companies (ROC) for holding the Annual General Meeting, as it was intended that the Board would present the Audited Accounts as of 31st March, 2003 after giving effect to the Scheme of Arrangement between Harrisons Malayalam Limited, the Company and Meteoric Industrial Finance Company Limited. This Scheme of Arrangement has already been approved by the shareholders and the creditors of the Company at the respective Meetings.

The ROC granted time upto 31st December, 2003. However, as the approval process before the High Court of Judicature at Bombay and the High Court of Kerala and the subsequent implementation procedures would not have been completed in time for enabling the preparation of Audited Accounts (after giving effect to the Scheme of Arrangement) for being presented to the Annual General Meeting by the extended date, the Board of Directors decided to present the Audited Accounts without giving effect to the above mentioned Scheme of Arrangement.

FINANCIAL RESULTS

	For the year Ended 31st March, 2003	For the year Ended 31st March, 2002
	Rs. in crore	Rs. in crore
Profit before Depreciation	51.15	22.35
Less: Depreciation	21.84	18.83
Profit/(Loss) before Taxation	29.31	3.52
Less: Provision for Taxation	10.90	1.12
Net Profit/(Loss)	18.41	2.40
Add: Transfer from Investment Allowance		
(Utilised) Reserve	—	3.36
	18.41	5.76
Surplus brought forward from previous year	37.00	40.61
Sum available for appropriation	55.41	46.37
Appropriations:		
Proposed Dividend on Equity Shares	3.52	3.52
Tax on Dividend	0.45	—
Transfer to Debenture Redemption Reserve	9.15	5.85
Balance carried forward in the Profit & Loss Account	42.29	37.00
	55.41	46.37

DIVIDEND

The Directors recommend a dividend of Rs. 1/- per share, the same as for the previous year.

CEAT'S PERFORMANCE

During the year under review, the Company has shown a sharp all-round improvement, increasing turnover, market share and profitability. The performance could have been better but for the adverse impact of higher cost

of inputs in the second half of the financial year as a result of disturbed conditions in the Middle East which led to steep increase in the price of crude oil and petroleum based raw materials for tyres i.e. Nylon Tyre Cord, Carbon Black and Synthetic Rubbers. The Natural Rubber prices too went up globally influencing the domestic prices to a great extent.

With the objective of offering the best products at competitive prices to its customers, CEAT embarked on a programme to mitigate the adverse cost impact through operational improvements. The programme included maximization of capacity utilisation, enhanced operational efficiencies, prudent working capital management and introduction of several new products in different categories to meet the emerging customer needs.

The Company pursued a strategic initiative of intensifying outsourcing to expand the product range and increase volumes. An agreement has been entered into with Pirelli of Italy for outsourcing radial tyres which are being marketed in the brand name, CEAT Spider Radials.

CEAT is the first tyre company in India to have been awarded the international accreditation ISO / TS 16949 – 2002 Quality Standard Certification. This bears testimony to the deep-rooted efforts by the Company to enhance its quality systems. CEAT is now encouraging all its sourcing units to achieve the same level of quality standard by obtaining ISO / TS 16949 Certification.

EXPORTS

Exports received a renewed thrust in the year and as a result grew remarkably from Rs.135 crore in the year 2001-02 to Rs. 171 crore in the year 2002-03. The Company has entered many new markets namely Thailand, Hongkong, Eritrea and Israel. USA continues to remain the largest destination for CEAT amongst almost 50 countries to which the Company now exports.

CEAT continues to export almost its entire range of products and has shown sustained growth in the export markets. Despite China's emergence as a major low cost competitor and the appreciating rupee, the company has positioned itself for an impressive growth in the current financial year.

FUTURE OUTLOOK

With the evergrowing acceptance of recently launched products, coupled with greater publicity, reduction in the cost of borrowings, improved internal efficiencies and price rationalisation, the Company hopes for better performance.

However, there is concern for rising prices of major raw materials especially Natural Rubber.

RESEARCH AND DEVELOPMENT

Your Company has a well-established R & D Centre with highly qualified and trained technologists. The key activities have been Focused Process Improvement, New Product Design and Development.

HUMAN RESOURCES

The Human Resources initiatives at CEAT continued during the year with a view to develop relevant skills and competencies in its manpower resources.

The Industrial Relations at both the manufacturing plants and other key locations continue to be cordial.

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.

EMPLOYEE STATEMENT

A statement of Particulars of Employees of the Company, as prescribed under 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 Board of Directors sorrowfully reports the sad demise of Mr. B.L. Paranjape, Director, on 19th March, 2003. The Board is sure that the members will join in paying tribute to his memory and his services to the Company.

In accordance with the Companies Act, 1956 and Articles of Association, Mr. R.P. Goenka, Dr. G. Accornero, Mr. J.N. Guzder, Mr. H. Khaitan and Mr. K.R. Podar retire by rotation and have offered themselves for re-election.

ASSOCIATED CEAT-KELANI, SRI LANKA

During the period under review, the Company's Joint Venture in Sri Lanka reported better performance by increasing its sales over the previous year by 46% from SL Rs. 144 crore to SL Rs. 211 crore. Aided by the ongoing peace process in Sri Lanka, domestic sales grew from SL Rs. 137 crore to SL Rs. 174 crore and the full implementation of the Free Trade Agreement with India boosted the export sales five fold from SL Rs. 7 crore to SL Rs. 37 crore. Compared to a loss of SL Rs. 3.8 crore for the year 2001-2002, the company recorded a profit of SL Rs. 5.4 crore in 2002-2003.

VOLUNTARY DELISTING OF COMPANY'S EQUITY SHARES FROM ALL STOCK EXCHANGES, EXCLUDING THE STOCK EXCHANGE, MUMBAI AND NATIONAL STOCK EXCHANGE OF INDIA LTD.

Pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, it is proposed to seek the Members' approval by way of special resolutions for the Voluntary Delisting of the Company's Equity Shares from the Calcutta Stock Exchange Association Ltd., Kolkata, The Delhi Stock Exchange Association Ltd., New Delhi, Madras Stock Exchange Ltd., Chennai and The Stock Exchange Ahmedabad, Ahmedabad.

The Equity Shares will continue to remain listed on The Stock Exchange, Mumbai (BSE) at Mumbai and National Stock Exchange of India Ltd. (NSE) at Mumbai. No exit option will be offered to the shareholders, as the equity shareholders will continue to have the benefit of trading on BSE and NSE with ease because of the connectivity all over India.

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 judgments 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 31st March, 2003 and of the Profit and Loss Account for the said financial year viz., 1st April, 2002 to 31st March, 2003.
- 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

As required by Listing Agreement, the Corporate Governance Report, along with a Certificate of Compliance from the Auditors, is attached and forms part of the Annual Report to you as Shareholders, of which this Report is also a part. The attached Corporate Governance Report, including Management Discussion and Analysis Report, as identified by the Company Secretary, has been approved by the Board.

ACKNOWLEDGEMENT

The Directors wish to thank the customers, suppliers, dealers, financial institutions, banks, shareholders and employees for their continued support.

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.

On behalf of the Board of Directors,

PARAS K. CHOWDHARY
Managing Director

MAHESH S. GUPTA
Director

Mumbai
Date: 29th October, 2003