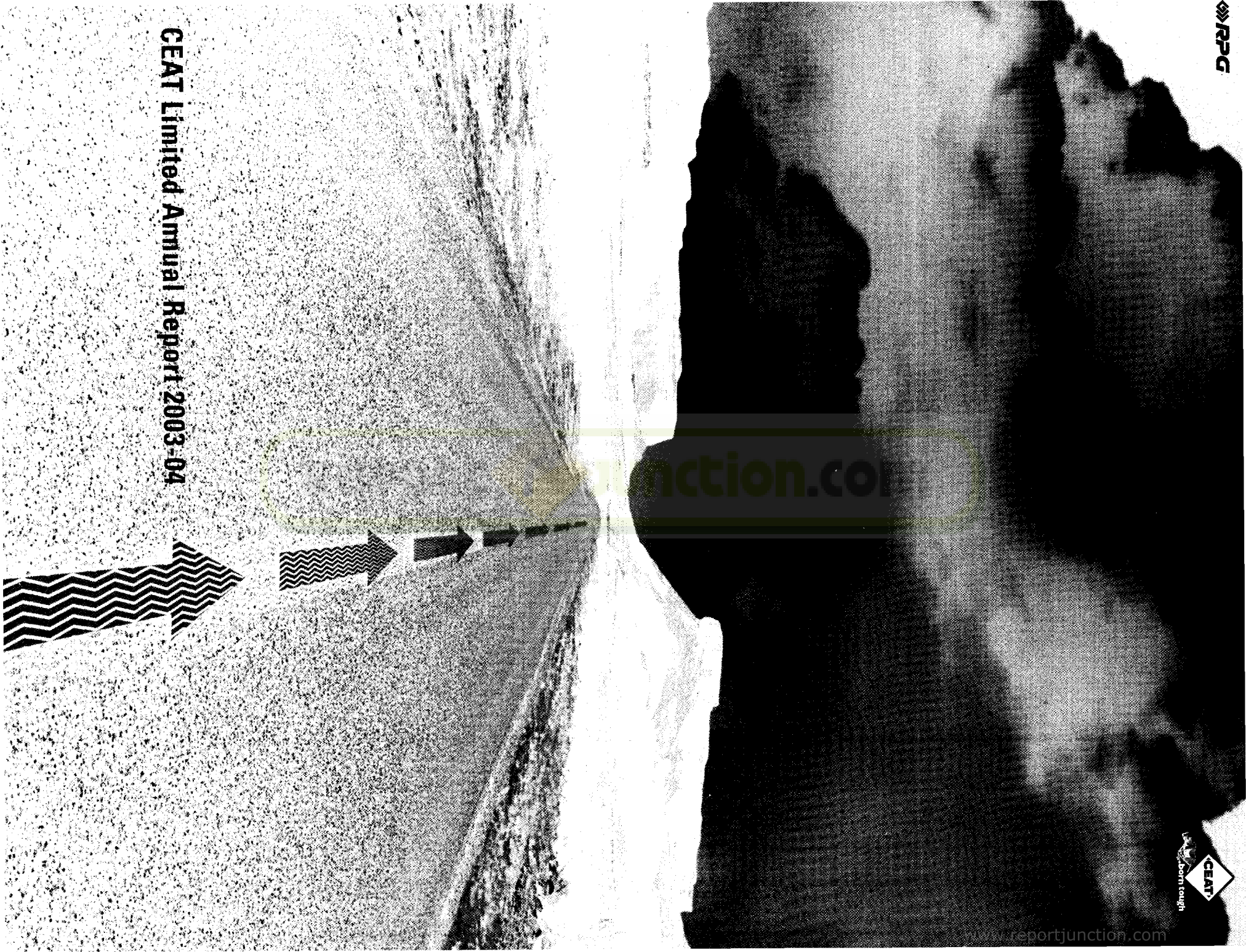


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CEAT Limited Annual Report 2003-04





## **Treading the Future**

The last year has seen numerous challenges, with rising raw material costs and intense competition. At CEAT, we've pledged to march ahead. Going forward, we hope to witness a joyous daybreak, opening the doors of opportunity. And as we've done in the past, we once again will be charging ahead.

**CEAT LIMITED****BOARD OF DIRECTORS**

R. P. GOENKA	<i>Chairman</i>
H. V. GOENKA	<i>Vice Chairman</i>
PARAS 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	
K. R. PODAR	
N. SRINIVASAN	

**COMPANY SECRETARY**

T. M. ELAVIA

**REGISTERED OFFICE**

463, Dr. Annie Besant Road, Worli,  
Mumbai 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</i>

**SHAREHOLDERS/****INVESTORS GRIEVANCE COMMITTEE**

M. A. BAKRE	<i>Chairman</i>
PARAS 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.  
The United Western Bank Ltd.

**LEGAL ADVISERS**

Mulla & Mulla and Craigie, Blunt & Caroe

**AUDITORS**

N. M. Raiji & Co.

**REGISTRARS**

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

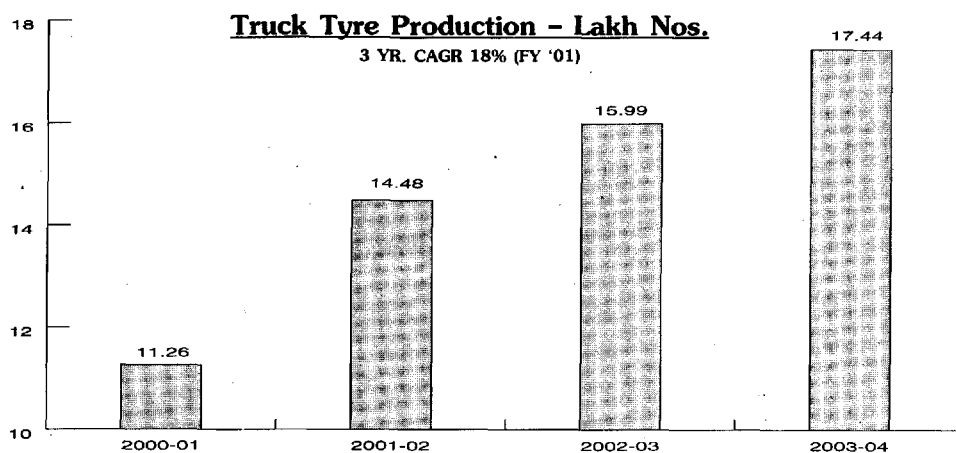
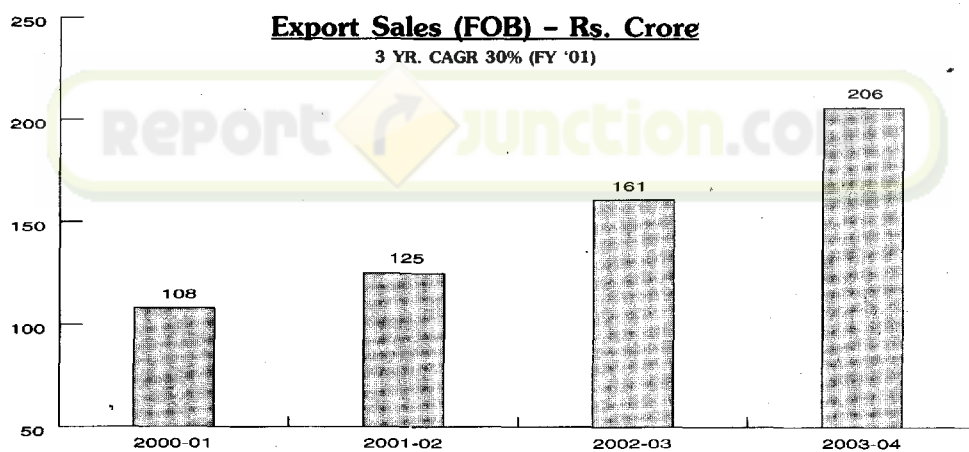
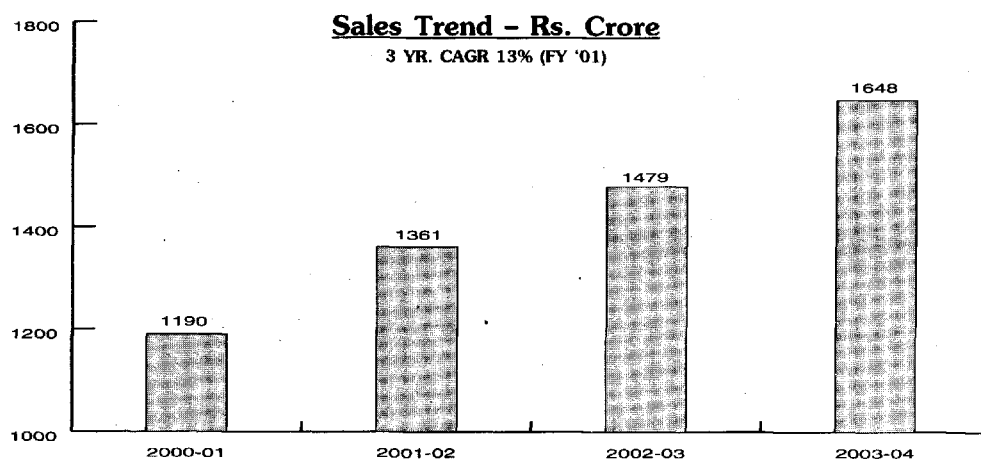
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**FINANCIAL HIGHLIGHTS****(Rs. in Crores)****For the year ended  
31.03.2004****For the year ended  
31.03.2003**

Income (Net of Excise duty recovered on Sales)	<b>1523.05</b>	1281.48
Profit/(Loss) before Taxation	<b>22.22</b>	29.31
Profit/(Loss) after Taxation	<b>14.06</b>	18.41
Total Shareholders' Equity	<b>624.56</b>	622.64
Total Loan Funds & Deferred Tax Liability	<b>512.49</b>	521.29
Market Price of Equity Share (Rs.)	<b>36.30</b>	25.45
Proposed Equity Dividend (%)	<b>10</b>	10
Proposed Dividend - Aggregate (Rs. In Crores)	<b>3.52</b>	3.52
Number of Shareholders (Accounts) at year end	<b>1,11,730</b>	1,19,837
Number of Employees at year end	<b>4,808</b>	4,806
Personnel Cost (Rs. In Crores)	<b>115.89</b>	115.74

## PERFORMANCE HIGHLIGHTS



## TEN-YEAR OPERATING AND FINANCIAL RECORD

(Rs.in Crores)

	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1994-96#	1993-94##
<b>OPERATING RECORD</b>										
Sales	16,48	14,79	13,61	11,90	13,48	11,66	11,49	12,02	16,40	11,19
Less: Excise Duty	2,47	2,73	2,47	2,06	2,45	2,08	1,88	2,55	3,42	2,28
Miscellaneous Income	1,22	75	67	79	70	1,07	95	1,14	87	97
	<b>15,23</b>	<b>12,81</b>	<b>11,81</b>	<b>10,63</b>	<b>11,73</b>	<b>10,65</b>	<b>10,56</b>	<b>10,61</b>	<b>13,85</b>	<b>9,88</b>
Materials & Traded Goods	9,57	7,49	7,18	6,05	6,51	5,85	6,12	6,45	8,45	5,36
Personnel Cost	1,16	1,16	1,02	90	90	81	76	63	91	69
Expenses	3,30	2,77	2,37	2,67	2,97	2,66	2,33	2,38	2,68	2,11
Interest	76	88	1,01	99	97	1,01	1,07	95	1,31	1,02
Depreciation	22	22	19	16	15	13	13	13	32	43
Total Cost	<b>15,01</b>	<b>12,52</b>	<b>11,77</b>	<b>10,77</b>	<b>11,50</b>	<b>10,46</b>	<b>10,41</b>	<b>10,54</b>	<b>13,67</b>	<b>9,61</b>
Profit/(Loss) before taxation	22	29	4	(14)	23	19	15	7	18	27
As percentage of Sales ( % )	1.33	1.96	0.26	1.17	1.71	1.61	1.27	0.55	1.07	2.38
Provision for Taxation	8	11	2	0	3	2	1	0	0	0
Profit/(loss) after Taxation	14	18	2	(14)	20	17	14	7	18	27
Dividend	4	4	4	4	7	7 **	7 **	7 **	14	9
Per Share ( Rs )	1.00	1.00	1.00	1.00	2.00	1.92	1.92	1.92	3.90	2.80
<b>FINANCIAL RECORD</b>										
Share Capital	35	35	35	35	35	35	39	39	35	31
Reserves & Surplus	5,89	5,88	5,51	5,67	5,93	5,13	4,45	4,47	5,01	2,54
Shareholder's Equity	6,24	6,23	5,86	6,02	6,28	5,48	4,84	4,86	5,36	2,85
Loan Funds & Deferred Tax Liability	5,13	5,21	5,57	5,89	5,43	5,04	4,66	4,77	4,53	6,44
Capital & Loan Funds employed	<b>11,37</b>	<b>11,44</b>	<b>11,43</b>	<b>11,91</b>	<b>11,71</b>	<b>10,52</b>	<b>9,50</b>	<b>9,63</b>	<b>9,89</b>	<b>9,29</b>
Fixed Assets- Gross	8,40	8,23	7,50	7,69	7,27	5,91	5,01	4,78	4,99	5,42
Depreciation	3,31	3,03	2,62	2,44	2,21	2,01	1,80	1,60	1,16	1,33
Fixed Assets- Net	5,09	5,20	4,88	5,25	5,06	3,90	3,21	3,18	3,83	4,09
Investments	1,91	1,93	1,93	1,99	2,05	2,11	2,46	2,30	2,54	1,60
Current Assets - Net & Deferred Tax Asset	4,37	4,31 *	4,62	4,67	4,60 *	4,51 *	3,83 *	4,15 *	3,52 *	3,60 *
Capital & Loan Funds applied	<b>11,37</b>	<b>11,44</b>	<b>11,43</b>	<b>11,91</b>	<b>11,71</b>	<b>10,52</b>	<b>9,50</b>	<b>9,63</b>	<b>9,89</b>	<b>9,29</b>

\* 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

## DIRECTORS' REPORT

The Directors have pleasure in presenting their Forty Fifth Annual Report for the Financial Year 1st April, 2003 to 31st March, 2004.

## FINANCIAL RESULTS

	<b>For the year Ended 31st March, 2004</b>	<b>For the year Ended 31st March, 2003</b>
	<b>Rs. in crore</b>	<b>Rs. in crore</b>
Profit before Depreciation	<b>44.31</b>	51.15
Less: Depreciation	<b>22.10</b>	21.84
Profit before Taxation	<b>22.21</b>	29.31
Less: Provision for Taxation	<b>8.16</b>	10.90
Net Profit	<b>14.05</b>	18.41
Surplus brought forward from previous year	<b>42.29</b>	37.00
Sum available for appropriation	<b>56.34</b>	55.41
Appropriations:		
Proposed Dividend on Equity Shares	<b>3.52</b>	3.52
Tax on Dividend	<b>0.45</b>	0.45
Transfer to Debenture Redemption Reserve	—	9.15
Balance carried forward in the Profit & Loss Account	<b>52.37</b>	42.29
	<b>56.34</b>	55.41

## DIVIDEND

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

## CEAT'S PERFORMANCE

Financial year 2003-04 was a challenging one for the tyre industry. The prices of natural rubber and petroleum-based raw materials rose considerably through the year. As a result, raw material costs were at a significantly higher level than that of the previous years. Simultaneously, easy availability of cheaper tyres from neighbouring countries have resulted in intense competition in the domestic market. Against this backdrop, CEAT posted an encouraging turnover growth of 11%, surpassing the industry growth level of 10%. Profitability, however, was affected primarily by higher raw material prices.

The Company initiated several measures to contain costs. These include improving operational efficiencies to reduce manufacturing costs, enhancing capacity utilisation and reducing interest burden.

During the year, CEAT introduced a range of premium and economy products in truck and light commercial vehicle segments, thereby enhancing the product range considerably. In the truck tyre segment, CEAT has focused

on increasing sales of its premium range of superior performing tyres like Lug XL, FM Super & Rib XL, which have gained high level of customer confidence. CEAT successfully introduced Mile XL, a truck tyre with the highest mileage for any 10.00-20 Lug tyres in the country. The newly introduced economy range of tyres offer great value proposition for the customer as compared to cheaper tyres from neighbouring countries.

In the two-wheeler tyre segments, CEAT has re-entered the Original Equipment (OE) segments and has now become a steady source for major two-wheeler manufacturers in the industry.

For passenger car and utility vehicle segments, CEAT has introduced a wide range of tubeless passenger radials. These tyres, made with the latest European technology, offer world-class experience to Indian consumers. The sale of these tyres increased significantly in the last year, contributing to the market growth for tubeless radials in India.

## **EXPORTS**

During the year under review, the Company recorded its highest growth in exports, a commendable achievement, given the intense international competition. Exports at Rs. 206 crore F.O.B. were higher by 27.6% over the previous year.

CEAT has consolidated its position in existing markets like USA, UAE, Singapore, Afghanistan, Nigeria, Philippines, Syria, Pakistan and Saudi Arabia. The company has also entered new markets like Egypt, Fiji, Chile, Argentina, Oman and China, thus expanding its base from 50 to 68 countries.

## **RESEARCH & DEVELOPMENT**

The year 2003-04 saw continual improvements in R & D efforts to bring about new product development, quality enhancement and introduction of new grades and applications.

## **FUTURE OUTLOOK**

The automobile industry is expected to expand at a rapid pace. Consequently, the tyre industry should also witness strong growth. However, given the current global political and economic environment, the upward trend in raw material prices, particularly petroleum based products, is expected to prevail during most part of the year. The Company continues to pursue improvements in efficiency and reduction in manufacturing cost, a key factor that could help overcome the adverse impact of raw material prices. The increase in number of products in various user segments alongwith the successful introduction of a new range of truck tyres, will help CEAT sustain its growth. CEAT is also strengthening its distribution network and setting up more exclusive sales outlets which will offer a unique buying experience to its customers. CEAT, therefore, is well-placed to sustain the revenue growth and show improved profitability towards latter part of the year.

## **SCHEME OF ARRANGEMENT**

The Scheme of Arrangement between Harrisons Malayalam Ltd, the Company and Meteoric Industrial Finance Company Ltd. had been proposed in early part of the year 2003 with the Appointed Date for the Scheme as 1st October, 2002. Considerable delay and uncertainties have affected the timely implementation of the Scheme. Its relevance as well as the basic assumptions have undergone a great deal of change.

Hence, at the respective meetings of the Board of Directors of Harrisons Malayalam Ltd., CEAT Ltd. and Meteoric Industrial Finance Company Ltd. held on 3rd August, 2004, it was decided not to implement and to withdraw the Scheme, subject to such approvals as may be required. Accordingly, Note 2 of Schedule 21 - Notes forming part of the Accounts, is to be read in this context.

## **SUBSIDIARY COMPANIES**

As required by Section 212 of the Companies Act, 1956, the Accounts of Subsidiary Companies viz. CEAT Ventures Ltd., CEAT Holdings Ltd., Meteoric Industrial Finance Company Ltd. and Malabar Coastal Holdings Ltd. are attached. Atlantic Holdings Ltd. ceased to be a subsidiary with effect from 29th March, 2004. The consolidated accounts, however, include the results of Atlantic Holdings Ltd. upto the date of de-subsidiarisation.

## **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.

## **HUMAN RESOURCES**

HR initiatives were taken to inculcate a performance driven and dynamic organisational culture through planned job rotations and job enrichment.

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

## **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**

Mr. M. S. Gupta had been appointed as a Director on 2nd May, 2002 in the casual vacancy caused by the resignation of Mr. B. C. Malu. If Mr. B. C. Malu had continued, he would have retired by rotation at the forthcoming Annual General Meeting. Notice has been received from a member proposing Mr. M. S. Gupta as a Director retiring by rotation.

In accordance with the Companies Act, 1956 and Articles of Association, Mr. H. V. Goenka, Mr. A. C. Choksey, Mr. H. L. Mundra and Mr. N. Srinivasan retire by rotation and have offered themselves for re-election.

## **ASSOCIATED CEAT-KELANI VENTURE**

During the period under review, Associated CEAT-Kelani Venture in Sri Lanka reported improved performance with sales increasing by 10 % over the previous year from SL Rs. 211 crore to SL Rs. 232 crore. Domestic sales grew from SL Rs. 174 crore to SL Rs. 187 crore and full implementation of the Free Trade Agreement with India boosted export sales by 22% from SL Rs. 37 crore to SL Rs. 45 crore. Compared to a profit of SL Rs. 2.2 crore for the year 2002-2003, the Company recorded a profit of SL Rs. 3.3 crore in 2003-2004, a growth of 50%. The growth in profit would have been higher if not for the significant increase in natural rubber prices. With demand being sustained, it is expected that the company will continue to perform well and the extent of improvement in profits will be governed to a large extent by the movement in raw material prices like natural rubber and petroleum based products.

## **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