



CEAT

**ANNUAL REPORT
2006-07**

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CEAT LIMITED**BOARD OF DIRECTORS**

R. P. Goenka	Chairman
H. V. Goenka	Vice Chairman
Paras K. Chowdhary	Managing Director
M. A. Bakre	
A. C. Choksey	
S. Doreswamy	
Mahesh S. Gupta	
J. N. Guzder	
H. Khaitan	
Bansi S. Mehta	
Hari L. Mundra	
K. R. Podar	

AUDIT COMMITTEE

M. A. Bakre	Chairman
Mahesh S. Gupta	Member
S. Doreswamy	Member
Hari L. Mundra	Member

SHAREHOLDERS / INVESTORS**GRIEVANCE COMMITTEE**

M. A. Bakre	Chairman
Paras K. Chowdhary	Member
Mahesh S. Gupta	Member

COMPANY SECRETARY

H. N. Singh Rajpoot

REGISTERED OFFICE

463, Dr. Annie Besant Road, Worli,
Mumbai 400 030.

PLANTS

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

LEGAL ADVISERS

Mulla & Mulla and Craigie, Blunt & Caroe

AUDITORS

N. M. Raiji & Co.

REGISTRARS

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Industrial Estate.,
20, Dr. E. Moses Road,
Mahalaxmi, Mumbai - 400 011

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 Ltd.
The Karnataka Bank Ltd.
Industrial Development Bank of India Ltd.
Export-Import Bank of India
Yes Bank Ltd.

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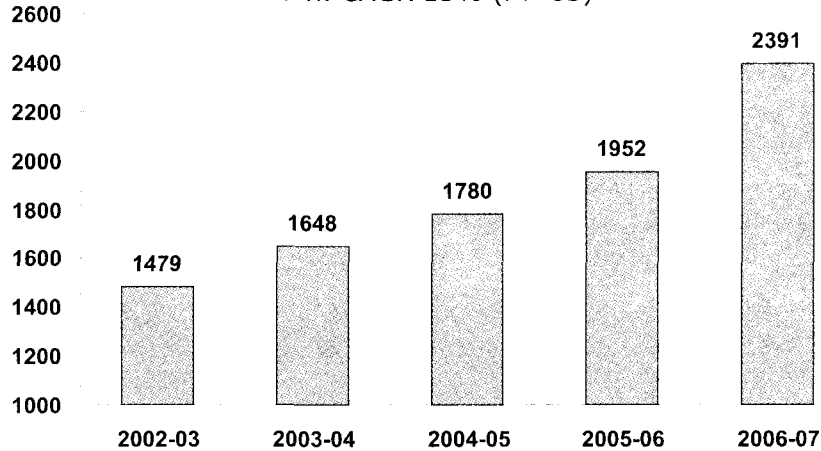
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FINANCIAL HIGHLIGHTS 2006 -2007**(Rs. in Crores)**

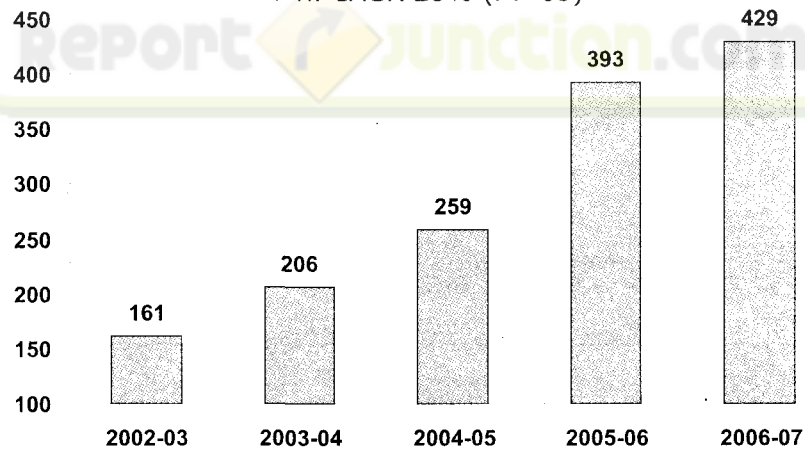
	Current year ended 31.03.2007	Previous year ended 31.03.2006
Gross Sales	23,90.61	19,51.99
Profit before Taxation	60.92	5.22
Profit after Taxation	39.25	0.52
Total Shareholders' Equity	3,78.64	3,49.00
Total Loan Funds & Deferred Tax Liability	5,15.54	5,35.26
Market Price of Equity Share (Rs.)	107.30	65.75
Proposed Equity Dividend (%)	18%	—
Proposed Dividend Aggregate (Rs. in Crores)	8.22	—
Number of Shareholders	77,918	1,01,182
Number of Employees	5,201	5,384
Personnel Cost (Rs. in Crores)	1,28.23	1,18.59

PERFORMANCE HIGHLIGHTS**Sales Trend - Rs. Crore**

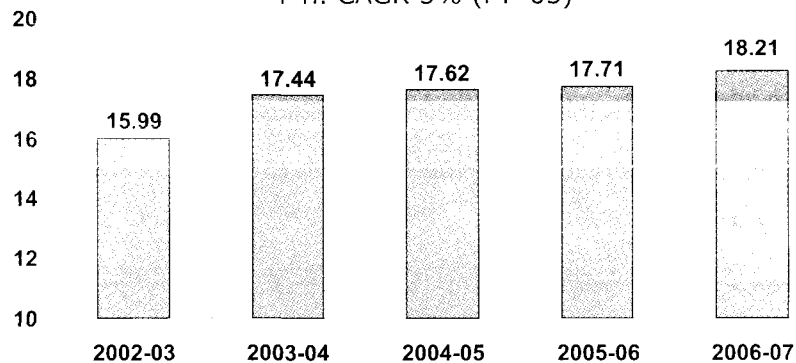
4 Yr. CAGR 13% (FY '03)

**Export Sales (FOB) - Rs.Crore**

4 Yr. CAGR 28% (FY '03)

**Truck Tyre Production - Lakh Nos.**

4 Yr. CAGR 3% (FY '03)



TEN - YEAR OPERATING AND FINANCIAL RECORD**(Rs.in Crores)**

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
OPERATING RECORD										
Sales-Gross	23,91	19,52	17,80	16,48	14,79	13,61	11,90	13,48	11,66	11,49
Less:Excise Duty	2,56	2,05	2,52	2,47	2,73	2,47	2,06	2,45	2,08	1,88
Miscellaneous Income	24	23	39	1,01	75	67	79	70	1,07	95
Total Income	21,59	17,70	15,67	15,02	12,81	11,81	10,63	11,73	10,65	10,56
Materials & Traded Goods	14,84	12,14	10,60	9,38	7,49	7,18	6,05	6,51	5,85	6,12
Personnel Cost	1,28	1,19	1,09	1,16	1,16	1,02	90	90	81	76
Expenses	3,94	3,46	3,15	3,28	2,77	2,37	2,67	2,97	2,66	2,33
Interest	61	64	64	76	88	1,01	99	97	1,01	1,07
Depreciation	31	22	22	22	22	19	16	15	13	13
Total Cost	20,98	17,65	15,70	14,80	12,52	11,77	10,77	11,50	10,46	10,41
Profit/(Loss) before taxation	61	5	(3)	22	29	4	(14)	23	19	15
As percentage of Sales (%)	2.55	0.27	(0.17)	1.33	1.96	0.26	1.17	1.71	1.61	1.27
Provision for Taxation	22#	5#	(1)	8	11	2	0	3	2	1
Profit/(loss) after Taxation	39	0.52	(2)	14	18	2	(14)	20	17	14
Dividend	10	—	—	4	4	4	4	7	7**	7**
Per Share (Rs.)	1.80	—	—	1.00	1.00	1.00	1.00	2.00	1.92	1.92
FINANCIAL RECORD										
Share Capital	46	46	35	35	35	35	35	35	35	39
Reserves & Surplus	3,33	3,03	5,95	5,89	5,88	5,51	5,67	5,93	5,13	4,45
Shareholder's Equity	3,79	3,49	6,30	6,24	6,23	5,86	6,02	6,28	5,48	4,84
Loan Funds	5,15	5,35	4,64	5,13	5,21	5,57	5,89	5,43	5,04	4,66
Capital & Loan Funds employed	8,94	8,84	10,94	11,37	11,44	11,43	11,91	11,71	10,52	9,50
Fixed Assets- Gross	11,23	11,11	9,05	8,40	8,23	7,50	7,69	7,27	5,91	5,01
Depreciation	4,13	3,85	3,60	3,31	3,03	2,62	2,44	2,21	2,01	1,80
Fixed Assets- Net	7,10	7,26	5,45	5,09	5,20	4,88	5,25	5,06	3,90	3,21
Investments	1,28	1,28	1,91	1,91	1,93	1,93	1,99	2,05	2,11	2,46
Current Assets - Net	56	30	3,58	4,37	4,31*	4,62	4,67	4,60*	4,51*	3,83*
Capital & Loan Funds applied	8,94	8,84	10,94	11,37	11,44	11,43	11,91	11,71	10,52	9,50

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

** Includes preference share dividend

Includes Fringe Benefit Tax

Figures regrouped wherever necessary

NOTICE**CEAT LIMITED**

NOTICE is hereby given that the forty-eighth Annual General Meeting of the Company will be held at Sir Sitaram and Lady Shantabai Patkar Convocation Hall of the S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020 on Friday, July 27, 2007 at 4.00 p.m. (I.S.T.) to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2007 and Profit and Loss Account for the financial year ended on that date, the Report of the Auditors thereon and the Report of the Directors.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Dr. R. P. Goenka, who retires by rotation and being eligible, has offered himself for re-appointment.
4. To appoint a Director in place of Mr. Atul C. Choksey, who retires by rotation and being eligible, has offered himself for re-appointment.
5. To appoint a Director in place of Mr. Hari L. Mundra, who retires by rotation and being eligible, has offered himself for re-appointment.
6. To appoint a Director in place of Mr. Mahesh S. Gupta, who retires by rotation and being eligible, has offered himself for re-appointment.
7. To appoint Messrs. N. M. Raiji & Co., as Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.
8. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 163 and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as the 'Act') approval of the Company be and is hereby accorded for relocating the Register of Members, Index of Members, Register of Debentureholders, Index of Debentureholders, other related books and copies of all Annual Returns prepared under Section 159 and other

applicable provisions of the Act, together with the copies of the certificates and documents required to be annexed thereto under Section 161 and other applicable provisions of the Act or any one or more of them from the premises of TSR Darashaw Limited (formerly Tata Share Registry Limited) at Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001 to its new premises at 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011."

NOTES:

- a) The explanatory statement in respect of Item No. 8 is annexed hereto.
- b) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- c) **THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- d) Members are requested to kindly refer the Chapter on Corporate Governance Report in the Annual Report for the information in respect of re-appointment/appointment of Directors, under Clause 49 of the Listing Agreement. Amongst the Directors who are seeking re-appointment, only Dr. R.P. Goenka holds 5066 equity shares of Rs. 10/- each of the Company.
- e) The Register of Members and the Share Transfer Books of the Company shall be closed from Friday, July 13, 2007 to Friday, July 27, 2007 (both days inclusive).
- f) Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended March 31, 2000, which remained unclaimed or unpaid for the period of seven years will be transferred to the Investor

NOTICE CONTINUED

Education and Protection Fund (IEPF) established under Section 205C of the Companies Act, 1956. Members who have not encashed their dividend warrant(s) so far for the financial year ended March 31, 2000 or any subsequent financial years are requested to make their claims to the office of our Registrar and Transfer Agents, TSR Darashaw Limited (Formerly Tata Share Registry Limited), 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. It may also be noted that once the unclaimed dividend is transferred to IEPF, as above, no claim shall lie in respect thereof. The dividend for the Financial Year ended March 31, 2000, if not claimed, will be transferred to the aforesaid account on or before September 29, 2007.

- g) For the convenience of the Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by the Attendance Slip, which is annexed to the Proxy Form. Members are requested to affix their signature at the place provided on the Attendance Slip and hand it over at the entrance.
- h) Members can avail of the nomination facility, under Section 109A of the Companies Act, 1956 by filing Form No.2B with the Company. Blank forms will be supplied on request.
- i) If any of the Members are holding shares in the same name or in the same order of names,

under different Folios, then Members are requested to notify the same to TSR Darashaw Limited at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400 011.

- j) Members are requested to notify immediately any change of address:
 - To their Depository Participants (DPs) in respect of their electronic share accounts, and
 - To TSR Darashaw Limited at 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011, in case of the shares being held in physical form.

In case the Mailing Address mentioned on this Annual Report is without a **PINCODE**, Members are requested to kindly inform their **PINCODE** please.

Under the Authority of the Board of Directors

H N Singh Rajpoot
Company Secretary

Mumbai, April 23, 2007

Registered office:
463, Dr. Annie Besant Road,
Worli, Mumbai 400 030.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

In terms of Section 173 of the Companies Act, 1956, the following explanatory statement sets out all the material facts relating to Item No. 8 of the accompanying Notice dated April 23, 2007.

Item No. 8

Under the provisions of the Companies Act, 1956, certain documents such as the Register and Index of Members, Register and Index of Debentureholders, Annual Returns, other related books and certificates, etc, have to be kept at the Registered Office of the Company. However, these documents can be kept at any other place within the city, town or village in which the Registered Office of the Company is situated, with the approval of the shareholders to be accorded by way of a Special Resolution.

At present, as approved by the shareholders at the Annual General Meeting held on September 29, 2005, the aforesaid documents are kept at the premises of the Registrar and Share Transfer Agent

of the Company, TSR Darashaw Limited (TSR) at Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001. Subsequently, TSR has moved out of the premises to their new premises at 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. Hence, the said register, returns and documents will be kept at the premises of TSR at 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr E Moses Road, Mahalaxmi, Mumbai - 400 011 as indicated in the Resolution at Item No. 8.

None of the directors is concerned and interested in the above Resolution.

Under the Authority of the Board of Directors

H N Singh Rajpoot

Company Secretary

Mumbai, April 23, 2007

Registered office:

463, Dr. Annie Besant Road,
Worli, Mumbai 400 030.

DIRECTORS' REPORT

The Directors have pleasure in presenting their forty-eighth report, together with the audited accounts for the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

	For the year ended March 31, 2007 (Rs. in crore)	For the year ended March 31, 2006 (Rs. in crore)
Operating Profit (Profit before Interest, Depreciation and Taxation)	1,52.41	91.22
Less: Interest	60.43	63.55
Depreciation	31.06	22.45
Profit before Taxation	60.92	5.22
Provision for:		
Current Tax	10.00	0.69
Deferred Tax	9.29	1.00
Fringe Benefit Tax	2.38	3.01
Net Profit	39.25	0.52
Surplus brought forward from previous year	27.34	26.82
Sum available for Appropriation	66.59	27.34
Appropriations:		
Proposed Dividend on Equity Shares	8.22	-
Corporate Tax on Proposed Dividend	1.39	-
Transfer to General Reserve	15.00	
Balance carried forward	41.98	27.34

DIVIDEND

The Directors are pleased to recommend a dividend of Rs. 1.80 per equity share of Rs. 10/- each (i.e. 18 %) for the financial year ended March 31, 2007.

INDUSTRY SCENARIO

A resurgence in the Indian economy over the past few years has induced a good rate of growth in the automobile industry which grew at 15.8% during the period 2002-2006. Consequently the overall demand for tyres also registered an average growth of about 8% during this period. The demand-supply situation became favourable and tyre sales across

all segments were buoyant. Original Equipment (OE) segment, in particular, registered a double digit growth.

With increasing agricultural and industrial activity, rising vehicle demand, infrastructure development such as Golden Quadrilateral and North South East West Corridor projects, state road networks and connectivity to ports, the demand for high quality tyres for high speed operations has already started growing. CEAT, with its appropriately segmented product portfolio, is well poised to take advantage of this emerging opportunity in the domestic market.

DIRECTORS' REPORT CONTINUED

During the last year, the industry has become more globalised. Imports of truck tyres has increased manifold. A number of free trade agreements with neighbouring regions are under finalisation. On the other hand exports out of India have shown an encouraging trend.

On the raw material front, the year under review was very volatile. Natural rubber prices touched a peak of Rs. 118 per kg before settling down at levels of about Rs. 90 per kg. Crude oil prices continued to be a cause of concern for the industry. All other raw materials also witnessed a surge in prices. This had put additional strain on the profitability of the Company in the first half of the financial year. However, due to favourable demand supply situation, the industry was able to revise its product pricing and thereby offset raw material cost increase.

CEAT'S PERFORMANCE

The Company registered a revenue growth of 22.5 % during the year under review. All three (3) segments of CEAT's business, namely exports, Original Equipment Manufacturers (OEMs) and domestic replacement sales have shown good growth during the year under review with existing and new OEM customers being the key drivers. Realisation from OEMs have improved during the year. Along with improved product mix, the Company's profitability has therefore improved in this segment.

Domestic replacement market was extremely competitive, partly due to increasing imports from China. Despite this, the Company has been able to increase sales of premium products through improved focus and targeted marketing activities. New products in the Truck and LCV segment have met with an excellent response.

Several innovative initiatives were implemented in the manufacturing and materials front, which led to significant productivity enhancement and cost reduction. Financing costs were kept on a very tight leash throughout the year despite increase in interest rates. Combined with the relentless focus on efficiencies, CEAT has turned in an impressive improvement in profitability, and registered a net profit of Rs. 39.25 crores , a growth of about 75

times over the net profit of Rs. 0.52 crores in the previous year.

What is important, is that the Company's business model is now a sustainable one, which is suitably de-risked.

EXPORTS

The Company has extended its global footprint to 110 countries across the globe. Its export basket has improved substantially in terms of price realisations and profitability. The Company has established a stable and extensive network in South America, North America as well as in Europe. CEAT's products have been accepted with several OEMs in Europe during the year under review, despite competing with global majors. These businesses are of an annuity nature and hence would ensure stability in future years. Thirteen new products were launched in the export market during this year.

FUTURE OUTLOOK

With increasing expense on infrastructure in India and with GDP expanding at a healthy pace of more than 8%, the Indian automobile industry is expected to grow at the rate of about 15% in the next ten years resulting in a good future for the tyre industry. This will translate into plans for increased investment and capacity expansion. CEAT's business plan for the financial year 2007-2008 takes into account the above and the Company expects to achieve improved performance in the coming years.

The user industry, particularly fleet operators, is becoming increasingly professionalized and consolidated. Hence the customer is getting more and more discerning, which throws up a huge opportunity to differentiate CEAT and open unique avenues to segment the market and satisfy the needs in a focused manner.

The passenger segment is poised for rapid expansion as well. The customer is increasingly looking for more value addition in terms of higher-end products as well as services.

The industry in general, will get increasingly integrated to the global market, both in terms of finished goods and in terms of raw materials, as well.