



CEAT

Annual Report 2007-08





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contents

| | | | |
|---|----|------------------------------------|----|
| Company Snapshot | 02 | Directors' Report | 12 |
| Ten Year Operating and Financial Record | 05 | Management Discussion and Analysis | 20 |
| Financial Highlights | 06 | Corporate Governance | 24 |
| Performance Highlights | 07 | Auditor's Report | 35 |
| Corporate Information | 08 | Balance Sheet | 38 |
| Notice | 09 | Profit and Loss Account | 39 |
| | | Cash Flow Statement | 40 |
| | | Schedules to Accounts | 42 |

It is universally believed that the wheel is one of the most important, if not the most important invention in the history of mankind. The oldest wheel found in archaeological excavations is believed to be over fifty-five hundred years old. Down the centuries, the wheel has evolved significantly and has been put to an infinite number of uses, but the most important has been to facilitate speedy transportation of goods and people. Here, tyres have played a vital role.

CEAT Limited feels proud to be associated with this evolution of transportation.

CEAT Limited was established in the year 1958 and is one of the key players in the tyre industry in India. This year marks our golden jubilee anniversary. 50 years! A landmark in the history of the Company. We have achieved a lot in this span of time. From a modest beginning, we are now among the top tyre companies in the country. We are one of the very few to have a presence across all segments of the industry, be it two-wheelers or specialty tyres (weighing from a miniscule 2 kgs to over 600 kgs). In the 50th year of our operation, we have not only become the largest tyre exporter in the country but also reported our highest ever profit.

As we celebrate this important milestone, we also look ahead with anticipation at the next 50 years. We are fully geared to aggressively participate in the opportunity called India. We will raise the bar of our performance and take it to the next level.

Company Snapshot

The Company

CEAT Limited, the flagship company of RPG Enterprises is one of India's leading tyre manufacturers. The Company offers the widest range of tyres to leading Original Equipment Manufacturers (OEMs) across the world and is also the largest tyre maker for the replacement market in India. With a strong presence in the domestic as well as the international market, the Mumbai-based company which was founded in 1958, celebrates its golden jubilee anniversary this year.

Operations

CEAT produces over 6 million tyres a year and commands around 14% share of the Indian tyre market. The Company manufactures a wide range of tyres, catering to all user segments. This includes tyres for heavy-duty Trucks and Buses (T&B), Light Commercial Vehicles (LCV), Earthmovers and Forklifts (specialty segment), Tractors, Trailers, Passenger Cars (PC), Motorcycles, Scooters and Auto-rickshaws. CEAT earns around 65% of its revenue from the T&B segment.

The Company currently operates 2 plants in Maharashtra, one in Bhandup and the other in Nasik. It has a robust national network consisting of 33 regional offices and over 3,500 dealers, among which ~75 are exclusive dealers running CEAT Shoppe outlets.

Reach

CEAT's solid brand equity has helped it achieve a strong footprint in both the domestic and the international market. It has a presence in over 110 countries. In 2007-08, the Company also became the number one tyre exporter in the country with exports valued at Rs. 505 crores.

Vision

"CEAT WILL AT ALL TIMES PROVIDE TOTAL CUSTOMER SATISFACTION THROUGH PRODUCTS AND SERVICES OF HIGHEST QUALITY AND RELIABILITY."

Quality Policy

CEAT is the first tyre company in India to get the ISO/TS 16949 certification, which is a combination of ISO 9000 and QS 9000. It is a quality management system that promotes continuous improvement.

It ensures:

- The PDCA (Plan, Do, Check and Act) cycle of process approach
- Trim supply chain by preventing defects and reducing waste
- Export to almost all parts of the world
- Fundamental quality management system requirements
- No multiple certification audits
- Customer satisfaction

Corporate Social Responsibility (CSR)

CEAT's motto is "to positively impact the lives of employees and local communities directly affected by our business."

It does this through a series of result-oriented initiatives like:

- Providing opportunities for better education, health improvement and employment
- Socio-ecological projects to promote a healthy and safe environment
- Healthcare programmes and camps
- Adopted the Tirat Shate village close to the plant in Nasik, where the Company undertakes various development programmes

Awards and Achievements

- 'Innovative Franchise Model' Award to CEAT Shoppe by the Franchising Association of India
- "Excellence in Training" Award of the Asia Pacific HR Congress Employer Branding Awards 2007 for the India Region
- National Exports Award (CAPEXIL) - 13 times

Mission

TO SURVIVE AN
EXCITING AND
CHALLENGING
WORK
ENVIRONMENT
WITH FAIRNESS
AND
TRANSPARENCY

- Best Exports certificate of merit - 7 times in the last 20 years
- CCQC Mumbai Chapter Distinguish Award for Quality Circle in 2007
- NCQC Distinguish Award for Quality Circle in 2006
- Winner of RPG Quality Award in 2003, 2004 and 2006
- RPG Best TQM Team Award for CFT in 2005 and 2006
- Recognized with RPG BTT Six Sigma Team Award in 2005-06
- Certificate of merit in RPGOE in 2005
- Best case study Award from CII in 2005
- NCQC Distinguish Award for Quality Circle in 2004
- ICQCC Distinguish Award for Quality Circle in 2002
- Rated amongst top four auto ancillaries
- 100% vendors are ISO certified

Performance

During 2007-08, CEAT recorded sales of Rs. 2603 crores, an increase of about 9% over the previous year. The Company's EBIDTA stood at Rs. 288 crores against Rs.153 crores in 2006-07, an increase of about 89%. The Profit After Tax (PAT) of the Company increased from Rs. 39 crores in 2006-07 to Rs. 149 crores (including an exceptional income of Rs. 80 crores) in 2007-08, an increase of about 279%. The Company recorded the highest profit in the last 50 years in 2007-08. At the same time, the Company recorded the highest ever growth in sales and also emerged as the number one tyre exporter in the country. The shares of the Company are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

Ten year Operating and Financial Record

(Rs.in Crores)

| | 07-08 | 06-07 | 05-06 | 04-05 | 03-04 | 02-03 | 01-02 | 00-01 | 99-00 | 98-99 |
|-------------------------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|
| OPERATING RECORD | | | | | | | | | | |
| Sales-Gross | 2603 | 2391 | 1952 | 1780 | 1648 | 1479 | 1361 | 1190 | 1348 | 1166 |
| Less:Excise Duty | 273 | 256 | 205 | 252 | 247 | 273 | 247 | 206 | 245 | 208 |
| Miscellaneous Income | 23 | 24 | 23 | 39 | 101 | 75 | 67 | 79 | 70 | 107 |
| | 2353 | 2159 | 1770 | 1567 | 1502 | 1281 | 1181 | 1063 | 1173 | 1065 |
| Materials & Traded Goods | 1531 | 1484 | 1214 | 1060 | 938 | 749 | 718 | 605 | 651 | 585 |
| Personnel Cost | 143 | 128 | 119 | 109 | 116 | 116 | 102 | 90 | 90 | 81 |
| Expenses | 391# | 394 | 346 | 315 | 328 | 277 | 237 | 267 | 297 | 266 |
| Interest & Depreciation | 90 | 92 | 86 | 86 | 98 | 110 | 120 | 115 | 112 | 114 |
| Total Cost | 2155 | 2098 | 1765 | 1570 | 1480 | 1252 | 1177 | 1077 | 1150 | 1046 |
| Profit/(Loss) before Taxation | 198 | 61 | 5 | (3) | 22 | 29 | 4 | (14) | 23 | 19 |
| As percentage of Sales (%) | 7.61 | 2.55 | 0.27 | (0.17) | 1.33 | 1.96 | 0.26 | 1.17 | 1.71 | 1.61 |
| Provision for Taxation incl. | | | | | | | | | | |
| Fringe Benefit Tax | 49 | 22 | 5 | (1) | 8 | 11 | 2 | 0 | 3 | 2 |
| Profit/(Loss) after Taxation | 149 | 39 | 0.52 | (2) | 14 | 18 | 2 | (14) | 20 | 17 |
| Dividend | 16 | 10 | - | - | 4 | 4 | 4 | 4 | 7 | 7** |
| Per Share (Rs.) | 4.00 | 1.80 | - | - | 1.00 | 1.00 | 1.00 | 1.00 | 2.00 | 1.92 |
| FINANCIAL RECORD | | | | | | | | | | |
| Share Capital | 34 | 46 | 46 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Reserves & Surplus | 479 | 333 | 303 | 595 | 589 | 588 | 551 | 567 | 593 | 513 |
| Shareholders' Equity | 513 | 379 | 349 | 630 | 624 | 623 | 586 | 602 | 628 | 548 |
| Loan Funds | 505 | 515 | 535 | 464 | 513 | 521 | 557 | 589 | 543 | 504 |
| Capital & Loan Funds Employed | 1018 | 894 | 884 | 1094 | 1137 | 1144 | 1143 | 1191 | 1171 | 1052 |
| Fixed Assets-Gross | 1218 | 1123 | 1111 | 905 | 840 | 823 | 750 | 769 | 727 | 591 |
| Depreciation | 428 | 413 | 385 | 360 | 331 | 303 | 262 | 244 | 221 | 201 |
| Fixed Assets-Net | 790 | 710 | 726 | 545 | 509 | 520 | 488 | 525 | 506 | 390 |
| Investments | 10 | 128 | 128 | 191 | 191 | 193 | 193 | 199 | 205 | 211 |
| Current Assets-Net | 218 | 56 | 30 | 358 | 437 | 431* | 462 | 467 | 460* | 451* |
| Capital & Loan Funds Applied | 1018 | 894 | 884 | 1094 | 1137 | 1144 | 1143 | 1191 | 1171 | 1052 |

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

** Includes Preference Share Dividend

Includes Exceptional Income

Figures regrouped wherever necessary

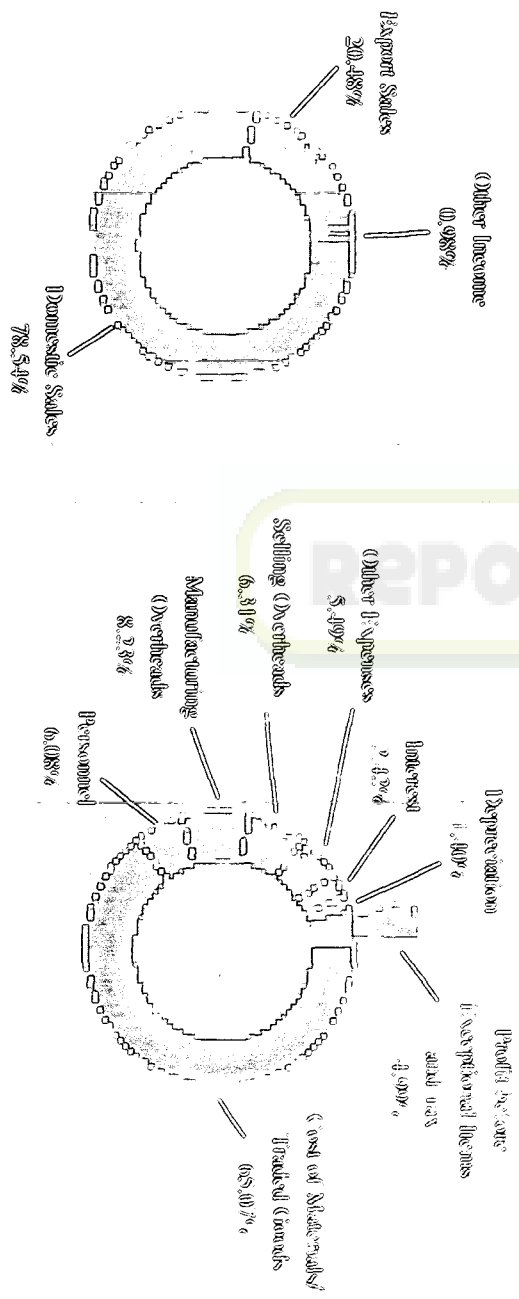
Financial Highlights

| | (Rs. in Lacs) | |
|---|---------------|-------------|
| | 2007-08 | 2006-07 |
| Gross Sales | 2,602,96.57 | 2,390,61.20 |
| Profit Before Taxation | 197,31.04 | 60,91.88 |
| Profit After Taxation | 148,60.44 | 39,24.85 |
| Total Shareholders' Equity | 513,25.73 | 378,63.79 |
| Total Loan Funds & Deferred Tax Liability | 504,90.26 | 515,53.56 |
| Market Price of Equity Share (Rs.) | 1,09.00 | 1,07.30 |
| Proposed Equity Dividend (%) | 40% | 18% |
| Proposed Dividend (Aggregate) | 16,02.49 | 9,61.49 |
| Number of Shareholders | 66,810 | 77,918 |
| Number of Employees | 5,215 | 5,210 |
| Personnel Cost | 143,02.05 | 128,23.06 |

Performance Highlights



Rupree Earned and Rupree Spent



Corporate Information

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

Haigreve 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, Bhandup, Mumbai - 400 078.
- 82, MIDC, Industrial Estate, Satpur, Nashik - 422 007.

Legal Advisors

Mulla & Mulla and Craig, Blunt & Caroe

Auditors

N. M. Raiji & Co.

Registrar & Share Transfer Agents

TRS Darashaw Limited,
6-10, Haiji 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.