



CEAT

Annual Report 2007-08





Report  Junction.com

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

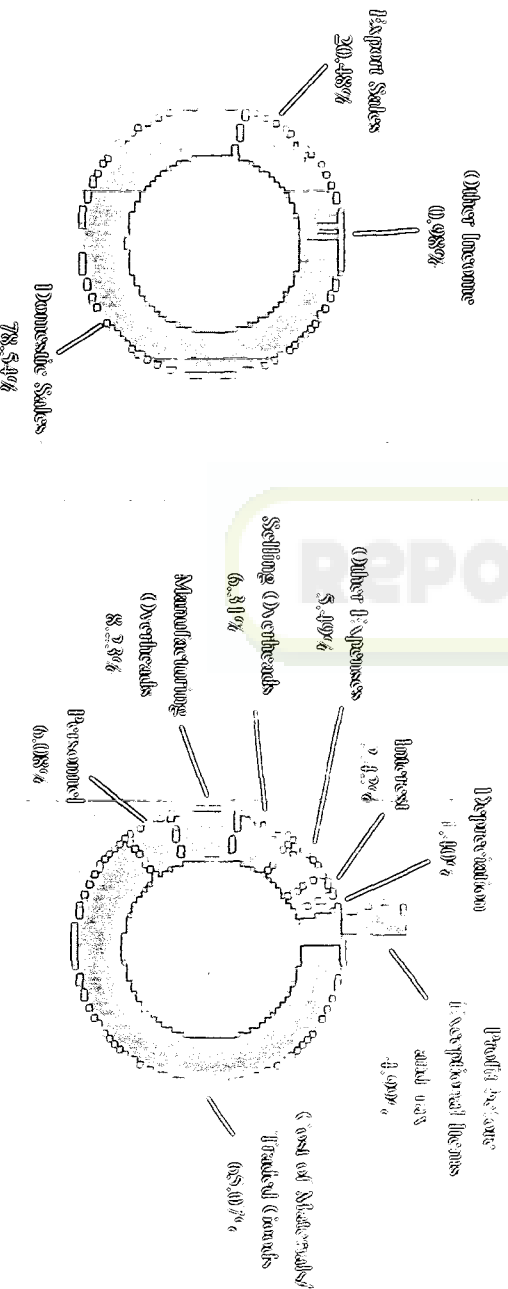
Financial Highlights

		(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



Rupee Earned and Rupee 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.