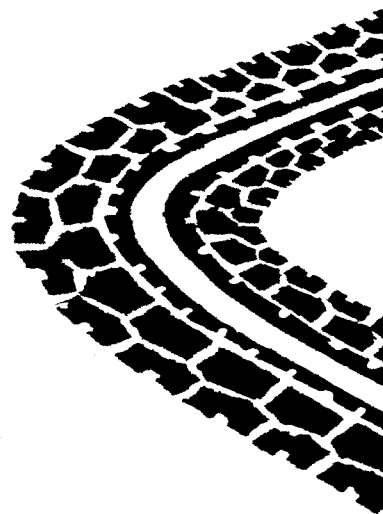


CEAT

Annual Report 2008 - 09





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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 from tiny mechanical watch gears to giant jet engines to simple facet calculators to computer disk drives. But the most important has been to facilitate speedy transportation of goods and people. Here, tyres have played a vital role.

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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. The Company achieved a lot in this span of time. From a modest beginning, it is now among the top tyre companies in the country- 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). We will raise the bar of our performance and take it to the next level.

Company Snapshot

The Company:

CEAT Limited was established in the year 1958 and is one of the key players in the tyre industry in India. The Company, a part of the RPG conglomerate offers the widest range of tyres to leading Original Equipment Manufacturers (OEMs) across the world and is also one of the largest tyre makers for the replacement market in India. The Company has a strong presence in the domestic as well as the international markets.

Operations:

CEAT produces over 7 million tyres a year and commands around 13% 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 (LCVs), Earthmovers and Forklifts (specialty segment), Tractors, Trailers, Passenger Cars (PC), Motorcycles, Scooters and Autorickshaws. 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 34 regional offices and over 3,500 dealers among which approximately 100 are exclusive dealers running the CEAT Shoppe outlets for passenger cars segments and ~ 96 exclusive dealers running the CEAT HUBs for Truck & Bus Segments. These initiatives have helped bring the Company closer to its customers.

Keeping pace with the demand for tyres in future, the Company is implementing a project at Halol, Gujarat with initial capacity of 90 MT per day with an outlay of approximately Rs. 500 crores. The plant is expected to be ready for commercial production during the financial year 2010-11.

Reach:

CEAT's solid brand equity has helped it to achieve a strong footprint in both the domestic and the international market. It has a presence in over 110 countries. The Company is also one of the top tyre exporter in the country with exports valued at Rs. 500 crores.

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
- Customer satisfaction

Corporate Social Responsibility:

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.

New Initiatives:

- **'Connect'** - a platform for state of the art communication across the employees / management.
- **'YEB'** - Identification of critical talent within the Company to unleash dynamism, innovation, discontinuity and empowerment and develop high caliber young business leader.

Awards and Achievements:

- Readers Digest Trusted Brand Gold Award 2009
- "Excellence in Training" Award of the Asia Pacific HR Congress Employer Branding Awards 2007 for the India Region
- National Exports Award (CAPEXIL) – 13 times
- 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
- Recognised 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 2008-09, CEAT recorded sales of Rs. 2758 crores an increase of about 6% over the previous year. However, due to the global economic slowdown the Company suffered a loss of Rs. 16 crores against a profit after tax of Rs. 145 crores in the previous year. The shares of the Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange Of India Limited.

Ten - Year Operating and Financial Record

(Rs. in Crores)

	08-09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00
OPERATING RECORD										
Sales-Gross	2758	2603	2391	1952	1780	1648	1479	1361	1190	1348
Less: Excise Duty	245	273	256	205	252	247	273	247	206	245
Miscellaneous Income	45	23	24	23	39	101	75	67	79	70
	2558	2353	2159	1770	1567	1502	1281	1181	1063	1173
Materials & Traded Goods	1798	1531	1484	1214	1060	938	749	718	605	651
Personnel Cost	161	143	128	119	109	116	116	102	90	90
Expenses	545	391#	394	346	315	328	277	237	267	297
Interest & Depreciation	91	90	92	86	86	98	110	120	115	112
Total Cost	2595	2155	2098	1765	1570	1480	1252	1177	1077	1150
Profit/(Loss) before taxation	(37)	198	61	5	(3)	22	29	4	(14)	23
As percentage of Sales (%)	(1.34)	7.61	2.55	0.27	(0.17)	1.33	1.96	0.26	1.17	1.71
Provision for Taxation incl Fringe Benefit Tax	(21)	49	22	5	(1)	8	11	2	0	3
Profit/(loss) after Taxation	(16)	149	39	0.52	(2)	14	18	2	(14)	20
Dividend	-	16	10	-	-	4	4	4	4	7
Per Share (Rs)	-	4.00	1.80	-	-	1.00	1.00	1.00	1.00	2.00
FINANCIAL RECORD										
Share Capital	34	34	46	46	35	35	35	35	35	35
Reserves & Surplus	455	479	333	303	595	589	588	551	567	593
Shareholder's Equity	489	513	379	349	630	624	623	586	602	628
Loan Funds	661	505	515	535	464	513	521	557	589	543
Capital & Loan Funds employed	1150	1018	894	884	1094	1137	1144	1143	1191	1171
Fixed Assets- Gross	1254	1218	1123	1111	905	840	823	750	769	727
Depreciation	459	428	413	385	360	331	303	262	244	221
Fixed Assets- Net	795	790	710	726	545	509	520	488	525	506
Investments	43	10	128	128	191	191	193	193	199	205
Current Assets - Net	312	218	56	30	358	437	431*	462	467	460*
Capital & Loan Funds applied	1150	1018	894	884	1094	1137	1144	1143	1191	1171

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

Includes Exceptional Income

Figures regrouped wherever necessary

Financial Highlights

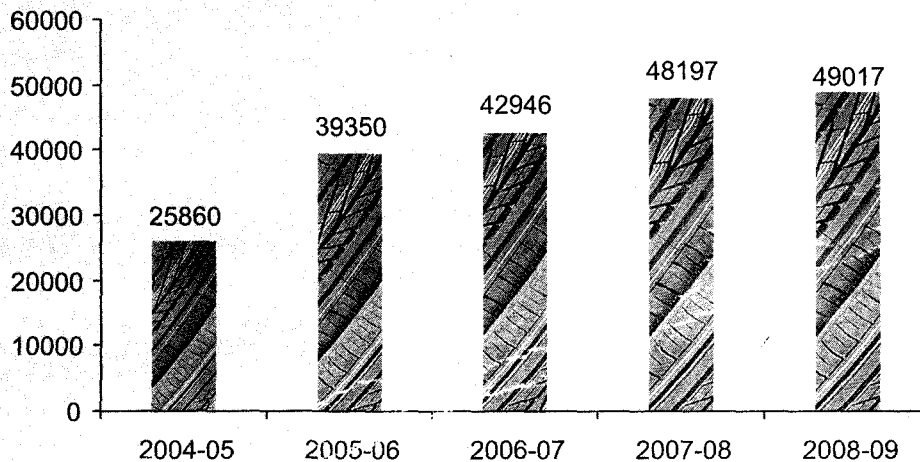
(Rs. in Lacs)

	2008-09	2007-08
Gross Sales	2,758,43.13	2,602,96.57
Profit Before Taxation	(37,17.22)	197,31.04
Profit After Taxation	(16,11.16)	148,60.44
Total Shareholders' Equity	488,38.15	513,25.73
Total Loan Funds & Deferred Tax Liability	661,44.80	504,90.26
Market Price of Equity Share (Rs.)	34.75	1,09.00
Proposed Equity Dividend (%)	—	40%*
Proposed Dividend (Aggregate)	—	16,02.49
Number of Shareholders	74,045	66,810
Personal Cost	160,69.27	143,02.05

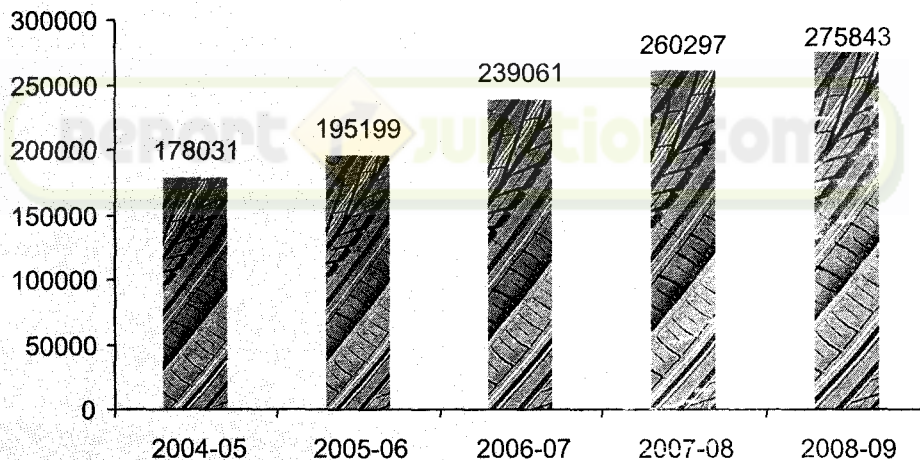
* Including a 'Special Golden Jubilee year' Dividend of 20%.

Performance Highlights

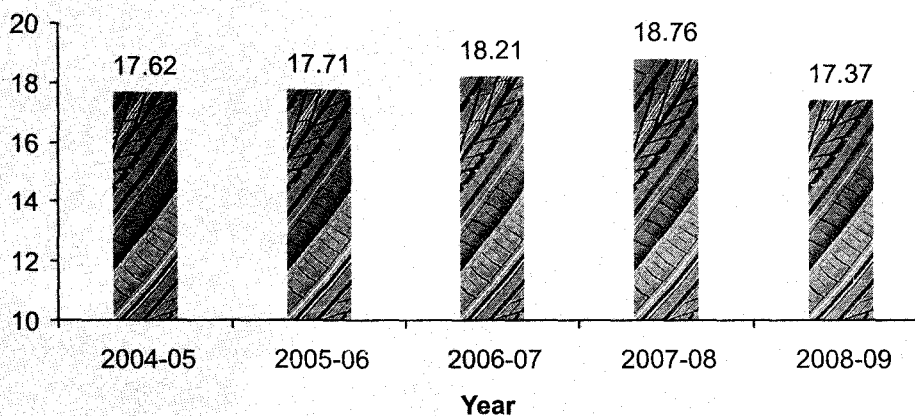
Export Sales FOB
Rs. In Lacs



Sales Trend
Rs. In Lacs



Truck Tyre Production
Number in Lacs



Corporate Information

Board of Directors:

R. P. Goenka	<i>Chairman</i>
H. V. Goenka	<i>Vice Chairman</i>
Paras K. Chowdhary	<i>Managing Director</i>
A. C. Choksey	
S. Doreswamy	
Mahesh S. Gupta	
Haigreve Khaitan	
Bansi S. Mehta	
Hari L. Mundra	
K. R. Podar	

Audit Committee:

Mahesh S. Gupta	<i>Member</i>
S. Doreswamy	<i>Member</i>
Hari L. Mundra	<i>Member</i>

Shareholders/Investors Grievance Committee:

Paras K. Chowdhary	<i>Member</i>
Mahesh S. Gupta	<i>Member</i>

Company Secretary:

H. N. Singh Rajpoot

Registered office:

CEAT Mahal, 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 Craige, Blunt & Caroe

Auditors:

N. M. Raiji & Company

Registrar & Share Transfer Agents:

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

Bankers:

Bank of Baroda
Bank of India
Corporation Bank
Exim Bank
ICICI Bank Limited
Indian Bank
Industrial Development Bank of India
State Bank of India
The Karnataka Bank Limited
UCO Bank
Yes Bank Limited