

*Eastern precured treads
The tyre perfect tread
Make your tyres roll forever*



**10th
Annual Report
2002-2003**



EASTERN TREADS LTD.



EASTERN TREADS LTD.

BOARD OF DIRECTORS

M.E. Meeran	- Chairman
M.E. Mohamed	- Executive Director
Navas M. Meeran	- Managing Director
K.V. Rajagopalan Nair	- Director (KSIDC Nominee)
Naiju Joseph	- Director
K.S. Neelacanta Iyer	- Director
M.S. Ranganathan	- Director
M.S. Sebastian	- Director

AUDITORS

M/s. G. Joseph & Associates,
Chartered Accountants,
39/4746, Old Thevara Road,
Cochin - 682 016

BANKERS

Canara Bank

REGISTERED & CORPORATE OFFICE

IVth Floor, Mather Square,
North Railway Station Road,
Kochi- 682 018.

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NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of Eastern Treads Limited will be held at Hotel Cochin Tower, Lissy Junction, Ernakulam, Cochin-682018 at 11 a.m on Saturday, 25th October, 2003 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 2003 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri. Naiju Joseph, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company in place of M/s.G.Joseph & Associates, Chartered Accountants, 39/4746, Old Thevara Road, Cochin-682016 who are eligible for re-appointment for holding office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT in terms of Securities and Exchange Board of India (SEBI) Delisting of Securities Guidelines 2003, and also Guidelines/Notifications issued/to be issued by SEBI from time to time and subject to the provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company hereinafter referred to as 'the Board', which term shall deem to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution), consent is hereby accorded to the Board to delist Company's Equity Shares from the Madras Stock Exchange Limited (MSE)

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 293(1(d) of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum of money on such terms and conditions and with or without security as the Board may think fit which, together with the money already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the total amount of money so borrowed shall not at any time exceed the limit of Rs.10 Crores.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to do and perform all such acts, deeds and things as may be necessary, desirable or expedient to effect to this resolution."

6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 the Articles of Association of the Company be amended by incorporation of new Article numbered as Article 6 (v) after Article 6 (iv).

Article 6 (v): Demating of Equity Shares of the Company.

For the purpose of this Article:

- (A)(a) 'Beneficial owner' shall have the meaning assigned thereto in section 2 of the Depositories Act 1996
- (b) "SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.
- (c) "Depositories Act" means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force.
- (d) "Bye-Laws" means bye-laws made by a Depository as defined under Section 26 of the Depositories Act, 1996.
- (e) "Depository" shall mean a depository as defined under clause (e) of sub-section (1) of Sec. 2 of the Depositories Act, 1996.
- (f) "Member" means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a beneficial owner in the records of the Depository.
- (g) "Issuer" means any person making an issue of securities.
- (h) "Participant" means a person registered as such under Section 12 (1A) of the Securities and Exchange Board of India Act, 1992.
- (i) "Registered owner" means a depository whose name is entered as such in the Register of the issuer.
- (j) "Record" includes the records maintained in the form of books or stored in computer or in such other form as may be

Eastern Treads Ltd

determined by regulations made by SEBI in relation to the Depositories Act.

(k) "Regulations" means the regulations made by the SEBI.

(l) "Security" means such security as may be specified by SEBI.

(m) Words and expression" used and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

(B) DEMATERIALISATION OF SECURITIES

Notwithstanding anything to the contrary or inconsistent in the Act or these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities, held in the Depositories and/or offer its fresh securities in a dematerialised form pursuant to the Depositories Act and the Rules framed thereunder, if any.

(C) COMPANY TO RECOGNISE INTEREST IN DEMATERIALISED SECURITIES UNDER DEPOSITORY ACT.

Either the Company or the investor may exercise an option to issue, deal to hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.

(D) OPTION FOR INVESTORS

Every person acquiring/subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his security with a depository, the company shall intimate such depository the details of allotment of the security and on receipt of the information, the depository shall enter in its records the name of the allottee as the beneficial owner of the security.

(E) SECURITIES IN DEPOSITORIES TO BE IN FUNGIBLE FORM

All securities of the Company held by depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

(F) RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNERS

a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of the beneficial owner.

b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

(G) BENEFICIAL OWNER DEEMED AS ABSOLUTE OWNER

Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust of equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof, but the Board shall be at their sole discretion to register any share in the Joint names of any two or more persons or the survivor or survivors of them.

(H) DEPOSITORY TO FURNISH INFORMATION

Every Depository shall furnish to the Company information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws to the Company in that behalf.

(I) CANCELLATION OF CERTIFICATES UPON SURRENDER BY A PERSON

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the company shall cancel such certificate and substitute in its records the name of the Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.

(J) OPTION TO OPT OUT IN RESPECT OF ANY SECURITY

If a beneficial owner seeks to opt out of a Depository in respect of any security and beneficial owner shall inform the Depository accordingly.

The Depository shall on receipt of information as above, make appropriate entries in its records shall inform the Company. The Company shall within thirty days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

(K) SERVICE OF DOCUMENTS

Notwithstanding anything in the Act, or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

(L) PROVISIONS OF ARTICLES TO APPLY TO SECURITIES HELD IN DEPOSITORY

Except as specifically provided in these Articles the provisions relating to joint holders of Securities, Calls, Lien on Securities, forfeiture, Transfer and Transmission of Securities shall be applicable to securities held in Depository so far as they apply to Securities held in physical form subject to the provisions of the Depository Act.

(M) ALLOTMENT OF SECURITIES DEALT WITHIN A DEPOSITORY

The Securities in the Capital shall be numbered progressively according to their several denominations, provided however, that the provisions relating to progressive numbering shall not apply to the securities of the company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form, except in the manner herein before mentioned. No securities shall be sub-divided. Every forfeited or surrendered securities held in material form shall continue to bear the number by which the same was originally distinguished.

(N) REGISTER OF INDEX OF BENEFICIAL OWNERS

The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debenture holders in accordance with Section 151 and 152 of the Act respectively, and the Depositories Act, with details of Shares and Debentures held in material and dematerialised forms in media as may be permitted by law including in any form or electronic media. The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be Register and Index of Members and Register and Index of Debenture Holders, as the case may be, for the purpose of the Act. The Company shall have power to keep in any State or Country outside India a Branch Register of Members resident in that State or Country.

(O) REGISTER OF TRANSFERS

The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every Transfer or Transmission of any Securities held in material form.

(P) OVERRIDING EFFECT OF THE ARTICLE

Provisions of this Article will have full effect and force notwithstanding anything to the contrary or inconsistent contained in any other Article of these presents.

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 311 and other applicable provisions if any of the Companies Act, 1956 read with Schedule XIII as amended and subject to the approval of the Financial Institutions who have granted term loans to the Company, approval of the members be and is hereby accorded to the re-appointment of Shri. Navas M. Meeran as Managing Director of the Company for a period of three years with effect from 26th August, 2002 upon the terms and conditions including remuneration as set out in the draft in the draft agreement submitted in the meeting and initialed by the Chairman for the purpose of identification, which draft agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or the agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board of Directors and Shri. Navas M. Meeran.

FURTHER RESOLVED THAT where in any financial year during the tenure of the Managing Director the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites not exceeding the limits as specified in the agreement which is within the limits as per Schedule XIII and the Board of Directors have liberty to alter and vary the aforesaid terms and conditions relating to remuneration in line with such amendments as may be made from time to time to the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as expedient or desirable to give effect to this resolution.

8. To consider and if thought fit, to pas with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956 consent be and is hereby accorded to the Board of Directors of the Company to lease as a going concern the Company's land and building together with connected facilities located at Oonukal, Kothamangalam under Survey No.250 A to Eastern Condiments Private Limited,

Adimali, a Company under the same group, Eastern for the purpose of setting up a tea blending unit on such terms and conditions and such time or time or times and in such form and manner as contained in the draft agreement placed before the meeting and initialed by the Chairman for the purpose of identification and to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the resolution."

9. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"**RESOLVED THAT** pursuant to the provisions of Section 257 of the Companies Act, 1956 Shri.M.S.Ranganathan be and is hereby appointed a Director of the Company."

10. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"**RESOLVED THAT** pursuant to the provisions of Section 257 of the Companies Act, 1956 Shri.M.S.Sebastian be and is hereby appointed a Director of the Company."

By Order of the Board Directors
For **EASTERN TREADS LIMITED**

Sd/-

M.E. Mohamed
Executive Director

Place : Ernakulam
Date : 18-09-2003

Notes:

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
- (b) An Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956 relating to the Special Business to be transacted at the meeting is annexed hereto and forms part of the notice.
- (c) The Register of Members and Share Transfer Books will be closed from Tuesday 16th September 2003 to Monday 22nd September 2003 (both days inclusive)
- (d) Members are requested to inform any change in their address to the Company's Share Transfer Agents.
- (e) All Communications relating to shares to be address to the Company's Share Transfer Agents - M/s. Integrated Enterprises India Limited, "Seema", 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam - 682 035, Kerala, Telephone: 2371494 / 2366099 Fax: 0484-2384735, E-mail: vesbalu@iepindia.com or shaji@iepindia.com
- (f) Members are requested to note that the Company's Equity Shares are to be compulsorily traded in demat form for all investors in the days to come very shortly and intimation to the effect to all the shareholders will be made after getting connectivity from National Securities Depositories Limited (NSDL) and Central Depositories Securities Limited (CDSL). This would be necessary for facilitating the transfer of Company's Equity Shares in all Stock Exchanges connected to the depository system.
- (g) Details of Directors retiring by rotation and seeking re-appointment (in pursuance of Clause 49 of the Listing Agreement)
 - Name of Director - Shri. Naiju Joseph
 - Date of Birth - 26-5-1966
 - Qualifications - BA
 - Details of other Directorship - Eastern Retreads (P) Limited - Executive Director

Explanatory Statement pursuant to the provisions of Section 173 (2) of the Companies Act 1956:

Item No.4

Presently the Company's Equity Shares are listed on the following Stock Exchanges:

- (i) Cochin Stock Exchange Limited - Regional Stock Exchange
- (ii) The Stock Exchange, Mumbai
- (iii) The Madras Stock Exchange Limited

As a part of its cost reduction measures and in line with the circular issued by Securities and Exchange Board of India (SEBI) for voluntary delisting of Company's securities, your Company propose to delist its Equity Shares from Madras Stock Exchange Limited. For the said purpose the Company shall obtain a specific prior approval of the holders of the securities which are sought to be delisted by a special resolution passed at a General Meeting.

SEBI vide Circular SMD/Policy/Cir-7/2003 dated, 17-02-2003 issued fresh guidelines for Delisting of securities. Pursuant to Clause 5.2 relating to delisting of securities (voluntary) of a listed company, an EXIT opportunity need not be given in cases where securities continue to be listed in a Stock Exchange having nation-wide terminals viz; The Stock Exchange, Mumbai or National Stock Exchange etc.

Hence, the Company do not intend to give an EXIT opportunity to the shareholders of these Regions. With the net working facilities of The Stock Exchange, Mumbai, the members of the Company have access to on-line dealing in the Company's Equity Shares across the country. Trading volume on Madras Stock Exchange Limited in the Company's shares are very low. Further, the Company's equity shares are to be compulsorily traded in demat form for all investors our Company in a very short while (the process of demating of securities has almost completed now), investors including the members located in the above Regions are likely to be dealt with the securities of the Company only with the Stock Exchange, Mumbai and the Cochin Stock Exchange Limited.

The proposed delisting of the Company's Equity Shares from Madras Stock Exchange Limited will not therefore adversely affect any investor including the members located in these regions. Company's Equity Shares will continue to be listed on the Cochin Stock Exchange Limited and the Stock Exchange, Mumbai.

In view of the above, your Directors recommend approval of the members by way of a Special Resolution for delisting Company's Equity Shares from Madras Stock Exchange Limited.

None of the Directors is in any way concerned or interested in the resolution.

Item No.5

In view of the growing operations, the Company requires additional funds as working capital and other requirements for expansion programme including for abundant caution the cash credit facilities extended by the Company's bankers, it is proposed to increase the power of borrowing limit of the Company to Rs.10 Crores.

Under Section 293 (1) (d) of the Companies Act, 1956 the Board of Directors cannot except with the consent of the Company in General Meeting borrow moneys apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of paid up capital and free reserves of the Company, that is to say, reserves not set apart for specific purpose.

Accordingly, the sanction of the shareholders under Section 293(1)(d) of the Act is being requested to enable the Directors to borrow moneys to the extent of Rs.10 Crores.

None of the Directors of the Company is interested or concerned in the said resolution.

Item No.6

In view of the mandatory directive from the Securities and Exchange Board of India through Stock Exchanges, your Company is being arranged for dematerialisation of its securities. The need for dematerialisation of securities of the Company was examined by the Board of Directors in the light of the latest development of the stock market operations and convenience to the investors in carrying out paperless trading of securities. Under the system, share transfer is effected by means of electronic book entries. It has several advantages such as low transactions, reduced cost, delay in transfer and obtaining shares trasferred back can be avoided. It also dispenses with the need for revalidating the transfer deed.

For facilitating the same the Articles of Association of the Company has to be amended by incorporating the new Article numbered 6 (v) as given in the resolution. Hence, your Directors recommend approval of the members by way of Special Resolution for demat of the Company's securities.

None of the Directors is concerned or interested in the said resolution.

Item No.7

The tenure of Shri. Navas M. Meeran as Managing Director expires on 26-08-2002. The Directors confidently feel that the Company should continue to avail of the services of Shri. Navas M. Meeran taking into consideration the valuable services rendered by him during the past seven years for the growth of the Company. Hence, the Board of Directors at their meeting held on 29-10-2002 considered it necessary to re-appoint Shri. Navas M. Meeran as Managing Director of the Company for a further period of three years with retrospecture effect from 26-08-2002 subject to the approval of the members of the Company and the Financial Institutions from whom term loans have been obtained by the Company.

The remuneration proposes to be paid to Shri.Navas M.Meeran is within the limits of Schedule XIII as amended. The remuneration and perquisites payable to Shri. Navas M. Meeran as given below:

- (I) Salary Rs. 20,000 per month
- (II) Perquisites : Perquisites shall be allowed in addition to salary and they shall be restricted to the following:
 - (a) House Rent Allowance - 20% of salary
 - (b) Medical re-imbursement (one month's salary in a year or three month's salary over a period of three years)
 - (c) Professional reading material - Maximum to the extent of Rs. 1000.

Eastern Treads Ltd**Minimum Remuneration:**

Where in any financial year during the tenure of the Managing Director of the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites not exceeding the limits as specified above, which is within the limits as per Schedule XIII. The Board of Directors have liberty to alter and vary the aforesaid terms and conditions relating to remuneration in line with such amendments as may be made from time to time to the Companies Act, 1956. The above remuneration has been recommended by the remuneration committee.

A copy of the draft agreement proposed to be entered between the Company and Shri. Navas M. Meeran, Managing Director will be available at the Registered Office of the Company.

Your Directors therefore recommend and sought approval of the members at the Annual General Meeting for the re-appointment and payment of remuneration to Shri. Navas M. Meeran by passing of the relevant Ordinary Resolution as mentioned at Item No. 7 of the Notice.

Shri. Navas M. Meeran, Managing Director himself, Shri. M.E. Meeran, Chairman and Shri. M.E. Mohamed, Executive Director who are related to Shri. Navas M. Meeran may be treated as concerned or interested in the said resolution.

No other Director is concerned or interested in the said resolution.

Item No.8

The Company proposes to lease its land and building together with connected facilities located at Oonnukal, Kothamangalam under Survey No.250A to Eastern Condiments Private Limited, a Company under Eastern Group for commencing a tea blending unit to generate additional income by utilizing idle capacity.

Section 293(1)(a) of the Companies Act 1956 provides that the Board of Directors of a Public Company shall not lease whole or substantially the whole of the undertaking of the Company except with the consent of the Company in General Meeting. Accordingly, an Ordinary Resolution has been proposed for obtaining the consent of the shareholders of the Company. A copy of the draft of agreement proposed to be entered between the Company and Eastern Condiments Private Limited will be available at the Registered Office of the Company.

Shri.M.E.Meeran, Chairman of the Company himself, Shri.Navas M.Meeran, Managing Director and Shri.M.E.Mohamed, Executive Director who are related to Shri.M.E.Meeran may be treated as concerned or interested in the resolution.

No other Director is concerned or interested in the said resolution.

Item No.9

The period of directorship of Shri.M.S.Ranganathan who was appointed by the Board of Directors at their meeting held on 18.09.03 an Additional Director under Section 260 of The Companies Act 1956 read with Regulation 72 of Schedule I of Table A comes to an end at the ensuing Annual General Meeting. Shri.M.S.Ranganathan is eligible for re-appointment and the Company has received a nomination in writing proposing his candidature for the office of Director under Section 257 of The Companies Act,1956. The Directors consider that his services would be useful to the Company and in the interest of the Company it is desirable that he be appointed a Director of the Company.

None of the Directors is concerned or interested in the resolution.

Item No.10

The period of directorship of Shri.M.S.Sebastian who was appointed by the Board of Directors at their meeting held on 18.09.03 an Additional Director under Section 260 of The Companies Act 1956 read with Regulation 72 of Schedule I of Table A comes to an end at the ensuing Annual General Meeting. Shri.M.S.Sebastian is eligible for re-appointment and the Company has received a nomination in writing proposing his candidature for the office of Director under Section 257 of The Companies Act,1956. The Directors consider that his services would be useful to the Company and in the interest of the Company it is desirable that he be appointed a Director of the Company.

None of the Directors is concerned or interested in the resolution.

By Order of the Board Directors
For **EASTERN TREADS LIMITED**

Sd/-
M.E. Mohamed
Executive Director

Place : Ernakulam
Date : 18-09-2003

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholder,

Your Directors are pleased to present the Tenth Annual Report for the financial year ended 31st March, 2003.

FINANCIAL HIGHLIGHTS

(Rs. in lacs)

	31.03.2003	31.03.2002
Net Sales	578.00	561.75
Other Income	118.31	39.10
Total Expenditure	694.59	665.04
Interest	39.69	92.81
Gross Profit/Loss after Interest but before depreciation	(37.97)	(157.00)
Depreciation	37.27	36.75
Profit/Loss before Tax	(75.24)	(193.75)
Provision for Taxation	Nil	Nil
Net Profit/Loss after Tax	(75.24)	(193.75)
Paid up Equity Share Capital	512.25	487.42
Reserves excluding Revaluation Reserves	20.00	20.00

PERFORMANCE REVIEW

Your Directors are glad to report that the tread rubber industry is now showing some signs of improvement. During the fiscal 2002-2003 your Company could substantially improve its performance thereby reduced loss during the year by sixty percent compared to the previous year. The market was badly affected in the fourth quarter as against our expectations which resulted in the non-achievement of the target set. The overall improvement in the performance was as a result of various factors such as implementation of cost reduction measures; lower interest burden due to proactive debt restructuring.

AUDITOR'S REPORT AND CERTIFICATE

As regards the Auditor's observation in their report on the internal audit system, your Directors wish to clarify that the Board has taken steps to strengthen internal audit to commensurate with the size and nature of the business of the Company. There are adequate internal control procedures.

PROJECTIONS AND ACTUALS

The projection of profitability as reported in the prospectus and the actual profitability for the corresponding period are compared below:

	1999-2000 Proj-Actl	2000-2001 Proj-Actl	2001-2002 Proj-Actl	2002-2003 Proj-Actl
Production (in tons)	3300.00 - 1287.25	2200.00 - 1595.55	2000.00 - 717.00	1400.00 - 153.00
Sales (in Rs. in lacs)	2050.00 - 1033.90	1830.00 - 1086.20	1100.00 - 561.75	770.00 - 578.00
Profit/Loss before depreciation & Tax	328.00 - (121.43)	280.00 - (157.63)	220.00 - (157.00)	154.00 - (37.97)
Profit/Loss after depreciation & Tax	296.00 - (156.71)	242.00 - (190.10)	190.00 - (193.75)	133.00 - (75.24)

The variation in projection visa vis actuals is due to general recession in the economy and severe competition from the unorganised sector. The actual production mentioned does not include finished goods produced through job work.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the provisions of Section 217 (2AA) of the Companies Act, 1956 your Directors wish to place on record:

- that in preparing the Annual Accounts, all applicable Accounting Standards have been followed.
- that the Accounting Policies adopted are consistently followed and the judgements and estimates made are reasonable