

11th

Annual

Report

2003 - 04



**EASTERN
TREADS LTD.**

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Give new life to your tyres with

"EASTERN TREADS"

the tread with a tougher grip





EASTERN TREADS LTD.

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

BANKERS

Canara Bank
Banerjee Road
Ernakulam

AUDITORS

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

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NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of **EASTERN TREADS LIMITED** will be held at Hotel Cochin Tower, Lissy Junction, Ernakulam, Cochin-682018 at 11 a.m on Thursday, the 30th day of September, 2004 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 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.M.E.Meeran, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri.K.S.Neelacanta Iyer, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix remuneration.

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

Sd/-

Navas M. Meeran
Managing Director

Place : Cochin

Date : 20th August, 2004

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NOTES

1. 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 NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books will be closed from Thursday, 16th September, 2004 to Wednesday, 22nd September, 2004 (both days inclusive).
3. All communications relating to shares are to be addressed to the Company's Share Transfer Agents M/s.Integrated Enterprises (India) Limited, "Seema", 41/426, Rajaji Road, Near Abad Metro Hotel, Ernakulam, Cochin-682035, Kerala, Telephone Number: (0484)2371494/2366099, Telefax:0484)2384735, E-Mail:yesbalu@iepindia.com or shaji@iepindia.com.
4. Members are requested to inform any change in their address to the Company's Share Transfer Agents.
5. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at-least seven days in advance, so as to enable the Company to keep the information ready.
6. Members are requested to bring their copies of the Annual Report to the Meeting.
7. Consequent upon introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual shareholder(s) can avail of the facility of

nomination. The nominee shall be a **person in whom all rights of transfer** and/or amount payable in respect of the shares shall vest in the event of the death of the shareholder(s). A minor can be a nominee provided the name of the guardian is given in Nomination form. The facility of nomination is not available to non-individual shareholders such as Bodies Corporate, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trust and holders of Power of Attorney. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their request in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent M/s.Integrated Enterprises (India) Limited.

8. Members are requested to note that the Company's application dated, 18.11.2003 to the National Securities Depositories Limited (NSDL) for the admission of Company's Equity Shares in the de-mat form is yet to be favourably considered.

9. DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE- APPOINTMENT: (in pursuance of Clause 49 of the Listing Agreement)

| | | |
|---------------------------------------|---|---|
| Name of Director | Shri.M.E.Meeran | Shri.K.S.Neelacanta Iyer |
| Date of Birth | 08.01.1941 | 12.03.1947 |
| Date of Appointment | 02.07.1993 | 27.07.2000 |
| Qualifications | Matriculation | * Graduate in Commerce * Fellow Member of the Institute of Chartered Accountants of India (ICAI) |
| Expertise in specific functional area | Founder of Eastern Group, with over 40 years of experience in Spices and Curry Powder trade and is the Chairman of Eastern Treads Limited, a Listed Company of Eastern Group. | Practising Chartered Accountant and a Senior Partner of M/s. Iyer and Cherian Chartered Accountants, Cochin. Vast experience in Finance, Company Law matters, besides proficiency in Accountancy. |
| Details of other Directorship | 1. Eastern Condiments Pvt.Ltd 2. Eastern Mattresses Pvt.Ltd. 3. Adimali Industries Limited 4. Reenaz Properties Pvt.Ltd. | 1. Core Power System Limited |

| | | | | | |
|--|-------------|-----------|--------|------------|------------------|
| Details of other Committee and Membership Status | Name of Co. | Committee | Status | Name of Co | Committee Status |
| | None | None | None | None | None |

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

Sd/-

Navas M. Meeran
Managing Director

Place : Cochin
Date : 20th August, 2004

DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Statements of Account for the year ended 31st March, 2004.

FINANCIAL RESULTS

| | 31-03-2004 | (Rs. in lacs) 31-03-2003 |
|---|------------|-----------------------------|
| Net Sales | 632.62 | 578.00 |
| Other Income | 126.63 | 118.31 |
| Total Expenditure | 718.11 | 694.59 |
| Interest | 27.47 | 39.69 |
| Gross Profit/Loss after interest and before depreciation | 13.67 | (37.97) |
| Depreciation | 29.96 | 37.27 |
| Profit/Loss before Tax | (16.29) | (75.24) |
| Provision for Taxation | Nil | Nil |
| Net Profit/Loss after Tax | (16.29) | (75.24) |
| Paid up Equity Share Capital | 512.25 | 512.25 |
| Reserves excluding Revaluation Reserves | 20.00 | 20.00 |

PERFORMANCE REVIEW

The year 2003-04 stood good for the company and the financial statements reflects the same. This year the company has managed to register a cash profit which is a great effort by the company which was making continues losses in the past. In the marketing front in terms of volume of sale there was a decline of around 15% mainly due to the withdrawal of the company from supplying materials to Road Transport Corporations.

Though there was a decline in the sales volume, the concerted effort to cut down the costs and strict financial discipline in the marketing area has laid the foundation for the strengthening the company's financial condition. The changes in the marketing strategy, adoption of new methods, clear monitoring and evaluation of performance of each marketing person and immediate measures for the betterment of weak areas and immediate decision making has shown improvement in the later stages of the year and the same tempo is being continued.

The efforts of the R&D department in developing the materials in the type and design for supporting the marketing was laudable and was the main reason for the success for the Company this year. The opening of a new branch office at Ludhiana and the decision to re-open branches in West Bengal and Rajasthan has brightened the future for the company for the year 2004-05 and the sale volume is expected to grow by at-least 35%.

Our shareholders will be glad to know that in recognition of excellent performance on productivity in the field of manufacturing tyre re-treading materials, your Company has received FACT MKK Nair Memorial Award for the year 2002-2003.

BOARD OF DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Shri. M.E. Meeran and Shri. K.S. Neelacanta Iyer, Directors retire from office by rotation and are eligible for re-appointment.

AUDITORS

M/s. G. Joseph & Associates, Chartered Accountants, Auditors of the Company will retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

In respect of the report of the Auditors regarding the frequency of physical verification of stock, efforts are being made to increase the frequency.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there are no material departures.
- (b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of the Company for that period.
- (c) they have taken proper and sufficient care, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- (d) they have prepared the annual accounts on a on going concern basis.

CORPORATE GOVERNANCE

Your Directors affirm their commitments to the Corporate Governance standards prescribed by the Securities and Exchange Board of India. A report of Corporate Governance with Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are attached hereto and forms part of this report.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public to which the provisions of Section 58A of the Companies Act, 1956 are applicable.

HUMAN RESOURCES

This year the focus has been on managing the growth of the organization. The contribution of people across the organization was outstanding with cordial and harmonious industrial relations.

ACKNOWLEDGEMENT

Your Directors place on record their thanks to Industrial Development Bank of India, Canara Bank, Kerala State Industrial Development Corporation, the concerned departments of State and Central Government, employees and shareholders for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board of Directors

Sd/-

Sd/-

Place : Cochin
Date : 20th August, 2004

Navas M. Meeran
Managing Director

M.E. Mohamed
Executive Director

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ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are forming part of the Directors' Report.

(A) Energy Conservation

The Company is making all round efforts for the conservation of energy.

Form "A"

| | Current year ended 31-3-2004 | Previous year ended 31.3.2003 |
|---------------------------------------|------------------------------------|-------------------------------------|
| I. Power and fuel Consumption | | |
| 1. Electricity | | |
| (a) Purchased Units | 751284 | 644847 |
| Total Amount | 3389826 | 2479895 |
| Rate/Unit (Average) | 4.51 | 3.86 |
| (b) Own Generation | | |
| (i) Through diesel generation | 150888 | 83233 |
| Unit per Ltr. of diesel oil | 4.41 | 7.12 |
| Cost per Unit | Rs. 5.06 | Rs. 3.44 |
| (ii) Through Steam Turbine/Generator | Nil | Nil |
| 2. Coal | Nil | Nil |
| 3. Furnace Oil quantity in (k. ltrs.) | 80200 | 37560 |
| Total Amount | 1151059 | 540113 |
| Average Rate | 14.35 | 14.38 |
| 4. Other/Internal Generation | Nil | Nil |

II. Consumption per unit of production

| | Current Year ended 31-3-04 | Previous Year ended 31-3-03 |
|---------------------------------|-------------------------------|--------------------------------|
| Product (with details in units) | | |
| Precured Tread | Nil | 51.75 MT |
| Bonding Gum | Nil | 55.33 MT |
| Black Vulcanising Solution | 79.60 KL | 46.16 KL |
| Master Batch Compound | 197.37 M T | Nil |
| Job work done | 2772.65 MT | 873.54 MT |
| Electricity | 902172 | 728080 |
| Furnace Oil | 80200 | 37560 |
| Coal | Nil | Nil |

(B) Technology Absorption - Nil

(C) Foreign Exchange Earnings & Outgo - Nil

For and on behalf of the Board of Directors

Sd/-

Sd/-

Place : Cochin
Date : 20th August, 2004

Navas M. Meeran
Managing Director

M.E. Mohamed
Executive Director

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

Your Company has complied, in all material respects, with the features of Corporate Governance Code as per Clause 49 of the listing agreement with the Stock Exchanges. A report on the implementation of the Corporate Governance Code of the listing agreement by your Company is furnished below:

1) Company's philosophy on code of Corporate Governance

The Company firmly believes in and has consistently endeavoured to practice good Corporate Governance. The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability, in all facets of its operations, and in all its interactions with its stake holders, including shareholders, employees, the government and lenders. The Company will endeavour to improve on these aspects.

2) Board of Directors

The Board of Directors consists of eight Directors. Composition and category of Directors is as follows:

| Category: | Name of Directors: |
|---|---------------------------|
| Promoter/Chairman | Shri.M.E.Meeran |
| Managing Director | Shri.Navas M.Meeran |
| Executive Director | Shri.M.E.Mohamed |
| Non-Executive and Independent Directors | Shri.K.S.Neelacanta Iyer |
| | Shri.M.S.Ranganathan |
| | Shri. Naiju Joseph |
| | Shri.M.S.Sebastian |
| | Shri.K.V.Rajagopalan Nair |
| | (Nominee of KSIDC) |

Attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership in Committee of each Director in various companies:

| Name of the Director | Attendance particulars | | | Number of other Directorship and Committee member/Chairmanship | |
|---------------------------|------------------------|----------|--------------------|--|-----------------|
| | Board Meetings | Last AGM | Other Directorship | Other Committee | Other Committee |
| Shri.M.E.Meeran | 1 | No | 4 | None | None |
| Shri.Navas M.Meeran | 5 | Yes | 5 | None | None |
| Shri.M.E.Mohamed | 5 | Yes | 2 | 1 | None |
| Shri.K.S.Neelacanta Iyer | 5 | Yes | 1 | 1 | None |
| Shri.M.S.Ranganathan | 2 | Yes | 1 | 1 | None |
| Shri.M.S.Sebastian | 2 | Yes | 1 | None | None |
| Shri.Naiju Joseph | 3 | Yes | 1 | 1 | None |
| Shri.K.V.Rajagopalan Nair | 4 | No | 2 | None | None |