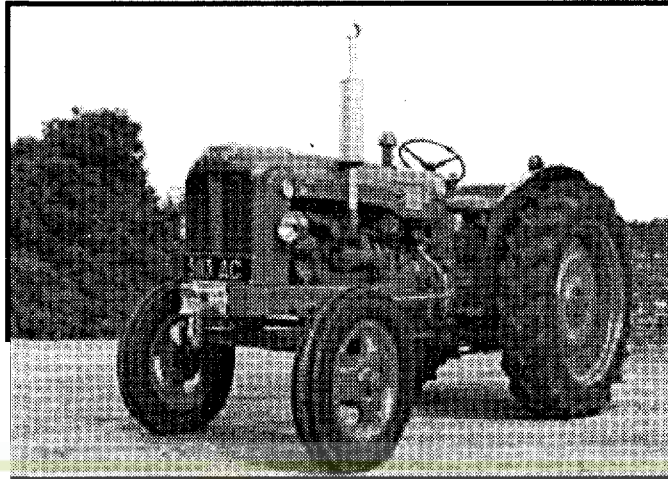
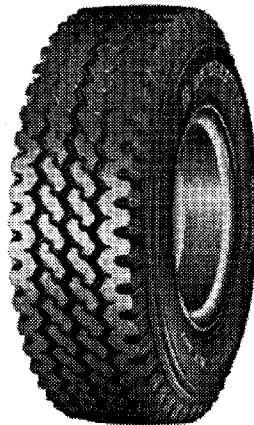


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**EASTERN TREADS LIMITED**

**12<sup>th</sup> Annual Report 2004 - 2005**

# Eastern Vision

- \* To be preferred employer in the industries we are in, by providing a challenging work environment and adding value to our people through varied exposure and continuous education.
- \* To be the preferred supplier catering to the basic needs of the mass market by providing products of outstanding value through the adoption of global standards and innovative practices.
- \* To be the preferred business partner of all our stakeholders, by providing them with exemplary benefits.

## **BRANCHES OF EASTERN TREADS LIMITED**

No.61, Opposite Akshara printers  
Saroji Street, Ramnagar,  
**COIMBATORE – 9 -**  
Phone : 09363108658

First Floor, Banker Brothers Estate,  
N.H.8, Padamala.P.O.,  
**BARODA - 391350**  
Phone : 09376217179

B1, Indira Complex,  
Shop No.11, Harshdeep Tower,  
Navlakha,  
**INDORE.**  
Phone : 09302106904

First Floor, House No.1219/8A,  
Hanuman Nagar, Model Town,  
**LUDHIANA – 141002 -**  
Phone : 01613946187

127/4, BN Road,  
Near Nishat Cinema Hall,  
Kaisirbagh,  
**LUCKNOW.**  
Phone : 0933913372



# EASTERN TREADS LIMITED

## BOARD OF DIRECTORS

|                           |   |
|---------------------------|---|
| Shri.M.E.Meeran           | - Chairman                                      |
| Shri.M.E.Mohamed          | - Managing Director (with effect from 26.08.05) |
| Shri.Navas.M.Meeran       | - Director                                      |
| Shri.M.S.Ranganathan      | - Director                                      |
| Shri.M.S.Sebastian        | - Director                                      |
| Shri.Naiju Joseph         | - Director                                      |
| Shri.K.S.Neelacanta Iyer  | - Director                                      |
| Shri.K.V.Rajagopalan Nair | - Director (Nominee of KSIDC)                   |

## REGISTERED & CORPORATE OFFICE

Mather Square, 4<sup>th</sup> Floor,  
North Railway Station Road, Ernakulam,  
Cochin – 682018, Kerala

## CONTENTS

## FACTORY

Oonnukal, Kothamangalam,  
Ernakulam District, Kerala

## BANKERS

Canara Bank

## AUDITORS

G.Joseph & Associates  
Chartered Accountants  
Cochin

|                                  |    |
|----------------------------------|----|
| NOTICE                           | 2  |
| DIRECTOR'S REPORT                | 6  |
| FORM "A"                         | 9  |
| REPORT ON CORPORATE GOVERNANCE   | 10 |
| MANAGEMENT DISCUSSION & ANALYSIS | 15 |
| AUDITOR'S REPORT                 | 16 |
| BALANCE SHEET                    | 19 |
| PROFIT & LOSS ACCOUNT            | 20 |
| SCHEDULES & NOTES ON ACCOUNTS    | 21 |
| CASH FLOW STATEMENT              | 28 |
| BALANCE SHEET ABSTRACT           | 29 |

## REGISTRAR & SHARE TRANSFER AGENTS

Integrated Enterprises (India) Limited,  
"Seema", 41/427, Rajaji Road,  
Ernakulam, Cochin – 682016, Kerala

**NOTICE**

**NOTICE** is hereby given that the 12<sup>th</sup> Annual General Meeting of **EASTERN TREADS LIMITED** will be held as under :-

Day : Friday  
 Date : 30<sup>th</sup> September, 2005  
 Time : 11.30 a.m  
 Place : Hotel Cochin Tower, Lissy Junction, Ernakulam, Cochin, Kerala

To transact the following business:

**A. ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2005 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.S.Ranganathan, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri.M.S.Sebastian, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint the auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

M/s.G.Joseph & Associates have expressed their unwillingness for re-appointment as statutory auditors of the Company. The Board of Directors at their meeting held on 26<sup>th</sup> August, 2005 decided to propose M/s.JVR & Associates, Chartered Accountants, 54, Giri Nagar, Kochi -682 020 as auditors of the Company.

**B. SPECIAL BUSINESS**

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

**“RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and all other applicable provisions if any, of The Companies Act,1956 read with Schedule XIII to the said Act and Article 18(a) of the Articles of Association of the Company, the consent and approval of the Company be and is hereby accorded for the appointment of Shri.M.E.Mohamed, Executive Director as Managing Director of the Company for a period of three years with effect from 26<sup>th</sup> August, 2005 on such terms and conditions including remuneration and minimum remuneration as set out in the draft agreement submitted in the meeting as recommended by the Remuneration Committee and approved by the Board as detailed in the Explanatory Statement to this Notice.

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to vary the remuneration and perquisites including the monetary value thereof to the extent the Board of Directors may consider appropriate, as may be permitted or authorized in accordance with any provisions under The Companies Act,1956.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take such steps as the Board may consider necessary or expedient to give effect to this resolution.”

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

**“RESOLVED THAT** consent of the Company be and is hereby accorded to the payment of fees to the Directors who are not in the whole-time employment of the Company for attending meetings of the Board of Directors and /or Committee(s) thereof, up to the limits prescribed under the proviso to Section 310(1) of The Companies Act,1956 or any statutory amendment thereto or re-enactment thereof and/or under any rules or regulations framed there under as may be determined by the Board of Directors from time to time.”



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

**"RESOLVED THAT** consent of The Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to dispose off the land and building of the Company situated at Oonnukal, Phase II factory at a price and upon the terms and subject to the conditions contained in the agreement.

**FURTHER RESOLVED THAT** Shri.Navas.M.Meeran, Director of the Company be and is hereby authorized to complete the sale with such modification(s), and to do all such acts, deeds, matters and things as may be deemed necessary and expedient in the interests of the Company."

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

Sd/-

Place : Cochin  
Date : 26.08.2005

**M.E.Mohamed**  
Managing Director

#### 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 Friday, 16<sup>th</sup> September, 2005 to Thursday, 22<sup>nd</sup> September, 2005 (both days inclusive)
3. The relevant explanatory statement pursuant to Section 173(2) of The Companies Act, 1956 in respect of the special business set out above is annexed hereto.
4. Information under Clause 49 of the listing agreement with the Stock Exchanges in respect of directors seeking re-appointment at the Annual General Meeting (Item Nos.2 and 3 of the Notice) is given after the explanatory statement in respect of special business.
5. All communications relating to shares or change of address of members may be communicated either to the Registered Office of the Company or to M/s.Integrated Enterprises (India) Limited, Company's Registrar and Share Transfer Agents.
6. 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.
7. Members are requested to bring their copies of the annual report to the meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:-****Item No.5**

The tenure of Shri.Navas.M.Meeran as Managing Director expired on 25<sup>th</sup> August, 2005. To strengthen the management structure to meet the Company's changing needs, the Board of Directors at their meeting held on 26<sup>th</sup> August, 2005 exercised their power in terms of Article 18(a) of the Articles of Association of the Company have unanimously passed a resolution appointing Shri.M.E.Mohamed, Executive Director as Managing Director of the Company for a period of three years as recommended by the Remuneration Committee subject to the approval of the members in General Meeting and on the following terms and conditions:-

1. Basic salary : Rs.15,000 (Rupees fifteen thousand only) per month
2. Housing : 20% of salary
3. Medical benefits :

Expenses actually incurred for self and family subject to a ceiling of one month's salary in a year. Un-availed medical benefits, if any, at the end of the year will be allowed to be carried forward.

4. Professional reading materials : Maximum to the extent of Rs.1000 per month
5. Telephone : Free telephone facility at the residence
6. Minimum remuneration :

In the event of loss or inadequacy of profit in any financial year, the Managing Director shall be paid remuneration by way of salary and perquisites as specified above, which is within the limits as per Schedule XIII.

Shri.M.E.Mohamed has done graduation in Civil Engineering, aged about 63 years joined the Company on 28.06.1997 after pursuing a long and successful career in Kerala State Housing Board where he functioned as Executive Engineer.

In terms of Articles of Association of the Company, Shri.M.E.Mohamed being a Managing Director will not be subject to retirement by rotation. the Directors therefore recommend and sought approval of the members at the Annual General Meeting for the appointment of Shri.M.E.Mohamed as Managing Director and to pay remuneration by passing the relevant resolution as mentioned at item No.5 of the Notice as an Ordinary Resolution.

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

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

**Item No.6**

In terms of the revised Clause 49 of the Listing Agreement with the Stock Exchanges, all fees/compensation to be paid to non-executive Directors are to be fixed by the Board and require the prior approval of the shareholders in general meeting. There are conflicting views as to whether this requirement applies to payment of sitting fees, which in terms of the proviso to Section 310(1) of The Companies Act, 1956, does not require such approval provided it is within the prescribed limits. However, out of abundant caution, approval of the shareholders is being sought for the payment of sitting fees to non-executive Directors of the Company.

At present, non-executive Directors are paid sitting fees of Rs.500 per meeting of the Board or Committee thereof and it has increased to Rs.1000 in terms of the resolution passed by the Board of Directors at their meeting held on 26.08.2005, while the maximum prescribed under the proviso to Section 310(1) of The Companies Act, 1956 is Rs.20,000.

The Board recommends the resolution for your approval.

All the Directors of the Company, who are non-executive Directors are deemed to be concerned or interested in the resolution set out at item.No.6 of the Notice since it relates to payment of sitting fees for Board/Committee meetings attended by them.

**Item No.07**

Section 293(1)(a) of The Companies Act, 1956 provides, inter-alia that the Board of Directors of a public company shall not, except with the consent of its shareholders in the General Meeting sell, lease or otherwise dispose off the whole, or substantially the whole of the undertaking of the company, or where the company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking.

The Company's land and building situated at Oonnukal, Phase II factory was leased out to Eastern Condiments Private Limited, a company under the same group in the year 2003 for functioning as tea blending unit with the approval of the Board and shareholders of the Company subsequently.

The Board of Directors at their meeting held on 26.08.2005 proposed to dispose off the said property on the best available terms subject to the approval of the Company in General Meeting in accordance with the provisions of Section 293(1)(a) of The Companies Act, 1956 since your Company is not planning to undertake any operational activities in future on the said property considering the least possible profitability.

The resolution has, accordingly been proposed for obtaining the consent of the shareholders of the Company. Hence, your Directors recommends to pass the Ordinary Resolution contained in item No.07 of the accompanying Notice.

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

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

|  |                                      |  |
|--|--------------------------------------|--|
| Name of Director                       | Shri. M.S.Ranganathan                | Shri. M.S.Sebastian  |
| Date of Birth                          | 15.06.1948                           | 26.05.1959   |
| Date of Appointment                    | 18.09.2003                           | 18.09.2003   |
| Qualifications                         | B.Com; CAIIB                         | B.Sc; B.Tech   |
| Expertise in specific functional area: | Specialisation in Finance & Accounts | Specialisation in Total Quality Management and Rubber Technology |

**Details of other Directorship :**

| Name of Directors Membership status | Name of the Company         | Position held | Committee type |
|-------------------------------------|-----------------------------|---------------|----------------|
| Shri. M.S.Ranganathan               | Eastern Mattresses (P) Ltd. | Director      | None           |
| Shri. M.S.Sebastian                 | Eastern Mattresses (P) Ltd. | Director      | None           |

By Order of the Board

For **EASTERN TREADS LIMITED**

Sd/-

Place : Cochin  
Date : 26.08.2005

M.E.MOHAMED  
Managing Director

**DIRECTORS' REPORT**

**To the Shareholders,**

Your Directors present their 12<sup>th</sup> Annual Report and the Audited Accounts of your Company for the year ended 31st March, 2005.

**FINANCIAL HIGHLIGHTS**

|   | For the year ended<br>31.03.2005<br>(Rs.in lacs) | For the year ended<br>31.03.2004<br>(Rs.in lacs) |
|---|--|--|
| Net Sales   | 834.67   | 632.62   |
| Other Income  | 135.64   | 126.63   |
| Total Expenditure                                   | 939.11   | 718.11   |
| Interest  | 12.63  | 27.47  |
| Gross Profit / Loss after interest and depreciation | 17.56  | 13.67  |
| Depreciation  | 29.53  | 29.96  |
| Profit / Loss before Tax                            | (11.97)  | (16.29)  |
| Provision for Taxation                              | Nil  | Nil  |
| Net Profit / Loss after Tax                         | (11.97)  | (16.29)  |
| Paid up Equity Share Capital                        | 512.25   | 512.25   |
| Reserves excluding Revaluation Reserves             | 20.00  | 20.00  |

**REVIEW OF OPERATIONS**

Your Company has been making efforts to improve its performance. The operative results indicate a positive and growth oriented trend. The net loss is reduced by 26.52 % from the last year figure. Your Company has implemented innovative marketing strategies and the results have started emerging. However, the erratic fluctuation in the prices of raw materials and non-availability of materials in time have retarded the speed in tapping market potential. We are hopeful that in the coming year the Company will improve its performance quite considerably.

**MARKET SCENARIO**

The tyre industry in general has been passing through a phase of instability due to erratic fluctuation in the prices of critical raw materials. Also prices of natural rubber went up in the international market. Owing to increasing trend in crude oil prices the other raw materials like carbon black, synthetic rubber, chemicals etc; were also in the upward trend. But the whole impact of raw material cost could not be fully passed on to retreader as frequent price revision created inconsistency in the market. As VAT is implemented in many States, the small players in the market started exiting and your Company has an edge as we are in the corporate segment. Your Company plan to exploit potential in the export market also. Your Company has achieved the ISO 9001-2000 Certification from American Quality Assessors (AQA). This helps in providing quality products consistently and hence acceptability in the market.



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

The information as 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 set out in Annexure "A" attached hereto and forming part of this report.

## **PERSONNEL AND INDUSTRIAL RELATIONS**

Your Company's manpower is fully motivated and productivity per employee has increased significantly. The Company has been giving regular training for up-gradation of skills of the employees. There is no industrial unrest in the Company indicating that the industrial relation is cordial.

## **PARTICULARS OF EMPLOYEES**

As there are no employees who are drawing the specified remuneration, particulars of employees under Section 217 (2A) of The Companies Act, 1956 read with The Companies (Particulars of Employees) Rules 1975 are not given.

## **RESPONSIBILITY STATEMENT OF DIRECTORS**

Pursuant to the requirement under Section 217 (2AA) of The Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2005 the applicable Accounting Standards have been followed and there are no material departures;
- (ii) That 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 loss of the Company for the year under review;
- (iii) That they have taken proper and sufficient care for the maintenance of adequate accounting records in safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That they have got prepared the annual accounts on a going concern basis.

## **REPORT ON CORPORATE GOVERNANCE**

Your Directors affirm their commitments to the Corporate Governance Standards prescribed by the Securities and Exchange Board of India (SEBI).

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance along with certificate of compliance from the auditors is given in Annexure "B" forming part of this report.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Report on Management Discussion and Analysis is given in Annexure "C" forming part of this report.

## **DIRECTORS**

In accordance with the provisions of The Companies Act, 1956 and the Articles of Association of the Company, Shri.M.S.Ranganathan and Shri.M.S.Sebastian, Directors retire from office by rotation and are eligible for re-appointment. Necessary resolutions in this behalf will be proposed for the consideration of the members at the Annual General Meeting.

## AUDITORS

M/s.G.Joseph & Associates, Chartered Accountants, auditors of the Company will retire at the forthcoming Annual General Meeting of the Company. Since M/s.G.Joseph & Associates has informed the Company about their unwillingness for the re-appointment, the Board of Directors at their meeting held on 26<sup>th</sup> August, 2005 have decided to propose M/s.JVR & Associates, Chartered Accountants for appointing as statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company. The said proposal is given in the notice for the consideration of the members of the company.

## FIXED DEPOSITS

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

## ACKNOWLEDGEMENT

Your Directors express their grateful thanks to Shareholders, Canara Bank, Kerala State Industrial Development Corporation, Registrar and Share Transfer Agents, Customers, Suppliers and the concerned departments of the State and Central Government for their continued support, co-operation and guidance. Your Directors also wish to place on record their recognition of the efforts made by the employees at all levels.

For and on behalf of the Board

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Sd/-

**M. E. MEERAN**

Chairman

Date : 26.08.2005

Place : Cochin