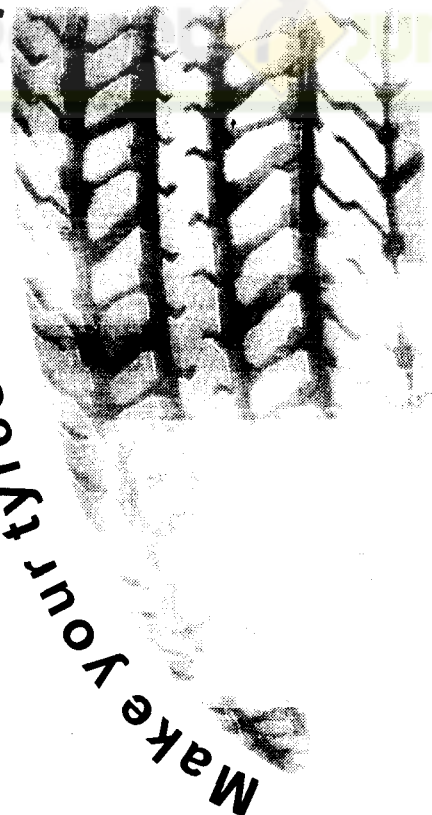




EASTERN TREADS LIMITED

13th

Make your tyres roll forever



**Annual
Report
2005-06**

Eastern Treads Limited

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

71, Lajpat Nagar,
New Bustand
LUDHIANA - 141002 -
Phone : 01613946187

6,7, Jayanarayan Estate
Opp. Bagavan Park, IPCL Road, Ranoli
BARODA - 391350
Phone : 09376217179

127/4, Ground Floor Disheshwarnath Road,
PS qaisar Bagh.
LUCKNOW.
Phone : 05223113373

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

6. 155A, Groud Floor.
Saswad Road, Near Overbridge,
Phursungi.P.O, Pune District,
PUNE, Maharashtra - 412308
Phone : 09370093131



EASTERN TREADS LIMITED

BOARD OF DIRECTORS

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

REGISTERED & CORPORATE OFFICE

Mather Square, 4th Floor,
North Railway Station Road, Ernakulam,
Cochin – 682018

FACTORY

Oonnukal, Kothamangalam,
Ernakulam District

BANKERS

Canara Bank

AUDITORS

JVR & Associates
Chartered Accountants
Girinagar, Cochin - 682 020

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REGISTRAR & SHARE TRANSFER AGENTS

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

Notice

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of **EASTERN TREADS LIMITED** will be held on **Thursday, 28th September, 2006 at 11.30 a.m at Hotel Cochin Tower, Lissy Junction, Ernakulam, Cochin-682018** to transact the following business :-

Ordinary Business :-

1. To consider and adopt the audited Balance Sheet as at 31st March, 2006, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr..Navas.M.Meeran, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr..Naiju Joseph, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :-

"RESOLVED THAT M/s.JVR & Associates, Chartered Accountants, 54, Giri Nagar, Cochin - 682020 be and are hereby appointed as 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 on such remuneration as shall be fixed by the Board of Directors."

Report

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

Sd/-

M.E.Mohamed
Managing Director

Place : Cochin
Date : 19.08.2006

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself and the proxy need not be a member of the Company. The enclosed proxy form, if intended to be used, should reach the registered office of the Company duly completed not less than forty eight hours before the scheduled time of the meeting.
2. The Register of Members and Share Transfer Books shall remain closed from **Saturday, 16th September, 2006 to Friday, 22nd September, 2006** (both days inclusive).
3. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
4. All communications relating to shares or change of address of the 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.

Eastern Treads Limited

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5. Members intending to require information about accounts to be explained at the meeting are requested to write to the Company at-least seven days in advance of the AGM.

6. *In terms of Clause 49 of the Listing Agreement with Stock Exchanges, brief particulars pertaining to the Directors who are proposed to be re-appointed at this meeting :-*

(a) Mr.Navas.M.Meeran, aged 38 is a Director of the Company with effect from 26.08.1997. He hails from a respectable business family in Adimali renowned for manufacturing and exporting of spices and curry powder . Presently he is the Vice-Chairman of Eastern Group of Companies and Chairman of Confederation of Indian Industry (CII), Kerala. He is a Post Graduate in Business Management and is having immense practical experience in tyre re-treading industry. He is the recipient of Kamal Patra award for being an outstanding entrepreneur.

(b) Mr.Naiju Joseph aged 41 is a Director of the Company with effect from 01.09.1998. He hails from a business family of Vazhakulam engaged primarily in tyre re-treading industry. He is a graduate in Economics. He is acting as the member of the Audit Committee, Shareholders / Investors Grievance Committee and Remuneration Committee of the Company.

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

Sd/-

**M.E.Mohamed
Managin g Director**

Place : Cochin

Date : 19.08.2006

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DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting the Annual Report along with the Audited Statements of Account of your Company for the financial year ended 31st March,2006.

FINANCIAL PERFORMANCE

	For the year ended 31.03.2006 (Rs.in lacs)	For the year ended 31.03.2005 (Rs.in lacs)
Net Sales	1387.84	834.67
Other Income	109.88	135.64
Total Expenditure	1448.38	939.11
Gross Profit (Profit before Interest and Depreciation)	49.34	30.65
Interest	11.36	12.63
Depreciation	30.74	29.53
Profit / Loss before tax	7.24	(11.51)
Provision for taxation	Nil	Nil
Net Profit / Loss after tax	7.24	(11.51)
Paid up Equity Share Capital	512.25	512.25
Reserves excluding Revaluation Reserves	20.00	20.00

OPERATIONS

We are glad to inform you that your Company has reached to the stage of net profit this year after continuous loss in the previous years. Sales from operations during the financial year ended 31st March 2006 amounted to an all time high of Rs.1387.84 lacs as against Rs.834.67 lacs during the previous year, recording a growth of 66.27 %. Operating profit before interest and depreciation amounted to Rs.49.34 lacs against Rs.30.65 lacs during the previous year, registering an increase of 61 %. The strong performance of your Company is a combination of high growth in sales along with enhanced operations management, better working capital management, aggressive marketing and overall cost reduction measures adopted by the Company. Your Company is making all out efforts to increase the yield and to reduce production cost. The coming year and the years beyond promise to be extremely exciting and your organization thrives on challenges.

RAW MATERIALS

In the year under review, the critical raw material prices continued their upward march with highest record. The unabated increase in prices continued throughout the year. The uninterrupted supplies is an important factor for the coming year.

MARKETING STRATEGY

Over the years, Tread Rubber Industry is facing intense competition especially from small scale manufacturers. However, your Company with its wide network of branches spread over the length and breadth of the country has been able to establish its presence. It is worth noting that, barring unforeseen circumstances your Directors are confident that the Company will do much well in the current year. The turnover of your Company has increased by 66.27 % compared to the previous year and the turnover in the current year is expected to cross Rs.20 crores. Right now your Company is having six branches all over India and we are planning to open new branches and also appoint super distributors/stockist. To utilize 100% factory's additional manufacturing capacity we have started participating in Road Transport Corporation tenders. The introduction of K4 intermix have huge capacity for compound mixing. We are planning to grab semi finished goods market or collect job work order. We have already introduced 17 new patterns to our customers. To attract branded franchisees we have introduced premium and super premium grades.

DIVIDEND

In view of lack of distributable profits, your Directors are unable to recommend any dividend for the period ending 31st March, 2006.

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 the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are given in **Annexure "A"** to this report.

CORPORATE GOVERNANCE

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

Mr.Navas.M.Meeran and Mr.Naiju Joseph will retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

AUDITORS

M/s.JVR & Associates, Chartered Accountants, Statutory Auditors will retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

FIXED DEPOSITS

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

Eastern Treads Limited

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DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217 (2AA) of the Companies Act, 1956, your Directors state that :-

- (i) in preparation of the annual accounts for the year ended 31st March, 2006 the applicable Accounting Standards have been followed and there has been no material departure ;
- (ii) the selected accounting policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit of the company for the year under review ;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the annual accounts have been prepared on a "going concern" basis.

PARTICULARS OF EMPLOYEES

None of the employees of the Company is coming under the purview of Section 217 (2A) of the Companies Act, 1956.

HUMAN RESOURCE

The industrial relations remained peaceful throughout the year with no work interruptions of any kind. The Company introduced new employee friendly policies and customised the existing policies in line with the Company's commitment for motivated and energized employees in order to realize the vision of Eastern Treads to create a great place to work.

REPLY TO AUDITOR'S OBSERVATION

Referring to Para 7.15 of the Auditor's Report, it is confirmed that the Company has since paid the provident fund dues which were accidentally omitted to be paid and there is no arrears as on date.

ACKNOWLEDGEMENT

Your Directors wish to place on record their deep appreciation of the valuable support extended by the Banks, Financial Institutions, Customers and Suppliers. They also acknowledge and appreciate the devoted services rendered by the employees at all level. Your Directors also record their thanks to the shareholders for their continued support and confidence reposed in the Management.

Place : Cochin

Date : 19th August, 2006

For and on behalf of the Board of Directors

Sd/-
M.E.Mohamed
Managing Director

ANNEXURE "A" 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 and forming part of the Directors' Report.

(A) CONSERVATION OF ENERGY

During the year energy conservation measures were continued. To overcome the impact of rising energy costs, the Company has undertaken many energy efficient measures like installing APFC panel.

FORM "A"

Form for disclosure of particulars with respect to conservation of energy

	Current year ended 31.03.2006	Previous year ended 31.03.2005
I. Power and fuel consumption		
1. Electricity		
(a) Purchased Units	10,32,504	9,51,055
Total amount	Rs.44,60,197	Rs.39,72,846
Rate/Unit (Average)	Rs.4.31	Rs.4.17
(b) Own Generation		
(i) Through diesel generation	90,900	1,20,523
Unit per ltr of diesel oil	5.00	5.00
Cost per Unit	Rs.6.70	Rs.5.30
(ii) Through Steam Turbine/Generator	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil quantity in (k.ltrs)	Nil	27,600
Total amount	Nil	Rs.4,14,000
Average Rate	Nil	Rs 15.00
4. Other/internal generation	Nil	Nil
2. Consumption per unit of production		
	Current year ended 31.03.2006	Previous year ended 31.03.2005
Product (with details in units)		
Precured Tread	46.56 MT	101.50 MT
Bonding Gum	Nil	Nil
Black Vulcanising Solution	53.36 KL	74.39 KL
Master Batch Compound	151.03 MT	82.30 MT
Job work done	4609.81 MT	3010.32 MT
Electricity	11,23,404	10,71,578
Furnace Oil	Nil	27,600
Coal	Nil	Nil

(B) Technology Absorption

During the year under review there was no major technology absorption undertaken by the Company.

(C) Foreign Exchange Earnings & Outgo

There is no foreign exchange earnings on account of export of goods during the year under report. There is outgo of foreign exchange on account of import of Synthetic Rubber.

CIF value of raw material imported - Rs.36,67,824

Annexure "B" to the Directors' Report**REPORT ON CORPORATE GOVERNANCE**

(pursuant to Clause 49 of the Listing Agreement)

The Board of Directors are pleased to present the report on the compliance of Corporate Governance for the financial year ending 31st March, 2006.

(1) Company's philosophy on code of Corporate Governance

As an ISO 9001 – 2000 Company engaged in the business of manufacture and sale of diverse range of tyre re-treading materials, the Company envisages the assurance of product quality, transparency, accountability and integrity in its operations and in its relation with all shareholders, customers, investors, employees, Government and other business associates. The Audit, Share Transfer and Grievance Committees regularly meet to consider aspects relevant to each Committee. It is ensured that the Share Transfer Agents promptly attend to all shareholders' grievance. There are comprehensive management reporting and internal control systems on all aspects of operation and they are reviewed by the Board of Directors periodically.

(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

Mr.M.E.Meeran

Managing Director

Mr.M.E.Mohamed

Non-Executive and Independent Directors

Mr.Navas M.Meeran

Mr.M.S.Ranganathan

Mr.M.S.Sebastian

Mr.Naiju Joseph

Mr.K.S.Neelacanta Iyer

Mr.K.V.Rajagopalan Nair (Nominee of KSIDC)

Number of Board meetings held and the date on which held:

Five Board meetings were held during the year. The dates on which the meetings were held are as follows:

27th April, 200528th July, 200526th August, 200528th October, 200530th January, 2006

The maximum time gap between two meetings was not more than three calendar months.