



Eastern Treads Limited

14th

Annual Report 2006-07

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Make your tyres roll for ever...

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
Saroj Street, Ramnagar
COIMBATORE-9
Tel : 09363108658

71, Lajpat Nagar
New Bustand
LUDHIANA-141 002
Tel : 01615041107

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

127/4, Ground Floor
Bisheshwarnath Road, PS Qaisar Bagh
LUCKNOW
Tel : 09335913372

B1, Indira Complex
Shop No. 6
Harshdeep Tower, Navlakha
INDORE
Tel : 09302106904

155 A, Ground Floor
Saswad Road, Near Overbridge
Phursungi P.O., Pune District
PUNE, Maharashtra-412 308
Tel : 09370093131

Eastern Treads Limited



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-682 018

FACTORY

Oonnukal, Kothamangalam
Ernakulam District

BANKERS

Canara Bank

AUDITORS

JVR & Associates, Chartered Accountants
39/3639, Valanjambalam Lane
South of South Overbridge, Kochi-16

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REGISTRAR & SHARE TRANSFER AGENTS

Integrated Enterprises (India) Limited
"Seema," 41,427, Rajaji Road, Ernakulam, Kochi-18

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NOTICE

Notice is hereby given that the 14th Annual General Meeting of the members of Eastern Treads Ltd will be held on Wednesday, 26th September 2007 at 11.30 AM 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, 2007, 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.M.E.Mohamed, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.K.S.Neelacanta Iyer, 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, 39/3639, Valanjambalam Lane, South of South Overbridge, Kochi-16 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."

By order of the Board
For EASTERN TREADS LIMITED

Sd/-

M.E. MOHAMED
Managing Director

Place : Kochi-18

Date : 16.08.2007

NOTES

- 1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote 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, 15th September 2007 to Friday, 21st September 2007 (both days inclusive).
- 3) Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.

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- 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.
- 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 Annual General Meeting.
- 6) Details of Directors retiring by rotation and seeking re-appointment in pursuance of Clause.49 of the Listing Agreement:-

Name of Director	Mr.M.E.Mohamed	Mr.K.S.Neelacanta Iyer
Date of Birth	21.09.1942	12.03.1947
Date of Appointment	26.08.2005	27.07.2000
Qualifications	B.Sc.Engg (Civil)	Graduate in Commerce. Fellow Member of The Institute of Chartered Accountants of India (ICAI)
Expertise in specific functional area	Planning and implementation of various projects.	Practicing 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. Freenaz Properties Pvt Ltd. 3. Eastern Mattresses Pvt Ltd. 4. Adimali Industries Ltd	1. Core Power System Ltd
Details of other Committee and Membership status	Acting as a member of the Audit Committee of the Company	Acting as a member of Audit Committee, Share holders/ Investor Grievance Committee and Remuneration Committee of the Company.

By order of the Board
For EASTERN TREADS LIMITED

Sd/-

M.E. MOHAMED
Managing Director

Place : Kochi-18
Date : 16.08.2007

Eastern Treads Limited

DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting the 14th Annual Report together with the Audited Statements of Account for the year ended 31st March, 2007.

FINANCIAL PERFORMANCE

	For the year ended 31.03.2007 (Rs. in lacs)	For the year ended 31.03.2006 (Rs.in lacs)
Net Sales	2303.83	1387.84
Other Income	106.76	109.88
Total Expenditure	2332.44	1448.38
Gross Profit (Profit before Interest & Depreciation)	88.56	49.34
Interest	11.62	11.36
Depreciation	34.22	30.74
Profit/Loss before tax	42.72	7.24
Provision for taxation	Nil	Nil
Net Profit/Loss after tax	42.72	7.24
Paid up Equity Share Capital	512.97	512.25
Reserves excluding Revaluation Reserves	20.00	20.00

CURRENT SCENARIO

There is an increasing trend in the scope for re-treading industry. Export market is steadily growing. In Gulf region there is a growth of organized re-treaders leading to demand for tread rubber. Also the general global demand is indicated to improve.

Domestically, the road transport industry is developing very fast and with infrastructure development like express highways, the demand for tyre servicing will increase.

Due to good monsoon, agricultural production will increase and that will provide scope for re-treading of tractor tyres.

After the introduction of VAT and rigid implementation of tax regulations, many of the players in the unorganized sector have started vanishing and we being a corporate entity in the organized sector will have an edge.

However, we are also subjected to the erratic price fluctuation of critical raw materials which we intend to mitigate by proper and planned procurement.

OPERATIONS

During the financial year ended 31st March, 2007, sales from operations recorded Rs.2303.83 lacs as against Rs.1387.84 lacs during the previous year registering a growth of 66%. Operating profit, before interest and depreciation, amounted to Rs.88.56 lacs as against 49.34 during the previous year. Net profit after providing for interest and

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depreciation amounted to Rs.42.72 lacs as against Rs.7.24 lacs during the previous year recording a growth of 71%. Your company has achieved remarkable growth in its operations supported by a motivated management team, aggressive marketing initiatives, better operating and financial efficiencies.

DIVIDEND

Your Directors do not recommend any dividend for the period ending 31st March,2007 in view of lack of distributable profits pursuant to the provisions of the Companies Act,1956.

RAW MATERIALS

The year under review witnessed a steep hike of raw material price which include Natural Rubber, Synthetic Rubber and Carbon Black and the price of Natural Rubber touched an all-time peak during the period.

MARKETING STRATEGY

We have already started exporting in a humble way and have definite action plan to exploit the export market in a phased manner.

We have evolved a strategic policy of meeting market requirements by designing different compound to cater to the need of individual customers. We have also strengthened our field staff by inducting additional qualified and experienced man power.

We have strengthened our research and development area to ensure consistency in quality of our product.

FIXED DEPOSITS

Your company has not accepted any public deposits to which the provisions of Section 58A of the Companies Act,1956 are applicable and, as such, no amount on account of principal or interest in public deposits was outstanding on the date of the Balance Sheet.

AUDITORS

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

AUDITOR'S REPORT

The comments on the statements of account referred in the report of the Auditors are self explanatory.

BOARD OF DIRECTORS

In accordance with the provisions of the Companies Act,1956 and the Articles of Association of the company, Mr.M.E.Mohamed and Mr.K.S.Neelacanta Iyer, Directors will retire from office by rotation at the forthcoming Annual General Meeting. They are eligible for re-appointment and offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Sub-Section 2AA of Section 217 of the Companies Act,1956 your Directors confirms that :-

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Annexure "B" to the Directors' Report REPORT ON CORPORATE GOVERNANCE (Pursuant to Clause 49 of the Listing Agreement)

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 stakeholders, including shareholders, employees, the government and lenders.

2) Board of Directors

The Board of Directors consists of 8 Directors. Composition and category of Directors is as follows :-

Category:	Name of Directors:
Promoter / Chairman	Mr. M.E. Meeran
Managing Director / Executive Director	Mr. M.E. Mohamed
Non-Executive and Promoter Director	Mr. Navas M. Meeran
Non-Executive and Independent Directors	Mr. M.S. Sebastian
	Mr. M.S. Ranganathan
	Mr. Naiju Joseph
	Mr. K.S. Neelacanta Iyer
	Mr. 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 of Committee of each Director in various companies:-

Name of the Director	Attendance Particulars		No. of other Directorships and Committee member / Chairmanship		
	Board Meetings	Last AGM	Other Directorship including	Other Committee Membership	Other Committee Chairmanship Pvt.Ltd. Cos.
Mr. M.E. Meeran	1	No	4	None	None
Mr.M.E.Mohamed	4	Yes	2	1	None
Mr.Navas M.Meeran	1	Yes	5	None	None
Mr.M.S.Sebastian	4	No	1	None	None
Mr.M.S.Ranganathan	5	Yes	1	3	None
Mr.Naiju Joseph	3	Yes	1	3	None
Mr.K.S.Neelacanta Iyer	4	Yes	1	3	None
Mr.K.V.Rajagopalan Nair (Nominee of KSIDC)	5	No	Nil	None	None

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

Five Board meetings were held during the year. The maximum time gap between any such two meetings was not more than 3 calendar months.

The details of the Board meetings are as under:-

Sl.No.	Date	Board Strength	No.of Directors present
1.	28 th April, 2006	8	5
2.	28 th July, 2006	8	5
3.	19 th August, 2006	8	6
4.	28 th October, 2006	8	5
5.	30 th January, 2006	8	6

3) Audit Committee

Audit Committee consists of Non-Executive Directors viz; Mr.M.S.Ranganathan, Mr.Naiju Joseph and Mr.K.S.Neelacanta Iyer, Chartered Accountant and Mr.M.E.Mohamed, Managing Director. The constitution of Audit Committee also meets with the requirements under Section 292 A of the Companies Act, 1956. The composition, role, functions and powers of the Audit Committee are in line with the requirements of applicable laws and regulations. The Audit Committee shall oversee financial reporting process and disclosures, review annual financial statements, review related party transactions, review financial and risk management policies, oversee compliance with Stock Exchanges and legal requirements concerning financial statements, review auditors qualifications (draft), compliance with Accounting Standards, fixation of audit fee and also approval for the payment of any other services etc.

During the year the Committee has met four times as against the minimum requirements of three meetings.

Attendance of each Member at the Committee meetings were as follows:-

Sl.No.	Name of the Member	Status	Number of meetings attended
1.	Mr. M.S.Ranganathan	Independent Director	4
2.	Mr. Naiju Joseph	Independent Director	3
3.	Mr. K.S.Neelacanta Iyer	Independent Director	4
4.	Mr. M.E.Mohamed	Managing Director	3

i) Risk Management

The Company has laid down procedures to inform the Board members about the risk assessment and minimization procedures. The designated officials submit quarterly reports which is reviewed periodically by the Management Committee to ensure effective risk management.

4) Remuneration Committee

Remuneration Committee consists of Non-Executive independent Directors viz; Mr.M.S.Ranganathan, Mr.K.S.Neelacanta Iyer and Mr.Naiju Joseph. The Remuneration Committee has been constituted to recommend / review the remuneration