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EASTERN TREADS LIMITED

Regd.Office : No C/IV/I, 4th Floor, Mather Square, Opp.North Railway Station, Ernakulam, Kochi 682 018

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of Eastern Treads Limited will be held at Hotel Cochin Tower, Lissy Junction, Ernakulam, Cochin – 682018 on Thursday, 24th September, 2009 at 10.30 AM to transact the following business:

Ordinary Business :-

- (1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and Auditor's 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 fix their remuneration, the retiring Auditors M/s.JVR & Associates, Chartered Accountants, Kochi -16 are eligible for re-appointment.

By Order of the Board

Kochi 682 018
29.07.09Sd.
Baiju. T
Company Secretary

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 and such proxy need not be a member of the Company. The Proxy Form, to be effective shall be deposited at the Registered Office of the Company 48 hours prior to the time fixed for the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 17th September, 2009 to Thursday, 24th September, 2009 (both days inclusive).
3. Members/Proxies are requested to bring their copy of the Annual Report for reference and discussion. The attendance slip duly filled and signed by the member or proxy should be deposited at the venue of the Meeting.
4. Members intending to seek explanation/ clarification at the meeting about the information contained in Annual Report, are requested to inform the Company at least 7 days in advance of their intention to do so, so that the relevant information may be made available if the chairman permits such information to be furnished.

By Order of the Board

Kochi 682 018
29.07.09Sd.
Baiju. T
Company Secretary

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

Name of Director	Mr. Navas M. Meeran	Mr. Naiju Joseph
Date of Birth	23-07-1969	26-05-1966
Date of appointment	26-08-1997	01-09-1998
Qualifications	MBA	Graduate in Economics
Expertise in specific functional area	He is a Post Graduate in Business Management and Graduated from M.G.University. He is the recipient of 'Kamal Patra' award from the Indian Junior Chamber for being an outstanding young entrepreneur of the year in 1994. He hails from a respectable business family in Adimali renowned for manufacturing and exporting of spices and curry powder. He has been involved in the business of spices for the last 20 years and having immense practical experience in tyre re-treading industry. Presently he is the Vice-Chairman of Eastern Group of Companies and was Chairman of Confederation of Indian Industry (CII), Kerala Chapter.	He hails from a business family of Vazhakulam engaged primarily in tyre re-treading industry.
Details of other Directorship	<ol style="list-style-type: none"> 1. Eastern Condiments (P) Limited 2. Eastern Mattresses (P) Limited 3. Eastern Food Speciality Formulations (P) Ltd 4. Eastern Retreads (P) Limited 5. Adimali Industries Limited 6. Shehab Properties (P) Limited 7. Reenaz Properties (P) Limited 8. BAMS Condiments Impex (P) Ltd 9. Kerala State Industrial Development Corporation Ltd 10. Cochin Chamber of Commerce and Industry 	Eastern Retreads (P) Limited
Membership/ Chairmanship of committees of other public companies	Nil	Nil
Number of shares held in the Company	620800 Equity Shares of Rs. 10 Each and 600000 0% Preference Shares of Rs. 100 each	3000 Equity Shares of Rs. 10 Each

None of the aforesaid Directors is related to each other. Mr. Naiju Joseph is not related to any other Director on the Board and to the promoters of the Company. Mr. Navas M. Meeran, Promoter and Director is related to Mr. M.E. Meeran and Mr. M.E. Mohamed, Directors of the Company.

DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting the 16th Annual Report along with the audited statements of account of your Company for the financial year ended 31st March, 2009.

FINANCIAL RESULTS

The performance of your Company, in the midst of competitive environment and current global slowdown and recession, has been satisfactory. The following table shows the operational results of the Company during the current year as compared to that of the previous year.

	(Rs.in lakhs)	
	Year ended 31.03.2009	Year ended 31.03.2008
Net Sales	3874.08	3049.77
Other Income	192.06	156.22
Total Income	4066.14	3205.99
Total Expenditure	3922.06	3083.41
Profit before Interest, Depreciation and Tax	144.08	122.58
Interest	28.38	19.60
Depreciation	40.65	34.14
Profit/Loss before tax	75.05	68.84
Provision for taxation	0.00	0.00
Net Profit/Loss after tax	75.05	68.84
Paid up Equity Share Capital	512.99	512.99
Paid up Preference Share Capital	1000.00	0.00
Reserves excluding Revaluation Reserves	20.00	20.00

FINANCIAL HIGHLIGHTS

During financial year sales from operations amounted to Rs.3874.08 lakhs as against Rs. 3049.77 lakhs during the previous year, recorded a growth of 27.01%.

Operating profit before interest and depreciation amounted to Rs. 144.08 lakhs as against Rs. 122.58 lakhs during the previous year, recorded a growth of 17.59%. Net profit after providing for interest and depreciation amounted to Rs. 75.05 lakhs as against Rs. 68.84 lakhs during the previous year registering an increase of 9.02%.

Your Company has achieved all time high profit and robust growth in its operations supported by a motivated management team, aggressive marketing initiatives, better working capital management and overall cost reduction measures adopted by the Company. The cost management and production efficiencies helped in maintaining a good profitable track record despite the global slowdown and economic crisis and the increase in input costs.

CURRENT SCENARIO

The global slowdown and recession has had its impact on the economy in general, and automobile industry in specific, the tyre demand too came under pressure. In the face of global slowdown the export market also has declined during this period. On the face of these demand-side pressures, the tyre industry saw production adjustments from all the major players in the last couple of months. The Government too tried to provide external stimulus by effecting 6% excise duty cut across industries. The raw material prices have also been decreased from September 2008 onwards.

Even though the tyre industry has come under pressure due to the economic slowdown the tyre retreading in India has gained greater acceptance in the commercial segment, especially truck/bus and light commercial vehicle (LCV) tyres, due to operational savings. Since the retreading cost is less compared to the replacement cost the fleet owners and agriculture vehicles also utilize the scope of retreading.

Tyre retreading in the commercial vehicle segment is poised for growth in the future. High quality products in retreading will give acceptance in commercial segment which will offer added financial benefits.

The Company produces a large range – more than Hundred and Sixty designs - of pre-cure retread material as well as the mould cure (die size and strip) tread rubber. Eastern brand of retreading products including tread rubber, procured tread rubber and other retreading materials are today sold both in India and in numerous overseas markets.

The practice of re-treading, which is gaining increasing acceptance, could pose a challenge to replacement demand in the medium term. The usage of radial tyres has caused the reduction in tyre retreading. Earlier the radial tyres were not re-treadable now casing strength helps us to do 1 to 2 retreading.

There is an increasing trend in the scope for retreading industry. There is a growth of organized re-treaders in Middle East region leading to demand for tread rubber. Domestically the road transport industry is developing very fast and with infrastructure development like express highways, the demand for tyre servicing will increase.

MARKETING STRATEGY

The price fluctuations in raw materials have caused heavy loss to tyre retreading industry. Nevertheless, your Company has survived the situation and retained all the potential customers by providing quality products and special discounts to dealers to boost their involvement and adapt to our cash and carry policy. The management has taken global recession as an opportunity to come up and thereby developed and implemented a master plan which gives better results.

Recently, the Company has acquired a marketing license of a patented technology known as Electro Retreading Mould which is cost effective and energy saving machinery for the retreading of tyres. This has been incubated by National Innovation Foundation.

RAW MATERIALS

Prices of the basic raw materials particularly natural rubber, carbon black and rubber chemicals increased in an unprecedented manner in the first half of the year. In the second half prices started coming down, this saved the industry to some extent. Prices of natural rubber are again touching high levels.

QUALITY

The Company has focused on quality and productivity. The Company has achieved quality certifications and accreditations to its credit which includes ISO 9001-2000.



DIVIDEND

In view of the inadequacy of profit, your Directors are not in a position to recommend any dividend.

PUBLIC SHAREHOLDING

At the Extraordinary General Meeting of the Company held on 05-02-2009 the Authorised Capital has been increased from Rupees Six Crores to Rupees Sixteen Crores by creation of Ten Lakhs Redeemable Preference Shares of Rupees Hundred each. The consent of the shareholders required pursuant to the provisions of Section 80 and 81 of the Companies Act, 1956 to raise additional capital by issue of Redeemable Preference Shares has also been obtained by way of special resolution at this Extraordinary General Meeting. At the Board Meeting held on 09-02-2009 the Board has allotted Ten Lakhs Redeemable Preference Shares of Rupees Hundred each to Mr. M.E. Meeran and Mr. Navas M. Meeran by conversion of their loan into Redeemable Preference Shares of the Company.

There are a few shareholders who have not yet paid their allotment money and your Directors would request to pay the same at the earliest and make the shares fully paid.

LISTING AND DEMATERIALISATION

As the members are aware, the Bombay Stock Exchange Ltd. has revoked the suspension in trading of equity shares of the Company with effect from Monday, 30th March, 2009. Now the shareholders can take the advantage of trading in the securities through the Stock Exchanges. The equity shares of the Company are presently listed on the Bombay Stock Exchange, Cochin Stock Exchange (security code ETD) and Madras Stock Exchange with scrip code 531346 and scrip id EASTRED.

Now the Company has extended the facility of dematerialisation of shares to its shareholders. The equity shares of the Company are available for demat with both the depositories in India - National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) with the ISIN : INE500D01015. Your Directors earnestly appeal to all of you to demat the shares and derive the benefits of holding the shares in electronic form.

FIXED DEPOSITS

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE INFLOW AND OUTFLOW

The Company has taken all possible efforts to conserve energy and absorb the latest technology. 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, regarding Conservation of Energy, Technology Absorption, Foreign Exchange Inflow and Outflow are given in Annexure "A" to this report.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance requirements, as stipulated under Clause 49 of the Listing Agreement. A separate section on Corporate Governance along with a certificate from the Auditors of the Company confirming the compliance is annexed as Annexure "B" and forms part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

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

AUDITORS

The Auditors M/s.JVR & Associates, Chartered Accountants, Kochi -16, were reappointed as the Auditor of the Company at the previous Annual General Meeting. They hold office until the conclusion of the ensuing Annual General Meeting. They are eligible and recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956.

BOARD OF DIRECTORS

Mr. Navas M. Meeran and Mr. Naiju Joseph retires by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors of your Company recommend their reappointment.

None of the Directors is disqualified under 274(1)(g) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures;
- (b) selected such accounting policies and applied them consistently and made judgments 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) 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) prepared the Annual Accounts on a going concern basis.

SECRETARIAL AUDIT

As directed by Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified periodicity by a practicing Company Secretary. The findings of the Secretarial Audit have been satisfactory.

PERSONNEL

None of the employees is in receipt of remuneration in excess of the limit as laid down under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

The Company's key strength is its human capital. The Company conducts programmes such as TQM for the workmen and technicians to enhance pride in being an employee of the Company and also to create team synergy. At the middle management level, the focus of the programme is to inculcate leadership qualities. The idea is to develop better

understanding and increase the support and co-operation for the employees from their families. The TQM encourages team work and teams come back fully motivated to face future challenges.

Your Company continues to take various initiatives for the development of its human resources and has maintained healthy and harmonious industrial relations at all locations. Your Company lays great emphasis on optimizing people performance through various processes. It begins with best practices in recruiting people and moves through learning and development, engagement, employee feedback and rewards and recognition.

ACKNOWLEDGEMENT

Your Directors wish to take this opportunity to place on record their gratitude and sincere appreciation for the timely and valuable assistance and support received from Bankers, Share Transfer Agents, Customers, Suppliers, regulatory authorities and for the valuable committed services of the executives and workers of the Company, without which it would not have been possible to achieve all round progress and growth of the Company. Your Directors are thankful to the shareholders for their continued patronage.

For and on behalf of the Board of Directors

Kochi 682 018
29.07.09

Sd.
M.E Meeran
Chairman

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

In pursuit of continual improvement towards energy conservation and compliance with environmental regulations, many initiatives have been taken in 2008-09.

Power and fuel consumption	Current Year	Previous Year
1. Electricity		
(a) Purchased		
Unit (Kwh)	14,98,982	16,02,059
Total Amount (Rs.)	Rs.71,68,957	Rs.64,76,547
Rate/Unit (Average)	Rs. 4.78	Rs.4.04
(b) Own generation		
(i) Through diesel generator		
Unit (Kwh)	95580	1,81,775
Unit per litre of Diesel Oil	3.75	4.75
Rate/Unit (Rs.)	Rs 9.07	Rs.7.08
(ii) Through steam turbine/generator	Nil	Nil
Unit	—	—
Unit per litre of fuel	—	—
Oil/Gas	—	—
Rate/Unit	—	—
2. Coal (Specify quality and where used)	Nil	Nil
Quantity (Tonnes)	—	—
Total Cost	—	—
Average Rate	—	—
3. Furnace Oil	Nil	Nil
Quantity (K. Ltrs.)	—	—
Total amount	—	—
Average Rate	—	—
4. Others/Internal generation	Nil	Nil
Quantity	—	—
Total Cost	—	—
Rate/ Unit	—	—

Consumption per unit of production

	Current Year	Previous Year
Products (with details) unit		
Pre-cured Tread (MT)	71.38	42.38
Bonding Gum (MT)	1.10	0.00
Black Vulcanizing Solution (MT)	11.40	26.25
Master Batch Compound (MT)	51.65	395.82
Job work done (MT)	6944.32	6824.25
Electricity (Kwh)	225.23	244.74
Furnace oil	NIL	NIL
Coal	NIL	NIL
Others (specify)	NIL	NIL

(B) TECHNOLOGY ABSORPTION

The Company has not undertaken any R & D activities worth mentioning in this report during the period.

(C) FOREIGN EXCHANGE EARNINGS & OUTGO

There has not been any Foreign Exchange inflow or outflow during the year under report.