

## COMPANY INFORMATION

### 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)
CS. Baiju.T	Company Secretary

### REGISTERED & CORPORATE OFFICE

3A, 3<sup>rd</sup> Floor, Eastern Corporate Office, 34/137 E,  
NH Bypass, Edappally, Kochi, Ernakulam-682 024, Kerala

### FACTORY

Oonnukal, Kothamangalam, Ernakulam

### BANKERS

The Federal Bank Limited

### AUDITORS

JVR & Associates, Chartered Accountants  
39/3639, Valanjambalam Lane, South of South Overbridge  
Kochi, Ernakulam 682016

### REGISTRAR & SHARE TRANSFER AGENTS

Integrated Enterprises (India) Limited,  
2<sup>nd</sup> Floor, 'Kences Towers' No.1,  
Ramakrishna Street,  
North Usman Road,  
T.Nagar, Chennai-600017

### INVESTOR CORRESPONDENCE

The Company Secretary  
Eastern Treads Limited  
3A, 3<sup>rd</sup> Floor, Eastern Corporate Office,  
34/137 E, NH Bypass,  
Edappally, Kochi,  
Ernakulam-682 024, Kerala

# EASTERN TREADS LTD.

## CONTENTS

Notice .....	2
Directors' Report .....	3
Form A .....	5
Report of Corporate Governance .....	10
Auditor's Certificate .....	11
Management Discussion & Analysis .....	19
Auditor's Report .....	20
Balance Sheet .....	23
Profit & Loss Account .....	27
Schedules & Notes of Accounts .....	28
Cash Flow Statements .....	29
Balance Sheet Abstract .....	42



Dear shareholder,

Warm greetings to you all.

It is my pleasure and privilege to communicate to you through this annual report. The last year was eventful on many fronts and it has been, in many ways, a very tough year. In line with the healthy growth of automobile industry and Indian economy in general the tyre retreading is also poised for big growth.

Even though the tyre retreading has gained greater acceptance in the commercial segment, we had witnessed series of challenges in business environment. The raw material prices have risen beyond expectations and supply was also detrimentally affected. During this tough economic environment, we focused our efforts to capitalise the opportunities opened by such challenges with better operational efficiencies, which enabled us to survive the situation.

I am happy to share with you that during the year your Company achieved its best ever performance in terms of sales and financial results. Our quality and production team could bring in many innovations on the quality and production system, which resulted in increase in sales by 36.59 % and profit after tax by 15.05 % over the previous year. Our Company is making constant efforts to determine the likely trends in consumer demand for tread in the future and launched new Diamond quality tyre retreads for better mileage on diverse road conditions, which will give us a competitive edge in the coming years.

The excellent performance what we have achieved this year is only because of our biggest resource and asset, our employees, who worked as a single team towards the objectives of the Company with dedication and sincerity. For aligning their career ambitions with our growth we took various HR initiatives which helps to strengthen their capacities and skills in the existing areas and also to equip them with adequate professional and technical knowledge and experiences. With this diverse and highly skilled team of professionals we ventured into new markets and continue our efforts to give better value to our customers.

Our facility to manufacture tyre retreading materials is in tune with the aggressive growth and future market expansion plans and we are equipped to retread almost every tyre size of all vehicles including passenger cars, light and heavy commercials and tractors, as well as OTR vehicles.

Besides quality certifications and accreditations like ISO 9001-2008, your Company has been awarded with FACT MKK Nair Memorial Award for the excellent performance on productivity in the field of tyre retreading materials.

The long term prospective of the Company, which depends on our ability to meet the customer aspirations and needs, seems to be bright. As a prelude to prepare your Company to assume a key position in this new decade, the business plan for the fiscal 2011-12 had been realigned which will help us to continue our passionate journey towards customer delight and loyalty.

Retreading saves substantial amount of fossil fuels and is the best practical environmental option for tyre recycling. In fact, out of various options for tyre recycling, retreading has the least environmental impact. It is extremely environmental friendly because of the saving in natural resources. So, even though the Tread is black, it is really green.

The Ministry of Corporate Affairs has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through the electronic mode. I request you to support this green initiative by registering /updating your e-mail addresses with the Company, Transfer Agent and Depository Participants.

Before I conclude, I wish to express my gratitude to our customers, business associates, employees, suppliers, bankers, shareholders and members of the Board for their continued confidence and support and look forward to strengthening such relationship in future.

Warm regards

M.E. Meeran  
Chairman



## **EASTERN TREADS LIMITED**

3A, 3<sup>rd</sup> Floor, Eastern Corporate Office, 34/137 E, NH Bypass, Edappally, Kochi, Ernakulam-682 024

### **NOTICE TO SHAREHOLDERS**

**NOTICE** is hereby given that the 18<sup>th</sup> Annual General Meeting of the members of Eastern Treads Limited will be held at Hotel Amruthaa International, St. Benedict Road, Ernakulam North, Kochi, Ernakulam- 682018 on Wednesday, 28<sup>th</sup> September, 2011 at 10.30 A.M 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 2011 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. M.S Ranganathan who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M.S Sebastian, 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.

#### **(B) Special Business**

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

"RESOLVED THAT pursuant to the provisions of sections 198, 267, 268, 269, 309, 310, 311, 316, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and Article 18 of the Articles of Association of the Company, Mr. M.E Mohamed, Managing Director be and is hereby re-appointed as the Managing Director of the Company for a period of Five years with effect from 26<sup>th</sup> August, 2011 on such terms and conditions including remuneration and minimum remuneration as set out in the agreement submitted in the meeting as recommended by the Remuneration Committee and approved by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised 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 authorised in accordance with any provisions under the Companies Act, 1956.

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

By Order of the Board  
For Eastern Treads Limited

Kochi  
11.08.2011

**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 before the commencement of the meeting.**
2. The required Explanatory Statement pursuant to Section 173(2) of the Companies Act in respect of the items under Special Business is annexed herewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 21<sup>st</sup> September, 2011 to Wednesday, 28<sup>th</sup> September, 2011 (both days inclusive).
4. Corporate members intending to send their authorised representative to attend the Meeting are requested to ensure that the authorised representative carries a certified copy of the Board Resolution, Power of Attorney or such other valid authorisations, authorising them to attend and vote on their behalf at the Meeting.
5. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting. Members who hold the shares in the dematerialised form are requested to bring their deposit account number (Client ID No.) for easier identification of attendance at the Meeting. Entry into the meeting hall will be strictly against the exchange of valid attendance slip at the counters at the venue.
6. Members have facility for dematerialising the shares of the Company with NSDL and CDSL. Any member desirous of dematerialising his holding may do so through any of the depository participants.
7. Members whose shareholding is in electronic mode are requested to approach their respective depository participants for effecting change of address.
8. Members may note that transferees of shares of the Company in physical form shall furnish copy of PAN Card to the Company/RTAs for registration of such transfer of shares.
9. Members are requested to address all correspondence, including change in their address, to the Company or to the Registrar and Share Transfer Agents M/s. Integrated Enterprises (India) Limited, 2<sup>nd</sup> Floor, Kences Towers, No:1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai-600017. E-mail: [sureshbabu@iepindia.com](mailto:sureshbabu@iepindia.com).
10. Members desirous of getting any information on the Annual Accounts, at the Annual General Meeting, are requested to write to the Company at least 10 days in advance, so as to enable the Company to keep the information ready.
11. Notice of this Annual General Meeting, Audited Financial Statements for 2010-11 along with Directors' Report and Auditors' Report are available on the website of the company [www.easterntreads.com](http://www.easterntreads.com)
12. A member or his/her proxy is requested to bring the annual report to the meeting as extra copies will not be distributed.
13. As per section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nomination are requested to send their request in form 2B (Which will be made available on request) to Company or registrar and share transfer agent. The said nomination form can also be down loaded from the Company's website [www.easterntreads.com](http://www.easterntreads.com)

14. No gifts will be distributed at the Annual General Meeting.
15. Details of Directors seeking re-appointment at the Annual General Meeting as required under Clause 49 of the Listing Agreement is as follows :-
  - a. Mr. M.S Ranganathan, B.Com; CAIIB aged 63 years, joined the Board of Directors of the Company on 18<sup>th</sup> September 2003. He has more than three decades of service in public sector banks in various capacities and specialised in Finance and Accounts. He is presently the Director of Eastern Mattresses Private Limited, Shehab Properties Private Limited and BAMS Condiments Impex Private Limited (Directorships held in other companies as per Sections 275 and 278 of the Companies Act, 1956). His Chairmanship/Membership in Committees of Directors in other Companies in terms of Clause 49 of the Listing Agreement is Nil. He holds Nil shares in the Company. His Director Identification No. is 00254692.
  - b. Mr. M.S Sebastian, B.Sc; B.Tech aged 52 years, joined the Board of Directors of the Company on 18<sup>th</sup> September 2003. Being a polymer technologist, he has more than 25 years of service in rubber field in various capacities. He has developed more than 40 different rubber compounds for Eastern to suit the requirement of the market. He has developed and implemented TQM practices in Eastern Group. He is the recipient of Excellence Award for the best application of Japanese Technology in India. He is presently the Director of Eastern Mattresses Private Limited (Directorships held in other companies as per Sections 275 and 278 of the Companies Act, 1956). His Chairmanship/Membership in Committees of Directors in other Companies in terms of Clause 49 of the Listing Agreement is Nil. He holds Nil shares in the Company. His Director Identification No. is 01557356.

None of the aforesaid Directors is related to each other.

### **Important Communication to the Members**

Ministry of Corporate Affairs, Government of India, has taken a "Green Initiative" by allowing paperless compliances by companies and has issued Circulars No. 17/2011 dated 21<sup>st</sup> April 2011 and No. 18/2011 dated 29<sup>th</sup> April 2011 stating that service of documents by a company can be made through electronic mode. This "Green Initiative" of the Government is commendable and will go a long way in protecting environment on sustainable basis.

Your Company accordingly supports this initiative of the Government and proposes to send the various documents in electronic form to your email address available with the Company and/or with the depositories. For achieving this objective, Members are requested provide your email address to the Company or update the same with your depositories to enable us to send the documents in electronic form.

## **Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956:-**

### **Item No.05**

Mr. M.E Mohamed, aged 69 years, Civil Engineer by profession, joined the Company on 28<sup>th</sup> June 1997 after pursuing a long and successful career in Kerala State Housing Board as Executive Engineer. He was appointed as Managing Director of the Company from August 2005. He was further reappointed as Managing Director for a period of three years with effect from 26<sup>th</sup> August 2008 and the present term is due to expire on 26<sup>th</sup> August, 2011.

Under his stewardship, the Company has scaled great heights and has expanded its operations significantly and the Company has embarked on several new initiatives. Bearing in mind the above, the Remuneration Committee and the Board consider it essential to continue to secure his leadership of the Company. Hence, to strengthen the management structure to meet the Company's changing needs, the Board of Directors at their meeting held on 11<sup>th</sup> August, 2011 exercised their power in terms of Article 18 of the Articles of Association of the Company and have unanimously passed a resolution re-appointing Mr. M.E Mohamed as Managing Director of the Company for a period of five 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 : ₹ 15000 (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 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 ₹ 1000 per month
5. Telephone : Free telephone facility at the residence

The Board also recommends that 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.

The agreement between the Company and Mr. M.E Mohamed is available at the Registered Office of the Company and is open for inspection by members during office hours.

Presently he is holding Directorship in Eastern Condiments Private Limited, Eastern Mattresses Private Limited, Adimali Industries Limited and Freenaz Properties Private Limited. His Chairmanship/Membership in Committees of Directors in other Companies is Nil. His Director Identification No. is 00129005. He holds 85900 shares in the Company.

The aforesaid may also be treated as an abstract under Section 302 of the Companies Act, 1956.

In terms of Article 18 of the Articles of Association of the Company, Mr. M.E Mohamed being a Managing Director will not be subject to retirement by rotation. The Directors recommend and sought approval of the members at the Annual General Meeting for the re-appointment of Mr. M.E Mohamed as Managing Director and to pay remuneration by passing the relevant resolution as mentioned as Item No.05 of the notice as an Ordinary Resolution.

Mr. M.E Mohamed, Mr. M.E Meeran, and Mr. Navas M. Meeran, are interested in the said resolution. Mr. M.E Mohamed is related to Mr. M.E Meeran and Mr. Navas M. Meeran who are the promoters of the Company.

## **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 31<sup>st</sup> March, 2011.

### **Financial Highlights**

The performance of your Company has been satisfactory. The following table shows the operational results of the Company for the year 2010-11 as compared to that of the previous year.

(₹ in lakhs)

	Year ended	
	31.03.2011	31.03.2010
Net Sales	6520.72	4773.97
Other Income	372.05	151.67
Total Income	6892.77	4925.64
Total Expenditure	6672.06	4754.01
Profit before Interest, Depreciation and Tax	220.71	171.63
Interest	38.45	13.79
Depreciation	54.36	46.66
Profit/Loss before tax	127.90	111.18
Provision for taxation	23.70	8.50
MAT Credit Entitlement	-23.71	-8.50
Net Profit/Loss after tax	127.91	111.18

### **Operations**

The turnover of the Company improved from ₹ 4773.97 Lakhs to ₹ 6520.72 Lakhs during financial year ended 31<sup>st</sup> March 2011, recorded a growth of 36.59 % over that of previous year.

Operating profit before Interest, Depreciation and Tax amounted to ₹ 220.71 Lakhs as against ₹ 171.63 Lakhs during the previous year, registering an increase of 28.60 %. Net profit amounted to ₹ 127.91 Lakhs as against ₹ 111.18 Lakhs during the previous year reflecting a growth of 15.05 %.

Your Company has taken several steps to reduce costs and increase operational efficiency, which resulted in all time high profit and robust growth in its operations. The cost and working capital management and production efficiencies helped in maintaining a good profitable track record. Your Company will continue its efforts to grow by aggressive marketing initiatives with the support of the motivated management team.

### **Dividend**

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

## Current Scenario

Tyre retreading in the commercial vehicle segment in India is poised for big growth. This growth will be fuelled by a number of factors such as prices of tyres, growth in vehicle population, increasing level of radialisation etc. Radialisation was a boon to the truck tyre retreading market.

The tyre retreading industries are passing through a very challenging period. Since this is highly raw material intensive, any change in the prices of raw materials affects the profitability. The increasing costs of raw materials, mainly natural and synthetic rubber, which constitutes approximately 70% of the input costs, put pressure on the finances of the Company. The prices of natural rubber almost doubled during the year. Since the tyre retreading industry is highly competitive and price sensitive, it is unable to pass on completely the abnormal increase in raw material costs to its customers which have impacted the profitability of the Company.

Despite a challenging environment, better operational efficiency combined with appropriate price revisions in tune with the ingredient prices, new vendor development and the introduction of new value added products in the market contributed to the profitability of the Company. Several measures have been undertaken to improve all round operations and cost efficiencies.

The tyre retreading in India has gained greater acceptance in the commercial segment, due to operational savings. Advancements in technology with high quality retreading products helped the retreads to become economically viable in every sense which gives acceptance in commercial segment.

Retreading costs is approximately 20% of a new tyre and is therefore gaining popularity. Due to this financial benefit compared to the replacement cost, the fleet owners, airlines, passenger car owners and agriculture vehicles demand to retreading.

Since the automobile industry and Indian economy in general is growing at a healthy pace, the tyre re-treading, a business with an illustrious past has an equally bright future. Hence, the long term prospective of your Company seems to be bright.

## Marketing Strategy

Retreading extends the economic life of tyres and reduces running cost. It makes financial sense and is an integral part of good tyre management. Globally the retreading industry has many markets, which offer great scope for the development of retreading. The Indian market itself offers biggest potential in the short to medium term.

Your Company is one of the leading producers of pre-cure retread material as well as the mould cure tread rubber in India. We promotes quality retreading products that can offer better value and more strength by producing reliable retreads that have good characteristics in mileage, heat dispersion and traction. Our range of retreading products with Eastern brand including tread rubber, procured tread rubber and other retreading materials are today sold both in India and in numerous overseas markets.

Over the years, the Company has developed a vast marketing network using dealers and depots and as such our products are now easily available in every corner of the country. Now we focus on promotional activities, to reach to the individual and fleet customers, through initiatives like fleet owners meet and by launching a new advertisement campaigns.



## **Raw Materials**

During the year, the raw material prices have risen beyond expectations and supply was also detrimentally affected due to climatic and other conditions. The tyre retreading industry is highly raw material intensive, with raw material accounting for about 70% of the cost of production. The rise in input cost affected the profitability to a large extent. Raw materials like Natural rubber, Synthetic Rubber and Carbon Black mainly accounted for this. Prices of the basic raw material continued its upward trend during the year and the rubber prices have nearly doubled in the past one year.

Your Company has managed the situation by developing reliable and efficient raw material supply sources of National and International level, through which the raw material procurement system is functioning effectively

## **Quality**

The Company is always keen on maintaining quality and productivity. Our products are tested at each stage to ensure the quality. The Company has achieved quality certifications and accreditations to its credit which includes FACT MKK Nair Memorial Productivity Award for excellent performance and our quality management system is certified for ISO 9001-2008. It's a moment of immense pleasure to note that Mr. M.E. Meeran, Chairman of our Company was the recipient of "Outstanding Entrepreneurship Award" for the leadership effort from Kerala State Industrial Development Corporation.

We are committed to understand the customer requirements and to develop the products accordingly. Our Products are meant, and expected to perform, under different and extreme road conditions, from village roads to newly constructed national highways, from extreme cold to hot and wet conditions prevailing in different geographical parts of the country.

Providing after sale services and technological assistance to the customers by committed professionals and experts is another initiative of the Company to provide quality services.

## **Public Shareholding**

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:**

The equity shares of the Company are listed on the Bombay Stock Exchange, Cochin Stock Exchange and Madras Stock Exchange. The facility for demating the shares are made available with both the depositories in India, NSDL and CDSL to give a choice to shareholders in selecting depository participant. Your Directors earnestly request you to convert your holdings to dematerialised form 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 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**

Your Company has been complying with the principles of good Corporate Governance over the years and is committed to the highest standards of compliance. 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**

M/s. JVR & Associates, Chartered Accountants, Kochi -16, were reappointed as the Auditors 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. M.S Ranganathan and Mr. M.S Sebastian retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their reappointment.

The present term of Mr. M.E. Mohamed, Managing Director is due to expire on 26<sup>th</sup> August, 2011. Under his stewardship, the Company has scaled great heights and has expanded its operations significantly and the Company has embarked on several new initiatives. Bearing in mind the above, the Remuneration Committee and the Board consider it essential to continue to secure his leadership of the Company and have decided to re-appoint him as Managing Director for a period of five years from 26.08.2011 with the existing remuneration, subject to the approval of the shareholders at the ensuing Annual General Meeting. Necessary resolution relating to his re-appointment is being placed before the shareholders for approval.

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