



EASTERN TREADS LIMITED
ANNUAL REPORT 2011 - 12

Steering the world towards
greener future.



*"Life isn't about finding yourself.
Life is about creating yourself"*

—— George Bernard Shaw



M.E. Meeran
1940-2011

VISION

To be the preferred provider of products and services of outstanding value, satisfying the basic needs of the mass market through the adoption of globally acceptable standards and continuous innovation

To be the preferred employer in the industries we are in, by providing a challenging work environment and adding value to our people through exposure and shared learning

To be the preferred business partner of all our stakeholders, by providing them with exemplary benefits and shared growth

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Navas M. Meeran	Chairman
Mr. M.E. Mohamed	Managing 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)
C. S. Baiju.T	Company Secretary

REGISTERED & CORPORATE OFFICE

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

FACTORY

Oonnukal, Kothamangalam, Ernakulam - 686693, Kerala

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,
2nd Floor, 'Kences Towers' No.1,
Ramakrishna Street,
North Usman Road,
T.Nagar, Chennai-600017

INVESTOR CORRESPONDENCE

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

EASTERN TREADS LTD.

CONTENTS

Notice	3
Directors' Report	6
Form A	12
Report of Corporate Governance	13
Auditor's Certificate	22
Management Discussion & Analysis	23
Auditor's Report	28
Balance Sheet	32
Profit & Loss Statement	33
Notes to Financial Statements	34
Cash Flow Statement	49
Auditor's Report	50



Dear Shareholder,

Warm greetings to you all.

It is my delight and privilege to address my first communication to you through this annual report after assuming the august office of the Chairman of our Company. At the outset I would like to express my heartfelt gratitude to my esteemed colleagues on the Board for having reposed the trust and confidence in me. I accept this honour with all my humility and assure you that it shall be my endeavour to further

improve our performance using the road map charted by my predecessor, our founder Chairman who had successfully steered the Company out of several compelling adversities.

The year 2011-12 was eventful on many fronts and it has been, in many ways, a very tough year. Even though the tyre retreading has gained greater acceptance, we had witnessed series of challenges in business environment like rising trend in input costs, higher interest and depreciation charges, unavailability of trained labour forces etc. Even though the price of natural rubber has gradually softened from its record peak level, all other raw materials continued its high rate, due to supply crunch.

Based on our past experience we realized that the growth curve may not be linear, but may have ups and downs, as exactly what happened last year. Even though our growth in revenue is remarkable, the surge in input cost made it difficult to sustain our profit margin, which resulted in a dip in our profit. The recent rise in excise duty will be a blow to the industry which has already been hit by surge in input cost.

During this tough economic environment, which presents a host of challenges, we focused our efforts to avoid such situations in coming years by ensuring our growth, without compromise and we have the confidence that in the longest term, our Company grow further by giving best value for our stakeholders through innovations and strong cost efficiency programmes.

Because of the environmental benefits offered by quality retreads with same performance and lower price, compared to new tyres, retreads is gaining more acceptability. Retreading which promotes a longer tyre lifecycle, prevents premature disposal, and saves energy and natural resources is the best practical environmental option for tyre recycling with least environmental impact.

Our biggest resource and asset, our employees, who worked as a single team towards the objectives of the Company with dedication, perseverance and sincerity helped us to operate profitably despite several adversities. We have always been fully committed to develop them to strengthen their capacities and skills in the existing areas and also to equip them with adequate professional and technical knowledge and experiences.

Our future growth and success depends on our ability to cater the customer aspirations and needs. Our manufacturing facility 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. I look forward to the year ahead with a sense of confidence to deliver better results to all our stakeholders.

Before I conclude, I would like 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 a relationship in future.

Warm regards

Navas M. Meeran
Chairman



EASTERN TREADS LIMITED

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

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 19th Annual General Meeting of the members of Eastern Treads Limited will be held at Hotel Park Central, Kaloor - Kadavanthra Road, Kaloor, Ernakulam, Kochi - 682017 on Thursday, 23rd August, 2012 at 3.00 P.M to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance sheet as at 31st March 2012 and the Profit and Loss Statement 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
For Eastern Treads Limited

Kochi
29.05.2012

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 Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 16th August, 2012 to Thursday, 23rd August, 2012 (both days inclusive).
3. 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, authorizing them to attend and vote on their behalf at the Meeting.
4. 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.
5. 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.
6. Members whose shareholding is in electronic mode are requested to approach their respective Depository Participants for effecting change of address.
7. 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.
8. Members are requested to address all correspondences, including change in their addresses, to the Company or to the Registrar and Share Transfer Agents, M/s. Integrated Enterprises (India) Limited, 2nd Floor, Kences Towers, No:1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600017. E-mail: sureshbabu@iepindia.com.
9. If any of the members are holding shares in the same name or in the same order of names, under different folios, then members are requested to notify the same to the Registrar and Share Transfer Agents for consolidation of their shareholding into a single folio.
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 2011-12 along with Directors' Report and Auditors' Report are available on the website of the Company 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 the company or registrar and share transfer agent. The said nomination form can also be downloaded from the Company's website www.easterntreads.com.
14. For the convenience of the Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by the Attendance Slip, which is annexed to the Proxy Form. Members are requested to affix their signature at the place provided on the Attendance Slip and hand it over at the entrance.
15. As per Circulars issued by the Ministry of Corporate Affairs, Members are requested to provide their email address to the Company/ the Registrar and Transfer Agents or update the same with their depositories to enable the Company to send the documents in electronic form.
16. Details of the Directors seeking reappointment at the Annual General Meeting as required under Clause 49 of the Listing Agreement is as follows:-
 - a. Mr. Navas M. Meeran, aged 43 years, joined the Board of Directors of the Company on 26th August 1997. He is a Post Graduate in Business Management. 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 25 years and having immense practical experience in tyre retreading industry. Presently he is the Chairman of Eastern Group of Companies and was Chairman of Confederation of Indian Industry (CII), Kerala Chapter. He is presently the Director of the following other public limited companies:
 1. Adimali Industries Limited
 2. Kerala State Industrial Development Corporation LtdHe is not a Chairman or Member in Committees of Directors in other public limited companies. He holds 6,20,800 equity shares and 6,00,000 preference shares in the Company. His Director Identification No. is 00128692.
 - b. Mr. Naiju Joseph, aged 46 years, joined the Board of Directors of the Company on 18th September 2003. He is a Graduate in Economics. He hails from a business family of Vazhakulam engaged primarily in tyre re-treading industry. He is not a Director, Chairman/Member in Committees of Directors in other public limited companies. He holds 3000 equity shares in the Company. His Director Identification No. is 00419362.

None of the aforesaid Directors is related to each other.



DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting the Annual Report along with the audited statements of accounts of your Company for the financial year ended 31st March, 2012.

Financial Highlights

The performance of your Company has been satisfactory. The following table shows the operational results of the Company for the year 2011-12 as compared to that of the previous year.

(₹ in lakhs)

	Year ended	
	31.03.2012	31.03.2011
Revenue from Operations	8532.88	6666.32
Other Income	3.85	6.95
Total Income	8536.73	6673.27
Total Expenditure	8304.04	6443.69
Profit before Interest, Depreciation and Tax	232.69	229.58
Financial Cost	75.13	47.32
Depreciation and Amortization	56.59	54.36
Profit before tax	100.97	127.90
Profit after tax	106.31	127.91

Operations

Your Company has reported a revenue growth of 28 % during financial year ended 31st March 2012. The revenue has improved from ₹ 6666.32 Lakhs to ₹ 8532.88 Lakhs and the Profit before Interest, Depreciation and Tax amounted to ₹ 232.69 Lakhs as against ₹ 229.58 Lakhs during the previous year, registering an increase of 1.35%. However the net profit for the year fell by 16.89% as compared to the previous year. The Net Profit after Tax amounted to 106.31 Lakhs as against ₹ 127.91 Lakhs during the previous year.

The growth in revenue is remarkable, but the margin has shrunk due to the surge in input costs. This fall in net profit was on account of other factors, like volatility in raw material prices, increased debt, higher interest and depreciation charges, unavailability of trained labour forces, rupee depreciation Etc.

To face these challenges several steps had been taken, which helped the Company to manage and maintain the profitability. The Company is working hard to avoid such situations in coming years and will continue its efforts to ensure its growth, without compromise by aggressive marketing initiatives.



Dividend

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

Current Scenario

The tyre retreading industry shows a healthy growth rate and your company is optimistic about its development prospects mainly due to the constant and rapid growth of transport industry and the cost saving factor to vehicle owners by using retreaded tyres.

The increasing tyre price due to the supply deficit in rubber resulted in increased retreading. Other factors like growing industrialization, logistic network, improvement in quality of roads, overloading norms, increasing level of radialisation etc. push retreading.

The financial benefit of retreading compared to the replacement cost demands retreading in all type of vehicles and it makes more attractive in case of commercial vehicle segment. Hence retreading holds out as an economically viable option for fleet owners and it has detrimental impact on replacement demand for tyres.

The changes in consumer behavior due to climb in tyre price resulted in growth and technological advancement in retreading industry. The economic benefits of retreading will continue to grow and tyre retreading will emerge as a part of overall tyre management programme.

The Company has gone through a challenging year which has showed volatility in raw material prices and increased input costs which affected the profitability. Despite the challenges, high performance, cutting edge technology, and good customer care, appropriate price revisions, new vendor development and the introduction of new value added products helped the Company to manage the situation.

Your Company has grown over the years and is widely recognized as a world class manufacturer of tyre retreading materials. Now Eastern Treads has a brand image closely associated with tyre retreading industry and the long term prospective of your Company seems to be bright.

Marketing Strategy

Your Company is one of the market leaders in the production of tyre retreading materials. As a leader in the industry, we provide 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 extensive product portfolio with Eastern brand consisting tread rubber, procured tread rubber and other retreading materials are today sold through our large business network.

We built our Eastern brand over 19 years and have developed a vast marketing network in the country and now we look to further deepen our customer relationship by introducing products that create better value for customers. This strong network and brand presence have facilitated us to face the challenges in the industry and contributed to our growth. We always make every effort to exceed the customer expectations and works to establish a long term professional relationship with them. Now we focus to further intensify our customer base by better market penetration in existing as well as new geographies, through our dealer network and through a team of dedicated marketing professionals by directly contacting the individual fleet owners.



As a premier tyre retreading solution provider, your Company has earned a reputation as a specialist in producing full range of tyre retreading materials that can excel in all weather and road conditions. This facilitated the Company to get acceptance with major retreading companies and Road Transport Corporations.

Our recently released diamond quality products offer significant benefits like durability, mileage and safety in all challenging conditions and some of the products are creating new trend in the industry

Since internationally the replacement market is sizeable as well as stable, with 19 years of manufacturing experience now we are on the move to capture our market share around the globe to reach our ambitious growth plans.

Raw Materials

The new year has begun with a peak in price of natural rubber due to supply crunch, and it created a record in daily trade price. All other raw material prices have also raised beyond expectations. Initially there was a rising concern about the availability of natural rubber due to climatic and other conditions. Natural Rubber continued its high price in the first quarter due to strong surge in demand. Thereafter the price of natural rubber has softened from its peak level with fall in international prices. However prices of synthetic rubber and other raw materials continued its high rate due its supply deficit. Imports become expensive as rupee devalued significantly. Since this industry is highly raw material intensive, the volatility in input costs has affected the profitability of the Company.

The market trends indicate that it is not possible to ensure non- volatile supplies of natural rubber due to the wide gap between the production and demand and synthetic rubber will also become expensive due to the increase in the price of petroleum products in the international market combined with the rupee depreciation.

Your Company has managed the situation by developing reliable and efficient raw material supply sources at 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. Your Company has built its brand with its commitment to total quality management. Our products are tested at every stage of manufacturing to ensure the quality that can meet the exact customer requirement. Our policy of best manufacturing practices has been bestowed with various quality certifications and accreditations to its credit which includes FACT MKK Nair Memorial Productivity Award for excellent performance and ISO 9001-2008.

We are committed to understand the customer requirements and to develop products that create value for customers. Our research and development team has focused on our customer needs, which helped the Company to keep its competitive edge in the market by producing products which can provide superior performance, safety, and comfort, 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.

The newly commissioned effluent treatment system, which meets ISO standards, helped the Company to keep an eco friendly and safety environment to our work force.