

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)
CS. 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

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.

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Dear shareholder,
Warm greetings to you!

It is my pleasure and privilege to communicate to you through this annual report that the year 2012-13 was another successful year for the Company despite formidable challenges on several fronts. It was, of course, an eventful and difficult year for the Company in terms of revenue and profitability.

Yet, the financial performance of the Company has been encouraging given the globally challenging economic conditions and volatile input costs. It is true, tyre retreading has gained greater acceptance. Yet, challenges refused to die down in the business environment. For instance, the drop in the price of natural rubber (NR) from its record peak did come as some relief to the Company. The 'price drop euphoria', however, was dampened by the high rate of other input costs which affected our profitability.

Added to this scenario were the volatile market conditions demanding us to reduce our price structure which in consequence led to a dip in our revenue to the tune of 23.57%. However, I am glad that we registered an increase in profit tax by 48.74%. As I highlight the key aspects of our performance during the year under review, I also need to stress that the increase in profit by 48.74% would not have become possible in the absence of cost-effective production, better utilization of plant efficiency and working capital management.

An overview of the industry proves that retreaded tyres have gained greater and wider acceptance. Today, it will not be an exaggeration to say the industry is anchored on a better ground than the tyre manufacturers themselves. This has been made possible because retreaded tyres, besides costing less, also steal the thunder off the tyre manufacturers in the tyre replacement market when it comes to real time road performance. Retreading has also other distinct advantages:

It prolongs the tyre life, prevents premature disposal, results in the saving of energy and natural resources and effectively addresses the environmental concerns. In crux, retreaded tyres have become an ecological choice as it vibrantly promotes a Greener Earth. It is at this juncture, the building of the Eastern Brand as a premier tyre retreading solution provider becomes more pertinent. I am also glad to inform you that our manufacturing facility is in tune with our aggressive growth and future market expansion plans.

We are equipped to retread almost every tyre size of all vehicles. This has made our brand a favourite among major retreading companies and road transport corporations. Despite a tough economic environment, we put up an encouraging performance due to our conscious efforts to drive growth.

Needless to say our future growth and success would be determined by our ability to cater to customer aspiration and needs. Switching on to the fast-forward mode, it is my confidence that our Company has greater growth prospects and ability to deliver better results to its stakeholders in the longer run.

In this connection, I would like to thank all our employees and management team for working in tandem to achieve the Company's long-standing goals and targets through their significant efforts, hard-work and commitment. This biggest resource and asset of the Company, I am confident, will drive it towards greater heights in future too notwithstanding the challenges that may arise from time to time. Let me also take this opportunity to express my sincere appreciation to my colleagues on Board.

It goes without saying their immense contribution and cooperation in charting the road map of the Company did ensure sustenance in terms of both growth and profit. Before I conclude, let me also express my gratitude to our Customers, Business Associates, Suppliers, Bankers and Shareholders.

Let me thank all of you for your continued confidence and support. As we move forward to invade new horizons with renewed enthusiasm and invigorated energy, I look forward to strengthen our relationship deeper.

With 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 20th 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 Wednesday, 26th June, 2013 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 2013 and the Profit and Loss Statement 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. K.S. Neelacanta Iyer, who retires by rotation and, being eligible, offers himself for re-appointment.
3. 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
10.04.2013

Baiju. T
Company Secretary

**Notes:-**

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- 2. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED TO THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
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. 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/Proxies are requested to bring the attendance slip duly filled in and to affix their signature at the place provided on the Attendance Slip and hand it over at the counters at the venue.
5. Members who hold the shares in the dematerialised form are requested to incorporate their DP ID Number and Client ID Number in the Attendance Slip/Proxy Form, for easier identification of attendance at the Meeting.
6. Members and Proxies attending the meeting are requested to bring the annual report to the meeting as extra copies will not be distributed.
7. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 19th June, 2013 to Wednesday, 26th June, 2013 (both days inclusive).
8. The Company is having agreements with NSDL and CDSL to enable Members to have the option of dealing and holding the shares of the Company in electronic form. Any member desirous to dematerialise his holding may do so through any of the depository participants. The ISIN of the equity shares of the Company is INE500D01015.
9. 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.
10. Members are requested to address all correspondences, including change in their address, 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. Members whose shareholdings are in electronic mode are requested to approach their respective depository participants for effecting change of address.



11. 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.
12. 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.
13. Notice of this Annual General Meeting, Audited Financial Statements for 2012-13 along with Directors' Report and Auditor's Report are available on the website of the Company www.easterntreads.com.
14. 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.
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:-

Mr. K.S. Neelacantalyer, aged 66 years (Date of Birth 12-03-1947), joined the Board of Directors of the Company on 27th July 2000. He is a Graduate in Commerce and a Fellow member of the Institute of Chartered Accountants of India. He had vast experience and expertise in Finance, Accounts and Company Law matters. He is a Practicing Chartered Accountant and Senior Partner of M/s. Iyer and Cherian, Chartered Accountants, Cochin. He is a Director of Core Power and Systems Limited and Sree Sankara College Association. He holds Nil shares in the Company. His Director Identification No. is 00328870.

Mr. K.S. Neelacantalyer is not related to any of the Directors of the Company.

**EASTERN TREADS LIMITED**

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

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, 2013.

Financial Highlights

The performance of your Company has been satisfactory. The following table shows the operational results of the Company for the year 2012-13 as compared to that of the previous year.

(₹ in lakhs)

	Year ended	
	31.03.2013	31.03.2012
Revenue from Operations	6499.80	8503.87
Other Income	3.81	3.85
Total Income	6503.61	8507.72
Expenditure	6236.50	8275.03
Profit before Interest, Depreciation and Tax	267.11	232.69
Financial Cost	58.41	75.13
Depreciation and Amortization	58.52	56.59
Profit before tax	150.18	100.97
Profit after tax	106.52	106.31

Operations

Your Company reported satisfactory working performance during financial year ended 31st March 2013. Even though your Company has reported a dip in revenue by 23.57%, the Profit before Tax has improved by 48.74%. The revenue has come down from ₹ 8503.87 Lakhs to ₹ 6499.80 Lakhs, however, Profit before tax has increased from ₹ 100.97 Lakhs to ₹ 150.18 Lakhs. The Net Profit after Tax amounted to ₹ 106.52 Lakhs as against ₹ 106.31 Lakhs during the previous year.

Despite the downcast growth of the economy, this spectacular achievement was made possible by cost effective production, better utilisation of plant efficiency, and working capital management. Your Company will continue its efforts to grow further by doing its tasks in a better way than what we have done in the past.



Dividend

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

Current Scenario

Even though the business in general is going through a critical situation, the tyre retreading industry shows healthy signs due to its cost advantage. As the increasing numbers of vehicles on roads has driven the replacement tyre market and around 85% of the tyre demand is for replacement, the evolution in Tyre retreading industry is more significant. The financial benefit due to the wide price gap between the retread and new tyre makes retreading more remarkable and has detrimental impact on replacement demand for new tyres. In addition to the cost benefit, other factors like logistic network, improvement in quality of roads, overloading norms, increasing level of radialisation etc. helped retreading industry to grow.

The changes in consumer behaviour due to economic benefits and advancement in technology and manufacturing systems helped the retreading to emerge as a part of overall tyre management program and the retreading holds out as an economically viable option for fleet owners. Hence, your Company is optimistic about its development prospects.

The Company has gone through a challenging year which has showed volatility in raw material prices. Even though we strive to save cost in all areas of production to offer better competitive price, as the rubber price has declined from its peak level the volatile market conditions has forced the company to offer further reduction in price to its finished goods, which resulted in revenue dip. However, other input costs like labour, power and other raw materials continued its increasing trend and has affected the profitability. Despite the challenges, continuous improvement in production process, cutting edge technology, good customer care, vendor development and better utilization of resources 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 Company is aiming towards a bright future.

Marketing Strategy

Your Company is one of the market leaders in the production of tyre retreading materials and has proven to the market that we are firmly committed to supply quality products. We provide premium 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 domestic and international business networks.

Over the years we built our Eastern brand and recognition as a premier tyre retreading solution provider. Your Company has earned reputation as a specialist in producing comprehensive 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 strong network and brand presence have enabled us to grapple the challenges in the industry and supported to our growth. Now we emphasis to



further intensify our customer base by better market penetration in existing as well as new geographies, to further deepen our consumer relationship and to establish a long standing association with them by providing total tyre retreading solutions that create great intrinsic worth.

Since the tyre replacement market is sizeable as well as stable, with well performing products and more than 20 years of manufacturing experience in retreading industry now we are on the move to capture our market share around the globe and we will continue our onward march more aggressively, offering premium range retreading materials to our domestic as well as international consumers.

Raw Materials

As a relief to the industry the prices of key raw materials like natural and synthetic rubber softened of from its peak level. However, prices of other inputs have increased due its supply deficit. Import of raw materials became inevitable in view of wide gap between domestic production and consumption. Imports became expensive as inflation remained above manageable level. Since this industry is highly raw material intensive, the volatility in input costs has affected the profitability of the Company.

Your Company has managed the situation by developing reliable, efficient and sustainable raw material supply sources of national and International level. The Company has maintained good relationship with all of its suppliers by working closely with them through which the raw material procurement system has functioned 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. The products are tested at every stage of manufacturing to ensure that the very best is made available to the market that meets the exact customer requirement. The Company's policy of best manufacturing practices has been bestowed with various quality certifications and accreditations to its credit.

To cater for the different needs of the market our research and development team is committed to understand the customer demands and to develop products that make value and satisfaction to the customers. This made 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. In addition to give high quality products we provide after sale services and expert technological assistance aiming to serve complete service to our customers.

Public Shareholding

Your Directors request to the Shareholders, who have not yet paid their allotment money, 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 to demat the shares is 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 dematerialized 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

In pursuit of continual improvement towards energy conservation and compliance with environmental regulations, efforts have been taken to utilise the energy most efficiently and to nurture and preserve the environment. 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

The Company's Equity Shares are listed with Bombay Stock Exchange, Cochin Stock Exchange and Madras Stock Exchange. 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.

The Report on Management Discussion and Analysis is forming part of Director's Report and is given in Annexure "C".

Auditors

M/s. JVR & Associates, Chartered Accountants, Kochi-16, were re-appointed 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 for re-appointment and the proposal has been placed before the Members. Necessary certificate has been obtained from the Auditors as per Section 224 (1B) of the Companies Act, 1956.



Cost Compliance Certificate

Pursuant to the provisions of the Companies (Cost Accounting Records) Rules, 2011 within 180 days from the close of the financial year, our Company has to submit a Compliance Report duly certified by a Cost Accountant to the Central Government. The Board has Appointed M/s. K.A Felix & Co., Cost Accountants, Cochin to issue the Compliance Report on the Cost Records maintained by the Company and the Compliance Report for the year ended on 31-03-2013 has been approved by the Board of Directors. The due date for filing the Cost Compliance Report is 27th September, 2013. The audit of the Cost Accounts maintained by the Company has been made mandatory for the financial year commencing on or after 1st April 2013 through an auditor with qualification prescribed in Section 233 B (1) of the Companies Act, 1956. Subject to the approval of Central Government, the Board has appointed M/s. K.A Felix & Co., Cost Accountants, Cochin as Cost Auditors for conducting Cost Audit for the Financial Year ending 31st March, 2014.

Board of Directors

Mr. K.S. Neelcanta Iyer retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends his re-appointment.

None of the Directors is disqualified under Section 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 confirm 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 year;
- (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), Reconciliation of Share Capital Audit is being carried out at the specified periodicity by a Practicing Company Secretary. The findings of this Audit have been satisfactory.