

GOODYEAR INDIA LIMITED

GOODYEAR
One Revolution Ahead

ANNUAL REPORT 2011

FOSTERING THE SPIRIT OF INNOVATION





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Message from the M D

1

Dear Friends,

Year 2010 saw our commitment to excel and deliver strong growth! The momentum grew in H1 2011 backed by continued macro economic growth but H2 started slowing down threatened by a global economic slowdown.

Adverse pressures and headwinds like inflation, exchange rate, higher RM costs and interest rates showed signs of depleting revenues and earnings. This coupled with weak consumer sentiments and varying industry dynamics posed a further challenge to maintain a year-on-year growth, though farm market was less impacted as compared to the consumer business.

The nature of these multi-dimensional challenges required continuous improvement and innovative aids for focused and sustainable solutions. The thought process set off various cost out initiatives under the CIS umbrella at both manufacturing and business side to mitigate headwinds. Rapid improvement activities and kaizans led to enhanced productivity and efficiency gains in overall operations. One such key project was in SAG with cross functional stakeholders participation that helped in not just creating awareness about various cost heads but also in a bottom up budgeting exercise.

On the employee engagement front, HR department put together many Organizational Development Interventions in 2011. **Manthan** was one such intervention. It was initiated to develop key competencies in associates and help them enhance their Leadership traits.

Farm business worked with an expanded product portfolio last year. Our OE partners were very supportive throughout the year which enabled us to maintain our share of business. I would like to thank them for their continuous support which also was reflected through the various awards won by Goodyear in the Farm category.

Your company won many awards for product and service excellence and one such recognition was achieving the 'Superbrand' status. Also establishing business excellence on the manufacturing front, our Ballabgarh factory completed 50 years as a productive facility.

2012 will be challenging too given the ongoing economic slowdown and inflation. We will continue to focus on cost control, new product development, creating value through innovation, building a stronger brand and enhancing people capabilities. We remain committed to deliver strong business results and have adopted a theme of "Passion" which illustrates the fervour with which we need to operate in this business environment.

Finally, I would like to thank all our shareholders for their continued support in these difficult times and hope to continue with an even stronger bonding in future.

With my best wishes to you and your families,

Rajeev Anand
Vice Chairman & Managing Director

Board of Directors



MR. DANIEL LAWRENCE SMYTKA

Chairman

Daniel Lawrence Smytka is president of the company's Asia Pacific business. He was named to the position on November 14, 2011. Prior to this appointment, Mr Smytka was vice president and program manager for the Asia Pacific region from October, 2010. In this role, he was responsible for all aspects of the company's Dalian/Pulandian manufacturing transition and start-up including the overall integration across all functions.

Mr Smytka joined Goodyear in October 2008 as vice president of the Asia Pacific region's consumer tyre business. Mr Smytka has more than 25 years experience as a multi-functional senior executive with global leadership experiences in the areas of sales/marketing, product management, supply chain management, finance, and Six Sigma Quality.

Prior to joining Goodyear, Smytka was president of the North American Building Systems & Services division of Carrier Corp. from 2007 to 2008. He previously worked 17 years at General Electric Co., where he held positions including president of its Engineered Systems division, president and of the Asia Pacific Consumer and Industrial group and general manager of the refrigeration product line.

Mr Smytka earned a master's degree in corporate finance and operations research from the University of Memphis. He received bachelor's degrees with dual majors in business economics and psychology from Creighton University.



MR. RAJEEV ANAND

Vice Chairman and Managing Director

Mr. Rajeev Anand has been associated with the Company for over 30 years, in various executive capacities, including as Manufacturing Director – ASEAN & India and Director Manufacturing & Strategic Initiatives – India. Prior to his appointment as whole time Managing Director of the Company, Mr. Anand was holding the position of Chief Operations Officer.



MR. YASHWANT SINGH YADAV

Director – HR & Corporate Affairs

Mr. Yashwant Singh Yadav, aged 53 years, is a Bachelor in Law and an MBA with specialization in Human Resources. He has more than 30 years of professional and diverse experience in the entire gamut of Human Resources Management with large multi-national and Indian organizations including Ballarpur Industries, Goodyear India, Escorts Ltd. and General Motors India at leadership levels.



MR. R V GUPTA

Director

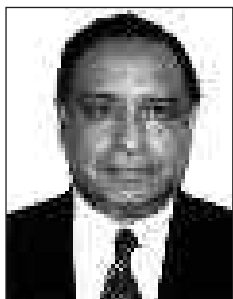
Mr. R V Gupta, a 1962 batch IAS officer, has served the Govt. of India at the levels of Special Secretary (Ministry of Finance), Secretary (Ministry of Food) and Addl. Secretary (Ministry of Chemicals & Fertilizers). Mr. Gupta has also acted as Principal Secretary to Govt. of MP. Mr. Gupta is former Dy. Governor of RBI and was closely involved in the economic reforms process. After retirement, Mr. Gupta acted as Chairman of the RBI Committee on Agriculture Credit. Mr. Gupta was also associated with Deutsche Bank as Chairman of local advisory board for India and also holds various other Board Level Positions in the industry.



MR. RAJIV LOCHAN JAIN

Director

Mr Rajiv Jain is a Chemical Engineer from IIT Kharagpur and an MBA from USA. Mr. Jain was a member on the Board of ICI India Limited for over 12 years and the Managing Director from April 2003 to May 2009. Mr. Jain successfully led the portfolio reshaping of ICI India from a diversified Company to a focused and fastest growing player in the Paints business. Mr. Jain was also the Chairman of both ICI's Research Company in India and the joint-venture company of ICI and Orica, Australia. Currently, he is the Executive Chairman of Performance Capital Partners LLP, advises global companies on their entry strategies for India and serves on the Board of Tara Jewels Limited.



MR. C. DASGUPTA

Director

Mr C Dasgupta served as India's ambassador to China and to the European Union, among other posts, during his career in the Indian Foreign Service. Mr Dasgupta is currently a member of the Prime Minister's Council on Climate Change, a Distinguished Fellow at TERI, and a member of the UN Committee on Economic, Social and Cultural Rights. He was awarded the Padma Bhushan by the President of India.



MR. JEAN PHILIPPE LECERF

Chief Financial Officer (CFO)

Mr. Jean Philippe Lecerf is the Chief Financial Officer (CFO) of the Company. He is a CPA with over 24 years of experience acquired across the globe in both emerging and mature markets. He has held Senior Finance positions in 8 countries located in Western Europe, Eastern Europe, Latin America and Asia.

HEAD – LEGAL & COMPANY SECRETARY

MR. PANKAJ GUPTA

STATUTORY AUDITORS

M/s PriceWaterhouse
Chartered Accountants, Gurgaon
Registration Number - FRN 301112E

COST AUDITORS

Dr Ashok K Agarwal

Directors' Report

Your Directors present the audited results for the year ended December 31, 2011 as under:

	(Rs. In Million)	
	2011	2010
Total Sales & other Income	16316	13944
Less: Excise Duty	1069	801
Net Sales & other income	15247	13143
Less: Total Expenditure excluding Interest & Depreciation	14036	11845
Profit before Interest, Depreciation, & Tax	1211	1298
Less: i) Interest Expenses	52	36
ii) Depreciation	197	153
Profit before Tax	962	1109
Less: Provision for Taxation:		
Current Tax	308	367
Deferred Tax	8	(6)
Profit after Tax	646	748

During the year, the net sales and other income increased from Rs. 13,143 million in the previous year to Rs. 15,247 million. The export sales stood at Rs 468 million.

The depreciation for the year is inclusive of the accelerated depreciation amounting to Rs 3.2 Million, in respect of a category of equipment due for replacement.

DIVIDEND

Your Board recommends a dividend @ Rs 7 per equity share for the year 2011. The recommended dividend will absorb a sum of Rs. 161 million and tax on dividend will be Rs. 26 million. Out of the surplus, an amount of Rs 80 million is transferred to General Reserve and balance carried to the Balance Sheet as at December 31, 2011 is Rs. 1892 million.

OPERATIONS

The Company manufactures automotive bias tyres viz. Farm tyres and Medium Commercial Truck tyres at its Ballabgarh plant and also trades in "Goodyear" branded tyres (including Radial passenger and Off-the-road Bias Tyres) manufactured by Goodyear South Asia Tyres Private Limited (GSATPL) Aurangabad, pursuant to an off-take agreement entered into with that company. The other products in which the Company markets and sells include tubes & flaps.

Your Company feels proud to have been recognized as one of the best suppliers in the overall category by one of the leading tractor manufacturers in the world – John Deere. Your Company has also won accolades from several other key tractor manufacturers including Mahindra & Mahindra Swaraj and International Tractors Limited in the past.

Last but not least, your Company has been awarded the prestigious "Superbrand" status for 2010 - 2011. This recognition speaks of the business excellence of Goodyear as a brand, and is a reward reflecting on the high quality of products and services delivered by your Company.

FINANCE AND ACCOUNTS

During the year, additions to fixed assets amounted to Rs. 723 million as against Rs. 342 million in the previous year. The Capital expenditure incurred amounted to Rs. 337 million.

The interest cost during the year has increased from Rs. 36 Million in the previous year to Rs. 52 Million.

As of the end of December 2011, an amount of NIL matured deposits remained unclaimed.

The Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as on the balance sheet date.

FINANCIAL STATEMENTS (Full & Abridged)

In terms of amended Clause 32 of the Listing Agreement, your Company shall supply:

- Soft copies of full annual reports containing its Balance Sheet, Profit & Loss account and Directors' Report to all those shareholder(s) who have registered their email address(es) for the purpose;
- Abridged Annual Report - Hard copy of statement containing the salient features of all the documents, as prescribed in sub-clause (iv) of clause (b) of proviso to section 219 of the Companies Act, 1956 to those shareholder(s) who have not so registered their email address(es); and
- Hard copies of full annual reports to those shareholders, who request the same.

The Board of Directors has decided to circulate the abridged annual report containing salient features of the balance sheet and profit and loss account to the shareholders for the financial year 2011. Full version of the annual report will be available on Company's website www.goodyear.co.in and will also be made available to investors upon request.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

Your Directors state that the annual accounts of the Company have been prepared in conformity, in all material respects, with the generally accepted accounting standards in India and supported by reasonable and prudent judgements and statements so as to give a true and fair view of the state of affairs of the Company and of the results of the operations of the Company. Significant accounting policies followed and other disclosures are appearing in Schedule 15(a) to the Notes to the Accounts and forming part of the annual accounts.

These financial statements of the Company have been audited by M/s Price Waterhouse, Chartered Accountants, Gurgaon, (Registration Number: FRN301112E). A reference may be made to their report dated February 27, 2012 to the members together with Annexure thereto containing information per requirement under the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 attached with these annual accounts.

Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. The management of your Company has taken note of an irregularity in the rebates / discounts given in excess and the same has also been observed in the Annexure to Auditors' Report.

Your Company has already taken action against the concerned employees and appropriate remedial measures to prevent such occurrence(s).

The internal control system of the Company is monitored by an independent internal audit team, which encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control. Internal Auditors, Audit Committee Members and Statutory Auditors have full and free access to all the information and records considered necessary to carry out the assigned responsibilities. The issues raised from time to time are suitably acted upon and followed up at different levels of Management.

The annual accounts have been prepared on a going concern basis.

FUTURE OUTLOOK

As per the Central Bank's (RBI) estimates, the growth in the Indian economy is expected to continue to moderate, with GDP growth forecasted at 7.3% for 2012-2013.

In this context, your Company will continue to focus on the review of activities in different areas of operations under the umbrella of the Continuous Improvement System (CIS). The CIS is an integral part of your Company's philosophy to maximize gains and reduce costs in order to address market realities.

As far as the industry is concerned, moderation in growth rates is expected in the consumer tyre segment. Your Company will continue to seek new OEM fitments and introduce award winning new products in its existing consumer tyre portfolio.

TRANSFER OF PROMOTER'S SHARES

The Goodyear Tire & Rubber Company, Akron, USA (GTRC) has transferred its 74% shareholding in the Company being 17,069,215 equity shares to one of its wholly owned subsidiaries – M/s Goodyear Orient Company (Private) Limited, Singapore (GOCPL) on November 29, 2011.

DIRECTORS

Mr Pierre Eric Cohade, Chairman and Director resigned effective the close of business hours on December 15, 2011. The Board records its appreciation for the valuable contribution made by Mr Cohade during his tenure as Director.

Mr Daniel Lawrence Smytka was appointed as Director and Chairman via Circular Resolutions dated December 15, 2011 and the same were adopted in the Board Meeting held on February 27, 2012.

Mr R V Gupta is retiring by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for reappointment.

The information relating to the above appointments is also appearing under the head 'Directors' in the Corporate Governance Report.

***STATUTORY AUDITORS**

M/s Price Waterhouse, Chartered Accountants (FRN: 301112E), the present Statutory Auditors of the Company, who retire at the conclusion of the ensuing Annual General Meeting of the Company have expressed their unwillingness to be considered for reappointment as statutory auditors of the Company.

The Company has also received a Special Notice under section 225(1) from a member proposing the appointment of M/s Price Waterhouse & Co., Chartered Accountants (FRN: 007567S) as statutory auditors of the Company. The Audit Committee and the Board of Directors also recommend for appointment of M/s Price Waterhouse & Co., Chartered Accountants (FRN: 007567S) as the statutory auditors in the ensuing annual general meeting.

M/s Price Waterhouse & Co., Chartered Accountants (FRN: 007567S) have expressed their willingness for appointment as statutory auditors and confirmed that their appointment, if made, will be within the prescribed limits under section 224(1B) of the Companies Act, 1956.

[*As modified in terms of board of directors' circular resolution dated April 18, 2012]

COST AUDITORS

Dr. Ashok K Agarwal was appointed as Cost Auditor for conducting the cost audit for the year ending December 31, 2011. The due date of filing of Cost Audit Report for the year ended December 31, 2010 was June 29, 2011 and the actual date of filing the Cost Audit Report for the year ended December 31, 2010 was June 27, 2011.

CORPORATE GOVERNANCE

Your Company follows the corporate philosophy, enshrined in a manual titled '**Business Conduct Manual**' for Global Operations. The core values, inter-alia, include conducting business in accordance with the highest applicable legal and ethical standards, the highest standards of product quality and services to the consumers with a view to create value that can be sustained continuously for the benefits of its customers, shareholders and the associates. As per the applicable provisions of Clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion & Analysis, a Report on Corporate Governance together with the Auditors' certificate on the compliance of conditions of Corporate Governance form part of the Annual Report.

HUMAN RESOURCE

The employer-employee relations throughout the year remained cordial. Measures for training, development, safety of the employees and environmental awareness received the top priority of the Management. Your Company has signed the Collective Bargaining Agreement (CBA) effective May 1, 2011 with Union.

The information as required to be provided in terms of Section 217(2A) of the Companies Act, 1956 read with amended Companies (Particulars of Employees) Rules, 1975 (Notification No. G.S.R. 289 (E) dated 31.03.2011) have been set out in the annexure 'A' to this report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the abridged annual report has been sent to the shareholders excluding this annexure.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND FOREIGN OUTGO

The particulars related to the conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956, are given in a separate Annexure 'B' attached hereto and forms part of this report.

ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to the Company's esteemed Shareholders, Customers, Suppliers, Associates, Bankers, the State Government and the Central Government etc. for their valuable contribution and continued support. Your Directors also wish to place on record their deep appreciation to The Goodyear Tire & Rubber Company, Akron, Ohio, USA for its continued support and contribution in all the spheres of operations.

On behalf of the Board of Directors

New Delhi
February 27, 2012

Daniel Lawrence Smytka
Chairman

Annexure A to the Directors' Report -2011

Statement of particulars of Employees pursuant to the provisions of section 217 (2A) of the Companies Act, 1956

Employed throughout the year

Name of Employee	Age	Designation / Nature of duties	Remuneration received (Rs)	Qualification(s)	Experience (Years)	Date of Joining	Last Employment Held Company	Designation
Anand Rajeev	51	Vice Chairman & Managing Director [^]	22341959	Diploma Mech. Engg.	30	01.01.1982		
Lecerf Jean Philippe	45	Chief Financial Officer**	34550810	Business Degree (Institut Commercial Supérieur) / Diplôme d'Expertise-Comptable (CPA)	24	01.07.2010	Goodyear Russia Ltd.	Finance Director
Singh Dipinder	53	VP - Consumer Business	29762938	MBA, Phd	27	01.04.2009	Goodyear Tire Management Company (Shanghai) Ltd.	Marketing Director - Consumer PBU
Yashwant Singh Yadav	53	Director - Human Resources & Corporate Affairs [^]	12650511	LL.B, MBA	30	12.11.2009	General Motors India Pvt Ltd	Vice President - Human Resources

Employed for Part of the year

Name of Employee	Age	Designation / Nature of duties	Remuneration received (Rs)	Qualification(s)	Experience (Years)	Date of Joining	Last Employment Held Company	Designation
Gupta Sanjay	43	Director - Procurement	4190576	B.E (Mech), MBA	19	25.04.2011	Flextronics	Director Procurement
Walia P. K.	49	VP - Farm & Commercial PBU	11157922	MBA, The University of Chicago - Booth School of Business	27	01.02.2011	Goodyear Malaysia	Director - Supply chain ASEAN
Gujral Jatinder S.	49	VP - Farm, Commercial	6052320	B. Tech	27	11.07.2007	Tata Motors India	Global Head - CV parts & Aggregates
Lall Tarun Kumar	50	Head - Pricing	2659187	B.Com., CA	24	01.05.1987		
Samant Saroj Kumar	43	Manager - OTR (East)	486841	B.Com.	21	08.09.1999	MRF Ltd	Technical Service Engineer
Singh Randeep	37	National Sales Manager -Replacement sales ^{^^}	1478168	BTech, PGDM	14	11.12.2008	Subhiksha Trading Services Ltd.	National Business Manager - Small Appliances
Singh Randeep	37	Head - Sales Consumer ^{^^^}	1371031	BTech, PGDM	14	14.11.2011	ASSA Abloy India Ltd	Country Head - India

Notes:

1. Remuneration as shown above includes salaries, bonus, Company's contribution to Provident Fund, Leave Travel, House Rent Allowance, Expenditure incurred on providing Housing, Medical and other facilities.
2. Employees named above are/were whole time employees of the Company.
3. Conditions of employment provide for termination of services by either party upon giving three month's notice and in the case of employees marked** upon giving one month's notice.
4. None of the employees named above is a relative of any director.
5. Designation of the employees indicates the nature of duties.

[^] Board Member as on December 31, 2011.

^{^^} Resigned on March 11, 2011.

^{^^^} Re-appointed on November 14, 2011.

On behalf of the Board of Directors

Daniel Lawrence Smytka
Chairman

Annexure B to Directors' Report

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A) CONSERVATION OF ENERGY :

a) Energy conservation measures taken :

- 1) Energy saving through efficient lights, pumps, blowers, chillers and motors
- 2) Energy saving through efficient screw compressor & cooling towers
- 3) Installation of energy efficient power less Eco ventilator
- 4) Introduction of Power Trading
- 5) Energy efficient LED Lighting in plant
- 6) Shut down of standby Genset
- 7) Improved reliability of Boiler operation resulting in stoppage of banking boiler to reduce Fuel consumption
- 8) Petcoke boiler efficiency improved by 1%
- 9) Condensate recovery improved by 2%

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

- 1) Reduction of fuel by installation of flash steam recovery
- 2) Installation of energy efficient power saver in Power house
- 3) Standardization of Tyre Building Cylinders
- 4) Up gradation of power supply
- 5) Energy efficient blowers

c) Impact of the measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production of goods:

The above measures helped towards reduction in energy consumption, quality improvement, and reduction in utility cost & partially offset high inflation in energy cost.

d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto:

	Year-2011	Year-2010
A Power & Fuel Consumption		
1) ELECTRICITY (KWH)		
a) PURCHASED		
UNIT (000)	34930	23682
TOTAL AMT (Rs.'000)	164030	115875
Rs./UNIT	4.70	4.89
b) OWN GENERATION		
Through Generator		
Units (000)	2237	15499
Unit/Ltr of Fuel	4.54	3.94
COST/UNIT (Rs.)	20.14	7.69
2) STEAM		
a) HSD/LDO		
Quantity (K.Ltrs)	58	0
Total Amount (Rs.'000)	2225	0
Average Rate (Rs./K.Ltr)	38487	0
b) Residual Furnace Oil/ Furnace Oil		
Quantity (Tonnes)	386	131
Total cost (Rs.'000)	15427	3695
Average Rate (Rs./Tonne)	39949	28141
c) Petcoke (For Process Steam)		
Quantity (Tonnes)	8927	8170
Total Cost (Rs.'000)	82592	66650
Average Rate (Rs./Tonne)	9252	8158
3) Nitrogen		
Quantity (cubic meters-000)	1732	1756
Total Cost (Rs.'000)	12141	13253
Average Rate (Rs./cubic meter)	7.01	7.55
B) Consumption per Tonne of production		
Electricity (KWH)	762	764
**FUEL (K.LITRES.-EXCL.NITROGEN GAS)FOR STEAM	0.2168	0.1910
Nitrogen (m3)	27.80	26.00

** Fuel (K.Litres – Excluding Nitrogen Gas) for Steam – includes HSD, FO, RFO and Pet Coke