

11th Annual Report 2008 - 2009

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Treadsdirect Limited

Treadsdirect Limited

Annual Report 2008 - 2009

Directors

Sudarsan Varadaraj
(Chairman & Managing Director)
K Gnanasekaran
MD Selvaraj
T Ashokanand
R Vidhya Shankar
SR Venkatachalam

Key Executives

Sudarsan Varadaraj
(Chairman & Managing Director)
T Ashokanand
(President)
K Ramasubbu
(Company Secretary & GM – Finance)

Head Office

2000, Trichy Road
Singanallur
Coimbatore - 641 005
Tamilnadu

Registered Office

2000, Trichy Road
Singanallur
Coimbatore - 641 005
Tamilnadu

Plants

Korkadu, Puducherry
Kottayi, Palakkad
Kurichi, Coimbatore
Nairobi, Kenya
Colombo, Sri Lanka
Lorena-SP, Brasil

Bankers

State Bank of India
Commercial Branch
Coimbatore

Auditors

Reddy, Goud & Janardhan
Chartered Accountants
Bangalore

Internal Auditors

Deloitte Haskins & Sells
Chartered Accountants
Coimbatore

RJC Associates
Chartered Accountants
Coimbatore

Registrar & Share Transfer Agent

Link Intime (India) Private Limited

Regd. Office

C/13, Pannalal Silk Mills Compound
Bhandup (West)
Mumbai 400 078

Branch Office

"Surya", 35, May Flower Avenue
Behind Senthil Nagar
Sowripalayam
Coimbatore 641 028, Tamilnadu

Directors' Report

The Board of Directors take pleasure in presenting the 11th Annual Report and Audited Accounts for the year ended March 31, 2009. The Management Discussion and Analysis (MD&A) Report is included at the appropriate places in this report.

An abstract of the financial results of the company is given below

	2008 - 2009 (Rs. in million)	2007 - 2008
Profit Before Depreciation	197.57	131.38
Less: Depreciation	33.65	44.95
Profit Before Taxation	163.92	86.43
Less: Provision for Taxation	65.25	29.30
Less: Provision for Deferred Tax	(13.34)	(0.51)
Profit After Tax	112.01	57.64
Add: Balance from previous year	38.28	-
Less: Transfer on account of scheme	-	0.19
Profit available for appropriation	150.29	57.45
Appropriation		
General Reserve	11.20	5.76
Proposed Dividend @ 17% (10%)	19.47	11.45
Dividend Distribution Tax	3.31	1.95
Balance Carried to Balance Sheet	116.31	38.29

Dividend

The directors recommend a dividend of Rs. 0.17 per equity share of Re.1/- each. This along with the dividend distribution tax translates to a payout of 20.34% of the profit after tax. The dividend will be paid to the registered members, who are in the register of members as on the book closure date and upon approval by the members in the ensuing annual general meeting. In respect of the dematerialised shares, dividend will be paid to the beneficial owners based on the list provided by the depositories.

Review of operations and future outlook

The company's sales for the year was Rs. 1,511.77 Million. Other income amounted to Rs. 54.13 Million. Cash profit was Rs. 197.57 Million. The company has a debt free status as on date.

The industry witnessed phenomenal increases in input costs during the first half of the year. This was due to steep rise in crude oil prices and shortage in the supply of polymers, rubber chemicals and carbon black. However, the prices started declining thereafter towards the end of the financial year. Further, during the second half of the financial year, with the Indian Rupee weakening against the US Dollar, the company regained some of the exports lost during the first part of the year and realized better contribution from exports.

During the current year, the uncertainties continue. Raw material prices have been erratic as also the foreign exchange rates. However, the indications of a stable government and the expected economic reforms could bring about growth and stability in the transport and infrastructure industries that will help the performance of the company. Overall, the company expects to face serious competition worldwide and declining margins.

Risks and Concerns

The company does not face any risks other than those that are prevalent in the industry. The company has taken all possible steps to overcome such risks.

The main concerns are the volatility in raw material prices and fluctuations in foreign exchange. The company is taking measures that will enable it to pass on raw material prices in tune with the competition. Foreign exchange fluctuation risk is minimized through proper planning and natural hedging.

As a part of the overall risk management strategy, all assets are appropriately insured.

Internal Control Systems

Internal Audit is being done every quarter by an independent firms of Chartered Accountants and observations are reported to management. Immediate steps are taken to rectify any discrepancies. All significant audit observations were discussed in the audit committee meetings.

Human Resources and Industrial Relations

The company continues to have cordial and harmonious relationship with its employees. As at March 31, 2009, it employs 476 people.

Directors

In accordance with the provisions of the Articles of Association, MD Selvaraj and SR Venkatachalam retires by rotation and being eligible offer themselves for re-appointment.

Auditors

The statutory auditors, Reddy, Goud and Janardhan retire in the ensuing annual general meeting and are eligible for reappointment.

Directors' Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, the directors confirm that they have:

- a. Followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanations relating to material departures;
- b. Selected suitable 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 the company at the end of the financial year and of the profit of the company for that period;
- c. Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- d. Prepared the Annual Accounts on a going concern basis.

Other information

Particulars as required by Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are provided as an annexure to this. Since there are no employees fall under section 217(2A) of the Companies Act, 1956, the particulars under the said section was not given.

Corporate Governance

A separate report on the compliance with Clause 49 of the listing agreement with the stock exchange and the auditor's certificate on the compliance form part of this report.

Cautionary Statement

Statements in this report, especially those relating to the MD&A giving details of company's objectives, projections, estimates and expectations may be construed as "forward looking statements" within the realm of applicable laws and regulations. Actual results might be liable to differ materially from those either expressed or implied.

Acknowledgment

The Company is pleased to place on record of the continued cooperation and support of the customers, suppliers, employees and bankers.

Annexure *

A. Conservation of Energy

a) Energy conservation measures taken

Energy Conservation is one of the primary objectives of the company and measures taken, albeit small, is a constant process.

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

No significant proposals.

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

Marginal reduction in energy costs.

d) Total energy consumption per unit of production

Not applicable.

B. Technology absorption

e) Efforts made in technology absorption

1. Research and Development (R&D)

No significant steps or expenditure.

2. Technology absorption, adaptation and innovation

Not applicable

C. Foreign Exchange Earnings and Outgo

(f) Activities relating to exports; initiatives taken to increase exports, development of new export markets for products and services and export plans

The company frequently participates in international trade fairs to promote its products.

(g) Total Foreign Exchange earned and used

Foreign exchange earned : Rs. 380.33 million

Foreign exchange used : Rs. 149.27 million

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

For the Board of Directors

Coimbatore
28.05.2009

Sudarsan Varadaraj
Chairman & Managing Director

Addendum to Directors' Report

Ministry of Corporate Affairs, Government of India, vide its order No.47/391/2009-CL-III dated June 22, 2009 has granted approval exempting the Company from the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956. Financial information of the subsidiary companies as required by the said order, is disclosed in the annual report. The company will make available the annual accounts of the subsidiary companies and the related detailed information to any member of the company. The annual accounts of the subsidiary companies will also be kept open for inspection by any investor at the Registered Office of the company and that of the respective subsidiary companies. The consolidated financial statements presented by the company include financial results of its subsidiary companies.

For the Board of Directors

Coimbatore
27.06.2009

Sudarsan Varadaraj
Chairman & Managing Director

Report on Corporate Governance – Annexure to Directors' Report (In compliance with Clause 49 of the Listing Agreement)

Company's Philosophy on Corporate Governance

The Company's philosophy on corporate governance is to ensure that its obligations are discharged in a fair and transparent manner and to enhance the value to all its stakeholders through sound and professional governance.

Board of Directors

The board comprises of executive Chairman & Managing Director, one whole time director, three non executive independent directors and one non executive non independent director. None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all companies in which he is a director.

The composition of the directors and their attendance at the board meetings during the year and at the last Annual General Meeting, and also the number of the other directorships are as follows:

Name of the Director	Category	Attendance Particulars		No of Director ships in Public Companies*	No of Committee positions held in other companies #	
		Board	AGM		Chairman	Member
Sudarsan Varadaraj	Chairman & Managing Director - Promoter	6	Yes	8	-	3
K Gnanasekaran	Non Executive - Independent	4	Yes	3	1	1
MD Selvaraj	Non Executive - Independent	6	Yes	2	2	3
R Vidhya Shankar	Non Executive - Independent	4	No	2	-	2
T Ashokanand	Executive	5	Yes	-	-	-
SR Venkatachalam	Non Executive - Non Independent	6	Yes	-	-	-

* Directorships in foreign companies and private companies have not been considered.

Only Audit Committee and Investor Grievance Committee are considered.

Sudarsan Varadaraj was appointed as Chairman & Managing Director with effect from 01.04.2008. None of the Directors are related to each other.

M John Edward resigned from the board on 06.06.2008 & T Ashokanand was appointed as Executive Director on 06.06.2008

Six Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows

Date of Board Meeting	No. of Directors Present
APR 12, 2008	4
JUN 6, 2008	3
JUN 7, 2008	6
JUL 29, 2008	6
OCT 28, 2008	6
JAN 28, 2009	6

Audit Committee

The Audit Committee of the Company is constituted in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292A of the Companies Act, 1956.

The role, powers and functions of the audit committee are as per section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreement with the Stock Exchanges. The terms of reference of this committee are as required by SEBI - under clause 49 of the Listing Agreement. Besides having access to all the required information from within the Company, the committee can obtain external professional advice whenever required. The committee acts as a link between the Statutory and Internal Auditors and the Board of Directors of the Company. It is authorized to select and establish accounting policies, review reports of the statutory and the internal auditors and meet with them to discuss their findings, suggestions, and other related matters. The committee is empowered to recommend the appointment and remuneration payable to the statutory auditors.

The composition of the audit committee and particulars of meetings attended by the members of the audit committee are given below

Name	Category	No. of Meetings Attended
K Gnanasekaran, Chairman	Independent – Non Executive	4
MD Selvaraj, Member	Independent – Non Executive	4
R Vidhya Shankar, Member	Independent – Non Executive	4

The representatives of both statutory and internal auditors of the company attended the committee meetings. company secretary and compliance officer acts as secretary of the audit committee. The audit committee considered and reviewed the accounts for the year 2008 - 2009, before it was placed before board.

Remuneration Committee

i) Remuneration Committee consists of the following Non - Executive Directors.

- a) MD Selvaraj
- b) K Gnanasekaran
- c) R Vidhya Shankar

ii) MD Selvaraj act as the chairman of the meeting. The committee is responsible for the appointment of and determining the compensation payable to the Executive and Non - Executive Directors. The committee held its meeting on 06.06.2008 to consider and recommend remuneration payable to T Ashokanand.

Details of Remuneration paid to the directors for the year ended March 31, 2009 are as follows:

(a) Executive Directors

Name	Position	Salary & Perks	Service Contract
T Ashokanand	Executive Director	Rs.1,251,936	Three years w.e.f 06.06.2008

Remuneration includes salary, company's contribution to provident fund and other perquisites.

b) Non Executive Directors

Sitting fees for attending board/committee meeting paid to non-executive directors are given below

Name of Directors	Sitting Fees Paid (Rs)
K Gnanasekaran	28,000
MD Selvaraj	35,000
R Vidhya Shankar	28,000
SR Venkatachalam	21,000
M John Edward	3,500

The Company does not pay any remuneration to its non-executive directors barring sitting fees for attendance during the meetings.

c) The Company does not have any employee stock option scheme.

d) Shareholdings of Non-Executive Directors

Name of Director	No. of shares held (as on 31.3.2009)
MD Selvaraj	404
SR Venkatachalam	70

There has been no materially relevant pecuniary transaction or relationship between the Company and its non-executive independent directors during the year.

Investors' Relation Committee

The Company has a Investors' Relation Committee of Directors to look into the redressal of complaints of investors such as transfer/ transmission of shares, Non Receipt of Dividend warrants and to approve transfers, transmissions, consolidation and splitting of share certificates and to make necessary endorsements on the share certificates.

The Committee had met fourteen times during the year 2008 – 09

The composition of Investors' Relation Committee and the attendance of the members in the meeting are given below:

Name	Category	No of Meetings attended
MD Selvaraj	Non Executive Director	14
Sudarsan Varadaraj	Chairman & Managing Director	7
SR Venkatachalam	Non Executive Director	14

K Ramasubbu is Company Secretary and Compliance Officer of the company. The minutes of Investors' Relation Committee were placed at the Board Meeting.

During the year, the company had received 7 letters / complaints from the shareholders and all of them were resolved satisfactorily by furnishing the requisite information / documents to the shareholders.

The company has attended to most of the investors' grievances and correspondence within a period of 5 days from the date of receipt of the same during the year 2008-2009. There were no outstanding complaints as on 31.03.2009.

No. of Shares transferred during 2008 – 2009

Physical transfers	:	19 Nos constituting 34,340 shares
No. of pending share transfers / demat requests as on 31.03.09	:	Nil
Average turn around time	:	10 days for transfer / transmission of physical shares.
Bad deliveries received	:	Nil

Management Discussion and Analysis Report

The contents of the Management Discussion and Analysis Report have been included in the Directors' Report at the appropriate places and thus the said report forms part of the annual report.

Annual General Meetings

Details of Meeting	Date of Meeting	Time of Meeting	Venue of Meeting	Details of Special resolutions passed
Annual General Meeting 2005-2006	22.09.2006	11.00 A M	2000, Trichy Road, Singanallur Coimbatore – 641 005	Nil
Annual General Meeting 2006-2007	22.09.2007	11.30 A M	2000, Trichy Road, Singanallur Coimbatore – 641 005	Nil
Annual General Meeting 2007-2008	30.08.2008	03.30 P M	Ardra Convention Centre North Husur Road Coimbatore – 641 018	Appointment of T Ashokanand as Executive Director for a period of three years

No EGM was held during the financial year 2008-2009.

The company has conducted postal ballot for passing an ordinary resolution under Section 293(1)(a) of the Companies Act for disposing off the whole of TRANSPORT DIVISION of the company. CN Paramasivam, Practising Company Secretary, was appointed as scrutinizer for conducting the postal ballot process and the results of the postal ballot is as follows

Particulars	No. of postal ballot forms	No. of shares of Re. 1/- each
Members who have exercised their voting rights (Valid votes)	635	64,904,331
Members who have voted against the resolution	13	27,370
Members who have voted for the resolution	622	64,876,961

The results of the postal ballot was announced on 11.09.2008 at 10 A.M at the registered office of the company. The said resolution has been passed with the requisite majority. The Company has complied with the procedures for the postal ballot in terms of the companies (Passing of resolutions by Postal Ballot), Rules, 2001 and amendments thereto.

The board does not recommend any other special resolution for the approval of the members through postal ballot.

Disclosures

- (i) Disclosures on materially significant related party transactions that may have potential conflict with the interest of the company at large. (Kindly refer to the notes forming part of accounts for the details of related party transactions. There is no materially significant related party transaction that may have potential conflict with the interest of the Company at large.
- (ii) During the last 3 years there were no strictures or penalties imposed on company by either Stock Exchange or SEBI or any statutory authority for non compliance on any matter relating to capital markets.
- (iii) The Company does not have any Whistle Blower Policy. However any employee if he/she so desires, would have free access to meet senior level management and report any matter of concern.
- (iv) The Company has complied with all the mandatory requirements of corporate governance norms as enumerated in Clause 49 of the Listing Agreement with the stock exchange.

The Company has adopted the following non-mandatory requirements of Corporate Governance recommended under Clause 49 of the Listing Agreement with the Stock Exchange.

- (i) Company has a Remuneration Committee comprising of three Non-executive independent directors.
- (ii) The Company has not adopted the other non-mandatory requirements.

Code of Conduct

The Company has framed a Code of Conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all directors / officers / designated employees. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

The Board of Directors has laid down a code of conduct for all board members and senior management of the company. The same has been posted on the website of the company. All board members and senior management personnel have affirmed their compliance with the code of conduct for the year under review.

The Company's Chairman & Managing Director's declaration to this effect forms a part of this report.

Means of Communication

1. The quarterly / half yearly unaudited financial and the annual audited financial results are normally published in Financial Express and Malai Malar. The book closure and dividend declaration notices are published in Indian Express and Dinamani. The financial results are also placed on the company's website - www.treadsdirect.com.
2. There were no specific presentations made to Institutional Investors or to the Analysts during the year.

General Shareholder Information

(i) Annual General Meeting

Date	: August 17, 2009
Time	: 3.00 PM
Venue	: Ardra Convention Centre, No 6 North Huzur Road Coimbatore – 641 018

(ii) Financial Calendar

Year Ending	: March 31, 2010
AGM	: August, 2010
First Quarter Results	: 2 nd Fortnight of July, 2009
Second Quarter Results	: 2 nd Fortnight of October, 2009
Third Quarter Results	: 2 nd Fortnight of January, 2010
Annual Results	: 2 nd Fortnight of May, 2010
Dividend Payment	: Final dividend if declared on or after August 30, 2009
Date of Book Closure	: August 07, 2009 to August 17, 2009 (Both days inclusive)

Listing on Stock Exchanges

The shares are listed in National Stock Exchange of India Limited. Annual Listing fee has been paid to National Stock Exchange of India Limited.

The Quarterly, Half yearly and annual results of the Company are published in leading newspapers in India which include The Financial Express and Malai Malar.

Type of Security	: Equity
Trading Group in Stock Exchange	: Eq
Stock Code	: The Company's stock code at the exchange is TREADS
International Securities Identification No.(ISIN) under Depository System	: INE321J01013

Details of past Share Issues

Issue on account of scheme of arrangement and amalgamation	: 03.05.2008
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Share Price Movements (Monthly High& Low)

National Stock Exchange of India Limited			
Month		High (Rs)	Low (Rs)
JUL	2008	14.95	3.30
AUG	2008	5.80	4.70
SEP	2008	5.35	2.80
OCT	2008	3.95	2.35
NOV	2008	4.10	3.00
DEC	2008	4.20	3.65
JAN	2009	4.40	3.35
FEB	2009	3.80	3.30
MAR	2009	4.05	3.25

Registrar & Share Transfer Agent (For both physical & demat segments)**Regd. Office**

M/s Link Intime (India) Private Limited
C/13, Pannalal Silk Mills Compound
Bhandup (West)
Mumbai - 400 078
Phone : +91 (22) 2596 3838
E-Mail : helpline@linkintime.co.in

Branch Office

M/s Link Intime (India) Private Limited
Surya, 35, Mayflower Avenue
Senthil Nagar, Sowripalayam Road
Coimbatore - 641 028
Phone : +91 (422) 231 4792 / 231 5792
E-Mail : coimbatore@linkintime.com

Secretarial Audit

A qualified Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

Share Transfer System

The company's shares being in compulsory dematerialised (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrar and Share Transfer Agents, Link Intime India Private Ltd and approved by the Shareholder and Investor Relation Committee of the company. The share transfers are processed within a period of 21 days from the date of receipt of the transfer documents by Link Intime (India) Private Limited, if the documents are complete in all respects. All requests for dematerialization of shares are processed and confirmed to the depositories, NSDL and CDSL, within 15 days. The shareholder and Investor Relations Committee generally meets as and when required to effect the shares received for transfer in physical form.

Legal proceedings/disputes on Share transfer against the company : Nil

Shares under lock-in : 28,525,000

Share Holding Pattern

Category	No of Shares	% of Share Holding
Directors and their relatives	50,089,866	43.74
Domestic Companies	22,408,003	19.57
Non Domestic Companies	1,900,000	1.66
Mutual Funds	93,948	0.08
Commercial Banks	115,740	0.10
Non Resident Indians	307,628	0.27
Public Financial Institutions	4,000	0.00
Foreign Institutional Investors	212,130	0.19
Resident Individuals	39,393,685	34.39
Total	114,525,000	100.00

Distribution of Shareholding

Range of Shareholding	No of Shares	% of Share Holding
1-5000	11,488,934	10.03
5001-10000	5,779,202	5.05
10001-20000	4,881,302	4.26
20001-30000	2,113,848	1.85
30001-40000	1,228,626	1.07
40001-50000	1,288,459	1.13
50001-100000	4,207,778	3.67
More than 100000	83,536,851	72.94
Total	114,525,000	100.00

Dematerialisation of shares and liquidity

Dematerialisation commenced with effect from 03.05.2008. So far, 97,845,434 Equity shares accounting for nearly 85% of the paid up capital of the company has been dematerialised as on 31.03.2009. The Company has entered into agreements with both NSDL and CDSL, whereby shareholders have an option to dematerialise their shares with any one of the two depositories.

There are no outstanding warrants or any convertible instruments. The company has not issued GDR/ADR.

Plant Locations

Korkadu Village, Puducherry

Kottayi, Palakkad

Industrial Estate, Kurichy, Coimbatore

Address for Communications

For Annual Report, Transfer of physical, demat, dividend on shares, change of address & other query relating to shares of the company:

Link Intime (India) Private Limited

"Surya", 35, May Flower Avenue

Behind Senthil Nagar, Sowripalayam

Coimbatore - 641 028, Tamilnadu

Phone : +91 (422) 231 4792 / 231 5792

E-Mail : coimbatore@linkintime.com

Contact address for Shareholder

K Ramasubbu, Company Secretary & GM – Finance

Regd Office: Treadsdirect Limited

2000, Trichy Road, Singanallur

Coimbatore 641 005, Tamilnadu

Phone : +91 (422) 432 1000

Fax : +91 (422) 432 1015

Email : secretarial@treadsdirect.com