



## **CEAT LIMITED**

### **BOARD OF DIRECTORS**

R. P. GOENKA	<i>Chairman</i>
H. V. GOENKA	<i>Vice Chairman</i>
PARAS K. CHOWDHARY	<i>Managing Director</i>
Dr. G. ACCORNERO	
M. A. BAKRE	
A. C. CHOKSEY	
S. DORESWAMY	
M. S. GUPTA	
J. N. GUZDER	
H. KHAITAN	
B. S. MEHTA	
H. L. MUNDRA	
K. R. PODAR	
N. SRINIVASAN	

### **COMPANY SECRETARY**

T. M. ELAVIA

### **REGISTERED OFFICE**

463, Dr. Annie Besant Road, Worli,  
Mumbai 400 030.

### **PLANTS**

Village Road, Bhandup, Mumbai 400 078.  
82, MIDC, Industrial Estate, Satpur, Nasik 422 007.

### **AUDIT COMMITTEE**

M. A. BAKRE	<i>Chairman</i>
S. DORESWAMY	<i>Member</i>
M. S. GUPTA	<i>Member</i>

### **SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE**

M. A. BAKRE	<i>Chairman</i>
PARAS K. CHOWDHARY	<i>Member</i>
M. S. GUPTA	<i>Member</i>

### **BANKERS**

Bank of India  
Bank of Baroda  
Indian Bank  
State Bank of India  
UCO Bank  
Vijaya Bank  
Corporation Bank  
State Bank of Travancore  
The Dhanalakshmi Bank Ltd.  
ICICI Bank Limited  
The Karnataka Bank Ltd.  
The United Western Bank Ltd.

### **LEGAL ADVISERS**

Mulla & Mulla and Craigie, Blunt & Caroe

### **AUDITORS**

N. M. Raiji & Co.

### **REGISTRARS**

Tata Consultancy Services,  
Park West II, Raheja Estate,  
Kulupwadi Road, Borivali (East),  
Mumbai 400 066.

## CONTENTS

Sr. No.	Description	Page Nos.
1.	Financial Highlights	1
2.	Performance Highlights	2
3.	Ten-Year Operating and Financial Record	3
4.	Directors' Report	4-11
5.	Management Discussion and Analysis Report	12-14
6.	Corporate Governance Report	15-28
7.	Auditors' Report	29-31
8.	Balance Sheet	32
9.	Profit & Loss Account	33
10.	Cash Flow Statement	34-35
11.	Schedules to Accounts	36-54
12.	Balance Sheet Abstract & Company's General Business Profile	55
13.	Statement pursuant to Section 212 of the Companies Act, 1956 regarding Subsidiary Companies	56
14.	<b>Subsidiary Companies</b>	
	CEAT Ventures Limited	57-63
	CEAT Holdings Limited	64-70
	Meteoric Industrial Finance Co. Ltd.	71-77
	Malabar Coastal Holdings Ltd.	78-84
15.	Consolidated Financial Statements	85-101
16.	Information regarding employees as per Section 217(2A) of the Companies Act, 1956	102

## FINANCIAL HIGHLIGHTS

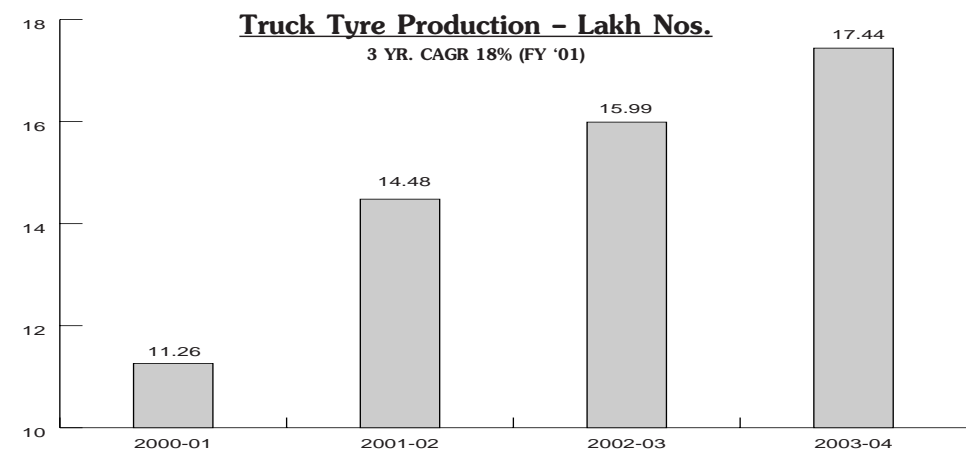
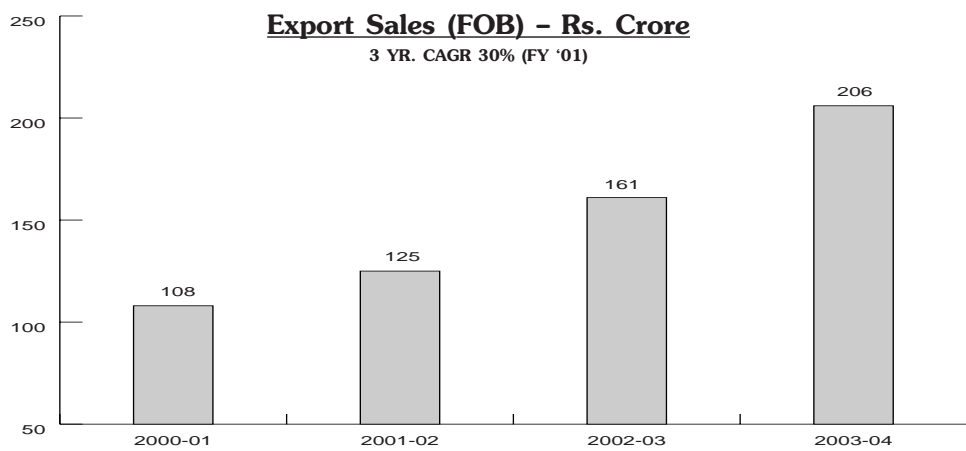
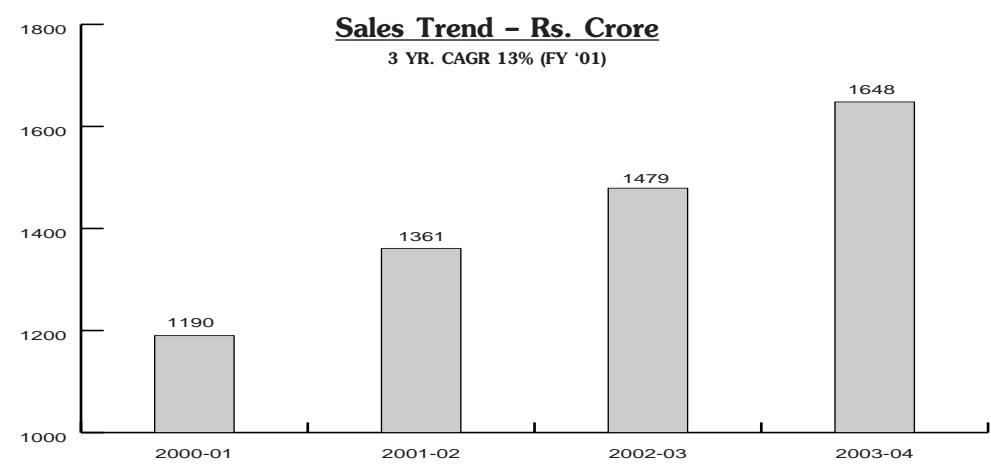
(Rs. in Crores)

**For the year ended  
31.03.2004**

For the year ended  
31.03.2003

Income (Net of Excise duty recovered on Sales)	<b>1523.05</b>	1281.48
Profit/(Loss) before Taxation	<b>22.22</b>	29.31
Profit/(Loss) after Taxation	<b>14.06</b>	18.41
Total Shareholders' Equity	<b>624.56</b>	622.64
Total Loan Funds & Deferred Tax Liability	<b>512.49</b>	521.29
Market Price of Equity Share (Rs.)	<b>36.30</b>	25.45
Proposed Equity Dividend (%)	<b>10</b>	10
Proposed Dividend - Aggregate (Rs. In Crores)	<b>3.52</b>	3.52
Number of Shareholders (Accounts) at year end	<b>1,11,730</b>	1,19,837
Number of Employees at year end	<b>4,808</b>	4,806
Personnel Cost (Rs. In Crores)	<b>115.89</b>	115.74

PERFORMANCE HIGHLIGHTS



## TEN-YEAR OPERATING AND FINANCIAL RECORD

(Rs.in Crores)

	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1994-96#	1993-94##
<b>OPERATING RECORD</b>										
Sales	<b>16,48</b>	14,79	13,61	11,90	13,48	11,66	11,49	12,02	16,40	11,19
Less: Excise Duty	<b>2,47</b>	2,73	2,47	2,06	2,45	2,08	1,88	2,55	3,42	2,28
Miscellaneous Income	<b>1,22</b>	75	67	79	70	1,07	95	1,14	87	97
	<b>15,23</b>	12,81	11,81	10,63	11,73	10,65	10,56	10,61	13,85	9,88
Materials & Traded Goods	<b>9,57</b>	7,49	7,18	6,05	6,51	5,85	6,12	6,45	8,45	5,36
Personnel Cost	<b>1,16</b>	1,16	1,02	90	90	81	76	63	91	69
Expenses	<b>3,30</b>	2,77	2,37	2,67	2,97	2,66	2,33	2,38	2,68	2,11
Interest	<b>76</b>	88	1,01	99	97	1,01	1,07	95	1,31	1,02
Depreciation	<b>22</b>	22	19	16	15	13	13	13	32	43
Total Cost	<b>15,01</b>	12,52	11,77	10,77	11,50	10,46	10,41	10,54	13,67	9,61
Profit/(Loss) before taxation	<b>22</b>	29	4	(14)	23	19	15	7	18	27
As percentage of Sales ( % )	<b>1.33</b>	1.96	0.26	1.17	1.71	1.61	1.27	0.55	1.07	2.38
Provision for Taxation	<b>8</b>	11	2	0	3	2	1	0	0	0
Profit/(loss) after Taxation	<b>14</b>	18	2	(14)	20	17	14	7	18	27
Dividend	<b>4</b>	4	4	4	7	7 **	7 **	7 **	14	9
Per Share ( Rs )	<b>1.00</b>	1.00	1.00	1.00	2.00	1.92	1.92	1.92	3.90	2.80
<b>FINANCIAL RECORD</b>										
Share Capital	<b>35</b>	35	35	35	35	35	39	39	35	31
Reserves & Surplus	<b>5,89</b>	5,88	5,51	5,67	5,93	5,13	4,45	4,47	5,01	2,54
Shareholder's Equity	<b>6,24</b>	6,23	5,86	6,02	6,28	5,48	4,84	4,86	5,36	2,85
Loan Funds & Deferred Tax Liability	<b>5,13</b>	5,21	5,57	5,89	5,43	5,04	4,66	4,77	4,53	6,44
Capital & Loan Funds employed	<b>11,37</b>	11,44	11,43	11,91	11,71	10,52	9,50	9,63	9,89	9,29
Fixed Assets- Gross	<b>8,40</b>	8,23	7,50	7,69	7,27	5,91	5,01	4,78	4,99	5,42
Depreciation	<b>3,31</b>	3,03	2,62	2,44	2,21	2,01	1,80	1,60	1,16	1,33
Fixed Assets- Net	<b>5,09</b>	5,20	4,88	5,25	5,06	3,90	3,21	3,18	3,83	4,09
Investments	<b>1,91</b>	1,93	1,93	1,99	2,05	2,11	2,46	2,30	2,54	1,60
Current Assets - Net & Deferred Tax Asset	<b>4,37</b>	4,31 *	4,62	4,67	4,60 *	4,51 *	3,83 *	4,15 *	3,52 *	3,60 *
Capital & Loan Funds applied	<b>11,37</b>	11,44	11,43	11,91	11,71	10,52	9,50	9,63	9,89	9,29

\* Inclusive of Miscellaneous Expenditure to the extent not written off or adjusted

\*\* Includes preference share dividend

# For 18 months # # For 15 months

Figures regrouped wherever necessary

## DIRECTORS' REPORT

The Directors have pleasure in presenting their Forty Fifth Annual Report for the Financial Year 1st April, 2003 to 31st March, 2004.

## FINANCIAL RESULTS

	<b>For the year Ended 31st March, 2004</b>	For the year Ended 31st March, 2003
	<b>Rs. in crore</b>	Rs. in crore
Profit before Depreciation	<b>44.31</b>	51.15
Less: Depreciation	<b>22.10</b>	21.84
Profit before Taxation	<b>22.21</b>	29.31
Less: Provision for Taxation	<b>8.16</b>	10.90
Net Profit	<b>14.05</b>	18.41
Surplus brought forward from previous year	<b>42.29</b>	37.00
Sum available for appropriation	<b>56.34</b>	55.41
Appropriations:		
Proposed Dividend on Equity Shares	<b>3.52</b>	3.52
Tax on Dividend	<b>0.45</b>	0.45
Transfer to Debenture Redemption Reserve	<b>—</b>	9.15
Balance carried forward in the Profit & Loss Account	<b>52.37</b>	42.29
	<b>56.34</b>	55.41

## DIVIDEND

The Directors recommend a dividend of Re. 1/- per share, the same as for the previous year.

## CEAT'S PERFORMANCE

Financial year 2003-04 was a challenging one for the tyre industry. The prices of natural rubber and petroleum-based raw materials rose considerably through the year. As a result, raw material costs were at a significantly higher level than that of the previous years. Simultaneously, easy availability of cheaper tyres from neighbouring countries have resulted in intense competition in the domestic market. Against this backdrop, CEAT posted an encouraging turnover growth of 11%, surpassing the industry growth level of 10%. Profitability, however, was affected primarily by higher raw material prices.

The Company initiated several measures to contain costs. These include improving operational efficiencies to reduce manufacturing costs, enhancing capacity utilisation and reducing interest burden.

During the year, CEAT introduced a range of premium and economy products in truck and light commercial vehicle segments, thereby enhancing the product range considerably. In the truck tyre segment, CEAT has focused

on increasing sales of its premium range of superior performing tyres like Lug XL, FM Super & Rib XL, which have gained high level of customer confidence. CEAT successfully introduced Mile XL, a truck tyre with the highest mileage for any 10.00-20 Lug tyres in the country. The newly introduced economy range of tyres offer great value proposition for the customer as compared to cheaper tyres from neighbouring countries.

In the two-wheeler tyre segments, CEAT has re-entered the Original Equipment (OE) segments and has now become a steady source for major two-wheeler manufacturers in the industry.

For passenger car and utility vehicle segments, CEAT has introduced a wide range of tubeless passenger radials. These tyres, made with the latest European technology, offer world-class experience to Indian consumers. The sale of these tyres increased significantly in the last year, contributing to the market growth for tubeless radials in India.

### **EXPORTS**

During the year under review, the Company recorded its highest growth in exports, a commendable achievement, given the intense international competition. Exports at Rs. 206 crore F.O.B. were higher by 27.6% over the previous year.

CEAT has consolidated its position in existing markets like USA, UAE, Singapore, Afghanistan, Nigeria, Philippines, Syria, Pakistan and Saudi Arabia. The company has also entered new markets like Egypt, Fiji, Chile, Argentina, Oman and China, thus expanding its base from 50 to 68 countries.

### **RESEARCH & DEVELOPMENT**

The year 2003-04 saw continual improvements in R & D efforts to bring about new product development, quality enhancement and introduction of new grades and applications.

### **FUTURE OUTLOOK**

The automobile industry is expected to expand at a rapid pace. Consequently, the tyre industry should also witness strong growth. However, given the current global political and economic environment, the upward trend in raw material prices, particularly petroleum based products, is expected to prevail during most part of the year. The Company continues to pursue improvements in efficiency and reduction in manufacturing cost, a key factor that could help overcome the adverse impact of raw material prices. The increase in number of products in various user segments alongwith the successful introduction of a new range of truck tyres, will help CEAT sustain its growth. CEAT is also strengthening its distribution network and setting up more exclusive sales outlets which will offer a unique buying experience to its customers. CEAT, therefore, is well-placed to sustain the revenue growth and show improved profitability towards latter part of the year.

### **SCHEME OF ARRANGEMENT**

The Scheme of Arrangement between Harrisons Malayalam Ltd, the Company and Meteoric Industrial Finance Company Ltd. had been proposed in early part of the year 2003 with the Appointed Date for the Scheme as 1st October, 2002. Considerable delay and uncertainties have affected the timely implementation of the Scheme. Its relevance as well as the basic assumptions have undergone a great deal of change.

Hence, at the respective meetings of the Board of Directors of Harrisons Malayalam Ltd., CEAT Ltd. and Meteoric Industrial Finance Company Ltd. held on 3rd August, 2004, it was decided not to implement and to withdraw the Scheme, subject to such approvals as may be required. Accordingly, Note 2 of Schedule 21 – Notes forming part of the Accounts, is to be read in this context.

### **SUBSIDIARY COMPANIES**

As required by Section 212 of the Companies Act, 1956, the Accounts of Subsidiary Companies viz. CEAT Ventures Ltd., CEAT Holdings Ltd., Meteoric Industrial Finance Company Ltd. and Malabar Coastal Holdings Ltd. are attached. Atlantic Holdings Ltd. ceased to be a subsidiary with effect from 29th March, 2004. The consolidated accounts, however, include the results of Atlantic Holdings Ltd. upto the date of de-subsidiarisation.

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

A Statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed hereto and forms part of this Report.

## **HUMAN RESOURCES**

HR initiatives were taken to inculcate a performance driven and dynamic organisational culture through planned job rotations and job enrichment.

The Industrial Relations at both the manufacturing plants and other key locations continue to remain cordial.

## **EMPLOYEE STATEMENT**

A statement of Particulars of Employees of the Company, as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is annexed hereto and forms part of this Report.

## **DIRECTORS**

Mr. M. S. Gupta had been appointed as a Director on 2nd May, 2002 in the casual vacancy caused by the resignation of Mr. B. C. Malu. If Mr. B. C. Malu had continued, he would have retired by rotation at the forthcoming Annual General Meeting. Notice has been received from a member proposing Mr. M. S. Gupta as a Director retiring by rotation.

In accordance with the Companies Act, 1956 and Articles of Association, Mr. H. V. Goenka, Mr. A. C. Choksey, Mr. H. L. Mundra and Mr. N. Srinivasan retire by rotation and have offered themselves for re-election.

## **ASSOCIATED CEAT-KELANI VENTURE**

During the period under review, Associated CEAT-Kelani Venture in Sri Lanka reported improved performance with sales increasing by 10 % over the previous year from SL Rs. 211 crore to SL Rs. 232 crore. Domestic sales grew from SL Rs. 174 crore to SL Rs. 187 crore and full implementation of the Free Trade Agreement with India boosted export sales by 22% from SL Rs. 37 crore to SL Rs. 45 crore. Compared to a profit of SL Rs. 2.2 crore for the year 2002-2003, the Company recorded a profit of SL Rs. 3.3 crore in 2003-2004, a growth of 50%. The growth in profit would have been higher if not for the significant increase in natural rubber prices. With demand being sustained, it is expected that the company will continue to perform well and the extent of improvement in profits will be governed to a large extent by the movement in raw material prices like natural rubber and petroleum based products.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

As specifically required under the Companies Act, 1956, your Directors state:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) that such accounting policies have been selected which have been applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the



Company in the Balance Sheet as at 31st March, 2004 and of the Profit and Loss Account for the said financial year viz., 1st April, 2003 to 31st March, 2004.

iii) that 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 have been taken.

iv) that the Annual Accounts have been prepared on a 'going concern' basis.

### **CORPORATE GOVERNANCE**

As required by the Listing agreement, the Corporate Governance Report, along with the Certificate of Compliance from the Auditors, is attached and forms part of the Annual Report, of which this Report is also a part. The attached Corporate Governance Report, including Management Discussion and Analysis Report, as identified by the Company Secretary, has been approved by the Board.

### **ACKNOWLEDGEMENT**

The Directors wish to thank the customers, suppliers, dealers, financial institutions, banks, shareholders and employees for their continued support.

### **AUDITORS**

Shareholders are requested to appoint the Auditors and fix their remuneration. Messrs. N.M. Rajji & Co., the retiring Auditors, have informed the Company that they are eligible for re-appointment.

On behalf of the Board of Directors,

PARAS K. CHOWDHARY  
Managing Director

MAHESH S. GUPTA  
Director

Mumbai  
Date: 3rd August, 2004.

## **ANNEXURE TO THE DIRECTORS' REPORT DATED 3RD AUGUST, 2004**

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

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

#### **A. CONSERVATION OF ENERGY**

(a) Following are the jobs carried out during the above period for conservation of energy:-

1. Installed AC Variable frequency drives for pumps.
2. AC Variable frequency drives for Extruder line.
3. Energy efficient Ballasts for Fluorescent Lamp.
4. Capacitors to improve power factor to Unity.
5. Digital Drives for Extruders.
6. Hot water recovery lines replaced to improve fuel Ratio.
7. AC Variable drives for PCI Compressor.

(b) Additional Investments/Proposals:

1. Conversion of Dip Unit from HSD to Furnace Oil.
2. Conserve air system for compressed air.
3. Digital drives for Calendars.

(c) Impacts of the measures at (a) and (b) above for reduction of energy consumption impacts on the cost of production of goods.

The above proposals will help in reducing the power and fuel consumption per Kg. of production.

(d) Total energy consumption and energy consumption per unit of production, as per Form A.

**FORM "A"**

<b>A. POWER AND FUEL CONSUMPTION</b>	<b>2003-04</b>	<b>2002-03</b>
1. ELECTRICITY		
(a) Purchased		
Units (KWH)	<b>8,82,86,848</b>	8,02,01,642
Total Amount (Rs. in Crores)	<b>31.64</b>	29.86
Rate per Unit (Rs.)	<b>3.58</b>	3.72
(b) Own generation		
(i) Through Diesel Generator		
Units (KWH)	<b>5,68,098</b>	16,17,578
Unit per Litre of Diesel Oil (KWH)	<b>3.19</b>	3.03
Cost per Unit (Rs.)	<b>7.73</b>	6.26
(ii) Through Steam/Turbine Generator		
Units (KWH)	—	—
Units per Litre of Fuel Oil/Gas (KWH)	—	—
Cost per Unit (Rs.)	—	—
2. COAL (Specify quantity & where used)		
Quantity (Tonnes)	—	—
Total Cost (Rs. in Crores)	—	—
Average Rate (Rs.)	—	—
3. FURNACE OIL		
Quantity (K. Ltrs.)	<b>2,750</b>	2,282
Total Amount (Rs. in Crores)	<b>3.25</b>	2.68
Average Rate (Rs. per Litre)	<b>11.82</b>	11.76
4. L.S.H.S.		
Quantity (K. Ltrs.)	<b>22,083</b>	20,957
Total Amount (Rs. in Crores)	<b>23.50</b>	23.13
Average Rate (Rs. per Litre)	<b>10.64</b>	11.04
5. H.S.D.		
Quantity (K. Ltrs.)	<b>564</b>	556
Total Amount (Rs. in Crores)	<b>1.42</b>	1.13
Average Rate (Rs. per Litre)	<b>25.20</b>	20.26
6. OTHER/INTERNAL GENERATION		
(LPG & Other Gases)		
Quantity (Kgs.)	—	—
Total Cost (Rs. in Crore)	—	—
Rate per Unit (Rs. per Kg.)	—	—
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
(i) Electricity (KWH/MT)	<b>749.45</b>	744.20
(ii) Furnace Oil (Ltrs./MT)	<b>23.19</b>	20.76
(iii) Coal	—	—
(iv) Others	—	—
(v) L.S.H.S. (Ltrs./MT)	<b>186.26</b>	190.62

## **B. TECHNOLOGY ABSORPTION**

### **FORM "B"**

#### **RESEARCH & DEVELOPMENT (R & D)**

1. Specific areas in which R & D carried out by the Company:
  - Evaluation and application of new raw materials.
  - Development of new compound for improved Product Performance in specific service application.
  - Development of new sizes for O.E. Manufacturer.
  - Development of new sizes for Replacement Market.
  - Development of trendy pattern for 2/3 wheeler tyres using 3D modeling, prototype, and ride test.
  - Re-engineering of products using Value Engineering.
  - Design changes for process and performance improvement.
  - Cost effective product to combat cheap China tyres in the market.
  - Cure cycle reduction.
  - Standardization.
  - Development of High mileage Lug tyre with least failures.
  - Development of rolling resistance and rolling radius in-house test facility.
  - Provided technical know how to -
    - Associated CEAT Pvt. Ltd., Sri Lanka.
    - CEAT Kelani International Tyres Ltd., Sri Lanka.
    - ACE Tyres Limited, Hyderabad.
    - Innovative Tyres & Tubes Project, Baroda.
2. Benefits derived as a result of above R & D
  - Addition of new products to range
  - Improvement of product performance
  - Cost optimisation
  - Improvement of process efficiency
  - Achievement of self-sufficiency (without Collaborators) by designing 15" LCV radial tyres.
  - Enhancement of product range
  - Reduction in product development time from 9 months to 3 months.
  - Productivity improvement.
  - Reduction in SKU'S.
  - Customer satisfaction.
  - Reduction in manufacturing claim loss by 25%.
  - Developed cost effective 10.00-20 Rib & Lug tyre to meet China threat.
3. Future Plans of Action
  - Development of new tyres to meet specific customer needs, both domestic & export.
  - Improvement in product performance.
  - Application research of new materials.
  - Radial technology to cover LCV tyre – 16".
  - Enhancement of R & D capabilities.
  - In-house development of test method for dynamic growth of motorcycle tyre.
  - Collaboration Work with IIT for FEM.

#### 4. Expenditure on R & D

	<b>(Rs. in Crores)</b>	
	<b>2003-2004</b>	2002-2003
a) Capital	<b>0.06</b>	0.04
b) Recurring	<b>1.12</b>	1.04
<b>Total</b>	<b>1.18</b>	1.08
c) Total R & D Expenditure as percentage of Total Turnover	<b>0.07%</b>	0.07%

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- New products were developed with in-house talents without the help of Collaborators. Full fledged Passenger Radial Plant was built with in-house talents.  
New ideas and techniques were also evaluated and implemented for quality and productivity improvement.
- Benefits derived as a result of the above efforts e.g. Product Development, Product Improvement, Cost Reduction, Input Substitution, etc.
  - New Products developed to meet specific customer needs including High-Tech Radial Tyres.
  - Improved product performance
  - Improvement in process technology
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the Financial Year) following information may be furnished.
  - Technology imported : Nil
  - Year of Import : Not Applicable
  - Has the Technology been fully absorbed : Not Applicable
  - If not fully absorbed areas where this is not taken place, reasons thereof and future plan of action. : Not Applicable

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:  
Please refer to the main Report
- Total Foreign Exchange used and earned.

	<b>(Rs. in Crore)</b>	
	<b>2003-2004</b>	2002-2003
i) Foreign Exchange Earned	<b>206.36</b>	161.97
ii) Foreign Exchange Used	<b>240.07</b>	175.34

On behalf of the Board of Directors,

PARAS K. CHOWDHARY  
Managing Director

MAHESH S. GUPTA  
Director

Mumbai  
Date : August 3, 2004

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENTS

CEAT is amongst the five leading tyre manufacturers in the country. The product range is broadly classified into commercial tyres, car and utility vehicle tyres, farm and two-three wheeler tyres. The Indian automotive tyre industry has been growing at an average of 9 % over last five years.

The tyre business generally moves in tandem with economic growth which has its effect on the automobile sector. Some of the recent developments have far-reaching implications for the Indian tyre industry. These are:

- **Investments in transportation infrastructure** - The National Highway Development Project (NHDP), Pradhan Mantri Bharat Jodo Pariyojana (PMBJP) and Pradhan Mantri Gram Sadak Yojana (PMGSY) are aimed at strengthening Indian road systems. These projects, implemented through innovative institutional arrangements, sophisticated engineering of international standards and robust self-financing models, is expected to result in a quantum leap in efficiency and spread of road transportation activities. The tyre industry may emerge as a major beneficiary of these developments.
- **Dismantling of trade barriers** - The new WTO-led trade regime enables the tyre industry to have access to cost-effective global sources of materials. While it has significantly helped in driving cost efficiencies, it has also opened up Indian market to established and competitive tyre companies across the world. The situation offers challenges to Indian companies to operate at a global level of competitiveness.
- **Arrival of global majors** - India has now become an integral part of the manufacturing and marketing strategies of almost all global tyre majors. Some of the top companies, which account for over 60% of world market share, have consolidated their manufacturing bases in India. Their presence here will further enhance the competitiveness of the Indian industry in domestic as well as global markets.

### OPPORTUNITIES & THREATS

The dynamic business environment offers the Indian tyre industry attractive opportunities as well as strong challenges in the short-term future.

#### OPPORTUNITIES

- The Indian economy is expected to grow by an average of 7-8% p.a. during the coming two to three years. The tyre industry, whose growth closely follows GDP growth, is expected to witness sustained demand for tyres in both the Original Equipment Manufacturer (OEM) as well as replacement segments.
- The impressive growth in the Indian vehicular population across all segments provides scope for growth in OEM sales. This is expected to result in a healthy growth in replacement market in the medium term.
- Increasing share of road transport in goods movement is expected to drive Commercial Vehicle sales and thus have an effect in boosting demand for tyres.
- Strong export opportunities, as global tyre majors, challenged by pressure on their margins in developed markets, look for cost-effective sourcing options from countries like India and China.
- Steady reduction in import duties, as a part of government's commitment to WTO, enables tyre companies with access to raw materials from across the world.

## THREATS

- Prices of natural rubber, a major raw material for tyre, are currently at a 20-year high internationally. The Domestic prices of natural rubber has increased by more than 30% over last one year.
- Increasing crude oil prices, currently at a 20-year high, have resulted in higher prices of base materials like Benzene, Styrene, Butadiene and Caprolactum. Consequently, the prices of petroleum-based raw materials for tyres have all steadily increased over last one year.
- A flourishing retreading infrastructure inhibits the demand for superior fresh tyres. The impact of retreading is maximum in the cost-sensitive commercial transportation segments.
- Appreciation in the Rupee could lead to lower export realisation.
- Reduction in import duties could lead to higher volumes of tyre imports.

## PRODUCTWISE PERFORMANCE

CEAT continues to be a dominant player providing tyres to a variety of segments like trucks, buses, light commercial vehicles (LCV), passenger cars, motorcycles, scooters, animal-drawn vehicles and off-the-road vehicles.

In the truck tyres segment, CEAT has focused on increasing sales of its premium range of superior performing tyres like Lug XL, FM Super & Rib XL which have gained high level of customer confidence. CEAT successfully introduced Mile XL with the highest mileage for any 10.00-20 Lug tyres in the industry. The newly introduced Economy range of tyres, backed by strong technology capabilities, offer great value equation for the customer as compared to cheaper tyres from neighbouring countries.

In the two-wheeler tyre segments, CEAT has re-entered the OE segments and has now become a steady source for major two-wheeler manufacturers in the industry.

For passenger car and utility vehicle segments, CEAT has introduced a wide range of tubeless passenger radials. These tyres, made with the latest European technology, offer world-class experience to Indian customers. The sale of these tyres increased significantly in the last year contributing to market growth for tubeless radials in India.

During the last year, CEAT's export revenue increased by 28%. This has been achieved through wider penetration in developed markets across the world.

## OUTLOOK

The Company is well poised to exploit market opportunities. The manufacturing capability has been further enhanced through greater capacity utilization at its plants. The outsourcing strategy has enabled the Company to significantly augment its product offerings in the two and three wheeler tyre segments as well as in tubes. The Company has a wider range of products to meet the requirements of customers of all segments. With its strong R & D and technical capabilities, CEAT is confident of facing the stiff challenges from premier global tyre majors as well as cheaper products in both domestic and international markets. The distribution network and commercial policies of the Company have been further bolstered to offer a strong market presence. CEAT expects to maintain the momentum of revenue growth in the current year.

The prices of petroleum-based products and natural rubber continued to rise throughout the year. Given the current global political and economic environment, the upward trend, particularly of crude oil, is likely to continue

till middle of the current financial year. The prices of major raw materials are likely to ease only towards the second half of the year.

## **RISKS AND CONCERNS**

There are no risks or concerns other than those which are common, such as rise in raw material prices and availability, availability of credit, downturn in economy, civil disturbances and warlike situations.

## **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The Company has established a well knit Internal Control System under which Management Reports on key performance indicators and variance analysis are made to concerned persons and acted upon with proper monitoring of activities. Regular Management Committee Meetings are held when these Reports and variance analysis from Budgets are discussed and action plan initiated with proper follow up action. Operational Reports are tabled at each Board Meeting, after being discussed in Audit Committee Meetings.

## **FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

Tight budgetary control on all key operational performance indicators and review of working capital is being exercised for continuous improvement of performance and profitability. The funds have been judiciously deployed to support higher quantum of operations without resorting to additional borrowings, wherever possible.

## **MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT**

Consistent with the Company's vision concerning People and Environment, a comprehensive document on Policies and Processes of Human Resources was introduced during the year. The Reality Awareness and Safety Workshops, which were conducted at its various locations, were well received by both management staff and workmen. During the year, discussions with the labour union commenced for improving productivity at both the plants. The various cross-functional teams, consisting of members from various levels of the organisation, have yielded encouraging results in areas of cost efficiency, new product development and operational excellence. CEAT is the first Indian tyre Company to be accredited with ISO/TS 16949: 2002 certification.

## **CAUTIONARY STATEMENT**

This Report to the Shareholders is in compliance with the Corporate Governance Standard incorporated in the Listing Agreement with the Stock Exchanges and as such cannot be construed as holding out for any forecast, projection, expectation, invitation, offer, etc. within the meaning of applicable Securities' Laws and Regulations.

Actual results could differ materially from those expressed or implied. Significant factors that could make a difference to CEAT's operations include domestic and international economic conditions affecting demand, supply and price conditions, changes in government regulations, tax regimes and other statutes.

Identified as having been approved  
By the Board of Directors of CEAT LTD.

**T.M. ELAVIA**  
COMPANY SECRETARY

Date: 3rd August, 2004



## CORPORATE GOVERNANCE REPORT

### 1. COMPANY PHILOSOPHY

According to Company philosophy, the discipline of Corporate Governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interests of shareholders, while respecting interests of other stakeholders and society at large. It aims to align interests of the Company with its shareholders and other key stakeholders. Accordingly, this Company philosophy extends beyond what is being reported under this Report. This Report is for compliance of Clause 49 of the Listing Agreement, which the Company has with the Stock Exchanges.

### 2. BOARD OF DIRECTORS

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information including information mentioned in Annexure I of Clause 49 of the Listing Agreement are placed before the Board to enable it to discharge its responsibilities of strategic supervision of the Company and as trustees of stakeholders.

#### 2.1 Composition

The Board of Directors of the Company consists of 14 Members.

The Company has One 'Executive' and Thirteen 'Non-Executive' Directors. The Chairman, Mr. R. P. Goenka is a Non-Executive Director and the Executive Director, Mr. Paras K. Chowdhary is the Managing Director. The Directors are eminent industrialists/professionals with experience in industry/business/finance/law and bring with them the reputation of independent judgement and experience, which they exercise and also satisfy the criteria of independence. However, the Board of Directors, adopting a more exacting view, has decided to treat only the Directors, as indicated in Para 2.2 below, as independent directors.

#### 2.2 Board Meetings (During the Financial Year 1st April, 2003 to 31st March, 2004)

Name	Category	No. of Board Meetings attended during the year	Whether attended last AGM held on 18.12.2003	No. of Directorships in other public limited cos.	No. of Committee positions held in other public limited companies	
					Chairman	Member
Mr. R. P. Goenka	Non-Executive	0	No	04	—	—
Mr. H. V. Goenka	Non-Executive	6	Yes	08	—	—
Mr. Paras K. Chowdhary	Executive	6	Yes	06	—	01
Dr. G. Accornero #	Non-Executive	0	No	—	—	—
Mr. M. S. Gupta	Non-Executive	6	Yes	02	—	02
Mr. M. A. Bakre #	Non-Executive	6	Yes	02	—	01
Mr. A. C. Choksey #	Non-Executive	0	No	12	—	—
Mr. S. Doreswamy #	Non-Executive	5	Yes	06	01	03
Mr. J. N. Guzder #	Non-Executive	6	Yes	04	—	—
Mr. H. Khaitan #	Non-Executive	4	Yes	14	—	06
Mr. B. S. Mehta #	Non-Executive	2	Yes	13	05	04
Mr. H. L. Mundra #	Non-Executive	4	Yes	02	—	—
Mr. K. R. Podar #	Non-Executive	0	No	04	—	—
Mr. N. Srinivasan #	Non-Executive	0	No	14	—	—

# Independent Directors.

## 2.3 Directors' Remuneration

### A. Non-Executive Directors

Director	Relationship with other Directors	Sitting Fees paid during 2003-2004 (All figures in Rs.)
Mr. R. P. Goenka - Chairman	Father of Mr. H. V. Goenka	—
Mr. H. V. Goenka - Vice-Chairman *	Son of Mr. R. P. Goenka	50,000
Dr. G. Accornero	—	—
Mr. M. S. Gupta *	—	65,000
Mr. M. A. Bakre *	—	75,000
Mr. A. C. Choksey	—	—
Mr. S. Doreswamy *	—	70,000
Mr. J. N. Guzder	—	45,000
Mr. H. Khaitan	—	30,000
Mr. B. S. Mehta *	—	25,000
Mr. H. L. Mundra	—	30,000
Mr. K. R. Podar	—	—
Mr. N. Srinivasan	—	—

\* Includes sitting fees for attending Audit Committee Meetings / Remuneration Committee Meetings/ Committee of Directors Meetings. Sitting fees for attending meetings of Shareholders/Investors Grievance Committee have been waived by the Directors on the said Committee.

### B. Executive Director

Executive Director	Relationship with other Directors	Business relationships with the Company, if any	All elements of remuneration package i.e. salary, benefits, bonuses, pension, etc.	
			Description	Amount (Rs. in Lakhs)
Mr. Paras K. Chowdhary	—	Managing Director	Salary	23.80
			Allowances & Perquisites	0.20
			Contribution to Provident and Superannuation Funds	5.83
			<b>TOTAL</b>	<b>29.83</b>

The above remuneration was approved by a resolution passed by the Remuneration Committee constituted by the Board of Directors in terms of sub-paragraph (A) of Paragraph I of Section II of Part II of Schedule XIII (the "Schedule") to the Companies Act, 1956. This Remuneration Committee is comprised of Mr. H. V. Goenka, Chairman; Mr. M. A. Bakre, Member; Mr. S. Doreswamy, Member and Mr. H. L. Mundra, Member and meets the criteria as laid down in Explanation IV in Section II of Part II of the Schedule.

It is clarified that this Remuneration Committee is in accordance with the Schedule XIII referred to above and not under Clause 49 of the Listing Agreement, where formation is not a mandatory requirement.

## 2.4 Remuneration Policy

The Managing Director is paid remuneration as per the Agreement entered into between him and the Company and which was approved by the Members on 27th September, 2001. The remuneration structure of the Managing Director comprises of salary, perquisites and allowances, contributions to provident fund, superannuation and gratuity.

The Non-Executive Directors do not draw any remuneration from the Company except Sitting Fees.

## 2.5 Board Meetings

During the financial year ended 31st March, 2004, 6 Board Meetings were held on 19th April, 2003, 30th April, 2003, 29th July, 2003, 29th October, 2003, 18th December, 2003 and 30th January, 2004.

## 3. DETAILS OF THE DIRECTORS BEING PROPOSED FOR APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING. [PURSUANT TO CLAUSE 49 (VIA)]

### 3.1 Mr. H. V. Goenka

Mr H. V. Goenka, 45, is the Chairman of RPG Enterprises, one of the leading business groups in India with a turnover of over Rs.7,400 crores. RPG Enterprises has interests in Power, Tyres, Retail, Information Technology, Life Sciences and Entertainment.

The RPG Group has several joint-ventures with companies like Vodafone, BICC, Jardine Matheson Group, EMI Music and ICL.

Mr Goenka graduated in Economics and is an MBA from IMD, Switzerland. He is the Chairman of KEC International Ltd., RPG Life Sciences Ltd., RPG Cables Ltd., Zensar Technologies Ltd. and the Vice Chairman of CEAT Ltd. He is also a Board Member of IMD, Lausanne, Switzerland.

### 3.2 Mr. Mahesh S. Gupta

Mr. Mahesh S. Gupta, 47, has an Honours Degree in B.Com; L.L.B. (Gen.) F.C.A., F.C.S. He has an outstanding academic record - Rank Holder and a Silver Medalist in Company Secretaries final examination.

Mr. Gupta has over two decades of professional experience in all aspects of finance function, including treasury, mergers & acquisitions, operational review, strategic planning, etc.

Mr. Gupta has worked with 'Piramal Group' for 17 years including last 9 years as Group CFO reporting directly to the Chairman.

Piramal Group had a turnover of around Rs.3,000 Crore and had an interest in areas of pharmaceuticals, textiles, glass containers, engineering and mall management (Crossroads). The main companies in the Group were Nicholas Piramal India Ltd. (Pharmaceuticals), The Morarjee Goculdas Spg. & Wvg. Co. Ltd. (Textiles), Gujarat Glass Ltd. (Glass Containers), Piramal Holdings Ltd. (Crossroads), Miranda Tools, PMP Auto, GP Electronics (Engineering Group). Apart from this, the Group had several joint-ventures such as Boots Piramal India Ltd., Allergan India Ltd., Sarabhai Piramal Ltd., Morarjee Brembana Ltd. etc.

Mr. Gupta was on the Board of several public companies in the Piramal Group including Whole-time Director of Nicholas Piramal India Ltd.

Presently, Mr. Gupta is working as Group CFO and Management Board Member with the RPG Group and has been working with the Group since November 2001.

RPG is a diversified group having interests in Power, Tyres, Communications and Software, Retail, Entertainment, Life Sciences having an aggregate turnover of around Rs.7,000 Crore. The main companies in the Group are CESC Limited, Phillips Carbon Black Ltd., CEAT Ltd, RPG Life Sciences Ltd., Harrisons Malayalam Ltd., Saregama India Ltd, RPG Cables Ltd. KEC International Ltd., RPG Transmission Ltd., Spencers & Co. Ltd. etc.

In the course of his career he has been associated with a number of Professional Bodies and is currently a member on the Corporate Governance Committee of Associated Chambers of Commerce and Industry (ASSOCHAM) and Indian Merchant's Chambers (IMC); Governing Council Member of Indian Association of Corporate Treasures (In Act), Member of Corporate Laws Committee of The Institute of Chartered Accountants of India and Member of National Committee on Corporate Disclosures and Accounting Standards of Confederation of Indian Industry (CII).

He was awarded the "CFO of the Year" Award, Special Commendation for Financial Excellence (Mergers & Acquisitions Category) by IMA India (formerly known as EIU), New Delhi.

Apart from his academic and professional interests, Mr. Gupta is a keen sportsman.

### **3.3 Mr. H. L. Mundra**

Mr. Hari L. Mundra, 52, has an Honours Degree in B.A. (Economics) from Bombay University and an MBA from the Indian Institute of Management, Ahmedabad (1971).

Mr. Mundra worked with Hindustan Lever Limited, India (Indian Subsidiary of Unilever Limited) for about 24 years till 1994, joining them as Management Trainee, Accounts in 1971. In Levers, he worked through two countries (India and Indonesia), three businesses (personal products, detergents and exports) and several positions both in the Financial and General Management Areas. In 1979, he was seconded to Unilever's Subsidiary in Indonesia for three years. In 1985, he became Company Treasurer in charge of Corporate Finance and Taxation and later moved to the Rs. 20 Billion Detergents Division as Group Commercial Controller in charge of its Buying / Purchasing, Planning / Logistics and Accounts Department.

Mr. Mundra was appointed to the Management Committee of Hindustan Lever in April 1990 as Vice President, Commercial. In January 1991, he took charge of the Rs. 1.5 Billion exports business as Vice President / Director, Exports. When he left Levers, Exports had become a substantially larger business with Turnover of Rs. 5 Billion due to major investments in export oriented manufacturing businesses such as Personal Products, Foods, Marine Products, Textiles and Leather.

In January 1995, Mr. Mundra joined the Rs. 65 Billion RPG Group, the fourth largest Indian Business House in the country, as Member of the Group Management Board in the dual capacity of the Chief Financial Officer of the Group as well as the President and Chief Executive of the Rs. 5 Billion Carbon Black Business. He was also appointed as a Director on the Board of several Group Companies.

During his 7 year tenure with the RPG Group, Mr. Mundra handled almost Rs. 30 Billion worth of M & A deals in India and Overseas, closed Rs. 12 Billion worth of M & A transactions and raised Rs. 7.5 Billion of long term funds for the Group Companies. His extensive experience in the Group included directing the financial closure of a 700 MW Rs. 25 Billion Power Project, managing an IPO for a Group Company in the UK Stock Market and leading a major modernisation and productivity improvement programme in the Carbon Black Sector.

In January 2002, Mr. Mundra moved to Wockhardt Group, an Indian Major in Bio-Medical Sciences. At Wockhardt, he was Executive Vice-Chairman of Wockhardt Limited, the Pharmaceutical and Bio-Technology Company of the Group as well as Vice-Chairman of Wockhardt Hospitals Limited - a company with ambitious plans in the super speciality hospital sector.

Recently he has moved out of the Wockhardt Group and joined Essar Group for serving his expertise in the field of Banking, Finance and Commerce.

In the course of his career, Mr. Mundra has been associated with a number of Professional Bodies in the Finance, Taxation and Export Fields and has been an active participant at the policy making level. Currently, he is serving on several committees of Confederation of Indian Industry (CII) and Federation of India Chambers of Commerce and Industry (FICCI)

### **3.4 Mr. N. Srinivasan**

Mr. N. Srinivasan, a Post Graduate in Chemical Engineering from the Illinois Institute of Technology, U.S.A., is the son of Late Mr. T. S. Narayanswami, Founder of The India Cements Limited and a pioneer industrialist of Tamilnadu.

Mr. Srinivasan, an industrialist, is presently the Vice-Chairman & Managing Director of The India Cements Limited, a major corporate entity in the south, with a turnover of around Rs. 1,500 Crore.

Mr. Srinivasan was the Sheriff of Madras for two terms (1989-91). He was the President of the Cement Manufacturers' Association for three terms (1991-94) and Chairman of the Board of Governors of the National Council for Cement and Building Materials (NCBM) for two terms (1991-93). He was also the Chairman of Development Council for Cement Industry (DCCI) constituted by the Government of India for two terms (1992-96). Mr. Srinivasan was also the President of The Madras Chamber of Commerce and Industry for two terms (1996-98).

Apart from being the Chairman of the Industry Committee of Federation of India Chambers of Commerce & Industry (FICCI), he is also a Member of the Executive Committee and Steering Committee of FICCI and the Managing Committee of Associated Chambers of Commerce & Industry (ASSOCHAM). He served as President of All India Organisation of Employers during the period 2000-2001. He is also on the Board of several leading Public Limited Companies.

Mr. Srinivasan is a Member of the high profile Council on Trade and Industry reconstituted by the Prime Minister of India.

A keen lover of sports, Mr. Srinivasan is the Vice President - Tamilnadu Cricket Association; President - Kodaikanal Club; President - Tamilnadu Golf Federation and President - All India Chess Federation.

### 3.5 Mr. A. C. Choksey

Mr. Atul C. Choksey is a Chemical Engineer from Illinois Institute of Technology, Chicago, U.S.A. He passed his B.S. (Chemical Engineering) with Honours in April 1973. He has also completed courses in various management disciplines like Finance, Personnel, Micro and Macro Economics, etc. during his stay abroad.

He joined Asian Paints (India) Limited as a Junior Executive in July 1973. He was subsequently appointed as a Whole-time Director of the Company with effect from 1st May, 1979. He served as the Managing Director of the Company from 15th April, 1984 to 22nd August, 1997.

He is the Chairman of APCON Group of Companies which consist of Apcotex Lattices Limited, Apcotex Securities Limited and Apcosoft Infoway Private Limited as well as other Group Companies. He jointly with ANZ Grindlays Bank Limited (presently known as Standard Chartered Grindlays Bank) promoted ANZ Asset Management Company Private Limited which is now Standard Chartered Asset Management Company Private Limited of which he is also a Director. He is, amongst others, Director on the Boards of Finolex Cables Limited, Blue Star Limited and The Cricket Club of India Limited. He is also a Member of the Asian Executive Board of the Wharton Business School of the University of Pennsylvania, Philadelphia, U.S.A.

From 1980 till 1997, he took active interest and held several positions in the Indian Paint Association (IPA), representative body of large and small paint manufacturers in India. He has held several positions on the Committees of Bombay Chambers of Commerce & Industry, Mumbai, Associated Chamber of Commerce & Industry of India, New Delhi and Confederation of Indian Industry, New Delhi.

Mr. Choksey is connected with numerous business, social and cultural organisations.

The details of various positions held are as under :-

- |                                                                         |                      |
|-------------------------------------------------------------------------|----------------------|
| 1) Appointment as S.E.M.                                                | 26.01.80 to 25.01.82 |
| 2) Member of Governing Council<br>(Dr. Balabhai Nanavati Hosp., Mumbai) | Since April 1980     |

3) Vice-Chairman, IPA, Mumbai	Oct.1982 to Sep.1983
4) Chairman, IPA, Mumbai	Oct.1983 to Sep.1984
5) Convenor, Eleventh All India Paint Conf.	15.01.83 to 16.01.83
6) Member Governing Body, IPA	1982 to 1983 1996 to 1997
7) V.P., IPA.	1986 to 1987
8) Member, Industrial Sub Committee Bombay Chamber of Commerce & Ind.	1985 to 1987 1987 to 1988
9) Member, Expert Committee on Industrial Development, Associated Chambers of Commerce & Industry of India, New Delhi	1986 to 1988 1988 to 1989
10) Nominated by the Company to the Recon- stituted Panel for Paints Industry, GOI.	July 1986 to 1992
11) Member, Board of Directors, CCI	1986 Onwards
12) President, The Indian Paint Association	1987 to 1989
13) Member, General Committee	1988 to 1990
14) Chairman, Banking & Finance Sub-Com. B.C.C.I.	1988 to 1992
15) Member, Governing Council N.M. Institute of Management Studies	1991 to 1996
16) Vice President, B.C.C.I., Mumbai	1992 to 1993
17) President, B.C.C.I., Mumbai	1993 to 1994
18) Deputy President, A.C.C.I., New Delhi	1993 to 1994
19) Trustee, BOI Mutual Fund, Mumbai	17.01.94 to 24.05.99
20) Nominated at the WTC's Council	1993 to 1996
21) Nominated by the GoM to the Governing Council of Shri Vile Parle Kelavani Mandal College of Engineering, Mumbai	Dec.1994 to 1996
22) Co-Chairman, Expert Committee on Foreign Trade, A.C.C.I., New Delhi	1995 - 1996
23) Founder Trustee, Bombay City Policy Research Foundation & Member of Governing Board of Bombay First, Mumbai	27.06.95 Onwards
24) Trustee, BAIF Development Research Foundation, Pune.	27.12.95 Onwards
25) Member, Indian Investment Overseas Committee, C.I.I., New Delhi.	1996 to 1997
26) Recipient of Giants International Award In the field of Business & Industry for the year 1995.	17.09.1996



- |                                                                                |                   |
|--------------------------------------------------------------------------------|-------------------|
| 27) Member, National Council, C.I.I.                                           | 1997 to 1998      |
| 28) Member, National Committee on Chemicals & Petrochemicals, C.I.I.           | 1997 to 1998      |
| 29) Member, Hospital Advisory Committee<br>The Bhatia General Hospital, Mumbai | July 1999 Onwards |
| 30) Member, The Wharton Business School<br>Asian Executive Board, U.S.A.       | Nov. 2000 Onwards |

#### 4. COMMITTEES OF THE BOARD

##### 4.1 Audit Committee

The terms of reference of the Audit Committee include the matters specified under Clause 49(II)(D) of the Listing Agreement as well as in Section 292A of the Companies Act, 1956.

The Company has complied with the requirements of Clause 49(II)(A) as regards the composition of the Audit Committee.

During the financial year ended 31st March, 2004, 4 meetings of the Audit Committee were held on 29th July, 2003, 29th October, 2003, 14th January, 2004 and 30th January, 2004.

Attendance at Audit Committee Meetings

Name of the Director	No. of Meetings attended
Mr. M. A. Bakre, Chairman	4
Mr. M. S. Gupta, Member	4
Mr. S. Doreswamy, Member	4

The necessary quorum was present at the meetings.

Audit Committee Meetings are generally attended by the representatives of Statutory Auditors, Managing Director, Vice President – Finance, Vice President - Legal and Company Secretary, Controller - Internal Audit, Chief Manager - Accounts, MIS & Risk Management and Deputy Company Secretary.

The Company Secretary functions as the Secretary of the Committee.

##### 4.2 Shareholders/Investors Grievance Committee

The queries received from investors are being regularly attended to and are being resolved. The Committee reviews these queries.

Attendance at Shareholders/Investors Grievance Committee Meetings.

Name of the Director	No. of Meetings attended
Mr. M. A. Bakre, Chairman	3
Mr. Paras K. Chowdhary, Member	3
Mr. M. S. Gupta, Member	3

During the year 2003-04, 3 meetings of the Committee were held on 29th July, 2003, 29th October, 2003 and 30th January, 2004. The Minutes of the Shareholders/Investors Grievance Committee were discussed and taken note of by the Board of Directors.

The Board has designated Mr. T. M. Elavia, Company Secretary, as “**Compliance Officer**”.

## 5. 5.1 Disclosures

No material, financial and commercial transactions were reported by the management to the Board, in which the management had personal interest having a potential conflict with the interest of the Company at large.

- 5.2 During the period, the Company has paid Professional Fees of Rs. 61,200/- to M/s Bansi Mehta & Co. of which Mr. B. S. Mehta is a Partner and Rs. 15,71,726/- to M/s. Khaitan & Co. of which Mr. Haigreave Khaitan is a Partner.

## 5.3 Other disclosures recommended by the SEBI Committee

1. Details on Annual General Meetings (A.G.M.)

A. G. M.	Day, Date	Time	Venue
42nd Meeting	Thursday, 27th September, 2001	11.00 a.m.	Patkar Hall, Mumbai.
43rd Meeting	Tuesday, 17th September, 2002	11.00 a.m.	Patkar Hall, Mumbai.
44th Meeting	Thursday, 18th December, 2003	11.00 a.m.	Y.B. Chavan Auditorium, Mumbai.

There were no Special Resolutions, which were put through postal ballot last year and presently there is no such proposal for this year.

2. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of Company at large :-

There were no material and/or significant transactions during the Financial Year 2003-2004 that were prejudicial to the interest of the Company.

3. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to Capital Markets, during the last three years :-

The Company has complied with the requirements of the Stock Exchanges, SEBI and Statutory Authorities on all matters related to the Capital Markets during the last three years. There are no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authorities relating to the above.

There were no instances of non-compliance of any matter related to the Capital Market during the last three years.

## 6. MEANS OF COMMUNICATION

Half-Yearly Results sent to each household of Members : No.

Quarterly Results

Which newspapers normally published in : The Free Press Journal /  
The Hindu Business Line /  
The Economic Times /  
The Financial Express /  
Business Standard  
(All over India)



Navshakti /  
Maharashtra Times  
(Marathi Newspaper)  
(All over Maharashtra State)

Whether **Management Discussion & Analysis Report** is part of the Annual Report : **Yes.** Annexed as a part of this Report.

Disclosures by Management to the Board : All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors neither participate in the discussion, nor do they vote on such matters.

Whether Shareholder Information section forms part of the Annual Report : Yes.

Website : No.

Official News Release : No.

Presentation to Institutional Investors or to Analysts. : None

## 7. GENERAL SHAREHOLDERS' INFORMATION

### Financial Calendar for 2004-2005

Results for quarter ending 30th June, 2004	27th July, 2004
Annual General Meeting	21st September, 2004
Results for quarter ending 30th September, 2004	*Last week of October, 2004
Results for quarter ending 31st December, 2004	*Last week of January 2005
Results for the year ending 31st March, 2005	*Last week of April, 2005

\* **Tentative**

## 8. BOOK CLOSURE DATES (ENSUING)

9th September, 2004 to 21st September, 2004.

## 9. DIVIDEND PAYMENT DATE

On or after 22nd September, 2004 (within statutory period)

## 10. DATE, TIME AND VENUE OF THE ENSUING ANNUAL GENERAL MEETING

Date & Time : 21st September, 2004 at 11.00 a.m.

Venue : Sir Sitaram and Lady Shantabai Patkar Convocation Hall  
of the S.N.D.T. Women's University,  
1, Nathibai Thackersey Road,  
Mumbai - 400 020.

**11. LISTING ON STOCK EXCHANGES AT -**

1) The Stock Exchange, Mumbai,  
1st Floor, New Trading Ring,  
Rotunda Building, P. J. Towers,  
Dalal Street, Fort,  
Mumbai - 400 023.

Tel : 91-22-2265 5860/61

Fax: 91-22-2265 8121/5719

E-mail : isc@bseindia.com

Website : www.bseindia.com

2) National Stock Exchange of India Ltd.,  
Exchange Plaza, 5th Floor,  
Plot No. C/1, "G" Block,  
Bandra-Kurla Complex, Bandra (E),  
Mumbai - 400 051.

Tel: 91-22-2659 8100/8235/36

Fax: 91-22-2659 8237/8

E-mail : ignse@nse.co.in

Website : www.nseindia.com

*Note: Listing Fees paid to both the above Stock Exchanges for the F. Y. 2004-2005.*

**12. SHARE TRANSFER SYSTEM**

The shares sent for physical transfer are received at the Registrar and Transfer Agents Office and all valid transfer requests are processed and returned within a period of 30 days from the date of receipt.

The transfers in physical mode are approved fortnightly for which powers have been delegated individually to certain Directors and Officers of the Company.

**13. OUTSTANDING GDRs / ADRs / WARRANTS / ANY OTHER CONVERTIBLE INSTRUMENTS**

The Company does not have outstanding instruments of the captioned type.

**14. STATISTICAL INFORMATION**

	<b>2003-2004</b>	<b>2002-2003</b>	<b>2001-2002</b>
Number of Transfer Deeds	4,529	14,406	18,553
Number of Shares Transferred	3,94,418	26,34,829	2,32,113

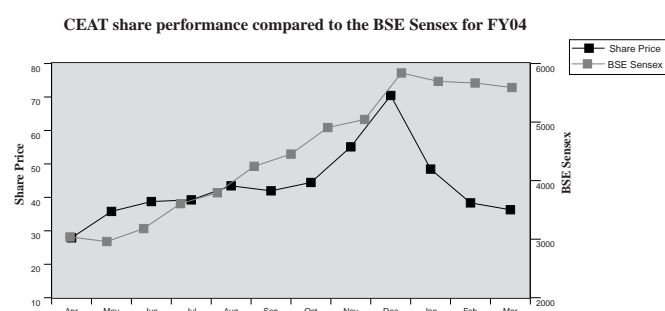
As at 31st March, 2004, there were only 7 unprocessed transfers pending. (Notice cases)

<b>Nature of Queries</b>	<b>Received</b>	<b>Redressed / Resolved</b>	<b>Pending as on 31/03/2004</b>
Queries relating to transfer of securities	10	10	Nil
Queries relating to non-receipt of dividend / Balance Sheet	204	204	Nil
Queries relating to dematerialisation / issue of duplicate shares, etc.	1	1	Nil
Others	21	21	Nil
<b>TOTAL</b>	<b>236</b>	<b>236</b>	<b>Nil</b>

## 15. MARKET PRICE DATA

High, Low Market Price on Mumbai Stock Exchange during each month in the last Financial Year :-

Month	Rates per equity share of the face value of Rs.10/- each	
	High (Rs.)	Low (Rs.)
Apr. 2003	29.00	25.00
May. 2003	36.25	27.70
Jun. 2003	39.90	33.50
Jul. 2003	49.00	37.50
Aug. 2003	49.50	38.50
Sep. 2003	46.85	40.25
Oct. 2003	58.00	41.00
Nov. 2003	58.90	44.00
Dec. 2003	77.00	55.20
Jan. 2004	73.75	48.00
Feb. 2004	49.50	38.00
Mar. 2004	41.00	32.00



## 16. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2004

No. of Equity shares held	No. of Shareholders		No. of Shares		% of Equity Capital	
	Physical	Demat	Physical	Demat	Physical	Demat
1-1000	88,879	21,697	24,61,117	36,79,711	6.99	10.45
1001-5000	202	780	3,76,609	16,12,372	1.07	4.58
5001-10000	16	77	1,02,697	5,66,434	0.29	1.61
10001-50000	9	33	1,73,922	6,28,813	0.49	1.79
50001-100000	2	5	1,56,763	3,04,095	0.45	0.86
100001-1000000	5	17	16,49,344	66,28,034	4.68	18.82
1000001 & Above	3	6	63,78,443	1,04,94,966	18.11	29.80
<b>Total</b>	<b>89,116</b>	<b>22,615</b>	<b>1,12,98,895</b>	<b>2,39,14,425</b>	<b>32.08</b>	<b>67.91</b>

**17. CATEGORIES OF SHAREHOLDERS AS ON 31ST MARCH, 2004**

Category	No. of Shareholders	Voting Strength (%)	No. of Shares held
Foreign holding (FIIs, OCBs and NRIs)	116	8.94	31,49,862
Fls, Insurance Companies & Banks	85	20.81	73,29,854
Other Bodies Corporate	1,119	42.45	1,49,47,688
Directors & their relatives	18	0.09	30,972
Mutual Funds	15	3.74	13,15,713
Others	1,10,378	23.97	84,39,231
<b>Total</b>	<b>1,11,731</b>	<b>100.00</b>	<b>3,52,13,320</b>

**18. DEMATERIALISATION OF SHARES AS ON 31ST MARCH, 2004**

Type of Investor	No. of Holders	Demat Shares	%
Resident	21,511	56,46,641	16.03
Fls	13	78,33,807	22.25
NRIs	79	33,313	0.09
Body Corporate	994	90,90,672	25.82
Mutual Fund	4	13,06,860	3.71
Bank	14	3,132	0.01
<b>Total</b>	<b>22,615</b>	<b>2,39,14,425</b>	<b>67.91</b>

The Company has arrangements with National Securities Depository Ltd. as well as Central Depository Services (India) Ltd. for demat facility, 67.91% of the Company's Share Capital is dematerialised as on 31st March, 2004.

ISIN No. INE 482A01012 - NSDL and CDSL.

Stock Code :      Mumbai Stock Exchange      -      500878  
                                  National Stock Exchange      -      CEAT EQ

**19. PLANT LOCATIONS**

- 1) Mumbai Plant :- Village Road, Bhandup, Mumbai - 400 078.
- 2) Nasik Plant :- 82, MIDC Industrial Estate, Satpur, Nasik - 422 007.

**20. ELECTRONIC CLEARING SERVICE (ECS) FACILITY**

With respect to payment of dividend, the Company provides the facility of ECS to Shareholders residing in the cities where such facility is available.

In order to avoid the risk of loss/interception of Dividend Warrants in postal transit and/or fraudulent encashments of Dividend Warrants, shareholders are requested to avail of ECS facility whereby the dividends

will be directly credited in electronic form to their respective bank accounts. This will ensure speedier credit of dividend and the Company will duly inform the concerned shareholders when the credits are passed to their respective bank accounts. The requisite ECS application form can be obtained from the office of Tata Consultancy Services, the Registrars.

All such shareholders who have already furnished their ECS mandate to the Company need not furnish the ECS mandate afresh unless there is a change in the ECS mandate.

The Company proposes to credit dividend to the shareholders' bank account directly through ECS where such facility is available in case of shareholders holding shares in demat account and who have furnished their MICR Code to their Depository Participant (DP).

Shareholders located in places where ECS facility is not available, may kindly submit their bank details to enable the Registrars to incorporate the same on the Dividend Warrants, in order to avoid fraudulent encashment of the Dividend Warrants.

#### **Communication to the Company**

Members are requested to make all correspondence in connection with the shares held by them by addressing letters directly to the Registrars and Transfer Agent of the Company M/s. Tata Consultancy Services at Park West II, Raheja Estate, Kulupwadi Road, Borivali (East), Mumbai – 400 066, quoting reference of their Folio Numbers and/or Client ID and DP ID Number.

#### **Share Dealing Code**

The Company has in place a Share Dealing Code, which is applicable to all Directors and Employees of the Company. In terms of the said Code, Directors / Employees are restricted from dealing in the shares of the Company during certain period known as "Closure of Trading Window". The said code is in line with the Model Code prescribed by SEBI.

In terms of the said Code, Directors / Employees of the Company have to inform their dealings in the shares of the Company and also disclose their shareholdings including any change thereof during the Financial Year and as at the end of the Financial Year.

#### **FOR CLARIFICATION, IF ANY, PLEASE CONTACT :-**

##### **Registered Office :**

Mr. I. I. Khan,  
Deputy Company Secretary,  
Mr. Shailesh Joshi  
Junior Officer - Secretarial,  
CEAT Limited,  
CEAT Mahal,  
463, Dr. Annie Besant Road,  
Worli,  
Mumbai - 400 030.

Tel: 91-22-2493 0621 / 5661 6054  
Fax: 91-22-5660 6039

E-mail: iikhan@ceatltd.com  
shaileshjoshi@ceatltd.com

##### **Registrars :**

Mr. D. P. Pednekar,  
Senior Manager (Operations),  
Tata Consultancy Services,  
Park West II,  
Raheja Estate,  
Kulupwadi Road,  
Borivali (East),  
Mumbai – 400 066.

Tel: 91-22-5668 9898  
Fax: 91-22-5668 9799

E-mail : pednekar@mumbai.tcs.co.in

Identified as having been approved by the  
Board of Directors of CEAT Limited

**T. M. ELAVIA**  
COMPANY SECRETARY

3rd August, 2004.

To The Members of  
CEAT LIMITED

We have examined the compliance of conditions of Corporate Governance by CEAT Limited (the Company) for the year ended 31st March, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the report issued by the Registrars of the Company to the Shareholders/Investors Grievance Committee, as on 31st March, 2004 there were no investor grievance matters against the Company remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For N. M. RAIJI & CO.**  
Chartered Accountants

**M. N. Thakkar**  
Partner  
Membership No. 8873

Mumbai, 3rd August, 2004.

## **AUDITORS' REPORT TO THE MEMBERS OF CEAT LIMITED**

1. We have audited the attached Balance Sheet of **CEAT LIMITED**, as at 31st March 2004, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
  - (v) On the basis of written representations received from the directors, as on 31st March 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
    - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
    - (c) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

**For N. M. RAIJI & CO.,**  
Chartered Accountants

**M.N. THAKKAR**  
Partner  
Membership No. 8873

Mumbai, June 30, 2004



## **Annexure to the Auditors' Report**

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Physical verification of major items of fixed assets was conducted by the management during the year. In our opinion, the frequency of physical verification is reasonable having regard to the size and operations of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off substantial part of fixed assets during the year.
- (ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c) and (d) are not applicable.
- (iv) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (v) No transactions have been entered during the year in the register maintained in pursuance of section 301 of the Companies Act, 1956 and based on the audit procedures applied by us and according to the information and explanations given and the representations made to us, we have not come across any transaction that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, sub-clause (b) is not applicable.
- (vi) In our opinion, the Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public. As informed to us, no order has been passed by the Company Law Board.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed, without carrying out a detailed examination, the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records are being maintained.
- (ix) (a) According to the records of the Company, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Custom Duty, Excise Duty, Cess and any other statutory dues applicable to it. Based on our audit procedures and according to the information and explanations given to us, there are no arrears of undisputed statutory dues which remained outstanding as at 31<sup>st</sup> March, 2004 for a period of more than six months from the date they became payable.



- (b) According to the records made available to us and the information and explanations given by the management, the details of the dues of sales tax / income tax / custom duty / wealth tax / excise duty / cess, which have not been deposited on account of any dispute, are given below :

Particulars	Financial year to which the matter pertains	Forum where the dispute is pending	Amount (Rs. in Crores)
Excise Duty	1997-98, 1989	High Court	3.45
	1994 to 1995, 1997 to 2003	Appellate Tribunal	5.40
	2002	Settlement Commission	0.18
	1997 to 2003	Commissioner (Appeals)	0.03
Octroi Duty	1982 to 2004	High Court	13.62
Sales Tax	1987 to 1990, 1995 to 1996	High Court	0.20
	1988-89, 1997-98	Tribunal	0.32
	1989-90 to 2002-03	Commissioner (Appeals)	3.18

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) According to the records made available to us and the information and explanations given by the management, the company has not defaulted in the repayment of dues to financial institutions or banks or debenture holders expect for the delay of 15 days in the repayment of an instalment of Term Loan of Rs. 4.75 Crores to ICICI Bank Limited and a delay of 6 days in the repayment of an instalment of Term Loan of Rs.2.54 Crores to Industrial Development Bank of India.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit / nidhi / mutual benefit fund / society.
- (xiv) In respect of the Company's investments proper records have been maintained for all the transactions and contracts and entries therein have generally been made on timely basis. The shares, debentures and other investments have been held by the Company in its own name except as permissible under Section 49 of the Companies Act, 1956.
- (xv) During the year, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the terms loans availed by the Company during the year have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and an overall examination of the balance sheet of the Company, we report that short-term funds aggregating to Rs. 4.96 crores have been used for long-term purposes and no long-term funds have been used for short-term purposes.
- (xviii) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year, the company has not issued any debentures. However, in respect of private placement of Debentures to Unit Trust of India in an earlier year, we have been informed that the security is not created, but these debentures have since been redeemed.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**For N. M. RAIJI & CO.,**  
Chartered Accountants

**M.N. THAKKAR**  
Partner  
Membership No. 8873

Mumbai, June 30, 2004

# Balance Sheet as at March 31, 2004

(Rs. in Lakhs)

	SCHEDULE	As at 31.03.2004	As at 31.03.2003
<b>SOURCES OF FUND</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	35,09.20	35,09.20
Reserves and Surplus	2	589,46.82	587,54.85
		<b>624,56.02</b>	622,64.05
<b>LOAN FUNDS</b>			
Secured Loans	3	319,51.88	369,21.98
Unsecured Loans	4	150,89.28	111,20.13
		<b>470,41.16</b>	480,42.11
<b>DEFERRED TAX LIABILITY</b>		<b>42,08.54</b>	40,87.32
		<b>1,137,05.72</b>	1,143,93.48
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>	5		
Gross Block		829,16.35	820,09.66
Less : Depreciation		330,96.49	303,13.27
Net Block		498,19.86	516,96.39
Capital Work-in-progress		10,65.70	2,45.43
		<b>508,85.56</b>	519,41.82
<b>INVESTMENTS</b>	6	<b>190,84.03</b>	192,84.33
<b>DEFERRED TAX ASSET</b>		<b>28,09.69</b>	32,24.47
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	172,30.17	174,24.68
Sundry Debtors	8	247,13.71	186,92.56
Cash and Bank Balances	9	38,89.30	66,15.87
Loans and Advances	10	526,05.08	452,04.79
		<b>984,38.26</b>	879,37.90
Less :			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	11	550,07.65	471,08.29
Provisions	12	25,04.17	14,18.87
		<b>575,11.82</b>	485,27.16
<b>NET CURRENT ASSETS</b>		<b>409,26.44</b>	394,10.74
<b>MISCELLANEOUS EXPENDITURE</b>	13	—	5,32.12
(To the extent not written off or adjusted)			
		<b>1,137,05.72</b>	1,143,93.48
Notes forming part of the Accounts	21		

As per our report attached

On behalf of the Board of Directors,

**For N. M. Raiji & Co.,**  
Chartered Accountants

**M. N. Thakkar**  
Partner

**T. M. Elavia**  
Company Secretary

**Paras K. Chowdhary**

Managing Director

**Mahesh S. Gupta**

Director

Mumbai, 30th June, 2004

Mumbai, 30th June, 2004

## Profit and Loss Account for the year ended March 31, 2004

(Rs. in Lakhs)

	SCHEDULE	2003-2004	2002-2003
<b>INCOME</b>			
Sales-Gross		<b>1,647,94.79</b>	1,478,97.75
Less : Excise duty Recovered on Sales		<b>247,11.58</b>	272,64.21
Sales-Net		<b>1,400,83.21</b>	1,206,33.54
Other Income	<b>14</b>	<b>122,21.78</b>	75,14.32
		<b>1,523,04.99</b>	1,281,47.86
<b>EXPENDITURE</b>			
Materials	<b>15</b>	<b>893,75.39</b>	745,44.55
Cost of Traded Goods Sold	<b>16</b>	<b>38,30.10</b>	34,65.92
Personnel	<b>17</b>	<b>115,88.55</b>	115,73.80
Other Expenses	<b>18</b>	<b>308,86.52</b>	277,45.15
Interest	<b>19</b>	<b>76,41.62</b>	87,83.01
Depreciation		<b>22,10.04</b>	21,84.21
		<b>1,455,32.22</b>	1,282,96.64
Add / (Less) : Decrease / (Increase) in stock	<b>20</b>	<b>24,88.81</b>	(30,79.87)
		<b>1,480,21.03</b>	1,252,16.77
<b>PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM</b>		<b>42,83.96</b>	29,31.09
Less : Extraordinary items (Refer Note 17 of shedule 21)		<b>20,62.18</b>	—
<b>PROFIT BEFORE TAXATION</b>		<b>22,21.78</b>	29,31.09
Less : Provision for Taxation			
Current Tax		<b>2,80.00</b>	2,50.07
Deferred Tax		<b>5,36.00</b>	8,40.00
		<b>14,05.78</b>	18,41.02
Add : Balance brought forward		<b>42,28.42</b>	36,99.86
<b>AVAILABLE FOR APPROPRIATION</b>		<b>56,34.20</b>	55,40.88
<b>APPROPRIATIONS</b>			
Proposed Dividend		<b>3,52.13</b>	3,52.13
Corporate Tax on Proposed Dividend		<b>45.12</b>	45.12
Transferred to Debenture Redemption Reserve		—	9,15.21
		<b>3,97.25</b>	13,12.46
Balance carried to Balance Sheet		<b>52,36.95</b>	42,28.42
		<b>56,34.20</b>	55,40.88
Earnings Per Share - Basic and Diluted (Rs.) (refer Note 23 of Schedule 21)		<b>4.01</b>	5.25
Notes forming part of the Accounts	<b>21</b>		

As per our report attached

On behalf of the Board of Directors,

**For N. M. Raiji & Co.,**  
Chartered Accountants

**M. N. Thakkar**  
Partner

**T. M. Elavia**  
Company Secretary

**Paras K. Chowdhary**

Managing Director

**Mahesh S. Gupta**

Director

Mumbai, 30th June, 2004

Mumbai, 30th June, 2004

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

	31.03.2004	(Rs. in Lakhs) 31.03.2003
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and extraordinary items	<b>42,83.96</b>	29,31.09
<b>Adjustments for :</b>		
Depreciation	<b>22,10.04</b>	21,84.21
Foreign Exchange Fluctuation (Unrealised)	<b>(4,70.52)</b>	(71.43)
(Profit)/Loss on sale of investments	<b>(59.66)</b>	—
Interest/Dividend Earned	<b>(19,32.22)</b>	(38,70.66)
Interest expenses	<b>76,41.62</b>	86,19.26
Lease Rent	<b>50.97</b>	64.35
(Profit)/Loss on sale/discard of Fixed Assets (Net)	<b>(3,84.36)</b>	14.11
Provisions no longer required written back	<b>(5,36.62)</b>	(2,60.58)
Provision for Doubtful Debts/ Advances	<b>3,81.16</b>	1,23.29
Provision for diminution in value of investment	—	48.13
Provisions for Obsolescence of Stores	—	0.74
	<b>69,00.41</b>	68,51.42
<b>Operating Profit before working capital changes</b>	<b>111,84.37</b>	97,82.51
<b>Adjustments for :</b>		
Trade and other receivables	<b>(68,98.10)</b>	(10,44.62)
Inventories	<b>15,69.56</b>	(29,57.76)
Trade payables and others	<b>83,40.18</b>	66,22.07
	<b>30,11.64</b>	26,19.69
<b>Cash generated from Operations</b>	<b>141,96.01</b>	124,02.20
Direct taxes refund/ ( paid )	<b>(5,63.72)</b>	23,38.23
	<b>(5,63.72)</b>	23,38.23
<b>Cash flow before extraordinary items</b>	<b>136,32.29</b>	147,40.43
Extraordinary Items	<b>(8,24.17)</b>	—
<b>Net Cash from Operating Activities</b>	<b>128,08.12</b>	147,40.43
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(20,76.82)</b>	(13,69.80)
Sale of Fixed Assets	<b>6,45.48</b>	76.31
Purchase of Investments	<b>(0.50)</b>	—
Sale/Redemption Proceeds of Investments	<b>2,60.46</b>	40,31.50
Interest received	<b>5,42.05</b>	65,29.12
Dividend received	<b>72.15</b>	33.21
Proceeds from Loans/Deposits with Companies	<b>31,58.00</b>	30,00.00
Loans/Deposits with Companies	<b>(63,16.00)</b>	(81,84.62)
Proceeds of Loan from subsidiary Companies	<b>1,42.42</b>	47,78.91
Loans to subsidiary Companies	<b>(25,26.13)</b>	(83,70.09)
<b>Net Cash from Investing Activities</b>	<b>(60,98.89)</b>	5,24.54

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

	31.03.2004	(Rs. in Lakhs) 31.03.2003
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease liabilities	(32.72)	(83.53)
Proceeds from Borrowings	159,07.82	77,62.68
Repayment of Borrowings	(168,89.24)	(114,70.52)
Dividend paid	(3,97.25)	(3,52.13)
Interest paid	(80,24.41)	(91,47.85)
<b>Net Cash generated/(used) in Financing Activities</b>	<b>(94,35.80)</b>	<b>(132,91.35)</b>
Net Increase/(Decrease) in Cash & Cash equivalent (A+B+C)	<b>(27,26.57)</b>	19,73.62
Opening Balance -Cash & Cash Equivalents	<b>66,15.87</b>	46,42.25
Closing Balance -Cash & Cash Equivalents	<b>38,89.30</b>	66,15.87

**Note :**

1. Previous year's figures have been regrouped wherever necessary.
2. Cash and Bank Balances as per accounts have been classified as Cash and Cash Equivalents.
3. All figures in brackets are outflows.

As per our report attached

On behalf of the Board of Directors,

**For N. M. Raiji & Co.,**  
Chartered Accountants

**M. N. Thakkar**  
Partner

**T. M. Elavia**  
Company Secretary

**Paras K. Chowdhary**

Managing Director

**Mahesh S. Gupta**

Director

Mumbai, June 30, 2004

Mumbai, June 30, 2004

## Schedules forming part of the Balance Sheet as at March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 1

#### SHARE CAPITAL

##### Authorised :

3,52,13,320	Equity Shares of Rs. 10 each	<b>35,21.33</b>	35,21.33
39,00,000	Preference Shares of Rs.10 each	<b>3,90.00</b>	3,90.00
2,08,86,620	Unclassified Shares of Rs.10 each	<b>20,88.67</b>	20,88.67
		<b>60,00.00</b>	60,00.00

##### Issued, Subscribed and paid-up :

3,52,13,320	Equity Shares of Rs.10 each, fully paid-up	<b>35,21.33</b>	35,21.33
	<i>Less : Allotment Money / Calls in arrears</i>	<b>12.13</b>	12.13
		<b>35,09.20</b>	35,09.20

Notes:

Of the above Equity Shares

(a) 9,20,769 Shares of Rs.10 each were allotted pursuant to Schemes of Amalgamation without payment being received in cash.

(b) 53,86,965 Shares were allotted as fully paid Bonus Shares by capitalisation of Share Premium and General Reserve.

**Schedules forming part of the Balance Sheet as at March 31, 2004**
**(Rs. in Lakhs)**
**SCHEDULE 2**
**RESERVES AND SURPLUS**

	<b>As at 31.03.2004</b>	<b>As at 31.03.2003</b>
<b>Capital Reserve</b>	<b>2,83.87</b>	2,83.87
<b>Share Premium :</b>		
Balance - 1 April, 2003	<b>124,07.10</b>	124,07.10
Add : Received during the year	<b>0.01</b>	—
	<b>124,07.11</b>	124,07.10
<b>Capital Redemption Reserve</b>	<b>3,90.00</b>	3,90.00
<b>General Reserve</b>	<b>101,15.98</b>	101,15.98
<b>Revaluation Reserve :</b>		
Balance - 1 April, 2003	<b>298,29.48</b>	276,38.56
Add : Revalued during the year	—	30,43.27
Less : Depreciation \ Adjustments on sale of assets	<b>8,16.57</b>	8,52.35
	<b>290,12.91</b>	298,29.48
<b>Debenture Redemption Reserve :</b>		
Balance - 1 April, 2003	<b>15,00.00</b>	5,84.79
Add : Transfer from Profit and Loss Account	—	9,15.21
	<b>15,00.00</b>	15,00.00
<b>Profit and Loss Account</b>	<b>52,36.95</b>	42,28.42
	<b>589,46.82</b>	587,54.85

## Schedules forming part of the Balance Sheet as at March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 3

#### SECURED LOANS

Debentures :

16.50 % Secured Redeemable Non- Convertible Debentures (Note 1)	<b>6,66.00</b>	13,33.00
13.50 % Secured Redeemable Non- Convertible Debentures (Note 2)	<b>5,00.00</b>	40,00.00

Loans from Financial Institutions/Banks :

IFCI Limited (Note 3)	<b>10,71.50</b>	19,00.10
ICICI Bank Limited (Note 4)	<b>26,00.00</b>	80,75.00
Industrial Development Bank of India (Note 5)	<b>30,48.00</b>	40,64.00
The Federal Bank Limited (Note 8)	<b>9,36.47</b>	—
Indian Bank (Note 7)	<b>70,00.00</b>	—

Bank Borrowings : (Note 6 & 9)

Working Capital Demand Loan	<b>7,95.73</b>	28,88.06
FCNR - (B) Loan	<b>42,07.65</b>	46,61.00
Cash Credit Facilities	<b>19,75.72</b>	22,17.80
Export Packing Credit	<b>89,68.72</b>	75,38.57

Other loans (Note 10)	<b>1,67.06</b>	2,01.96
Interest accrued and due	<b>15.03</b>	42.49

**319,51.88** 369,21.98

Includes Rs. 29,16.40 (Previous year Rs 47,64.24) due and repayable within a year.

Notes:

- 16.50% 20,00,000 Secured Redeemable Non-Convertible Debentures of Rs. 33.33 (66.67) each issued to Unit Trust of India were to be secured by first mortgage on immovable properties of the Company, (excluding CEAT Mahal property) and by Hypothecation of movable plant and machinery, stocks and accessories of the Company ranking *pari passu* with the existing charge holders. These debentures were redeemable at par in three equal installments commencing from 14th May, 2002 (since redeemed).
- 13.50% 40,00,000 Secured Redeemable Non-Convertible Debentures of Rs. 12.50 (100) each issued to ICICI Bank Limited against financial assistance for Company's Radial Project. These Debentures are secured by first mortgage on the immovable property of the Company situated at Bhileshwarpura, district Mehsana, Gujarat and movable properties of the Radial Project at Nasik. The said debentures are to be additionally secured by way of Corporate Guarantee to be issued by Meteoric Industrial Finance Company Limited (MIFL). These debentures were redeemable at par in 16 equal quarterly installments commencing from 15th December 2003.
- Term Loan from IFCI Limited is to be secured on all the movable and immovable assets of the Company (except for CEAT Mahal Property at Worli, in Mumbai, Temple property at Gwalior in Madhya Pradesh, property at Bhileshwarpura, District Mehsana, Gujarat.) The aforesaid charges are to rank *pari passu* with a mortgage and charges created/to be created in favour of Industrial Development Bank of India Ltd. for the balance amount of the Term Loan of Rs. 30.48 (40.64) crores, ICICI Bank Limited, for the balance amount of the Corporate Loan of Rs. 26.00 (80.75) crores and with second charge in favour of Consortium of Banks led by Bank of India for Working Capital facilities.



## Schedules forming part of the Balance Sheet as at March 31, 2004

### SCHEDULE 3 — SECURED LOANS (Continued)

4. The Corporate Loan of Rs. 26.00 (80.75) crores of ICICI Bank Limited is secured on movable and immovable properties at Bhandup and Nasik (except movable of Radial Unit at Nasik) on *pari passu* basis with Industrial Development Bank of India Ltd., and IFCI for the respective loans and with second charge in favour of Consortium of Banks led by Bank of India for working capital facilities. The said loan is to be additionally secured by Corporate Guarantee to be issued by Meteoric Industrial Finance Co. Limited (MIFL).
5. Term Loan from Industrial Development Bank of India Ltd., (IDBI) is to be secured on all movable and immovable properties of the Company (except for CEAT Mahal property at Worli, Mumbai, Temple property at Gwalior in Madhya Pradesh and property of the Company situated at Bhileshwarpura, District Mehsana, Gujarat.) and additional security by way of Corporate Guarantee to be issued by Meteoric Industrial Finance Company Limited (MIFL). The aforesaid charges are to rank *pari passu* with a mortgage and charges created/to be created in favour of IFCI Limited, for its Term Loan, charge in favour of ICICI Bank Limited, for its Corporate Loan and second charge in favour of Consortium of Banks led by Bank of India for Working Capital facilities.
6. Loan of US\$ 5.5 million obtained from Export Import Bank of India is secured under hypothecation of current assets of the Company both present and future ranking as First *pari passu* charge with the existing lenders.
7. The Term Loan of Rs. 70.00 crores availed from Indian Bank is presently secured by mortgage of CEAT Mahal property situated at Worli in Mumbai and first *pari passu* charge on the movable assets of Radial Unit at Nasik.
8. The Term Loan of Rs. 9.36 crores obtained from Federal Bank Limited is secured on all the movable and immovable assets of the Company situated at Bhandup, and Nasik Plants (except movables at Radial Unit at Nasik) on *pari passu* basis with IFCI Limited, IDBI and ICICI Bank Ltd.
9. Fund/Non Fund based Working Capital facilities from consortium of Banks led by Bank of India are secured/to be secured by hypothecation of Inventories and Book debts and by a second charge on immovable properties of the Company situated at Bhandup and Nasik Plants and CEAT Mahal property at Worli and by way of Corporate Guarantee to be issued by MIFL.
10. The vehicle loans availed from Citi Bank N.A., Citicorpmaruti Finance Limited, Tata Finance Limited, Kotak Mahindra Primus Limited, ICICI Bank Limited, GMAC – TCFC Finance Limited, HDFC Bank Limited and GE Countrywide Consumer Financial Services Limited are secured by way of hypothecation of the Vehicles financed by them.

(Rs. in Lakhs)

### SCHEDULE 4

#### UNSECURED LOANS

	As at 31.03.2004	As at 31.03.2003
Term Loan from IL & FS Limited	3,50.00	3,50.00
Public Deposits	73,17.28	73,04.34
Inter-corporate Deposits	19,83.00	18,99.00
Commercial Paper	35,00.00	—
Interest Free Sales Tax Loan	5,34.81	6,62.96
Deferred Sales Tax Incentive- State Industrial and Investment Corporation of Maharashtra Ltd (SICOM)	14,04.19	9,03.83
	<b>150,89.28</b>	<b>111,20.13</b>

In respect of the above loans, Rs. 45,58.41 (Previous Year Rs 54,59.21) is due and repayable within a year

**Schedules forming part of the Balance Sheet as at March 31, 2004**

(Rs. in Lakhs)

**SCHEDULE 5  
FIXED ASSETS**

ASSETS	COST				DEPRECIATION				NET VALUE
	As at 01.04.2003	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2004	As at 01.04.2003	On Deduction/ Adjustments	For the year 2003-2004	As at 31.03.2004	As at 31.03.2004
<b>Owned Assets</b>									
Land	128,42.46 (117,85.89)	— (10,56.57)	— —	128,42.46 (128,42.46)	31.72 (26.05)	— —	11.23 (5.67)	42.95 (31.72)	127,99.52 (128,10.74)
Buildings	105,44.64 (85,57.94)	2.67 (19,86.70)	1,15.47 —	104,31.84 (105,44.64)	21,31.64 (19,48.59)	79.38 —	2,03.09 (1,83.05)	22,55.35 (21,31.64)	81,76.49 (84,13.00)
Plant and Machinery	527,32.45 (506,39.92)	9,42.32 (23,84.29)	89.45 (2,91.75)	535,85.33 (527,32.45)	251,55.11 (228,51.66)	82.17 (1,11.68)	24,24.48 (24,15.12)	274,97.41 (251,55.11)	260,87.92 (275,77.35)
Furniture and Fixtures	22,59.37 (19,26.25)	1,54.89 (4,19.70)	1,53.21 (86.58)	22,61.04 (22,59.37)	12,65.58 (10,91.93)	73.70 (23.39)	1,70.94 (1,50.26)	13,62.81 (12,65.58)	8,98.23 (9,93.79)
Vehicles	8,27.80 (7,58.56)	1,82.30 (1,79.43)	17.36 (1,10.19)	9,92.74 (8,27.80)	2,79.18 (2,77.77)	8.14 (62.23)	72.91 (63.64)	3,43.95 (2,79.18)	6,48.79 (5,48.62)
	792,06.72	12,82.18	3,75.49	801,13.41	288,63.22	2,43.39	28,82.64	315,02.47	486,10.94
	(736,68.55)	(60,26.69)	(4,88.53)	(792,06.72)	(261,96.01)	(1,97.29)	(28,17.73)	(288,63.22)	(503,43.50)
<b>Leased Assets</b>									
Plant and Machinery	26,72.45 —	— (30,16.65)	— (3,44.20)	26,72.45 (26,72.45)	13,26.44 —	— (11,35.71)	1,39.85 (1,90.73)	14,66.29 (13,26.44)	12,06.16 (13,46.01)
Furniture and Fixtures	1,30.49 —	— (2,25.15)	— (94.66)	1,30.49 (1,30.49)	1,23.61 —	— (95.52)	4.12 (28.09)	1,27.73 (1,23.61)	2.76 (6.88)
	28,02.94	—	—	28,02.94	14,50.05	—	1,43.97	15,94.02	12,08.92
	—	(32,41.80)	(4,38.85)	(28,02.94)	—	(12,31.22)	(2,18.83)	(14,50.05)	(13,52.89)
Total	820,09.66	12,82.18	3,75.49	829,16.35	303,13.27	2,43.39	30,26.61	330,96.49	498,19.86
	(736,68.55)	(92,68.49)	(9,27.38)	(820,09.66)	(261,96.01)	(14,28.52)	(30,36.55)	(303,13.27)	(516,96.39)
Capital Work-in-Progress - Includes Advances against Capital Account									10,65.70 (2,45.43)
Grand Total									508,85.56 (519,41.82)

**Notes:**

- Land includes leaseholds - aggregate original cost Rs.11.07 (Previous Year Rs.11.07) less amortisation Rs 2.12 (Previous Year Rs.2.01), net value Rs. 8.95 (Previous Year Rs.9.06).
- Buildings include Rs.0.08 (Previous Year Rs.0.08) being value of shares held in co-operative housing societies.
- Minimum lease rentals payable within a year is Rs 0.07 (Net of finance charges of Rs Nil) whereas minimum lease rentals payable over 1 year is Nil.
- Plant and Machinery includes borrowing costs capitalised Rs. 25.63 (Previous Year Rs 66.12).
- Based on valuation reports submitted by the approved valuers, following assets had been revalued on the basis of assessment about their Market Value and written up by the amount on that date. Lease Hold Land and Factory Building at Nashik factory had been revalued as on September 25, 2002. Office Building, CEAT Mahal-Mumbai had been revalued as on November 12, 1998. Land and Building at Bhandup factory have been revalued as on April 01, 1999. The details are shown below :

	Gross Amount written up on revaluation	Depreciation provided upto 31.03.2004	Amount written up (net of depreciation/ adjustments) as on 31.03.2004
Land	127,81.11	40.83	127,40.28
Buildings	68,74.06	5,70.87	63,03.19
Plant and Machinery	199,26.96	99,57.52	99,69.44
	<u>395,82.13</u>	<u>105,69.22</u>	<u>290,12.91</u>

Depreciation of Rs. 8,16.57 (Previous Year Rs. 8,52.35) on the revalued portion has been provided for the year on the same rate as is applicable and this amount has been directly adjusted from the Revaluation Reserve.

- Rs. Nil (Previous Year Rs. 45.48) Cost has been reduced from Revalued Plant and Machinery and Accumulated Depreciation on account of sale of Revalued Plant and Machinery. Rs. 49.78 (Previous Year Rs. Nil) Revalued cost pertaining to Building and Accumulated depreciation thereon has also been reduced on account of sale.
- Depreciation on Plant and Machinery includes depreciation of Rs Nil (Previous Year Rs. 2.39), and Furniture & Fixtures Rs. Nil (Previous Year Rs. 0.48) provided for earlier years.

## Schedules forming part of the Balance Sheet as at March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 6

#### INVESTMENTS (AT COST)

Long Term	Face Value (Rs.)	Holdings (Nos.)	As at 31.03.2004	As at 31.03.2003
<b>I Quoted (Non-Trade)</b>				
<b>Equity Shares - (Fully Paid):</b>				
Bank of India **	10	—	—	17.96
CESC Ltd #	10	9,09,764	8,36.64	8,36.64
ICICI BANK LTD **	10	—	—	25.00
KEC International Ltd	10	20,75,647	27,65.23	27,65.23
Phillips Carbon Black Ltd	10	12,70,400	8,17.84	8,17.84
RPG Cables Ltd	10	64,000	95.20	95.20
RPG Life Sciences Ltd	10	8,98,510	9,95.07	9,95.07
RPG Transmission Ltd	10	10,87,300	8,67.31	8,67.31
Saregama India Ltd	10	2,52,500	63.25	63.25
UTI Bank Ltd **	10	—	—	3.40
Vijaya Bank **	10	—	—	1.94
Zensar Technologies Ltd.	10	11,50,000	1,95.81	1,95.81
<b>II Unquoted</b>				
<b>(i) Subsidiary Companies</b>				
<b>Equity Shares - (Fully Paid):</b>				
Atlantic Holdings Ltd. (Rs.100)	10	—	—	—
CEAT Ventures Ltd.	10	399,99,500	39,99.95	39,99.95
CEAT Holdings Ltd.	10	400,00,000	40,00.00	40,00.00
Meteoric Industrial Finance Co Ltd.	10	255,00,052	25,50.01	25,50.01
Malabar Coastal Holdings Ltd. (Rs.100)	10	10	—	—
<b>15% Redeemable Non Cumulative Preference Shares (Fully paid):</b>				
Atlantic Holdings Ltd	100	—	—	10.05
Malabar Coastal Holdings Ltd	100	7,550	7.55	7.55
<b>Debentures - (Unsecured, Fully Paid):</b>				
Zero Coupon Fully Convertible Debentures				
CEAT Ventures Ltd				
V Series (04.12.2006)	10	40,52,867	4,05.29	4,05.29
VI Series (26.10.2004)	10	40,00,000	4,00.00	4,00.00
CEAT Holdings Ltd				
VI Series (30.03.2007)	10	27,50,000	2,75.00	2,75.00
Atlantic Holdings Ltd				
V Series (04.12.2003)*	10	—	—	89.00
<b>(ii) Others</b>				
<b>Equity Shares - Unquoted (Fully Paid):</b>				
Atlantic Holdings Ltd	10	10	—	—
Bombay Mercantile Co-Operative Bank Ltd	30	1,666	0.50	0.50
Basic Telephone Services Ltd. (Rs. 20)	10	2	—	—
Hilltop Holdings India Ltd	10	3,54,654	3,90.12	3,90.12
RPG Communications Holdings Ltd	10	5,00,000	50.00	50.00
SICOM Ltd	10	1,27,500	1,02.51	1,02.51
Spencer & Co Ltd	10	2,37,000	1,78.82	1,78.82
The Thane Janata Sahakari Bank Ltd. (Rs. 500)	50	10	0.01	0.01
The Greater Bombay Co-Operative Bank Ltd. (Rs. 250)	25	10	—	—
<b>15% Redeemable Non Cumulative Preference Shares (Fully paid):</b>				
Atlantic Holdings Ltd	100	10,050	10.05	—
<b>Debentures - (Unsecured, Non Convertible &amp; Fully paid):</b>				
International Management Institute (5%) (Redeemable at par in 7 annual installments commencing from 1999)	40	3,15,000	1,26.00	1,89.00
<b>Total Value Of Investments</b>			<b>191,32.16</b>	193,32.46
<b>Less: Diminution in Value of Quoted Investments</b>			<b>48.13</b>	48.13
			<b>190,84.03</b>	192,84.33
<b>Aggregate Cost of Quoted Investments</b>			<b>66,36.35</b>	66,84.65
<b>Aggregate Cost of Unquoted Investments</b>			<b>124,95.81</b>	126,47.81
<b>Market Value of Quoted Investments</b>			<b>48,92.37</b>	18,47.40

Note : Movement during the year  
Equity Shares purchased and sold

	Face Value (Rs.)	Holdings (Nos.)	Cost (Rs. in Lakhs)
UCO Bank	10	1,600	0.19
Vijaya Bank	10	1,300	0.31
* Redeemed during the year			
** Sold during the year			
# Pursuant to the Board resolution dated December 18, 2003 the Company has given an undertaking to the lenders of CESC Limited for the non disposal of its Investment in CESC Limited			

## Schedules forming part of the Balance Sheet as at March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 7

#### INVENTORIES

	As at 31.03.2004	As at 31.03.2003
Stores and Spares	16,63.94	16,45.06
Less : Provision for Obsolescence	93.39	93.39
	<b>15,70.55</b>	15,51.67
Stock-in-Trade :		
Raw Materials [including in transit Rs.30,59.14 (Previous Year Rs.17,15.91)]	70,03.21	42,89.12
Semi-Finished Goods	19,46.22	16,90.92
Finished Goods [including in transit Rs.2,16.12 (Previous year Rs.1,84.32)]	67,10.19	98,92.97
	<b>172,30.17</b>	174,24.68

### SCHEDULE 8

#### SUNDRY DEBTORS

Debts outstanding for a period exceeding six months		
Considered Good	6,04.63	10,91.00
Considered Doubtful	8,31.05	8,72.55
Less : Provided for	8,31.05	8,72.55
	<b>6,04.63</b>	10,91.00
Other Debts		
Considered Good	241,09.08	176,01.56
	<b>247,13.71</b>	186,92.56

	As at 31.03.2004	As at 31.03.2003
Sundry Debtors		
Secured	79,28.86	68,77.30
Unsecured	167,84.85	118,15.26
Total	<b>247,13.71</b>	186,92.56

## Schedules forming part of the Balance Sheet as at March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 9

#### CASH AND BANK BALANCES

	As at 31.03.2004	As at 31.03.2003
Cash on Hand [Including cheques Rs. 94.42 (Previous Year Rs. 22,66.63)]	<b>1,07.75</b>	22,85.86
Remittance in Transit	<b>11,38.61</b>	11,73.24
With Scheduled Banks :		
In Current Accounts	<b>12,90.17</b>	19,18.91
In Deposit Accounts	<b>5,50.75</b>	4,65.79
In Margin Deposit Accounts	<b>7,06.73</b>	6,86.32
In Unclaimed Dividend Accounts	<b>95.29</b>	85.75
	<b>38,89.30</b>	66,15.87

### SCHEDULE 10

#### LOANS AND ADVANCES

##### Unsecured — Considered Good, unless otherwise stated :

Due from Subsidiaries :

Loans and Advances	<b>143,97.34</b>	120,13.63
Interest Receivables	<b>16,90.51</b>	17,63.74

##### Others :

Loans and Advances :

Advances receivable in Cash or Kind or for Value to be received	<b>21,82.25</b>	19,50.38
Balances with Customs, Port Trust, Excise, etc.	<b>49,57.63</b>	48,22.71
Loans and Deposits with Companies	<b>158,33.49</b>	126,75.49
Advance payment of Tax (net of provision)	<b>3,35.55</b>	51.83
Interest Receivables	<b>53,91.12</b>	39,80.80
Other Receivables	<b>78,17.19</b>	79,46.21
Loan, Advances and Deposits (considered doubtful)	<b>13.11</b>	8.51
Less : Provided for	<b>13.11</b>	8.51

**526,05.08** 452,04.79

## Schedules forming part of the Balance Sheet as at March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 11

#### CURRENT LIABILITIES

	As at 31.03.2004	As at 31.03.2003
Acceptances	132,87.41	105,19.33
Sundry Creditors :		
Small Scale Industrial Undertakings	4,76.98	3,28.73
Others	255,33.39	207,87.99
	<b>260,10.37</b>	
Interest Accrued but not due	4,87.30	8,17.01
Deposits from Dealers and Others	108,57.31	96,65.50
Other Liabilities	39,08.35	45,17.63
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956.		
Due as on 31.03.2004		
Unclaimed Fixed Deposits and Interest	—	1.46
Unclaimed Interest on Debenture	5.68	3.20
	<b>5.68</b>	
Not due as on 31.03.2004		
Unclaimed Dividends	95.29	85.75
Unclaimed Interest and Matured Deposits	2,91.74	2,91.64
Unclaimed Interest and Matured Debentures	48.66	73.83
Unclaimed Interest and Matured Bonds	15.54	16.22
	<b>451.23</b>	
	<b>550,07.65</b>	<b>471,08.29</b>

### SCHEDULE 12

#### PROVISIONS

Proposed Dividend	3,52.13	3,52.13
Corporate Tax on Proposed Dividend	45.12	45.12
Provision for Contingencies (Refer Note 5 (h) of Schedule 21)	12,38.01	—
Provision for Retirement and other Employee Benefits	8,68.91	10,21.62
	<b>25,04.17</b>	<b>14,18.87</b>

### SCHEDULE 13

#### MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Deferred Revenue Expenses :		
Voluntary Retirement Scheme	—	5,32.12
	—	5,32.12

## Schedules forming part of the Profit and Loss Account for the year ended March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 14

#### OTHER INCOME

	2003-2004	2002-2003
Export Incentive	16,71.01	9,29.05
Additional Excise Duty refund	55,12.09	—
Sales Tax setoff	7,22.06	5,86.97
Sale of Scrap	6,63.87	7,24.36
Profit on Assets Sold/Discarded	4,52.13	36.14
Interest		
From Subsidiaries	—	6,83.92
From Others	18,79.14	31,47.18
Dividend on Investments (Non trade)	53.09	39.56
[Tax deducted at source Rs. Nil (Previous Year Rs.2.13)]		
Royalty	71.65	72.74
Profit on sale of Investments	59.66	—
Provisions for Doubtful Debts / Advances Written Back Recovered	35.68	30.78
Provisions no longer required written back	5,36.62	2,60.58
Miscellaneous	5,64.78	10,03.04
	<u>122,21.78</u>	<u>75,14.32</u>

### SCHEDULE 15

#### MATERIALS

Raw Materials		
Stock - 1st April, 2003	25,73.21	30,53.36
Add : Purchases	907,46.25	740,64.40
	<u>933,19.46</u>	<u>771,17.76</u>
Less : Stock - 31st March, 2004	39,44.07	25,73.21
	<u>893,75.39</u>	<u>745,44.55</u>

### SCHEDULE 16

#### COST OF TRADED GOODS SOLD

Stock - 1st April, 2003	5,68.04	4,79.71
Add : Purchases	39,97.09	35,54.25
	<u>45,65.13</u>	<u>40,33.96</u>
Less : Stock - 31st March, 2004	7,35.03	5,68.04
	<u>38,30.10</u>	<u>34,65.92</u>

### SCHEDULE 17

#### PERSONNEL

Salaries, Wages and Bonus	90,73.23	88,16.34
Provident Fund, Gratuity Fund and Superannuation Scheme etc.	12,39.30	15,36.48
Welfare Expenses	12,76.02	12,20.98
	<u>115,88.55</u>	<u>115,73.80</u>

## Schedules forming part of the Profit and Loss Account for the year ended March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 18

#### OTHER EXPENSES

	2003-2004	2002-2003
Conversion Charges	55,33.06	49,26.21
Stores and Spares Consumed	10,87.22	10,73.76
Provision for Obsolescence of Stores	—	0.74
Power and Fuel	60,24.47	57,80.98
Freight and Delivery Charges (Net)	47,22.43	29,99.11
Rent	3,15.47	3,29.65
Rates and Taxes	5,56.73	5,00.26
Insurance	1,93.36	1,96.48
Repairs :		
Machinery	6,76.58	6,44.48
Buildings	1,73.03	1,22.29
Others	78.64	52.92
	<b>9,28.25</b>	
Travelling and Conveyance	6,98.65	6,92.77
Printing and Stationery	1,57.29	1,60.48
Directors' Fees	3.90	3.70
Auditors' Remuneration :		
Audit Fees	15.00	15.00
Taxation Matters	1.94	1.30
Other Services (Certification, Tax Audit, etc.)	12.11	12.69
Reimbursement of Expenses	2.54	1.86
	<b>31.59</b>	
Advertisement and Publicity	7,24.57	3,89.70
Rebates and Discounts	49,62.68	54,73.88
Commission	13,19.69	8,33.61
Selling Expenses	67.70	2,12.46
Advances Written off	7.95	56.16
Less : Provision for doubtful advances written back to the extent provided	7.95	43.39
	<b>—</b>	
Bad Debts Written off	3,74.42	—
Less : Provision for doubtful debts written back to the extent provided	3,74.42	—
	<b>—</b>	
Provision for Doubtful Debts / Advances	3,81.16	1,23.29
Loss on Assets Sold / Discarded	67.77	50.24
Lease Rent	50.97	64.35
Factory Expenses	2,95.13	2,53.11
Legal Charges	80.97	61.20
Finance Charges	9,40.50	7,70.76
Prior Period Adjustments (Net)	—	1.98
Foreign Exchange Fluctuations (Net)	5.97	(0.35)
Provision for Diminution on Investment	—	48.13
General Expenses	17,36.99	19,35.34
	<b>308,86.52</b>	<b>277,45.15</b>



## Schedules forming part of the Profit and Loss Account for the year ended March 31, 2004

(Rs. in Lakhs)

### SCHEDULE 19

#### INTEREST

Interest Paid :

On Debentures

On Term Loans

Others

2003-2004

2002-2003

7,62.11

8,02.21

18,40.19

25,96.90

50,39.32

53,83.90

**76,41.62**

**87,83.01**

### SCHEDULE 20

#### DECREASE / (INCREASE) IN STOCK

Stock - 1st April, 2003

Semi-Finished

Finished

Stock - 31st March, 2004

Semi-Finished

Finished

Differential Excise Duty on Opening and Closing Stock of Finished Goods

16,90.92

14,52.54

91,40.61

61,12.09

**108,31.53**

75,64.63

19,46.22

16,90.92

57,59.04

91,40.61

**77,05.26**

108,31.53

**31,26.27**

(32,66.90)

**(6,37.46)**

1,87.03

**24,88.81**

**(30,79.87)**

## **Schedules forming part of the Accounts for the year ended March 31, 2004**

### **SCHEDULE 21**

#### **NOTES FORMING PART OF THE ACCOUNTS**

##### **1) Significant Accounting Policies**

###### **A) Method of Accounting**

The financial statements are prepared on an accrual basis under the historical cost convention in accordance with Generally Accepted Accounting Principles ("GAPP") and in compliance with the applicable Accounting Standards issued by The Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

###### **B) Fixed Assets**

Fixed Assets are stated at cost less depreciation. Cost comprises cost of acquisition, cost of improvements, borrowing cost and any attributable cost of bringing the asset to the condition for its intended use. Cost also includes direct expenses incurred upto the date of capitalisation / commissioning, and exchange differences arising on foreign currency loans taken for acquiring the assets.

Leased Assets comprise of assets acquired under Finance Leases which have been stated at cost of acquisition plus entire cost component amortizable over the useful life of these assets.

###### **C) Borrowing Cost**

Borrowing costs include interest, fees and other charges incurred in connection with the borrowing of funds and is considered as revenue expenditure for the year in which it is incurred except for borrowing costs attributed to the acquisition / improvement of qualifying capital assets and incurred till the commencement of commercial use of the asset and which is capitalised as cost of that asset.

###### **D) Depreciation**

Depreciation is provided on the Straight Line Method, at the rates prescribed in Schedule XIV to the Companies Act, 1956. Certain Plants have been treated as Continuous Process Plants based on technical and other evaluations.

Leasehold land is amortised over the period of the lease.

Adjustments to cost of fixed assets arising on capitalisation of foreign exchange gains, losses and translation differences are depreciated prospectively over the remaining useful life of each asset.

Depreciation charged to Profit and Loss Account is exclusive of depreciation on revaluation of assets, which is adjusted against Revaluation Reserve.

###### **E) Investments**

Investments being long term are stated at cost. Provision against diminution in the value of investments is made in case diminution is considered as other than temporary, as per criteria laid down by the Board of Directors after considering that such investments are strategic in nature.

###### **F) Inventories**

Raw materials, Stores and spares and Stock-in-process are valued at weighted average Cost. Finished Goods are valued at lower of cost or net realisable value. Material-in-transit is valued at cost.

###### **G) Revenue Recognition**

Sales are recognised on despatch to customers. Sales include excise duty but exclude sales tax and freight recovery.

Export incentives, Dividend and Interest are accounted for on an accrual basis.

###### **H) Foreign Currency Transactions**

Foreign currency transactions other than those covered by forward contracts are recorded at current rates except export transactions, which are recorded at the spot rate at the beginning of each month.

Forward premia in respect of forward exchange contracts are recognised over the life of the contracts.

Assets and Liabilities denominated in foreign currency, including balances in respect of a foreign branch, are restated at year-end rates.

All exchange gains and losses except those relating to acquisition of fixed assets, which are adjusted to the carrying cost of such assets, are accounted for in the Profit and Loss Account.

###### **I) Lease Rentals**

The cost components in respect of Finance leases is being amortised over the primary lease period or effective life of the Assets as depreciation on Leased Assets and the interest component is charged as a period cost.

Secondary Lease rentals are being charged to Profit and Loss Account.

###### **J) Research and Development**

Revenue expenditure on research and development is recognised as an expense in the year in which it is incurred.

Capital expenditure is shown as an addition to the fixed assets and are depreciated at applicable rates.

## Schedules forming part of the Accounts for the year ended March 31, 2004

### SCHEDULE 21 — (Continued)

(Rs. in Lakhs)

#### K) Retirement Benefits

The Company has created an Employee's Group Gratuity Fund, which has taken a Group Gratuity-Cum-Life Insurance Policy from Life Insurance Corporation of India. Gratuity is provided on the basis of the above policy.

Liability towards leave encashment benefit on retirement is provided based on the actuarial valuation done at the year-end.

Contributions to Company's Provident, Superannuation and Gratuity Funds are being charged to revenue.

#### L) Taxes on Income

a) **Current Tax:** Provision for Income Tax is determined in accordance with the provisions of Income Tax Act, 1961.

b) **Deferred Tax Provision:** Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

- 2) No effect has been given to the scheme of Arrangements to merge Rubber undertaking (on demerger from Harrisons Malayalam Limited.) and demerge Investment undertaking and vest its assets and liabilities with one of the wholly owned subsidiary namely Meteoric Industrial Finance Company Limited, with effect from 1st October 2002 which has been approved by the shareholders of CEAT Limited, Harrisons Malayalam Limited and H'ble High Court of Judicature at Bombay, and is pending approvals by the H'ble High Court of Kerala and other authorities as may be necessary.
- 3) The Company had been following the policy of amortisation of the Voluntary Retirement Scheme (VRS) and separation cost over a period of 60 months. During the period, the Company changed its policy to expense out VRS and separation costs as and when incurred. Accordingly the unamortised expenditure as on 1<sup>st</sup> April 2003 has also been charged to the Profit and Loss Account. Due to this change of Accounting policy, the profit for the year is lower by Rs.6,58.00.

	2003-2004	2002-2003
<b>4) Contracts remaining to be executed:</b>		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for - net of advance payments	5,40.61	5,62.22
<b>5) Contingent Liabilities:</b>		
a) Taxation Matters on which there are decisions of the appellate authorities in the Company's favour, in appeal by the tax authorities		
Income Tax	2,56.81	2,07.87
Wealth Tax	16.51	1.11
Excise and Custom Duty	24,83.00	7,83.00
Sales Tax	4.51	—
b) Taxation matters in respect of which the Company is in appeal		
Income Tax	2,08.23	1,66.62
Wealth Tax	11.15	59.24
Excise and Custom Duty	9,65.00	20,61.10
Sales Tax	4,10.08	3,66.99
c) Disputed demands of Octroi Duty	13,62.00	11,21.12
d) Bills discounted with Banks and Finance Companies	73,05.61	1,95.58
e) Corporate Guarantees given on behalf of others - Covered by indemnity undertakings from RPG Enterprises Ltd.	26,50.00	26,50.00
- Other Corporate Guarantees	3,00.00	3,00.00
f) As a matter of abundant caution a general provision for contingencies of Rs. 12,38.01 has been made in respect of disputed Excise duty, Octroi claims, etc.		

## Schedules forming part of the Accounts for the year ended March 31, 2004

### SCHEDULE 21 — (Continued)

(Rs. in Lakhs)

	2003-2004	2002-2003
<b>6) Claims against the Company not acknowledged as Debts (Estimated):</b>		
i) in respect of labour matters	<b>7,12.43</b>	3,37.41
ii) other claims	<b>9,51.45</b>	1,75.84
<b>7) Remuneration to Managing Director (exclusive of contribution to Gratuity Fund on actuarial valuation)</b>		
Salaries	<b>23.80</b>	22.38
Allowances and Perquisites	<b>0.20</b>	1.35
Contribution to Provident and Superannuation Funds	<b>5.83</b>	5.35
Total	<b>29.83</b>	29.08

Notes: -

- 1) The remuneration paid to the Managing Director is computed as per the provisions of Section 198 of the Companies Act, 1956 read along with the provisions of Schedule XIII thereto.
- 2) As per the terms of appointment applicable during the year, no amount is payable to the Managing Director as commission.

### 8) Production, Sales and Stocks of each class of manufactured goods / traded goods :

Class of goods	Licensed Capacity	Installed Capacity (1)	Opening Stock	Production (2)	Purchase	Closing Stock	Sales
Automotive Tyres Nos. in Lakhs	49.47 (49.47)	43.11 (40.61)	6.96 (2.23)	63.60 (62.21)	1.84 (0.67)	5.04 (6.96)	67.36 (58.15)
Value	— (—)	— (—)	81,60.16 (47,44.19)	— (—)	31,70.73 (15,03.43)	52,11.08 (81,60.16)	1,480,28.68 (1,333,65.34)
Automotive Tube Nos. in Lakhs	49.47 (49.47)	— (—)	6.97 (7.08)	54.75 (32.75)	10.47 (20.76)	5.78 (6.97)	66.41 (53.62)
Value	— (—)	— (—)	13,64.05 (16,43.72)	— (—)	6,59.42 (13,13.24)	11,20.35 (13,64.05)	140,99.66 (120,83.91)
Automotive Flaps Nos. in Lakhs	— (—)	— (—)	1.74 (1.98)	19.80 (11.38)	1.42 (6.87)	1.42 (1.74)	21.54 (18.49)
Value	— (—)	— (—)	1,83.58 (1,98.29)	— (—)	1,40.33 (7,00.76)	1,58.63 (1,83.58)	26,44.96 (23,97.80)
Others – Value	— (—)	— (—)	0.86 (5.59)	— (—)	26.61 (36.82)	4.01 (0.86)	21.49 (50.70)
Total Value	— —	— —	97,08.65 (65,91.80)	— (—)	39,97.09 (35,54.25)	64,94.07 (97,08.65)	1,647,94.79 (1,478,97.75)

(1) Installed Capacity is as certified by the Management.

## Schedules forming part of the Accounts for the year ended March 31, 2004

### SCHEDULE 21 — (Continued)

(Rs. in Lakhs)

(2) Production quantity includes the following procured under conversion basis, for which licensed capacity and installed capacity is not relevant, hence not included :

	Current year	(Nos. in Lakhs) Previous year
Automotive Tyres	25.58	25.86
Automotive Tubes	54.75	32.75
Automotive Flaps	17.62	9.04
Total	97.95	67.65

#### 9) Raw Materials Consumed:

	Quantity (M.T.)	2003-04 Value	Quantity (M.T.)	2002-03 Value
Rubber	7,23,82	448,70.58	6,62,77	339,51.25
Fabrics	1,33,56	220,03.62	1,24,32	202,11.42
Carbon Black	3,30,92	100,52.59	3,07,02	93,73.77
Chemicals	1,78,43	81,88.80	1,60,84	75,44.62
Others	—	42,59.80	—	34,63.49
Total		893,75.39		745,44.55

#### 10) Value of Imported/Indigenous Raw Materials/Stores and Spares consumed:

	%	2003-04 Value	%	2002-03 Value
<b>Raw Materials</b>				
Imported	27.32	244,20.46	25.70	191,55.89
Indigenous	72.68	649,54.93	74.30	553,88.66
	100.00	893,75.39	100.00	745,44.55
<b>Stores and Spares</b>				
Imported	7.49	81.45	6.01	64.57
Indigenous	92.51	10,05.77	93.99	10,09.19
	100.00	10,87.22	100.00	10,73.76

#### 11) Value of Imports calculated on CIF basis:

	2003-04	2002-03
Raw Materials	206,65.08	159,10.47
Components and Spares	1,03.57	87.38
Capital Goods	3,96.20	88.27
Goods for resale	21,49.36	8,85.83

#### 12) Research & Development Expenses:

Capital	5.93	3.57
Revenue	1,12.44	1,03.56

#### 13) Expenditure in Foreign Currency:

Interest	2,36.51	1,96.38
Travelling	1,39.28	1,06.23
Others	2,93.39	2,46.90

## Schedules forming part of the Accounts for the year ended March 31, 2004

### SCHEDULE 21 — (Continued)

(Rs. in Lakhs)

	2003-04	2002-03
<b>14) Dividend Remittance in Foreign Currency:</b>		
Amount remitted (net)	23.77	13.78
Number of Non-resident Shareholders	3	3
Number of Shares on which remittance was made	23,76,565	23,76,565
Year for which the Dividend was remitted	2002-03	2001-02
<b>15) Earnings in Foreign Currency:</b>		
Export Sales calculated on FOB basis	205,63.77	161,21.97
Royalty	71.65	72.74
Commission	—	2.44
Others	0.40	—
<b>16) Freight and Delivery Charges:</b>		
Freight and Delivery Charges Incurred during the year	54,02.84	50,43.48
Less : Freight Recovered	6,80.42	20,44.36
Net	47,22.42	29,99.12

**17)** Extraordinary items comprise of Provision for contingencies of Rs. 12,38.01 in respect of disputed Excise duty, Octroi claims, etc. and Voluntary Retirement Scheme (VRS) and separation costs of Rs. 8,24.18.

**18) a)** The Company has identified the suppliers who are covered under the "Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993". The liability under the said Act on account of interest is not ascertained as at 31st March 2004. However, no claims have been received for interest from suppliers with reference to the above Act.

b) The names of small scale industrial undertakings to whom the Company owes a sum which is outstanding as per terms of contract agreed to for more than 30 days as at Balance Sheet date (since paid) are given below.

A Richard & Co	Acusharp Knives
Acmechem Pvt. Ltd.	Alfa Engineers
Alfred Rubber Products	Aloha Engineers Works
Aristoplast	Asco Tarapur
Bharat Rubber Regenerating Ltd.	Burad Chemicals Pvt. Ltd.
C M & Sons	Cutch Oil & Allied Ind. Pvt. Ltd.
E Eyres Rubber Chemicals Pvt. Ltd.	Elder Instruments Pvt.Ltd.
Flexhose India	Forward alloys and Castings
Grand Wood Works & Saw Mill	I.G Fabrichem
Industrial Controls and Appliances	J.K.Enterprises
J.N.Industires	Jaishil Sulphur & Chemical Industries
Kalyani Industries	Key Industries
Lanish Tools	Multiquadrant Ind.Control
Micro Tyres and Belts Pvt. Ltd.	Nav Bharat Metallic Oxide Industry
National Spring Works	P J Brothers
Panchal Engineers	Pareemal Industries
Pragati Udyog	Pneumatic Tools Mfg.Co.
Pukhraj Corporation	Pukhraj Engineering & Chemicals

## Schedules forming part of the Accounts for the year ended March 31, 2004

### SCHEDULE 21 — (Continued)

(Rs. in Lakhs)

Pigment and Chemicals	Premier Polymer Industries
Quality Instruments & Fabrication	Rajashree Enterprises
Ratna Moti Engineers Works	Sah Petroleum Ltd.
Sathi Industries	Saraswati Industries
Shanmukha Laboratories	Sipa Press
Solar Chemferts Pvt. Ltd.	Specific Ventil Fabric
Suraiya Pvt. Ltd.	Swastik Enterprises
Tech-India Enterprises	Vita Technology Pvt.Ltd.
Vibros Rubber Products P. Ltd.	Zircon Metal Enterprises.

The above information and that given in Schedule 11 "Current Liabilities" regarding small scale industrial undertakings has been determined to the extent such parties are identified on the basis of information available with the Company, which has been relied upon by the Auditors.

- 19) a) Provision for Taxation includes Rs. 62.00 being provision for Wealth-Tax for current and earlier years.  
b) Major components of Deferred Tax Assets and Deferred Tax Liabilities:

Particulars	2003-04	2002-03
<b>Assets</b>		
Carried forward tax losses and depreciation	<b>21,42.68</b>	28,73.88
Disallowance under section 43B of the Income Tax Act	<b>6,67.01</b>	3,50.59
	<b>28,09.69</b>	32,24.47
<b>Liability</b>		
Difference between book and tax depreciation	<b>42,08.54</b>	40,87.32
	<b>42,08.54</b>	40,87.32
	<b>(13,98.85)</b>	(8,62.85)

### 20) Disclosure of related parties/related party transactions:

- a) Related parties:
- (i) Subsidiaries of the Company :
- CEAT Ventures Limited,
  - CEAT Holdings Limited,
  - Meteoric Industrial Finance Company Limited,
  - Atlantic Holdings Limited (\*\*),
  - Malabar Coastal Holdings Limited,
- (ii) Other related parties:
- Associated CEAT Holdings Company (Pvt.) Limited (\*),
  - CEAT-Kelani Associated Holdings Company (Pvt.) Limited (\*),
  - Associated CEAT (Pvt.) Limited,
  - CEAT-Kelani International Tyres (Pvt.) Limited,
  - ACT Limited (\*),
  - Rado Tyres Limited,
  - Zensar Technologies Limited,
- (iii) Key Management Personnel :
- Mr. Paras K. Chowdhary, Managing Director
- (\*) Indicates no transactions during the year with these related parties.  
(\*\*) Ceased to be a subsidiary of the Company w.e.f. 29<sup>th</sup> March, 2004.

## Schedules forming part of the Accounts for the year ended March 31, 2004

### SCHEDULE 21 — (Continued)

(Rs. in Lakhs)

b) The following transactions were carried out during the year with the related parties in the ordinary course of business :

	Subsidiaries of the Company		Other Related Parties	
	2003-04	2002-03	2003-04	2002-03
<b>Transactions</b>				
1. Reimbursement of Expenses	-	-	<b>39.17</b>	39.43
2. Dividend received	-	-	<b>17.25</b>	17.25
3. Dividend paid	-	-	<b>0.01</b>	0.01
4. Commission received	-	-	-	2.44
5. Export Sales	-	-	<b>22.00</b>	68.18
6. Royalty	-	-	<b>71.65</b>	72.74
7. Interest (Net)	<b>1.21</b>	6,83.92	<b>44.50</b>	48.55
8. Imports of traded goods	-	-	<b>14,27.01</b>	8,25.90
9. Loans and Advances given	<b>23,23.25</b>	35,93.26	-	-
10. Deposits received	<b>(28.00)</b>	28.00	-	-
11. Conversion charges	-	-	<b>4,77.66</b>	6,27.08
12. Rent	<b>0.55</b>	0.55	-	-
<b>Amount due to / from related parties</b>				
1. Interest Receivable	<b>11,60.25</b>	17,63.74	<b>1,94.49</b>	1,60.18
2. Debtors	-	-	<b>12.58</b>	10.61
3. Amount receivable	-	-	<b>28.82</b>	10.37
4. Loans, Advances and Deposits given	<b>143,97.25</b>	120,13.63	<b>3,78.94</b>	3,51.69
5. Deposits received	-	28.00	-	-
6. Royalty receivable	-	-	<b>96.15</b>	92.06
7. Commission receivable	-	-	<b>1.55</b>	2.44
8. Creditors	-	-	<b>4,43.02</b>	2,06.26
9. Investments in Shares and Debentures	<b>116,37.80</b>	117,36.85	<b>1,95.81</b>	1,95.81

Transactions with Mr. Paras K. Chowdhary, Managing Director being the remuneration paid to him have been given in Note No. 7 of Schedule 21.

#### 21) Disclosures as required under clause 32 of listing agreement.

Loans and Advances in the nature of Loans given to Subsidiaries.

Sr. No	Name of the Company	As at 31st March, 04	Maximum Balance during the year
1	CEAT Holding Ltd.	90,12.64	90,27.64
2	Meteoric Industrial Finance Co.Ltd.	12,98.92	13,68.90
3	CEAT Venture Ltd.	40,70.93	41,15.91

Loans and Advances shown above, to Subsidiaries fall under the category of 'Loans and Advance in nature of loans where there is no repayment schedule'.

#### 22) Segment Reporting:

Considering the organisation structure, nature of products and risk and return profile based on geographical distribution, the tyre business is considered as a single segment in accordance with the Accounting Standard AS-17 "Segment Reporting".

#### 23) Earnings Per Share (EPS):

	2003-04	2002-03
a) Weighted Average Number of shares at the beginning and end of the year	<b>3,52,13,320</b>	3,52,13,320
b) Net Profit / (Loss) after Tax available for Equity Shareholders (Rupees in Lakhs)	<b>14,05.78</b>	18,41.01
c) Face value per share (Rupees)	<b>10</b>	10
d) Basic and Diluted Earnings Per Share (Rupees)	<b>4.01</b>	5.25

24) Previous year's figures have been regrouped wherever necessary to conform to current Year's classification.



## 25) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(in terms of amendment to Schedule VI Part IV is given below).

### I. Registration Details

Registration No.

1 1 0 4 1

State Code

1 1

Balance Sheet Date

3 1 0 3 2 0 0 4  
Date Month Year

### II. Capital raised during the year (Amount in Rs. Lakhs)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Lakhs)

Total Liabilities

1 1 3 7 0 5 . 7 2

Total Assets

1 1 3 7 0 5 . 7 2

Sources of Funds

Paid-up Capital

3 5 0 9 . 2 0

Reserves and Surplus

5 8 9 4 6 . 8 2

Secured Loans

3 1 9 5 1 . 8 8

Unsecured Loans

1 5 0 8 9 . 2 8

Deferred Tax Liability

4 2 0 8 . 5 4

Application of Funds

Net Fixed Assets

5 0 8 8 5 . 5 6

Investments

1 9 0 8 4 . 0 3

Net Current Assets

4 0 9 2 6 . 4 4

Misc. Expenditure

N I L

Deferred Tax Assets

2 8 0 9 . 6 9

Accumulated Losses

N I L

### IV. Performance of the Company (Amount in Rs. Lakhs)

Turnover

(Includes Other Income)

1 5 2 3 0 4 . 9 9

Total Expenditure

1 5 0 0 8 3 . 2 1

Profit/(Loss) before tax

2 2 2 1 . 7 8

Profit/(Loss) After Tax

1 4 0 5 . 7 8

Earning Per Share (Rs.)

4 . 0 1

Dividend Rate %

1 0

### V. Generic Names of three Principal products/services of the Company (as per monetary terms)

Item Code No.

4011

4012

4013

Product Description

Automotive Tyres

Flaps

Tubes

As per our report attached

Signatures to Schedules '1' to '21'

On behalf of the Board of Directors,

**For N. M. Raiji & Co.,**  
Chartered Accountants

**M. N. Thakkar**  
Partner

**T. M. Elavia**  
Company Secretary

**Paras K. Chowdhary**

**Mahesh S. Gupta**

Managing Director

Director

Mumbai, 30th June, 2004

Mumbai, 30th June, 2004

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**

Name of the Subsidiary	CEAT Ventures Limited	Malabar Coastal Holdings Limited	Meteoric Industrial Finance Co. Limited	CEAT Holdings Limited
1 Financial year of the subsidiary ended on	31st March, 2004	31st March, 2004	31st March, 2004	31st March, 2004
2 Shares of the subsidiary held on the above date :				
(a) Number and face value	3,99,99,500 Equity Shares of Rs.10 each fully paid up	10 Equity Share of Rs.10 each and 7,550 15% Preference Shares of Rs.100 each fully paid up	2,55,00,052 Equity Shares of Rs.10 each fully paid	4,00,00,000 Equity Share s of Rs.10 each fully paid up
(b) Extent of holding	100%	100%	100%	100%
3 Net aggregate amount of profits/losses of the subsidiary for the above financial year so far as they concern the members of the Company :				
(a) dealt with in the accounts of the Company for the period ended 31st March, 2004 (Rs. '000s)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
(b) not dealt with in the accounts of the Company for the period ended 31st March, 2004 (Rs. '000s)	-10,24,03 (-7,44,39)	10,53 (-32,50)	81,17 (2,78,81)	-2,78,12 (1,04,55)
4 Net aggregate amount of profits/ losses of the subsidiary for the previous financial year so far as they concern the members of the Company :				
(a) dealt with in the accounts of the Company for the period ended 31st March, 2003 (Rs. '000s)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
(b) not dealt with in the accounts of the Company for the period ended 31st March, 2003 (Rs. '000s)	-7,44,39 (-4,63,18)	32,50 (28)	2,78,81 (-85,82)	1,04,55 (-87,64)

Figures in brackets are in respect of the previous year.

On behalf of the Board of Directors

Mumbai, 30th June, 2004

T.M. ELAVIA  
Company Secretary

Paras K. Chowdhary  
Mahesh S. Gupta

Managing Director  
Director