CEAT

Annual Report 2007-08

contents

It is universally believed that the wheel is one of the most important, if not the most important invention in the history of mankind. The oldest wheel found in archaeological excavations is believed to be over fifty-five hundred years old. Down the centuries, the wheel has evolved significantly and has been put to an infinite number of uses, but the most important has been to facilitate speedy transportation of goods and people. Here, tyres have played a vital role.

CEAT Limited feels proud to be associated with this evolution of transportation.

CEAT Limited was established in the year 1958 and is one of the key players in the tyre industry in India. This year marks our golden jubilee anniversary. 50 years! A landmark in the history of the Company. We have achieved a lot in this span of time. From a modest beginning, we are now among the top tyre companies in the country. We are one of the very few to have a presence across all segments of the industry, be it two-wheelers or specialty tyres (weighing from a miniscule 2 kgs to over 600 kgs). In the 50th year of our operation, we have not only become the largest tyre exporter in the country but also reported our highest ever profit.

As we celebrate this important milestone, we also look ahead with anticipation at the next 50 years. We are fully geared to aggressively participate in the opportunity called India. We will raise the bar of our performance and take it to the next level.

Company Snapshot

The Company

CEAT Limited, the flagship company of RPG Enterprises is one of India's leading tyre manufacturers. The Company offers the widest range of tyres to leading Original Equipment Manufacturers (OEMs) across the world and is also the largest tyre maker for the replacement market in India. With a strong presence in the domestic as well as the international market, the Mumbai-based company which was founded in 1958, celebrates its golden jubilee anniversary this year.

Operations

CEAT produces over 6 million tyres a year and commands around 14% share of the Indian tyre market. The Company manufactures a wide range of tyres, catering to all user segments. This includes tyres for heavy-duty Trucks and Buses (T&B), Light Commercial Vehicles (LCV), Earthmovers and Forklifts (specialty segment), Tractors, Trailers, Passenger Cars (PC), Motorcycles, Scooters and Auto-rickshaws. CEAT earns around 65% of its revenue from the T&B segment.

The Company currently operates 2 plants in Maharashtra, one in Bhandup and the other in Nasik. It has a robust national network consisting of 33 regional offices and over 3,500 dealers, among which ~75 are exclusive dealers running CEAT Shoppe outlets.

Reach

CEAT's solid brand equity has helped it achieve a strong footprint in both the domestic and the international market. It has a presence in over 110 countries. In 2007-08, the Company also became the number one tyre exporter in the country with exports valued at Rs. 505 crores.

Vision

"CEAT WILL AT ALL TIMES PROVIDE TOTAL CUSTOMER SATISFACTION THROUGH PRODUCTS AND SERVICES OF HIGHEST QUALITY AND RELIABILITY."

Quality Policy

CEAT is the first tyre company in India to get the ISO/TS 16949 certification, which is a combination of ISO 9000 and QS 9000. It is a quality management system that promotes continuous improvement.

It ensures:

- The PDCA (Plan, Do, Check and Act) cycle of process approach
- Trim supply chain by preventing defects and reducing waste
- Export to almost all parts of the world
- Fundamental quality management system requirements
- No multiple certification audits
- Customer satisfaction

Corporate Social Responsibility (CSR)

CEAT's motto is "to positively impact the lives of employees and local communities directly affected by our business."

It does this through a series of result-oriented initiatives like:

- Providing opportunities for better education, health improvement and employment
- Socio-ecological projects to promote a healthy and safe environment
- Healthcare programmes and camps
- Adopted the Tirat Shate village close to the plant in Nasik, where the Company undertakes various development programmes

Awards and Achievements

- 'Innovative Franchise Model' Award to CEAT Shoppe by the Franchising Association of India
- "Excellence in Training" Award of the Asia Pacific HR Congress Employer Branding Awards 2007 for the India Region
- National Exports Award (CAPEXIL) - 13 times

Mission

"TO NURTURE AN EXCITING AND CHALLENGING WORK ENVIRONMENT WITH FAIRNESS AND TRANSPARENCY"

- Best Exports certificate of merit - 7 times in the last 20 years
- CCQC Mumbai Chapter Distinguish Award for Quality Circle in 2007
- NCQC Distinguish Award for Quality Circle in 2006
- Winner of RPG Quality Award in 2003, 2004 and 2006
- RPG Best TQM Team Award for CFT in 2005 and 2006
- Recognized with RPG BTT Six Sigma Team Award in 2005-06
- Certificate of merit in RPGOE in 2005
- Best case study Award from CII in 2005
- NCQC Distinguish Award for Quality Circle in 2004
- ICQCC Distinguish Award for Quality Circle in 2002
- Rated amongst top four auto ancillaries
- 100% vendors are ISO certified

Performance

During 2007-08, CEAT recorded sales of Rs. 2603 crores, an increase of about 9% over the previous year. The Company's EBIDTA stood at Rs. 288 crores against Rs.153 crores in 2006-07, an increase of about 89%. The Profit After Tax (PAT) of the Company increased from Rs. 39 crores in 2006-07 to Rs. 149 crores (including an exceptional income of Rs. 80 crores) in 2007-08, an increase of about 279%. The Company recorded the highest profit in the last 50 years in 2007-08. At the same time, the Company recorded the highest ever growth in sales and also emerged as the number one tyre exporter in the country. The shares of the Company are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

Ten year Operating and Financial Record

(Rs.in Crores)

	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99
OPERATING RECORD										
Sales-Gross	2603	2391	1952	1780	1648	1479	1361	1190	1348	1166
Less:Excise Duty	273	256	205	252	247	273	247	206	245	208
Miscellaneous Income	23	24	23	39	101	75	67	79	70	107
	2353	2159	1770	1567	1502	1281	1181	1063	1173	1065
Materials & Traded Goods	1531	1484	1214	1060	938	749	718	605	651	585
Personnel Cost	143	128	119	109	116	116	102	90	90	81
Expenses	391#	394	346	315	328	277	237	267	297	266
Interest & Depreciation	90	92	86	86	98	110	120	115	112	114
Total Cost	2155	2098	1765	1570	1480	1252	1177	1077	1150	1046
Profit/(Loss) before Taxation	198	61	5	(3)	22	29	4	(14)	23	19
As percentage of Sales (%)	7.61	2.55	0.27	(0.17)	1.33	1.96	0.26	1.17	1.71	1.61
Provision for Taxation incl. Fringe Benefit Tax	49	22	5	(1)	8	11	2	0	3	2
Profit/(Loss) after Taxation	149	39	0.52	(2)	14	18	2	(14)	20	17
Dividend	16	10	-	-	4	4	4	4	7	7**
Per Share (Rs.)	4.00	1.80	-	-	1.00	1.00	1.00	1.00	2.00	1.92
FINANCIAL RECORD										
Share Capital	34	46	46	35	35	35	35	35	35	35
Reserves & Surplus	479	333	303	595	589	588	551	567	593	513
Shareholders' Equity	513	379	349	630	624	623	586	602	628	548
Loan Funds	505	515	535	464	513	521	557	589	543	504
Capital & Loan Funds Employed	1018	894	884	1094	1137	1144	1143	1191	1171	1052
Fixed Assets-Gross	1218	1123	1111	905	840	823	750	769	727	591
Depreciation	428	413	385	360	331	303	262	244	221	201
Fixed Assets-Net	790	710	726	545	509	520	488	525	506	390
Investments	10	128	128	191	191	193	193	199	205	211
Current Assets-Net	218	56	30	358	437	431*	462	467	460*	451*
Capital & Loan Funds Applied	1018	894	884	1094	1137	1144	1143	1191	1171	1052

** Inclusive of Miscellaneous Expenditure to the extent not written off or adjusted*
*** Includes Preference Share Dividend*
 # Includes Exceptional Income
Figures regrouped wherever necessary

Financial Highlights

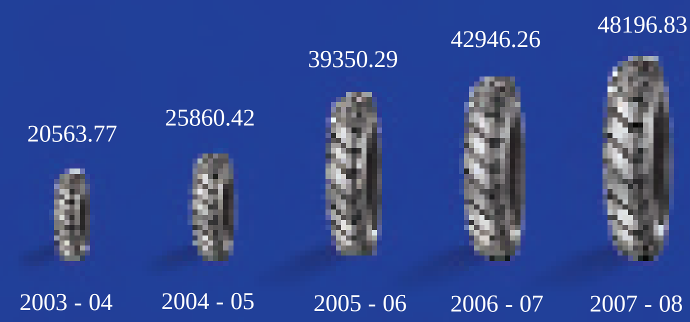
(Rs. in Lacs)

	2007-08	2006-07
Gross Sales	2,602,96.57	2,390,61.20
Profit Before Taxation	197,31.04	60,91.88
Profit After Taxation	148,60.44	39,24.85
Total Shareholders' Equity	513,25.73	378,63.79
Total Loan Funds & Deferred Tax Liability	504,90.26	515,53.56
Market Price of Equity Share (Rs.)	1,09.00	1,07.30
Proposed Equity Dividend (%)	40%	18%
Proposed Dividend (Aggregate)	16,02.49	9,61.49
Number of Shareholders	66,810	77,918
Number of Employees	5,215	5,210
Personnel Cost	143,02.05	128,23.06

Performance Highlights

Sales Trend

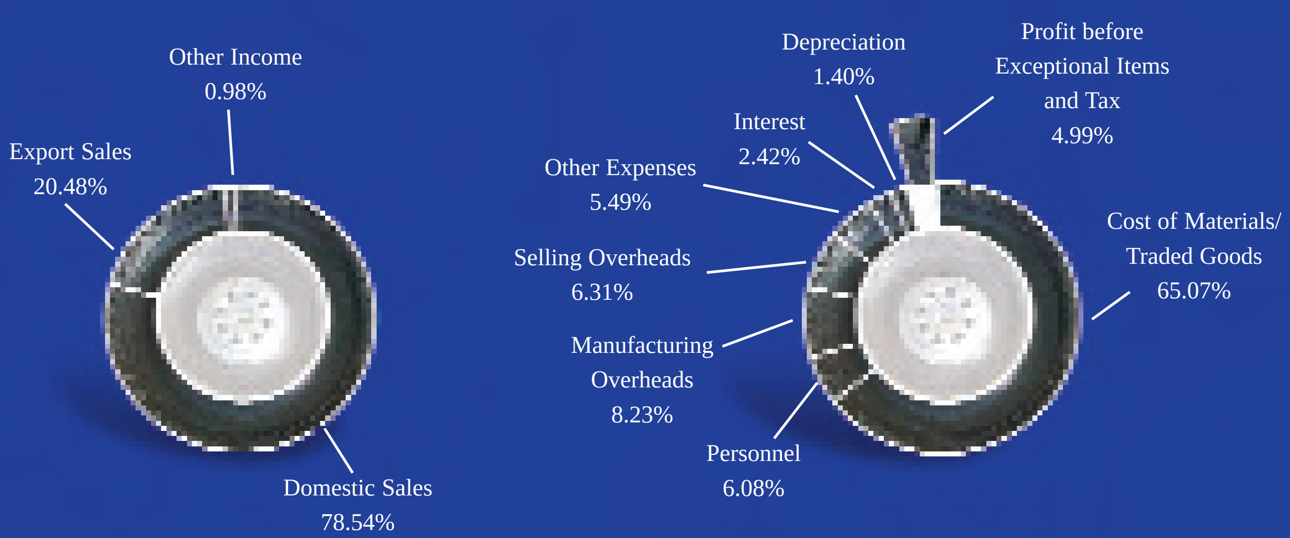
Rs. in Lacs



Export Sales (FOB)

Rs. in Lacs

Rupee Earned and Rupee Spent



Corporate Information

Board of Directors

R. P. Goenka

Chairman

H. V. Goenka

Vice Chairman

Paras K. Chowdhary

Managing Director

M. A. Bakre

A. C. Choksey

S. Doreswamy

Mahesh S. Gupta

J. N. Guzder

Haigreve Khaitan

Bansi S. Mehta

Hari L. Mundra

K. R. Podar

Audit Committee

M. A. Bakre
Chairman

Mahesh S. Gupta
Member

S. Doreswamy
Member

Hari L. Mundra
Member

Shareholders / Investors' Grievance Committee

M. A. Bakre
Chairman

Paras K. Chowdhary
Member

Mahesh S. Gupta
Member

Company Secretary

H. N. Singh Rajpoot

Registered Office

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

Plants

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

Legal Advisors

Mulla & Mulla and Craig, Blunt & Caroe

Auditors

N. M. Raiji & Co.

Registrar & Share Transfer Agents

TRS Darashaw Limited,
6-10, Haiji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi, Mumbai- 400 011

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 Ltd.

The Karnataka Bank Ltd.

Industrial Development Bank of India Ltd.

Export-Import Bank of India

Yes Bank Ltd.

Notice

NOTICE is hereby given that the forty-ninth Annual General Meeting of the Company will be held at Sir Sitaram and Lady Shanatabai Patkar Hall of the S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020 on Friday, July 25, 2008 at 11.30 a.m (I.S.T.) to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2008 and Profit and Loss Account for the financial year ended on that date, the Report of the Auditors thereon and the Report of the Directors.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Mr. H V Goenka who retires by rotation and, being eligible, has offered himself for re-appointment.
4. To appoint a Director in place of Mr. M A Bakre who retires by rotation and, being eligible, has offered himself for re-appointment.
5. To appoint a Director in place of Mr. S Doreswamy who retires by rotation and, being eligible, has offered himself for re-appointment.
6. To appoint a Director in place of Mr. Bansi S Mehta who retires by rotation and, being eligible, has offered himself for re-appointment.
7. To appoint Messrs N. M. Raiji & Co., as Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

8. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to Section 309 and other applicable provisions, if any, of the Companies Act, 1956, including any modification or re-enactment thereof, ("the Act") and subject to all approvals, permissions and sanctions as may be necessary; approval of the Company be and is hereby accorded for payment of Commission to the Director(s) of the Company who is/are neither in the whole time employment nor Managing Director(s), with effect from April 1, 2008 in accordance with and up to the limits laid down under Section 309(4) of the Act, with the approval of the Central Government, if required, and computed in the manner as specified in the Act, in such manner and up to such extent as the Board of Directors of the Company ("the Board" which expression shall also include a Committee thereof) may so determine form time to time.

   RESOLVED FURTHER THAT for the purpose of giving effect to the said resolution, the Board be and is hereby authorised to take all such actions and to do all such deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question or doubt that may arise in this regard."

NOTES:

a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

b) THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

c) Members are requested to refer the Chapter on Corporate Governance Report in the Annual Report for the information in respect of re-appointment/appointment of Directors, under Clause 49 of the Listing Agreement. Amongst the Directors who are seeking re-appointment, only Mr. H V Goenka holds 10,133 equity shares of Rs. 10/- each of the Company. Mr. H V Goenka, is the son of Dr. R P Goenka, the Chairman of the Company.

   None of the other Directors seeking re-appointment is related to any member of the Board of Directors or to any Management Personnel.

d) The Register of Members and the Share Transfer Books of the Company shall be closed from Friday, July 11, 2008 to Friday, July 25, 2008 (both days inclusive).

e) Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended March 31, 2001, which remained unclaimed or unpaid for the period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) established under Section 205C of the Companies Act, 1956. Members who have not encashed their dividend warrant(s) so far for the financial year ended March 31, 2001 or any subsequent financial years are requested to make their claims to the office of our Registrar and Transfer Agents, TSR Darashaw Limited (Formerly Tata Share Registry Limited), 6-10, H M P Industrial Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai 400 011. It may also be noted that once the unclaimed dividend is transferred to IEPF, as above, no claim shall lie in respect thereof. The dividend for the Financial Year ended March 31, 2001, if not claimed, will be transferred to the aforesaid account on or after October 10, 2008.

f) For the convenience of the Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by the Attendance Slip, which is annexed to the Proxy Form. Members are requested to affix their signature at the place provided on the attendance slip and hand it over at the entrance.

g) Members can avail of the nomination facility, under Section 109A of the Companies Act, 1956 by filing Form No.2B with the Company. Blank forms will be supplied on request.

h) If any of the members is holding shares in the same name or in the same order of names, under different Folios, then members are requested to notify the same to TSR Darashaw Limited at 6-10, H M P Industrial Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai 400 011 for consolidation of their shareholding into a single folio.

i) Members are requested to notify immediately any change of address:

- To their Depository Participants (DPs) in respect of their shares held in demat form, and
- To TSR Darashaw Limited at 6-10, H M P Industrial Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai 400 011, in case of the shares being held in physical form.

j) In case the Mailing Address mentioned on this Annual Report is without a PIN CODE, Members are requested to kindly inform their PIN CODE.

Mumbai
Date: April 29, 2008

Under the Authority of the
Board of Directors

Registered Office:
463, Dr. Annie Besant Road, Worli,
Mumbai 400 030

H N Singh Rajpoot
Company Secretary

Annexure to the Notice

EXPLANATORY STATEMENT pursuant to Section 173(2) of the Companies Act, 1956.

1. In terms of Section 173 of the Companies Act, 1956, the following explanatory statement sets out all the material facts relating to Item No. 8 of the accompanying Notice dated April 29, 2008.

2. Item No.8

Currently, the Board of Directors consists of Non-Executive Directors apart from the Managing Director, who is the only Executive Director. Non-Executive Directors are not paid any remuneration except sitting fees for attending the Meetings of the Board of Directors or any Committees of the Board.

In view of expansion of the Company's business, the Non-Executive Directors with their varied and rich experience are playing a greater role in the management of the Company. This requires them to devote more time and attention to the Company. Their responsibility and accountability has also increased manifold in the recent past due to changed regulatory requirements. The Board therefore, recognizes the need to suitably remunerate its Director(s) who are neither in whole time employment of the Company nor are appointed as the Managing Director(s). Remuneration is proposed to be paid to these Directors by way of a commission which shall not exceed 1% of the net profits of the Company for any year, computed in such manner as may be specified in the Companies Act, 1956, including any modification or re-enactment thereof ("the Act"), or such other higher limit as the Board may deem fit, subject however, to the approval of the Central Government.

The quantum of the said Commission payable to the non-executive Director(s) shall be decided by the Board of Directors ("the Board" which expression shall also include a Committee thereof) from time to time considering their role and responsibility.

The Board of Directors accordingly, recommends the resolution set out at Item No. 8 of the accompanying Notice for the approval of the members.

All the non-executive Directors of the Company are deemed to be concerned or interested in this resolution to the extent of the Commission that may be payable to them from time to time.

Mumbai
Date: April 29, 2008

Under the Authority of the
Board of Directors

Registered Office:
463, Dr. Annie Besant Road, Worli,
Mumbai 400 030

H N Singh Rajpoot
Company Secretary

Directors' Report

The Directors have pleasure in presenting their forty-ninth report, together with the audited accounts for the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

	For the year ended March 31, 2008	For the year ended March 31, 2007
	(Rs. in crore)	(Rs. in crore)
Operating Profit (Profit before Interest, Depreciation and Taxation)	**207.30**	152.41
Less: Interest	**56.94**	60.43
Depreciation	**32.99**	31.06
Add: Exceptional Item (Net Income)	**79.94**	—
Profit before Taxation	**197.31**	60.92
Provision for:		
Current Tax	**43.00**	10.00
Deferred Tax	**4.03**	9.29
Fringe Benefit Tax	**1.68**	2.38
Net Profit	**148.60**	39.25
Surplus brought forward from previous year	**41.98**	27.34
Sum available for Appropriation	**190.58**	66.59
Appropriations:		
Proposed Dividend on Equity Shares	**13.70**	8.22
Corporate Tax on Proposed Dividend	**2.33**	1.40
Transfer to General Reserve	**50.00**	15.00
Balance carried forward	**124.55**	41.97

DIVIDEND

The Directors are pleased to recommend a dividend of Rs. 2.00 per equity share of Rs. 10/- each (i.e. 20%) and a Special Golden Jubilee Year dividend of Rs. 2.00 per equity share (i.e. 20%) for the financial year ended March 31, 2008.

INDUSTRY SCENARIO

The automobile industry has grown in tandem with development of the country's Gross Domestic Product (GDP) in the last 2-3 years. During this period, vehicle production has considerably gone up resulting in a significant growth in transport network in the country. Economic expansion, investments and road development have all contributed to this increase in demand for vehicles. Hence, tyre industry, being an ancillary to the automobile industry has also grown with equal pace. This, in turn has resulted in the Indian tyre industry achieving a compounded annual growth rate (CAGR) of 11% in the last five years.

Currently, the share of automobile industry is about 5% of GDP of the country. With improved increased transport activity, it is expected to increase significantly in the next decade. As international automobile majors set up manufacturing facilities in India, the country is gradually emerging as an automobile outsourcing and manufacturing hub. This development is expected to result in a sustainable growth of various segments of automobile industry viz. 2-wheeler, 3-wheeler, passenger cars, commercial vehicles, etc. This will simultaneously translate into growth of its ancillary, the tyre industry, both in Original Equipment Manufacturing (OEM) segment and Replacement Market segment. The demand for tyres in volume terms is expected to grow at a CAGR of 8-9% from 2006-2007 to 2011-2012. Radialization is expected to increase in Medium & Heavy Commercial Vehicles (MHCV) tyres on account of rising OE fitment and better road conditions.

With improving margins, the industry has plans for significant capacity additions to enable it to cater to the growing demand of the domestic market as well as be a preferred source in many countries.

Raw material prices continue to remain a cause of concern to the industry. However, through superior product mix and higher price realizations, these cost pressures have been mitigated to some extent.

PERFORMANCE

The Company registered a revenue growth of 9% during the year under review. Growth in volume as well as value terms were robust in the replacement market and in exports. In the OE segment where a hardening of the interest regime led to sluggish demand, the Company was able to maintain profitability through improved product mix.

The Company retained its market share in domestic market in most categories, during the year under review through sale of high performance premium products with greater focus and targeted marketing activities. The product mix within the largest category i.e. truck tyres has significantly increased share of high speed, high performance tyres as compared to value tyres, in line with the shifting demand pattern of consumers. In two wheelers, sales have shifted to the upsizes, while tubeless tyre sale is also catching up. CEAT has been able to take full advantage of the demand in the domestic off the Road (OTR) segment which has been growing as a result of the growth in infrastructure spending. Production and sales in this segment has almost doubled through the year. CEAT has been able to step up market share in the small three wheeler commercial tyre segment, which is a very fast growing market in the country. The Company with its appropriately segmented product portfolio is well poised to take advantage of the emerging opportunities in the domestic market.

The industry experienced a significant raw materials cost escalation. CEAT was able to support its margin to a great extent through innovative initiatives implemented in the manufacturing and materials front, which led to significant productivity enhancement and cost reduction. Financing costs were kept on a very tight leash throughout the year despite increase in interest rates. Combined with the relentless focus on efficiencies, CEAT has achieved an impressive improvement in profitability, and registered a net profit of Rs. 148.60 crores, a growth of about 278.60% over the net profit of Rs. 39.25 crores in the previous year.

EXPORTS

CEAT is now the largest exporter of tyres amongst the members of Automotive Tyre Manufacturers' Association (ATMA). Its price realization is also the highest amongst ATMA companies. As a consequence, CEAT has been able to expand margins from exports considerably. CEAT currently exports its products to more than 110 countries. During the year, considerable product mix diversification has also been achieved. New product ranges have been introduced in the farm sector. This high end range of farm products has started contributing handsomely to the bottomline.

In export markets, CEAT has made a concerted effort to move as close as possible to the end customer. This is helping CEAT to stay in tune with emerging trends in most export markets and to cement ties with its customers.

FUTURE OUTLOOK

The tyre industry in India is truly globalised with imports and exports showing rapid increase. On the raw material front too, imports and domestic sourcing are at comparable levels. Global players have started setting up manufacturing base in India to take advantage of the growing opportunities in the domestic market both in terms of sales as well as costs. Noticeably higher spending on infrastructure is likely to continue to have a direct consequence on tyre demand in the country for commercial applications. For the passenger car segment too, higher disposable incomes and more motorable roads will lead to higher levels of personal transportation.

The OEM sector in India is also seeing entry of many new players including multinationals. This is expected to accelerate demand for radials for the commercial segment. CEAT's capacity utilization is optimum at present and incremental demands would be met through aggressive outsourcing for which arrangements are already in place.

The Company proposes to set up two grassroot plants, one in Maharashtra for Specialty Tyres and the other for Radial Tyres for Cars, Utility Vehicles and Trucks at a total capital outlay of about Rs. 900 crores.

FINANCIAL RESTRUCTURING

During the current financial year, the Company has successfully implemented the Scheme of Arrangement (the Scheme) and consequently, the investment undertaking of the Company was transferred to CHI Investments Limited w.e.f. July 1, 2007. This is expected to bring about operational efficiencies in its core business of manufacture and sale of tyres, tubes and flaps.

Pursuant to the Scheme, the Company issued new equity shares in lieu of the old shares, in the ratio of 75 new equity shares of face value Rs. 10/- each fully paid up for every 100 equity shares of Rs. 10/- each held by shareholders on the Record Date i.e. January 2, 2008.

RESEARCH & DEVELOPMENT

The Company is giving great emphasis to innovation in product and process technology and operational efficiencies. The year 2007-08 saw significant R&D efforts to develop new products and enhance quality of tyres. The new products so developed have performed well in the domestic as well as international markets. Successful efforts were made into re-engineering the products and to reduce costs and optimise material consumption.

ASSOCIATED CEAT KELANI VENTURE (JV in Sri Lanka)

The year 2007-08 was marked by an increase in turnover of the Company, which grew by 33% from SLR 3.7 billion to SLR 4.9 billion. Profit before tax grew by 16% to SLR 107.4 million while PAT grew by 49% to SLR 186 million.

Notwithstanding the challenging situation in Sri Lanka, the company continued to improve its position in the domestic market by increasing contribution per kg, and market share, reflecting the inherent strength in the company's product portfolio as well as strong brand image that CEAT enjoys in Sri Lanka. Export Sales grew by 62% as a result of increased demand from the Indian sub-continent.

The Radial Plant which was commissioned in the second half of 2006-07, was fully stabilized in 2007-08. With this, the company has positioned itself in the domestic market at No.2 position in Car Radials, and has also commenced export of tyres to the Indian sub-continent.

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

In CEAT, there is a sharp focus on performance management through leveraging Balanced Business Score Card, triggering Culture Transformation and jump starting Internal and External Customer Delight. Initiatives have also been triggered around driving productivity through Business Process Re-engineering, and in developing and retaining Critical Talent through Coaching and Mentoring.

During the year under review, the Company successfully completed "Project Maitree" a pan-India integration to the ERP system through implementation of a SAP solution. This Project went live in the month of November 2007. It will provide a much needed direct connectivity to all factories, business partners, regional offices and dealers across the country, and will result into speedy and efficient operations.

EMPLOYEE STATEMENT

As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, a statement showing names and other particulars of employees of the Company, is annexed hereto and forms part of this report.

DIRECTORS

In accordance with the Companies Act, 1956 and Articles of Association, Messrs H V Goenka, M A Bakre, S Doreswamy and Bansi S Mehta retire by rotation and have offered themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors, to the best of their knowledge and belief confirm that :

i) the applicable Accounting Standards have been followed in the preparation of the annual accounts.

ii) such accounting policies have been selected and applied consistently and such judgements and estimates have been made that 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 March 31, 2008 and of the Profit and Loss Account for the said financial year viz. April 1, 2007 to March 31, 2008.

iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A report on corporate governance, along with a certificate from the auditors of the Company, regarding the compliance of conditions of corporate governance, as also a report on the Management Discussion and Analysis, as stipulated under Clause 49 of the Listing Agreement, are annexed to this report.

AUDITORS

Messrs N.M. Raiji & Co., auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENT

The Directors place on record their appreciation for the continued support they have received from customers, suppliers, dealers, financial institutions, banks, shareholders and employees towards conducting the business of the Company during the year under review.

On behalf of the Board of Directors,

Mumbai	**H V Goenka**	**Paras K Chowdhary**
Date: April 29, 2008	*Vice Chairman*	*Managing Director*

CEAT

Annexure to The Directors' Report

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

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

CONSERVATION OF ENERGY

(a) Following are the measures taken during the year under review for conservation of energy.

1. Conversion of oil fired boiler to briquette fired boiler.
2. Installation of air pre heater for 20TPH boiler and auto level feed water controller for boiler in process.
3. Installation of temperature control systems and VFD for Cooling Tower Fan.
4. Separation of hot water and cold water recovery system.
5. Use of energy efficient pump and flow optimization at 4-Roll Calender.
6. Interlocking at water blow off blowers with cooling line and at extruders.
7. Conversion at pneumatic carriage to electrical carriage system with VFD at dual extruder No.1 & 2, Bias cutters.
8. Installation of lighting timer.

(b) Additional investments / Proposals for reduction of Consumption of energy.

1. Installation of energy efficient screw compressor in place of reciprocating compressor.
2. Installation of electrical hoist in place of pneumatic hoist.
3. Conversion of pneumatic carriage to electrical carriage in Bias Cutter. (2 Nos.)
4. Installation of auto feed control system of boiler using VFD.
5. Upgradation of plant lighting system.
6. Upgradation of Air-conditioning system.

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

The above efforts have helped in reduction of power and fuel consumption per kg. of production. However, the actual power and fuel consumption has gone up due to change in product-mix.

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

FORM "A"

	2007-08	2006-07
A. Power and Fuel Consumption		
1. ELECTRICITY		
(a) Purchased		
Units (KWH)	**8,93,17,605**	8,65,75,720
Total amount (Rs. crores)	**38.38**	37.23
Rate per unit (Rs.)	**4.30**	4.30
(b) Own generation		
(i) Through Diesel Generator:		
Units (KWH)	**3,94,084**	4,60,792
Units per /Litre of Diesel Oil (KWH)	**3.00**	2.83
Cost per unit (Rs.)	**12 .02**	13.29
(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)	**839**	3,397
Total amount (Rs. in crores)	**1.63**	5.73
Average Rate (Rs. per Litre)	**19.37**	16.85
4. L.S.H.S		
Quantity (K. Ltrs)	**22,057**	19,118
Total amount (Rs. in crores)	**38.89**	29.43
Average rate (Rs. per Litre)	**17.63**	15.40
5. OTHER (Briquittes) /INTERNAL GENERATION (LPG & Other Gases)		
Quantity (Tonnes)	**1,787**	-
Total Cost (Rs. in crores)	**0.68**	-
Rate per Unit (Rs. per Kg.)	**3.80**	-
B. Consumption Per Unit Of Production		
(i) Electricity (KWH /MT.)	**671.57**	663.33
(ii) Furnace Oil (Ltrs. /MT)	**6.28**	25.89
(iii) Coal	**-**	-
(iv) L.S.H.S. (Ltrs./MT)	**165.12**	145.70
(v) Others (Briquittes)Kg/MT	**13.38**	-

TECHNOLOGY ABSORPTION

FORM "B"

Research & Development (R & D)

1. Specific areas in which R & D activities were carried out by the Company –
   - Evaluation and application of new materials.
   - Substitute of Natural Rubber with Synthetic Rubber in tyre application.
   - Development of high performance compound for mileage and cut resistance.
   - Development of new sizes for Original Equipment manufacturers.
   - Development of new sizes for Replacement market.
   - Development of Specialty tyres for European markets.
   - Value addition projects.
   - Designing of new processes for productivity and energy saving.
   - Cycle time reductions.
   - Development of new test methods.
   - Providing technical know- how to –
     - Associated CEAT (Private) Ltd., Sri Lanka
     - Associated CEAT Kelani Radials (Private) Ltd., Sri Lanka
     - CEAT Kelani International Tyres (Private) Ltd., Sri Lanka
     - ACE Tyres Limited, Hyderabad
     - Innovative Tyres & Tubes Project, Baroda
2. Benefits derived as a result of above R & D-
   - New Products with advanced features.
   - Improvement of product performance and customer satisfaction levels.
   - Improvement of process efficiency.
   - Enhancement of product range and entry into niche markets.
   - Reduction of warranty claim.
   - Input cost reduction.
   - Usage of alternate materials.
   - Reduced energy cost.
3. Future plans of action
   - Specialtity tyres for niche markets.
   - Radialisation in Commercial vehicle segment.
   - Development of high performance Passenger Radial tyres.
   - Application research on new materials.
   - Partnering with OE for new products with added features.
   - Design validation with virtual simulation.
4. Expenditure on R & D

(Rs. in Crores)

		2007-08	2006-07
a)	Capital	**1.32**	0.3
b)	Recurring	**2.06**	1.77
c)	Total	**3.38**	2.07
d)	Total R & D expenditure as % of total turnover	**0.13%**	0.09%

Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
   - The technology innovations mentioned were developed with in house talents and have since been adapted and fully absorbed.
   - New ideas and techniques were also evaluated and implemented for quality and productivity improvement.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, entry to new markets etc. :
   - New products developed to meet the requirements of OE and replacement customers.
   - Development of Mille XI series of high performance tyres.
   - Improved product performance giving more value to the customer.

- Achieve higher efficiency in process.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished:

(a)	Technology imported	:	Nil
(b)	Year of import	:	Not Applicable
(c)	Has the technology been fully absorbed	:	Not Applicable
(d)	If not fully absorbed, areas where this has taken place, reasons thereof and future plan of action	:	Not Applicable

FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) 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.

(b) Total foreign exchange used and earned :

(Rs. in Crores)

	2007-08	2006-07
i) Foreign exchange earned	**483.53**	430.49
ii) Foreign exchange used	**615.83**	515.58

On behalf of the Board of Directors

Mumbai	**H V Goenka**	**Paras K Chowdhary**
Date: April 29, 2008	*Vice Chairman*	*Managing Director*

INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT DATED APRIL 29, 2008 FOR THE PERIOD APRIL 1, 2007 TO MARCH 31, 2008.

(a) Name (b) Age (in yrs.) (c) Designation/Nature of Duties (d) Remuneration (in Rs.) (e) Qualifications (f) Experience (g) Date of Commencement of Employment (h) Particulars of last employment held

(a) Particulars of employees employed throughout the year in terms of Section 217 (2A) (a) (i):

(a) Chandrashekhar Ajgaonkar (b) 46 (c) Corporate Quality Executive (d) 3737524 (e) BE (Mech), MMS (f) 20 (g) 02.08.2005 (h) ECS Limited, Principal Consultant (a) Sunil S Anand (b) 49 (c) General Manager – Outsourcing (d) 3036488 (e) M.Com (f) 26 (g) 01.09.1983 (h) Cynamed (1 yr.) Sales Officer (a) Arnab Banerjee (b) 43 (c) Vice President – Sales & Marketing (d) 7303686 (e) B.Tech., P.G.D.M (f) 20 (g) 21.11.2005 (h) Marico Limited (10 yrs.) Head – New Business Development (a) Uday Banerjee (b) 56 (c) General Manager – Capital Equipment (d) 2421976 (e) B.Sc, C A (f) 32 (g) 26.04.1993 (h) Dunlop India Limited (2 yrs.) Works Accountant (a) Paras K Chowdhary (b) 56 (c) Managing Director (d) 16488222 (e) B.Sc. Physics (Hons.) (f) 33 (g) 18.01.2001 (h) Apollo Tyres Limited (22 yrs.) President & Wholetime Director (a) Sandeep Gulati (b) 50 (c) General Manager – Exports (d) 2959644 (e) B.Com (f) 27 (g) 23.03.1981 (h) NA (a) A V Iyer (b) 55 (c) General Manager – Technical (d) 2865987 (e) BSc, L P R I (Plastics & Rubber Institute. Londan) (f) 34 (g) 09.02.1994 (h) Apollo Tyres Limited (17 yrs.) Technical Manager (a) John M John (b) 54 (c) General Manager- Materials (d) 3002673 (e) BE, Diploma in Management (f) 29 (g) 15. 01. 2001 (h) Phillips Carbon Black Limited (2 yrs) General Manager-Operations (a) Suresh Mathew (b) 42 (c) Vice President (d) 4510967 (e) CA (f) 17 (g) 01.07.2003 (h) RPG Enterprises Ltd, Executive Assistant to Chairman (a) Gurpreet Singh Nagpal (b) 38 (c) General Manager- Learning & OD (d) 2439043 (e) B.Com (f) 17 (g) 27.11.2006 (h) Erehwon Innovation Consulting- Senior Consultant (a) H N Singh Rajpoot (b) 51 (c) Company Secretary & General Manager – Legal & Secretarial (d) 3191104 (e) BSc (Bio), M.A (Eco.), LLB, MIMA, AICWA, FCS (f) 30 (g) 01.06.2005 (h) NextGen Communications Ltd, Company Secretary & General Manager (Finance & Commercial) (a) K J Rao (b) 52 (c) Chief Financial Officer (d) 6699467 (e) B.Com., F C S , MIMA (f) 27 (g) 22.10.1996 (h) RPG Cables Limited (12 yrs.) Vice President (Finance) & Company Secretary (a) Shujaul Rehman (b) 37 (c) General Manager- Sales (d) 3381563 (e) B.Sc (Statistics), MBA (Marketing) (f) 16 (g) 10.04.2007 (h) Cadbury India Limited (2 yrs) Branch Manager (a) Govind Sharma (b) 50 (c) General Manager- Taxation (d) 3068790 (e) B.Com, LLB (f) 29 (g) 07.02.2000 (h) Goodyear Limited (6 yrs) Manager-Excise (a) Hundal Singh (b) 47 (c) Vice President – Manufacturing (d) 4652100 (e) M.Sc (f) 22 (g) 01.06.2002 (h) J K Industries Limited (2 yrs.) General Manager - Production (a) Tom K Thomas (b) 55 (c) Chief –Manufacturing & Technical (d) 7601971 (e) B.Sc., B.Tech (e) 31 (f) 20.07.2001 (g) J.K. Industries Limited (3 yrs.) Vice President –Tech. & Radial Plant (a) Capt. S. Vasudeva (b) 66 (c) Advisor – Corporate Affairs (d) 6842127 (e) B.E. (Mech.), Masters Foreign Going Certificate of Competency issued by Ministry of Transport (f) 19 (g) 01.04.2002 (h) RPG Enterprises Limited (5 yrs.) President – Corporate Affairs

(b) Particulars of employed part of the year in terms of Section 217 (2A) (a) (ii) :

(a) Name (b) Age (in yrs.) (c) Designation/Nature of duties (d) Remuneration in (Rs.) (e) Qualifications (f) Experience (g) Date of Commencement of employment (h) Particulars of last Employment held (a) Rahul Ghatak (b) 41 (c) Vice President- Human Resources (d) 1413721 (e) M A (Sociology), M A (Personnel Management & Industrial Relations) (f) 14 (g) 07.01.2008 (h) Pepsico India Holdings Limited (5 yrs) Vice President-H R (West Market Unit) (a) Bavneesh Gulati (b) 41 (c) General Manager- Corporate HR (d) 491540 (e) B.Sc, M.A, MBA (f) 20 (g) 25.08.2005 (h) Jindal Iron & Steel Co, General Manager- HR (a) M K Indrakumar (b) 52 (c) General Manager- Projects (d) 1035277 (e) DME, B E Mech (f) 31(g) 05.12.2007 (h) Essar Constructions Limited (3 yrs) General Manager (a) Amit S Kumar (b) 45 (c) Vice President – Human Resources (d) 4271563 (e) BA (Hons), MA (Prev), PGDM (f) 21 (g) 06.01.1997 (h) Tata Engineering Locomotive Co. Limited (11 yrs.) Divisional Manager (a) Indranil Majumdar (b) 36 (c) General Manager- Outsourcing (d) 202037 (e) B. Tech (Mech Engg) (f) 12 (g) 01.08.2007 (h) Philip India Limited (8 yrs.) Manager-Logistics (a) J S Mavlankar (b) 49 (c) Vice President- Corporate Business Audit (d) 2131350 (e) B.Com (Hons). ACA, Grad CWA (f) 24 (g) 01.07.2003 (h) RPG Enterprises Ltd, Group Business Audit (a) Jacqueline Patel (b) 43 (c) General Manager-Corporate Communications (d) 1561360 (e) M.A (English Literature) (f) 20 (g) 03.09.2007 (h) Financial Technologies Group of Companies-Vice President (a) V R Thakurdesai (b) 57 (c) Manager-Technical (d) 623975 (e) B.Sc (f) 35 (g) 01.07.1973 (h) Albright Morarji & Pandit Limited (3 months) Lab Analyst (a) S N Tripathi (b) 44 (c) Deputy General Manager-Accounts & Risk Management (d) 2313355 (e) B.Sc, MBA (f) 19 (g) 21.02.1995 (h) Bombay Dyeing & Mfg Company Limited (4 yrs.) Senior Finance Executive

Notes:

1. All appointments are/were non contractual as per the rules and conditions of the Company except for Mr. Paras K Chowdhary, under (a) who was re-appointed in accordance with the conditions specified in Part I and Part II of Schedule XIII, Mr. Chowdhary's contract is as per the terms approved by the Members of the Company at the Annual General Meeting held on September 25, 2006.
2. The appointments are/were terminable with Notice periods varying from 1 month to 4 months.
3. None of the above employees is a relative of any Director (or Manager) of the Company.
4. Remuneration includes salary, bonus, and Company's contribution to Provident/Superannuation Funds, Leave Travel Concession, Medical Expenses and value of other facilities inclusive of accommodation as may be applicable in such case and in case of retired employees, includes Gratuity.

On behalf of the Board of Directors,

Mumbai	**H V Goenka**	**Paras K Chowdhary**
Dtae: April 29, 2008	*Vice Chairman*	*Managing Director*

Management Discussion and Analysis

1. Economic overview

With an expected GDP growth rate of about 8.5%, the country's overall macroeconomic fundamentals are strong, particularly with tangible progress in recent years towards fiscal consolidation and a strong balance of payments position.

India has the largest population of youth in the world, spurring a boom in consumption in the country. With rise in per capita income, spending has increased across all categories including automobiles and companies from all over the world are setting up facilities in India. Today, the country boasts of companies with world-class capabilities in sectors such as information technology, manufacturing and pharmaceuticals.

The importance of infrastructure for India's sustained economic development is also well recognised today. Investment in this sector has gained momentum in the last few years and is experiencing rapid growth across different sub-sectors.

All this bodes well for India's tyre industry, since it has been seen that tyre consumption relates very high with GDP growth and infrastructure spend.

2. Industry overview

Global Tyre Industry

The global tyre industry, worth ~ USD 112 billion has almost tripled in the last 20 years and is growing at an annual rate of around 3-5%. Like its Indian counterpart, it is highly concentrated with the top four players accounting for more than 60% of the total revenues.

Passenger cars (PC) and Light Commercial Vehicles (LCV) constitute a major share of global tyre industry product mix. This is different in comparison to the Indian tyre industry product mix which is dominated by the Medium and Heavy Commercial Vehicle (MHCV) segment.

International and Indian tyre industry - category-wise share

(Figures as percentage)

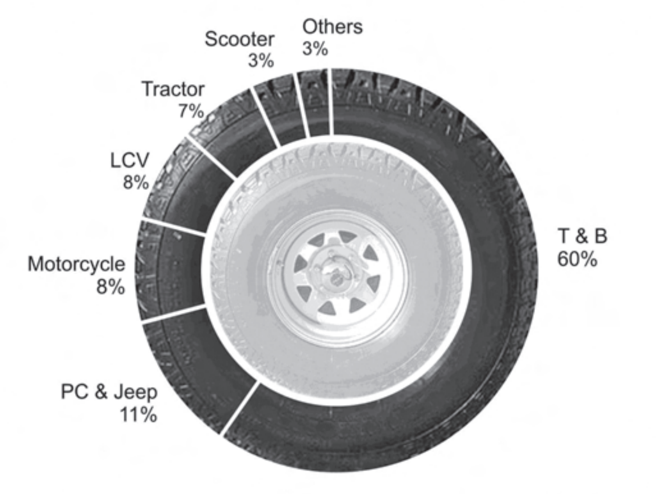
	International	Indian
Cars and light truck	61.00	18.60
Heavy truck	27.00	63.40
Earthmovers	5.50	n.a
Two wheelers	4.00	10.80
Agriculture	2.00	7.20
Aircraft	0.50	n.a
Total	**100.00**	**100.00**

Indian Tyre Industry

The size of the domestic tyre industry is estimated to be around Rs. 190 billion. Over the last five years, it has witnessed a CAGR of 11%. The industry comprises of around 40 players in the organized and unorganized sectors, with an aggregate capacity of over 90 million tyres. The top 7 players account for over 85% of the market share.

The major share of production (~75%) in the Indian tyre industry is in the Commercial Vehicle (CV) segment, which consists of the Truck and Bus (T&B), LCV and tractor tyre segments. However, in the last five years, the tyre industry has received growth impetus mainly from the Passenger Vehicle (PV) (11% CAGR), tractor tyres (11% CAGR) and off-the-road (OTR) tyres (16% CAGR). The CV segment has witnessed a CAGR of 9% over this period.

Indian tyre industry revenue mix – break up of sales revenue



The tyre industry is a signatory to several trade agreements that allows for the import of tyres at a concessional rate. The number of tyres imported is currently ~4% of the number produced domestically, though this proportion has been increasing over the last few years.

Demand drivers in the Indian Tyre Industry

a) Automobile industry

The strong growth in the auto industry (16% CAGR from 2002-2007) has driven growth in the tyre industry, keeping both the OEM and replacement demand buoyant. Currently, the share of the automobile industry is ~5% of the GDP. It is expected to increase to 10-12% in the coming decade. Also, India is expected to emerge as an automobile outsourcing and manufacturing hub in the near future.

b) Road infrastructure development

Nearly 70% of freight and 87% of passenger traffic moves on roads, while highways alone carry ~40% of the total traffic. Improvement in road infrastructure through projects like the Golden Quadrilateral, North-South Corridor, East-West Corridor etc will spur growth in road freight movement and the auto industry and thereby in the tyre industry.

c) India's fast-paced growth

With India growing at an average of around 8% per annum, there has been a significant rise in per capita income as well as disposable income. This will help boost the demand in the PC segment, which is expected to post a CAGR of over 15% in the coming years. Availability of easy finance and introduction of new PC models are other factors that will boost demand.

Good GDP growth is expected to enhance agricultural and industrial production which will ensure increased movement of labour and materials. This will fuel demand for T&B tyres. Currently T&B segment constitutes around 60% of the total sales of the tyre industry. Around 65% of T&B tyre sales are to the replacement market, while OEMs contribute around 19%. As a T&B tyre needs replacement every 60,000 km, the replacement demand will also strengthen. As many as eight tyre players are expected to make an investment of about Rs. 6,000 crores in greenfield facilities within the country, or increase capacity at existing facilities for CV tyres.

d) Radialisation

Indian companies have an opportunity to cash in on the steady switch from the traditional cross-ply tyres to radial tyres in the CV segment. While the PC segment in India is 95% radialised (at par with the world average), the T&B segment is only 3-4% radialised (the world average is 55%).

With the development of new highways as well as the ban on overloading of trucks in place and its strict implementation, radialisation is expected to reach 10% in CVs and 20% in LCVs in approximately five years. The steadily improving demand and better margins offered by radial tyres is prompting tyre manufacturers in the country to set up new projects for radial tyres.

e) Exports

Indian tyres are exported to over 110 countries worldwide and this number has been growing consistently in terms of volume and reach. Between FY97 and FY07, exports in tyres grew at a CAGR of ~13%. The value of exports in FY07 was approximately Rs. 20 billion. North America, South America and Europe are large export markets. CV tyres constitute ~84% of India's total tyre export in tonnage terms.

Indian tyres are known for their quality in major global markets. Also, increased radialisation globally has led to a shortage of traditional cross-ply tyres, boosting the demand for the same from India.

3. Business overview

Profile

CEAT Limited (CEAT), the flagship company of RPG Enterprises is one of India's leading tyre manufacturers. In the last one year, the Company recorded the highest ever growth in sales and emerged as the number one exporter of tyres in the country amongst companies under the ATMA.

Over the last 50 years, the Company has established a strong presence in both the domestic and the international markets. It has celebrated its golden jubilee anniversary this year with a transformation of its visual identity, that links the Company's heritage to its vision for the future, and a rejuvenated long term strategy that will enable CEAT to meet the demands of the new age consuming class across segments.

Operations

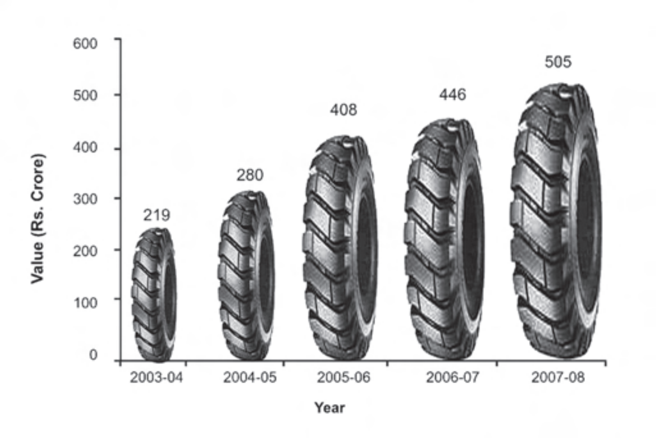
The Company currently manufactures over 6 million tyres every year and commands 13-14% share of the Indian market. One of the most diversified tyre companies in India, CEAT offers the widest range of tyres to all user segments including heavy-duty T&B, LCV, Earthmovers and Forklifts (specialty segment), Tractors, Trailers, PC , Motorcycles and Scooters and Auto-rickshaws. It is also the only major tyre manufacturer in India catering to domestic demand in the OTR tyre segment.

Total installed capacity of about 400 tpd (tonnes per day) has been expanded by about 60 tpd during the year under review. Logistics have further been strengthened by setting up a state-of-the-art warehouse in Panvel. Sale during the last year year of about 7 acres of surplus land at the Bhandup plant at approximately Rs. 130 crores will help the Company in expanding its capacity in the current year.

Exports

Apart from being a major player in the domestic market, CEAT exports to countries across Europe, Africa and Asia and has an established network in North and South America. Over the last five years, exports have grown at a CAGR of ~18%. In the last one year, CEAT's presence has increased to over 110 countries including Lebanon, Libya, Morocco, Burundi, Djibouti, Namibia and Malawi. In FY08, the Company became the number one tyre exporter in the country with exports valued at Rs. 505 crore.

Export turnover growth



Network

CEAT has a robust network consisting of 33 regional offices and over 3,500 dealers, among which ~75 are exclusive dealers running CEAT Shoppe. CEAT's direct reach in channel is one of the highest in the domestic market. It also has a dedicated Customer Service department, comprising of Customer Service Managers in all four divisional offices, assisted by 50 Service Engineers.

Opportunities

The infrastructure boom in the country, rising per capita disposable income, the rising demand in the PC market, the emerging T&B radialisation opportunity, expansion in the high margin OTR segment, rising tyre exports, strong growth in the auto industry and sustained replacement demand are factors that indicate high growth in the Indian tyre industry in the years to come.

All this bodes well for CEAT. Its expertise and strong execution capabilities will allow the Company to exploit this opportunity.

5. Outlook

The Company's prospects are strong and show great potential. The Company targets a growth of around 25% in FY09 with consolidation and expansion in Indian and global markets.

According to CEAT's new long-term strategy, the Company will invest Rs. 1,000 crore in two new plants, an R&D centre, and on re-branding in the next two to three years. Of this, Rs. 900 crore will go into the new plants, one coming up near Mumbai and a grass root radial tyres plant.

Rs. 100 crore will be invested in an R&D centre and in brand investments. The Company also plans to substantially increase its customer centric activities.

A number of other initiatives like de-bottlenecking, rationalization of manpower costs and improving capacity utilisation are likely to lead to an improvement in the Company's profit margins.

6. Threats, Risks and concerns

The Company is operating in an environment that is becoming more and more competitive. As it gets into the expansion mode, it is poised to exploit several new opportunities. The Company seeks to ensure that the risks it undertakes are commensurate with returns.

Economic Risk

Factors that may adversely affect the Indian economy and in turn the Company's business include slowdown in the rate of infrastructure development, rise in interest rates, inflation, changes in tax, trade, fiscal and monetary policies, scarcity of credit etc.

Competition Risk

CEAT faces competition from other major tyre manufacturers in the domestic industry. Global tyre majors are also planning to enter or have already entered the Indian market.

Price Risk (Raw Materials)

The tyre industry is characterized by high raw material cost, which accounts for ~75% of a tyre manufacturer's total operating costs. Natural Rubber (NR) accounts for ~40% of total raw material cost. In the past, NR prices have been volatile.

Import Risk

Increased import of tyres may affect the Company's business. Imposition of anti-dumping duty by the Government on tyres imported from China and Thailand, which together constitute ~60% of total imports, would mitigate this risk to some extent.

7. Internal control systems and adequacy

The Company's well defined organizational structure, documented policy guidelines, defined authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations as well as protection of resources. Moreover, the Company continuously upgrades these systems in line with the best available practices. Regular Management Committee Meetings are held where reports on key performance indicators and variance analysis vis-à-vis budgets are discussed and action plans are drawn for proper follow up. Operational reports are tabled at each Board Meeting, after being discussed at Audit Committee Meetings.

The internal control system is supplemented by extensive internal audits, regular reviews by management and standard policies and guidelines to ensure reliability of financial and all other records to prepare financial statements and other data.

Last year, a Company wide ERP project was implemented in a record time of 8 months. It has helped CEAT have state-of-the-art connectivity and has speeded up decision making processes. At the same time, it has helped in improving customer service through faster information availability.

8. Financial performance for the year under review

Income: The Company recorded net income of Rs. 2,353.04 crores (excluding extra-ordinary income of Rs.79.94 crores), as compared to Rs. 2,159.22 crores for the previous year, a growth of 8.98%.

EBIDTA: The Company's EBIDTA stood at Rs. 287.23 crores against Rs. 152.41 crores in FY07, an increase of 88.46%**.**

PAT: The Profit After Tax (PAT) increased from Rs. 39.25 crores in FY07 to Rs. 148.60 crores, an increase of 278.60%**.**

9. Material developments in human resources

CEAT has a well-drawn recruitment policy to attract and retain the best talent. The Company is also pushing forward a performance based culture, where the best performers get rewarded at a level that compares well across industries. CEAT has initiated several organization development processes which will create superior internal synergies and an exhilarating and demanding work ethos. The new visual identity of the brand is linked to these internal shifts which will make CEAT a benchmark in customer centricity.

10. Cautionary statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws and other factors such as litigation and industrial relations.

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

H N Singh Rajpoot

Company Secretary

Mumbai, April 29, 2008

Corporate Governance Report

I COMPANY PHILOSOPHY

The Company's philosophy on Corporate Governance mirrors its belief that principles of transparency, fairness and accountability towards the stakeholders are the pillars of a good governance system. The Company believes that 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's philosophy extends beyond what is being reported under this Report and it has been the Company's constant endeavour to attain the highest levels of Corporate Governance.

This Report is for compliance of Clause 49 of the Listing Agreement, which the Company has entered into with the Stock Exchanges.

II 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 IA 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 with due compliance of laws and as trustees of stakeholders.

1. Composition

At present the Board of Directors of the Company consists of twelve (12) members, out of whom one (1) is an 'Executive' Director and eleven (11) are 'Non-Executive' Directors.

The Chairman, Dr. R P Goenka is a Non-Executive Director and Mr. Paras K Chowdhary, who is the 'Executive' Director, 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 II-2 below, as independent directors.

2. Board Meetings held during the year and attendance thereat:

During the financial year April 1, 2007 to March 31, 2008, four (4) meetings of the Board of Directors were held on April 23, 2007, July 27, 2007, October 30, 2007, and January 31, 2008. Details of Directors and their attendance in the said Board Meetings and also at the last Annual General Meeting are given below:

Name	Category	No. of Board Meetings attended during the year	Whether attended last AGM held on 27.07.07	No. of Director-ships in other public limited	No. of Committee positions held in other public limited companies**	
					Chairman	Member
Dr. R P Goenka	Non-Executive Non-Independent	0	No	4	-	-
Mr. H V Goenka	Non-Executive Non-independent	4	Yes	8	-	-
Mr. Paras K Chowdhary	Executive Non-Independent	4	Yes	6	-	1
Mr. Mahesh S Gupta	Non-Executive Independent	4	No	7	2	2
Mr. M A Bakre	Non-Executive Independent	4	Yes	2	-	1
Mr. A C Choksey	Non-Executive Independent	2	No	10	-	-
Mr. S Doreswamy	Non-Executive Independent	4	Yes	6	-	5
Mr. J N Guzder	Non-Executive Independent	4	Yes	3	-	2
Mr. Haigreve Khaitan	Non-Executive Independent	2	Yes	14	-	8
Mr. Bansi S Mehta	Non-Executive Independent	3	No	14	5	5
Mr. Hari L Mundra	Non-Executive Independent	2	No	-	-	-
Mr. K R Podar	Non-Executive Independent	2	Yes	4	-	-

** Only Audit Committee and Shareholders/Investors Grievance Committee are reckoned for this purpose.

3. Details of Directors proposed for Re-Appointment at the forthcoming Annual General Meeting [Pursuant to Clause 49 (IV)(G)]

i) Mr. H V Goenka

Mr. H V Goenka (50) is the Chairman of the Rs. 13,500 crore RPG Enterprises, one of the largest industrial groups in India, which has interests in Power (CESC Limited which supplies power to the city of Kolkata), Transmission (KEC International Limited), Tyres (CEAT Limited), Retail (Spencer's), Techology (Zensar Technologies Limited, RPG Life Sciences Limited, RPG Cables Limited, Raychem RPG Limited) and Entertainment (Saregama India Limited) sectors.

Mr. Goenka comes from a well known family of industrialists of Kolkata. Born in 1957, Mr. Goenka graduated in Economics and thereafter acquired an MBA from the International Institute of Management Development (IMD), Switzerland.

Other Directorships:

- Bajaj Electricals Limited
- Zensar Technologies Limited
- KEC International Limited
- RPG Enterprises Limited
- Raychem RPG Limited
- RPG Life Sciences Limited
- Spencer International Hotels Limited
- The State Industrial & Investments Corporation of Maharashtra Limited (SICOM)

Membership/Chairmanship of Committees: Nil

Mr. H V Goenka, is the son of Dr. R P Goenka, the Chairman of the Company.

ii) Mr. M A Bakre

Mr. M A Bakre has a meritorious academic background. He passed B.A. (Hons) in 1952 in 1st class and was awarded the James Taylor Prize for Economics and the P A Wadia Scholarship for Political Science. He did his Economics Tripos from Cambridge University in 1954, M.A. Cantab in 1959 and Diploma with Distinction for Proficiency in French from University of Geneva. He is also a Fellow Member of the Royal Economic Society, U.K.

He also has a distinction of joining London Office of Kolkata's 100 year old Managing Agency House of Duncan Brothers Company Limited at the age of 21 years.

During 1955-1956, he spent 1 year in Tea Estates in Dooars, West Bengal and 10 years with Anglo-India, world's largest jute mills company, and became the Head of the Company in 1963. In 1959, he helped in establishing India's first wool combing plant in Kolkata in collaboration with Holdens of Dublin and Bradford.

In 1966 at the age of 33, he joined the Board of Duncan Brothers & Company Limited and successfully negotiated with Lord Verulam of Enfield, U.K and Mr. E.H Michaelsen, President, Phelps Dodge Corporation, US, takeover of Asian Cables and Industries Limited. Subsequently, he shifted to Mumbai as Director-In-Charge of Mumbai Operations with seats on board of Asian Cables & Industries Limited, N S Duncan, S S Duncan and Murphy India Limited.

He was the Chairman of Asian Cables & Industries Limited (now RPG Cables Limited) who pioneered use of XLPE Power Cables and Jelly-filled Telephone Cables in the country, for 22 years from 1972-1994.

He negotiated and successfully implemented with U.K's Wilkinson Sword a plant in Mysore for manufacture of stainless steel blades and shaving systems and India's first plant for manufacture of JF Telephone Cables, also in Mysore.

He was the founder director of the following companies:

Gujarat Carbon Limited, Baroda

Wiltech India Limited, Mysore

Karnataka Tele-cables Limited, Mysore (now RPG Cables Limited)

He was also a director of Maharashtra State Finance Corporation at Mumbai for 8 years.

Other Directorships:

- FGP Limited
- Garware-Wall Ropes Limited

Membership/Chairmanship of Committees:

Company	Committee	Chairman/ Member
Garware-Wall Ropes Limited	Audit Committee	Member

Mr Bakre is not related to any member of the Board of Directors or to any Management Personnel of the Company.

CEAT

iii) Mr. S Doreswamy

Mr. S Doreswamy is a professional banker with about 35 years of experience. He has held a variety of senior operational and administrative assignments. He was the Chairman and Managing Director of two large public sector banks - Dena Bank and Central Bank of India, making significant contribution to the growth and progress during his tenure.

He is currently engaged in financial consultancy and associated with a well known Mutual Fund and a Rating Agency.

Other Directorships:

- Caliber Point Business Solutions Limited
- Canfin Homes Limited
- Pantaloon Retail India Limited
- Shakti Sugars Limited
- DSP Merill Lynch Trustee Company Limited
- Kaytee Switch Gears Limited

Membership/Chairmanship of Committees:

Company	Committee	Chairman/ Member
Caliber Point Business Solutions Limited	Audit Committee	Member
Pantaloon Retails India Limited	Audit Committee, Investor Grievance Committee	Member
Shakti Sugars Limited	Audit Committee	Member
Kaytee Switch Gears Limited	Audit Committee	Member

Mr. Doreswamy is not related to any member of the Board of Directors or to any Management Personnel of the Company.

iv) Mr. Bansi S Mehta

Mr. Bansi S Mehta is a first class graduate in Commerce and a Fellow Member of the Institute of Chartered Accountants of India (ICAI). He won Gold Medals both in graduation and final examination of the ICAI. Mr. Mehta is an accountant in practice and deals with matters on taxation, accountancy, valuation, mergers and acquisitions. He was a past President of ICAI and has been a member of various statutory and non-statutory advisory committees on company laws, taxation, accounting etc.

Other Directorships:

- Atul Limited
- Bharat Bijlee Limited
- Century Enka Limited
- Clariant Chemicals (India) Limited
- Gillette India Limited
- Housing Development Finance Corporation Limited
- IL&FS Investment Managers Limited
- J.B Chemicals & Pharmaceuticals Limited
- National Securities Depository Limited
- Pidilite Industries Limited
- Proctor and Gamble Hygiene and Health Care Limited
- Sasken Communication Technologies Limited
- SBI Capital Markets Limited
- Sudarshan Chemical Industries Limited

Membership/Chairmanship of Committees:

Company	Committee	Chairman/ Member
Gillette India LImited	Audit Committee	Member
Housing Development Finnace Corporation Limited	Audit Committee	Member
Atul Limited	Audit Committee	Member
Century Enka Limited	Audit Committee	Member
Procter and Gamble Hygiene and Health Care Limited	Audit Committee	Member
IL&FS Investment Managers Limited	Audit Committee	Chairman
J.B. Chemicals & Pharmaceuticals Limited	Audit Committee	Chairman
Sudarshan Chemicals Limited	Audit Committee	Chairman
Sasken Communication Technologies Limited	Audit Committee	Chairman
Pidilite Industries Limited	Audit Committee	Chairman

Mr. Mehta is not related to any member of the Board of Directors or to any Management Personnel of the Company.

III COMMITTEES OF THE BOARD

1. Audit Committee

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Reviewing with the management the financial statements at the end of the quarter, half year and the annual statements before submission to the Board for approval with particular reference to ;
   a) Matters required to be included in the Director's Responsibility Statement which forms part of the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
   b) Changes, if any, in accounting policies and practices and reasons for the same.
   c) Major accounting policies and practices and reasons for the same.
   d) Significant adjustments made in the financial statements arising out of audit findings.
   e) Compliance with the listing and other legal requirements relating to financial statements.
   f) Disclosure of any related party transactions.
   g) Qualifications, in the draft audit report.
3. Considering and recommending the appointment, re-appointment, of the statutory auditors, fixation of the audit fee and fee for any other services rendered by the Statutory Auditors and, if required, the replacement or removal of the Statutory Auditor.
4. Reviewing with the management, performance of the Statutory and Internal Auditors and adequacy of the internal control systems.
5. Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department reporting structure coverage and frequency of the internal audit.
6. Discussion with internal auditors about any significant findings and follow up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Looking into the reasons for substantial defaults in payment to the depositors, debenture holders, shareholders and creditors, if any.

The Company has complied with the requirements of Clause 49 (II) (A) as regards the composition of the Audit Committee. The Audit Committee has four (4) members; Mr. M A Bakre, Mr. Mahesh S Gupta, Mr. S Doreswamy and Mr. Hari L Mundra. Mr. M A Bakre is the Chairman of the Audit Committee.

The Company Secretary functions as the Secretary of the Committee.

During the financial year ended March 31, 2008, five (5) meetings of the Audit Committee were held on April 23, 2007, July 27, 2007, October 30, 2007, December 5, 2007 and January 31, 2008.

Attendance at the Audit Committee Meetings:

Name of the Member	No. of Meetings attended
Mr. M A Bakre	5
Mr. Mahesh S Gupta	5
Mr. S Doreswamy	5
Mr. Hari L Mundra	3

The necessary quorum was present at the meetings.

The Audit Committee Meetings are also generally attended by the representatives of Statutory Auditors, the Managing Director, the Chief Financial Officer, Head – Internal Audit, and the General Manager – Accounts, MIS & Risk Management.

The Minutes of the Meetings of the Audit Committee were discussed and taken of note by the Board of Directors.

2. Shareholders/Investors Grievance Committee

The Committee reviews and deals with complaints and queries received from the investors. It also reviews and deals with responses to letters received from the Ministry of Company Affairs, the Stock Exchanges and Securities and Exchange Board of India.

The Shareholders/Investors Grievance Committee comprises of three (3) members, Mr. M A Bakre, Mr. Paras K Chowdhary and Mr. Mahesh S Gupta. Mr. M A Bakre is the Chairman of the Committee.

The Company Secretary functions as the Secretary of the Committee.

During the financial year ended March 31, 2008, four (4) meetings of the Shareholders /Investors Grievance Committee were held on April 23, 2007, July 27, 2007, October 30, 2007 and January 31, 2008.

Attendance at Shareholders/Investors Grievance Committee Meetings:

Name of the member	No. of Meetings attended
Mr. M A Bakre	4
Mr. Paras K Chowdhary	4
Mr. Mahesh S Gupta	4

The status of the complaints received from investors is as follows:

* **Shareholders' / Investors' Complaints**

Particulars of Complaints	No. of Complaint
Complaints pending as on April 1, 2007	-
Complaints received during 2007-2008	9
Complaints identified and reported under Clause 41 of the Listing Agreement	9
Complaints disposed off during the year ended March 31, 2008	9
Complaints remaining unresolved as on March 31, 2008	-

The Board has designated Mr. H N Singh Rajpoot, Company Secretary, as the **"Compliance Officer".**

3. Remuneration Committee

The Remuneration Committee reviews the remuneration package for the Managing Director and recommends it to the Board.

The Remuneration Committee comprises of four (4) members, Mr. H V Goenka, Mr. M A Bakre, Mr. S Doreswamy, and Mr. Hari L Mundra. Mr. H V Goenka is the Chairman of the Remuneration Committee. This Committee meets the criteria as laid down in Explanation IV in Section II of Part II of Schedule XIII of the Companies Act, 1956 and is not formed pursuant to Clause 49 of the Listing Agreement, according to which the formation of the Committee is not mandatory.

During the financial year ended March 31, 2008, two (2) meeting of the Company were held on April 23, 2007 and October 30, 2007.

Name of the member	No. of Meetings attended
Mr. H V Goenka	2
Mr. M A Bakre	2
Mr. S Doreswamy	2
Mr. Hari. L. Mundra	-

* **Remuneration Policy**

The Managing Director is paid remuneration as per the Agreement entered between him and the Company and was approved by the shareholders at the Annual General Meeting of the Company held on September 25, 2006. 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 receive any remuneration from the Company except Sitting Fees.

* **Directors' Remuneration**

• **Non-Executive Directors**

Director	Relationship with other Directors (if any)	Sitting Fees paid during 2007-2008 (All figures in Rs.)
Dr. R P Goenka - Chairman	Father of Mr. H V Goenka	-
Mr. H V Goenka - Vice-Chairman *	Son of Dr. R P Goenka	90,000
Mr. Mahesh S Gupta*	-	1,30,000
Mr. M A Bakre*	-	1,40,000
Mr. A C Choksey	-	40,000
Mr. S Doreswamy*	-	1,40,000
Mr. J N Guzder	-	80,000
Mr. Haigreve Khaitan	-	40,000
Mr. Bansi S Mehta	-	60,000
Mr. Hari L Mundra*	-	70,000
Mr. K R Podar	-	40,000

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

- **Executive Director**

Name	:	**Mr Paras K Chowdhary**	
Relationship with other Directors	:	None	
Business Relationships with the Company, if any	:	**Managing Director**	
All elements of Remuneration Package	:	**Description**	**Amount in Rs. Lacs**
		Salary, Allowances & Perquisites	**149.94**
		Contribution to Provident and Superannuation Funds	**17.44**
		Gratuity	**3.79**
		Total	**171.17**

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.

★ **Shareholding of Directors**

Dr. R P Goenka, Chairman	: 3,799	Equity Shares
Mr. H V Goenka, Vice-Chairman	: 10,133	Equity Shares
Mr. Paras K Chowdhary, Managing Director	: 3,000	Equity Shares

Except for the above, no other Director of the Company holds any equity shares in the Company.

IV DETAILS ON GENERAL BODY MEETINGS

The details of the last three (3) Annual General Meetings are as below:

Meeting	Day, Date	Time	Venue
46th AGM	Thursday, September 29, 2005	11.00 a.m.	Patkar Hall, Mumbai.
47th AGM	Monday, September 25, 2006	11.30 a.m	Patkar Hall, Mumbai.
48th AGM	Friday, July 27, 2007	4.00 p.m.	Patkar Hall, Mumbai.

★ **Special Resolutions passed at the last three (3) Annual General Meetings:**

Date of AGM	Description of Special Resolution
46th AGM September 29, 2005	• Appointment of Auditors M/s. N M Raiji & Co as Statutory Auditors.
	• Consent seeking appointment of Mr. Anant Vardhan Goenka pursuant to Section 314 of the Companies Act, 1956.
	• Relocation of Statutory Registers from Tata Consultancy Services Limited to the office of TSR Darashaw Limited (formerly Tata Share Registry Limited) Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai pursuant to Section 163 of the Companies Act, 1956.
47th AGM September 25, 2006	• Appointment of M/s. N M Raiji & Co. as Statutory Auditors.
48th AGM July 27, 2007	• Relocation of Statutory Registers from the premises of TSR Darashaw Limited at Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001 to their new premises at 6-10 Haji Moosa Patrawala Industrial Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai 400 011 pursuant to Section 163 of the Companies Act, 1956.

There were no Special Resolutions, which were put through postal ballot last year and there is no immediate proposal for passing any resolution by postal ballot this year.

V DISCLOSURES

1. Disclosures on materially significant related party transactions that may have potential conflict with the interests of Company at large

There were no material and/or significant transactions during the financial year 2007-2008 that were prejudicial to the interest of the Company.

During the year under review, the Company made a payment of Rs. 8,34,355/- to Khaitan & Co., of which Mr. Haigreve Khaitan, a Director of the Company, is a partner.

2. Disclosures of Related Party Transactions

The Company follows the following policy in disclosing the related party transactions to the Audit Committee:

a) A statement in summary form of transactions with related parties in the ordinary course of business are placed periodically before the Audit Committee.

b) Details of material individual transactions with related parties, which are not in the normal course of business, if any, are placed before the Audit Committee.

c) Details of material individual transactions with related parties or others, which are not on arm's length basis, if any, are placed before the Audit Committee, together with management's justification for the same.

d) 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.

Details of related party transactions are included in the Notes to the Accounts as per Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India.

3. Disclosure of Accounting Standards

The Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable, in the preparation of the financial statements.

4. Disclosure of Risk Management

The Company has laid down procedures to inform Board Members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.

5. Details of non-compliance by the Company, Penalties, Strictures imposed on the Company by Stock Exchange(s) or Securities Exchange Board of India (SEBI) or any other statutory authority or any matters related to Capital Markets

The Company has complied with all 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. Details of compliance with mandatory requirement

Clause 49 of the Listing Agreement mandates to obtain a certificate from either the Auditors or practicing Company Secretaries regarding compliance of conditions of corporate governance as stipulated in the Clause and annex the certificate with the Directors' Report, which is sent annually to all the shareholders. The Company has obtained a certificate from its Auditors to this effect and the same is given as an annexure to the Directors' Report.

7. Adoption of the non-mandatory requirements

The Clause states that the non-mandatory requirements may be implemented as per the discretion of the Company. The Company maintains an office for the Chairman, which is regularly used by the Chairman for interactions with the Management. The disclosures of compliance with other non-mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements shall be need based.

VI MEANS OF COMMUNICATION

Quarterly results of the Company are published in major English Dailies as well as in a Marathi Daily.

The quarterly results of the Company are normally published in the following newspapers:

- The Economic Times
- Business Standard
- The Financial Express
- Hindustan Times
- Maharashtra Times

The quarterly results of the Company are displayed on the Company's Website www.ceatyres.com.

The Company provides information to the Stock Exchanges where the shares of the Company are listed as per the Listing Agreement entered into with the Stock Exchanges.

The Company has provided an email address on its website investors@ceatltd.com, whereby investors can directly contact the Company.

VII GENERAL SHAREHOLDER INFORMATION

★ AGM: Date, time and venue

As indicated in the notice accompanying this Annual Report, the 49th Annual General Meeting of the Company will be held on Friday, July 25, 2008 at Sir Sitaram and Lady Shantabai Patkar Convocation Hall of the S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020 at 11:30 am.

★ Financial Year

The Company follows 1st April to 31st March as the financial year.

★ Date of Book Closure

Friday, July 11, 2008 to Friday, July 25, 2008 (both days inclusive)

★ Dividend Payment Date:

On or before August 23, 2008

★ Listing on Stock Exchanges

The Equity shares of the Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

The Listing fees have been paid to both the Stock Exchanges for the financial year 2008-2009.

★ Stock Code

Bombay Stock Exchange Limited - **500878**

National Stock Exchange of India Limited **CEATLTD.**

★ Market Price Data

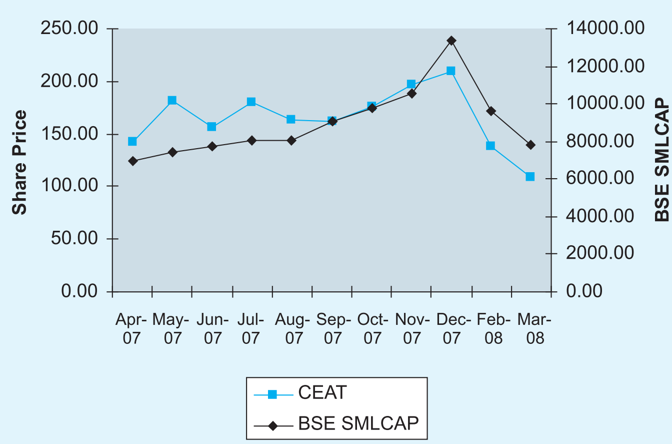
(Rs. per Share)

For Equity Share of face value of Rs. 10/- each				
Month	BSE		NSE	
	High	Low	High	Low
April 2007	155.00	105.00	144.65	140.40
May 2007	185.90	131.50	185.90	179.25
June 2007	184.50	145.00	164.80	155.00
July 2007	190.90	157.60	182.55	164.10
August 2007	179.50	149.00	165.00	156.00
September 2007	186.45	159.50	164.50	157.35
October 2007	200.00	143.00	190.00	175.00
November 2007	215.40	157.55	205.00	192.70
December 2007	244.00	194.50	217.90	205.10
January 2008	*	*	*	*
February 2008	198.80	132.00	147.00	137.05
March 2008	150.00	92.45	117.90	94.10

* Scrip temporarily suspended in the month of January 2008 for implementation of the Scheme of Arrangement between the Company and CHI Investments Limited

★ Share Performance of the Company in comparison to BSE SMLCAP

CEAT in comparision with BSE SMLCAP



★ Share Transfer System

All valid requests for transfer of Equity shares in physical mode received for transfer at the office of the Registrar and Transfer Agents or at the Registered Office of the Company are processed and returned within a period of 30 days from the date of receipt.

Every effort is made to clear share transfers/ transmissions and split and consolidation requests within 21 days.

* **Distribution of Shareholding as of March 31, 2008**

No. of Equity shares held	No. of Shareholders		No. of Shares		% of Equity Capital	
	Physical	Demat	Physical	Demat	Physical	Demat
1 to 500	34,318	30,612	9,57,096	24,32,547	2.80	7.10
501 to 1000	155	937	1,04,278	6,58,127	0.30	1.92
1001 to 2000	58	382	79,149	5,24,230	0.23	1.53
2001 to 3000	14	92	35,238	2,27,341	0.10	0.67
3001 to 4000	5	58	16,585	2,06,461	0.05	0.60
4001 to 5000	1	23	4,530	1,01,961	0.01	0.30
5001 to 10000	6	56	46,150	3,92,087	0.14	1.15
More than 10001	7	86	29,62,890	2,54,94,089	8.65	74.45
Total	**34,564**	**32,246**	**42,05,916**	**3,00,36,843**	**12.28**	**87.72**

* **Categories of Shareholding as of March 31, 2008**

Category	No. of Shares	Percentage
Promoters Holdings (Indian and Foreign)	1,47,87,333	43.18
Mutual Funds	53,14,278	15.52
Banks, Financial Institutions, Insurance Companies and others	32,54,862	9.51
Foreign Institutional Investors	39,06,624	11.41
Non Resident Indians	1,16,162	0.34
Corporate Bodies, Indian Public and Others	68,63,500	20.04
Total	**3,42,42,759**	**100.00**

* **Dematerilaisation of shares and liquidity**

The Company has arrangement with National Securities Depository Limited (NSDL) as well as Central Depository Services (India) Limited (CDSL) for dematerialization of shares with ISIN No. **INE 482A01020 for both NSDL and CDSL.**

Approximately 87.72% of the Equity share capital corresponding to 3,00,36,843 Equity shares is held in dematerialised form as of March 31, 2008.

* **Outstanding GDRs / ADRs / Warrants / Any Other Convertible Instruments**

The Company has not issued any such instruments.

* **Plant Locations**

Mumbai Plant: Village Road, Bhandup, Mumbai 400 078.

Nasik Plant: 82, MIDC Industrial Estate, Satpur, Nasik 422 007.

* **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 TSR Darashaw Limited, the Registrars and Transfer Agents of the Company.

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.

* **Code of Conduct**

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company, which is posted on the website of the Company.

All Board Members and Senior Management Personnel have affirmed compliance with the Code for the financial year ended March 31, 2008. A declaration to this effect signed by the Managing Director forms part of this Report.

Declaration - Code of Conduct

All Board Members and the Senior Management personnel have, for the year ended March 31, 2008, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing Agreement entered with the Stock Exchanges.

For CEAT Limited

Mumbai

Date: April 29, 2008

Paras K Chowdhary

Managing Director

* **Compliance Officer**

Mr. H N Singh Rajpoot
Company Secretary
CEAT Limited
CEAT Mahal, 463, Dr. Annie Besant Road
Worli, Mumbai 400 030
Tel: 91-22-2493 0621 Fax: 91-22-6660 6039
Email: investors@ceatltd.com

* **Registrar and Share Transfer Agents:**

TSR DARASHAW LIMITED.

Registered Office:

6-10, 1st Floor,
Haji Moosa Patrawala Ind. Estate,
20, Dr.E. Moses Road,
Mahalaxmi,
Mumbai 400 011.
E-mail: csg-unit@tsrdarashaw.com
Website:www.tsrdarashaw.com
Tel.:022-66568484 Fax: 022-66568494

Branch Offices:

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Tata Centre, 1st Floor, 43, J.L.Nehru Road Road **Kolkata** – 700 071 E-mail : tsrdlcal@tsrdarashaw.com	Tel. Fax	033-22883087 033-22883062
2/42, Sant Vihar, Ansari Road, Daryaganj, **New Delhi** – 110 002 E-mail : tsrdldel@tsrdarashaw.com	Tel. Fax	011-23271805 011-23271802

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

H N Singh Rajpoot

Company Secretary

Mumbai, April 29, 2008

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 March 31, 2008, 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 March 31, 2008 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

C A Y N Thakkar

Mumbai,

Partner

Date: April 29, 2008

Membership. No. 33329

Auditors' Report

TO THE MEMBERS OF CEAT LIMITED

1. We have audited the attached Balance Sheet of **CEAT LIMITED,** as at 31st March 2008, 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 and our comments in paragraph 3 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 2008, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31st March 2008 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 2008;

      (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 Cash Flow Statement, of the Cash flow for the year ended on that date.

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

CA. Y.N. THAKKAR
Partner
Membership No. 33329

Place: Mumbai
Date: April, 29, 2008

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) The Company has a programme of physical verification of fixed assets. As per the said programme, certain assets were physically verified 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), (d), (f) and (g) are not applicable.

(iv) In our opinion, there are adequate internal control system 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 and services. 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. Accordingly, sub-clause (b) is not applicable.

(vi) In our opinion, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions 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 or National Company Law Tribunal or Reserve Bank of India or any other court or any other Tribunal.

(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, Service 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 31st March 2008 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 Income tax / Sales tax / Wealth tax / Service Tax / Custom duty / Excise duty / cess, which have not been deposited with the appropriate authorities on account of any dispute, are given in the Appendix to this report.

(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 in the immediately preceding financial year.

Annexure to The Auditors' Report (contd.)

(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.

(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) The Company is not dealing in or trading in shares, securities debentures and other investments.

(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 term 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 no short-term funds have been used for long-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.

(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

CA.Y.N. THAKKAR
Partner
Membership No. 33329

Place: Mumbai
Date: April, 29, 2008

Appendix to Auditors' Report

Name of the Statute	Nature of the Dues	Amount (Rs. in Crores)	Financial year to which the matter pertains	Forum where dispute is pending
The Central Excise Act,1944	Excise Duty	5.19	1997 - 1998	Supreme Court
		0.14	1997 - 1998	High Court
		42.20	1995 to 2005	CESTAT *
		1.31	1996 to 2006	Commissioner (Appeals)
Service Tax (Chapter V of the Finance Act, 1944)	Service Tax	0.05	2005 - 2006	Commissioner (Appeals)
Mumbai Provincial Municipal Corporation Act,1944	Octroi Duty	0.85	1982 to 2004	High Court
State and Central Sales Tax Acts	Tax, Interest and Penalty	0.12	1987 to 1990, 1994 - 1995	High Court
		0.46	1988-1989,1996-1997, 2002-2003	Tribunal
		0.96	1993-1994 to 2006-2007	Commissioner (Appeals)

* The Customs, Excise and Service Tax Appellate Tribunal

CEAT

Balance Sheet as at March 31, 2008

	SCHEDULE	As at 31.03.2008		(Rs. in Lacs) As at 31.03.2007
SOURCES OF FUND				
SHAREHOLDERS' FUND				
Share Capital	1	**34,24.27**		45,67.99
Reserves and Surplus	2	**479,01.46**		332,95.80
			513,25.73	378,63.79
LOAN FUNDS				
Secured Loans	3	**265,39.08**		275,75.93
Unsecured Loans	4	**212,20.77**		216,49.55
			477,59.85	492,25.48
DEFERRED TAX LIABILITY (Net)			**27,30.41**	23,28.08
			1,018,15.99	894,17.35
APPLICATION OF FUNDS				
FIXED ASSETS	5			
Gross Block		**1,214,33.22**		1,113,02.93
Less: Depreciation		**427,71.14**		413,01.96
Net Block		**786,62.08**		700,00.97
Capital Work-in-progress		**3,47.88**		10,13.34
			790,09.96	710,14.31
INVESTMENTS	6		**9,60.23**	127,80.90
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	7	**341,06.00**		221,21.71
Sundry Debtors	8	**307,90.82**		263,17.07
Cash and Bank Balances	9	**41,58.70**		40,55.13
Loans and Advances	10	**81,42.41**		56,06.20
		771,97.93		581,00.11
Less:				
CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	11	**528,27.32**		489,64.85
Provisions	12	**25,24.81**		35,13.12
		553,52.13		524,77.97
NET CURRENT ASSETS			**218,45.80**	56,22.14
			1,018,15.99	894,17.35
Notes forming part of the Accounts	20			

As per our report attached

On behalf of the Board of Directors

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

CA Y. N. Thakkar
Partner

Mumbai, April 29, 2008

K. J. Rao
Chief Financial Officer

H. N. Singh Rajpoot
Company Secretary

H. V. Goenka Vice Chairman

M. A. Bakre Chairman - Audit Committee

Paras K. Chowdhary Managing Director

Mumbai, April 29, 2008

Profit and Loss Account for the year ended March 31, 2008

(Rs. in Lacs)

	SCHEDULE	2007-2008	2006-2007
INCOME			
Sales		**2,602,96.57**	2,390,61.20
Less: Excise duty on Sales		**272,99.90**	255,83.39
Net Sales		**2,329,96.67**	2,134,77.81
Other Income	13	**23,07.18**	24,44.34
		2,353,03.85	2,159,22.15
EXPENDITURE			
Materials	14	**1,478,52.83**	1,442,51.77
Cost of Traded Goods Sold	15	**70,24.54**	44,35.22
Personnel	16	**143,02.05**	128,23.06
Other Expenses	17	**471,48.80**	394,07.65
Interest	18	**56,93.88**	60,42.71
Depreciation		**32,99.12**	31,06.06
		2,253,21.22	2,100,66.47
Add/(Less): Decrease/(Increase) in stock	19	**(17,53.86)**	(2,36.20)
		2,235,67.36	2,098,30.27
PROFIT BEFORE EXCEPTIONAL ITEMS		**117,36.49**	60,91.88
Exceptional Items (Net Income) (Refer Note No. 20 of Schedule 20)		**79,94.55**	—
PROFIT BEFORE TAXATION		**197,31.04**	60,91.88
Less: Provision for Taxation			
Current Tax		**43,00.00**	10,00.00
Deferred Tax		**4,02.32**	9,29.24
Fringe Benefit Tax		**1,68.28**	2,37.79
PROFIT AFTER TAX		**148,60.44**	39,24.85
Add: Balance brought forward		**41,97.61**	27,34.25
PROFIT AVAILABLE FOR APPROPRIATION		**190,58.05**	66,59.10
APPROPRIATIONS			
Proposed Dividend		**13,69.71**	8,21.82
Tax on Proposed Dividend		**2,32.78**	1,39.67
Transferred to General Reserve		**50,00.00**	15,00.00
		66,02.49	24,61.49
Balance carried to Balance Sheet		**124,55.56**	41,97.61
		190,58.05	66,59.10
Earnings Per Share – Basic & Diluted (Rs.)		**40.06**	8.60
(Refer Note No. 22 of Schedule 20)			
Notes forming part of the Accounts	20		

As per our report attached

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

CA Y. N. Thakkar
Partner

Mumbai April 29, 2008

K. J. Rao
Chief Financial Officer

H. N. Singh Rajpoot
Company Secretary

On behalf of the Board of Directors

H. V. Goenka Vice Chairman

M. A. Bakre Chairman - Audit Committee

Paras K. Chowdhary Managing Director

Mumbai April 29, 2008

CEAT

Cash Flow Statement for the year ended March 31, 2008

(Rs. in Lacs)

	31.03.2008		31.03.2007	
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit Before Tax		**197,31.04**		60,91.87
Adjustments for :				
Depreciation	**32,99.12**		31,06.06	
Interest income	**(3,42.24)**		(3,81.54)	
Unrealised exchange variation (Net)	**(71.84)**		(1,02.98)	
Dividend income	**(20.39)**		—	
Provision for Doubtful debt	**1,08.91**		1,41.20	
Provision for Doubtful debt - Written back	**(21.80)**		(5,94.91)	
Provisions no longer required Written back	**(49.96)**		—	
Provision for Obsolescence of Stores	**—**		5.00	
Advance written Off	**1.45**		69.88	
(Profit)/Loss on sale of fixed assets – Net	**(60,27.79)**		3,63.50	
Exceptional items	**(18,89.81)**		—	
Interest expense	**56,93.88**		60,42.70	
		6,79.53		86,48.91
Operating Profit Before Working Capital Changes		**204,10.57**		147,40.78
Adjustments for:				
Trade and other receivables	**(174,39.57)**		(23,92.01)	
Trade payable/provisions	**23,57.49**		(11,96.83)	
		(150,82.08)		(35,88.84)
Cash Generated From Operations		**53,28.49**		111,51.94
Direct taxes paid (net of Exceptional item)	**(36,68.12)**		(6,61.90)	
		(36,68.12)		(6,61.90)
Cash Flow Before Exceptional Items		**16,60.37**		104,90.04
Exceptional items		**3,86.16**		—
Net Cash Flow From Operating Activities (A)		**20,46.53**		104,90.04
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of fixed assets		**(52,53.06)**		(19,80.84)
Sale of fixed assets		**—**		—
Purchase of Investments		**(8,00.18)**		—
Sale of Investments		**—**		—
Interest received		**3,42.24**		2,01.62
Dividend received		**20.39**		1,77.76
Net Cash Used In Investing Activities Before Exceptional Items		**(56,90.61)**		(16,01.46)
Exceptional items		**118,71.67**		1,86.35
Net Cash From Investing Activities (B)		**61,81.06**		(14,15.11)

Cash Flow Statement for the year ended March 31, 2008 (Contd.)

(Rs. in Lacs)

	31.03.2008	31.03.2007
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Share Application Money Refunded	—	(47.13)
Repayment of Finance Lease Liability	—	(1,46.83)
Interest paid	**(56,90.88)**	(59,00.08)
(Decrease)/Increase in borrowings	**(14,65.62)**	(28,72.93)
Dividend paid (Inclusive of Dividend Distribution Tax)	**(9,67.52)**	(14.09)
Net Cash Used In Financing Activities (C)	**(81,24.02)**	(89,81.06)
Net (Decrease) / Increase In Cash Or Cash Equivalent (A+B+C)	**1,03.57**	93.87
Cash and cash equivalents – Opening balance	**40,55.13**	39,61.26
Cash and cash equivalents – Closing balance	**41,58.70**	40,55.13
Net (Decrease) / Increase As Disclosed Above	**1,03.57**	93.87

Note :

1 Previous Year's Figures have been regrouped wherever necessary.

2 Closing cash & cash Equivalents represents " Cash and Bank Balances" except Rs.29.06 (Previous Year Rs.35.09) lying in separate bank accounts on account of unclaimed dividend which is not available for use by the Company.

3 All figures in brackets are outflows.

As per our report attached

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

CA Y. N. Thakkar
Partner

Mumbai, April 29, 2008

K. J. Rao
Chief Financial Officer

H. N. Singh Rajpoot
Company Secretary

On behalf of the Board of Directors

H. V. Goenka Vice Chairman

M. A. Bakre Chairman - Audit Committee

Paras K. Chowdhary Managing Director

Mumbai, April 29, 2008

(Rs. in Lacs)

		As at 31.03.2008	As at 31.03.2007
SCHEDULE 1			
SHARE CAPITAL			
Authorised:			
4,61,00,000	(4,61,00,000) Equity Shares of Rs. 10 each	**46,10.00**	46,10.00
39,00,000	(39,00,000) Preference Shares of Rs. 10 each	**3,90.00**	3,90.00
1,00,00,000	(1,00,00,000) Unclassifed Shares of Rs. 10 each	**10,00.00**	10,00.00
		60,00.00	60,00.00
Issued:			
3,42,44,222	(4,57,50,004) Equity Shares of Rs. 10 each	**34,24.42**	45,75.00
	(Includes 1,463 Shares offered on Right basis and kept in abeyance)		
		34,24.42	45,75.00
Subscribed and paid-up:			
3,42,42,759	(4,56,56,626) Equity Shares of Rs.10 each, fully paid-up	**45,67.99**	45,65.66
	Add: Forfeited Shares	**—**	2.33
	Less: Transfer to Capital Reserve	**2.33**	—
	Add: Received during the year out of shares kept in abeyance	**0.04**	—
	Less: Cancellation of paid-up Share capital as per scheme of arrangement (Refer note 19 of Schedule 20)	**11,41.43**	—
		34,24.27	45,67.99

Notes:

Of the above Equity Shares

(a)	6,90,576	Shares of Rs. 10 each were allotted pursuant to Schemes of Amalgamation without payment being received in cash.
(b)	40,40,223	Shares were allotted as fully paid Bonus Shares by capitalisation of Share Premium and General Reserve.

(Rs. in Lacs)

	As at 31.03.2008		As at 31.03.2007
SCHEDULE 2			
RESERVES AND SURPLUS			
Capital Reserve:			
Balance – 1 April, 2007	**2,69.13**		2,69.13
Add: Transfer of forfeited Shares	**2.33**		—
		2,71.46	2,69.13
Share Premium:			
Balance – 1 April, 2007	**165,23.08**		165,23.08
Add: Received during the year	**0.15**		—
		165,23.23	165,23.08
Capital Redemption Reserve:		**3,90.00**	3,90.00
General Reserve:			
Balance – 1 April, 2007	**118,75.98**		101,15.98
Add: Transfer from Debenture Redemption Reserve	**40.00**		2,60.00
Add: Transfer from Profit and Loss Account	**50,00.00**		15,00.00
		169,15.98	118,75.98
Revaluation Reserve:			
Balance – 1 April, 2007	**—**		—
Add: Revalued during the year	**128,24.66**		—
Less: Adjustments as per Scheme of Arrangement (Refer note 19 of Schedule 20)	**114,79.43**		—
		13,45.23	—
Debenture Redemption Reserve:			
Balance – 1 April, 2007	**40.00**		3,00.00
Less: Transfer to General Reserve	**40.00**		2,60.00
		—	40.00
Profit and Loss Account:		**124,55.56**	41,97.61
		479,01.46	332,95.80

	As at 31.03.2008	As at 31.03.2007
		(Rs. in Lacs)
SCHEDULE 3		
SECURED LOANS		
Debentures:		
13.50% Secured Redeemable Non-Convertible Debentures – (Note 1)	**—**	71.43
Loans from Banks/Financial Institutions:		
ICICI Bank Limited – (Note 2 and 4)	**45,95.00**	47,95.00
IDBI Bank Limited – (Note 3)	**11,25.00**	14,25.00
The Federal Bank Limited – (Note 5)	**62.43**	3,12.50
Indian Bank – (Note 6)	**26,69.38**	40,73.35
Yes Bank Limited – (Note 7)	**50,00.00**	—
Working Capital Term Loan – (Note 8)	**—**	36,94.30
Bank Borrowings: (Note 9)		
Cash Credit Facilities	**24,36.76**	21,85.19
Export Packing Credit	**106,11.85**	108,95.75
Vehicle loan: (Note 10)	**38.66**	1,23.41
	265,39.08	275,75.93

In respect of the above loans, Rs.32,48.34 (Previous year Rs.34,30.66) due and repayable within a year

Notes:

1. 13.50% (40,00,000 Nos.) Secured Redeemable Non-Convertible Debentures have been redeemed during the year. Pursuant to repayment, the charge created for Debentures has been satisfied & released.

2. Corporate Loan of ICICI Bank Limited of Rs. Nil (Rs.2,00.00) secured by first *pari passu* charge on Company's movable & immovable properties situated at Bhandup & Nasik plants (except Radial unit) was repaid during the year. Pursuant to repayment, the charge on the Company's assets for the corporate loan has been satisfied & released.

3. The loan from IDBI Bank Limited. of Rs.11,25.00 (Rs.14,25.00) is secured by first *pari passu* charge on movable & immovable properties of the Company situated at Bhandup & Nasik plants, both present and future.

4. The ECB loan of US $ 10 Million availed from ICICI Bank Ltd. has been swapped into Rupee liability of Rs.45,95.00 (Rs.45,95.00). This loan is secured by first *pari passu* charge on all immovable & movable properties situated at Bhandup & Nasik plants of the Company, both present and future.

5. The loan from The Federal Bank Limited of Rs.62.43 (Rs.3,12.50) is secured by first *pari passu* charge on movable & immovable fixed assets at Company's Bhandup & Nasik plant.

SCHEDULE 3- SECURED LOANS (CONTINUED)

(Rs. in Lacs)

6. The loan from Indian Bank of Rs.26,69.00 (Rs.40,73.35) is secured by equitable mortgage of CEAT Mahal property at Worli, Mumbai and first *pari passu* charge on movable assets of the Radial unit at Nasik.

7. Term Loan from YES Bank Limited amounting to Rs.50,00.00 is to be secured by first *pari passu* charge on CEAT Mahal property. The Company is in the process of creating the security for the above loan.

8. Working Capital Term Loan of Rs. Nil (Rs.36,94.30) from Consortium of Banks (except Exim Bank and YES Bank Limited) was secured by way of first charge on the Tea Gardens of Harrisons Malayalam Limited. The loan has since been repaid. The Company is in the process of satisfying the said charge.

9. Fund/Non fund based Working Capital facilities from Consortium of Banks led by Bank of India are secured by hypothecation of Inventories and Book debts and by second charge on land at Worli, Bhandup and Nasik Plants together with factory building.

10. The vehicle loans availed from Banks and Financial Companies are secured by way of hypothecation of the vehicles financed by them.

	As at 31.03.2008	As at 31.03.2007
SCHEDULE 4		
UNSECURED LOANS		
Term Loan from Banks	**5,00.00**	25,76.63
Public Deposits	**36,95.85**	48,77.32
Inter-corporate Deposits	**—**	2,75.00
Interest Free Sales Tax Loan	**22.21**	1,50.36
Deferred Sales Tax Incentive – (SICOM LTD)	**22,44.81**	22,44.81
Deposits from dealers	**147,57.90**	115,25.43
	212,20.77	216,49.55

In respect of the above loans, Rs.19,70.81 (Previous year Rs.35,06.72) due and repayable within a year

SCHEDULE 5

(Rs. in Lacs)

FIXED ASSETS

	COST				DEPRECIATION				NET VALUE
	As at 01.04.2007	Additions / Adjustments	Deductions / Adjustments	As at 31.03.2008	As at 01.04.2007	On deductions/ Adjusments	For the year 2007-2008	As at 31.03.2008	As at 31.03.2008
Owned Assets									
Land									
Freehold	332,11.46	124,43.70	63,21.30	393,33.86	—	—	—	—	393,33.86
	(332,11.46)	(—)	(—)	(332,11.46)	(—)	(—)	(—)	(—)	(332,11.46)
Leasehold	25,83.27	53.09	—	26,36.36	1,08.04	—	42.96	1,51.00	24,85.36
	(25,83.27)	(—)	(—)	(25,83.27)	(65.40)	(—)	(42.64)	(1,08.04)	(24,75.23)
Buildings	129,54.45	2,38.13	4,02.40	127,90.18	29,02.72	74.06	2,62.87	30,91.53	96,98.65
	(128,91.65)	(62.80)	(—)	(129,54.45)	(26,49.52)	(—)	(2,53.20)	(29,02.72)	(100,51.73)
Plant and Machinery	597,52.39	52,41.99	17,78.07	632,16.31	366,02.25	16,71.45	27,42.09	376,72.89	255,43.42
	(574,89.21)	(11,01.29)	(11,61.89)	(597,52.39)	(330,28.23)	(10,25.71)	(25,48.32)	(366,02.25)	(231,50.14)
Furniture and Fixtures	7,22.30	13.73	14.87	7,21.16	5,08.09	10.62	34.45	5,31.92	1,89.24
	(7,24.08)	(30.19)	(31.97)	(7,22.30)	(4,85.04)	(23.77)	(46.82)	(5,08.09)	(2,14.21)
Vehicles	10,47.90	3,18.86	1,57.16	12,09.59	4,14.79	73.80	86.15	4,27.14	7,82.46
	(9,48.73)	(2,32.06)	(1,32.90)	(10,47.90)	(3,95.29)	(56.34)	(75.85)	(4,14.79)	(6,33.10)
Software	27.05	4,94.60	—	5,21.66	18.61	—	98.94	1,17.55	4,04.10
	(27.05)	(—)	(—)	(27.05)	(14.39)	(—)	(4.22)	(18.61)	(8.45)
	1,102,98.83	188,04.09	86,73.80	1,204,29.12	405,54.50	18,29.93	32,67.47	419,92.03	784,37.09
	(1,078,75.46)	(14,26.35)	(9,97.02)	(1,102,98.83)	(366,37.86)	(9,45.60)	(29,71.04)	(405,54.50)	(697,44.33)
Leased Assets									
Plant and Machinery	10,04.10	—	—	10,04.10	7,47.46	—	31.65	7,79.11	2,24.99
	(28,02.94)	(—)	(17,98.84)	(10,04.10)	(18,69.97)	(12,57.53)	(1,35.02)	(7,47.46)	(2,56.64)
Total	1,113,02.93	188,04.09	86,73.80	1,214,33.22	413,01.96	18,29.93	32,99.12	427,71.14	786,62.08
	(1,106,78.40)	(14,26.35)	(8,01.82)	(1,113,02.93)	(3,85,07.84)	(3,11.94)	(31,06.06)	(413,01.96)	(700,00.97)
Capital Work-in-Progress -Includes Advances against Capital Account									3,47.88
									(10,13.34)
Grand Total									790,09.96
									(710,14.31)

Note:

1. Building includes Rs. 0.11 (Previous Year Rs. 0.11) being value of shares held in co-operative housing societies.
2. Plant & Machinery includes borrowing costs capitalised Rs. 60.92 (Previous Year Rs. 31.50).
3. Land and Building at CEAT Mahal Worli, Bhandup Factory and Nasik Factory and Plant & Machinery at Bhandup and Nasik Factory have been revalued as on 30.06.2007 by an external valuer which has resulted in increase in value of Land, Building and Plant & Machinery by Rs. 128,24.66.
4. There has been decrease in revaluation amount of Rs. 66,29.87 due to transfer of Land and Building situated at Bhandup Factory and Rs 61.31 due to sale of Plant and Machinery of Bhandup & Nasik Factory.
5. Fixed assets cost includes assets revalued during last five years, on the basis of valuation report submitted by approved valuers about their market value as summarised below :

	Gross amount written up on revaluation (Net of deletions / adjustments)	Depreciation provided upto 31.03.2008 (Net of deletions / adjustments)	Amount written up (Net of depreciation / adjustments)
Land	280,62.13	85.73	279,76.40
Buildings	7,42.90	1,77.38	5,65.52
Plant & Machinery	90.59	2.43	88.16
	288,95.62	2,65.54	286,30.08

(Rs. in Lacs)

	Face Value (Rs.)	Holdings (Nos.)	**As at 31.03.2008**	As at 31.03.2007
SCHEDULE 6				
INVESTMENTS (At cost)				
A. LONG TERM - Fully Paid				
I. Quoted (Non-Trade) #				
Equity Shares				
CESC Ltd.	10	20,56,794	—	16,00.99
CFL Capital Financial Services Ltd.	10	38,37,500	—	1,72.69
Harrisons Malayalam Ltd.	10	7,28,150	—	8,09.06
KEC International Ltd.	10	31,28,298	—	36,33.46
KEC Infrastructures Ltd.	10	31,28,298	—	—
Phillips Carbon Black Ltd.	10	19,03,114	—	12,18.45
RPG Cables Ltd.	10	22,00,280	—	3,21.24
RPG Life Sciences Ltd.	10	10,64,560	—	10,79.38
RPG Transmission Ltd.	10	22,82,000	—	18,19.68
Saregama India Ltd.	10	2,53,444	—	66.43
Zensar Technologies Ltd.	10	22,22,138	—	3,48.38
II. Unquoted (Non-Trade) #				
Equity Shares				
Adapt Investments Ltd.	10	16,200	—	3.29
Adorn Investments Ltd.	10	17,000	—	5.16
Bombay Mercantile Co-operative Bank Ltd.	30	1,666	—	0.50
Basic Telephone Services Ltd. (Rs. 20)	10	2	—	0.00
Brabourne Investments Ltd.	10	1,52,000	—	1,06.42
Brentwood Investments Ltd.	100	6,68,000	—	0.67
Chattarpati Investments Ltd.	100	2,69,000	—	10.76
Consolidated Industrial Fund Ltd.	10	35,90,000	—	3.59
Eastern Aviation & Industries Ltd.	10	5,00,000	—	50.00
Hilltop Holdings India Ltd.	10	3,54,654	—	2,41.16
Jubilee Investment & Industries Ltd.	10	44,692	—	62.74
Off Shore India Ltd.	10	38,90,000	—	3.89
RPG Communications Holdings Ltd.	10	66,35,000	—	6,17.06
SICOM Ltd.	10	1,27,500	—	1,02.51
Spencer & Co Ltd.	10	2,37,100	—	1,55.96
The Greater Bombay Co-Operative Bank Ltd (Rs.250)	25	10	—	0.00
The Thane Janata Sahakari Bank Ltd. (Rs. 500)	50	10	—	0.01
Trade Appartments Ltd.	10	27,45,000	—	2.74
Yield Investments Ltd.	10	43,45,000	—	4.34
III. Non-Cumulative Redeemable Preference shares #				
B.N.Elias & Co Ltd. (12%)	100	2,87,500	—	0.29
Jubilee Investment & Industries Ltd. (15%)	100	1,75,000	—	1,75.00
IV. Debentures - (Unsecured) #				
Zero % Optionally Covertible Debentures				
Trikaya Goods Services Pvt. Ltd. (14.10.2013)	100	5,00,000	—	5.00

	Face Value (Rs.)	Holdings (Nos.)	As at 31.03.2008	(Rs.in Lacs) As at 31.03.2007
SCHEDULE 6				
INVESTMENTS (At cost) (Continued)				
V. **Equity Shares**				
Unquoted (Trade)				
Associated Ceat Holdings Co. Pvt. Ltd.	10	18,00,000	**1,18.28**	1,18.28
Rado Tyres Ltd. (Note 1)	10	16,06,350	**41.77**	41.77
B. **CURRENT**				
Unquoted (Non-Trade)				
Dividend Daily Reinvest Plan				
SBI Premier Liquid Fund - Super Institutional	10	19,94,164.87	**2,00.06**	—
Birla Cash Plus Institutional Premium Plan	10	39,92,982.19	**4,00.08**	—
Reliance Liquidity Fund	10	19,99,785.16	**2,00.04**	—
Total			**9,60.23**	127,80.90
Aggregate Cost of Quoted Investments			**—**	110,69.77
Aggregate Cost of Unquoted Investments			**9,60.23**	17,11.13
Market Value of Quoted Investments			**—**	396,21.13
	Face Value			
	(Rs.)	Units		
Notes :				
1. Following investments were purchased and sold during the year				
Non-trade Current unquoted				
Dividend Daily Reinvest Plan				
ICICI Prudential Liquid - Super Institutional Plan	10	49,99,750.01		
HDFC Liquid Fund Premium Plan	10	40,78,369.96		
LIC Mutual Fund Liquid Fund	10	1,09,28,862.21		
Birla Cash Plus Institutional Premium Plan	10	79,84,430.36		
SBI Premier Liquid Fund - Super Institutional	10	79,74,084.23		
Reliance Liquidity Fund	10	1,79,94,421.73		
Principal Cash Management Fund Liquid Option	10	79,98,240.39		
Lotus India Liquid Fund	10	39,99,320.12		
UTI Liquid Cash Plan Institutional	1,000	98,092.52		
DWS Insta Cash Plus Fund	10	48,53,897.68		

2. Undertaking has been given to Kerala State Industrial Development Corporation Limited (lender of Rado Tyres Ltd) for non-disposal of shareholding. The loan has since been repaid during the year.
3. # As per the Scheme of arrangement the Quoted and unquoted shares held by CEAT have been transfered to CHI Investments Ltd.
4. For item no. I, II, III & IV of the above Refer Note No.19 of Schedule 20

(Rs. in Lacs)

		As at 31.03.2008	As at 31.03.2007
SCHEDULE 7			
INVENTORIES			
Stores and Spares	**17,30.39**		15,55.08
Less : Provision for Obsolescence	**16.44**		16.44
		17,13.95	15,38.64
Stock-in-Trade :			
Raw Materials [including in transit Rs. 40,98.38 (Previous year Rs. 51,71.97)]		**186,59.72**	102,77.85
Semi-Finished Goods		**22,52.06**	22,24.78
Finished Goods [including in transit Rs. 10,68.76 (Previous year Rs. 2,20.47)]		**114,80.27**	80,80.44
		341,06.00	221,21.71
SCHEDULE 8			
SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Considered Good		**86.53**	1,52.91
Considered Doubtful	**93.82**		1,17.33
Less : Provided for	**93.82**	**—**	1,17.33
		86.53	1,52.91
Other Debts			
Considered Good		**307,04.29**	261,64.16
		307,90.82	263,17.07

	As at 31.03.2008	As at 31.03.2007
Sundry Debtors		
Secured	**109,50.32**	76,77.72
Unsecured	**198,40.50**	186,39.35
Total	**307,90.82**	263,17.07

	As at 31.03.2008	As at 31.03.2007
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash on Hand	**44.39**	11,68.63
[Including cheques on hand Rs. 20.30 (Previous Year Rs.11,48.40)]		
Remittance in Transit	**27,53.49**	17,33.06
With Scheduled Banks :		
In Current Accounts	**9,28.41**	5,55.16
In Deposit Accounts	**3,13.39**	4,78.07
In Margin Deposit Accounts	**89.96**	85.12
In Unclaimed Dividend Accounts	**29.06**	35.09
	41,58.70	40,55.13

Schedules forming part of the Balance Sheet as at March 31, 2008

			(Rs. in Lacs)
		As at 31.03.2008	As at 31.03.2007
SCHEDULE 10			
LOANS AND ADVANCES			
Advances receivable in Cash or Kind or for Value to be received		**28,68.60**	27,73.06
Balances with Customs, Port Trust, Excise, etc.		**35,12.50**	27,30.57
Loans and Deposits with Companies		**—**	3.32
Advance payment of Tax (net of provision)		**6,61.05**	—
Interest Receivables		**99.50**	98.49
Other Receivables		**10,00.76**	0.76
Loan, Advances and Deposits (considered doubtful)	**1,11.28**		31.54
Less : Provided for	**1,11.28**		(31.54)
		—	
		81,42.41	56,06.20
SCHEDULE 11			
CURRENT LIABILITIES			
Acceptances		**106,67.18**	140,15.23
Sundry Creditors :			
Due to Micro, Small and Medium Enterprise (Refer note no.15 of Schedule 20)	**—**		—
Due to Others	**370,39.33**		291,45.04
		370,39.33	
Interest Accrued but not due		**6,03.90**	5,39.99
Deposits from Others		**54.40**	87.74
Other Liabilities		**44,33.30**	50,82.36
Liability towards Investors Education and Protection Fund			
under Section 205C of the Companies Act, 1956.			
Not due as on 31.03.2008			
Unclaimed Dividends	**29.06**		35.09
Unclaimed Interest and Matured Deposits	**0.15**		57.78
Unclaimed Interest and Matured Bonds	**—**		1.62
		29.21	
		528,27.32	489,64.85
SCHEDULE 12			
PROVISIONS			
Proposed Dividend		**13,69.71**	8,21.82
Corporate Tax on Proposed Dividend		**2,32.78**	1,39.67
Provision for Tax (net of Advance Tax)		**—**	42.43
Additional Excise Duty		**2,73.36**	15,61.68
Retirement and other Employee Benefits		**6,48.96**	9,47.52
		25,24.81	35,13.12

(Rs.in Lacs)

	2007-2008	2006-2007
SCHEDULE 13		
OTHER INCOME		
Sale of Scrap	**7,20.68**	5,60.79
Profit on Sale of Assets	**35.86**	11.63
Interest (Tax deducted at source Rs. 20.03 (Previous Year Rs. 33.10)	**3,42.24**	1,95.84
Dividend on Investments	**20.39**	1,85.71
Royalty	**1,23.54**	1,02.89
Provisions for Doubtful Debts / Advances Written Back	**21.80**	29.69
Provisions no longer required written back	**49.96**	5,65.22
Miscellaneous	**9,92.71**	7,92.57
	23,07.18	24,44.34
SCHEDULE 14		
MATERIALS		
Raw Materials		
Stock - 1st April, 2007	**51,05.88**	39,35.42
Add : Purchases	**1,573,08.29**	1,454,22.23
	1,624,14.17	1,493,57.65
Less : Stock - 31st March, 2008	**145,61.34**	51,05.88
	1,478,52.83	1,442,51.77
SCHEDULE 15		
COST OF TRADED GOODS SOLD		
Stock - 1st April, 2007	**1,80.63**	3,37.53
Add: Purchases	**76,11.38**	42,78.32
	77,92.01	46,15.85
Less: Stock – 31st March, 2008	**7,67.47**	1,80.63
	70,24.54	44,35.22
SCHEDULE 16		
PERSONNEL		
Salaries, Wages and Bonus	**116,66.04**	103,28.09
Provident Fund, Gratuity Fund and Superannuation Scheme etc.	**10,54.42**	12,06.28
Welfare Expenses	**15,81.59**	12,88.69
	143,02.05	128,23.06

(Rs. in Lacs)

		2007- 2008	2006-2007
SCHEDULE 17			
OTHER EXPENSES			
Conversion Charges		**82,87.31**	68,04.09
Stores and Spares Consumed		**12,72.95**	10,42.32
Provision for Obsolescence of Stores		**—**	5.00
Power and Fuel		**80,16.11**	72,99.89
Freight and Delivery Charges		**71,47.15**	65,89.21
Rent		**3,11.22**	2,81.87
Rates and Taxes		**4,43.29**	5,05.64
Insurance		**1,47.91**	2,50.66
Repairs :			
Machinery	**12,03.13**		7,25.80
Buildings	**2,94.33**		1,91.98
Others	**1,01.09**		91.83
		15,98.55	
Travelling and Conveyance		**12,64.07**	10,07.16
Printing and Stationery		**1,15.54**	1,02.03
Directors' Fees		**8.30**	8.85
Auditors' Remuneration :			
Audit Fees	**18.00**		15.00
Taxation Matters	**0.44**		1.64
Other Services (Certification, Tax Audit, etc.)	**17.90**		16.04
Reimbursement of Expenses	**5.77**		1.03
		42.11	
Advertisement and Sales Promotion Expenses		**17,32.01**	11,68.43
Rebates and Discounts		**100,17.15**	75,88.85
Commission		**31,03.15**	24,42.17
Communication Expenses		**3,75.05**	2,89.61
Advances Written off	**3.32**		1,00.03
Less: Provision for doubtful advances written back to the extent provided	**—**		(30.15)
		3.32	
Bad Debts Written off	**32.34**		6,41.40
Less: Provision for doubtful debts written back to the extent provided	**30.88**		(6,41.40)
		1.46	
Provision for Doubtful Debts / Advances		**1,08.91**	1,41.20
Loss on Asstes Sold / Discarded		**1,12.81**	3,75.14
Factory Expenses		**1,95.64**	1,43.46
Legal Charges		**1,43.88**	98.72
Finance Charges		**9,52.87**	9,83.02
Foreign Exchange Fluctuations (Net)		**15.39**	2.17
Professional and Consultancy Charges		**6,13.72**	5,12.36
General Expenses		**11,18.93**	6,52.60
		471,48.80	394,07.65

(Rs.in Lacs)

		2007- 2008	2006-2007
SCHEDULE 18			
INTEREST			
On Debentures		—	20.80
On Term Loans		**20,59.32**	24,32.54
Others		**36,34.56**	35,89.37
		56,93.88	60,42.71
SCHEDULE 19			
DECREASE / (INCREASE) IN STOCK			
Stock - 1st April, 2007			
Semi-Finished	**22,24.78**		20,04.70
Finished	**76,79.34**		74,93.65
		99,04.12	94,98.35
Stock - 31st March, 2008			
Semi-Finished	**22,52.06**		22,24.78
Finished	**96,44.07**		76,79.34
		118,96.13	99,04.12
		(19,92.01)	(4,05.77)
Differential Excise Duty on Opening and Closing Stock of Finished Goods		**2,38.15**	1,69.57
		(17,53.86)	(2,36.20)

SCHEDULE 20
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 ("GAAP") 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 / revalued cost wherever applicable. 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.

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

Software expenditure have been amortised over a period of three years.

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.

Depreciation charged to Profit and Loss Account is inclusive of depreciation on revalued assets.

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.

Current Investment are stated at lower of cost or fair value.

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.

Interest is accounted for on an accrual basis, dividend is accounted when right to receive payment is established.

H) Export Incentive

Export Incentive are treated as income in the year of Export and are credited to the Raw Material Consumption Account.

I) Foreign Currency Transactions

Foreign currency transactions other than those covered by forward contracts are recorded at current rates.

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 arising out of transaction/conversion, are accounted for in the Profit and Loss Account.

SCHEDULE 20 (Continued) (Rs. in Lacs)

J) 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.

K) 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.

L) Employee Benefits

a. Defined Contribution plan

Contribution to Defined Contribution Schemes such as Provident Fund, Superannuation, Employees State Insurance Contribution and Labour Welfare Fund are charged to the Profit and Loss account as and when incurred.

b. Defined Benefit plan

The Company also provides for retirement / post-retirement benefits in the form of Gratuity and Leave encashment. Company's liability towards these benefits is determined in Project Unit Credit Method. These benefits are provided based on the Actuarial Valuation as on Balance Sheet date made by the Independent actuary.

c. Short–term benefits are recognised as an expense in the profit and loss account of the year in which the related service is rendered.

d. Termination benefits are recognised as an expense as and when incurred.

M) 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.

			2007-08	2006-07
2)	**Contracts remaining to be executed:**			
	Estimated amount of contracts remaining to be executed on Capital Account and not provided for - net of advance payments		**3,60.99**	30,54.55
3)	**Contingent Liabilities:**			
	a)	Direct and Indirect Taxation Matters on which there are decisions of the appellate authorities in the Company's favour, but appeals made by tax authorities		
		Income Tax	**2,04.82**	2,46.90
		Excise and Custom Duty	**47,01.72**	39,87.66
		Sales Tax	**1.56**	1.56
	b)	Direct and Indirect Taxation matters in respect of which the Company is in appeal		
		Income Tax	**31.45**	31.45
		Wealth Tax	**5.99**	5.99
		Excise and Custom Duty	**1,87.04**	1,37.46
		Sales Tax	**1,55.91**	1,62.10

SCHEDULE 20 (Continued)

(Rs. in Lacs)

		2007-08	2006-07
c)	Disputed demands of Octroi Duty	**85.00**	85.00
d)	Export Incentive	**—**	6,53.00
e)	Bills discounted with Banks and Finance Companies	**63,42.91**	57,44.54
f)	Corporate Guarantees given on behalf of others		
	— Covered by indemnity undertakings from RPG Enterprises Ltd.	**25,50.00**	25,50.00
	— Other Corporate Guarantees	**—**	3,00.00
g)	The Company has given Indemnity in respect of Lease transactions entered into with ICICI Bank Ltd., liability for which is indeterminable		
4)	**Claims against the Company not acknowledged as Debts (Estimated):**		
i)	in respect of labour matters	**7,69.17**	6,65.36
ii)	other claims	**10,36.24**	5,71.97
5)	**Remuneration to Managing Director (exclusive of contribution to Gratuity Fund on actuarial valuation)**		
	Salaries	**1,43.47**	21.60
	Allowances and Perquisites	**6.47**	2.40
	Contribution to Provident and Superannuation Funds	**21.23**	5.83

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.

6) 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	Gross Sales
Automotive Tyres							
Nos. in Lakhs	49.47	45.42	4.26	78.95	2.30	4.84	80.68
	(49.47)	(43.11)	(4.47)	(75.10)	(1.04)	(4.26)	(76.35)
Value	—	—	59,89.01	—	76,11.38	83,67.36	2,344,81.09
	(—)	(—)	(59,84.82)	(—)	(42,35.02)	(59,89.01)	(2,156,85.48)
Automotive Tube							
Nos. in Lakhs	49.47	—	8.86	86.12	—	7.38	87.60
	(49.47)	(—)	(9.71)	(76.00)	(—)	(8.86)	(76.85)
Value	—	—	16,68.78	—	—	15,97.24	221,79.91
	(—)	(—)	(14,75.32)	(—)	(—)	(16,68.78)	(199,97.09)
Automotive Flaps							
Nos. in Lakhs	—	—	1.66	27.33	—	2.94	26.05
	(—)	(—)	(1.41)	(25.30)	(0.22)	(1.66)	(25.27)
Value	—	—	2,02.18	—	—	4,46.95	36,33.74
	(—)	(—)	(1,73.54)	(—)	(31.69)	(2,02.18)	(33,57.38)
Others – Value	—	—	—	—	—	—	1.84
	(—)	(—)	(3.47)	(—)	(11.62)	(—)	(21.25)
Total Value	—	—	78,60.97	—	76,11.38	104,11.55	2,602,96.57
	—	—	(76,37.15)	(—)	(42,78.32)	(78,59.97)	(2,390,61.20)

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

SCHEDULE 20 (Continued)

(Rs. in Lacs)

(2) Production quantity includes the following procured under conversion basis. (Nos. in Lacs)

	Current year	Previous year
Automotive Tyres	**41.27**	35.85
Automotive Tubes	**86.12**	76.00
Automotive Flaps	**27.33**	25.30
Total	**1,54.12**	1,37.15

7) Raw Materials Consumed:

	2007-08		2006-07	
	Quantity (M.T.)	Value	Quantity (M.T.)	Value
Rubber	**8,44,19**	**826,88.33**	8,18,88	792,57.60
Fabrics	**1,58,17**	**274,72.34**	1,48,23	281,03.06
Carbon Black	**4,05,84**	**170,62.24**	3,83,77	168,32.96
Chemicals	**2,13,90**	**140,21.51**	2,03,01	140,05.85
Others		**66,08.41**		60,52.31
Total		**1,478,52.83**		1,442,51.77

8) Value of Imports calculated on CIF basis:

	2007-08	2006-07
Raw Materials	**534,52.90**	469,74.12
Traded Goods	**56,63.18**	32,96.44
Components and Spares	**26.73**	69.98
Capital Goods	**12,91.55**	3,17.12

9) Expenditure in Foreign Currency:

Interest	**7,42.15**	4,57.47
Travelling	**1,16.11**	1,35.95
Others	**2,60.82**	2,62.79

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

	2007-08		2006-07	
	%	Value	%	Value
Raw Materials				
Imported	**35.95**	**531,49.76**	33.89	488,86.09
Indigenous	**64.05**	**947,03.07**	66.11	953,65.68
	100.00	**1,478,52.83**	100.00	1,442,51.77
Stores and Spares				
Imported	**2.97**	**37.86**	3.53	36.84
Indigenous	**97.03**	**12,35.09**	96.47	10,05.48
	100.00	**12,72.95**	100.00	10,42.32

SCHEDULE 20 (Continued)

(Rs. in Lacs)

11) Dividend Remittance in Foreign currency:

	2007-08	2006-07
Amount remitted (Net)	**42.78**	—
Number of Non-resident Shareholders	**2**	—
Number of Shares on which remittance was made	**23,76,515**	—
Year for which the Dividend was paid	**2006-07**	—

12) Earnings in Foreign Currency:

	2007-08	2006-07
Export Sales calculated on FOB basis	**481,96.83**	429,46.26
Royalty	**1,23.54**	1,02.89
Dividend	**14.03**	—
Others	**18.40**	11.70

13) Research & Development Expenses:

	2007-08	2006-07
Capital	**1,31.57**	30.12
Revenue	**2,06.96**	1,76.46

14) Retirement Benefits

The required disclosure under the Revised Accounting Standard 15 is given below

Brief description : The type of Defined Benefit plans is as follows.

Gratuity

The Employees Gratuity Fund Scheme managed by Life Insurance Corporation of India is a Defined Benefit plan. The present value obligation is determined based on actuarial valuation using projected unit credit method.

Leave Encashment

The present value obligation of Leave Encashment is determined based on actuarial valuation using projected unit credit method.

i) Change in Defined Benefit obligation during the year ended March 31, 2008.

Sr. No.	Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
1.	Present value of Defined Benefit obligation as at April 1, 2007.	34,94.48	7,52.53
2.	Current Service Cost	1,84.54	4,12.18
3.	Interest Cost / Actuarial (Gain)/Loss on obligation	2,87.64	(3,66.04)
4.	Benefits paid	(3,06.18)	(1,49.72)
5.	Present value of obligation as at March 31, 2008	36,60.48	6,48.96

ii) Changes in Fair Assets during the year ended March 31, 2008.

Sr. No.	Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
1.	Fair value of Plan Assets as at April 1, 2007	33,01.81	—
2.	Expected return on Plan Assets	3,00.61	—
3.	Contributions made	3,84.34	1,49.72
4.	Benefits paid	(3,06.18)	(1,49.72)
5.	Actuarial gain / (Loss) on Plan Assets	11.01	—
6.	Fair value of Plan Assets as at March 31, 2008	36,91.58	—

SCHEDULE 20 (Continued)

(Rs. in Lacs)

iii) Expenses recognised in the statement of Profit & Loss Account for the year March 31, 2008.

Sr. No.	Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
1.	Current Service Cost	1,84.54	4,12.18
2.	Interest Cost / Actuarial (gains) and losses (Net)	2,87.64	(3,66.04)
3.	Expected return on Plan Assets	(3,00.61)	—
4.	Total included in employee benefit expense	1,71.56	46.14

Amount recognized as an expense / (income) and included in Schedule 16

“Salaries, Wages and Bonus” includes Rs.46.14 towards Leave Encashment

“Provident Fund, Gratuity Fund and Superannuation Scheme, etc” includes Rs.1,71.56 towards Gratuity.

iv) Net Assets / (Liability) recognised in the Balance Sheet as at March 31, 2008.

Sr. No.	Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
1.	Present value of the Defined Benefit obligation as at March 31, 2008	36,60.48	6,48.96
2.	Fair value of Plan Assets as at March 31, 2008	36,91.58	—
3.	Net Assets / (Liability) recognised in the Balance Sheet	—	(6,48.96)

v) Actual return on Plan Assets for the year ended March 31, 2008

Sr. No.	Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
1.	Expected return on Plan Assets	3,00.61	—
2.	Actuarial gain / (loss) on Plan Assets	11.01	—
3.	Actual return on Plan Assets	3,11.62	—

vi) Percentage of each category of Plan Assets to Total Fair Value of Plan Assets

Sr. No.	Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
1.	Insurer Managed Fund	100%	—

vii) Principal Actuarial assumption at the Balance Sheet date

Sr. No.	Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
1.	Discount Rates	8.00%	7.50%
2.	Annual increase in salary	4.00% LIC (1994-96)	4.00% LIC (1994-96)
3.	Mortality Rate	Ultimate	Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority and other relevant factors, such as supply and demand in then employment market.

SCHEDULE 20 (Continued)

(Rs. in Lacs)

viii) Details of Previous Years :

	Gratuity Funded	**07-08**	**06-07**	**05-06**	**04-05**	**03-04**
	Present value of Defined Benefit obligation as at the year end	36,60.48	34,94.48	31,94.11	28,98.45	25,43.90
	Fund value as at the year end	36,91.58	33,01.05	27,10.03	25,33.68	22,19.10
	Surplus / (Deficit)	31.10	(1,93.44)	(4,84.08)	(3,64.77)	(3,24.80)
	Net Assets / (Liability) recognised in the Balance Sheet	—	(1,95.00)	(4,84.08)	(3,75.77)	(2,04.31)

	Leave Encashment (Unfunded)					
	Present value of Defined Benefit obligation as at the year end	6,48.95	7,52.53	7,04.18	6,24.39	5,61.56
	Fund value as at the year end	—	—	—	—	—
	Surplus / (Deficit)	(6,48.95)	(7,52.53)	(7,04.18)	(6,24.39)	(5,61.56)
	Net Assets / (Liability) recognised in the Balance Sheet	(6,48.95)	(7,52.53)	(7,00.00)	(6,52.42)	(6,52.42)

ix) The contribution expected to be paid to the Gratuity fund during the annual period beginning after the Balance Sheet date is Rs.2,01.75

x) As per the Actuarial Valuation Report by the Independent Actuaries, there is no expected future liability on the Company for the exempted Provident Fund Trust.

15) Micro and Small Scale Business Entities:

There are no Micro and Small Enterprise, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March 2008 This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company, This has been relied upon by the Auditors.

16) Major components of Deferred Tax Assets and Deferred Tax Liabilities:

	Particulars	**2007-08**	**2006-07**
	Assets		
	Carried forward tax losses and depreciation	—	7,65.79
	Disallowance under section 43B of the Income Tax Act	**3,04.86**	2,37.81
		3,04.86	10,03.60
	Liability		
	Difference between book and tax depreciation	**30,35.27**	33,31.68
		30,35.27	33,31.68
	Deferred Tax Liability (Net)	**(27,30.41)**	(23,28.08)

17) Disclosure of related parties/related party transactions:

a) Related parties: (As certified by the Management)

(i) 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 (*),
- Associated CEAT Kelani Radials (Pvt.) Limited
- Rado Tyres Limited

(ii) Key Management Personnel :

- Mr. Paras K. Chowdhary, Managing Director

(*) Indicates no transactions during the year with these related parties.

SCHEDULE 20 (Continued) (Rs. in Lacs)

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

	2007-08	2006-07
Transactions		
1. Reimbursement of Expenses	**41.26**	96.95
2. Dividend received	**14.03**	61.34
3. Export Sales	**39.80**	2,18.80
4. Royalty Received/Receivable	**1,23.54**	1,02.89
5. Imports of traded goods	**42,61.10**	27,82.58
6. Conversion charges paid/payable	**5,40.11**	1,42.99
Amount due to / from related parties		
1. Debtors for Expenses	**80.60**	1,07.68
2. Debtors for Export	**2.70**	1,11.77
3. Loans, Advances and Deposits given	**1,60.83**	1,35.77
4. Royalty receivable	**66.13**	55.84
5. Creditors	**13,13.76**	5,08.59
6. Investments in Shares and debentures	**1,60.04**	4,66.66
7. Dividend Receivable	**—**	3.55

Transactions with Mr. Paras K. Chowdhary, Managing Director being the remuneration paid to him have been given in Note No. 5 of Schedule 20.

18) Disclosures as required under Clause 32 of Listing Agreement.

i) Loans and Advances in the nature of Loans to Associates Rs. Nil (Previous year Rs. Nil)

ii) Loans and Advances in the nature of Loans where there is no repayment schedule, or no interest or interest below Section 372A of Companies Act, 1956: Rs. Nil (Previous year Rs.Nil)

iii) Loans and Advances in the nature of Loans to firms / Companies in which Directors are interested: Rs. Nil (Previous year Rs.Nil)

iv) Investment by the Loanee in shares of the Company as at March 31, 2008 is Nil.

19) Scheme of Arrangement for Demerger of CEAT Limited by Transfer of its Investment Undertaking to CHI Investments Limited

i. Pursuant to the Scheme of Arrangement between CEAT Limited, CHI Investments Limited and their respective shareholders, as approved by the shareholders of the Company in the Court Convened meeting held on July 27, 2007 and subsequently sanctioned by Hon'ble High Court of Judicature, at Bombay under the provisions of the Companies Act, 1956 vide its Order dated 23.11.2007, which was filed with the Registrar of the Companies on 11.12.2007, the Investment Undertaking was transferred to CHI Investments Limited with effect from 1.7.2007. (Appointed date) and the Scheme has been given effect to during the year.

ii. Investment Undertaking

a	Assets – Investments Transferred	**126,20.86**
b	Liabilities Transferred	**Nil**
c	Cancellation of Share Capital	**11,41.43**
	Total (a+b-c)	**114,79.43**

iii. Difference on account of transfer has been adjusted against the Revaluation Reserve amounting to Rs.114, 79.43

iv. Transfer of certain Assets are pending for completion of the relevant formalities.

v. In view of the above Demerger being effective, the figures for the year ended March 31, 2008 are not comparable with those of the previous year.

SCHEDULE 20 (Continued)

(Rs. in Lacs)

20) Exceptional Items include the following:

Excess Provision of Income Tax – Refund	4,55.23	
Interest on Income Tax Refund	10,48.42	
Credit of Excise Duty	6,59.37	
Octroi Refund Received	3,79.79	
Profit on transfer of Land	62,33.08	
		87,75.89
Less :		
Reversal of Export Incentive	6,53.00	
Loss on transfer of Building	1,28.34	
		7,81.34
Net		79,94.55

21) 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.

22) Earnings Per Share (EPS):

		2007-08	2006-07
a)	Weighted Average Number of shares at the beginning and end of the year	**3,70,96,226**	4,56,56,626
b)	Net Profit / (Loss) after Tax available for Equity Shareholders (Rupees in Lacs)	**148,60.44**	39,24.85
c)	Face value per share (Rupees)	**10**	10
d)	Basic and Diluted Earnings Per Share (Rupees)	**40.06**	8.60

23) Auditor's Remuneration:

Other Services shown in Schedule 17 includes an Amount of Rs.0.70 (Previous year Rs.0.70) Audit Fees paid to Cost Auditor.

24) During the year the Company has transfer part of its land situated at Bhandup, Mumbai subject to fulfilment of certain terms and conditions. No provision for tax has been made on this transfer subject to fulfilment of Provisions of Income Tax Act, 1961.

25) Provision for Taxation includes provision for Wealth Tax Rs.12.00.

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(in term of amendment to schedule VI part IV) is given below.

I. Registration Details

Registration No.	11041	State Code	11
Balance sheet date	31-03-2008		

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

Public issue	NIL	Right issue	NIL
Bonus issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Lacs)

Total Liabilities	101815.99	Total Assets	101815.99

Sources of Funds

Paid up Capital	3424.27	Reserves and Surplus	47901.46
Secured Loans	26539.08	Unsecured Loans	21220.77
Deferred Tax Liability (net)	2730.41		

Application of Funds

Net Fixed Assets	79009.96	Investments	960.23
Net Current Assets	21845.80	Misc. Expenditure	NIL
Accumulated Losses	NIL		

IV. Performance of Company (Amount in Rs. Lacs)

Turnover (Includes Other income)	235303.85	Total Expenditure	215572.81
Profit before tax	19731.04	Profit after tax	14860.44
Earning per share in Rs.	40.06	Dividend rate %	40.00

V Generic names of three principle products / services of the Company (as per monetary terms)

Item Code No.	4011	4012	4013
Product Description	Automotive Tyres	Flaps	Tubes

Signatories to Schedule '1' to '20'

As per our report attached

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

CA Y. N. Thakkar
Partner

Mumbai, April 29, 2008

K. J. Rao
Chief Financial Officer

H. N. Singh Rajpoot
Company Secretary

On behalf of the Board of Directors

H. V. Goenka Vice Chairman

M. A. Bakre Chairman - Audit Committee

Paras K. Chowdhary Managing Director

Mumbai, April 29, 2008

Notes

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