

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. M.E. Meeran	Chairman
Mr. M.E. Mohamed	Managing Director
Mr. Navas M Meeran	Director
Mr. M.S. Ranganathan	Director
Mr. M.S. Sebastian	Director
Mr. Naiju Joseph	Director
Mr. K.S Neelacanta Iyer	Director
Mr. K.V. Rajagopalan Nair	Director (Nominee of KSIDC)
CS. Baiju.T	Company Secretary

#### REGISTERED & CORPORATE OFFICE

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

#### FACTORY

Oonnukal, Kothamangalam, Ernakulam

#### BANKERS

The Federal Bank Limited

#### AUDITORS

JVR & Associates, Chartered Accountants  
39/3639, Valanjambalam Lane, South of South Overbridge  
Kochi, Ernakulam 682 016

#### REGISTRAR & SHARE TRANSFER AGENTS

Integrated Enterprises (India) Limited,  
2<sup>nd</sup> Floor, 'Kences Towers' No.1,  
Ramakrishna Street,  
North Usman Road,  
T.Nagar, Chennai-600 017

#### INVESTOR CORRESPONDENCE

The Company Secretary  
Eastern Treads Limited  
3A, 3<sup>rd</sup> Floor, Eastern Corporate Office,  
34/137 E, NH Bypass,  
Edappally, Kochi,  
Ernakulam-682 024, Kerala

# EASTERN TREADS LTD.

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Dear shareholder,

Warm greetings to you all!

As all of you are aware, the last year was a tough year for the industry. The economic environment became challenging due to global slowdown and recession. As is the experience in other parts of the world, even though the tyre industry has come under pressure during the first half of the year, tyre retreading has gained greater acceptance in the commercial segment, due to operational savings.

During this tough economic environment, we focused our efforts on reducing operational costs, retaining our customers and introducing new value added products in the market which enabled us to survive the situation. The long term prospective of the Company seems to be bright.

I am happy to share with you that during the year your Company achieved its best ever performance in terms of sales and financial results. During the year, net sales increased by 23.23 % and profit after tax grew by 48.16 % over the previous year.

The Eastern group began as a trading concern 25 years ago, and now have successfully diversified into the manufacture and distribution of ready to use spices, tread rubber, rubberized coir mattresses, clothing, and beverages.

I take this opportunity to share some of the milestones that we have achieved.

In recognition of excellent performance on productivity in the field of tyre retreading materials, your Company has been awarded with FACT MKK Nair Memorial Award and has also achieved quality certifications and accreditations including ISO 9001-2000.

The excellent performance what we have achieved this year is only because we have outstanding set of employees who worked as a single team towards the objectives of the Company. For aligning the career ambitions of our employees with our growth we took various HR initiatives and conducted programmes such as TQM. With this diverse and highly skilled team of professionals we ventured into the states of Karnataka, Tamil Nadu, Gujarat, Rajasthan, Madhya Pradesh, Utter Pradesh, Punjab and Maharashtra.

Your Company has acquired the facility to manufacture tyre retreading materials in tune with its aggressive growth and future market expansion plans. The manufacturing processes are designed to provide consistent quality. We are equipped to retread almost every tyre size of all vehicles including passenger cars, light and heavy commercials and tractors, as well as OTR vehicles.

The business plan for the fiscal 2010-11 had been re-aligned to get higher growth and to capture the key position in the competitive environment to continue its passionate journey towards customer delight and loyalty.

Retreads are extremely environmental friendly since it saves substantial amount of fossil fuels and is the best practical option for tyre recycling. Hence, with environmental issues becoming more important to the general public, it is the retread's status as a recycled product is becoming more important.

Before I conclude, I wish to express my gratitude to our customers, business associates, employees, suppliers, bankers, shareholders and members of the Board for their continued confidence and support.

Warm regards

M.E. Meeran  
Chairman

**EASTERN TREADS LIMITED**

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

**NOTICE TO SHAREHOLDERS**

**NOTICE** is hereby given that the 17<sup>th</sup> Annual General Meeting of the members of Eastern Treads Limited will be held at the Registered office of the Company, at 3A, 3<sup>rd</sup> Floor, Eastern Corporate Office, 34/137 E, NH Bypass, Edappally, Kochi, Ernakulam-682 024 on Wednesday, 22<sup>nd</sup> September, 2010 at 10.30 A.M to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2010 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Neelacanta Iyer, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M.E. Meeran, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration, the retiring Auditors M/s.JVR & Associates, Chartered Accountants, Kochi -16 are eligible for re-appointment.

By Order of the Board  
For Eastern Treads Limited

Kochi  
11-08-2010

Company Secretary  
**Baiju. T**

**Notes :-**

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The Proxy Form, to be effective shall be deposited at the Registered Office of the Company 48 hours before the commencement of the meeting.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 15<sup>th</sup> September, 2010 to Wednesday, 22<sup>nd</sup> September, 2010 (both days inclusive).
3. Corporate members intending to send their authorised representative to attend the Meeting are requested to ensure that the authorised representative carries a certified copy of the Board Resolution, Power of Attorney or such other valid authorisations, authorising them to attend and vote on their behalf at the Meeting.
4. Members are requested to bring their copy of Annual Report and Attendance Slip duly completed when attending the Meeting.
5. Members desirous of getting any information on the Annual Accounts, at the Annual General Meeting, are requested to write to the Company at least 10 days in advance, so as to enable the Company to keep the information ready.

**Details of the Directors seeking reappointment at the Annual General Meeting  
as required under Clause 49 of the Listing Agreement**

Name of Director	<b>Mr. K.S. Neelacanta Iyer</b>	<b>Mr. M.E. Meeran</b>
Date of Birth	12-03-1947	08-01-1941
Date of appointment	27-07-2000	02-07-1993
Qualifications	Graduate in Commerce, Fellow Member of the Institute of Chartered Accountants of India	Matriculation
Expertise in specific functional area	Practising Chartered Accountant, Senior Partner of M/s. Iyer and Cherian, Chartered Accountants, Cochin. Vast experience and expertise in Finance, Accounts and Company Law matters.	An industrialist of repute with interest in manufacturing industries, plantations and educational institutions.  The Chairman of Eastern Group with over 43 years in spices and curry powder trade
Details of other Directorship	Core Power Systems Ltd	Eastern Condiments (P) Ltd Eastern Mattresses (P) Ltd Adimali Industries Ltd Reenaz Properties (P) Ltd Eastea Chai Private Limited
Membership/ Chairmanship of committees of other public companies	Nil	Nil
Number of shares held in the Company	Nil.	a. 1401900 Equity Shares of Rs. 10 Each. b. 400000 0% Preference Shares of Rs.100 each

None of the aforesaid Directors is related to each other. Mr. K.S. Neelacanta Iyer is not related to any other Director on the Board and to the promoters of the Company. Mr. M.E. Meeran, Promoter and Director is related to Mr. Navas M. Meeran and Mr. M.E. Mohamed, Directors of the Company.



## DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting the 17<sup>th</sup> Annual Report along with the audited statements of account of your Company for the financial year ended 31<sup>st</sup> March, 2010.

### Financial Performance

The performance of your Company has been satisfactory. The following table shows the operational results of the Company for the year 2009-10 as compared to that of the previous year.

(Rs. In Lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
Net Sales	4773.97	3874.08
Other Income	151.67	143.96
Total Income	4925.64	4018.05
Total Expenditure	4754.01	3877.76
Profit before Interest, Depreciation and Tax	171.63	140.29
Interest	13.79	24.60
Depreciation	46.66	40.65
Profit/Loss before tax	111.18	75.04
Provision for taxation	8.50	0.00
MAT Credit Entitlement	-8.50	0.00
Net Profit/Loss after tax	111.18	75.04

### Operations

During the financial year ended 31<sup>st</sup> March 2010 sales from operations amounted to Rs.4773.97 Lakhs as against Rs.3874.08 Lakhs during the previous year, recorded a growth of 23.23 %.

Operating profit before Interest, Depreciation and Tax amounted to Rs.171.63 Lakhs as against Rs.140.29 Lakhs during the previous year, recorded a growth of 22.34%. Net profit amounted to Rs.111.18 Lakhs as against Rs.75.04 Lakhs during the previous year registering an increase of 48.16 %.

Your Company has achieved all time high profit and robust growth in its operations supported by a motivated management team, aggressive marketing initiatives, better working capital management and overall cost reduction measures. The cost management and production efficiencies helped in maintaining a good profitable track record.

### **Dividend**

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

### **Current Scenario**

Slowdown in automotive industry and global economy in general negatively impacted the Indian tyre industry in the first half of the financial year, but since the last quarter the industry is working in their full capacity. Since the tyre industry is highly raw material intensive, any change in the prices of raw materials affects the profitability. The raw materials have experienced volatility in prices, especially during the last few months when price of domestic natural rubber increased drastically. With raw material costs accounting for 70% of the cost of production, combined with the manufacturers inability to pass on the increased cost to their customers due to intense competition, rise in prices of raw material have an impact on profitability.

Despite these challenges, your Company has registered growth in this financial year by better operational efficiency, appropriate price increase to offset the raw material prices and the introduction of new value added products in the market. The long term prospective of the Company seems to be bright.

As is the experience in other parts of the world, even though the tyre industry has come under pressure during the first half of the year due to the economic slowdown tyre retreading in India has gained greater acceptance in the commercial segment, due to operational savings. High quality retreading products gave acceptance in commercial segment which offer added financial benefits.

Retreading costs is approximately 20% of a new tyre and is therefore gaining popularity, due to this cost benefit compared to the replacement cost, the fleet owners and agriculture vehicles demand to retreading.

Your Company is one of the leading producers of pre-cured retreading materials as well as the mould cure tread rubber in India. Our range of retreading products with Eastern brand are today sold both in India and in numerous overseas markets.

### **Marketing Strategy**

Over the years, the Company has developed a vast marketing network using dealers and depots and as such our products are now easily available in every corner of the country. Retreading extends the economic life of tyres and reduces running cost. It makes financial sense and is an integral part of good tyre management. Your Company promotes quality retreading products that can offer better value and more strength by producing reliable retreads that have good characteristics in mileage, heat dispersion and traction.

Globally the retreading industry has many markets, which offer great scope for the development of retreading. The Indian market itself offers biggest potential in the short to medium term.

### **Raw Materials**

The high price of raw material affected the profitability of the operations to a large extent. Raw materials like Natural Rubber, Synthetic Rubber and Carbon Black mainly accounted for this. Prices of the basic raw material continued its upward trend during the year and the rubber prices have nearly doubled in the past one year. The increased demand for natural rubber from tyre sector has led the rubber price to its all time high. Your Company has

managed the situation by developing reliable and efficient raw material supply sources of National and International level, through which the raw material procurement system is functioning effectively.

### **Quality**

The Company has focused on quality and productivity. The Company has achieved quality certifications and accreditations to its credit which includes FACT MKK Nair Memorial Productivity Award for excellent performance and ISO 9001-2000. Our Products are meant, and expected to perform, under different and extreme road conditions, from unmetalled village roads to newly constructed national highways, from extreme cold to hot and wet conditions prevailing in different geographical parts of the country.

### **Public Shareholding**

There are a few shareholders who have not yet paid their allotment money and your Directors would request to pay the same at the earliest and make the shares fully paid.

### **Listing and Dematerialisation:**

The equity shares of the Company are listed on the Bombay Stock Exchange, Cochin Stock Exchange and Madras Stock Exchange. The facility for demat the shares are made available with both the depositories in India, NSDL and CDSL to give a choice to shareholders in selecting depository participant. As per the Securities and Exchange Board of India's (SEBI) instructions, the Company's shares have to be transacted in dematerialised form and therefore your Directors earnestly request you to convert your holdings to dematerialised form and derive the benefits of holding the shares in electronic form.

### **Fixed Deposits**

The Company has not accepted any fixed deposits during the year to which the provisions of Section 58A of the Companies Act, 1956 are applicable.

### **Conservation of Energy, Technology Absorption, Foreign Exchange Inflow and Outflow**

The Company has taken all possible efforts to conserve energy and absorb latest technology. The information required under Section 217(1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding Conservation of Energy, Technology Absorption, Foreign Exchange Inflow and Outflow are given in **Annexure "A"** to this report.

### **Corporate Governance**

Your Company has been complying with the principles of good Corporate Governance over the years and is committed to the highest standards of compliance. The Company has complied with the Corporate Governance requirements, as stipulated under Clause 49 of the Listing Agreement. A separate section on Corporate Governance along with a certificate from the Auditors of the Company confirming the compliance is annexed as **Annexure "B"** and forms part of this Report.

### **Registered Office**

The registered office of the Company has been shifted from C/IV/1, 4<sup>th</sup> Floor, Mather Square, Opp: North Railway Station, Ernakulam, Kochi – 682 018 to 3A, 3<sup>rd</sup> floor, Eastern corporate office, 34/137 E, NH Bypass, Edappally, Kochi, Ernakulam-682 024 with effect from 28-04-2010

## **Management Discussion and Analysis Statement**

Report on Management Discussion and Analysis is given in **Annexure “C”** forming part of this report.

### **Auditors**

The Auditors M/s. JVR & Associates, Chartered Accountants, Kochi -16, were reappointed as the Auditor of the Company at the previous Annual General Meeting. They hold office until the conclusion of the ensuing Annual General Meeting. They are eligible and recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956.

### **Board of Directors**

Mr. Neelacanta Iyer and Mr. M.E. Meeran retires by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommend their reappointment. None of the Directors is disqualified under Section 274(1)(g) of the Companies Act, 1956.

### **Directors' Responsibility Statement**

Pursuant to the requirement of Sub-Section 2AA of Section 217 of the Companies Act, 1956 your Directors confirms that :

- (a) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures ;
- (b) selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of the Company for that year;
- (c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (d) prepared the Annual Accounts on a going concern basis.

### **Secretarial Audit**

As directed by Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified periodicity by a Practicing Company Secretary. The findings of the Secretarial Audit have been satisfactory.

### **Personnel**

None of the employees are in receipt of remuneration in excess of the limit laid down under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975.

### **Human Resource Development and Industrial Relations**

The Company has always focused on employees' development. The Company conducts programs such as TQM for the workmen and technicians to enhance pride in being an employee of the Company and also to create team synergy. The idea is to develop better understanding and increase the support and co-operation for the employees from their families. The TQM encourages team work and teams come back fully motivated to face future challenges.

Your Company organised various training programmes for upgrading the skill and knowledge of its employees in different operational areas. At the middle management level, the focus of the programme is to inculcate leadership qualities. Your Company had been sponsoring its employees for training programmes / seminars / conference organised by reputed professional institutions.

Your Company continues to take various initiatives for the development of its human resources and has maintained healthy and harmonious industrial relations at all locations. Your Company lays great emphasis on optimizing people performance through various people processes. It begins with best practices in recruiting people and moves through learning and development, engagement, employee feedback and rewards and recognition.

### **Acknowledgement**

Your Directors wish to take this opportunity to place on record their gratitude and sincere appreciation for the timely and valuable assistance and support received from Bankers, Share Transfer Agents, Customers, Suppliers, regulatory authorities. The Board values and appreciates the valuable committed services of the employees towards performance of your Company during the year, without which it would not have been possible to achieve all round progress and growth. Your Directors are thankful to the shareholders for their continued patronage.

For and on behalf of the Board of Directors

Kochi  
11.08.2010

**M.E Meeran**  
Chairman

**M.E Mohamed**  
Managing Director

## Annexure “A” To The Directors' Report

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 and forming part of the Directors' report.

### (A) Conservation of Energy

In pursuit of continual improvement towards energy conservation and compliance with environmental regulations, many initiatives have been taken in 2009-10.

Power and fuel consumption	2009-10	2008-09
1. Electricity		
(a) Purchased		
Unit (Kwh)	18,66,184.00	14,98,982.00
Total Amount (Rs.)	74,56,785.00	71,68,957.00
Rate/Unit (Average) (Rs.)	3.99	4.78
(b) Own generation		
(i) Through diesel generator		
Unit (Kwh)	36,250.97	580.00
Unit per litre of Diesel Oil	3.07	3.75
Rate/Unit (Rs.)	11.27	9.07
(ii) Through steam turbine/generator	0.00	0.00
2. Coal (Specify quality and where used)	0.00	0.00
3. Furnace Oil	0.00	0.00
3. Others/Internal generation	0.00	0.00

### Consumption per unit of production

	2009-10	2008-09
Products (with details) unit		
Pre-cured Tread (MT)	1761.07	84.00
Bonding Gum (MT)	0.00	1.40
Black Vulcanizing Solution (MT)2	21.82	11.60
Master Batch Compound (MT)	60.41	55.13
Job work done (MT)	5438.33	6944.32
Electricity (Kwh)	261.26	224.70
Furnace oil	0.00	0.00
Coal	0.00	0.00
Others (specify)	0.00	0.00

### (B) Technology Absorption

The Company had not undertaken any R & D activities worth mentioning in this report during the period.

### (C) Foreign Exchange Earnings and Outgo

There has not been any foreign exchange inflow during the year under report. CIF value of the raw material imported is Rs.1,59,80,462.83

## Annexure “B” to the Directors' Report

### CORPORATE GOVERNANCE REPORT

Your Company is committed to ensure good Corporate Governance practice. Your Company has complied in all material respects, with the requirements of the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges. A report on the implementation of the Corporate Governance Code of the listing agreement by your Company is furnished below:

#### Company's Philosophy on Corporate Governance

The Company is a part of the Eastern Group which has established a reputation for honesty and integrity. The Company believes that Corporate Governance is about creating out performing organisations, that is, organisations that consistently succeed in the market place against competition and thereby enhance the value of all its stakeholders. It is a combination of voluntary practices and compliance with laws and regulations in each of the markets the Company operates in, leading to effective management of the organization.

Your Company is fully committed to practice sound corporate governance and uphold the highest business standards in conducting business. The Company has always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate governance, viz., integrity, equity, transparency, fairness, disclosure, accountability and commitment to values.

Your Company is guided by a key set of values for all its internal and external interactions. The Company is open, accessible and consistent with its communication. Thus overall Corporate Governance practices underscore its drive towards competitive strength and sustained performance. The Corporate Governance norms have been institutionalised as an enabling and facilitating business process at the Board, Management and at all operational levels.

#### Board of Directors

The Board is made up of one Executive Director and seven non-executive Directors, of whom five are independent. The Chairman of the Board is a nonexecutive Director.

The Composition, category and attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship / Membership of Committee of each Director in various companies is as follows:

Name of the Director	Category	Attendance Particulars		No.of other Directorships and Committee member / Chairmanship		
		Board Meetings	Last AGM	Directorship in other Companies	Other Committee Membership	Other Committee Chairmanship
Mr. M.E.Meeran	P, C & NE	3	Yes	4	1	1
Mr. M.E.Mohamed	MD & ED	4	Yes	3	2	None
Mr. Navas M.Meeran	P & NE	3	Yes	8	None	None
Mr. M.S.Sebastian	NE & I	3	Yes	1	None	None
Mr. M.S. Ranganathan	NE & I	4	Yes	2	2	1
Mr. Naiju Joseph	NE & I	4	Yes	1	2	1
Mr. K.S.Neelacanta Iyer	NE & I	4	Yes	1	2	1
Mr. K.V. Rajagopalan Nair (Nominee of KSIDC)	NE, I & N	3	No	2	None	None

C: Chairman; P: Promoter; N: Nominee Director; E: Executive Director;

I: Independent Director; NE: Non-Executive Director; MD: Managing Director;

### Number and date of Board meetings held

Four Board meetings were held during the year. The Board meets at least once in a quarter with a gap of not more than three months between any two meetings. However, additional meetings are held whenever necessary. The details of the Board meetings are as under.

Sl.No.	Date	Board Strength	No.of Directors present
1	28-04-2009	8	8
2	29-07-2009	8	8
3	24-10-2009	8	5
4	29-01-2010	8	7

### Audit Committee

The Audit Committee is duly constituted on 26.07.2001 in accordance with Clause 49 II (C) and (D) of the Listing Agreement and Section 292A of the Companies Act, 1956. The Members of the Committee are

Name	Category	Position
Mr. K.S. Neelacanta Iyer	Non-Executive Independent Director	Chairman
Mr. M.S. Ranganathan	Non-Executive Independent Director	Member
Mr. Naiju Joseph	Non-Executive Independent Director	Member
Mr. M.E.Mohamed	Managing Director	Member

More than two third of the members are Independent Directors and all the members of the Audit Committee are financially literate. The composition, role, functions and powers of the Audit Committee are in line with the requirements of applicable laws and regulations. The Audit Committee shall oversee financial reporting process and disclosures, review annual financial statements, review related party transactions, review financial and risk management policies, oversee compliance with Stock Exchanges and legal requirements concerning financial statements, review auditors qualifications, compliance with Accounting Standards, fixation of audit fee and also approval for the payment of any other services etc.

The Audit Committee meetings are usually held at the Registered Office of the Company and are usually attended by the Chairman and the members of the Committee, representatives of Internal and Statutory Auditors and Chief Financial Officer. The Company Secretary acts as Secretary to the Audit Committee. The Chairman of the Audit Committee was present at the Company's Annual General Meeting held on 24-09-2009 to answer the shareholders' queries. The Audit Committee strictly adheres to the terms of reference which is prepared in compliance with Section 292A of the Companies Act, 1956, and Clause 49 of the Listing Agreement.

Four Audit Committee meetings were held during the year 2009-10. The dates on which the meetings were held are 27-04-2009, 27-07-2009, 22-10-2009, and 27-01-2010. The number of meetings attended by each committee members of the Audit Committee is as follows:



Name	No.of meetings held	Number of meetings attended
Mr. K.S. Neelacanta Iyer	4	4
Mr. M.S. Ranganathan	4	4
Mr. Naiju Joseph	4	1
Mr. M.E. Mohamed	4	4

### Remuneration Committee

The Remuneration Committee was constituted in compliance with the requirements of Clause 49 of the Listing Agreement. The Committee analyses and recommend to the Board of Directors regarding the remuneration payable to Board members including Executive Directors and Managing Director, sitting fees payable to Directors and remuneration payable to the employees working in the senior management level.

The Committee approves the minimum remuneration payable to the Managing Director/ Executive Directors in the event of loss or inadequate profits in any year, within the limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, 1956. The Committee Members are:

Name	Category	Position
Mr. M.S. Ranganathan	Non-Executive Independent Director	Chairman
Mr. K.S. Neelacanta Iyer	Non-Executive Independent Director	Member
Mr. Naiju Joseph	Non-Executive Independent Director	Member

The Company Secretary acts as the secretary to the committee.

### Remuneration policy

The remuneration policy is in consonance with the existing industry practice and also with the provisions of the Companies Act, 1956. The Company's remuneration policy is driven by the success and performance of the individual employee of the Company. Through its compensation programme, the Company endeavour to attract, retain, develop and motivate a high performance workforce. Individual performances of the employees are measured through annual appraisal process.

### Remuneration paid to the Directors

Name	Salary	Perquisites	Commission	Sitting Fees
Mr. M.E.Mohamed	0.00	0.00	0.00	0.00
Mr. Naiju Joseph	0.00	0.00	0.00	4000.00
Mr. K.S.Neelacanta Iyer	0.00	0.00	0.00	4000.00
Mr. K.V.Rajagopalan Nair	0.00	0.00	0.00	3000.00

Even though the terms of appointment of Mr. M.E. Mohamed as the Managing Director include the payment of remuneration, he has waived his right to remuneration. Hence, no remuneration has been paid to Mr. M.E. Mohamed, Managing Director during the financial year.

### Share Transfer Committee

The Share Transfer Committee was constituted on 25-06-1996 in compliance with the requirements of Clause 49 of the Listing Agreement. The members of the Committee are:

Name	Category	Position
Mr. M.E Meeran	Promoter / Chairman	Chairman
Mr. Navas M Meeran	Promoter / Non-Executive Director	Member
Mr. M.E. Mohamed	Managing Director / Executive Director	Member

The Company Secretary acts as the secretary to the committee.

The Share Transfer Committee approves the transfer of shares and issue of duplicate share certificates and oversees and review matters connected with the transfer of shares.

### Shareholders'/Investors' Grievance Committee

The Shareholders'/Investor's Grievance Committee was constituted in compliance with the requirements of Clause 49 of the Listing Agreement. The Members of the Committee are:

Name	Category	Position
Mr. Naiju Joseph	Non-Executive Director	Chairman
Mr. M.S. Ranganathan	Non-Executive Director	Member
Mr. K.S. Neelacanta Iyer	Non-Executive Director	Member

The Shareholders' Grievance Committee looks into shareholders' complaints like non-transfer of shares, non-receipts of Balance Sheet, besides complaints from SEBI, Stock Exchanges, Court and various Investor Forums. It oversees the performance of the registrars and transfer agents, and recommends measures for overall improvement in the quality of investor services.

The Company Secretary acts as the secretary to the committee.

During the year under review, no complaints received from the shareholders and there were no outstanding complaints as on 31.03.2010. No request for share transfer was pending as on 31.03.2010.

### General Body Meetings

The location and time for last three Annual General Meetings are as follows:

Year	Location	Date	Day	Time
2006-2007	Hotel Cochin Tower, Ernakulam	26.09.2007	Wednesday	11.30 AM
2007-2008	Hotel Cochin Tower, Ernakulam	29-09-2008	Monday	11.30 AM
2008-2009	Hotel Cochin Tower, Ernakulam	24-09-2009	Thursday	10.30 AM

No Extraordinary General Meeting was held during the financial year and no special resolutions were put through postal ballot last year and no proposal for the same this year.

### Disclosures

#### (a) Related party transactions:

During the year, the Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the Company. All transactions with the Related Parties were in the ordinary course of business and at arms length.

**(b) Details of non-compliance of the Company:**

No penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets during the last three years.

**Means of Communication**

The quarterly financial results, after their approval by the Board of Directors, are promptly issued to the Stock Exchanges with whom the Company has listing arrangements. These Quarterly Financial Results are normally published in Business Line and New Age and are also posted on the Company's website, [www.easterntreads.com](http://www.easterntreads.com).

The company's web site also displays all official news releases, if any. All material information about the Company is promptly sent to the Stock Exchanges. The Management Discussion and Analysis forms part of the annual report.

**General Shareholder Information**

**a. Annual General Meeting**

Date and Time : Wednesday, 22<sup>nd</sup> September, 2010 at 10.30 AM  
Venue : Registered office  
(3A, 3<sup>rd</sup> Floor, Eastern Corporate Office,  
34/137 E, NH Bypass, Edappally, Kochi, Ernakulam-682 024)

**b. Financial calendar (tentative)**

Annual General Meeting	:	22 <sup>nd</sup> September, 2010
Un-audited financial results for the quarter ending 30.06.10	:	11 <sup>th</sup> August 2010
Un-audited financial results for the quarter ending 30.09.10	:	First week of November 2010
Un-audited financial results for the quarter ending 30.12.10	:	First week of February 2011
Un-audited financial results for the quarter ending 31.03.11	:	First week of May 2011

**c. Book closure date**

Wednesday, 15<sup>th</sup> September, 2010 to Wednesday, 22<sup>nd</sup> September, 2010 (both days inclusive)

**d. Listing of Equity Shares on Stock Exchanges**

The Equity Shares of the Company are listed on Bombay Stock Exchange, Cochin Stock Exchange and Madras Stock Exchange. Listing fees for the financial year 2010-11 have been paid to all the Stock Exchanges. The Company has also paid the annual custodial fee for the year 2010-11 to both the depositories namely, National Securities Depository Limited and Central Depository Services (India) Limited.

**e. Stock Code**

Scrip Code No.	:	Bombay Stock Exchange	-	531346
Trading Symbol	:	Cochin Stock Exchange	-	ETD
Trading Symbol	:	Madras Stock Exchange	-	EASTETREAD

**f. Demat ISIN Number - INE500D01015**

**g. Registrar and Share Transfer Agents**

Integrated Enterprises (India) Limited  
 2<sup>nd</sup> Floor, 'Kences Towers' No.1,  
 Ramakrishna Street, North Usman Road, T.Nagar, Chennai-600017  
 Phone: 044 28140801, 28140803,  
 Fax; 044 – 28143378, 28142479  
 E-mail: sureshbabu@iepindia.com

**h. Share transfer system**

During the Financial Year 2009-10, the share transfers which are received in physical form are processed and the share certificates returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. Shares held in dematerialised form are electronically traded and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository, the beneficiary holdings so as to enable them to update their records.

The Board has delegated the authority for approving transfer, transmission, etc; of the Company's securities to the Share Transfer Committee of the Board of Directors constituted for this purpose. A summary of transfer / transmission of the securities of the Company so approved by the Share Transfer Committee is placed at every Board meeting.

Presently the Company's shares are transferred both in physical and dematerialised form and are traded on the stock exchanges. Any request for rematerialisation and / or transfer of shares in physical mode is also attended within the stipulated time.

The Company obtains from a Company Secretary in practice half yearly certificate of compliance with the share transfer formalities as required under Clause 47(C) of the Listing Agreement with the Stock Exchanges and files a copy of the certificate with the Stock Exchanges within the prescribed time limit.

**i. Shareholding pattern as on 31<sup>st</sup> March, 2010**

Category	Equity		Preference	
	No.of shares	%	No of shares	%
Promoters	3442300	61.563	1000000	100
Indian financial Institutions	Nil	Nil	Nil	Nil
Banks, Mutual Funds	Nil	Nil	Nil	Nil
Foreign Institutional Investors / NRIs	305000	5.455	Nil	Nil
Others	1844200	32.982	Nil	Nil
Total :	5591500	100.000	1000000	100

j. Distribution of Shareholding as on 31<sup>st</sup> March,2010

Category	No.of shareholders	% of shareholders	No.of shares holding	% Shares
Up to 500	884	55.32	372200	6.66
501 – 1000	555	34.73	498300	8.91
1001 – 2000	58	3.63	92500	1.65
2001 – 3000	43	2.69	109100	1.95
3001 – 4000	8	0.50	28400	0.51
4001 – 5000	14	0.88	68600	1.23
5001 – 10000	15	0.94	139900	2.50
Above 10000	21	1.31	4282500	76.59
Total	1598	100.00	5591500	100.00

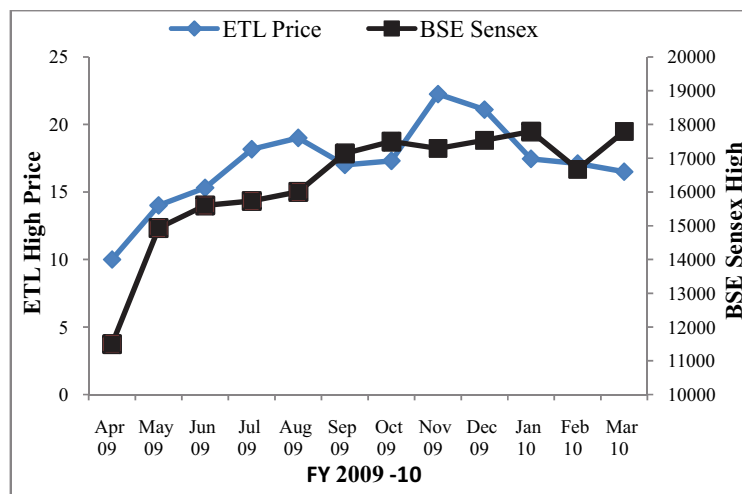
  

Preference				
Above 10000	2	100	1000000	100
Total	2	100	1000000	100

k. Market Price Data: High, Low during each month in last financial year

Month	BSE	
	High Price	Low Price
April 2009	--	--
May 2009	14.00	14.00
June 2009	15.30	14.00
July 2009	18.16	14.60
August 2009	19.00	14.05
September 2009	17.00	14.30
October 2009	17.30	14.26
November 2009	22.25	14.85
December 2009	21.10	16.25
January 2010	17.45	16.00
February 2010	17.10	15.20
March 2010	16.50	14.35

l. Performance in comparison to broad-based indices such as BSE Sensex,



**m. Dematerialisation of shares and liquidity**

More than 51% of the Company's paid-up equity share capital has been dematerialised up to 31<sup>st</sup> March 2010. Presently the Company's shares are transferred both in physical and dematerialised form and are traded on the stock exchanges

**n. Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

Not Applicable

**o. Plant location**

Oonnukal.P.O, Kothamangalam, Ernakulam District, Kerala

**p. Investor correspondence**

(for share transfer, communication regarding share certificates, change of address and any other query relating to the shares or Annual Report of the Company)

Integrated Enterprises (India) Limited,  
2<sup>nd</sup> Floor, 'Kences Towers' No.1,  
Ramakrishna Street,  
North Usman Road,  
T.Nagar, Chennai-600017  
Phone: 044 28140801, 28140803,  
Fax: 044 – 28143378, 28142479  
E-mail: sureshbabu@iepindia.com

The Company Secretary  
Eastern Treads Limited,  
3A, 3<sup>rd</sup> Floor, Eastern Corporate Office,  
34/137 E, NH Bypass, Edappally, Kochi,  
Ernakulam-682 024, Kerala.  
Phone: (0484) 3001247  
Fax: (0484) 3001110  
Email : baijut@eastern.in

**q. Secretarial Audit**

As stipulated by SEBI, a qualified Company Secretary in practice conducts the Secretarial Audit for the purpose of reconciliation of total admitted capital with the Depositories ie; NSDL & CDSL and the total issued and listed capital of the Company.

Secretarial Audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors. The audit, inter-alia, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.

**DECLARATION ON CODE OF CONDUCT**

To the best of my knowledge and belief and on the basis of declarations given to me by the Board Members and the Senior Management Personnel of the Company, as required by Clause 49 (ID) of the Listing Agreement, I hereby affirm that all the Board members and the Senior Management personnel have fully complied with the provisions of the code of conduct of the Company.

For and on behalf of the Board of Directors

Kochi  
11-08-2010

**M.E.Mohamed**  
Managing Director

## Auditor's Certificate

In compliance with the conditions of Corporate Governance  
under Clause 49 of the Listing Agreement

To the members of Eastern Treads Limited,

We have examined the relevant documents of **Eastern Treads Limited** for the year ended 31.03.10 for certifying the compliance with conditions of the corporate governance under clause 49 of the Listing Agreement of the said company with the Stock Exchanges. The compliance of conditions of corporate governance is the responsibility of the management.

Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. 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 explanation given to us, and the representation made by 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 on certification of corporate governance issued by the Institute of Chartered Accountants of India, we state that the share registry department of the company has certified that as at 31<sup>st</sup> March, 2010 there were no investor grievances remaining unattended / pending for more than thirty days.

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

For JVR & Associates  
Chartered Accountants

Jomon K. George  
Partner  
M.No. 202144

*Kochi - 16,  
11.08.2010*

## Annexure “C” to the Directors' Report

### MANAGEMENT DISCUSSION AND ANALYSIS

#### a) **Industry Structure and Developments**

The growth of the tyre industry depends on the level of economic activity, performance of automotive industry, the primary factors like agricultural growth, overall GDP growth, industrial production, growth in vehicle demand and secondary factors like infrastructure development, prevailing interest rates and financing options.

Since the tyre retreading industry is highly raw material intensive, the fluctuations in raw material price has its impact on its profitability. The raw materials primarily comprise of natural rubber, crude oil based materials which have experienced volatility in prices, especially during the last few months when price of domestic natural rubber increased almost 40%. Given the fact that raw materials constitute around 70% of the cost of production, rise in prices of these materials have a huge impact on profitability.

Even though the tyre industry has come under pressure due to the economic slowdown the tyre retreading in India has gained greater acceptance in the commercial segment due to operational savings, this has placed the retreaders in a better position than the tyre manufacturers. Since retreading provides cost savings, it becomes increasingly a key to whole life tyre costs and Companies offering best quality and price will win through.

#### b) **Opportunities and Threats**

Significance of retreading industry can be gauged by the fact that around 85% of the tyre demand is for replacement. Tires account for a considerable amount in the fleet's maintenance costs, hence a small savings in tyre cost could result substantial annual savings. This is achieved only if a tire is retreaded. Thus tyre re-treading, which is gaining increasing acceptance, could pose a challenge to replacement demand.

The face of the commercial tire retreading is changing dramatically and is expecting good future with the introduction of radialisation in truck and bus sector, construction of better quality roads along National Highways coupled with reduction in overloading and improved condition of road network, growth in and increased share of multi-axle trucks. This presents a range of opportunities for higher level retreading and Eastern Treads aims to make the most of these. Creation of road infrastructure has given, and will increasingly give, a tremendous fillip to surface transportation in the coming years. Tyre retreading could emerge in the long term as the quality of roads improves and the restrictions on overloading are better enforced.

The threat of importing of Chinese tyres at low prices got very much reduced due to their poor quality. The entry of branded tyre majors in retreading industry creates awareness in the customers about retreading and its quality, since the ability of the re-treading sector to capture potential replacement demand would depend on the awareness among customers of the benefits of retreading and the quality of retreading done. As the customers further know tyre retreading, the market will be extended at a fabulous speed. It will have infinitely broad market prospect

Another area of concern for retreading industry is the misuse of poor quality retreads by some industries which reduces faith in retreading. We are confident that customers have faith in our product and we shall be able to get reasonable market share in the short term.



**c) Outlook**

The retreading has overcome its past reputation and become part of established fleet management practice for commercial and utility operations. So there remains scope for expansion for retreading industry as they build on the increased understanding of whole life tyre costs. Since the mentality of the market towards retreading has changed the retreading will remain an integral element of the tyre market.

Retreads are extremely environmentally friendly. The production of a retread saves substantial amounts of fossil fuels. Retreading is also the best practical environmental option for tyre recycling. Every retread used means one less new tyre saving in natural resources. It also means that fewer tyres ultimately have to be burned thereby reducing pollution. In fact, out of all the various options for tyre recycling, retreading has the least environmental impact. Hence with environmental issues becoming more important to the general public, it is the retread's status as a recycled product that is now becoming more important.

The management of is of the view that Eastern Treads can use this opportunity and has developed business plans to exploit the market and to continue its passionate journey towards customer delight and loyalty.

**d) Risks and Concerns**

The tyre industry and economic development of the country are interdependent. The growth of the tyre industry is not only dependent on economic growth and infrastructural development, but also on the growth in the automobile industry, which is cyclical in nature. The Company is exposed to various risks which are normal in any business enterprise. The main ones and the steps undertaken to mitigate these risks are mentioned below:

**Financial risk**

Credit risk on account of material supplied to customers has been reduced by the introduction of cash and carry policy.

**Increase in price of raw materials**

Normal increase in prices of raw materials is generally considered while fixing product prices to the customers. However the unexpected fluctuations do affect profitability till prices are revised to meet the costs. Most of the raw materials for the tyre industry are petroleum based and their prices are linked to the movement in crude oil prices. Natural rubber which is one of the major components of the total raw materials cost and is subject to price and production volatility resulting from speculating activities and natural causes.

**Changes in governments policies**

Changes in government policies will affect the Company's financial position or investments.

**Operational risk**

Preventive maintenance has been carried out to achieve high level of machine availability. Adequate inventory of stocks at each stage of operation is maintained to keep production going on in case of any breakdown.

**Product risk**

Research and development is being undertaken to deliver better products, service and value to end-customers.

**e) Internal Control System and their Adequacy**

Your Company has a proper and adequate system of internal controls, to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposal and that the transactions are authorised, recorded and reported correctly. The internal control is supplemented by an extensive programme of internal, external audits and periodic review by the management.

The system is designed to adequately ensure that financial and other records are reliable for preparing financial information and other data and for maintaining accountability of assets. The external auditors have evaluated the system of internal controls in the Company and have reported that the same is adequate and commensurate with the size of the Company and the nature of its business.

**f) Discussion on Financial Performance with respect to Operational Performance**

(Please refer to Directors' Report on "Operations")

**g) Material Developments in Human Resources/Industrial Relations**

We believe in empowering the employees through greater knowledge, team spirit and developing greater sense of responsibility. Productive high performing employees are vital to the Company's success. To keep the company and its human resource competitive, experts were engaged to train the employees at various levels.

The Company conducts programs such as TQM (Total Quality Management) for the workmen and technicians to enhance pride in being an employee of the Company and also to create team synergy. The TQM encourages team work and teams come back fully motivated to face future challenges. The Company expects an exponential growth, because of this TEI (Total Employee Involvement) programme.

The total number of persons employed in your Company as on 31<sup>st</sup> March, 2010 was 170. Employee relations remained cordial and the work atmosphere remained congenial during the year.

**h) Cautionary Statement**

Some of the statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, downtrend in industry, significant changes in political and economic environment in India, tax laws, import duties, litigation and labour and industrial relations.

The Company assumes no responsibility in respect of the forward-looking statements, which may undergo changes in future on the basis of subsequent developments, information or events.

## AUDITOR'S REPORT

THE MEMBERS OF  
EASTERN TREADS LIMITED  
KOCHI

We have audited the attached Balance Sheet of M/s. EASTERN TREADS LIMITED as at 31st March, 2010 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date and 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. We conducted our audit in accordance with 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 misstatements.

An audit includes examining, on test basis evidence supporting the amounts and disclosure 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as under:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books.
3. The Balance Sheet, Profit & Loss Account and the Cash Flow Statement, dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet, Profit & 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.
5. On the basis of written representations received from directors as on 31<sup>st</sup> March 2010 and taken on record by the Board, we report that none of the directors are disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of The Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, 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:-

- i) in the case of Balance Sheet, of the company's state of affairs as at 31st March, 2010;
- ii) in the case of Profit and Loss Account, of the Profit for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

7. In terms of Companies (Auditor's Report) Order 2003, issued by the Government of India, in terms of section 227 (4A) of The Companies Act, 1956, we further report, on the matters specified in paragraph 4 and 5 of the said Order, to the extent applicable to the Company, that:-

7.1 Though the company has maintained records relating to fixed assets, the Company may need to comprehensively combine/complete the fixed asset register with particulars including quantitative details and situation of its fixed assets.

7.2 The fixed assets have been physically verified by the management during the year. We are informed that no serious discrepancies have been noticed by the management on such verification as compared to the aforesaid records of fixed assets.

7.3 During the year, there was no major disposal of fixed assets.

7.4 The management has carried out physical verification of stocks at reasonable intervals during the year.

7.5 In our opinion, the procedure of verification of stocks followed by the company requires to be improved considering the size of the Company and the nature of its business.

7.6 On the basis of our examination of the records of inventory, we are of the opinion that the Company has a proper system of maintaining records of inventory. We are informed that the discrepancies between the stock records and the physical stocks are not material.

7.7 The company has not granted loans to any party covered in the register maintained under Section 301 of The Companies Act, 1956.

7.8 The following are the particulars of loans taken by the Company from companies, firms and other parties covered in the register maintained under Section 301 of The companies Act, 1956.

Sl No.	Name of the Party	Relationship	Loan repaid	Closing Balance
1	Mr. M. E. Meeran	Chairman	3,174,815.00	7,819,410.00
2	Mr. Navas M. Meeran	Director	1,825,185.00	0.00

The terms and conditions of the above loans are not prima facie prejudicial to the interest of the Company.

7.9 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to the purchases of inventory and fixed assets and for the sale of goods and services. There is no continuing failure to correct weaknesses in internal controls.

- 7.10 The particulars of contracts or arrangements referred to Section 301 of the Act have been entered in the register required to be maintained under that Section.
- 7.11 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of five lakhs rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 7.12 The Company has not accepted any deposit from the public.
- 7.13 In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 7.14 To the best of our knowledge, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of The Companies Act, 1956 for the products of the Company.
- 7.15 According to the records of the Company, the Company has deposited the statutory dues applicable to it with some delays.
- 7.16 According to the information and explanations given to us, there are no undisputed statutory dues which are outstanding as on 31st March, 2010, for a period of more than six months from the date they became payable.
- 7.17 According to the records of the Company, there are no statutory dues which have not been deposited on account of any dispute, except the following disputed amounts, which have been deposited on account of dispute.

Name of the Statute	Nature of Dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
KGST	KGST	1,532,618.00	1996-2002	Hon. High Court, Kerala
CST	CST	1,904,578.00	1996-2002	Hon. High Court, Kerala
KGST	Purchase Tax Interest	966,318.00	1996-2002	Deputy Commissioner (Appeals), Commercial Taxes Department, Ernakulam
CST	Interest	180,898.00	2002-2003	-do-
CST	Annual Dues	175,940.00	2004-2005	-do-
Total amount deposited		4,760,352.00		

- 7.18 The accumulated loss of the Company is not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- 7.19 The Company has not defaulted in repayment of dues to Financial institutions/Banks.
- 7.20 The Company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities.
- 7.21 The Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
- 7.22 The Company has not taken any term loans during the year.
- 7.23 On the basis of an overall examination of the Balance Sheet of the Company, no funds raised on a short term basis, have been used for long term investments.
- 7.25 The Company has not issued any debentures during the year.
- 7.26 Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For JVR & ASSOCIATES  
Chartered Accountants  
(F. R. No. 011121S)

JOMON K. GEORGE  
PARTNER  
M.No.202144

Kochi - 16  
11.08.2010

## BALANCE SHEET AS AT 31.03.2010

Particulars	Sch. No.	As at 31.03.2010	As at 31.03.2009
<b><u>SOURCES OF FUNDS</u></b>			
<b><u>Shareholders' Funds</u></b>			
Share Capital	1	151,354,500.00	151,299,500.00
Reserves & Surplus	2	2,000,000.00	2,000,000.00
<b><u>Loan Funds</u></b>			
Secured Loans	3	13,174,827.69	2,197,225.80
Unsecured Loans	4	7,819,410.00	12,819,410.00
		<b>174,348,737.69</b>	<b>168,316,135.80</b>
<b><u>APPLICATIONS OF FUNDS</u></b>			
<b><u>Fixed Assets</u></b>			
Gross Block	5	79,400,433.13	69,734,020.67
Less : Depreciation		43,534,263.66	38,868,257.95
Net Block		35,866,169.47	30,865,762.72
<b>Fixed Capital Expenditure</b>	6	3,927,025.00	2,558,970.62
<b>Current Assets, Loans &amp; Advances</b>	7		
a. Inventories		24,876,791.77	28,179,359.43
b. Sundry Debtors		23,440,645.90	32,163,010.80
c. Cash and Bank Balances		6,712,675.88	4,541,789.70
d. Loans and Advances		34,210,212.14	12,740,409.31
		89,240,325.69	77,624,569.24
<b>Less : Current Liabilities &amp; Provisions</b>	8		
a. Current Liabilities		10,887,604.31	11,319,737.61
b. Provisions		1,216,081.00	465,675.00
Net Current Assets		77,136,640.38	65,839,156.62
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted) - Preference Share Issue Expenses		2,061,008.00	2,576,260.00
<b>Profit &amp; Loss Account</b>		55,357,894.85	66,475,985.83
		<b>174,348,737.69</b>	<b>168,316,135.80</b>
<b>Notes on Accounts</b>	17		

As per our report of even date attached

For JVR & ASSOCIATES  
Chartered Accountants

**M.E. MOHAMED**  
Managing Director

**M.S. RANGANATHAN**  
Director

**BAIJU.T**  
Company Secretary

**JOMON K GEORGE**  
Partner

Cochin 24  
11.08.2010

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

Particulars	Sch. No.	Current Year	Previous Year
<b>INCOME</b>			
Sales	9	477,396,850.32	387,408,467.80
Job Work Receipts		14,086,455.00	14,252,461.00
Other Income		1,081,002.16	143,863.00
		<b>492,564,307.48</b>	<b>401,804,791.80</b>
<b>EXPENDITURE</b>			
Stock Differential	10	3,399,866.44	-4,809,594.17
Purchase of Finished Goods		234,230,737.30	295,965,637.04
Raw Materials Consumed	11	158,341,057.45	43,492,122.88
Manufacturing Expenses	12	24,753,144.42	13,564,371.67
Employee Remuneration & Benefits	13	23,963,706.28	16,719,225.00
Administrative Expenses	14	11,984,203.30	7,857,315.45
Selling Expenses	15	17,638,457.36	14,340,603.44
Financial Charges	16	1,953,786.23	2,838,133.02
Fringe Benefit Tax		0.00	267,246.86
Miscellaneous Expenditure written off		515,252.00	0.00
		<b>476,780,210.78</b>	<b>390,235,061.19</b>
Net Profit before depreciation		15,784,096.70	11,569,730.61
Depreciation		4,666,005.72	4,065,312.27
<b>Profit before Tax</b>	5	<b>11,118,090.98</b>	<b>7,504,418.34</b>
Provision for Taxation		850,000.00	0.00
MAT Credit Entitlement		-850,000.00	0.00
<b>Net profit for the year</b>		<b>11,118,090.98</b>	<b>7,504,418.34</b>
Loss brought from Previous Years		66,475,985.83	73,980,404.17
<b>Balance of Loss carried to Balance Sheet</b>		<b>55,357,894.85</b>	<b>66,475,985.83</b>
<b>Earnings Per Share Basic &amp; Diluted</b>		<b>2.16</b>	<b>1.46</b>
Notes on Accounts	17		

As per our report of even date attached

For JVR & ASSOCIATES  
Chartered Accountants

**M.E. MOHAMED**  
Managing Director

**M.S. RANGANATHAN**  
Director

**BAIJU.T**  
Company Secretary

**JOMON K GEORGE**  
Partner

Cochin 24  
11.08.2010



## SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS

	Current Year	Previous Year
		<b>Schedule 1</b>
<b><u>SHARE CAPITAL</u></b>		
<b><u>A. Authorised</u></b>		
60,00,000 Equity shares of Rs. 10 each(Previous Year. 60,00,000 equity shares of Rs.10/- each)	60,000,000.00	60,000,000.00
10,00,000 Preference Shares of Rs. 100 each (Previous Year- 10,00,000 Preference Shares of Rs.100 each)	100,000,000.00	100,000,000.00
	<b>160,000,000.00</b>	<b>160,000,000.00</b>
<b><u>B. Issued, Subscribed and Paid-up</u></b>		
55,91,500 Equity shares of Rs.10/- each (Previous year 55,91,500 Equity shares of Rs.10/-each)	55,915,000.00	55,915,000.00
Less : Calls in arrears	4,560,500.00	4,615,500.00
	51,354,500.00	51,299,500.00
10,00,000 Zero percent Redeemable Preference Shares of Rs.100 each (Previous Year - 10,00,000 Zero percent Redeemable Preference Shares of Rs.100 each) (Redeemable after five years from the date of allotment subject to achieving net worth of Rs.100 lacs without considering the said preference shares)	100,000,000.00	100,000,000.00
	<b>151,354,500.00</b>	<b>151,299,500.00</b>
		<b>Schedule 2</b>
<b><u>RESERVES &amp; SURPLUS</u></b>		
<b><u>Capital Reserve</u></b>		
Investment Subsidy from the State Government	2,000,000.00	2,000,000.00
	<b>2,000,000.00</b>	<b>2,000,000.00</b>
		<b>Schedule 3</b>
<b><u>SECURED LOANS</u></b>		
Term Loan from The Federal Bank Limited	0.00	1,763,416.00
Cash Credit from The Federal Bank Limited	13,174,827.69	433,809.80
	<b>13,174,827.69</b>	<b>2,197,225.80</b>
		<b>Schedule 4</b>
<b><u>UNSECURED LOANS</u></b>		
Loans from Directors	7,819,410.00	12,819,410.00
	<b>7,819,410.00</b>	<b>12,819,410.00</b>

Schedule-5

Fixed Assets & Depreciation		Gross Block at Cost			Depreciation			Net Block	
	As at 01.04.09	Addition/ (Deletions)	As at 31.03.10	Upto 31.03.2009	For the Year	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009	
<b><u>TANGIBLE ASSETS</u></b>									
1. Land & Land Development	899,987.00	0.00	899,987.00	0.00	0.00	0.00	899,987.00	899,987.00	
2. Building	13,296,835.32	0.00	13,296,835.32	3,148,858.03	444,114.30	3,592,972.33	9,703,862.99	8,792,386.63	
3. Plant & Machinery	45,968,406.50	3,109,893.74	49,078,300.24	27,492,195.75	3,480,471.50	30,972,667.25	18,105,632.99	18,476,210.75	
4. Electrification and water systems	3,096,886.01	1,054,462.00	4,151,348.01	3,096,886.01	19,246.79	3,116,132.80	1,035,215.21	0.00	
5. Lab Equipments	687,580.54	0.00	687,580.54	451,574.98	32,660.08	484,235.05	203,345.49	236,005.56	
6. Vehicles	1,218,721.68	1,563,025.55	2,781,747.23	1,187,421.42	114,062.24	1,301,483.66	1,480,263.57	31,300.26	
7. Office Equipments	1,058,273.78	11,080.00	1,069,353.78	658,964.74	50,599.51	709,564.25	359,789.53	399,309.04	
8. Computer & Accessories	2,359,968.26	494,661.00	2,854,629.26	1,978,677.46	416,337.90	2,395,015.35	459,613.91	381,290.80	
9. Furniture & Fixtures	1,147,361.58	173,258.00	1,320,619.58	853,679.58	76,041.62	929,721.20	390,898.38	293,682.00	
<b>Total</b>	<b>69,734,020.67</b>	<b>6,406,380.29</b>	<b>76,140,400.96</b>	<b>38,868,257.95</b>	<b>4,633,533.93</b>	<b>43,501,791.88</b>	<b>32,638,609.08</b>	<b>29,510,172.04</b>	
Previous Year	65,506,292.86	2,872,137.15	68,378,430.01	34,802,945.68	4,065,312.27	38,868,257.95	29,510,172.06	30,703,347.18	
<b><u>INTANGIBLE ASSETS</u></b>									
Computer Software	0.00	162,358.93	162,358.93	0.00	32,471.79	32,471.79	129,887.14	293,682.00	
<b>Capital Work in Progress</b>	<b>0.00</b>	<b>-</b>	<b>3,097,673.24</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,097,673.24</b>	<b>0.00</b>	

**FIXED CAPITAL EXPENDITURE**

Advance for Civil works/Machinery

**Schedule 6**

3,927,025.00	2,558,970.62
<b>3,927,025.00</b>	<b>2,558,970.62</b>

**CURRENT ASSETS, LOANS AND ADVANCES**
**Inventories :** (as taken, valued and certified by the management)

Raw Materials

Finished Goods

Goods in Transit

Tools &amp; Spares

**Schedule 7**

1,929,697.04	1,784,579.85
17,177,588.56	20,454,769.00
2,967,643.00	3,090,329.00
2,801,863.17	2,849,681.58
<b>24,876,791.77</b>	<b>28,179,359.43</b>

**Sundry Debtors (Unsecured, considered good)**

Outstanding for a period exceeding six months

Other Debts

6,952,124.45	13,845,009.74
16,488,521.45	18,318,001.06
<b>23,440,645.90</b>	<b>32,163,010.80</b>

**Cash & Bank Balances:**

Cash in Hand

Balance with Scheduled Banks - in Current Accounts

- in Fixed Deposits

249,245.45	328,695.45
5,999,784.93	3,769,448.75
463,645.50	443,645.50
<b>6,712,675.88</b>	<b>4,541,789.70</b>

**Loans and Advances**
*(Unsecured, considered good)*

Staff Advances

Advances to Suppliers

Other Current Assets

Deposits

1,066,063.31	1,261,153.61
21,758,273.41	1,524,463.76
7,378,280.12	7,434,458.94
3,157,595.30	2,520,333.00

MAT Credit Entitlement

850,000.00	0.00
<b>34,210,212.14</b>	<b>12,740,409.31</b>

**Grand Total**

<b>89,240,325.69</b>	<b>77,624,569.24</b>
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**CURRENT LIABILITIES & PROVISIONS**
**Sundry Creditors:**

- For Purchases

- For Capital goods

- For Expenses

Advances from Customers

Other Current Liabilities

**Schedule 8**

2,990,691.45	4,813,814.00
374,231.80	290,859.19
4,451,900.41	3,816,801.71
1,400,622.55	1,559,685.00
1,670,158.10	838,577.71

Provision for Gratuity

Provision for Taxation

366,081.00	465,675.00
850,000.00	0.00
<b>12,103,685.31</b>	<b>11,785,412.61</b>

### **SALES**

Sale of Products :

-Domestic (Gross)

Less: Excise Duty Paid

-Export Sales

Sale of Compound mix

Sale of Raw Materials

Sale of Scrap & Waste

### **Schedule 9**

472,713,214.27	350,372,059.42
14,664,983.32	228,927.60
458,048,230.95	350,143,131.82
256,962.00	2,659,813.00
5,755,594.76	4,291,652.60
10,793,557.37	29,258,394.40
2,542,505.24	1,055,475.98
<b>477,396,850.32</b>	<b>387,408,467.80</b>

### **STOCK DIFFERENTIAL**

Closing Stock - Trading Goods

Opening Stock - Trading Goods

**Stock Differential**

### **Schedule 10**

20,145,231.56	23,545,098.00
23,545,098.00	18,735,503.83
<b>-3,399,866.44</b>	<b>4,809,594.17</b>

### **RAW MATERIALS CONSUMED**

Opening Stock

Add : Purchases

Less : Closing Stock

### **Schedule 11**

1,784,579.85	20,097,532.24
158,486,174.64	25,179,170.49
1,929,697.04	1,784,579.85
<b>158,341,057.45</b>	<b>43,492,122.88</b>

### **MANUFACTURING EXPENSES**

Tools & Spares consumed

Power & Fuel

Repairs & Maintenance

Factory Expenses

Rubber Cess

Loading & Unloading Charges

Job Work charges

Insurance

Packing Materials Consumed

### **Schedule 12**

933,954.39	949,893.86
9,337,281.23	9,908,646.44
729,039.95	90,077.02
1,030,862.63	1,051,494.00
670,725.00	75,112.50
2,103,748.19	556,986.85
8,715,351.80	403,415.00
168,639.00	293,175.00
1,063,542.23	235,571.00
<b>24,753,144.42</b>	<b>13,564,371.67</b>

### **EMPLOYEE REMUNERATION & BENEFITS**

Wages & Allowances

Salaries & Allowances

Staff Welfare

Bonus

Employer's Contribution to Provident Fund

Employer's Contribution to Employees State Insurance

Gratuity

### **Schedule 13**

11,799,909.00	8,418,605.00
10,909,893.00	7,339,879.00
312,751.34	214,856.00
297,859.00	198,326.00
469,226.00	391,745.00
44,301.94	42,600.00
129,766.00	113,214.00
<b>23,963,706.28</b>	<b>16,719,225.00</b>

### **ADMINISTRATIVE EXPENSES**

		<b>Schedule 14</b>
Directors Sitting Fees	11,000.00	20,000.00
Rent, Rates & Taxes	3,344,022.92	1,904,085.66
Postage & Telephone	687,045.95	702,764.01
Electricity Charges	147,554.00	118,454.00
Re-listing/Depository Expenses	2,000,000.00	0.00
Listing Fees	76,258.00	153,259.00
Printing & Stationery	571,880.57	429,600.46
Travelling & Conveyance	3,521,105.40	3,132,670.11
Office Expenses	219,801.00	105,517.00
Legal & Professional Charges	112,670.00	255,743.50
Auditor's Remuneration	298,500.00	262,172.00
Books & Periodicals	5,009.00	12,664.00
Repairs & Maintenance	600,255.00	277,441.31
Security expenses	232,271.00	353,321.00
R&D Expenses	43,200.00	4,650.00
Miscellaneous Expenses	113,630.46	124,973.40
	<b>11,984,203.30</b>	<b>7,857,315.45</b>

### **SELLING EXPENSES**

		<b>Schedule 15</b>
Advertisement	117,450.60	116,019.00
Value Added Tax on Stock Transfer	4,523,329.18	3,778,375.14
Carriage Outward & Handling Charges	4,294,606.50	4,476,064.42
Bad Debts Written off	816,224.90	2,113,593.03
Business Promotion Expenses	7,886,846.18	3,856,551.85
	<b>17,638,457.36</b>	<b>14,340,603.44</b>

### **FINANCIAL CHARGES**

		<b>Schedule 16</b>
Interest on Term Loans	178,896.00	1,638,221.00
Interest on Cash Credit	1,200,158.00	821,919.00
Bank Charges	574,732.23	377,993.02
	<b>1,953,786.23</b>	<b>2,838,133.02</b>

## NOTES ON ACCOUNTS

### 1. Background

Eastern Treads Limited was incorporated on 02/07/1993. The Company is primarily engaged in the business of manufacturing and dealing of tread rubber and rubber based adhesives.

### 2. Significant Accounting Policies

The significant Accounting Policies followed by the Company are as stated below:

#### General

The financial statements are prepared under historical cost convention and in accordance with the applicable accounting standards in India.

#### Use of Estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principal (GAAP) requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and reported amount of income and expenses during the period. Actual figures may differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### Fixed Assets

Fixed Assets are stated at historical cost less accumulated depreciation. Advances paid towards acquisition of fixed assets are disclosed under fixed capital expenditure.

#### Depreciation

Depreciation has been provided on fixed assets under Straight Line Method at the rates and in the manner given under Schedule XIV to The Companies Act, 1956.

#### Revenue Recognition

Revenue from sale of goods is recognised at the point of despatch to the customers. Revenue from job work is recognised at the completion of the agreed services.

#### Inventories and Tools & Spares

Raw materials are valued at cost on FIFO basis. Finished Goods are valued at lower of cost or net realisable value. Cost includes indirect costs. 25% of Tools & Spares are written off to revenue.

#### Preference Share Issue Expenses

The expenses in relation to the preference share issue is written off over a period of 5 years.

#### Employee Benefits

- a. Short term employee benefits such as salaries, wages, bonus and incentives which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undiscounted basis and charged to the profit and loss account.
- b. Defined Contribution Plans - Contributions made to the Recognised Provident Fund & Employee State Insurance Corporation are expensed to the Profit & Loss Account. The Company's obligation is limited to the amount contributed by it.
- c. Defined Benefit Plans - The Company is a member of Group Gratuity Scheme administered by LIC of India. The liability for gratuity is accounted on the basis of actuarial valuation done by LIC of India.

### Borrowing Costs

Borrowing costs are expensed in the absence of outlay on qualifying assets.

### Segment Reporting

In the absence of more than one distinguishable business/ geographical segment, segment information is not given.

### Taxes on Income

Taxes on Income is accounted under the Tax Effect Method in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India. On account of the substantial amount of unabsorbed losses and depreciation under the tax provisions, the net position is a Deferred Tax Asset of Rs.138.50 lacs. This has not been recognised in the accounts as there is no virtual certainty of sufficient taxable profits in the foreseeable future, which would offset the same.

### Impairment of Assets

The carrying amount of assets is reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the assets net selling price and value in use. In assessing the value in use; the estimated future cash flows are discounted to the present value using the weighted average cost of capital.

### Provisions, Contingent Liabilities and Contingent Assets

The company creates a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

	<u>Current Year</u>	<u>Previous Year</u>
<b>3. Contingent liabilities not provided for in the Accounts:</b>		
a. Guarantees given by Banks against counter guarantee of the Company	999,491.00	799,491.00
b. Demand by KVAT Authorities in appeal pending disposal	5,000,000.00	5,000,000.00
<b>4. Estimated amount of contracts pending execution on capital accounts</b>	6,200,000.00	7,140,000.00
<b>5. Managerial Remuneration:</b>		
- Sitting fees	11,000.00	20,000.00
<b>6. Auditors Remuneration includes:</b>		
For Audit	250,000.00	220,600.00
For Taxation matters	25,000.00	30,898.00
For Management Consultancy	23,500.00	10,674.00
	<b>298,500.00 **</b>	<b>262,172.00</b>

\*\* Does not include Service Tax

7. The Cash Credit from The Federal Bank Ltd is secured by way of first charge on the floating assets and second charge on the fixed assets of the Company and are further guaranteed by the Promoter Directors of the Company.
8. In the opinion of the management, the current assets, loans and advances shall realise the value as shown in the balance sheet, if realised in the normal course of business.
9. Balance of sundry debtors, creditors, loans and advances are subject to confirmation/reconciliation.

**10. Disclosure in respect of related parties:-**

**a) Name of the related party and nature of relationship**

**1. Associate Companies**

Eastern Condiments Pvt Ltd  
 Eastern Retreads Pvt Ltd  
 Feroz Treads Pvt Ltd  
 Sheram Treads Pvt Ltd

**2. Key Management Personnel**

M.E. Meeran  
 Navas M. Meeran  
 M.E. Mohamed

**3. Relative of Key Management Personnel**

Alfa Rubbers  
 Kappiri Rubbers  
 Rosekhan Rubbers  
 Sahara Treads

**b) Transactions with related parties as per the books of account during the year ended**

	<b>31.03.2010</b> <b>Rs. in Lakhs</b>	<b>31.03.2009</b> <b>Rs. in Lakhs</b>
<b>1. Eastern Condiments Pvt Ltd</b>		
Sale of Finished Goods	Nil	0.031
Sale of Machinery & Spare Parts	0.870	Nil
Purchase of Vehicle	11.520	Nil
Sharing of Expenses	1.050	4.150
<b>2. Eastern Retreads Pvt Ltd</b>		
Sale of Finished Goods	24.178	0.044
Vehicle	0.110	Nil
Sharing of Expenses	1.015	0.207
<b>3. Feroz Treads Pvt Ltd</b>		
Purchase of Finished Goods	65.188	151.580
Sale of Raw Materials	1.048	Nil
Job Work Receipt	15.051	14.300
Sharing of Expenses	0.0205	0.030



<b>4. Sheram Treads Pvt Ltd</b>		
Purchase of Finished Goods	142.300	147.680
Sale of Raw Materials	4.147	20.390
Job Work Receipt	11.416	5.280
Sharing of Expenses	0.426	0.210
<b>5. Navas M. Meeran</b>		
Loan Accepted	Nil	Nil
Loan Repaid	18.252	Nil
Loan Transferred	Nil	616.520
Preference Share issue	Nil	600.900
<b>6. M.E. Meeran</b>		
Loan Transferred	Nil	430.380
Preference Share issue	Nil	400.000
Loan Repayment	31.748	Nil
<b>7. M.E. Mohamed</b>		
Loan Repaid	Nil	1.650
Travelling Expense Paid	1.800	Nil
<b>8. M.S. Ranganathan</b>		
Travelling Expense Paid	1.800	Nil
<b>9. Alfa Rubbers</b>		
Purchase of Finished Goods	87.134	153.290
Sale of Raw Materials	12.000	24.490
Job Work Receipt	14.806	3.380
Sharing of Expenses	0.179	0.280
<b>10.Kappiri Rubbers</b>		
Purchase of Finished Goods	143.976	0.660
Sale of Raw Materials	4.995	19.060
Job Work Receipt	2.236	1.180
Sharing of Expenses	0.099	0.270
<b>11.Rosekhan Rubbers</b>		
Purchase of Finished Goods	154.22	67.040
Sale of Raw Materials	4.829	15.080
Job Work Receipt	6.359	5.400
Sharing of Expenses	0.215	0.230
<b>12.Sahara Treads</b>		
Purchase of Finished Goods	150.976	71.530
Sale of Raw Materials	3.14	4.030
Job Work Receipt	5.758	4.930
Sharing of Expenses	0.219	0.380

**c) Amount Outstanding as at 31st March, 2010**

	<b>Amount (Rs)</b>
<b>Associates</b>	
Eastern Retreads (P) Ltd	11,055.55 cr
Sheram Treads (P) Ltd	752,694.00 cr
Feroz Treads (P) Ltd	3,070.00 dr
<b>Key Management Personnel</b>	
M.E. Meeran	7,819,410.00 cr
Navas M. Meeran	Nil
M.E. Mohamed	62,173.00 cr
<b>Relative of Key Management Personnel</b>	
Alfa Rubbers	457,358.00 cr
Kappiri Rubbers	886.00 cr
Rosekhan Rubbers	3,573,034.00 dr
Sahara Treads	7,640,456.00 dr

**11. Disclosure in accordance with AS 15 on Employee Benefits**

**a) Change in projected benefit obligation**

**Amount (Rs.)**

Projected benefit obligation at the beginning of the year	647,885.00
Service Cost	149,203.00
Interest Cost	0.00
Acturial (gain)/loss	0.00
Benefits paid	-124,788.00
Projected benefit obligation at the end of the year	<b>672,300.00</b>

**b) Change in plan assets**

Fair value of plan assets at the beginning of the year	121,565.00
Expected return on plan assets	19,437.00
Acturial (gain)/loss	0.00
Contributions	290,005.00
Benefits paid	-124,788.00
Fair value of plan assets at the end of the year	<b>306,219.00</b>

**c) Reconciliation of present value of obligation and the fair value of plan assets**

Present value of projected benefit obligation at the end of the year	672,300.00
Funded status of the plans	306,219.00
Funded status amount of liability recognised in the balance sheet	366,081.00

**d) The components of net gratuity costs are reflected below**

Service Cost	149,203.00
Interest Cost	0.00
Expected return on plan assets	-19,437.00
Recognised net acturial (gain)/loss	0.00
Net gratuity costs	129,766.00

e) Following are the Principal Actuarial Assumptions used at the balance sheet date:

Particulars	Gratuity
Discount Rate	8% p.a.
Salary Escalation Rate	5% p.a.

12. Basic and Diluted Earnings Per Share (EPS), of face value Rs.10/- has been calculated as under:-

<u>Numerator</u>		
Net Profit for the year	111,18,090.98	7,504,418.34
<u>Denominator</u>		
Weighted average number of equity shares outstanding during the year (Partly paid shares treated as a fraction of an equity share)	5,135,450.00	5,129,900.00
<b>Earnings per Share</b>	<b>2.16</b>	<b>1.46</b>

13. Additional Information

Item	Current Year	Previous Year
<b>a) Installed Capacity</b> (as certified by the Management and relied upon by the auditors without verification, being a technical matter)		
Tread Rubber (MTs)	5,016.00	5,016.00
Bonding Gum (MTs)	420.00	420.00
Vulcanising Solution (KLs)	240.00	240.00
<b>b) Producton</b>		
Tread Rubber (MTs)	1761.068	84.004
Bonding Gum (MTs)	Nil	1.40
Vulcanising Solution (KLs)	30.73	16.34
<b>c) Purchases</b>		
Tread Rubber (MTs)	2141.6871	2620.44
Bonding Gum (MTs)	301.25	314.54
Vulcanising Solution (KLs)	121.82	100.18

Note: The Company produced 60.41 MTs of compound mix.



**d. Quantitative details of Finished Goods**

**(Quantity in KGs., Value in Rupees)**

	Opening Stock		Turnover		Closing Stock	
	Current year	Previous year	Current year	Previous year	Current year	Previous year
<b>Tread Rubber</b>						
(Quantity)	136,368.14	135,562.63	2,627,792.05	1,619,467.70	124,669.19	136,368.14
(Value)	13,817,379.00	14,308,996.71	287,865,936.60	190,824,634.70	14,573,945.54	13,817,379.00
<b>Cushion Gum</b>						
(Quantity)	7,401.00	4,415.00	306,926.00	312,951.00	1,725.00	7,401.00
(Value)	678,816.50	469,185.00	37,962,016.90	38,919,278.06	203,655.00	678,816.50
<b>Vulcanising Solution</b>						
(Quantity)	2,152.00	1,712.00	150,700.00	116,079.00	4,002.00	2,152.00
(Value)	118,028.00	97,926.00	9,561,587.81	8,270,102.61	237,567.50	118,028.00
<b>CT</b>						
(Quantity)	5,398.10	17,593.50	1,277,298.59	1,096,360.50	14,761.51	5,398.10
(Value)	462,752.60	1,462,012.50	135,386,043.98	113,484,103.40	1,558,086.30	462,752.60
<b>Repair Patches</b>						
(Quantity)	10,915.00	19,970.00	43,595.00	35,631.00	20,552.00	10,915.00
(Value)	690,370.20	392,072.08	1,254,705.98	936,992.02	604,333.80	690,370.20

**e. Raw Materials Consumed**

Item	Current Year		Previous Year	
	Quantity	Value	Quantity	Value
RMA	186,844.50	21,487,118.00	26,086.56	6,815,329.50
CISAMER	490,065.80	41,223,123.00	34,090.00	9,370,470.00
ISNR	262,118.85	30,143,668.00	24,875.00	8,193,598.80
CARBON BLACK	554,937.11	37,262,285.80	56,174.05	10,613,528.40
ZINC OXIDE	35,763.12	3,790,890.70	3,549.00	1,215,246.27
PROCESS OIL	158,684.00	5,871,308.00	17,436.00	1,328,112.36
STEARIC ACID	28,464.87	1,480,173.30	2,856.66	427,992.79
RM SULPHUR	17,660.34	238,414.59	1,910.82	31,230.05
INSOLUBLE SULPHUR	28.65	3,868.29	102.77	38,730.23
SILICA	15,392.60	769,630.00	1,300.00	112,384.80
RECLAIM RUBBER	0.00	0.00	18,746.70	1,365,686.78
Others	0.00	7,185,335.77	0.00	3,979,812.91
<b>TOTAL</b>		<b>149,455,815.45**</b>		<b>43,492,122.88</b>

\*\* Sale of Raw Materials not considered

**f) Break-up of Indigenous & Imported Raw Materials Consumed**

Particulars	Current Year		Previous Year	
	Amount	%	Amount	%
Indigenous	131,457,493.45	88%	43,492,122.88	100%
Imported	17,998,322.00	12%	0.00	0%
<b>Total</b>	<b>149,455,815.45</b>	<b>100%</b>	<b>43,492,122.88</b>	<b>100%</b>

**g) CIF Value of imports made during the year** 15,980,462.83 Nil

**h) Earnings in foreign exchange** Nil Nil

**i) Expenditure in foreign currency** Nil Nil

**j) Amount remitted during the year in foreign currency** Nil Nil

**k) The details of Provisions as per AS 29 are given below:**

	Opening Balance	Additions/Reversals	Closing Balance
Provision for Taxation	Nil	849,500.00	849,500.00
Provision for Gratuity	465,675.00	-99,594.00	366,081.00

**14.** The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. The Company has not received any intimation from its vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

**15.** Previous year figures have been regrouped /reclassified wherever necessary to suit the current year's layout.

For JVR & ASSOCIATES  
Chartered Accountants

**M.E. MOHAMED**  
Managing Director  
Cochin 24  
11.08.2010

**M.S. RANGANATHAN**  
Director

**BAIJU.T**  
Company Secretary

**JOMON K GEORGE**  
Partner

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31/03/2010

(In terms of Listing Agreement)

	2009-10	2008-09
<b>A. Cashflow from Operating Activities</b>		
a. Net Profit before tax and extra ordinary items	11,118,090.98	7,504,418.34
Adjustments for :-		
Depreciation	4,666,005.72	4,065,312.27
Interest Received	0.00	0.00
Fringe Benefit Tax	0.00	267,246.86
Interest Paid	1,379,054.00	2,460,140.00
Miscellaneous Expenditure written off	515,252.00	0.00
Profit on sale of Fixed Assets	0.00	0.00
b. Operating Profit before Working Capital Changes	17,678,402.70	14,297,117.47
Adjustments for :-		
Trade and Other Receivables	(12,747,437.93)	9,495,959.20
Inventories	3,302,567.66	12,354,213.19
Trade Payables	318,272.70	385,930.90
c. Cash Generation from Operations	8,551,805.12	36,533,220.76
d. Interest Paid	1,379,054.00	2,460,140.00
e. Fringe Benefit Tax	0.00	267,246.86
e. Cashflow before Extraordinary Items	7,172,751.12	33,805,833.90
f. Extraordinary Items	0.00	0.00
<b>g. Net Cash from Operating Activities</b>	<b>7,172,751.12</b>	<b>33,805,833.90</b>
<b>B. Cash flow from Investing Activities</b>		
a. Purchase of Fixed Assets	(11,034,466.83)	(4,756,294.32)
b. Preoperative Expenses	0.00	0.00
c. Investments	0.00	0.00
d. Interest Received	0.00	0.00
e. Sale of Fixed Assets	0.00	0.00
<b>f. Net Cash from Investing Activities</b>	<b>(11,034,466.83)</b>	<b>(4,756,294.32)</b>
<b>C. Cashflow from Financing Activities</b>		
a. Proceeds from Issue of Share Capital/ Conversion	55,000.00	100,000,000.00
b. Proceeds from Long Term Borrowings/ Conversion	5,977,601.89	(127,248,906.32)
c. Proceeds from Investment Subsidy	0.00	0.00
d. Share Re-listing Expenses	(2,000,000.00)	(2,576,260.00)
<b>e. Net Cash from Financing Activities</b>	<b>4,032,601.89</b>	<b>(29,825,166.32)</b>
<b>D. Net increase / decrease in cash or cash equivalents</b>	<b>170,886.18</b>	<b>(775,626.74)</b>
Cash & Cash equivalents as at 01/04/09	4,541,789.70	5,317,416.44
Cash & Cash equivalents as at 31/03/10	4,712,675.88	4,541,789.70

**Notes:**

- Comparative figures have been regrouped wherever necessary.
- The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India

As per our report of even date attached  
For JVR & ASSOCIATES  
Chartered Accountants

**M.E. MOHAMED**  
Managing Director  
Cochin 24  
11.08.2010

**M.S. RANGANATHAN**  
Director

**BAIJU.T**  
Company Secretary

**JOMON K GEORGE**  
Partner

## AUDITOR'S REPORT

The BOARD OF DIRECTORS  
EASTERN TREADS LIMITED, KOCHI

We have examined the attached Cash Flow Statement of **M/s. EASTERN TREADS LIMITED** for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Listing Agreements executed with the stock exchanges where the shares of the Company are listed and is based on and in agreement with the corresponding Profit and Loss Account and Balance sheet of the company covered by our report of 11/08/2010 to the members of the Company.

**For JVR & ASSOCIATES**  
**Chartered Accountants**

**JOMON K. GEORGE**  
**Partner**  
**M.No.202144**

Kochi-16  
11/08/2010

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

### I. Registration Detail

Registration No	09 - 07213
Balance Sheet Date	31.03.2010

### II. Capital Raised during the year

(Amount in Rs. thousands)

Public Issue	Nil
Right Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

### III Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities	174,349
Total assets	174,349

#### SOURCES OF FUNDS

Paid-up Capital	151,355
Reserves & Surplus	2,000
Secured Loans	13,175
Unsecured Loans	7,819

#### APPLICATIONS OF FUNDS

Net Fixed Assets	39,793
Investments	Nil
Net Current Assets	77,137
Miscellaneous Expenditure	2,061
Accumulated Losses	55,358

### IV. Performance of Company

(Amount in Rs. Thousands)

Turnover	491,483
Total Expenditure	481,446
Profit/Loss before Tax	11,118
Profit/Loss After Tax	11,118
Earnings per Share	2.16
Dividend Rate	Nil

### V. Generic Names of Three Principal Products/Services of the Company

(as per monetary items)

Item Code No. (ITC Code)	350691
Product Description	Adhesives based on rubber chemicals

As per our report of even date attached  
For JVR & ASSOCIATES

**M.E. MOHAMED**  
Managing Director

**M.S. RANGANATHAN**  
Director

**BAIJU.T**  
Company Secretary

**JOMON K GEORGE**  
Partner

Cochin 24  
11.08.2010



**ATTENDANCE SLIP****EASTERN TREADS LTD.**

Regd. Office: 3<sup>rd</sup> Floor, Eastern Corporate Office, 34/137 E,  
NH By-pass, Edappally, Kochi, Ernakulam-682 024, Kerala

**17<sup>th</sup> ANNUAL GENERAL MEETING**

Folio No. : .....  
No. of Shares : .....  
Full Name of the Member Attending : .....  
Full Name of the First Joint Holder : .....  
Full Name of Proxy : .....

I hereby record my presence at the 17th Annual General Meeting of the Company to be held at the Registered office of the Company, at 3A, 3<sup>rd</sup> Floor, Eastern Corporate Office, 34/137 E, NH Bypass, Edappally, Kochi, Ernakulam-682 024 on Wednesday, 22<sup>nd</sup> September, 2010 at 10.30 A.M

MEMBER'S / PROXY'S SIGNATURE

NOTE: Members / Joint Members / Proxies are requested to bring the attendance slip duly completed to attend the meeting.

**PROXY FORM****EASTERN TREADS LTD.**

Regd. Office: 3<sup>rd</sup> Floor, Eastern Corporate Office, 34/137 E,  
NH Bypass, Edappally, Kochi, Ernakulam-682 024, Kerala

**17<sup>th</sup> ANNUAL GENERAL MEETING**

Folio No. : .....  
No. of Shares : .....  
I / We ..... of .....  
in the district of being member(s) of the above Company, hereby appoint .....  
..... of ..... or failing him  
..... of ..... or failing him  
..... of ..... in the district of .....

17<sup>th</sup> Annual General Meeting of the Company to be held at Registered office of the Company, at 3A, 3<sup>rd</sup> Floor, Eastern Corporate Office, 34/137 E, NH Bypass, Edappally, Kochi, Ernakulam-682 024 on Wednesday, 22<sup>nd</sup> September, 2010 at 10.30 A.M at any adjournment thereof.

Affix  
Re.1  
revenue  
stamp

NOTE:- The proxy form duly completed should be deposited at the Registered Office of the Company at 3<sup>rd</sup> Floor, Eastern Corporate Office 34/137 E, NH By-pass, Edappally, Kochi-682 024 not less than 48 hours before the time for holding the aforesaid meeting.





# Certificate of Assessment

**AQA International LLC, attests that:**

## **Eastern Treads Ltd.**

**HEAD OFFICE:**

4th Floor, C- Block, Mather  
Square, Opp. North Rly. Station,  
Ernakulam-682 018 Kerala

**SITE 2:**

Oonnukal (Post) Kothamangalam,  
Ernakulam (Dt.),  
Kerala.

with a scope of:

**Design, Development, Manufacturing and Supply of Pre-Cured &  
Conventional tread, Bonding Gum and Black Vulcanising Cement**

**has established a Quality Management System that is in compliance  
with the International Quality System Standard  
ISO 9001 - 2000.**

*"Further clarifications regarding the scope of this certificate and the applicability of  
ISO 9001:2000 requirements may be obtained by consulting the organization."*

9/2/2004

Initial Registration

11/15/2007 to 11/14/2010

Registration Period

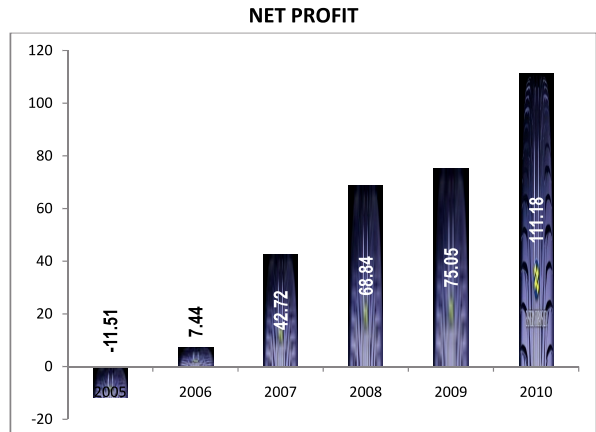
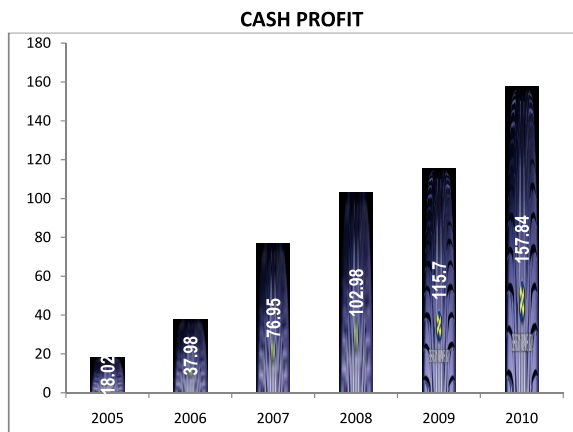
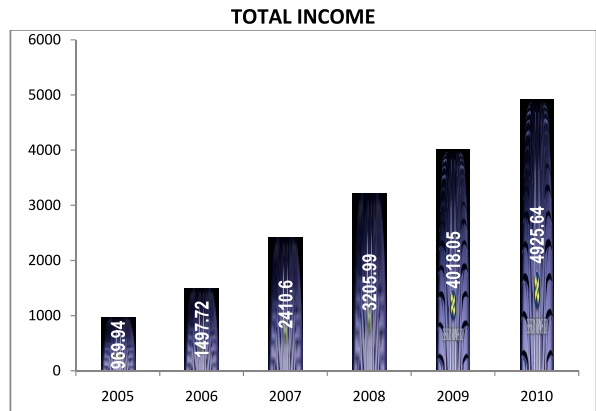
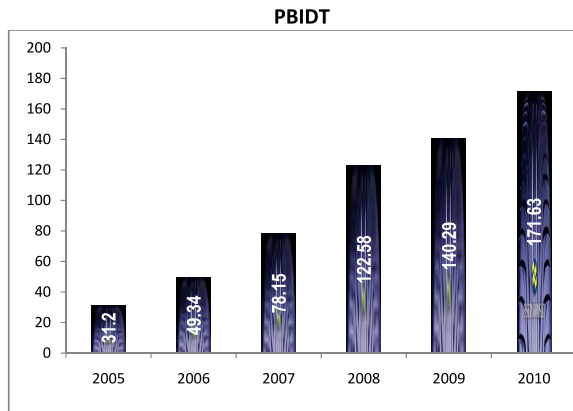
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Certificate No.

CEO, AQA International

Current Status: Please visit website: [www.aqa.in](http://www.aqa.in) ANAB Accreditation No.010694

501, Commerce Drive, NE Columbia, South Carolina - 29223, USA (803) 779-8150



### BRANCHES OF EASTERN TREADS LTD

#### **Ludhiana**

71 Lajpatnagar, Near Bus Stand  
Ludhiana - 141002  
Ph: 0161-5041107

#### **Jaipur**

1617, Nana Ji Ka Bagh, Fateh, Tiba Margh,  
M. D. Road, Jaipur Rajasthan - 302002  
Ph : 09351832009

#### **Indore**

B1-indira Complex, Shop No: 28/29,  
Harshadeep Tower, Navalakha, Indore -452017  
Ph: 09981377133

#### **Bangalore**

No: 13/1 Roshan Bagh Roadnear  
Near Minerva Circle, V.V. Puram,  
Bangalore - 560004 Ph: 09341060794

#### **Baroda**

6&7, Jai Narayan Estate, Opp.bhagavan Park,  
IPCL Road, Ranoli, Baroda - 391350  
Ph: 09376217179

#### **Nagpur**

Resi-106,107, Adarsh Nagar,  
Gurudatt Society Wadi, Nagpur  
Ph: 09975810587

#### **Lucknow**

127/4, Bisheshwar Nath Road,  
Near Nishat Cinema Hall, Kaiserbagh  
Lucknow-226001. Ph: 09335913372

#### **Pune**

155 A Pune, Ground Floor,  
Saswad Road, Near Over Bridge, Phursingi,  
Pune-412308. Ph: 09370093131

#### **Guwahati**

House No. 3, Nandanpur Path,  
Survey, Guwahati - 22  
Ph: 09854152516

#### **Coimbatore**

Opp. Kovai Diabetic Hospital, Balasundaram Layout,  
Vivekananda Road, Ramnagar,  
Coimbatore-9. Ph: 09843094367