



EASTERN TREADS LIMITED
ANNUAL REPORT 2011 - 12

Steering the world towards
greener future.



*"Life isn't about finding yourself.
Life is about creating yourself"*

—— George Bernard Shaw



M.E. Meeran
1940-2011

VISION

To be the preferred provider of products and services of outstanding value, satisfying the basic needs of the mass market through the adoption of globally acceptable standards and continuous innovation

To be the preferred employer in the industries we are in, by providing a challenging work environment and adding value to our people through exposure and shared learning

To be the preferred business partner of all our stakeholders, by providing them with exemplary benefits and shared growth

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Navas M. Meeran	Chairman
Mr. M.E. Mohamed	Managing 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)
C. S. Baiju.T	Company Secretary

REGISTERED & CORPORATE OFFICE

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

FACTORY

Oonnukal, Kothamangalam, Ernakulam - 686693, Kerala

BANKERS

The Federal Bank Limited

AUDITORS

JVR & Associates, Chartered Accountants
39/3639, Valanjambalam Lane, South of South Overbridge
Kochi, Ernakulam 682016

REGISTRAR & SHARE TRANSFER AGENTS

Integrated Enterprises (India) Limited,
2nd Floor, 'Kences Towers' No.1,
Ramakrishna Street,
North Usman Road,
T.Nagar, Chennai-600017

INVESTOR CORRESPONDENCE

The Company Secretary
Eastern Treads Limited
3A, 3rd 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.

It is my delight and privilege to address my first communication to you through this annual report after assuming the august office of the Chairman of our Company. At the outset I would like to express my heartfelt gratitude to my esteemed colleagues on the Board for having reposed the trust and confidence in me. I accept this honour with all my humility and assure you that it shall be my endeavour to further

improve our performance using the road map charted by my predecessor, our founder Chairman who had successfully steered the Company out of several compelling adversities.

The year 2011-12 was eventful on many fronts and it has been, in many ways, a very tough year. Even though the tyre retreading has gained greater acceptance, we had witnessed series of challenges in business environment like rising trend in input costs, higher interest and depreciation charges, unavailability of trained labour forces etc. Even though the price of natural rubber has gradually softened from its record peak level, all other raw materials continued its high rate, due to supply crunch.

Based on our past experience we realized that the growth curve may not be linear, but may have ups and downs, as exactly what happened last year. Even though our growth in revenue is remarkable, the surge in input cost made it difficult to sustain our profit margin, which resulted in a dip in our profit. The recent rise in excise duty will be a blow to the industry which has already been hit by surge in input cost.

During this tough economic environment, which presents a host of challenges, we focused our efforts to avoid such situations in coming years by ensuring our growth, without compromise and we have the confidence that in the longest term, our Company grow further by giving best value for our stakeholders through innovations and strong cost efficiency programmes.

Because of the environmental benefits offered by quality retreads with same performance and lower price, compared to new tyres, retreads is gaining more acceptability. Retreading which promotes a longer tyre lifecycle, prevents premature disposal, and saves energy and natural resources is the best practical environmental option for tyre recycling with least environmental impact.

Our biggest resource and asset, our employees, who worked as a single team towards the objectives of the Company with dedication, perseverance and sincerity helped us to operate profitably despite several adversities. We have always been fully committed to develop them to strengthen their capacities and skills in the existing areas and also to equip them with adequate professional and technical knowledge and experiences.

Our future growth and success depends on our ability to cater the customer aspirations and needs. Our manufacturing facility is in tune with the aggressive growth and future market expansion plans and we are equipped to retread almost every tyre size of all vehicles. I look forward to the year ahead with a sense of confidence to deliver better results to all our stakeholders.

Before I conclude, I would like to express my gratitude to our customers, business associates, employees, suppliers, bankers, shareholders and members of the Board for their continued confidence and support and look forward to strengthening such a relationship in future.

Warm regards

Navas M. Meeran
Chairman



EASTERN TREADS LIMITED

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

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 19th Annual General Meeting of the members of Eastern Treads Limited will be held at Hotel Park Central, Kaloor - Kadavanthra Road, Kaloor, Ernakulam, Kochi - 682017 on Thursday, 23rd August, 2012 at 3.00 P.M to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance sheet as at 31st March 2012 and the Profit and Loss Statement for the year ended on that date together with the Reports of the Directors' and Auditor's thereon.
2. To appoint a Director in place of Mr. Navas M. Meeran who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Naiju Joseph, 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
29.05.2012

Baiju. T
Company Secretary

**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 Thursday, 16th August, 2012 to Thursday, 23rd August, 2012 (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, authorizing them to attend and vote on their behalf at the Meeting.
4. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting. Members who hold the shares in the dematerialised form are requested to bring their deposit account number (Client ID No.) for easier identification of attendance at the Meeting. Entry into the meeting hall will be strictly against the exchange of valid attendance slip at the counters at the venue.
5. Members have facility for dematerialising the shares of the Company with NSDL and CDSL. Any member desirous of dematerialising his holding may do so through any of the Depository Participants.
6. Members whose shareholding is in electronic mode are requested to approach their respective Depository Participants for effecting change of address.
7. Members may note that transferees of shares of the Company in physical form shall furnish copy of PAN Card to the Company/RTAs for registration of such transfer of shares.
8. Members are requested to address all correspondences, including change in their addresses, to the Company or to the Registrar and Share Transfer Agents, M/s. Integrated Enterprises (India) Limited, 2nd Floor, Kences Towers, No:1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600017. E-mail: sureshbabu@iepindia.com.
9. If any of the members are holding shares in the same name or in the same order of names, under different folios, then members are requested to notify the same to the Registrar and Share Transfer Agents for consolidation of their shareholding into a single folio.
10. 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.
11. Notice of this Annual General Meeting, Audited Financial Statements for 2011-12 along with Directors' Report and Auditors' Report are available on the website of the Company www.easterntreads.com.



12. A member or his/her proxy is requested to bring the annual report to the meeting as extra copies will not be distributed.
13. As per Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nomination are requested to send their request in Form 2B (which will be made available on request) to the company or registrar and share transfer agent. The said nomination form can also be downloaded from the Company's website www.easterntreads.com.
14. For the convenience of the Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by the Attendance Slip, which is annexed to the Proxy Form. Members are requested to affix their signature at the place provided on the Attendance Slip and hand it over at the entrance.
15. As per Circulars issued by the Ministry of Corporate Affairs, Members are requested to provide their email address to the Company/ the Registrar and Transfer Agents or update the same with their depositories to enable the Company to send the documents in electronic form.
16. Details of the Directors seeking reappointment at the Annual General Meeting as required under Clause 49 of the Listing Agreement is as follows:-
 - a. Mr. Navas M. Meeran, aged 43 years, joined the Board of Directors of the Company on 26th August 1997. He is a Post Graduate in Business Management. He is the recipient of 'Kamal Patra' award from the Indian Junior Chamber for being an outstanding young entrepreneur of the year in 1994. He hails from a respectable business family in Adimali renowned for manufacturing and exporting of spices and curry powder. He has been involved in the business of spices for the last 25 years and having immense practical experience in tyre retreading industry. Presently he is the Chairman of Eastern Group of Companies and was Chairman of Confederation of Indian Industry (CII), Kerala Chapter. He is presently the Director of the following other public limited companies:
 1. Adimali Industries Limited
 2. Kerala State Industrial Development Corporation LtdHe is not a Chairman or Member in Committees of Directors in other public limited companies. He holds 6,20,800 equity shares and 6,00,000 preference shares in the Company. His Director Identification No. is 00128692.
 - b. Mr. Naiju Joseph, aged 46 years, joined the Board of Directors of the Company on 18th September 2003. He is a Graduate in Economics. He hails from a business family of Vazhakulam engaged primarily in tyre re-treading industry. He is not a Director, Chairman/Member in Committees of Directors in other public limited companies. He holds 3000 equity shares in the Company. His Director Identification No. is 00419362.

None of the aforesaid Directors is related to each other.



DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting the Annual Report along with the audited statements of accounts of your Company for the financial year ended 31st March, 2012.

Financial Highlights

The performance of your Company has been satisfactory. The following table shows the operational results of the Company for the year 2011-12 as compared to that of the previous year.

(₹ in lakhs)

	Year ended	
	31.03.2012	31.03.2011
Revenue from Operations	8532.88	6666.32
Other Income	3.85	6.95
Total Income	8536.73	6673.27
Total Expenditure	8304.04	6443.69
Profit before Interest, Depreciation and Tax	232.69	229.58
Financial Cost	75.13	47.32
Depreciation and Amortization	56.59	54.36
Profit before tax	100.97	127.90
Profit after tax	106.31	127.91

Operations

Your Company has reported a revenue growth of 28 % during financial year ended 31st March 2012. The revenue has improved from ₹ 6666.32 Lakhs to ₹ 8532.88 Lakhs and the Profit before Interest, Depreciation and Tax amounted to ₹ 232.69 Lakhs as against ₹ 229.58 Lakhs during the previous year, registering an increase of 1.35%. However the net profit for the year fell by 16.89% as compared to the previous year. The Net Profit after Tax amounted to 106.31 Lakhs as against ₹ 127.91 Lakhs during the previous year.

The growth in revenue is remarkable, but the margin has shrunk due to the surge in input costs. This fall in net profit was on account of other factors, like volatility in raw material prices, increased debt, higher interest and depreciation charges, unavailability of trained labour forces, rupee depreciation Etc.

To face these challenges several steps had been taken, which helped the Company to manage and maintain the profitability. The Company is working hard to avoid such situations in coming years and will continue its efforts to ensure its growth, without compromise by aggressive marketing initiatives.



Dividend

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

Current Scenario

The tyre retreading industry shows a healthy growth rate and your company is optimistic about its development prospects mainly due to the constant and rapid growth of transport industry and the cost saving factor to vehicle owners by using retreaded tyres.

The increasing tyre price due to the supply deficit in rubber resulted in increased retreading. Other factors like growing industrialization, logistic network, improvement in quality of roads, overloading norms, increasing level of radialisation etc. push retreading.

The financial benefit of retreading compared to the replacement cost demands retreading in all type of vehicles and it makes more attractive in case of commercial vehicle segment. Hence retreading holds out as an economically viable option for fleet owners and it has detrimental impact on replacement demand for tyres.

The changes in consumer behavior due to climb in tyre price resulted in growth and technological advancement in retreading industry. The economic benefits of retreading will continue to grow and tyre retreading will emerge as a part of overall tyre management programme.

The Company has gone through a challenging year which has showed volatility in raw material prices and increased input costs which affected the profitability. Despite the challenges, high performance, cutting edge technology, and good customer care, appropriate price revisions, new vendor development and the introduction of new value added products helped the Company to manage the situation.

Your Company has grown over the years and is widely recognized as a world class manufacturer of tyre retreading materials. Now Eastern Treads has a brand image closely associated with tyre retreading industry and the long term prospective of your Company seems to be bright.

Marketing Strategy

Your Company is one of the market leaders in the production of tyre retreading materials. As a leader in the industry, we provide 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. Our extensive product portfolio with Eastern brand consisting tread rubber, procured tread rubber and other retreading materials are today sold through our large business network.

We built our Eastern brand over 19 years and have developed a vast marketing network in the country and now we look to further deepen our customer relationship by introducing products that create better value for customers. This strong network and brand presence have facilitated us to face the challenges in the industry and contributed to our growth. We always make every effort to exceed the customer expectations and works to establish a long term professional relationship with them. Now we focus to further intensify our customer base by better market penetration in existing as well as new geographies, through our dealer network and through a team of dedicated marketing professionals by directly contacting the individual fleet owners.



As a premier tyre retreading solution provider, your Company has earned a reputation as a specialist in producing full range of tyre retreading materials that can excel in all weather and road conditions. This facilitated the Company to get acceptance with major retreading companies and Road Transport Corporations.

Our recently released diamond quality products offer significant benefits like durability, mileage and safety in all challenging conditions and some of the products are creating new trend in the industry

Since internationally the replacement market is sizeable as well as stable, with 19 years of manufacturing experience now we are on the move to capture our market share around the globe to reach our ambitious growth plans.

Raw Materials

The new year has begun with a peak in price of natural rubber due to supply crunch, and it created a record in daily trade price. All other raw material prices have also raised beyond expectations. Initially there was a rising concern about the availability of natural rubber due to climatic and other conditions. Natural Rubber continued its high price in the first quarter due to strong surge in demand. Thereafter the price of natural rubber has softened from its peak level with fall in international prices. However prices of synthetic rubber and other raw materials continued its high rate due its supply deficit. Imports become expensive as rupee devalued significantly. Since this industry is highly raw material intensive, the volatility in input costs has affected the profitability of the Company.

The market trends indicate that it is not possible to ensure non- volatile supplies of natural rubber due to the wide gap between the production and demand and synthetic rubber will also become expensive due to the increase in the price of petroleum products in the international market combined with the rupee depreciation.

Your Company has managed the situation by developing reliable and efficient raw material supply sources at national and International level, through which the raw material procurement system is functioning effectively.

Quality

The Company is always keen on maintaining quality and productivity. Your Company has built its brand with its commitment to total quality management. Our products are tested at every stage of manufacturing to ensure the quality that can meet the exact customer requirement. Our policy of best manufacturing practices has been bestowed with various quality certifications and accreditations to its credit which includes FACT MKK Nair Memorial Productivity Award for excellent performance and ISO 9001-2008.

We are committed to understand the customer requirements and to develop products that create value for customers. Our research and development team has focused on our customer needs, which helped the Company to keep its competitive edge in the market by producing products which can provide superior performance, safety, and comfort, under different and extreme road conditions, from village roads to newly constructed national highways, from extreme cold to hot and wet conditions prevailing in different geographical parts of the country. Providing after sale services and technological assistance to the customers by committed professionals and experts is another initiative of the Company to provide quality services.

The newly commissioned effluent treatment system, which meets ISO standards, helped the Company to keep an eco friendly and safety environment to our work force.



Public Shareholding

Your Directors request to the shareholders, who have not yet paid their allotment money, 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 to 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. 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.

Management Discussion and Analysis Statement

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

Auditors

M/s. JVR & Associates, Chartered Accountants, Kochi-16, were reappointed as the Auditors 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. Navas M. Meeran and Mr. Naiju Joseph retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their reappointment.

None of the Directors is disqualified under Section 274(1) (g) of the Companies Act, 1956.



The Board expresses its deep grief on the demise of our founder Chairman, Mr. M.E Meeran. He died on 8th September 2011, leaving behind an illustrious entrepreneurial career. He was associated with the Company from the days of its inception and had successfully steered the Company out of several compelling adversities. His efforts and contributions made the Company a competitive and reputed leader in the industry.

Directors' Responsibility Statement

Pursuant to the requirement of Sub-Section 2AA of Section 217 of the Companies Act, 1956, your Directors confirm 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), Reconciliation of Share Capital Secretarial Audit is being carried out at the specified periodicity by a Practising Company Secretary. The findings of the Secretarial Audit have been satisfactory.

Personnel

None of the employees is 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

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.

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. This will boost their morale and productivity.



Your Company organised various training programmes, sponsored the employees for training programmes / seminars / conference organised by reputed professional institutions to upgrade the skill and knowledge of the employees in different operational areas and for all round growth of our employees. This made the employees competent and motivated. Your Company has recruited high quality human resource, the solid foundation on which the Company can build itself up. With this solid foundation of talented professionals your Company is now looking for a global reach.

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, 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

Kochi
29.05.2012

Navas M. 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 2011-12. Continuous efforts have been taken to utilise the energy most efficiently and to nurture and preserve the environment. The total energy consumption and energy consumption per unit as per Form A is given below.

Power and fuel consumption	2011-12	2010-11
1. Electricity		
a) Purchased		
Unit (Kwh)	18,97,533.00	18,05,712.00
Total Amount (₹)	80,16,895.00	70,94,809.00
Rate/Unit (Average) (₹)	4.22	3.92
(b) Own generation		
Through diesel generation		
Unit (Kwh)	42,805.83	46,812.50
Unit per litre of Diesel Oil	3.69	4.05
Rate/Unit (₹)	11.92	9.87
2. Others	0.00	0.00

Consumption per unit of production	2011-12	2010-11
Products (with details) unit		
Tread Rubber (MT)	1479.51	1275.61
Bonding Gum (MT)	55.36	20.61
Vulcanizing Solution (KL)	222.63	76.86
Master Batch Compound (MT)	94.61	98.91
Conventional Tread (MT)	91.22	0.00
Job work done (MT)	4880.06	5353.37
Electricity (Kwh)	284.37	271.42
Others (specify)	0.00	0.00

(B) Technology Absorption

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

(C) Foreign Exchange Earning and Outgo

	2011-12	2010-11
Foreign exchange earnings	11.88	0.83
Foreign exchange outgo	29.05	273.90

₹ In Lakhs



ANNEXURE "B" TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

Eastern Treads Limited 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 organizations, that is, organizations 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 organisation.

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 institutionalized 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 Non-executive Director. The founder Chairman, Mr. M.E Meeran died on 8th September 2011. No Director has been appointed in this casual vacancy. 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		Committee memberships	
		Board Meetings	Last AGM	Director	Chairman	Member	Chairman
Mr. M.E. Meeran *	P, C & NE	1	No	None	None	None	None
Mr. M.E. Mohamed	MD & ED	4	Yes	4	None	None	None
Mr. Navas M. Meeran	P, C & NE	3	Yes	13	None	None	None
Mr. M.S. Sebastian	NE & I	4	Yes	1	None	None	None
Mr. M.S. Raganathan	NE & I	3	Yes	4	None	None	None
Mr. Naiju Joseph	NE & I	2	Yes	1	None	None	None
Mr. K.S. Neelacanta Iyer	NE & I	4	Yes	1	None	None	None
Mr. K.V. Rajagopalan Nair (Nominee of KSIDC)	NE, I & N	4	No	1	None	None	None

C: Chairman; P: Promoter; N: Nominee Director; E: Executive Director; I: Independent Director; NE: Non-Executive Director; MD: Managing Director; * Mr. M.E. Meeran Ceased on 8th September 2011

**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 four months between any two meetings. The details of the Board meetings are as under.

Sl. No.	Date	Board Strength	No. of Directors Present
1.	11 th May 2011	8	4
2.	11 th August 2011	8	8
3.	10 th November 2011	7	7
4.	13 th February 2012	7	6

Audit Committee

The Audit Committee is duly constituted 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 the 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, fix audit fee and fee for 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 28th September 2011 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 2011-12. The dates on which the meetings were held are 06/05/11, 08/08/11, 10/11/11 and 13/02/12. 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	3
Mr. Naiju Joseph	4	3
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 at 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. During the financial year 2011-12, the Committee had one meeting on 11th August 2011 and all the members of the Committee were present at the meeting.

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 endeavors to attract, retain, develop and motivate a high performance workforce. Individual performance of the employees are measured through annual appraisal process.

Name	Salary	Perquisites	Commission	Sitting Fee
Mr. M.E. Mohamed	0.00	0.00	0.00	0.00
Mr. Naiju Joseph	0.00	0.00	0.00	2000.00
Mr. K.S. Neelacanta Iyer	0.00	0.00	0.00	4000.00
Mr. K.V. Rajagopalan Nair	0.00	0.00	0.00	4000.00

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	Chairman
Mr. M.E. Mohammed	Managing Director / Executive Director	Member
Mr. M.S. Ranganathan	Non-Executive Independent 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 Independent Director	Chairman
Mr. M.S. Ranganathan	Non-Executive Independent Director	Member
Mr. K.S. Neelacanta Iyer	Non-Executive Independent 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, one complaint received from a shareholder and the same was redressed and as on 31.03.2012 there were no complaints outstanding. No request for share transfer was pending as on 31.03.2012.

General Body Meetings

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

Year	Location	Date	Day	Time
2008-2009	Hotel Cochin Tower, Ernakulam	24.09.2009	Thursday	10.30 AM
2009-2010	Registered Office	22.09.2010	Wednesday	10.30 AM
2010-2011	Hotel Amruthaa International, Ernakulam	28.09.2011	Wednesday	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.

* Mr. M.E. Meeran Ceased on 8th September 2011



Disclosures

(a) Related party transactions:

The transactions of purchase/sale of finished goods, raw materials and job work with concerns in which Directors/relatives of Directors have interest have been made in the ordinary course of business at prices which are reasonable having regard to quality and prevailing market prices or prices at which transactions of similar goods or services have been made with other parties. 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. Full disclosure of related party transactions as per Accounting Standard -18 is given under Note no: 33 of Notes to the Financial Statements.

(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.

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.

Code of Conduct

The Board approved the Code of Conduct applicable to the Board Members and the Senior Management Personnel of the Company at its meeting held on 28th April 2009. The Code has been posted on the website of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code and a declaration to this effect signed by the Managing Director is annexed to this report.

General Shareholder Information

(a) Annual General Meeting

Date and Time : Thursday, 23rd August, 2012 at 3.00 P.M
Venue : Hotel Park Central, Kaloor - Kadavanthra Road, Kaloor,
Kochi, Ernakulam - 682017

(b) Financial calendar (tentative)

Annual General Meeting	:	23 rd August, 2012
Un-audited financial results for the quarter ending 30.06.12	:	First week of August 2012
Un-audited financial results for the quarter ending 30.09.12	:	First week of November 2012
Un-audited financial results for the quarter ending 31.12.12	:	First week of February 2013
Un-audited financial results for the quarter ending 31.03.13	:	First week of May 2013

**(c) Book closure date**

Thursday, 16th August, 2012 to Thursday, 23rd August, 2012 (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 2012-13 have been paid to all the Stock Exchanges. The Company has also paid the annual custodial fee for the year 2012-13 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
2nd 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 2011-12, 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 has 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 31st March, 2012**

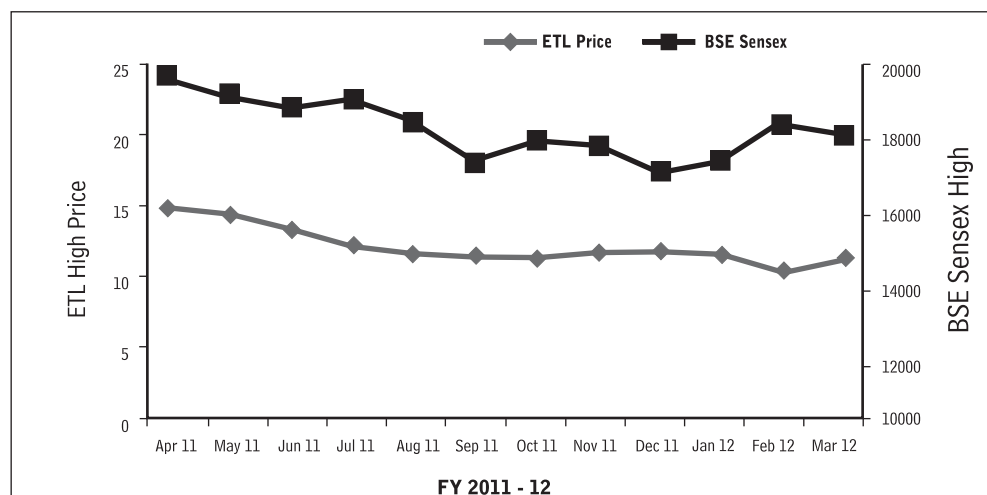
Category	Equity		Preference	
	No. of shares	%	No of shares	%
Promoters	3427200	61.29	1000000	100
Body Corporate	319500	5.71	Nil	Nil
NRI	10100	0.18	Nil	Nil
Public	1832681	32.78	Nil	Nil
Others (Clearing Member)	2019	0.04	Nil	Nil
Total :	5591500	100	1000000	100

(j) Distribution of Shareholding as on 31st March, 2012

Equity				
Category	No. of shareholders	% of shareholders	No. of shares holding	% Shares
Up to 500	973	58.65	368600	6.59
501 – 1000	510	30.74	460400	8.24
1001 – 2000	70	4.22	110900	1.98
2001 – 3000	37	2.23	94500	1.69
3001 – 4000	11	0.66	39900	0.71
4001 – 5000	14	0.84	66400	1.19
5001 – 10000	18	1.09	153300	2.74
Above 10000	26	1.57	4297500	76.86
Total	1659	100.00	5591500	100.00
Preference				
Above 10000	2	100.00	1000000	100.00
Total	2	100.00	1000000	100.00

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

Month	BSE	
	High Price	Low Price
April 2011	14.70	13.73
May 2011	14.15	11.50
June 2011	13.00	10.41
July 2011	11.90	10.00
August 2011	11.20	9.66
September 2011	11.16	9.65
October 2011	11.00	9.41
November 2011	11.40	9.70
December 2011	11.55	10.00
January 2012	11.25	9.90
February 2012	10.02	9.08
March 2012	10.95	9.55

**(l) Performance in comparison to broad-based indices such as BSE Sensex****(m) Dematerialization of shares and liquidity**

More than 68.51% of the Company's paid-up equity share capital has been dematerialised up to 31st March 2012. 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,
2nd 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, 3rd 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 Audit for the purpose of reconciliation of total admitted capital with the depositories, National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL) and the total issued and listed capital of the Company.

The 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
29.05.2012

M.E. Mohamed
Managing Director



Auditor's Certificate
on 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 31.03.12 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 31st March, 2012 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
(F. R. No. 011121S)

Kochi-16
29.05.2012

JOMON K. GEORGE
Partner
M.No.202144



ANNEXURE "C" TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

a) Industry Structure and Developments

The tyre replacement market is growing along with the growth in vehicle population. The tyre retreading industry is also on a high growth curve. The tyre and tyre retreading industry has performed well in the financial year 2011-12, which is due to the growth in the level of economic activity and performance of automotive industry. This industrial growth depends on the primary factors like agricultural growth, industrial production, growth in vehicle demand and secondary factors like infrastructure development, prevailing interest rates and financing options.

The Indian tyre-retreading industry mainly focused on commercial vehicles and off-the-road Tyres and is fragmented and unorganised. However, in the international markets branded tyre manufacturers play a key role in the re-treading business. Recent entry of Indian Tyre brands in retreading industry is a stepping stone in this direction.

The year under review was one of the most challenging with regard to raw material cost. The natural rubber price has gone up to its all time high in the month of April 2011. Demand and production gap of natural rubber led to unprecedented increase in the price. After the peaking in April the natural rubber prices have gradually come down with fall in international prices, which has brought some relief to the Company. Still the Rubber prices are much higher than the low of the last three years. All other raw materials including synthetic rubber showed a rising trend in costs as compared to the previous year due to supply crunch.

Given the fact that the tyre retreading industry is highly raw material intensive, steep rise and frequent fluctuations in the cost of raw materials have huge impact on profitability since the market is not in a condition to absorb higher prices. Higher raw material price put a strain on the working capital requirements of the Company and surge in input costs resulted in narrowing of our operating margin. If the rupee devalues further the imports also become expensive.

The technological improvements in retreading industry, particularly in quality of compounds used for making the tread rubber resulted in an increased service life of tyres due to multiple retreading. Since the tyres being one of the primary costs for a fleet operator, retreading helps him to reduce the operating cost. Due to cost savings, the tyre retreading has gained greater acceptance and this has placed the retreaders in a better position than the tyre manufacturers. In addition to cost effectiveness retread tires provide massive environmental sustainability and thereby address societal concerns due to energy saving benefits.



The increase in tyre price due to the high input cost resulted in increased retreading. The improvement in quality of roads and execution of vehicle overloading rules were also resulted in higher acceptance of tire retreading industry. Our products with Eastern brand covers all stages of the retreading process and we are committed to put constant endeavour to ensure continuous improvement in quality, durability and reliability with minimum economy.

b) Opportunities and Threats

Since the Tyres represent one of the largest item in the fleet operation cost, right after labour and fuel costs, the lowest possible running cost can be achieved with a good tyre management program that includes the use of quality retreads. The significance of retreading can be gauged by the fact that around 85% of the tyre demand is for replacement. Hence tyre re-treading, which is gaining increasing acceptance could have a detrimental impact on replacement demand for tyres.

The commercial tyre retreading is having good future with the introduction of radialisation, better quality road networks and increased share of multi-axle trucks. Since the radial tyres have improved mileage, rolling resistance and less tread wear it can be driven much longer compared to bias-ply tyres which will impact retreading, however radialisation was a boon to the truck tyre retreading market as radial tyres give high quality casings that can be successfully retreaded multiple times and the quality retreaded tyres will build customer confidence. This gives a range of opportunities for higher level retreading and Eastern Treads aims to make use of most of these.

The advantages of Eastern Treads in tyre retreading industry are its vast experience, prompt after sales service, good customer relation, awards and recognitions to prove consistent quality, good network, judicious purchase of materials, reputation and brand image of its quality products, talented technical and marketing personnel and supporting management which gives leadership and acceptability in the market.

The entry of branded tyre majors including multinational corporations in retreading industry may be a threat to the Company, however it 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 quality and benefits of retreading, as the customers further know tyre retreading, the market will expand at a fabulous speed.

Another area of concern for retreading industry is the unhealthy competition from small and unorganised players who are producing poor quality retreads which may hurt the consumer confidence in retreading. We are confident that customers have faith in our products and we shall be able to get reasonable market share in the short term.

**c) Outlook**

With the advancement of technology and economies of scale, retread manufacturing has reached a level of quality and sophistication unprecedented in its history, and today the retreading has overcome its past reputation and become part of established fleet management practice for commercial and utility operations.

Since the mentality of the market towards retreading has changed the retreading will remain an integral element of the tyre market. So there remains scope for expansion for retreading industry as they build on the increased understanding of whole life tyre costs.

Retreading is not only cost effective, but dependable, reliable, safe and environment friendly. Our management is of the view that Eastern Treads can use this opportunity to continue its passionate journey towards customer delight and loyalty and has developed business plans to exploit the market to become the most successful retreader with the highest quality products, delivering the best possible return on investment to the fleets.

Even though the enhancement of general excise duty leads to an increase in our product price, it will result in hike in tyre price also, which ultimately result in increased use of retreaded tyres.

d) Risks and Concerns

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, advance and bank guarantee from the customers. The risk of delayed payment from State Transport Corporations is controlled and managed by continuous follow-up.

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 unprecedented fluctuations have serious impact on profitability till prices are revised to meet the costs, especially in case of supply to State Transport Corporations and others, based on fixed price contracts. The petroleum based raw material prices are linked to the movement in crude oil prices and the Natural rubber price is subject to production volatility resulting from speculating activities and natural causes. While demand of tyre retreading materials in the industry is expected to be healthy, cost pressures remains as a challenge. With the rupee weakening against the US dollar, the expensive raw material import has emerged as the biggest concern.

**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 unauthorized 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 top management and by the Audit Committee of the Board of Directors.

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. Your Company lays great emphasis on optimising people performance through various people processes. It begins with best practices in recruiting people and moves through learning and development, engagement, employee feedback, rewards and recognition. 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 for the workmen and technicians to enhance pride in being an employee of the Company and also to create team synergy. It encourages team work and develop them to face future challenges. The Company expects an exponential growth, because of this Total Employee Involvement programme.

The Company has 305 employees in its rolls as on 31st March, 2012. 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 products, downtrend in industry, significant changes in political and economic environment in India, tax laws, import duties, litigation and labor 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, 2012 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 accounts 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 31st March 2012 and taken on record by the Board, we report that none of the directors are disqualified as on 31st March, 2012 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, 2012;
 - 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 The company has maintained proper records showing full 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 are reasonable and adequate having regard to 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.



SI No	Name of the Party	Relationship	Loan accepted	Loan repaid	Closing balance
1	Mr. M.E.Meeran	Chairman	0.00	0.00	62,43,583.00
2	Mr. Navas M. Meeran	Chairman	55,00,000.00	1,30,59,000.00	24,41,000.00

The terms and conditions of the above loans are not prima facie prejudicial to the interests 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 We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- 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, 2012, 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.

Name of the Statute	Nature of Dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
CST	CST	3,80,200.00	2008-2009	Deputy Commissioner(Appeals), Ernakulam
VAT	Vehicle Interception	14,400.00	2009-2010	Commercial Tax Officer, Kattappana

- 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.
- 7.24 The Company has not issued any debentures during the year.
- 7.25 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)

Kochi - 16
29.05.2012

JOMON K. GEORGE
Partner
M.No. 202144

**BALANCE SHEET AS AT 31.03.2012**

Amount in (₹)

Particulars	Notes	Current Year	Previous Year
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	3	151,906,500.00	151,881,500.00
(b) Reserves and Surplus	4	(29,936,342.88)	(40,567,090.95)
(2) Non-Current Liabilities			
(a) Long term borrowings	5	8,684,583.00	8,684,583.00
(b) Other Long term liabilities	6	309,202.84	241,270.40
(c) Long term provisions	7	1,723,779.00	1,057,261.00
(3) Current Liabilities			
(a) Short Term Borrowings	8	50,033,048.72	53,878,707.22
(b) Trade payables	9	35,408,338.02	47,892,249.26
(c) Other current liabilities	10	7,767,182.10	4,062,591.74
(d) Short-term provisions	11	1,934,792.45	2,371,300.00
Total		227,831,083.25	229,502,371.67
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	12	35,627,739.95	32,848,064.15
(ii) Intangible Assets	13	68,153.57	101,695.36
(iii) Capital work-in-progress	14	1,293,963.57	4,643,644.18
(b) Deferred Tax Assets (Net)	15	411,770.00	-
(c) Long term loans and advances	16	6,348,872.00	4,134,656.50
(d) Other non-current assets	17	515,252.00	1,030,504.00
(2) Current assets			
(a) Inventories	18	49,264,569.74	65,803,643.88
(b) Trade receivables	19	74,280,890.22	48,206,744.55
(c) Cash and cash equivalents	20	5,886,715.54	11,805,588.65
(d) Short-term loans and advances	21	36,135,699.34	47,348,467.36
(e) Other current assets	22	17,997,457.32	13,579,363.05
Total		227,831,083.25	229,502,371.67

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**
PartnerKochi-24
29.05.2012

**PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31.03.2012**

Amount in (₹)

Particulars	Notes	Current Year	Previous Year
I. Revenue from operations	23	853,287,648.63	666,632,146.63
II. Other Income	24	385,015.90	694,978.20
III. Total Revenue (I + II)		853,672,664.53	667,327,124.83
IV. Expenses:			
Cost of materials consumed	25	308,160,389.86	216,305,238.58
Purchase of Stock-in-Trade		417,505,687.36	370,935,173.13
Changes in Inventories	26	4,594,855.54	(21,784,487.80)
Employee Benefits	27	32,890,236.66	26,123,313.00
Financial costs	28	7,512,679.86	4,732,156.76
Depreciation and amortization expense		5,658,948.70	5,435,945.75
Other expenses	29	67,252,937.02	52,789,790.52
Total Expenses		843,575,735.01	654,537,129.93
V. Profit before exceptional and extraordinary items and tax	(III - IV)	10,096,929.52	12,789,994.90
VI. Exceptional/Extraordinary items		-	-
VII. Profit before tax	(V - VI)	10,096,929.52	12,789,994.90
VIII. Tax expense:			
(1) Current tax		1,801,921.45	2,370,456.00
(2) Deferred tax		(411,770.00)	-
(3) Mat credit entitlement		(1,923,970.00)	(2,371,265.00)
IX. Profit(Loss) for the year from continuing operations	(VII-VIII)	10,630,748.07	12,790,803.90
X. Profit/(Loss) from discontinuing operations		-	-
XI. Tax expense of discounting operations		-	-
XII. Profit/(Loss) from Discontinuing operations	(X - XI)	-	-
XIII. Profit/(Loss) for the period	(IX + XII)	10,630,748.07	12,790,803.90
XIV. Earning Per Share :			
Basic & Diluted		2.05	2.47

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**
PartnerKochi - 24
29.05.2012



NOTES TO FINANCIAL STATEMENTS

1. ACTIVITIES

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. ACCOUNTING POLICIES

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 Principles (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 and contractors are disclosed under 'Capital Advances'.

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 on straight line method.



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 DTA position of the previous year (₹ 79.20 Lakhs) was not recognised as on 31.03.2011. In view of the increased profitability and the positive future outlook, Deferred Tax Asset of ₹ 4.12 lakhs is recognised during the year.

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.



Amount in (₹)

3. SHARE CAPITAL**A. Authorised**

60,00,000 Equity Shares of ₹ 10 each
(Previous Year 60,00,000 equity Shares of
₹ 10/- each) .

60,000,000.00

60,000,000.00

10,00,000 Preference Shares of ₹ 100 each
(Previous Year - 10,00,000 Preference
Shares of ₹ 100 each)

100,000,000.00

100,000,000.00

160,000,000.00**160,000,000.00****B. Issued, Subscribed and Paid-up**

Balance at the beginning of the period
(55,91,500 Equity Shares of ₹ 10/- each)
(Previous year 55,91,500 Equity Shares of ₹ 10/-each)

55,915,000.00

55,915,000.00

Less: Call money in arrears

4,033,500.00

4,560,500.00

Paid up share capital at the beginning of the period

51,881,500.00**51,354,500.00**

Add: Calls collected during the year

25,000.00

527,000.00

Balance at the end of the period(55,91,500
Equity Shares of ₹ 10/- each)

(Previous year 55,91,500 Equity Shares of
₹ 10/-each)

55,915,000.00

55,915,000.00

Less : Calls in arrears

4,008,500.00

4,033,500.00

Paid up share capital at the end of the period

51,906,500.00

51,881,500.00

10,00,000 Zero percent Redeemable
Preference Shares of ₹ 100 each
(Previous Year - 10,00,000 Zero percent
Redeemable Preference Shares of ₹ 100 each)

(Redeemable after five years from the date
of allotment subject to achieving net worth of
₹ 100 lacs without considering the said
preference shares)

Balance at the beginning of the period

100,000,000.00

100,000,000.00

Add: Issues/ Redemptions during the year

Balance at the end of the period

100,000,000.00

100,000,000.00

151,906,500.00**151,881,500.00**

**Shares held by shareholders holding more than 5% shares****Equity Share Capital**

Particulars	Current Year		Previous Year	
	Number of shares	% of share holding	Number of shares	% of shareholding
List of significant share holders (>5%)				
MEERAN ME	1,401,900	25.07%	1,401,900	25.07%
FIROZ MEERAN	649,600	11.62%	649,600	11.62%
NAVAS MEERAN	620,800	11.10%	620,800	11.10%
KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION	615,000	11.00%	615,000	11.00%

Preference Share Capital

Particulars	Current Year		Previous Year	
	Number of shares	% of share holding	Number of shares	% of shareholding
M.E. MEERAN	400,000	40.00%	400,000	40.00%
NAVAS M. MEERAN	600,000	60.00%	600,000	60.00%

4. RESERVES & SURPLUS**Particulars**

Balance as on 01/04/2010

Add :-

Less: Net Profit for the year

Balance as on 31/03/2011

Add :

Less :

Balance as on 31/03/2012

Current Year
Capital Reserve**Previous Year**Debit Balance in
Profit and Loss Account

2,000,000.00

55,357,894.85

-

-

12,790,803.90

2,000,000.00

42,567,090.95

-

10,630,748.07

2,000,000.00**31,936,342.88****5. LONG-TERM BORROWINGS**

Loans from Directors (Unsecured)

8,684,583.00

8,684,583.00

8,684,583.00**8,684,583.00****6. OTHER LONG TERM LIABILITIES**

Creditors - For Capital goods

309,202.84

241,270.40

309,202.84**241,270.40****7. LONG TERM PROVISIONS**

Provision for employee benefits (Gratuity)

1,723,779.00

1,057,261.00

1,723,779.00**1,057,261.00****8. SHORT TERM BORROWINGS**

From Banks

Cash Credit from The Federal Bank Limited
(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)

50,033,048.72

46,319,707.22

Loans from Directors (Unsecured)

-

7,559,000.00

50,033,048.72**53,878,707.22**

12. TANGIBLE ASSETS

	Cost			Depreciation		Net Carrying Amount		
	As at 01.04.2011	Addition	Deletions	As at 31.03.2012	Upto 31.03.2011	For the Year Adjustments	Upto 31.03.2012	As at 31.03.2011
TANGIBLE ASSETS								
1. Land & Land Development	899,987.00	0.00	0.00	899,987.00	0.00	0.00	0.00	899,987.00
2. Building	13,296,835.32	4,672,498.18	0.00	17,969,333.50	4,037,086.63	4,88,993.32	4,526,079.95	9,259,748.69
3. Plant & Equipments	53,904,223.65	2,967,453.95	(568,800.00)	56,302,877.60	34,803,034.01	4,060,906.99	38,658,887.00	19,101,189.64
4. Electrification and water systems	4,548,624.63	452,622.84	0.00	5,001,247.47	3,324,743.51	225,328.12	3,550,071.63	1,223,881.12
5. Lab Equipments	687,580.54	209,577.00	0.00	897,157.54	516,895.13	37,712.75	554,607.88	170,685.41
6. Vehicles	2,831,955.23	812,430.63	(600,008.00)	3,044,377.86	1,569,539.32	319,450.30	1,786,094.63	1,262,415.91
7. Office Equipments	1,110,693.78	0.00	(3,000.00)	1,107,693.78	761,230.65	52,758.34	813,988.99	349,463.13
8. Computer & Accessories	3,075,346.26	150,659.12	-	3,226,005.38	2,874,433.92	3,51,571.46	3,226,005.38	200,912.34
9. Furniture & Fixtures	1,397,013.58	8,700.00	6,500.00	1,399,213.58	1,017,232.67	88,685.63	1,104,418.30	379,780.91
Total	81,752,259.99	9,273,941.72	(1,178,308.00)	89,847,893.71	48,904,195.84	5,625,406.92	54,220,153.76	32,848,064.15
Previous Year	76,140,400.96	5,611,859.03	0.00	81,752,259.99	43,501,791.88	5,402,403.96	48,904,195.84	32,638,609.08

13. INTANGIBLE ASSETS

	Cost			Depreciation		Net Carrying Amount		
	As at 01.04.2011	Addition	Deletions	As at 31.03.2012	Upto 31.03.2011	For the Year Adjustments	Upto 31.03.2012	As at 31.03.2011
Computer Software	167,708.93	0.00	0.00	167,708.93	66,013.57	33,541.79	99,555.36	101,695.36

14. CAPITAL WORK IN PROGRESS

	Cost			Depreciation		Net Carrying Amount		
	As at 01.04.2011	Addition	Deletions	As at 31.03.2012	Upto 31.03.2011	For the Year Adjustments	Upto 31.03.2012	As at 31.03.2011
Capital work in Progress	4,643,644.18	1,293,962.98	(4,643,644.18)	1,293,963.57	0.00	0.00	0.00	4,643,644.18



	Amount in (₹)	
	Current Year	Previous Year
9. TRADE PAYABLES		
Sundry Creditors:		
- For Purchases	32,225,088.03	42,992,977.82
- For Expenses	3,183,249.99	4,899,271.44
	35,408,338.02	47,892,249.26
10. OTHER CURRENT LIABILITIES		
Advances from Customers	1,831,944.39	2,306,041.60
Others	5,935,237.71	1,756,550.14
	7,767,182.10	4,062,591.74
11. SHORT TERM PROVISIONS		
Provision for Taxation	1,934,792.45	2,371,300.00
	1,934,792.45	2,371,300.00
15. BREAKUP OF DEFERRED TAX ASSET (NET)		
Unabsorbed Depreciation (DTA)	2,246,715.00	-
Depreciation (DTL)	(1,834,945.00)	-
	411,770.00	-
16. LONG TERM LOANS AND ADVANCES		
Capital Advance(Unsecured considered good)		
Advance for Machinery/Civil Works	1,203,637.00	913,391.50
Mat Credit Entitlement	5,145,235.00	3,221,265.00
	6,348,872.00	4,134,656.50
17. OTHER NON CURRENT ASSETS		
Preference Share Issue Expenses(not written off)	515,252.00	1,030,504.00
	515,252.00	1,030,504.00
18. INVENTORIES : (As taken, valued and certified by the management)		
Raw Materials	9,517,786.43	21,375,571.08
Work in Progress	6,867,555.40	5,304,141.93
Finished Goods	27,181,593.54	34,970,110.43
Goods in Transit (Finished Goods)	3,285,714.88	1,655,467.00
Tools & Spares	2,411,919.49	2,498,353.43
	49,264,569.74	65,803,643.87



Amount in (₹)

19. TRADE RECEIVABLES (unsecured considered good)**Debtors**

Outstanding for a period exceeding six months

Other Debts

Current Year**Previous Year**

11,852,895.77

6,081,097.68

62,427,994.34

42,125,646.87

74,280,890.22**48,206,744.55****20. CASH AND CASH EQUIVALENTS**

Balances with Banks - in Current Accounts

- in Fixed Deposits

Cash in Hand

5,666,170.09

10,828,575.09

-

564,000.00

220,545.45

413,013.56

5,886,715.54**11,805,588.65****21. SHORT TERM LOANS AND ADVANCES
(unsecured considered good)**

Staff Advances

Advances to Suppliers

1,356,852.19

1,871,826.46

34,778,847.15

45,476,640.90

36,135,699.34**47,348,467.36****22. OTHER CURRENT ASSETS**

Deposits

Advance Tax - Income Tax

Sales Tax - Advance

Tax Deducted at Source

Vat/Service Tax Credit Recievable

Unamortised Expenses\Premium

Interest accrued on Margin Money

Other Current Assets

6,165,530.80

4,605,558.80

2,250,000.00

900,000.00

4,762,937.00

4,760,352.00

1,252,985.52

957,200.60

1,014,018.38

643,354.55

673,752.58

515,252.00

83,668.00

-

1,794,565.04

1,197,645.10

17,997,457.32**13,579,363.05****23. REVENUE FROM OPERATIONS****SALES**

a) Sale of Products :

-Domestic (Gross)

Less: Excise Duty Paid

805,163,373.20

614,113,099.57

28,463,059.24

14,492,747.05

776,700,313.96**599,620,352.52**

-Export Sales

1,187,966.00

82,678.95

Sale of Compound mix

16,581,889.98

25,453,378.05



Amount in (₹)

	Current Year	Previous Year
Sale of Raw Materials (Gross)	43,085,706.26	27,069,285.05
Less: Excise Duty Paid	1,998,117.55	1,661,638.33
	41,087,588.71	25,407,646.72
	835,557,758.65	650,564,056.24
b) Sale of services		
Job Work Receipts	14,039,396.69	14,560,493.00
c) Other Operating Revenues		
Sale of Scrap & Waste (Gross)	3,802,474.15	1,559,452.73
Less: Excise Duty Paid	111,980.86	51,855.34
	3,690,493.29	1,507,597.39
	853,287,648.63	666,632,146.63
24. OTHER INCOME		
Interest Income	106,683.00	37,877.00
Other non Operating Income	278,332.90	657,101.20
	385,015.90	694,978.20
25. COST OF RAW MATERIAL CONSUMED		
Opening Stock	21,375,571.08	1,929,697.04
Add : Purchases	296,302,605.21	235,751,112.62
Less: Closing Stock	9,517,786.43	21,375,571.08
	308,160,389.86	216,305,238.58
26. CHANGES IN INVENTORY		
Closing Stock - Finished Goods / Work in Progress	37,334,863.82	41,929,719.36
Opening Stock - Finished Goods / Work in Progress	41,929,719.36	20,145,231.56
Stock Differential	(4,594,855.54)	21,784,487.80
27. EMPLOYEE BENEFIT EXPENSES		
Salaries and wages	30,756,243.66	24,375,543.00
Contribution to provident fund and other funds	1,810,358.00	1,435,814.00
Staff welfare expenses	323,635.00	311,956.00
	32,890,236.66	26,123,313.00



Amount in (₹)

28. FINANCIAL COSTS

	Current Year	Previous Year
Interest on Cash Credit	6,419,724.00	3,844,720.00
Other borrowing costs	1,092,955.86	887,436.76
	7,512,679.86	4,732,156.76

29. OTHER EXPENSES

Payments to the Auditor as		
(a) Auditor:	325,000.00	275,000.00
(b) For taxation matters	26,000.00	40,000.00
(c) For Management Services	52,000.00	29,500.00
Tools & Spares consumed	803,973.16	832,784.48
Power & Fuel	12,723,078.60	10,680,812.00
Repairs to Building	94,004.00	87,265.94
Repairs to Machinery	319,213.70	296,444.00
Rent	274,750.00	-
Insurance	444,740.50	476,738.50
Rates and taxes excluding taxes on income	14,666,190.06	11,998,985.36
Discount	2,900,426.12	1,952,344.49
Travelling Expenses	4,850,101.50	4,136,037.50
Job Work Charge (Payment)	4,228,285.72	5,896,440.31
Freight Outward	3,377,310.00	4,249,052.00
Miscellaneous expenses	22,167,863.66	11,838,385.94
	67,252,937.02	52,789,790.52

**30. CONTINGENT LIABILITIES AND COMMITMENTS
(to the extent not provided for)**

a. Claims against the company not acknowledged as debt demand by KVAT Authorities in appeal pending disposal	5,435,836.00	5,000,000.00
b. Guarantees given by Banks against counter guarantee of the company	12,050,491.00	5,103,126.00
c. Estimated amounts of contracts remaining to be executed on capital account and not provided for	5,276,448.00	6,000,000.00

31. In the opinion of the management, the current assets, loans and advances shall realise the value as show in the balance sheet, if realised in the normal course of business.

32. Balance of sundry debtors, creditors, fixed deposits & loans and advances are subject to confirmation / reconciliation.

**33. RELATED PARTY DISCLOSURES****Name of the related party and nature of relationship****List of the companies in which one of the directors has significant influence**

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

Key Management Personnel

Navas M. Meeran
 M.E. Mohamed
 M.S. Ranganathan

Relative of Key Management Personnel

Alfa Rubbers
 Kappiri Rubbers
 Rosekhan Rubbers
 Sahara Treads
 Sumo Treads Private Limited
 Safine Rubbers Private Limited
 Nilima Treads Private Limited

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

	Amount in (₹)	
	<u>31.03.2012</u>	<u>31.03.2011</u>
Eastern Condiments Pvt Ltd		
Sharing of Expenses	1,386,575.00	909,925.00
Eastern Retreads Pvt Ltd		
Sale of Finished Goods	3,007,604.77	2,683,624.00
Sharing of Expenses	171,323.00	189,052.00
Feroz Treads Pvt Ltd		
Purchase of Finished Goods	10,216,323.00	15,428,754.00
Sale of Raw Materials	29,131.00	3,900,189.00
Job Work Payment	687,690.00	142,122.00
Job Work Receipt	51,468.00	267,380.00
Sharing of Expenses	94,080.00	108,003.00

**Sheram Treads Pvt Ltd**

Purchase of Finished Goods	11,364,962.00	15,065,545.00
Sale of Raw Materials	472,649.00	1,258,841.00
Job Work Receipt	1,144,324.00	1,144,791.00
Sharing of Expenses	Nil	43,731.00

Navas M. Meeran

Loan Accepted	5,500,000.00	20,000,000.00
Loan Repaid	13,059,000.00	10,000,000.00

M.E. Meeran

Loan Repayment	Nil	1,575,827.00
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M.E. Mohamed

Travelling Expense Paid	180,000.00	195,000.00
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M.S. Ranganathan

Travelling Expense Paid	165,000.00	195,000.00
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Alfa Rubbers

Purchase of Finished Goods	14,411,402.00	15,836,000.00
Sale of Raw Materials	Nil	337,891.00
Job Work Payment	596,258.00	261,726.00
Job Work Receipt	829,169.00	239,699.00
Sharing of Expenses	Nil	13,338.00

Kappiri Rubbers

Purchase of Finished Goods	18,898,828.50	15,428,810.00
Sale of Raw Materials	848,242.00	1,264,210.00
Job Work Payment	89,626.00	87,494.00
Job Work Receipt	543,201.00	743,440.00
Sharing of Expenses	Nil	54,954.00

Rosekhan Rubbers

Purchase of Finished Goods	13,956,461.00	15,356,917.00
Sale of Raw Materials	2,614,223.00	7,009,042.00
Job Work Payment	Nil	80,635.00
Job Work Receipt	326,261.75	698,578.00
Sharing of Expenses	Nil	30,393.00

Sahara Treads

Purchase of Finished Goods	16,573,774.00	15,428,704.00
Sale of Raw Materials	140,252.00	6,344,917.00
Job Work Payment	318,350.00	55,196.00
Job Work Receipt	799,972.00	402,668.00
Sharing of Expenses	Nil	26,523.00

**Amount Outstanding as at 31st March, 2012****List of the companies in which one of the director has significant influence**

Eastern Condiments (P) Ltd	Nil
Eastern Retreads (P) Ltd	330,615.78 Cr.
Sheram Treads (P) Ltd	53,442.00 Dr
Feroz Treads (P) Ltd	71,798.50 Dr

Key Management Personnel

M.E. Meeran	6,243,583.00 Cr.
Navas M. Meeran	2,441,000.00 Cr.
M.E. Mohamed	10,000.00 Cr.
M.S. Ranganathan	Nil

Relative of Key Management Personnel

Alfa Rubbers	2,132,374.00 Dr.
Sahara Treads	659,708.00 Dr.

34. DISCLOSURE IN ACCORDANCE WITH AS - 15 ON EMPLOYEE BENEFITS**a) Change in projected benefit obligation**

Projected benefit obligation at the beginning of the year	1,323,522.00
Service Cost	193,429.00
Interest Cost	105,882.00
Acturial (gain)/loss	526,505.00
Benefits paid	(79,733.00)
Projected benefit obligation at the end of the year	2,069,605.00

b) Change in plan assets

Fair value of plan assets at the beginning of the year	266,261.00
Expected return on plan assets	28,888.00
Acturial (gain)/loss	-
Contributions	130,410.00
Benefits paid	(79,733.00)
Fair value of plan assets at the end of the year	345,826.00

**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	2,069,605.00
Funded status of the plans	345,826.00
Funded status amount of liability recognised in the balance sheet	1,723,779.00

d) The components of net gratuity costs are reflected below

Service Cost	193,429.00
Interest Cost	105,882.00
Expected return on plan assets	(28,888.00)
Recognised net actuarial (gain)/loss	526,505.00
Net gratuity costs	796,928.00

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

Particulars	Gratuity
Discount Rate	8% p.a.
Salary Escalation Rate	7% p.a.

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

	Current Year	Previous Year
<u>Numerator</u>		
Net Profit for the year	10,630,748.07	12,790,803.90
<u>Denominator</u>		
Weighted average number of equity shares outstanding during the year (Partly paid shares treated as a fraction of an equity share)	5,190,650	5,188,150
Earnings Per Share	2.05	2.47

36. ADDITIONAL INFORMATION**a. Details of Finished Goods****Finished Goods purchased (Traded Items) Amount in (₹)**

Particulars	Current Year	Previous Year
Tread Rubber	163,224,705.90	224,287,371.55
Cushion Gum	38,840,008.00	45,995,620.30
Vulcanising Solution	5,723,885.00	8,580,508.49
CT	205,669,340.60	88,613,212.00
Repair Patches	4,047,747.86	3,458,460.75
TOTAL	417,505,687.36	370,935,173.09



Amount in (₹)

Particulars	Sales Values		Closing Inventory	Opening Inventory
	Current Year	Previous Year		
Manufactured Goods				
Tread Rubber	281,870,607.91	72,284,682.63	24,222,446.75	-
Cushion Gum	12,206,481.34	2,959,748.30	1,052,008.56	-
Vulcanising Solution	19,950,406.25	4,986,061.66	302,889.01	-
CT	38,503,615.18	124,631,423.03	2,520,617.59	-
Repair Patches	-	-	500,661.54	-
TOTAL	352,531,110.68	204,861,915.62	28,598,623.45	-
Traded Goods				
Tread Rubber	175,467,729.00	246,514,048.00	1,868,685.00	27,254,261.14
Cushion Gum	45,455,220.00	51,334,375.00	Nil	2,263,036.90
Vulcanising Solution	6,670,337.28	9,828,581.89	Nil	518,091.83
CT	220,239,436.09	97,564,041.49	Nil	5,822,733.51
Repair Patches	4,799,540.15	4,010,137.51	Nil	767,454.05
TOTAL	452,632,262.52	409,251,183.89	1,868,685.00	36,625,577.43

b. Details of Work in Progress

Amount in (₹)

Particulars	Current Year	Previous Year
Tread Rubber	3,355,816.53	5,135,107.24
Cushion Gum	791,443.46	135,266.22
Vulcanising Solution	412,020.23	-
CT	1,880,862.31	-
OTHERS	427,412.88	33,768.48
TOTAL	6,867,555.40	5,304,141.94

c. Raw Materials Consumed

Amount in (₹)

Item	Current Year	Previous Year
RMA	26,397,673.40	33,854,502.50
CISAMER	102,372,934.00	73,148,796.70
ISNR	57,813,430.70	40,890,580.25
CARBON BLACK	43,094,149.20	19,074,787.84
ZINC OXIDE	4,587,176.25	3,050,058.08
PROCESS OIL	9,878,128.27	4,873,817.56
STEARIC ACID	1,865,215.58	1,340,709.25
Others	1,041,000.84	1,111,735.37
TOTAL **	247,049,708.24	177,344,987.55

** Sale of Raw Materials not considered

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

Particulars	Current Year		Previous Year	
	Amount	%	Amount	%
Indigenous	244,144,988.00	98.82%	143,086,670.55	81%
Imported	2,904,720.00	1.18%	34,258,317.00	19%
Total	247,049,708.00	100%	177,344,987.55	100%

	Current year	Previous Year
e) CIF Value of imports made during the year (Raw Materials)	2,904,720.00	27,389,992.35
f) Earnings in foreign exchange (Export of Goods)	1,187,966.00	82,678.95
g) Expenditure in foreign currency	Nil	Nil
h) Amount remitted during the year in foreign currency	Nil	Nil

37. The details of Provisions as per AS - 29 are given below:

	Opening Balance	Additions/Reversals	Closing Balance
Provision for Taxation	132,871.00	1,801,921.45	1,934,792.45
Provision for Gratuity	1,057,261.00	666,518.00	1,723,779.00

38. 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.

39. 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

M.S. RANGANATHAN
Director

BAIJU.T
Company Secretary

JOMON K. GEORGE
Partner

Kochi - 24
29.05.2012

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31/03/2012****(In terms of Listing Agreement)**

Amount in (₹)

	2011-12	2010-11
A. Cashflow from Operating Activities		
a. Net Profit before tax and extra ordinary items	10,096,929.52	12,789,994.90
Adjustments for :-		
Depreciation	5,658,948.70	5,435,945.75
Interest Received	-	-
Provision for Taxation	2,335,740.00	2,371,265.00
Interest Paid	6,419,724.00	3,844,720.00
Miscellaneous Expenditure written off	515,252.00	515,252.00
Loss/(Profit) on sale of Fixed Assets	178,297.00	
b. Operating Profit before Working Capital Changes	25,204,891.23	24,957,177.64
Adjustments for :-		
Trade and Other Receivables	(21,615,211.92)	(54,189,729.92)
Inventories	16,539,074.13	(40,926,852.10)
Trade and other Payables	(8,481,377.99)	43,520,987.09
c. Cash Generation from Operations	11,647,375.45	(26,638,417.28)
d. Interest Paid	6,419,724.00	3,844,720.00
e. Provision for Taxation	1,801,921.45	2,370,456.00
e. Cashflow before Extraordinary Items	3,425,730.00	(32,853,593.28)
f. Extraordinary Items	-	-
g. Net Cash from Operating Activities	3,425,730.00	(32,853,593.28)
B. Cashflow from Investing Activities		
a. Purchase of Fixed Assets	(6,214,505.49)	(4,149,546.47)
b. Preoperative Expenses		-
c. Investments		-
d. Interest Received		-
e. Sale of Fixed Assets	690,560.87	-
f. Net Cash from Investing Activities	(5,523,944.62)	(4,149,546.47)
C. Cashflow from Financing Activities		
a. Proceeds from Issue of Share Capital / Conversion	25,000.00	527,000.00
b. Proceeds from Borrowings / Conversion	(3,845,658.50)	41,569,052.53
c. Proceeds from Investment Subsidy	-	-
d. Share Re-listing Expenses	-	-
e. Net Cash from Financing Activities	(3,820,658.50)	42,096,052.53
D. Net increase / decrease in cash or cash equivalents	(5,918,873.12)	5,092,912.78
Cash & Cash equivalents as at 01/04/11	11,805,588.66	6,712,675.88
Cash & Cash equivalents as at 31/03/12	5,886,715.54	11,805,588.66

Notes:

- 1) Comparative figures have been regrouped wherever necessary.
- 2) 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

M. S. RANGANATHAN
Director

BAIJU.T
Company Secretary

JOMON K GEORGE
Partner

Kochi - 24
29.05.2012



AUDITOR'S REPORT

THE BOARD OF DIRECTORS
EASTERN TREADS LIMITED
KOCHI

We have examined the attached Cash Flow Statement of EASTERN TREADS LIMITED for the year ended 31st March, 2012. 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 29/05/2012 to the members of the Company.

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

Kochi-16
29.05.2012

JOMON K. GEORGE
Partner
M.No.202144

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

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

19th ANNUAL GENERAL MEETING

Folio No. & DP Id / Client Id :

No. of Shares :

Full Name of the Member Attending :

Full Name of the First Joint Holder :

(To be filled in if first named joint holder does not attending the meeting)

Full Name of Proxy :

(To be filled in by the Proxy attending instead of the Member)

I certify that I am a Member / Proxy for the Member of the Company. I hereby record my presence at the 19th Annual General Meeting of the Company to be held at Hotel Park Central, Kaloor Kadavanthra Road, Kaloor, Ernakulam, Kochi - 682017 on Thursday, 23rd August, 2012 at 3.00 P.M.

MEMBER'S / PROXY'S SIGNATURE

- NOTE:
1. A Member/ Proxy/ authorised representative wishing to attend at the meeting must complete this admission slip before coming to meeting and hand it over at the entrance.
 2. If you intend to appoint a proxy, please complete, stamp, sign and deposit the proxy form given below at the Company's Registered Office at least 48 hours before the meeting.
 3. Shareholders are requested to bring their copies of the annual report to the meeting.

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

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

19th ANNUAL GENERAL MEETING

Folio No. & DP Id / Client Id :

No. of Shares :

I/We residing at.....

indistrict, being member(s) of the above Company,
hereby appoint residing at

.....or failing him

..... residing at

in the District of as my / our proxy in my/our absence to
attend and vote for my / our behalf at the 19th Annual General Meeting of the Company to
be held at Hotel Park Central, Kaloor - Kadavanthra Road, Kaloor, Ernakulam, Kochi - 682017
on Thursday, 23rd August, 2012 at 3.00 P.M. and at any adjournment thereof.

Affix
₹1
revenue
stamp

Signed this day of 2012

Signature

NOTE:- This form in order to be valid and effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.



REGISTERED & CORPORATE OFFICE

3A, 3rd Floor, Eastern Corporate Office,
34/137 E, NH Bypass, Edappally, Kochi,
Ernakulam - 682024, Kerala

FACTORY

Oonnukal, Kothamangalam,
Ernakulam - 686693, Kerala

BRANCHES OF EASTERN TREADS LTD.

Coimbatore

Opp. Kovai Diabetic Hospital
Balasundaram Layout
Vivekananda Road, Ramnagar
Coimbatore - 641009
Ph: 9363108658

Bangalore

NO: 13/1, Roshan Bagh Road, Near Minerva Circle
V.V. Puram, Bangalore - 560004
Ph: 9341060794

Baroda

6&7, Jai Narayan Estate, Opp. Bhagavan Park ,
IPCL Road, Ranoli, Baroda - 391350
Ph: 9376217179

Indore

B1-Indira Complex, Shop NO:28/29
Harshadeep Tower, Navalakha, Indore - 452017
Ph: 07314275609

Jaipur

16/ 7, Nana Ji Ka Bagh, Fateh Tiba Margh,
M. D. Road, Jaipur, Rajasthan - 302002
Ph: 09351832009

Lucknow

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

Ludhiyana

71 Lajpatnagar, Near Bus stand
Ludhiyana - 141002
Ph: 0161-5041107

Pune

155 A Pune, Ground Floor, Saswad Road
Near Over Bridge, Phursingi,
Pune-412308
Ph: 9370093131

Vijayawada

Door No. 54, Plot No.120
Shafiulla Motor Complex, Auto Nagar
Vijayawada - 520007, Ph: 09160574625

[illegible]



Certificate of Assessment

AQA International LLC, attests that:

EASTERN TREADS LTD.

CORPORATE OFFICE:

Eastern Corporate Office,*
N.H. By Pass, Edappally P.O.,
Cochin - 682 024, Kerala.INDIA

SITE 2:

Oonnukal (Post), 686693
Kothamagalam,
Ernakulam (Dt.), 686693, Kerala, INDIA

with a scope of:

**Design, Development, Manufacturing and Marketing of Pre-Cured &
Conventional Tread, Bonding Gum and Black Vulcanizing Cement**

has established a quality management system that is in compliance
with the International Quality System Standard ISO 9001:2008.

"Further clarifications regarding the scope of this certificate and the applicability of
ISO 9001:2008 requirements may be obtained by consulting the organization."

9/2/2004

Initial Registration

10/19/2010 to 10/18/2013

Registration Period

IN014669

Certificate No.

CEO, AQA International

PRODUCTS

- Tread Rubber
- Pre Cured Tread Rubber
- Bonding Gum
- Black Vulcanising Solution
- Tyre Repair Patches



***Make
your Tyres
roll forever...***



EASTERN TREADS LTD.



An ISO 9001: 2008 Certified

Reg. Office: 3A, 3rd floor, Eastern corporate office, 34/137 E. N.H. By pass, Edappally P.O.,
Kochi, Kerala State, Pin-682 024, Ph: 91-484-3001100, Fax: 3001110
Mobile: 91-94479 74893, 093886 04092. E-mail: treads@eastern.in Website: www.easterntreads.com
Factory: Oonnukal, Ernakulam – 686 693, Kerala, Phone: +91-485-2855448, 2856555



EASTERN GROUP



BOOK POST

To,

If undelivered please return to



EASTERN TREADS LTD.

Reg. Office: 3A, 3rd floor, Eastern corporate office, 34/137 E, N.H. By pass, Edappally P.O,
Kochi, Kerala State, Pin-682 024. Ph: 91-484-3001100, Fax; 3001110
e-mail: treads@eastern.in
website: www.easterntreads.com