

Dated, 28<sup>th</sup> August, 2019  
REF: ETL/BSE/CPQ1/19-20

The Corporate Relationship Department,  
BSE Limited,  
Floor 25, PJ Towers,  
Dalal Street, Mumbai – 400001.

Dear Sir,

Sub: Corporate Presentation

Pursuant to Regulation 30(2) of SEBI (LODR) Regulation 2015, we submit herewith the Corporate Presentation on performance of the Company, released to Analysts and Institutional Investors.

The Presentation is also being uploaded on the website of the Company, [www.easterntreads.com](http://www.easterntreads.com).

Kindly take the information on your record.

Thanking you,

Yours faithfully,

For Eastern Treads Limited



CS BAIJU T.  
Company Secretary

**Eastern Treads Ltd.**

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# CORPORATE PRESENTATION

August - 2019



*Time doesn't stop...  
Why should your  
tyres then?  
Let them roll...  
forever!*



## Safe Harbour

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward looking statements. Eastern Treads Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

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# Financial Performance

# Q1 FY20 Performance

₹ crore

	Q1FY20	Q1FY19	Y-o-Y Change (%)
Total Revenues	21.4	26.1	-18.3
Gross Profit	6.9	7.7	-10.3
EBITDA	1.3	1.3	-5.2
PAT	-0.1	-0.1	-

## Q1FY20 Highlights

- Q1FY20 revenues declined YoY due to voluntary scale down in the business in the RTC (road transportation corporations) segment
  - Stable revenue generation in Q1 from open market and franchisee business, while exports expanded well
- Gross margin saw expansion and, as a result, operating profit remained stable YoY despite absorption of fixed costs on a lower revenue base
- Currently present across 20 states through 92 dealers servicing to 1,500 plus multi branded retreaders, 44 exclusive retreaders and 41 branded Infinity Zones

# Chairman's Message

**Commenting on Q1 FY20 performance, Mr. Navas M Meeran – Chairman of Eastern Treads Ltd. said:**



*"Q1FY20 revenues have declined year-on-year, as we have voluntarily scaled down our on-going business in the RTC (road transportation corporation) segment with the objective of rationalizing the related working capital cycle. We continue to engage with RTC's while focusing on the cash flow visibility from these engagements. Q1 had stable revenues from open market and franchisee business, while exports expanded well. Overall, while volumes were lower by 6%, there was a larger impact from declining raw material prices that tend to get passed on to customers. As a consequence, gross margin has seen expansion and, despite absorption of fixed costs on a smaller revenue base, operating profit was relatively stable and interest costs are also lower than in the past.*

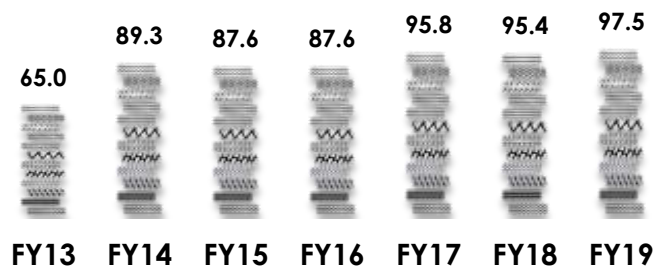
*We started Q2 on a strong note with healthy volume growth, despite keeping RTC business contribution at lower levels. While the monsoon rains have caused some logistical disruption subsequently, we expect both the stronger business momentum and higher profitability to sustain going forward.*

*As indicated previously, we have been investing our expanded margins in additional people and sales resources that allow higher visibility of growth in profitable business segments. We also continue to rationalize any business engagements/channels that we see not measuring up to internal thresholds. We are now operating a single manufacturing location and have removed some minor bottlenecks to increase capacity. We are also leveraging our fleet-owner relationships gained through the acquisition of logistics technology company Shipnext. Going forward, as the markets for our products transition to more formalized structures based on changes in the regulatory framework and increased preference for radial tyres, we believe strong players such as Eastern Treads will see expansion in market share. This year, we see growth momentum for the rest of the year and a return to profits in the business."*

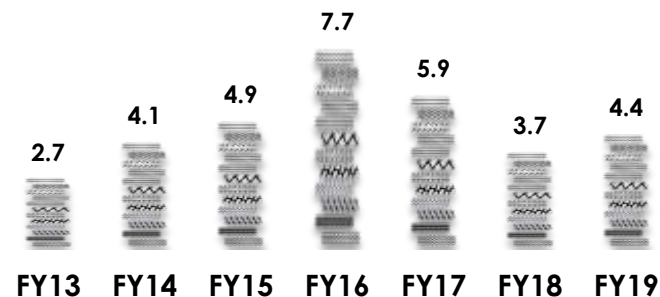


# Seven-Year Financial Trend

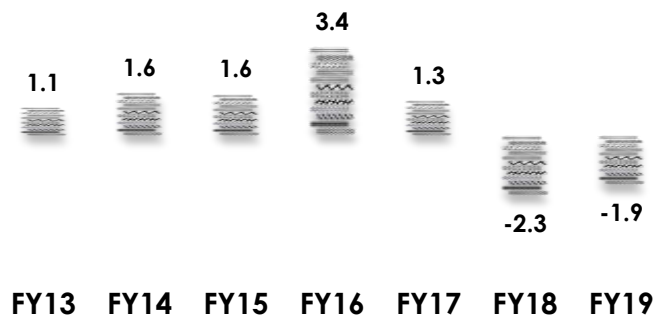
## Revenue (₹ in crore)



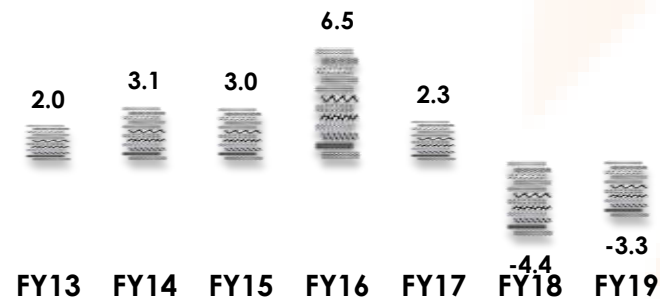
## EBITDA (₹ in crore)



## PAT (₹ in crore)



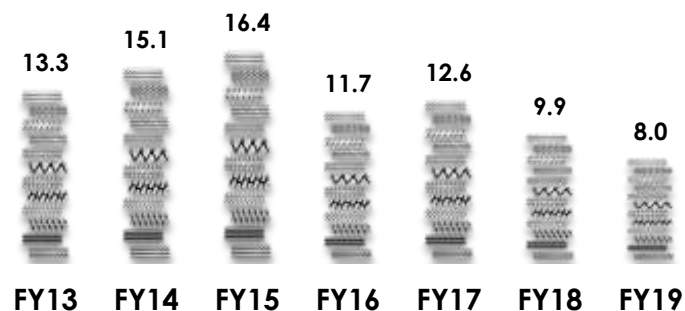
## EPS (in ₹)



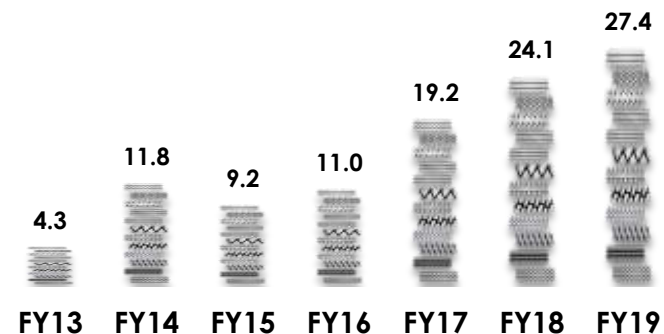


# Seven-Year Financial Trend

## Net Worth (₹ in crore)



## Debt (₹ in crore)



*Note: Net Worth & Debt from FY 16 onwards are reported after Ind As adjustments*



# Company Overview

# Eastern Treads Ltd. (ETL)

## Pioneers in Manufacturing and Marketing of Tread Rubber used for Retreading Tyres

- Over two decades of growing presence with strong customer focus
- ISO 9001-2015 certified production capacity of 12,000 tons per annum at Oonnukall, Kerala

## Building Comprehensive Ecosystem across the Entire Retreading Value Chain

- Manufacturing quality tread rubber, cushion/bonding gum, black vulcanizing cement and tyre repair patches
- Creating access to high quality retreading equipment
- Providing skill enhancement/upgradation facilities within the supply chain

## Extensive and Expanding Marketing Network

- Present across 20 states through 92 dealers servicing to 1,500 plus multi branded retreaders, 44 exclusive retreaders and 41 branded Infinity Zones
- 14 Company owned depots and 1 C&F's across the country for effective and aggressive servicing of all the above channels
- Company-operated, retreading experience outlets in Chennai
- Working with Road Transport Corporations (RTC's) across six states

## Positive Business Outlook

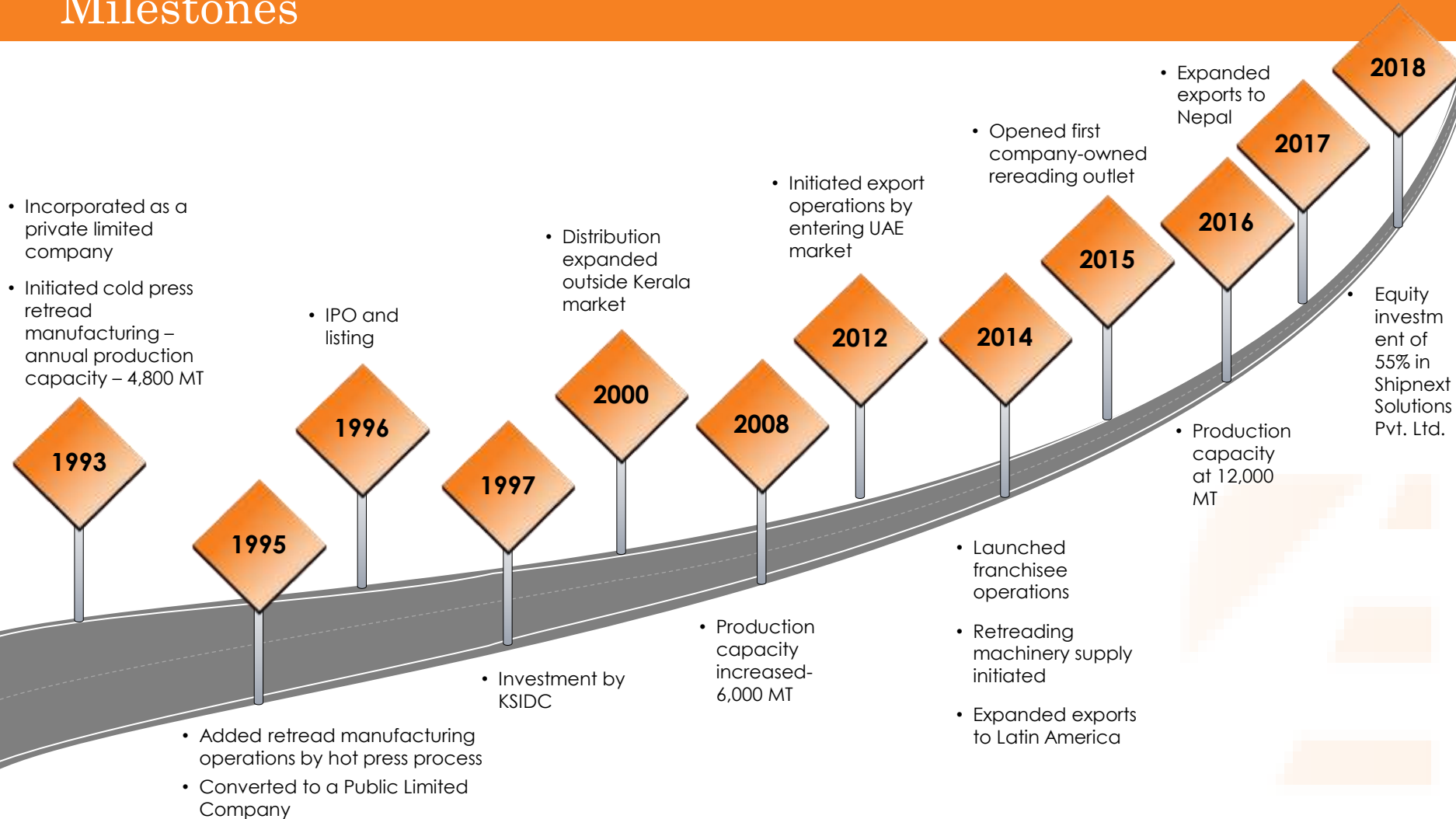
- Retreading is an established option for vehicle operators globally and becoming more mainstream in India
- Volume driven growth and value-enhancement initiatives have led to margin expansion
- Aggressive market development expected to result in medium to long term growth opportunities
- Availability of significant production capacities mean that limited capex is anticipated over next 2-3 years

# Creating a Sustainable Ecosystem

- ETL is **transitioning from a tread rubber manufacturer** to a leading enabler of tyre retreading ecosystem in India.
- For retread partners, ETL enables access to **high quality tread rubber supply** and **world-class retreading equipment** with low capital deployment.
- Partner relationships are also supported by **customer/technical services** and **branding and marketing initiatives**.
- ETL is looking to create a structured system for training and **developing a sustainable workforce** for the retreading industry.
- Retreading is an established industry in key global markets. ETL is **creating comprehensive, industry leading capabilities** that would deliver long term opportunities in India and globally.



# Milestones



# Tyre Retreading Products



## Precured Tread Rubber

- Guaranteed high mileage performance aiding reduction in operating cost
- Uniform tread wear providing good directional stability
- Consistency in quality & supply
- Product range from Auto to JCB
- Excellent grip for safety



## Black Vulcanising Cement

- Ready to use solution
- Fast drying and excellent tack
- Specially formulated for both precured and conventional process
- Sufficient shelf life



## Bonding Gum

- Made from 100% natural rubber
- Soft and superior tack, high bonding strength
- Compatible for 99°C, 125°C & 150°C curing operations
- Sufficient shelf life
- Can be used for splicing & nail hole/injury repair

## Hot Rubber Slab & Camel Back Treads

- Both Slab & Camel Back type are available
- Good shelf life
- Available in customized sizes
- Available in different grades according to the application



## Repair Patches

- Made from nylon fabric
- Applications available for nylon and radial tyres
- Wide range of patches for minor to major tyre injury repair
- Economic measure with safety

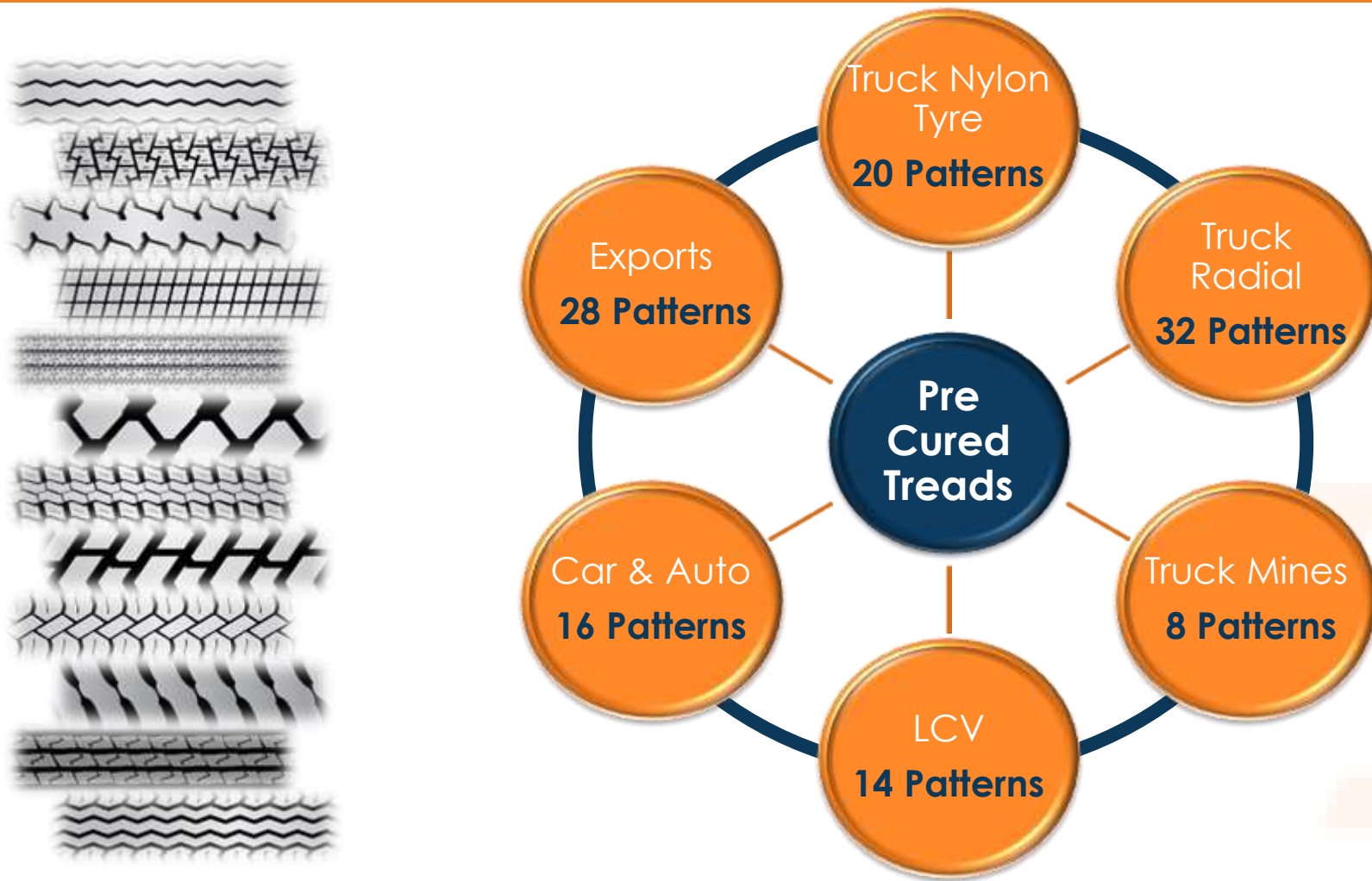
# Production Facility

- Capacity 1,000 tons per month at Oonnukal, Kerala - Tread Rubber- 810 tons, Bonding gum- 85 tons and Black Vulcanizing Cement – 100 KL - Current utilization at ~50%.
- Set up optimal manufacturing process driven by a technically proficient workforce and backed by extensive investments in R&D.
- Facility is on par with world standards having advanced technical hardware equipment





# PreCured Treads – Extensive Product Portfolio



# Distribution and Support Channels



## Dealers

- **92** dealers servicing 1,500 plus multi branded retreaders across 20 states – this open market channel constitutes the traditional sales network that uses ETL's products in the retreading process on a non-exclusive basis.



## Exclusive Retreaders

- **44** Exclusive Retreaders across 11 states – ETL provides a world class ecosystem for its exclusive sales channel based on access to high quality and aesthetic products, improved packaging and reliable channel support resulting in a large number of retreaders aligning with the Eastern Treads brand.



## Road Transport Corporations (RTCs)

- ETL has developed strong relationships with Road Transport Corporations (RTC's) across eight states namely Kerala, Tamil Nadu, Rajasthan, Gujarat, Karnataka, Odisha, West Bengal and Maharashtra.



## Company Outlets

- ETL has launched one in-house model retreading centers in Chennai (called Process Evaluation Center) to demonstrate product application processes and at the same time enhance its brand image in key usage markets.



## Infinity Zone

- 41 outlets across 10 states – exclusive dealer cum service points focus on providing quality retreading services to truck, bus and other fleets, equipped with sophisticated retreading machines that use high quality material and are operated by well-trained people.



## Corporate Sales Team

- Spear headed by persons having rich experience in a similar field with a team size of 46 across India.



## Company Depots & C&F

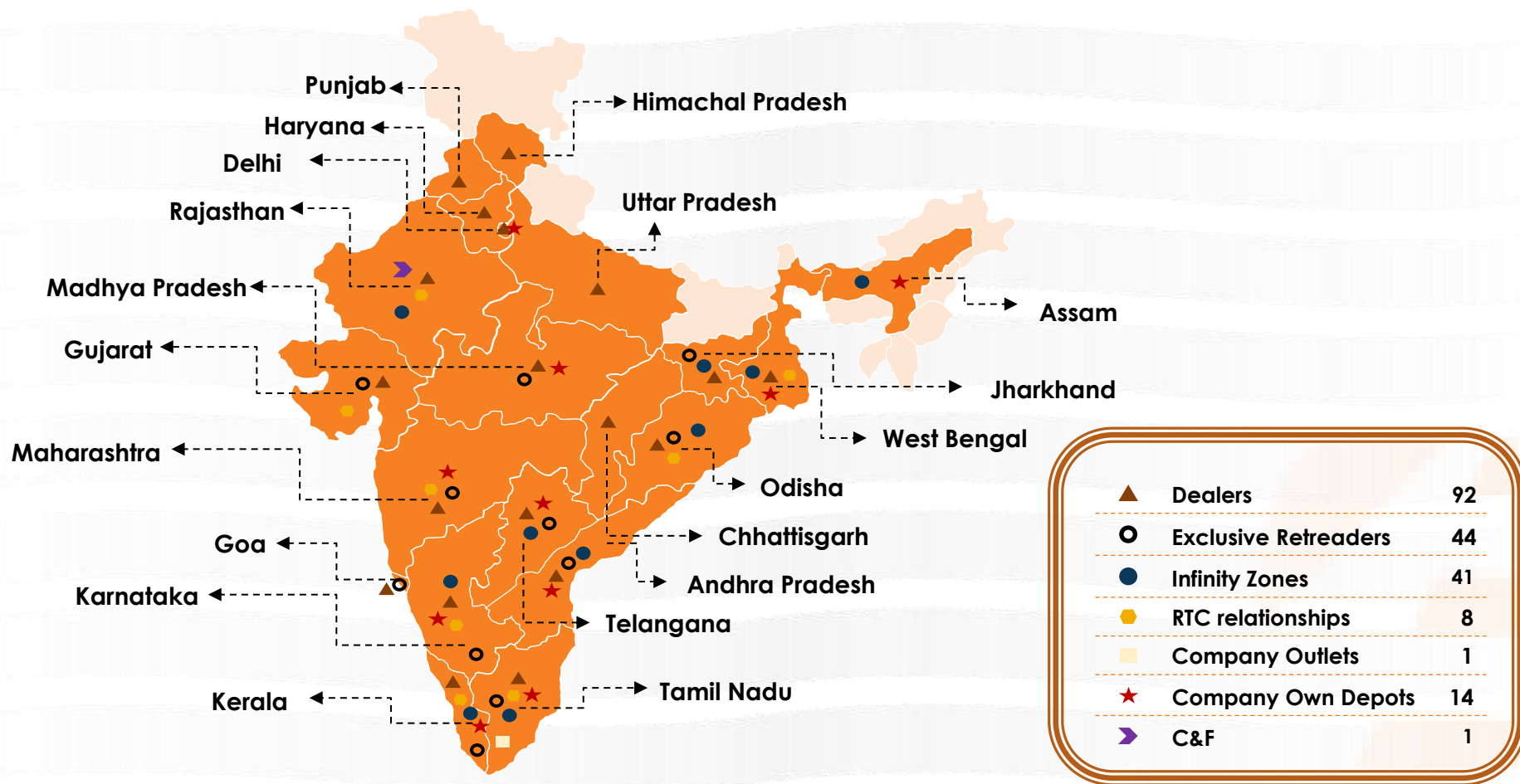
- **14** Company owned depots and one C&F across the country for effective and aggressive servicing of all the above channels.



## Global Sales Network

- ETL initiated its overseas sales operations with the first consignment of tread rubber shipped to UAE in 2012. Since then, deep relationships have been developed in UAE/Middle East, Saudi Arabia, Kenya, Tanzania, Uganda, South America, Mauritius, Bangladesh, Bhutan, Nepal based on supply world class products. Many of these regions represent a strong, long-term growth opportunity for ETL.

# Wide Distribution Presence



# Board of Directors & Management Team



**Mr. Navas M Meeran - Chairman**

Chairman of Eastern Group of Companies with substantial experience in leading businesses across verticals

Previous held positions of Chairman, Southern Region Council, Confederation of Indian Industries (CII)

Received 'Kamal Patra' awarded by the Indian Junior Chamber for being an outstanding young entrepreneur of the year in 1994

Previous held positions of Deputy Chairman, CII, Southern Region Council and Chairman, Kerala Chapter



**Mr. M.E Mohamed – Managing Director**

Retired from Kerala State Housing Board as Executive Engineer

Vast experience in planning and implementing projects

Under his stewardship, ETL is scaling new heights, expanding operations and embarking on several new initiatives



**Mrs. Shereen Navaz - Director**

Actively involved in Eastern group businesses and occupying directorship in various companies



**Mr. M.S Ranganathan - Independent Director**

More than three decades of service in public sector banks in various capacities

Specialized in Finance and Accounts with wide expertise in finance and administration

# Board of Directors & Management Team



**Mr. K.S. Neelacanta Iyer - Independent Director**

Vast experience and expertise in finance, accounts and company law matters

Practicing Chartered Accountant, Senior Partner with M/s Iyer and Cherian, Chartered Accountants, Cochin



**Mr. Rajesh Jacob - Nominee Director of KSIDC**

B.Com & CMA. 22+ years of experience in Finance, accounts & Project implementation. AGM (F&A) at KSIDC. Conducted study of different Industrial sectors and recommend the Government for policy decisions, prepared and implemented rehabilitation schemes of sick units & monitored various assisted units. Acting as Director & observer of various companies.



**CS Baiju T – Company Secretary, WKMP**

Fellow Member of Institute of Company Secretaries of India.

Vast experience and expertise in Finance, Accounts, Company Law matters, Listing regulations etc.

Expertise in Internal Audit, Management and Administration.



**Mr. Naiju Joseph - Director**

Hails from a business family of Vazhakulam engaged primarily in tyre retreading industry



**Dr. Rani Joseph – Director**

38 + years of experience in post graduate teaching and research. Was the head of the department, Polymer Science and Rubber technology of Cochin University of Science and Technology. Member of many academic bodies, Chairman of IRI Kerala Branch. Published research papers in internationally reputed journals and presented lectures /contributory papers in National and International Conferences. Research areas are Nanocomposites, Polymer blends, Polymers for optical recording, Photorefractive and photo conducting polymers, Electrically conducting polymers, Fibre reinforced composites etc.

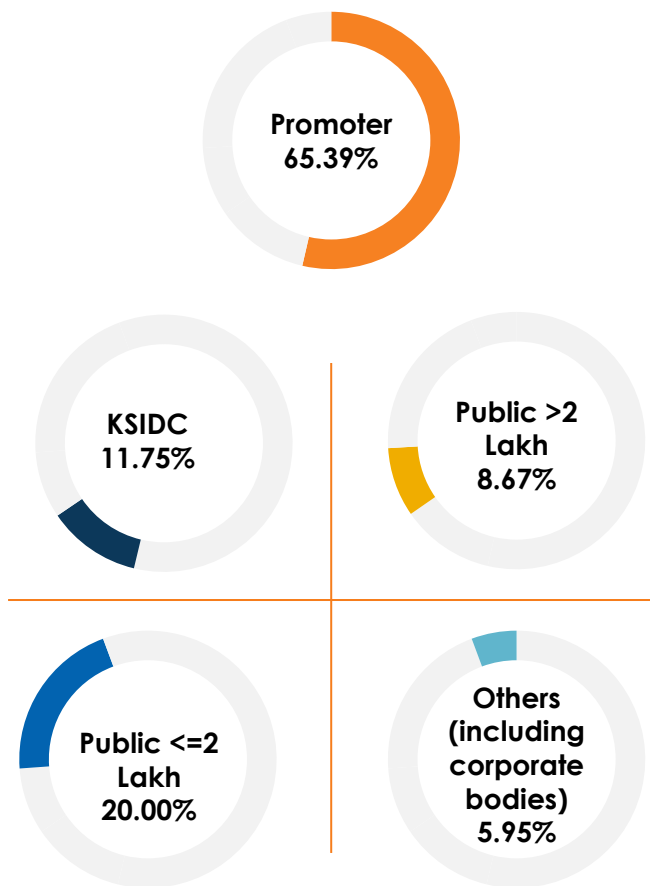


**Mr. Mohamed Sherif Shah – CFO, WKMP**

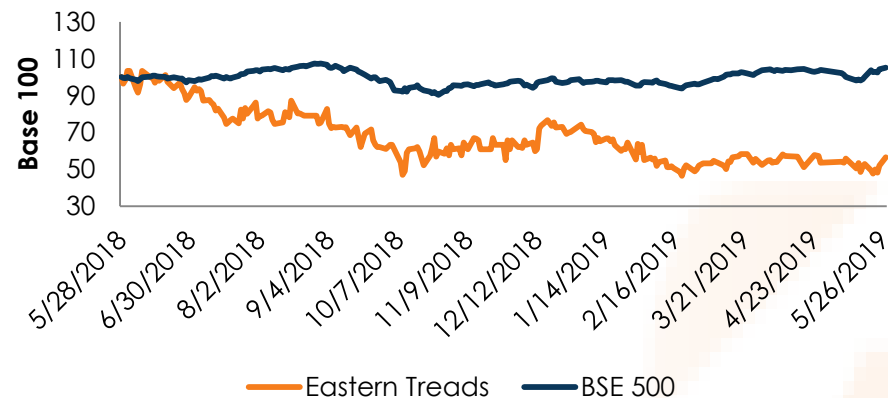
More than 20 years of experience in Tyre retreading industry operations.

Expertise in Finance, Accounts, Procurement, Management and Administration.

# Shareholding Pattern & Share Price Movement



## Share price movement for 1 year





# Retreading Industry



# Retreading and its types

Retreading is a safe, efficient and environmentally friendly way to breathe new life into worn tyres: The "worn-out" tread of the tyre is replaced with a brand-new one and this means that the tyre can be used again!

**There are two techniques for retreading:**

## Cold Process Retreading



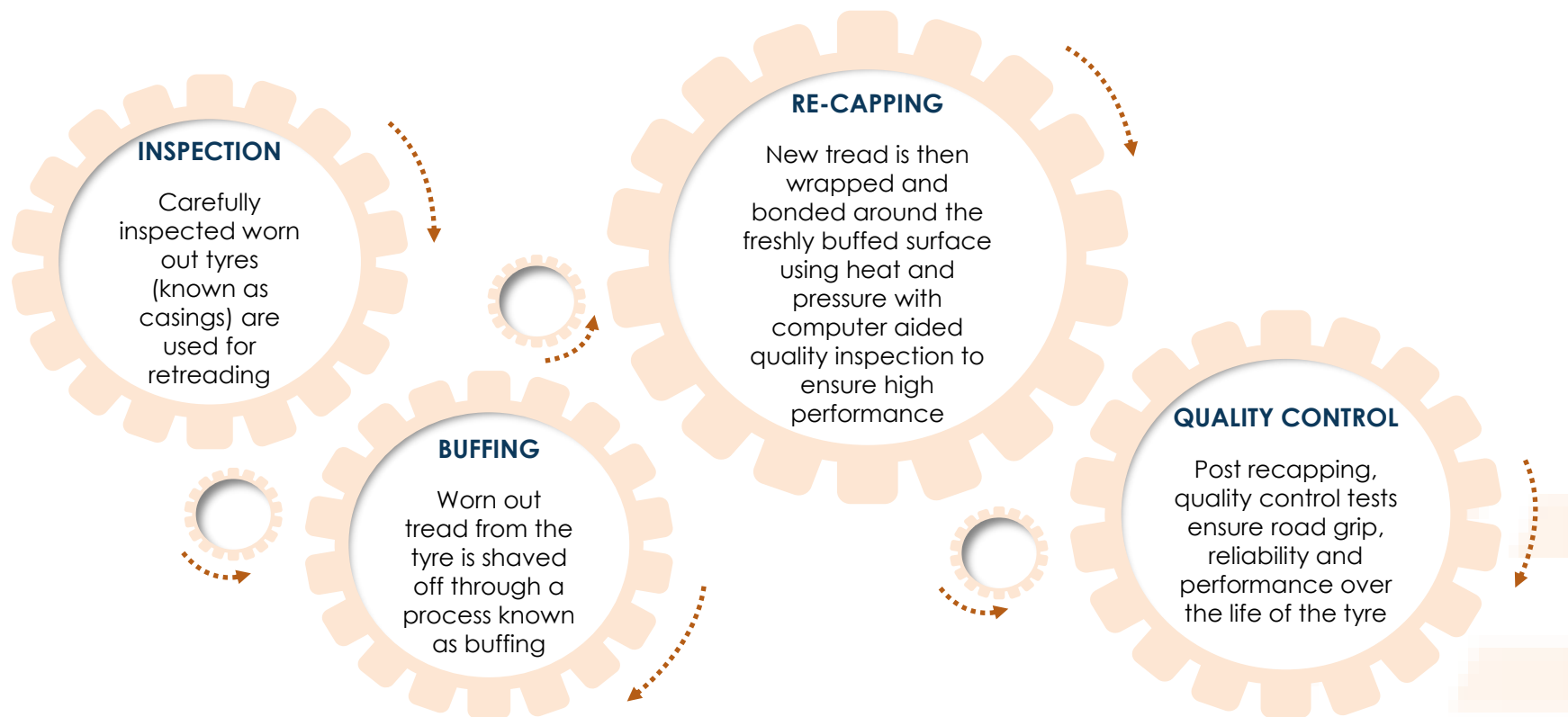
Precure or "cold" retreading involves vulcanisation **without a mould** at a temperature between 110 °C and 125 °C. The tyre is put together using a pre-vulcanised tread liner (= new tread) and a non-vulcanised bonding gum layer.

## Hot Process Retreading



Hot retreading involves the vulcanisation of a tyre in a mould at a temperature of around 150 °C. The tread and the sidewall veneer of the tyre are made up of non-vulcanised rubber compounds. The shape and tread of the tyre are created in the heating press.

# Retreading Process



High mileage

Efficient heat dispersion

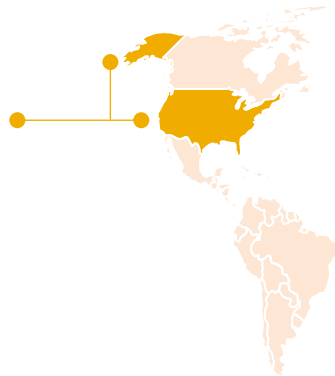
Stable road traction

# Retreading - Global Usage

## United States

- Retreading saves \$ 3 billion annually for the US trucking industry
- In 2013, there were 14.9 million truck tyre retreads vs 15.7 million replacements (almost half the replacement demand was met by retreads)
- Average cost of retread was \$ 250 vs \$ 401 for a replacement

**Source:** Modern Tire Dealer



## Europe

- 4.7 million truck tyres were retreaded in the European Union in 2014
- Truck tyres are designed to be retreaded 3-5 times, aircraft tyres upto 10 times
- 40-45% of truck tyres in the EU market are retreaded tyres

**Source:** European Tyre and Rubber Manufacturers' Association



## India

- 2014 Market Size: ₹ 3,200 crore
- Domestic growth is likely to be robust with double digit CV sales for coming years

**Source:** Company



# Recent Industry Trends

## Expanding Road Networks



- The Government is working on implementing several road-infrastructure development projects such as the Bharatmala project, Setu Bharatam project, Char Dham Highway project and the Rashtriya Rajmarg Zila Sanjoyokta Pariyojna
- Indian road network is the second largest in the world at 5.9 million kms – carries over 60% of all goods and 85% passenger traffic in the country
- The government has also set its eye on successfully developing 2,00,000 km of national highways by 2022

## CV Sales



- CV sales have been affected by the recent slowdown in the economy
  - Erratic monsoon in a few regions have impacted rural demand
  - Liquidity issue to some extent and inventory correction for better business viability at dealers' end have resulted into sizable volume decline
- Medium & Heavy Commercial Vehicles (M&HCVs) inventory stocks are at an all time high of 60 days
- Despite discounts averaging around 15-20%, CV sales took a plunge YoY



# Industry Trends



## More Radialization of Tyres in India

- Improving highway & city road conditions are leading to more radialization of truck tyres
- CVs have seen about 45-50 per cent radialization and this level is expected to double over five years
- Radial tyres have 20% longer life and provide better riding comfort
- Retreading a radial tyre consumes 10% more tread rubber and needs more sophisticated capability
- With about 31 radial patterns already in production , ETL is well equipped for future demand for radial tyres.
- More patterns are in R&D and will be introduced with time



## Greater Usage of Synthetic Rubber

- Demand from Indian tyre industry currently skewed 65% to natural rubber compared to 45% globally but trend is towards synthetic rubber
- Radial tyres use 70% synthetic rubber compared to 50% in conventional tyres

# Industry Trends

## GST Implementation



- Following GST implementation, inter-state check-posts are dismantled and long-haul trucks cover 300-325 kms on Indian highways vs 225 kms previously, reducing freight transit time: based on study conducted by Ministry of Road Transport & Highways
- One-third of the Indian retreading market is unorganized and is expected to potentially consolidate following GST implementation
- Tax avoidance previously allowed unorganized players to offer 20% lower cost – however, quality and safety preferences are already moving customers to industry leaders
- More radial tyres and larger share of market with large fleet owners also leads to consolidation to organized retreaders

# Benefits of Retreading

- Retreaded popular truck tyres cost 30%-50% of the price of new tyre
- During a 3 tyre run (1,80,000 km) cycle, about ₹43,000 can be saved by a popular size truck
- Conserves natural resources –Rubber and Oil
- Reduces environmental pressure from elongating useful life 30kgs of rubber saved per tyre
- Requires ~7 gallons of crude oil to produce a retread as opposed to 22 gallons of oil to manufacture a new tyre
- Globally, regulations around tyre retreading process have standardized quality; Studies have inferred that retreaded tyres fitted accordingly perform inline with new tyres

## Cost Efficiency



## Environment Friendly



## Quality Performance



## Safety



## Low Capital Investment



- Globally commercial airline and jet aircrafts use retreaded tyres. 80% of aircraft tyres in the US are retreaded
- Organised retreaded follows stringent industry practiced backed by quality control and technical expertise
- Capital expenditure in setting up a retreading manufacturing facility is comparatively very low





Going  
Forward

# Outlook

## Retreading gaining prominence in the domestic market

- Monetary advantages and environmental considerations are aiding popularity of retreaded tyres
- Improving road network, increased economic activity, higher radialisation and implementation of GST are all positives for long term growth of the sector
- Rebounding CV sales will leading to expanding market size over the next few years translating to robust medium to long term growth opportunities

## ETL aims to be the leading retreading player in India and exports to key markets worldwide

- At the forefront of building a comprehensive ecosystem across the entire retreading value chain
- Extensive and expanding marketing network to penetrate further and establish a pan India presence
- Limited capex for expansion over next 2-3 years, as sizeable production capacities available currently
- To tap and further expand presence in key lucrative markets globally

## About Eastern Treads Limited (ETL)

ETL, a brand from the bouquet of the Eastern Group, focuses on manufacturing and marketing tyre-retreading materials like pre-cured rubber, bonding gum, vulcanizing solutions and many other accessories. The Company has a national presence across 20 States having tie-ups with 92 Dealers, 44 Exclusive Retreaders, 41 Infinity Zones and 1 own retreading unit which being serviced through 14 depots and 1 C&F across India. The Company has also a presence in overseas markets of UAE/Middle East, Saudi Arabia, Kenya, Tanzania, Uganda, South America, Mauritius, Bangladesh, Bhutan, Nepal to cater to the heightened demand in the world market for tread rubber.

### For further information please contact:

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Thank You

