

CEAT LIMITED

BOARD OF DIRECTORS

R. P. Goenka	Chairman
H. V. Goenka	Vice Chairman
Paras K. Chowdhary	Managing Director
M. A. Bakre	
A. C. Choksey	
S. Doreswamy	
Mahesh S. Gupta	
J. N. Guzder	
H. Khaitan	
Bansi S. Mehta	
Hari L. Mundra	
K. R. Podar	

AUDIT COMMITTEE

M. A. Bakre	Chairman
Mahesh S. Gupta	Member
S. Doreswamy	Member
Hari L. Mundra	Member

SHAREHOLDERS / INVESTORS

GRIEVANCE COMMITTEE

M. A. Bakre	Chairman
Paras K. Chowdhary	Member
Mahesh S. Gupta	Member

COMPANY SECRETARY

H. N. Singh Rajpoot

REGISTERED OFFICE

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

PLANTS

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

LEGAL ADVISERS

Mulla & Mulla and Craigie, Blunt & Caroe

AUDITORS

N. M. Raiji & Co.

REGISTRARS

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

BANKERS

Bank of India
Bank of Baroda
Indian Bank
State Bank of India
UCO Bank
Vijaya Bank
Corporation Bank
State Bank of Travancore
The Dhanalakshmi Bank Ltd.
ICICI Bank Ltd.
The Karnataka Bank Ltd.
Industrial Development Bank of India Ltd.
Export-Import Bank of India
Yes Bank Ltd.

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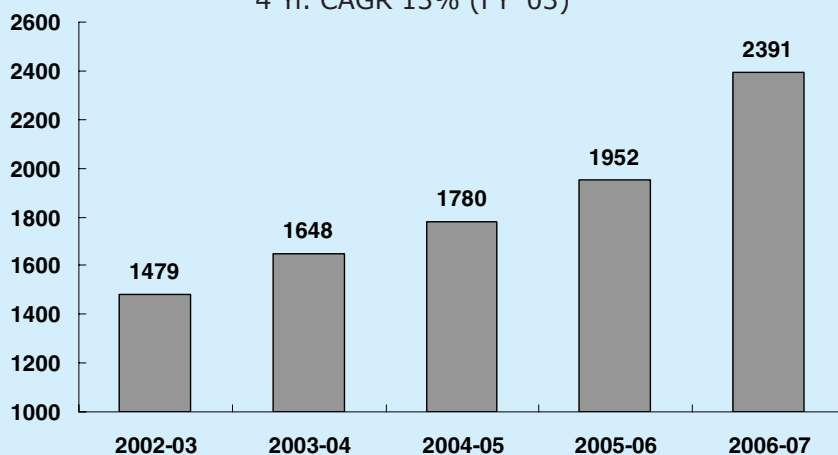
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FINANCIAL HIGHLIGHTS 2006 -2007**(Rs. in Crores)**

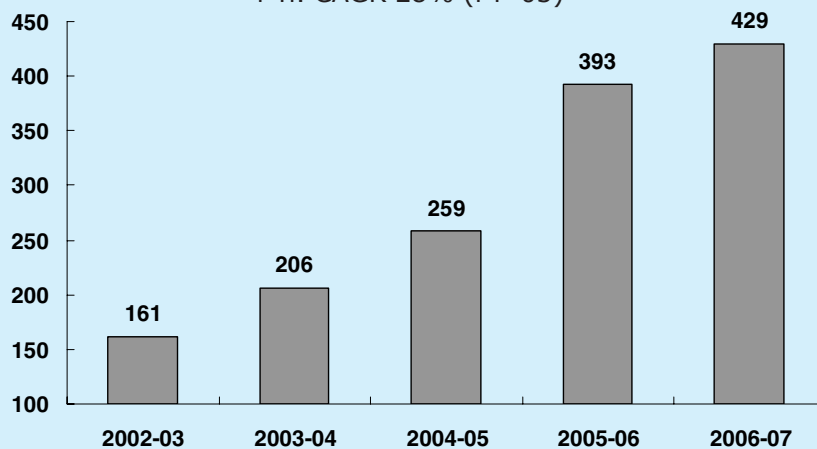
	Current year ended 31.03.2007	Previous year ended 31.03.2006
Gross Sales	23,90.61	19,51.99
Profit before Taxation	60.92	5.22
Profit after Taxation	39.25	0.52
Total Shareholders' Equity	3,78.64	3,49.00
Total Loan Funds & Deferred Tax Liability	5,15.54	5,35.26
Market Price of Equity Share (Rs.)	107.30	65.75
Proposed Equity Dividend (%)	18%	—
Proposed Dividend Aggregate (Rs. in Crores)	8.22	—
Number of Shareholders	77,918	1,01,182
Number of Employees	5,201	5,384
Personnel Cost (Rs. in Crores)	1,28.23	1,18.59

PERFORMANCE HIGHLIGHTS

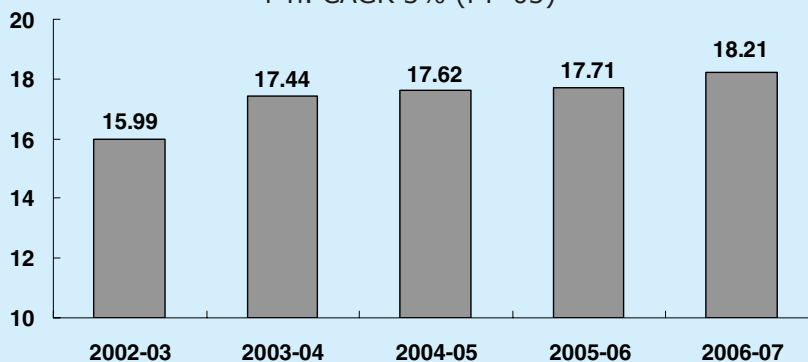
Sales Trend - Rs. Crore
4 Yr. CAGR 13% (FY '03)



Export Sales (FOB) - Rs.Crore
4 Yr. CAGR 28% (FY '03)



Truck Tyre Production - Lakh Nos.
4 Yr. CAGR 3% (FY '03)



TEN - YEAR OPERATING AND FINANCIAL RECORD**(Rs.in Crores)**

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
OPERATING RECORD										
Sales-Gross	23,91	19,52	17,80	16,48	14,79	13,61	11,90	13,48	11,66	11,49
Less:Excise Duty	2,56	2,05	2,52	2,47	2,73	2,47	2,06	2,45	2,08	1,88
Miscellaneous Income	24	23	39	1,01	75	67	79	70	1,07	95
Total Income	21,59	17,70	15,67	15,02	12,81	11,81	10,63	11,73	10,65	10,56
Materials & Traded Goods	14,84	12,14	10,60	9,38	7,49	7,18	6,05	6,51	5,85	6,12
Personnel Cost	1,28	1,19	1,09	1,16	1,16	1,02	90	90	81	76
Expenses	3,94	3,46	3,15	3,28	2,77	2,37	2,67	2,97	2,66	2,33
Interest	61	64	64	76	88	1,01	99	97	1,01	1,07
Depreciation	31	22	22	22	22	19	16	15	13	13
Total Cost	20,98	17,65	15,70	14,80	12,52	11,77	10,77	11,50	10,46	10,41
Profit/(Loss) before taxation	61	5	(3)	22	29	4	(14)	23	19	15
As percentage of Sales (%)	2.55	0.27	(0.17)	1.33	1.96	0.26	1.17	1.71	1.61	1.27
Provision for Taxation	22#	5#	(1)	8	11	2	0	3	2	1
Profit/(loss) after Taxation	39	0.52	(2)	14	18	2	(14)	20	17	14
Dividend	10	—	—	4	4	4	4	7	7**	7**
Per Share (Rs.)	1.80	—	—	1.00	1.00	1.00	1.00	2.00	1.92	1.92
FINANCIAL RECORD										
Share Capital	46	46	35	35	35	35	35	35	35	39
Reserves & Surplus	3,33	3,03	5,95	5,89	5,88	5,51	5,67	5,93	5,13	4,45
Shareholder's Equity	3,79	3,49	6,30	6,24	6,23	5,86	6,02	6,28	5,48	4,84
Loan Funds	5,15	5,35	4,64	5,13	5,21	5,57	5,89	5,43	5,04	4,66
Capital & Loan Funds employed	8,94	8,84	10,94	11,37	11,44	11,43	11,91	11,71	10,52	9,50
Fixed Assets- Gross	11,23	11,11	9,05	8,40	8,23	7,50	7,69	7,27	5,91	5,01
Depreciation	4,13	3,85	3,60	3,31	3,03	2,62	2,44	2,21	2,01	1,80
Fixed Assets- Net	7,10	7,26	5,45	5,09	5,20	4,88	5,25	5,06	3,90	3,21
Investments	1,28	1,28	1,91	1,91	1,93	1,93	1,99	2,05	2,11	2,46
Current Assets - Net	56	30	3,58	4,37	4,31*	4,62	4,67	4,60*	4,51*	3,83*
Capital & Loan Funds applied	8,94	8,84	10,94	11,37	11,44	11,43	11,91	11,71	10,52	9,50

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

** Includes preference share dividend

Includes Fringe Benefit Tax

Figures regrouped wherever necessary

NOTICE

CEAT LIMITED

NOTICE is hereby given that the forty-eighth Annual General Meeting of the Company will be held at Sir Sitaram and Lady Shantabai Patkar Convocation Hall of the S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020 on Friday, July 27, 2007 at 4.00 p.m. (I.S.T.) to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2007 and Profit and Loss Account for the financial year ended on that date, the Report of the Auditors thereon and the Report of the Directors.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Dr. R. P. Goenka, who retires by rotation and being eligible, has offered himself for re-appointment.
4. To appoint a Director in place of Mr. Atul C. Choksey, who retires by rotation and being eligible, has offered himself for re-appointment.
5. To appoint a Director in place of Mr. Hari L. Mundra, who retires by rotation and being eligible, has offered himself for re-appointment.
6. To appoint a Director in place of Mr. Mahesh S. Gupta, who retires by rotation and being eligible, has offered himself for re-appointment.
7. To appoint Messrs. N. M. Raiji & Co., as Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.
8. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 163 and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as the 'Act') approval of the Company be and is hereby accorded for relocating the Register of Members, Index of Members, Register of Debentureholders, Index of Debentureholders, other related books and copies of all Annual Returns prepared under Section 159 and other

applicable provisions of the Act, together with the copies of the certificates and documents required to be annexed thereto under Section 161 and other applicable provisions of the Act or any one or more of them from the premises of TSR Darashaw Limited (formerly Tata Share Registry Limited) at Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001 to its new premises at 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011."

NOTES:

- a) The explanatory statement in respect of Item No. 8 is annexed hereto.
- b) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- c) **THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- d) Members are requested to kindly refer the Chapter on Corporate Governance Report in the Annual Report for the information in respect of re-appointment/appointment of Directors, under Clause 49 of the Listing Agreement. Amongst the Directors who are seeking re-appointment, only Dr. R.P. Goenka holds 5066 equity shares of Rs. 10/- each of the Company.
- e) The Register of Members and the Share Transfer Books of the Company shall be closed from Friday, July 13, 2007 to Friday, July 27, 2007 (both days inclusive).
- f) Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended March 31, 2000, which remained unclaimed or unpaid for the period of seven years will be transferred to the Investor

NOTICE CONTINUED

Education and Protection Fund (IEPF) established under Section 205C of the Companies Act, 1956. Members who have not encashed their dividend warrant(s) so far for the financial year ended March 31, 2000 or any subsequent financial years are requested to make their claims to the office of our Registrar and Transfer Agents, TSR Darashaw Limited (Formerly Tata Share Registry Limited), 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. It may also be noted that once the unclaimed dividend is transferred to IEPF, as above, no claim shall lie in respect thereof. The dividend for the Financial Year ended March 31, 2000, if not claimed, will be transferred to the aforesaid account on or before September 29, 2007.

- g) 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.
- h) Members can avail of the nomination facility, under Section 109A of the Companies Act, 1956 by filing Form No.2B with the Company. Blank forms will be supplied on request.
- i) 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 TSR Darashaw Limited at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400 011.

- j) Members are requested to notify immediately any change of address:
- To their Depository Participants (DPs) in respect of their electronic share accounts, and
 - To TSR Darashaw Limited at 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011, in case of the shares being held in physical form.

In case the Mailing Address mentioned on this Annual Report is without a **PINCODE**, Members are requested to kindly inform their **PINCODE** please.

Under the Authority of the Board of Directors

H N Singh Rajpoot
Company Secretary

Mumbai, April 23, 2007

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

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

In terms of Section 173 of the Companies Act, 1956, the following explanatory statement sets out all the material facts relating to Item No. 8 of the accompanying Notice dated April 23, 2007.

Item No. 8

Under the provisions of the Companies Act, 1956, certain documents such as the Register and Index of Members, Register and Index of Debentureholders, Annual Returns, other related books and certificates, etc, have to be kept at the Registered Office of the Company. However, these documents can be kept at any other place within the city, town or village in which the Registered Office of the Company is situated, with the approval of the shareholders to be accorded by way of a Special Resolution.

At present, as approved by the shareholders at the Annual General Meeting held on September 29, 2005, the aforesaid documents are kept at the premises of the Registrar and Share Transfer Agent

of the Company, TSR Darashaw Limited (TSR) at Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001. Subsequently, TSR has moved out of the premises to their new premises at 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. Hence, the said register, returns and documents will be kept at the premises of TSR at 6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr E Moses Road, Mahalaxmi, Mumbai - 400 011 as indicated in the Resolution at Item No. 8.

None of the directors is concerned and interested in the above Resolution.

Under the Authority of the Board of Directors

H N Singh Rajpoot
Company Secretary
Mumbai, April 23, 2007

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

DIRECTORS' REPORT

The Directors have pleasure in presenting their forty-eighth report, together with the audited accounts for the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

	For the year ended March 31, 2007 (Rs. in crore)	For the year ended March 31, 2006 (Rs. in crore)
Operating Profit (Profit before Interest, Depreciation and Taxation)	1,52.41	91.22
Less: Interest	60.43	63.55
Depreciation	31.06	22.45
Profit before Taxation	60.92	5.22
Provision for:		
Current Tax	10.00	0.69
Deferred Tax	9.29	1.00
Fringe Benefit Tax	2.38	3.01
Net Profit	39.25	0.52
Surplus brought forward from previous year	27.34	26.82
Sum available for Appropriation	66.59	27.34
Appropriations:		
Proposed Dividend on Equity Shares	8.22	-
Corporate Tax on Proposed Dividend	1.39	-
Transfer to General Reserve	15.00	-
Balance carried forward	41.98	27.34

DIVIDEND

The Directors are pleased to recommend a dividend of Rs. 1.80 per equity share of Rs. 10/- each (i.e. 18 %) for the financial year ended March 31, 2007.

INDUSTRY SCENARIO

A resurgence in the Indian economy over the past few years has induced a good rate of growth in the automobile industry which grew at 15.8% during the period 2002-2006. Consequently the overall demand for tyres also registered an average growth of about 8% during this period. The demand-supply situation became favourable and tyre sales across

all segments were buoyant. Original Equipment (OE) segment, in particular, registered a double digit growth.

With increasing agricultural and industrial activity, rising vehicle demand, infrastructure development such as Golden Quadrilateral and North South East West Corridor projects, state road networks and connectivity to ports, the demand for high quality tyres for high speed operations has already started growing. CEAT, with its appropriately segmented product portfolio, is well poised to take advantage of this emerging opportunity in the domestic market.

DIRECTORS' REPORT CONTINUED

During the last year, the industry has become more globalised. Imports of truck tyres has increased manifold. A number of free trade agreements with neighbouring regions are under finalisation. On the other hand exports out of India have shown an encouraging trend.

On the raw material front, the year under review was very volatile. Natural rubber prices touched a peak of Rs. 118 per kg before settling down at levels of about Rs. 90 per kg. Crude oil prices continued to be a cause of concern for the industry. All other raw materials also witnessed a surge in prices. This had put additional strain on the profitability of the Company in the first half of the financial year. However, due to favourable demand supply situation, the industry was able to revise its product pricing and thereby offset raw material cost increase.

CEAT'S PERFORMANCE

The Company registered a revenue growth of 22.5 % during the year under review. All three (3) segments of CEAT's business, namely exports, Original Equipment Manufacturers (OEMs) and domestic replacement sales have shown good growth during the year under review with existing and new OEM customers being the key drivers. Realisation from OEMs have improved during the year. Along with improved product mix, the Company's profitability has therefore improved in this segment.

Domestic replacement market was extremely competitive, partly due to increasing imports from China. Despite this, the Company has been able to increase sales of premium products through improved focus and targeted marketing activities. New products in the Truck and LCV segment have met with an excellent response.

Several innovative initiatives were implemented in the manufacturing and materials front, which led to significant productivity enhancement and cost reduction. Financing costs were kept on a very tight leash throughout the year despite increase in interest rates. Combined with the relentless focus on efficiencies, CEAT has turned in an impressive improvement in profitability, and registered a net profit of Rs. 39.25 crores , a growth of about 75

times over the net profit of Rs. 0.52 crores in the previous year.

What is important, is that the Company's business model is now a sustainable one, which is suitably de-risked.

EXPORTS

The Company has extended its global footprint to 110 countries across the globe. Its export basket has improved substantially in terms of price realisations and profitability. The Company has established a stable and extensive network in South America, North America as well as in Europe. CEAT's products have been accepted with several OEMs in Europe during the year under review, despite competing with global majors. These businesses are of an annuity nature and hence would ensure stability in future years. Thirteen new products were launched in the export market during this year.

FUTURE OUTLOOK

With increasing expense on infrastructure in India and with GDP expanding at a healthy pace of more than 8%, the Indian automobile industry is expected to grow at the rate of about 15% in the next ten years resulting in a good future for the tyre industry. This will translate into plans for increased investment and capacity expansion. CEAT's business plan for the financial year 2007-2008 takes into account the above and the Company expects to achieve improved performance in the coming years.

The user industry, particularly fleet operators, is becoming increasingly professionalized and consolidated. Hence the customer is getting more and more discerning, which throws up a huge opportunity to differentiate CEAT and open unique avenues to segment the market and satisfy the needs in a focused manner.

The passenger segment is poised for rapid expansion as well. The customer is increasingly looking for more value addition in terms of higher-end products as well as services.

The industry in general, will get increasingly integrated to the global market, both in terms of finished goods and in terms of raw materials, as well.

DIRECTORS' REPORT CONTINUED

FINANCIAL RESTRUCTURING

The Board of Directors of the Company has approved the de-merger of its investment business to a separate investment and finance company in order to optimize the operational efficiencies and performance of its core business of manufacture and sale of tyres, tubes and flaps and to bring about synergies in its existing operations. The Scheme, after receipt of requisite sanctions and approvals is expected to be implemented during the current financial year.

RESEARCH & DEVELOPMENT

The year 2006-2007 saw significant R&D efforts to develop new products and enhanced quality of tyres. The new products so developed have performed well in the domestic as well as international markets. Successful efforts were made put into re-engineering the products and to reduce costs and optimise material consumption.

ASSOCIATED CEAT KELANI VENTURE

The Sri Lankan Venture saw an impressive growth during the financial year 2006-2007 with top line increasing by 27% from SLR 2.6 billion to SLR 3.3 billion. Profit before tax grew by 76% from SLR 53.1 million last year to SLR 93.8 million.

With commissioning of the state-of-the-art Radial Plant during the second half of the financial year, the venture has positioned itself strategically and will be in a position to cater to the large domestic market, in addition to the increasing international requirement in India and elsewhere.

Domestic sales realization showed an impressive increase, reflecting the strong brand presence in Sri Lanka. Export Sales grew by 76% on the back of good demand from India.

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

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of the Board

of Directors) Rules, 1988, is annexed hereto and forms part of this report.

HUMAN RESOURCES

In the context of a healthy economy, managing attrition and retention of critical talent are of great the concern. The Company therefore continued its efforts towards ensuring employee engagement and involvement through focused initiatives on training, talent management, succession and career planning.

In order to achieve its future growth, the Company has initiated a process of culture change in order to bring about higher levels of customer centricity and organisational capability. Innovation, benchmarking, empowerment and teamwork are being encouraged across the organisation.

EMPLOYEE STATEMENT

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

DIRECTORS

In accordance with the Companies Act, 1956 and Articles of Association, Dr. R. P. Goenka, Mr. Mahesh S. Gupta, Mr. Atul C. Choksey and Mr. Hari L. Mundra retire by rotation and have offered themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) the applicable Accounting Standards have been followed in the preparation of the annual accounts,
- ii) such accounting policies have been selected and applied consistently and such judgements and estimates have been made that are reasonable and prudent so as to give a true

DIRECTORS' REPORT CONTINUED

and fair view of the state of affairs of the Company in the Balance Sheet as at March 31, 2007 and of the Profit and Loss Account for the said financial year viz. April 1, 2006 to March 31, 2007,

- iii) the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken,
- iv) the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A report on the Corporate Governance, along with a certificate from the Auditors of the Company, regarding the compliance of conditions of Corporate Governance, as also the Management Discussion and Analysis Report, as stipulated under Clause 49

of the Listing Agreement, are annexed to this Report.

AUDITORS

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

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors

H V Goenka
Vice Chairman

Paras K Chowdhary
Managing Director

Mumbai, April 23, 2007

ANNEXURE TO THE DIRECTORS' REPORT

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

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

CONSERVATION OF ENERGY

(a) Following are the measures taken during the above period for conservation of energy:

1. Introducing low pressure hot water tank in the Hot Water Generation System.
2. Modification of curing cycle-Cold water flushing in place of High Pressure steam flushing.
3. Insulation of hot water recovery pipelines and recovery tank at 59J Curing.
4. Re-insulation of pipeline and curing presses to prevent heat loss.
5. Installation of natural ventilator at 59J curing area.
6. Installation of Variable Frequency Drive (VFD) for Post Cure Inflator air compressor.
7. Installations of VFD to control cooling tower fan.
8. Installation of Programmable Logic Control for exhaust fan blower switching.

9. Conversion of pneumatic carriage to electrical carriage in Bias cutting and skiver.
- (b) Additional Investments /Proposals for reduction of consumption of energy:
1. Separation of hot water and cold water recovery system.
 2. Installation of air pre-heater for 20 tonnes/hour boiler.
 3. Compressed Natural Gas firing in all boilers in place of Low Sulphur High Stock/ Furnace oil.
 4. On line efficiency monitoring and oxygen trimming systems for Boilers.
 5. Auto level feed water controller for boilers.
 6. Conversion of pneumatic hoist to electrical hoist.
 7. Installation of VFD for Boiler Forced Draft fan.
 8. Upgradation of plant lighting system.

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

The above efforts have reduced power and fuel consumption per kg. of production.

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

FORM "A"

A. Power and Fuel Consumption

- 1. ELECTRICITY**
 - (a) Purchased
 - Units (KWH)
 - Total amount
 - Rate per unit (Rs.)
 - (b) Own generation
 - (i) Through Diesel Generator:
 - Units (KWH)
 - Units per /Litre of Diesel Oil (KWH)
 - Cost per unit (Rs.)
 - (ii) Through Steam / Turbine Generator
 - Units (KWH)
 - Units per Litre of Fuel Oil /Gas (KWH)
 - Cost per Unit (Rs)
- 2. COAL (Specify quantity & where used)**
 - Quantity (Tonnes)
 - Total Cost (Rs. in crores)
 - Average rate (Rs.)
- 3. FURNACE OIL**
 - Quantity (K. Ltrs)
 - Total amount (Rs. in crores)
 - Average Rate (Rs. per Litre)
- 4. L.S.H.S**
 - Quantity (K. Ltrs)
 - Total amount (Rs. in crores)
 - Average rate (Rs. per Litre)
- 5. OTHER / INTERNAL GENERATION (LPG & Other Gases)**
 - Quantity (Kgs.)
 - Total Cost (Rs. in Crores)
 - Rate per Unit (Rs. per Kg.)

B. Consumption Per Unit Of Production

- (i) Electricity (KWH /MT.)
- (ii) Furnace Oil (Ltrs. /MT)
- (iii) Coal -
- (iv) L.S.H.S. (Ltrs./MT)
- (v) Others

	2006-2007	2005-2006
1. ELECTRICITY		
(a) Purchased		
Units (KWH)	8,65,75,720	8,66,61,590
Total amount	37.23	30.06
Rate per unit (Rs.)	4.30	3.47
(b) Own generation		
(i) Through Diesel Generator:		
Units (KWH)	4,60,792	7,29,897
Units per /Litre of Diesel Oil (KWH)	2.83	3.18
Cost per unit (Rs.)	13.29	10.67
(ii) Through Steam / Turbine Generator		
Units (KWH)	-	-
Units per Litre of Fuel Oil /Gas (KWH)	-	-
Cost per Unit (Rs)	-	-
2. COAL (Specify quantity & where used)		
Quantity (Tonnes)	-	-
Total Cost (Rs. in crores)	-	-
Average rate (Rs.)	-	-
3. FURNACE OIL		
Quantity (K. Ltrs)	3,397	6,181
Total amount (Rs. in crores)	5.73	7.90
Average Rate (Rs. per Litre)	16.85	12.78
4. L.S.H.S		
Quantity (K. Ltrs)	19,118	17,456
Total amount (Rs. in crores)	29.43	23.59
Average rate (Rs. per Litre)	15.40	13.51
5. OTHER / INTERNAL GENERATION (LPG & Other Gases)		
Quantity (Kgs.)	-	-
Total Cost (Rs. in Crores)	-	-
Rate per Unit (Rs. per Kg.)	-	-
B. Consumption Per Unit Of Production		
(i) Electricity (KWH /MT.)	663.33	689.44
(ii) Furnace Oil (Ltrs. /MT)	25.89	48.76
(iii) Coal -	-	-
(iv) L.S.H.S. (Ltrs./MT)	145.70	137.71
(v) Others	-	-

ANNEXURE TO THE DIRECTORS' REPORT CONTINUED

TECHNOLOGY ABSORPTION

FORM "B"

Research & Development (R & D)

1. Specific areas in which R & D activities were carried out by the Company –

- Evaluation and application of new material for performance improvement.
- Substitute of Natural Rubber with Synthetic Rubber in tyre application.
- Development of high performance compound with specific attribution.
- Development of new sizes for Original Equipment manufacturers.
- Development of new sizes for Replacement market.
- Development of Specialty tyres .
- Continual Product/Process improvements.
- Value Engineering Projects.
- Cycle time reduction for productivity improvement,
- Development of new test methods.
- Providing technical know-how to:
 - ❑ Associated CEAT (Private) Ltd., Sri Lanka
 - ❑ Associated CEAT Kelani Radials (Private) Ltd., Sri Lanka
 - ❑ CEAT Kelani International Tyres (Private) Ltd., Sri Lanka
 - ❑ ACE Tyres Limited, Hyderabad
 - ❑ Innovative Tyres & Tubes Project, Baroda.

2. Benefits derived as a result of above R & D

- New Products with advanced features.
- Improvement of product performance and customer satisfaction levels.
- Improvement of process efficiency.
- Enhancement of product range and entry into niche markets.
- Reduction of warranty claim by 25% (Year On Year basis)
- Input cost reduction
- Usage of alternate materials.
- Reduced energy cost.

3. Future plans of action

- Market driven new product developments.
- Radialisation in commercial vehicle segment.
- Development of high performance Passenger Radial tyres.
- Application research on new materials.
- Partnering with OE for new products with added features.
- Design validation with virtual simulation.

4. Expenditure on R & D

(Rs. in Crores)

	2006-2007	2005-2006
a) Capital	0.30	0.01
b) Recurring	1.77	1.32
c) Total	2.07	1.33
d) Total R & D expenditure as % of total turn over	0.09%	0.07%

Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

The technology innovations mentioned were developed with in house talents and have since been adapted and fully absorbed.

New ideas and techniques were also evaluated and implemented for quality and productivity improvement.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. :

New products developed to meet specific customer needs including high-tech radial tyres.

Improved product performance.

Improvement in process technology.

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

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

Please refer to the main report.

(b) Total foreign exchange used and earned :-

(Rs. in Crores)

2006-2007 2005-2006

i) Foreign exchange earned	4,30.49	3,94.39
ii) Foreign exchange used	5,15.58	3,70.81

On behalf of the Board of Directors

H V GOENKA
Vice Chairman

PARAS K CHOWDHARY
Managing Director

Mumbai, April 23, 2007

ANNEXURE TO THE DIRECTORS' REPORT CONTINUED**INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT DATED 23RD APRIL, 2007 FOR THE PERIOD 1ST APRIL 2006 TO 31ST MARCH 2007.**

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

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

(a) Paras K. Chowdhary (b) 55 (c) Managing Director (d) 2948454 (e) B.Sc. Physics (Hons.) (f) 32 (g) 18.01.2001 (h) Apollo Tyres Limited (22 yrs.) President & Wholtime Director (a) K.J. Rao (b) 51 (c) Chief Financial Officer (d) 5431302 (e) B.Com., FCS, MBA (f) 26 (g) 22.10.1994 (h) RPG Telecom Limited (12 yrs.) Vice President (Finance) & Company Secretary (a) Tom K. Thomas (b) 54 (c) Vice President -Technical & Manufacturing (d) 5312105 (e) B.Sc., B.Tech (e) 30 (f) 20.07.2001 (g) J.K. Industries Limited (3 yrs.) Vice President -Tech. & Radial Plant (a) Arnab Banerjee (b) 42 (c) Vice President - Sales & Marketing (d) 5127323 (e) B.Tech., PGDM (f) 19 (g) 21.11.2005 (h) Marico Limited (10 yrs.) Head-New Business Development (a) Amit S. Kumar (b) 44 (c) Vice President - Human Resources (d) 2898402 (e) BA (Hons), M.A. (Prev.), PGDM (f) 20 (g) 06.01.1997 (h) Tata Engineering Locomotive Co. Limited (11 yrs.) Divisional Manager (a) Hundal Singh (b) 46 (c) General Manager-Bhandup Plant (d) 3103658 (e) M.Sc. (f) 21 (g) 01.06.2002 (h) J K Industries Limited (2 yrs.) General Manager - Production (a) Sunil S Anand (b) 48 (c) General Manager-Business Development (d) 2415669 (e) M.Com. (f) 25 (g) 01.09.1983 (h) Cynthinco Pvt. Ltd. (1 yr.) Sales Officer (a) Capt. S. Vasudeva (b) 65 (c) Advisor-Corporate Affairs (d) 4334357 (e) B.E. (Mech.), Masters Foreign Going Certificate of Competency issued by Ministry of Transport (f) 18 (g) 01.04.2002 (h) RPG Enterprises Limited (5 yrs.) President-Corporate Affairs (a) H.N.Singh Rajpoot (b) 50 (c) Company Secretary & General Manager - Legal & Secretarial (d) 2515910 (e) B.Sc. (Bio.), M.A. (Eco.), LLB, AMIMA, AICWA, FCS (f) 29 (g) 01.06.2005 (h) NextGen Communications Ltd, Company Secretary & General Manager (Finance & Commercial) (a) Sandeep Gulati (b) 49 (c) General Manager-Exports (d) 2621429 (e) B.Com. (f) 26 (g) 23.03.1981 (h) NA (a) J S Mavlankar (b) 48 (c) Vice President- Corporate Business Audit (d) 4176080 (e) B.Com (Hons). ACA, Grad CWA (f) 23 (g) 01.07.2003 (h) RPG Enterprises Ltd, Group Business Audit (a) Suresh Mathew (b) 41 (c) Vice President (d) 4400220 (e) CA (f) 16 (g) 01.07.2003 (h) RPG Enterprises Ltd, Executive Assistant to Chairman (a) Chandrashekhar Ajgaonkar (b) 45

(c) Corporate Quality Executive (d) 3415974 (e) BE (Mech), MMS (f) 19 (g) 02.08.2005 (h) ECS Limited, Principal Consultant (a) Bavneesh Gulati (b) 40 (c) General manager- Corporate HR (d) 2473711 (e) B.Sc, MA, MBA (f) 19 (g) 25.08.2005 (h) Jindal Iron & Steel Co, General Manager- HR

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

(a) Rajiv Kumar Jain (b) 42 (c) General Manager-Marketing (d) 2495789 (e) B.Com (Hons.), MBA (PGDM) (f) 15 (g) 01.07.2005 (h) Welspun India Limited (1 yr.) Vice President - Exports (a) K. Ganesan (b) 49 (c) Vice President - Projects (d) 234123 (e) DME, BBA, PGDM (f) 27 (g) 24.09.2004 (h) J.K. Industries Limited (6 yrs.) Director - Manufacturing (a) D. A. Deshmukh (b) 58 (c) Chief Manager - Sourcing (d) 1020983 (e) B.S.C (Hons.) (f) 37 (g) 24.11.1963 (h) Dekka-Chem (1 yr.) Production /Analysis (a) N.J. Gala (b) 51 (c) Head Outsourcing - Bhandup Plant (d) 574135 (e) B.E. Chemical, M.F.M. (f) 12 (g) 19.09.1994 (h) MIRC Electronics Limited - Senior Manager- EDP (a) Gurpreet Singh Nagpal (b) 37 (c) General Manager-Learning & OD (d) 945074 (e) B.Com (f) 16 (g) 27.11.2006 (h) Erehwon Innovation Consulting-Senior Consultant

Notes:

1. All appointments are/were contractual as per the rules and conditions of the Company except for Mr. Paras K. Chowdhary, under (A) who was re-appointed in accordance with the conditions specified in Part I and Part II of Schedule XIII, Mr. Chowdhary's contract is as per the terms approved by the Members of the Company at the Annual General Meeting held on September 25, 2006.
2. The Appointments are/were terminable with Notice periods varying from 1 month to 6 months.
3. None of the above employees is a relative of any Director (or Manager) of the Company.
4. Remuneration includes salary, bonus, and Company's contribution to Provident / Superannuation Funds, Leave Travel Concession, Medical Expenses and value of other facilities inclusive of accommodation as may be applicable in such case and in case of retired employees, includes Gratuity.

On behalf of the Board of Directors

H. V. GOENKA
Vice Chairman

PARAS K CHOWDHARY
Managing Director

Mumbai, April 23, 2007

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

As a result of the good growth of the Indian economy since 2002, particularly at about 9% in the last two years, the automobile industry has grown at a CAGR of 15.8% in the last five years. Consequently, the demand for products of its ancillaries has also improved significantly. For the same reason, tyre industry, which was facing a sluggish demand till three years back, experienced a favourable demand supply situation during the year under review.

Road infrastructure investment is expected to grow at 11 % in the next three years. Improvement in road infrastructure due to this investment is likely to lead to shifting of cargo transport from railways to roads, which in turn should increase sale of commercial vehicles. Higher movement of goods and increased traffic is expected to boost the demand for automobiles further.

Currently, the share of automobile industry is 5% of GDP. This is expected to increase to 10-12% in the next decade. Also, India, it is expected, will soon emerge as an automobile outsourcing and manufacturing hub. This development will be beneficial to various segments of automobile industry viz. 2-wheeler, 3-wheeler, passenger cars, commercial vehicles, etc. The expected growth in the automobile industry will translate into sustainable growth of its ancillary, the tyre industry, both in Original Equipment Manufacturing (OEM) segment and Replacement Market during next 5-10 years.

The tyre industry witnessed continuous increase in raw material costs in the past several years which resulted in lower margins. With growth in demand for tyres not being adequate to compensate for this rise, tyre manufacturers were neither able to pass on the cost increases to customers nor obtain better prices from OEMs. Due to lower profitability, the industry did not invest in capacity expansions either. However, for reasons mentioned above, the demand supply situation has turned favourable during the year under review, and consequently the pricing power of the industry has improved. This has enabled the industry to affect several price increases during the year under review, resulting in increased

volumes and better margins for the industry.

Considering the demand projections, the tyre industry is expected to invest approximately Rs. 3,000 cores on capacity expansion in the next five years and the industry is expected to grow at a CAGR of 10.7%.

OPPORTUNITIES

- Indian economy is expected to grow at about 8% during 2007-2008.
- Road infrastructure investment to grow at about 11 % in the next three years and Indian Automobile Industry to grow at 15% in the next 10 years.
- Automobile majors continue to operate at full capacity and have ambitious expansion plans.
- The above are likely to result in growth of the tyre industry at around 10.7% in the next five years.
- Increasing acceptance of Indian tyres in export markets. 'Made in India' is becoming a strength in export markets.

THREATS

- Volatility in raw material prices, especially natural rubber and petroleum products.
- Threat from import of cheap Chinese tyres and also used tyres.
- Sharp increase in demand of radial tyres for which the Company has very limited capacity at present.

PRODUCTWISE PERFORMANCE

CEAT continues to have the widest product portfolio in the industry. This includes small tyres for scooter/ motorcycles (7%), passenger cars (4%), light commercial vehicles (13%). Tractors (7%), Heavy Commercial Vehicles (64%) and Mining / other Vehicles (5%).

CEAT has grown handsomely in the commercial segment of truck tyres in the domestic market. While OEM demand has been buoyant throughout the year, replacement demand for CEAT's high mileage performance tyres has seen a good upswing. CEAT's truck tyre portfolio has found

MANAGEMENT DISCUSSION AND ANALYSIS REPORT CONTINUED

increasing acceptance in all key segments across the country and the perception about this product segment has moved up several notches with good acceptance amongst key big fleet operators in the country. CEAT has considerably displayed stronger pricing power, which with improved product mix has had a direct impact on bottomline. Several new products were introduced during the year, both in the premium and the Value For Money (VFM) segments. CEAT has scaled the learning curve in the context of sales and marketing, while focusing in the key markets of south and west. It is now ready to sell higher quantities and garner stronger market shares.

CEAT's Light Commercial Vehicle (LCV) portfolio has grown as well, at the high end of the product portfolio. Sustained marketing activities in this category has also led to improvement of perception and sales and CEAT is well poised to gain higher market shares in the coming years. New products were launched in the premium as well as in the value-for-money segment.

The motorcycle tyre segment has shown robust growth while sale of scooter tyres went down during the last fiscal. Since production capacity of car tyres remained the same throughout the year, growth in the passenger car segment was marginal. With increase in capacity and development of several new products, patterns and sizes in the coming year, CEAT is well placed to hike its market shares in the car tyre segment as well.

CEAT is now exporting to more than 110 countries across the world. It has considerably improved its distributor network in the USA, South America and in Europe, during the year under review. CEAT's export basket now has a diverse portfolio. The export business is not only profitable, but also adequately de-risked because of the product range and the wide range of customers.

CEAT's improved product mix is being increasingly accepted by OEMs in export markets and is a result of CEAT's design and innovation capabilities. This business model in exports is sustainable over a long period of time, which has had a positive impact on the bottomline of the Company.

OUTLOOK

Driven by sustained growth of Indian Economy/Automobile Industry, the Indian Tyre Industry is expected to grow at a CAGR of 10.7% in the next ten years, as against 7.7% during the past ten years.

CEAT'S STRATEGY FOR 2007-2008

CEAT would like to dominate in select segments in the domestic as well as in the export market. With globalization of the economy, new segments are getting created. CEAT has chosen some key segments where it will focus its entire marketing activities in the future with a view to achieve leadership status. 'Select and dominate' will be CEAT's strategy in all product categories. Further improvement in product mix and realizations will be the key operational deliverables of the entire strategy.

RISKS AND CONCERNS

There are no risks or concerns other than those, which are common to the Indian Tyre Industry such as raw materials availability and prices, downturn in economy, civil disturbances and warlike situations.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company has established a well knit internal control system. Management reports on key performance indicators and variance analysis are made to concerned persons and acted upon with proper monitoring of activities. Moreover, the Company continuously upgrades these systems in line with the best available practices. Regular management committee meetings are held where these reports and variance analysis vis-à-vis budgets are discussed and action plans are drawn for proper follow up. Operational reports are tabled at each Board Meeting, after being discussed at Audit Committee Meetings.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Tight budgetary control on all key operational

MANAGEMENT DISCUSSION AND ANALYSIS REPORT CONTINUED

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

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

CEAT is investing appropriately in improving employees productivity with focus on customer-centricity across the organization. Human resources initiatives during the year have focused on optimum employee engagement and retention of critical talent further strengthening the performance oriented work culture within the organization.

The Company is also pushing forward a performance based culture, where the best performers get rewarded at a level which can compare well across industries and not just in the tyre industry. CEAT is

churning its team to build on the huge experience of its trained workforce which will be blended with fresh talent from different industries.

CAUTIONARY STATEMENT

This report to the shareholders is in compliance with the corporate governance standard incorporated in the Listing Agreement with the Stock Exchanges and as such cannot be construed as holding out for any forecast, projection, expectation, invitation, offer, etc. within the meaning of applicable securities, laws and regulations.

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

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

H. N. SINGH RAJPOOT
Company Secretary

Mumbai, April 23, 2007

CORPORATE GOVERNANCE REPORT

I. COMPANY PHILOSOPHY

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

II. BOARD OF DIRECTORS

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

Composition

At present the Board of Directors of the Company consists of twelve (12) members, out of whom one(1) is an 'Executive' Director and eleven (11) are 'Non-Executive' Directors. The Chairman, Dr. R. P. Goenka is a Non-Executive Director and Mr. Paras K. Chowdhary, who is the Executive Director, is also the Managing Director. The Directors are eminent industrialists/professionals with experience in industry/business/finance/law and bring with them the reputation of independent judgement and experience, which they exercise and also satisfy the criteria of independence. However, the Board of Directors, adopting a more exacting view, has decided to treat only the Directors, as indicated in the table given below, as independent directors.

Board Meetings held during the year and attendance thereat:

During the financial year April 1, 2006 to March 31, 2007, five (5) meetings of the Board of Directors were held on April 27, 2006, July 31, 2006, September 25, 2006, October 31, 2006 and January 23, 2007.

Name	Relationship with other Directors	No. of Board Meetings attended	Whether attended last AGM	Directorships in other Public Limited Companies	Committee Memberships**	
					Chairman	Member
Dr. R. P. Goenka @	Father of Mr. H.V. Goenka	0	No	4	-	-
Mr. H. V. Goenka @	Son of Dr. R.P. Goenka	5	Yes	8	-	-
Mr. Paras K. Chowdhary @*	None	5	Yes	5	-	1
Mr. Mahesh S. Gupta #	None	4	Yes	7	1	1
Mr. M. A. Bakre #	None	5	Yes	2	1	-
Mr. A. C.Choksey #	None	3	No	8	-	-
Mr. S. Doreswamy #	None	5	Yes	6	2	2
Mr. J. N. Guzder #	None	5	Yes	3	-	-
Mr. Haigreve Khaitan #	None	2	Yes	13	-	5
Mr. Bansi S. Mehta #	None	4	Yes	14	5	5
Mr. Hari L Mundra #	None	2	No	4	-	2
Mr. K. R. Podar #	None	5	Yes	5	-	1
Mr. N. Srinivasan # ***	None	0	NA	NA	NA	NA

@ Non Independent # Independent * Except Mr. Paras K Chowdhary, all other directors are non-executive directors.

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

*** Resigned with effect from June 12, 2006

CORPORATE GOVERNANCE REPORT CONTINUED

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

Dr. Rama Prasad Goenka, is the Chairman Emeritus of the Rs. 11,000 crore RPG Group. Amongst the Group's core businesses are Power (CESC Limited which supplies power to the city of Kolkata), Transmission (KEC International Limited) Tyres (CEAT), Retail (Spencer's, India's largest retail chain) and other companies involved in IT, Chemicals, Life Sciences and Entertainment.

A former Member of Parliament (Rajyasabha), Dr. Goenka is Chairman, Board of Governors, International Management Institute and the Trustee of the Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust and Rajiv Gandhi Foundation. He is a past President of the Federation of Indian Chambers of Commerce & Industry (FICCI) and the Confederation of Asia Pacific Chambers of Industry. Dr. Goenka is also the immediate past Chairman, Board of Governors, Indian Institute of Technology, Kharagpur.

Dr. Goenka was born on March 1, 1930 and his qualifications are B.A. (Hons.) Presidency College, Calcutta University, Advanced Management Programme, Harvard University, U.S.A., D.Litt. (Honoris Causa) from the Institute of Advanced Studies in education Deemed University (IASE) of Rajasthan, Doctor of Science (Honoris Causa) from IIT, Kharagpur.

Mr. Atul C. Choksey

Mr. Atul C. Choksey, 55, has done his Bachelor's in Chemical Engineering from Illinois Institute of Technology, Chicago, USA and has also done management courses in Finance, Personnel, Micro and Macro Economics etc. He joined Asian Paints (India) Limited as a Junior Executive in July, 1973 and was subsequently appointed as Wholetime Director of the Company with effect from May 1979.

He served as the Managing Director of the Company from April 15, 1984 to August 22, 1997. He is the

Chairman of APCO Group of Companies which consists of Apcotex Industries Limited and Apcon Enterprises Limited as well as other group Companies. He jointly with ANZ Grindlays Bank Limited (presently known as Standard Chartered Grindlays Bank) promoted ANZ Asset Management Co. Pvt. Ltd., which is now known as Standard Chartered Asset Management Co. Pvt. Ltd., of which he is also a Director. He is the member of the Asian Executive Board of the Wharton Business School of the University of Pennsylvania, Philadelphia, USA. From 1980 to 1997, he took active interest and held several positions in the Indian Paint Association (IPA) including the position of the President of the Association, a representative body of paint manufacturers in India. He was the President of Bombay Chamber of Commerce and Industry as well as Deputy President of Associated Chamber of Commerce and Industry of India for 1993-1994.

Mr. Choksey is also a Trustee of the Shree Mahalaxmi Temple Charities and BAIF Development Research Foundation. He is also a member of the Governing Council of Shri Vile Parle Kelvani Mandal's College of Engineering, Mumbai.

Mr. Mahesh S. Gupta

Mr. Mahesh S. Gupta, 49, has an Honours Degree in B.Com; L.L.B (Gen). , Fellow Member of The Institute of Chartered Accountants and The Institute of Company Secretaries of India. He has an outstanding academic record-Rank Holder and a Silver Medallist in Company Secretaries Final examination.

Mr. Gupta has more than three decades of professional experience in the areas of General Management and particularly in all aspects of the finance function, including treasury, mergers & acquisitions, operational review, strategic planning, direct taxation and Company Law matters, etc.

Mr. Gupta is presently employed as Group Managing Director with 'Ashok PIRAMAL Group' which has its presence in Real Estate Development (Peninsula Land Limited), Textiles (Morarjee Textiles Limited), Retail (Piramyd Retail Limited) and Engineering business (Cutting Tools and Auto Components).

Mr. Gupta has earlier worked with 'Piramal Group'

CORPORATE GOVERNANCE REPORT CONTINUED

for over 17 years including 9 years as Group CFO. He was on the Board of several Companies in the Piramal Group including Wholetime Director of Nicholas Piramal India Ltd., and also worked with RPG group as Group CFO and Management Board Member and as CEO-Welspun India Ltd.

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

Mr. Gupta is on the Board of several Public Companies such as Peninsula Land Limited, Morarjee Textiles Limited, Piramyd Retail Limited, CEAT Limited, RPG Life Sciences Limited, Raychem RPG Limited etc. He has also been associated with a number of Professional Bodies and currently he is a member of various committees such as Member Governing Council of Indian Association Corporate CFOs & Treasurers (InACT), Professional Development Committee of The Institute of Chartered Accountants of India (ICAI), Advisory Board of Chennai Business School.

Mr. Hari L. Mundra

Mr. Hari L. Mundra, 57, has a Bachelor of Arts Degree in Economics from Bombay University and a MBA Degree from IIM, Ahmedabad, with around 36 years of experience.

Mr. Mundra has worked in Hindustan Lever Limited for about 24 years in several positions, both in the Financial and General Management areas and finally as Vice President/Director Exports. Thereafter, he was associated with the RPG Group for 7 years as the Chief Financial Officer of the Group as well as the President and Chief Executive of Carbon Black Business. Prior, to joining Essar Group, Mr. Mundra was Executive Chairman of Wockhardt Hospitals Limited. At, Essar, he has been the Deputy Managing Director & Director (Finance) of Essar Oil since September 2003.

Mr. Mundra has been associated with a number of professional bodies in Finance, Taxation and Export Fields and has been an active participant at the policy making level as member of CII, FICCI, ASSOCHAM and BCCI.

III COMMITTEES OF THE BOARD

Audit Committee

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Reviewing with the management the financial statements at the end of the quarter, half year and the annual statements before submission to the Board for approval with particular reference to :
 - a) Matters required to be included in the Director's Responsibility Statement which forms part of the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting policies and practices and reasons for the same.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with the listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications, in the draft audit report.
3. Considering and recommending the appointment, re-appointment, of the statutory auditors, fixation of the audit fee and fee for any other services rendered by the Statutory Auditors and, if required, the replacement or removal of the Statutory Auditor.
4. Reviewing with the management, performance of the Statutory and Internal Auditors and adequacy of the internal control systems.

CORPORATE GOVERNANCE REPORT CONTINUED

5. Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department reporting structure coverage and frequency of the internal audit.
6. Discussion with internal auditors any significant findings and follow up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Looking into the reasons for substantial defaults in payment to the depositors, debenture holders, shareholders and creditors, if any.

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

The Company Secretary functions as the Secretary of the Committee.

During the financial year ended March 31, 2007, eight (8) meetings of the Audit Committee were held on April 26, 2006, July 31, 2006, August 23, 2006, September 7, 2006, September 19, 2006, October 10, 2006, October 31, 2006 and January 23, 2007.

Attendance at the Audit Committee Meetings:

Name of the Member	No. of Meetings attended
Mr. M. A. Bakre	8
Mr. Mahesh S. Gupta	6
Mr. S. Doreswamy	7
Mr. Hari L. Mundra	3

The necessary quorum was present at the meetings.

The Audit Committee Meetings are also generally attended by the representatives of Statutory Auditors, the Managing Director, the Chief Financial

Officer, the Vice President - Group Business Audit, and the General Manager - Accounts, MIS & Risk Management.

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

Shareholders/Investors Grievance Committee

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

The Shareholders/Investors Grievance Committee comprises of three (3) members, Mr. M. A. Bakre, Mr. Paras K. Chowdhary and Mr. Mahesh S. Gupta. Mr. M. A. Bakre is the Chairman of the Committee. The Company Secretary functions as the Secretary of the Committee. During the financial year ended March 31, 2007, four (4) meetings of the Shareholders /Investors Grievance Committee were held on April 26, 2006, July 31, 2006, October 31, 2006 and January 23, 2007.

Attendance at Shareholders/Investors Grievance Committee Meetings:

Name of the Member	No. of Meetings attended
Mr. M. A. Bakre	4
Mr. Paras K. Chowdhary	4
Mr. Mahesh S. Gupta	3

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

Particulars of Complaints	Complaint Nos.
Complaints pending as on April 1, 2006	2
Complaints received during 2006-2007	14
Complaints identified and reported under Clause 41 of the Listing Agreement	14
Complaints disposed off during the year ended March 31, 2007	16
Complaints remaining unresolved as on March 31, 2007	0

CORPORATE GOVERNANCE REPORT CONTINUED

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

Remuneration Committee

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

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

During the financial year ended March 31, 2007, one (1) meeting of the Committee was held on July 31, 2006. The meeting was attended by Mr. H. V. Goenka, Mr. M. A. Bakre and Mr. S. Doreswamy.

Remuneration Policy

The Managing Director is paid remuneration as per the Agreement entered between him and the Company and was approved by the shareholders at the Annual General Meeting of the Company held on September 25, 2006. The remuneration structure of the Managing Director comprises of salary, perquisites and allowances, contributions to provident fund, superannuation and gratuity.

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

Directors' Remuneration

Non-Executive Directors :

Name of Director	Sitting Fees paid (Amount in Rs.)
Dr. R P Goenka - Chairman	-
Mr. H V Goenka - Vice-Chairman*	85,000
Mr. Mahesh S. Gupta*	1,20,000
Mr. M. A. Bakre *	1,65,000
Mr. A. C. Choksey-	40,000
Mr. S. Doreswamy *	1,55,000
Mr. J. N. Guzder	80,000
Mr. Haigreave Khaitan	30,000
Mr. Bansi S. Mehta	70,000
Mr. Hari L. Mundra*	60,000
Mr. K. R. Podar	80,000
Mr. N. Srinivasan	-

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

Executive Director

Name	: Mr. Paras K. Chowdhary
Business relationships with the company if any	: Managing Director
Remuneration	:

Description	Amount (Rs. in Lacs)
Salary	21.60
Allowances & Perquisites	2.40
Contribution to Provident and Superannuation Funds	5.83
TOTAL	29.83

The above remuneration was approved by a resolution passed by the Remuneration Committee constituted by the Board of Directors in terms of sub-paragraph (A) of Paragraph I of Section II of Part II of Schedule XIII (the “Schedule”) to the Companies Act, 1956.

Shareholding of Directors

Name of Director	Equity Shares of Rs. 10 each
Dr. R. P. Goenka, Chairman	5,066
Mr. H. V. Goenka, Vice Chairman	13,511
Mr. Paras K. Chowdhary, Managing Director	4,000

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

IV DETAILS ON GENERAL BODY MEETINGS

The details of the last three (3) Annual General Meetings held at Sir Sitaram and Lady Shantabai Patkar convocation Hall of the S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020 are as below:

CORPORATE GOVERNANCE REPORT CONTINUED

Meeting	Day, Date	Time
45 th AGM	Tuesday, September 21, 2004	11.00 a.m.
46 th AGM	Thursday, September 29, 2005	11.00 a.m.
47 th AGM	Monday, September 25, 2006	11.30 a.m.

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

Date of AGM	Description of Special Resolution
45 th AGM September 21, 2004	Appointment of Auditors M/s. N.M. Raiji & Co. as Statutory Auditors.
46 th AGM September 29, 2005	Appointment of Auditors M/s. N.M. Raiji & Co. as Statutory Auditors. Consent seeking appointment of Mr. Anant Vardhan Goenka pursuant to Section 314 of the Companies Act, 1956. Relocation of Statutory Registers from Tata Consultancy Services Limited to the office of TSR Darashaw Limited (formerly Tata Share Registry Limited) Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai pursuant to Section 163 of the Companies Act, 1956.
47 th AGM September 25, 2006	Appointment of M/s. N. M. Raiji & Co as Statutory Auditors.

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

V DISCLOSURES

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

There were no material and/or significant transactions during the financial year 2006-2007 that were prejudicial to the interest of the Company.

Disclosures of Related Party Transactions

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

- A statement in summary form of transactions with related parties in the ordinary course of business are placed periodically before the Audit Committee.
- Details of material individual transactions with related parties, which are not in the normal course of business, if any, are placed before the Audit Committee.
- Details of material individual transactions with related parties or others, which are not on arm's length basis, if any, are placed before the Audit Committee, together with Management's justification for the same.
- No material, financial and commercial transactions were reported by the management to the Board, in which the management had personal interest having a potential conflict with the interest of the Company at large.

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

Disclosure of Accounting Standards

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

Disclosure of Risk Management

The Company has laid down procedures to inform Board Members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive

CORPORATE GOVERNANCE REPORT CONTINUED

management controls risks through means of a properly defined framework.

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

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

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

Details of compliance with mandatory requirement

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

Adoption of the non-mandatory requirements

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

VI MEANS OF COMMUNICATION

Quarterly results of the Company are published

in major English Dailies as well as in a Marathi Daily. The quarterly results of the Company are normally published in the following newspapers:

The Economic Times
The Financial Express
Hindustan Times
DNA
Maharashtra Times
Mumbai Lakshdeep

The quarterly results of the Company are displayed on the Company's Website www.ceatyres.com
The Company provides information to the Stock Exchanges where the shares of the Company are listed as per the Listing Agreement entered into with the Stock Exchanges.

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

VII GENERAL SHAREHOLDER INFORMATION

AGM : Date, time and venue

As indicated in the notice accompanying this Annual Report, the 48th Annual General Meeting of the Company will be held on Friday, July 27, 2007 at Sir Sitaram and Lady Shantabai Patkar Convocation Hall of the S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020 at 4.00 p.m.

Financial Year

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

Date of Book Closure

Friday, July 13, 2007 to Friday, July 27, 2007 (both days inclusive)

Dividend Payment Date

On or before August 26, 2007

Listing on Stock Exchanges

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

CORPORATE GOVERNANCE REPORT CONTINUED

have been paid to both the Stock Exchanges for the financial year 2007-2008.

Stock Code

Bombay Stock Exchange Ltd. **500878**
National Stock Exchange of India Ltd. **CEAT**

Share Transfer System

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

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

Dematerialisation of shares and liquidity

The Company has arrangements with National Securities Depository Limited (NSDL) as well as Central Depository Services (India) Limited (CDSL) for dematerialisation of shares with ISIN No. **INE 482A01012 for both NSDL and CDSL.**

Approximately 86.80% of the equity share capital corresponding to 3,96,31,498 equity shares is held in dematerialised form as of March 31, 2007.

Outstanding GDRs / ADRs / Warrants / Any Other Convertible Instruments

The Company has not issued any such instruments.

Plant Locations

Mumbai : Village Road, Bhandup, Mumbai 400078.

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

Electronic Clearing Service (ECS) Facility

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

In order to avoid the risk of loss/interception of Dividend Warrants in postal transit and/or fraudulent encashments of Dividend Warrants, shareholders are requested to avail of ECS facility whereby the dividends will be directly credited in electronic form to their respective bank accounts. This will ensure speedier credit of dividend and the Company will duly inform the concerned shareholders when the credits are passed to their respective bank accounts. The requisite ECS application form can be obtained from the office of TSR Darashaw Limited, the Registrars and Transfer Agents, of the Company.

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

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

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

Distribution of Shareholding as of March 31, 2007

No. of Equity shares held	No. of Share holders		No. of Shares		% of Equity Capital	
	Physical	Demat	Physical	Demat	Physical	Demat
1 to 500	45,518	29,625	15,22,891	30,99,894	3.34	6.79
501 to 1000	269	1,329	1,88,405	10,14,270	0.41	2.22
1001 to 2000	99	525	1,40,011	7,58,292	0.31	1.66
2001 to 3000	23	156	54,655	3,91,956	0.12	0.86
3001 to 4000	15	68	50,810	2,43,329	0.11	0.53
4001 to 5000	6	66	26,202	3,12,010	0.06	0.68
5001 to 10000	8	95	54,933	6,95,202	0.12	1.52
More than 10001	10	106	39,87,221	3,31,16,545	8.73	72.53
Total	45,948	31,970	60,25,128	3,96,31,498	13.20	86.80

CORPORATE GOVERNANCE REPORT CONTINUED

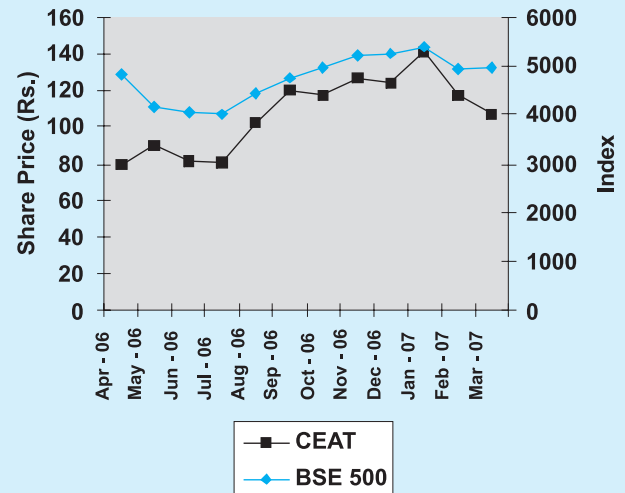
Market Price Data for Equity Share of face value of Rs. 10/- each

(Price in Rs.)

Month	BSE		NSE	
	High	Low	High	Low
April 2006	82.90	65.00	80.80	63.00
May 2006	116.00	78.00	115.00	77.80
June 2006	93.90	64.20	93.70	64.20
July 2006	83.90	70.35	84.00	70.75
August 2006	108.45	78.10	108.50	78.10
September 2006	126.80	101.50	126.90	102.20
October 2006	139.90	115.50	140.50	114.40
November 2006	138.70	114.50	139.00	114.60
December 2006	133.95	111.00	133.80	111.30
January 2007	162.00	121.40	161.90	122.10
February 2007	159.20	110.00	159.30	103.70
March 2007	129.00	104.50	127.80	104.00

Share Performance of the Company in comparison to BSE 500

CEAT in comparison with BSE 500



Categories of Shareholding as of March 31, 2007

Category	No. of Shares	Percentage
Promoters Holdings (Indian and Foreign)	1,97,14,888	43.18
Mutual Funds	63,06,160	13.81
Banks, Financial Institutions, Insurance Companies and others	51,06,712	11.19
Foreign Institutional Investors	40,31,972	8.83
Non Resident Indians	1,51,767	0.33
Corporate Bodies, Indian Public and Others	1,03,45,127	22.66
Total	4,56,56,626	100.00

Code of Conduct

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

All Board Members and Senior Management Personnel have affirmed compliance with the Code for the financial year ended March 31, 2007. A declaration to this effect signed by the Managing Director forms part of this Report.

Declaration - Code of Conduct

All Board Members and the Senior Management personnel have, for the year ended March 31, 2007, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing Agreement entered with the Stock Exchanges.

For **CEAT Limited**
Sd/-
Paras K Chowdhary
Managing Director
April 23, 2007

CORPORATE GOVERNANCE REPORT CONTINUED

COMPLIANCE OFFICER :

Mr. H. N. Singh Rajpoot

Company Secretary

CEAT Limited

Registered Office:

CEAT Mahal,

463, Dr Annie Besant Road

Worli, Mumbai 400 030.

Tel: 91-22-2493 0621

Fax: 91-22-6660 6039

Email: investors@ceatltd.com

REGISTRAR AND SHARE TRANSFER AGENTS:

TSR DARASHAW LTD.

Registered Office:

6-10, 1st Floor,

Haji Moosa Patrawala Industrial Estate,

20 Dr. E. Moses Road,

Mahalaxmi, Mumbai – 400 011

E-mail : csg-unit@tsrdarashaw.com

Web : www.tsrdarashaw.com

Tel : 022-66568484

Fax : 022-66568494

BRANCH OFFICES:

503, Barton Centre (5th Floor)

84, Mahatma Gandhi Road,

Bangalore – 560 001

E-mail : tsrdlbg@tsrdarashaw.com

Tel : 080-25320321

Fax : 080-25580019

Bungalow No.1, "E" Road,

Northern Town, Bistupur,

Jamshedpur – 831 001

E-mail : tsrdljsr@tsrdarashaw.com

Tel : 0657-2426616

Fax : 0657-2426937

Tata Centre, 1st Floor,

43, J.L.Nehru Road,

Kolkata – 700 071.

E-mail : tsrdlcal@tsrdarashaw.com

Tel : 033-22883087

Fax : 033-22883062

2/42, Sant Vihar,

Ansari Road, Daryaganj,

New Delhi – 110 002

E-mail : tsrdldel@tsrdarashaw.com

Tel : 011-23271805

Fax : 011-23271802

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

H. N. Singh Rajpoot
Company Secretary

Mumbai, April 23, 2007

CORPORATE GOVERNANCE REPORT CONTINUED

CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of
CEAT LIMITED

We have examined the compliance of conditions of Corporate Governance by CEAT Limited (the Company) for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the report issued by the Registrars of the Company to the Shareholders/ Investors Grievance Committee, as on March 31, 2007 there were no investor grievance matters against the Company remaining unattended/ pending for more than 30 days.

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

For N. M. RAIJI & CO.
Chartered Accountants

Y. N. Thakkar
Partner

M. No. 33329

Mumbai, April 23, 2007

AUDITORS' REPORT TO THE MEMBERS OF CEAT LIMITED

1. We have audited the attached Balance Sheet of **CEAT LIMITED**, as at 31st March 2007, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above and our comments in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
 - (v) On the basis of written representations received from the directors, as on 31st March 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

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

Y.N. THAKKAR
Partner
Membership No. 33329
Mumbai, April 23, 2007

ANNEXURE TO THE AUDITOR'S REPORT**(Referred to in paragraph 3 of our report of even date)**

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Physical verification of major items of fixed assets was conducted by the management during the year. In our opinion, the frequency of physical verification is reasonable having regard to the size and operations of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off substantial part of fixed assets during the year.
- ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- iii) The Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c) and (d) are not applicable.
- iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
- v) No transactions have been entered during the year in the register maintained in pursuance of section 301 of the Companies Act, 1956, and based on the audit procedures applied by us and according to the information and explanations given and the representations made to us, we have not come across any transaction that needs to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, sub-clause (b) is not applicable.
- vi) In our opinion, the Company has complied with the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public. As informed to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed, without carrying out a detailed examination, the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records are being maintained.
- ix) (a) According to the records of the Company, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth-tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues applicable to it. Based on our audit procedures and according to the information and explanations given to us, there are no arrears of undisputed statutory dues which remained outstanding as at 31st March 2007 for a period of more than six months from the date they became payable.
- (b) According to the records made available to us and the information and explanations given by the management, the details of the dues of Income-tax, Sales-tax, Wealth-tax, Service Tax, Custom Duty, Excise Duty, Cess, which have not been deposited with the appropriate authorities on account of any dispute, are given in the Appendix to this report.
- x) The Company does not have any accumulated losses at the end of the financial year and has not

ANNEXURE TO THE AUDITOR'S REPORT CONTINUED

incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

- xi) According to the records made available to us and the information and explanations given by the management, the company has not defaulted in the repayment of dues to financial institutions or banks or debenture holders.
- xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a chit / nidhi / mutual benefit fund / society.
- xiv) In respect of the Company's investments proper records have been maintained for all the transactions and contracts and entries therein have generally been made on timely basis. The shares, debentures and other investments have been held by the Company in its own name except as permissible under Section 49 of the Companies Act, 1956.
- xv) During the year, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) In our opinion, the term loans availed by the Company during the year have been applied for the purposes for which they were obtained.
- xvii) According to the information and explanations

given to us and an overall examination of the balance sheet of the Company, we report that no short-term funds have been used for long-term purposes.

- xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) During the year, the company has not issued any debentures.
- xx) The company has not raised any money by public issue during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

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

Y.N. THAKKAR
Partner
Membership No. 33329
Mumbai, April 23, 2007

Appendix to Auditors' Report

Name of the Statute	Nature of the Dues	Amount (Rs. in Crores)	Financial year to which the matter pertains	Forum where the dispute is pending
The Central Excise Act, 1944	Excise Duty	5.19	1997 - 1998	Supreme Court
		1.03	2000 - 2001	Supreme Court
		0.20	1997 - 1998	High Court
		41.30	1995 to 2005	CESTAT *
		11.22	1996 to 2006	Commissioner (Appeals)
Mumbai Provincial Municipal Corporation Act, 1944	Octroi Duty	0.85	1982 to 2004	High Court
State and Central Sales Tax Acts	Tax, Interest and Penalty	0.01	1987 to 1990, 1994-1995	High Court
		0.50	1988-89, 1996-97, 2002-03	Tribunal
		0.90	1989-90 to 2006-07	Commissioner (Appeals)

* The Customs, Excise and Service Tax Appellate Tribunal

BALANCE SHEET AS AT MARCH 31, 2007**(Rs.in Lakhs)**

	SCHEDULE	As at 31.03.2007	As at 31.03.2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	45,67.99	45,67.99
Reserves and Surplus	2	332,95.80	303,32.44
		378,63.79	349,00.43
LOAN FUNDS			
Secured Loans	3	275,75.93	291,22.27
Unsecured Loans	4	216,49.55	230,05.01
		492,25.48	521,27.28
DEFERRED TAX LIABILITY (NET)			
(Refer note no 15 of Schedule 20)		23,28.08	13,98.85
		894,17.35	884,26.56
APPLICATION OF FUNDS			
FIXED ASSETS			
	5		
Gross Block		1,113,02.93	1,106,78.40
Less : Depreciation		413,01.96	385,07.84
Net Block		700,00.97	721,70.56
Capital Work-in-progress		10,13.34	4,27.35
		710,14.31	725,97.91
INVESTMENTS			
	6	127,80.90	127,80.90
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	221,21.71	183,45.44
Sundry Debtors	8	263,17.07	253,22.77
Cash and Bank Balances	9	40,55.13	39,61.27
Loans and Advances	10	56,06.20	63,04.58
		581,00.11	539,34.06
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	489,64.85	470,32.53
Provisions	12	35,13.12	38,53.78
		524,77.97	508,86.31
NET CURRENT ASSETS			
		56,22.14	30,47.75
		894,17.35	884,26.56
Notes forming part of the Accounts	20		

As per our report attached
For N.M.Raiji & Co.,
Chartered Accountants

Y.N. Thakkar
Partner

Mumbai, April 23, 2007

K. J. Rao
Chief Financial Officer

H.N.Singh Rajpoot
Company Secretary

On behalf of the Board of Directors

H.V. Goenka

Vice Chairman

M.A. Bakre

Chairman - Audit Committee

Paras K. Chowdhary

Managing Director

Mumbai, April 23, 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	SCHEDULE	2006-2007	(Rs.in Lakhs) 2005-2006
INCOME			
Sales-Gross		2,390,61.20	1,951,99.32
Less : Excise duty on Sales		255,83.39	204,56.69
Sales-Net		2,134,77.81	1,747,42.63
Other Income	13	24,44.34	22,62.56
		2,159,22.15	<u>1,770,05.19</u>
EXPENDITURE			
Materials	14	1,442,51.77	1,209,24.11
Cost of Traded Goods Sold	15	44,35.22	28,43.63
Personnel	16	128,23.06	118,58.72
Other Expenses	17	394,07.65	345,59.46
Interest	18	60,42.71	63,55.61
Depreciation		31,06.06	22,44.72
		2,100,66.47	1,787,86.25
Add / (Less) : Decrease / (Increase) in stock	19	(2,36.20)	(23,02.80)
		2,098,30.27	<u>1,764,83.45</u>
PROFIT BEFORE TAXATION		60,91.88	5,21.74
Less : Provision for Taxation			
Current Tax		10,00.00	68.81
Deferred Tax		9,29.24	1,00.00
Fringe Benefit Tax		2,37.79	3,01.17
		39,24.85	51.76
Add : Balance brought forward		27,34.25	26,82.49
AVAILABLE FOR APPROPRIATION		66,59.10	<u>27,34.25</u>
APPROPRIATIONS			
Proposed Dividend		8,21.82	—
Corporate Tax on Proposed Dividend		1,39.67	—
Transferred to General Reserve		15,00.00	—
		24,61.49	—
Balance carried to Balance Sheet		41,97.61	27,34.25
		66,59.10	<u>27,34.25</u>
Earnings Per Share - Basic and Diluted (Rs) (refer Note 19 of Schedule 20)		8.60	0.13

Notes forming part of the Accounts

20

 As per our report attached
For N.M.Raiji & Co.,
 Chartered Accountants

On behalf of the Board of Directors

Y.N. Thakkar
 Partner

K. J. Rao
 Chief Financial Officer

H.V. Goenka

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H.N.Singh Rajpoot
 Company Secretary

Paras K. Chowdhary

Managing Director

Mumbai, April 23, 2007

Mumbai, April 23, 2007

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007**(Rs.in Lakhs)**

	31.3.2007	31.3.2006
A CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary item	60,91.87	5,21.74
Adjustments for :		
Depreciation	31,06.06	22,44.72
Foreign Exchange Fluctuation (Unrealised)	(1,02.98)	(6.00)
Advances written off	69.88	—
Interest/Dividend earned	(3,81.54)	(5,00.41)
Interest expenses	60,42.70	63,55.60
Lease Rent	—	35.58
(Profit)/Loss on sale/discard of Fixed Assets (Net)	3,63.50	26.78
Provisions no longer required written back	(5,94.91)	(5,06.65)
Provision for Doubtful Debts/ Advances	1,41.20	1,85.64
Provisions for Obsolescence of Stores	5.00	11.44
	86,48.91	78,46.70
Operating Profit before working capital changes	147,40.78	83,68.44
Adjustments for :		
Trade and other receivables	(10,50.12)	(20,01.76)
Inventories	(13,41.89)	(25,87.12)
Trade payables and others	(11,96.83)	21,38.16
	(35,88.84)	(24,50.72)
Cash generated from Operations	111,51.94	59,17.72
Direct taxes refund/ (paid)	(6,61.90)	(3,78.63)
	(6,61.90)	(3,78.63)
Cash flow before extraordinary item	104,90.04	55,39.09
Extraordinary Item	—	—
Net Cash from Operating Activities (A)	104,90.04	55,39.09
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(19,80.84)	(12,13.45)
Sale of Fixed Assets	1,86.35	2,24.57
Purchase of Investments	—	(0.16)
Sale/Redemption Proceeds of Investments	—	63.00
Interest received	2,01.62	6,51.64
Dividend received	1,77.76	1,51.53
Proceeds from Loans/Deposits with Companies	—	0.45
Net Cash from Investing Activities (B)	(14,15.11)	(1,22.42)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007 CONTINUED

	(Rs.in Lakhs)	
	31.3.2007	31.3.2006
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital (Net of Issue Expenses)	—	51,72.13
Share Application money refunded	(47.13)	49.60
Repayment of finance lease liabilities	(1,46.83)	(14.73)
Proceeds from Borrowings	72,59.30	80,43.89
Repayment of Borrowings	(101,32.23)	(113,43.95)
Dividend and Tax on dividend	(14.09)	(44.41)
Interest paid	(59,00.08)	(64,50.49)
Net Cash generated/(used) in Financing Activities (C)	(89,81.07)	(45,87.96)
Net Increase/(Decrease) in Cash & Cash equivalent (A+B+C)	93.86	8,28.71
Opening Balance -Cash & Cash Equivalents	39,61.27	31,23.63
Cash and Cash equivalents taken over on Amalgamation	—	8.93
Closing Balance -Cash & Cash Equivalents	40,55.13	39,61.27

Note :

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

As per our report attached
For N.M.Raiji & Co.,
Chartered Accountants

Y.N. Thakkar
Partner

Mumbai, April 23, 2007

K. J. Rao
Chief Financial Officer

H.N.Singh Rajpoot
Company Secretary

On behalf of the Board of Directors

H.V. Goenka Vice Chairman

M.A. Bakre Chairman - Audit Committee

Paras K. Chowdhary Managing Director

Mumbai, April 23, 2007

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31 , 2007**(Rs.in Lakhs)**

	As at	As at
	31.03.2007	31.03.2006
SCHEDULE 1		
SHARE CAPITAL		
Authorised :		
4,61,00,000 (4,61,00,000) Equity Shares of Rs. 10 each	46,10.00	46,10.00
39,00,000 (39,00,000) Preference Shares of Rs. 10 each	3,90.00	3,90.00
1,00,00,000 (1,00,00,000) Unclassified Shares of Rs. 10 each	10,00.00	10,00.00
	<u>60,00.00</u>	<u>60,00.00</u>
Issued:		
4,57,50,004 (4,57,50,004) Equity Shares of Rs.10 each (Includes 91,041 Shares forfeited and 2,337 Shares offered on Right basis kept in abeyance)	45,75.00	45,75.00
	<u>45,75.00</u>	<u>45,75.00</u>
Subscribed and paid-up :		
4,56,56,626 (4,56,56,626) Equity Shares of Rs. 10 each, fully paid-up	45,65.66	45,65.66
Add :Forfeited Shares	2.33	2.33
	<u>45,67.99</u>	<u>45,67.99</u>

Notes:

Of the above Equity Shares

- (a) 9,20,769 Shares of Rs. 10 each were allotted pursuant to Scheme of Amalgamation without payment being received in cash.
- (b) 53,86,965 Shares were allotted as fully paid Bonus Shares by capitalisation of Share Premium and General Reserve.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007
(Rs.in Lakhs)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserve :		
Balance - 1 April, 2006	2,69.13	2,83.87
Less : Balance of Reconstruction Suspense Account (Refer note no 13 of Schedule 20)	<u>—</u>	<u>14.74</u>
	2,69.13	2,69.13
Share Premium :		
Balance - 1 April, 2006	165,23.08	124,09.13
Add : Received during the year	—	42,33.96
Less : Share Issue Expenses	<u>—</u>	<u>1,20.01</u>
	165,23.08	165,23.08
Capital Redemption Reserve :		
	3,90.00	3,90.00
General Reserve :		
Balance - 1 April, 2006	101,15.98	101,15.98
Add : Transfer from Debenture Redemption Reserve	2,60.00	—
Add : Transfer from Profit and Loss Account	15,00.00	—
	118,75.98	101,15.98
Revaluation Reserve :		
Balance - 1 April, 2006	—	333,22.50
Add : Revaluation	—	202,45.74
Less : Depreciation \ Adjustments on sale of assets	—	9,36.47
Less : Balance of Reconstruction Suspense Account (Refer note no. 13 of Schedule 20)	<u>—</u>	<u>526,31.77</u>
	—	—
Debenture Redemption Reserve :		
Balance - 1 April, 2006	3,00.00	3,00.00
Less: Transfer to General Reserve	2,60.00	—
	40.00	3,00.00
Profit and Loss Account :		
	41,97.61	27,34.25
	332,95.80	303,32.44

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31 , 2007

	(Rs.in Lakhs)	
	As at	As at
	31.03.2007	31.03.2006
SCHEDULE 3		
SECURED LOANS		
Debentures :		
13.50% Secured Redeemable Non- Convertible Debentures (Note 1)	71.43	2,14.28
Loans from Financial Institutions / Banks :		
IFCI Limited (Note 2)	—	2,14.30
ICICI Bank Limited (Note 2 and 4)	47,95.00	10,00.00
IDBI Bank Limited (Note 2 and 3)	14,25.00	22,16.00
The Federal Bank Limited (Note 2)	3,12.50	5,62.32
Indian Bank (Note 5)	40,73.35	54,78.95
Working Capital Term Loan (Note 6)	36,94.30	33,17.11
Bank Borrowings : (Note 7 and 8)		
Working Capital Demand Loan	—	5,20.41
Cash Credit Facilities	21,85.19	22,51.20
Export Packing Credit	108,95.75	131,74.93
Vehicle loan : (Note 9)	1,23.41	1,72.77
	275,75.93	291,22.27

In respect of the above loans, Rs. 34,30.66 (Previous year Rs 44,69.67) due and repayable within a year.

Notes:

- 13.50% 40,00,000 Secured Redeemable Non-Convertible Debentures of Rs 1.78 (Rs 5.35) each issued to ICICI Bank Limited against financial assistance for Company's Radial Project. These Debentures are secured by first mortgage on the immovable properties of the Company situated at Bhileshwarpura, District Mehsana, Gujarat and *pari passu* charge on movable properties of the Radial Project at Nasik. These debentures are redeemable at par in 16 equal quarterly instalments commencing from December 15, 2003.
- Security is created on movable and immovable assets of the Company (except for CEAT Mahal property at Worli, Mumbai, Temple property at Gwalior in Madhya Pradesh, property at Bhileshwarpura, District Mehsana, Gujarat and assets of the Radial unit at Nasik) on *pari passu* basis in favour of the following Financial Institutions and Banks with second charge in favour of Consortium of Banks led by Bank of India:

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007
(Rs. in Lakhs)
SCHEDULE 3 - SECURED LOANS (Continued)

	Name	Nature of loan	Amount outstanding	
a)	IFCI Limited	Term Loan	Nil	(2,14.30)
b)	IDBI Limited (Loan I)	Term Loan	Nil	(10,16.00)
c)	Federal Bank	Term Loan	3,12.50	(5,62.32)
d)	ICICI Bank Ltd.	Corporate Loan	2,00.00	(10,00.00)

3. Term Loan (Loan II) from IDBI Bank Limited of Rs 14,25.00 lacs (Rs 12,00.00 lacs) is secured by a first *pari passu* charge on movable and immovable properties of the Company at Bhandup and Nasik.
4. ECB of US\$ 10 million from ICICI Bank Limited has been swapped into Rupee liability of Rs 45,95.00 lacs with the Bank. This loan is secured by a first *pari passu* charge on the movable and immovable properties of the Company at Bhandup and Nasik.
5. The Term Loan availed from Indian Bank is secured by mortgage of CEAT Mahal property at Worli in Mumbai and first *pari passu* charge on the movable assets of radial Unit at Nasik.
6. Working Capital Term Loan of Rs 36,94.30 lacs (Rs 33,17.11 lacs) from Consortium of Banks (except Exim Bank) is secured by way of first charge on the Tea Gardens of Harrisons Malayalam Limited.
7. Fund/Non fund based Working Capital facilities from Consortium of Banks led by Bank of India are secured by hypothecation of Inventories and Book debts and by a second charge on immovable properties of the Company situated at Bhandup and Nasik Plants and CEAT Mahal property at Worli in Mumbai.
8. Fund/Non fund based Working Capital facilities given by YES Bank Limited are secured by way of hypothecation of Inventories and Book Debts of the Company.
9. The vehicle loans availed from Banks and Financial Companies are secured by way of hypothecation of the vehicles financed by them.

	As at	As at
	31.03.2007	31.03.2006
SCHEDULE 4		
UNSECURED LOANS		
Term Loan		
IL & FS Limited	—	3,50.00
Banks	25,76.63	27,59.49
Public Deposits	48,77.32	60,06.03
Inter-corporate Deposits	2,75.00	9,88.00
Interest Free Sales Tax Loan	1,50.36	2,78.51
Deferred Sales Tax Incentive- (SICOM Ltd)	22,44.81	22,59.85
Deposits from dealers	115,25.43	103,63.13
	216,49.55	230,05.01

In respect of the above loans, Rs.35,06.72 (Previous Year Rs 51,33.48) is due and repayable within a year.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007

(Rs.in Lakhs)

**SCHEDULE 5
FIXED ASSETS**

ASSETS	COST				DEPRECIATION				NET VALUE
	As at 01.04.2006	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2007	As at 01.04.2006	On Deductions/ Adjustments	For the year 2006-2007	As at 31.03.2007	As at 31.03.2007
Owned Assets									
Land	357,94.73	-	-	357,94.73	65.40	-	42.64	1,08.04	356,86.69
	(160,76.63)	(197,18.10)	-	(357,94.73)	(54.17)	-	(11.23)	(65.40)	(357,29.33)
Buildings	128,91.65	62.80	-	129,54.45	26,49.52	-	2,53.20	29,02.72	100,51.73
	(123,67.40)	(5,27.64)	(3.39)	(128,91.65)	(24,54.21)	(2.44)	(1,97.75)	(26,49.52)	(102,42.13)
Plant and Machinery	559,02.22	9,37.60	(12,34.65)	580,74.47	319,59.20	(10,84.05)	24,44.32	354,87.57	225,86.90
	(544,22.80)	(20,48.56)	(5,69.14)	(559,02.22)	(298,93.43)	(4,17.53)	(24,83.30)	(319,59.20)	(239,43.02)
Furniture and Fixtures	21,79.78	1,67.33	1,04.73	22,42.38	15,23.37	82.11	1,45.96	15,87.22	6,55.16
	(22,68.76)	(38.20)	(1,27.18)	(21,79.78)	(14,88.55)	(1,06.43)	(1,41.25)	(15,23.37)	(6,56.41)
Vehicles	11,07.08	2,58.62	1,32.90	12,32.80	4,40.37	56.34	84.92	4,68.95	7,63.85
	(10,44.20)	(2,20.15)	(1,57.27)	(11,07.08)	(4,13.18)	(58.76)	(85.95)	(4,40.37)	(6,66.71)
	1,078,75.46	14,26.35	(9,97.02)	1,102,98.83	366,37.86	(9,45.60)	29,71.04	405,54.50	697,44.33
	(861,79.80)	(225,52.64)	(8,56.98)	(1,078,75.46)	(343,03.55)	(5,85.17)	(29,19.48)	(366,37.86)	(712,37.59)
Leased Assets									
Plant and Machinery	26,72.45	-	17,98.84	8,73.61	17,39.49	12,57.53	1,35.02	6,16.97	2,56.64
	(26,72.45)	-	-	(26,72.45)	(16,04.35)	-	(1,35.14)	(17,39.49)	(9,32.97)
Furniture and Fixtures	1,30.49	-	-	1,30.49	1,30.49	-	-	1,30.49	-
	(1,30.49)	-	-	(1,30.49)	(1,30.49)	-	-	(1,30.49)	-
	28,02.94	-	17,98.84	10,04.10	18,69.97	12,57.53	1,35.02	7,47.46	2,56.64
	(28,02.94)	-	-	(28,02.94)	(17,34.84)	-	(1,35.14)	(18,69.97)	(9,32.97)
Total	1,106,78.40	14,26.35	8,01.82	1,113,02.93	385,07.84	3,11.94	31,06.06	413,01.96	700,00.97
	(889,82.74)	(225,52.64)	(8,56.98)	(1,106,78.40)	(360,38.39)	(5,85.16)	(30,54.62)	(385,07.84)	(721,70.56)
Capital Work-in-Progress -Includes Advances against Capital Account									10,13.34
									(4,27.35)
Grand Total									710,14.31
									(725,97.91)

Note :

- Land includes leaseholds - aggregate original cost Rs.11.07 (Previous Year Rs.11.07) less accumulated amortisation Rs 2.42 (Previous Year Rs.2.32), net value Rs. 8.65 (Previous Year Rs.8.75).
- Buildings include Rs 0.11 (Previous Year Rs 0.10) being value of shares held in co-operative housing societies.
- Plant and Machinery includes borrowing costs (interest) capitalised Rs. 31.50 (Previous Year Rs 17.51)
- Land and Building at CEAT Mahal Worli , Bhandup Factory and Nasik Factory have been revalued as on 31st March, 2006.

	Gross Amount written up on revaluation	Depreciation provided upto 31.03.2007	Amount written up (net of depreciation/ adjustments) as on 31.03.2007
Land	197,18.11	42.54	196,75.57
Buildings	5,27.64	1,68.10	3,59.54
	<u>202,45.75</u>	<u>2,10.64</u>	<u>200,35.11</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007

(Rs.in Lakhs)

**SCHEDULE 6
INVESTMENTS (At cost)**

	Face Value (Rs.)	Holdings (Nos.)	As at 31.03.2007	As at 31.03.2006
LONG TERM				
I Quoted (Non-Trade)				
Equity Shares - (Fully Paid)				
CESC Ltd. (Note 1)	10	20,56,794	16,00.99	16,00.99
CFL Capital Financial Services Ltd.	10	38,37,500	1,72.69	1,72.69
Harrisons Malayalam Ltd.	10	7,28,150	8,09.06	8,09.06
KEC International Ltd.	10	31,28,298	36,33.46	36,33.46
KEC Infrastructures Ltd. (Note 2)	10	31,28,298	—	—
Phillips Carbon Black Ltd. (Note 3)	10	19,03,114	12,18.45	12,18.45
RPG Cables Ltd.	10	22,00,280	3,21.24	3,21.24
RPG Life Sciences Ltd.	10	10,64,560	10,79.38	10,79.38
RPG Transmission Ltd. (Note 4)	10	22,82,000	18,19.68	18,19.68
Saregama India Ltd.	10	2,53,444	66.43	66.43
Zensar Technologies Ltd.	10	22,22,138	3,48.39	3,48.39
II Unquoted (Trade)				
Equity Shares - (Fully Paid)				
Adapt Investments Ltd.	10	16,200	3.29	3.29
Adorn Investments Ltd.	10	17,000	5.16	5.16
Associated CEAT Holdings Co. Pvt. Ltd.	10	18,00,000	1,18.28	1,18.28
Bombay Mercantile Co-operative Bank Ltd..	30	1,666	0.50	0.50
Basic Telephone Services Ltd.. (Rs 20)	10	2	—	—
Brabourne Investments Ltd.	10	1,52,000	1,06.42	1,06.42
Brentwood Investments Ltd.	100	6,68,000	0.67	0.67
Chattarpati Investments Ltd.	100	2,69,000	10.76	10.76
Consolidated Industrial Fund Ltd.	10	35,90,000	3.59	3.59
Eastern Aviation & Industries Ltd.	10	5,00,000	50.00	50.00
Hilltop Holdings India Ltd.	10	3,54,654	2,41.16	2,41.16
Jubilee Investment & Industries Ltd.	10	44,692	62.74	62.74
Off Shore India Ltd.	10	38,90,000	3.89	3.89
Rado Tyres Ltd. (Note 5)	10	16,06,350	41.77	41.77
RPG Communications Holdings Ltd.	10	66,35,000	6,17.06	6,17.06
SICOM Ltd.	10	1,27,500	1,02.51	1,02.51
Spencer & Co Ltd. (Note 6)	10	4,74,200	1,55.96	1,55.96
The Greater Bombay Co-Operative Bank Ltd. (Rs.250)	25	10	—	—
The Thane Janata Sahakari Bank Ltd. (Rs. 500)	50	10	0.01	0.01
Trade Apartments Ltd.	10	27,45,000	2.74	2.74
Yield Investments Ltd.	10	43,45,000	4.34	4.34

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007**(Rs.in Lakhs)****SCHEDULE 6 - INVESTMENTS (At Cost) (Continued)**

	Face Value (Rs.)	Holdings (Nos.)	As at 31.03.2007	As at 31.03.2006
Non-Cumulative Redeemable Preference shares-Fully Paid				
B.N.Elias & Co Ltd. (12%)	100	2,87,500	0.28	0.28
Jubilee Investment & Industries Ltd. (15%)	100	1,75,000	1,75.00	1,75.00
Debentures - (Unsecured, Fully Paid)				
Zero % Optionally Convertible Debentures Trikeya Goods Services Pvt. Ltd. (14.10.2013)	100	5,00,000	5.00	5.00
Total Value of Investments			127,80.90	127,80.90
Aggregate Cost of Quoted Investments			110,69.77	110,69.77
Aggregate Cost of Unquoted Investments			17,11.13	17,11.13
Market Value of Quoted Investments			396,21.13	377,09.71

Notes :

- 1 a) 8,95,720 shares have been pledged in favour of IDBI Trusteeship Ltd (Trustee for lenders of CESC Ltd) .
b) Undertaking have been given to ICICI Bank Ltd (lender of CESC Ltd) for non-disposal of 20,56,522 shares
c) Undertaking have been given to International Finance Corporation (lender of CESC Ltd) for non disposal of 9,09,664 shares
- 2 Undertaking has been given to ICICI Bank Ltd (lender of Phillips Carbon Black Ltd) for non-disposal of 12,70,400 shares.
- 3 4,25,000 shares have been pledged in favour of IDBI Trusteeship Ltd (Trustee for lenders of RPG Transmission Ltd)
- 4 Undertaking has been given to Kerala State Industrial Development Corporation (lender of Rado Tyres Ltd) for non-disposal of shareholding.
- 5 Pending transfer of Investments in the name of the Company
 - a) 10,20,340 Shares of CESC Ltd.
 - b) 6,32,451 Shares of Philips Carbon Black Ltd.
 - c) 21,36,280 Shares of RPG Cables Ltd.
 - d) 11,57,400 Shares of RPG Transmission Ltd.
 - e) 218 Shares of Saregama India Ltd.
 - f) 10,72,138 Shares of Zensar Technologies Ltd.
- 6 Includes Bonus shares of 2,37,100

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31 , 2007
(Rs.in Lakhs)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 7 INVENTORIES		
Stores and Spares	15,55.08	17,33.90
Less : Provision for Obsolescence	16.44	1,12.80
	15,38.64	16,21.10
Stock - in - Trade :		
Raw Materials [including in transit Rs. 51,71.97 (Previous Year Rs.27,80.82)]	102,77.85	67,16.24
Semi-Finished Goods	22,24.78	20,04.70
Finished Goods [including in transit Rs. 2,20.47 (Previous year Rs.1,72.22)]	80,80.44	80,03.40
	221,21.71	183,45.44

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 8 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Considered Good	1,52.91	2,15.41
Considered Doubtful	1,17.33	6,78.76
Less : Provided for	1,17.33	6,78.76
	1,52.91	2,15.41
Other Debts		
Considered Good	261,64.16	251,07.36
	263,17.07	253,22.77

	As at 31.03.2007	As at 31.03.2006
Sundry Debtors		
Secured	76,77.72	65,98.98
Unsecured	186,39.35	187,23.79
Total	263,17.07	253,22.77

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31 , 2007**(Rs.in Lakhs)**

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash on Hand [Including cheques Rs. 11,48.40 (Previous Year Rs.3,42.15)]	11,68.63	3,55.31
Remittance in Transit	17,33.06	12,94.63
With Scheduled Banks :		
In Current Accounts	5,55.16	13,80.14
In Deposit Accounts	4,78.07	4,53.14
In Margin Money Deposit Accounts	85.12	4,28.87
In Unclaimed Dividend Accounts	35.09	49.18
	40,55.13	<u>39,61.27</u>

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 10		
LOANS AND ADVANCES		
Advances receivable in Cash or Kind or for Value to be received	27,73.06	27,13.71
Balances with Customs, Port Trust , Excise , etc.	27,30.57	28,89.10
Loans and Deposits with Companies	3.32	3.32
Advance payment of Tax (net of provision)	—	5,33.45
Interest Receivables	98.49	1,04.27
Other Receivables	0.76	60.73
Loan, Advances and Deposits (considered doubtful)	31.54	30.15
Less : Provided for	31.54	30.15
	56,06.20	<u>63,04.58</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31 , 2007
(Rs.in Lakhs)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 11 CURRENT LIABILITIES		
Acceptances	140,15.23	152,60.12
Sundry Creditors :		
Small Scale Industrial Undertakings	3,28.39	6,09.27
Others	292,09.54	257,46.56
	295,37.93	
Interest Accrued but not due	5,39.99	3,65.87
Deposits from Others	87.74	58.64
Other Liabilities	46,89.47	47,09.98
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956.		
Due as at end of the year		
Unclaimed Interest on Debentures	—	7.16
Not due as on 31.03.2007		
Unclaimed Dividends	35.09	49.18
Unclaimed Interest and Matured Deposits	57.78	2,11.51
Unclaimed Interest and Matured Debentures	—	12.02
Unclaimed Interest and Matured Bonds	1.62	2.22
	94.49	
	489,64.85	470,32.53

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 12 PROVISIONS		
Proposed Dividend	8,21.82	—
Corporate Tax on Proposed Dividend	1,39.67	—
Provision for Tax (Net of Advance Tax)	42.43	—
For Additional Excise Duty	15,61.68	26,69.70
For Retirement and other Employee Benefits	9,47.52	11,84.08
	35,13.12	38,53.78

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 , 2007**(Rs.in Lakhs)**

	2006-2007	2005-2006
SCHEDULE 13		
OTHER INCOME		
Sale of Scrap	5,60.79	5,15.00
Profit on Sale of Assets	11.63	34.03
Interest	1,95.84	3,48.88
Dividend on Investments (Non trade)	1,85.71	1,51.53
Royalty	1,02.89	93.79
Provisions for Doubtful Debts / Advances Written Back	29.69	—
Provisions no longer required written back	5,65.22	5,06.65
Miscellaneous	7,92.57	6,12.68
	<u>24,44.34</u>	<u>22,62.56</u>
SCHEDULE 14		
MATERIALS		
Raw Materials		
Stock - 1st April, 2006	39,35.42	40,80.72
Add : Purchases	1,454,22.23	1,207,78.81
	1,493,57.65	1,248,59.53
Less : Stock - 31st March, 2007	51,05.88	39,35.42
	<u>1,442,51.77</u>	<u>1,209,24.11</u>
SCHEDULE 15		
COST OF TRADED GOODS SOLD		
Stock - 1st April, 2006	3,37.53	3,77.17
Add : Purchases	42,78.32	28,03.99
	46,15.85	31,81.16
Less : Stock - 31st March, 2007	1,80.63	3,37.53
	<u>44,35.22</u>	<u>28,43.63</u>
SCHEDULE 16		
PERSONNEL		
Salaries, Wages and Bonus	103,28.09	94,92.33
Provident Fund, Gratuity Fund and Superannuation Scheme etc.	12,06.28	10,89.59
Welfare Expenses	12,88.69	12,76.80
	<u>128,23.06</u>	<u>118,58.72</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 , 2007

	(Rs.in Lakhs)	
	2006-2007	2005-2006
SCHEDULE 17		
OTHER EXPENSES		
Conversion Charges	68,04.09	69,78.50
Stores and Spares Consumed	10,42.32	9,28.66
Provision for Obsolescence of Stores	5.00	11.44
Power and Fuel	72,99.89	62,33.28
Freight and Delivery Charges	65,70.97	61,69.33
Rent	2,80.22	3,03.33
Rates and Taxes	5,00.75	4,20.79
Insurance	2,50.66	1,97.87
Repairs :		
Machinery	7,25.74	7,17.72
Buildings	82.07	1,16.28
Others	91.83	99.77
	8,99.64	
Travelling and Conveyance	8,74.59	7,03.57
Printing and Stationery	1,02.03	1,28.73
Directors' Fees	8.85	6.20
Auditors' Remuneration :		
Audit Fees	15.00	15.00
Taxation Matters	1.64	1.32
Other Services (Certification, Tax Audit, etc.)	16.04	13.17
Reimbursement of Expenses	1.03	1.67
	33.71	
Advertisement and Sales Promotion	10,96.21	5,02.44
Rebates and Discounts	75,88.85	63,87.69
Commission	24,42.17	16,78.87
Communication	2,65.00	2,90.85
Advances Written off	1,00.03	—
Less : Provision for doubtful advances written back to the extent provided	30.15	—
	69.88	
Bad Debts Written off	6,41.40	2,37.82
Less : Provision for doubtful debts written back to the extent provided	6,41.40	(2,37.82)
Provision for Doubtful Debts / Advances	1,41.20	1,85.64
Loss on Assets Sold / Discarded	3,75.14	60.81
Lease Rent	—	35.58
Factory Expenses	2,07.02	2,80.60
Legal Charges	98.72	90.81
Finance Charges	9,83.02	8,71.96
Foreign Exchange Fluctuations (Net)	2.17	—
General Expenses	14,65.55	11,27.58
	394,07.65	345,59.46

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 , 2007**(Rs.in Lakhs)**

	2006-2007	2005-2006
SCHEDULE 18		
INTEREST		
On Debentures	20.80	40.14
On Term Loans	14,86.29	15,42.54
Others	45,35.62	47,72.93
	<u>60,42.71</u>	<u>63,55.61</u>

SCHEDULE 19		
DECREASE / (INCREASE) IN STOCK		
Stock - 1st April, 2006		
Semi-Finished	20,04.70	22,40.16
Finished	74,93.65	46,20.78
	94,98.35	68,60.94
Stock - 31st March, 2007		
Semi-Finished	22,24.78	20,04.70
Finished	76,79.34	74,93.65
	99,04.12	94,98.35
	(4,05.77)	(26,37.41)
Differential Excise Duty on Opening and Closing Stock of Finished Goods	1,69.57	3,34.61
	<u>(2,36.20)</u>	<u>(23,02.80)</u>

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 20

NOTES FORMING PART OF THE ACCOUNTS

1) Significant Accounting Policies

A) Method of Accounting

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

B) Fixed Assets

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

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

C) Borrowing Cost

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

D) Depreciation

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

Leasehold land is amortised over the period of the lease.

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

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

E) Investments

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

F) Inventories

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

G) Revenue Recognition

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

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

H) Export Incentives

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

I) Foreign Currency Transactions

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

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007**(Rs. in Lakhs)****SCHEDULE 20 - (Continued)**

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

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

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

J) Lease Rentals

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

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

K) Research and Development

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

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

L) Retirement Benefits

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

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

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

M) Taxes on Income

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

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

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

	2006-07	2005-06
2) Contracts remaining to be executed:		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for-net of advance payments	30,54.55	2,39.82
3) Contingent Liabilities:		
a) Direct and Indirect Taxation Matters on which there are decisions of the Appellate Authorities in the Company's favour, but appeals made by tax authorities		
Income Tax	2,46.90	2,46.90
Excise and Custom Duty	39,87.66	38,62.92
Sales Tax	1.56	3.08

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007
(Rs. in Lakhs)
SCHEDULE 20 - (Continued)

	2006-07	2005-06
b) Direct and Indirect Taxation matters in respect of which the Company is in appeal		
Income Tax	31.45	—
Wealth Tax	5.99	—
Excise and Custom Duty	1,37.46	7,67.25
Sales Tax	1,62.10	3,89.67
c) Disputed demands of Octroi Duty	85.00	85.00
d) Export Incentive	6,53.00	—
e) Bills discounted with Banks and Finance Companies	57,44.54	38,64.67
f) Corporate Guarantees given on behalf of others		
i) Covered by indemnity undertakings from RPG Enterprises Ltd.	25,50.00	25.50.00
ii) Other Corporate Guarantees	3,00.00	3,00.00
iii) SBI for RPG Cables (Consequent to amalgamation of subsidiaries)	—	10,00.00
g) The Company has given Indemnity in respect of Lease transactions entered into with ICICI Bank Ltd., liability for which is indeterminable		
4) Claims against the Company not acknowledged as Debts (Estimated):		
i) in respect of labour matters	6,65.36	6,26.50
ii) other claims	5,71.97	5,59.66
5) Remuneration to Managing Director (exclusive of contribution to Gratuity Fund on actuarial valuation)		
Salaries	21.60	21.60
Allowances and Perquisites	2.40	2.40
Contribution to Provident and Superannuation Funds	5.83	5.83
	29.83	29.83

NOTES: -

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

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007**(Rs. in Lakhs)****SCHEDULE 20 - (Continued)****6) Production, Sales and Stocks of each class of manufactured goods / traded goods :**

Class of goods	Licensed Capacity	Installed Capacity (1)	Opening Stock	Production (2)	Purchase	Closing Stock	Gross Sales
Automotive Tyres							
Nos. in Lakhs	49.47	43.11	4.47	75.10	1.04	4.26	76.35
	(49.47)	(43.11)	(3.55)	(76.40)	(0.95)	(4.47)	(76.43)
Value	—	—	59,84.82	—	42,35.02	59,89.01	2,156,85.48
	(—)	(—)	(32,49.32)	(—)	(28,03.65)	(61,30.27)	(1,749,11.49)
Automotive Tubes							
Nos. in Lakhs	49.47	—	9.71	76.00	—	8.86	76.85
	(49.47)	(—)	(8.48)	(83.20)	(—)	(9.71)	(81.97)
Value	—	—	14,75.32	—	—	16,68.78	199,97.09
	(—)	(—)	(15,74.34)	(—)	(—)	(15,21.91)	(174,62.13)
Automotive Flaps							
Nos. in Lakhs	—	—	1.41	25.30	0.22	1.66	25.27
	(—)	(—)	(1.59)	(24.30)	(—)	(1.41)	(24.48)
Value	—	—	1,73.54	—	31.69	2,02.18	33,57.38
	(—)	(—)	(1,69.04)	(—)	(—)	(1,75.53)	(28,21.04)
Others – Value	—	—	3.47	—	11.62	—	21.25
	(—)	(—)	(5.24)	(—)	(0.34)	(3.47)	(4.66)
Total Value	—	—	76,37.15	—	42,78.32	78,59.97	2,390,61.20
	—	—	(49,97.95)	(—)	(28,03.99)	(78,31.18)	(1,951,99.32)

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

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

	(Nos. in Lakhs)	
	Current year	Previous year
Automotive Tyres	35.85	37.76
Automotive Tubes	76.00	83.20
Automotive Flaps	25.30	24.30
Total	1,37.15	1,45.26

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007
(Rs. in Lakhs)
SCHEDULE 20 - (Continued)
7) Raw Materials consumed:

	2006-07		2005-06	
	Quantity (M.T)	Value	Quantity(M.T)	Value
Rubber	8,18,88	792,57.60	7,93,01	618,29.44
Fabrics	1,48,23	281,03.06	1,45,27	293,26.58
Carbon Black	3,83,77	168,32.96	3,66,30	127,37.83
Chemicals	2,03,01	140,05.85	2,00,11	112,49.74
Others	—	60,52.30	—	57,80.52
Total		1,442,51.77		1,209,24.11

8) Value of Imports calculated on CIF basis:

	2006-07	2005-06
Raw Materials	469,74.12	334,28.82
Traded Goods	32,96.44	22,17.14
Components and Spares	69.98	49.14
Capital Goods	3,17.12	2,68.69

9) Expenditure in Foreign Currency:

	2006-07	2005-06
Interest	4,57.47	8,27.68
Travelling	1,35.95	94.54
Others	2,62.79	1,94.84

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

	2006-07		2005-06	
	%	Value	%	Value
Raw Materials				
Imported	33.89	488,86.09	30.98	374,64.29
Indigenous	66.11	953,65.68	69.02	834,59.82
	100.00	1,442,51.77	100.00	1,209,24.11
Stores and Spares				
Imported	3.53	36.84	3.12	29.01
Indigenous	96.47	10,05.48	96.88	899.65
	100.00	10,42.32	100.00	928.66

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007**(Rs. in Lakhs)****SCHEDULE 20 - (Continued)****11) Earnings in Foreign Currency:**

	2006-07	2005-06
Export Sales calculated on FOB basis	429,46.26	393,50.29
Royalty	1,02.89	88.30
Technology Fee	—	86.62
Others	11.70	12.07

12) Research & Development Expenses

Capital	30.12	1.24
Revenue	1,76.46	1,30.95

13) In accordance with the Scheme of Amalgamation of erstwhile CEAT Venture Limited, CEAT Holding Limited and Meteoric Industrial Finance Limited (i.e. Amalgamating Transferor Companies) with the Company as approved by the Shareholders in the court convened meeting held on 10th February 2006 and subsequently sanctioned by the Honourable High Court of Judicature of Bombay, Maharashtra, under the provision of Companies Act, 1956 vide its order dated 30th June, 2006 filed with Registrar of Companies on 21st July, 2006 and with Reserve Bank of India on 24th July, 2006, the entire business of the Transferor Companies as defined in the Scheme have been vested in the Company retrospectively with effect from 1st April, 2005. The Scheme had accordingly been given effect to in the previous accounting year.

14) The Company has no overdue payment beyond 30 days to Small Scale Industrial Undertakings as at 31st March, 2007.

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

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

Particulars	2006-07	2005-06
Assets		
Carried forward tax losses and depreciation	7,65.79	21,80.32
Disallowance under section 43B of the Income Tax Act	2,37.81	3,47.70
	10,03.60	25,28.02
Liability		
Difference between book and tax depreciation	33,31.68	39,26.87
	33,31.68	39,26.87
Deferred Tax Liability (Net)	(23,28.08)	(13,98.85)

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007
(Rs. in Lakhs)
SCHEDULE 20 - (Continued)
16) Disclosure of related parties/related party transactions:

a) Related parties:

(i) Related parties:

- Associated CEAT Holdings Company (Pvt.) Limited (*),
- CEAT-Kelani Associated Holdings Company (Pvt.) Limited (*),
- Associated CEAT (Pvt.) Limited,
- CEAT-Kelani International Tyres (Pvt.) Limited,
- ACT Limited (*),
- Associated CEAT Kelani Radials Pvt. Limited
- Rado Tyres Limited
- Zensar Technologies Limited

(ii) Key Management Personnel :

- Mr. Paras K. Chowdhary, Managing Director

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

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

	2006-07	2005-06
Transactions		
1. Reimbursement of Expenses	96.95	19.68
2. Dividend Received	61.34	63.52
3. Export Sales	2,18.80	3,11.33
4. Royalty Received/Receivable	1,02.89	93.79
5. Interest (Net)	—	36.41
6. Imports of traded goods	27,82.58	15,70.91
7. Conversion charges paid/payable	1,42.99	4,37.53
8. Technology Fee	—	86.62
9. Subscription for issue of Shares	—	0.18
Amount due to / from related parties		
1. Debtors for Expenses	1,07.68	66.13
2. Debtors for Export	1,11.77	1,03.90
3. Loans, Advances and Deposits given	1,35.77	58.27
4. Royalty Receivable	55.84	66.30
5. Creditors	5,08.59	4,80.78
6. Investments in Shares and debentures	4,66.66	4,66.66
7. Dividend Receivable	3.55	—

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

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007**SCHEDULE 20 - (Continued)****17) Disclosures as required under clause 32 of listing agreement.**

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

For this purpose inter-corporate loans are not considered as these are repayable on demand and interest is at Market Rates.

- iii) Loans and Advances in the nature of Loans to Firms / Companies in which Directors are interested: Rs. Nil (Previous year Rs.Nil)
- iv) Investment by the Loanee in shares of the Company as at 31st March, 2007:

Sr.No.	Loanee	No. of Equity Shares
1	Adapt Investments Ltd.	183
2	Brabourne Investments Ltd.	269
3	B. N. Elias and Company	100
4	Universal Industrial Fund	178
5	Yield Investments Ltd.	11,887
6	Canal Investment and Industries Ltd.	5,982
7	Chattarpati Investments Ltd.	8,606
8	Hilltop Holdings India Ltd.	1,93,067
9	Jubilee Investments & Industries Ltd.	23,64,398
10	Offshore India Ltd.	7,383

18) Segment Reporting:

Considering the organisation structure, nature of products and risk and return profile based on geographical distribution, the tyre business is considered as a single segment.

SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007
SCHEDULE 20 - (Continued)
19) Earnings Per Share (EPS):

	2006-07	2005-06
a) Weighted Average Number of shares at the beginning and end of the year	4,56,56,626	3,94,47,704
b) Net Profit after Tax available for Equity Shareholders (Rupees in Lakhs)	39,24.85	51.76
c) Face value per share (Rupees)	10	10
d) Basic and Diluted Earnings Per Share (Rupees)	8.60	0.13

20) Auditor's Remuneration:

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

21) Provision for Taxation includes provision for Wealth Tax.

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

I. Registration Details

Registration No. State Code
 Balance sheet date

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

Public issue
 Right issue
 Bonus issue
 Private Placement

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

Total Liabilities Total Assets

Sources of Funds

Paid up Capital Reserves and Surplus
 Secured Loans Unsecured Loans
 Deferred Tax Liability (net)

Application of Funds

Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure
 Accumulated Losses

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

Turnover Total Expenditure
 (Includes Other income)
 Profit before tax Profit after tax
 Earning per share in Rs. Dividend rate %

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

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

Signatures to schedule '1' to '20'

As per our report attached
For N.M.Raiji & Co.,
 Chartered Accountants

Y.N. Thakkar
 Partner

Mumbai, April 23, 2007

K. J. Rao
 Chief Financial Officer

H.N.Singh Rajpoot
 Company Secretary

On behalf of the Board of Directors

H.V. Goenka Vice Chairman

M.A. Bakre Chairman - Audit Committee

Paras K. Chowdhary Managing Director

Mumbai, April 23, 2007

