

**LETTER OF OFFER***(Private & Confidential)**For Equity Shareholders of the Company Only***CEAT LIMITED**

(Originally incorporated as CEAT Tyres of India Limited on 10/03/1958 under the Companies Act, 1956. The name of the Company was changed to CEAT Limited and the Company obtained a fresh certificate consequent to change of name on 10/01/1990 from Registrar of Companies, Maharashtra, Mumbai. The Registered Office of the Company was shifted from CEAT Limited, Village Road, Bhandup, Mumbai 400078 to CEAT Mahal, 463 Dr. Annie Besant Road, Worli, Mumbai - 400030 w.e.f. 4th September, 1974.)

Registered Off : CEAT Mahal, 463, Dr. Annie Besant Road, Worli, Mumbai - 400030.

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E-mail: rightsissue@ceattd.com, Website: www.ceattyres.com;

Contact Person : Mr. H.N.Singh Rajpoot, Company Secretary

OFFER FOR 1,05,36,684 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT PREMIUM OF RS. 40/- PER SHARE (I.E. AT A PRICE OF RS. 50/- PER SHARE) AGGREGATING TO RS. 5268.34 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 3 (THREE) EQUITY SHARES FOR EVERY 10 (TEN) EQUITY SHARES (I.E. 3:10) OF RS. 10/- EACH HELD ON 09/12/2005 (THE RECORD DATE).

(THE ISSUE PRICE IS FIVE (5) TIMES THE FACE VALUE OF RS. 10/-)

GENERAL RISKS

Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document.

The attention of investors is drawn to the statement of Risk Factors appearing on page nos. [iii] to [vii] of this Letter of Offer.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in context of the Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions, expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE), (the Designated Stock Exchange) and The National Stock Exchange of India Ltd. (NSE). Applications will be made to BSE and NSE, for listing and trading permission for the Equity Shares being issued pursuant to this Letter of Offer. The Company has received in-principle approval from BSE & NSE vide their letter no. DCS/SMG/SDM/RK/NS/05 dated 08/11/2005 and letter no. NSE/LIST/18390-A dated 16/11/2005 respectively.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
<p>KEYNOTE CORPORATE SERVICES LIMITED 307, Regent Chambers, Nariman Point, Mumbai - 400 021. Tel. : (022) 2202 5230 Fax : (022) 2283 5467 Website: www.keynoteindia.net E-mail: mbd@keynoteindia.net SEBI Regn. No.: INM 000003606 AMBI Regn No: AMBI/040</p>	<p> Tata Share Registry Limited Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai - 400 001. Tel: (022) 56568484 Fax: (022) 56568494 Website: www.tatashare.com E-mail: csg-unit@tatashare.com SEBI Regn.No.: INR 000000197</p>

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSES ON
Thursday, 29/12/2005	Thursday, 12/01/2006	Friday, 27/01/2006

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II. DEFINITIONS/ABBREVIATIONS

CONVENTIONAL / GENERAL TERMS

Act	:	The Companies Act, 1956 and subsequent amendments thereto
AGM	:	Annual General Meeting
EPS	:	Earnings Per Share{EPS = Profit After Tax/No. of Equity Shares}
MOU	:	Memorandum of Understanding
NAV	:	Net Assets Value {NAV= Networth/ No. of Equity Shares}
P/E Ratio	:	Price/Earnings Ratio
PAN	:	Permanent Account Number
PBDT	:	Profit Before Depreciation and Tax
PBIDT	:	Profit Before Interest Depreciation and Tax
PBT	:	Profit Before Tax
PAT	:	Profit After Tax
RONW	:	Return on Networth {RONW = Profit After Tax/Networth}*100}
Security Certificate	:	Equity Share Certificate
Security(ies)	:	Equity Share(s)

OFFER RELATED TERMS

Articles	:	Articles of Association of CEAT LIMITED
Board	:	Board of Directors of CEAT LIMITED
BSE/Designated Stock Exchange	:	Bombay Stock Exchange Ltd.
CAF	:	Composite Application Form
Issuer/Company/CEAT	:	CEAT LIMITED
Directors	:	Directors on the Board of CEAT LIMITED
Equity Shareholders	:	Equity Shareholders of the Company whose name appear as: <ul style="list-style-type: none"> ✓ Beneficial Owners as per the list furnished by the depositories in respect of Equity Shares held in electronic form and ✓ On the Register of Members of the Company in respect of the Equity Shares held in Physical form
Equity Shares	:	Equity Shares of the Company of Rs.10/- each
Lead Managers to the Issue	:	Keynote Corporate Services Ltd.(Keynote) and ICICI Securities Ltd.(Isec)
Issue/ Rights Issue	:	Offer for 1,05,36,684 equity shares of Rs.10/- each for cash at premium of Rs.40/- per share (i.e. at a price of Rs. 50/- per share) aggregating to Rs.5268.34 lacs on a rights basis to the existing equity shareholders of the Company in the ratio of 3 (three) equity shares for every 10 (ten) equity shares (i.e. 3:10) of Rs. 10/- each held on 09/12/2005 (the record date).
Issue Closing Date	:	The date on which the issue closes for subscription.
Issue Opening Date	:	The date on which the issue opens for subscription.
Issue Period	:	The period between the Issue Opening Date and Issue Closing Date and includes both these dates.
Issue Price	:	The price at which the equity shares will be issued by the Company under this Letter of Offer.
Letter of Offer/ LOF/ Offer Document	:	This Letter of Offer dated 08/12/2005 circulated to the Equity Shareholders and filed with BSE & NSE containing inter alia the Issue price and the number of equity shares to be issued and other incidental information.
NSE	:	National Stock Exchange of India Ltd.
Record Date	:	Friday, 09/12/2005

ABBREVIATIONS

CDSL	:	Central Depository Services (India) Limited
CLB	:	Company Law Board
DCA	:	Department of Company Affairs
Depositories Act	:	The Depositories Act, 1996 as amended from time to time
Depository	:	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
DP	:	Depository Participant
FCNR Account	:	Foreign Currency Non Resident Account
FDI	:	Foreign Direct Investment
FEMA	:	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto
FI	:	Financial Institution
FII (s)	:	Foreign Institutional Investors registered with SEBI under applicable laws.
ID	:	Industrial Disputes Act
LC	:	Labour Court
MRTU Act & PULP Act	:	Maharashtra Recognition of Trade Union Act and Prevention of Unfair Labour Practices Act.
NA	:	Not Applicable
NR	:	Non Resident
NRE Account	:	Non Resident External Account
NRI(s)	:	Non Resident Indians
NRO Account	:	Non Resident Ordinary Account
NSDL	:	National Securities Depository Limited
RBI	:	The Reserve Bank of India
SBI	:	State Bank of India
SEBI	:	Securities and Exchange Board of India
SEBI (SAST) Regulations	:	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
SEBI Guidelines	:	Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992 (as amended), called Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

COMPANY/INDUSTRY RELATED TERMS

AIRIA	:	All India Rubber Industries Association
CAPEXIL	:	Chemical & Allied Products Export Promotion Council
DSIR	:	Department of Scientific & Industrial Research
OTR	:	Off the Road
OEM	:	Original Equipment Manufacturer
MHCV	:	Medium & Heavy Commercial Vehicles
MIL	:	Murphy India Ltd.
LCV	:	Light Commercial Vehicles
CAGR	:	Compounded Annual Growth Rate
AED	:	Additional Excise Duty
SATL	:	South Asia Tyres Limited
OIO	:	Order in Original
OIA	:	Order in Appeal
SCN	:	Show Cause Notice

III. RISK FACTORS

CERTAIN CONVENTIONS

In this Letter of Offer, unless the context otherwise requires, all references to one gender also refers to another gender and the word "Lakh" or "Lac" means "one hundred thousand" and the word "million" means "ten lac" and the word "Crore" means "ten million". In this Letter of Offer, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off. Throughout this Letter of Offer, all figures have been expressed in Lacs unless otherwise stated.

FORWARD LOOKING STATEMENT

The investors should consider the following risk factors together with all other information included in this Letter of Offer carefully, in evaluating the Company and its business before making any investment decision. Any projections, forecasts and estimates contained herein are forward looking statements that involve risks and uncertainties. Such statements use forward looking terminology like "may", "believes", "will", "expect", "anticipate", "estimate", "plan" or other similar words. The Company's actual results could differ from those anticipated in these forward looking statements as a result of certain factors including those, which are set forth in the "Risk Factors" below.

The Letter of Offer also includes statistical data regarding the Tyre industry. This data has been obtained from industry publications, reports and other sources that the Company and the Lead Manager believe to be reliable. Neither the Company nor the Lead Manager has independently verified such data. The Managements' proposal to address the risks has been enumerated wherever applicable.

INTERNAL RISK FACTORS

1. Litigations

There are litigations / disputes/ cases pending against the Company / its Subsidiaries / Promoters / Directors and Group companies :

I. Criminal Case against the Company

Complaint No.58 of 2001 (P.C. No.361/99-2000) filed by the Inspector of Legal Metrology, Vijayawada, Andhra Pradesh before the First Class Magistrate, Venketagiri, Andhra Pradesh. The complaint is filed on the ground of non declaration of price on package (containing tubes) as per the requirements of the Standards of weights & Measures Act 1976. The complaint is filed against Mypol, (manufacturer/packer) and the Company (for whom the goods were manufactured/packed). The Company has filed its reply to Show Cause Notice pointing out that tubes were spurious. The matter is pending for further hearing.

II. Other Litigations against the Company

The Company is involved in certain legal proceedings, incidental to its business and operations, which if determined against the Company, could have an adverse impact on the results of its operations and financial condition.

Sr. no	Particulars	No. of cases/ disputes	Approximate amount (where quantifiable) (Rs. In lacs)
1	Civil Proceedings	11	1802.16
2	Labour related	34	1099.94
3	Consumer related	57	25.00
4	Income Tax related appeals	7	281.87
5	Wealth Tax related	2	3.20
6	Excise duty related department appeals	13	4030.62

Sr. no	Particulars	No. of cases/ disputes	Approximate amount (where quantifiable (Rs. In lacs)
7	Excise duty related Company appeals	7	543.08
8	Custom duty demand	1	5.64
9	Sales Tax related	46	399.82
10	Octroi related	2	85.00
11	Excise related show cause notices	32	6238.41
12	Customs related show cause notices	16	8368.86

For more information please refer to Chapter XIII "LEGAL AND OTHER INFORMATION" commencing on page no. (85) of this Letter of Offer.

III. Litigation pending against Promoters/Directors of the Company

There are some litigations pending against Promoters / Directors. For more information please refer to Chapter XIII "LEGAL AND OTHER INFORMATION" commencing on page no. (95) of this Letter of Offer.

IV. Litigations pending against Subsidiaries/Group Companies

There are some litigations pending against top five listed and top five unlisted companies & other companies within the Group. For more information please refer to Chapter XIII "LEGAL AND OTHER INFORMATION" commencing on page no. (96) of this Letter of Offer.

2. Contingent Liabilities

As of 30/06/2005, the Company has some contingent liabilities as detailed below, determination of which against the Company may adversely affect the financial position.

(Rs.in Lacs)

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	281.87
● Wealth Tax	3.20
● Excise and Custom Duty	4,030.62
● Sales Tax	4.07
b) Direct and Indirect Taxation matters in respect of which the Company is in appeal	
● Excise and Custom Duty	556.14
● Sales Tax	395.75
c) Disputed demands of Octroi Duty	85.00
d) Bills discounted with Banks and Finance Companies	4,279.91
e) Corporate Guarantees given on behalf of others	
● Covered by indemnity undertakings from RPG Enterprises Ltd.	2,550.00
● Other Corporate Guarantees	300.00
Contingent liabilities of all subsidiaries combined:	
● Disputed demands of Income Tax	90.21

3. Loss made by CEAT Limited

As per audited accounts, the Company has reported a loss of Rs.187 Lacs for the financial year ended 31/03/2005 (Rs.776 Lacs as per consolidated accounts) & Rs.196 Lacs for the three months period ended 30/06/2005 (Rs.144 Lacs as per consolidated accounts). As per unaudited results for the quarter ended

30/09/2005, the Company has reported a loss of Rs.397.00 Lacs. The losses are mainly on account of increasing cost of raw material i.e natural rubber, carbon black, nylon, fabric etc. The Company has since increased selling prices of tyres & initiated several cost cutting measures to offset the impact of increased raw material prices.

4. Losses made by subsidiary companies

The following subsidiary companies of CEAT made losses during one or more of the last three financial years (as per the latest available audited results).

(Rs.in Lacs)

Particulars (as at 31st March)	2004-05	2003-04	2002-03
CEAT Ventures Ltd.	(232)	(280)	(281)*
CEAT Holdings Ltd.	(357)	(423)	192*
Meteoric Industrial Finance Company Ltd.	12	(191)	193

*For 15 months ended on 31/03/2003

5. Loss Making Group Companies

The Company is part of the group of companies forming the RPG Enterprises. Out of the top five listed and top five unlisted companies, the following companies made losses during one or more of the last three financial years (as per the latest available audited results)

Listed Companies

(Rs in Lacs)

Particulars (as at 31st March)	2004-05	2003-04	2002-03
Saregama India Limited	521	*(2,110)	** (4,809)
KEC International Limited	#4,227	2,528	(954)
Harrisons Malyalam Limited	4,766	523	(991)

* From Jul 03- Mar - 04; ** From Apr 02- Jun 03, # Provisional

Unlisted Companies

(Rs in Lacs)

Particulars (as at 31st March)	2004-05	2003-04	2002-03
Jubilee Investments & Industries Limited	66	(0.65)	(1,129)
Hilltop Holdings India Limited	(138)	(209)	(1,796)
Brabourne Investments Limited	(55)	(187)	(52)
Off-Shore India Ltd.	(73)	(231)	(461)

6. Shortfall in the Promises vis-à-vis performances by the Company.

The Company came out with a Rights Issue in the year 1992. The Company had made certain projections on the operating and financial performances in relation to last rights issue based on the then prevailing situation. However, due to various reasons, the projections could not be achieved. For further details, please refer to page (119) of this Letter of Offer.

7. Shortfall in the Promises vis-à-vis performances during the previous issues made by the Group Companies.

Some of the group companies made certain projections in their previous issues. However, due to various reasons, the projections could not be achieved. For further details, please refer to page (120) of this Letter of Offer.

8. Expiry of Factory License for Nasik plant

The Factory License for Nasik plant has expired on 31/12/2004.

Management's proposal

The Company has applied for renewal of the said license from 2005 to 2007 vide their letter dated 30/10/2004. The renewal is awaited.

9. Audit Qualification

The Auditors of the Company are unable to express an opinion, on the extent of reliability of Loans/ Advances and other receivables from certain companies and the interest receivables from certain companies and the interest receivables thereon aggregating to Rs. 29,653 Lacs which has been principally reviewed based on the latest available audited accounts of the respective companies reflecting erosion in their networth. The impact on the result for the year ended 31/03/2005, and thereafter and on reserves thereon is presently not ascertainable.

Management's Proposal

Management is of the opinion that these loans and advances are good and recoverable hence no provision is considered necessary.

10. Restrictive covenants

There are restrictive covenants in agreements the Company has entered into with certain banks and financial institutions for short-term loans and long-term borrowings. These restrictive covenants requires to seek the prior permission of the said banks / financial institutions for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger/amalgamation/ restructuring, change in management, payment of dividends etc.

Management's proposal

The present Rights issue is for the purposes of financing working capital requirements of the Company. Bank of India, the leader of the consortium of banks from whom the Company has availed loan facilities have assessed and approved the working capital requirements of the Company. The management do not foresee any problem on account of any restrictive covenants as far as present rights issue is concerned.

11. Business Portfolio Risk

The Company operates in the business of manufacturing & selling of automotive tyres only. The economic conditions affecting tyre industry will have a bearing on the performance of the Company.

Management's Proposal

The Company has already established with its product quality and commercial competitiveness through continuous measures in employing improved technologies to match with the competitors.

12. Cyclical Risk

A vulnerability to business cycles could affect the Company's capacity to sustain a growth in income, profits and shareholders value.

Management's proposal

Business cycles are getting shorter over the years in this industry. To protect its profits, the Company has cut cost and restructured its business. The Company has graduated to the value-added segment. Relevant product mix innovations are expected to accelerate growth.

13. The success of the Company is substantially dependent on the management team.

The success of business of the Company is substantially dependent on its management team and key personnel and their leaving the Company could adversely affect the business. Further, the ability to maintain the position substantially depends the ability to attract, motivate and retain such personnel.

Management's Proposal

The Company has a comprehensive Human Resources Policy and has been able to retain its key management team in the past.

14. Unsecured loans are repayable on demand basis

As on 30/06/2005, the Company has outstanding unsecured loans aggregating to Rs.10,871.06 Lacs out of which loans aggregating to Rs.4,382.40 Lacs are repayable within one year. However the mobilization of deposits is a continuous process by which these deposits are replenished.

EXTERNAL RISK FACTORS

1. Change in Technology

Technology plays a vital role in manufacturing plants. The Company's failure or inability to adopt any change in technology might place its competitors at an advantage in terms of cost, efficiency and timely delivery of final products.

2. Competition

The Company operates in a globally competitive business environment. Increasing competition may force the Company to reduce prices of its products, which may reduce the revenues and margins and/or also decrease its market share, either of which could have an adverse effect on the business, financial condition and operations of the Company. Indian tyres also face competition from Chinese tyres in the export market, due to the competitive prices of Chinese tyres.

3. Change in Import & Export Regulation

Any change in regulations, domestic or international, having an impact on the tyre industry and its inputs will affect the industry as a whole. Such changes may be in the nature of introduction of quota, tariff barrier, subsidies etc. and could adversely affect the business, financial condition and the operations of the Company.

4. A slowdown in economic growth in India could cause the business to suffer

Any slowdown in the growth of Indian economy specifically automobile industry, could adversely affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

5. Significant change in the Government's economic liberalization and deregulation policies

Any significant change in the Government's policies or any political instability in India could adversely affect the business and economic conditions in India and could also adversely affect the business, future financial performance and the price of Company's Equity Shares.

6. Terrorist attacks and other acts of violence or war involving India.

Terrorist attacks and other acts of violence or war may negatively affect the Indian stock markets and also adversely affect the global financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect the business, results of operations and financial condition.

7. Decline in India's foreign exchange reserves.

At present, India's foreign exchange reserve is the sixth largest in the world. A decline in forex reserves could result in reduced liquidity and higher interest rates in the Indian economy. Reduced liquidity or an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect business and financial performance of the Company and the price of Equity Shares.

8. Downgrading of India's credit rating.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact the ability of the corporates to raise additional financing from domestic & overseas markets, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on the business and financial performance and adversely affect the ability to raise resources at competitive rates.

HIGHLIGHTS :

- Member of RPG group, one of the large industrial groups in India.
- CEAT is forty-seven years old Company engaged in manufacturing of Automotive Tyres & Tubes.
- CEAT is among country's top tyre majors having presence in all range of products and catering to all market segments, viz. Replacement, State Transport Undertakings, Defence, Original Equipment Manufacturers and Exports.
- Firm foothold in export market for last many decades; winning prestigious 'Outstanding Export Performance Awards of India' from CAPEXIL and AIRIA since many years as a tribute to its excellent export achievements.
- Strong Brand Equity.
- Extensive distribution network and strong technical service set up with high focus on after-sales service.
- Support of strong in-house R&D Centre recognized by DSIR, Government of India.
- ISO/TS 16949 certified Company.

NOTES :

1.	Preissue Network (Excl.Revaluation reserve)	:	
	● As on 31/03/2005		Rs.29,691.29 Lacs
	● As on 30/06/2005		Rs.29,494.86 Lacs
	Preissue Net Asset value		
	● As on 31/03/2005		Rs.84.32 per share
	● As on 30/06/2005	:	Rs.83.76 per share
	Issue Size	:	Offer for 1,05,36,684 equity shares of Rs.10/- each for cash at premium of Rs.40/- per share (i.e. at a price of Rs. 50/- per share) aggregating to Rs.5268.34 lacs on a rights basis to the existing equity shareholders of the Company in the ratio of 3 (three) equity shares for every 10 (ten) equity shares (i.e. 3:10) of Rs. 10/- each held on 09/12/2005 (the record date).
	Cost per share to the promoter	:	Rs.47.98

2. There is no interest of promoters/directors/key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits except to the extent of shareholding held by them or their relatives and associates or held by the companies, firms & trusts in which they are directors, member, partner and/or trustee and to the extent of benefits arising out of such shareholding.
3. There had been no transaction except following in the shares of the Company since past 6 months on the stock exchange by the Promoters/Directors of the Company.

Name of Promoter Group Company / Director	Nature of Transaction	No. of Shares	Date of Transaction	Avg. price (Rs.)
Bespoke Finvest Limited	Purchase	1200384	30/03/2005*	98.55
Jubilee Investments & Industries Limited	Purchase	100	11/11/2005	81.00
Jubilee Investments & Industries Limited	Sale	50	18/11/2005	82.00
Petrochem International Limited	Sale	968243	30/03/2005*	98.55
Off Shore India Limited	Sale	232091	30/03/2005*	98.55
Mr. Paras K. Chowdhary	Purchase	500	29/11/2005	90.00

*The transfer was effected within last six months.

4. Disclosure of related parties/related party transactions:

a) Related parties:

(i) Subsidiaries of the Company :

- CEAT Ventures Limited,
- CEAT Holdings Limited,
- Meteoric Industrial Finance Company Limited,

(ii) Other 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 (*),
- CEAT Kelani Radials (Pvt.) Ltd.
- Rado Tyres Limited
- Zensar Technologies Limited

(iii) Key Management Personnel :

- Mr. Paras K. Chowdhary, Managing Director

(*) Indicates no transactions during the year 2004-05 with these related parties.

b) The following transactions were carried out during the year for the period of three months ended on 30/06/2005, with the related parties in the ordinary course of business :

(Rs. in Lacs)

	Subsidiaries of the Company April to June 2005	Other Related Parties April to June 2005	Subsidiaries of the Company 2004-05	Other Related Parties 2004-05
Transactions				
1. Reimbursement of Expenses	2.77	4.98	–	37.33
2. Export Sales	–	0.21	–	3.99
3. Royalty	–	15.00	–	70.47
4. Interest (Net)	–	9.08	–	36.41
5. Imports of traded goods	–	369.69	–	2,405.06
6. Loans and Advances given	216.41	–	(2.00)	–
7. Deposits received	–	–	(10.00)	–
8. Conversion charges	–	116.47	–	425.20

(Rs. in Lacs)

	Subsidiaries of the Company April to June 2005	Other Related Parties April to June 2005	Subsidiaries of the Company 2004-05	Other Related Parties 2004-05
Amount due to / from related parties				
1. Interest Receivable	1,690.51	223.24	1,690.51	221.78
2. Debtors	13.84	16.17	–	12.59
3. Loans, Advances and Deposits given	14,605.90	460.31	14,389.49	368.10
4. Royalty receivable	–	74.41	–	59.41
5. Creditors	–	599.83	–	1,047.80
6. Investments in Shares and Debentures	11,630.25	195.81	11,630.25	195.81

Remuneration to Mr. Paras K. Chowdhary, Managing Director (exclusive of contribution to Gratuity Fund on actuarial valuation) is follows:

(Rs.in Lacs)

	April to June 2005	2004-05
Salaries	5.40	21.60
Allowances & Perquisites	0.60	2.40
Contribution to Provident and Superannuation Funds	1.46	5.83
Total	7.46	29.83

5. The lead manager and the Company shall update this Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement.

IV. INTRODUCTION

INDUSTRY SUMMARY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials and has not been prepared or independently verified by the Issuer or the Lead Manager.

The global tyre industry witnessed encouraging growth driven by strong performance of several key world economies. During the year 2004, the leading tyre companies in the world reported more than 10% increase in their revenues. The Indian tyre industry experienced a similar growth driven by strong surge in automobile sales across the country.

Even as it is highly concentrated, the Indian tyre industry, is highly competitive. In a price-sensitive market, the industry has not been able to recover rising raw material costs to a full extent through product pricing. With high levels in prices of crude oil and natural rubber, the industry continued to see its input costs rise in 2004-05. Consequently, while the revenues showed a healthy growth, profitability remained depressed.

In India there are over 58 tyre plants representing 43 tyre companies located all over India. The size of Indian tyre market is estimated to be around Rs.14,25,000 Lacs. It is dominated by 4 major players namely MRF, Apollo, CEAT and JK accounting for 70% of the total pie. (Source: CRIS Infac)

The Indian tyre industry is manufacturing all category of tyres except aero and snow tyres. Globally, passenger and light truck account for over 51% of the total tyre production. In India, however, it is the commercial tyres (truck and bus) which account for over 60% of the total production (in tonnage/value terms).

BUSINESS SUMMARY

CEAT offers one of the widest product range for both domestic and international markets. The product portfolio that ranges from two wheeler tyres to giant off the road (OTR) tyres, continue to enjoy excellent customer support and market goodwill.

In the truck tyre segment, the new premium products like Lug XL, Mile XL, FM Super and Rib XL have successfully established its superiority in quality and performance. The sale of these products has been growing steadily. The "value for money" products also have created a niche of its own in its market segment.

CEAT launched radial truck tyres and also introduced new radial tyres with high performance attributes for segments like sports utility vehicles.

CEAT has increased its share in two wheeler tyre businesses and has become a supplier to all major two wheeler manufacturers.

The Company has achieved a growth of 26 % in export revenue and has spread its operations to 68 countries covering Asia, Europe, USA and Latin America. The growth in exports also entitles the Company for incentives under the "Target Plus Scheme" of export promotion.

Production Facilities

The Company operates from its plants located at Village Road, Bhandup, Mumbai - 400 078 and at 82, MIDC, Industrial Estate, Satpur, Nasik- 422007.

Class of Goods	Installed capacity (No.in Lacs)	Own Production (No.in Lacs)	Production under conversion basis (No.in Lacs)	Total Production (No.in Lacs)
Automotive Tyres	43.11	37.82	34.96	72.78
Automotive Tubes	–	–	78.52	78.52
Automotive Flaps	–	0.23	23.07	23.30

Issue Details

Offer for 1,05,36,684 equity shares of Rs.10/- each for cash at premium of Rs.40/- per share (i.e. at a price of Rs. 50/- per share) aggregating to Rs.5,268.34 lacs on a rights basis to the existing equity shareholders of the Company in the ratio of 3 (three) equity shares for every 10 (ten) equity shares (i.e. 3:10) of Rs. 10/- each held on 09/12/2005 (the record date).

Summary of Consolidated Financial Data

Please read the following data in conjunction with the detailed Auditors' report on page (54) under the heading 'FINANCIAL INFORMATION'

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - RESTATED

(Rs.in Lacs)

	As at 30-Jun-05	As at 31-Mar-05	As at 31-Mar-04	As at 31-Mar-03	As at 31-Mar-02
A. Fixed Assets	20,761.05	21,125.12	21,886.83	22,131.30	21,207.89
B. Investments	16,150.13	16,149.96	15,999.78	14,723.86	15,696.21
C. Deferred Tax Asset	3,248.01	3,142.76	3,058.66	3,385.43	3,869.97
D. Current Assets, Loans and Advances	96,210.20	97,614.47	100,611.54	92,341.89	90,259.87
E. Total Assets(A+B+C+D)	136,369.39	138,032.31	141,556.81	132,582.48	131,033.95
F. Liabilities and Provisions	108,461.59	109,980.26	109,088.36	100,753.24	100,132.62
G. Net Worth (E-F)	27,907.80	28,052.05	32,468.45	31,829.24	30,901.33

CONSOLIDATED STATEMENT OF PROFIT AND LOSSES - RESTATED

(Rs.in Lacs)

Particulars	01/04/05 to 30/06/05	2004- 2005	2003- 2004	2002- 2003	2001- 2002
Income	43,364.49	156,365.61	148,207.12	130,290.53	114,171.38
Expenditure	43,547.01	157,715.16	144,831.72	127,295.28	113,643.66
Net Profit/(Net Loss) after Tax	(144.26)	(775.62)	506.36	1,857.28	376.72

Dear shareholder(s),

The Board of Directors in their meeting held on 23/09/2005 have decided to make the following offer to the equity shareholders of the Company on rights basis.

Offer for 1,05,36,684 equity shares of Rs.10/- each for cash at premium of Rs.40/- per share (i.e. at a price of Rs. 50/- per share) aggregating to Rs.5,268.34 lacs on a rights basis to the existing equity shareholders of the Company in the ratio of 3 (three) equity shares for every 10 (ten) equity shares (i.e. 3:10) of Rs. 10/- each held on 09/12/2005 (the record date).

V. GENERAL INFORMATION

Name of the Company	:	CEAT LIMITED
Registered Office	:	CEAT Mahal, 463, Dr. Annie Besant Road, Worli, Mumbai - 400 030. Tel: (91-22) 24930621, Fax: (91-22) 56606039. E-mail: rightsissue@ceatltd.com, Website: www.ceattyres.com
Plants	:	➤ Village Road, Bhandup, Mumbai - 400 078 ➤ 82, MIDC, Industrial Estate, Satpur, Nasik- 422 007
Contact person	:	Mr. H.N.Singh Rajpoot, Company Secretary
Registration No.	:	11-11041
Registrar of Companies	:	Registrar of Companies Maharashtra, Mumbai. Dattaram Lad Marg, Hakoba Mills Compound, Kalachowki, Mumbai - 400 033.

IMPORTANT

1. This Issue is pursuant to the resolution passed by the Board of Directors in their meeting held on 23/09/2005.
2. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company, at the close of business hours on 09/12/2005 (the Record Date).
3. Your attention is drawn to the section on risk factors starting from page no. (iv) of this Letter of Offer.
4. Please ensure that you have received the CAF alongwith this Letter of Offer.
5. Please read the Letter of Offer, the instructions contained herein and in the CAF carefully before filling in the CAFs. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non compliance of the Letter of Offer or the CAF.
6. All enquiries in connection with this Letter of Offer or CAFs should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAFs.
7. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI.
8. All the legal requirements as applicable till the filing of the Letter of Offer with the Designated Stock Exchange have been complied with.

BOARD OF DIRECTORS

The Board of Directors of the Company comprises of Mr. R. P. Goenka, Mr. H. V. Goenka, Mr. Paras K. Chowdhary, Mr. Mahesh S. Gupta, Mr. M. A. Bakre, Mr. A. C. Choksey, Mr. S. Doreswamy, Mr. J. N. Guzder, Mr. Hari L. Mundra, Mr. H. Khaitan, Mr. Bansi S. Mehta, Mr. K. R. Podar and Mr. N. Srinivasan.

BRIEF DETAILS OF DIRECTORS OF THE COMPANY

Mr. R. P. Goenka, Chairman

Mr. Rama Prasad Goenka is the Chairman Emeritus of the US \$ 1.8 Billion RPG Group. Amongst the Group's core businesses are Power (CESC Limited, which supplies power to the city of Kolkata), Tyre (CEAT, one of India's top tyre companies which has Italian origin), Entertainment (Saregama India Limited, India's largest music company), Retailing (Foodworld, one of the largest retail chain in India), Life Sciences and other companies involved in Power Transmission, IT etc.

Born in Kolkata (1st March, 1930), educated at the famed Presidency College of Kolkata and later at Harvard, Mr. Goenka is currently a Member of Parliament (Rajya Sabha), Chairman of Board of Governors, International Management Institute and a Trustee of the Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust and Rajiv Gandhi Foundation. He is a former President of the Federation of Indian Chambers of Commerce & Industry and the Confederation of Asia Pacific Chambers of Industry. He is also the immediate past Chairman of the Board of Governors of the Indian Institute of Technology, Kharagpur, which has been rated as the country's number 1 Engineering College. Mr. Goenka has received from the Emperor of Japan "The Order of the Sacred Treasure Gold and Silver Star."

Mr. H. V. Goenka, Vice-Chairman

Mr H V Goenka (47), is the Chairman of RPG Enterprises Ltd., one of the leading business groups in India with a turnover of over Rs.845,000 Lacs. RPG Enterprises has interests in Power, Tyres, Retail, Information Technology, Life Sciences and Entertainment. Mr Goenka graduated in Economics and is an MBA from IMD, Switzerland. He is the Chairman of KEC International Ltd., RPG Life Sciences Ltd., Zensar Technologies Ltd., Raychem RPG Ltd. and the Vice Chairman of CEAT. He is also a Board Member of IMD, Lausanne, Switzerland.

Mr. Paras K. Chowdhary, Managing Director

Mr. Paras K. Chowdhary (54), is a Physics (Hons) graduate from the St. Stephen's College, New Delhi. He is also Chairman of the Automotive Tyre Manufacturer's Association, the representative body for the Tyre industry in India. Prior to joining RPG group he worked with Appollo Tyres for 23 years in different capacities. He also served Apollo Tyres as President & CEO.

Mr. Mahesh S. Gupta

Mr. Mahesh S. Gupta (49), has an Honours Degree in B.Com; L.L.B. (Gen.) F.C.A., F.C.S. He has an outstanding academic record - Rank Holder and a Silver Medalist in Company Secretaries final examination. Mr. Gupta has over twenty five years of professional experience in all aspects of finance function, including treasury, mergers & acquisitions and operational review, strategic planning, direct taxation and company law matters etc. Mr. Gupta has worked with 'Ajay Piramal Group' for over 17 years including last 9 years as Group CFO and Wholetime Director - Nicholas Piramal India Ltd. He has also worked with RPG group as Group CFO and Management Board member and as CEO-Welspun India Ltd. Mr. Gupta has been associated with various professional bodies including Member Governing Council - Indian Association Corporate CFOs & Treasurers (InACT). Mr. Gupta was awarded the CFO of the year award, Special Commendation for financial excellence (Mergers & Acquisitions Category) by IMA (formerly known as EIL), New Delhi. Currently he is Group Executive Director for Real Estate, Retail, Textile & Engineering businesses of Piramal Group.

Mr. M. A. Bakre

Mr. M. A. Bakre (73), has an Honours Degree in B.A. in Politics and Economics - Awarded the James Taylor Prize for Economics, the P. A. Wadia Scholarship for Political Science, M.A. with Economics from Cambridge University and Diploma with Distinction for Proficiency in French from Geneva University. Mr. Bakre at the age of 21 joined London Office of Kolkata's 100 year old Managing Agency House of Duncan Brothers Company Limited. During 1955-66 he spent one year in Tea Estates in Dooars, West Bengal and 10 Years with Anglo-India, world's largest jute mills company. He was the Head of the Company since 1963. In 1959, helped in establishing India's first wool combing plant in Kolkata in collaboration with Holdens of Bradford and Dublin. In 1966 at the age of 33, joined board of Duncan Brothers & Co. and successfully negotiated with Lord Verulam of Enfield, U.K. and E.H. Michaelsen, President Phelps Dodge, U.S., for takeover of Asian Cables Limited and subsequently, shifted to Mumbai as Director-In-Charge of Mumbai operations with seats on the boards of Asian Cables & Industries Limited, N.S. Duncan, S.S. Duncan and Murphy India Limited.

Mr. A. C. Choksey

Mr. Atul C. Choksey (53), is a Chemical Engineer from Illinois Institute of Technology, Chicago, U.S.A. He passed his B.S. (Chemical Engineering) with Honors in April 1973. He has also completed courses in various management disciplines like Finance, Personnel, Micro and Macro Economics etc. during his stay abroad.

He has worked in Asian Paints (India) Ltd. for 24 years, inter-alia as Whole-Time/Managing Director for 18 years. Currently, he is Chairman of APCON Group of Companies which consists of Apcotex Lattices Ltd. Apcotex Securities Ltd. and ApcoSoft Infoway Pvt. Ltd. etc. He is also a Member of the Asian Executive Board of the Wharton Business School of the University of Pennsylvania.

Mr. S. Doreswamy

Mr. S. Doreswamy (68), is a professional banker with about 35 years experience in commercial banking. During this period, he has held a variety of senior operational and administrative assignments. He was the Chairman and Managing Director of two large public sector banks - Dena Bank and Central Bank of India, making significant contribution to their growth and progress during his tenure. He is presently engaged in financial consultancy and associated with educating and training of banking professionals. He is also associated with well known and leading Investment Banks, Mutual Funds and Rating Agency.

Mr. J. N. Guzder

Mr. Guzder (88), is a prominent figure in the business and industrial life of Mumbai and has been connected with business and industry for over 60 years. Presently, he is a Director of 5 large companies connected with chemicals, petrochemicals and engineering. Mr. Guzder has been associated with various Chambers of Commerce and is Past President of -

- Indian Merchants' Chamber in Mumbai and is still a Member of its Managing Committee.
- Indian National Committee of the International Chamber of Commerce, Paris.
- Indo-German Chamber of Commerce
- Maharashtra Economic Development Council and the Council for Fair Business Practices and is still a Member of the Governing Council.
- Rotary Club of Bombay and also served as a "District Secretary" of Rotary District and at present is a Senioremost Member of the Club.

In 1985, he was one of the few Indians invited to become a Companion Member of the prestigious Institute of Management in England. He was a Trustee of the Bombay Parsi Panchayat for 27 years, the last 7 of which as Chairman. On his retirement on 29th January, 2003, he was bestowed the honour of being appointed Chairman Emeritus, the first Chairman of the Bombay Parsi Panchayat to be so honoured. Currently, he is a Trustee of 19 Public Charity Trusts. His philanthropic and charitable work as a Trustee of these Trusts is well known, not only in Mumbai but all over India.

Mr. Hari L. Mundra

Mr. Hari L. Mundra (55) is a Bachelor of Arts in Economics (Hons) from Bombay University and MBA from IIM Ahmedabad with around 34 years of work experience. Mr. Mundra worked in Hindustan Lever Ltd. for about 24 years in several positions, both in the Financial and General Management areas and finally as 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 Oil, Mr. Mundra was Executive Vice-Chairman of Wockhardt Ltd., in charge of its domestic pharma business and Vice Chairman of Wockhardt Hospitals Ltd. He is currently Dy. Managing Director & Director (Finance) of Essar Oil Ltd.,

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.

Mr. H. Khaitan

Mr. Haigreave Khaitan (35), is an Advocate by profession since 1995 having expertise in Commercial & Corporate Laws, Tax Laws, Mergers and Acquisitions, Restructuring, Foreign Collaboration, Licensing etc.

Mr. Banssi S. Mehta

Mr. Banssi S. Mehta (70), is a first class graduate in commerce and a Fellow Member of the Institute of Chartered Accountants of India (ICAI). He won Gold Medals both in graduation and final examination of the Institute. Mr. Mehta is an accountant in practice and deals with matters on taxation, accountancy, valuation, mergers and acquisitions. He is a director on the boards of several prominent companies in India. He is a past President of ICAI and has been a Member of various statutory and non-statutory advisory committees on company laws, taxation, accounting etc.

Mr. K. R. Podar

Mr. Kantikumar Podar (70), is founder Member and former President of SAARC Chamber of Commerce and Industry with Headquarters in Pakistan and past President of the Federation of Indian Chambers of Commerce and Industry (FICCI), the Apex Chamber of Commerce and Industry in India. Mr. Podar is connected with numerous Business, Social and Cultural Organisations. Mr. Podar was the youngest Sheriff of Mumbai in 1974, was a Member of the Senate of University of Bombay for six years and is a Special Executive Officer. Mr. Podar was Chairman / President of 16 important Bodies some of which are - the Economic & Scientific Research Foundation, New Delhi, for three years, The Indian Cotton Mills Federation for two years, Indian Merchants' Chamber in the Platinum Jubilee Year, All India Organisation of Employers for two years, Indian Council of Arbitration for one year, Bombay Textile Research Association for two years, Millowner Association for three years. Mr. Podar has been connected from time to time with almost 100 Bodies set up by the State and Central Governments as its Member.

Mr. N. Srinivasan

Mr. N. Srinivasan (60), a Post Graduate in Chemical Engineering from the Illinois Institute of Technology, U.S.A., is the son of Late Mr. T. S. Narayanswami, Founder of The India Cements Limited and a pioneer industrialist of Tamilnadu.

Mr. Srinivasan, an industrialist, is presently the Vice-Chairman & Managing Director of The India Cements Limited, a major corporate entity in the south, with a turnover of around Rs. 150000 Lacs. Mr. Srinivasan was the Sheriff of Madras for two terms (1989-91). He was the President of the Cement Manufacturers' Association for three terms (1991-94) and Chairman of the Board of Governors of the National Council for Cement and Building Materials (NCBM) for two terms (1991-93). He was also the Chairman of Development Council for Cement Industry (DCCI) constituted by the Government of India for two terms (1992-96). Mr. Srinivasan was also the President of The Madras Chamber of Commerce and Industry for two terms (1996-98). He is the past Chairman of the Industry Committee of Federation of Indian Chambers of Commerce & Industry (FICCI). He is also a past Member of the Managing Committee of Associated Chambers of Commerce & Industry (ASSOCHAM). He served as President of All India Organisation of Employers during the period 2000-2001. He is also on the board of several leading Public Limited Companies. Currently, he is a Member of Executive Committee & Steering Committee of FICCI.

BANKERS TO THE COMPANY

Bank of India

Mumbai Corporate Banking Branch,
4th Floor, 70/80, M.G.Road,
Mumbai - 400023
Tel. No.: (91-22) 22623656
Fax No.: (91-22) 22671718

Bank of Baroda

Corporate Financial Services Branch,
1st Floor, 3, Walchand Hirachand Marg,
Ballard Pier, Mumbai 400038.
Tel. No.: (91-22) 22679723; Fax No. (91-22) 22655778

Indian Bank

Sir P. Mehta Road,
Mumbai 400001.
Tel. No.: (91-22) 22664633
Fax No.: (91-22) 22660769

Dhanalakshmi Bank Ltd.

Janmabhoomi Bhavan,
Janmabhoomi Marg,
Fort, Mumbai 400001.
Tel. No.: (91-22) 22022943;
Fax No.: (91-22) 22871637

Corporation Bank

Industrial Finance Branch,
Bombay Samachar Marg,
Fort, Mumbai 400001.
Tel. No.: (91-22) 22677088
Fax No.: (91-22) 22675309

The United Western Bank Ltd.

Dadar (E) Branch, 19/A,
Rajaram Estate, M.M.G.S. Road,
Dadar (E), Mumbai 400014.
Tel. No.: (91-22) 24147141;
Fax No.: (91-22) 24146375

Karnataka Bank Limited,

294/A, Haroon House,
Perin Nariman Street,
Fort, Mumbai 400001.
Tel. No.: (91-22) 22663725; Fax No.: (91-22)22661685

State Bank of India

CAG Branch,
Voltas House, 23, J. N. Heredia Marg,
Ballard Estate, Mumbai 400038.
Tel. No.: (91-22) 56356612;
Fax No.: (91-22) 22670375

UCO Bank

Dr. Dadabhai Naoroji Road,
Mumbai 400023.
Tel. No.: (91-22) 22870256
Fax No.: (91-22) 22870754

ICICI Bank Ltd.

Free Press House,
215, Nariman Point, Mumbai 400021.
Tel. No.: (91-22) 22853594;
Fax No.: (91-22) 22883082

State Bank of Travancore

Mumbai Main Branch,
N. M. Wadia Building,
125, M. G. Road, Mumbai 400023.
Tel. No.: (91-22) 22631483
Fax No.: (91-22) 22674263

Vijaya Bank

Industrial Finance Branch,
2nd Floor, New Excelsior Theatre Bldg.
Mumbai 400001.
Tel. No.: (91-22) 22076047
Fax No.: (91-22) 22075320

Export-Import Bank of India,

Centre One, Floor 21,
World Trade Centre,
Cuffe Parade, Mumbai 400005.
Tel. No.: (91-22) 22185272
Fax No.: (91-22) 22188268

COMPLIANCE OFFICER

Mr. H.N.Singh Rajpoot,
Company Secretary,
463, Dr. Annie Besant Road,
Worli, Mumbai - 400030.
Tel. No.: (91-22) 24930621,
Fax No.: (91-22) 56606039.
E-mail: rightsissue@ceatltd.com
Website: www.ceattyres.com;

ISSUE MANAGEMENT TEAM

Lead Managers to the Issue

KEYNOTE

CORPORATE SERVICES LTD

307, Regent Chambers
Nariman Point, Mumbai - 400021
Tel: (022) 22025230, Fax: (022) 22835467
Website: www.keynoteindia.net
E-mail: mbd@keynoteindia.net
SEBI Regn No: INM 000003606
Contact Person: Satish Mangutkar

REGISTRAR TO THE ISSUE



Tata Share Registry Limited

Army & Navy Building,
148, Mahatma Gandhi Road, Fort,
Mumbai - 400001.
Tel: (022) 56568484 Fax: (022) 56568494
Website: www.tatashare.com
E-mail: csg-unit@tatashare.com
SEBI Regn.No.: INR 000000197
Contact person: S. Kane, Deputy General Manager

Bankers to the Issue

ICICI Bank Ltd.

Capital markets Division,
30, Mumbai Samachar Marg,
Mumbai - 400001.
Tel: (022) 22611138
Fax: (022) 22655285

Auditors to the Company

N.M.Raiji & Co.

Chartered Accountants
Universal insurance Building, Phiroz Shah Mehta Road,
Mumbai - 400001.
Tel: (022) 22870068; Fax: (022) 22828646
Email: nmraiiji@mtnl.net.in

LEGAL ADVISOR TO THE ISSUE

Khaitan & Co.

Meher Chambers,
4th & 5th Floors, R.K.Marg,
Ballard Estate,
Mumbai - 400038
Tel. No.: (91-22) 56365000;
Fax No.: (91-22) 56365050
Email: bom@khaitanco.com



ICICI Securities Limited

ICICI Centre
H. T. Parekh Marg Churchgate,
Mumbai - 400020, INDIA
Tel: +91 22 2288 2460 Fax: +91 22 2282 6580
Website: www.iseconline.com
E-mail: ceat_rights@isecltd.com
SEBI Regn No.: INM000001113
Contact person: Ashish Gokhale

Bank of India

Mumbai Capital Market Branch
Mezzanine Floor, P.J.Tower
Dalal Street, Fort, Mumbai - 400023.
Tel: (022) 22721982
Fax: (022) 22723631

INTERSE ALLOCATION OF RESPONSIBILITIES

The responsibilities and co-ordination for various activities in this Issue to be carried out by the Lead Managers are given below:-

	Particulars	Responsibility	Coordinator
1.	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments.	Keynote, I-Sec	Keynote
2.	Drafting and Design of the offer document and of advertisement / publicity material including newspaper advertisements and brochure/ memorandum containing salient features of the offer document. The designated Lead Merchant Banker shall ensure compliance with the Guidelines for Disclosure and Investor protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange and SEBI.	Keynote	Keynote
3.	Marketing of the Issue, which will cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres of holding conferences of brokers, investors etc. (iii) bankers to the issue, (iv) collection centres, (v) brokers to the issue, distribution of publicity and issue material including application form, offer document and brochure, and deciding on the quantum of issue material.	Keynote, I-Sec	Keynote
4.	Selection of various agencies connected with the issue, namely Registrars to the Issue, printers and advertisement agencies.	Keynote, I- Sec	Keynote
5.	Follow-up with bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	Keynote, I- Sec	Keynote
6.	The post-issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment/ weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, bankers to the issue, and bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the designated Lead Merchant Banker shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	Keynote, I- Sec	Keynote

CREDIT RATING/DEBENTURE TRUSTEE

This being an issue of Rights Equity Shares, no Credit Rating or appointment of Debenture Trustee is required.

MONITORING AGENCY

Not Applicable

APPRAISING ENTITY

Not Applicable

MINIMUM SUBSCRIPTION

- i) If the Company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the Issue.
- ii) If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. forty two days after closure of the issue), the Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

UNDERWRITING/ STANDBY SUPPORT

This issue of Equity Shares is not being underwritten and/or no standby support is being sought for the said issue.

ISSUE SCHEDULE

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSSES ON
THURSDAY, 29/12/2005	THURSDAY, 12/01/2006	FRIDAY, 27/01/2006

VI. CAPITAL STRUCTURE OF THE COMPANY

No. of Shares	Aggregate Nominal Value (Rs.in Lacs)
A. Authorized Capital	
4,61,00,000 Equity Shares of Rs. 10/- each	4,610.00
39,00,000 Preference Shares of Rs.10/- each	390.00
1,00,00,000 Unclassified Shares of Rs.10/- each (refer note i)	1,000.00
B. Issued Capital	
3,52,13,320 Equity Shares of Rs. 10/- each	3,521.33
C. Subscribed & Paid-up Capital	
3,51,22,279 Equity Shares of Rs. 10/- each (refer note ii)	3,512.23
D. Present Rights Issue	
1,05,36,684 Equity Shares of Rs. 10/- for a cash premium of Rs. 40/- per Equity Share.	1,053.67
E. Post Issue Capital	
4,56,58,963 Equity Shares of Rs. 10/- each	4,565.90
F. Share Premium Account	
Before the Offer	12,403.30
After the Offer	16,617.97

Notes:

- i. The Company has classified 1,08,86,680 unclassified shares as equity shares of Rs.10/- each in the meeting of Board of Directors held on 23/09/2005.
- ii. The Company has forfeited 91,041 equity shares of Rs.10/- each in the meeting of the Board of Directors held on 23/09/2005.

Notes to Capital Structure:

- 1) Built up of Equity Share Capital are as follows:

Year/Date of Allotment	No. of Shares	Face Value (Rs)	Issue Price (Rs)	Consideration	Remarks
1958	1,15,000	100	100	Cash	Allotted to Promoters / Public
1961	1,61,000	100	100	Cash	Promoters
31.12.1969	27,600	100	-	Bonus	Bonus Shares
31.12.1972	30,360	100	200	Cash	Rights Issue
31.12.1973	55,660	100	-	Bonus	Bonus Shares
31.12.1976	55,660	100	-	--Do--	Bonus Shares
20.03.1980	89,056	100	-	--Do--	Bonus Shares
31.03.1984	87,105	100	100	Other than Cash	Equity Shares allotted to the shareholders of Deccan Fibre Glass Ltd. pursuant to the Scheme of Arrangement.
Total	6,21,441				

Year/Date of Allotment	No. of Shares	Face Value (Rs)	Issue Price (Rs)	Consideration	Remarks
01.01.1987	62,14,410	10	–	–	6,21,441 Equity Shares of Rs. 100/- sub-divided into denomination of Rs.10/- each per share.
01.04.1987	31,07,205	10	–	Bonus	Bonus Shares.
01.03.1988	54,38,700	10	25	Cash	Equity shares allotted on conversion of Fourth Series Debentures.
27.09.1990	*85,04,008 reduced to 84,66,989 shares after forfeiture	10	60	Cash	Equity Shares were issued on conversion of Fifth Series Debentures.
01.01.1991	49,719	10	10	Other than cash	Allotted to Murphy India Ltd. pursuant to Scheme of Arrangement.
07.06.1993	**78,36,325 reduced to 77,82,303 shares after forfeiture	10	75	Cash	Allotted on conversion of Seventh Series (CC Series) Debentures.
01.02.1995	40,62,953	10	75	Cash	Issued against warrants attached to the Sixth Series Debentures (CF Series).
Total	3,51,22,279				

* 37,019 shares forfeited on 23/09/2005 for non-payment of allotment/call money.

** 54,022 shares forfeited on 23/09/2005 for non-payment of allotment money.

- 9,20,769 Shares of Rs.10/- each were allotted pursuant to Schemes of Amalgamation without payment being received in cash.
- 53,86,965 Shares were allotted as fully paid Bonus Shares by capitalisation of Share Premium and General Reserves.

2. Lock-in requirement

The present issue being a rights issue, provisions of promoters' contribution and lock-in are not applicable

3. Present Rights Issue :

Type of Instrument	Ratio	Face Value (Rs.)	No. of shares	Issue Price (Rs.)	Consideration
Equity Shares	3:10	10/-	1,05,36,684	50/-	Cash

4. Pre & Post issue shareholding pattern of the Company is given below:-

Category	Pre-issue shareholding		Post-issue shareholding	
	No. of shares	%	No. of shares	%
A. Promoter's Holding				
Indian Promoters & their relatives	1,23,26,264	35.09	1,60,24,143	35.09
Foreign Promoters (refer note 5)	23,76,465	6.77	30,89,405	6.77
Persons Acting in Concert	–			
Sub Total	1,47,02,729	41.86	1,91,13,548	41.86
B. Non-Promoters Holding				
1) Institutional Investors				
a. Mutual Funds and UTI	23,44,173	6.67	30,47,425	6.67
b. Banking, Financial Institution Insurance Companies	53,34,838	15.19	69,35,289	15.19
c. FII	7,23,054	2.06	9,39,970	2.06
Sub Total	84,02,065	23.92	1,09,22,684	23.92
2) Others				
Private Corporate Bodies	26,64,308	7.58	34,63,600	7.58
Indian Public	91,58,232	26.08	1,19,05,702	26.08
NRIs	97,109	0.28	1,26,242	0.28
Others (Trust/Foreign Companies)	97,836	0.28	1,27,187	0.28
Sub Total	1,20,17,485	34.22	1,56,22,731	34.22
Grand Total	3,51,22,279	100.00	4,56,58,963	100.00

Note: Investors are requested to refer para on 'Fractional entitlement' on page no. (125). The total numbers of shareholders in the Company are 89687.

5. The shareholding pattern of the promoter group is as detailed below:

Name	Shareholding	% to Capital
Indian Promoters		
R.P.Goenka	3,750	0.01
H.V.Goenka	10,000	0.03
Foreign Promoter		
Societe CEAT D Investissement En Asie SA	23,76,465	6.77
Relative of Promoters		
Anant Vardhan Goenka	14,000	0.04
Promoter Group		
Phillips Carbon Black Limited	41,01,203	11.68
Bespoke Finvest Limited	40,31,659	11.48
Jubilee Investments Industries Limited	17,54,929	5.00
Harrisons Malayalam Financial Services Ltd.	13,54,820	3.86
Hilltop Holdings India Ltd.	5,35,183	1.52
Spencer And Co. Ltd.	3,00,000	0.85

Name	Holdings	% to Capital
KEC International Limited	1,52,975	0.44
Off Shore India Limited	37,765	0.11
Chattarpati Investments Ltd.	8,606	0.02
Instant Trading & Investment Company Ltd.	7,624	0.02
Canal Investment & Industries Pvt Ltd.	5,982	0.02
Brentwood Investments Ltd.	4,252	0.01
PCBL Industrial Finance Ltd.	1,473	0.00
Eastern Aviation & Industries Ltd.	388	0.00
Consolidated Industrial Fund Pvt Ltd.	276	0.00
Brabourne Investments Ltd.	269	0.00
Organised Investments Limited	244	0.00
Adapt Investments Ltd.	135	0.00
Universal Industrial Fund Pvt Ltd.	131	0.00
B N Elias And Co Ltd.	100	0.00
RPG Life Sciences Limited	100	0.00
RPG Transmission Limited	100	0.00
South Asia Electricity Holdings Ltd.	100	0.00
Saregama India Ltd.	100	0.00
Yield Investments Limited	100	0.00
Total	1,47,02,729	41.86

The Promoters except foreign promoter have confirmed that they intend to subscribe to the full extent of their entitlement in the Issue, and also intend to apply for such additional Equity Shares in the Issue so that at least 90% of the Issue Size is subscribed. As a result of this subscription and consequent allotment, the Promoters except foreign Promoters may acquire Equity Shares over and above their entitlement in the Issue, which may result in their shareholding in the Company being above their current shareholding.

Presuming no subscription is received from other shareholders the promoters' shareholding shall increase to 55.28% of the post rights issue equity capital of the Company. The allotment to the promoters/ directors even if they subscribe to unsubscribed portion to the fullest extent will not result in public shareholding falling below the permissible minimum level. Thus the provisions of clause 17 of SEBI (Delisting of Securities) Guidelines 2003 are not applicable.

This subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. As such, other than meeting the requirements indicated in Objects of the Issue (refer "Object of the Offering"), there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters through this Issue, the Promoter shareholding in the Company exceeds their current shareholding.

6. The Company has not issued any shares for consideration other than cash except 87105 equity shares (871050 after share split) allotted to the shareholders of Deccan Fibre Glass Ltd. pursuant to the Scheme of Arrangement in 1984 and 49719 equity shares (allotted to the Shareholders of Murphy India Ltd. pursuant to the Scheme of Arrangement) in 1991.
7. The Company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further Equity Shares of the Company.
8. Equity Shares of the Company are being traded in compulsory dematerialized mode. The market lot of the Equity Shares is 1 (one).
9. There are no transactions except the following in the securities of the Company during preceding 6 months which were financed/undertaken directly or indirectly by the promoters, their relatives, their group companies or associates or by

the above entities directly or indirectly through other persons:

Name of Promoter Group Company/ Director	Nature of Transaction	No. of Shares	Date of Transaction	Avg. price (Rs.)
Bespoke Finvest Limited	Purchase	12,00,384	30/03/2005*	98.55
Jubilee Investments Industries Limited	Purchase	100	11/11/2005	81.00
Jubilee Investments Industries Limited	Sale	50	18/11/2005	82.00
Petrochem International Limited	Sale	9,68,243	30/03/2005*	98.55
Off Shore India Limited	Sale	2,32,091	30/03/2005*	98.55
Mr. Paras K. Chowdhary	Purchase	500	29/11/2005	90.00

*The transfer was effected within last six months.

10. The ten largest shareholders two years prior to the date of filing of this Letter of Offer with Stock Exchange are as follows :

Sr. No.	Name of the Shareholders	Number of Equity Shares	% of shareholding
1.	Phillips Carbon Black Limited	41,01,203	11.68
2.	Bespoke Finvest Ltd.	27,26,347	7.76
3.	Societe Ceat D Investissement En Asie S A	23,76,465	6.77
4.	Life Insurance Corporation Of India	17,89,084	5.09
5.	RPG Cables Ltd.	14,36,407	4.09
6.	The New India Assurance Co Ltd.	14,14,998	4.03
7.	Harrisons Malayalam Financial Services Ltd.	12,75,631	3.63
8.	Administrator of the specified undertaking of the UTI	11,07,415	3.15
9.	Credit Capital Investment Trust Co Ltd. (A/C Taurus Mutual Fund - Taurus The Stars)	10,09,524	2.87
10.	National Insurance Company Ltd.	9,80,325	2.79
	Total	1,82,17,399	51.87

11. The ten largest shareholders as on 10 days prior to the date of filing of the Letter of Offer with Stock Exchanges are as follows :

Sr. No.	Name of the Shareholders	Number of Equity Shares	% of shareholding
1.	Phillips Carbon Black Limited	41,01,203	11.68
2.	Bespoke Finvest Ltd.	40,31,659	11.48
3.	Societe Ceat D Investissement En Asie S A	23,76,465	6.77
4.	Life Insurance Corporation Of India	19,58,462	5.58
5.	Jubilee Investments & Industries Ltd.	17,54,929	5.00
6.	Harrisons Malayalam Financial Services Ltd.	13,54,820	3.86
7.	The New India Assurance Co Ltd.	10,14,998	2.89
8.	General Insurance Corporation Of India	8,51,200	2.42
9.	Credit Capital Investment Trust Co Ltd. (A/C Taurus Mutual Fund - Taurus The Stars)	7,93,432	2.26
10.	Sundaram Mutual Fund	7,56,165	2.15
	Total	1,89,93,333	54.08

12. The ten largest shareholders as on the date of filing of the Letter of Offer with Stock Exchanges are as follows :

Sr. No.	Name of the Shareholders	Number of Equity Shares	% of shareholding
1.	Phillips Carbon Black Limited	41,01,203	11.68
2.	Bespoke Finvest Ltd.	40,31,659	11.48
3.	Societe Ceat D Investissement En Asie S A	23,76,465	6.77
4.	Life Insurance Corporation Of India	19,58,462	5.58
5.	Jubilee Investments & Industries Ltd.	17,54,929	5.00
6.	Harrisons Malayalam Financial Services Ltd.	13,54,820	3.86
7.	The New India Assurance Co Ltd.	10,14,998	2.89
8.	General Insurance Corporation Of India	8,51,200	2.42
9.	Sundaram Mutual Fund	8,20,899	2.34
10.	Credit Capital Investment Trust Co Ltd. (A/C Taurus Mutual Fund - Taurus The Stars)	7,73,432	2.20
	Total	1,90,38,067	54.22

13. The Company/Promoters/Directors/Lead Merchant Bankers have not entered into buyback or similar arrangements for purchase of securities issued by the Company.
14. The Equity Shares of the Company are of face value of Rs.10/- and marketable lot is 1 (one). At any given time there shall be only one denomination for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time will be complied with.
15. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of the Letter of Offer to SEBI for the Rights Issue till the securities referred in the Letter of Offer have been listed or application money refunded on account of failure of the issue.
16. Further, presently the Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of Equity Shares or any other securities within a period of six months from the date of opening of the present Issue. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities whether in India or abroad during the period of six months from the date of listing of the Equity Shares issued under this LoF or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration.
17. The entire issue price is to be paid on application hence there will be no partly paid up shares arising out of this issue.

VII. OBJECTS OF THE OFFERING

OBJECT OF THE ISSUE

The objects of the present issue of equity shares on rights basis are:

1. To meet the Long Term Working Capital requirements of the Company.
2. To meet the expenses of the issue

FUNDS REQUIREMENT

(Rs. in Lacs)

Long term working capital	5,112.74
Issue Expenses	155.60
Total	5,268.34

FUNDING PLAN

(Rs.in Lacs)

Rights Issue	5,268.34
Total	5,268.34

DETAIL BREAK UP OF FUNDS REQUIREMENT

1. Working Capital Requirement

Assessment of Working capital requirement

The working capital requirements of the Company are assessed by the consortium of Banks. Bank of India (leader of consortium of Banks) vide their letter dated 01/10/2005 has confirmed the working capital requirement of the Company as at 31/03/2006 as assessed and approved.

Calculation of maximum permissible bank finance

(Rs. in Lacs)

Sr. No.	Particulars	31/03/2006 (Estimated)
A	Total Current Assets	61,943.00
B	Current liabilities other than bank borrowings	32,423.00
C	Working Capital Gap (A-B)	29,520.00
D	Minimum stipulated net working capital (25% of C).	7,380.00
E	Actual/ projected Net Working Capital (NWC)	15,290.00
F	Item C - D	22,140.00
G	Item C - E	14,230.00
H	Maximum permissible bank finance (MPBF) (lower of F & G)	14,230.00
I	Actual/Estimated Bank borrowings	14,000.00

The Company's Current ratio is below the desired benchmark of 1.33. Hence there is a need to infuse fresh funds in the business to have comfortable liquidity. Fresh infusion of funds will improve the current ratio. The working capital requirements of the Company are assessed for F.Y. 2005-06. The MPBF works out to Rs.14,000 Lacs as against existing availed limits of Rs.21,753 Lacs. Accordingly, bankers in their last assessment note have agreed to carve out excess of availed limits over MPBF as Working Capital Term Loan (WCTL). The Company has a working capital gap of Rs.29,520 Lacs. The same is proposed to be met by regular working capital limit of Rs.14,000 Lacs, WCTL of Rs.8,000 Lacs and proceeds of the present issue.

Inventory & Receivables Holding Levels:

Particulars	Audited		Estimated	
	Holding Level (Months)	31/03/2005 (Rs.in Lacs)	Holding Level (Months)	31/03/2006 (Rs.in Lacs)
Raw Materials				
- Imported	1.69	4,777	1.29	4,400
- Indigenous	0.52	3,057	0.58	3,400
Semi Finished Goods	0.20	2,240	0.15	1,800
Finished Goods for outside sales	0.47	5,248	0.54	6,500
Consumable stores	-	1,498	-	1,500
Receivables				
- Export	2.97	6,754	2.40	4,500
- Domestic	1.35	16,906	1.41	20,500
Other Current Assets	-	17,731	-	19,343
Total Current Assets	-	58,211	-	61,943
Creditors	3.91	34,521	2.55	23,964
Other Current Liabilities	-	12,602	-	8,459
Total Current Liabilities (other than Bank Borrowings)		47,123	-	32,423

Justification for holding levels :

Raw Materials : Natural and synthetic rubber, fabrics, carbon black and chemicals are the major raw materials. The Company imports natural as well synthetic rubber based on rubber prices in the international markets. Imports are mainly from South East Asian countries. Stocking levels were 1.89 and 2.21 months consumption as on 31/03/2004 and 31/03/2005 respectively. The Company has estimated more or less same levels for 31/03/2006. Actual imports are estimated at higher level by 8%-10% vis-a-vis the estimated/projected net sales. The estimated levels of imports are at acceptable levels.

Finished Goods: The Company has estimated/projected finished goods level of 0.54 months as against actual levels of 0.65 months and 0.47 months as on 31/03/2004 and 31/03/2005. In line with present day trend the Company has adopted prudent inventory management policies for cost reduction and avoiding blockage of working funds in inventory. The estimated levels are in conformity with actual as on 31/03/2005. Considering large network of 1300 to 1500 dealers all over India estimated finished goods levels are reasonable.

Receivables: Export sales were approx 14%-15% of total sales during last two financial years. The Company expects that exports remain at the same level during current year. Export receivables are estimated at 2.40 months as against actual of 2.97 months. The exports are to countries like Dubai and other countries in the middle east via Singapore. The time taken for realisation of the bills is generally 75 to 90 days though bills are generally drawn at 60 days DA. The estimated domestic receivables levels at 1.41 months are also more or less in conformity with levels as on 31/03/2005.

Creditors : The Company has creditors at level of 3.91 months as on 31/03/2005 and estimated creditors are at 2.55 months as on 31/03/2006. Due to bullish trend in rubber prices and inadequate supply in the market, the sale of rubber by the dealers is mostly on cash basis. The Company proposes to reduce creditors in phases over a period of time by managing current assets and accelerating realisation of receivables.

Bank Limits

The existing fund based limits Rs.22,000 Lacs and non-fund based limits Rs.14,500 Lacs are shared amongst consortium banks as follows:

(Rs.in Lacs)

S.No.	Name of Bank	Total Fund Based Limits Amount	%	Non-Fund Based Limits Amount	%
1	Bank of India	5,765	26.20	4,480	30.90
2	Bank of Baroda	2,675	12.16	2,320	16.00
3	EXIM Bank	2,500	11.36	–	–
4	UCO Bank	1,841	8.37	1,634	11.27
5	Karnataka Bank	1,780	8.09	1,400	9.66
6	State Bank of India	1,663	7.56	1,460	10.07
7	ICICI Bank	1,342	6.10	1,000	6.90
8	United Western Bank	1,338	6.08	300	2.07
9	Indian Bank	905	4.11	950	6.55
10	Vijaya Bank	902	4.10	700	4.83
11	Dhanalaxmi Bank	889	4.04	–	–
12	Corporation Bank	310	1.41	221	1.52
13	State Bank of Travancore	90	0.41	35	0.24
		22,000	100	14,500	100

The estimated MPBF works out to Rs.14,000 Lacs as against availed limit of Rs.21,753 Lacs. The Company is initiating steps to improve the current ratio position by requesting the Banks to carve out Working Capital Term Loan. The proceeds of the Rights issue to the extent of Rs.5,112.74 Lacs would be infused which will go a long way in improving the current ratio. The infusion of working capital funds at this stage would improve the liquidity position.

2. Issue Expenses

The break up of issue expenses is as given below:

Sr. No.	Particulars	Amount (Rs. in Lacs)
1	Fees to the intermediaries	35.05
2	Printing & Stationery and Postage expenses	89.55
3	Advertisement	15.00
4	Legal and other certification charges	6.00
5	Miscellaneous Expenses	10.00
	Total	155.60

APPRAISAL

The fund requirement is not appraised by any Bank or Financial Institution. The same is based on existing working capital assessments by consortium of banks.

SCHEDULE OF IMPLEMENTATION

Deployment of Issue Proceeds:

Activity	Oct-05 to Nov-05 (Rs.in Lacs)	Dec-05 to Feb-06 (Rs.in Lacs)	Total (Rs.in Lacs)
Long term working capital	–	5,112.74	5,112.74
Issue expenses	10.00	145.60	155.60
Total	10.00	5,258.34	5,268.34

SOURCES & DEPLOYMENT OF FUNDS

The total issue expenses for the issue will be borne out of the issue proceeds. However the Company has spent an amount of Rs.10.00 Lacs till date towards Issue Expenses which is funded through internal accruals for the time being.

INTERIM USE OF FUNDS

The deployment of funds raised through the rights issue would be mainly for the purposes of funding long term working capital requirements. The interim use of funds is not involved as funds will be available on completion of issue.

BASIC TERMS OF THE ISSUE

Face Value	Each Equity Share has the face value of Rs. 10/-.
Issue Price	Each Equity Share is being offered at a price of Rs. 50/- (including a premium of Rs. 40/- per share).
Entitlement Ratio	The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 3 (Three) Equity Shares for every 10 (Ten) Equity Shares (i.e 3:10) held as on 09/12/2005 (Record Date).
Market Lot	The market lot for the Equity Shares in dematerialised mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate").
Terms of Payment	100% of the issue price i.e Rs. 50/- shall be payable on Application.

BASIS FOR ISSUE PRICE

Qualitative Factors

- Member of RPG group, one of the large industrial groups in India.
- CEAT is forty seven year old Company engaged in manufacturing of Automotive Tyre & Tubes.
- CEAT is among country's top tyre majors having presence in all range of products and catering to all market segments, viz. Replacement, State Transport Undertakings, Defence, Original Equipment Manufacturers and Exports.
- Firm foothold in export market for last many decades; winning prestigious 'Outstanding Export Performance Awards of India' from CAPEXIL and AIRIA since many years as a tribute to its excellent export achievements.
- Strong Brand Equity.
- Extensive distribution network and strong technical service set up with high focus on after-sales service.
- Support of strong in-house R&D Centre recognized by DSIR, Government of India.
- ISO/TS 16949 certified Company.

Quantitative Factors

(a) Earnings Per Share (EPS) (after extra ordinary item)

Year ended 31st March	EPS(Rs)	Wts
2002-03	5.23	1
2003-04	3.99	2
2004-05	(0.53)	3
Weighted Average EPS	1.94	

(figures in bracket indicate negative figures)

(b) Price Earning Ratio (PE)

	Offer Price of Rs.50/- per share
P/E(based on EPS on 31/03/2005)	N.A.
P/E(based on weighted average EPS)	25.73

(c) Return on Networth (RONW) (after extra ordinary item)

Year	RONW(%)	Wts
2002-03	5.77	1
2003-04	4.20	2
2004-05	(0.63)	3
Weighted Average RONW	2.05	

(Figures in the bracket indicate negative figures)

(d) Minimum RONW required to maintain pre-issue EPS*

2.55%

(*Considered on weighted average EPS)

(e) Net Asset Value (NAV)

NAV (pre issue)	Rs.83.76
NAV (post issue)	Rs.76.14

(f) Industry P/E Ratio

Highest (Falcon Tyres)	48.0
Lowest (Premier Tyres)	8.2
Average	26.1

(source: Capital Market Nov 7 - 20, 2005, Sector : Tyres)

(g) Comparison of key ratios with the companies of in the same industry group based on current market prices

Name of the company	FV (Rs.)	Sales as on 31/03/2005 (Rs.in Cr.)	EPS	Market Price as on 02/12/2005 (Rs.)	P/E Multiple
Apollo Tyres Ltd.	10	2,235.80	13.1	284.35	21.71
Balkrishna Ind.Ltd.	10	454.40	29.9	1104.55	36.94
Falcon Tyres Ltd.	10	192.50	1.6	138.10	86.31
Goodyear India Ltd.	10	634.00*	3.3	79.40	24.06
Govind Rubber Ltd.	10	184.50	–	31.75	–
J.K.Ind. Ltd.	10	1,919.90#	3	102.65	34.22
MRF Ltd.	10	2,529.80#	127.1	2850.05	22.42
TVS Srichakra Ltd.	10	198.70	5.1	79.70	15.63

* as on Dec.2004

as on Sept.2004

(For Sales & EPS figures source: Capital Market Nov 7 - 20, 2005, Sector : Tyres)

(For market price source: www.bseindia.com)

Name of the company	FV (Rs.)	Sales as on 31/03/2005 (Rs.in Cr.)	EPS	Market Price as on 02/12/2005 (Rs.)	P/E Multiple
CEAT	10/-	1,527.99	Negative	79.80	–

The Issue Price of Rs. 50/- per share is 5 times the Face Value of Rs.10/- per share of the Equity Shares being issued. The minimum Return on Networth required to maintain preissue weighted average EPS of Rs. 1.94 is 2.55% whereas the Company has earned an weighted average RONW of 2.05%. The offer price of Rs. 50/- is 25.73 times the pre-issue weighted average EPS, which is comparable with Average P/E multiple for the industry sector in which the Company operates. The offer price is at 37.34% discount to the present market price of the shares of the Company (i.e.Rs.79.80 as on 02/12/2005 i.e. ex-right).

Considering the above qualitative and quantitative factors, the issue price of Rs.50/- per equity share is justified.

TAX BENEFITS TO THE COMPANY AND ITS MEMBERS

The Company has been advised by N.M.Raiji & Co. auditors of the Company vide their certificate dated 29/09/2005 that under the Income Tax Act, 1961 and other Direct Tax Laws, the following tax benefits inter alia will be available to the Company and Shareholders of the Company. The following benefits are available under the Income Tax Act and other Direct Tax Laws to the Company and its Shareholders, (Indian Residents, NRI's, FII's, etc.)

The tax benefits are available under the current provisions of the Income tax Act, 1961 and other applicable tax laws for the time being in force subject to fulfillment of respective provision of law, for the proposed right issue being made by the Company. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The Board of Directors,
CEAT Limited,
CEAT Mahal 463, Dr. Annie Besant Road,
Worli, Mumbai 400 030

Tax benefit certificate in respect of the proposed right issue of the Equity Shares available.

BENEFITS UNDER THE INCOME TAX ACT, 1961 (hereinafter referred to as the 'Act')

TO THE COMPANY

1. The Company will be entitled to claim depreciation allowance at the prescribed rates on Fixed Assets under section 32 of the Income tax Act, 1961.
2. The Company will be entitled to claim expenditure incurred in respect of Voluntary Retirement Scheme under Section 35DDA of the Act in five equal annual installments.
3. Under Section 35 of the Act and subject to the provisions therein, the Company would be entitled for deduction in respect of scientific research expenditure relating to its business.
4. In accordance with the provisions of section 10(38) of the Act the long-term capital gains arising on the transfer of securities/units in a transaction entered into in a recognized stock exchange in India (such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (No.2) Act, 2004), shall be exempt from income tax.
5. The long-term capital gains accruing to the Company otherwise than as mentioned in 4 above, shall be chargeable to tax in accordance with and subject to the provisions of section 112 of the Act as follows:
 - If long term capital gain is computed after indexation @ 20% (plus applicable surcharge and education cess)
 - In the case of other securities/units in a transaction not entered into in a recognised stock exchange, if long term capital gain is computed without indexation @ 10% (plus applicable surcharge and education cess)
6. The short-term capital gains accruing to the company, from the transfer of a short-term capital asset, being securities, in a transaction entered into in a recognized stock exchange in India (such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (No.2) Act, 2004) shall be chargeable to tax at the rate of 10% [plus applicable surcharge and education cess] as per the provisions of section 111A of the Act.
7. The Company is eligible to claim exemption in respect of tax on long term capital gains under sections 54EC and 54ED of the Act, if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in those sections.
8. The Company is eligible to exemption under section 10(34) of the Act in respect of income by way of dividend received from other Domestic Companies.
9. The Company is eligible to exemption under section 10(35) of the Act in respect of income by way of dividend received from mutual fund specified under Section 10(23D) of the Act and other specified undertakings/companies.
10. The Company has brought forward unabsorbed depreciation and business losses, which will be available for set-off against taxable income in the future years under sections 32(2) and 72 of the Act.

TO THE MEMBERS OF THE COMPANY

I - RESIDENTS

1. Members will be entitled to exemption, under section 10(34) of the Act in respect of the income by way of dividend received from the Company.
2. The long-term Capital gains accruing to the members of the Company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India (such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (No.2) Act, 2004) shall be exempt from tax as per the provisions of section 10(38) of the Act.
3. The long term capital gains otherwise than as mentioned into above, shall be chargeable to tax in accordance with and subject to the provisions of Section 112 of the Act as follows:
 - If long term capital gain is computed after indexation @ 20% (plus applicable surcharge and education cess).
 - In the case of other securities/units in a transaction not entered into in a recognised stock exchange, if long term capital gain is computed without indexation @ 10% (plus applicable surcharge and education cess)
4. The short-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India (such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (No.2) Act, 2004) shall be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A of the Act.
5. The members are entitled to claim exemption in respect of tax on long term capital gains under sections 54EC and 54ED of the Act, if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in those sections.
6. Individuals or HUF members can avail exemption under section 54F of the Act by utilization of the sales consideration for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.

II - NON-RESIDENTS

1. Non-resident members will be entitled to exemption, under section 10(34) of the Act in respect of the income by way of dividend received from the Company.
2. The long-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India (such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (No.2) Act, 2004) shall be exempt from tax as per the provisions of section 10(38) of the Act.
3. The long term capital gains accruing otherwise than as mentioned in 2 above shall be chargeable to tax in accordance with and subject the provisions of Section 112 of the Act as follows:
 - If long term capital gains is computed after indexation @ 20% (plus applicable surcharge and education cess)
 - In the case of other securities/units in a transaction not entered into in a recognised stock exchange, if long term capital gain is computed without indexation @ 10% (plus applicable surcharge and education cess)
4. Under the first proviso to Section 48 of the Act, in the case of a non-resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuation in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
5. The short-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India (such transaction is chargeable to Securities Transaction Tax under Chapter VII of the Finance (No.2) Act, 2004) shall be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A of the Act.
6. The members are entitled to claim exemption in respect of tax on long term capital gains under sections 54EC and 54ED of the Act, if the amount of capital gains is invested in certain specified bonds/securities subject to the fulfillment of the conditions specified in those sections.
7. Individuals or HUF members can avail exemption under section 54F of the Act by utilization of the sales consideration for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.

8. Under the provisions of section 90(2) of the Act, if the provisions of the Double Taxation Avoidance Agreement [DTAA] between India and the country of residence of the non-resident are more beneficial than the provisions of Income Tax Act, 1961, then the provisions of the DTAA shall be applicable.
9. Non-resident Indians (as defined in section 115C(e) of the Act), being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:
 - As per the provisions of section 115E of the Act, and subject to the conditions specified therein, long-term capital gains arising on the transfer of Company's shares will be charged to Income Tax @ 10% (plus applicable surcharge and education cess).
 - As per the provisions of section 115F of the Act and subject to the fulfillment of the conditions specified therein, the Long Term Capital gains arising on the transfer of Company's shares shall be exempted from income tax entirely/proportionately if all or a portion of the net consideration is invested within 6 months of the date of transfer in specified assets as defined in section 115C(f) or any savings certificates referred to in section 10(4B) of the Act. The amount so exempted shall, however, be chargeable to tax as long term capital gains under the provisions of section 115F(2) if the specified assets are transferred or converted in to money within three years from the date of acquisition thereof as specified in the said section.
 - As per the provisions of section 115G of the Act, Non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-A of the Act.
 - Under section 115H of the Act, where a Non-Resident Indian, in relation to any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year, he/she may furnish to the assessing Officer a declaration in writing, along with his/her return of income under section 139 of the Act for the assessment year for which he/she is so assessable, to the effect that the provisions of the Chapter XII-A shall continue to apply to him/her in relation to investment income derived from any foreign exchange asset, being an asset of the nature referred to in sub-clause (ii) to clause (v) of clause (f) of section 115C, in which case, the provisions of Chapter XII-A shall continue to apply to him/her in relation to such income for that assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.
 - As per the provision of section 115-I of the Act, when a Non Resident Indian, elects not to be governed by the provision of Chapter XII-A of the Act, then his/her total income shall be computed and charged in accordance with other provisions of the Act.

III - FOREIGN INSTITUTIONAL INVESTORS

1. Income by way of dividend received on shares of the Company is exempt under section 10(34) of the Act.
2. The long-term Capital gains accruing to the members of the Company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India, would be exempt from tax as per the provisions of section 10(38).
3. The short-term Capital gains accruing to the members of the company on sale of the Company's shares in a transaction entered into in a recognized stock exchange in India, would be chargeable to tax @ 10% [plus applicable surcharge and education cess] as per the provisions of section 111A.
4. Under section 115AD(1)(b)(ii) of the Act, Income by way of Short Term Capital Gain arising from the transfer of shares (otherwise than as mentioned in 3 above) held in the Company for a period of less than 12 months will be taxable @ 30% (plus applicable surcharge and education cess).
5. Under section 115AD(1)(b)(iii) of the Act, Income by way of Long Term Capital gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the Company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to Foreign Institutional Investors.
6. Long term Capital Gains on sale of shares of the Company by the members shall be exempt from Income tax if such gains are invested in bonds/equity shares specified in section 54EC or section 54ED of the Act respectively subject to the fulfillment of the conditions specified in those sections.
7. Under the provisions of section 90(2) of the Act, if the provisions of the Double Taxation Avoidance Agreement (DTAA) between India and the country of residence of the non-resident are more beneficial than the provision of Income Tax Act, 1961, then the provisions of the DTAA shall be applicable.

IV - MUTUAL FUNDS

Income by way of dividend received on shares of the Company is exempt under Section 10(34) of the Act.

V - TO VENTURE CAPITAL COMPANIES/FUNDS

Income by way of dividend received on shares of the Company is exempt under Section 10(34) of the Act.

BENEFITS UNDER THE WEALTH TAX ACT, 1957

'Asset' as defined under section 2(ea) of the Wealth Tax Act, 1957, does not include shares in Companies and hence, shares are not liable to wealth tax.

BENEFITS UNDER THE GIFT-TAX ACT, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998.

NOTES

1. All the above benefits are as per the current tax law as amended by the provisions of Finance Act, 2005 and will be available only to the first holder in case the shares are jointly held.
2. In the case of non-resident, the tax rate and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement (DTAA) and amendments thereon, if any.

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

Sd/-
M.N.Thakkar

Partner
Membership No.8873

Mumbai

Date: 29/09/2005

VIII. ABOUT ISSUER COMPANY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials and has not been prepared or independently verified by the Issuer or the Lead Manager.

INDUSTRY OVERVIEW

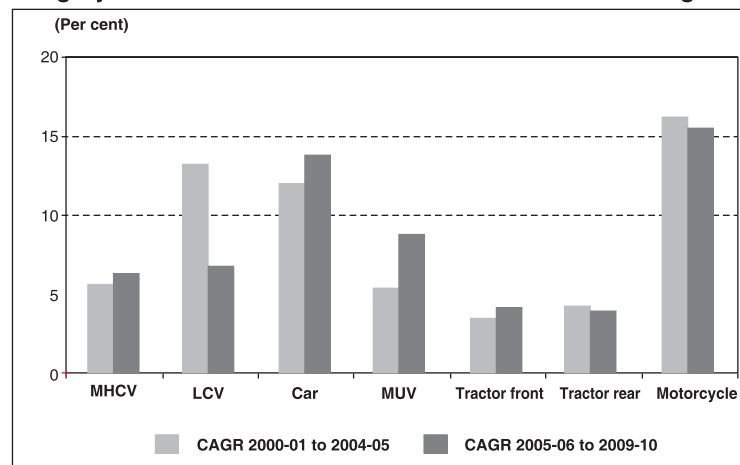
Long-term demand to grow at 7.4 per cent CAGR in tonnage terms

CRIS INFAC expects tyre demand (in tonnage terms) to grow at a compounded annual growth rate (CAGR) of 7.4 per cent in the next 5 years, from 2005-06 to 2009-10, as against a CAGR of 6.9 per cent in the last 5 years from 2000-01 to 2004-05. This growth will be mainly driven by the significant increase in the total vehicle population (fleet) in the last 5 years, which is set to translate into a strong replacement demand in the next 5 years. The demand from the replacement segment is expected to grow at a CAGR of 7.8 per cent in the next 5 years, against a CAGR of 4.3 per cent in the last 5 years. On the other hand, the demand from the original equipment (OE) segment is expected to grow at a CAGR of 6.8 per cent in the next 5 years, against a CAGR of 12 per cent in the last 5 years. Thus, the strong demand from the replacement segment would nullify the impact of the slowdown in demand from the original equipment (OE) segment.

The demand from the medium and heavy commercial vehicle (MHCV) and light commercial vehicle (LCV) segments is expected to grow at a CAGR of 6.2 per cent and 6.4 per cent respectively. The highest growth is expected in the motorcycle segment, at 15.4 per cent CAGR.

(Source: CRIS INFAC)

Category-wise historical and forecasted demand **Figure 2**



Source: CRIS INFAC

Radialisation of commercial vehicle tyres to grow, but at modest rate

The level of radialisation has been increasing in Indian commercial vehicle tyres, but at a modest rate of growth. Radial tyres are primarily being used in new multi-axle vehicles. Since the proportion of multi-axle vehicles (MAVs) in MHCV production has been rising, this is expected to help the trend toward radialisation. The increasing use of radial tyres in buses, and the improving road conditions will also aid this trend. The radialisation level of the MHCV segment to rise to 5-6 per cent by 2009-10 from the current 2 per cent. In the LCV segment, the radialisation to rise to 18-20 per cent from the current 13 per cent.

Radial tyres not popular in Indian commercial vehicles market

Radial tyres are considered superior to cross-ply tyres, on account of their longer life, better mileage and better comfort. However, the current rate of radialisation in India in MHCV tyres is just 2 per cent, against a global average of 65 per cent.

Radial tyres cost close to 20 per cent more than cross-ply tyres (Rs 2,000 more in the case of MHCV tyres, and Rs.1,500 more in the case of LCV tyres). Hence, the OEM segment has not pushed radialisation, as radial tyres mean an elevated cost of around Rs 10,000 for LCVs (5 tyres), Rs 14,000 for single-axled MHCVs (7 tyres), Rs 22,000 for double-axled MHCVs (11 tyres) and Rs 30,000 for triple-axled MHCVs. The higher cost is also restricting radial tyre sales in the replacement segment, as the replacement segment for commercial vehicle tyres is price-sensitive. The industry is of the

opinion that vehicles with radial tyres cannot be overloaded to the extent that vehicles with cross-ply tyres can. According to industry estimates, nearly 15 per cent of the commercial vehicles in India are overloaded. Also, radial tyres require regular maintenance in terms of checking air pressure, balancing and realignment of wheels. In addition, the sub-standard road conditions in India harm radial tyres to a greater extent than cross-ply tyres. Hence, the industry believes that radial tyres are not readily accepted in the replacement segment either.

(Source: CRIS INFAC)

Industry to require Rs 30-35 billion over the next 5 years for capacity additions

The current levels of capacity utilisation in the industry are fairly high. Without taking into account the non operating capacities of Dunlop Tyres and Modi Rubber, which have around 9 per cent of the total installed capacity, the capacity utilisation level in 2004-05 was nearly 90 per cent as against an average 75 per cent in the last 10 years. This signifies the need as well as the scope for adding capacities, on the back of the healthy demand growth expected in the next 5 years. If domestic players do not expand their capacities, then imports, which are already a threat to the industry, would fill up the demand-supply gap. The capacity additions are likely to be higher in non-truck tyre categories, due to the anticipated higher demand in these categories. Accordingly, the industry would require a capex of Rs 30-35 billion over the next 5 years.

(Source: CRIS INFAC)

Operating margins are expected to improve

CRIS INFAC expects the operating profit margins (OPM) of the industry to improve from the current level of 6.4 per cent to 8-8.5 per cent in the next 1-2 years. The OPM faced pressure in the last few years, falling to 6.4 per cent in 2004-05 from 12.6 per cent in 1999-00. This was mainly due to rising raw material costs, which accounted for close to two-third of the operating income. Tyre manufacturers did not have the pricing flexibility required to pass on the increase in costs to customers.

The Union Budget 2005 reduced the rate of customs duty on imports of raw materials like styrene butadiene rubber (SBR), poly-butadiene rubber (PBR), nylon tyre cord (NTC) fabric and carbon black from 20 per cent to 15 per cent. Accordingly, the domestic prices of these materials are expected to align with their landed costs, and therefore are likely to come down. Also, the sales tax rate on natural rubber has been trimmed from 12.65 per cent to 4 per cent with the introduction of value-added tax (VAT). This would marginally lower its purchase price. Consequently, raw material costs are expected to decline. Additionally, the pricing flexibility of the industry has also started improving on the back of strong demand and high capacity utilisation levels. This would help improve realisations and, consequently, OPM.

(Source: CRIS INFAC)

Credit profile to improve in the long term

The demand for tyres witnessed a CAGR of around 6.9 per cent per annum in the last 5 years (from 2000-01 to 2004-05). Three years ago, the industry was plagued by overcapacity. However, this scenario changed with demand for tyres growing at a strong 9 per cent CAGR in the last 3 years, from 2002-03 to 2004-05. The industry is currently operating at a capacity utilisation level of around 83 per cent. The top seven players, accounting for more than 80 per cent of the market share, are operating at capacity utilisation levels of 93 per cent on average. Accordingly, some of the key players are planning significant capacity additions. Despite the downturn expected by CRIS INFAC in the commercial vehicle industry, the demand for tyres is expected to notch a growth of 7.4 per cent CAGR in the next 5 years, against 6.9 per cent witnessed in the last 5 years. The healthy demand growth would be driven by strong demand expected from the replacement segment on the back of increasing size of the fleet (stock of vehicles running on the road). This growth would keep the capacity utilisation rates of the industry at over 80 per cent. Realisations of the companies are also expected to improve; thus, the industry would be able to service its debt obligations smoothly. Accordingly the credit profile of the industry would improve in the long term.

(Source: CRIS INFAC)

Outlook on domestic demand

Outlook on demand from the commercial vehicle segment

The demand from the MHCV segment is expected to grow at a higher CAGR of 6.2 per cent, as against the CAGR of 5.13 per cent witnessed in the last 5 years, despite the slowdown expected in commercial vehicle sales in the next 2-3 years. This is because, the size of the fleet is expected to grow at a faster CAGR of 7 per cent, as against the historical CAGR of around 4.7 per cent witnessed in last 5 years. Also, freight movement by roads is expected to grow at a CAGR of 7.9 per cent in the next 5 years as against 6.8 per cent in the previous 5 years, on account of shift of freight from railways

to roadways due to improving road infrastructure. The demand growth at a CAGR of 6.2 per cent is despite the increasing radialisation level as well as the proportion of MAV in MHCV fleet. Both these factors have reduced the potential demand growth by 70-75 basis points per annum and have been considered while forecasting the demand of 6.2 per cent. However, the demand from the LCV segment is expected to grow at a slower CAGR of 6.4 per cent, as against a CAGR of 13.2 per cent witnessed in the last 5 years. This is because, the growth in sales of LCV is expected to be significantly slower at a CAGR of 3.6 per cent against a CAGR of 17.8 per cent witnessed in the last 5 years. Accordingly, the growth in the size of the fleet is also expected to slow down. The increase in the radialisation level in the LCV fleet from the current level of 11 per cent to 19 per cent would result in slower off take in tonnage terms by around 60-65 basis points per annum. This factor also contributes to the slower demand growth. Though the slowdown in demand in the LCV segment appears to be significant, its impact on the overall tyre offtake (in tonnage terms) would not be material, as this segment accounts for only 7 per cent of the off take of the industry.

Outlook on demand from passenger car segment

The demand from the passenger car segment is expected to grow at CAGR of 13 per cent, as against a CAGR of 16.3 per cent witnessed in the last 5 years. This is because, car sales are expected to grow at a CAGR of 13 per cent in the next 5 years as against a CAGR of 8 per cent in the last 5 years, on account of increasing per capita income expected on the back of healthy GDP growth.

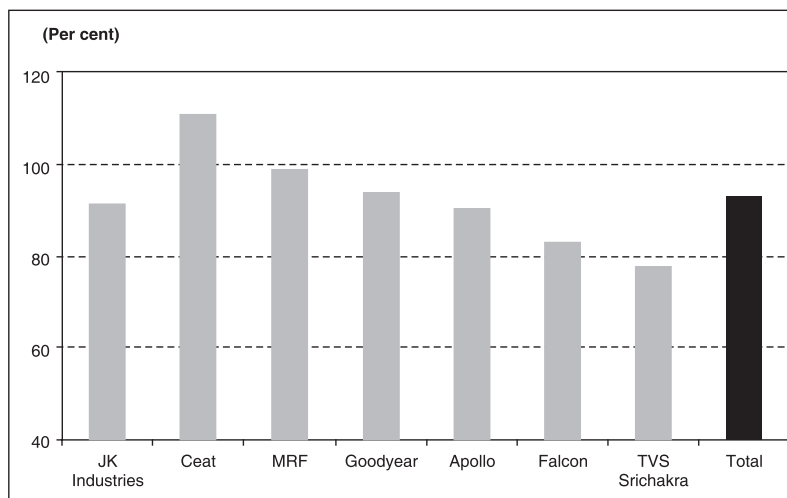
Outlook on export demand

The global tyre industry is currently estimated to be worth \$85 billion and the average level of radialisation in commercial vehicle tyres across the globe is estimated at 65 per cent. Accordingly, the market for radial tyres is estimated to be worth \$58-60 billion as against \$25-27 billion in case of cross-ply tyres, assuming that radial tyres cost around 20 per cent higher in the international markets as well. Indian players have the capacities to manufacture cross-ply tyres in abundance as against radial tyres preferred by developed countries. Hence, the volume of exports by Indian manufacturers is modest, mainly comprising crossply commercial vehicle tyres. Accordingly, India's exports are largely confined to South-East Asia and the Middle East, with only little exposure to the US market. Though export volume grew at a CAGR of 9.95 per cent in the last 5 years, it accounted for only 7.5 per cent of the domestic production in 2003-04. Further, export realizations per tonne are also declining because of depreciating value of the US dollar against the rupee.

Outlook on supply

The domestic as well as global tyre industries are consolidated in nature. The top 5 players account for nearly 70 per cent of the Indian market share, led by MRF (21.6 per cent of market share). Similarly, the top 5 players account for 66 per cent of the global market share, led by Michelin (20.1 per cent market share). The current levels of capacity utilisation in the domestic industry are fairly high. Ignoring the non-operating capacities of Dunlop Tyres and Modi Rubber (accounting for 9 per cent of the installed capacities), the capacity utilisation level in 2003-04 was nearly 82 per cent and that of the top 7 players was still higher at 93 per cent. This indicates that there is a need as well as scope for adding capacities, on the back of healthy demand growth expected in the next 5 years. If domestic players do not expand their capacities, then they would start losing their market share to imports, which would fill up the demand-supply gap.

Tyre companies: Capacity utilisation levels Figure 4



(source: CRIS Infac)

Outlook on profitability

Escalating raw material prices have exerted pressure on operating margins

The operating profit margin (OPM) of the tyre industry has strong and inverse relation with raw material costs that account for around two-third of the operating income. The OPM of the tyre manufacturers has remained under pressure in the last 3 years, on the back of uptrend in raw material prices. Raw material costs that accounted for 62 per cent of the operating income in 2001-02 soared to 67 per cent in 2003-04 and inched up further in 2004-05.

The OPM of the industry is expected to improve from the current level of 6.5 per cent to 8-8.5 per cent in the next 1-2 years. The net profit margins (NPM) of the industry have remained thin on the back of pressure on operating margins. The NPM declined from 3.5 per cent in 2001-02 to 1 per cent in 2004-05, thus following the trend in the OPM.

(Source: CRIS INFAC)

BUSINESS OVERVIEW

CEAT is a major domestic tyre company in India having market share of about 16% to 17%. The Company's sales have been consistently growing year after year and the future is promising. Between 2001 and 2005, the sales have grown by approx. 40%.

During the year ended 31st March 2005, the sales turnover amounted to Rs.178031 Lacs (up by 8%) with sharp increase in exports to Rs.27314 Lacs (up by 26%). The Company made cash profit of Rs.2019 Lacs during the year. However, at net level there is a marginal loss of Rs.187 Lacs. In Q1 of 2005-06 also, while the sales increased to Rs.45,489 Lacs as against Rs.41,001 Lacs in the corresponding period of last year, the margins continued to be under pressure. The Tyre Industry has been facing inordinate escalation in input cost. The prices of natural rubber have gone up as also of other major raw materials, which are petroleum based in sympathy with the rising prices of crude oil. The position will get reversed as the Industry has been considering an increase in the prices of tyres and expects correction / stability in the raw material prices at a reasonable level. The Industry is also accruing gains due to favourable 2005 Union Budget. The excise duty on tyres has been reduced from 24% to 16%, customs duty on raw materials has been brought down by 5%, purchase tax of 12.65% on natural rubber (major input for manufacture of tyres) has been replaced with VAT rate of 4%, etc. The future is viewed with lot of optimism, as the tyre business is healthy and with increasing sales, the profitability is destined to rise.

CEAT Limited has also a strong presence in export market. The products are exported to 68 countries including quality conscious US markets where one of the biggest dealers, Tyres International Inc. is with CEAT for last many decades. Besides US markets, CEAT makes exports to customers based in Latin American countries, African countries, South East Asia, Middle East and neighbouring countries like Bangladesh, Nepal, Afghanistan, etc. While the Company has consolidated its position in the existing markets, the new markets developed are Egypt, Fiji, Chile, Argentina, Oman and China. The products, which are exported, are mainly truck, LCV, tractor, industrial, grader and farm tyres. CEAT's products have effectively countered the onslaught of Chinese dumping in various export markets. The Company has been bagging export orders at attractive prices.

Like Tyres International Inc., USA, the Company has long term relationship with dealers in other countries, viz. Evergreen Global Pte. Ltd., Singapore, Native Merchandizing, Phillipines, Ashmon Tyres, Nigeria, Standard Enterprises, Pakistan, Plus Distribution, Bangladesh, Al Dobowi Tyres LLC, U.A.E. etc.

CEAT's export sales' geographical distribution is as follows:

	%
US & South America	15
Middle East	35
South East Asia	40
Africa	10

CEAT's export performance in the last three years was as follows:

Year	Rs. Lacs
2001-02	13521
2002-03	17076
2003-04	21582
2004-05	27314

In light of above excellent export performance, CEAT has been winning the prestigious 'Outstanding Export Performance Awards of India from CAPEXIL and AIRIA continuously for over a decade as a tribute to its achievements. The Company has achieved an export growth of 26% in FY 2004-05.

DETAILS OF THE BUSINESS OF THE COMPANY

Location of Plants & Offices

Over the years, CEAT has grown multi-locational with manufacturing facilities in Bhandup-Mumbai, Nasik-Maharashtra. Added to these are the hosts of sourcing units spread all over the country. The Corporate Headquarters are located in Mumbai and are supported by 5 Zonal Offices in its Sales and Marketing.

Present Capacities and utilization thereof for the year 2004-05

Class of Goods	Installed capacity (quantity No.in Lacs)	Owned Production (quantity No.in Lacs)	Production quantity procured under conversion basis (quantity No.in Lacs)	Total Production (quantity No. in Lacs)
Automotive Tyres	43.11	37.82	34.96	72.78
Automotive Tubes	–	–	78.52	78.52
Automotive Flaps	–	0.23	23.07	23.30

Plant & Machinery

The Company has well equipped plants at Bhandup & Nasik. The plants are technologically upgraded from time to time. New technology and process available is adopted and implemented. The Company has latest Plant & machinery for manufacturing of various tyres i.e. two wheeler tyres, radial, truck tyres etc.

Manufacturing Process

Critical processes of tyre manufacturing process in view of their significant impact on product performance are as follows:

- Mixing: : Process of incorporating and dispersing various ingredients into rubber, using high shear internal mixers under controlled conditions to get rubber compound.
- Extrusion: : Process of manufacturing profiled components (tread, sidewalls) of specified dimensions from rubber compound.
- Dipping: : Heat stabilisation and adhesive coating of nylon tyre cord fabric under controlled conditions of time, temperature and tension to give dipped fabric.
- Calendering: : Coating of dipped fabric with rubber compound of uniform thickness and balance to give calendered fabric.
- Bead Preparation: : Process of rubberising high tensile copper coated steel wires and winding them to rings of specified diameter called beads.
- Bias Cutting: : Process of cutting calendered fabric to plies of specified angle and width as required.
- Band Building: : Preassembling of plies to endless sleeves called bands as required.
- Tyre building: : Process of assembling bands/plies, beads, tread and sidewall on a former to make unvulcanised (green) tyre.
- Radial building: : Process of making steel belts and assembling plies, steel belt, beads, tread and sidewall to make unvulcanised (green) radial tyre.
- Curing: : Process of forming and vulcanising green tyre under controlled conditions of temperature, pressure and time to produce tyres.
- Final Inspection: : Pre-warehouse inspection of all tyres.

Outsourcing arrangement/Collaboration/Joint venture

Associated CEAT-Kelani:

Associated CEAT-Kelani is CEAT's overseas Joint Venture in Sri Lanka with Kelani Tyres Limited, Sri Lanka. The overseas venture is a resounding success both in terms of sales and profitability. The sales turnover for the year ended 31st March, 2005 was SL Rs.2713 million. CEAT is outsourcing truck tyres from this Joint Venture in order to meet its growing demand in truck tyre segment. CEAT also provides technical know how for Associated CEAT-Kelani for which CEAT receives royalty

payment. The said venture is through Associated CEAT Holdings Company (Pvt. Ltd.), whose financials are as follows:

(Amt. in Sri Lankan Rupees in Lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Share of Joint Venture Profit	413.14	157.18	139.51
Net profit	410.15	155.44	429.10
Equity Share Capital	1000.00	1000.00	1000.00
Retained Profit	496.38	136.24	30.79
EPS (Sri Lankan Rs.)	4.10	1.55	4.29
Book Value (Ordinary shares of Rs. 10/- each)	14.96	11.36	10.31

The financial statements of the Company comply with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 17 of 1982. (1 Sri Lankan Rupee = 0.45 Indian Rupee).

RADO Tyres Limited:

RADO Tyres is a medium sized tyre manufacturing company, incorporated in March 1986 with an authorised share capital of Rs.900 Lacs. Issued, subscribed and paid up share capital as of date amount to Rs.857.91 Lacs. The factory is situated at Kothamangalam (Kerala) and has installed capacity to produce 11.38 Lac nos. scooter / motorcycle / auto-rickshaw tyres per annum. CEAT has a strong presence in 2/3-wheeler tyre segment. Presently, RADO is manufacturing 2/3 wheeler tyres on conversion basis for CEAT Limited from where CEAT is meeting a part of its requirement

(Rs. in Lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Sales & Other Income	426.26	481.62	632.66
PAT /(Loss)	(34.51)	(69.57)	(31.57)
Equity Share Capital	857.91	857.91	857.91
Reserves	13.18	13.18	13.18
Debit balance in P&L a/c	646.71	612.20	542.63
Book Value (Rs)	2.61	3.02	3.83
EPS (Rs)	Negative	Negative	Negative

Products

CEAT offers one of the widest product range for both domestic and international markets. The product portfolio that ranges from two wheeler tyres to giant off the road (OTR) tyres, continue to enjoy excellent customer support and market goodwill.

In the truck tyre segment, the new premium products like Lug XL, Mile XL, FM Super and Rib XL have successfully established its superiority in quality and performance. The sale of these products has been growing steadily. The "value for money" products also have created a niche of its own in its market segment.

CEAT launched radial truck tyres and also introduced new radial tyres with high performance attributes for segments like sports utility vehicles. CEAT has increased its share in two wheeler tyre businesses and has become a supplier to all major two wheeler manufacturers.

Customers

CEAT enjoys long-standing relationships with leading OEMs in the tyre industry. Working closely with the Research and Technology departments, the Company manufacture scientific, highly-durable, customised tyres for all Indian vehicles including Trucks, Light Commercial Vehicles (LCVs), Passenger Cars (PCs), Utility Vehicles (UVs), Tractors, Truck Trailers and Two-wheelers.

By creating new business opportunities, reducing costs, getting to market faster and increasing customer satisfaction, the OEM partners have empowered the Company to grow exponentially.

In Export market segment: The Company exports its products to sixty eight countries including USA, Middle East, South East Asia, Europe & Africa through large distributors based in those countries.

In OE market segment: The Company supplies tyres to all leading automobile manufacturers like Tata Motors Ltd., Ashok Lyeland Ltd. and Mahindra & Mahindra Ltd., Maruti Udyog Ltd. Etc.

In Replacement market segment: The Company's products are sold in replacement market through a network of 3,500 dealers and ninety CEAT Shoppes spread across the country.

Infrastructure Facilities

1. Raw materials

Natural and synthetic rubber, fabrics, carbon black and chemicals are the major raw materials. The Company imports natural as well synthetic rubber based on rubber prices in the international markets. Imports are mainly from South East Asian countries. In view of globalisation and easier accessibility of international markets, the Company imports rubber and other raw materials or buys locally available depending on prices.

2. Utilities

Water: The average monthly consumption of water at Bhandup plant is approx.24,400 Kilo Ltr. and approx.34130 cubic mtr. at Nasik plant. The Company has adequate water supply for both the plants from respective Munciple Corporations.

Power: Both the plants of the Company have adequate electricity supply from Maharashtra State Electricity Board (MSEB). The Bhandup Plant of the Company has existing sanctioned demand of 8176 KVA and the Nasik Plant of the Company has existing sanctioned demand of 6500 KVA.

During the year 2004-05 the Company has purchased 86201870 KWH units and generated 536832 KWH units through diesel generator for its total production resulting into consumption of 714.40 KWH/MT per unit of production.

Environmental: The Company has obtained consent from Maharashtra Pollution Control Board (MPCB) under Water Act, Air Act and HW(M&H) Rules for its Bhandup Palnt & Nasik Plant. The consent for Bahandup plant is valid upto 31/12/2006 and for Nasik plant is valid upto 31/05/2006.

3. Manpower

The present manpower strength of the Company is as follows:

Sr.No.	Category	No.of employees/staff/workers
1	(a) Senior management	348
	(b) Middle Management	345
	(c) Trainees	81
2	Covered Staff/Workmen	4,419
3	Gate Badli worker	212
	Total	5,405

Property

The details of properties owned by the Company are as follows:

Sr. No.	Location	Area	Acquired on	Remarks
1.	CEAT Mahal			
	Land	48,892 Sq.mtr.	01/10/1972	Perpetuity Lease
	Office	55,473 Sq.mtr.		
2.	Bhandup Plant			
	Land	1,24,024.80 Sq.mtr.	12/05/1958	Freehold
	Office	72,494.18 Sq.mtr.		
3.	Nasik Plant			
	Land	1,00,524 Sq.mtr.	07/11/1975	Leasehold
	Office	61,512 Sq.mtr.		
	Guest House	214 Sq.mtr.		

Purchase of Property

The Company is not proposing to purchase any property in the form of building or other structures from the proceeds of the present rights issue.

Market

CEAT as a tyre company has one of the largest range of products in this country, virtually catering to the needs of all the market segments. The Company segments its market broadly into three categories:

- Replacement - Includes Dealers, Government bodies like State Transport Undertakings and Defence, etc.
- OEM - meaning fitment of tyres for original equipment manufacturers in their vehicles.
- Exports - meaning tyres that are exported out of the country and sold through a network of distributors.

While enjoying a position of privilege as a major supplier to OEMs, CEAT's service to the retail market includes over 95 CEAT Shoppes. These exclusive passenger-tyre retail outlets, set up in every part of the country, offer a wide range of services in addition to selling tyres.

With a service network of over 3500 Dealers, 39 Regional Offices and 110 CEAT service and supply locations, CEAT has the most widespread network. Product quality and performance have also ensured CEAT a firm foothold in export markets such as USA, Latin America, Africa, South East Asia, Middle East and many other Asian countries. For over 10 years, CEAT has been continuously awarded the prestigious "Outstanding Export Performance Awards of India".

BUSINESS STRATEGY

The Company is pursuing the strategy to increase sales turnover in all market segments with a focus on segments yielding better profitability like Replacement and Speciality Tyre segment. The business plan of the Company provides for continuous reduction in operating cost of the business.

The Company has embarked upon various measures to improve its sales and profitability, the major ones are as under:

- More focus on higher remunerative products and thrust on exports as net realizations are showing smart increases.
- The Company very recently has introduced in its manufacturing range Speciality Tyres viz. Off-the-Road tyres, in various sizes. Speciality Tyres have strong domestic market and export potential and the margins are substantially higher. The Company has planned to gradually ramp up production of these tyres.
- Reorienting product mix towards higher contribution products and sourcing of low contribution products from dedicated outsourcing units.
- Identifying known traditional cheaper overseas sources for procuring raw materials. The Company commenced cheap raw material sourcing from China with quality controls.
- Has finalized higher productivity norms (10% increase) for workers at both plants without increase in manpower strength.
- Selling prices have been increased, one in August 05 and other in October 05 in both Replacement and OE market. One more price increase in all segments of market is underway. Such selling price increases would continue in future as and when necessary to maintain the profitability.
- Plans to aggressively increase its market share and achieve the position of leadership in various market segments.

Future Prospectus

The demand for tyres will continue to grow in view of buoyant automobile industry backed by substantial investments in the infrastructure including express highways/roads, general improvement in agriculture and industrial production with resultant movement of goods. The future prospects for exports are excellent as more and more tyres are sourced from India. The Company's sales turnover will significantly grow and the profitability is destined to rise in future.

Future Outlook:

The fortunes of the tyre industry depend on auto industry and development of roads. Tyre demand is a derived demand, dependent on the auto industry, both OE and replacement market. The major segments are Truck & Bus tyres.

Riding on the back of the booming automobile market, the Indian tyre industry is on an upswing. The performance of commercial vehicle segment, cars & utility vehicles and 2-wheeler segment has been excellent. Export performance is also encouraging. The outlook for future is promising. The road infrastructure development as part of the Golden Quadrilateral Project connecting North-South and East-West, emphasis on industrial growth / agriculture augurs well for the future.

The tyre demand (in tonnage terms) to grow at a compounded annual growth rate (CAGR) of 7.4 per cent in the next 5 years, from 2005-06 to 2009-10, as against a CAGR of 6.9 per cent in the last 5 years from 2000-01 to 2004-05. This growth will be mainly driven by the significant increase in the total vehicle population (fleet) in the last 5 years, which is set to translate into a strong replacement demand in the next 5 years. The demand from the replacement segment is expected to grow at a CAGR of 7.8 per cent in the next 5 years, against a CAGR of 4.3 per cent in the last 5 years. On the other hand, the demand from the original equipment (OE) segment is expected to grow at a CAGR of 6.8 per cent in the next 5 years, against a CAGR of 12 per cent in the last 5 years. Thus, the strong demand from the replacement segment would nullify the impact of the slowdown in demand from the original equipment (OE) segment. (Source: CRIS Infac)

The demand from the medium and heavy commercial vehicle (MHCV) and light commercial vehicle (LCV) segments is expected to grow at a CAGR of 6.2 per cent and 6.4 per cent respectively. The highest growth is expected in the motorcycle segment, at 15.4 per cent CAGR. (Source: CRIS Infac)

Competitive Edge :

- ❖ The Company enjoys the privilege of being a major supplier to OEMs and offering a wide range of value added services to retail market through exclusive Passenger-Tyre retail outlets - CEAT Shoppes - numbering over 90 set up in every part of the country. The Company has large service network of over 3500 dealers, 5 Zonal Offices, 5 Divisional Despatch Centres, 39 Regional Offices and 110 CEAT service and supply locations.
- ❖ The Company has a firm foothold and strong presence in export market, such as USA, Middle East, South East Asia and many Afro-Asian countries. The Company's high level of export performance has been recognised by CAPEXIL and AIRIA with Highest & Top Export Awards for the last ten consecutive years.
- ❖ CEAT has been awarded Accreditation Certificate of ISO/TS-16949 : 2002; the first Indian tyre company to get this Award.
- ❖ CEAT has a well-established R&D Centre recognized by DSIR, Government of India.
- ❖ CEAT has achieved successful product segmentation depending on the usage needs, such as overloads, road conditions, vehicle abuse creating market fits for these specific needs.

Principal Competitors

In India major players in tyre industry dominated the 70% share of total market size. The major competitors to the Company are MRF, Apollo, and JK.

KEY INDUSTRY REGULATIONS

The Company is operating in tyre industry. The industry is not governed by any specific regulation. However the Company is operating within the ambit of all other applicable regulations related to any manufacturing unit.

IX. HISTORY OF THE COMPANY

BRIEF HISTORY

CEAT Limited, earlier known as CEAT Tyres of India Limited, was formally incorporated on 10th March 1958 with a capital of Rs.115 Lacs to manufacture and market automotive tyres. On 22nd February 1960, the first tyre rolled out of the CEAT's first factory at Bhandup (Mumbai). Production that year, with 200 workers, was 45,626 tyres valued at Rs.137 Lacs.

The name of the Company was changed to CEAT Limited and the Company obtained fresh certificate consequent to change of name on 10/01/1990 from Registrar of Companies, Maharashtra, Mumbai. The Registered Office of the Company was shifted from CEAT Limited, Village Road, Bhandup, Mumbai 400 078 to CEAT Mahal, 463 Dr. Annie Besant Road, Worli, Mumbai - 400 030 w.e.f. 4th September, 1974.

In a span of four and a half decades, CEAT has grown from strength to strength, dealing with large range of products catering to the needs of all market segments. There are tyres for every user segment, namely - scooter, motorcycle, auto, passenger utility vehicles, light truck, truck, bus, agricultural / industrial, ADV, grader, earthmover tyres. The Company is always endeavouring to maintain its technological edge over others by continuous up-gradation and by adding new equipment in the factories. Today, CEAT is a major domestic tyre company in India having market share of about 16% to 17%. CEAT also has considerable international presence because of its substantial export sales to all parts of the world.

In line with the increasing trend of Radialization, a new state of the art Radial tyre manufacturing facility for Passenger vehicle has been set up in the Nasik factory. CEAT has in-house technical expertise and its Radial tyres 'Formula I' have a strong Brand equity and are well accepted in the growing radial market for passenger car tyres. With installation of this plant, the Company could utilize its upstream and downstream facilities effectively. This radial facility has provisions for expansion and accommodating manufacture of different categories of radial tyres. The Company has also arrangements with Pirelli, Italy, for outsourcing hi-tech radial tyres from their overseas plants. For the passenger car and utility vehicle segments, CEAT has introduced a wide range of tubeless passenger radials.

MAIN OBJECT OF THE COMPANY

The main objects of the company are as follows:

(As set out in the Memorandum and Articles of Association of the Company)

Main Objects

- 1 To construct, produce, prepare, manufacture, press, vulcanize, repair, retread, purchase, sell, import, export and generally to deal in tyres, semi-tyres for any type of vehicle for heavy, light and passengers transports, cars, motorcycles, cycles, agricultural tractors, industrial tyres, aeroplanes, inner tubes, flaps, repair materials in general, technical articles and other various appliances made with natural and synthetic rubber, their derivatives and substitutes, rubber latex, synthetic resins and plastics in general; furthermore all the products and by-products including textiles, metals and chemicals in general and all the accessories relating to the industry and commerce of tyres.
 - 1A To carry on the business of manufacturers of and dealers in fibre glass and its products like chopped strand-mat-roving, woven-rovings, yarn and cloth and other products made out of fibre glass etc.
 - 1B To carry on all or any of the business of manufacture of various types of fibre glass such as E,A etc. and products such as yarn and cloth and mixtures and blends thereof, by physical, chemical or any other process or treatment now prevalent or as may be devised in future.
 - 1C To carry on the business of manufacturers or dealers and fabricators of all kinds of fibre glass and fibre glass products and all other allied goods and products made out of fibre glass with resins, thermoplastics, gypsum etc. for various uses and applications in diverse fields such as chemical, engineering, electrical industry, automobile, marine, aircraft, structural safety equipment, medical and surgical, sports goods, atomic energy establishments, thermal, acoustics and electrical insulations, cold storage handling, furniture, household goods etc.

The object clause of the Company enables the Company to undertake the activities for which funds are being raised in the present issue.

Changes in the Memorandum of Association

Change of Name

The Company was originally incorporated as CEAT Tyres of India Limited. The name of the Company was changed to CEAT Limited and the Company obtained fresh certificate consequent to change of name on 10/01/1990 from Registrar of Companies, Maharashtra, Mumbai.

Change in Authorised Capital

The Company was incorporated with authorized capital of Rs.400 Lacs divided into 1,15,000 ordinary shares of Rs.100/- each and 2,85,000 unclassified shares of Rs.100/- each. The authorized capital of the Company was changed from time to time. The present authorized capital of the Company is Rs.6000 Lacs divided into 4,61,00,000 equity shares of Rs.10/- each, 39,00,000 preference shares of Rs.10/- each and 1,00,00,000 unclassified shares of Rs.10/- each.

SUBSIDIARIES OF THE COMPANY:

The Company at present has three subsidiaries namely, CEAT Ventures Ltd., CEAT Holdings Ltd. and Meteoric Industrial Finance Company Ltd.

The details are as follows:

1. CEAT Ventures Ltd.(CVL)

CVL was incorporated on 17/06/1982. The registration no.of the company is 11-27344. The company is a wholly owned subsidiary of CEAT Limited and is an investment company. Its Board of Directors consists of the following persons:

Mr. T. M. Elavia Mr. U. Banerjee	Mr. Prem Kapil Mr. I. I. Khan	Mr. A. J. Menon Mr. H.N.Singh Rajpoot
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The financial performance of CVL (Rs in Lacs) based on latest available audited accounts is given below:

Particulars (As at March 31st)	2004-05	2003-04	For 15 months ended on 31/03/2003
Sales & Other Income	30	142	282
PAT /(Loss)	(232)	(280)	(281)
Equity Share Capital	400	400	400
Reserves (after adjusting for Debit balance in P&L account)	(1,113)	(863)	(583)
Book Value (Rs)	7.22	7.84	8.54
EPS (Rs)	NA	NA	NA

2. CEAT Holdings Ltd. (CHL)

CHL was incorporated as Murphy Investments Limited on 12/07/1979. The registration no.of the company is 11-21467. Its name was subsequently changed to CEAT Securities Limited and then to Ceat Holdings Limited on January 13, 1995. The company is a wholly owned subsidiary of CEAT Limited and is an investment company. Its Board of Directors consists of the following persons:

Mr. T. M. Elavia Mr. U. Banerjee Mr. I. I. Khan	Mr. Prem Kapil Mr. P. Banerjee	Mr. A. J. Menon Mr. H.N.Singh Rajpoot
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The financial performance of CHL (Rs in Lacs) based on latest available audited accounts is given below:

Particulars (As at March 31st)	2004-05	2003-04	For 15 months ended on 31/03/2003
Sales & Other Income	11	285	880
PAT /(Loss)	(357)	(423)	192
Equity Share Capital	4,000	4,000	4,000
Reserves (after adjusting for Debit balance in P&L account)	(567)	(210)	173
Book Value (Rs)	8.58	9.48	10.43
EPS (Rs)	NA	NA	0.5

3. Meteoric Industrial Finance Company Ltd.(MIFCL)

MIFCL was incorporated on 23/08/1988. The registration no.of the company is 11-48602. The company is a wholly owned subsidiary of CEAT Limited and is a Finance company. Its Board of Directors consists of the following persons:

Mr. T. M. Elavia	Mr. Prem Kapil	Mr. A. J. Menon
Mr. U. Banerjee	Ms. Ushma Rughani	Mr. H.N.Singh Rajpoot
Mr. I. I. Khan		

The financial performance of MIFCL (Rs in Lacs) based on latest available audited accounts is given below:

Particulars (As at March 31st)	2004-05	2003-04	For 15 months ended on 31/03/2003
Sales & Other Income	35	59	416
PAT /(Loss)	12	(191)	193
Equity Share Capital	2,550	2,550	2,550
Reserves	42	83	281
Book Value (Rs)	10.16	10.32	11.10
EPS (Rs)	0.05	NA	0.76

The Board of the Directors of CVL, CHL and MIFCL in their meetings held on 22/09/2005 proposed their merger with CEAT subject to the approval of its shareholders and Hon'ble High Court of Bombay ("the Court"). The appointed date of the merger is 1st April 2005. The Company has already received approvals from BSE and NSE for draft scheme of amalgamation. CEAT has also filed requisite application before the Court, for direction for court convened meeting of its shareholders and dispensation of the court convened meeting of its creditors. CEAT subsidiary companies have requested to dispense with the meetings of their respective shareholders and creditors.

SHAREHOLDERS AGREEMENT

There is no separate agreement between any shareholder and Company.

STRATEGIC/ FINANCIAL PARTNERS

The Company does not have any strategic/financial partner.

OTHER AGREEMENTS

The Company has entered into a Trademark Settlement Agreement with Pirelli Pneumatici S.P.A.(Pirelli), a company organised and existing under the laws of Italy having place of business at Viale Sarca 222, 20126 Milan, Italy for use of Trademark "CEAT" around the world. The agreement lists different territories in which the respective parties are entitled to use the Trademark for different segment of tyres.

DIVIDENDS

The following are the dividend payouts in last five years by the Company:

	% of Dividend paid	Total Amount paid (Rs.in Lacs)
2003-2004	10%	352.13
2002-2003	10%	352.13
2001-2002	10%	352.13
2000-2001	10%	352.13

In view of the loss incurred during F.Y.2004-05, the Company has not declared any Dividend for the said year.

X. MANAGEMENT OF THE COMPANY

BOARD OF DIRECTORS

Name, Age, Designation Qualification, Address, Occupation	Other Directorships	Date of Appointment	Date of expiration of current term
Mr. R. P. Goenka , (75), Chairman - (non-independent) M.A. 19, Balvendere Road, Kolkatta - 700 001. Industrialist	<ul style="list-style-type: none"> ● CESC Ltd. ● Saregama India Ltd. ● Jubilee Investment & Ind. Ltd. ● Hilltop Holdings India Ltd. 	26/04/1983	Rotational
Mr. H. V. Goenka (47), Vice Chairman - (non-independent) Grad. In Eco, MBA (Switzerland) 14/15A, Il Palazzo, B.G.Kher Marg, Mumbai - 400 006. Industrialist	<ul style="list-style-type: none"> ● Bajaj Electricals Ltd. ● Zensar Technologies Inc. ● KEC International Ltd. ● RPG Enterprises Ltd. ● Raychem RPG Ltd. ● RPG Life Science Ltd. ● SICOM Ltd. 	16/10/1981	Rotational
Mr. Paras K. Chowdhary (54), Managing Director - (non-independent) B.Sc. Physics (Hons.) 206-B, Samudra Mahal, 6th Floor, Dr. A. B. Road, Worli, Mumbai - 400 018. Executive	<ul style="list-style-type: none"> ● Jubilee Investments & Industries Ltd. ● RPG Cellular Investments & Holdings Ltd. ● Phillips Carbon Black Ltd. ● Associated CEAT (Pvt.) Ltd. Colombo. ● ACT Company (Pvt.) Ltd. Colombo ● Associated CEAT Holdings (Pvt.) Ltd. ● CEAT Kelani Associated Holdings Pvt. Ltd.Colombo. ● CEAT Kelani International Pvt. Ltd. Colombo ● Rado Tyres Ltd. ● Spencer International Hotels Ltd. ● Harrisons Malayalam Ltd. 	18/01/2001	17/01/2006 (Re-appointed for another period of 5 years w.e.f. 18/01/2006) (Non-rotational)
Mr. Mahesh S. Gupta (49), Director - (Independent) B.Com (Hons.), L.L.B., F.C.A., F.C.S. 402, Ashok House, Beach house Society, Juhu, Mumbai - 400 049. Executive	<ul style="list-style-type: none"> ● RPG Life Sciences Ltd. ● Raychem RPG Ltd. ● Morarjee Realities Ltd. 	02/05/2002	Rotational
Mr. M. A. Bakre (73), Director - (Independent) M.A. Eco.(Hons) Cambridge. 82-92, Sarnath, 59-B, Warden Rd., Mumbai - 400 026. Executive	<ul style="list-style-type: none"> ● Garware Wall Ropes Ltd. ● FGP Ltd. 	19/03/1982	Rotational
Mr. A. C. Choksey (53), Director - (Independent) B.S.Chem. Engg. (Hons.) (USA) Geetanjali, Gamadia Road, Off.Peddar Road, Mumbai - 400 026. Industrialist	<ul style="list-style-type: none"> ● Apcon Enterprises Ltd. ● Apcotex Lattices Ltd. ● Finolex Cables Ltd. ● Mazda Colours Ltd. ● Marico Industries Ltd. ● Shyamlal Finvest (India) Ltd. ● Titan Trading & Agencies Ltd. ● Trivikram Invst. & Trading Co.Ltd. 	28/01/2000	Rotational

Name, Age, Designation Qualification, Address, Occupation	Other Directorships	Date of Appointment	Date of expiration of current term
	<ul style="list-style-type: none"> ● Standard Chartered Asset Management Company Pvt. Ltd. ● Apcosoft Pvt. Ltd. ● Choksey Chemicals Pvt. Ltd. ● Nurture Finance Ltd.(Applied for strike off the name u/s560) 		
<p>Mr. S. Doreswamy (68) Director - (Independent) Professional Banker No.33, 3rd Floor, Juhu Shalimar, Gulmohar Cross Road.10, JVPD Scheme, Mumbai - 400 049. Financial Consultant</p>	<ul style="list-style-type: none"> ● Can Fin Homes Ltd. ● Pantaloon Retail (India) Ltd. ● Kaytee Switchgear Ltd. ● Sakthi Sugars Ltd. ● Sakthi Auto Component Ltd. ● Deposit Insurance and Credit Gaurantee Corporation Ltd. ● Caliberpoint Business Solutions Ltd. 	27/07/2000	Rotational
<p>Mr. J. N. Guzder (88), Director (Independent) Windmere 55, Cuffe Parade, Colaba, Mumbai - 400 005. Business</p>	<ul style="list-style-type: none"> ● Kerry Jost Enggineering Ltd. ● Empire Industries Ltd. ● Recron Synthetics Ltd. ● Zeenia Realtors Ltd. ● Erangal Investments Pvt. Ltd. ● Efgee Securities Pvt. Ltd. 	30/05/1984	Rotational
<p>Mr. Hari L. Mundra (55) Director - (Independent) B.A.Eco.(Hons.), MBA (IIM, Ahmedabad) A-61, Twin Towers, Off. Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025. Executive</p>	<ul style="list-style-type: none"> ● Future Focus Infotech Ltd. ● Essar Oil Ltd. 	27/11/1995	Rotational
<p>Mr. H. Khaitan (35) Director - (Independent) L.L.B. 1104, Sterling Sea face, Dr. A.B.Road, Mumbai - 400 030 Advocate</p>	<ul style="list-style-type: none"> ● Hindustan Composites Ltd. ● Khaitan Consultants Ltd.(Alternate) ● National Engg. Ind. Ltd. ● NeoWorth Pvt. Ltd. ● Rama Newsprint & Papers Ltd. ● Ritspin Synthetics Ltd. ● BTS Inv.Advisors Pvt.Ltd. ● Cheviot Co.Ltd. ● Dhunseri Tea & Industries Ltd. ● Dormeuil-Birla VXL Ltd. (Alternate) ● Gujarat Borosil Ltd. ● Harrisons Malayalam Ltd. ● Ritssfibra Pte Ltd., Singapore ● Sterlite Optical Technologies Ltd. ● Vinar Systems Pvt. Ltd. ● Xpro India Ltd. ● International Conveyors Ltd. ● Great Eastern Energy Corp.Ltd. (Alternate) ● AVTECH Ltd. 	29/07/1999	Rotational

Name, Age, Designation Qualification, Address, Occupation	Other Directorships	Date of Appointment	Date of expiration of current term
<p>Mr. Bansi S. Mehta (70) Director - (Independent) B.Com, F.C.A. Maheshwari Mansion, BLKC, Flat No.37, 34-C, Jagmohandas Marg, Mumbai - 400 036. Chartered Accountant</p>	<ul style="list-style-type: none"> ● Atul Ltd. ● Bharat Bijlee Ltd. ● Century Enka Ltd. ● HDFC Ltd. ● IL&FS Investment Managers Ltd. ● J.B.Chemicals & Pharmaceuticals Ltd. ● Pidilite Industries Ltd. ● Procter & Gamble Hygiene and Health Care Ltd. ● Sasken Communication Technologies Ltd. ● SBI Capital Markets Ltd. ● Sudarshan Chemicals Ind. Ltd. ● The Dawn Mills Company Ltd. ● Vinyl Chemicals (India) Ltd. ● Jumbo World Holdings Ltd.(BVI) ● Gillette India Ltd. <p>Alternate Director in Chemetall Rai India Ltd., Uhde India Ltd.,</p>	30/05/1984	Rotational
<p>Mr. K. R. Podar (70) Director - (Independent) B.Com Podar House, Marine Drive, Mumbai - 400 020. Industrialist</p>	<ul style="list-style-type: none"> ● Bajaj Auto Ltd. ● Pitti Laminations Ltd. ● Moscow Region Podar Int. Pvt. Ltd. ● Premier Consultant & Traders Ltd. ● Podar Infotech Ltd. ● Sutlej Industries Ltd. 	30/05/1984	Rotational
<p>Mr. N. Srinivasan (60) Director - (Independent) Post Grad.in Chem. Engg.(USA) 6, Archtrishop Mathias AV, Chennai - 600 025. Executive</p>	<ul style="list-style-type: none"> ● The India Cements Ltd. ● EWS Finance & Investments Ltd. ● M.M.Forgings Ltd. ● ICL International Ltd. ● ICL Securities Ltd. ● ICL Sugars Ltd. ● ICL Shipping Ltd. ● India Cements Cap. & Fin. Ltd. ● Visaka Cement ind. Ltd. ● Andhra Pradesh Gas Power Corp. Ltd. ● Coromandel Electric Co. Ltd. ● Rassi Cement Ltd. ● E. W. Stevens & Co. Pvt. Ltd. ● Prince Holdings (Madras) Pvt. Ltd. ● Anna Investment (P) Ltd. ● Rupa Holdings (P) Ltd. ● Trishul Concrete Prod. (P.) Ltd. ● Teeyessen Estates Pvt. Ltd. 	17/11/1990	Rotational

COMPENSATION AND BENEFITS IN KIND GRANTED TO THE DIRECTORS

The terms and conditions governing the appointment of Mr. Paras K. Chowdhary are contained in an Agreement entered into by the Company with Mr. Paras K. Chowdhary. The principal terms and conditions set out in the drafts of the aforesaid Agreement are as follows:

1. Period of appointment : Five years from 18th January 2001
2. Salary & perquisites : Mr.Chowdhary shall be entitled to receive upto the maximum remuneration and benefits as are prescribed in Section I of Part II of Schedule XIII to the Companies Act, 1956, pursuant to Section 269 of the Companies Act, 1956, as may be agreed upon by the Board of Directors and Mr.Chowdhary, from time to time.

The remuneration, as determined aforesaid from time to time, be paid and the perquisites provided to Mr.Chowdhary, as minimum remuneration in the event of loss or inadequacy of profit in any year, be subject to such limits, as may be prescribed in Section II of the said Part II of the said schedule XIII to the Companies Act, 1956, from time to time.

3. Termination :
 - i) This Agreement may be terminated by the Company:
 - By not less than six months' notice in writing given at any time to Mr.Chowdhary or by payment to him of six months' salary in lieu of notice.
 - By summary notice in writing if Mr.Chowdhary shall have committed any breach or any continuing breach of his obligations hereunder or shall have been guilty of conduct tending to bring the Company or his office hereunder into disrepute or shall have committed any act of insolvency or compounded with his creditors generally.
 - ii) This Agreement may be terminated by Mr.Chowdhary by giving the Board of Directors not less than six months' notice in writing in that behalf.

The current term of office of Mr. Paras K. Chowdhary, Managing Director, the only wholetime Director of the Company will expire on 17th January 2006. The Board of Directors of the Company has on 8th December, 2005 re-appointed him for another period of 5 years w.e.f. 18th January, 2006, subject to the approval of the shareholders. Mr. Chowdhary will be reimbursed by the Company of all entertainment and other expenses actually incurred for the business of the Company subject to such limits as may be fixed by the Board from time to time.

The breakup of remuneration (Rs in Lacs) paid to Wholetime Directors during the financial year 2004-2005 is as follows:

Name of Directors	Designation	Salary	Contribution to provident and superannuation fund	Other benefits
Mr. Paras K. Chowdhary	Managing Director	21.60	5.83	2.40

Non-Executive Directors:

Director	Relationships with other Directors	Sitting Fees paid during 2004-2005 (Rs. in Lacs)
Mr. R. P. Goenka - Chairman	Father of Mr. H. V. Goenka	–
Mr. H. V. Goenka - Vice-Chairman*	Son of Mr. R. P. Goenka	0.55
Mr. Mahesh. S. Gupta *	–	1.00
Mr. M. A. Bakre *	–	1.05
Mr. A. C. Choksey	–	0.10
Mr. S. Doreswamy*	–	1.05
Mr. J. N. Guzder	–	0.60
Mr. H. Khaitan	–	0.30
Mr. Bansi S. Mehta*	–	0.30
Mr. Hari. L. Mundra	–	0.55
Mr. K. R. Podar	–	0.40
Mr. N. Srinivasan	–	–

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

QUALIFICATION SHARES

As per the Articles of Association of the Company, no qualification share is prescribed for being a director.

BORROWING POWERS

Subject to the provisions of the Act and these Articles and without prejudice to the other powers conferred by these Articles, the Directors shall have the power from time to time at their discretion by a resolution passed at a meeting of the Board and not by circular resolution, to accept deposits from members, either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of moneys from the company provided that the total amount borrowed at any time together with the moneys already borrowed by the company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall not without the consent of the company in General Meeting exceed the aggregate of the paid up capital of the company and its free reserves that is to say reserves not set apart for any specific purpose. Such consent shall be obtained by an ordinary resolution which shall provide for the total amount upto which moneys may be borrowed by the Board. The expression 'temporary loans' in this Article mean loans repayable on demand or within six months from the date of the loan such as short term, cash credit arrangements, discounting of bills and the issue of other short term loans of seasonal character but does not include loans raised for the purpose of financing expenditure of a capital nature. At present the Board of Directors have power to borrow upto paid-up capital and free reserves and in addition upto Rs.90,000 Lacs.

SHAREHOLDING OF DIRECTORS

None of the Directors of CEAT are holding any shares in the Company except Mr. R.P.Goenka (3750 equity shares), Mr. H.V.Goenka (10,000 equity shares) and Mr. Paras K. Chowdhary (500 equity shares).

CORPORATE GOVERNANCE

The Company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees. The extract of report on Corporate Governance as incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges is set out herein.

A. Company's philosophy on Code of Governance:-

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 in compliance of Clause 49 of the Listing Agreement, which the Company has filed with the Stock Exchanges.

B. Board of Directors:-

a. Composition & category of Directors:-

The Board of Directors of the Company consists of 13 Members.

The Company has one 'Executive' and twelve 'Non-Executive' Directors. The Chairman, Mr. R. P. Goenka and the Vice-Chairman, Mr. H. V. Goenka are Non-Executive Director and the Executive Director, Mr. Paras K. Chowdhary is the Managing Director. The Directors are eminent industrialists/ professionals with experience in industry/ business/finance/law and bring with them the reputation of independent judgement and experience, which they exercise and also satisfy the criteria of independence.

The independent directors of the Company includes Mr. M. A. Bakre, Mr. A. C. Choksey, Mr. S. Doreswamy, Mr. J. N. Guzder, Mr. H. Khaitan, Mr. Bansi S. Mehta, Mr. Hari L. Mundra, Mr. K. R. Podar, Mr. Mahesh S. Gupta and Mr. N. Srinivasan.

b. Board Committees

1) Audit Committee

The terms of reference of the Audit Committee include the matters specified under Clause 49(II)(D) of the Listing Agreement as well as in Section 292A of the Companies Act, 1956. The Company has complied with the requirements of Clause 49(II)(A) as regards the composition of the Audit Committee.

Mr. M.A. Bakre is the Chairman and Mr. Mahesh S. Gupta, Mr. Hari. L. Mundra and Mr. S. Doreswamy are the other three members of the Audit Committee. The Company Secretary functions as the Secretary of the Committee.

Audit Committee Meetings are generally attended by the representatives of Statutory Auditors, Managing Director, Chief Financial Officer, Company Secretary, General Manager - Accounts, MIS & Risk Management, General Manager - Internal Audit and Deputy Company Secretary.

2) Shareholders/Investors Grievance Committee

The queries received from investors are being regularly attended to and are being resolved. The Committee reviews these queries. The Members of the Committee includes; Mr. M. A. Bakre, Chairman, Mr. Paras K. Chowdhary and Mr. Mahesh S. Gupta.

3) Remuneration Committee

The Remuneration Committee is comprised of Mr. H. V. Goenka, Chairman; Mr. M. A. Bakre, Member; Mr. S. Doreswamy, Member and Mr. Hari L. Mundra, Member and meets the criteria as laid down in Explanation IV in Section II of Part II of the Schedule.

It is clarified that this Remuneration Committee is in accordance with the Schedule XIII referred to above and not under Clause 49 of the Listing Agreement, where formation is not a mandatory requirement.

INTEREST OF DIRECTORS

All the Directors may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the Articles. The Directors may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/ Member respectively and the shares if any, out of the present Offer that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors / members of firms in which they are partners.

CHANGE IN BOARD OF DIRECTORS

The changes in the Board of Directors since past three years are as follows:

Name of Director	Date of Appointment/ Resignation	Reason for Appointment Resignation
Mr. B.C. Malu	02/05/2002	Resigned
Mr. Mahesh S.Gupta	02/05/2002	Appointed to fill casual vacancy caused by the resignation of Mr.B.C.Malu
Mr. B.L.Paranjape	19/03/2003	Demise
Dr. G. Accornero	08/12/2005	Resigned

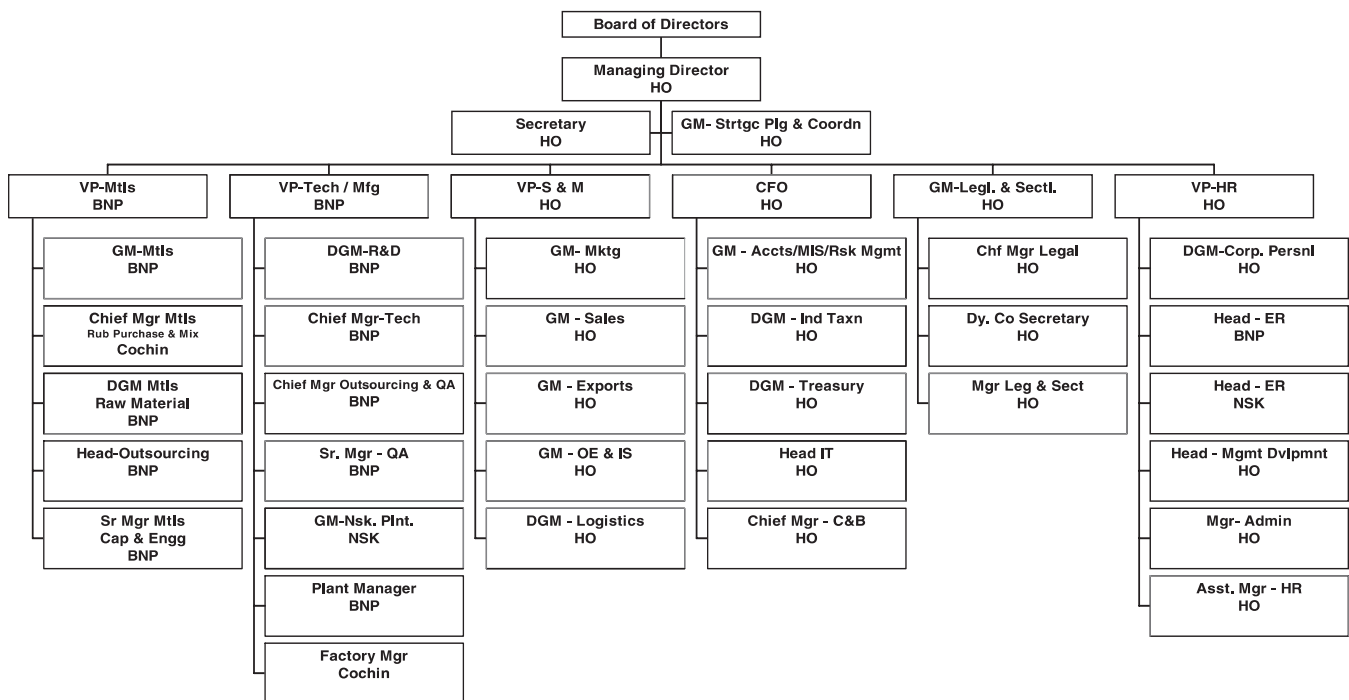
DETAILS OF PERSONAL GUARANTEES

The Directors of the Company have not provided any personal guarantee towards any loan of the Company.

MANAGEMENT

Mr. Paras K. Chowdhary is the Managing Director of the Company who looks after the day to day working of the Company. The Company's Management is accountable to the Board of Directors. The Board comprises of Technical as well as professionals in respective fields.

MANAGEMENT ORGANISATION STRUCTURE



HO : Head Office

NSK : Nasik

BNP : Bhandup

DETAILS OF KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/finance/distribution/marketing and corporate laws. Following are the key functionaries in the different divisions of the Company:

Sr. No.	Name, Age and Designation of the Person	Date of appointment	Qualification	Previous Company Experience	Remuneration 2004-2005 (Rs.in Lacs)
1	Mr. Paras K. Chowdhary, (54) Managing Director	18/01/2001	B.Sc (Physics) (Hons.)	Apollo Tyres Ltd. (22 years)	29.83
2	Mr. K.J.Rao, (49), Chief Financial Officer	22/10/1997	B.Com, FCS, MIMA	RPG Telecom Ltd. (12 years)	27.22
3	Mr. Tom K. Thomas, (52), Vice President- Technical.	20/07/2001	B.Sc, B.Tech.	J.K.Industries Ltd. (3 years.)	36.89
4	Mr. K.Ganesan, (48), Vice President - Manufacturing.	24/09/2004	DME, BBA, PGDM	J. K.Industries (6 years)	20.04
5	Mr. Sudhir Sohoni (47), Vice President - Human Resources.	21/07/2001	B.Sc. (Stat.&Eco.), M.A. (PM & IR)	BOC India Ltd. (9 months)	23.88
6	Mr. Arnab Banerjee (41), Vice President-Sales & Marketing	21/11/2005	B.Tech, IIT, Kharagpur, PGDBM, IIM, Kolkata	Marico Industries Ltd. (10 years)	—

All the above mentioned key managerial personnel except Mr. Paras K. Chowdhary whose appointment is contractual are permanent employees of the Company. The remuneration of each of key managerial personnel includes salary, bonus, Company's contribution to Provident Fund, Leave Travel Concession, Medical Expenses and value of other facilities inclusive of accommodation as may be applicable in such case. The Company has not offered any profit sharing plan to its Key Managerial Personnel. The Key Managerial Personnel mentioned above have not held any shares of the Company as on date except Mr. Paras K. Chowdhary and Mr. K.J.Rao who are holding 500 shares each.

Loans to Key managerial Personnel

A personal loan has been given to Mr. Tom K. Thomas to the extent of Rs.5.00 Lacs (Rs.1.30 Lacs outstanding as on 30/11/2005). Besides this there is no loan given to any Key managerial personnel.

Changes in Key Managerial Personnel

Name	Designation & Functional Area	Date of Change	Nature
Mr. K.Ganesan	Vice President - Manufacturing	24/09/2004	Appointed
Mr. K.K.Paul	Vice President - Sales & Marketing	14/04/2005	Resigned
Mr. Pramod Unde	Vice President - Materials	06/05/2003	Appointed
Mr. Pramod Unde	Vice President - Materials	08/07/2005	Resigned
Mr. T.M.Elavia	Vice-President - Legal	30/09/2005	Retired
Mr. Arnab Banerjee	Vice-President - Sales & Marketing	21/11/2005	Appointed

EMPLOYEES



Presently the Company has strength of 5405 personnel, the details of which are given on page no. (31) of this Letter of Offer. There has been no Employee Stock Option Scheme/ Employee Stock Purchase Scheme in existence as on date neither there are any other payments or benefits to officers of the Company other than the salary. The Company has not issued any Employee Stock Option Scheme to its employees till date.

XI. PROMOTERS

Background of Promoters

The Company is part of the group of companies within the RPG Enterprises conglomerate which comprises various entities under the leadership of the Goenka family. The RPG Enterprises Ltd. has interests in Power, Information Technology, Tyres, Life Sciences, Entertainment. Retail and other speciality businesses.

Mr. R. P. Goenka, Chairman of the Company and Mr. H. V. Goenka, Vice-Chairman of the Company are Chairman Emeritus and Chairman respectively of RPG Enterprises Ltd.. The details of the Promoters are given below:

Indian Promoters	
	<p>Mr. R. P. Goenka (75) is the Chairman of the Board of Directors of CEAT Limited. He is the founder and Chairman Emeritus of RPG Enterprises Ltd. and is a leading industrialist of India. Mr. Goenka was the Chairman of the Board of Governors of the Indian Institute of Technology, Kharagpur and was also a Director of the Industrial Development Bank of India. Mr. Goenka is currently Member of Parliament (Rajya Sabha), Chairman of Board of Governors of the International Management Institute and Trustee of the Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust and Rajiv Gandhi Foundation.</p> <p>Educational Qualification : M.A. Driving Licence No. : N.A. Voter ID No. : RJ/04/027/156397 Passport No. : D 112011</p>
	<p>Mr. H.V. Goenka (47) is the Vice-Chairman of the Board of Directors of CEAT Limited. Mr H V Goenka is the Chairman of RPG Enterprises Ltd., one of the leading business groups in India with a turnover of over Rs.8,45,000 Lacs. RPG Enterprises Ltd. has interests in Power, Tyres, Retail, Information Technology, Life Sciences and Entertainment. He is the Chairman of KEC International Ltd., RPG Life Sciences Ltd., Zensar Technologies Ltd. and Raychem RPG Ltd. He is also a Board Member of IMD, Lausanne, Switzerland.</p> <p>Educational Qualification : MBA from IMD, Switzerland Driving Licence No. : NPL - 113425/Cal Voter ID No. : MT/04/024/045258 Passport No. : Z-1585899</p>

The above details have been submitted to BSE/NSE.

Foreign Promoter

Societe CEAT D Investissement En Asie SA is a company incorporated on 09/09/1981. The purpose of the company is to acquire and hold directly and/or indirectly participation of any firm in Luxemburg and abroad. The Board of Directors consists of Ryan Rudolph, Stefan Breitenstein and Heini Rudisuhli. The foreign promoter does not participate in day to day management of the Company.

INTEREST OF PROMOTERS

The Promoters/Directors may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the Articles. The Promoters may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/ Member respectively and the shares if any, out of the present Offer that may be subscribed for and allotted to them or their relatives or any company in which they are Directors / firms in which they are partners.

COMMON PURSUITS

None of the RPG group companies is engaged in the business of Tyre & Tubes manufacturing other than Rado Tyres Ltd. (a related party) with whom the Company is having outsourcing arrangements. Other than this there are no common pursuits between the Company & its promoters and group companies.

GROUP COMPANIES

Details of the five largest listed companies within the promoter group companies (chosen on the basis of market capitalisation as on one month before the date of filing of draft letter of offer)

1. CESC Limited

CESC Limited (CESC) was incorporated in Calcutta on March 30, 1978. The company is engaged in the generation and distribution of electric power in the cities of Kolkata and Howrah and adjoining areas. CESC is currently the sole distributor of electricity within an area of 567 square kilometers. Sales of electricity are made by the company directly to over 19.49 Lacs end-users including domestic consumers as well as commercial and industrial entities.

CESC's registered office is situated at CESC House, Chowringhee Square, Kolkata - 700 001. CESC is listed on the CSE, BSE, NSE and London Stock Exchange.

The Shareholding pattern of the company (as on 30/09/2005) is as follows:

Sr. No	Category	No. of shares held of Rs10/- each	% of voting strength
1	Indian Promoters	3,15,81,723*	38.37
2	Mutual Funds and UTI	43,95,307	5.34
3	Banks, Financial Institutions, Insurance Companies and State Government	92,98,695	14.86
4	Foreign Institutional Investors (FIIs)	1,22,29,571	14.86
5	Private Corporate Bodies	60,47,307	7.35
6	Indian Public	72,90,490	8.86
7	Non Resident Indians (NRIs) and OCBs	29,10,314	3.54
8	Others	85,64,104	10.40
	Grand Total	8,23,17,511	100.00

* Without considering 20,00,000 warrants convertible into 20,00,000 equity shares at a price of Rs.216.68 per share allotted on 13/09/2005. Post conversion Indian promoters holding will be 33,581,723 representing 39.82% of the enlarged capital base.

Quotes for last six months at BSE

Month	BSE	
	High (Rs)	Low (Rs)
June 2005	218.00	182.00
July 2005	228.00	200.00
August 2005	234.45	205.10
September 2005	248.75	211.00
October 2005	235.45	178.10
November 2005	242.90	188.25

Stock Market Data

High/ Low price in the last 6 months (Rs)	248.75/178.10
Market price on date of letter of offer (Rs)	212.65
Market capitalisation one month prior to the date of filing of draft letter of offer (Rs. Lacs)	182100

Board of Directors

Mr. R P Goenka	Mr. Sanjiv Goenka	Mr. Pradip Khaitan
Mr. Brij Mohan Khaitan	Mr. Bhagwati Prasad Bajoria	Mr. Sudhin Roy Chowdhury
Mr. Pradip Roy	Mr. K M Jaya Rao	Mr. Sumantra Banerjee
Ms. Priya Brata Ghosh	Mr. Birenjit Kumar Paul	

The company has made a Rights issue of equity shares which opened on 29/09/2004 & closed on 29/10/2004. The details are as follows:

Issue price: Rs. 60/- per share

Current market price (as on 07/12/2005): Rs.212.65

The amount raised of Rs.4,959.12 Lacs have been deployed on working capital requirements as per the said letter of offer dated 13/09/2004. The Company issued 7930685 Global Depository Receipts (GDR) representing 7930685 equity shares, at par value Rs.10/- each US\$5.0437 per GDR vide Offering Memorandum dated 27/09/2005. The company has also issued 20,00,000 convertible warrants to indian promoters at a price of Rs.216.68 per share on 13/09/2005.

2. KEC International Limited

KEC International Limited (KEC) was incorporated on May 7, 1945 as a private limited company for manufacturing and erection of transmission towers. The company was earlier controlled by the Kamani Engineering Corporation Limited and subsequently acquired by RP Goenka Group.

KEC's registered office is situated at 3rd floor, Transasia House, Chandivali Studio Road, Chandivali, Mumbai - 400 072. KEC is listed on the BSE, NSE and the CSE.

The shareholding pattern of the company as on 30/09/2005 is as follows:

Sr. No.	Category	No. of shares held	% of voting strength
1	Indian Promoters	1,28,65,957	34.19
2	Mutual Funds and UTI	96,37,812	25.61
3	Banks, Financial Institutions, Insurance Companies	41,13,077	10.93
4	FII's	39,55,822	10.51
5	Private Corporate Bodies	12,25,612	3.26
6	Indian Public	55,61,670	14.78
7	NRIs / OCBs	1,32,741	0.35
8	Directors & Relatives	32,826	0.09
9	Clearing Member	1,10,337	0.29
	Total	3,76,35,854	100.00

(Source: BSE)

Quotes for last six months at BSE

Month	BSE	
	High (Rs)	Low (Rs)
June 2005	225.00	199.30
July 2005	234.90	203.10
August 2005	296.00	209.00
September 2005	279.90	215.00
October 2005	263.50	215.00
November 2005	282.20	248.00

Stock Market Data

High/ Low price in the last 6 months (Rs)	296/199.30
Market price on date of letter of offer (Rs)	270.45
Market capitalisation one month prior to the date of filing of draft letter of offer(Rs Lacs)	97700

Board of Directors

Mr. H. V. Goenka	Mr. R D Chandak	Mr. A S Gupta
Mr. S M Kulkarni	Mr. G L Mirchandani	Mr. A T Vaswani
Mr. J M Kothary	Mr. M Ramachandran	Mr. S S Thakur
Ms. Neeta Mukherjee		

3. Zensar Technologies Limited

Zensar Technologies Limited (ZTL) (earlier known as International Computers Indian Manufacture Limited) was incorporated as International Computers and Tabulators Indian Manufacturing Company Limited on March 29, 1963 to carry on the business of manufacturing and dealing in computers and tabulators of all kind.

ZTL's registered office is situated at Mile Post No. 4, Pune Nagar Road, Pune. ZTL is listed on the BSE, NSE and the Pune Stock Exchange.

The shareholding pattern of the company, as on 30/09/2005 is as follows:

Sr. No.	Category	No. of shares held of Rs10 each	% of voting strength
1	Indian Promoters	69,14,791	29.52
2	Foreign Promoters	69,14,791	29.52
3	Banks, Financial Institutions, Insurance Companies	63,091	0.27
4	Mutual Funds & UTI	4,56,783	1.95
5	FII	4,700	0.02
6	Private Corporate Bodies	10,07,883	4.30
7	Indian Public	28,44,027	12.14
8	NRIs / OCBs	52,19,187	22.28
	Total	2,34,25,253	100.00

Quotes for last six months at BSE

Month	BSE	
	High (Rs)	Low (Rs)
June 2005	189.10	160.05
July 2005	200.00	166.20
August 2005	193.00	166.00
September 2005	204.00	170.00
October 2005	198.80	156.95
November 2005	187.85	159.30

Stock Market Data

High/ Low price in the last 6 months (Rs)	204.00/156.95
Market price on date of letter of offer (Rs)	188.55
Market capitalisation one month prior to the date of filing of draft letter of offer (Rs. Lacs)	42400

Board of Directors

Mr. H.V. Goenka	Mr. Tim Esculder	Mr. Ganesh Natarajan
Mr. Arvind N. Agarwal	Mr. P. K. Choksey	Mr. Nirmalya Kumar
Mr. John Levack	Mr. P. K. Mohapatra	Mr. A.T. Vaswani
Mr. Anthony Pipe	Mr. Jack Noble	

4. Saregama India Limited

The company was incorporated in the State of West Bengal on August 13, 1946. The main business of the company has been acquiring, marketing and selling of music in both physical and non-physical formats. However, over the last few years, the company has broad based its business model by entering into other segments of entertainment industry.

The Shareholding pattern of the company (as on 30/09/2005) is as follows:

Sr. No.	Category	No. of shares held of Rs10 each	% of voting strength
1	Indian Promoters	74,50,521	50.82
2	Mutual Funds and UTI	625	–
3	Banks, Financial Institutions, Insurance Companies and State Government	1,41,392	0.96
4	Foreign Institutional Investors (FIIs)	22,15,441	15.11
5	Private Corporate Bodies	25,38,759	17.32
6	Indian Public	22,66,786	15.46
7	Non Resident Indians (NRIs) and OCBs	47,468	0.32
	Grand Total	1,46,60,992	100.00

Quotes for last six months at BSE

Month	BSE	
	High (Rs)	Low (Rs)
June 2005	160.25	115.00
July 2005	225.10	142.50
August 2005	209.30	172.05
September 2005	202.50	162.85
October 2005	197.50	163.00
November	199.50	169.20

Stock Market Data

High/ Low price in the last 6 months (Rs)	225.10/115.00
Market price on date of letter of offer (Rs)	208.45
Market capitalisation one month prior to the date of filing of draft letter of offer (Rs Lacs)	26600

Board of Directors

Mr. R.P.Goenka	Mr. Sanjiv Goenka	Mr.D.R.Mehta
Mr. P.K.Mohapatra	Mr. H. Neotia	Mr. J.N. Sapru
Mr. D. Basu	Mr. T.K.Maji (Nominee-UTI)	Mrs. S. Goenka

The company made a Rights issue of equity shares which opened on 24/03/2005 & closed on 22/04/2005. The details are as follows:

Issue price: Rs. 45/- per share

Current market price (as on 07/12/2005): Rs.208.45

The cost of project in term of the letter of offer dated 14/03/2005 is Rs.2,402.00 Lacs. The funds have been deployed for implementation as per the said letter of offer.

5. Harrisons Malayalam Limited

Harrisons Malayalam Limited (HML) was incorporated on 05/01/1978. The company is in the business of producing carbon black.

HML's registered office is situated at 24/1624, Bristow Road, Willingdon Island Cochin - 682003 Kerala. HML is listed on the BSE, NSE and Cochin Stock Exchange.

The shareholding pattern of the company as on 30/09/2005 is as follows:

Sr. No.	Category	No. of shares held of Rs10 each	% of voting strength
1	Indian Promoters	53,78,880	29.15
2	Foreign Promoters	36,40,000	19.72
3	Mutual Fund and UTI	2,05,693	1.11
4	Banks, FLs, Insurance Companies and State Governments	5,12,169	2.78
5	Foreign Institutional Investors (FIIs)	4,99,461	2.71
6	Private Corporate Bodies	13,80,693	7.48
7	Indian Public	67,11,820	36.37
8	Non Resident Indians (NRIs)	1,26,689	0.69
	GRAND TOTAL	1,84,55,405	100.00

Quotes for last six months at BSE

Month	BSE	
	High (Rs)	Low (Rs)
June 2005	117.50	91.05
July 2005	121.00	89.00
August 2005	136.70	95.50
September 2005	154.00	106.25
October 2005	132.25	88.10
November 2005	107.50	88.50

Stock Market Data

High/ Low price in the last 6 months (Rs)	154/88.10
Market price on date of letter of offer (Rs)	90.95
Market capitalisation one month prior to the date of filing of draft letter of offer (Rs Lacs)	26700

Board of Directors

Mr. Prabhakar Dev	Mr. S Samuel	Mr. Umang Kanoria
Mr. G Momen	Mr. P K Kurian	Mr. Paras K. Chowdhary
Mr. Haigreve Khaitan	Mr. Sanjiv Goenka	

Details of the five largest unlisted companies within the promoter group companies (chosen on the basis of total income as on 31/03/2005)

1. Jubilee Investments & Industries Limited (JIIL)

JIIL was incorporated on February 22, 1995 as RPG Mobile Limited. Subsequently, the name was changed to JIIL on July 12, 2002. The company is an investment company and it is a subsidiary of RPG Communication Holdings Pvt. Ltd with the following persons on its Board:

Mr. R. P. Goenka	Mr. D. R. Mehta	Mr. S. Banerjee
Mr. Paras K. Chowdhary	Capt. S. Vasudeva	Mr. A. K. Dhawan
Mr. R. S. Baid		

The shareholding pattern of JIIL is given below:

Shareholder	No.of equity shares held	% of voting strength
RPG Communication Holdings Pvt. Ltd.	5,00,00,000	67.84
Hilltop Holdings India Ltd.	1,93,08,982	26.20
Directors & Relatives	16,58,081	2.25
Harrisons Malayalam Ltd.	7,35,312	1.00
Chattarpati Investments Ltd.	5,37,427	0.73
Brabourne Investments Ltd.	5,18,648	0.70
KTL Inds Fin Co Ltd.	4,95,044	0.67
Off-Shore india Ltd.	1,73,872	0.24
Duncan Bros & Co Ltd.	83,317	0.11
CEAT Holdings Ltd.	44,691	0.06
Canal Inv & Inds Ltd.	35,131	0.05
Adorn Investments Ltd.	29,433	0.04
South Asia Elec Holdings Ltd.	27,191	0.04
Eastern Aviation & Inds Ltd.	17,225	0.02
Brentwood Investments Ltd.	12,143	0.02
Adapt Investments Ltd.	10,346	0.01
B N Elias & Co Ltd.	8,466	0.01
Organised Investments Ltd.	3,060	0.00
Others	128	0.00
Total	7,36,98,497	100.00

2. Hilltop Holdings India Limited (HHIL)

HHIL was incorporated on December 28, 1984 as private limited company. It subsequently became a public limited company on October 12, 1993. The company is an investment company with the following persons on its Board:

Mr. R. P. Goenka	Mr. B. C. Malu	Mr. S. Banerjee
Mr. R. S. Baid	Mr. S. M. Kulkarni	Mr. S. Samuel
Mr. D. H. Pai Panandiker		

The shareholding pattern of HHIL is given below:

Shareholder	No.of equity shares held	% of voting strength
Off-Shore India Ltd	54,15,550	34.68
Chattarpati Investments Ltd	27,79,654	17.80
Harrisons Malayalam Ltd	19,01,754	12.18
Trade Apartments Ltd	16,95,000	10.85
Harrisons Malayalam Fin Serv Ltd	10,79,400	6.91
Canal Inv & Inds Ltd	9,95,000	6.37
RPG Cellular Inv & Holdings Pvt Ltd	9,00,000	5.76
Jubilee Inv & Inds Ltd	4,95,000	3.17
CEAT Ltd	3,54,654	2.27
Mr. H. C. Mathur	2	0.00
Total	1,56,16,014	100.00

3. Spencers and Company Ltd.(SCL)

SCL was incorporated on July 1, 1897 and is in the business of retail departmental stores. Its Board of Directors consists of Mr. Sanjiv Goenka, Mr. D. R. Mehta and Mr. Umang Kanoria.

The shareholding pattern of SCL is given below:

Shareholder	No.of equity shares held	% of voting strength
Promoters	1,02,87,867	94.09
Banks, Financial Institutions, Insurance Companies	4,092	0.04
Mutual Funds and UTI	–	–
Private Corporate Bodies	2,70,666	2.48
Indian Public	3,11,948	2.85
NRIs/OCBs	58,932	0.54
Total	1,09,33,505	100.00

4. Brabourne Investments Limited (BIL)

BIL was incorporated on June 27, 1979 and is an investment company. Its Board of Directors consists of Mr. A. K. Sanganerla, Mr. S. N. Kapoor and Mr. Manab Chaudhuri.

The shareholding pattern of BIL is given below:

Shareholder	No.of equity shares held	% of voting strength
Spencer & Co Ltd.	7,50,000	29.95
Yield Investments Ltd.	6,39,174	25.52
B N Elias & Co Ltd.	5,20,640	20.79
Brentwood Investments Ltd.	2,26,950	9.06
CEAT Ventures Ltd.	1,52,000	6.07
Jubilee Inv & Inds Ltd.	1,21,110	4.84
KTL Inds Finance Co Ltd.	61,200	2.44
Hilltop Holdings India Ltd.	31,000	1.24
Canal Inv & Inds Ltd.	2,100	0.08
Total	25,04,174	100.00

5. Off-Shore India Ltd.(OSIL)

OSIL was incorporated on September 9, 1976 and is an investment company. Its Board of Directors consists of Mr. K.Bhattacharjee, Mr.A.K.Sanganeria and Mr.Raghvendra Mehta.

The shareholding pattern of OSIL is given below:

Shareholder	No.of equity shares held	% of voting strength
Spencer & Co Ltd.	59,00,000	20.79
Trade Apartments Ltd.	45,00,000	15.86
Jubilee Inv & Inds Ltd.	34,18,500	12.05
Universal Inds Fund Ltd.	26,00,000	9.16
Yield Investments Ltd.	23,80,634	8.39

Shareholder	No.of equity shares held	% of voting strength
B N Elias & Co Ltd.	21,00,000	7.40
CEAT Ventures Ltd.	19,61,000	6.91
CEAT Holdings Ltd.	19,29,000	6.80
Carniwal Inv Ltd.	15,35,363	5.41
Adorn Investments Ltd.	10,63,637	3.75
Brabourne Investments Ltd.	3,11,500	1.10
South Asia Elec Holdings Ltd.	2,00,000	0.70
Brentwood Investments Ltd.	1,41,500	0.50
Adapt Investments Ltd.	1,24,000	0.44
Canal Inv & Inds Ltd.	1,19,500	0.42
Eastern Aviation & Inds Ltd.	96,000	0.34
Total	2,83,80,634	100.00

All the above companies are RPG Enterprises and are part of the promoter Group. Presently, Mr. R.P. Goenka, Mr. H.V.Goenka and Mr. Sanjiv Goenka are the Chairman Emeritus, Chairman and Vice Chairman respectively of RPG Enterprises. None of the above mentioned companies, its promoters/Directors have been restrained from accessing capital market for any reasons by SEBI or any other authorities. For financials of the group companies please refer to page no.(78). For details of outstanding litigations against the Promoters/Group companies please refer to page no. (95 - 115).

XII. FINANCIAL INFORMATION

AUDITORS' REPORT

To,

The Board of Directors,
CEAT Limited,
Ceat Mahal,
463, Dr. A.B.Road,
Mumbai 400 023.

Dear Sirs,

We have examined the financial information of CEAT LIMITED ("the Company") as attached to this report, and as approved by the Board of Directors of the Company, which has been prepared in terms of the requirements of -

- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956;
- (ii) Securities And Exchange Board Of India (Disclosure And Investor Protection) Guidelines, 2000 ('the Guidelines') issued by The Securities And Exchange Board of India ("SEBI") on January 19,2000 in pursuance of Section 11 of SEBI Act,1992 the SEBI Guidelines and amendments made thereto , to the extent applicable,
- (iii) In pursuance to your mandate dated 28/09/2005 wherein you have requested us to examine the Financial Information referred to above and proposed to be included in the Letter of Offer of the Company in connection with its proposed rights issue of Equity shares.

Financial Information of the Company

1. We have examined the 'Summary Statement of Profits and Losses - Restated' for each of the financial years ended on March 31, 2001, 2002, 2003, 2004, 2005 and for the quarter ended on June 30, 2005, the 'Summary Statement of Assets and Liabilities - Restated' as on those dates, the 'Statement of Cash Flows - Restated' for the years/period ended on those dates as extracted from the audited financial statements for each of the financial years ended on March 31 2001, 2002, 2003, 2004 and 2005 and adopted by the members of the Company and for the quarter ended on June 30, 2005, approved by Board of Directors of the Company after making the necessary and relevant disclosures and adjustments as appropriate and required to be made in our opinion, in accordance with the provisions of Part II of Schedule II of the Companies Act 1956 and the SEBI Guidelines subject to without carrying out the adjustment referred in paragraphs 4 below.
2. We have examined the 'Statement of Consolidated Profits and Losses - Restated' for each of the financial years ended on 31st March 2002, 2003, 2004, 2005 and for the quarter ended on June 30, 2005, the 'Statement of Consolidated Assets and Liabilities - Restated' as on those dates, and the 'Statement of Consolidated Cash Flows - Restated' for the years / period ended on those dates as extracted from the Audited Consolidated Financial Statements for each of the financial years ended on March 31, 2002, 2003, 2004,2005 and for the quarter ended on June 30, 2005 and approved by the Board of Directors of the Company and after making the necessary and relevant disclosures and adjustments as appropriate and required to be made. In our opinion, and subject to paragraph 4 given below and in accordance with the provisions of Part II of Schedule II of the Companies Act 1956 and the SEBI Guidelines.

As the Accounting Standard (AS-21) issued by the Institute of Chartered Accountants of India has become mandatory with effect from 01.04.2001, consolidated financial statements for the year ended 31st March 2001 has not been prepared.
3. The Consolidated Summary Statements have been examined by us, is based on the audit of the respective companies have been conducted by their respective auditors and related reports on the examination by the other Auditors have been furnished to us. We did not audit the financial statements of subsidiary companies in respect of -
 - a) Ceat Holdings Limited for the year ended 31st March, 2002, 2003, 2004, 2005 and for the quarter ended June 30, 2005;
 - b) Ceat Ventures Limited for the year ended 31st March, 2005 and for the quarter ended June 30, 2005;
 - c) Meteoric Industrial Finance Company Limited for the year ended 31st March, 2004, 2005 and for the quarter ended June 30, 2005;
 - d) Atlantic Holdings Limited for the period ended 29th March, 2004 (Date on which ceased as Subsidiary);
 - e) Malabar Coastal Holdings Limited for the period ended 31st December, 2005 (Date on which ceased as Subsidiary);

4. In respect of financial year ended 31st March, 2005 and thereafter

We are unable to express an opinion, on the extent of realisability of Loans/ Advances and other receivables from certain companies and the interest receivables from certain companies and the interest receivables thereon aggregating to Rs. 296.53 Crores which has been principally reviewed based on the latest available audited accounts of the respective companies reflecting erosion in their network. The impact on the result for the year ended 31.03.2005, and thereafter and on reserves thereon is presently not ascertainable.

5. Except for the information referred to in the aforesaid, other pages of the Letter of Offer have not been reviewed by us.
6. This report is intended solely for the use of CEAT LIMITED, for the purpose of inclusion in the Offer Document in connection with the proposed Right Issue of the company. This report may not be used or relied upon by, or disclosed, referred to or communicated by yourself (in whole or in part) to, any third party for any purpose other than the stated use, except with our written consent in each instance, and which consent, may be given, only after full consideration of the circumstances at that time.

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

Sd/-

M.N.Thakkar
Partner
Membership No.8873

Mumbai
Date: 11/10/2005

ANNEXURE - 1
STATEMENT OF ASSETS & LIABILITIES - RESTATED

(Rs.in Lacs)

	As at 30-Jun-05	As at 31-Mar-05	As at 31-Mar-04	As at 31-Mar-03	As at 31-Mar-02	As at 31-Mar-01
A Fixed Assets						
Gross Block	89,044.34	88,982.74	82,916.35	82,009.66	73,668.55	75,742.24
Less : Depreciation	36,761.73	36,038.39	33,096.49	30,313.27	26,196.01	24,445.33
Net Block	52,282.61	52,944.35	49,819.86	51,696.39	47,472.54	51,296.91
Less : Revaluation Reserve	33,115.50	33,322.50	29,012.91	29,829.48	27,638.56	29,134.12
Net Block after adjustment for Revaluation Reserve	19,167.11	19,621.85	20,806.95	21,866.91	19,833.98	22,162.79
Capital Work-in-progress	1,593.94	1,503.27	1,065.70	245.43	1,354.09	1,206.16
Total Fixed Assets	20,761.05	21,125.12	21,872.65	22,112.34	21,188.07	23,368.95
B Investments	19,079.36	19,079.36	19,084.03	19,284.33	19,363.96	19,906.70
C Deferred Tax Asset	2,999.05	2,893.80	2,809.69	3,224.47	3,763.89	-
D Current Assets, Loans and Advances :						
Inventories	18,674.47	16,820.42	17,230.17	17,424.68	13,728.39	17,339.40
Sundry Debtors	22,319.45	23,660.03	24,713.71	18,692.56	18,542.47	19,113.62
Cash and Bank Balances	3,032.01	3,123.63	3,889.30	6,615.87	4,642.25	6,418.13
Loans and Advances	50,859.08	52,523.61	52,605.08	45,204.79	46,832.41	41,078.36
Total Current Assets	94,885.01	96,127.70	98,438.26	87,937.90	83,745.52	83,949.51
E Total Assets (A+B+C+D)	137,724.47	139,225.98	142,204.63	132,559.04	128,061.44	127,225.16
F Liabilities and Provisions						
Secured Loans	28,933.37	33,885.34	31,951.88	36,921.98	41,274.91	45,219.70
Unsecured Loans	10,871.06	11,178.32	15,089.28	11,120.13	10,631.25	13,656.88
Deferred Tax Liability	4,217.89	4,192.65	4,208.54	4,087.32	3,786.74	-
Current Liabilities and Provisions	64,207.29	60,278.38	57,511.82	48,527.16	41,377.74	37,284.43
Total Liabilities and Provisions	108,229.61	109,534.69	108,761.52	100,656.59	97,070.64	96,161.01
G Net Worth (E-F)	29,494.86	29,691.29	33,443.11	31,902.45	30,990.80	31,064.15
Represented by Shareholders Funds :						
H Share Capital	3,509.81	3,509.81	3,509.20	3,509.20	3,509.20	3,509.19
Reserves	59,100.55	59,503.98	58,946.82	58,754.85	55,120.16	56,689.08
Less:- Revaluation Reserve	33,115.50	33,322.50	29,012.91	29,829.48	27,638.56	29,134.12
I Reserves Net of Revaluation Reserve	25,985.05	26,181.48	29,933.91	28,925.37	27,481.60	27,554.96
J Misc. Expenditure (not written off)	-	-	-	532.12	-	-
Net Worth (H+I-J)	29,494.86	29,691.29	33,443.11	31,902.45	30,990.80	31,064.15

ANNEXURE - 2
STATEMENT OF PROFIT AND LOSSES - RESTATED

(Rs.in Lacs)

	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
INCOME :						
Sales:-						
(a) Of Products manufactured by the Company	44,549.13	172,719.43	159,805.69	143,142.74	131,990.24	109,954.68
(b) Of Products traded in by the Company	939.85	5,311.24	4,989.10	4,755.01	4,146.88	9,081.22
Total Gross Sales	45,488.98	178,030.67	164,794.79	147,897.75	136,137.12	119,035.90
Less:- Excise Duty on Sales	5,211.90	25,231.55	24,711.58	27,264.21	25,509.35	20,219.99
Net Sales	40,277.08	152,799.12	140,083.21	120,633.54	110,627.77	98,815.91
Other Income	631.64	3,898.42	10,099.64	6,020.13	6,388.82	7,479.96
Increase/ (Decrease) in Inventories	2,398.15	(421.50)	(2,488.81)	3,079.87	(3,488.94)	1,673.42
Total Income	43,306.87	156,276.04	147,694.04	129,733.54	113,527.65	107,969.29
EXPENDITURE :						
Raw Materials Consumed	29,585.41	100,890.87	87,484.16	73,391.76	64,230.07	54,797.16
Cost of Traded Goods Sold	802.31	4,691.20	3,809.67	3,465.92	3,121.98	7,480.20
Personnel Cost	2,935.05	10,944.09	11,588.55	11,573.80	10,197.03	9,037.57
Manufacturing Expenses	3,769.79	13,988.31	13,688.18	12,577.44	10,745.45	9,818.42
Administration Expenses	991.14	4,209.58	4,789.20	4,781.49	4,663.01	4,860.51
Selling and Distribution Expenses	3,357.62	13,700.21	12,198.65	10,044.82	8,217.12	11,776.97
Interest	1,563.06	6,418.74	7,641.62	8,783.01	10,117.77	9,902.06
Depreciation	537.17	2,205.59	2,210.04	2,184.21	1,883.65	1,648.08
Total Expenditure	43,541.55	157,048.59	143,410.07	126,802.46	113,176.08	109,320.97
Net Profit before tax and Extraordinary Items	(234.68)	(772.55)	4,283.97	2,931.09	351.57	(1,351.68)
(Add)/Less: Extraordinary Items	-	(485.13)	2,062.18	-	-	-
Net Profit before Tax	(234.68)	(287.42)	2,221.79	2,931.09	351.57	(1,351.68)
Less: Taxation	(38.26)	(100.00)	816.00	1,090.07	111.74	20.00
Net Profit after Tax	(196.42)	(187.42)	1,405.79	1,841.02	239.83	(1,371.68)
Add : Debenture Redemption Reserve Written Back	-	1,200.00	-	-	-	-
Add : Transfer from Investment Allowance (Utilised) Reserve	-	-	-	-	335.95	-
Add : Balance brought forward	2,682.49	5,236.95	4,228.41	3,699.86	4,061.01	5,820.74
Less : Provision for Additional Excise Duty	-	3,567.04	-	-	-	-
Profit Available for Appropriation	2,486.07	2,682.49	5,634.20	5,540.88	4,636.79	4,449.06
APPROPRIATIONS :						
Proposed Dividend	-	-	352.13	352.13	352.13	352.13
Corporate Tax on Proposed Dividend	-	-	45.12	45.12	-	35.92
Transfer to Debenture Redemption Reserve	-	-	-	915.21	584.79	-
	-	-	397.25	1,312.46	936.92	388.05
Balance carried to Balance Sheet	2,486.07	2,682.49	5,236.95	4,228.42	3,699.87	4,061.01
Total	2,486.07	2,682.49	5,634.20	5,540.88	4,636.79	4,449.06

ANNEXURE - 3
CASH FLOW STATEMENT - RESTATED
(Rs.in Lacs)

Particulars	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
A Cash flow from operating activities						
Net profit before tax and extraordinary items	(234.68)	(772.55)	4,283.97	2,931.09	351.55	(1,351.68)
Adjustments for :						
Depreciation	537.17	2,205.59	2,210.04	2,184.21	1,883.65	1,648.08
Foreign Exchange Fluctuation (Unrealised)	18.72	102.66	(470.53)	(71.43)	129.56	(13.43)
(Profit)/Loss on sale of investments	-	-	(59.66)	-	(46.57)	(0.50)
Advances written off	-	77.97	-	-	-	-
Interest/Dividend Earned	(141.48)	(1,920.61)	(1,932.22)	(3,870.66)	(4,453.90)	(4,680.65)
Interest expenses	1,563.06	6,418.74	7,641.62	8,619.26	10,117.76	9,902.05
Lease Rent	9.16	37.02	50.97	64.35	467.78	513.41
(Profit)/Loss on sale/discard of Fixed Assets (Net)	13.12	13.39	(384.36)	14.11	(146.30)	19.60
Premium on Redemption of Debentures	-	-	-	-	-	(933.59)
Provisions no longer required written back	(210.52)	(369.06)	(536.62)	(260.58)	(88.35)	-
Provision for Doubtful Debts/ Advances	61.78	269.42	381.16	123.29	144.43	-
Provisions for Obsolescence of Stores	-	34.77	-	0.74	0.35	-
	1,851.01	6,869.89	6,900.40	6,851.42	8,008.41	6,454.97
Operating Profit before working capital changes	1,616.33	6,097.34	11,184.37	9,782.51	8,359.96	5,103.29
Adjustments for :						
Trade and other receivables	2,809.42	2,111.37	(6,898.10)	(1,044.62)	1,568.47	975.00
Inventories	(3,152.21)	1,103.41	1,569.56	(2,957.76)	3,456.36	(2,041.16)
Trade payables and others	5,323.30	(1,083.57)	8,340.18	6,622.07	4,361.79	2,631.82
	4,980.51	2,131.21	3,011.64	2,619.69	9,386.62	1,565.66
Cash generated from Operations	6,596.84	8,228.55	14,196.01	12,402.20	17,746.58	6,668.95
Direct taxes refund/ (paid)	285.00	(142.89)	(563.72)	2,338.23	(1,243.35)	(387.48)
Cash flow before extraordinary items	6,881.84	8,085.66	13,632.29	14,740.43	16,503.23	6,281.47
Extraordinary Items	-	485.13	(824.17)	-	-	-
Net Cash from Operating Activities (A)	6,881.84	8,570.79	12,808.12	14,740.43	16,503.23	6,281.47

CASH FLOW STATEMENT - RESTATED- Continued
(Rs.in Lacs)

Particulars	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
B Cash flow from Investing Activities						
Purchase of Fixed Assets	(176.44)	(1,431.51)	(2,076.82)	(1,369.80)	(1,374.59)	(3,356.38)
Sale of Fixed Assets	34.37	56.85	645.48	76.31	1,641.70	75.47
Purchase of Investments	–	(75.93)	(0.50)	–	(1,500.00)	(2,027.53)
Sale/Redemption Proceeds of Investments	–	80.60	260.46	4,031.50	2,139.32	4,046.04
Interest received	137.07	666.86	542.05	6,529.12	2,422.04	2,305.04
Dividend received	–	21.37	72.15	33.21	67.11	170.60
Advance as Promoter's Contribution	–	–	–	–	–	–
Proceeds from Loans/ Deposits with Companies	–	92.10	3,158.00	3,000.00	5,764.75	2,200.02
Loans/Deposits with Companies	–	–	(6,316.00)	(8,184.62)	(7,275.27)	(5,486.34)
Proceeds of Loan from Subsidiary Companies	–	–	–	–	–	6,762.94
Loan to subsidiary Companies	(216.41)	(421.43)	(2,526.13)	4,778.91	3,090.70	(4,136.93)
Loans repaid by subsidiary Companies	–	429.28	142.42	(8,370.09)	(5,093.58)	–
Net Cash (used in)/from Investing Activities (B)	(221.41)	(581.81)	(6,098.89)	524.54	(117.82)	552.93
C Cash flow from financing Activities						
Proceeds from issue of share Capital/Calls in arrears	–	–	–	–	0.06	0.30
Redemption of Preference share Capital	–	–	–	–	–	–
- Bonds / Debenture issue expenses	–	–	–	–	–	–
Repayment of finance lease Liabilities	(4.84)	(14.53)	(32.72)	(83.53)	(327.41)	(508.67)
Proceeds from Borrowings	814.57	5,722.48	15,907.82	7,762.68	9,881.63	30,281.04
Repayment of Borrowings	(6,094.60)	(7,707.45)	(16,889.24)	(11,470.52)	(16,920.54)	(25,820.37)
Dividend paid	–	(397.25)	(397.25)	(352.13)	(388.05)	(859.21)
Subsidy from SICOM	–	–	–	–	–	–
Interest paid	(1,467.18)	(6,357.90)	(8,024.41)	(9,147.85)	(10,406.98)	(10,698.05)
Net Cash used in Financing Activities(C)	(6,752.05)	(8,754.65)	(9,435.80)	(13,291.35)	(18,161.29)	(7,604.96)
Net Increase/(Decrease) in Cash & Cash equivalent (A+B+C)	(91.62)	(765.67)	(2,726.57)	1,973.62	(1,775.88)	(770.56)
Opening Balance -Cash & Cash Equivalents	3,123.63	3,889.30	6,615.87	4,642.25	6,418.13	7,188.69
Closing Balance -Cash & Cash Equivalents	3,032.01	3,123.63	3,889.30	6,615.87	4,642.25	6,418.13

ANNEXURE - 4
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - RESTATED
(Rs.in Lacs)

	As at 30-Jun-05	As at 31-Mar-05	As at 31-Mar-04	As at 31-Mar-03	As at 31-Mar-02
A. Fixed Assets					
Gross Block	89,044.34	88,982.74	82,936.50	82,039.52	73,698.41
Less : Depreciation	36,761.73	36,038.39	33,102.46	30,324.17	26,206.04
Net Block	52,282.61	52,944.35	49,834.04	51,715.35	47,492.37
Less : Revaluation Reserve	33,115.50	33,322.50	29,012.91	29,829.48	27,638.56
Net Block after adjustment for Revaluation Reserve	19,167.11	19,621.85	20,821.13	21,885.87	19,853.81
Capital Work-in-progress	1,593.94	1,503.27	1,065.70	245.43	1,354.09
Total	20,761.05	21,125.12	21,886.83	22,131.30	21,207.89
B. Investments	16,150.13	16,149.96	15,999.78	14,723.86	15,696.21
C. Deferred Tax Asset	3,248.01	3,142.76	3,058.66	3,385.43	3,869.97
D. Current Assets, Loans and					
Advances					
Inventories	18,674.47	16,820.42	17,230.17	17,424.68	13,728.39
Sundry Debtors	22,319.45	23,660.03	24,713.71	18,692.56	18,542.47
Cash and Bank Balances	3,044.06	3,132.56	3,909.50	4,643.54	4,693.94
Loans and Advances	52,172.22	54,001.46	54,758.16	51,581.11	53,295.07
Total	96,210.20	97,614.47	100,611.54	92,341.89	90,259.87
E. Total Assets(A+B+C+D)	136,369.39	138,032.31	141,556.81	132,582.48	131,033.95
F. Liabilities and Provisions					
Secured Loans	28,933.37	34,099.09	31,951.88	36,921.98	41,274.91
Unsecured Loans	11,075.28	11,382.54	15,317.45	11,146.35	13,685.47
Deferred Tax Liability	4,217.89	4,192.65	4,208.54	4,087.32	3,786.74
Current Liabilities and Provisions	64,235.05	60,305.98	57,610.49	48,597.59	41,385.50
Total	108,461.59	109,980.26	109,088.36	100,753.24	100,132.62
G. Net Worth (E-F)	27,907.80	28,052.05	32,468.45	31,829.24	30,901.33
Represented by					
H. Share Capital	3,509.81	3,509.81	3,509.20	3,509.20	3,509.20
Reserves	57,513.49	57,864.74	57,972.16	58,681.64	55,030.69
Less:- Revaluation Reserve	33,115.50	33,322.50	29,012.91	29,829.48	27,638.56
I. Reserves Net of Revaluation Reserve	24,397.99	24,542.24	28,959.25	28,852.16	27,392.13
J. Less:- Miscellaneous Expenditure	-	-	-	532.12	-
Net Worth (H+I-J)	27,907.80	28,052.05	32,468.45	31,829.24	30,901.33

ANNEXURE - 5
CONSOLIDATED STATEMENT OF PROFIT AND LOSSES - RESTATED
(Rs.in Lacs)

	01/04/05 to 30/06/05	2004- 2005	2003- 2004	2002- 2003	2001- 2002
Income					
Sales					
(a) Of Products manufactured by the Company	44,549.13	172,719.43	159,805.69	143,142.74	131,990.24
(b) Of Products traded in by the Company	939.85	5,311.24	4,989.10	4,755.01	4,146.88
Total Gross Sales	45,488.98	178,030.67	164,794.79	147,897.75	136,137.12
Less:- Excise Duty on Sales	5,211.90	25,231.55	24,711.58	27,264.21	25,509.35
Net Sales	40,277.08	152,799.12	140,083.21	120,633.54	110,627.77
Other Income	689.26	3,987.99	10,612.72	6,577.12	7,032.55
Increase(Decrease) in Inventories	2,398.15	(421.50)	(2,488.81)	3,079.87	(3,488.94)
	43,364.49	156,365.61	148,207.12	130,290.53	114,171.38
Expenditure					
Raw Materials Consumed	29,585.41	100,890.87	87,484.16	73,391.76	64,230.07
Cost of Traded Goods Sold	802.31	4,691.20	3,809.67	3,465.92	3,121.98
Personnel Cost	2,935.05	10,944.09	11,603.45	11,573.80	10,197.03
Manufacturing Expenses	3,769.79	13,996.57	13,716.14	12,585.79	10,753.86
Administration Expenses	991.87	4,830.66	6,105.85	5,262.44	5,093.20
Selling and Distribution Expenses	3,357.62	13,700.21	12,198.65	10,044.82	8,217.12
Interest	1,567.79	6,455.42	7,702.71	8,785.66	10,145.71
Depreciation	537.17	2,206.14	2,211.08	2,185.09	1,884.69
	43,547.01	157,715.16	144,831.72	127,295.28	113,643.66
Net Profit before tax and Extraordinary Items	(182.52)	(1,349.55)	3,375.40	2,995.25	527.72
(Add)/Less: Extraordinary Items	-	(485.13)	2,062.18	-	-
Net Profit before Tax	(182.52)	(864.42)	1,313.22	2,995.25	527.72
Taxation	(38.26)	(88.80)	806.86	1,137.97	151.00
Net Profit after Tax	(144.26)	(775.62)	506.36	1,857.28	376.72
Add : Income Tax Adjustment of earlier Years	-	(72.29)	-	-	-
Add : Transfer from General Reserve	-	216.18	-	-	-
Add : Transfer from Investment Allowance (Utilised) Reserve	-	-	-	335.95	-
Add : Debenture Redemption Reserve Written Back	-	1,200.00	-	-	-
Add : Balance brought forward	1,027.94	4,026.51	3,915.97	3,371.15	3,595.40
Less : Provision for Additional Excise Duty	-	3,567.04	-	-	-
Profit Available for Appropriation	883.68	1,027.74	4,422.33	5,228.43	4,308.07
Appropriations					
Proposed Dividend	-	-	352.13	352.13	352.13
Corporate Tax on Proposed Dividend	-	-	45.12	45.12	-
Adjustment due to desubsiderisation	-	(0.20)	(1.43)	-	-
Transfer to Debenture Redemption Reserve	-	-	-	915.21	584.79
	-	(0.20)	395.82	1,312.46	936.92
Balance carried to Balance Sheet	883.68	1,027.94	4,026.51	3,915.97	3,371.15
	883.68	1,027.74	4,422.33	5,228.43	4,308.07

ANNEXURE - 6
CONSOLIDATED CASH FLOW STATEMENT - RESTATED
(Rs. In Lacs)

Particulars	01/04/05 to 30/06/05	31.03.2005	31.03.2004	31.03.2003	31.03.2002
A Cash flow from operating activities					
Net profit before tax and extraordinary items	(182.52)	(1,349.55)	3,375.40	2,995.25	527.72
Adjustments for :					
Depreciation	537.17	2,206.13	2,211.06	2,185.09	1,884.68
Foreign Exchange Fluctuation (Unrealised)	18.72	102.65	(470.52)	(71.41)	45.34
(Profit)/Loss on sale of investments	–	–	(75.60)	–	(46.57)
Advances written off	–	77.97	–	–	–
Interest/Dividend Earned	(201.74)	(1,994.53)	(2,403.16)	(4,369.64)	(4,923.23)
Interest expenses	1,567.05	6,434.74	7,654.00	8,621.64	10,145.71
Lease Rent	9.16	37.02	50.98	64.35	467.78
(Profit)/Loss on sale/discard of Fixed Assets (Net)	13.12	13.39	(384.36)	14.11	(146.41)
Provisions no longer required written back	(210.52)	(369.06)	(536.74)	(291.32)	(190.96)
Provision for Doubtful Debts/ Advances	61.78	269.42	381.16	123.29	144.43
Provision for diminution in value of investment	–	497.91	517.96	508.39	385.03
Provisions for Obsolescence of Stores	–	34.77	–	0.74	0.35
Miscellaneous Receipts	(5.00)				
Prior Period Income	(8.27)				
Provision for Non-Performing Assets	–	104.43	780.39	12.95	22.11
Provision for desubsiderisation	–	(7.71)	(1.19)	–	
	1,794.74	7,407.13	7,723.98	6,798.19	7,774.99
Operating Profit before working capital changes	1,612.22	6,057.57	11,099.38	9,793.44	8,302.71
Adjustments for :					
Trade and other receivables	2,754.97	2,779.33	(3,515.70)	(1,051.75)	1,546.36
Inventories	(3,152.21)	1,103.41	1,569.56	(2,957.76)	3,454.05
Trade payables and others	5,112.46	(850.75)	8,355.07	6,619.61	2,884.81
	4,715.22	3,031.99	6,408.93	2,610.10	7,885.22
Cash generated from Operations	6,327.44	9,089.56	17,508.30	12,403.54	16,187.93
Direct taxes refund/ (paid)	285.00	(66.07)	(686.32)	2,744.73	(1,327.90)
Cash flow before extraordinary items	6,612.44	9,023.49	16,821.98	15,148.27	14,860.03
Extraordinary Items	–	485.13	(824.17)	–	–
Net Cash from Operating Activities (A)	6,612.44	9,508.62	15,997.81	15,148.27	14,860.03

CONSOLIDATED CASH FLOW STATEMENT - RESTATED- Continued
(Rs. In Lacs)

Particulars	01/04/05 to 30/06/05	31.03.2005	31.03.2004	31.03.2003	31.03.2002
B Cash flow from Investing Activities					
Purchase of Fixed Assets	(176.44)	(1,431.52)	(2,078.52)	(1,369.79)	(1,374.59)
Sale of Fixed Assets	34.37	56.85	645.48	76.31	1,641.70
Sale of Division	–	–	–	–	–
Purchase of Investments	(0.16)	(801.72)	(1,993.97)	–	(1,350.00)
Sale/Redemption Proceeds of Investments	–	80.68	282.73	4,031.50	2,179.44
Interest received	137.67	717.25	903.03	5,727.22	2,036.65
Dividend received	59.66	44.82	108.88	104.36	120.04
Proceeds from Loans/Deposits with Companies	–	17,237.57	18,897.05	3,000.00	(3,127.36)
Loans/Deposits with Companies	–	(17,418.85)	(24,248.38)	(9,760.50)	1,635.13
Net Cash from Investing Activities (B)	55.10	(1,514.92)	(7,483.70)	1,809.10	1,761.01
C Cash flow from financing Activities					
Proceeds from issue of share Capital/ Calls in arrears	–	–	89.00	–	1,350.06
Repayment of finance lease liabilities	(4.84)	(14.53)	(32.72)	(83.53)	(327.41)
Proceeds from Borrowings	814.57	5,722.48	16,107.85	7,734.68	11,381.62
Repayment of Borrowings	(6,094.60)	(7,707.45)	(16,978.24)	(14,470.52)	(19,962.80)
Dividend paid	–	(397.25)	(397.25)	(352.13)	(388.05)
Interest paid	(1,471.17)	(6,373.90)	(8,036.79)	(9,836.27)	(10,426.95)
Net Cash generated/(used) in Financing Activities (C)	(6,756.05)	(8,770.65)	(9,248.15)	(17,007.77)	(18,373.53)
Net Increase/(Decrease) in Cash & Cash equivalent (A+B+C)	(88.50)	(776.94)	(734.04)	(50.40)	(1,752.49)
Opening Balance -Cash & Cash Equivalents	3,132.56	3,909.50	4,643.54	4,693.94	6,446.43
Closing Balance -Cash & Cash Equivalents	3,044.06	3,132.56	3,909.50	4,643.54	4,693.94

ANNEXURE - 7

Significant Accounting Policies for CEAT Limited

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 ("GAPP") 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 less depreciation. Cost comprises cost of acquisition, cost of improvements, borrowing cost and any attributable cost of bringing the asset to the condition for its intended use. Cost also includes direct expenses incurred upto the date of capitalisation/commissioning, 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 exclusive of depreciation on revaluation of assets, which is adjusted against Revaluation Reserve.

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 Value Added Tax (VAT), sales tax and freight recovery.

Dividend and Interest are accounted for on an accrual basis.

H) Export Incentive

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

I) Foreign Currency Transactions

Foreign currency transactions other than those covered by forward contracts are recorded at current rates except export transactions, which are recorded at the spot rate at the beginning of each month.

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

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

During 2000-01 & 2001-02 Lease Rentals in respect of finance lease are segregated in to cost of assets and interest component by applying an implicit Internal Rate of Return. The cost component is amortised over the remaining useful life of the asset and the interest component as period cost. Lease payments in excess of or lower than the charge for the year is carried as prepaid sums or liabilities respectively.

K) Research and Development

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

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

L) 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, Superannuation and Gratuity 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.

Significant Accounting Policies for Consolidated Accounts of CEAT Ltd.

1) PRINCIPLES OF CONSOLIDATION

(a) The financial statement have been prepared to comply in all material aspects with applicable accounting principles in India, and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

(b) **CONSOLIDATED FINANCIAL STATEMENTS** relates to CEAT LTD, the Parent Company and its Subsidiaries. The Consolidated Financial Statements are in conformity with the AS-21 issued by the ICAI and are prepared on the following :

(i) The financial statements of the Parent Company and its Subsidiaries have been combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating inter-company balances and transactions, resulting in unrealised profits & losses.

(ii) The consolidated financial statement are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements except otherwise stated elsewhere in this schedule.

(c) **1) Depreciation**

In Subsidiary books depreciation is provided on Written Down Value Method at the rates specified in schedule XIV to the Companies Act 1956.

2) Revenue Recognition

In the Subsidiary books, income is recognised on an accrual basis except in respect of assets classified as Non Performing Assets (NPA). Classification of loans and advances as NPA and provision for doubtful advances is in accordance with relevant RBI guidelines, except for amounts realised after the balance sheet dates are recognised in arriving at the year end classification.

ANNEXURE - 8
Notes to Financial Information of CEAT Limited
(Rs. in lacs)

	2005-06 Quarter ended 30th June, 2005	2004-05
1) Remuneration to Managing Director (exclusive of contribution to Gratuity Fund on actuarial valuation).		
Salaries	5.40	21.60
Allowances & Perquisites	0.60	2.40
Contribution to Provident and Superannuation Funds	1.46	5.83
Total	7.46	29.83

Notes: -

- a) 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.
- b) As per the terms of appointment applicable during the year, no amount is payable to the Managing Director as commission.
- 2)
 - a) The Company has identified the suppliers who are covered under the "Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993". The liability under the said Act on account of interest is not ascertained as at 30th June, 2005. However, no claims have been received for interest from suppliers with reference to the above Act.
 - b) The names of small scale industrial undertakings to whom the Company owes a sum which is outstanding as per terms of contract agreed to for more than 30 days as at Balance Sheet date are given below.

Accura Valves, Acusharp Knives, Acmechem Pvt. Ltd., Alfa Engineers, Alfred Rubber Products, Aristoplast, Asco Tarapur, Bharat Rubber Regenerating Ltd., Burad Chemicals Pvt. Ltd., C M & Sons, Clutch Oil & Allied Ind. Pvt. Ltd., E Evers Rubber Chemicals Pvt. Ltd., Amco Precima, Elma Electric Co. Pvt. Ltd., Flexhose India, Forward Alloys & Castings, Grand Wood Works & Saw Mill, I G Fabrichem, Industrial Controls & Appliances, J K Enterprises, Jaishil Sulphur & Chemicals, J N Industries, Kalyani Industries, Key Industries, Micro Tyres & Belts Pvt. Ltd., Multiquadrant Ind Control, Navbharat Metallic Oxide Industry, National Spring Works, P J Brothers, Panchal Engineers, Pragati Udyog, Pneumatic Tools Mfg. Co., Pukhraj Corporation, Pukhraj Engg. & Chemicals, Pigment & Chemicals, Premier Polymer Industries, Rajashree Enterprises, Ratna Moti Engineers Works, Shah Petroleum Ltd., Sathi Industries, Shanmukha Laboratories, Sipa Press, Solar Chemferts Pvt. Ltd., Specific Ventil Fabric, Suraiya Pvt. Ltd., Swastik Enterprises, Tech India Enterprises, Vita Technology Pvt. Ltd., Vibros Rubber Products Pvt. Ltd., Zircon Metal Enterprises

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.

- 3) Major components of Deferred Tax Assets and Deferred Tax Liabilities:

(Rs.in lacs)

Particulars	2005-06 (Quarter I)	2004-05
Assets		
Carried forward tax losses and depreciation	2,259.79	2,145.42
Disallowance under section 43B of the Income Tax Act	739.25	748.38
	2,999.04	2,893.80
Liability		
Difference between book and tax depreciation	4,217.89	4,192.65
	4,217.89	4,192.65
	(1,218.85)	(1,298.85)

4) **Disclosure of related parties/related party transactions:**

a) Related parties:

(i) Subsidiaries of the Company :

- CEAT Ventures Limited,
- CEAT Holdings Limited,
- Meteoric Industrial Finance Company Limited,

(ii) Other 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 (*),
- Rado Tyres Limited
- Zensar Technologies Limited

(iii) 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 :

(Rs. in Lacs)

	Subsidiaries of the Company	Other Related Parties	Subsidiaries of the Company	Other Related Parties
	April to June 2005	April to June 2005	2004-05	2004-05
Transactions				
1. Reimbursement of Expenses	2.77	4.98	–	37.33
2. Export Sales	–	0.21	–	3.99
3. Royalty	–	15.00	–	70.47
4. Interest (Net)	–	9.08	–	36.41
5. Imports of traded goods	–	369.69	–	2,405.06
6. Loans and Advances given	216.41	–	(2.00)	–
7. Deposits received	–	–	(10.00)	–
8. Conversion charges	–	116.47	–	425.20
Amount due to / from related parties				
1. Interest Receivable	1,690.51	223.24	1,690.51	221.78
2. Debtors	13.84	16.17	–	12.59
3. Loans, Advances and Deposits given	14,605.90	460.31	14,389.49	368.10
4. Royalty receivable	–	74.41	–	59.41
5. Creditors	–	599.83	–	1,047.80
6. Investments in Shares and Debentures	11,630.25	195.81	11,630.25	195.81

Transactions with Mr. Paras K. Chowdhary, Managing Director being the remuneration paid to him have been given in note no. 2 above.

5) Disclosures as required under clause 32 of listing agreement.

i) Loans and Advances in the nature of Loans given to Subsidiaries.

(Rs.in Lacs)

Sr. No	Name of the Company	As at 30th June, 05	Maximum Balance during the year
1	CEAT Holding Ltd.	9,332.85	9,332.85
2	Meteoric Industrial Finance Co. Ltd.	1,299.78	1,299.78
3	CEAT Venture Ltd.	3,982.27	3,982.27

Loans and Advances shown above, to Subsidiaries fall under the category of 'Loans and Advance in nature of loans where there is no repayment schedule'.

ii) Loans and Advances in the nature of loans to Associates: Rs. Nil

iii) Loans and Advances in the nature of loans where there is no repayment schedule, or no interest or interest below Section 372A of the Companies Act, 1956: Rs. Nil (For the year ended 31st March, 2005 - Rs. Nil)

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

iv) Loans and Advance in the nature of Loans to Firms / Companies in which Directors are interest : Rs. Nil (For the year ended 31st March, 2005 - Rs. Nil)

v) Investment by the Loanee in the Shares of the Companies as on 30th June, 2005

Sr. No.	Loanee	No. of Equity shares of Rs.10/- each fully paid up
1	Adapt Investments Ltd.	135
2	Brabourne Investments Ltd.	269
3	B.N.Elias & Co. Ltd.	100
4	Universal Industrial Fund Ltd.	131
5	Yield Investments Ltd.	100
6	Canal Investments and Industries Ltd.	5982
7	Chattarpati Investments Ltd.	8606
8	Hilltop Holdings India Ltd.	535183
9	Jubilee Investments and Industries Ltd.	1754879
10	Offshore India Ltd.	269856

6) **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 in accordance with the Accounting Standard AS-17 "Segment Reporting".

7) **a) For the year ended 31.03.04:**

The Company had been following the policy of amortisation of the Voluntary Retirement Scheme (VRS) and separation cost over a period of 60 months. During the period, the Company charged its policy to expense out VRS and separation costs as and when incurred. Accordingly the unamortised expenditure as on 1st April 2003 has also been charged to the Profit and Loss Account. Due to this charge of Accounting policy, the profit for the year is lower by Rs. 658.00.lacs.

b) Extraordinary item comprise of provision for contingency of Rs.1,238.01 Lacs in respect of disputed excise duty, Octroi claims, etc., and voluntary retirement scheme (VRS) and separation cost of Rs. 824.18 Lacs.

8) a) **For the year ended 31.03.05:**

Provision for Additional Excise Duty - Additional Excise Duty of Rs.5,512.05 Lacs was accounted in during the year ended 31.03.04 which was originally permitted to be utilised for payment of CENVAT by Finance Act, 2003. The same was partially withdrawn by Finance Act, 2004. As a consequence, provision of Rs. 3,567.04 Lacs for the period up to 31st March, 2000 has been made.

b) **Provision for Contingency:**

- i) Rs.752.88 Lacs has been used from contingency provision towards excise, sales tax and octroi claims, etc.,
- ii) The company has reversed provision for contingency of Rs. 485.13 Lacs as extraordinary items due to satisfactory conclusion of certain matters under litigation.

9) As a measure of prudence, the Company has decided to restrict interest income on Inter Corporate Loan and advances aggregating to Rs.23,360.84 Lacs on receipt basis from 01.04.2005.

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

Notes to Financial Information for Consolidated Accounts of CEAT Ltd.

1. Major component of Deferred Tax Assets and Deferred Tax Liabilities:

(Rs. in lacs)

Particulars	2005-06 (Quarter I)	2004-05
Assets		
Carried forward tax losses and depreciation	2,508.75	2,394.38
Disallowance under section 43B of the Income Tax Act	739.25	748.38
	3,248.00	3,142.76
Liability		
Difference between book and tax depreciation	4,217.89	4,192.65
	(969.89)	(1,049.89)

2) **Investments**

- a) CEAT Ventures Limited has pledged its shareholding of CESC Limited in favour of IDBI Trusteeship Services Limited, which acts as Trustee for the benefit of secured lenders of CESC Limited.
- b) CEAT Ventures Limited has given an undertaking to financial institution, which has given loan to RPG Cables Ltd. (a company in which Upcom Cables Ltd. is merged) for non-disposal of its share-holdings in those companies till repayment of loans by them.
- c) CEAT Ventures Limited and CEAT Holdings Limited has pledged its shareholding in RPG Cables Limited for securing advances made by certain Banks to RPG Cables Limited.

3) In case of Meteoric Industrial Finance Limited (MIFL) , CEAT Holdings Limited (CHL) and CEAT Ventures Limited, as on the balance sheet date , inter corporate deposits of Rs.4,453.35 lacs , Rs 4,451.50 lacs and Rs 3,123.76 lacs respectively are outstanding from companies having negative networth as per the latest available audited financial statements of those companies. The interest amounts of these deposits have been considered doubtful and provided for to the extent of requirement as per Non-Banking Financial Companies Regulation. The balance amounts has been considered good and recoverable , since it has the support of its Group Companies.

4) **Desubsiderisation**

- 1. The Consolidated Financial statement include the Financial transactions of Atlantic Holdings Limited till the date of desubsiderisation i.e. 29th March, 2004.
- 2. The Consolidated Financial statement include the Financial transactions of Malabar Coastal Holdings Limited till the date of desubsiderisation i.e. 31st December, 2004.

5) The Consolidated financial statement has not been prepared for the year ended 31st March 2001 as the Accounting Standard (AS-21) issued by the Institute of Chartered Accountants of India has become mandatory w.e.f.01.04.2001.

6) Previous Year's figures have been regrouped wherever necessary to conform to Current periods classification.

ANNEXURE 9
**SCHEDULE FOR INVESTMENTS (QUOTED AND UNQUOTED) FULLY PAID
FOR COMPANY**
(Rs. In Lacs)

Long Term Investments	As at 30-Jun-05	As at 31-Mar-05	As at 31-Mar-04	As at 31-Mar-03	As at 31-Mar-02	As at 31-Mar-01
A <u>Book Value of Quoted Investments in Equity Shares</u>						
Subsidiary Company	–	–	–	–	–	–
Others	6,712.28	6,712.29	6,636.36	6,863.47	6,863.47	7,374.72
Total (A)	6,712.28	6,712.29	6,636.36	6,863.47	6,863.47	7,374.72
Market Value of Quoted investments	11,282.63	10,369.46	5,079.01	1,847.40	3,094.10	3,054.95
B <u>Book Value of Unquoted Investments in Equity Shares</u>						
Subsidiary Companies	10,549.96	10,549.96	10,549.96	10,549.96	10,549.96	9,049.96
Others	721.96	721.95	721.95	543.14	543.14	558.05
(a)	11,271.92	11,271.91	11,271.91	11,093.10	11,093.10	9,608.01
in Preference Shares						
Subsidiary Companies	–	–	17.60	17.60	17.60	17.60
Others	–	–	–	–	–	–
(b)	–	–	17.60	17.60	17.60	17.60
in Debentures						
Subsidiary Companies	1,080.29	1,080.29	1,080.29	1,169.29	1,169.29	2,669.29
Others	63.00	63.00	126.00	189.00	220.50	252.00
(c)	1,143.29	1,143.29	1,206.29	1,358.29	1,389.79	2,921.29
Total (B) [a+b+c]	12,415.21	12,415.20	12,495.80	12,468.99	12,500.49	12,546.90
Grand Total (A+B)	19,127.49	19,127.49	19,132.16	19,332.46	19,363.96	19,921.62
Less:- Diminution in Value of Quoted Investments	48.13	48.13	48.13	48.13	–	14.92
	19,079.36	19,079.36	19,084.03	19,284.33	19,363.96	19,906.70

FOR CONSOLIDATED ACCOUNTS
(Rs. In Lacs)

	Long Term Investments	As at 30-Jun-05	As at 31-Mar-05	As at 31-Mar-04	As at 31-Mar-03	As at 31-Mar-02
A	Book Value of Quoted Investments in Equity Shares (A)	12,607.67	12,607.51	11,920.92	11,633.12	11,811.95
	Market Value of Quoted investments	18,695.41	18,012.90	7,775.06	1,847.40	5,057.81
B	Book Value of Unquoted Investments					
	In Equity Shares	4,434.35	4,434.35	4,434.35	3,717.13	4,001.50
	In Preference Shares	462.50	462.50	472.55	143.70	143.70
	In Debentures	563.00	563.00	626.00	189.00	220.50
	(B)	5,459.85	5,459.85	5,532.90	4,049.83	4,365.70
	Total (A+B)	18,067.52	18,067.36	17,453.82	15,682.95	16,177.65
	Less:- Diminution in Value of Quoted Investments	1,917.40	1,917.40	1,454.04	959.09	481.44
		16,150.12	16,149.96	15,999.78	14,723.86	15,696.21

ANNEXURE - 10
STATEMENT OF DIVIDEND PAID

	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Equity Shares						
Number of Equity Shares	3,52,13,320	3,52,13,320	3,52,13,320	3,52,13,320	3,52,13,320	3,52,13,320
Face Value per Share (Rs.)	10	10	10	10	10	10
Paid up Value per Share (Rs.)	10	10	10	10	10	10
Rate of Dividend (%)	–	–	10%	10%	10%	10%
Total Dividend (Rs. In Lacs)	–	–	352.13	352.13	352.13	352.13
Corporate Dividend Tax on above (Rs. In Lacs)	–	–	45.12	45.12	–	35.92

STATEMENT OF CAPITAL COMMITMENTS
(Rs. In Lacs)

Particulars	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Estimated amount of contracts remaining to be executed on Capital Account and not provided for - net of advance payments	330.08	220.92	540.61	562.22	258.26	564.92

ANNEXURE 11
ACCOUNTING RATIOS
(Rs. In Lacs)

Particulars	01/04/05 to 30/06/05	2004- 2005	2003- 2004	2002- 2003	2001- 2002	2000- 2001
A (I) Net Profit After Tax and after Extraordinary Items	(196.42)	(187.42)	1,405.79	1,841.02	239.83	(1,371.68)
(II) Net Profit After Tax and before Extraordinary Items	(196.42)	(672.55)	3,309.44	1,841.02	239.83	(1,371.68)
B Weighted Average Number of Equity Shares outstanding during the period (Nos. in Lacs)	352.13	352.13	352.13	352.13	352.13	352.13
C Number of Equity Shares outstanding at the end of the year (Nos. in Lacs)	352.13	352.13	352.13	352.13	352.13	352.13
D Networth (excl. Revaluation Reserve)	29,494.86	29,691.29	33,443.11	31,902.45	30,990.80	31,064.15
E Capital Employed	69,299.29	74,754.95	80,484.26	79,944.56	82,896.96	89,940.73
F Profit before Interest & Tax	1,328.38	5,646.19	11,925.59	11,714.09	10,469.34	8,550.38
Accounting Ratios						
Earning per Share (after Extra-ord. Items)						
Basic and diluted [A (I) /B]	(0.56)	(0.53)	3.99	5.23	0.68	(3.90)
Earning per Share(before Extra-ord.Items)						
Basic and diluted [A (II) /B]	(0.56)	(1.91)	9.40	5.23	0.68	(3.90)
Net Asset Value per Share [D/C]	83.76	84.32	94.97	90.60	88.01	88.22
Return (after extra-ord. Item) on Net Worth (%) [A (I) /D]	-0.67%	-0.63%	4.20%	5.77%	0.77%	-4.42%
Return (before extra-ord. Item) on Net Worth (%) [A (II) /D]	-0.67%	-2.27%	9.90%	5.77%	0.77%	-4.42%
Return on Capital Employed (%) [F/E]	1.92%	7.55%	14.82%	14.65%	12.63%	9.51%

ANNEXURE 12
CAPITALISATION STATEMENT

(Rs.in Lacs)

Particulars	Pre issue		Post issue
	Before forfeiture	After forfeiture	
Debt			
Short Term Debt	25,674.86		25,674.86
Long Term Debt	14,129.57		14,129.57
Total Debt	39,804.43		39,804.43
Shareholder's Fund			
Share Capital	3,509.81	3,512.23	4,565.90
Reserves	59,100.55	59,123.10	63,337.77
Less : Revaluation Reserves	33,115.50		33,115.50
Less : Misc Exp. Not written off	—		—
Total Shareholder's Fund	29,494.86		34,788.17
Long Term Debt / Equity	0.48		0.41

ANNEXURE - 13

STATEMENT OF TAXATION

(Rs. In Lacs)

Financial Year	2004-05	2003-04	2002-03	2001-02	2000-01
A Tax Rates					
Normal Tax Rates	36.59%	35.875%	36.75%	35.70%	39.55%
Minimum Alternative Tax (MAT) u/s 115JB of the Income-tax Act, 1961	7.84%	7.6875%	7.875%	7.65%	8.475%
B. Tax payable on Normal Income					
Profits before tax as per Audited Accounts	Nil	2,221.78	2,931.08	351.57	Nil
Adjustments on account of Timing Differences	(361.91)	(478.92)	382.29	(1,427.12)	(143.54)
Set-off of Unabsorbed Losses/depreciation to the extent utilised	N.A.	1,742.86	3,313.37	N.A.	N.A.
Tax on Normal Income	Nil	Nil	Nil	Nil	Nil
C. Minimum Alternative Tax paid as per the provisions of Section 115JB as per rates applicable	Nil	197.38	230.82	22.05	Nil

Note: Above data are compiled as per Income Tax Return Furnished under Section 139(1) of the Income Tax Act, 1961.

ANNEXURE - 14
SCHEDULE OF OTHER INCOME
(Rs. In Lacs)

Particulars	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Additional Excise Duty refund *		–	5,512.09	–	–	–
Foreign Exchange Fluctuations (Net)	–	273.61	–	–	–	–
Sale of Scrap	119.64	686.04	663.87	724.36	639.34	510.24
Profit on Assets Sold/Discarded	–	3.99	452.13	36.14	177.35	2.08
Interest						
From Subsidiaries	–	–	683.92	1,438.10	1,696.43	
Others	141.48	1,899.24	1,879.14	3,147.18	2,952.59	2,863.44
Dividend on Investments (Non trade)	–	21.37	53.09	39.56	63.21	120.78
Royalty	15.00	70.47	71.65	72.74	60.81	52.96
Premium on Redemption of Debentures	–	–	–	–	933.59	
Profit on sale of Investments	–	–	59.66	–	61.19	0.50
Provisions for Doubtful Debts / Advances Written Back Recovered	–	62.53	35.68	30.78	69.06	30.10
Provisions no longer required written back	210.52	369.06	536.62	260.58	88.35	323.87
Miscellaneous	145.00	512.11	835.71	1,024.87	838.82	945.97
	631.64	3,898.42	10,099.64	6,020.13	6,388.82	7,479.96

*Non Recurring in nature

ANNEXURE - 15
DETAILS OF SECURED LOANS AS AT 30TH JUNE 2005
(Rs in Lacs)

Particulars	Sanctioned	Outstanding	Rate of Int % p.a.	Repayment schedule
Debenture 13.50 % Secured Redeemable Non-Convertible Debentures (Note 1)	4,000	321.50	13.50	16 equal quarterly Instalments from Dec 15,2003 to Sept 15,2007.
Term Loan				
A. Financial Institutions :				
IFCI Limited (Note 2)	2,143	535.75	14.00	20 quarterly Instalments of Rs. 107 Lacs from Oct 2001 to Jul 2006.
B. Banks :				
ICICI Bank Limited (Note 3)	9,500	1,600.00	13.35	20 equal quarterly Instalments from July 2002 to Apr 2007.
Industrial Development Bank of India (Note 4)	6,000	1,778.00	12.50	20 equal quarterly Instalments from July 2002 to Apr 2007.
The Federal Bank Limited (Note 5)	1,000	749.92	11.00	16 quarterly instalment of Rs. 62.50 Lacs from August 2004
Indian Bank (Note 6)	7,000	6,532.00	10.00	60 monthly instalments of Rs 117 lacs from March 2005
Bank Borrowings : (Note 7)				
Working Capital Demand Loan		1,903.16	13.50	
Foreign Currency Non - Resident - Bank Loan		3,773.52	5.50	
Cash Credit Facilities		2,241.81	13.50	
Export Packing Credit		9,389.00	7.00	
Vehicle Loans (Note 8)		104.00	6.5 - 9.5	
Interest accrued and due on above		4.71	-	
Total		28,933.37		

NOTES TO SECURED LOANS

- 13.50% 40,00,000 Secured Redeemable Non-Convertible Debentures of Rs.8.04 (100) each issued to ICICI Bank Limited against financial assistance for Company's Radial Project. These Debentures are secured by first mortgage on the immovable property of the Company situated at Bhileshwarpura, district Mehsana, Gujarat and movable properties of the Radial Project at Nasik. These debentures were redeemable at par in 16 equal quarterly installments commencing from 15th December, 2003.
- Term Loan from IFCI Limited is secured on all the movable and immovable assets of the Company (except for CEAT Mahal Property at Worli, in Mumbai, Temple property at Gawlior in Madhya Pradesh, property at Bhileshwarpura, District Mehsana, Gujarat) The aforesaid charges are to rank pari passu with a mortgage and charges created in favour of Industrial Development Bank of India Ltd. for the balance amount of the Term Loan of Rs.1,778 (3,048) lacs, ICICI Bank Limited, for the balance amount of the Corporate Loan of Rs.1,600 (2,600) lacs and with second charge in favour of Consortium of Banks led by Bank of India for Working Capital facilities.
- The Corporate Loan of Rs.1,600 (2,600) lacs of ICICI Bank Limited is secured on movable and immovable properties at Bhandup and Nasik (except movable of Radial Unit at Nasik) on pari passu basis with Industrial Development Bank of India Ltd., and IFCI Ltd. for the respective loans and with second charge in favour of Consortium of Banks led by Bank of India for working capital facilities.

4. Term Loan from Industrial Development Bank of India Ltd., is secured on all movable and immovable properties of the Company (except for CEAT Mahal property at Worli, Mumbai, Temple property at Gawlior in Madhya Pradesh and property of the Company situated at Bhileshwarpura, District Mehsana, Gujarat). The aforesaid charges are to rank pari passu with a mortgage and charges created in favour of IFCI Limited, for its Term Loan, charge in favour of ICICI Bank Limited, for its Corporate Loan and second charge in favour of Consortium of Banks led by Bank of India for Working Capital facilities.
5. The Term Loan of Rs.750 lacs obtained from Federal Bank Limited is secured on all the movable (except movable at Radial Unit at Nasik) and immovable assets of the Company situated at Bhandup, and Nasik Plants on pari passu basis with IFCI Limited, Industrial Development Bank of India Ltd., and ICICI Bank Ltd.
6. The Term Loan of Rs.6,532 lacs availed from Indian Bank is presently secured by mortgage of CEAT Mahal property situated at Worli in Mumbai and first pari passu charge on the movable assets of Radial Unit at Nasik.
7. Fund/Non Fund based Working Capital facilities from consortium of Banks led by Bank of India are secured/to be 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.
8. The vehicle loans availed from Citi Bank N.A., Citicorpmaruti Finance Limited, Ford Credit Kotak Mahindra Limited, Kotak Mahindra Primus Limited, ICICI Bank Limited, GMAC- TCFC Finance Limited, HDFC Bank Limited and GE Countrywide Consumer Financial Services Limited are secured by way of hypothecation of the Vehicles financed by them.

ANNEXURE - 16

DETAILS OF UNSECURED LOANS AS AT 30TH JUNE 2005

Particulars	(Rs.in Lacs)	Effective Cost p.a.	Repayment Schedule
Term Loan :			
IL & FS Limited	350.00	10%	Scheduled at March 2007
Bank	500.00	8.5%	Scheduled at November 2005
Public Deposits	6,834.48	10 to 11 %	Between 6 month to 3 years
Inter-corporate Deposits	929.31	9 to 9.5 %	Average maturity period of 90 days
Interest Free Sales Tax Loan	332.74	Interest Free	5 equal annual instalment Starting from July 2003 to Dec 2007
Deferred Sales Tax Incentive- (State Industrial and Investment Corporation of Maharashtra Ltd (SICOM))	1,924.53	Interest Free	5 equal annual instalment Starting from April 2011
Total	10,871.06		

ANNEXURE - 17

SUNDRY DEBTORS

(Rs.in Lacs)

Particulars	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Debts outstanding for a period exceeding six months						
Considered Good	423.90	350.34	604.63	1,091.00	1,297.97	938.80
Considered Doubtful	813.67	751.89	831.05	872.55	784.03	720.70
Less : Provided for	813.67	751.89	831.05	872.55	784.03	720.70
	423.90	350.34	604.63	1,091.00	1,297.97	938.80
Other Debts Considered Good	21,895.55	23,309.69	24,109.08	17,601.56	17,244.50	18,174.82
	22,319.45	23,660.03	24,713.71	18,692.56	18,542.47	19,113.62

ANNEXURE - 18
CONTINGENT LIABILITIES

(Rs. In Lacs)

Particulars	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
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	281.87	281.87	256.81	207.87	250.16	250.16
Wealth Tax	3.20	3.20	16.51	1.11	–	–
Excise and Custom Duty	4,030.62	3,887.37	2,483.00	783.00	1,030.00	1,979.00
Sales Tax	4.07	4.07	4.51	–	20.37	2.95
b) Direct and Indirect Taxation matters in respect of which the Company is in appeal						
Income Tax	–	–	208.23	166.62	174.23	138.39
Wealth Tax	–	–	11.15	59.24	69.54	25.38
Excise and Custom Duty	556.14	417.02	965.00	2,061.10	1,827.12	2,135.36
Sales Tax	395.75	395.93	410.08	366.99	446.29	646.40
c) Disputed demands of Octroi Duty	85.00	85.00	1,362.00	1,121.12	985.28	891.83
d) Bills discounted with Banks and Finance Companies	4,279.91	3,873.81	7,305.61	195.58	1,773.53	1,159.22
e) Corporate Guarantees given on behalf of others Covered by indemnity undertakings from RPG Enterprises Ltd.	2,550.00	2,550.00	2,650.00	2,650.00	2,650.00	2,650.00
Other Corporate Guarantees	300.00	300.00	300.00	300.00	300.00	250.00
Contingent liabilities of all subsidiaries combined:						
Disputed demands of Income Tax	90.21	90.21	120.92	87.59	67.62	–
Partly paid Equity Shares	–	–	651.00	708.00	708.44	

Claims against the Company not acknowledged as Debts

(Rs. In Lacs)

Particulars	01/04/05 to 30/06/05	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Claims against the Company not acknowledged as Debts (Estimated):						
i) in respect of labour matters	1,150.82	1,161.12	702.43	337.41	337.41	21.11
ii) other claims	588.56	565.31	938.43	175.84	83.23	77.61

FINANCIAL DETAILS OF GROUP COMPANIES

Financials details of the five largest listed companies within the promoter group companies (chosen on the basis of market capitalisation as on one month before the date of filing of draft letter of offer with SEBI)

1. CESC Limited

(Rs in lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Sales	2,32,115	2,34,843	2,18,525
Other Income	6,594	6,806	5,806
PAT/(Loss)	14,720	8,229	702
Equity Share Capital	7,504	6,670	5,839
Net Reserves	1,19,744	99,870	42,485
Book Value (Rs)	171.06	161.04	83.66
EPS (Rs)	20.48	10.49	(1.01)

(Source: Audited Annual Accounts)

2. KEC International Limited

(Rs in Lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Gross Sales	1,23,910	82,071	73,761
Other Income	681	545	1,795
PAT / (Loss)	4,226	2,528	(954)
Equity Share Capital	3,764	3,326	3,326
Net Reserves	18,701	12,076	13,324
Book Value (Rs)	59.69	46.31	50.06
EPS (Rs)	11.61	7.22	(3.07)

(Source: Audited Annual Accounts)

3. Zensar Technologies Limited

(Rs in Lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Sales (Incl. Service Income)	17,631	12,675	9,665
Other Income	413	701	342
PAT	3,759	1,400	816
Equity Capital	2,334	2,329	2,329
Net Reserves	9,926	6,651	5,590
Book Value	52.54	38.56	34.00
EPS	16.14	6.01	3.50

(Source: Audited Annual Accounts)

4. Saregama India Limited

(Rs in lacs)

Particulars	2004-05 Apr 04 - Mar 05	2003-04 Jul 03 - Mar 04	2002-03 Apr 02 - Jun 03
Sales (incl. License fees)	9,820	6,918	11,474
Other Income	267	189	877
PAT/(Loss)	521	(2,110)	(4,809)
Equity Share Capital	934	934	934
Net Reserves	3,744	3,223	5,333
Book Value (Rs)	50.08	44.50	67.08
EPS (Rs)	5.58	(22.59)	(51.48)

(Source: Audited Annual Accounts)

5. Harrisons Malayalam Limited

(Rs in lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Sales (incl. Service Income)	14,275	13,602	11,962
Other income	381	252	242
PAT /(Loss)	4,766	523	(991)
Equity Share Capital	1,845	1,845	1,845
Net Reserves	7,575	3,199	2,656
Book Value (Rs)	51.05	27.33	24.39
EPS (Rs)	25.82	2.84	(5.37)

(Source: Audited Annual Accounts)

Financial details based on the last three audited results of the five largest unlisted companies within the promoter group companies (chosen on the basis of total income as on 31/03/2005)

1. Jubilee Investments & Industries Limited (JIL)

(Rs in lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Sales & Other Income	1,457	1,595	474
PAT /(Loss)	66	(0.65)	(1,129)
Equity Share Capital	7,370	7,370	6,756
Reserves (after adjusting for debit balance in P&L a/c)	6,608	6,043	6,043
Book Value (Rs)	18.97	18.20	18.95
EPS (Rs)	0.09	Negligible	(1.67)

2. Hilltop Holdings India Limited (HHIL)

(Rs in lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Sales & Other Income	2,401	394	566
PAT /(Loss)	(138)	(209)	(1,796)
Equity Share Capital	1,562	1,314	1,314
Reserves (after adjusting for debit balance in P&L a/c)	(867)	(1,721)	(1,511)
Book Value (Rs)	4.45	(3.10)	(1.50)
EPS (Rs)	(0.88)	(1.59)	(13.67)

3. Spencers and Company Ltd.(SCL)

(Rs in lacs)

Particulars (As at 31st March)	2002-03	2003-04	2004-05
Sales & Other Income	3,399	3,031	1,346
PAT /(Loss)	297	172	466
Equity Share Capital	1,093	1,093	1,093
Reserves	5,465	5,637	6,103
Book Value (Rs)	59.99	61.56	65.82
EPS (Rs)	2.72	1.57	4.26

4. Brabourne Investments Limited (BIL)

(Rs in lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Sales & Other Income	542	81	251
PAT /(Loss)	(55)	(187)	(52)
Equity Share Capital	2,504	2,504	2,504
Reserves (after adjusting for debit balance in P&L a/c)	(2,674)	(2,619)	(2,432)
Book Value (Rs)	(6.80)	(4.60)	2.87
EPS (Rs)	(2.20)	(7.47)	(2.09)

5. Off-Shore India Ltd.(OSIL)

(Rs in lacs)

Particulars (As at 31st March)	2004-05	2003-04	2002-03
Sales & Other Income	349	390	25
PAT /(Loss)	(73)	(231)	(461)
Equity Share Capital	2,838	2,838	2,838
Reserves (after adjusting for debit balance in P&L a/c)	(2,971)	(3,398)	(3,167)
Book Value (Rs)	(0.47)	(1.97)	(1.16)
EPS (Rs)	(0.26)	(0.82)	(1.63)

CHANGES IN ACCOUNTING POLICIES OF CEAT

The Company had been following the policy of amortization of the Voluntary Retirement Scheme (VRS) and separation cost over a period of 60 months. During the year 2003-04 the Company changed its policy to expense out VRS and separation costs as and when incurred. Accordingly the unamortized costs as on 01/04/2003 was also charged to the Profit & Loss A/c. Due to this change of accounting policy, the profit for the year 2003-04 is lower by Rs.658.00 Lacs.

PRINCIPAL TERMS OF LOAN AND ASSETS CHARGED BY CEAT AS SECURITY

For details please refer to Annexure 15 of the auditors report on page no.(75).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the business of the Company

CEAT offers one of the widest product range for both domestic and international markets. The product portfolio that ranges from two wheeler tyres to giant off the road (OTR) tyres, continue to enjoy excellent customer support and market goodwill.

In the truck tyre segment, the new premium products like Lug XL, Mile XL, FM Super and Rib XL have successfully established its superiority in quality and performance. The sale of these products has been growing steadily. The "value for money" products also have created a niche of its own in its market segment.

CEAT launched radial truck tyres and also introduced new radial tyres with high performance attributes for segments like sports utility vehicles.

CEAT has increased its share in two wheeler tyre businesses and has become a supplier to all major two wheeler manufacturers.

The Company has achieved a growth of 26 % in export revenue and has spread its operations to 68 countries spread over Asia, Europe, USA and Latin America. The growth in exports also entitles the Company for incentives under the "Target Plus Scheme" of export promotion.

Significant developments since the date of last financial statement

The Board of Directors of the Company in its meeting held on 23/09/2005 agreed to the merger of the subsidiaries of the Company namely; CEAT Ventures Ltd., CEAT Holdings Ltd. & Meteoric Industrial Finance Company Ltd. with the Company subject to approval of shareholders & Hon'ble High Court of Bombay ("the Court"). The appointed date of the merger is 1st April 2005. The Company has already received approvals from BSE and NSE for draft scheme of amalgamation. These companies have also filed requisite application before the Court, for dispensation of court convened meetings, except the meeting of shareholders of the Company.

Besides this there are no material developments after the date of the latest balance sheet that is likely to materially affect the performance and the prospects of the Company. The Company has not discontinued any of its existing business nor commenced any new business during past years.

Factors that may affect results of Operations

● Unusual or infrequent events or transactions

Recovery of Additional Excise Duty amounting to Rs.5512 Lacs through Cenvat during the Financial Year ending 31st March, 2004 was the only infrequent transaction.

● Significant economic changes

Any slowdown in the growth of Indian economy or future volatility in global commodity prices, could adversely affect the business, including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

● Known trends and uncertainties:

To the best of our knowledge, there are no known trends or uncertainties that may have material adverse impact on the income, costs and profits of the company from continuing operations.

● Future relationship between Cost and Revenue:

In spite of steep increase in raw material cost consequent to crude oil price rise as well as inflationary international market trend, CEAT has contained the impact of spiraling raw material price increase through continuous cost cutting and process improvement exercise. Once the raw material price increasing trend flattens, we expect harnessing major benefit through cost reduction, product and process improvement already in place.

● Seasonality of the business:

Demand in tyre market gets effected marginally due to seasonality, like monsoon brings down demand of truck tyre, agricultural tyre demand peaks during harvesting season. Other range of tyres like light truck, passenger, 2/3 wheeler has no seasonal effect in demand.

● Dependence of revenue on sales volume, new products and stores

The revenue depends directly on the number of units sold and its prices. Revenue also depends on the number of stores from which tyres are supplied to the customer and how close the stores are within customers reach. Introduction of newer products for fitment in newer vehicles also facilitates greater visibility, customer acceptance and increased turnover.

● **Turnover of the industry segment in which the Company operates:**

CEAT manufactures and sells only tyre, tube, flap set as a product which is broadly categorised under truck, passenger, agriculture, 2/3 wheeler etc. as per vehicle design. The turnover of the industry is Rs.14,25,000 Lacs approximately for the year ended 2004-05 against which CEAT turnover is Rs.1,78,031 Lacs.

● **New products or business item:**

CEAT has introduced truck radial tyres as a seed marketing effort in the domestic market and is in the process of developing Export potential for speciality tyres which are large tyres used for Off-the-road, agriculture and other speciality purposes.

● **Dependence on single or few suppliers/customers:**

The Company's turnover is not dependent on single or few customers. CEAT has a wide breadth of customer in all major market segments like Replacement, Original Equipment and Export.

In purchase of raw material & stores items, CEAT has a large base of suppliers in most of the items except a few like polybutadine, synthetic rubber where though only few suppliers are available in India, CEAT also imports the same from international market where large supplier network is available.

● **Competitive Conditions:**

Tyre business faces steep competition in both domestic and international market. Of late, China has made an entry into Indian market through low priced tyres. However, due to lack of service facility of Chinese Tyres in Indian market and comparatively inferior design, Chinese Tyres are not considered as a major threat in Indian market.

CEAT meets the challenge of competition continuously through its emphasis on product development, market exploration and value addition to its customer.

Results of Operations

Results of operations for the last three years are as follows:

Year ended	(Rs.in Lacs)		
	2004-2005	2003- 2004	2002- 2003
Gross Turnover	178,030.67	164,794.79	147,897.75
Other Income	3,898.42	10,099.64	6,020.13
Total Income	156,276.04	147,694.04	129,733.54
Total Expenditure	157,048.59	143,410.07	126,802.46
Net Profit / (Loss) before tax and extraordinary items.	(772.55)	4,283.97	2,931.09
Net Profit/(Loss) before taxation	(287.42)	2,221.79	2,931.09
Net Profit / (Loss) after Tax	(187.42)	1,405.79	1,841.02

Comparison of Results of Operation

Year ended March 2005 v/s March 2004

Revenue

Net sales (net of Excise Duty) has grown from Rs.1,40,083 Lacs to Rs.1,52,799 Lacs, a 9.1% YOY growth. The Company has retained its market presence in truck, bus and light truck and recorded growth in 2/3 wheeler segment. Company's market presence has grown significantly in Original Equipment and export market. Export (FOB) has grown from Rs.20564 Lacs to Rs.25,860 Lacs. Other income has reduced from Rs.10100 Lacs to Rs.3,898 Lacs mainly due to Additional Excise Duty refund during year ending March 2004 which was non-recurring in nature.

Expenditure

Raw material consumption has shown steep rise from Rs.87,484 Lacs to Rs.1,00,891 Lacs partly due to increased volume of operation and partly due to inflationary trend prevailing in both international and domestic market. Crude oil price internationally increased by more than 40% on YOY basis affecting all petroleum based products like SBR, Fabric & Rubber Chemicals which are main input in Tyre Industry. Natural Rubber has risen from a level of Rs.61/- per kg. to Rs.69/- per kg. and fabric has gone up from Rs.158/- per kg. to Rs.174/- per kg.

Selling and Distribution cost has increased from Rs.12,199 Lacs to Rs.13,700 Lacs, a 12% rise in YOY basis mainly on account of freight outward (net of freight recovery), higher volume of Export and Sales discount. The increase in freight is due to lower freight recovery compensating with increase in turnover.

The Company has countered the spiraling increase in material cost through effective cost reduction programme and higher productivity in its manufacturing unit which has resulted in reducing personnel cost from Rs.11,589 Lacs to Rs.10,944 Lacs.

Interest

Debt restructuring with banks and general drop in interest rates have resulted in significant reduction in interest cost from Rs.7,642 Lacs to Rs.6,419 Lacs.

Profitability

The Company has recorded Rs.187 Lacs net loss after tax in the year ended March 05 compared to Rs.1,406 Lacs PAT in the year ended March 04 mainly due to increased material cost which could not be passed on through price increase on selling of tyres and booking of Additional Excise Duty refund as income in the year ended March 04.

Year ended March 2004 v/s March 2003

Revenue

Net sales (net of Excise Duty) has grown from Rs.1,20,634 Lacs to Rs.1,40,083 Lacs, a 16% YOY growth mainly due to significant growth in truck, light truck, motor cycle and passenger radial tyres. The Company increased its market presence significantly in OE and export market. Export turnover (FOB) has grown from Rs.16,122 Lacs to Rs.20,564 Lacs. Other income has increased from Rs.6,020 Lacs to Rs.10,100 Lacs due to booking of Additional Excise Duty refund of Rs.5,512 Lacs which was non-recurring in nature.

Expenditure

Raw material cost recorded an increase from Rs.73,392 Lacs to Rs.87,484 Lacs partly due to increased volume of operation and partly due to high rubber price in the year ended March 04. Rubber price increased in FY 04 to Rs.62/- per kg. as compared to Rs.51/- per kg. in FY 03. Crude oil price internationally increased by around 40% on YOY basis affecting all petroleum based products like SBR, Fabric & Rubber Chemicals which are main input for Tyre Industry.

The Company has taken major cost reduction actions with increased productivity drive which has resulted in maintaining the personnel cost to the previous year level in spite of higher production in its manufacturing unit.

Manufacturing expense has gone up from Rs.12,577 Lacs to Rs.13,688 Lacs mainly on account of increased outsourcing activity. Selling and Distribution expense has increased from Rs.10,045 Lacs to Rs.12,199 Lacs, a 22% rise on YOY basis, a major part of which is on account of lower freight recovery compensating with increase in turnover.

Interest

The Company has taken major debt restructuring with its banker which has resulted into significant reduction in interest from Rs.8,783 Lacs to Rs.7,642 Lacs, a drop of 14% on YOY basis.

Profitability

Profit after tax has dropped from Rs.1,841 Lacs in FY 03 to a level of Rs.1,406 Lacs mainly on account of increased rubber price during FY 04.

WORKING RESULTS

Information relating to the Company sales, gross profit etc., as required by the Ministry of Finance Circular No.F2/5/SE/76 dated February 5, 1977 read with the amendments of even no. dated March 8, 1977 is as under:

The unaudited working results of the Company for the period from 01/07/2005 to 31/10/2005 are given hereunder:

(Rs. in Lacs)

Particulars	For the period 01/07/2005 to 31/10/2005
Sales / Income from operations	64,007.07
Other Income	508.69
Total Income	64,515.76
Total Expenditure	62,427.70
Interest	2,140.57
Depreciation	753.73
Profit Before Tax	(806.24)
Provision for taxation	(126.68)
Net Profit	(679.56)
Paid-up Equity Share Capital	3,512.23
EPS	(1.93)

SWOT ANALYSIS

1. STRENGTHS

- Member of RPG group, one of the large industrial group in India.
- CEAT is forty seven year old Company engaged in manufacturing of Automotive Tyre & Tubes.
- CEAT is among country's top tyre majors having presence in all range of products and catering to all market segments, viz. Replacement, State Transport Undertakings, Defence, Original Equipment Manufacturers and Exports.
- Firm foothold in export market for last many decades; winning prestigious 'Outstanding Export Performance Awards of India' from CAPEXIL and AIRIA since many years as a tribute to its excellent export achievements.
- Wide segmentation of products as per customers' requirements with different specifications and prices; very recently launched Speciality Tyres as per specific requirements of customers.
- Strong brand equity.
- Extensive distribution network and strong technical service set up with high focus on after-sales service.
- Support of strong in-house R&D Centre recognized by DSIR, Government of India.
- ISO/TS 16949 certified Company.

2. WEAKNESSES

- The Company's plants are situated in state of Maharashtra, one of the states which levies octroi making the cost of raw material higher.

3. OPPORTUNITIES

- The Indian economy is projected to grow by over 7% in the year 2005-06 . This will help the tyre industry to sustain its growth across domestic market segments.
- Encouraging growth of developing countries bodes well for the exports segment. Indian tyres are gaining wider acceptance especially in the bias tyres segments and "Off-the-road" applications.
- Substantial investments in surface transport infrastructure has helped create more demand for commercial vehicles. This has resulted in additional demand for tyres as well.
- Higher affordability of passenger vehicles, enabled by the maturing financial services industry, has increased demand for passenger vehicles in four-wheeler and two-wheeler segments. Tyre industry continues to benefit from the accelerated growth in these segments.

4. THREATS

- Due to rising global demand for crude and natural rubber, the prices of major raw materials of the industry have shown an alarming rising trend. Consequently, profitability of tyre industry will remain under pressure.
- The anomaly of higher import duty on natural rubber of 20% vis-à-vis 15% on finished product adversely impacts the cost structure of the industry.
- Import of used tyres could lead to excess supply of tyres and increased competition for certain segments.

XIII. LEGAL AND OTHER INFORMATION

Save as stated herein under, the Company, have not defaulted in meeting any of its statutory or institutional dues and have made all payments/refunds on fixed deposits or no proceedings have been initiated against the Company, for any of the offences specified in paragraph 1 of Part I of Schedule XIII of the Companies Act, 1956. Further, there are no disputes/litigations towards tax liabilities or criminal prosecutions against the Company and its Directors for any offence, economic or otherwise civil litigations against the Company and its Directors, there are no material disputes/legal actions other than those disclosed below.

There are no pending proceedings initiated for economic offences against the Company. No disciplinary action/investigation has been taken by the SEBI against the Company, its subsidiaries and sponsored institutions and its respective directors. The promoters, their relatives, CEAT Ltd., group companies, associate companies are not detained as willful defaulters by RBI/Government authorities and there are no violations of securities laws committed by them in part or pending against him.

OUTSTANDING LITIGATIONS AGAINST THE COMPANY

Pending Litigations against the Company

Criminal Cases

There is one criminal case pending against the Company and its former legal advisor Mr. P. S. Mani details of which are given below:

Complaint No.58 of 2001 (P.C. No.361/99-2000) filed by the Inspector of Legal Metrology, Vijayawada, Andhra Pradesh before the First Class Magistrate, Venketagiri, Andhra Pradesh.

Grounds: The complaint is filed on the ground of non declaration of price on package (containing tubes) as per the requirements of the Standards of weights and measures Act, 1976. The complaint is filed against Mypol, (manufacturer/packer) and the Company (for whom the goods were manufactured/packed).

Status of the case: The Company has filed its reply to Show Cause Notice pointing out that tubes were spurious. The matter is pending for further hearing.

Civil Cases

There are 10 cases against the Company filed by the different parties in various courts and 1 appeal filed by the Company. The monetary claims/disputed amounts in these cases are not expected to exceed Rs. 1802.16 lacs.

- a) Case No. 49/1997 filed by LIC against the Company & Mr. Anil Agarwal, an ex-employee of M/s. Lakhanpal Ltd. before the Estate Officer under public premises eviction of unauthorised occupants.

Grounds: Premises were originally let by LIC to erstwhile Murphy India Ltd (MIL), which was amalgamated with the Company. In reply to the notice, the then occupant of the premises Mr. Anil Agarwal, has denied any liability and claimed to be a representative of Lakhanpal Pvt. Ltd., who were the distributors of MIL (the 'Lessees'). The premises were handed over to LIC by Lakhanpal. The application filed by the Company for dropping proceedings against it as the Company was neither the occupant nor the lessee is pending disposal.

Claims: Rs. 26.04 lacs as the claim for damages with interest thereon at the rate of 18% per annum from 1st July 1997 onwards.

Status of the case: Parties are considering a settlement.

- b) Suit No. 1524/92 - (August, 1991 to March, 1992) No. 974/99 (April 1996 to March, 1999); and No. 1801/01 (April 1999 to July 2001) filed by Mr. Harpeet Singh Chawla & Anr against the Company before the Delhi High Court.

Grounds: Claim for damages, against the Company for unauthorised occupation of premises by the landlords Harpeet Singh Chawla & Anr, since termination of tenancy by notices all dated 5.7.1991. Possession has been handed over and now the claim is only for damages.

Claims: The following amounts aggregating to Rs. 81.30 lacs have been claimed in the 3 cases

- (i) Rs.5.60 Lacs and Rs 70,000 per month from 5.7. 1991 to 1.8.1991 and interest @ 24%from April 1992
- (ii) Rs. 36.00 lacs and interest @18% from April 99
- (iii) Rs. 39.69 lacs with interest @18% from April 1999 to July 2001

Status of the case: Evidence is completed and now the case is pending for final arguments.

- c) Suit No. 1301/2004 filed by Mr. U.S. Mamick against the Company & Ors, before the Delhi High Court.

Grounds: Compensation claim by Mr. U. S. Mamick an ex employee of the Company alleging fraud, cheating and manipulation in evaluating and appraising his performance as a result of which he was forced to resign prior to superannuation. Compensation has also been claimed as alleged promise of C&F Agency given by the Company was not fulfilled by it.

Claim: Rs. 23 lacs with future interest at the rate of 18 % per annum.

Status of the case: The next date of the matter is 24.01.2006 for hearing of applications.

- d) First Appeal No. 624/2004 filed by the Company Original Defendant) against R. K. Enterprises (Original Plaintiff), before the Rajasthan Court - Jaipur Bench, Jaipur.

Grounds: The Company has preferred an Appeal against the decree of the Addl. District Judge, Dholpur- dated 18.5.2004 granting part claim of Dealer for outstanding discounts etc. against the Company since termination of dealership. Contention of the Company is that the Court has ignored the plea inter alia that the Respondent-original Plaintiff had failed to prove that the amounts claimed were due and payable and that the learned trial judge had failed to appreciate the evidence of Appellant/original defendant witness and that the decretal claim made is not substantiated. Application for stay of the judgment has been filed by the Company.

Claim: Rs. 0.78 lacs with interest @12% from December 2000 onwards.

Status of the case: Appeal admitted. To be listed in normal course.

- e) Suit No. 1765/92 (now case No. 1226/95) filed by Indian Overseas Bank, New Delhi Vs. Magnavision Ltd. and Ors., before DRT, New Delhi.

Grounds: Claim of IOB against Magnavision and the Company for the recovery of outstandings in respect of bills drawn by Magnavision on M/S. Murphy India Ltd. (MIL) which were discounted by it but remained unpaid. MIL has been amalgamated with the Company pursuant to the order dated 31.8.1990 passed by BIFR and hence claim against the Company in respect of the alleged liability of MIL. The Company has filed a written statement contending that MIL has made direct payments to Magnavision as required under the invoices and as such no amounts are due and payable. The Company has also contended that bills were never accepted by MIL and its books also confirm this and that amount in respect of bills is only Rs.15 lacs and interest at the rate of 26% p. a. is not permissible.

Claim: Rs. 26.06 lacs with interest at the rate of 26% from the date of the suit.

Status of the case: Magnavision has filed an appeal in the DRAT against DRT Order not allowing to cross the witness of plaintiff. Appeal is pending for disposal. Hearing of the case stayed till disposal of the Appeal.

- f) RCS No. 656/2000 filed by the Company against Mr Virendra Misra, Proprietor, M/s. Dhirendra Enterprises, Nagpur (The Divisional Despatch Centre), before 5th Joint Civil Judge, Sr. Divn. Nagpur and the counter claim has been filed by the Company.

Grounds: The suit was originally filed for release of detained goods of the Company. The claim is of approximately Rs.170 lacs towards damages/compensation. The defendants filed their written statement and a Counter claim on 9th January 2001 alleging non-payment of revised Divisional Dispatch Centre charges. The Company filed its reply written statement to this counter claim and written statement, denying the claim of the defendant.

Claims: Rs. 61.50 lacs (counter claim) along with (interest at the rate of 18% until the realization of the claim (decreed amount).

Status of the case: Cross Examination in the matter is going on.

- g) Case No.298/2004 filed by M. B. Tyres, C&F Agent against the Company before Civil Judge Sr. Divisional, Sangrur.

Grounds: Dispute on Statement of Accounts in respect of amounts payable to the Company. Invoice amounts not collected by CFA, therefore, adjusted against commission payable to CFA. Claim filed for recovery of amounts.

Claims: Rs. 1.48 lacs.

Status of the case: The Application for rejection of plaint on the grounds of jurisdiction filed by the Company has been dismissed. The Company is proposing to file a Revision application against the dismissal order in the High Court.

- h) Case No. 8/2004 filed by Sardar Enterprises, Pakistan against the Company before the Sr. Civil Judge, Lahore.

Grounds: A legal notice was received from the advocates for the plaintiffs by the Company on 16 June 2003 demanding for the Compensation and Damages of US\$ 2 Million for breach of contract to supply tyres in terms of purchase order. The plaintiff claims in this legal notice that proper LC was issued in favour of the Company. The Company replied to the said notice, denying any such breach of contract as alleged. According to the Company after placing of Purchase Order the plaintiff did not furnish the LC as per terms and conditions. .

Claims: Rs. 1200.00 lacs.

Status of the case: As per legal opinion dated 29th December 2003, of Mr. R. F. Virji, Advocate, Supreme Court of Pakistan, Karachi, the Lahore Court has no jurisdiction to entertain and try the suit filed against the company. The Company has forwarded a letter to the Registrar of Court, Lahore stating that the Company does not have any place of business subsidiary or sales office or establishment in Pakistan nor carrying out any business in Pakistan, and hence, the Court has no jurisdiction to entertain and try the suit.

Cases filed by statutory authorities

- i) F. No T4/190/D/2002 filed by Enforcement Directorate against the Company before the Directorate of Enforcement, New Delhi.

Grounds: Directorate of Enforcement had alleged the non submission of documents relating to import of caprolactum for tyre cord plant, Gwalior in the year 1994/95 by the Company. Subsequent to the imports the Company had in 1995, sold the nylon tyre cord plant at Gwalior, to SRF.. According to the Company , the requisite documents had been submitted to RBI through Bank of India Both original as well as alternate set of documents according to the Company were submitted and the show cause notice dated 25th May 2002 was served at the old address of the Company. Since the Company could not attend the hearing for want of service, Ex Parte Order came to be passed imposing penalty Rs. 315 lacs. Company preferred an appeal to Appellate Tribunal for Foreign Exchange, New Delhi. Being Appeal No. 330/2004 against order NO. SDE/SKP/III/52/2003 dated 17th July 2003 which has been decided in favour of the Company. By the order dated 10th March 2005 passed by the Appellate Tribunal for Foreign Exchange the Order imposing penalty has been set aside, and the Company has been given opportunity to be heard and liberty to produce alternate documents.

Claims: Rs. 315 lacs.

Status of the case: The appellate tribunal has remanded the matter back to the adjudication authority for arriving at the fresh decision. The order records that the imports can be proved by filing of bill of entry and exchange control copy or other sufficient evidence. In view of the liberty given to the Company to produce alternate documents, RBI has by its letter dated 19th September 2005 confirmed the acceptance of alternate import documents as earlier submitted by the Company.

- j) Case No. 383/2004 filed by the Joint Director General Foreign Trade against the Company before the Bombay High Court.

Grounds: For the non-submission of documents evidencing fulfillment of export obligation in the year 1980 by erstwhile MIL the Joint Director General Foreign Trade ("DGFT") passed Orders on 28th July, 2003 and 31st July, 2003 imposing penalty. The Company has filed a petition No. 383 challenging these orders on the ground of inordinate delay in raising the issue of non - submission and thereby frustrating production of any evidence in support of case. The Company has prayed for the writ of certiorari or any other appropriate writ to call for the records of the case and quash and set aside all the aforesaid three orders and for a writ of mandamus to withdraw or cancel the orders. The said petition has been admitted..

Claims: Approx. Rs. 67.00 Lacs.

Status of the case: Petition filed in the High Court, which is pending final hearing. Stay Order passed on 9th March, 2004.

- k) RTP No.147/92 filed by the UOI against the Company before the MRTP Commission, New Delhi.

Grounds: A Notice of Enquiry under section 10(a) (ii) of MRTP Act was issued by the Director General (Investigation & Registration) alleging restrictive trade practice (price fixing and collusive behaviour) against the tyre manufacturing companies including CEAT and the Automotive Tyre Manufacturing Association. The enquiry was initiated by the UOI based on reports of BICP on automotive tyres industry (1988/1992) and report of the consultant, Dr. B.N.Mukherjee engaged by the Director General (Investigation & Registration). The Application praying for the discharge of the NoE is pending before the Delhi High Court.

Claims: Cease and desist order.

Status of the case: The matter is part heard.

Labour Cases

A Following Cases have been filed by the following parties against the Company in the labour courts at various places, claiming the reinstatement, continuity of service and back wages. The aggregate claim amount is not expected to exceed Rs. 192.18 lacs.

Sr. No	Court	Parties	Reasons	Claim Rs.in Lacs
1.	3rd L.C.-Thane.	Ref. (IDA) No. 1/04, D. M. Lopez Vs the Company	Dismissed for Continued Ill-Health	5.40
2.	1st L.C.-M.	Ref. (IDA) No. 863/90, P. Panimayam Vs the Company	Dismissed for absence without leave	4.00
3.	4th Labour Court	(ULP) No.367/00 H. A. Raut Vs. the Company	Absence without leave	7.53
4.	4th L.C.-T.	Compl. (ULP) No. 289/02, S. V. Sawant Vs. the Company	Dismissed for continuous ill health ground	5.31
5.	1st L.C.-T.	M.A. (ULP) No. 57/04, R L Rodrigues Vs. the Company	Dismissed for fraud in using the CEAT rubber stamp and fraudulently signing docs on behalf of CEAT	2.80
6.	I.C.-T.	Rev. Appl. (ULP)No.6/03 in ULP67/99 B. L. Sahu Vs. the Company	Dismissed for making false declaration	15.46
7.	LC-T	(ULP)No. 405/00, B. B. Babar Vs. the Company	Suspended for ritious & disorderly behaviour in company canteen during society meeting by the complainant	6.40
8.	3rd. LC	Ref.(IDA)No.251/04, T. G. Bhosale Vs. the Company	Dismissed for fabricating/giving false certificates with an application for employment of the son of the complainants sister.	2.40
9.	3rd. LC-T	(ULP)No. 172/02, D. B. Chavan Vs. the Company	Continuous ill health	5.40
10.	2nd. LC	Ref.(IDA)No.548/92, Miss. Y. Furtado Vs. the Company	Dismissed from the services due to Dis-obeyance of the order of superior to work on computer and to get trained in computers.	14.50
11.	2nd LC-T	(ULP)No. 285/02, B.V.Ghadge Vs. the Company	Dismissed for continuous ill health.	5.40
12.	LC-N	Rev. No.---in (ULP) No. 167/94, A. J. Shahane Vs. the Company	Dismissed for overwriting of the logbooks	16.58
13.	LC-N	(ULP)No. 5/95, G. M. Kulkarni Vs. the Company	Misconduct under standing orders (24) (d) - dishonesty with the employer and 24 (1) - comm. Of an act subversive of discipline (submission of fake medical bills to claim medical benefits)	15.84
14.	LC-N	(ULP)No. 332/94, N. B. Nemade Vs. the Company	Misconduct under standing orders (24) (d) - dishonesty with the employer and 24 (1) - comm. Of an act subversive of discipline (submission of fake medical bills to claim medical benefits)	15.84
15.	Bombay High Court	Appeal No.191/01 in WP.No. 1824/97, B. P. Bagual Vs. Company	Claiming a higher post and consequential back wages since 1992	0.50
16.	Bombay High Court	Writ petition, No. 1763/98,MUMBAI SRAMIK SANGH (D.M.PUN) vs the Company	Being aggrieved by the Award dt. 28.1.97, in ReflDA.741/86 passed by the labour Court for claiming reinstatement	14.96
17.	I.C.-M. and Bombay High Court	Compl.(ULP)No.695/01 AND Appeal No. 274/2002 in WP.1263/97 S. N. Kedare Vs. Company	ULP complaint claiming reinstatement and Appeal angst the judgement of the BHC dt 12.7.01 directing Company to pay 50% amount	7.07
18.	High court	W.P. No.1282/05 Company Vs. S.R.Deshmukh	Dismissed for will full dropping in production.	15.79
19.	High court	Appeal filed by the company in W.P.5831/95 Vs. P. Bhanusali	Slowing down of production	21.00
20.	High court	W. P. 4537 of 96 K. R. Sonar	Dismissed for using abusive language against factory manager	10.00

- B. The Labour Union, has filed the following cases alleging paper arrangement with the Contractors through whom 76 workers were deployed in place of permanent employees who were absent. The Labour Union has claimed permanency benefits and facilities in respect of 76 workers. According to the Company, on account of the violation by the Contractors of the terms of their respective contract, the Company terminated the contract.

The Company has claimed that all the workmen being the employee of the Contractors, the Company is not the employer and as such not liable. In any event, according to the Company, the principal liability is that of the Contractor and the Company is not liable. The aggregate claim amount is not expected to exceed Rs. 120 lacs.

- C. Civil Appeal No. 9442/2003 filed by the Company against Anna Abasahib Hawaldar and Ors. before the Supreme Court.

Grounds: The Respondents/original complainants factory workers of erstwhile MIL filed a complaint alleging unfair labour practice under items 5,9,10 of schedule IV of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act 1971, and contending that the Company had assured that it would not indulge in any indiscrimination with the workers who did not accept VRS. It was contended that the benefits given to employees who had accepted the second VRS in 1994 was not extended to the workers who opted for the VRS in 1992. 337 factory workers who opted for VRS in 1992 are claiming the additional amount of Rs.90, 000/- each with interest as benefits given to workers who opted for VRS in 1994. The Company has contended that each settlement is distinct and the benefit given to VRS-1994 was as per inter se understanding.

Claims: Rs. 473.00 lacs.

Status of the case: Civil appeal is pending for hearing and final disposal.

- D. Special Leave Petition (Civil) No. 6897/05 filed by the Company against Murphy India Employees Union before the Supreme Court.

Grounds: Industrial Court passed an order dated 29. 3. 2001 on complaint (ULP) 1290/92 allowing the complaint and holding that the Company had engaged in unfair labour practices under items 6 and 9 of Sch. IV of MRTU and PULP and directed the Company to confer benefits of permanent employees to certain employees and to extend the benefits of settlement dated 29.4.91 from the respective dates of permanency status with along with compound interest at the rate of 12% per annum. The Company preferred a Writ Petition No. 1785/2001 to the High Court, Mumbai which was disposed of by an Order dated 11/01/2005 of the High Court confirming the order of the Industrial Court save and except confining the interest to simple interest instead of compounding. SLP for leave to appeal against the judgement and order dated 11.01.2005 has been filed. Erstwhile MIL employees who were on probation and thereafter retrenched claimed reinstatement/benefit of wages similar to the permanent workers. The Company has preferred an appeal on the ground as to and whether the Trial Court can grant benefits and wages applicable to a particular undertaking owned by the Company to an altogether different undertaking which was taken over by it when the Settlement stipulated a cut -off period of the workers on the rolls of the Company.

Claims: Rs. 66.00 Lacs

Status of the case: SC issued Notice for admission and Interim relief hearing by its order dated 11/04/2005.

- E. There are [11] cases filed against the Company wherein the liability is not expected to exceed Rs. 248.76 lacs. The following are the details of two cases where the monetary claims/disputed amounts may exceed Rs. 50 lacs in each case.

- a) ULP No. 432/1996 filed by Mr. M. L. Patel and ors. before the Labour Court, Bandra.

Grounds: 45 Workmen of Parel Office of MIL were retrenched in 1996 as the undertaking was closed. Workmen challenged the retrenchment as illegal and filed complaint in Labour Court Bandra under Item No 1(a), (b) and (d) of Schedule IV of MRTU and PULP Act. It is contended by the Company that the termination was legal and as per law in the bonafide exercise of the power to retrench in law.

Claim: Rs.143 Lacs.

Status of the case: The Labour Court, Bandra, has directed reinstatement of 43 workers with full back wages and continuity of service by its order dated 8.7.2005 received by the Company on 9.9.05. The Company has been advised to prefer an appeal before the industrial court and has instructed its attorneys to file an appeal.

- b) The Industrial Court, Thane ULP No. 144/05 (by 30 workers against the Company) and 2/05 (by 7 workers against the Company).

Grounds: Engineering and General Mazdoor Sangh on behalf of 239 workmen who opted for VRS in 1988 filed a complaint in the Industrial Court being ULP No. 716/1995 claiming the same benefit be given to the workers, as was given under the VRS in 1994. The Industrial Court Thane, rejected the complaint by its order dated 7.10.04 filed as the union had lost its recognition. Thereafter, till date only 47 workers out of the 239 workers, have preferred this complaint in their individual capacity.

Claim: Rs. 47 Lacs.

Consumer cases

There are in all 57 cases pending in several Consumer Courts against the Company wherein the reliefs claimed in these cases varies from Rs. 3000/- to Rs. 1,50,000/-. Assuming that all the cases are decided against the Company, the claim amounts in all these cases are not likely to exceed Rs.25 lacs, and it is unlikely that it will adversely affect the financial position of the Company.

Income Tax

Particulars	Claim amount (Rs. In lacs)
Departments appeals pending before Income Tax Appellate Tribunal	239.58
Department appeal pending before Bombay High Court	42.29

The Income Tax Department has filed 5 appeals against the Company before the Income Tax Appellate Tribunal (ITAT) with claims aggregating to Rs. 189.82 lacs, which are as follows:

1. The Department has filed appeals against the Company on the grounds of non -allowability of deduction of an amount of Rs.347 lacs in relation to the provision for doubtful debts and advances for arriving at the book profits for determining the Minimum Alternate Tax [MAT] liability and claiming Rs. 38.95 lacs towards income tax dues. [Appeal No. ITA 3570/M/2004]
2. The Department has filed 4 appeals against the Company for the assessment year 1985-86 and 1986-87 alleging that the commission payment claimed as a deduction was on account of wrong estimate of advance tax liability and claiming Rs. 150.87 lacs in the aggregate in all these 4 appeals as the dues towards income tax. [Appeal Nos. ITA 1694-97/1994]

Further the Income Tax Department had filed the following appeals against the Company:

a) before ITAT:

The Department has filed appeals against the Company for the Assessment years 1987-88 and 1988-89 on the grounds of non admissibility of certain expenses as deductions in those assessment years and claiming Rs.49.76 lacs towards income tax dues. By an order dated 11th April 2003 the ITAT allowed the appeals partly. The IT department has yet not passed its order for recovery of the amount towards expenses disallowed by the tribunal. [Appeal Nos. 5237/1992 and 5238/1992]

b) before Bombay High Court:

The Department has filed an appeal before the Bombay High Court against the order dated 23rd April 2002 passed by ITAT challenging the deductibility of expenses towards presentation articles, payments towards London office salaries, club fees, and debenture issue expenses for the assessment years 1989 -90 under rule 6B, Sec 40a, Sec 35D of the Income Tax Act and claiming Rs. 42.29/- lacs as the income tax dues. [Income Tax Appeal (Ldg.) No. 540/03]

Wealth Tax related matters

The Deputy Commissioner of Income Tax Circle 6 (2) has filed 2 appeals being WT As. No 191to 192 /MUM/03 before the Income Tax Appellate Tribunal WT Bench Mumbai in relation to the AY-1997-98 and 1998-99 claiming Rs.3.20 lacs in the aggregate being 1% of the disputed amount of the reduction in the value of CEAT Mahal.

Disputed demands of Excise Duty

Department appeals

In all 13 appeals have been filed by the department challenging the order passed by the appellate authority/Tribunal in favour of the Company disallowing the departments claim for excise duty for a sum of Rs. 4030.62 lacs in the aggregate. The table below provides 7 such cases in which the claim of the department exceeds Rs. 50 lacs.

Impugned Order	Location	Excise duty claim (in lacs)	Appellate Forum	Relevant facts of the case
Comm. Of Central Excise Appeals by its order dated 23.10.2003 bearing no RJB/M-III/468/2003	Bhandup	98.43	CESTAT Appeal No. E/579/2004 Comm. of Central Excise Mum. III Vs CEAT	The Department is claiming recovery of CENVAT credit of Rs. 98.43 lacs. Cross objections No.E/CO/137/2004 - Mum have been filed by the Company on the ground that the demand notices have not been issued within the stipulated time and such demand raised more than 7 years after taking credit is ex-facie time barred.
Comm. Central Excise OIONO. 14 KKS/ 2003-04 DT 31.10.2003	Bhandup	2938	Tribunal Appeal No. E/3581/2004-Mum Comm. Of Central Excise Vs CEAT	The matter is pending before the Tribunal for a determination as to whether the impugned order is legal and proper. The matter was earlier remanded to the adjudicating authority for a finding on the demand of 2938 lacs. A Committee was constituted to examine the claims of the assessee and submit a detailed report which was submitted on 23.10.03. Based on this report the impugned order dated 31.10.03 was passed by the Comm. dropping the demand. According to the Central Board of Excise & Customs, the Comm. ought not to have relied on the findings of the Committee and should have given due regards to the facts and figures available on record.
Common order No. CEX.XI/JMJ/169/916/NSK/ APPEAL/2004 dated 29th April 2004	Nashik	73.72	CESTAT E/2326/04-Mum /1930 CESTAT E/2327/04-Mum /1930	The Assistant Comm. granted the refund by his orders Nos. 02/03 and 03/03 both dated 30th May 2003. By the impugned common order the Comm. (Appeals) confirmed the order dated 30th May 2003. The Department has therefore preferred this appeal.
OIA No. A/NK-1036/99 DT.31.12.99	Sourcing unit - SATL	149.33	CEGAT E/2641/2000-mum	Asst. Comm. Central Excise had levied AED on Cal. Fabric used captively in the manufacture of tyres by SATL. The impugned order set aside the OIO dated 26.6.98 confirming the demand. The Dept has therefore filed this appeal.
Order dated 28.5.02 of CEGAT	Sourcing unit - SATL	519.00 Int under 11AB and penalty under 11AC	Supreme Court Civil Appeal No. D1258/2003	The Dept had claimed the differential amount of penalty holding that SATL had cleared their finished excisable goods from their factory to their sole and exclusive buyers, the Company and Goodyear who according to the Dept were related to SATL. SCN dated 25.01.99 was issued demanding excise duty. OIO Dated 11.5.2000 No. 12/CEX/2000 confirmed the demand. By the final order dated 12.9.02 of CEGAT the OIO was set aside holding that SATL is not related to Goodyear and Company. The Dept has therefore filed this Appeal to the Supreme Court.

Impugned Order	Location	Excise duty claim (in lacs)	Appellate Forum	Relevant facts of the case
OIA dated 29.8.02 sdc (1839-1843)501-505/AUR/ 2002	TRIL Outsourcing unit	86.36 17.50 PENALTY	CEGAT. Mum E-137-140/2003	According to the Dept, the correct transaction value in terms of rule 11 of CEX Valuation rules should be depot sale price of the Company for the said goods. By OIO No.106/2002 dated 30.4.2002 the demand was confirmed. The impugned OIA dated 29.8.02 sdc (1839-1843)501-505/AUR/2002 quashed the OIO relying on the assessable value based on the comparable prices for the goods at the depot of the Company. The Dept has filed 4 appeals before CEGAT Mumbai against OIA

Company Appeals

In all 7 appeals have been filed by the Company challenging excise duty claimed by the Department for a sum of Rs. 543.08 lacs in the aggregate. In one case in addition to the claim for excise duty a penalty of 7.67 lacs has been imposed. The table below provides 3 such cases in which the demand exceeds Rs. 50 lacs.

Impugned Order	Location	Excise duty claim (in lacs)	Stage of proceeding	Relevant facts of the case
OIO. No. 79/98/99	Bhandup	208.22 162.93	Bom High Court 1967/99	Interim orders in favour of the Company restraining the Department from taking coercive steps. Relief sought by the Company: a) cancellation of the demand pursuant to the impugned order for AY 1997 -98 on account of cost of transportation and interest on receivables And b) the demand for duty reworked on account of turnover tax and prompt payment /cash discount and product discount as per Exhibit K-to the petition being letter dated 20.10.99 of the Supt. Of Central Excise.
OIO No 02/MM/2005-06 DT.21.4.2005	Bhandup	78.86 + Penalty of 78.86	Before Commissioner Central Excise and Customs (Appeals) Mumbai.	According to the Department the Company has contravened rule 3 read within rule 7 (2) of CENVAT credit rules, i.e. taken wrong CENVAT credit on tyre bead wire without ensuring that those goods were liable for excise credit and utilized the same for payment of duty on their own products. According to the Supreme court judgement, in the case of central excise Vs Vishwaman, the drawing of ms wire from rod does not amount to manufacture, the question of duty payment does not arise and whatever was paid before the Supreme Court decision cannot be treated as duty payment. This according to the Dept. is because duty paid by CEAT of their own volition on non- excisable goods is to be treated as deposit in view of a circular dated 4.1.91. Therefore, CEAT cannot avail of credit on deposit as no excise duty was paid. According to CEAT (i) no violation of CENVAT credit rules as alleged (ii) the amendment to rule 16 to the Central Excise Rules the duty paid shall be allowed as CENVAT credit (iii) the duty paid under rule 3(4) is available as CENVAT credit under rule 3 (5). Application for waiver of pre deposit of penalty made along with appeal.

Impugned Order	Location	Excise duty claim (in lacs)	Stage of proceeding	Relevant facts of the case
Order No. 2/KKS/2005-06 BY THE Comm. of Central EXCISE MUM IIIDT.30.8.05	Bhandup	66.62	Tribunal CEAT has instructed its Attorneys to file appeal before CESTAT	The impugned order held that the Company has wrongly taken credit of the amount of Rs.66.62 Lacs on a wrong appreciation of law under mistaken belief and therefore penal provisions are not applicable. The order therefore confirms the demand for Rs 66.62 Lacs under Sec 11A rule 12 of CENVAT Credit rules and confirmed demand for interest @15%from 15.2.03 on Rs. 66.62 Lacs and penalty of Rs. 5 lacs was imposed. The Supreme Court by its order dated 22.11.01 passed in civil appeal no. 5374/92 allowed CEAT to claim the benefit of the notification dated 1.3.79 as amended by notification dated 28.2.82 in respect of synthetic rubber used by the Company in the ultimate manufacture of tyre. Accordingly a claim for refund was made on 8.5.02. According to the Company since the Dept did not sanction the claim for refund for about a year the Company took credit in the personal ledger account on 15.2.03. The Dept issued a SCN dated 5.2.04 and the matter was disposed by the order OIO 2/KKS/2005-06 confirming the demand of 66.62 Lacs dated 30.8.05.

Disputed demands of Custom Duty

Location	Particulars	Excise duty claim (in lacs)	Stage of proceeding	Order if any	Current status
Cochin (purchase department)	Additional customs duty equivalent to rubber cess on the imported rubber	5.64	Tribunal C/86-87/04	66-67/2003 dated 6th October 2003	Company has filed an appeal against the department in the tribunal Bangalore.

Disputed demands of Sales Tax

There are in all 46 cases pertaining to sales tax liability of the Company, pending at the various locations all over India. The total liability in all these cases is Rs. 399. 82 lacs (approx). The cases in which the liability exceeds Rs. 50 lacs are:

1. By an assessment order No. 02/CD-106/1999-2000 dated 12th June 2003 for the assessment year 1990-91 the department has disallowed the concessional forms under the West Bengal Sales Tax Act, 1954 and demanded Rs 41,59,020 towards tax liability and Rs. 16, 39, 548 towards interest liability from the Company. The company has filed an appeal against this order on 11th August 2003 vise appeal No A-323/AW/03-04.
2. By an assessment order No. 03/CD-106/1999-2000 dated 12th June 2003 for the assessment year 1991-92 the department disallowed the concessional forms under the West Bengal Sales Tax Act, 1954 and demanded of Rs 36,28, 816 towards tax liability and Rs. 37,77, 836 towards interest liability, from the company. The company has filed an appeal against this order on 11th August 2003 wise appeal No A-322/AW/03-04.

Disputed demands of Octroi

Location	Particulars	Amount claimed (Rs.in lacs)	Stage of proceeding	Relevant facts of the case
Nasik	Demand on zink oxide	85.00	Bombay High Court for reclassification of Zink Oxide Municipal appeal no 104/2004 In the court of sr. Div Nasik. Demand for Octroi	Since 1990 CEAT classified imported zinc oxide under sr no 40b of class III of Sch I to the octroi rules and the assessment was accepted by the Nasik Municipal Corporation Subsequently CEAT was orally informed to reclassify it under entry 48As part of settlement discussions CEAT commenced payment at a higher rate of 3% under entry 48 during July to September 2003 which was later readjusted by CEAT. CEAT later recd notice for alleged short payment of octroi of Rs 49.43 Lacs and a differential duty of Rs 26.56 Lacs for payment under entry 40 instead of 48 from April 93 to March 98 was raised by demand notice dt 16.10.2003 was made. Therefore a writ petition No 4004 /2004 was filed in which by order dt 12.7.04 stayed the retrospective levy until final disposal of the petition. Municipal appeal no 104/2004 has also been filed on 26.7.04 against Municipal Corp City of Nasik and others for quashing the notices seeking to reclassify zinc oxide under entry 48 and for appropriate order for levy of octroi prospectively from June 2003. All the respondents have filed their written statements. Nasik Municipal Corporation has issued Demand Notice dated 25.05.2004 for differential amount.

Claims against the company not acknowledged as yet

A. Excise Claims

The Excise Department has issued show cause notices in 32 cases, against the Company alleging evasion of excise duty of about Rs. 6238.41 lacs in the aggregate. However, in case of five show cause notices, pursuant to the AED Scheme the claims aggregating to Rs. 5544.31 lacs therein have been agreed to be paid in 36 equal installments.

B. Customs Claims

The Customs Department has issued 16 show cause notices against the Company demanding the customs duty, penalty and interest etc. from the Company of Rs. 8368.86 lacs in aggregate.

The show cause notices are issued by the Customs Department demanding the duty, penalty, interest etc. from the Company for various grounds such as wrongful declaration about the customs documents, availing undue duty benefits, wrongful availment of duty free benefits against the import license, wrongful availment of the input stage credit in violation of the customs rule, in respect of the goods exported towards fulfillment of the export obligation.

OUTSTANDING LITIGATIONS AGAINST PROMOTERS / DIRECTORS

➤ Litigations against the Promoter / Directors

There are no outstanding litigations, disputes, non-payment of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the Company, except the following:

Sr. No.	Particulars	Court	Status
Mr. R. P. Goenka			
1	CPAN No. 619 of 2004 W.P.No. 8377 (W) of 2000 Abdus Salim -V- Mr. R.P. Goenka & Ors.	Cal High Court	Contempt matters arising out of alleged violation of the orders passed on consumers' writ petition.
2	Super Cassettes Industries Ltd -V- Mr. Sanjiv Goenka & Others [Mr. R.P. Goenka has been arrayed as Accused No. 2] CC No. 2809/1999	Mr. A. K. Singh Chief Judicial Magistrate District Court at Janpad Nyayalaya Gautam Budh Nagar Uttar Pradesh	In view of the pendency of the matters before the Allahabad High Court, the Trial Court proceedings are being adjourned.
3	OS-18,19 & 20 - Saregama India Ltd - M/s. Sanjiv Goenka, R.P. Goenka, P.K. Mohapatra -Vs- State of U.P. & Anr Crl.Misc. appeal No. 1910, 960 & 97 of 1997	Before the High Court of Judicature at Allahabad	Mr Sanjiv Goenka and Mr R.P. Goenka have filed Revision petition in a Criminal Defamation Suit against the orders of Ghaziabad District Court.
4	C.R. No. 11649(W) of 1991 Mr. Rama Prasad Goenka (with Mrs. Sushila Goenka and Mr. Sanjiv Goenka) Vs. State of West Bengal & Ors.	High Court at Calcutta	The writ petition was moved before the Hon'ble Justice S Ahmed and interim order was passed in the said petition by His Lordship on 20th September 1991 inter alia directing the respondents not to take further steps on the basis of final statement allegedly prepared by them until further order.
Mr. H. V. Goenka			
1	Suit No.1301/2004 filed on 06/09/2004. Claim amount is Rs.23 Lacs with future interest @18% p.a. Mr.U.S.Mamick V/s. CEAT & Others.	Delhi High Court	Compensation claim by Mr. U.S.Mamick an ex-employee of CEAT alleging fraud, cheating and manipulation in evaluating and appraising his performance as a result of which he was forced to resign prior to superannuation and/ or alleged promise of C&F Agency given not fulfilled by CEAT.
Mr. Paras K. Chowdhary			
1	Suit No.1301/2004 filed on 06/09/2004. Claim amount is Rs.23 Lacs with future interest @18% p.a. Mr.U.S.Mamick V/s. CEAT & Others.	Delhi High Court	Compensation claim by Mr. U.S.Mamick an ex-employee of CEAT alleging fraud, cheating and manipulation in evaluating and appraising his performance as a result of which he was forced to resign prior to superannuation and/ or alleged promise of C&F Agency given not fulfilled by CEAT.
Mr. K.R.Podar			
1.	K.R.Podar, Guarantor for Podar Knitex Ltd. Vs. Canara Bank & Bank of Baroda	Debt Recovery Tribunal (DRT)	Banks have filed a case in DRT against the guarantor which is pending before recovery officer DRT, Mumbai.

OUTSTANDING LITIGATIONS AGAINST GROUP COMPANIES

➤ Litigation against the Promoter Group Companies

There are no outstanding litigation, disputes, non-payment of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the top five listed (based on market capitalisation) and top five (based on total income) unlisted promoter group companies, except the following:

Pending Litigations against top five listed group companies

A. CESC LIMITED

1. Criminal Cases

There are two criminal cases pending against the company and its Directors details of which are given below:

- Complaint No. 4979 of 2000 filed by Mr. Suresh Agarwal on behalf of Continental Steel Star before the 7th Metropolitan Magistrate, Calcutta.
- Complaint No. 264 of 2000 filed by Mr. Suresh Agarwal on behalf of Bengal Ispat Udyog before the Additional Chief Judicial Magistrate at Alipore.
- Criminal Revision (CRR 2226/2005) filed by Mr. Suresh Agarwal on behalf of Bengal Metal Industries before the Hon'ble High Court after dismissal of his complaint bearing no. 775(c) /2005 by the Ld. Chief Judicial Magistrate, Howrah.

Grounds

In the first two cases mentioned above complaints have been filed alleging criminal breach of trust, cheating, forgery, forgery for cheating and criminal conspiracy on the grounds of not depositing electricity duty to State Government, forging of the Balance Sheet, not showing correct liability for obtaining loan from financial institutions and diverting large sums of money dishonestly. In the last case the complaint have been filed on the main allegations of non-payment of electricity duty upto 1998-99, improper transactions and excess realization of arrear.

Status of the cases

In first two cases the Magistrates had commenced proceedings under various sections of the Indian Penal Code. CESC challenged the above proceedings before the High Court, Calcutta by filing criminal revision petitions. The High Court has passed orders staying all proceedings pending before the Magistrates. The stay orders are continuing and matters are pending. The last case is pending. No order has yet been passed by the Hon'ble High Court.

Note : Mr. Suresh Agarwal, besides being the authorised person of different industrial establishments located under CESC, is also a consumer of CESC. Various proceedings, both civil and criminal, are pending in different appropriate Forums/Courts against all such industrial establishments for non-payment of energy bills and/or theft of electricity including at the residence of Mr. Suresh Agarwal where charge sheet has already been framed and Mr. Agarwal is facing trial before the Ld. Special Court, Calcutta, for theft of electricity at his residence.

2. Civil Cases

(i) Cases against the Company filed by High Tension Consumers

There are 14 cases against the company filed by High Tension Consumers at the High Court with monetary claims/disputed amounts aggregating Rs.700 Lacs. The table below provides details of the eight cases where the monetary claim/disputed amounts exceeds Rs.25 Lacs.

Sl. No.	Party Name and Case Details	Amount (Rs. Lacs)	Details
1.	NJMC, Hielgers (p) Ltd and National Insurance Co. Ltd.	60	High Voltage Supply was once disconnected in October 2003 as per the mandate of the then recorded consumer M/s. Cold Gold Syntex (P) Ltd. 3 beneficiaries of the said HT supply filed writ petition praying for restoration of supply and grant of separate metered connection.

Sl. No.	Party Name and Case Details	Amount (Rs. Lacs)	Details
			<p>Supply was restored through HT supply in December '03 in terms of interim Order of the Hon'ble Court and a Special Officer was appointed by the Court for collection and payment of electricity charges of the premises.</p> <p>Till July 2004 account all bills were paid by the Special Officer and bills from August'04 account at an Agreemental Load of 600 kW were raised in terms of the tariff Orders pronounced by Hon'ble WBERC when shortfall to make up minimum charges and arrear revenue were included in the bills. The consumer / petitioners stopped payment of shortfall to make up minimum charge in terms of the Order of the Court. Installment of Arrear revenue also remained unpaid and supply could not be disconnected due to interim Order of the Court.</p> <p>Our Application for direction upon the Special Officer to revise Agreemental Load was disposed of in January 2005 and Agreemental Load was revised to 200 kW from February'06 a/c.</p> <p>The Writ Petition was finally disposed of by an Order dated 9.6.2005 and the Hon'ble Court directed Authorities of CESC to decide our billing dispute in terms of clause 3.5 Supply code and petitioner's application for separate metered supply.</p> <p>Petitioner proposed Appeal against the Order dated 9.6.2005 but in the meantime, Authorities of CESC passed its Order in lieu of the Order of the Hon'ble Writ Court as there was no stay.</p> <p>Supply of the premises was finally disconnected on 20.08.2005 due to non-payment of electricity dues.</p>
2.	<p>Paramananda Agarwal & Ors. Vs. ABL International Ltd. & Anr.</p> <p>APOT No. 368/2005 G.A No. 1689/2005 C.S. No. 601/1989</p>	27	<p>Our recorded consumer is M/s ABL International Ltd. and a Suit was filed by them.</p> <p>Dispute is between the landlord and tenants / occupiers of the premises. CESC was made one of the defendants.</p> <p>In the said suit application was filed by the plaintiff praying inter alia, for appointment of Administrators for running the AC Market and the electric system and to see that no disruption of the AC system and supply of electricity takes place in the market.</p> <p>Being aggrieved by the Order of the Ld. Trial Judge the plaintiff filed an Appeal before the Hon'ble Division Bench. Copy of the Appeal was not served on CESC.</p> <p>In the meantime supply to the consumer was disconnected on 01.08.2005 due to non payment of May'05 a/c bill amounting to Rs. 8,99,394.14.</p> <p>By an exparte Order dated 4.8.2005 Hon'ble Division Bench directed to restore the supply within 24 hours and the supply was restored. Copy of Appeal served on CESC when we have entered appearance and apprised the Court of our total dues. Hearing has been concluded and the Judgement was reserved.</p> <p>In the meantime bills for June'05 and July'05 a/c. has become due.</p>
3.	<p>M/s. Vijay Shree Ltd.</p> <p>W.P. No.1536/01 W.P. No.1754/01 W.P. No.2232/01 W.P. No.2408/01</p>	188.1	<p>Concessional Tariff was accorded to the Consumer on the basis of the Circular dated 15.08.97 issued by the Power Department, Govt. of West Bengal.</p> <p>The Consumer was provisionally allowed Concessional Tariff which was discontinued in view of coming into effect of the Electricity Regulatory Commission Act, 1998.</p> <p>Writ applications filed by the consumer were disposed of by the Hon'ble High Court on July 14, 2003 holding, inter alia, that Concessional Tariff is applicable in case of the consumer. An appeal was filed by CESC from such Order. Paper book has been filed in terms of the Order of the Appeal Court dated 10.11.2003.</p>

Sl. No.	Party Name and Case Details	Amount (Rs. Lacs)	Details
			An application incorporating developments that took place after passing of the Order dated 10.11.2003 was filed by CESC and Hon'ble Division Bench by its Order dated 27th. July 2005 granted leave to make supplementary paper book. The appeal is pending.
4.	M/s. Anglo India Jute Mills Co.Ltd. G.A. No.1960/03 APOT No.341/03 W.P. No.126/02	93.2	By an Order dated 17.8.2001, the State Government, directed to refund of a sum of Rs.16.48 mill on account of Electricity Duty. CESC adjusted the said sum against the dues payable by the consumer on account of Delayed Payment Surcharge so long frozen by BIFR and Additional Security Deposit (part). Consumer moved a writ petition challenging such adjustment. By an Order dated 6.5.03 the Court disposed of the writ petition by directing CESC to refund a sum of Rs. 9.66 mill by cheque within a month and adjust the balance amount from future electric bills on and from May '03. An appeal was preferred by CESC and the Hon'ble Division Bench by an Order dated 25.06.2003 stayed the operation of the Order of Ld. Single Judge by directing CESC to deposit Rs.9.66 mill in a fixed deposit. The order has been complied with. By an order dated 22.2.2005 the Hon'ble Appeal Court directed to adjust Rs. 6.82 mill against the Electricity Duty component that would be raised on the consumer from the bills of March 2005 onwards till the entire said amount of Rs. 6.82 mill liquidated in full. Matter is pending.
5.	M/s. Budge Budge Co. Ltd. APOT 586/03 G.A. No.3614/03 C.S. No.494/02	26	Concessional Tariff was accorded to the consumer on the basis of the circular dated 15.8.97 issued by the Power Department, Government of West Bengal. Concessional Tariff was initially granted for 3 years commencing from March 2000 to February 2003. Concessional Tariff was withdrawn due to non-payment of bill for March, July and August 2002 within due dates as per condition of the circular. By an order dated 17.9.03 the Court directed the consumer to pay the bills received from CESC on the undertaking that amount would be refundable by CESC, if writ is allowed by the Court. Consumer preferred an Appeal and the Appeal Court directed the consumer to keep the amount of 2.6 mill deposited with the Court. Paper books have been filed. Appeal is pending.
6.	M/s. Kamarhatty Co. Ltd. 01009007004 APOT 568/02 W.P. No.75/02 W.P. No.2232/01	37.1	Concessional Tariff was accorded to the consumer on the basis of the Circular dated 15.8.97 issued by the Power Department, Govt. of West Bengal. The appellate tribunal directed continuation of the Concessional Tariff against which CESC moved a writ application. The consumer also moved one writ application. Both the writ applications were disposed of by Hon'ble High Court on 14.7.2003 holding inter alia, that Concessional Tariff is applicable in case of the consumer. The disputed amount of Concessional Tariff stands deposited by the consumer with the Advocate-on-record M/s. Khaitan & Company. CESC filed appeal from that order and on 10.11.2003 the Division Bench directed to file Paper Book which has been complied with. The appeal is pending.
7.	The Titagarh Paper Mills Co. Ltd. W.P. 1662/98 W.P. No.1663/98 W.P. No.1664/98	143.2	The consumer disputed Arrear Fuel Surcharge, Delayed Payment Surcharge and Government Duty for the bills for the month of September '85 to May '92, October '95, November '96, February '97 to February 2000. Matters are pending before the Hon'ble High Court.
8.	Nabin Agarwal & Ors. A/c. East India Industries G.A. No.3829/03 APOT No.589/03 W.P. No.2563/03	67.3	The writ petition filed by M/s. East India Industries was dismissed but outstanding amount has not been realised till date. It appears that registered consumer is no longer in existence. One of the occupiers M/s. Navin Agarwal (occupying the shed of Maa Kali Trading) filed a separate writ petition No.2563/03 for separate supply. The Hon'ble Court appointed Special Officer to determine the liability of Navin Agarwal and others. The Special Officer ascertained the liability as Rs. 47.8 Lacs. Accordingly writ was disposed of on 30.9.03 with a direction to give supply to Navin Agarwal upon payment of proportionate outstanding dues of Rs. 1.7 Lacs. The company preferred an Appeal as the claim figure against Navin Agarwal was higher. Appeal was heard and stay petition disposed of on 12.3.2004 by Hon'ble Chief Justice, directing supply to be given to writ petitioner i.e. Navin Agarwal upon payment of Rs. 3 Lacs towards proportionate share of outstanding (as settled by the parties mutually). Operation of the Single Judges' Order has been stayed. Appeal is pending.

There are six more cases filed by High Tension Consumers where the individual case amount does not exceed Rs.25 Lacs.

(ii) Cases against the Company filed by Low Tension Consumers

There are 1,331 cases filed against the company by Low Tension Consumers for disputed amounts aggregating to Rs. 661 Lacs. Individually, none of these claims exceeds Rs. 25 Lacs.

There are 558 cases filed against the company for non installation of supply with disputed amounts aggregating to Rs. 379 Lacs. Individually, none of these claims exceeds Rs.25 Lacs.

There are 2,281 cases filed against the company relating to unmetered consumption charges for unauthorized use or theft of electricity aggregating to Rs. 3162 Lacs.

(iii) Tariff related issues

There are 11 matters pending, 3 before the Supreme Court (of which 2 are on the same issues) and 8 before the Calcutta High Court.

In some cases, the issue is whether differential or uniform tariff structure should be applicable to consumers. Decisions in these cases will not have any financial impact on the company since the aggregate revenue will not be altered by the results of these cases.

In other cases, the tariff fixation (for various periods commencing 2000-01) by the concerned statutory authority i.e. the West Bengal Electricity Regulatory Commission (WBERC) has been challenged by some consumers but the financial impact of the results of such cases cannot be ascertained.

3. Income Tax Matters

The Income Tax Department claimed Rs. 187 Lacs in respect of minimum corporate income tax for the assessment year 1988-89. The Income Tax Appellate Tribunal ("ITAT") dismissed the case and the Income Tax Department filed a delayed appeal in the High Court against the order of the ITAT. The appeal has not yet been admitted by the High Court. A number of issues in respect of the computation of taxable income are pending before the High Court for other assessment years, which if decided adversely, would lead to reduction in the Company's brought forward losses.

No provisions have been made by the company in respect of the proceedings described above, except for the provision of Rs. 187 Lacs in respect of the claim for minimum corporate income tax. The company believes that the determination of the income tax proceedings will have no impact on the financial condition and results of operations because the permitted return ensures reimbursement of income taxes through tariffs.

In addition, the company is a party to various other legal proceedings which arise in the ordinary course of operations. None of such additional legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the company's financial condition.

4. Cases related to labour/employee issues

The table below summarises the labour related cases. Monetary claim against the Company in these cases cannot be crystallised but in no case it is expected to be more than Rs. 5 Lacs.

Sl. No.	Case No.	Matter	Case Detail	In the Court of
1.	3045-IR IR-IOL-11/96 dated 29/11/1999	Ashoke Chatterjee Vs The company	Dismissal on Probation due to false Declaration	2nd Industrial Tribunal
2.	296-IR IR-IOL-11/96 dated 05/03/2003	Nagina Rai Vs The company	Loss of Two Annual Increments	8th Industrial Tribunal
3.	297-IR IR-IOL-11/95 dated 05/03/2003	Ram Jatan Rai Vs The company	Stoppage of One Annual Increment	8th Industrial Tribunal
4.	Company Case No 13 of 2002	Sukar Singh VS The company	Retrenchment Benefit from Principal Employer	1st Labour Court
5.	18/88/33(2)(b), G.D. No.4641-IR dated 25/10/1978	Sudhangshu Sekhar Biswas Vs The company	Dismissal on charges of Molestation	2nd Industrial Tribunal

Sl. No.	Case No.	Matter	Case Detail	In the Court of
6.	VIII 44/2003 and Govt. order Ref. 08/IR dated 02/01/2003	Ashok Adhikary Vs The company	Dismissal on charges of Tampering of Electricity Meter at his residence	7th Industrial Tribunal
7.	WP No 1274 of 2004	Ranadhir Kr Sarkar Vs The company	Refusal to do Night Shift	High Court
8.	1425-IR dated 9/10-12-04	B.N. Manna Vs The company	Stoppage of two increments due to alleged tampering of Meter	5th Industrial Tribunal
9.	W.P. No. 19780 (W) of 2004	Avanindra Nath Tewari Vs The company & Ors	Dispute raised by Ex-MGS/ VSS employee	High Court, Calcutta

B. KEC INTERNATIONAL LIMITED (KEC)

The following is the list of litigation against KEC

Sr. No.	Citation & Parties	Amount of claim (Rs Lacs)	Current position
1	Bombay HC 1409 of 1981 Ashoka Company Ltd. Vs. KEC	51.54	Matter pending in the Long Causes. W. S. being filed
2	Bombay HC Suit No. 1593 of 1977 Arun Corporation Vs. KEC	1.84	Pending hearing
3	Calcutta HC 710 of 1988 SKPL Vs. KEC	31.95 Counter claim by KEC 22.13	Pending hearing
4	Civil Court Vijaywada Coastal Coonstruction Co. Vs. KEC	7.00	Pending Arguments
5	Dist. Court Tezpur Green Valley Industries Vs. KEC	0.68	W.S. being filed (Out of Court settlement expected)
6	Civil Judge, Meerut Mr. M. S. Shimber Vs. KEC	0.76	Pending
7	Civil Judge Malihabad, Lucknow 336 and 337 of 1984 Pioneer Construction Company Vs. KEC	11.03	Pending (Out of Court settlement)
8	Appeal No.131 of 1993 in Suit No. 645/85 U. K. Singhal Vs. KEC	0.14	Pending
9	Dist Court Kathua 1990 Kulbhushan Magoo Vs. KEC	0.25	Pending

Sales Tax Cases Pending Before Appellate Authorities

BST/CST/ WCT	Demand (Rs Lacs)	Brief description of the Order	Demand Deposited (Rs Lacs)	Present status
WCT	34.63	AC has not full credit of TDS amount	7.00	Pending before M S Tribunal, Mumbai

Central Excise Cases

SI No.	Ref.	Issue involved	Total Amount (Rs Lacs)	Present status
1	2449/90	Writ : Excise duty on Zinc scrap (refund of excess paid)	5.77	Pending for disposal in Mumbai High Court
2	2823/91	Writ : Excise duty on Zinc scrap (refund of excess paid)	2.16	Pending for disposal in Mumbai High Court
3	SCN 192/02 25.07.02	Appeal : Availment of deemed credit of 12% on the inputs which were later cleared for export on payment of 15% ad-valorem on additional value and later claimed the refund.	42.97	Finally heard by Commissioner of C.E. (A) Order is reserved.
4	Civil appeal No. 4059 of 2003.	Levy of Central Excise on supply of Cantilever - Rly. Eelectrification project Ambala.	108.2	An appeal filed before CEGAT, New Delhi. Matter finally decided in the company's favour. Rs5.00 Lacs deposited in the appeal also refunded. However now Excise Department has filed Civil appeal in the Supreme Court against the order of the CEGAT. Appeal is admitted & pending for disposal.

Pending before Income Tax Appellate Tribunal (ITAT)

S. No.	Fin Year	Asst. Year	Disputed Issue	Remarks
1	1999-00 (Company Appeal)	2000-01	Depreciation Rs.410 Lacs, Interest on borrowings Rs669 Lacs, Provision for Doubtful Debts Rs.142 Lacs, License fees Rs.700 Lacs, Legal expenses Rs.24 Lacs & Sec80HHC	Filed with ITAT on 11/06/04
2	1998-99 (Company Appeal)	1999-00	Interest on borrowings Rs.1,046.06 Lacs, Notional Interest on Advance to Bespoke Rs65 Lacs, License fees Rs.350 Lacs, Prof fees Rs.315.26 Lacs, Depreciation Rs.2287 Lacs, Provision for Doubtful Debts Rs.82.62 Lacs & Sec.80HHC.	Filed with ITAT on 29/03/04
3a	1997-98 (Company Appeal)	1998-99	Notional Interest on Advance to Bespoke Rs84.59 Lacs, loss on sale of film rights Rs.54.57 Lacs, legal & medical exp Rs.23.21 Lacs, RPG Logo fees Rs.350 Lacs & 80 HHC.	Filed with ITAT on 24/07/01 Appeal No 4862/M/2001
3b	1997-98 (Dept Appeal)	1998-99	Notional Interest on Investment Rs.933.06 Lacs, 80 HHC, Deferred revenue expenses (Project Exp) Rs.40.71 Lacs, VRS expenses Rs.3568.23 Lacs & 115 JA method.	Filed with ITAT on 31/07/01 Appeal No 5019/ M /2001
4a	1996-97 (Company Appeal)	1997-98	80 HHC & 80 I working	Filed with ITAT on 17/08/2000 Appeal No 4054/M/2000
4b	1996-97 (Dept Appeal)	1997-98	Diminution in value of assets of Iran Branch Rs1440 Lacs, Provision for Doubtful Debt Rs22.48 Lacs, Sec 80 I & 80 O Deduction & 80 HHC deduction	Filed with ITAT on 24/08/2000 Appeal No 4148/ M /2000
5a	1995-96 (Company Appeal)	1996-97	Deduction u/s 80 HHC (Scrap Sales Tax & Excise)	Filed with ITAT on 3/08/2000 Appeal No 3858/M/2000
5b	1995-96 (Dept Appeal)	1996-97	Provision for Doubtful Debts Rs11.54 Lacs, Iran Income Rs46.19 Lacs	Filed with ITAT on 10/08/2000 Appeal No 3971/M/2000
6a	1994-95 (Company Appeal)	1995-96	Deduction u/s 80 HHC (Scrap Sales Tax & Excise)	Filed with ITAT on 03/08/2000 Appeal No 3857/M/2000
6b	1994-95 (Dept Appeal)	1995-96	Provision for Doubtful Debts Rs38.24 Lacs, Iran Income Rs88.36 Lacs	Filed with ITAT on 10/08/2000 Appeal No 3970/M/2000
6c	1994-95 (Company Appeal)	1995-96	Deduction u/s 80 HHC	Filed with ITAT on 24/05/2003
6d	1994-95 (Dept Appeal)	1995-96	Claim for adjustment of excess TDS deposited Rs2.59 Lacs - Birla Sunlife	Filed with ITAT on 23/03/1998 Appeal No 1990/M/1998

S. No.	Fin Year	Asst. Year	Disputed Issue	Remarks
7a	1993-94	1994-95	Deduction u/s 80 HHC (Scrape Sales Tax & Excise)	Filed with ITAT on 28/9/2003 Appeal No 5783/M/1998
7a	1993-94 (Company Appeal)	1994-95	Deduction u/s 80 HHC (Depreciation)	Filed with ITAT on 28/9/2003 Appeal No 5410/M/2001
7b	1993-94 (Dept Appeal)	1994-95	Provision for Doubtful Debts Rs2.16 Lacs, Iran Income Rs83.49 Lacs & 80 HHC deduction without depreciation Rs46.14 Lacs	Filed with ITAT on 03/12/1998 Appeal No 6851/M/1998
8a	1992-93 (Company Appeal)	1993-94	Deduction u/s 80 HHC (Scrap Sales Tax & Excise) & Int. on interest on free advance Rs15.68 Lacs	Filed with ITAT on 29/09/1998 Appeal No 5782/M/1998
8b	1992-93 (Dept Appeal)	1993-94	Provision for Doubtful Debts Rs4.56 Lacs, Iran Income Rs52.85 Lacs	Filed with ITAT on 03/12/1998 Appeal No 6850/M/1998
9a	1991-92 (Company Appeal)	1992-93	Disallowance Under rule 6B Rs2.26 Lacs, Sundry Credit Balance written Back Rs0.68 Lacs, Provision for Doubtful Debt Rs62.09 Lacs & Disallowance of Foreign Tax Rs41.72 Lacs	Filed with ITAT on 10/07/1996 Appeal No 4720/M/1996
9b	1991-92 (Dept Appeal)	1992-93	Retention Money Rs78.53 Lacs, Rule 6D Rs0.78 Lacs, Guest House Expenses Rs0.94 Lacs, Interest Income on Blocked Funds in Iran Rs14.46 Lacs	Filed with ITAT on 05/08/1996 Appeal No 5045/M/1996
10a	1990-1991 (Company Appeal)	1991-1992	Disallowance Under rule 6B Rs1.69 Lacs, Sundry Credit Balance written Back Rs3.38 Lacs Provision for Doubtful Debt Rs14.64 Lacs & Disallowance of Foreign Tax Rs71.74 Lacs	Filed with ITAT on 10/07/1996 Appeal No 4719/M/1996
10b	1990-1991 (Dept Appeal)	1991-1992	Retention Money Rs11.16 Lacs, Rule 6D Rs0.42 Lacs, Guest House Expenses Rs0.63 Lacs	Filed with ITAT on 05/08/1996 Appeal No 5044/M/1996
11a	1989-1990 (Company Appeal)	1990-1991	Profit on sale of Mini Steel Plant at Bhavnagar as a going concern as deemed Short term capital Gain Rs122.47 Lacs, reduction in claim for depreciation in respect of sale of Mini Steel Plant Rs40.60 Lacs, Exclusion of items from eligible profits for the purpose of computing deduction u/s 32AB Rs25.93 Lacs, disallowance of sales-tax penalties Rs1.27Lacs, Retention Money Rs30.17 Lacs, Refund of Foreign Tax 0.67 Lacs & Interest u/s 234B Rs10.40 Lacs.	Filed with ITAT on 19/05/1994 Appeal No 3141/B/94 Partly heard
11b	1989-1990 (Dept Appeal)	1990-1991	Re-opening of assessment was legally not valid	Filed with ITAT on 10/09/1998 Appeal No 5382/M/98
12a	1988-1989 (Dept Appeal)	1989-1990	Assessing Officer was not within his power to re-open the Assessment u/s 147.	Filed with ITAT on 10/09/1998 Appeal No 5381/M/98
12b	1998-1989 (Company Appeal)	1989-1990	Cross objection filed against department apeeal no.8733/M/92.	Filed with ITAT on Appeal No.1736/M/93.
13a	1985-1986 (Company Appeal)	1986-1987	Exchange Gain on Translation of balance in foreign currency Rs197.47 Lacs, Interest on blocked funds in Iran Rs147.10 Lacs, Disallowance of Foreign Tax liability Rs44.27Lacs, Disallowances of entertainment expenses Rs1.44 Lacs, Non Taxability of Cash compensatory support Rs106.32 Lacs, Disallowance of Sales Tax liability u/s 43B Rs7.04 Lacs	Filed with ITAT on 20/02/1990 Appeal No 1587/B/90
13b	1985-1986 (Dept Appeal)	1986-1987	Retention Money Rs301.27 lakh, Sales Promotion Expenses Rs1.44 Lacs	Filed with ITAT on 16/03/1990 Appeal No 2311/B/90
14a	1979-1980	1981-1982	Granting Refund of Rs53.63Lacs and Interest u/s 224(1A) on the same	Filed with ITAT on 26/06/1993 Appeal No 4585/B/93

Income Tax Cases

Cases Pending before High Court

Asst. Year	Reference No.	Department Reference	Amount in dispute (Rs Lacs)	Tax rates %	Tax involved (Rs Lacs)
1975-76	249/MUM/1997 (Arising out of 28/B/87)	Department Reference on weighted deduction u/s 35B on Guarantee commission paid to ECGC, Grant in aid is not income	0.60	57.75	0.35
		Loss on import entitlement allowed by Tribunal is rejected by ITAT and department has filed reference u/s 256(2)	28.40	57.75	16.40
1978-79	RA No.118/B/92 (Arising out of ITA 1988/B/82)	Reference against order of the Tribunal Granting weighted deduction u/s.35B on Guarantee Commission paid to Banks, Expenses incurred abroad while executing contracts, premium paid to ECGC, Export Inspection Agency charges and interest paid on Packing Credit Loan.	70.91	57.75	40.95
		Retention Money had not accrued in this year, hence deductible from the total income.	191.66	57.75	110.69
1979-80	RA No.225 and 226/B/94 (Arising out of ITA 2370 & 2545)	Reference against order of the Tribunal Granting weighted deduction u/s.35B on Guarantee Commission paid to Banks, Guarantee Commission paid to ECGC, Export Inspection Agency charges and interest paid on Packing Credit Loan & expenses incurred while executing contract abroad.	78.33	57.75	45.23
		Retention Money had not accrued in this year, hence deductible from the total income.	243.30	57.75	140.50
1980-81	RA No.889 (Arising out of ITA 2939/B/85)	Reference against order of the Tribunal granting weighted deduction u/s.35B(1)(b)(vii) on Interest on Packing Credit, Insurance Freight, Inspection Agency charges and interest paid on Packing Credit Loan & expenses incurred while executing contract abroad.	3.82	59.13	2.26
1980-81	RA No. 792-A/B/86 (Arising out of ITA 2939/B/85)	Reference against order of the Tribunal Granting weighted deduction u/s.35B on Guarantee Commission paid to Banks on Advance payment guarantee, Payment for Overdraft facility, Retention money guarantee & extension of forward contract	10.86	59.13	6.42
		Retention Money had not accrued in this year, hence deductible from the total income.	189.36	59.13	111.96
1981-82	RA No.721/M/98 (Arising out of)	Retention Money had not accrued in this year, hence deductible from the total income.The Tribunal has allowed IAC has no jurisdiction u/s 144B to direct disallowance of an item or addition of income, which is not the subject matter of the draft assessment order.	308.19	56.38	173.74
1982-83	RA No. 1267/M/98 (Arising out of ITA 3438/B/87)	Retention Money had not accrued in this year, hence deductible from the total income.The Tribunal has rejected all other questions referred to it.i.e. price escalation, weighted deduction u/s 35B on	268.32	57.75	154.96
1983-84	I tax appeal no 711 of 2000	Questions referred on			-
		Unrealised rent	4.00	56.38	2.25
		Entertainment exps	3.31	56.38	1.87
		Exchange Gain & Block Fund in Iran	16.53	56.38	9.32
		Weighted deduction u/s 35B	8.17	56.38	4.61
		80HHB - only net profit of foreign branch	33.75	56.38	19.03
Escalation bills	(134.26)	56.38	(75.69)		
1984-85	RA No. 1267/M/98 (Arising out of)	Retention Money had not accrued in this year, hence deductible from the total income.	230.64	57.75	133.19
1985-86	RA No.298/B/95 (Arising out of ITA 1216/B/90)	Retention Money had not accrued in this year, hence deductible from the total income.	290.32	57.75	167.66

Income Tax Cases Pending Before AO & CIT (A)

S. No.	Asst. Year	Returned Income (Rs Lacs)	Refund/Demand, (Rs Lacs)	Disputed Issue	Remarks	Status
1	2002-2003	Nil	604.37	Nil	Carried Forward Dep Rs1606.05 & Rs5303.05 as c/f Business Loss. TDS certificate of Rs202.99 Lacs have only received. So far Notice u/s 143(2) is not received i.e. for scrutiny Asst. for which last date is 31/10/2003	1) Order u/s 143(1) received on 24.6.03 granting refund of Rs650 Lacs which was added against demand of AY00-01 2) Assessment order received on 16.08.2004 Assessed loss is Rs6,006 Lacs as against returned loss of Rs7,385 Lacs. Appeal filed before CIT (A) on 13.09.04.
2	2001-2002	Nil	750.58	Nil	Carried Forward Dep Rs2052.27 & Rs3010.98 as c/f Business Loss. TDS certificate of Rs.165.35 Lacs have only received which is also adjusted against demand of AY 1994-95 & 98-99 on 8/2/2002. Notice u/s 143(2) is received i.e. for scrutiny Asst., on 22/10/2002	DCIT order dated 25/03/04 received on 26/03/04. The company is preparing an appeal to CIT(A) for additions made by him & the same will be filed before due date. Order under section 143(3) received. The Returned loss of Rs50.63 Lacs has been reduced to Rs31.47 Lacs.
3	2000-2001	MAT income Rs136.11 Lacs	Tax Rs597.78 Lacs & Rs214.99 Interest u/s 234 B up to 31/3/2003 as per AO Order	Depreciation Rs409.46 Lacs, Disallowance of notional Interest on investment Rs668.54 Lacs, Disallowance of notional Interest on advance to Bespoke Rs170.09 Lacs, RPG logo fees Rs700 Lacs, Provision for Bad debts Rs184.91 Lacs (141.63+43.28) & bad debts written off Rs314.16 Lacs, VRS (pension) payment Rs37.54 Lacs, Amalgamation Exp Rs23.53 Lacs, Sec80 HHC Rs775.45 Lacs, Sec80 HHB Rs440 Lacs & increase in House property Income Rs5.05 Lacs, cash loan in SIRYA Rs73 Lacs & working method of 115 JA.	Returned income NIL after claiming 80 HHC & 80 G deduction. TDS refund claimed Rs793.47 Lacs, out of which the company has given TDS certificate of Rs588.38 Lacs which he has adjusted against demand he raised in assesment. Pending certificate to be received Rs193.14 Lacs. Appeal filed on 29/4/2003. As AO has assessed Rs2693.31 Lacs against company's Nil Income, the company has applied for rectification u/s 154 for giving DIT Relief, MAT credit etc.on 30/4/2003	At the Hearing fixed on 30/1/04, CIT(A) called for written submission, next hearing fixed on 12/02/04. Hearing took place on 12/02/04 & 27/02/04 adjourned to 5/03/04 where CIT(A) has asked for written submission. Hearing took place on 5/3/04, 18/3/04 & 24/3/04 before CIT(A). Written submission filed. CIT(A) order is awaited. CIT(A) order received. Decided certain issues in the company's favour for which effect is yet to be given. For issues not allowed, the company is preferring appeal to ITAT.

S. No.	Asst. Year	Returned Income (Rs Lacs)	Refund/ Demand, (Rs Lacs)	Disputed Issue	Remarks	Status
4	1999-2000	MAT income Rs375.24 Lacs	Tax Rs597.78 Lacs & Rs214.99 Interest u/s 234 B up to 31/3/2003 as per AO Order	Depreciation allowed however the company has not claimed Rs2287.50 Lacs, Disallowance of notional Interest on investment Rs1046.06 Lacs, Disallowance of notional Interest on advance to Bespoke Rs65.45 Lacs, RPG logo fees Rs350 Lacs, Provision for Bad debts Rs86.03 Lacs & bad debts written off Rs15.45 Lacs, deferred revenue expenses Rs642.74 Lacs (pension payment & payment to Mekincy & project expenses, 80 HHC Rs1549.28 Lacs & working method of 115 JA	Returned Income NIL. Refund claimed Rs659.14 Lacs out of which Dep't granted refund of Rs607.85 Lacs. Assessed under MAT for Rs1,193.44 Lacs as the company had C/F Losses/ Depreciation of earlier years. Hearing with CIT(A) is over. TDS Certificate of Rs51.29 Lacs is to be received from party	1) Order passed by CIT(A) dated 31/12/03 received on 30/01/2004. Appeal is partly allowed. Copy send to Consultant has advised to file the appeal. The company has filed the appeal on 29/03/04 before ITAT 2) Rectification order passed by AO u/s 154 in which refund of Rs695 Lacs has been granted & the same is received
5	1997-98			Computation of income u/s 115 JA Rs1757 Lacs	Appeal Filed on 12-02-2002	Hearing completed on 16/12/03, order awaited. CIT(A) order received. Effect is yet to be given.
6	1995-96			Computation of deduction u/s 80 I Rs1384294 (Interest & dividend Income)	Appeal Filed on 23-04-2002	Order dated 13/11/03 recd on 15/12/03, appeal dismissed.

C. ZENSAR TECHNOLOGIES LIMITED

Sr. No.	Name of the Party (Year)	Forum	Claim Amount Rs Lacs	Likely impact on financial performance Rs Lacs
Cases filed by Customers / Dealers				
1.	Woodcraft Products Ltd. (1996)	State Consumer Redressal Forum at Calcutta	4.27	Nil
2.	Assam Co. Ltd. (1998)	High Court at Calcutta	32.44	Nil
Cases filed by Creditors/Suppliers				
3.	Fairgrowth Financial Services Ltd. (1995)	Debt Recovery Tribunal, Bangalore	16.66	Nil
4.	Apcorn Computers Ltd. (1998)	Madras High Court	23.90	Nil
5.	Excel Engineers, (2000)	Civil Judge, Senior Division, Pune	1.63	Nil
6.	Asia Pacific Investment Trust Ltd. (1997)	Debt Recovery Tribunal, Hyderabad	59.97	Nil
7.	IDBI v/s Lloyds Finance & Others. (2000)	Debt Recovery Tribunal, Mumbai	27.68	Nil
Property cases				
8.	The Oriental Insurance Co. Ltd. Mumbai (1997)	Estate Officer, The Oriental Insurance Co. Ltd.	196.38	97.56 Provision made in the Books of Accounts.
9.	Transmarine Corporation and Others Mumbai (2001)	Small Causes court, Mumbai	1.22	Nil
10.	M/s Tulshidas Khimji, Mumbai (1997)	Small Cause Court, Mumbai	14.74	Rs. 29.62 lacs deposited in court under protest
Cases pertaining to ESI				
11.	Employees State Insurance Corporation Pune (1992-1997)	Employees State Insurance Corporation Courts, Pune	6.72	5.00 Provision made in the Books of Accounts

Sr. No.	Name of the Party (Year)	Forum	Claim Amount Rs Lacs	Likely impact on financial performance Rs Lacs	
Employees related cases					
12.	Mr. Govind Vichare (1994)	Labour Court, Bandra, Mumbai	Reinstatement	Nil	
13.	Mr. S. B. Patole and others (1998)	Bombay High Court	Reinstatement	Nil Provision of Rs.29.60 lacs has been made in books of account	
14.	Mr. B. N. Thakur (1988)	Labour Court, Delhi	Reinstatement	Nil	
15.	Mr. Mahajan & Mr. Dharwade	Labour Court, Pune	1.44	0.96 Provision made in the Books of Accounts	
16.	Mr. Khadagale	Labour Court, Pune	Reinstatement	0.48 Provision made in the Books of Accounts	
Cases pertaining to Customs and Excise					
17.	Commissioner of Central Excise, Pondicherry (1996-97)	Central Excise and Service Tax Appellate Tribunal, Chennai	10.6	Nil	
18.	Dy. Commissioner of Customs, Ballard Pier, Mumbai (1999)	Dy. Commissioner of Customs, Mumbai	124	Nil	
19.	Dy. Commissioner of Customs, Mumbai (2000)	Dy. Commissioner of Customs, Mumbai	Bond of 77.7 BG of 38.35	Nil	
20.	Dy. Commissioner of Customs, Mumbai (2000)	Dy. Commissioner of Customs, Mumbai	Bond of 17.3 BG of 8.65	Nil	
S. No.	Assessment Year	Forum	Claims Amount (Rs Lacs)		Likely impact on Financial performance (Rs Lacs)
			Dept.in appeal	Company in appeal	
Income Tax					
1.	1980-81 to 1984-85 and 1986-87 to 1988-89	High Court	132.91	6.49	Nil
2.	1985-86 to 1987-88 1991-92 to 1993-94 1998-99 to 1999-2000	Tribunal	639.01	170.04	119.34 Provision made in books of account
3.	2000-01	Comm of Income Tax (Appeals)	16.64	71.00	24.00 Provision made in books of account
Sales Tax					
4.	1991-92	Kerala High Court	-	1.11	Nil
5.	1987-88 to 1989-90	U.P High Court	4.54	-	Nil
6.	1992-93	Maharashtra Tribunal	2.40	-	Nil (Rs. 2.40 lacs deposited)
7.	1981-82	West Bengal Tribunal	-	5.67	Nil
8.	1996-97 to 1997-98	Andhra Pradesh Tribunal	1.96	-	Nil
9.	1995-96 to 1997-98	Karnataka Asst. Comm. (Audit)	1.41	-	Nil (Rs. 1.13 lacs deposited)
10.	1993-94	Bihar Appellate Asst. Comm	2.58	-	Nil
11.	1993-94 to 1994-95	West Bengal Asst. Appellate Comm.	3.00	-	Nil
12.	1994-95, 1996-97 & 1998-99	Tamil Nadu Appellate Asst. Comm	-	64.66	50.09 Provision made in books of account. Amount of Rs. 19.02 is deposited
13.	1992-93	Tamil Nadu - Re-Assessment Stage	-	14.37	14.37 Provision made in books of account

D. SAREGAMA INDIA LIMITED

1. Criminal Cases

There are criminal cases pending against the company and its Directors, as follows:

Sl	Case No./ Date	In the Court of	Filed by/ against	Particulars	Status
Criminal					
1	CC. 793/P of 1999	8th Metropolitan Magistrate, Esplanade Court, Mumbai	State of Maharashtra -vs- S. Banerjee, V B Menon, Dr. B Sen, GCIL & others	Filed by Kamal K Mehra, proprietor of 'Pride of Asia Films' who had in 1976 assigned his right to receive royalty to Ms. B. Anantrai, daughter of a financier. 20 years later he alleged financier had been repaid, hence wrongful payment of royalty by GCIL to Ms. Anantrai, collusion, misappropriation etc.	The Company and its Directors discharged by Magistrate
2	Cr. Comp 447 of 1996 (new No.2809 of 1999)	ACJM, Gautam Budh Nagar, Ghaziabad	Super Cassette Inds & another -vs- Sri S. Goenka, Sri R P Goenka, other Directors & GCIL	Alleged defamation against Super Cassettes. In view of pendency of matters before Allahabad High Court, the Trial Court proceedings are adjourned.	Proceedings adjourned

2. Cases filed against the company relating to Copyright issues

Sl	Case No./ Date	In the Court of	Filed by/ against	Particulars	Status
Rights in Agreements					
1	CS. 925 of 1994	Chennai High Court	Nemichand Jhabak -vs- GCIL	Injunct GCIL for alleged Infringement of his rights.	Injunction on
2	3740 of 2000	Mumbai High Court	Mahal Pictures -vs- East is East, Star Entertainment, Saregama India Ltd.	Seeking Court's declaration of Saregama's rights in Agreement re: Film "Pakeezah"	Hearing on
3	OS 28 of 2001	Dist. Court, Ernakulam	G. Devarajan -vs- Saregama India Ltd & Johnny Sagarika	Alleged Copyright violation	Pending
4	OS 4 of 2002	Dist. Court, Ernakulam	G. Devarajan -vs- Saregama India Ltd & another audio Co.	Alleged Copyright violation	Framing of issues
5	CS 107 of 2003	Calcutta High Court	Sterling Investment Corp P Ltd -vs- Saregama India Ltd & Saregama Plc	Seeking Court's declaration of Saregama's rights in Agreement re: Film "Mughal -e - Azam"	Settlement arrived at - case being withdrawn
6	CS. 1830 of 2003	Chennai High Court	Meta Audio -vs- Saregama India Ltd & IMI	Injunction apprehending interference in Meta's business - their injunction vacated	Main suit on-SIL's reply filed
7	CS.139 of 2004	Calcutta High Court	Hamin Ahmed & others -vs- SIL, Anu Malik, Mukesh and Mahesh Bhatt, A.Jamal, RPG Global, Saregama plc	Unauthorised usage of their musical work "Phireya Dao Amar Prem" in song 'Jana Jane Jana' of Film 'Murder'	Hearing on
8	WP.1933 of 2004	Mumbai High Court	Mitul Ramachandra Pradeep -vs- Union of India & SIL	Adequacy of royalty paid to "Disabled Army Personnel Widows & Orphans Fund" on sales of "Aye Mere Watan Ke Logon"	Hearing on
9	CS(OS) 1300 of 2004	Delhi High Court	BMG Music Publishing International Ltd. & Deep Emotions Publishing Pvt. Ltd. -vs- SIL	Payment of additional publishing royalties to them by SIL, arising out of Zomba Records Ltd.'s license to SIL to sell Zomba repertoire in India. SIL already remitted due record royalties to Zomba at rates approved by RBI.	Party asked to prove their rights to claim this

Sl	Case No./ Date	In the Court of	Filed by/ against	Particulars	Status
Version Recordings					
10	TS 640 of 1996	City Civil Court, Calcutta	Asha Audio -vs- GCIL	GCIL permitted Asha to make versions of some Bengali songs, but withdrew permission as Asha did not comply with norms. Asha filed suit for non-interference in their business. Asha's Injunction application dismissed	Main suit pending
11	OS 6668/1998, OS 8181/1998, OS 4255/2000	City Court, Bangalore (3 cases)	Mars Recording P Ltd -vs- GCIL & IMI	Version recording made without GCIL's consent -fearing threat of legal action from SIL/ seizure by/ through IMI case filed - injunction sought and granted	All pending
12	OS 5316/1999	City Court, Bangalore	Music Media P Ltd -vs- GCIL & IMI	Version recording made without GCIL's consent -fearing threat of legal action from SIL/ seizure by/ through IMI they filed - injunction sought and granted	Framing of issues
13	RFA 534/ 2004	Bangalore High Court	Mars Recording P Ltd -vs- GCIL & IMI	Mars' Appeal against Bangalore City Court order of 2004 dismissing Mars' case 4792/ 1998 and decreeing GCIL's case CS 265/ 1998 in GCIL's favour.	To be heard
14	CS(OS) 336 of 2005	City Civil Court, Secunderabad	Harsha Audio -vs- Lahari Recording Co, GCIL & others	Released 'remix' recordings of defendants' songs, claiming full right to do so.	Pending
Gramco Music Publishing Ltd.					
15	R.S. 152 of 2000	Civil Judge (Senior Division), Lucknow	Muzzaffar Ali -vs- Gramco Music Pub.Ltd, Mrs. M Goenka, IMPPA	Proposed Film: "Daaman" to be produced/ released by Gramco was shelved due to differences with Director Mr. Ali. Aggrieved by this, he filed case	Hearings on
Version Recordings					
16	124 of 1996	Calcutta High Court	Hindusthan Musical Products -vs- GCIL	HMP entered into License Agts dt. 24.03.94 & 07.02.95 for GCIL to manufacture and sell HMP repertoire. HMP filed suit on various grounds - repertoire not utilised, royalty not paid. In 1998 HMP's I.A. dismissed.	Main Suit pending.
Factory Suppliers					
17	232 of 1996 & 647 of 1999	Calcutta High Court	Antartica Graphics Ltd. -vs- GCIL	Antartica filed Winding up on GCIL for non-payment of Rs19.47 Lacs. Court dismissed and directed to file money suit. So Antartica filed money suit 647 of 1999 Suit for Rs. 38.28 Lacs + interest.	Pending
Property related					
18	RCOP no. 1151/ 94, RC 938/ 97, RCA 339/ 98	Chennai High Court	South Indian Film Chamber -vs- GCIL	Fair rent in respect of the premises 604, 605 Anna Salai; premises vacated on 14 January 2003 (Rs.84.30 Lacs)	Pending for disposal
Others					
19	Agst 196 of 2001	Civil Court, Amritsar	Sethi Radios and anthr Vs Saregama India Limited	For rendition of ledger account of parties in Saregama's books	Pending
20	DB 1220 of 2005	High Court, Rajastan	Ajay Singh Rathod -vs- Central Board of Film Certification, Discovery Video & SIL	Seeking injunction against anti-religious activities (Bible burning) shown in VCD 'Van Helsing'	Pending

Sl	Case No./ Date	In the Court of	Filed by/ against	Particulars	Status
21	CS 978 of 1982	High Court, Mumbai	Sudhaben Raniklal Shah (Charu Harish Pandya) -vs- GCIL	Claiming royalties payable to alleged heirs not supported by proper heirship documents	Pending

3. Other Civil Cases against the company

Income Tax Matters

Sl. No.	Assessment Year	Amount of Demand/ (Refund) by the Department Concerned (Rs Lacs)	Brief Description of the case/order against which the case is pending	Amount of Demand deposited (Rs Lacs)	Present Status
1	1995-96	Amount so far has not been ascertained cited in	Depreciation as per Income Tax Act, 1961 was claimed in return by the company at Rs. 65.46 lacs which was subsequently revised to Rs 89.43 lacs for which a dispute is pending. If the matter is decided in favour of the company the difference in depreciation being unabsorbed in this year will be available to the company for set off in AY 97-98 and a resulting refund in that year may be available.	Not Applicable	A petition for rectification of the order passed by the CIT (Appeals) principally allowing depreciation at an enhanced figure than the claim made by the company in the return is pending.
2	1997-98 [Order dated 29.11.02 passed by the ITAT, Kolkata in ITA No. 655/C/99]	N.A. (See Note # 1)	Appeal filed u/s. 260A by the Company before the Calcutta High Court against the said order passed by the ITAT, Kolkata on the issue of allowability of credit with respect to tax deducted at source in UK.	N.A. (See Note # 1)	Matter presently pending before the Calcutta High Court
3	2001-02 [Order dated 29.3.04 passed u/s. 143(3)]	(See Note # 2)	Disallowances/ additions have been made by the Assessing Officer on various issues. The major issue relate to the disallowance of expenditure of Rs1.48 crores incurred on account of website development on the ground that the same is in the nature of capital expenditure.	(See Note # 2)	The Company is in the process of filing an appeal before the CIT (Appeals) against all the disallowances/ additions made in the assessment.

Notes

#1 No financial impact since the credit has not been allowed to the company. In case the issue is ultimately decided in favour of the company, such tax deducted at source in UK amounting to GBP 2528.25 (equivalent to Rs1.48 Lacs) will become refundable to the company.

#2 Demand of Rs79.23 Lacs raised has been fully adjusted with amount refundable for the A.Y. 2003-04.

Sales Tax Disputes

Assessment Year	Amount of Demand/ (Refund) (Rs Lacs)	Brief Description of the case/order against which the case is pending	Demand deposited (Rs Lacs)	Present Status
West Region MAHARASHTRA 1999-2000	MST 18.48 CST 69.75 88.23	Disallow of Set off & Credit note. Mainly F Form pending, considered cas Sale. Appeal pending with Commissioner of Appeals.	Nil 1.36	Appeal in process Necessary details submitted order to be passed

Assessment Year	Amount of Demand/ (Refund) (Rs Lacs)	Brief Description of the case/order against which the case is pending	Demand deposited (Rs Lacs)	Present Status
North Region				
DELHI				
1987-88	DST 2.54 CST 1.36	F-Form/ C-Form not submitted	0.40 0.20	Appeal pending with DC
1988-89	DST 3.22 CST 0.34	F-Form/ C-Form not submitted	Nil Nil	Appeal pending with DC
1989-90	CST 0.65	C-Form not submitted	0.70	Appeal pending with DC
1990-91	CST 0.61	C-Form not submitted	2.11	Appeal pending with DC
1991-92	DST 3.65	F-Form/ C-Form not submitted	1.05	Appeal pending with DC
1993-94	CST 0.69	C-Form not submitted	0.27	Appeal pending with DC
2000-01	CST 3.32	C-Form not submitted	0.05	Appeal admitted case remanded back
2001-02	CST 0.72	C-Form not submitted	0.38	Appeal pending with DC
2002-03	CST 24.37	C-Form not submitted	0.10	Appeal filed
U.P				
1996-97	UPTT 0.61	F-Form/ C-Form not submitted	0.39	Appeal pending in High Court, Lucknow
1997-98	UPTT 2.94	F-Form/ C-Form not submitted	1.47	Appeal pending in High Court, Lucknow
2001-02	UPTT 0.72	F-Form/ C-Form not submitted	0.36	Appeal pending before J.C.(appeal)
RAJASTHAN				
1998-99	RST 13.16	F-Form/ C-Form not submitted	2.21	Appeal filed D.C Appeals-11
1999-00	CST 8.17	F-Form/ C-Form not submitted	4.13	Appeal filed D.C Appeals-11
TAMIL NADU				
1986 -1992	TNGST 6.75	Dispute on Rate of Taxes of LP Records	Nil	Pending before the Tamil Nadu Taxation Special Tribunal.
A.P.				
2000-2001	APGST 33.65	Dispute on Rate of Taxes of Cassettes & CDs	17.50	Pending before the Tribunal. Also have filed in High Court against the order dismissed by Addl. Commr. Comm. Taxes
2004-2005	APGST 8.75	Dispute on rate of taxes of MC/CD's	5.47	Pending before the Appellate Dy. Com. (CT), Secunderabad
KERALA				
1997-1998	KGST 4.90	Dispute on Rate of Taxes of CDs	15.86	Pending before the Appellate Dy. Commr, Commercial Taxes
1999-2000	KGST 1.24	Dispute on Rate of Taxes of CDs	Nil	Appeal pending before Sales Appellate Tribunal, Addl. Bench.
BIHAR				
1981-82	BST 0.13	Excess assessed	Nil	Appeal filed before JCCT
2002-03	BST 20.03	Sales return amount disallowed, considered as sales	19.20	Appeal Filed hearing awaited
WEST BENGAL				
1989-90	WBST 101.01	Pending Registered Dealer Forms, Purchase Tax	50.52	Appeal filed before DCCT
1994-95	WBST 135.66	Pending Registered Dealer Forms, Purchase Tax	95.78	Appeal filed before DCCT

Assessment Year	Amount of Demand/ (Refund) (Rs Lacs)	Brief Description of the case/order against which the case is pending	Demand deposited (Rs Lacs)	Present Status
1998-99	CST 1.82	F-Forms pending	1.27	Appeal filed before DCCT
1999-2000	578.23	F- Form pending	2.04	Appeal filed before DCCT
2000-01	CST 24.05	F-Forms pending	22.12	Appeal filed before DCCT
-do-	WBST 977.99	Pending Registered Dealer Forms	231.00	Appeal filed before DCCT
2001-02	CST 31.56	Shortfall on assessment	31.38	Appeal filed
-do-	WBST 208.20	Pending Registered Dealer Forms	148.02	Appeal filed

4. Cases related to labour / employee issues

The table below summarises the labour related cases. Monetary claim against the company in these cases cannot be crystallised but in no case it is expected to be more than Rs5 Lacs.

Sl. No.	Case No.	Matter	Case Detail	In the Court of
1	W.P.No.5611(W) of 2004	Gramophone Co. of India Ltd. Shramik Union Vs. State of W.B. & Saregama India Ltd.	Memorandum of Settlement dt.23.12.00	Calcutta High Court
2	Sp. Writ Petition against Calcutta High Court Order Dt.16.3.04 Re: ESI Contribution	ESI Corpn. Vs. Different Emp.Orgn. incl. Gramophone Workers' Welfare Union	ESI Contribution	Supreme Court of India
3a)	Case No.153/99	Sri Vipin Awasthi Vs Saregama India Ltd	Reinstatement of Employment	Labour Court (II) Kanpur, UP
b)	Case No.162/99	Sri S N Sharma Vs Saregama India Ltd	Reinstatement of Employment	Labour Court (II) Kanpur, UP
c)	Case No.163/99	Sri Sitaram Bari Vs Saregama India Ltd	Reinstatement of Employment	Labour Court (II) Kanpur, UP
4	Conciliation Proceedings	Ms. Smita Baidya Vs Saregama India Ltd	Termination	Office of Labour Commissioner, Govt. of W.B.

5. Excise related issues

Brief details of the litigation	Amount involved Rs Lacs	Pending Before Authority	Present Status
Excise Dept. has issued show cause cum demand notice not accepting the deduction of discount to customers from assessable value for the sale of audio cassettes during March 97 to May 98.	56.54	The Commissioner of Central Excise (Adjudication), Kolkata III Commissionerate	Case heard, order awaited. No impact on P&L as required provision has already been made in the Accounts.
Excise Dept. has issued two show- cause cum demand notices primarily on Sagarika Acoustronics Pvt. Ltd. (SIL's replicator) for not including cost of royalty in the assessable value for the period Aug 98 to Mar 03 and Apr 03 to Jan 04 respectively. The authorities have also made SIL a party to this litigation alleging SIL's collusion with Sagarika A. P. Ltd. in alleged excise evasion.	375.49	The Commissioner of Central Excise (Adjudication), Belapur Commissionerate, Navi Mumbai	Appeal to Customs, Excise and Service Tax Appellate Tribunal (CESTAT) against the order dated 19/03/2005 issued by Belapur Commissionerate wherein a penalty of Rs.20 lacs is imposed. The personal hearing against company's stay application is pending.
Excise duty on account of non-admissibility of Modvat Credit, claim for differential duty on block board, etc	9.42	The Asst. Commissioner of Central Excise, Kolkata	The case is under hearing.

E. HARRISONS MALAYALAM LIMITED (HML)

1. Criminal Cases

HML has around 200 criminal cases filed under Section 138 of the Negotiable Instrument Act against various parties who have defaulted payments and owe money to the company towards cost of tea purchased.

2. Civil Cases

HML has around 250 civil cases involving estate lands, mostly filed for recovery of lands in unauthorised possession of outsiders and ex-workers of the estates. Those cases are before various courts in Kerala.

3. Income Tax matters

(Rs. in Lacs)

A/Y	Amount of Demand/ (Refund)by the Dept Concerned	Brief description of the case/order against which the case is pending	Amount of demand deposited	Present Status
94/95, 96/97 to 98/99	335.66	Assessing Income from Value Added Rubber under CIT, Disallowance of Licence Fee, Disallowance of Depn. claim etc.	Nil	Appeal/Writ Petition pending at various Appellate Authorities/ High court
84/85 & 85/86	29.30	Dispute on Statutory deduction for working out surtax liability	Nil	Appeal pending before the CIT (Appeals)
91/92, 93/94 94/95, 96/97 to 98/99	823.65	Income from Value Added Rubber, Licence Fee, Initial Depreciation, Brokerage etc.	Nil	Appeal/Writ Petition pending at various Appellate Authorities/High court
88/89, 92-93, 96/97 & 99/00	4.64	Disallowance of Depreciation	Nil	Appeal pending before ITAT / High Court

4. Sales Tax matters

(Rs. in Lacs)

A/Y	Amount of Demand/ (Refund)by the Dept Concerned	Brief description of the case/order against which the case is pending	Amount of demand deposited	Present Status
1984/85 1986-87 2000-01	503.40	Various appellate Authorities / High Court	Nil	Pending
CST Kerala 1984/85 To 2000/01	807.04	Various Appellate Authorities/ High Court	Nil	Pending
Tamil Nadu 2002/03	5.75	Assessing Officer	Nil	Pending

5. Excise & Customs related matters

(Rs. in lacs)

Brief details of the litigation	Amount involved	Pending before Authority	Present Status
Excise duty on tea packed in unit containers brought under Excise Duty not by EA 1998	7.53	Customs, Excise and Service Tax Appellate Tribunal	Pending

6. Other indirect taxation like Service Tax, Octroi, etc. related issues

(Rs. in Lacs)

Brief details	Amount	Pending before Authority	Present Status
Customs Duty payable, pending fulfillment of export obligation-Aqua culture Division	23.50	Jt. Director General of Foreign Trade	Pending

7. Cases related to labour / employee issues

104 cases pending in various courts.

8. Details of non-payment of statutory dues (As on 31.03.2005)

Name of the Statute	Nature of the dues	Amt. (Rs. lacs)
Kerala General Sales Tax Act, 1963	Sales Tax	5.88*
Kerala Panchayat Raj (Profession Tax) Rules, 1996	Profession Tax	0.46
Kerala Panchayat Raj Act, 1994 (Building Tax & Surcharge Rules, 1996)	Building Tax	4.29*
Kerala Land Tax Act, 1961	Land Tax	1.09
Income Tax Act, 1961	Tax deducted at source	1.68*
Employees Provident Funds & Miscellaneous Provisions Act, 1952	Provident Fund Dues	7.23*

*These amounts have been subsequently paid.

9. List of claims against the Company not acknowledged as debt

Employee related Rs.131.50 lacs.

Pending Litigations against top five Unlisted group companies

a) Jubilee Investments & Industries Limited

Litigation pending before appellate authorities and Hon'ble High Court relating to Income Tax matters - Rs.422.58 Lacs.

b) Hilltop Holdings India Limited

Litigation pending before appellate authorities and Hon'ble High Court relating to Income Tax matters - Rs.141.64 Lacs.

c) Spencer and Company Limited

(Rs.in Lacs)

Sr. No.	Case No.	Short Description of the case	Amount Involved	Present Position
1	Suit No. 1148/1982	M/s. Nirulas Corner House Pvt. Ltd., New Delhi, filed a suit in the High court of Delhi against the company for Rs.6 lac as for the alleged loss of business and other expenses incurred by them for starting their business at Kashmere Gate premises, Delhi. We have filed written statement on 04.12.1982 denying their claim. The Plaintiff filed a replication against the written statement filed by us. Documents were also filed by the Plaintiff and the defendants.	6.00	Trial in progress
2	CMA 310/85	One Mrs.Kamalammal Filed a case against the company wherein she had claimed a sum of Rs.70000/- as compensation under Motor Vehicle Accident claim for death of her son. The Tribunal awarded a sum of Rs.30000/- as compensation. Aggrieved an appeal was filed in the High Court	0.10	The High Court partly allowed the appeal and enhanced compensation payable from Rs.30,000/- to Rs.40000/-. The amount Rs.10,000/- is due and payable on receipt of the demand
3	C.S.No. 56/B/1985	Madhya Pradesh Electricity Board, Rampur, Jabalpur filed a suit against the company Expo Machinery & Bombay Garage for Rs.4554/- being the value of the Ref. Supplied which was found defective by the party with interest. In the written statement we denied the claim made by the plaintiff.	0.05	No claim made so far
4	CP 808/94	Mr.M.Srinivasan, Excise Consultant filed a petition in the Labour court claiming certain monetary benefits from the Company alleging that he was an employee	0.15	Labour court passed an award holding that Srinivasan is entitled for wages for unavailed leave and national and festival holidays amounting to Rs.15446/- while rejecting the other claims. However as the company had succeeded in a claim filed by Srinivasan under the payment of Gratuity Act, wherein the court held he was not an employee, Srinivasan has since expired. No further progress.
5	OS 3469/2005	Anchor Dawoo Industries Limited filed a case against the company before XVI Asst. City Civil court at Chennai claiming Rs.69,548.65 towards certain sales by them to our company	0.70	We just filed a counter on 30th September 2005. Case need to progress
6	CS No. 259/1995	M/s. East Coast Breweries and Distillers Ltd. has filed a suit against Spencer and Company Ltd. for the recovery of amount due for supply of beer which is pending before the Civil Judge(Sr) Division, Bhuvanewar	31.00 (due + interest)	-

d) Brabourne Investments Limited

Litigation pending before appellate authorities and Hon'ble High Court relating to Income Tax matters - Rs.113.74 Lacs.

e) Off-shore India Ltd.

There are no pending litigations against the Company.

Pending Litigations against Subsidiaries

a) CEAT Ventures Limited

Litigation pending before appellate authorities relating to Income Tax matters - Rs.56.63 Lacs.

b) CEAT Holdings Limited

Litigation pending before appellate authorities relating to Income Tax matters - Rs.33.58 Lacs.

Pending Litigations against promoter group companies other than mentioned above

a) Phillips Carbon Black Limited

Appeals pending related to Sales Tax liability - Rs.199.42 Lacs

Appeals pending related to Excise matters - Rs.230.38 Lacs

Appeals before tax authorities regarding income assessed - Rs.166.08 Lacs.

b) Bespoke Finvest Limited

There are no pending litigations against the company.

c) Harrisons Malayalam Financial Services Ltd

Litigation pending before Income Tax department relating to Income Tax matters - Rs.31.40 Lacs.

d) Chattarpati Investments Ltd

Litigation pending before ITAT, Calcutta and Calcutta High Court relating to Income Tax matters - Rs.8.23 Lacs.

e) Instant Trading & Investment Company Ltd

Litigation pending before Income Tax department relating to Income Tax matter - Rs.7.39 Lacs.

f) Canal Investment & Industries Pvt Ltd

Litigations pending before ITAT, Calcutta High Court relating to Income Tax matters - Rs.81.98 Lacs.

g) Brentwood Investments Ltd

Litigation pending before Calcutta High Court, (IT(A)-Calcutta, ITAT-Calcutta relating to Income Tax matters - Rs.29.32 Lacs.

h) PCBL Industrial Finance Ltd

Litigation pending before Calcutta High Court, (IT(A)-Calcutta, ITAT-Calcutta relating to Income Tax matters - Rs.89.21 Lacs.

i) Eastern Aviation & Industries Ltd

Litigation pending before Calcutta High Court relating to Income Tax matters, amount is not quantifiable.

j) Consolidated Industrial Fund Pvt Ltd

Litigation pending before Calcutta High Court, (IT(A)-Calcutta relating to Income Tax matters - Rs.9.94 Lacs.

k) Organised Investments Limited

Litigation pending before Calcutta High Court relating to Income Tax matters - Rs.1.27 Lacs.

l) Adapt Investments Ltd

There are no pending litigations against the company.

m) Universal Industrial Fund Pvt Ltd

Litigations pending before Calcutta High Court, (IT(A)-Calcutta relating to Income Tax matters - Rs.2.05 Lacs.

n) B N Elias And Co Ltd

Litigation pending before Calcutta High Court, (IT(A)-Calcutta relating to Income Tax matters - Rs.9.10 Lacs. Besides this a ejection suit filed by Landlord in Citi Civil Court, Kolkata is pending, the amount involved is not quantifiable.

o) RPG Life Sciences Limited

Particulars	No. of cases	Amount involved (Rs.in Lacs)
Criminal	2	70.50
Winding up Petition	1	US \$ 11309
Civil	2	12.18
Contingent Liabilities	8	9.89
Labour related matters	14	51.80

p) RPG Transmission Limited

Particulars	No.of cases	Amount involved (Rs.in Lacs)
Civil matters	5	21.11
Income Tax matters	1	810.46
Sales tax matters	11	171.63
Excise & Custom related matters	1	8.08
Labour related matters	12	Not quantifiable

q) South Asia Electricity Holdings Ltd

Litigation pending before Calcutta High Court relating to Income Tax matters - Rs.18.00 Lacs.

r) Yield Investments Limited

Litigation pending before Calcutta High Court relating to Income Tax matters - Rs.0.92 Lacs.

MATERIAL DEVELOPMENTS AFTER THE DATE OF THE LAST BALANCE SHEET

The Board of Directors of the Company in its meeting held on 23/09/2005 agreed to be merger of the subsidiaries of the Company namely; CEAT Ventures Ltd., CEAT Holdings Ltd. & Meteoric Industrial Finance Company Ltd. with the Company subject to the approval of the shareholders and Hon. High Court of Bombay (the Court). The appointed date of the merger is 1st April 2005. The Company has already received approvals from BSE and NSE for draft scheme of amalgamation. These companies have also filed requisite application before the Court, Mumbai for dispensation of court convened meetings, except the meeting of the Shareholders of the Company.

Besides this there are no material developments after the date of the latest balance sheet that are likely to materially affect the performance and the prospects of the Company.

ADVERSE EVENTS

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the offer document with the Regional Stock Exchange.

GOVERNMENT APPROVALS

The Company had obtained following licenses and approvals for its operations:

Approvals for Manufacturing

- Factory License No.083290 renewed upto 31/12/2006 for factory at Bhandup.
- Factory License No.083290 renewed upto 31/12/2004 for factory at Nasik. The Company had applied for renewal of the said license from 2005 to 2007 vide their letter dated 30/10/2004. The renewal is awaited.
- Consent no.Bo/ROM/MUMBAI-134/R/CCHWA-833 dated 11/12/2002 under Water Act, Air Act and HW(M7H) Rules from Maharashtra Pollution Control Board for Bhandup factory. The consent is valid upto 31/12/2006.
- Consent no.BO/RONASHIK/PCI-1/EIC-258-05/R/CC-45 dated 25/10/2005 under Water Act, Air Act and HW(M7H) Rules from Maharashtra Pollution Control Board for Nasik plant. The consent is valid upto 31/05/2006.
- Recognition of in-house R&D unit upto 31/03/2007 vide letter no.TU/IV-RD/1006/2004 dated 23/03/2004 issued by Government of India, Ministry of Science & Technology, New Delhi.

Certification of Quality Management

- Certificate no. 0009790 & 0009791 from TUV Management Service for Bhandup plant and Nasik plant respectively for having quality management systems as per ISO/TS 16949:2002 standards.

Trademark Registration

- Certificate of registration of Trade mark no. 561135 in class 12 under Trade and Merchandise marks Act, 1958. The registration is valid upto 30/10/2005. The Company has already applied for renewal of registration on 24/08/2005.

Besides above the Company has also received all the necessary permissions and approvals from the Government and various non-Government agencies for conducting business. No further approvals from any Government Authority are required by the Company to undertake the activities save and except those approvals which may be required to be taken in the normal course of business from time to time. It must be understood that in granting the above approvals the Government of India does not undertake any responsibility for the financial soundness of the undertaking or for the correctness of any of the statements made or opinions expressed in this regard.

XIV. OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE PRESENT ISSUE

The Board of Directors of the Company in their meeting held on 23/09/2005 have decided to offer 1,05,36,684 equity shares of Rs. 10/- each for cash at premium of Rs.40/- per share aggregating to Rs.5268.34 Lacs to the existing equity shareholders of the Company on rights basis in the ratio of 3 (Three) equity shares for every 10 (Ten) equity shares (i.e.3:10) held as on 09/12/2005 (Record Date).

PROHIBITION BY SEBI

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

ELIGIBILITY

CEAT is an existing listed Company. It is eligible to offer this Rights Issue in terms of Clause 2.4(iv) of the SEBI (DIP) Guidelines, 2000.

The promoters, their relatives, CEAT, group companies are not detained as willful defaulters by RBI/ Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

DISCLAIMER CLAUSE

AS REQUIRED A COPY OF THIS LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGER M/S. KEYNOTE CORPORATE SERVICES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, M/S. KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 13/10/2005 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATION 1992 WHICH READS AS FOLLOWS:

- (I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE.**
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

- (A) THE LETTER OF OFFER FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANOTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- (C) THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE; AND**
- (D) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.**

THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OF THE COMPANIES ACT, 1956, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE LEAD MANAGER FOR ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.

THE PROMOTERS / DIRECTORS OF CEAT VIZ. MR. R. P. GOENKA, MR. H. V. GOENKA, MR. PARAS K. CHOWDHARY, MR. MAHESH S. GUPTA, MR. M. A. BAKRE, MR. A. C. CHOKSEY, MR. S. DORESWAMY, MR. J. N. GUZDER, MR. H. KHAITAN, MR. BANSI S. MEHTA, MR. HARI L. MUNDRA, MR. K. R. PODAR AND MR. N. SRINIVASAN DECLARE AND CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THIS LETTER OF OFFER HAS BEEN SUPPRESSED WITHHELD AND / OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPERING AT ANY POINT IN TIME TILL ALLOTMENT/REFUND, AS THE CASE MAY BE, THAT ANY INFORMATION/MATERIAL HAS BEEN SUPPRESSED/ WITHHELD AND/ OR AMOUNTS TO A MIS-STATEMENT/MIS-REPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.

CAUTION STATEMENT / COMPANY DISCLAIMER

The Issuer Company accepts no responsibility for statements made otherwise than in this Letter of Offer or in the advertisement or in any other material issued by or at the instance of the Company and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

DISCLAIMER IN RESPECT OF JURISDICTION

This offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, OCBs (subject to RBI permission) and FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Offer Document has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of CEAT since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

LISTING

The existing Equity Shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE) and The National Stock Exchange Ltd.(NSE). Applications will be made to BSE and NSE, for listing and trading permission for the Equity Shares being issued pursuant to this Letter of Offer.

The Company in terms of the resolution passed by the Shareholder on 18/12/2003 had completed all the formalities as prescribed in SEBI (Delisting of Shares) Guidelines 2003, for delisting of its shares from the Calcutta Stock Exchange (CSE), The Delhi Stock Exchange Association Ltd., Madras Stock Exchange Limited and the Stock Exchange Ahmedabad. Formal confirmation except from CSE has also been received. The Company will not list the Equity Shares being issued in terms of this letter of offer on any of these Stock Exchanges.

The Company has received in-principle approval for inclusion of their name from BSE and NSE vide their letter no. DCS/SMG/SDM/RK/NS/05 dated 08/11/2005 and NSE/LIST/18390-A dated 16/11/2005 respectively.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by BSE/NSE, the Company shall forthwith repay, without interest, all monies received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Act.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE)

Bombay Stock Exchange Ltd. (the Exchange) has given vide its letter dated November 8, 2005 permission to the Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the

matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- (i) Warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- (ii) Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- (iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE LIMITED (NSE)

As required, a copy of this Letter of Offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter no. NSE/LIST/18390-A dated November 16, 2005 permission to the Issuer to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

FILING

A copy of this Letter of Offer has been filed with SEBI, Mittal Court, "B" Wing, Nariman Point, Mumbai - 400021, BSE, (Designated Stock Exchange) Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 and NSE, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.

CONSENTS

Consents in writing of the Directors, Auditors, Legal Advisor, Lead Manager, Co-Lead Manager, Registrar to the Issue, Bankers to the Company to act in their respective capacities have been obtained and such consents have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in the Letter of Offer and also the tax benefits accruing to the Company and its members and such consents and reports have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the Stock Exchanges.

EXPERT OPINION

The Company has not obtained any expert opinion for this issue.

EXPENSES OF THE ISSUE

Sr. No.	Particulars	Amount (Rs. in Lacs)	% of total issue expenses	% of total issue size
1	Fees to the intermediaries	35.05	22.53	0.62
2	Printing & Stationery and Postage expenses	89.55	57.55	1.58
3	Advertisement	15.00	9.64	0.17
4	Legal and other certification charges	6.00	3.86	0.10
5	Miscellaneous Expenses	10.00	6.42	0.18
	Total	155.60	100.00	2.75

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

No Underwriting, Brokerage and selling Commission will be payable for this issue.

PREVIOUS ISSUE

The Company has not made any public or rights issue during last five years.

COMMISSION AND BROKERAGE ON PREVIOUS ISSUE

Not Applicable.

PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH

The Company has not issued any shares for consideration other than cash except 87105 equity shares (871050 after share split) allotted to the shareholders of Deccan Fibre Glass Ltd. pursuant to the Scheme of Arrangement in 1984 and 49719 equity shares (allotted to the Shareholders of Murphy India Ltd. pursuant to the Scheme of Arrangement) in 1991.

CAPITAL ISSUES BY GROUP COMPANIES

Particulars in regards to capital issues made by listed group companies during last 3 years are as follows:

1. CESC Limited

The company had made a Rights issue in the year 2004. The issue consists of 82,65,203 equity shares of Rs.10/- each at a price of Rs.60/- per share aggregating to Rs.4959.12 Lacs. The Issue was opened on 29/09/2004 & closed on 29/10/2004. The company has completed dispatch of all share certificates in respect of said issue on 22/11/2004. The funds have been deployed on working capital requirements as per the said letter of offer. Current market Price (as on 07/12/2005) is Rs. 212.65. The Company has paid 25% dividend on shares issued through the said issue.

The company has issued 79,30,685 Global Depository Receipts (GDR) representing 79,30,685 equity shares, at par value Rs.10/- each US\$5.0437 per GDR vide Offering Memorandum dated 27/09/2005. The company has also issued convertible warrants to Indian promoters at a price of Rs. 216.68 per share on 13/09/2005 on preferential basis.

2. Saregama India Ltd.

The company had made a Rights issue in the year 2005. The issue consists of 53,38,628 equity shares of Rs.10/- each at a price of Rs.45/- per share aggregating to Rs.2402.00 Lacs. The Issue was opened on 24/03/2005 & closed on 22/04/2005. The company has completed dispatch of all share certificates in respect of said issue on 12/05/2005. The funds have been deployed on working capital requirements as per the said letter of offer. Current market Price (as on 07/12/2005) is Rs. 208.45 Lacs. The Company has not paid any dividend on shares issued through the said issue.

PROMISE VIS-À-VIS PERFORMANCE

A) Of the Company:

During the year 1992, the company came out with a rights offer of 71,12,902, 15% Secured Redeemable Partly Convertible Debentures of Rs155 each for cash at par aggregating Rs11,024.99 Lacs. The issue opened on September 9, 1992 and closed on October 14, 1992. The object of the issue was to part finance the cost escalation of various projects under implementation, to augment the long term working capital resources and to strengthen the equity base of the Company. The projects were nylon tyre cord project, modernisation cum expansion of tyre units at Bombay and Nasik, expansion of tyre capacity, expansion of glass fibre unit, plain paper copier unit, etc. The estimated cost of the project was Rs.58,518 Lacs. The expected and actual dates of completion of the new projects were as under:

	Expected date of completion	Actual date of completion
Increase in tyre capacity at Bombay/Nasik	June 92 - June 93	June 1995
New tyre unit at Aurangabad	June 1993	September 1994
Manufacture of plain paper copier	December 92	December 1992

As mentioned above, the object of the issue was to part finance the cost escalation of various projects. There was a cost over-run of Rs5,535 Lacs on the projects under implementation. The funds of Rs11,025 Lacs raised from the debenture issue was utilised towards the cost over-run of Rs5,535 Lacs and the balance was utilised for augmenting the long term working capital resources.

The promise-v/s-performance in respect of the rights issue was as under:

(Rs Lacs)						
	1992-93		1993-94		1994-95	
	Proj	Actual	Proj	Actual *	Proj	Actual *
Gross sales	903.50	756.53	1,032.00	1,118.96	1,128.60	1,639.73
PBT	21.90	19.69	28.80	26.67	38.20	17.53
PAT	21.90	19.69	28.80	26.45	38.20	17.72

* Actual performance for 1993-94 relates to 15 months period which ended on 30th September 1994 and for 1994-96 relates to 18 months period which ended on 31st March 1996

During the year 1989 the Company came out with a rights offer of 77,49,166, 12.50% Secured Redeemable Partly Convertible Debentures (5th Series) of Rs.160 each for cash at par aggregating Rs.12398.00 Lacs to part finance the cost of expansion and modernization of the manufacturing facilities and to augment long term funds. The issue opened on December 18, 1989 and closed on January 18, 1989. The offering Letter of Offer did not contain the promised future performance of the Company.

B) Of the group companies:

1. CESC Limited

The company had made a Rights issue of 82,65,203 equity shares of Rs.10/- each at a price of Rs.60/- per share. The Issue was opened on 29/09/2004 & closed on 29/10/2004. The requirement of funds term of the letter of offer dated 13/09/2004 is Rs.4959.12 Lacs. The funds have been deployed on working capital requirements as per the said letter of offer. The offering Letter of Offer did not contain the promised future performance of the Company.

2. KEC International Ltd.

KEC International Limited ("KEC") came out with a rights offer of 57,16,671 equity shares of Rs10 each for cash at a premium of Rs30 per share aggregating Rs2,286.66 Lacs. The issue opened on August 28, 1992 and closed on September 26, 1992. The object of the issue was to raise long term funds for working capital, normal capital expenditure and strengthen the equity base. Thus the objects of the issue were not to finance any project. KEC has confirmed that the funds were utilised for the objects as stated above.

The promise-v/s-performance in respect of the rights issue was as under:

(Rs Lacs)						
	1992-93		1993-94		1994-95	
	Proj	Actual	Proj	Actual	Proj	Actual
Total Income	17,000	18,126	19,000	26,688	21,000	41,760
Cash Profit	925	1,299	1,050	2,788	1,225	4,215
Net Profit	500	847	600	1,670	750	3,007

3. Zensar Technologies Limited

Zensar Technologies Limited ("ZTL") came out with a rights offer of 50,35,505 equity shares of Rs10 each for cash at a premium of Rs6 per share aggregating Rs805.68 Lacs. The issue opened on November 16, 1993 and closed on December 15, 1993. The object of the issue was to raise funds for normal capital expenditure and for augmenting long term resources for working capital. Thus, the objects of the issue were not to finance any project. ZTL has confirmed that the funds were utilised for the objects as stated above.

The promise-v/s-performance (Rs Lacs) in respect of the rights issue was as under:

(Rs Lacs)						
	1992-93		1993-94		1994-95	
	Proj	Actual	Proj	Actual	Proj	Actual
Revenue	13,508	14,048	18,222	16,016	21,574	13,154
PBT	155	102	420	(318)	600	(2,288)
PAT	155	102	368	(318)	546	(2,288)

4. Saregama India Ltd.

The company had made a Rights issue of 53,38,628 equity shares of Rs.10/- each at a price of Rs.45/- per share. The Issue was opened on 24/03/2005 & closed on 22/04/2005. There has been no change in the capital structure of the company since date of this issue. The requirement of funds in term of the letter of offer dated 14/03/2005 is Rs.2402.00 Lacs. The funds have been deployed on working capital requirements as per the said letter of offer. The offering Letter of Offer did not contain the promised future performance of the Company.

5. Harrisons Malayalam Ltd.

Harrisons Malayalam Limited (HML) came out with a rights offer of 92,30,000 equity shares of Rs.10/- each for cash at a premium of Rs.55/- per share aggregating Rs.5999.50 Lacs. The issue opened on October 18, 1992. The object of the issue was to apart finance the expenditure to be incurred towards the company's expansion and diversification projects (Rs.3136 Lacs), normal capital expenditure (Rs.529 Lacs) and working capital requirements (Rs.2335 Lacs). The expansion and diversification projects were scheduled to be completed in the year 1994. There was a delay and cost over-run in completion of the projects. The actual cost which was incurred on the capital expenditure projects by the above time frame was Rs.1744 Lacs with reduction of borrowings level by Rs.1197 Lacs.

(Rs Lacs)

	Promise Jul 92- Jun 93	Actual Jul 92- Jun 93	Promise Jul 93- Jun 94	Actual Jul 93- Jun 94 (9 months)	Promise Jul 94 - Jun 95	Actual Jul 94 - Jun95
Total Income	15386	12418	17481	9195	18678	11998
PBDIT	2732	2383	3202	1723	3501	1786
PBT	1191	1089	1610	1004	1914	735
PAT	499	489	678	604	806	420

OUTSTANDING INSTRUMENTS

13.50% 40,00,000 Secured Redeemable Non-Convertible Debentures of Rs.8.04 (100) each issued to ICICI Bank Limited against financial assistance for Company's Radial Project. These Debentures are secured by first mortgage on the immovable property of the Company situated at Bhileshwarpura, district Mehsana, Gujarat and movable properties of the Radial Project at Nasik. These debentures were redeemable at par in 16 equal quarterly installments commencing from 15th December, 2003. The total outstanding as on 30/06/2005 is Rs.321.50 Lacs.

STOCK MARKET DATA FOR SHARES OF THE COMPANY

Bombay Stock Exchange Ltd.(BSE)

The following is the movement of the existing equity share of the Company listed and traded on BSE.

Particulars	High			Low			Average Price (Rs.)	Total Volume
	High (Rs)	Date	Volume on date of high (no of shares)	Low (Rs)	Date	Volume on date of Low (no of shares)		
2002	54.25	25/06/02	438767	22.00	05/02/02	2553	29.84	7285840
2003	77.00	29/12/03	194345	25.00	01/04/03	4725	39.94	12782322
2004	73.75	01/01/04	37703	28.20	17/05/04	18876	41.11	13225978
June 05	104.25	08/06/05	218585	81.00	30/06/05	42955	92.47	1744681
July 05	88.40	07/07/05	128888	75.25	29/07/05	136547	83.11	2765453
Aug 05	96.85	22/08/05	218041	73.80	01/08/05	63770	86.39	5673313
Sept 05	103.95	20/09/05	447767	88.00	02/09/05	136265	94.27	7798855
Oct 05	92.90	04/10/05	60847	65.25	31/10/05	53202	80.47	833289
Nov 05	90.90	28/11/05	188583	66.00	02/11/05	39011	79.58	1715808

Week end price of Equity Shares of CEAT on BSE

Week ended	Price (Rs)
02/12/2005 (Ex-right)	79.80
25/11/2005	84.50
18/11/2005	80.15
11/11/2005	81.25

The National Stock Exchange Ltd.(NSE)

The following is the movement of the existing equity share of the Company listed and traded on NSE.

Particulars	High			Low			Average Price (Rs.)	Total Volume
	High (Rs)	Date	Volume on date of high (no of shares)	Low (Rs)	Date	Volume on date of Low (no of shares)		
2002	54.25	25/06/02	577209	22.00	11/02/02	9588	30.25	14293699
2003	75.75	29/12/03	391644	24.90	01/04/03	17107	39.82	24666564
2004	77.75	01/01/04	115516	27.70	17/05/04	55730	41.67	33272848
June 05	104.20	08/06/05	547405	80.90	30/06/05	162757	92.68	4827301
July 05	88.00	04/07/05	186794	72.50	29/07/05	228577	83.26	5148815
Aug 05	97.00	22/08/05	632593	73.50	01/08/05	236717	86.43	12335897
Sept 05	103.80	20/09/05	1009840	85.50	09/09/05	673568	94.33	18427191
Oct 05	93.00	04/10/05	245145	65.00	31/10/05	117083	80.53	2496240
Nov 05	91.00	28/11/05	458613	63.70	22/11/05	91582	79.67	4507724

Week end price of Equity Shares of CEAT on NSE

Week ended	Price (Rs)
02/12/2005 (Ex-right)	79.90
25/11/2005	84.75
18/11/2005	80.50
11/11/2005	81.05

The market price of CEAT was Rs.93.30 on BSE and Rs. 93.60 on NSE as on 26/09/2005, immediately after the date on which the resolution of the Board of Directors approving the issue was passed i.e. 23/09/2005.

- The equity shares of the Company were in no delivery period from 02/12/2005 to 08/12/2005.
- The cum-rights closing price of the shares of the Company as on 01/12/2005 was Rs.83.70 on BSE & Rs.83.70 on NSE.
- The ex-rights closing price of the shares of the Company as on 02/12/2005 was Rs.79.80 on BSE & Rs.79.90 on NSE.

REDRESSAL OF INVESTOR GRIEVANCES

The investor grievances against the Company will be handled by the Registrars and Transfer Agents in consultation with the Secretarial Department of the Company. To handle the grievances received, the Company has appointed Shri H.N.Singh Rajpoot, Company Secretary as Compliance Officer. He will supervise redressal of complaints received from the investors at the office of the Company as well as the Registrars to the Issue and ensure timely settlement. The company normally resolves various kinds of investor grievances within a period of 15 days.

The Company has received 88 complaints during the financial year 2004-05. All the complaints are attended and no complaint was pending as on 31/03/2005. The Company has received 1664 investor communications during the period 01/07/2005 to 31/10/2005. Out of which 1 case is pending for a period more than 1 month.

All grievances related to the issue may be addressed to the Registrar to the issue quoting the application No. (including prefix folio no. / DP ID no. & Client ID no.) Number of equity shares applied for, amount paid on application, date, Bank and branch/ Collection centre where application was submitted.

CHANGE IN AUDITORS

There has been no change in Auditors of the Company since last three years.

CAPITALISATION OF RESERVES OR PROFITS

The Company has issued 53,86,965 Shares as fully paid Bonus Shares by capitalisation of Share Premium and General Reserves till date.

REVALUATION OF ASSETS

The Company revalued some of its assets viz land, building, and certain plant and machinery form time to time, the details of which are as follows:

(Rs.in Lacs)

Particulars	Location	Date of Revaluation	Bf Bal of Revaluation	Amount Additions	Closing Bal	WDV as on 31.3.2005 net of Depreciation
Land	Bhandup	31.3.2005	5722.66	2921.15	8643.81	8643.80
Building	Bhandup	31.3.2005	2966.89	711.14	3678.03	3678.03
			8689.55	3632.29	12321.84	12321.83
Land	Nasik	30.9.2002	1056.57	–	1056.57	1028.77
Building	Nasik	30.9.2002	2514.65	–	2514.65	2414.20
			3571.22	–	3571.22	3442.97
Land	Worli	12.11.1998	5977.74	313.02	6290.76	6290.76
Building	Worli	12.11.1998	823.51	1172.37	1995.88	1995.88
			6801.25	1485.39	8286.64	8286.64
Plant & Machinery						
	Bhandup	31.3.1996	–	10747.1	10747.1	7272.83
	Nasik	31.3.1996	–	9179.86	9179.86	1998.23
			–	19926.96	19926.96	9271.06

XV. OFFERING INFORMATION

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advise or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time, the FEMA and the Letters of Allotment/Equity Shares to be issued. Over and above such terms and conditions, the Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to issue of capital and listing of securities issued from time to time by SEBI, the Government of India, RBI and or other authorities.

RANKING OF EQUITY SHARES

The new Equity Shares proposed to be issued shall rank in all respects pari-passu with existing fully paid up Equity Shares.

PAYMENT OF DIVIDEND

The dividend, if any, will be paid to all the eligible shareholders in terms of the provisions of the Companies Act, 1956 with regard to payment of dividend. The unclaimed dividend if any is transferred to Investor Protection Fund as prescribed under the Companies Act.

FACE VALUE

The Face Value of Equity Shares of the company is Rs.10/-.

ISSUE PRICE

The Equity Shares of the Rs. 10/- each are being issued at a price of Rs. 50/- per share in the present rights issue.

RIGHTS OF EQUITY SHAREHOLDERS

The Shareholders are entitled to receive dividend, as and when declared and bonus and rights shares, as and when issued. Further, the rights of the holders of shares are subject to the provisions of the Companies Act, 1956 the Memorandum and the Articles of Association of the Company, the terms of this Letter of Offer and other laws as applicable from time to time.

MARKET LOT

The market lot for the Equity Shares held in the demat mode is one share. In case of physical certificate, the Company would issue one certificate for the Equity Shares allotted to one person ("Consolidated Certificate"). In respect of consolidated certificate, the Company will, only upon request from the equity shareholder, split & return such consolidated certificate into smaller denomination within 7 days time in conformity with the clause 3 of the Listing Agreement. No fee would be charged by the Company for splitting the consolidated certificate.

NOMINATION

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders.

Fresh nominations can be made only in the prescribed form available on request at the Registered Office of the Company located at 463, Dr. Annie besant Road, Worli, Mumbai - 400030 or such other place at such addresses as may be notified by the Company. Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant

would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.

MINIMUM SUBSCRIPTION

- i) If the Company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within forty two days from the date of closure of the Issue.
- ii) If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. forty two days after closure of the issue), the Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

DISPOSAL OF ODD LOTS

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

ENTITLEMENT RATIO

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of Three Equity Shares for every Ten Equity Shares held as on the Record Date.

BASIS OF THE OFFER

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date. The Company has in consultation with the Designated Stock Exchange fixed the Record Date for determining the shareholders who are entitled to receive this offer for Equity Shares on a rights basis. The Equity Shares are being offered for subscription in the ratio of Three Equity Shares for every Ten Equity Shares held by the Equity Shareholders. The shareholders whose names appear as beneficial owners as per the list furnished by the depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the shares held in physical form on 09/12/2005 (Record Date) at the close of business hours shall be entitled to the Equity Shares on the Rights basis.

OPTION TO SUBSCRIBE

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and Tata Share Registry Limited on 08/04/2005 and with Central Depository Services (India) Limited (CDSL) and Tata Share Registry Limited on 25/03/2005, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

RIGHTS ENTITLEMENT

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Record Date, you are entitled to this Rights Offer. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF and as shown in part A of the enclosed CAF.

FRACTIONAL ENTITLEMENT

On applying the rights ratio of 3:10 entitlement may lead to fractional entitlement to some of the shareholders. In such an event the fractional entitlement will be rounded off to the next higher integer. The additional entitlement shall be made available out of the entitlement of the promoters. The adjustment will be made in the composite application form so as to ensure that allotment is made within the overall issue size.

JOINT-HOLDERS

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the company is concerned) to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles.

OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS/ APPLICANTS

Presently 31,96,628 Equity Shares aggregating to 9.10% of the present issued capital are held by NRIs/FIIs/OCBs. Foreign Companies on repatriation basis. Applications received from NRIs and other NR shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of

interest, dividends, etc. General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations thereunder. Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has granted general permission to Indian companies to issue rights/ bonus shares to existing non-resident shareholders. The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the Company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them. The Equity Shares issued under the Rights Issue and purchased by NR shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued.

However, as per the provisions of AP DIR circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the Equity Shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/ applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the RBI. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NR.

NOTICES

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

ISSUE OF DUPLICATE EQUITY SHARE CERTIFICATE

If any Equity Share Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such Certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible. If the Certificate numbers and the Distinctive numbers are also not legible the Company may issue a duplicate share certificate as per the rules & procedure followed by the Company.

If any Equity Share Certificate(s) is/are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/ surety and/or such other documents as the Company may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

PRINTING OF BANK PARTICULARS ON REFUND ORDERS

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on refund orders. Bank account particulars will be printed on the refund orders / refund warrants, which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

OPTIONS AVAILABLE TO THE EQUITY SHAREHOLDERS

The Equity Shareholders will be having the following five options:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Renounce his entire entitlement
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares

GROUNDINGS FOR TECHNICAL REJECTIONS

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- Cash applications for an amount exceeding Rs.20,000/-;
- Bank account details (for refund) are not given;

- Age of First Applicant not given in case of renounees only;
- PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs.50,000 or more;
- In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder does not match with the one given on the Application Form and for renounees if the signature does not match with the records available with their depositories;
- If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;
- Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;
- Applications not duly signed by the sole/joint Applicants;
- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- Applications accompanied by Stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided.

DO's & DON'TS

DO's

- Read the offer document carefully before investing.
- Note that investments in equity shares may be risky.
- Mention your bank account number in the application form.
- Determine whether the price offered is reasonable.
- Read the instructions for making the application for tendering of shares carefully and follow them.
- Ensure that your application reaches the collection centre well within time.
- If you don't get the letter of offer/CAF within reasonable period, contact the Registrar to the offer.
- Mention all details as required in the letter of offer/CAF legibly.
- Furnish all the documents asked for in the letter of offer.
- Send application through (registered post/speed post) to the Registrar if you reside at places other than the cities where the Bank Collection Centres are there.
- Contact Merchant Banker (MB) if no response is received from the Company/ Registrar regarding non receipt of CAF/ refund orders within stipulated time.
- Contact Compliance Officer mentioned in the letter of offer in case of any grievance against the Company.

DONT'S

- Don't forget to fill up the application legibly.
- Don't mutilate the application form.
- Don't cross/ cut in the application form.
- Don't send the application at wrong address.
- Don't send the application after the close of offer.
- Don't forget to give complete information in the application form.
- Don't forget to sign on application form.
- Don't give wrong/ contradictory information on the application form.

HOW TO APPLY

Resident Equity Shareholders

Applications should be made on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given in the Letter of Offer.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application by renounees and for applying for additional Equity Shares

Part D: Form for request for split application forms

Non-resident Equity Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/ certificates/ payment of dividends etc.

Acceptance of Offer

You may accept the Offer and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the demand draft, net of demand draft and postal charges, payable at Mumbai to the Registrar to the Issue by registered post with superscribing the envelop, "CEAT RIGHTS ISSUE". Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

You may apply for the Equity Shares offered wholly or in part by filling in the enclosed CAF and submitting the same along with the application money to the Bankers to the Issue or its designated branches on or before the closure of the subscription list. The CAF should be complete in all respects, as explained in the INSTRUCTIONS indicated in the CAF. The CAF should not be detached under any circumstances, otherwise the application(s) will be rejected forthwith.

Application for additional Equity Shares

You are also eligible to apply for additional Equity Shares over and above the number of Equity Shares offered to you provided you have applied for all the shares offered to you without renouncing them in full or in part. However, the additional Equity Shares cannot be renounced in full or in part, in favour of any other person(s). The renounees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

If you desire to apply for additional Equity Shares, you may fill in the number of additional Equity Shares in Part A of the CAF. The allotment of additional Equity Shares will be at the sole discretion of the Board on an equitable basis with reference to the number of Equity Shares held by you on the Record Date in consultation with The Designated Stock Exchange. The Board may reject any application for additional Equity Shares without assigning any reasons thereof.

Renunciation

You may renounce all or any of the Equity Shares, you are entitled to in favour of any individual, limited companies, or statutory corporations / institutions. However renunciation in favour of more than three persons as joint holders, trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorised under its constitution to hold shares in a company), minors (unless acting through natural or legal guardians), Partnership Firms, or their nominees, or any of them will not be accepted.

Any renunciation from Resident(s) to Non- Resident(s) is subject to the renouncer(s)/ renounee(s) obtaining requisite approval(s) of the Reserve Bank of India (RBI) and the said permission must be attached to the CAF.

Procedure for renunciation

(i) To Renounce in WHOLE

If you wish to renounce this offer in whole, please complete PART 'B' of the CAF enclosed with the Letter of Offer for the number of Equity Shares renounced and deliver the CAF duly signed to the person(s) in whose favour the Equity Shares are so renounced. All joint holders must sign as per specimen signatures recorded with the Company/DP at the place provided for the purpose and in the same order.

The person(s), in whose favour the offer has been renounced (renounees) should complete and sign PART C of the CAF. In case of joint renounees, all joint renounees must sign.

(ii) To Renounce in PART

If you wish to either accept this offer in part and renounce the balance of this offer the CAF must first be split into the requisite number of forms, by applying to the Registrar to the Issue. Please indicate your requirement of split forms in the space provided for this purpose in PART D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on or before the last date for receiving requests for split forms i.e. 12/01/2006.

If you wish to apply for Equity Shares jointly with any person(s) who is/are not already joint holder(s) with you, then it would amount to renunciation and the procedure of renunciation as mentioned above shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure as stated above shall have to be followed.

Further, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute and unqualified discretion to reject any such request for allotment of Equity Shares from renounee(s) without assigning any reason thereof save where the Equity Shares have been renounced in favour of a person who is already a member of the Company.

Please note that:

- a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- b) Only the person to whom this Letter of Offer has been addressed and NOT the renounees shall be entitled to split forms. Forms once split cannot be resplit.

Request for split forms:

- Request for Split Forms should be addressed to the Registrar to the Issue so as to reach them on or before the last date for receiving of request for split forms by filling in PART D of the CAF.
- Requests for Split Forms will be entertained only once.

You may exercise any one of the following options with regard to the Equity Shares offered to you, using the enclosed CAF :

Sr. No	Options available	Action Required
1.	Accept whole or part of the Equity Shares offered to you without renouncing the balance	Fill in and sign Part A indicating in Block III of Part A the number of Equity Shares accepted. If you accept all the equity share offered in Block II of Part A you may apply for additional Equity Shares. Indicate in Block IV the additional Equity Shares applied for.
2.	Renounce all the Equity Shares offered to you to one person (joint renounees are deemed as one person) without your applying for any of the Equity Shares offered to you.	Fill in and sign Part B indicating the number of Equity Shares renounced in Block VII and handover the ENTIRE FORM to the renounee. The renounee/ joint renounee(s) must fill in and sign Part C of CAF.
3.	Accept a part of your entitlement and renounce the balance or part of it to one or more Renounee(s).	Fill in and sign Part D for the Split Form and send the ENTIRE CAF to the Registrar to the Issue by superscribing the envelope "CEAT RIGHTS ISSUE".
	OR	On receipt of Split Forms :
4.	Renounce your entitlement or part of it to one or more persons (joint renounees are deemed as one person).	<ul style="list-style-type: none"> a For the Equity Shares you are accepting, fill in and sign Part A. b For the Equity Shares you are renouncing fill in and sign Part B indicating the number of Equity Shares renounced in Block VII. Each of the renounees should fill in and sign Part C.

Note: If application is made jointly with any other person(s) who is/are not already joint holders or change in the sequence of names of joint holders, it will amount to renunciation and the procedure mentioned in (2) above will have to be followed.

For applicants residing at places other than designated Bank Collecting branches.

Applicants residing at places other than the cities where the Bank collection centres have been opened should send their completed CAF by registered post/speed post to the Registrars to the Issue, Tata Share Registry Ltd. alongwith demand drafts, net of demand draft and postal charges, payable at Mumbai in favour of "**(Name of The Collecting Bank) - A/c CEAT - RIGHTS ISSUE**" crossed "A/c Payee only" so that the same are received on or before closure of the Issue i.e 27/01/2006. The envelope should be superscribed as "CEAT RIGHTS ISSUE".

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

All application forms duly completed together with cash/cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF alongwith application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue except as mentioned above. The applicants are required to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected by the Company, the Lead Manager and the Registrar not having any liabilities to such applicants.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 15 days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with a Demand Draft payable at Mumbai which should be drawn in favour of the Company and send the same by registered post directly to the Registrar to the Issue. The envelope should be superscribed as "CEAT RIGHTS ISSUE".

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company/DP, must reach the office of the Registrar to the Issue before the Issue Closing Date (i.e 27/01/2006) and should contain the following particulars:

- Name of Issuer being CEAT Limited.
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP and Client ID no.
- Number of shares held as on 09/12/2005 (Record Date).
- Certificate numbers and distinctive numbers, if held in physical form
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for out of entitlement
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid at the rate of Rs. 50/-per Equity Share
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the Bank where the Equity Shareholder will be depositing the refund order
- Applications for a total value of Rs. 50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along

with the application for the purpose of verification of the number. Applicants who do not have PAN are required to provide a declaration in Form 60/ Form 61 prescribed under the I.T.Act along with the application. Applications without this photocopy/ PAN Communication/declaration will be considered incomplete and are liable to be rejected.

- In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch.
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company/DP
- Payment in such cases, should be through a demand draft, net of demand draft and postal charges, payable at Mumbai be drawn in favour of "**(Name of The Collecting Bank) - CEAT - RIGHTS ISSUE**" crossed "A/c Payee only". Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications. The Company shall refund such application amount to the applicant without any interest thereon.

Quoting of PAN/GIR no. in the application forms

Where an application is for allotment of securities in response to a rights issue, for a total value of Rs. 50,000/- or more i.e. the total number of securities applied for multiplied by the issue price, is Rs. 50,000/- or more the applicant or in the case of applications in joint names, each of the applicants, should mention his/her permanent account number (PAN) allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-Tax Circle/Ward/District. In case neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the application forms. Application forms without this information will be considered incomplete and are liable to be rejected.

Note on cash payment (Section 269 SS)

Having regard to the provisions of Section 269 SS of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

Last date for submission of CAF

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is 27/01/2006. If the relevant CAF together with amount payable thereunder is not received by the Bankers/Registrar to the Issue on or before the close of banking hours on the aforesaid last date the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose of the Equity Shares hereby offered as provided under "Basis of Allotment".

Incomplete application

CAFs which are not complete or are not accompanied with the application money amount payable are liable to be rejected.

MODE OF PAYMENT

For Resident Applicants

Payment(s) must be made by cheque/demand draft and drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the CAF is submitted. A separate cheque/draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected.

Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centres should send their application by Registered Post, ONLY to the Registrar to the Issue enclosing a demand draft drawn on a clearing Bank and payable at Mumbai ONLY net of bank charges and postal charges, before the closure of the issue. The envelope should be superscribed as "CEAT RIGHTS ISSUE".

Such cheque/drafts should be payable to "**(Name of The Collecting Bank)-A/c - CEAT - RIGHTS ISSUE**". All cheques/drafts must be crossed 'A/c Payee only'. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

For Non-Resident Applicants

Payments by Non-Resident Shareholders will be accepted by Indian Rupee Drafts purchased abroad or cheques/drafts drawn on Non-Resident External Account (NRE Account) or Foreign Currency Non-Resident Account (FCNR Account) maintained anywhere in India but payable at Mumbai or by Telegraphic Transfer in favour of the collecting Bankers by the concerned shareholders. Such cheques/drafts should be drawn in favour of "**(Name of The Collecting Bank)-A/c - CEAT - RIGHTS ISSUE - NR**" payable at Mumbai, India and shall be crossed A/c. Payee Only, Banker's Certificate regarding source of payment must be submitted with the CAFs wherever necessary.

The CAF alongwith cheques/drafts should be deposited only with controlling branches of the Bankers to the Issue nominated for this purpose. The certificate of inward remittance, if any, must be sent only to the Registrar to the Issue, quoting the details of folio no. and the name and address of the branch of the Bankers to the Issue where CAF has been deposited.

However, in case shares are held on a non-repatriable basis, payment may also be made by cheque /draft drawn on Non-Resident Ordinary Account (NRO A/c.) maintained anywhere in India. All the provisions for applicants by resident applicants will apply mutatis mutandis to applications by non-residents who apply through 'NRO' accounts without repatriation benefits.

Application will not be accepted by the Lead Manager or by the Company

TERMS OF PAYMENT

The entire amount of Rs. 50/- per share is payable on application by all shareholders/applicants.

FORFEITURE

The allotment shall be made only on receipt of full application money as mentioned in "Terms of Payment". As such there will be no partly paid-up shares emerging from this issue & hence no requirement of any forfeiture.

APPLICATION UNDER POWER OF ATTORNEY

In case of applications under Power of Attorney or by Limited Companies or Bodies Corporates or Societies registered under the applicable laws, a certified copy of the Power of Attorney or the relevant authority, as the case may be, along with the certified copy of the Memorandum and Articles of Association or Bye-laws, as the case may be, must be lodged separately by registered post at the office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of the CAF and the name of the bank and the branch office where the application is submitted. It must reach the Registrar within 7 days of closure of the offer, failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number of the Registration under which the Power of Attorney has been registered with the Company must be mentioned below the signature of the Applicant.

BANK DETAILS OF THE APPLICANT

The applicant must fill in the relevant column in the CAF giving particulars of Savings Bank/Current Account Number and the name of the Bank with whom such accounts is held, to enable the Registrar to the Issue to print the said details in the Refund Orders, if any, after the name of the payees. Please note that provision of Bank Account details has now been made mandatory and applications not containing such details are liable to be rejected. In case bank details are not mentioned or incomplete, the relevant details from the DP Account of the applicant as received from the DP will be considered for beneficial holder and details received with the Company if any, will be considered for shareholding in physical form.

APPLICATION NUMBER ON THE CHEQUE/DEMAND DRAFT

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.

GENERAL

- (a) All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest.
- (b) Please read the instructions in the enclosed CAF carefully.
- (c) ALL COMMUNICATIONS IN CONNECTION WITH YOUR APPLICATION FOR THE EQUITY SHARES INCLUDING ANY CHANGE IN YOUR REGISTERED ADDRESS SHOULD BE ADDRESSED TO THE REGISTRAR TO THE ISSUE. THE ENVELOPE SHOULD BE SUPERSCRIBED AS "CEAT RIGHTS ISSUE". CHANGE IN ADDRESS WITH RESPECT TO THE SHARES HELD IN ELECTRONIC FORM MAY BE CONVEYED TO THE DEPOSITORY PARTICIPANT.

- (d) Application Forms must be filled in ENGLISH in BLOCK LETTERS.
- (e) Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
- (f) In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures recorded with the Company / Depository.
- (g) In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate Saving / Current Account number and the name of the bank and its branch with whom such account is held in the space provided in the CAF for the purpose so that Refund Orders are printed with these details after the name. In case, bank details are not mentioned or incomplete, the relevant details from DP Account of the Applicant as received from the DP will be considered for beneficial holder and details received/available with the Company, if any will be considered for shareholding in physical form. Applications without this information are liable to be rejected.
- (h) The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A, B, C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
- (i) All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned in the Letter of Offer/CAF and not to the Company, the Registrar or the Lead Manager.
- (j) Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.
- (k) The last date for receipt of CAF alongwith the amount payable is 27/01/2006. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 60 days from the date of opening of the subscription list. If the CAF together with the amount payable thereunder is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered.

For further instructions please read CAF carefully.

DEMATERIALIZATION

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The Equity Shares of CEAT are traded in the demat segment. The Company has entered into a tripartite agreement dated 08/04/2005 with the National Securities Depository Ltd. (NSDL) and Tata Share Registry Limited (Registrar and Transfer Agent) for dematerialisation of the Equity Shares of the Company. The Company has also entered into a tripartite agreement dated 25/03/2005 with the Central Depository Services Limited (CDSL) and Tata Share Registry Limited for dematerialisation of the Equity Shares of the Company. The ISIN No. granted to the Equity Shares of the Company is ISIN INE482A01012.

An applicant has the option to seek allotment in physical or demat mode. An applicant who seeks allotment in demat mode must have atleast one Beneficiary Account with any of the Depository Participants (DP) of NSDL or CDSL registered with SEBI, prior to the application. Such applicants must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the head "Request for shares in electronic form" in the CAF.

Applicant must indicate in the CAF, the number of shares they wish to receive in electronic form out of the total number of Equity Shares applied for. In case of partial allotment, shares will first be allotted in electronic form and the balance, if any, will be allotted in physical form.

Names in the CAF should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

No separate application for demat and physical shares is to be made. If such applications are made the application for physical shares will be treated as multiple applications and rejected accordingly. It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL.

Non-transferable allotment letters/ refund order/ share certificate, if any will be directly sent to the applicant by the Registrar to the Issue

The applicant is responsible for the correctness of the applicants demographic details given in the share application form vis-à-vis those with his/her DP. Equity Shares allotted in demat mode will be credited directly to the respective Beneficiary Account.

DISPOSAL OF APPLICATION AND APPLICATION MONEY

No receipt will be issued for application money received. However, the Bankers to the Issue receiving the CAF(s) will acknowledge its receipt by stamping and returning the acknowledgement slip at the bottom of each CAF. In the event of shares not being allotted in full, the excess amount paid on application will be refunded to the applicant within six weeks of the date of closure of the issue. The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason. In case an application is rejected in full, the whole of the application money received will be refunded and where an application is accepted in part the excess money will be refunded after adjusting the money payable for the shares allotted. All refunds will be made within six weeks of the date of closing of the Subscription List.

FICTITIOUS APPLICATIONS

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

"Any person who-

- (a) makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or
- (b) otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

BASIS OF ALLOTMENT

In the event of the issue being oversubscribed, the basis of allotment will be made only within the overall size of the Rights Issue, as stated in the Letter of Offer and the Board will proceed to allot the Equity Shares in consultation with the designated stock exchange in the following order of priority:

1. Full allotment to the Shareholders who have applied for their Rights entitlement, either in full or in part and also the renounee(s) who have applied for Equity Shares renounced in their favour either in full or in part (subject to the other provisions contained under the paragraph titled "Renunciation").
2. Allotment to the shareholders who have applied for additional Equity Shares provided that they have applied for all the Equity Shares offered to them, provided there is a surplus after making full allotment under (1) above. The allotment of such additional Equity Shares will be made as far as possible on the basis of the Equity Shares held as on the Record Date.
3. Allotment to the renounees who have applied for all the Equity Shares renounced in their favour and have applied for additional Equity Shares, as the Board may in its absolute discretion deem fit, provided there is a surplus after making full allotment (1) and (2) above.
4. Allotment to any other person as the Board may in their absolute discretion deem fit, provided there is a surplus after making full allotment under (1), (2), (3) above.

The unsubscribed portion of the Equity Shares, if any, offered to the shareholders after considering the application for Rights/Renunciation and additional Equity Shares, as above, shall be disposed off at the sole discretion of the Board of Directors of the Company.

In case of oversubscription the allotment would be done in a proportionate manner in consultation with the designated Stock Exchange.

ALLOTMENTS/REFUNDS

A) For applications made by Resident Applicants

The Company will issue and dispatch letter of allotment/allotment advice/Securities certificate and/or letter of regret alongwith the refund orders or credit the allotted securities to the respective beneficiaries account, if any, within a period of six weeks from the date of closure of issue. If such money is not repaid with 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Companies Act, 1956. Refunds, if any, will be made alongwith Allotment Letters and /or Regret Letters by refund order / pay order drawn on the Bankers to the Company and will be despatched within 6 weeks from the date of closure of Issue, by Registered Post if the amount of such refund exceeds Rs.1500/-. Such cheque refund order / pay order will be payable at par during their validity period at all centres where the applications are received. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears on the CAF.

B) For application by Non-Resident Indians / Foreign Institutional Investors (FIIs) / Foreign Companies

In case of Non-Resident Indians/FIIs who remit their application money from funds held in NRE/FCNR/NRO Accounts, refund/payment of interest and other disbursements, if any, shall be drawn in favour of Bank Account, details of which should be furnished in the column provided for that purpose in the CAF. In case of non-residents who remit their application money through Indian Rupee drafts purchased from abroad, refunds/payments of interest and other disbursements, if any, will be made in US dollars at the exchange rate prevailing at such time, subject to the permission of the RBI. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupees amount into US Dollars.

INTEREST IN CASE OF DELAY IN ALLOTMENT / DESPATCH

The Company agrees that it shall pay interest at the rate of 15% per annum if the allotment has not been made and/or the equity share allotment letters/share certificates/refund orders have not been despatched and relevant Equity Shares have not been credited to the beneficiary account of the investors within 30 days from the date of closure of the issue.

All the pay orders / refund orders and Letter(s) of Allotment / Share Certificates will be despatched to the first named / sole applicant at his / her own risk. The Refund Orders will be payable at par in India at all the centres where the applications were originally accepted. The instruments will be marked "Account Payee Only" and in the name of the sole/ first applicant. Bank charges, if any, for encashing such refund orders / pay orders will be payable by the applicants.

DESPATCH OF REFUND ORDERS

The Company undertakes that the requisite funds will be made available to the Registrar for complying with the requirement of despatch of refund orders / allotment letters. The Company shall ensure despatch of refund orders of value over Rs.1,500/- by Registered Post only and adequate funds will be made available to the Registrar.

UNDERTAKING

The Board of Directors of CEAT state that: -

- i All the complaints in respect of the Rights Issue shall be attended to by the Company expeditiously and satisfactorily.
- ii That the Company shall take necessary steps for the purpose of getting the securities listed on the concerned stock exchange within the specified time.
- iii That the Company shall apply in advance for the listing of Equity Shares.
- iv That the funds required for despatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the Company.
- v That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time.
- vi That no further issue of securities shall be made till the securities offered through this Letter of Offer are listed or till the application money is refunded on account of non-listing, undersubscription etc.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors declares that:

- i. The funds received against this Issue will be transferred to a separate Bank Account other than the Bank Account referred to sub-section (3) of Section 73 of the Act.
- ii. Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such moneys has been utilised.
- iii. Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate Bank Account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

RESTRICTION ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has granted general permission to Indian companies to issue rights/bonus shares to existing non-resident shareholders (OCBs need specific RBI approval). The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the Company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them.

XVI. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

The main provisions of Articles of Association of the Company are as follows:

- 1 The regulations contained in Table A in the First Schedule to the Companies Act, 1956, shall not apply to this Company but the regulations for the management of the Company and for the observance of the Members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company in reference to the repeal or alteration of or addition to its regulations by Special Resolution, as prescribed by the said Companies Act, 1956, be such as are contained in these Articles.

CERTIFICATES

- 15 (a) The certificates of title to the shares shall be issued under the Seal of the Company which shall be affixed in the presence of and signed by (i) two Directors or persons acting on behalf of the Directors under a duly registered Power of Attorney, provided that, if the composition of the Board permits, one of the aforesaid two Directors shall be a person other than the Managing, Joint Managing, Deputy Managing, Additional Managing or Whole-time Director, (ii) the Secretary or some other person appointed by the Board for the purpose. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued indicating the date of issue. A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose. PROVIDED ALWAYS that notwithstanding anything contained in this Article the certificates of the title to shares may be executed and issued in accordance with such other provisions of the Act or the rules made thereunder, as may be in force for the time being and from time to time.
(b) Every member shall be entitled without payment to one certificate for all the shares of each class or denomination registered in his name or if the Directors so approve (upon paying such fee or fees or at the discretion of the Directors without payment of fees as the Directors may from time to time determine) to several certificates each for one or more shares of each class. Every certificate of shares shall specify the number and denoting numbers of the shares in respect of which it is issued and the amount paid thereon and shall be in such form as the Directors shall prescribe or approve.
- 16 The Company shall within three months after the allotment of any of its shares or debentures and within two months after the application for the registration of the transfer of any such shares or debentures, complete and have ready for delivery the certificates of all shares and debentures allotted or transferred, unless the conditions of issue of the shares or debentures otherwise provide and the Company shall otherwise comply with the requirements of Section 113 and other applicable provisions (if any) of the Act.

FORFEITURE, SURRENDER AND LIEN

- 28 If any member fails to pay the whole or any part of any call or instalment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or instalment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part serve a notice on such member or on the person (if any) entitled to the share by transmission requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.
- 30 If the requirement of any such notice as aforesaid shall not be complied with, any of the shares in respect of which such notice has been given, may at any time thereafter before payment of all calls or instalments, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
- 32 Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

TRANSFER AND TRANSMISSION OF SHARES

- 43 The Company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.
- 44 Shares in the Company shall be transferred by an instrument in writing in such form as shall from time to time be prescribed under the relevant provisions of the Act in that behalf. The Directors may from time to time alter or vary the forms of such transfer but so as to comply with the provisions of the Act in that behalf.

- 45 (1) An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee.
- (2) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.
- (3) For the purposes of Clauses (2) above notice to the transferee shall be deemed to have been duly given if it is despatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.
- 46 Every such instrument of transfer shall be signed by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of Members in respect thereof.
- 47 The Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee and completed in all other respects has been delivered to the Company within the prescribed period along with the certificate relating to the shares or if no such share certificate is in existence, alongwith the letter of allotment of the shares; Provided that where, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit, provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.
- 48 Subject to the provisions of Section 111 of the Act, or any statutory modification thereof for the time being in force, the Directors may, at their absolute and uncontrolled discretion decline to register or acknowledge any transfer of shares and shall not be bound to give any reason for such refusal and in particular may so decline in respect of shares upon which the Company has a lien or whilst any moneys in respect of the shares desired to be transferred or any of them remain unpaid or unless the transferee is approved by the Directors and such refusal shall not be affected by the fact that the proposed transferee is already a member. Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except as stated herein above. The registration of a transfer shall be conclusive evidence of the approval by the Directors of the transferee.
- 49 If the Company refuses to register the transfer of any share or transmission of any right therein, the Company shall within two months from the date on which the instrument of transfer or intimation of transmission was lodged with the Company send notice of the refusal to the transferee and the transferor or to the person giving intimation of the transmission, as the case may be, and thereupon the provisions of Section 111 of the Act or any statutory modification thereof for the time being in force shall apply.
- 50 A transfer of a share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer.
- 53 The executors or administrators or a holder of a Succession Certificate in respect of the estate of a deceased member not being one or two or more joint holders shall be the only person recognised by the Company as having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators shall have first obtained Probate or Letters of Administration as the case may be, from a duly Constituted Court in India, provided that in any case where the Directors in the absolute discretion think fit, the Directors may dispense with production of Probate or Letters of Administration or Succession Certificate and under the next Article, register the name of any person who claim to be absolutely entitled to the shares standing in the name of a deceased member, as a member.
- 54 Subject to the provisions of the Act and these Articles, any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these presents, may, with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Directors shall require either be registered as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such

shares; Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of such shares. This clause is herein referred to as the Transmission Clause.

MODIFICATION OF CLASS RIGHTS

72 If at any time the share capital by reason of the issue of Preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, abrogated or dealt with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class and all the provisions contained in these Articles as to General Meetings (including the provisions relating to quorum at such meetings) shall mutatis mutandis apply to every such meeting. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly prohibited by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

POWERS OF DIRECTORS

167 (1) Subject to the provisions of the Act and these Articles, the Board of Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do; Provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or any other Act or by the Memorandum or these Articles or otherwise to be exercised or done by the Company in General Meeting ; Provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions contained in that behalf in the Act or in the Memorandum or in these Articles or in any regulations not inconsistent therewith duly made thereunder including regulations made by the Company in General Meeting.

DIVIDENDS

180 The profits of the Company, subject to the provisions of these Articles, shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively. Provided always that any capital paid up on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide, only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid up during such period on such share.

181 Where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

182 The Company may pay dividends in proportion to the amount paid up or credited as paid up on each share, where a large amount is paid up or credited as paid up on some shares than on others.

183 The Company in General Meeting may, subject to Section 205 of the Act, declare a dividend to be paid to the members according to their respective rights and interests in the profits and subject to the provisions of the Act, may fix the time for payment. When a dividend has been so declared, either the dividend shall be paid or the warrant in respect thereof shall be posted within 42 days of the date of the declaration to the shareholders entitled to the payment of the same.

184 No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits of the Company or otherwise than in accordance with the provisions of Sections 205, 206 and 207 of the Act and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

185 Subject to the provisions of the Act, the Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

186 Subject to the provisions of the Act, the Directors may retain the dividends payable upon shares in respect of which any person is, under Article 54 hereof, entitled to become a member or which any person under that Article is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same. The provisions of this Article shall apply to any interest created in a share either by reason of transmission by operation of law or otherwise.

187 Subject to the provisions of the Act, no member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such

share or shares or otherwise howsoever either alone or jointly with any other person or person; and the Directors may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company. The Board may, in its discretion, relax the provisions of this Article either generally or in regard to a particular member.

- 188 A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
- 189 Unless otherwise directed, any dividend may be paid by cheque or warrant or by pay slip or receipt having the force of a cheque or warrant sent through post to the registered address of the member or person entitled or in case of joint holders, to that one of them first named in the register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or
pay slip or receipt lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature on any payslip or receipt or the fraudulent or improper recovery thereof by any other means.
- 190 Dividends unclaimed for one year after having been declared may be invested or otherwise used by the Directors for the benefit of the Company until claimed and all dividends unclaimed till the claim thereto becomes barred by law may be forfeited by the Directors for the benefit of the Company. Provided, however, the Directors may at any time annul such forfeiture and pay any such dividend.
- 191 Any General Meeting declaring a dividend may, on the recommendations of the Directors, make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend, may if so arranged between the Company and the members, be set off against the calls.

CAPITALISATION

- 192 (1) Any General Meeting may resolve that any amounts standing to the credit of the share premium account or the capital redemption reserve account or any monies, investments or other assets forming part of the undivided profits (including profits or surplus monies arising from the realisation and where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other Fund of the Company or in the hand of the Company and available for dividend be capitalised :-
- (a) by the issue and distribution as fully paid up shares of the Company or
 - (b) by crediting shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the share premium account or the capital redemption reserve account shall be applied only in crediting the payment of capital on shares of the Company to be issued to members (as herein provided) as fully paid bonus shares.

WINDING UP

- 217 If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.
- 218 (1) If the Company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a Special Resolution but subject to the rights attached to any preference share capital, divide amongst the contributories in specie or kind any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories, or any of them, as the liquidators, with the like sanction, shall think fit.
- (2) If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on,

any contributory who would be prejudiced thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.

- (3) In case any shares to be divided as aforesaid involve a liability to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the Special Resolution by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the liquidators shall, if practicable, act accordingly.

219 A Special Resolution sanctioning a sale to any other company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any shares or other consideration receivable by the liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential rights conferred by the said section.

SECURITY CLAUSE

220 (a) Every Director, Manager, auditor, treasurer, trustee, member of a Committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

- (b) No member shall be entitled to visit or inspect the Company's work without the permission of the Directors or the Managing Director or to require discovery of or any information respect any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors or the Managing Director it will be inexpedient in the interest of the members of the Company to communicate to the public.

INDEMNITY AND RESPONSIBILITY

221 (a) Subject to the provisions of Section 201 of the Act, every Director of the Company or the Managing Director, Joint Managing Director, Deputy Managing Director, Additional Managing Director, Whole-time Director, Manager, Secretary and other officer or employee of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them shall be indemnified by the Company against and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses (including traveling expenses) which any such Director, Managing Director, Joint Managing Director, Deputy Managing Director, Additional Managing Director, Whole-time Director, officer or employee and the trustees (if any) for the time being acting in relation to any of the affairs of the Company and even one of them may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, officer or servant or in any way in the discharge of his duties.

- (b) Subject as aforesaid, every Director, Managing Director, Joint Managing Director, Deputy Managing Director, Additional Managing Director, Whole-time Director, Manager, Secretary or other officer or employee of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them shall be indemnified against any liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is given to him by the Court.

XVII. OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS

The Contracts referred to in para (A) below (not being contracts entered into in the ordinary course of the business carried on by the Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material, have been entered into by the Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Letter of Offer which has been delivered to the Bombay Stock Exchange Ltd., (BSE) and The National Stock Exchange of India Ltd.(NSE) may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day from the date of this Letter of Offer until the closing of the subscription list.

A. MATERIAL DOCUMENTS

1. Copy of Memorandum of Understanding dated 29/09/2005 between the Company and Keynote Corporate Services Limited, Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated 10/10/2005 between the Company and ICICI Securities Limited, Lead Manager to the Issue.
3. Copy of Memorandum of Understanding dated 04/10/2005 between the Company and Tata Share Registry Ltd, Registrar to the Issue.
4. Copy of Tri- Partite Agreement dated 08/04/2005 between the Company, Tata Share Registry Ltd and National Securities Depository Limited.
5. Copy of Tri-Partite Agreement dated 25/03/2005 between the Company, Tata Share Registry Ltd and Central Depository Services (India) Limited.

B. DOCUMENTS FOR INSPECTION

1. Copy of Memorandum and Articles of Association of the Company.
2. Copies of Annual report for years ended 1999-00, 2001-02, 2002-03,2003-04 and 2004-05.
3. Copy of resolution dated 23/09/2005 passed by the Board of Directors authorizing the proposed rights issue.
4. Copy of certificate dated 11/10/2005 issued by N.M.Rajji & Co., Chartered Accountants and Statutory Auditors of the Company in terms of Part II Schedule II of The Companies Act 1956 including capitalisation statement, taxation statement and accounting ratios.
5. Copy of letter dated 29/09/2005 received from N.M.Rajji & Co., Chartered Accountants and Statutory Auditors of the Company advising the company on the tax benefits available to the company and its shareholders.
6. Copy of List of pending litigations/disputes against the Company,
7. Copy of Annual report for the year ended 2002-03, 2003-04 and 2004-05 of following companies:
 - CESC Ltd.
 - Zensar Technologies Ltd.
 - Harrisons Malayalam Ltd.
 - Hilltop Holdings India Ltd.
 - Brabourne Investments Ltd.
 - KEC International Ltd.
 - Saregama India Ltd.
 - Jubilee Investments & Industries Ltd.
 - Spencers and Company Ltd.
 - Offshore India Ltd.
8. Copy of List of pending litigations/disputes Promoter/Directors and its Group Companies.
9. Copy of various undertakings from the Company.
10. Copy of in-principle approval received from BSE vide their letter no. DCS/SMG/SDM/RK/NS/05 dated 08/11/2005.
11. Copy of in-principle approval received from NSE vide their letter no. NSE/LIST/18390-A dated 16/11/2005.
12. Copy of SEBI observation letter No. CFD/DIL/PB/AC/ISSUES/54237/2005 dated 21/11/2005.

DECLARATION

No statement made in this Letter of Offer shall contravene any of the provisions of the Companies Act, 1956 and the rules made there under. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

This Letter of Offer has been approved and signed by all the Directors and Chief Financial Officer of the Company. We further certify that all the disclosures made in the Letter of Offer are true and correct.

Yours Faithfully

**By the Board of Directors
CEAT Limited**

Sd/-
Mr. R. P. Goenka*

Sd/-
Mr. H. V. Goenka

Sd/-
Mr. Paras K. Chowdhary

Sd/-
Mr. M. A. Bakre

Sd/-
Mr. Mahesh S. Gupta

Sd/-
Mr. S. Doreswamy*

Sd/-
Mr. A. C. Choksey*

Sd/-
Mr. H. Khaitan

Sd/-
Mr. J. N. Guzder

Sd/-
Mr. H. L. Mundra*

Sd/-
Mr. Bansi S. Mehta*

Sd/-
Mr. N. Srinivasan*

Sd/-
Mr. K. R. Podar*

Sd/-
Mr. K.J.Rao
Chief Financial Officer

* by their constituted attorney

Place: Mumbai
Date : 08/12/2005