



CEAT LIMITED

Management Discussion & Analysis

Quarter ended December` 2007

Summary of performance (Rs Crores)

Particulars	Q3FY08	Q3FY07	YOY
Net Sales	564	537	5.1%
Operating Profit	42	39	7.1%
Other Income	8	3	187.4%
Interest	14.9	15.5	
Depreciation	7.5	7.8	
PBT	27.6	18.5	49.5%
Provision for taxation	8.4	6.7	
PAT	19.2	11.8	63.2%

Key highlights – Q3 FY` 08

- ☑ Ceat has recorded an improved performance in Q3 FY` 08. The Company's gross turnover for the quarter stood at Rs. 630 crs against Rs. 600 crs last year, up by 5%. The net profit for the quarter stood at Rs. 19.2 crs, up by 63% as against Rs 11.8 crs during same quarter in the previous year
- ☑ Operating PBT for the quarter stood at Rs. 27.6 crs as against Rs. 18.5 crs in Q3 FY` 07
- ☑ The Company's Operating margin stood at 8.9% compared to 7.8% in Q3` FY07.
- ☑ The net profit for the first three quarters stood at Rs. 71.67 crs. up by about 3.5 times compared to Rs. 15.84 crs. for the same period last year. The Company's Gross sale for the three quarters stood at Rs. 1881 crs. as against Rs. 1760 crs., up by 7% . EBITDA margin to Net Sales surged by 340 basis points during the three quarters to 9.6% compared to 6.2% for the same period in the previous year.

- ☑ The expansion in operating margin is mainly attributed to better Product Mix, strategic buying of Raw Materials and sustained efforts towards cost optimization and lower interest burden despite increase in interest rates and growth in business

Sales performance

Rs Crores

Particulars	Q3 FY'08	Q3 FY'07	Change (%)
Gross Sales			
Replacement	401	329	22%
- OE	113	154	(27%)
- Domestic	515	483	7%
- Export	116	117	(1%)
Total	630	600	5%
Excise Duty	66	64	
Net Sales	564	537	5%

Production inputs

Particulars	Q3 FY'08	Q3 FY'07	Change (%)
Own Production (No. lac)			
- Truck tyres	4.46	4.57	(2%)
- Light truck tyres	1.78	1.85	(4%)
- OTR / Grader	0.17	0.09	78%
Total Procurement (Lac MT)			
- Own production	0.32	0.32	2%
- Outsourcing	0.11	0.07	46%
- Total	0.43	0.39	10%
Conversion cost – Rs /Kg			
- Bhandup	17.56	15.63	
- Nasik	20.35	17.32	
- Total	18.65	16.28	

Key challenges & Future Issues

- ☑ The 6.5 acres of land at Bhandup is expected to be sold in Q4 FY` 08

- ☑ Industry hopes to go for marginal price increase during Feb 2008 to improve operating margin

- ☑ Installation of Bio mass fuel boiler & mixer at Nasik is expected to reduce conversion cost going forward

- ☑ The Company is now charting out an accelerated growth plan, with key thrust in Exports. The Company expects to further enhance its' already significant presence in Europe

- ☑ The Scheme of restructuring involving de-merger of investment in a separate Company has been implemented and consequently the paid up equity of the Company stands reduced to Rs.34.24 crores (from Rs.45.68 crores).

- ☑ **Trading on the equity shares of Ceat Limited would begin on the Exchanges on Friday, February 01, 2008**

Cautionary statement

Statement in this " Management Discussion and Analysis" describing the company's objectives, projections, estimates, expectations or predictions may be " forward looking statements" within the meaning of applicable securities law and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include demand supply conditions, finished goods prices, availability and prices of raw materials, changes in the government regulations, tax regimes, economic development within India and the countries within which the company conducts business and other factors such as litigations and labour negotiations.