



CEAT LIMITED

Management Discussion & Analysis

Quarter ended June` 2008

Summary of performance (Rs Crores)

Particulars	Q1 FY`09	Q1 FY`08
Net Sales	657	536
Operating Profit	11.8	53.1
Other Income	11.8	3.7
Interest	14.0	14.0
Depreciation	8.7	8.0
PBT	(10.9)	46.2
Provision for taxation	0.3	15.8
PAT	(10.6)	30.4

Key highlights

- ☑ The gross turnover of the Company for the quarter stood at Rs. 726 crores, as against Rs. 601 crores in the corresponding quarter last year, up by 21%.
- ☑ The Company's PBT during the quarter has been severally impacted due to a sharp increase in cost of all key inputs, particularly natural rubber, synthetic rubber and carbon black.
- ☑ The Raw material cost went up from Rs. 91.3/kg to Rs. 104/kg over the previous quarter.
- ☑ The publicity expenses for change in logo of the company in Q1FY`09 amounted to Rs. 5 crores.
- ☑ Hyper inflationary environment also increased the cost of operation.

- The company has temporarily slipped into a loss situation as price increase was inadequate, as compared to the increase in cost. Price increase during Q1 was of the order of 4% as against 10% required to neutralize cost push.

Sales Performance

Rs Crores

Particulars	Q1 FY'09	Q1 FY'08	Change (%)
Gross Sales			
Replacement	493	382	29%
- OE	114	107	6%
- Domestic	607	489	24%
- Export	119	112	6%
Total	726	601	21%
Excise Duty	69	65	7%
Net Sales	657	536	23%

Production inputs

Particulars	Q1 FY'09	Q1 FY'08	Change (%)
Own Production (No. lac)			
- Truck tyres	5.21	4.60	13%
- Light truck tyres	2.09	1.89	15%
- OTR / Grader	0.20	0.10	109%
Total Procurement (Lac MT)			
- Own production	0.34	0.33	5%
- Outsourcing	0.12	0.09	30%
- Total	0.46	0.42	10%
Conversion cost – Rs /Kg			
- Bhandup	19.47	16.82	
- Nasik	19.96	18.35	
- Total	19.67	17.41	

Key challenges & Future Issues

- The Company is focusing on cost reduction and price correction in order to show improved performance from Q2.

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.