



CEAT LIMITED

Management Discussion & Analysis

Quarter ended September 2008

Summary of performance (Rs Crores)

Particulars	Q2 FY` 09	Q2 FY` 08
Net Sales	670	583
Operating Profit	.38	56.57
Other Income	1.11	3.54
Interest	16.64	13.80
Depreciation	4.26	7.93
PBT	-41.01	40.58
Provision for taxation	-12.18	15.07
PAT	-28.83	25.51

Key highlights

- ☑ The gross turnover of the Company for the quarter stood at Rs. 739 crores, as against Rs. 649 crores in the corresponding quarter last year, up by 14%
- ☑ 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 touched its highest point during the quarter, which could not be fully passed on to the market.
- ☑ The Company had taken a production cut during the month to reduce the inventory of Finish goods
- ☑ The Company has incurred a Net Forex Loss of Rs 21.6 crs during the quarter due to high volatility in exchange rates
- ☑ Hyper inflationary environment also increased the cost of operation.

- ☑ Conversion cost was adversely impacted due to sharp increase in energy prices and high repair and maintenance cost.
- ☑ Tax Expense for the quarter and half year ended 30th September, 2008 includes reversal of excess provision of Income Tax of Rs.1,208 lakhs for earlier years.

Sales Performance

Rs Crores

Particulars	Q2 FY'09	Q2 FY'08	Change (%)
Gross Sales			
Replacement	468	390	20
- OE	97	107	-10
- Domestic	565	497	14
- Export	174	150	16
Total	739	648	14
Excise Duty	69	66	4
Net Sales	670	582	15

Production inputs

Particulars	Q2 FY'09	Q2 FY'08	Change (%)
Own Production (No. lac)			
- Truck tyres	4.25	4.87	-13
- Light truck tyres	1.53	1.88	-19
- OTR / Grader	.11	.14	-24
Total Procurement (Lac MT)			
- Own production	.33	.34	-3
- Outsourcing	.12	.10	17
- Total	.45	.44	1
Conversion cost – Rs /Kg			
- Bhandup	21.03	14.69	
- Nasik	21.13	15.96	
- Total	21.07	15.19	

Key challenges & Future Issues

- ☑ The adverse impact of the current economic scenario on demand in the near future remains a concern

- ☑ The raw material cost has begun declining, which will help the company to significantly reduce the losses and increase operating margins.

- ☑ Many initiatives to reduce conversion cost have been taken. The company expects to see significant reduction in conversion cost in the coming quarter in both the Plants.

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.