Board's Report

To,

The Members of CEAT Limited

Your Directors are pleased to present their Fifty-Seventh report, together with the Standalone and Consolidated Audited Financial Statements of the Company for the year ended March 31, 2016.

FINANCIAL HIGHLIGHTS

I) Standalone:

₹ in Lacs

Particulars	2015-16	2014-15
Total Revenue	5,54,131.05	5,57,029.51
Profit before Tax	63,606.94	44,286.26
Provision for:		
– Current Tax	15,057.86	13,248.69
– Deferred Tax	3,296.81	1,140.18
Profit after Tax	45,252.27	29,897.39
Surplus brought forward from previous year	77,301.95	51,937.23
Amount available for appropriation	1,22,554.22	81,834.62
Appropriations:		
– Interim Dividend / Proposed Dividend on Equity Shares	4,651.76	4,045.01
– Tax on Interim Dividend / Proposed Dividend	714.11	487.66
– Amount Transferred to debenture redemption reserve	1,667.00	-
Surplus carried forward	1,15,521.35	77,301.95

II) Consolidated:

₹ in Lacs

Particulars	2015-16	2014-15
Total Revenue	5,74,398.57	5,77,473.30
Profit before Tax	64,251.00	47,156.83
Provision for:		
– Current Tax	16,269.02	14,433.54
– Adjustment of tax petaining to earlier years	29.58	-
– Deferred Tax	3,485.83	1,331.09
Profit after Tax & minority interest	44,648.80	31,717.98
Surplus brought forward from previous year	83,782.56	56,597.22
Amount available for Appropriation	1,28,490.14	88,315.20
Appropriations:		
– Interim Dividend / Proposed Dividend on Equity Shares	4,651.76	4,045.01
– Tax on Interim Dividend / Proposed Dividend	714.11	487.63
– Amount transferred to debenture redemption reserve	1,667.00	-
Surplus carried forward	1,21,457.27	83,782.56

In the preparation of financial statements, no treatment different from that prescribed in the relevant Accounting Standards has been followed.

On consolidated basis, your Company recorded net revenue from operations of ₹ 5,71,412.49 Lacs with a negative growth of 0.67% over ₹ 5,75,213.89 Lacs of the last fiscal. The Company recorded a net profit of ₹ 44,648.80 Lacs reflecting a growth of 40.77% over net profit of ₹ 31,717.98 Lacs of the last fiscal.

During the year under review, CEAT continued to be one of the fastest growing tyre Companies in India.

On standalone basis, your Company recorded net revenue from operations of ₹ 5,49,414.78 with a decrease of 0.85% over ₹ 5,54,142.02 Lacs of the last fiscal. The Company recorded a net profit of ₹ 45,252.27 Lacs reflecting a growth of 51.36% over net profit of ₹ 29,897.39 Lacs of the last fiscal.

INDUSTRY UPDATE

The global economy witnessed another year of sluggish growth. While advanced economies showed modest recovery, emerging market and developing economies faced challenges. Amidst the global growth challenges, India emerged to be the fastest growing economy at 7.6% outpacing even China.

The Indian Automobile Industry in FY 2015-16 witnessed moderate growth of 2.6% over FY 2014-15, which has been caused primarily on account of sluggish rural demand due to adverse economic conditions and a second consecutive year of poor monsoon.

The vehicle segments that drove overall growth in domestic market include Passenger Segment (Cars and Utility Vehicles), Medium and Heavy Commercial Vehicles (M&HCV) and Scooters, which grew in FY 2015-16 by 7.24%, 29.91% and 11.79% respectively over FY 2014-15. Passenger Segment growth has been highest in the last 5 (five) years, mainly due to new launches and discounts provided by the auto manufacturers. On the flip-side, Light Commercial Vehicles (LCV) and motorcycles pulled down the sales growth.

In Tyre Industry, the revenues remained muted, with almost negligible growth in FY 2015-16 over FY 2014-15, due to deflationary pricing, unfavourable monsoons, muted infrastructure growth and significant increase in imports. Anti-dumping probe in US for Chinese tyres has lead Chinese manufacturers to push tyres to the developing economies. Chinese imports have also impacted the Indian market most in the Truck Bus Radial (TBR) segment with a year on year growth of 64%. This has translated into Chinese TBR tyres capturing ~35% of domestic TBR replacement market.

Increase in radialization globally, China dumping and weakening currencies of some key emerging economy against Indian Rupee caused a significant contraction in export both in volume and realization.

Another year of sluggish global growth aided by slow-down in China resulted in the raw material prices remaining moderate throughout the year, except last quarter of FY 2015-16 which witnessed a spurt in the prices of natural rubber and crude.

Inspite of a sluggish top line growth, the industry profit margins remained healthy on account of overall favourable input raw material costs.

STATE OF COMPANY'S AFFAIRS

The Company continued its focus on new product development. A total of 70 new products were launched in FY 2015-16. With an objective to penetrate further and improve customer reach, the Company continued to expand its distribution network. The dealer network, currently comprises of 4300+ dealers, with 400+ CEAT Franchisees (Shoppes & Hubs) and over 250 distributors. The CEAT Shoppe network, an exclusive retail channel of the Company, is now at 231 outlets as compared to 176 outlets as at March 31, 2015. CEAT Shoppes have contributed significantly in enhancing CEAT's Brand image. They have also contributed to the growth in sales of the passenger segment. The Company's new initiatives viz. Multi Brand Outlet (MBO) and Shop in Shop (SIS) concepts have reflected a healthy growth and have reached to 240+ and 45+ respectively, in FY 2015-16. The MBO and SIS concept aims at improving the product penetration in replacement market via enhanced product and brand visibility across select dealer counters. Further, to increase the reach in replacement market with lower population strata, the Company has expanded its presence in the smaller towns and rural areas, through an extensive distributor network, mainly for two-wheeler and passenger car tyres. As a result, the number of districts covered has gone up to over 600 from around 460 in FY 2014-15.

The Company launched two new television campaigns – the "Our Grip Your Stories" Campaign for utility vehicle tyres and the Tubeless campaign for motorcycle tyres, and also participated in key events like the MTV Roadies, MTV Chase the Monsoon, India Bike Week 2016 and Mahindra Adventure. These initiatives have enhanced the brand and product recall in the minds of end consumers.

The presence of an extensive distribution network combined with the appropriate mix in product portfolio, and extensive marketing activities during the year under review, has helped the Company in increasing its volumes in the passenger segment.

In FY 2015-16, the exports volumes for the Company however came down by over 17% on the back of overall global slowdown, sustained impact of low cost Chinese tyres, increasing radialization in global markets and impact of relative currency movement of key emerging and developing economies. While the global economy outlook continues to be sluggish, the Company is relentlessly working to improve exports volume from the current levels.

One key milestone for the Company in the year gone by was adoption of its new purpose "Making Mobility Safer and Smarter, Every day". Additionally, the Company has also finalised its vision and strategy for the next five years.

The Company continued its journey of "Safer, Cleaner and Healthier Workplace" by successfully clearing the yearly surveillance audit for ISO 140001 and OHSAS 18001 at its Bhandup, Nashik and Halol manufacturing units, with zero non conformity.

During the year under review, the Company won the Gold for Best use of Mobile Media during Drive Safe Dad campaign and Bronze award for Best use of Social Media during MTV Chase the Monsoon Season 2, at The ABBY's. The Company also won the Gold for Best use of Digital Media and Bronze for the Best use of Digital Platforms, at the Emvies, with both these awards being received for the Drive Safe Dad campaign.

Further, with shift to an increased non-truck product mix, considerable decrease in finance costs and moderate raw material prices, the Company's profit margins have improved during the year under review.

DIVIDEND

The Board at its meeting held on March 16, 2016 declared an interim dividend of ₹ 11.5 per equity share of ₹ 10.00 each (i.e.115%) for the financial year ended March 31, 2016 and recommends the Members to confirm it as final dividend for the year ended March 31, 2016.

TRANSFER TO RESERVE

Your Directors have proposed not to transfer any sum to the General Reserve.

MATERIAL CHANGES AND COMMITMENTS, IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the close of financial year on March 31, 2016 to which the financial statements relates and the date of this Report.

CAPACITY EXPANSION

The Company had undertaken expansion of capacity at its Halol Plant by 120 MT/day for manufacturing with a capital outlay of ₹ 650 Crores, which is expected to be fully ramped up by first quarter of FY 2017-18. Towards this, the Company has already commissioned a capacity of 39 MT/day by the end of March 2016.

Further, the Company had also planned to set-up a green field project, with an initial capacity of 120 MT/day, to manufacture two-three wheeler tyres in Buti Bori near Nagpur in the State of Maharashtra. This project with a capital outlay of ₹ 420 Crores will be implemented in phases. The Company has already implemented the first phase of this project, which has added a capacity of 15 MT/day. The Company expects to reach the full capacity of this project by the second quarter of FY 2017-18.

In addition to the abovementioned capacity enhancements at its own plants, the Company will also be investing ₹ 330 Crores in another greenfield project at Ambernath (near Mumbai), to produce off-highway radial tyres. This project is being set-up by its wholly owned subsidiary namely CEAT Specialty Tyres Limited. The commercial production at this facility is expected to start in the last quarter of FY 2016-17.

FUTURE OUTLOOK

The Outlook of FY 2016-17 for the auto and auto ancillary sector is stable, with volume growth expected to improve. The passenger car segment is likely to grow by 8% in FY 2016-17 while the utility vehicle segment is expected to grow by 12%.

The Commercial Vehicle (CV) segment is expected to clock single digit volume growth in FY 2016-17, with a Y-o-Y volume growth for M&HCVs expected to moderate to 8-10% from almost 30% levels in FY 2015-16. The key driver for the segment's growth would be in demand for high tonnage vehicles as fleet owners seek to minimise their per ton transportation cost by taking advantage of improved road infrastructure in the country. The focus of Union Budget 2016 on infrastructure improvement is also expected to give a boost to M&HCV segment.

Motorcycles are likely to exhibit annual volume growth of ~3% in FY 2016-17, depending on behaviour of the rural consumer. Scooters are however expected to continue to show a decent volume growth backed by urban-centric demand. However, the growth rate is expected to remain at 12% in FY 2016-17.

The overall outlook for the tyre industry therefore, is estimated to be better in FY 2016-17 with a volume growth of ~8-10%. Radialisation in M&HCV is also expected to grow resulting in an increase in demand for TBR tyres.

The Company expects to continue the growth path in passenger and two wheeler segments. Additionally, it will also work to increase the share of pie in the expanding passenger radial market. As a result, the Company expects to grow in FY 2016-17, on account of the increased demand, with a short term downward bias in profit margins, due to increase in raw material prices from the FY 2015-16 levels. However, the Company is working to mitigate this in future by its focused investments - in passenger segment capacities, enhancing the brand visibility and product differentiation through technology and in new product development.

SUBSIDIARY COMPANIES

At the end of the year under review, the Company had following four subsidiaries namely CEAT Speciality Tyres Limited, Mumbai, Rado Tyres Limited, Cochin, Associated CEAT Holdings Company (Private) Limited, Colombo, Sri Lanka, (ACHL), CEAT AKKhan Limited, Dhaka, Bangladesh (CAL).

The Company does not have any material subsidiary whose net worth exceeds 20% of the consolidated net worth of the holding company in the immediately preceding financial year or has generated 20% of the consolidated income of the Company during the previous financial year. A policy on material subsidiaries has been formulated by the Company and posted on the website of the Company at the link http://www.ceat.com/Investors_intimation.aspx

CEAT Specialty Tyres Limited

CEAT Specialty Tyres Limited (CSTL), which is a wholly owned subsidiary of the Company, is engaged in manufacturing and sale of tyres for off-the-road vehicles/ equipment, which find application across industries including ports, construction, mining and agriculture. Towards this, it plans to set up a green field project with an initial capacity of 40 MT/day, which would subsequently be ramped up to 100 MT/day. CSTL has already initiated the civil work of the said green field project. During the year under review, CSTL has commenced trading in Off-Highway tyres and sources these tyres from the Company.

CSTL has registered in the year under review, a revenue of ₹ 10,251.39 Lacs (Previous year ₹ 0.11 Lacs) and a net loss of ₹ 1,205.65 Lacs in FY 2015-16 (Previous year ₹ 30.65 Lacs).

Rado Tyres Limited

Rado Tyres Limited (RTL) works currently supplies its entire production of automotive tyres to the Company. During the year under review, RTL registered a revenue of ₹ 1,201.40 Lacs as compared to a revenue of ₹ 1,158.23 Lacs in FY 2014-15, registering a growth of 3.73%. The net loss for the year under review has however gone up to ₹ 124.46 Lacs from ₹ 22.77 Lacs in the previous year, mainly due to significant increase in payment of wages to the workmen/employees under the new Long Term Settlement (LTS), huge maintenance cost, increased power cost and accounting for various one time expenditures like employee benefit expenses, (including gratuity provisions, on revised wages paid under new LTS Agreement), etc.

Overseas Subsidiaries:

Details of ACHL and CAL are given below under the heads “Joint Venture in Sri Lanka” and “Joint Venture in Bangladesh”.

JOINT VENTURE IN SRI LANKA

ACHL, the Company’s investment arm in Sri Lanka, has a 50:50 joint venture company viz. CEAT-Kelani Holdings Private Limited, which operates four manufacturing plants through its wholly owned subsidiaries in Sri Lanka.

During the year under review, ACHL has registered a lower revenue of LKR 46,338.11 Lacs (₹ 21,843.79 Lacs) as compared to LKR 47,397.21 Lacs (₹ 22,096.58 Lacs) in FY 2014-15. However, the profit after tax has grown by 6.21% to LKR 7,927.68 Lacs (₹ 3,659.56 Lacs) as compared to LKR 7,463.91 Lacs (₹ 3,532.74 Lacs) in FY 2014-15. The ACHL’s joint venture continues to enjoy the overall market leadership in all categories of tyres in Sri Lanka.

ACHL has been consistently paying dividends and it has, during the year under review, paid a dividend of ₹ 1,167.86 Lacs to the Company.

JOINT VENTURE IN BANGLADESH

As reported in the previous year, the Company has a 70:30 joint venture (JV) company, CEAT AKKhan Limited (CAL), which is setting up a green field facility for manufacture of automotive bias tyres in Bangladesh. However, CAL has been selling automative tyres in the local market in the last more than 2 years. For this purpose CAL has been outsourcing CEAT branded automative tyres from the Company. It has registered, in the year under review, a revenue of BDT 6,704.53 Lacs (₹ 5,617.06 Lacs) as compared to BDT 5,980.76 Lacs (₹ 4,709.25 Lacs) in FY 2014-15. The net loss for the year under review is BDT 594.91 Lacs (₹ 435.50 Lacs) as compare to the net loss of previous years BDT 1,392.48 Lacs (₹ 1,054.49 Lacs).

A report on the performance and financial position of each of the Company’s aforesaid subsidiaries forms part of the Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Section 129(3) of the Companies Act, 2013 and Regulation 34(2) of SEBI (Listing Obligations and Disclosure Requirment) Regulations, 2015, the Consolidated Financial Statements of the Company, including the financial details of all the subsidiary companies of the Company, forms part of this Annual Report. The Consolidated Financial Statements have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

BUSINESS RISK MANAGEMENT

Pursuant to the requirement of Regulation 21 of SEBI (Listing Obligations and Disclosure Regulations) Regulations 2015, the Company has constituted a Risk Management Committee. The details of this Committee and its terms of reference are set out in the Corporate Governance Report, which forms part of this Report.

The Company has in place a Business Risk Management framework to identify risks and strive to create transparency, minimize adverse impact on the business and enhance the Company’s competitive advantage.

Pursuant to the aforesaid business risk framework, the Company has already identified the business risks associated with its operations and an action plan for mitigation of the same is already in place. The business risks and its mitigation have been dealt with in the Management Discussion and Analysis section of this Report.

CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors has formed a committee on Corporate Social Responsibility in accordance with Companies Act, 2013. The composition of the same has been given in Corporate Governance Report.

As part of its initiatives under “Corporate Social Responsibility” (CSR) and it’s vision to drive ‘holistic empowerment’ of the community & the society at large, the Company has undertaken following projects in accordance with it’s CSR policy, read with Schedule VII of the Companies Act, 2013, through RPG Foundation (the Trust), a public charitable trust qualified to undertake CSR activities:

i. Vision/Eye Care (Project-Netranjali) – the Company through the RPG Foundation launched this flagship programme in FY 2014-15, to work towards the cause of preventing avoidable blindness in India. This is a key need in India, as India has the world’s largest blind population, with 80% of cases of blindness being preventable with early stage interventions. Three different target groups were covered via this project – school children, slum communities and truckers/drivers. In FY 2015-16, 6,57,880 beneficiaries were covered through eye check-up camps and awareness sessions. Futher, 66,430 beneficiaries were screened with 18,595 receiving free spectacles.

ii. Women Empowerment (Project-Swayam) – This project is working on Promotion of Gender Equality and Women’s Empowerment by driving powerful social change in the motor driving/transport industry. It aims to empower less privileged women by training them in driving skills to enhance their livelihood across various sectors like Taxi, school vans, entrepreneurial ventures, etc. In FY 2015-16, more than 3,000 less privileged women were mobilised from low income communities and 1,744 were trained in Mumbai, Thane, Pune, Nashik, Nagpur, Hyderabad, Bangalore, Chennai, Madurai, New Delhi, Mathura, and also mobilised women in Coimbatore, Tiruppur.

iii. Primary Education (Project-Pehlay Akshar) – This project is a large scale program for Primary Education with special focus on practical English speaking and reading skills to enhance employability, thereby, giving these children, an equal opportunity for making their lives brighter. In FY 2015-16, the Company reached out to 2,580 children across 21 schools in Bhandup, Worli, Nashik and Halol.

iv. Community Development- Water and Malnutrition (Project-Jeevan) - This is an integrated community development project which focuses on improving all round quality of life in the areas of clean drinking water, sanitation and overall health and nutrition based interventions amongst others. In FY 2015-16, the project reached out to 750 children and adolescent girls to provide nutrition supplements and awareness sessions on health and hygiene. Besides this, the project also reached out to 10,000 children in 7 schools for providing safe drinking water, while also carrying out installations of rain harvesting structures in 4 schools benefitting 5,600 people. Further, in response to the Swachh Bharat Abhiyan of the Government of India, the Trust has made sanitation facilities available to 5,000 individuals through construction of individual and community toilets in the communities around the Company's plants.

v. Employability - Skill Development (Project-Saksham) – This project is a skill development program, which focuses on alternate livelihoods training for empowering the women and technical training to the youth. In FY 2015-16, the project trained 763 less privileged women and youths from slums and rural communities in tailoring, embroidery, mobile phone repairing, bag making, patient care assistance program, etc. as an alternate livelihood option.

The Annual Report on CSR activities in pursuance of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as **"Annexure A"**.

The Company has spent the entire amount of ₹ 773.35 Lacs towards CSR activities during the FY 2015-16.

VIGIL MECHANISM /WHISTLE BLOWER POLICY

Pursuant to Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has adopted vigil mechanism in the form of Whistle Blower Policy, to deal with instances of fraud or mismanagement, if any. The Policy can be accessed at the website of the Company at link http://www.ceat.com/Investors_intimation.aspx.

RELATED PARTY TRANSACTIONS

The Company has formulated a policy on Related Party Transactions for purpose of identification and monitoring of such transactions. The said policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

All Related Party Transactions are placed before the Audit Committee and also the Board/Members for their approval, wherever necessary. The related party transactions entered during the financial year were on an arm's length basis and in the ordinary course of business, except the contracts/arrangements or transactions entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 during the course of business but which were not at arm's length basis. The details of the same are annexed herewith as **"Annexure B"** in the prescribed Form AOC-2.

SHARE CAPITAL

The paid up equity capital of the Company as on March 31, 2016 was ₹ 4,045.01 Lacs. The said shares are listed on the BSE Limited and the National Stock Exchange of India Limited. There is no change in the paid-up capital of the Company, during the year under review.

NON-CONVERTIBLE DEBENTURES

During the year under review, the Company has issued and allotted 2,000 Secured Redeemable Non-Convertible Debentures of ₹ 10 Lacs each on private placement basis aggregating to ₹ 20,000 Lacs. The said Secured Redeemable Non-Convertible Debentures are listed on BSE limited.

CREDIT RATING:

Your directors are pleased to inform you that during the year under review, the long term credit rating of the Company improved from A+ to AA- by its rating agencies viz. CARE and India Ratings (Fitch). The rating of AA- indicates high degree of safety regarding timely servicing of financial obligations and very low credit risk.

The short term facilities of the Company have been granted the rating of A1+ by CARE and India Ratings (Fitch). The rating of A1+ indicates very strong degree of safety regarding timely payment of financial obligations and carries the lowest credit risk.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in the prescribed Form MGT-9 is annexed herewith as **"Annexure C"**.

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

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, is annexed hereto as **"Annexure D"** and forms part of this report.

PARTICULARS OF EMPLOYEES

The statement required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (said Rules) in respect of employees of the Company, are required to be set out in this report. However, the second proviso of the sub rule (3) of Rule 5 of said Rules permits the Company to provide the said statement on specific request of member in writing. Therefore, the Annual Report excluding the said statement is being sent to all the members of the Company and such statement shall be made available to the members on request.

The prescribed particulars of employees required under Section 134(3)(q) and Rule 5(1) of the said Rules are attached as **“Annexure E”** and forms part of this report.

FIXED DEPOSITS

Your Company is eligible to accept deposit from public pursuant to Section 76 of the Companies Act, 2013 (“the Act”) and the Companies (Acceptance of Deposits) Rules, 2014 (“the Rules”). Pursuant to the Special Resolution passed by the members at the Annual General Meeting (AGM) of the Company held on September 26, 2014, the Board of Directors of the Company, approved the Fixed Deposit Scheme for acceptance of deposits from Members and persons other than Members in accordance with the requirements of the Act and the Rules.

The Fixed Deposits of ₹ 3,415.85 Lacs accepted by the Company pursuant to the said Fixed Deposits Scheme were outstanding as on March 31, 2016.

The Company has not accepted any fresh deposits during the year under review.

Further, in accordance with Rule 19 of the Rules, deposits accepted by the Company under the Companies Act, 1956 and the Rules made thereunder, (Earlier Deposits), the Company shall continue to repay such Earlier Deposits and the interest due thereon, for the remaining period in accordance with the terms, conditions and period of such Earlier Deposits in compliance of the Act and the Rules. The amount of Earlier Deposits outstanding as on March 31, 2016 was ₹ 1,067.22 Lacs.

There were no defaults in respect of repayment of any deposits or payment of interest thereon during the year under review. The Company has not accepted any deposits which are not in compliance with the requirements of the Act.

The Company has no overdue deposits, other than the unclaimed deposits as at the end of the year under review.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

In terms of Section 134 (3) (g), the Report of the Board of Directors shall include the details of particulars of Loans, Guarantees and Investments under Section 186 of the Companies Act, 2013 granted are given in the notes to the Financial Statements. The loans and/or advances given to the employees bear interest at applicable rates.

DIRECTORS

Messrs Vinay Bansal, Atul C. Choksey, S. Doreswamy, Mahesh S. Gupta, Haigreve Khaitan, Kantikumar R. Podar, Ms. Punita Lal and Mr. Ranjit V. Pandit are Independent Directors on the Board of the Company whereupon, the composition of the Board of Directors duly meets the criteria stipulated in Section 152 of the Companies Act, 2013.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mr. Paras K. Chowdhary, who was appointed as Non-Executive Director has already completed 3 years from the last date of his employment as the Managing Director/ Whole-time Director of the Company and has furnished a declaration that he is eligible for appointment as an Independent Director as he is not holding the position of key managerial personnel or has been an employee of the Company or any of its subsidiaries or associate company, during the three immediately preceding financial years.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. Arnab Banerjee retires by rotation and being eligible offers himself for re-appointment.

PECUNIARY RELATIONSHIP OR TRANSACTIONS OF THE NON-EXECUTIVE DIRECTORS AND DISCLOSURES ON THE REMUNERATION OF THE DIRECTORS

All pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company, along with criteria for such payments and disclosures on the remuneration of the Directors along with their shareholding are disclosed in Form MGT-9 which forms a part of this Report.

KEY MANAGERIAL PERSONNEL

During the year under review the Company appointed Mr. Manoj K. Jaiswal as Chief Financial Officer in place of Mr. Subba Rao Amarthaluru, who had resigned as Chief Financial Officer of the Company. The Company had in the previous years appointed Mr. Anant V. Goenka as Managing Director, Mr. Arnab Banerjee as Executive Director-Operations and Mr. H. N. Singh Rajpoot as Company Secretary. Pursuant to the provisions of Section 203 read with Section 2(51) of the Companies Act, 2013, they are deemed to be Key Managerial Personnel.

INTER-SE RELATIONSHIPS BETWEEN THE DIRECTORS

There are no relationships between the Directors inter-se, except Mr. H. V. Goenka, Chairman and Mr. Anant V. Goenka, Managing Director who is the son of Mr. H. V. Goenka, Chairman.

FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

Pursuant to the Code of Conduct for Independent Directors specified under the Companies Act, 2013 and requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has framed a familiarisation programme for all its Independent Directors to familiarize them on their roles, rights and responsibilities in the Company, the nature of the industry in which the Company operates and its business model. The familiarisation programme posted on the website of the Company at the link http://www.ceat.com/Investors_intimation.aspx.

POLICY ON APPOINTMENT, TRAINING, EVALUATION AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL

The Board has, on the recommendation of the Nomination & Remuneration Committee, framed a policy on Appointment (including criteria thereof), Training, Evaluation and Remuneration of Directors, Key Managerial Personnel and Senior Management Personnel (SMP) and their remuneration, which is enclosed as **"Annexure F"**.

EVALUATION OF BOARD, ITS COMMITTEES AND DIRECTORS

For the purpose of evaluation, the Board finalised a questionnaire and engaged a third party to conduct an independent online confidential survey using the said questionnaire. The results of the survey were then deliberated at Board Meeting and evaluation of the Board, its Committees and the Directors were reviewed and follow-up actions suggested.

MEETINGS OF THE BOARD OF DIRECTORS

During the year, 6 (Six) Board Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

BOARD COMMITTEES

Detailed composition of the mandatory Board Committees viz. Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Risk Management Committee and non-mandatory committee viz. Finance & Banking Committee and Special Investments/Project Committee, number of meetings held during the year under review and other related details are set out in the Corporate Governance Report which forms a part of this Report.

There have been no situations where the Board has not accepted any recommendations of the Audit Committee.

The Company has formed Audit Committee and composition of the same has been given in Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors, to the best of their knowledge and belief, make following statements that:

i. The applicable Accounting Standards have been followed in the preparation of the annual accounts along with the proper explanation relating to material departure, if any.

ii. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company in the Balance Sheet as at March 31, 2016 and the Statement of Profit and Loss for the said financial year ended March 31, 2016.

iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. The annual accounts have been prepared on a going concern basis.

v. The proper internal financial controls were in place and that such internal financial controls are adequate and were operating effectively.

vi. The systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and are operating effectively.

MANAGEMENT DISCUSSION AND ANALYSIS AND CORPORATE GOVERNANCE REPORT

In compliance with the Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, separate section on Management Discussion and Analysis, as approved by the Board of Directors, which includes details on the state of affairs of the Company as required to be disclosed in the Annual Report. Further, the Corporate Governance Report, duly approved by the Board of Directors together with the certificate from the Statutory Auditors confirming the compliance with the requirements of Clause 49 of the Listing Agreement and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as the case may be, forms part of this Annual Report.

BUSINESS RESPONSIBILITY REPORT

Pursuant to the Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Report on Business Responsibility for the year under review has not been made, as the Company does not form part of top 100 listed entities based on market capitalization as on March 31, 2016.

STATUTORY AUDITORS

The Company had, at its AGM held on September 26, 2014 appointed Messrs S R B C & CO LLP as the Statutory Auditors for a period of 3 (three) consecutive years from the conclusion of the fifty-fifth AGM to the conclusion of the fifty-eighth AGM subject to ratification of their appointment every year. They have confirmed that their said appointment, if ratified at the ensuing AGM, will be in compliance with Sections 139 and 141 of the Companies Act, 2013.

INTERNAL AUDITORS

The Board has appointed Messrs KPMG as Internal Auditors for the period of 1 (one) year ending on March 31, 2017 under Section 138 of the Companies Act, 2013 and they have completed the internal audit as per the scope defined by the Audit Committee.

SECRETARIAL AUDITORS

The Company has appointed Messrs Parikh and Associates, Company Secretaries to conduct the Secretarial Audit for the financial year ended March 31, 2016. As required by Section 204 of the Companies Act, 2013 and rules made thereunder. The Secretarial Audit Report furnished by Messrs Parikh and Associates is annexed to this report as **"Annexure G"**.

COST AUDITORS

The Board of Directors has appointed Messrs N. I. Mehta & Co., Cost Accountants, as Cost Auditors of the Company for FY 2016-17 and recommends ratification of their remuneration by the Members at the ensuing AGM.

EXPLANATION AND COMMENTS ON AUDITORS AND SECRETARIAL AUDIT REPORT

There is no qualification, disclaimer, reservation or adverse remark made either by the Statutory Auditors in Auditors Report or by the Company Secretary in practice (Secretarial Auditor) in the Secretarial Audit Report.

The Statutory Auditors have not reported any instances of fraud to the Central Government and Audit Committee as per the provisions of Section 143 (12) of the Companies Act, 2013 read with Rule 13 of the Companies (Audit and Auditors) Rules, 2014.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS

There are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future.

CHANGE IN THE NATURE OF BUSINESS

During the year under review, there was no change in the nature of the business.

INTERNAL FINANCIAL CONTROL

Details in respect of adequacy on internal financial controls with reference to the Financial Statements are stated in Management Discussion and Analysis which forms part of Annual Report.

HUMAN RESOURCES

CEAT continues to be a people focused organization continuously building next generation leadership.

One of the main enablers of achieving CEAT vision 2016-2021, is Unleashing Talent which emphasizes on people focus of the organization. The Company has increased its investment and capacity in training and development to develop people to their maximum potential. Focus on training and development continued through a combination of functional, technical and behavioral training programs adding up to 3.96 man-days per employee of training in 2015-16. The Company has been persistent on achieving process and quality excellence by building internal academies and involving employees at the grass-root level in continuous improvement through Total Quality Management (TQM) initiatives.

DISCLOSURE UNDER SEXUAL HARRASEMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

In accordance with the provisions of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013, 4 (four) Internal Complaints Committee (ICC) have been set up to redress complaints. ICC have not received any complaints during the year under review.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the continued support and co-operation received from the employees, customers, suppliers, dealers, financial institutions, banks and members towards conducting the business of the Company during the year under review.

On behalf of the Board of Directors

H. V. Goenka
Chairman

Place: Mumbai
Date: April 27, 2016