

February 2, 2012

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai 400 051

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

Sub: Notice of Postal Ballot

Dear Sir,

Pursuant to the Clause 31 (c) of the Listing Agreement entered into with the Stock Exchange, please find enclosed herewith 3 copies of the Notice and Explanatory Statement of the Postal Ballot sent to the shareholders of the Company.

Kindly take the above on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For **CEAT Limited**

A handwritten signature in blue ink, appearing to read 'H. N. Singh'.

H. N. Singh Rajpoot
Company Secretary

Encl: As above

Dear Shareholder(s),

NOTICE PURSUANT TO SECTION 192A OF THE COMPANIES ACT, 1956

Notice is hereby given that pursuant to Section 192A of the Companies Act, 1956 ("the Act") and the Rules made thereunder, the resolutions set out below are proposed to be passed as Special Resolutions through Postal Ballot.

The Explanatory Statement pertaining to the said resolutions pursuant to Section 192A read with Section 173(2) of the Act, setting out the material facts and the reasons therefor along with a Postal Ballot Form, is annexed for your consideration. The Company has appointed Mr. P. N. Parikh, Practicing Company Secretary as Scrutinizer for conducting the Postal Ballot Process in a fair and transparent manner.

Shareholders are requested to carefully read the instructions printed on the Postal Ballot Form and return the same duly completed and signed, in the attached self addressed pre-paid postage envelope (if posted in India) so as to reach the Scrutinizer not later than the close of working hours i.e. 5.00 p.m. on March 3, 2012. Upon completion of the scrutiny of the Postal Ballot Forms, the Scrutinizer will submit his report to the Chairman and/or Vice Chairman of the Company. Subsequently, the result of the Postal Ballot will be announced by the Chairman and/or Vice Chairman and/or Company Secretary on March 7, 2012 at the Registered Office of the Company.

The shareholders are requested to consider, and if thought fit, pass the following resolutions as Special Resolutions through Postal Ballot.

1. To consider and if thought fit, to pass the following resolution as a Special Resolution

*RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) (hereinafter referred to as the Act) and relevant provisions of the Memorandum and Articles of Association of the Company and the applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as the ICDR Regulations) and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as the Takeover Regulations) and the Listing Agreement, including amendments thereto entered into with the Stock Exchanges where the equity shares of the Company are listed and subject to any other approval, consent, permission and/or sanction of any appropriate authority as may be required and subject to any condition imposed by any such appropriate authority while granting any such approval, consent, permission or sanction; approval of the Company be and is hereby accorded to the Board of Directors ("the Board" which expression shall also include a Committee thereof for the time being exercising the powers conferred on the Board by this resolution) to create, offer, issue and allot from time to time in one or more tranches up to 17,12,176 Convertible Warrants (hereinafter referred to as Warrants) convertible on exercise of option by the proposed allottee(s), into Equity Shares of equivalent number of face value of Rs. 10/- each for cash on a preferential basis to the promoters/promoter group as specified in the Explanatory Statement on such terms and conditions as the Board may in its absolute discretion decide at the time of issue of securities, and at such price as may be determined and approved by the Board in accordance with the conditions specified in the ICDR Regulations.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the Warrants may have all or any terms or conditions or combination of terms in accordance with the applicable regulations, prevalent market practices, including but not limited to terms and conditions relating to variation of the price or period of exercise of option by Warrant holder

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Equity Shares as may be required upon exercise of option by Warrant holder(s) or as may be necessary in accordance with the terms of the offer, all such shares ranking pari passu inter se with the then existing Equity shares of the Company in all respects including dividend.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the Relevant Date, for determination of price for the Equity Shares issued and allotted upon exercise of right attached to the Warrants referred to above shall be February 6, 2012.

RESOLVED FURTHER THAT the Board be and is hereby authorized on behalf of the Company to take all actions and to do all such acts, deeds, matters and things including to vary, modify or alter any of the terms or conditions including the size of the proposed issue, offer or allotment of any of the said Warrants or the Equity Shares arising out of them and listing thereof with the stock exchanges as appropriate and to resolve and settle all questions and difficulties that may arise from the proposed issue, offer and allotment of the Warrants and the Equity Shares arising therefrom and to do all such acts, deeds, and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit, without being required to seek any further consent from the Shareholders of the Company or other wise and that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

2. To consider and if thought fit, to pass the following resolution as a Special Resolution.

*RESOLVED THAT pursuant to the provisions of Sections 198 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 including any statutory modification or re-enactment thereof (the said Act) and subject to the approval of the Central Government and subject to such other approvals, permissions, sanctions as may

be required and subject to such conditions as may be imposed by any authority in granting such approvals, permissions and sanctions; approval of the Shareholders be and is hereby accorded for payment of the following remuneration, to Mr. Anant Vardhan Goenka, Deputy Managing Director of the Company for the financial year from April 1, 2011 to March 31, 2012; during which the net profit of the Company would be inadequate for the purpose of payment of remuneration as per Section I of Part II of Schedule XIII of the said Act:

Details of remuneration:

(Amount in Rupees)

1	Salaries/ Allowances	:		
	• Salary	:	33,90,000	
	• Management Supplement	:	33,90,000	
	• Personal Pay	:	23,40,000	
	• House Rent Allowance	:	13,56,000	1,04,76,000
2	Perquisites	:		
	• Medical Reimbursement	:	1,78,000	
	• Others	:	3,73,000	5,51,000
3	Retiral Benefits	:		
	Company Contribution to	:		
	• Provident Fund	:	4,06,800	
	• Superannuation Fund	:	5,08,500	
	• Gratuity Fund	:	1,63,059	10,78,359
	Grand Total	:		1,21,05,359

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the Board) which term shall be deemed to include any duly authorized Committee thereof for the time being exercising the powers conferred on the Board by this resolution based on the recommendation of the Remuneration Committee, be and is hereby authorised to pay the above mentioned remuneration to Mr. Anant Vardhan Goenka, Deputy Managing Director of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board which term shall be deemed to include any duly authorized Committee thereof for the time being exercising the powers conferred on the Board by this resolution be and is hereby authorized to do all such acts, deeds, matters and things including obtaining approval from requisite authorities as it may in its absolute discretion deem necessary proper or desirable and to settle any questions or doubts that may arise in this regard.*

By Order of the Board of Directors
For CEAT Limited

H. N. Singh Rajpoot
Company Secretary

Place: Mumbai
Date: January 24, 2012

Notes:

1. The consent of the shareholders is solicited by passing Special Resolutions by way of a Postal Ballot as detailed in Item no. 1 and 2 of this Notice.
2. Explanatory Statement setting out all material facts as required under Section 173 and 192A of the Companies Act, 1956 in respect of the aforesaid special business of the Company is appended.
3. The resolutions, if assented to by the requisite majority, shall be taken as passed on March 7, 2012 being the date of declaration of the result.
4. A copy of the Agreement dated January 4, 2010 with Mr. Anant Vardhan Goenka, approved by the shareholders at the Annual General Meeting held on July 27, 2010 is open for inspection by the shareholders at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day upto the last date of receipt of the Postal Ballots from the shareholders.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) READ WITH SECTION 192A OF THE COMPANIES ACT, 1956

ITEM NO. 1:

The Board of Directors of the Company at its meeting held on January 24, 2012 resolved to issue up to 17,12,176 Convertible Warrants (Warrants) on a preferential basis to any one or more of the Promoters/Promoter Group at a price as prescribed under the Regulations for Preferential Issue i.e. Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure) Regulations, 2009 (hereinafter referred to as the ICDR Regulations).

The holder of each Warrant shall have the option to apply for and be allotted 1(One) Equity Share of face value of Rs.10/- each of the Company upon conversion of the Warrant, within a period of 18 months from the date of allotment of Warrants. The terms and conditions of the issue shall be decided by the Board of Directors ("the Board" which expression shall also include a Committee thereof for the time being exercising the powers conferred on the Board) in accordance with the ICDR Regulations.

The proposed issue and allotment as above require the approval of the Shareholders by a Special resolution under Section 81 (1A) and other applicable provisions of the Companies Act, 1956 and the provisions of the Listing Agreement entered into by the Company with the Stock Exchanges.

The details and disclosures required under Regulation 73 of the ICDR Regulations are as under:

1. Object of the preferential issue:

To augment long term resources of the Company.

2. Intention of the Promoters/Promoter Group, or their associates and relatives, Directors/Key Managerial Persons, to subscribe to the Warrants:

The proposed allottees are Promoters/Companies in the Promoter Group who have indicated their intention to subscribe to the Warrants.

3. Shareholding Pattern of the Company before and after the Preferential Issue:

Category	Pre-issue*		Post-issue**	
	Shares	%	Shares	%
Promoters/Promoter Group	1,75,63,894	51.29	2,09,88,240	55.72
Foreign Institutional Investors	6,20,342	1.81	6,20,342	1.65
Mutual Funds/UTI	18,13,864	5.30	18,13,864	4.82
Indian Financial Institutions, Banks	30,75,251	8.98	30,75,251	8.16
Private Corporate Bodies	25,01,778	7.31	25,01,778	6.64
Other	86,68,405	25.31	86,68,405	23.01
Total	3,42,43,534	100.00	3,76,67,880	100.00

* As on December 31, 2011

**After considering full conversion of 17,12,170 convertible warrants allotted on September 30, 2010 and 17,12,176 convertible warrants being issued now.

4. Proposed time limit within which the Preferential Issue shall be completed.

The allotment of Warrants is proposed to be completed within 15 days of passing of the Special Resolution and on receipt of 25% of the price fixed in terms of Chapter VII of ICDR Regulations and the same shall be adjusted against the price payable subsequently for acquiring the Equity Shares by exercising an option for the said purpose. The balance 75% shall be paid at the time of conversion of the Warrants into Equity Shares. In case the allottee does not exercise the option to take Equity Shares, against any of the Warrants the consideration

paid by him in respect of the Warrant will be forfeited by the Company.

5. Identity of the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, consequent to the preferential issue :

The following promoters/companies of the promoter group have expressed their intention to subscribe to the Warrants pursuant to this Special Resolution:

Identity of the proposed allottees	No. of Warrants	Post Conversion Shareholding and percentage assuming allotment of Equity Shares against all Warrants	
		No. of Equity Shares	Percentage
Instant Holdings Limited	17,12,176	67,11,361	17.82
Total	17,12,176	67,11,361	17.82

6. Terms of conversion of Warrants:

Within 18 months from the date of allotment of the Warrants.

7. Relevant Date and Pricing of the Warrants:

The Relevant Date i.e. February 6, 2012 mentioned in the Special Resolution is as prescribed in Regulation 71 of the ICDR Regulations.

The price at which the Warrants shall be issued is the higher of the following as per Regulation 76 of the ICDR Regulations:

- The average of weekly high and low of the closing prices of the related equity shares quoted on the recognized stock exchange during the six months preceding the Relevant Date.
- The average of weekly high and low of the closing prices of the related equity shares quoted on the recognized stock exchange during the two weeks preceding the Relevant Date.

Stock exchange for the purposes of this clause means the recognized stock exchange in which the equity shares of the Company are listed and in which the highest trading volume in respect of the Equity Shares of the Company has been recorded during the six months preceding the Relevant Date.

The price of the Equity Shares to be allotted to the holders of the Warrants and the terms and conditions thereof will be decided by the Board in accordance with the provisions of Chapter VII of the ICDR Regulations.

8. Holding of Equity Shares in demat and lock-in period:

The pre issue shareholding, if any, of the proposed allottees, is in demat form and the lock-in of the pre issue shareholding and Warrants/Equity Shares arising out of them will be in accordance with the ICDR Regulations.

9. Auditors Certificate:

The Company has obtained a certificate from the Statutory Auditors, i.e. M/s. N. M. Raji & Co. that for the proposed preferential issue, the Company has complied with all the requirements in terms of the ICDR Regulations and the same shall be made available for inspection at the Registered Office of the Company on all working days except Saturdays and Public holidays from 11.00 a.m to 5.00 p.m upto the last date for receiving Postal Ballot Forms i.e. March 3, 2012.

10. Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, (Takeover Regulations):

The provisions of the Takeover Regulations are not attracted at the time of allotment of Warrants and so the proposed allottees are not required to make an open offer and comply with the formalities related to an open offer at the time of allotment of Warrants on preferential basis. However, the proposed allottees undertake to comply with the applicable provisions of the Takeover Regulations prevailing at the time of conversion of Warrants into Equity Shares.

The Board of Directors recommends passing of the above resolution as a Special Resolution.

Dr. R. P. Goenka, Chairman, Mr. H. V. Goenka, Vice Chairman and Mr. Anant Vardhan Goenka, Deputy Managing Director of the Company may be deemed to be concerned or interested in this Special Resolution. No other director of the Company is deemed to be concerned with or interested in this Special resolution.

ITEM NO. 2

Mr. Anant Vardhan Goenka was appointed as the Deputy Managing Director of the Company at the meeting of the Board of Directors of the Company held on December 21, 2009. Accordingly, the Company entered into an Agreement with Mr. Goenka for the aforesaid appointment for a period of 5 (five) year with effect from January 4, 2010. The shareholders of the Company had, at the Annual General Meeting of the Company held on July 27, 2010, accorded their approval to the appointment of Mr. Anant Vardhan Goenka as the Deputy Managing Director of the Company for a period of 5 (five) years commencing from January 4, 2010 and ending on January 3, 2015 and also for payment of remuneration, as may be recommended by the Remuneration Committee and approved by the Board of Directors from time to time within an overall limit of Rs. 2.00 crores.

The Company expects that the net profit as per Section 198 of the Companies Act, 1956 (hereinafter referred to as the said Act) for the year ending March 31, 2012 shall be inadequate for the purpose of payment of remuneration as per Section I of Part II of Schedule XIII of the said Act. Hence, approval of the shareholders is sought by way of a Special Resolution for payment of the following remuneration to Mr. Goenka for the period from April 1, 2011 to March 31, 2012.

Details of remuneration:

(Amount in Rupees)

1	Salaries/ Allowances	:		
	• Salary	:	33,90,000	
	• Management Supplement	:	33,90,000	
	• Personal Pay	:	23,40,000	
	• House Rent Allowance	:	13,56,000	1,04,76,000
2	Perquisites	:		
	• Medical Reimbursement	:	1,78,000	
	• Others	:	3,73,000	5,51,000
3	Retiral Benefits	:		
	Company Contribution to	:		
	• Provident Fund	:	4,06,800	
	• Superannuation Fund	:	5,08,500	
	• Gratuity Fund	:	1,63,059	10,78,359
	Grand Total	:		1,21,05,359

The approval of the Central Government where necessary will be obtained by the Company.

The following is the statement of information for the Shareholders pursuant to Paragraph (C) of Section II of Part II of Schedule XIII of the Companies Act, 1956.

I. General Information:

1. Nature of industry: Tyre Industry (Ancillary to Automobile Industry)

2. Date of Commencement of Commercial Production: February 22, 1960

3. Financial Performance: (Rs. in lakhs)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Sales	213478	232996	251369	280747	346892
Other Income	2444	2307	4495	4214	6022
Operating Profit	15241	20729	5397	32271	14590
Interest	6043	5694	6552	5683	7850
PBDT	9198	15035	(1155)	26588	6741
Profit/Loss before tax	6092	11736	(3717)	23899	4106
Exceptional items	-	7994	-	-	782
Profit/(Loss) before tax (including exceptional items)	6092	19731	(3717)	23899	3324
Profit/(Loss) after tax	3925	14860	(1611)	16104	2228
Paid Up Equity Share Capital	4568	3424	3424	3424	3424
Dividend (excluding tax)	822	1370	-	1370	685
Rate of dividend (%)	18	40	-	40	20

4. Export performance and net foreign exchange collaboration: (Rs. in lakhs)

Financial Year	Export turnover
2006-07	42946
2007-08	48196
2008-09	48303
2009-10	48025
2010-11	62195

5. Foreign Investments or collaborations:

For the financial years 2006-07 to 2010-11, the Company did not have any fresh foreign investments or collaborations.

II. Information about the appointee.

1. Background Details:

Mr. Anant Vardhan Goenka is an M.B.A from the Kellogg School of Management and a B.SC in Economics from the Wharton School.

Mr. Goenka joined KEC International Limited (KEC) as Vice President (Corporate) and was in charge of the telecom business, business development in North America and Integrated planning and monitoring of Transmission and Distribution Business. In recognition of his contribution in the said business vertical, KEC elevated him to the position of Executive Director – Supply Chain in-charge of manufacturing, procurement, planning, logistics and quality department in the company.

Prior to joining KEC, Mr. Goenka was also associated with CEAT Limited as Head of Specialty Tyre Business. Earlier, Mr. Goenka has also worked with Hindustan Unilever Limited, Accenture, Mumbai and Morgan Stanley, Hong Kong.

Presently he sits on the Board of Directors of the below mentioned companies:

- Allwin Apartments Private Limited
- Goodhope Sales Private Limited
- Idea Tracom Private Limited
- Instant Holdings Limited
- Raychem RPG Private Limited
- RPG Cellular Investments & Holdings Private Limited
- STEL Holding Limited
- Spencer & Company Limited
- Associated CEAT Holdings Company (Private) Limited, Colombo
- CEAT Kelani Associated Holdings (Private) Limited, Colombo

2. Past remuneration:

For the period from April 1, 2010 to March 31, 2011

(Amount in Rupees)

1	Salaries and Allowances	:		78,60,000
2	Perquisites	:		
	• House Rent Allowances	:	11,04,000	
	• Medical Reimbursement	:	50,000	
	• Other perquisites	:	1,70,000	13,24,000
3	Retiral Benefits	:		
	Company Contribution to	:		
	• Provident Fund	:	3,31,200	
	• Superannuation Fund	:	4,14,000	
	• Gratuity Fund	:	1,32,692	8,77,892
	Grand Total	:		1,00,61,892

3. Recognition or awards, Job profile and suitability:

Mr. Goenka was initially responsible for the Manufacturing, Sales, Marketing and Outsourcing functions by the Board of Directors of the Company. Later, he was also entrusted with the responsibility of the Materials and Quality Assurance function.

Since his appointment, Mr. Goenka has been instrumental in improvement of manufacturing capability of the Company, product mix optimization, innovative buying, cost reduction and quality improvement initiatives. In a short span of time, Mr. Goenka has obtained a firm grip on the operations of the Company.

In addition, he has also taken personal interest in empowerment of employees through improved communication channels and rewards and recognition programmes, within the Company. He is currently, spearheading the Visioning Exercise by an innovative way of involving the entire management team, which has been broken into various councils for suggesting the strategic moves on different functions. This exercise will improve engagement/commitment of the entire management team which eventually bring the Company closer to its goals of higher profitability and sustained growth.

The Board of Directors is of the opinion that Mr. Goenka's experience with different sectors and companies shall be of immense benefit to the Company especially since the Company is poised to take a leap towards profitability and growth.

4. Remuneration Proposed:

As per the details mentioned above.

5. **Comparative remuneration Profile with respect to Industry:**

The proposed remuneration (duly approved by the Remuneration Committee) is in line with the trends in the industry and is befitting Mr. Goenka's competence.

6. **Pecuniary relationship directly or indirectly with the Company:**

Mr. Goenka is the grandson of Dr. R. P. Goenka, Chairman and son of Mr. H. V. Goenka, Vice Chairman of the Company.

Equity shares held in the Company:

Mr. H. V. Goenka, Vice Chairman	: 13,932 Equity Shares
Mr. Anant Vardhan Goenka, Deputy Managing Director	: 14,185 Equity Shares

III. **Other information.**

1. **Reasons for loss or inadequate profits:**

The Company suffered a loss of Rs. 33.91 crores for the nine months period ended December 31, 2011, due to an unprecedented increase in the prices of raw materials, particularly of Natural Rubber and the industrial slowdown. Due to an adverse demand supply scenario, the Company expects to close its current financial year 2011-12 with a marginal profit, which would be inadequate for the payment of the proposed remuneration.

2. **Steps taken or proposed to be taken for improvement:**

Under the stewardship of Mr. Goenka, the Company has taken several steps inter alia, innovative buying and other cost optimization initiatives across the Company, product mix optimization, total quality management etc. for strengthening the operations of the Company.

3. **Expected increase in productivity and profits in measurable terms.**

The steps initiated by Mr. Goenka, both short term and long term are expected to not only bring back the Company into adequate profit during FY 2012-13 but also emerge as an efficient manufacturer of automotive tyres in future.

IV. **Disclosures.**

Remuneration package as mentioned above.

By Order of the Board of Directors
For CEAT Limited

H. N. Singh Rajpoot
Company Secretary

Place: Mumbai
Date: January 24, 2012