



Surging Ahead

balkrishna industries limited

46th annual report



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Company Information

BOARD OF DIRECTORS:

DHARAPRASAD R PODDAR
Chairman

ARVIND M PODDAR
Vice Chairman & Managing Director

SACHIN NATH B CHATURVEDI

KHURSHED M DOONGAJI

RAMESH D PODDAR

ASHOK M SARAF (w.e.f. 29th May, 2008)

RAKESH N GARODIA

SUBHASH CHAND B MANTRI

TRILOK CHAND D GOEL
Whole Time Director

MANAGEMENT COMMITTEE:

DILIP M VAIDYA
Director (Technical)

BANSANTKUMAR G BANSAL
Chief Financial Officer

ANURAG P PODDAR
Executive

RAJIV A PODDAR
Executive

COMPANY SECRETARY:

VIPUL R SHAH

BANKERS:

ABN AMRO BANK
BANK OF BARODA
BARCLAYS BANK PLC
CORPORATION BANK
ING VYSYA BANK
STATE BANK OF INDIA
STANDARD CHARTERED BANK

AUDITORS:

M/s. JAYANTILAL THAKKAR & CO.
Chartered Accountants

INTERNAL AUDITORS:

M/s. DILIP A JAIN & ASSOCIATES
Chartered Accountants

REGISTERED OFFICE:

H-3/1 MIDC "A" Road, Tarapur (Boisar) 401 506
Dist. Thane (Maharashtra)

PLANTS:

TYRE MANUFACTURING:

CORPORATE OFFICE:

418, Creative Industrial Estate,
72, N M Joshi Marg,
Mumbai 400 011.

B-66, Waluj MIDC, Waluj Indl. Area,
Aurangabad 431 136 (Maharashtra).

SP-923, RIICO Phase-III,
P.O. Bhiwadi 301 019 Dist. Alwar
(Rajasthan).

RIICO, Phase VIII,
Chopanki P.O. Bhiwadi 301 109
Dist. Alwar. (Rajasthan).

Village Soda Mada, Tehsil: Fatehgarh,
Dist. Jaisalmer (Rajasthan).

Plot No. TS-1, M.I.D.C, Phase No.II,
Dombivali (E) 421 201, Dist. Thane
(Maharashtra).

WIND FARM:

MOULD SHOP:

Members are requested to bring their copy of the Annual Report along with them at the Annual General Meeting, as copies of the Report will not be distributed at the Meeting.

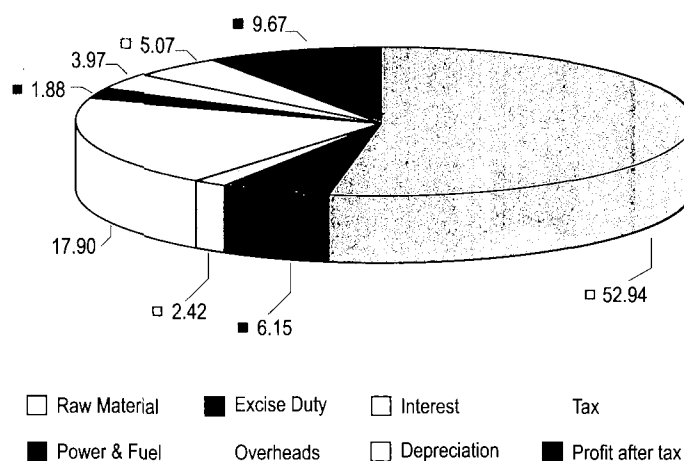
Financial Highlights

(Rs. In Crores)

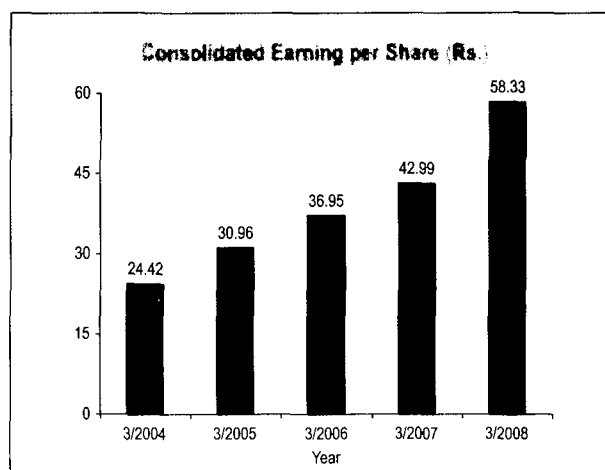
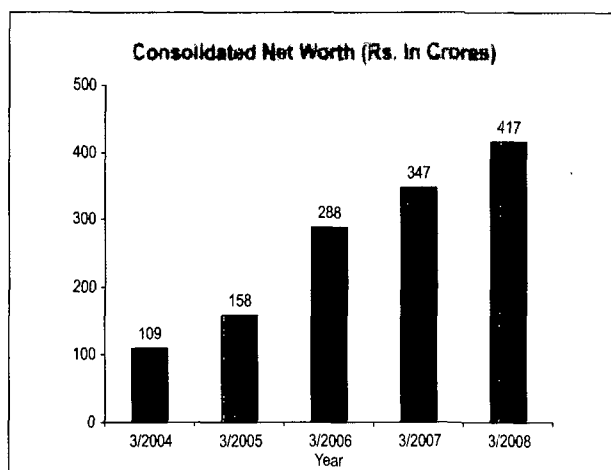
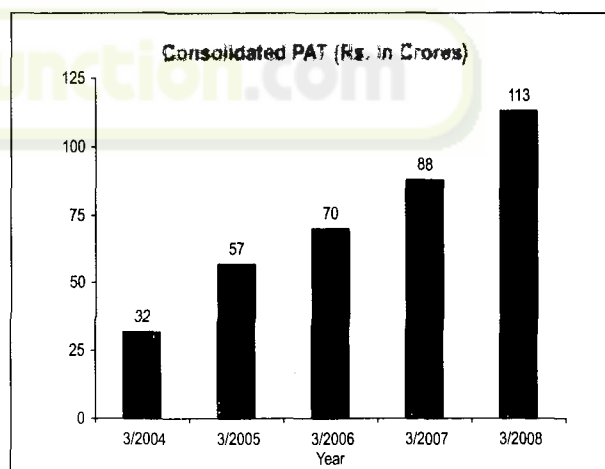
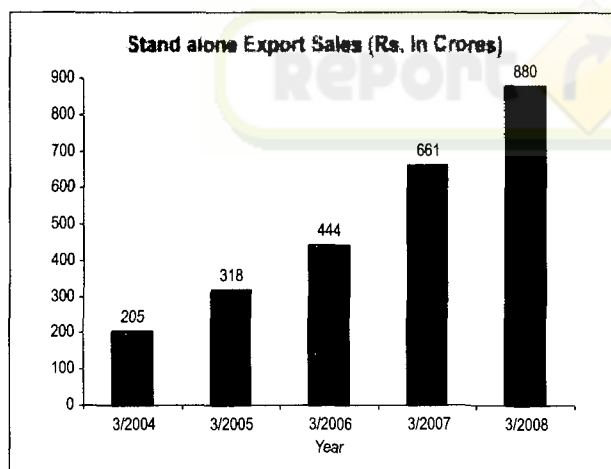
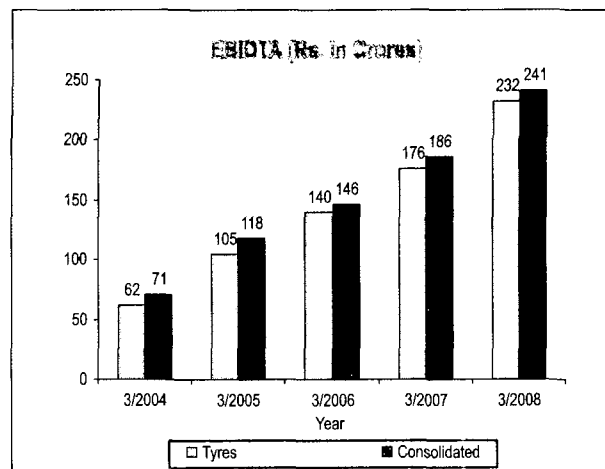
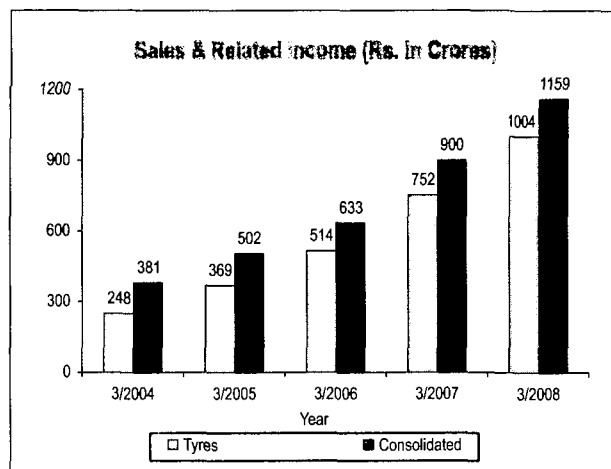
Year ended 31st March	Stand alone		Consolidated		
	2008	2008	2007	2006	2005
Sales & Related Income	1004	1159	900	633	502
Less: Excise Duty Recovered on Sales	13	26	22	13	14
Net Sales & Income from Operations	991	1133	878	620	488
Other Income	14	16	9	6	5
Total Income	1005	1149	887	626	493
PBIDT	232	241	187	146	118
PBDT	205	215	170	134	110
Depreciation	44	46	36	27	22
Exceptional Item	(3)	(4)	-	-	-
PBT	164	173	134	107	88
Taxes	57	60	46	37	31
PAT	107	113	88	70	57
Dividend	105%	105%	105%	* 100%	100%
Earning per Share of Rs. 10 each	55.17	58.33	42.99	* 36.95	30.96
Total Cash Accruals *	127	135	102	76	65

* The Company has allotted Bonus Shares in the ratio of one Share for every two shares held during 2005-06.

Rupees Earned/Spent %



Financial Highlights



Directors' Report

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the 46th Annual Report and Audited Statement of Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS:

	(Rs. in crores)	
	Current Year ended 31.03.08	Previous Year ended 31.03.07
Gross Turnover and Other Income	1018.21	908.48
Less: Excise Duty Recovered on Sales	12.43	21.94
Net Turnover and Other Income	1005.78	886.54
Gross Profit	207.75	165.06
Less: Depreciation and Amortisation	43.83	36.00
Profit before Tax	163.92	129.06
Less: Provision for Taxation		
Current Tax	49.30	37.67
Deferred Tax (Net)	7.24	7.65
Fringe Benefit Tax	0.55	0.59
	57.09	45.91
Profit after Tax	106.83	83.15
Less: Adjustments relating to earlier years	0.17	0.06
Less : Extra ordinary Item	1.09	NIL
Profit after Extra ordinary Item	105.57	83.09
Balance brought forward from last year	23.77	17.10
PROFIT AVAILABLE FOR APPROPRIATIONS:	132.34	100.19
APPROPRIATIONS:		
Transfer to General Reserve	50.00	50.00
Transfer to Capital Profit Reserve	NIL	0.27
Interim Dividend	8.70	20.30
Proposed Final Dividend	11.60	NIL
Tax on Dividends	3.45	2.85
	73.75	73.42
Balance Carried Forward to Balance Sheet	58.59	26.77

Note: Current year figures represent performance of tyre business alone whereas previous year figures include figures of its erstwhile Paper & Textile Processing Divisions also.



Directors' Report

OPERATIONS:

Your Company operates mainly in one segment i.e. pneumatic tyres and focus is on to manufacture wide range of "Off Highway Tyres" that includes Agricultural, Forestry, Industrial, Material Handling, Lawn & Garden, ATV, Construction and Earth Moving (OTR) equipment Tyres.

During the year under review, Sales and related income of the company was higher at Rs. 1003.81 Crores as against Rs. 752.49 Crores in the previous year reflecting an increase of over 33%. The Exports and Export related income stood at Rs. 899.80 Crores as against Rs. 685.23 Crores in the previous year – an increase of over 31%. The Gross Profit is placed at Rs. 207.75 Crores as compared to Rs. 165.06 Crores in the previous year.

DIVIDEND:

Your Directors have declared Interim Dividend of 45% in its Board Meeting held on 29th May, 2008.

Your Directors are now pleased to recommend a final Dividend of 60% for the year, taking the total Dividend to 105%, with a total payout of Rs. 23.75 Crores, including Tax on Dividends.

CAPITAL EXPENDITURE

The capital expenditure programmes to enhance its production capacity across all the three locations and to create storage facility to store its finished goods at Chopanki initiated during the year have largely been completed. The commissioning of OTR radial plant is at an advance stage and commercial production is expected during calendar year 2008.

EXPANSION PROGRAMS FOR F.Y. 2008 – 09:

The company is planning to increase its capacity by adding extra equipments at its existing locations and by setting up a new green field Tyre plant into special economic zone (SEZ). Once land is acquired, it will take 1½ ~ 2 years to setup the plant. The company's plans also include setting up of storage facilities at different location to store finished goods and raw materials.

OPPORTUNITY & THREATS:

OPPORTUNITIES:

The segment in which your company operates is predominantly represented by large varieties and low volumes, making it un-attractive for fresh investments by major players. Your Company is fully geared up to take advantage of the peculiarities of the said segment and has developed more than 1800 Stock Keeping Units to meet the diverse needs and applications.

Moreover, the segment in which the Company is operating is not exposed to any technological obsolescence and wild fluctuations in demand of its products.

The Company has incremental opportunity to incubate the "Earth Moving Tyres" (OTR) markets and take advantage of radialization which is picking up the momentum rapidly. Your company has increased its radial tyre production capacity significantly over past few years and would be the first company in India to setup all steel OTR Radial Tyre plant which will be in operation during calendar year 2008.

The company generates its revenue mainly through exports of its product – more than 90% of company's production is exported. The company enjoys the status of "Three Star Export House".

THREATS:

Like any other Company, your Company is also exposed to various threats like competition from small players, retention of employees, labour un-rest, increase in raw material prices and other input cost etc.

RISKS / CONCERNS AND RISK MITIGATION:

Fluctuation in Raw Material prices: The Company's major raw material is Natural Rubber, which is an agricultural commodity and its prices have moved upward very significantly in this year. Besides this, the prices of other raw materials have also moved up sharply and have witnessed a level never seen in the past due to unprecedented increase in the crude oil prices.

Directors' Report

Though the Company enjoys the pricing power, it is not possible to pass on the increase in prices immediately and to the full extent. Thus, the Company has to bear the brunt of the said fluctuations to some extent. The increase in utility cost and other administrative cost may also marginally impact the profitability of the company adversely.

In order to minimize such risks, the Company not only enters into medium-term contracts but also adopts the policy of "Buy and Stock" large quantities during the lean period.

Labour Relations: Since the nature of Company's manufacturing process are that of batch processing, it requires lot of skilled as well as un-skilled workmen. Maintaining a huge work force always poses a risk.

In order to mitigate the said risk, the Company follows good HR practices and spends a lot of money and Management's time for their welfare, safety and upliftment. All workers are paid more than adequate remuneration for their work.

Retention of skilled Manpower: This is not a unique area of concern for the Company and it is being faced by all the Companies.

The Company is able to manage the said risk by good HR practices and rewarding its employees handsomely.

Currency fluctuation: Since approximately 90% of the Company's revenues are generated through exports and the Company also imports lot of its raw materials and capital equipments, it is exposed to risks due to currency fluctuations.

The Company follows the system of hedging its receivables and major payments well in advance by entering into Forward Contracts, thereby protects itself to a great extent from fluctuations in currencies.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company has adequate system of internal controls

to ensure that all the assets are safeguarded and are productive. Necessary checks and balances are in place to ensure that transactions are adequately authorised and reported correctly. The Internal Auditors of the Company conduct Audits of various departments to ensure that internal controls are in place. These are being reviewed by the Audit Committee of the Board and corrective actions are taken by the Company, when needed.

HUMAN RESOURCES:

The Company's human resources continue to be the biggest asset of the Company. The team has remained as committed as ever and produced results that are considered significant. Quality, quick delivery and focus on resolving customer issues are the hallmark of the team performance. There is a strong focus on TEAM spirit. During the year, many events were conducted to develop the personality and outlook of its employees. Employee's relations continue to be cordial.

OUTLOOK FOR THE CURRENT YEAR 2008-09:

The Company is continuously developing its production base and has expanded its product range significantly. The Company is also expanding its market base not only through increase in its business with its existing customers but also through new customers in existing markets as well as new markets. The company also participates in various trade fare and exhibition held across the globe to promote its product.

The Company has established its brand image through quality and after sales services and its brand "BKT" enjoys good reputation in the domestic as well as International market that is reflected through the growth rate of Company's business as well as a healthy order position of its products throughout the year.

TRANSFER OF BUSINESS:

During the year under review, the company has transferred its paper and textile processing businesses to two separate wholly owned subsidiary companies namely "Balkrishna Paper Mills Limited" and "Balkrishna



Directors' Report

Synthetics Limited" respectively through a court approved scheme.

The order of the Honorable High Court of Bombay was passed on 10th October, 2007 which was filed with the Registrar of Companies, Mumbai on 8th November 2007 (the effective date). The appointed date for transfer of above business was 1st April, 2007. The company has completed all the post approval formalities to complete the transaction.

SUBSIDIARY COMPANIES:

The company has following subsidiary companies:

1. Balkrishna Paper Mills Limited (100%)
2. Balkrishna Synthetics Limited (100%)
3. BKT EXIM Limited (100%)
4. BKT Tyres Private Limited (80%)

The following companies have ceased to be subsidiaries due to disinvestment:

1. BKT (EUROPE) Limited
2. BKT Europe s.r.l.

The investment of the company into above subsidiaries has been bought over by its wholly owned subsidiary company – "BKT EXIM Limited" as per the prescribed procedure of Reserve Bank of India.

The Statement pursuant to Section 212 of the Companies Act, 1956 containing details of the Company's Subsidiaries, to the extent applicable, is attached.

Further pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, consolidated Financial Statements of the Company and its Subsidiaries form part of the Annual Report and Accounts.

The Company has made application under section 212(8) of the Companies Act, 1956 to the Department of Company Affairs, Ministry of Finance seeking their

exemption from attaching the Balance Sheet, Profit and Loss Account, and Report of the Board of Directors and Auditors of its Subsidiary Companies with the Balance Sheet of the parent Company. The Company has received approval from Department of Company Affairs vide its letter No.47/203/2008-CL-III DT. 10th April, 2008. However, these documents will be submitted to any shareholder wishing to have a copy on receipt of such request. These documents will also be available for inspection by any shareholder at the Corporate Office of the Company. However as directed by the Central Government, the financial data of the Subsidiaries Companies have been furnished under 'Details of Subsidiaries' forming part of the Annual Report.

DIRECTORS:

Shri Ashok M. Saraf has been inducted as an Additional Director w.e.f 29th May, 2008 and holds office till the date of the ensuing Annual General Meeting.

The Company has received notice from one of the Shareholder proposing the name of Shri Ashok M. Saraf as a Director of the Company.

Shri Sachin Nath B. Chaturvedi, Shri Khurshed M. Doongaji and Shri Rakesh N. Garodia retire by rotation and being eligible, offer themselves for re-appointment.

Necessary resolutions for their re-appointment are placed before the Shareholders. Your Directors commend the resolutions.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Auditor's Certificate regarding Compliance of the same are made a part of this Annual Report.

FIXED DEPOSITS:

There were no unclaimed deposits as on 31st March 2008.

INDUSTRIAL RELATIONS:

The industrial relations with staff and workmen during the year under review continue to be cordial.

Directors' Report

PARTICULARS OF EMPLOYEES:

Particulars of remuneration paid to the employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are given in the Annexure-I attached hereto and form part of the Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is given in the Annexure-II to the report.

RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) In the preparation of the accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for the year under review;
- (iii) The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) The Directors have prepared the accounts for the financial year ended 31st March, 2008 on a "going concern" basis.

AUDITORS:

The members are requested to appoint Auditors and fix their remuneration. Messers Jayantilal Thakkar & Co., Chartered Accountants, the retiring Auditors and who have furnished certificates of their eligibility for re-appointment as required under Companies Act, 1956.

CAUTIONARY STATEMENTS:

Certain statements in the "Management Discussion and Analysis" describing the Company's views about the Industry, expectations/predictions, objectives etc., may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the Statement. Company's operations may inter-alia affect with the supply and demand stipulations, input prices and their availability, changes in Government regulations, taxes, exchange fluctuations and other factors such as Industrial relations and economic developments etc. Investors should bear the above in mind.

APPRECIATION:

Your Company is grateful for the continued co-operation and assistance extended to it by the Financial Institutions and Banks in meeting the financial requirements of the Company.

Your Directors also wish to place on record their warm appreciation for the services rendered by the employees and Dealers/Distributors/Agents of the Company.

For and on behalf of the Board of Directors

DHARAPRASAD PODDAR
Chairman

Mumbai,
Dated : 14th June, 2008