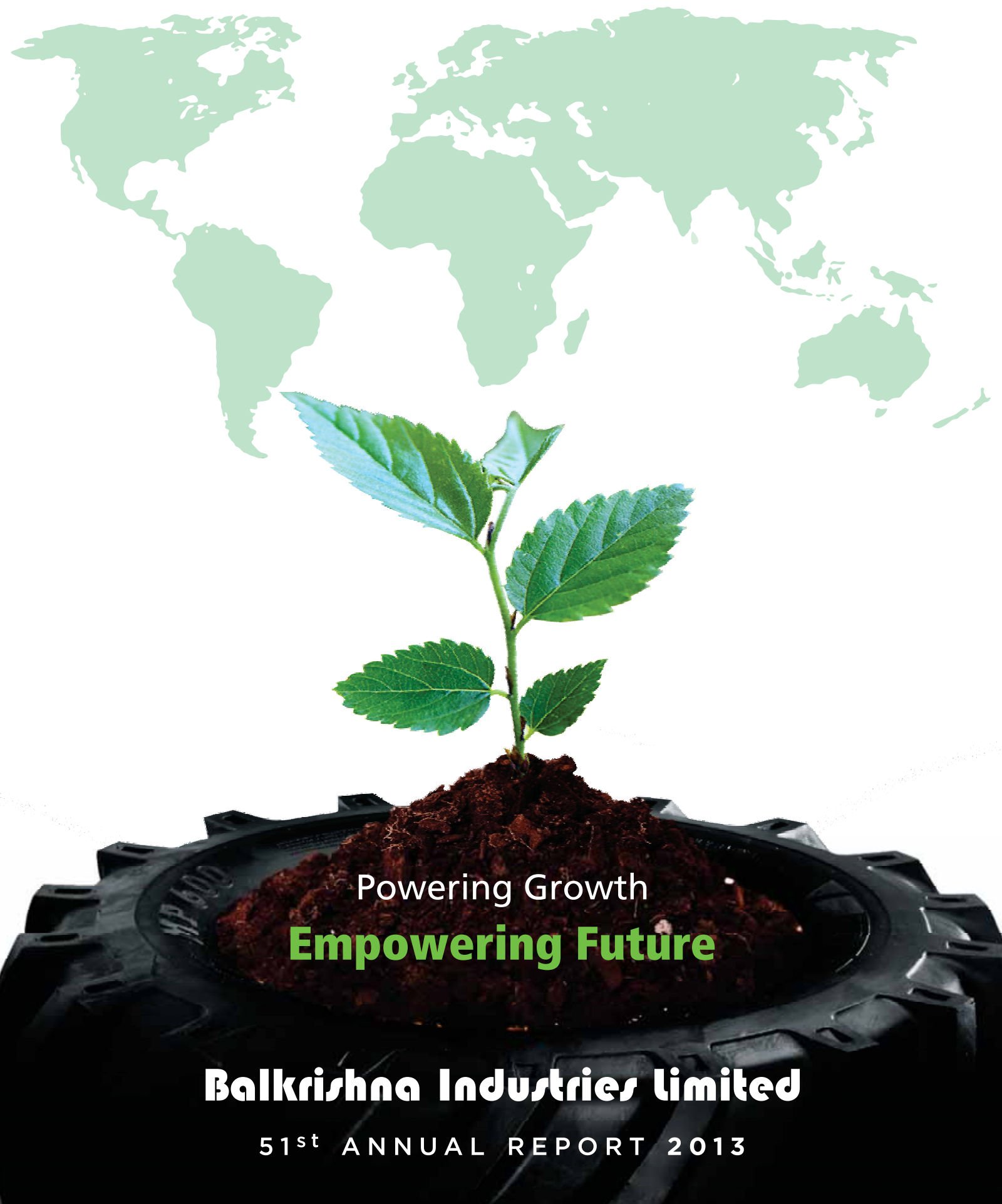
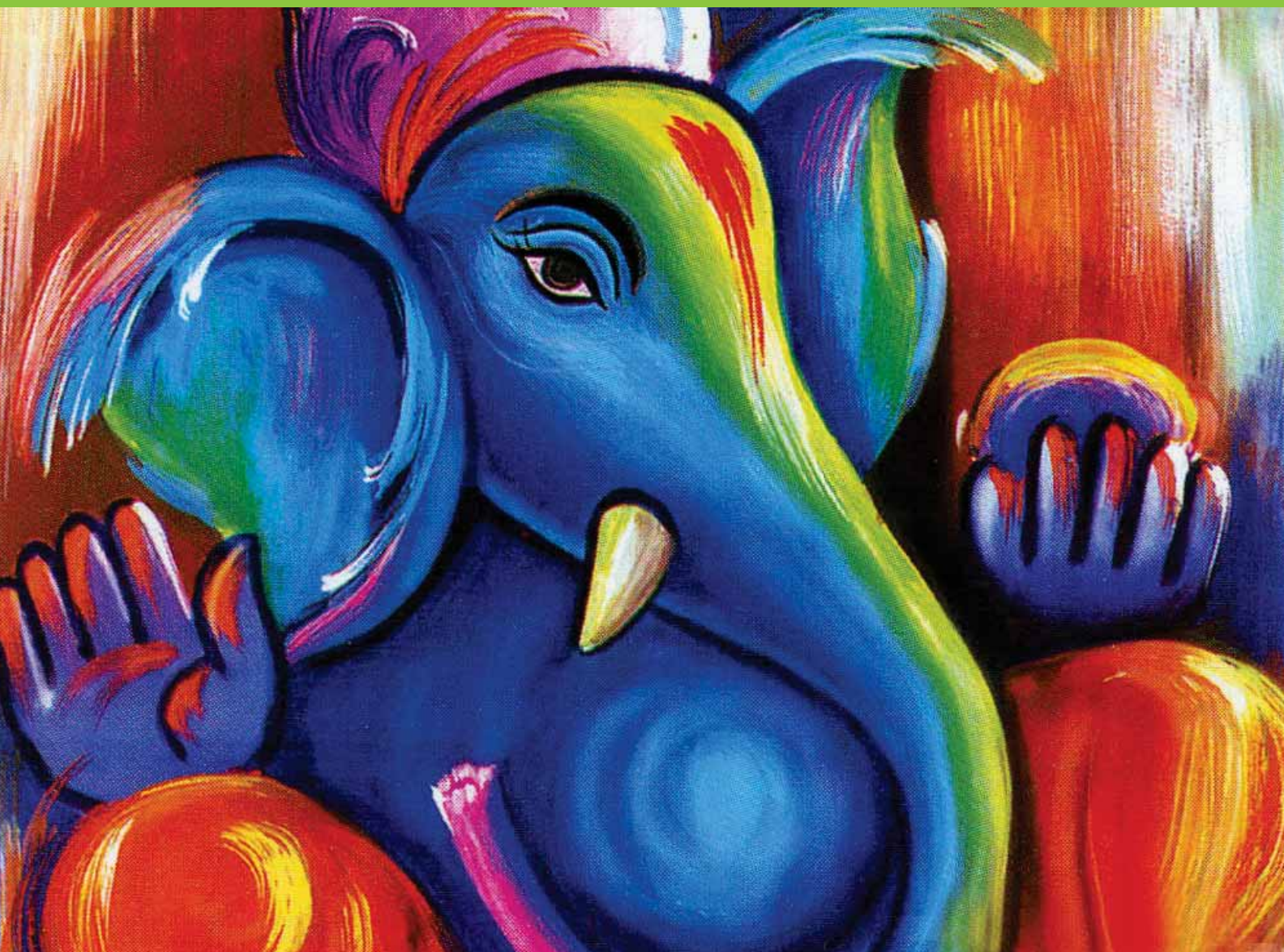




Powering Growth
Empowering Future

Balkrishna Industries limited

51st ANNUAL REPORT 2013



Lord Ganesha

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BOARD OF DIRECTORS:

DHARAPRASAD PODDAR
Chairman Emeritus

ARVIND PODDAR
Chairman & Managing Director

VIJAYLAXMI PODDAR
Executive Director (w.e.f.30.05.2012)

RAJIV PODDAR
Executive Director

SACHIN NATH CHATURVEDI

SUBHASH CHAND MANTRI

RAMESHKUMAR PODDAR

KHURSHED DOONGAJI

LAXMIDAS MERCHANT

SANJAY ASHER

ASHOK SARAF

VIPUL SHAH

Whole Time Director & Company Secretary

MANAGEMENT COMMITTEE

DILIP VAIDYA – Director (Technical)

RAJIV PODDAR

KHUSHBOO PODDAR

BASANTKUMAR BANSAL- Director (Finance)

REGISTERED OFFICE:

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

PLANTS :

TYRE MANUFACTURING :

WIND FARM :

MOULD UNITS :

BANKERS:

CORPORATION BANK

THE ROYAL BANK OF SCOTLAND N.V.

STANDARD CHARTERED BANK

STATE BANK OF INDIA

ING VYSYA BANK LTD

BARCLAYS BANK PLC

BANK OF BARODA

INDUSIND BANK LIMITED

CITI BANK N.A.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

BNP PARIBAS

SOCIETE GENERALE

KINGS TOWN BANK

INDIAN BANK

HDFC BANK LIMITED

BANK OF TOKYO-MITSUBISHI UFJ

DBS BANK LIMITED

AUDITORS:

M/s. JAYANTILAL THAKKAR & CO.
Chartered Accountants

INTERNAL AUDITORS:

M/s. DILIP A. JAIN & ASSOCIATES
Chartered Accountants

COST AUDITORS:

M/s. R S RAGHVAN & CO.
Cost Accountants

CORPORATE OFFICE:

BKT House, C/15, Trade World, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel (W), Mumbai 400 013,
(Maharashtra)

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

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

RIICO, Phase VIII,
Chopanki P.O. Bhiwadi 301 707
Dist. Alwar. (Rajasthan)

Village Padhdhar, Taluka Bhuj,
District Kachchh. (Gujarat)

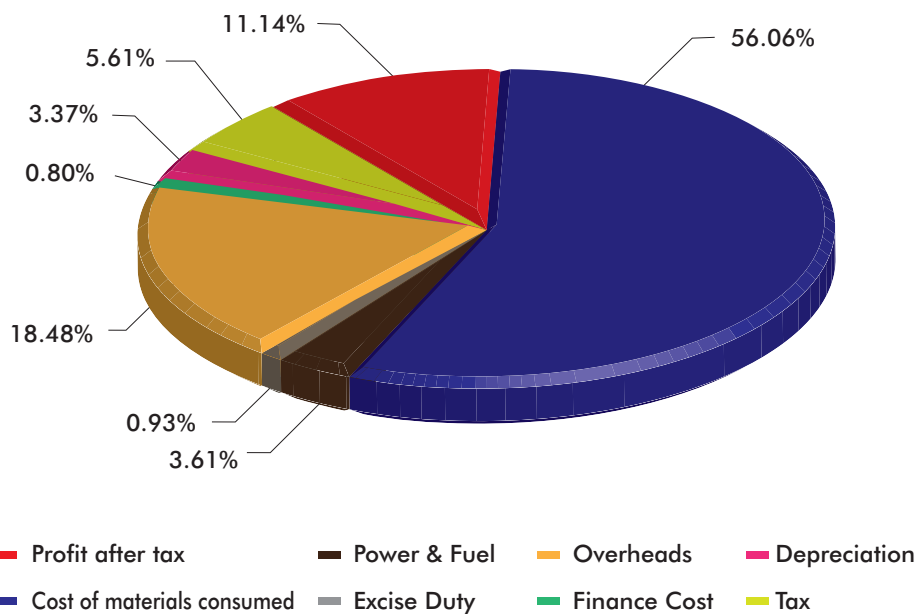
Village Soda Mada, Tehsil: Fatehgarh,
Dist. Jaisalmer (Rajasthan)

Plot No. TS-1 and C-21, M.I.D.C, Phase No.II, Dombivali (E)
421 201, Dist. Thane (Maharashtra)

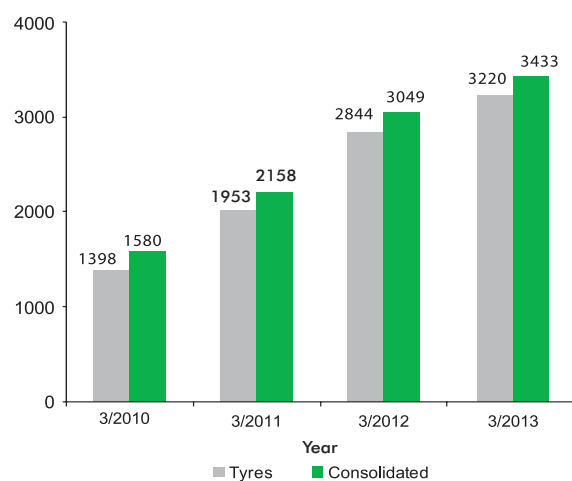
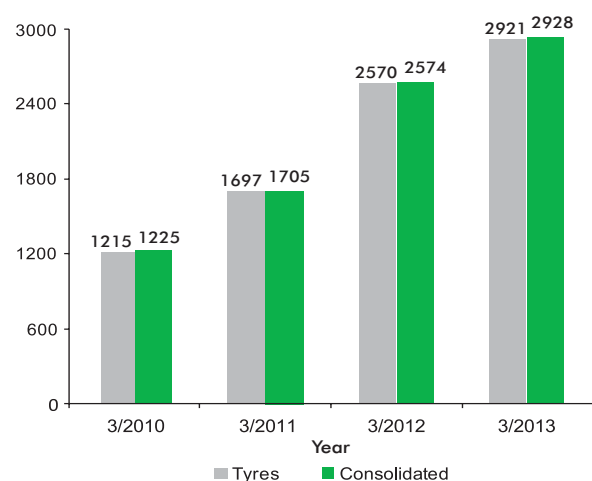
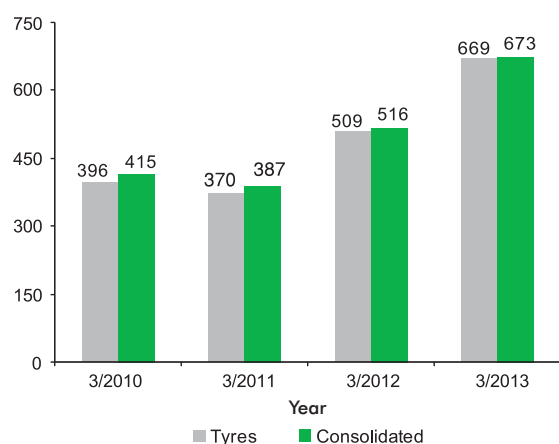
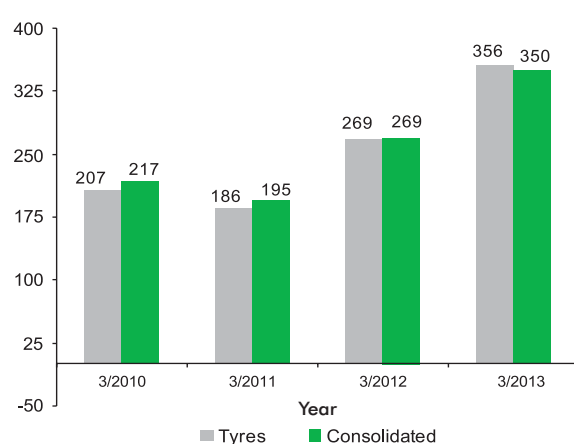
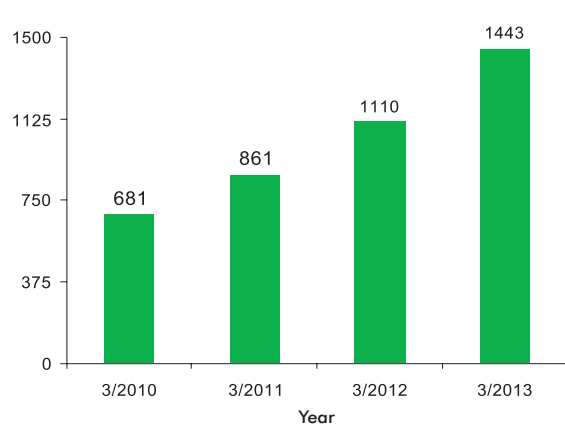
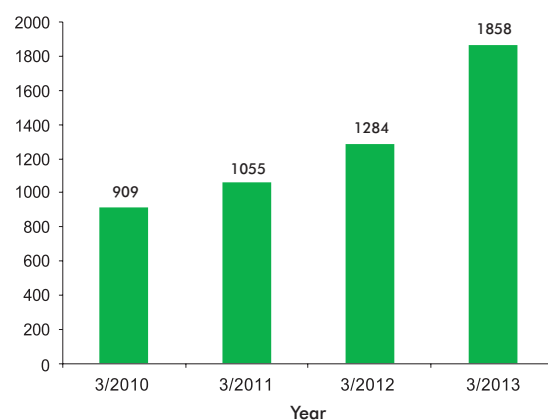
Members are requested to bring their copy of the Annual Report along with them at the Annual General Meeting, as copies of the Report will not be distributed at the Meeting.

FINANCIAL HIGHLIGHTS (CONSOLIDATED)

Particulars	(Rs. In Crores)			
Year ended 31 st March	2013	2012	2011	2010
Revenue from operations (Gross)	3433	3049	2158	1580
Revenue from operations (Net)	3394	3017	2132	1564
Other Income	5	4	92	30
Total Revenue	3399	3021	2224	1594
PBIDT	673	516	387	415
PBDT	646	487	365	396
Depreciation	112	87	77	69
PBT	534	400	288	327
Taxes	184	131	94	110
PAT	350	269	194	217
Dividend	75%	75%	70%	70%
Earning per Share of Rs. 2 each	36.20	27.48	20.14	22.67
Total Cash Accruals	446	339	256	270

RUPEES EARNED / SPENT (%)


FINANCIAL HIGHLIGHTS

GROSS SALES & RELATED INCOME (Rs. In Crores)**EXPORT SALES (Rs. In Crores)****EBIDTA (Rs. In Crores)****PAT (Rs. In Crores)****CONSOLIDATED NET WORTH (Rs. In Crores)****CONSOLIDATED GROSS BLOCK (Rs. In Crores)**

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the 51st Annual Report and Audited Statement of Accounts for the year ended 31st March, 2013.

(Rs. In Crores)

	Current Year ended		Previous Year ended	
	31.03.2013		31.03.2012	
Income from Operations and other Operating Income		3220.20		2844.57
Less: Excise Duty Recovered on Sales		29.63		24.61
Total Income from Operations (Net)		3190.57		2819.96
Gross Profit		642.91		481.36
Less: Depreciation and Amortization		107.71		83.14
Profit before Tax		535.20		398.22
Less: Provision for Taxation				
Current Tax	142.10		124.10	
Deferred Tax (Net)	37.27	179.37	5.60	129.70
Profit after Tax		355.83		268.52
(Less)/Add: Adjustments relating to earlier years				
Excess/(Short) Provision of Taxation		NIL		(3.35)
Profit after adjustment relating to earlier years		355.83		265.17
Balance brought forward from last year		87.72		389.31
PROFIT AVAILABLE FOR APPROPRIATIONS:		443.55		654.48
Transfer to General Reserve		350		549.91
Proposed Final Dividend		14.50		14.50
Tax on Final Dividend		2.46		2.35
Balance Carried forward to balance sheet		76.59		87.72

OPERATIONS:

Your Company mainly operates in one single segment i.e. "tyres" with focus on manufacture of wide range of "Off-Highway Specialty tyres". These specialty tyres are meant for Agricultural, Industrial, Material Handling, Construction, Earthmoving (OTR), Forestry, Lawn & Garden Equipments and All Terrain Vehicles (ATV). Around 90% of our revenue is generated through exports.

During the year under consideration, the revenue of your Company from its operations has grown by 13%. The Net Turnover and other Income of the company has increased from Rs. 2,820 Crores to Rs. 3,190 Crores.

The Gross Profit of the Company for the year under consideration has increased from Rs. 481 Crores to Rs. 643 Crores and correspondingly, the profit after tax has increased to Rs.356 Crores as compare to Rs.269 Crores in the previous year.

Your Company continues to enjoy the status of **"STAR TRADING HOUSE"**.

DIVIDEND:

Your Directors are pleased to recommend Dividend of Rs.1.50 (75%) for the year, with a total payout of Rs. 16.96 Crores, including Tax on Dividend.

CAPITAL EXPENDITURE:

During the year, the company has carried out a modernization scheme at its existing plants by adding balancing equipments, with a view to remove debottlenecking and marginally improve its production capacity. The capex cost amounted to Rs.145 Crores.

The company has so far incurred capital expenditure of Rs. 912 Crores (approx.) towards its major upcoming green field tyre project at Bhuj Gujarat.

OUTLOOK FOR THE CURRENT YEAR 2013-2014:

The company revenue is mainly generated from exports to Europe and USA. However the markets have been under pressure due to global recession during the last financial year. The overall business environment across the globe continues to be under pressure; however USA has started showing signs of recovery and we are hopeful that such recovery is sustainable throughout the year. Despite a difficult business environment we are causally optimistic about showing moderate growth in exports during the current financial year.

Raw materials prices had declined in the last financial year on account of slacking demand in the tyre sector. Other input cost has also increased. However we expect that profit margin would show an improvement during the current financial year, if raw materials prices remain stable.

The long-term prospects of the company are definitely positive and the company continues to expand its product base by developing different types of tyres and venturing in to new geographies. The company has also established sales offices in various countries of the world to ensure deeper penetration into existing markets and sustain its future growth.

OPPORTUNITY & THREATS:

OPPORTUNITIES:

The segment in which your company operates is predominantly “large varieties - low volume segment”, which restricts plant capacity utilization. It is both a capital intensive and labour intensive proposition, making it un-attractive for fresh investments by major players. Your Company is fully geared to take advantage of the peculiarities of the said segment and has developed a large base of SKUs to meet the diverse needs and applications.

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

The Company has incremental opportunity to develop the “Earth Moving tyres” (OTR) markets and take advantage of the shift from bias to radial tyres, which is picking up rapidly. In this pursuit, the company has already set up an all-steel OTR Radial tyre plant at its Chopanki location and thereby has become the first company in India to set up such plant. Your company is in the process of expanding its base into its various sub-segments like agricultural, industrial, construction, mining, winter and solid tyres under both the technology – bias as well as radials.

THREATS:

Like any other Company, your Company is also exposed to various threats like competition from small players, retention of employees, labor unrest, increase in raw material prices and other input costs 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 actively traded on the commodities exchanges. Its prices fluctuate significantly and have moved up considerably in the past. Recently there has been a softening in the prices of natural rubber and other raw materials which are expected to continue for some more time. Whilst lower prices of raw materials may improve its profit margin it could be partly vitiated as the company would need to pass on the benefits to its customers.

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

Since most of the raw materials are imported, the company is exposed to foreign currency risk. However, it will be offset against the revenues of the company which are also in foreign currency. The increase in utility and other administrative costs may also marginally affect 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 is that of batch processing, it requires lot of skilled as well as un-skilled workers. Maintaining a huge work force is a big challenge.

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

Retention of skilled manpower: Like other players in the industry, the Company is also exposed to this risk, more particularly when there is shortage of skilled manpower in the industry.

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

Currency fluctuation: As stated earlier the company revenues are generated through exports.

Since approximately 90% of the Company’s revenues are generated through exports. The Company also imports lot of its raw materials and capital equipments. Moreover, all its borrowings are in foreign currency and it is therefore 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 protecting itself 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 authorized and reported correctly. The Internal Auditors of the Company conduct Audits of various departments to ensure that the necessary controls are in place. The Audit Committee of the Board reviews these and the Company, when needed, takes corrective actions.

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 relations continue to be cordial.

SUBSIDIARY COMPANIES:

The company has following 100% subsidiary companies:

Balkrishna Paper Mills Limited, Balkrishna Synthetics Limited, BKT Tyres Limited, BKT Exim Limited and Indirect subsidiary Companies i.e subsidiary companies of BKT Exim Limited; i.e. BKT (EUROPE) LTD., BKT EUROPE S.R.L. and BKT (USA) INC.

As required under the Listing Agreement with the Stock Exchanges, a Consolidated Financial Statement of the Company and all its subsidiaries is attached. The Consolidated Financial Statement has been prepared in accordance with Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, and form part of the Annual Report and Accounts.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary Companies and the related information to any member of the Company who may be interested in obtaining the same. These documents will also be available for inspection by any members at the Corporate Office of the Company and that of respective subsidiary companies.

The financial data of the Subsidiaries have been furnished under 'Details of Subsidiaries' forming part of the Annual Report.

DIRECTORS:

Shri Ashok Saraf, Shri Laxmidas Merchant, Shri Rajiv Poddar and Shri Subhash Chand Mantri 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 are no deposits as on 31st March 2013.

INDUSTRIAL RELATIONS:

Industrial relations with staff and workers continue to be cordial.

PARTICULARS OF EMPLOYEES:

In terms of the provision of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

However, having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company. Any members interested in obtaining such particulars may write to the Company Secretary at the Corporate Office of the Company.

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-I 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 that:

- (i) In the preparation of the accounts for the financial year ended 31st March, 2013, 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, 2013 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 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 be affected 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 to its valued customers for their continuous co-operation and patronizing its products. A word of appreciation is also extended to Financial Institutions and Banks for their continuous co-operation and assistance in meeting the financial requirements of the Company. Your company would also like to thank its shareholders, employees, vendors and other service providers for their valuable services to the company.

Last but not least, your Directors wish to place on record their warm appreciation to you for your continuous support and encouragement.

For and on behalf of the Board of Directors

ARVIND PODDAR
Chairman & Managing Director

Place : Mumbai,
Dated : 1st August, 2013

ANNEXURE – I

Information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2013.

A. CONSERVATION OF ENERGY:

(a) Energy Conservation measures taken by the Company;

(i) Electrical Energy:

Energy Audit by outside Consultants has been carried out in the earlier years at the various Plants of the Company and also in-house audits/surveys are conducted periodically. Necessary follow-up actions are being continuously carried out.

Besides, regular monitoring of the overall energy consumption is also carried out periodically during the year, and losses, if any, are identified and suitable improvements carried out.

(ii) Coal/Fuel Oil Consumption:

The Company is carrying out regular maintenance of steam lines/steam traps and user equipments to ensure high efficiency levels throughout the year, and new improvements are reviewed regularly and implemented wherever found suitable.

(b) Additional investments and proposals, if any, being implemented for reduction of Consumption of energy;

The Company is reviewing various proposals for reduction in consumption of energy, mainly by way of replacement of existing equipments by modern and energy efficient equipments.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;

The various energy conservation measures detailed above adopted by the Company have resulted in savings in energy consumption as per information given in Form 'A'.

(d) Total energy consumption and energy consumption per unit of production as per Form 'A' hereunder.

FORM 'A'

I. Power and Fuel Consumption:		Current Year Rupees	Previous Year Rupees
1	Electricity		
	(a) Purchased		
	Units (KWH)	10,19,39,109	8,61,55,096
	Total amount (Rs. in lacs)	5,865	4,450
	Rate/Unit (Rs.)	5.75	5.17
	(b) Own generation		
	(i) Through Diesel Generation Sets		
	Units (KWH)	2,21,61,287	2,77,81,351
	Units per liter of H.S.D/L.D.O/Furnace Oil	3.34	3.80
	Cost/Unit (Rs.)	13.47	9.94
	(ii) Through Wind Mill (for Captive Consumption)		
	Units (KWH)	60,27,309	61,97,218
2	Pet Coke (specify quality and where used)		
	The Company also used Pet Coke grade B/C in its Boilers		
	Quantity (Tons)	35,051	34,790
	Total Amount (Rs. in lacs)	2,722	2,683
	Average Rate (Rs./Ton)	7,766	7,712
3	Coal (specify quality and where used)		
	The Company also used Steam Coal grade B/C in its Boilers		
	Quantity (Tons)	6,989	NIL
	Total Amount (Rs. in lacs)	251	NIL
	Average Rate (Rs./Ton)	3,594	NIL
4	H.S.D/L.D.O/Furnace Oil		
	Quantity (K.Ltrs)	6,633	7,307
	Total Amount (Rs. in lacs)	2,984	2,761
	Average Rate (Rs./KL) (Net of Modvat, Wherever applicable)	44,991	37,792