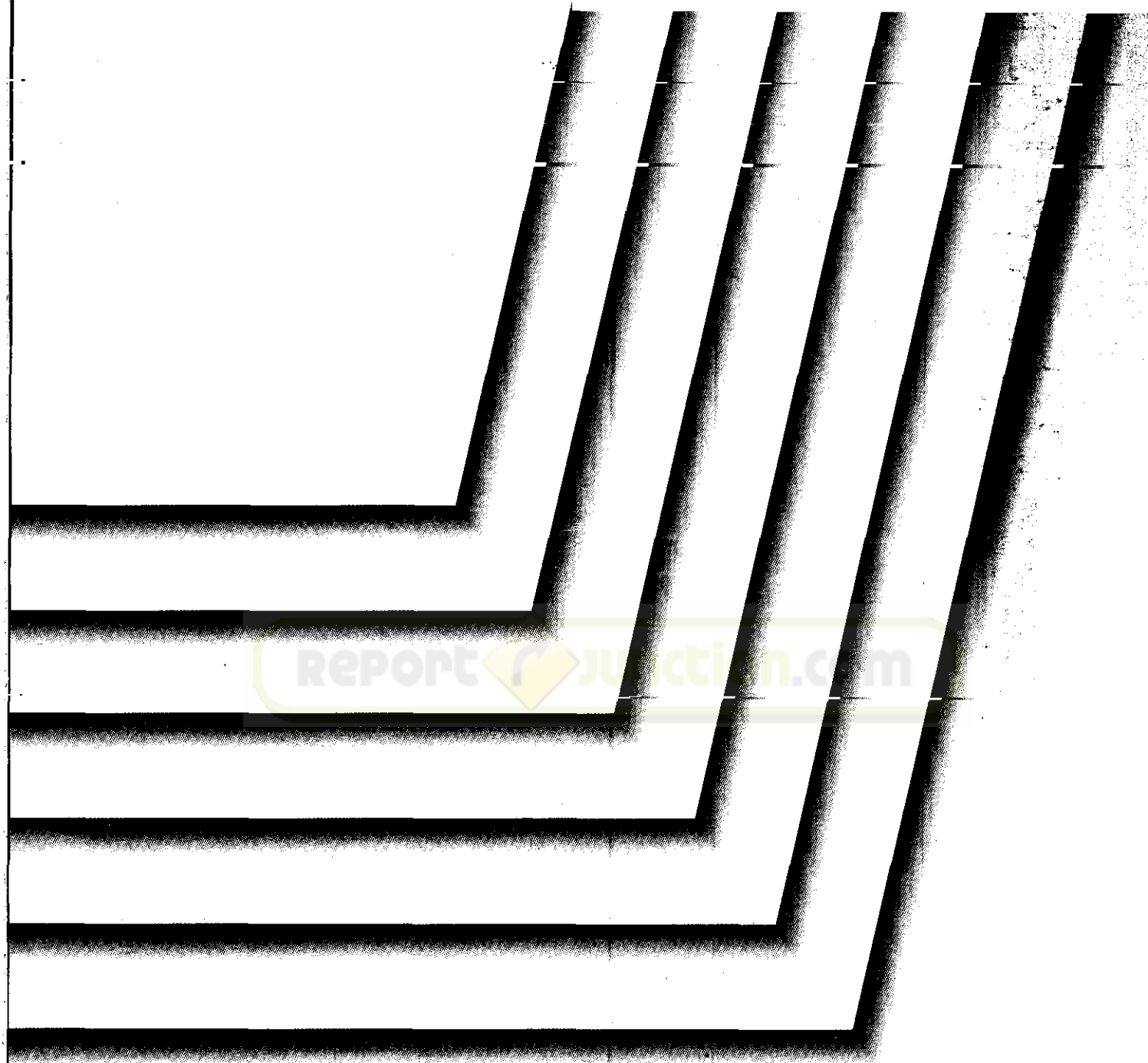


37th Annual Report 1998-99



balkrishna industries limited

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BOARD OF DIRECTORS

DHARAPRASAD R. PODDAR
Chairman

ASHOKKUMAR P. MAHANSARIA
Vice-Chairman & Managing Director

D.S. MULLA

VINODKUMAR M. PODDAR

E.V. HARIHARAN
Nominee Director (ICICI)

PRAMODKUMAR D. PODDAR
Executive Director

SHRIKISHAN D. PODDAR
Executive Director

YOGESHKUMAR A. MAHANSARIA
Executive Director

COMPANY SECRETARY

VIPUL R. SHAH

BANKERS

BANK OF BARODA
CENTRAL BANK OF INDIA
STATE BANK OF INDIA
STATE BANK OF TRAVANCORE

AUDITORS

M/s. JAYANTILAL THAKKAR & CO.
Chartered Accountants

COST AUDITOR

M/s. THOLIYA & ASSOCIATES
Cost Accountants

REGISTERED OFFICE

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

PLANTS

PAPER/PAPER BOARD & COATING PLANT : Village: Ambivli,
P.O. Mohone,
Taluka - Kalyan,
Dist. Thane (Maharashtra)

TEXTILE PROCESSING PLANT (UNIT NOS.1 & 2) : H/3/1 MIDC "A" Road,
Tarapur (Boisar),
Dist. Thane (Maharashtra)

TYRE PLANT : B-66, MIDC Industrial
Estate, Waluj Industrial
Area, Aurangabad
(Maharashtra).

INTERNAL AUDITORS

M/s. AJAY DHOOT & CO.
Chartered Accountants
M/s. R. S. KHANDELWAL & ASSOCIATES
Chartered Accountants

SOLICITORS AND LEGAL ADVISORS

M/S KANGA & COMPANY
Advocates, Solicitors & Notary

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.



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DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 37th Annual Report and Audited Statement of Accounts for the year ended 31st March, 1999.

	(Rs. in crores)	
FINANCIAL RESULTS:	Current Year ended 31.03.99	Previous Year ended 31.03.98
Gross Turnover and Other Income	111.66	161.94
Gross Profit	14.88	18.47
Less: Depreciation	6.10	6.07
Profit before Tax	8.78	12.40
Less: Provision for Taxation	1.52	2.13
	7.26	10.27
Less/(Add): Adjustments relating to earlier years	0.12	(0.10)
	7.14	10.37
Add: Surplus brought forward from previous year	2.25	0.93
SURPLUS AVAILABLE FOR APPROPRIATIONS:	9.39	11.30
Transfer to Capital Profit Reserve	NIL	0.01
Transfer to General Reserve	5.00	7.00
Dividend	1.86	1.86
Provision for Taxation on proposed Dividend	0.20	0.18
	7.06	9.05
Balance Carried Forward in Profit and Loss Account	2.33	2.25

OPERATIONS:

The Gross turnover and other income of your Company for the year ended 31st March '99 is significantly lower at Rs.111.66 crores as compared to Rs.161.94 crores in the previous year. Consequently, the gross profit has fallen to Rs.14.88 crores as compared to Rs.18.47 crores in the previous year, and the net profit after tax is placed at Rs. 7.26 crores as against Rs.10.27 crores in the previous year.

PAPER DIVISION:

Following an illegal and unjustified agitation by the workmen demanding benefits over and above the subsisting settlement, the Management was compelled to declare a lock-out w.e.f. 5th May '98 and the same was lifted on 2nd February '99 following an agreement with the workmen withdrawing unconditionally all their demands contrary to the settlement in force. The production for the year drastically fell to 5864 M.Tons as against 31,425 M.Tons in the preceeding year. As such, the sales of the division for the year under review is Rs.13.61 crores as against Rs.74.61 crores in the previous year.

The Company is in the midst of implementing a modernisation-cum-expansion programme termed as Scheme No. V at an estimated capital outlay of Rs.20.00 crores, on completion of which, the capacity of the plant will increase to 48,000 t.p.a. from 30,000 t.p.a. and besides, would also result in further quality

improvements. The scheme is now expected to be completed in phases by end of 2000.

The scheme is being funded partly from Term loans and balance from the internal accruals & surplus funds available with the Company.

TYRE DIVISION:

During the year under review, the production of Automobile Tyres has increased to 7120 M.Tons as against 6557 M.Tons in the previous year, reflecting an increase of 9%. Correspondingly, the sales of the Division were higher at Rs.79.14 crores as against Rs.70.45 crores in the previous year.

SYNTHETIC TEXTILE PROCESSING DIVISION:

During the year under review, the Division has earned Rs.18.91 crores towards processing charges as compared to Rs.16.88 crores in the previous year, reflecting an increase of 12%.

The Company proposes to install specialised processing machineries over the next 12 months, enabling it to widen its product range as well as obtain higher realisations, at an estimated capital cost of Rs.8.00 crores, which is to be financed by internal accruals and loans from Financial Institutions.

DIVIDEND :

Your Directors are pleased to recommend a tax free Dividend of 30% for the year which, with the tax on the proposed Dividend, will absorb Rs.2.06 crores out of the surplus available for appropriation.

DEBENTURES:

The Company has utilised the proceeds of the Debentures for the purposes for which the same were raised and has not diverted the funds for any other purpose.

DIRECTORS:

Shri Pramodkumar Poddar and Shri Vinodkumar Poddar 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.

FIXED DEPOSITS:

There were 42 unclaimed deposits amounting to Rs.1,99,000/- at the close of the year. Since then 1 deposit aggregating to Rs. 6,000/- has been repaid. Necessary reminders have been sent to the remaining depositors for the same.

INDUSTRIAL RELATIONS:

Following an illegal and unjustified agitation by the workmen at the Paper Plant, the Company was forced to declare a lock-out w.e.f.5th May'98 which was lifted on 2nd February'99. Apart from the above, the industrial relations have been satisfactory.

YEAR 2000 COMPLIANCE:

The Company has taken necessary steps on the year 2000 (Y2K) hardware/software problems and has already made significant progress in this area. The Company has initiated a series of prudent and reasonable steps to minimise the risk of exposure to Y2K problems and the remediation progress will be completed in time. The total costs of Y2K compliance are not expected to be significant.

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 EARNINGS 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.

AUDITORS:

The members are requested to appoint Auditors from the conclusion of this meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

The observations made in the Auditor's Report read together with the relevant notes are self explanatory and therefore do not call

for any further comments Under Section 217 of the Companies Act, 1956.

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 of the Company.

For and on behalf of the Board of Directors

Mumbai,
Dated: 29th May, 1999

DHARAPRASAD PODDAR
Chairman

ANNEXURE-I

Statement containing information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 1999.

Sr. No.	Name	Age	Designation & nature of duties	Gross Remuneration (in Rs.)	Net Remuneration (in Rs.)	Qualification & Experience (Years)	Date of commencement of employment	Last employment held, designation & period
A. Employed throughout the financial year and were in receipt of remuneration in the aggregate of not less than Rs.6,00,000/-								
1.	Mr. A. P. Mahansaria	47	Managing Director	37,93,220	28,66,659	Inter Science (28)	01-04-1980	Shree Sitaram Dyg. & Ptg. Mills Pvt. Ltd.
2.	Mr. P. D. Poddar	38	Executive Director	33,76,594	25,33,250	B.Com. (18)	01-04-1985	—
3.	Mr. S. D. Poddar	35	Executive Director	21,28,889	16,03,017	B. Com. (17)	27-10-1997	Slyaram Silk Mills Ltd. Executive Director (9 years)
4.	Mr. M. L. Bhartia	52	General Manager (Technical)	8,78,514	6,90,650	B.E.(Mechanical) (31)	29-03-1980	Ajanta Paper & General Products Ltd. Chief Mech. Engineer (3 Years)
B. Employed for a part of the financial year and were in receipt of remuneration for any part of the year at the rate which (in aggregate) was not less than Rs.50,000/- per month.								
1.	Mr. A. De	49	General Manager (Operations)	12,39,246	10,02,128	B.Sc., Dip. in Pulp & Paper Tech. (29)	25-01-1990	Rohit Pulp & Paper Mills Ltd. Development Manager (11 Years)
1.	Mr. Y. A. Mahansaria	24	Executive Director	10,81,831	8,64,098	B.Com. (5)	1-04-1994	—

- NOTES:**
1. Appointment of Managing Director and Executive Directors is for a period of five years. All other appointments are non-contractual and terminable by notice on either side.
 2. Mr. Ashokkumar Mahansaria, the Vice Chairman and Managing Director, is a relative of Mr. Vinodkumar Poddar, the Director and Mr. Yogeshkumar Mahansaria, the Executive Director.
Mr. Pramodkumar Poddar, Executive Director, is a relative of Mr. Dharaprasad Poddar, the Chairman, and Mr. Shrikishan Poddar, the Executive Director.
Mr. Shrikishan Poddar, Executive Director, is a relative of Mr. Dharaprasad Poddar, the Chairman, and Mr. Pramodkumar Poddar, the Executive Director.
Mr. Yogeshkumar Mahansaria, Executive Director, is a relative of Mr. Ashokkumar Mahansaria, the Vice Chairman and Managing Director.
 3. Gross Remuneration includes Salary, Commission, Leave Travel Allowance, Medical reimbursement, House Rent Allowance and Contribution to Provident Fund, Superannuation fund, Gratuity Fund, Gratuity/Provision for Gratuity, Personal Accident Insurance and Bonus/Exgratia wherever applicable.

Mumbai,
Dated: 29th May, 1999

For and on behalf of the Board of Directors
DHARAPRASAD PODDAR
Chairman



37TH ANNUAL REPORT 1998-99

ANNEXURE - II

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, 1999.

A. CONSERVATION OF ENERGY:

(a) Energy conservation measures taken by the Company:

(i) Electrical Energy:

Energy Audit by outside Consultant have been carried out in the earlier years at all the Plants of the Company and necessary follow-up actions are being continuously carried out. Besides, regular monitoring of the overall energy consumption is also carried out 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'

1. Power and fuel consumption:		Current Year	Previous Year
1. Electricity			
(a) Purchased			
Units (KWH)		1,38,64,855	2,87,83,119
Total Amount (Rs.in lacs)		561.88	1,103.77
Rate/unit (Rs.)		4.05	3.83
(b) Own generation			
(i) Through Diesel Generator *			
Units (KWH)		13,600	5,210
Units per liter of diesel oil		3.12	2.22
Cost/unit (Rs.)		3.93	5.19
(ii) Through steam turbine/generator		NIL	NIL
* Includes consumption of diesel oil for regular weekly trials of Diesel Generating Set.			
2. Coal (specify quality and where used)			
The Company uses steam coal grade B/C in its Boilers			
Quantity (Tons)		1,682	21,313
Total Amount (Rs.in lacs)		37.28	458.36
Average rate (Rs.)		2,216	2,151
3. Furnace Oil/L.D.O.			
Quantity (K. Ltrs.)		6,103	3,785
Total amount (Rs. in lacs)		372.29	228.08
Average rate (Rs.) (Net of Modvat, wherever applicable)		6,100	6,030

II. Consumption per unit of production *

		Current year			Previous year		
		Electricity (KWH)	Coal (Kgs)	Furnace Oil (Ltr)	Electricity (KWH)	Coal (Kgs)	Furnace Oil (Ltr)
(a)	Paper/Paper Board (MT)	614	38	194	584	349	53
(b)	Automobile Tyres (MT)	891	NIL	278	902	60	281
(c)	Cloth Processing (000' Mtrs.)	236	88	180	246	545	15

* Note: The Company manufactures a wide range of products and the consumption of energy will vary significantly depending upon the actual product-mix.

B. TECHNOLOGY ABSORPTION:

(a) Efforts made in technology absorption as per Form 'B':

FORM 'B'**I. Research and development (R & D):**

1. Specific areas in which R & D carried out by the Company:

Product and quality improvement, development of new designs/products, cost control and energy conservation.

2. Benefits derived as a result of the above R & D:

The R & D activities have resulted in conserving of scarce raw materials, higher productivity and containing the costs all around.

3. Future plan of action:

Water and energy conservation, development of new designs of tyres, further improvement in process technology and product mix.

4. Expenditure on R & D (Rs. in lacs):

(a) Capital : NIL

(b) Recurring : 32.28

(c) Total : 32.28

II. Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

The Company has been developing in-house modification/improvement in Process Technology in its various manufacturing sections - which, when found suitable, are integrated into the regular manufacturing operation.

2. Benefits derived as a result of the above efforts:

(a) Quality improvement.

(b) Energy conservation.

3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

NIL

C. Foreign exchange earnings and outgo:

(a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans;

(i) Due to the high costs of Raw Materials, Power & Fuel etc., generally our (Indian) Paper/Paper Boards are not competitive in the International markets. However, the Boards manufactured by the Company are extensively used for packaging of various consumer products for exports.

(ii) The export of Tyres and Tubes during the year amounted to Rs.3,101 lacs as against Rs.2,204 lacs during the previous year. The products of the Company are well established in the international market and the Company expects to further improve its performance in the export segment.

(iii) At the Synthetic Textile Processing Plant, the Company only undertakes processing of cloth on job basis for other parties.

(b) Total foreign exchange used and earned (Rs. in lacs)

Used: Rs. 2,094 Earned : Rs. 3,101

For and on behalf of the Board of Directors

Mumbai,
Dated: 29th May, 1999DHARAPRASAD PODDAR
Chairman



37TH ANNUAL REPORT 1998-99

AUDITORS' REPORT TO THE SHAREHOLDERS OF BALKRISHNA INDUSTRIES LIMITED

We have audited the attached Balance Sheet of BALKRISHNA INDUSTRIES LIMITED as at 31st March, 1999 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report that :-

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company, as we considered appropriate, we give in the Annexure a statement on the matters specified in the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :-
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account ;
 - (d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act 1956;
 - (e) In accordance with the past practice consistently followed by the Company :

- (i) No provision has been made for the liability aggregating to Rs. 43,09,494 in respect of unavailed leave of the employees (Refer Note No.1 in Schedule 'Q' forming part of the accounts);
- (ii) No provision has been made for the amounts considered doubtful of recovery aggregating to Rs.87,47,387 (Refer Note No.2 in Schedule 'Q' forming part of the accounts);

(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to our observations in paragraph (e) above and read together with the Accounting Policies and Notes, appearing in Schedule 'Q', give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :-

- i) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1999

and

- ii) In the case of the Profit and Loss Account of the PROFIT for the year ended on that date.

For JAYANTILAL THAKKAR & CO.
Chartered Accountants

Mumbai,
Dated: 29th May, 1999

ASHOK J. THAKKAR
Partner

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date on the accounts of Balkrishna Industries Limited for the year ended 31st March, 1999.

- 1) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, physical verification of the fixed assets has been conducted by the Management during the year at reasonable intervals. No material discrepancies were noticed on such verification.
- 2) None of the fixed assets of the Company have been revalued during the year.
- 3) As explained to us, the stocks of finished goods, stores, spare parts and raw materials have been physically verified by the Management at reasonable intervals during the year. The stocks in the possession and custody of third parties and stocks in transit as on 31st March, 1999 have been verified by the Management with reference to confirmations obtained from the third parties or subsequent receipt of the goods, if any.
- 4) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- 5) The discrepancies noticed on physical verification of stocks as compared to book records were not material and the same have been properly dealt with in the books of account.
- 6) On the basis of our examination of stock records, we are of the opinion that the valuation of the stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- 7) The Company has taken Fixed Deposits from the Directors and their relatives. These deposits have been accepted under the Fixed Deposits Scheme of the Company, and as such the rate of interest and other terms and conditions of such deposits are prima facie not prejudicial to the interest of the Company. Other than these deposits, the Company has not taken, any loans, secured or unsecured, from

- companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. We are informed that there is no company under the same management as defined under section 370 (1B) of the Companies Act, 1956.
- 8) The Company has given unsecured intercorporate deposits/loans to companies, listed in the register maintained under section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such deposits/loans are prima facie not prejudicial to the interest of the Company. We are informed that there is no company under the same management as defined under section 370 (1B) of the Companies Act, 1956.
 - 9) The parties to whom loans or advances in the nature of loans have been given by the Company are generally repaying the principal amounts as stipulated and are generally regular in payment of interest, wherever applicable, except in few cases, for which, in our opinion and as per the information and explanations given to us, reasonable steps have been taken by the Company for recovery of the principal and interest. However, an amount of Rs. 33,27,000 due from a party is considered doubtful of recovery.
 - 10) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
 - 11) As per the information and explanations given to us and in our opinion, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services where such market prices are available or the prices at which transactions, if any, for similar goods, materials or services have been made with other parties.
 - 12) According to the information and explanations given to us, the Company has determined unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
 - 13) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58-A of the Companies Act, 1956 and the Rules framed thereunder with regard to the deposits accepted from the public.
 - 14) According to the information and explanations given to us, the Company has no by-product. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scraps.
 - 15) In our opinion, the Company has an internal audit system which requires to be further strengthened to make it commensurate with the size of the Company and nature of its business.
 - 16) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records prescribed under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
 - 17) According to the records of the Company and as explained to us, Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities.
 - 18) According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at 31st March, 1999, for a period of more than six months from the date they became payable.
 - 19) According to the information and explanations given to us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
 - 20) The Company is not a sick industrial company within the meaning of clause (O) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 - 21) In respect of the Company's trading activity, damaged goods have been determined by the Company and necessary provision has been made in the accounts for the loss.

For JAYANTILAL THAKKAR & CO.
Chartered Accountants

Mumbai,
Dated: 29th May, 1999

ASHOK J. THAKKAR
Partner