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43rd annual report 2004-2005

balkrishna industries limited



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Information

DHARAPRASAD R. PODDAR
Chairman

DADI S. MULLA

KHURSHED M. DOONGAJI

RAKESH N. GARODIA

SACHIN NATH B. CHATURVEDI

SUBHASH CHAND MANTRI

ARVIND M. PODDAR

ASHOKKUMAR P. MAHANSARIA
Vice-Chairman & Managing Director

PAWANKUMAR D. PODDAR
Joint Managing Director

YOGESHKUMAR A. MAHANSARIA
Executive Director

MANAGING DIRECTOR
VIPUL R. SHAH

BANKERS
BANK OF BARODA
CORPORATION BANK
ING VYSYA BANK
STATE BANK OF INDIA

AUDITORS
M/s. JAYANTILAL THAKKAR & CO.
Chartered Accountants

COST AUDITORS
M/s. THOLIYA & ASSOCIATES
Cost Accountants

INTERNAL AUDITORS
M/s. DILIP A. JAIN & ASSOCIATES
M/s. K.M. GARG & CO.
Chartered Accountants

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

M/s. KANGA & COMPANY
Advocates, Solicitors & Notary

PLANTS:

**PAPER/ PAPER BOARD : Village : Ambivli,
& P.O. Mohone 421 102
COATING PLANT Taluka Kalyan, Dist. Thane
(Maharashtra)**

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

**TYRE PLANTS : B-66, WALUJ, MIDC
Waluj Indl. Area,
Aurangabad 431 136
(Maharashtra)**

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

**WIND FARM : Village Soda Mada,
Tehsil: Fatehgarh,
Dist : Jaisalmer, (Rajasthan)**

**MOULD PLANT : A-298, TTC Industrial Estate,
Mahape, Navi Mumbai 400 701
(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.

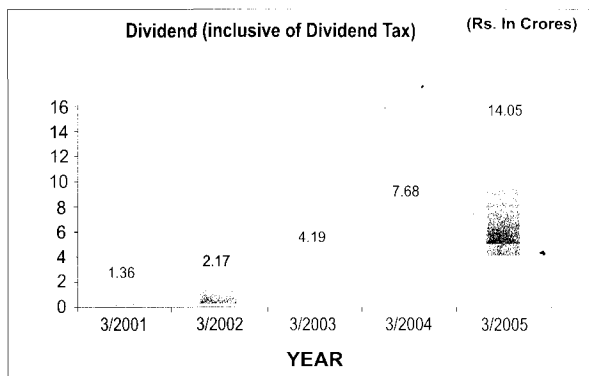
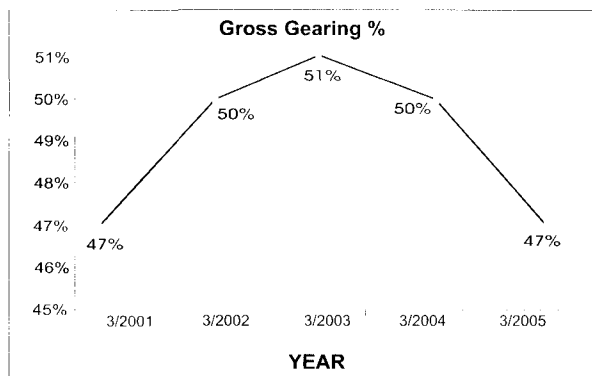
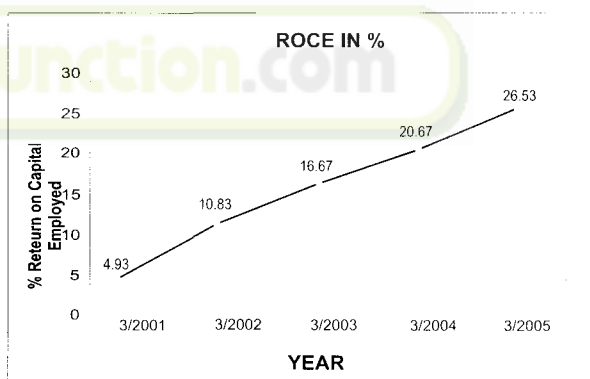
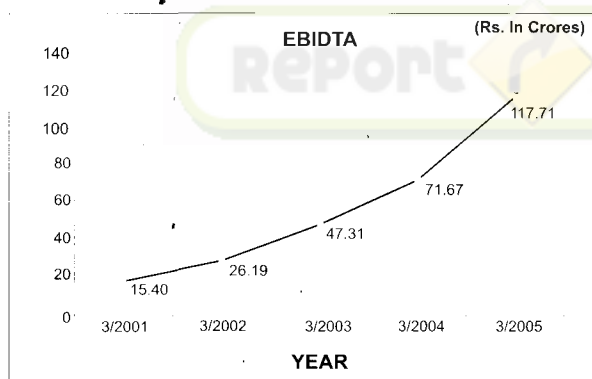
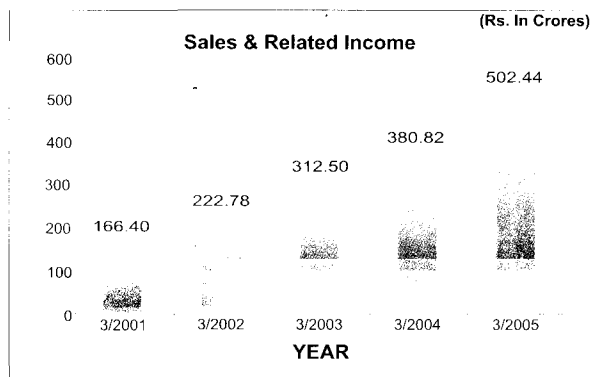
Highlights

	(Rs. in Crores)				
Year ended 31st March	2001	2002	2003	2004	2005
Sales & Related Income	166.40	222.78	312.50	380.82	502.44
Less: Excise Duty Recovered on Sales	21.11	17.77	15.13	15.62	14.40
Net Sales & Income from Operation	145.29	205.01	297.37	365.20	488.04
Other Income	1.83	1.85	4.21	3.77	5.28
Total Income	147.12	206.86	301.58	368.97	493.32
PBIDT	15.40	26.19	47.31	71.67	117.71
PBIDT % to Sales & Related Income	9.25%	11.76%	15.14%	18.82%	23.43%
PBDT	10.82	20.22	40.72	62.64	109.91
PBDT % to Sales & Related Income	6.50%	9.08%	13.03%	16.45%	21.88%
Depreciation	8.21	10.67	12.49	17.40	21.54
PBT	2.61	9.55	28.23	45.24	88.37
Tax (Current + Deferred)	0.17	3.66	7.33	13.74	30.89
PAT	2.44	5.89	20.90	31.50	57.48
PAT % to Sales & Related Income	1.47%	2.64%	6.69%	8.27%	11.44%
Dividend	20%	35%	60%	#55%	100%
Dividend Per Share of Rs. 10 each	2.00	3.50	6.00	# 5.50	10.00
Net worth per Share of Rs.10 each	127	*113	139	# 88	128
Earning Per Share of Rs. 10 each	3.94	9.24	33.64	# 24.42	46.44
Total Cash Accruals	9.29	14.39	29.20	41.22	64.97
PRODUCTION DATA					
Automobile Tyres (Metric Tons)	9345	13346	19213	22073	29221
Paper/ Paper Boards (Metric Tons)	22374	37845	43318	49959	50373
Cloth (Lac Meters)	193	172	204	205	188

*In 2002, Deferred Tax Liability, first created for Rs. 15.20 Crores by debiting General Reserve.

The Company has allotted Bonus Shares in the ratio 1:1 in the year 2003-04.

Financial Highlights



Directors' Report

DIRECTORS' REPORT & MANAGEMENT DISCUSSIONS AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the 43rd Annual Report and Audited Statement of Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS:

(Rs. in crores)

	Current Year ended 31.03.05	Previous Year ended 31.03.04
Gross Turnover and Other Income	507.71	384.59
Less: Excise Duty Recovered on Sales	14.40	15.62
Net Turnover and Other Income	493.31	368.97
Gross Profit	109.91	62.64
Less: Depreciation	21.54	17.40
Profit before Tax	88.37	45.24
Less: Provision for Taxation		
Current Tax	22.92	8.30
Deferred Tax	7.97	5.44
	30.89	13.74
Profit after Tax	57.48	31.50
Add/(Less): Adjustments relating to earlier years		
Excess Provision for Expenses/Income (Net)	0.02	0.12
Excess/(Short) Provision for Taxation		
Current Tax	NIL	1.14
Deferred Tax	NIL	(2.52)
	0.02	(1.26)
Profit Before Extraordinary Item	57.50	30.24
Add : Extraordinary Item	5.65	NIL
Profit After Extraordinary Item	63.15	30.24
Balance brought forward from last year	6.36	4.72
PROFIT AVAILABLE FOR APPROPRIATIONS:	69.51	34.96
APPROPRIATIONS:		
Transfer to General Reserve	30.00	20.00
Transfer to Capital Profit Reserve	0.04	0.92
Transfer to Capital Surplus Reserve	5.66	NIL
Interim Dividends	6.81	4.33
Proposed Final Dividend	5.57	2.48
Tax on Dividends (Interim Final)	1.67	0.87
	49.75	28.60
Balance Carried Forward in Profit and Loss Account	19.76	6.36

Directors' Report

OPERATIONS:

The Gross turnover and other income of your Company for the year ended 31st March, 2005 is higher at Rs.507.71 Crores as compared to Rs. 384.59 Crores in the previous year, reflecting an increase of 32%. The gross profit is Rs. 109.91 Crores as compared to Rs.62.64 Crores in the previous year, and consequently the profit after current and deferred taxes is placed at Rs. 57.48 Crores, as against Rs.31.50 Crores in the previous year.

Your Company operates in three different business segments, namely manufacturing of Automobiles Tyres, Coated/ un-coated Paperboards and Processing of Textile fabrics.

TYRE DIVISION

Your Company is focused on the production of a wide range of "Off Highway Tyres" with sectoral focus on Agricultural, Forestry, Industrial, Material Handling, Construction and Mining Sectors, as well as other "Off the Road" (OTR) usages. The Company also manufactures a wide range of tyres for "Lawn & Garden" and "All Terrain Vehicles" (ATV) usages. During the year under review, the Company has successfully launched Tractor Radial Tyres which have been well received in the International Markets. The Company continues to develop new sizes & ranges in all these segments and currently has in production over 1500 Stock Keeping Units (SKUs) to meet the diverse needs and applications.

The Company exports over 95% of its production out of which over 70% is under "BKT" Brand. The remaining production is sold under various outsourcing agreements and/or private Brands of the Buyers. The "BKT" Brand enjoys an excellent reputation in the European countries, and is fast gaining recognition in the other markets where it operates. Today, the Company exports to over 75 Countries.

The Company is also supplying Tyres in the domestic market to all the major Construction Equipment manufacturers, as well as has a presence in the replacement market in the Road Construction sector.

During the year under review, the production of Automobiles Tyres increased to 29,221 M. Tons as against 22,073 M. Tons in the previous year, reflecting an increase of 32.38%. The Sales and related income of the Division

was higher at Rs. 369.42 Crores as against Rs. 247.49 Crores in the previous year, out of which the exports and export related income stood at Rs.357.43 Crores as against Rs. 239.76 Crores in the previous year.

EXPANSION AT THE TYRE DIVISION:

During the year under review, the Company has commissioned the following projects:-

- (i) Capacity Expansion at Bhiwadi to 42,000 tpa, which includes the setting up of Radial Tractor Tyre Capacities; and capacity expansion at Waluj to 18,000 tpa.
- (ii) 3.2 MW Furnace Oil fired D.G Set at Bhiwadi.
- (iii) New Multi-fuel fired Boilers at Bhiwadi & Waluj.
- (iv) 5 MW Wind-Farm near Jaisalmer (Rajasthan) for captive usage through wheeling of Power to its Bhiwadi Plant.

The total capital outlay on the above Projects is Rs. 90.00 Crores, which has been met by internal accruals & Foreign Currency/Indian Rupee Term Loans.

The Company has already begun reaping benefits on account of its capacity expansion and savings on Power & Fuel costs(due to operations of Furnace Oil fired D.G Set, Multi-fuel Boilers & Wind Farm). However, the full benefits of the enhanced capacities and savings on Power & Fuel costs will accrue from the Financial Year 2005-06.

FUTURE EXPANSION - TYRE BUSINESS

- 1.Based on the successful launch of its Radial Tractor Tyres in the International Markets, the Company now proposes to double its Radial Tractor Tyres capacity at its Bhiwadi Plant over the next 12 months.
- 2.The Company has bought land at Chopanki, 7 kms from its present Bhiwadi Plant, and has initiated following activities at this location:
 - (i) Setting up a large Warehouse (admeasuring 140,000 sq.ft), to enable the Company to maintain stocks of its wide product range. The Warehouse will be operational in July 2005.

Directors' Report

(ii) The Company has commenced work here on a new Mixing Plant, which is scheduled to be completed by the last quarter of 2005-06.

(iii) To meet the expected growth in demand of its products next year, the Company also proposes to set up additional production facilities at 10,000 tpa in the 1st phase, which is scheduled to be commissioned in the 1st half of 2006.

3. The Company is also setting up a new Mould Plant in Dombivli, Thane Dist, which is likely to be operational by August '05. This facility is besides the existing Mould Plant in Navi Mumbai, and is being set up to meet its increased requirements.

All the above Projects are estimated to cost Rs. 85.00 Crores, which is to be funded from Internal Accruals & Foreign Currency/Rupee Term Loans.

PAPER DIVISION:

The Paper and Paper Board plant operates in the "Coated Duplex/Triplex Boards" segment. The end uses of the products of the Company, after the same is printed/converted by independent converters, are highly diversified and some typical applications are in Pharmaceuticals, Toiletries, Cosmetics and Health Care products, Readymade Garments, Instant Food Products, Match Boxes, Agarbatty segments, besides many other packaging requirements. The applications of the Coated Boards are well diversified and ever expanding. This segment of the industry has witnessed a healthy growth over the past decade and is expected to continue to grow annually at a rate exceeding 7%.

The production for the year under review was 50,373 M. Tons as against 49,959 M. Tons in the preceeding year. The Sales and related income of the Division for the year under review was Rs. 109.52 Crores (50,464 M. Tons) as against Rs. 108.96 Crores (49,506 M. Tons) in the previous year. The Paper Division's exports stood at Rs.6.48 Crores as against Rs. 2.21 Crores in the previous year.

Your Company has been continuously adopting multi-pronged activities to be a competitive and low cost producer, and ever looks to maximise productivity of the available resources. Major emphasis has been on:

Continuous working on cost reductions, with specific emphasis on costs of raw materials and power and fuel, and

Investment in technologies with an intention to debottleneck the plant to become a low cost producer based on higher operating efficiencies.

TEXTILE PROCESSING DIVISION:

During the year under review, the Division earned Rs.23.50 Crores (187.95 lacs meters) towards processing charges as compared to Rs. 24.37 Crores (204.89 lacs meters) in the previous year.

The Synthetic Textile industry has been undergoing a slump, and the capacity of this Division remains under-utilised. The performance is below projections. Your Company has undertaken various measures to increase the capacity utilisation of the plant and has initiated steps to improve the working of this Division.

OUTLOOK FOR THE CURRENT YEAR 2005-06:

The Company expects to maintain a healthy growth in its Tyre business. The Company is in the continuous process of developing and widening its product range as well as expanding its markets, and the fullest benefit of the increased capacities and product-mix is expected to be reflected in the coming years.

The Coated Paperboard business is highly competitive and is likely to maintain its current performance.

The performance of the Textile Processing Division business is expected to improve during the year 2005-06

DIVIDEND:

Your Directors have declared Interim Dividends of 25% and 30% in its Board Meetings held on 28th October 2004 and 29th January 2005 respectively.

Your Directors are now pleased to recommend a final Dividend of 45% for the year, taking the total Dividend to 100% with a total payout of Rs. 14.05 Crores, including Tax on Dividends.

Directors' Report

BONUS SHARES:

In its Board Meeting held on 16th May, 2005, the Board recommends issue of Bonus Shares in the ratio of One Bonus Share for every Two Equity Shares held, subject to the approval of the Shareholders in the ensuing Annual General Meeting.

BONUS HISTORY

Year	Ratio
1985-86	1 : 1
1991-92	1 : 1
1994-95	1 : 1
2003-04	1 : 1
2005-06	1 : 2 *

* Recommended by the Board, to be approved by the Shareholders in the Annual General Meeting.

SUBSIDIAR

In order to promote the Company's sales and marketing in Europe, the Company has set-up a 100% subsidiary company in UK under the name of "BKT(EUROPE) LTD" on 23rd February 2005. Since there were no business activities during the financial year, consolidation of accounts has not been prepared.

DIRECTORS:

Shri Pawankumar D. Poddar, Shri Yogeshkumar A. Mahansaria 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.

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

There were no unclaimed deposits as on 31st March 2005.

INDUSTRIAL RELATIONS:

The Workmen at the Waluj (Aurangabad) tyre plant had gone on strike w.e.f. 24th January, 2004 to 2nd May, 2004. Apart from the above, the industrial relations with staff and workmen during the year under review continues to be cordial.

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.

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 2005, 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;

Directors' Report

- iv) The Directors have prepared the accounts for the financial year ended 31st March 2005 on a "going concern" basis.

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.

CAUTIONARY STATEMENTS:

Certain statements in the "Management Discussions 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

Mumbai,
Dated: 16th May, 2005

DHARAPRASAD PODDAR
Chairman