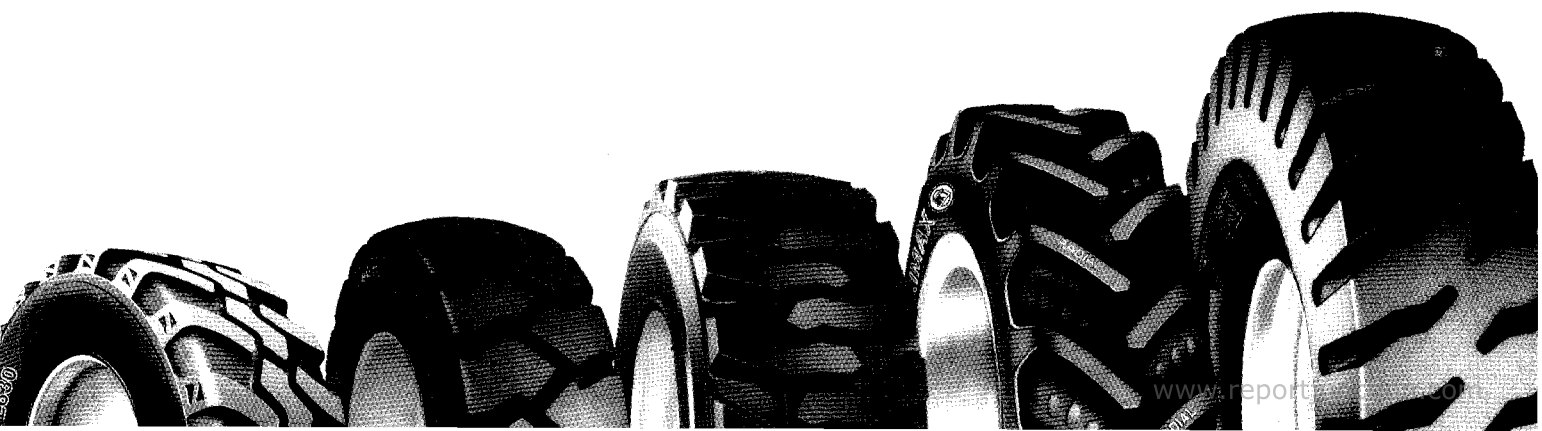
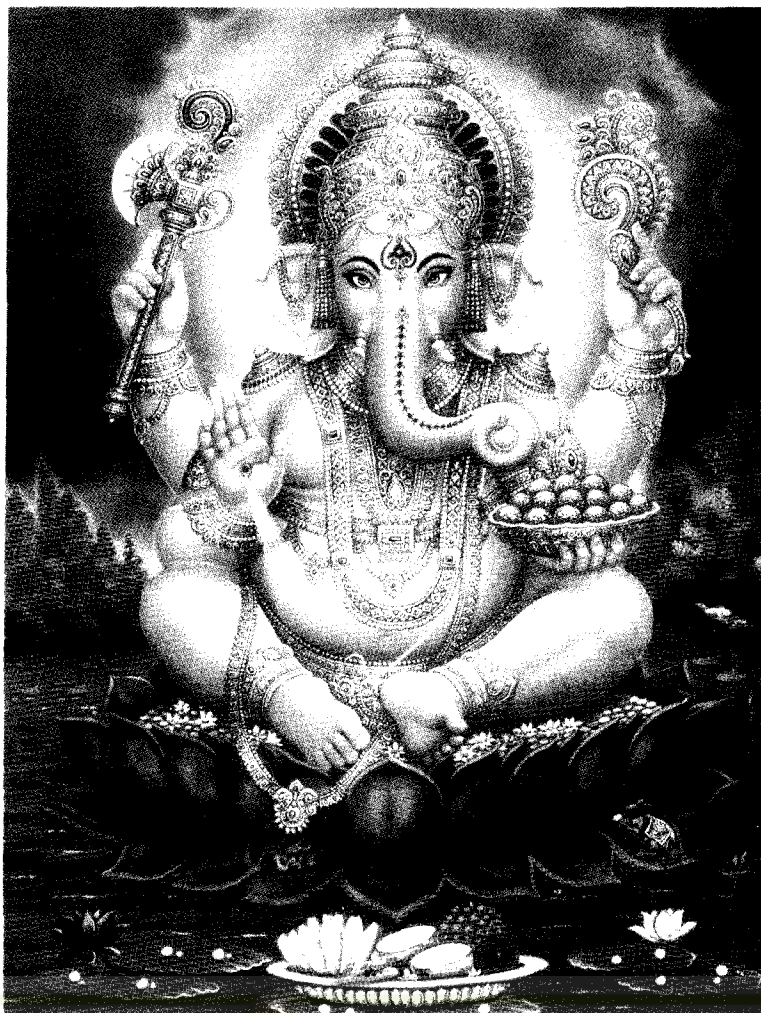


balkrishna industries limited

44th ANNUAL REPORT 2005-2006

ACCELERATED GROWTH





Report Junction.com

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Information

DHARAPRASAD R. PODDAR
Chairman

DADI S. MULLA
(up to 22/06/2006)

KHURSHED M. DOONGAJI

RAKESH N. GARODIA

SACHIN NATH B. CHATURVEDI

SUBHASH CHAND MANTRI

RAMESHKUMAR D. PODDAR
(w.e.f. 31/07/2006)

ASHOKKUMAR P. MAHANSARIA
Vice-Chairman & Managing Director

ARVIND M. PODDAR
Managing Director (w.e.f. 1/8/2006)

PAWANKUMAR D. PODDAR
Joint Managing Director (up to 31/07/2006)

YOGESHKUMAR A. MAHANSARIA
Executive Director (up to 07/07/2006)

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

VIPUL R. SHAH

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

M/s. JAYANTILAL THAKKAR & CO.
Chartered Accountants

M/s. THOLIYA & ASSOCIATES
Cost Accountants

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

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

PLANTS:

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

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

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

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

MOULD SHOP : Plot No. TS-1, 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.

Highlights

Year ended 31st March	2006	2005	2004	2003	2002
Sales & Related Income	632.81	502.44	380.82	312.50	222.78
Less: Excise Duty Recovered on Sales	12.80	14.40	15.62	15.13	17.77
Net Sales & Income from Operations	620.01	488.04	365.20	297.37	205.01
Other Income	5.80	5.28	3.77	4.21	1.85
Total Income	625.81	493.32	368.97	301.58	206.86
PBIDT	145.81	117.71	71.67	47.31	26.19
PBIDT % to Sales & Related Income	23.04%	23.43%	18.82%	15.14%	11.76%
PBDT	134.08	109.91	62.64	40.72	20.22
PBDT % to Sales & Related Income	21.19%	21.88%	16.45%	13.03%	9.08%
Depreciation	27.34	21.54	17.40	12.49	10.67
PBT	106.74	88.37	45.24	28.23	9.55
Taxes	36.79	30.89	13.74	7.33	3.66
PAT	69.95	57.48	31.50	20.90	5.89
PAT % to Sales & Related Income	11.05%	11.44%	8.27%	6.69%	2.64%
Dividend	* 100%	100%	# 55%	60%	35%
Dividend Per Share of Rs. 10 each	* 10.00	10.00	# 5.50	6.00	3.50
Net worth Per Share of Rs. 10 each	* 148	128	# 89	139	113
Earning Per Share of Rs. 10 each before extraordinary Item	* 36.95	30.96	# 24.42	33.64	9.24
Total Cash Accruals	75.55	64.97	41.22	29.20	14.39
PRODUCTION DATA					
Tyres (Metric Tons)	42538	29221	22073	19213	13346
Paper/Paper Boards (Metric Tons)	@41630	50373	49959	43318	37845
Cloth (Lac Meters)	221	188	207	204	172

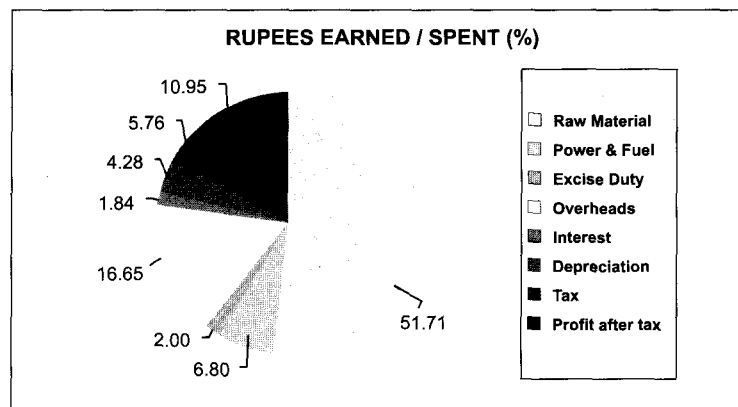
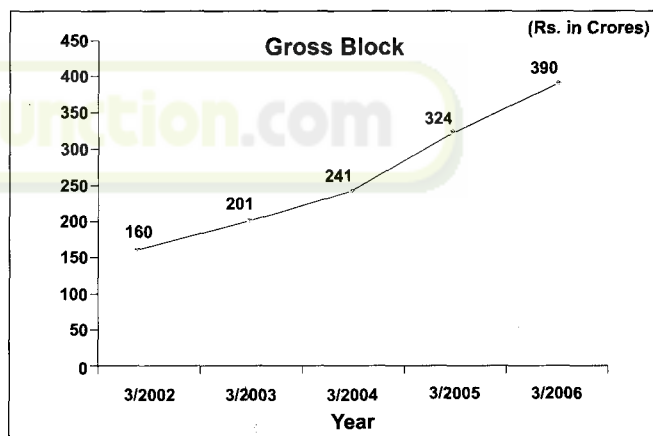
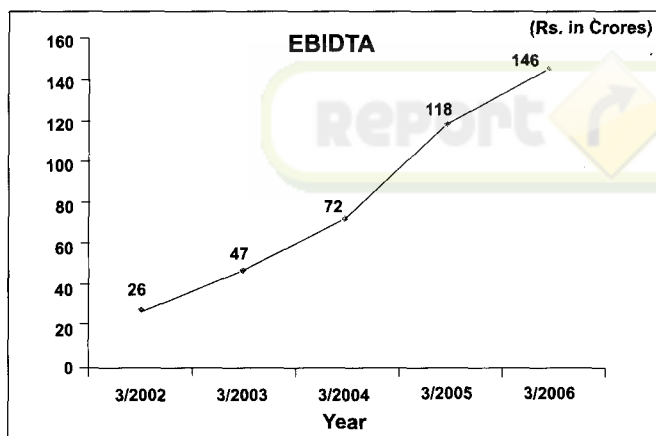
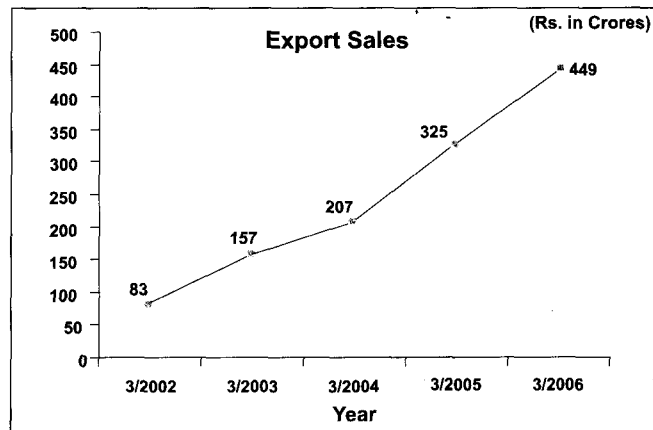
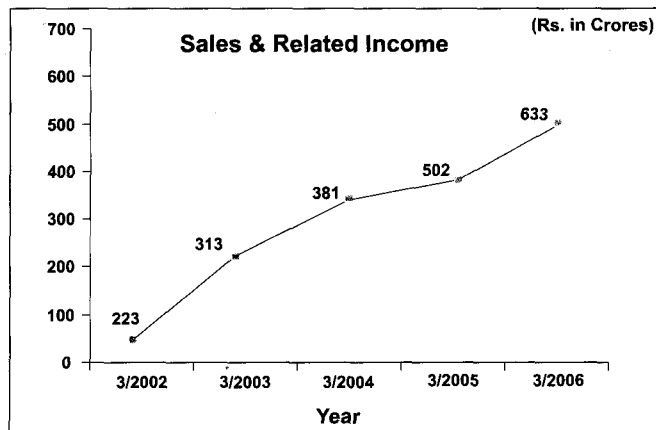
* The Company has allotted Bonus Shares in the ratio of one share for every two shares held during 2005-06.

@ The Paper plant of the Company was shut from 26th July, 2005 to 4th September, 2005 due to floods.

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

Financial

Highlights



Report

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the 44th Annual Report and Audited Statement of Accounts for the year ended 31st March 2006.

(Rs. in crores)

	Current Year ended 31.03.06	Previous Year ended 31.03.05
Gross Turnover and Other Income	638.61	508.04
Less: Excise Duty Recovered on Sales	12.80	14.40
Net Turnover and Other Income	625.81	493.64
Gross Profit	134.08	109.91
Less: Depreciation and Amortisation	27.34	21.54
Profit before Tax	106.74	88.37
Less: Provision for Taxation		
Current Tax	31.91	22.92
Deferred Tax (Net)	4.29	7.97
Fringe Benefit Tax	0.59	NIL
	36.79	30.89
Profit after Tax	69.95	57.48
(Less)/Add : Adjustments relating to earlier years		
(Short)/Excess Provision for Expenses/Income (Net)	(0.01)	0.02
Short Provision for Taxation – Current Tax	(0.86)	NIL
	(0.87)	0.02
Profit before Extraordinary Item	69.08	57.50
Add: Extraordinary Item	NIL	5.65
Profit after Extraordinary Item	69.08	63.15
Balance brought forward from last year	19.76	6.36
PROFIT AVAILABLE FOR APPROPRIATIONS:	88.84	69.51
APPROPRIATIONS:		
Transfer to General Reserve	50.00	30.00
Transfer to Capital Profit Reserve	NIL	0.04
Transfer to Capital Surplus Reserve	NIL	5.66
Interim Dividends	13.27	6.81
Proposed Final Dividend	5.80	5.57
Tax on Dividends	2.67	1.67
	71.74	49.75
Balance Carried Forward to Balance Sheet	17.10	19.76

Report

The Gross Turnover and Other Income of your Company for the year ended 31st March, 2006 is higher at Rs.638.61 Crores as compared to Rs. 508.04 Crores in the previous year, reflecting an increase of 26%. The Gross Profit is placed at Rs. 134.08 Crores as compared to Rs. 109.91 Crores in the previous year, and consequently the Profit after taxes is Rs. 69.95 Crores, as against Rs.57.48 Crores in the previous year.

Your Company operates mainly in three different business segments namely; manufacturing of Pneumatic Tyres, Coated/un-coated Paperboards and Processing of Textile Fabrics.

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. Last year, the Company had successfully launched Tractor Radial Tyres, which have been well received in the International Markets. Encouraged by the good response and increasing demand for Tractor Radial Tyres, the Company has decided to double its capacity of Tractor Radial Tyres. The Company continues to develop new sizes & ranges in all these segments, and currently has in production over 1600 Stock Keeping Units (SKUs) to meet the diverse needs and applications.

The Company exports over 95% of its production. The major part of its production is sold under "BKT Brand" and part of its 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.

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 42,538 M.Tons as against 29,221 M.Tons in the previous year, reflecting an increase of 46%. The Sales and related income of the Division was higher at Rs. 514.49 Crores as against Rs. 369.42 Crores in the previous year, out of which Exports and Export related income stood at Rs.490.24 Crores as against Rs. 356.20 Crores in the previous year.

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

At Bhiwadi / Chopanki:

- (i) Capacity Expansion at Bhiwadi from 42,000 tpa to 45,000 tpa.
- (ii) A new modern four Roll Calendar at Bhiwadi, which has considerably improved the Calendaring quality. This Calendar will also meet the increased requirements for Chopanki tyre production.
- (iii) A Warehouse admeasuring 1,40,000 Sq.ft. at Chopanki to store Inventories of its wide product range.

At Waluj:

An Inter-mixer(320 liters capacity). With this, the Waluj plant is now selfsufficient for its mixing requirements.

At Dombivali:

The Mould Shop for captive purpose – This will meet a portion of Company's requirements of Moulds.

- (i) At Bhiwadi - Based on the successful launch of its Radial Tractor Tyres in the International Markets, the Company is in the process of doubling its Radial Tractor Tyres capacity.

The Company is also enhancing the production capacity at its Bhiwadi Plant to 48,000 tpa, which is scheduled to be completed by September 2006.

- (ii) At Chopanki, the Company has initiated following activities:

Report

- (a) Setting up of a new Mixing Plant - the first Mixer has already been commissioned in the month of April 2006.
- (b) Setting up of 30,000 tpa production facilities in two phases – 15,000 tpa in 1st phase to be commissioned in the Quarter October – December 2006, and the balance 15,000 tpa in the 2nd phase in the Quarter January – March 2007.
- (iii) At Waluj – Increase in production capacity from 18,000 tpa to 22,000 tpa to be completed in the Quarter October – December 2006.

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. As such, 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%.

Due to unprecedented rains on 26th July, 2005, flood waters from Ulhas river entered the Paper plant. Due to this, the plant remained shut from 26th July, 2005 till 4th September, 2005 and trials commenced from 5th September, 2005, and Commercial production commenced from 12th September, 2005.

Consequent to the production loss due to floods and time taken for stabilization thereafter, the production for the year under review was 41,630 M. Tons as against 50,373 M. Tons in the preceding year. The Sales and related income of the Division for the year under review is Rs. 88.71 Crores (41,021 M. Tons) as against Rs. 109.52 Crores (50,464 M. Tons) in the previous year. The Paper Division's exports stood at Rs. 4.51 crores as against Rs. 7.23 Crores in the previous year.

The stocks and assets of the Company were adequately insured. The Insurance Company has paid the total claim for the losses to the Stocks, and part payments against the Assets claim have been received. The Insurance Company is now processing the final claim.

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 de-bottleneck the plant to become a low cost producer based on higher operating efficiencies.

During the year under review, the Division earned Rs. 29.61 Crores (220.67 lacs meters) towards processing charges as compared to Rs. 23.50 Crores (187.95 lacs meters) in the previous year, reflecting an increase of 26%.

As a result of the various measures undertaken by the Company to increase the capacity utilisation of the plant and steps initiated in the earlier years to improve the working of this Division, the performance of the Division has improved substantially.

The Company's focused line of activity is its Tyre business, which accounts for more than 75% of its revenue. Within tyre business, the Company is focused on Agricultural and Construction tyres which is a niche segment with very few players across the globe. The said segment is pre-dominantly represented by large varieties and low volumes, making it un-attractive for fresh investments by major players. The segment has witnessed exit of many players in the recent past. Your Company is fully geared up to take advantage of the peculiarities of the said segment and has developed more than 1600 SKUs in the last few years and is adding new SKUs every year in its basket.

Report

The Company has incremental opportunity to incubate the "Earth Moving Tyres" markets, wherein the Company has already made some in-roads.

The Company's major export is in the European region and plans to increase its presence significantly in the USA Market, which is another large market in the world.

Like any other Company, your Company is also exposed to various threats like competition from small players, retention of employees, increase in raw material prices etc. However the segment in which the Company is operating is not exposed to any technological obsolescence and wild fluctuations in demand of its products.

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.

Though the spurt in Natural Rubber prices is more of a speculative nature and 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.

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.

As regards prices of other raw materials, these have also been subject to increase; however, these increases were manageable and the Company does not foresee any problems out of it.

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: Approximately 95% of the Company's tyre division's revenue is generated through exports and the Company also imports a lot of its raw materials and capital equipments, hence 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 an extent from fluctuations in currencies.

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 being taken by the Company, when needed.

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.

Report

In its Board Meeting held on 16th May, 2005, the Board recommended issue of Bonus Shares in the ratio of one share for every two shares held, subject to approval of Shareholders in the General Meeting.

Consequent to the approval, the Company has allotted 61,90,240 Equity Shares of Rs.10 each on 31st August, 2005.

The Bonus Shares have been listed with the Bombay Stock Exchange Ltd.

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

In its Board Meeting held on 28th September, 2005, the Board recommended increase in overall investment ceiling limit by FII from 24% to 49%, subject to the approval of the Shareholders in the General Meeting.

Consequent to the approval, the Company has increased the limits of FII investment from 24% to 49%. The Reserve Bank of India has confirmed the increase in investment ceiling limit under Portfolio Investment Scheme (PIS).

As a result of the ongoing capacity expansions, 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 continue to be under pressure due to over capacity in this industry segment.

The performance of the Textile Processing Division business is expected to further improve during the year 2006-07.

In order to finance the capacity expansion programme at its Tyre division, the Company has, during the year, issued FCCB for USD 40 million consisting of:

- (a) Series A: Zero Coupon FCCB Bonds of USD 18 Million;
- (b) Series B: 4.5% FCCB Bonds of USD 22 Million with redemption premium of 1.5% per annum.

On 30th January 2006, the Company allotted 7,60,999 Equity Shares of Rs.10 each to the Bondholders of Series A, at a predetermined share premium of Rs. 1070 per share, pursuant to conversion of rights exercised by the Bondholders. With this allotment, the paid up Share Capital of the Company increased by Rs. 0.76 Crores and the Share Premium Account by Rs. 81.43 Crores.

As on 31st March 2006, FCCB issued for USD 22 million (Series "B") are outstanding. The maturity date of the Series "B" Bonds is 31st December 2010. These bonds can be converted by the Bondholders anytime before the said maturity date into equity shares of the Company for Rs. 10 per share at a pre-determined share premium of Rs. 1365 per share. In the event of conversion of Series "B" Bonds into equity shares, the Bondholders shall be allotted 7,30,560 equity shares of Rs. 10 each, increasing the paid up Share Capital of the Company by Rs. 0.73 Crores and share premium account by Rs. 99.72 Crores.

The Company, during the year, utilized Rs. 113.36 Crores out of FCCB proceeds and pending utilization, a balance sum of Rs.70.53 Crores has been kept with Banks.

Your Directors have declared Interim Dividends of 35% each in its Board Meetings held on 31st October, 2005 and 31st January, 2006 respectively.

Your Directors are now pleased to recommend a final Dividend of 30% for the year, taking the total Dividend to 100%, with a total payout of Rs. 21.74 Crores, including Tax on Dividend.