

Surging Ahead

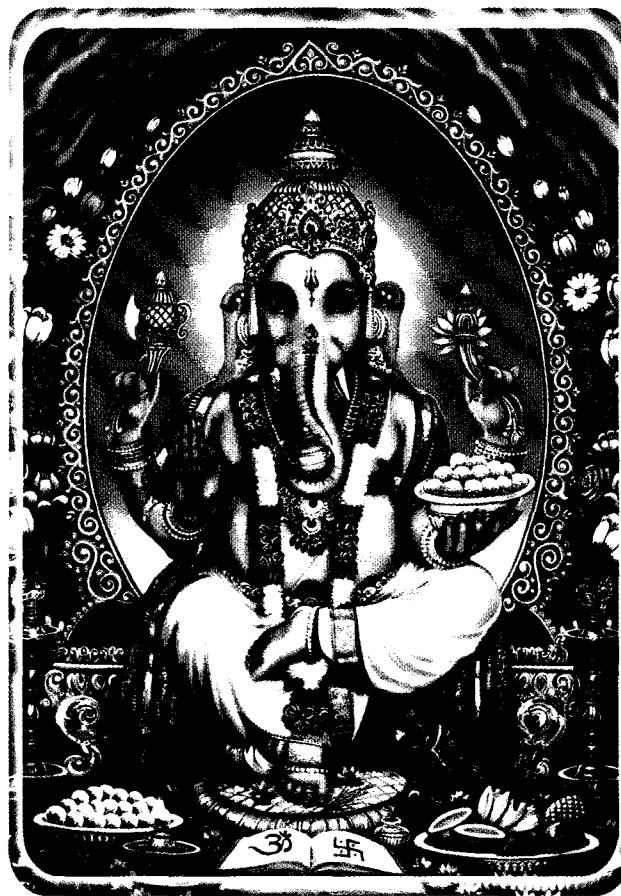


47th annual report

2008-2009

balkrishna industries limited





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Company Information

BOARD OF DIRECTORS:

DHARAPRASAD PODDAR
Chairman

ARVIND PODDAR
Vice Chairman & Managing Director

ANURAG PODDAR
Executive Director (w.e.f 22nd January, 2009)

RAJIV PODDAR
Executive Director (w.e.f 22nd January, 2009)

SACHIN NATH CHATURVEDI
KHURSHED DOONGAJI
RAMESHKUMAR PODDAR
ASHOK SARAF
RAKESH GARODIA
SUBHASH CHAND MANTRI
LAXMIDAS MERCHANT (w.e.f 22nd January, 2009)

BASANTKUMAR BANSAL
Whole Time Director (w.e.f 26th July, 2008)

MANAGEMENT COMMITTEE

DILIP VAIDYA – Director (Technical)
BASANTKUMAR BANSAL
ANURAG PODDAR
RAJIV PODDAR

REGISTERED OFFICE:

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

PLANTS :

TYRE MANUFACTURING :

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

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 301 707
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 UNIT :

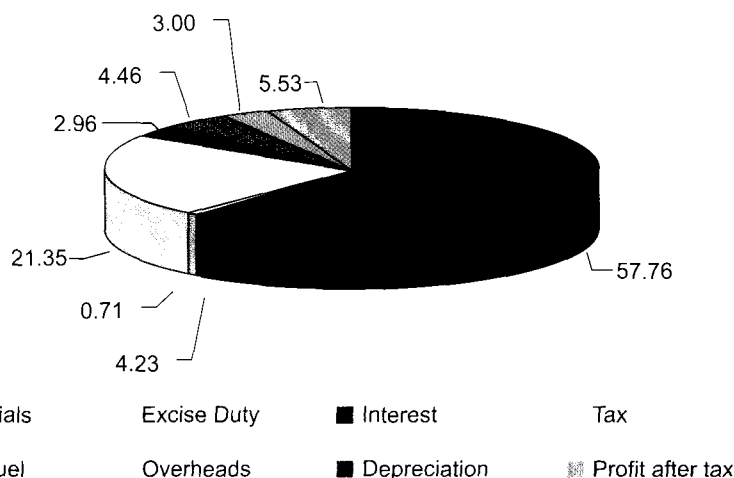
Members are requested to bring their copy of the Annual Report along with them at the Annual General Meeting, as copies of the Report will not be distributed at the Meeting.

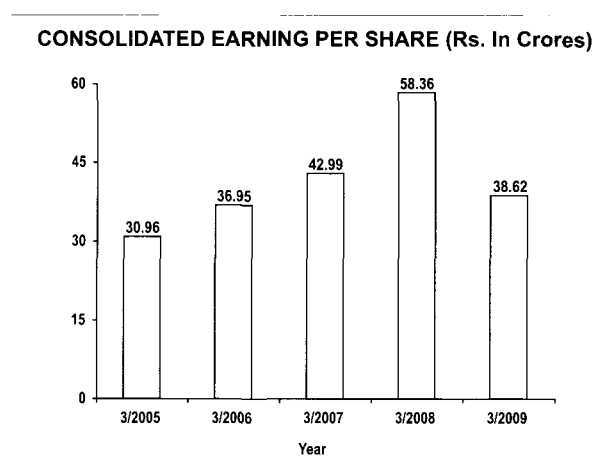
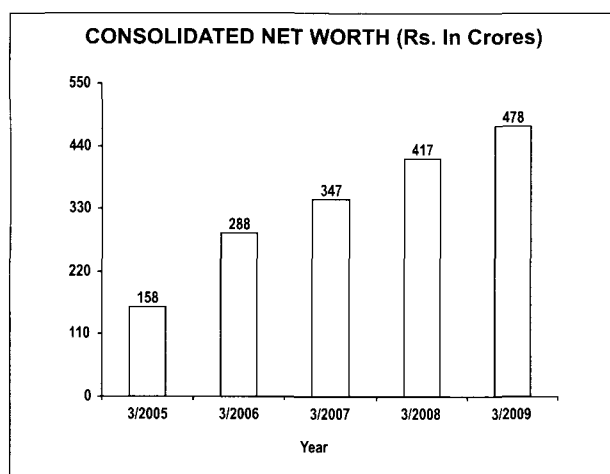
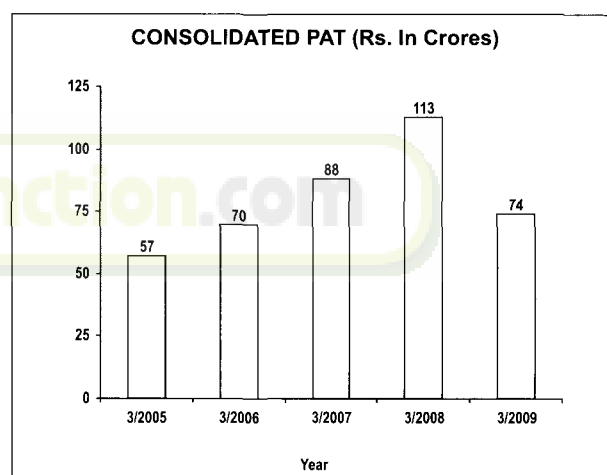
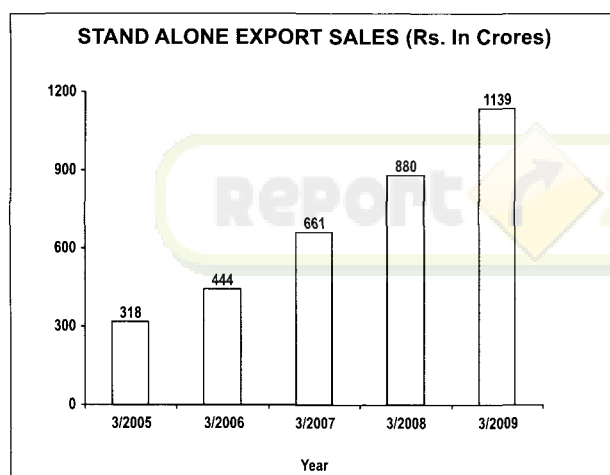
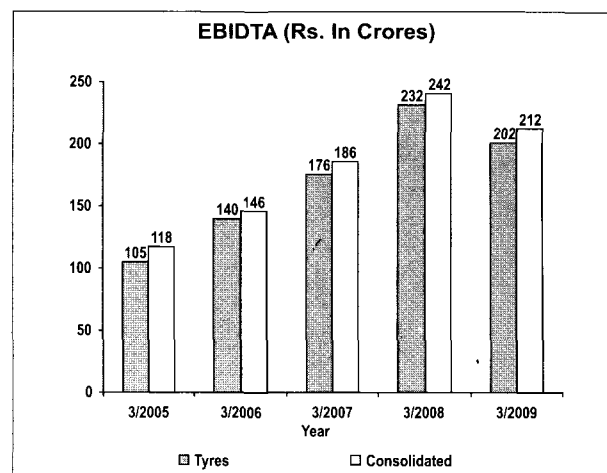
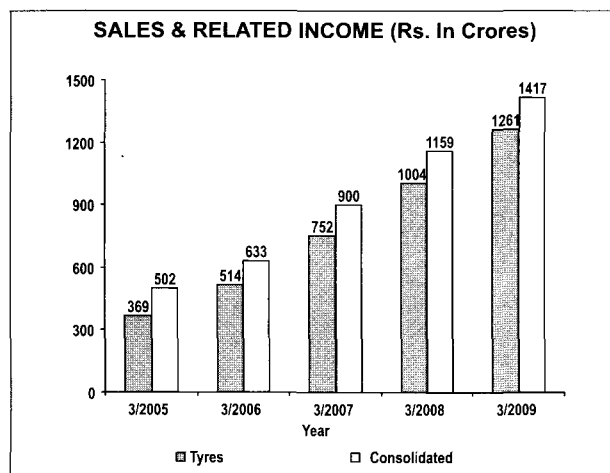
Financial Highlights

| Year ended 31st March | Stand alone | | Consolidated | | | |
|--------------------------------------|-------------|-------|--------------|-------|-------|---------|
| | 2009 | 2008 | 2009 | 2008 | 2007 | 2006 |
| Sales & Related Income | 1261 | 1004 | 1417 | 1159 | 900 | 633 |
| Less: Excise Duty Recovered on Sales | 9 | 12 | 17 | 25 | 22 | 13 |
| Net Sales & Income from Operations | 1252 | 991 | 1400 | 1134 | 878 | 620 |
| Other Income | 5 | 15 | 6 | 16 | 9 | 6 |
| Total Income | 1257 | 1006 | 1406 | 1150 | 887 | 626 |
| PBIDT | 202 | 232 | 212 | 242 | 187 | 146 |
| PBDT | 165 | 205 | 174 | 215 | 170 | 134 |
| Depreciation | 57 | 44 | 59 | 46 | 36 | 27 |
| Exceptional Item | - | (3) | - | (4) | - | - |
| PBT | 108 | 164 | 115 | 173 | 134 | 107 |
| Taxes | 38 | 57 | 41 | 60 | 46 | 37 |
| PAT | 70 | 107 | 74 | 113 | 88 | 70 |
| Dividend | 60% | 105% | 60% | 105% | 105% | * 100% |
| Earning per Share of Rs. 10 each | 36.49 | 55.17 | 38.62 | 58.36 | 42.99 | * 36.95 |
| Total Cash Accruals * | 113 | 127 | 119 | 135 | 102 | 76 |

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

RUPEES EARNED / SPENT (%)





Directors' Report

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the 47th Annual Report and Audited Statement of Accounts for the year ended 31st March 2009.

FINANCIAL RESULTS:

| | (Rs. in crores) | |
|---|----------------------------------|---------------------------------|
| | Current Year ended 31.03.2009 | Previous Year ended 31.03.08 |
| Gross Turnover and Other Income | 1266.01 | 1018.35 |
| Less: Excise Duty Recovered on Sales | 8.98 | 12.43 |
| Net Turnover and Other Income | 1257.03 | 1005.92 |
| Gross Profit | 164.40 | 204.95 |
| Less: Depreciation and Amortisation | 56.52 | 43.83 |
| Add : Exceptional Item | NIL | 2.80 |
| Profit before Tax | 107.88 | 163.92 |
| Less: Provision for Taxation | | |
| Current Tax | 27.40 | 49.30 |
| Deferred Tax (Net) | 9.44 | 7.24 |
| Fringe Benefit Tax | 1.10 | 0.55 |
| | 37.94 | 57.09 |
| Profit after Tax | 69.94 | 106.83 |
| Add/(Less): Adjustments relating to earlier years | 0.60 | (0.17) |
| Less : Extra ordinary Item | 0.25 | 1.09 |
| Profit after Extra ordinary Item | 70.29 | 105.57 |
| Balance brought forward from last year | 58.59 | 26.77 |
| PROFIT AVAILABLE FOR APPROPRIATIONS: | 128.88 | 132.34 |
| APPROPRIATIONS: | | |
| Transfer to General Reserve | 49.46 | 50.00 |
| Interim Dividend | NIL | 8.70 |
| Proposed Final Dividend | 11.60 | 11.60 |
| Tax on Dividends | 1.97 | 3.45 |
| | 63.03 | 73.75 |
| Balance Carried Forward to Balance Sheet | 65.85 | 58.59 |

OPERATIONS:

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

The year under consideration has been a year of volatility wherein we have seen wild fluctuation in different aspects of business environment be it raw material prices, interest rate, exchange rate, etc. During this period, we have witnessed different phases of economy viz. boom time, slow down, recession. Your company is mainly into

exports – more than 90% of its production is exported and therefore vulnerable to global economic conditions. In spite of odd business circumstances during the year under review, your company has been able to register a growth of 26% over last year. During this period, sales and related income of the company was higher at Rs.1,261 Crores as against Rs. 1,004 Crores in the previous year. The Exports and Export related income stood at Rs. 1,139 Crores as against Rs. 880 Crores in the previous year – an increase of over 29%. Due to wild fluctuation in the raw material prices, fuel prices exchange rate, the gross margins of the company have come under pressure and has dropped from Rs.205 Crores to Rs.165 Crores.

Directors' Report

Your company continues to enjoy the status of **"THREE STAR EXPORT HOUSE"**.

DIVIDEND:

Your Directors are pleased to recommend a Dividend of Rs.6 per share (60%) for the year, with a total payout of Rs. 13.57 Crores, including Tax on Dividend.

CAPITAL EXPENDITURE:

The commissioning of OTR radial plant was completed during the year. The company has, for time being, deferred its plan to setup new green field tyre plant into special economic zone (SEZ) in view of current recessionary market conditions across the globe. However, the company will explore its existing locations to increase its production capacity wherever required.

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.

OUTLOOK FOR THE CURRENT YEAR 2009-10:

The impact of global economic melt down, which started in the second half of financial year 08 – 09, has been so vast that its recovery may take very long time. This economic melt down has caused recession across different industries and your industry is not an exception to it. However, since your company is operating into a niche segment of the industry, it should be able to maintain its growth record in the current financial year.

Prices of key raw materials like natural rubber, synthetic rubber and carbon black are area of concern for the company as there is a wild fluctuation in its prices. It may impact the margins of the company adversely.

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 1900 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 incubate the "Earth Moving Tyres" (OTR) markets and take advantage of radialization, which is picking up the momentum rapidly. In this pursuit, the company has set up 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 has also increased its Agri radial tyre production capacity significantly over past few years to meet its rapidly increasing demand.

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 had moved upward very significantly in this year. Besides this, the prices of other raw materials had also moved up sharply and had witnessed a level never seen in the past due to unprecedented increase in the crude oil prices.

Though the Company enjoys the pricing power, it is not possible to pass on the increase in prices immediately and that too fully. 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 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 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 as all the Companies are facing it.

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

Directors' Report

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 largely 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. The Audit Committee of the Board is reviewing 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's relations continue to be cordial.

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. Balkrishna Tyres Limited (80%)

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.47/172/2009-CL-III dt.24.04.2009. 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 Head 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 Basantkumar G. Bansal has been inducted as an Additional Director and Whole Time Director of the Company, designated as Director (Finance) w.e.f. 26th July, 2008, Shri Anurag P. Poddar and Shri Rajiv A. Poddar have been inducted as an additional Directors and Whole Time Directors designated as Executive Directors, w.e.f. 22nd January, 2009, and Shri Laxmidas V. Merchant have been inducted as an additional Director w.e.f. 22nd January, 2009. All the aforesaid Directors hold 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 Basantkumar G. Bansal, Shri Anurag P. Poddar, Shri Rajiv A. Poddar and Shri Laxmidas V. Merchant, as the Directors of the Company.

Shri Dharaprasad R. Poddar, Shri Rameshkuamr D. Poddar and Shri Subhash Chand B. 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 2009.

INDUSTRIAL RELATIONS:

The industrial relations with staff and workers during the year under review continue 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.

Directors' 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 that:

- (i) In the preparation of the accounts for the financial year ended 31st March, 2009, 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, 2009 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.

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: 16th May, 2009

Annexure to Directors' Report

ANNEXURE - I

Statement containing information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2009.

| Sr. No. | Name | Age | Designation & Nature of Duties | Gross Remuneration (Rs.) | Net Remuneration (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. 24,00,000/- | | | | | | | | |
| 1 | Mr. Arvind M. Poddar | 51 | Managing Director | 1,24,45,000 | 94,90,252 | B.Com (31) | 01.08.2006 | Siyaram Silk Mills Ltd. Joint Managing Director (14 years) |
| 2 | Mr. Dilip M. Vaidya | 56 | President (Technology) & Director | 49,02,576 | 26,08,781 | B.Sc., Tech (Polymer Tech) (33) | 05.07.1993 | Bombay Tyres International Ltd., Asst. Divisional Manager (11 years) |
| 3 | Mr. Basant G. Bansal | 43 | Director (Finance) | 37,73,908 | 19,95,899 | B.Com, ACA (21) | 10.08.2004 | Rama Group of Co. Chief Financial Officer (4 years) |
| 4 | Mr. Madhusudan B. Bajaj | 51 | Sr. Vice President (Commercial) | 29,70,756 | 16,52,524 | B.Com, FCA (26) | 01.07.2002 | Hindustan Vidyut Products Ltd. Assistant VP (19 years) |
| 5 | Mr. Anant V. Pandit | 59 | Sr. Vice President (Technology) | 28,82,556 | 16,11,836 | B.Sc., B. Tech. LPR (36) | 20.02.2003 | Ceat Ltd. Senior Manager (27 years) |
| 6 | Mr. Kallol Sinha Ray | 53 | Sr. Vice President (Operations) & Unit Head | 32,46,036 | 17,43,723 | B. Sc, B. Tech. (28) | 22.05.2006 | JK Industries Ltd. General Manager (4 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. 2,00,000/- per month. | | | | | | | | |
| 1 | Mr. Trilok Chand D. Goel | 59 | Sr. President cum Director | 21,51,020 | 9,54,706 | B. Tech. (Ele) (37) | 04.07.2005 | Falcon Tyres Ltd. Executive Director (6 years) |
| 2 | Late Mr. S R Barasia | 57 | Head Diversification (Projects) | 7,22,583 | 2,59,325 | B.Com, FCA (32) | 01.12.2008 | Subhkam Ventures India Ltd. President (2 years) |
| 3 | Mr. Narendra Kumar | 45 | Vice President (Operations) | 20,07,827 | 11,16,637 | B. Tech (Mech.) (22) | 23.06.2008 | Parryware Roca Pvt. Ltd. General Manager (2 years) |
| 4 | Mr. Anurag P. Poddar | 27 | Executive Director | 21,04,102 | 19,58,419 | MBA (Finance) (2) | 01.08.2006 | - |
| 5 | Mr. Rajiv A. Poddar | 24 | Executive Director | 21,04,102 | 19,58,419 | B. A., Business Management (2) | 01.05.2006 | - |

Notes:

- Appointment of Managing Director, Executive Directors, Director (Finance) and Sr. President Cum Director are for a period of five years. All other appointments are non-contractual and terminable by notice on either side.
- Gross Remuneration includes Salary, Commission, Leave Travel Allowance/Reimbursement, Medical Allowance/Reimbursement, House Rent Allowance and Contribution to Provident Fund, Superannuation Fund, Gratuity Fund, Gratuity/Provision for Gratuity, Personal Accident Insurance, Incentive and Bonus/Exgratia, etc., wherever applicable.
- Shri Arvind M. Poddar and Shri Rajiv A. Poddar are related to each other being father and son. Shri Anurag P. Poddar is grandson of Shri Dharaprasad R. Poddar, the Chairman.

For and on behalf of the Board of Directors

Mumbai,
Dated: 16th May, 2009

DHAPRAPRASAD PODDAR
Chairman