



**GROWING TOGETHER**



# **49<sup>th</sup> annual** r e p o r t **2011**

**balkrishna industries limited**



Lord Ganesha

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## BOARD OF DIRECTORS:

DHARAPRASAD PODDAR  
Chairman

ARVIND PODDAR  
Vice Chairman & Managing Director

ANURAG PODDAR  
Executive Director

RAJIV PODDAR  
Executive Director

SACHIN NATH CHATURVEDI  
SUBHASH CHAND MANTRI  
RAMESHKUMAR PODDAR  
KHURSHED DOONGAJI  
LAXMIDAS MERCHANT  
ASHOK SARAF  
SANJAY ASHER

BASANTKUMAR BANSAL  
Whole Time Director

## MANAGEMENT COMMITTEE :

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

## COMPANY SECRETARY:

VIPUL SHAH

## BANKERS:

BANK OF BARODA  
BARCLAYS BANK PLC  
CORPORATION BANK  
ING VYSYA BANK  
INDUSINDBANK  
THE ROYAL BANK OF SCOTLAND N.V.  
STANDARD CHARTERED BANK  
STATE BANK OF INDIA

## AUDITORS:

M/s. JAYANTILAL THAKKAR & CO.  
Chartered Accountants

## INTERNAL AUDITORS:

M/s. DILIPA. JAIN & ASSOCIATES  
Chartered Accountants

## REGISTERED OFFICE :

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

## PLANTS :

### TYRE MANUFACTURING :

## WIND FARM :

## MOULD UNITS :

## 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,  
Dist. 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)

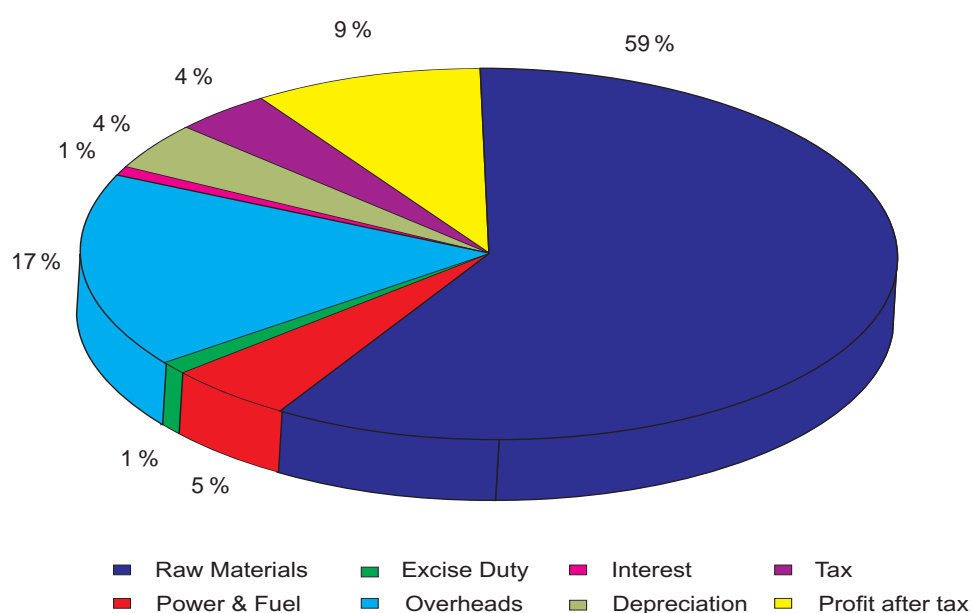
Members are requested to bring their copy of the Annual Report along with them at the Annual General Meeting, as copies of the Report will not be distributed at the Meeting.

# Financial Highlights (Consolidated)

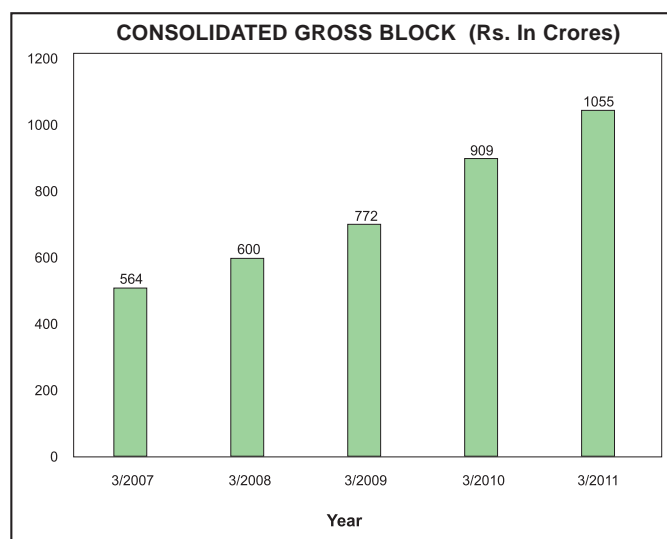
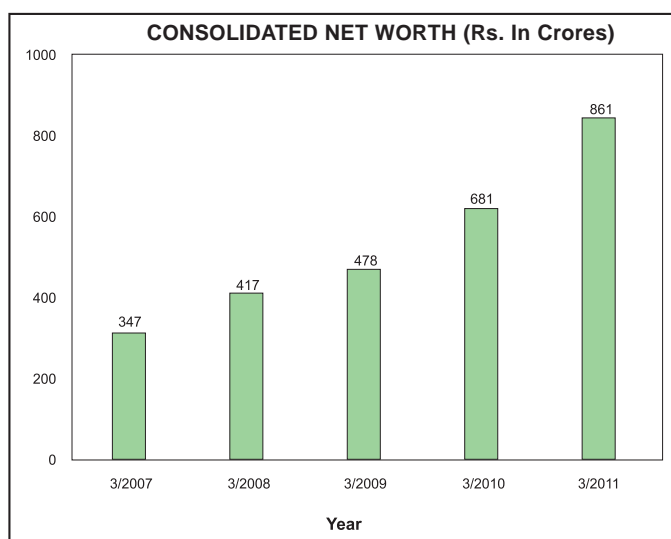
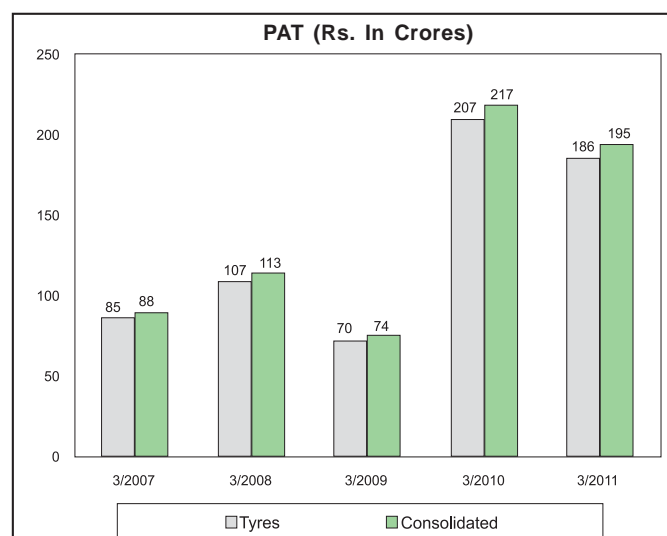
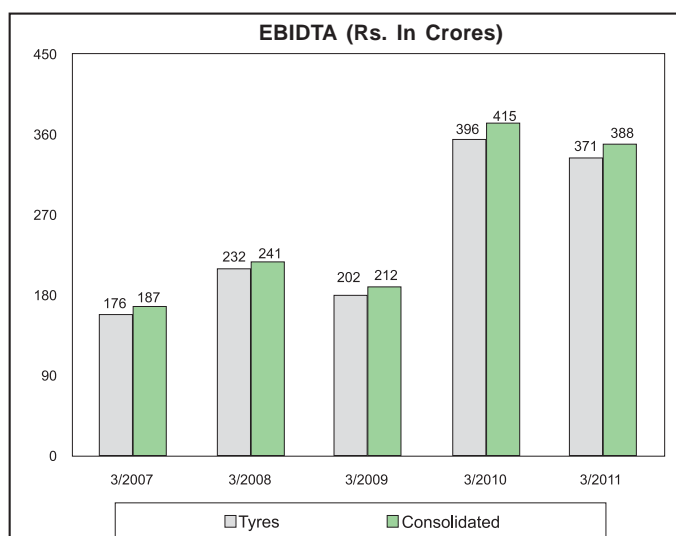
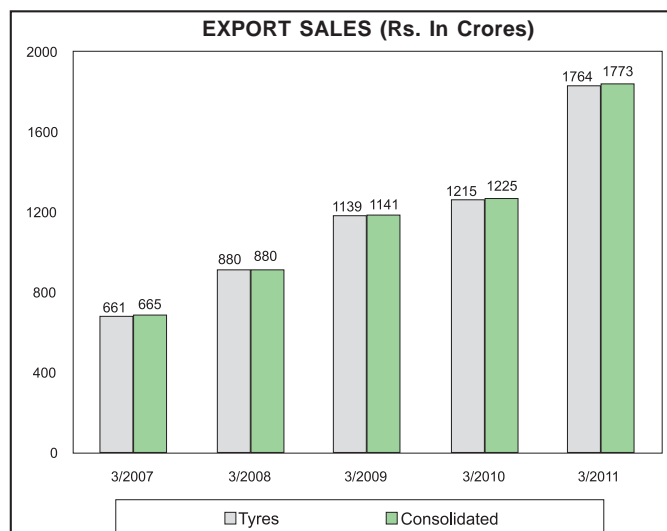
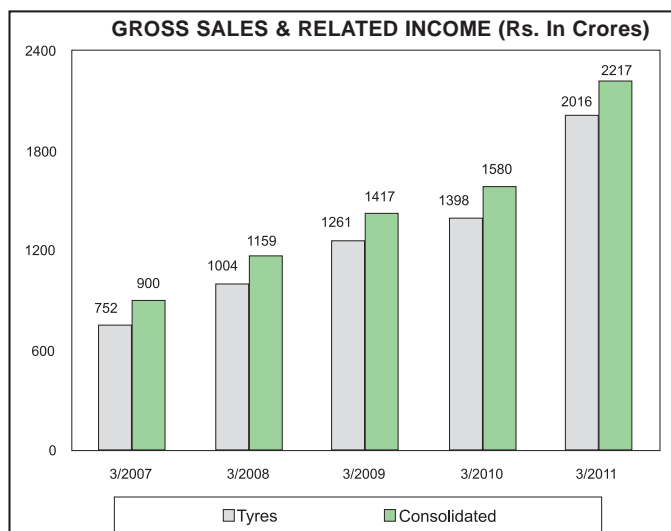
(Rs. In Crores)

Particulars	Consolidated				
Year ended 31st March	2011	2010	2009	2008	2007
Gross Sales & Related Income	2217	1580	1417	1159	900
Net Sales & Related Income	2192	1564	1400	1133	878
Other Income	20	30	7	16	9
Total Income	2212	1594	1407	1149	887
PBIDT	388	415	212	241	187
PBDT	366	395	174	215	170
Depreciation	77	69	59	46	36
Exceptional Item	-	-	-	(4)	-
PBT	289	327	115	173	134
Taxes	94	110	41	60	46
PAT	195	217	74	113	88
Dividend	70%	70%	60%	105%	105%
Earning per Share of Rs. 2 each	20.14	22.67	7.72	11.67	8.60
Total Cash Accruals	256	270	119	135	102

RUPEES EARNED / SPENT (%)



# Financial Highlights



# Directors' Report

## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the 49<sup>th</sup> Annual Report and Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2011.

### FINANCIAL RESULTS:

	(Rs. in Crores)	
	Current Year ended 31.03.2011	Previous Year ended 31.03.2010
<b>Gross Turnover and Other Income</b>	2032.11	1424.36
Less: Excise Duty Recovered on Sales	18.82	10.96
Net Turnover and Other Income	2013.29	1413.40
<b>Gross Profit</b>	349.44	377.55
Less: Depreciation and Amortisation	74.44	66.22
<b>Profit before Tax</b>	275.00	311.33
Less: Provision for Taxation		
Current Tax	87.20	102.38
Deferred Tax (Net)	2.18	2.42
	89.38	104.80
<b>Profit after Tax</b>	185.62	206.53
(Less)/Add : Adjustments relating to earlier years		
Short Provision for (Expenses) (Net)	(0.06)	(0.16)
Excess Provision of Taxation	0.10	2.36
Profit after adjustment relating to Earlier Years	185.66	208.73
Balance brought forward from last year	237.93	65.85
<b>PROFIT AVAILABLE FOR APPROPRIATIONS:</b>	423.59	274.58
<b>APPROPRIATIONS:</b>		
Transfer to General Reserve	18.56	20.87
Interim Dividend	NIL	13.53
Proposed Final Dividend	13.53	NIL
Tax on Dividend	2.19	2.25
	34.28	36.65
Balance Carried Forward to Balance Sheet	389.31	237.93

### OPERATIONS:

Your Company mainly operates in one segment i.e. "tyres" with a 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.

After a year of severe slowdown in F.Y.09 – 10, the company witnessed a good surge in F.Y. 10 – 11 that resulted in top line growth of above 42%. The Net Turnover and other Income of the company increased from Rs.1,413 Crores to Rs.2,013 Crores in the year under consideration.

Due to unprecedented increase in raw material and other input costs, the operating margin (EBIDTA) of the company for the year under review declined to Rs.371 Crores from Rs.396 Crores in the previous year. Correspondingly, the profit after tax also declined to Rs.186 Crores during the year under consideration as compared to Rs.207 Crores in the previous year.

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

### DIVIDEND:

Your Directors are pleased to recommend a Dividend of Rs. 1.40 per share (70%) for the year, with a total payout of Rs. 15.72 Crores, including Tax on Dividend.

### CAPITAL EXPENDITURE

During the year, the company has incurred capital expenditure of Rs.131 Crs. on account of following major activities:

- Setting up of raw material warehouse at Chopanki and finished goods warehouse at Bhiwandi;
- Setting up of new mould plant at Dombivli;
- Increase in small production capacity at all the three plants through de-bottlenecking.
- Regular maintenance capex at all the three plants.

The company also incurred capital expenditure of Rs.94 Crs approx. in connection with its upcoming green field tyre project at Bhuj in the State of Gujarat which is progressing as per schedule.

## OUTLOOK FOR THE CURRENT YEAR 2011-12:

The company is seeing continuity in demand of its products in the current financial year in line with that of previous year which was encouraging. The said demand is coming from across the globe. The demand from replacement as well as OEM segment has shown good signs of revival and likely to be there in times to come.

Though the raw material prices and other input costs are started softening in the current financial year as compared to previous year, still it is on the higher side. If the softening in raw material prices and other inputs costs continue, the margins of the company in the current financial year is expected to be better than that of previous year.

The company continues to expand its base through developing new product lines, venturing into new geographies and deeper penetration into existing markets to ensure its sustainable growth.

## OPPORTUNITY & THREATS:

### OPPORTUNITIES:

The segment in which your company operates is predominantly known as "large variety-low volume" - a segment that restricts optimal capacity utilization. It is a capital intensive as well as labour intensive proposition, 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 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 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, labour 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 recent past. The future outlook for this commodity is hard to predict, and it would be difficult to say what level of further increase could take place in the future. The prices of other raw materials have also moved up sharply in the recent past and currently ruling at very high levels affecting the margins of the company adversely.

Though the Company enjoys the pricing power, however, it is not possible to pass on the increase to the full extent. Moreover, it happens with some time lag. Thus, the Company has to bear the brunt of the said fluctuations to some extent. The increase in utility cost 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 a 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:* This is not a unique area of concern for the Company as there is a significant shortage of skilled manpower in the industry. The rate of attrition is therefore high.

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

*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 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

# Directors' Report

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 Companies have been furnished under 'Details of Subsidiaries' forming part of the Annual Report.

## DIRECTORS:

Mr. Laxmidas Merchant, Mr. Anurag Poodar, Mr. Rajiv Poddar and Mr. 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 31<sup>st</sup> March 2011.

## INDUSTRIAL RELATIONS:

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

## Group

As required under Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purposes of availing exemption from the applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations are given in Annexure 'II' attached herewith and the said Annexure 'II' forms part of this Annual 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 31<sup>st</sup> March, 2011, 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 31<sup>st</sup> March, 2011 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.

## 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.

## 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 its 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**

Mumbai,  
Dated : 20<sup>th</sup> May, 2011

**DHARAPRASAD PODDAR**  
Chairman

# Annexure to Directors' Report

## 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 31<sup>st</sup> March, 2011.

### 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:

##### 1 Electricity

- (a) Purchased  
Units (KWH)  
Total amount (Rs. in lacs)  
Rate/Unit (Rs.)
- (b) Own generation
  - (i) Through Diesel Generating Sets  
Units (KWH)  
Units per liter of H.S.D/L.D.O./Furnace Oil  
Cost/Unit (Rs.)
  - (ii) Through Wind Mill (For Captive Consumption)  
Units (KWH)

##### 2 Pet Coke (specify quality and where used)

- The Company also uses Pet-Coke grade B/C in its Boilers
- Quantity (Tons)  
Total Amount (Rs. in lacs)  
Average rate (Rs./Ton)

##### 3 H.S.D/L.D.O./Furnace Oil

- Quantity (K.Ltrs)  
Total Amount (Rs. in lacs)  
Average rate (Rs./KL)(Net of Modvat, Wherever applicable)

Current Year	Previous Year
7,54,68,342	5,53,10,835
3,621.53	2,532.09
4.80	4.58
2,38,76,155	2,58,66,741
3.88	4.03
7.11	5.92
54,93,784	70,29,984
29,004	23,859
2,308.15	1,479.54
7,958	6,201
6,150	6,413
1,697.01	1,531.63
27,593	23,882

#### II. Consumption per unit of production:

	Electricity(KWH)	Pet Coke(Kgs)	Furnace Oil (Ltr)
Automobile Tyres (MT)	911(978)	266(287)	56(77)

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

Figures in brackets are of previous year.

### B. TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form 'B':

# Annexure to Directors' Report

## 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	:	<b>40.49</b>
(C)	Total	:	<b>40.49</b>

### 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/improvements in Process Technology in its various manufacturing sections-which, when found suitable, are integrated into the regular manufacturing operation.
2. Benefits – which, when found suitable, are integrated into the regular manufacturing operation:

(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:

N.A.

### 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;  
The export of Tyres, Tubes and Flaps during the year amounted to **Rs.1,764** Crores as against Rs.1,215 Crores 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.
- (b) Total foreign exchange used and earned (Rs. in Crores)  
Used : **1,076** Earned : **1,764**

For and on behalf of the Board of Directors

Mumbai,  
Dated : 20<sup>th</sup> May, 2011

**DHARAPRASAD PODDAR**  
Chairman