

Sowing Excellence, Spreading Growth



Balkrishna Industries Limited

52nd Annual Report 2014



Lord Ganesha

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BOARD OF DIRECTORS:

DHARAPRASAD PODDAR
Chairman Emeritus
ARVIND PODDAR
Chairman & Managing Director
RAJIV PODDAR
Joint Managing Director
VIJAYLAXMI PODDAR
Executive Director
VIPUL SHAH
Whole Time Director & Company Secretary
SACHIN NATH CHATURVEDI
SUBHASH CHAND MANTRI (upto 15.05.2014)
RAMESHKUMAR PODDAR
KHURSHED DOONGAJI
LAXMIDAS MERCHANT
SANJAY ASHER
ASHOK SARAF

MANAGEMENT COMMITTEE

DILIP VAIDYA – Director (Technical)
KHUSHBOO PODDAR
BASANT BANSAL- Director (Finance)

REGISTERED OFFICE:

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

**PLANTS :
TYRE MANUFACTURING :**

CALENDERING :

WIND FARM :

MOULD UNITS :

BANKERS:

CORPORATION BANK
THE ROYAL BANK OF SCOTLAND N.V.
STANDARD CHARTERED BANK
STATE BANK OF INDIA
ING VYSYA BANK LIMITED
BARCLAYS BANK PLC
BANK OF BARODA
INDUSIND BANK LIMITED
CITI BANK N.A.
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
BNP PARIBAS
SOCIETE GENERALE
KINGS TOWN BANK
INDIAN BANK
HDFC BANK LIMITED
BANK OF TOKYO-MITSUBISHI UFJ
DBS BANK LIMITED

AUDITORS:

M/s. JAYANTILAL THAKKAR & CO.
Chartered Accountants

INTERNAL AUDITORS:

M/s. DILIP A. JAIN & ASSOCIATES
Chartered Accountants

COST AUDITORS:

R S RAGHVAN
Cost Accountants

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,
District Kachchh (Gujarat)

SP4-886, RIICO Industrial Area,
Pathredi 301 707, Dist. Alwar (Rajasthan)

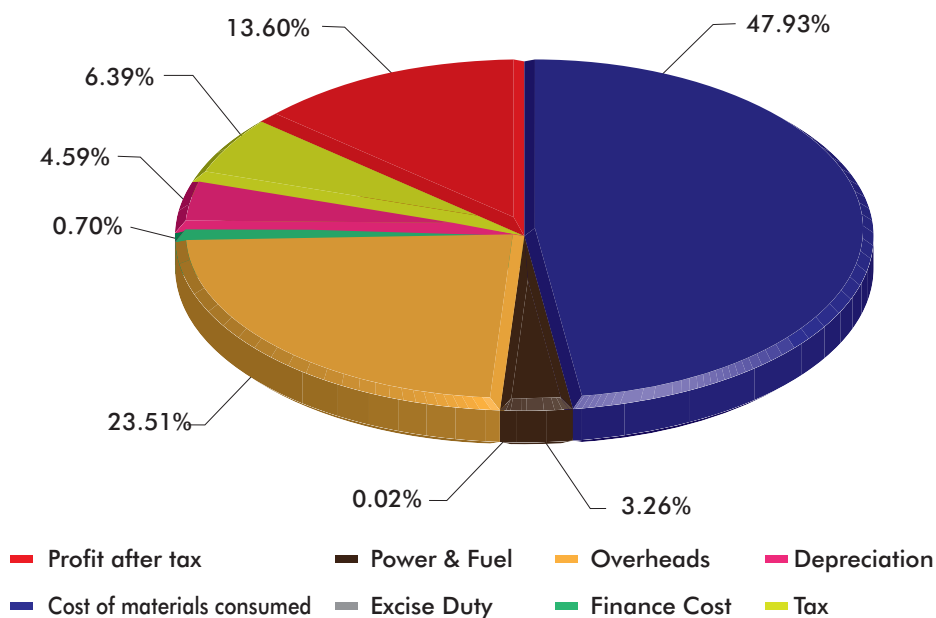
Village Soda Mada, Tehsil: Fatehgarh,
Dist. Jaisalmer (Rajasthan)

Plot No. TS-1 and C-21, M.I.D.C, Phase No.II,
Dombivali (E) 421 201, Dist. Thane (Maharashtra)

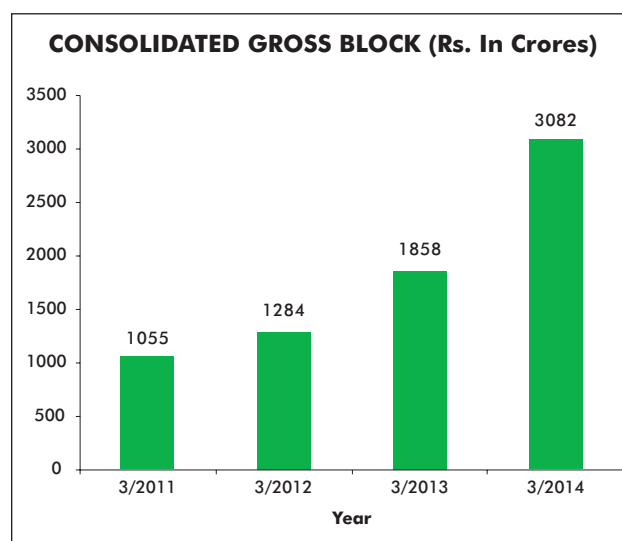
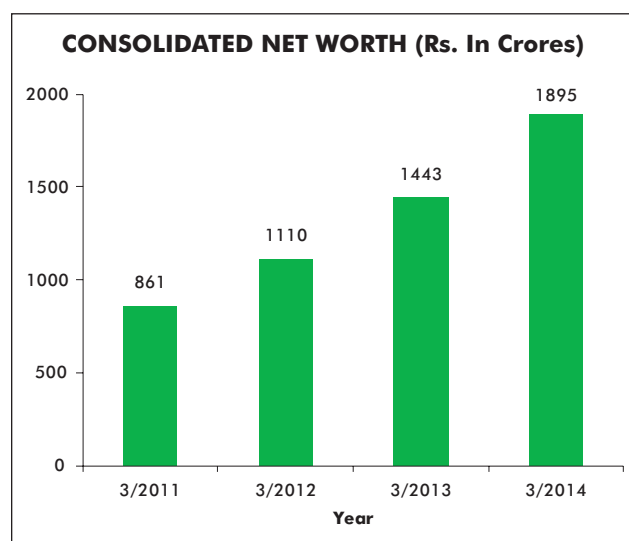
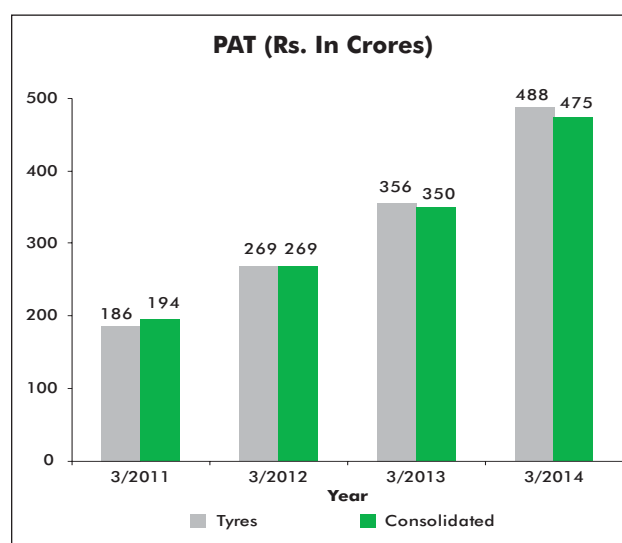
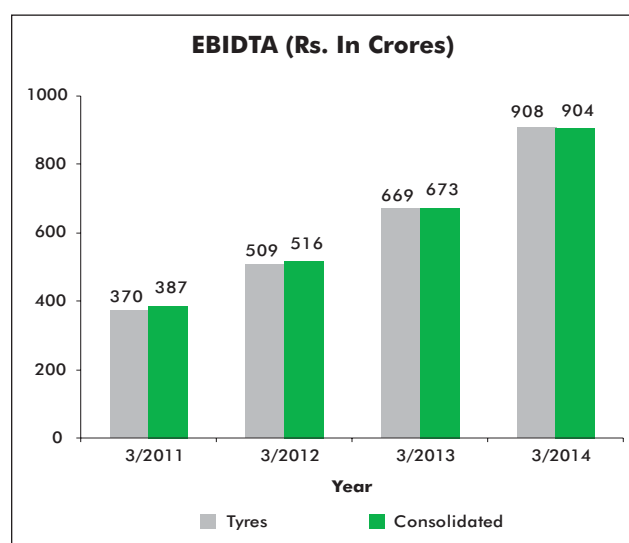
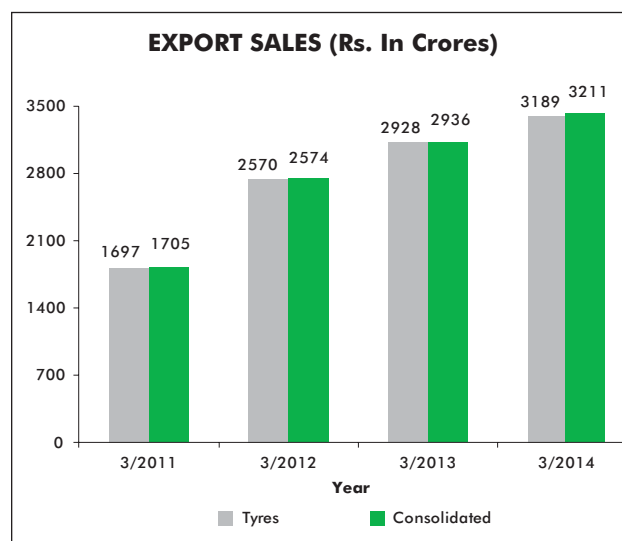
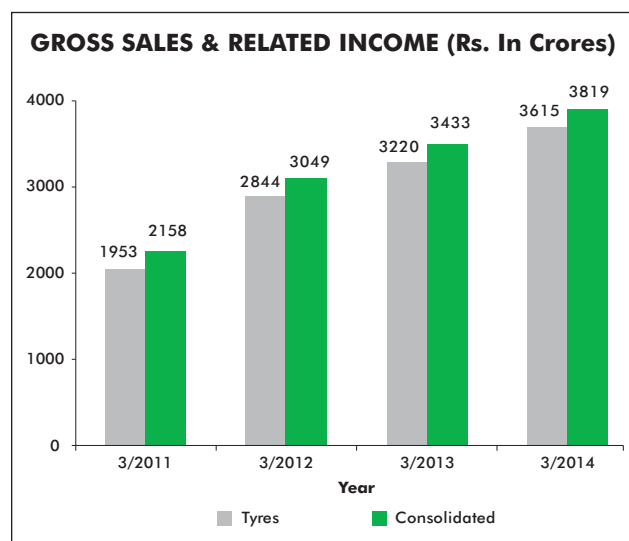
Members are requested to bring their copy of the Annual Report along with them at the Annual General Meeting, as copies of the Report will not be distributed at the Meeting.

FINANCIAL HIGHLIGHTS (CONSOLIDATED)

| Particulars | (Rs. In Crores) | | | |
|---------------------------------|-----------------|-------|-------|-------|
| Year ended 31st March | 2014 | 2013 | 2012 | 2011 |
| Revenue from operations (Gross) | 3819 | 3433 | 3049 | 2158 |
| Revenue from operations (Net) | 3772 | 3394 | 3017 | 2132 |
| Other Income | 14 | 5 | 4 | 92 |
| Total Revenue | 3786 | 3399 | 3021 | 2224 |
| PBIDT | 904 | 673 | 516 | 387 |
| PBDT | 876 | 646 | 487 | 365 |
| Depreciation | 170 | 112 | 87 | 77 |
| PBT | 706 | 534 | 400 | 288 |
| Taxes | 231 | 184 | 131 | 94 |
| PAT | 475 | 350 | 269 | 194 |
| Dividend | 100% | 75% | 75% | 70% |
| Earning per Share of Rs. 2 each | 49.10 | 36.20 | 27.48 | 20.14 |
| Total Cash Accruals | 622 | 446 | 339 | 256 |

RUPEES EARNED / SPENT (%)


FINANCIAL HIGHLIGHTS



DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the 52nd Annual Report and Audited Statement of Accounts for the year ended 31st March 2014.

| (Rs. in Crores) | | | | |
|--|--------------------|----------------|---------------------|---------|
| | Current Year ended | | Previous Year ended | |
| | 31.03.2014 | | 31.03.2013 | |
| Income from Operations and other Operating Income | | 3615.17 | | 3220.20 |
| Less: Excise Duty Recovered on Sales | | 38.46 | | 29.63 |
| Total Income from Operations (Net) | | 3576.71 | | 3190.57 |
| Gross Profit | | 882.66 | | 642.91 |
| Less: Depreciation and Amortization | | 164.96 | | 107.71 |
| Profit before Tax | | 717.70 | | 535.20 |
| Less: Provision for Taxation | | | | |
| Current Tax | 157.00 | | 142.10 | |
| Deferred Tax | 72.33 | 229.33 | 37.27 | 179.37 |
| Profit after Tax | | 488.37 | | 355.83 |
| Balance brought forward from last year | | 76.59 | | 87.72 |
| PROFIT AVAILABLE FOR APPROPRIATIONS: | | 564.96 | | 443.55 |
| Transfer to General Reserve | | 400.00 | | 350.00 |
| Proposed Final Dividend | | 19.33 | | 14.50 |
| Tax on Final Dividend | | 3.20 | | 2.46 |
| Balance Carried forward to balance sheet | | 142.43 | | 76.59 |

OPERATIONS:

Your Company mainly operates in one single segment i.e. "tyres" with focus on manufacture of wide range of "Off-Highway Specialty Tyres". These specialty tyres are meant for Agricultural, Industrial, Material Handling, Construction, Earth moving (OTR), Forestry, Lawn & Garden Equipment and All Terrain Vehicles (ATV). More than 85% of our revenue is generated through exports.

During the year under consideration, the Company's revenue from its operations has grown over 12%. The Net Turnover and other Income of the company has increased from Rs. 3,191 Crores to Rs. 3,577 Crores.

The Gross Profit of the Company for the year under consideration has increased from Rs. 643 Crores to Rs. 883 Crores and correspondingly, the profit after tax has increased to Rs. 488 Crores as compared to Rs. 356 Crores in the previous year.

Your Company enjoys the status of **"PREMIER TRADING HOUSE"**.

DIVIDEND:

Your Directors are pleased to recommend Dividend of Rs. 2/- per Equity Share (100%) for the year, with a total payout of Rs. 22.53 Crores, including Tax on Dividend.

BHUJ PROJECT:

The Bhuj Project is in advanced stage of implementations, and as at March end 2014, the Company has incurred capital expenditure of approximately Rs. 2,240 Crores. Partial production has already commenced and the plant is expected to be fully operative by March, 2015.

SCHEME OF ARRANGEMENT:

"A Scheme of Arrangement ('the Scheme') has been filed with the Hon'ble High Court of Bombay, pursuant to the provisions of section 391 to 394 of the Companies Act, 1956 which envisages (i) the amalgamation of Balkrishna Paper Mills Limited, a wholly owned subsidiary of the Company, with the Company w.e.f. 1st April, 2013 being the appointed date for amalgamation and (ii) demerger of the Paper Division Undertaking of the Company into Nirvikara Paper Mills Limited, a wholly owned subsidiary of the Company along with transfer of Investment of Balkrishna Synthetics Limited, with appointed date for the demerger being the date of filing the order of the Hon'ble High Court sanctioning the Scheme, with the Registrar of Companies, i.e. the Effective Date. The scheme shall be given effect to in the books with effect from the respective appointed date, upon receipt of the necessary approvals."

OUTLOOK FOR THE CURRENT YEAR 2014-2015:

The Company's earnings are mainly generated from exports to European Countries and USA. Due to recessionary trends continuing to prevail in the global market, the business environment has become competitive and difficult, however the company is optimistic about maintaining reasonable growth rates with profits match during fiscal 2014-15.

Whilst prices of rubber have declined in the international market and other input costs have risen marginally, however Company expects to maintain reasonable growth levels during the current year.

The long-term prospects of the company are definitely positive and the company continues to expand its product range by widening its products offerings and venturing in to new geographies.

OPPORTUNITY & THREATS:**OPPORTUNITIES:**

The segment in which your company operates is predominantly known as "large varieties -low volume segment". Although it is considered both as capital and labour intensive. 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, this segment is neither exposed to any technological obsolescence nor wild fluctuations in demand for its products.

The Company has incremental opportunity to develop "Earth Moving Tyres" (OTR) markets and take advantage of the shift from bias to radial tyres, which is growing up rapidly. To adhere this, the company has already set up an all-steel OTR Radial tyre plant at its Chopanki location and it is 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 technologies – 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 past. Recently there has been a softening in the prices of natural rubber and other raw materials which is expected to continue for some more time. Whilst lower prices of raw materials may improve its profit margin it could be partly vitiated as the company would need to pass on the benefits to its customers.

In order to minimize such risks, the Company not only enters into medium-term contracts but also adopts the policy to "Buy and Stock" large quantities during the lean period.

Since most of the raw materials are imported, the company is exposed to foreign currency risk. However, it will be offset against the revenues of the company which are also in foreign currency. The increase in utility and other administrative costs may also marginally affect the profitability of the company adversely. However, there are chances of its off set through benefits of scale which is on card.

Labour Relations: Since 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 to promote the welfare, safety of its workers and improve the overall work environment. All workers are paid more than adequate remuneration for their work.

Retention of skilled manpower: Like other players in the industry, the Company is also exposed to this risk, more particularly when there is shortage of skilled manpower in the industry.

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

Currency fluctuation: As stated earlier the company revenues are mainly generated through exports.

The Company also imports lot of its raw materials and capital equipments. Moreover, all its borrowings are in foreign currency and it is therefore exposed to risks due to currency fluctuations.

The Company follows the system of hedging its receivables (net off payables) well in advance by entering into Forward Contracts, thereby protecting itself from the 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 its biggest asset. 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/training programs were conducted to develop personality and outlook of its employees. Employee relations continue to be cordial.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

During the current year, your Directors have constituted the Corporate Social Responsibility Committee comprising of Smt. Vijaylaxmi A Poddar as the Chairperson and Shri Arvind M Poddar, Shri Rajiv A Poddar and Shri Sachin Nath Chaturvedi as other Members.

The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company monitoring the implementation of the framework of the CSR Policy and recommending the amount to be spent on CSR activities.

SUBSIDIARY COMPANIES:

The company has following 100% subsidiary companies:

Balkrishna Paper Mills Limited, Balkrishna Synthetics Limited, BKT Tyres Limited, Nirvikara Paper Mills Limited, Thritha Synthetics Limited, BKT Exim Limited and Indirect subsidiary Companies i.e subsidiary companies of BKT Exim Limited; i.e. BKT EUROPE S.R.L., BKT (USA) INC and BKT TIRES (CANADA) INC. BKT EXIM Limited has dissolved BKT (EUROPE) Limited in December, 2013.

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

DIRECTORS:

Shri Subhash Chand B Mantri, the Independent Director has resigned from the Board of Directors of the Company w.e.f. 15th May, 2014. Shri Subhash Chand B Mantri has put in his sincere and dedicated efforts into the Company. Your directors take on record their sincere appreciation for the valuable services rendered by him during his tenure on the Board of Directors of the Company.

Pursuant to the provisions of Section 152(6)(c) of the Companies Act, 2013, Mr. Vipul Shah, Director is liable to retire by rotation and being eligible offer himself for reappointment.

Pursuant to the provisions of Section 150(2) read with Section 149(10) of the Companies Act, 2013, shareholders' approval is sought for the appointment of Shri Sachin Nath Chaturvedi, Shri Khurshed Doongaji, Shri Ashok Saraf, Shri Sanjay Asher and Shri Laxmidas Merchant, as Independent Directors of the Company for a term of five consecutive years, at the ensuing annual general meeting.

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 2014.

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 (2AA) 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.

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 year ended 31st March, 2014, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- (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 as at 31st March, 2014 and of the Profit of the Company for the year ended as on that date;
- (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; and
- (iv) The Directors have prepared the annual accounts of the Company on a "going concern" basis.

AUDITORS:

Messers Jayantilal Thakkar & Co., Chartered Accountants, the Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment and who have furnished certificates of their eligibility for re-appointment as required under Companies Act, 2013.

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, Banks and State Governments of Maharashtra, Rajasthan and Gujarat 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

ARVIND PODDAR
CHAIRMAN & MANAGING DIRECTOR

Mumbai,
Dated : 2nd August, 2014

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 31st March, 2014.

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 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: | | Current Year Rupees | Previous Year Rupees |
|---------------------------------------|--|--------------------------------|---------------------------------|
| 1 | Electricity | | |
| | (a) Purchased | | |
| | Units (KWH) | 13,41,69,026 | 10,19,39,109 |
| | Total amount (Rs. in lacs) | 8,154 | 5,865 |
| | Rate/Unit (Rs.) | 6.08 | 5.75 |
| | (b) Own generation | | |
| | (i) Through Diesel Generation Sets | 31,32,931 | 2,21,61,287 |
| | Units (KWH) | | |
| | Units per liter of H.S.D/L.D.O/Furnace Oil | 3.00 | 3.34 |
| | Cost/Unit (Rs.) | 17.12 | 13.47 |
| | (ii) Through Wind Mill (for Captive Consumption) | | |
| | Units (KWH) | 60,66,234 | 60,27,309 |
| 2 | Pet Coke (specify quality and where used) | | |
| | The Company also used Pet Coke grade B/C in its Boilers | | |
| | Quantity (Tons) | 32,991 | 35,051 |
| | Total Amount (Rs. in lacs) | 2,564 | 2,722 |
| | Average Rate (Rs./Ton) | 7,771 | 7,766 |
| 3 | Coal (specify quality and where used) | | |
| | The Company also used Steam Coal grade B/C in its Boilers | | |
| | Quantity (Tons) | 16,666 | 6,989 |
| | Total Amount (Rs. in lacs) | 575 | 251 |
| | Average Rate (Rs./Ton) | 3,451 | 3,594 |
| 4 | H.S.D/L.D.O/Furnace Oil | | |
| | Quantity (K.Ltrs) | 1,046 | 6,633 |
| | Total Amount (Rs. in lacs) | 536 | 2,984 |
| | Average Rate (Rs./KL) (Net of Modvat, Wherever applicable) | 51,291 | 44,991 |