

Beck India Ltd.

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Electrical Insulation

- Primary Insulation
- Secondary Insulation

Wire enamels

Insulating varnishes

Impregnating resins



Beck India Ltd. is a group company of ALTANA AG, an International Chemical Group with sales of EUR 1.3 billion in 2006 and 4,400 employees worldwide.

In 2006, Beck India completed 50 years of operations in India. The company manufactures a wide range of speciality chemicals in electrical insulation and construction chemicals to cater to the electrical, electronics and construction industries. In pursuit of ALTANA's global commitment, Beck India develops new products and processes to meet the changing needs of customers. Beck India Ltd. utilizes its strengths effectively to be **PARTNERS IN CUSTOMERS SUCCESS.**

Our leadership status ensures we translate our leading technological capabilities and consistent quality standards to the advantage of our customers through contemporary and reliable products and solutions.

Our wide product profile is well supported by comprehensive Technical Service, and an All India Distributor and Applicator Network.

Beck India Ltd. has been accredited with the international Quality Management System ISO 9001:2000 and Environment Management System Certification ISO 14001.

Board of Directors

Dr. Matthias Wolfgruber
Chairman

Dr. Guido Forstbach

Mr. Martin Babilas

Dr. Wolfgang Schütt

Mr. R. K. Kulkarni

Mr. Pradeep Mallick

Mr. S. N. Talwar
(Alternate to Dr. Matthias Wolfgruber)

Mr. P. V. Deshpande
(Alternate to Dr. Wolfgang Schütt)

Mr. S. R. Shetye
(Alternate to Dr. Guido Forstbach)

Mr. Rajeev Bhide
(Alternate to Mr. Martin Babilas)

Mr. M. Tandon
Managing Director

Registered Office

407-A, 'Arcadia', 4th Floor,
195, Nariman Point,
Mumbai 400 021

Corporate Office

'Beck House'
Off Law College Road,
Pune 411 004

Works

147, Bombay-Pune Road,
Pimpri, Pune 411 018

Plot No. 1 (A, B & C),
GIDC Industrial Area,
Ankleshwar 393 002

Regional Offices

Bangalore, Kolkata,
Mumbai, New Delhi

website

<http://www.beckindia.com>

Executive Management

Mr. M. Tandon
Managing Director

Mr. P. V. Deshpande
Director- Marketing

Mr. S. R. Shetye
Director- Manufacturing

Mr. Rajeev Bhide
Director- Finance & Corporate Affairs

Company Secretary & Head Legal
Mr. Shirish Dabir

Auditors

BSR & Co.
Chartered Accountants

Internal Auditors

Mahajan & Aibara

Solicitors

Talwar Thakore & Associates

Bankers

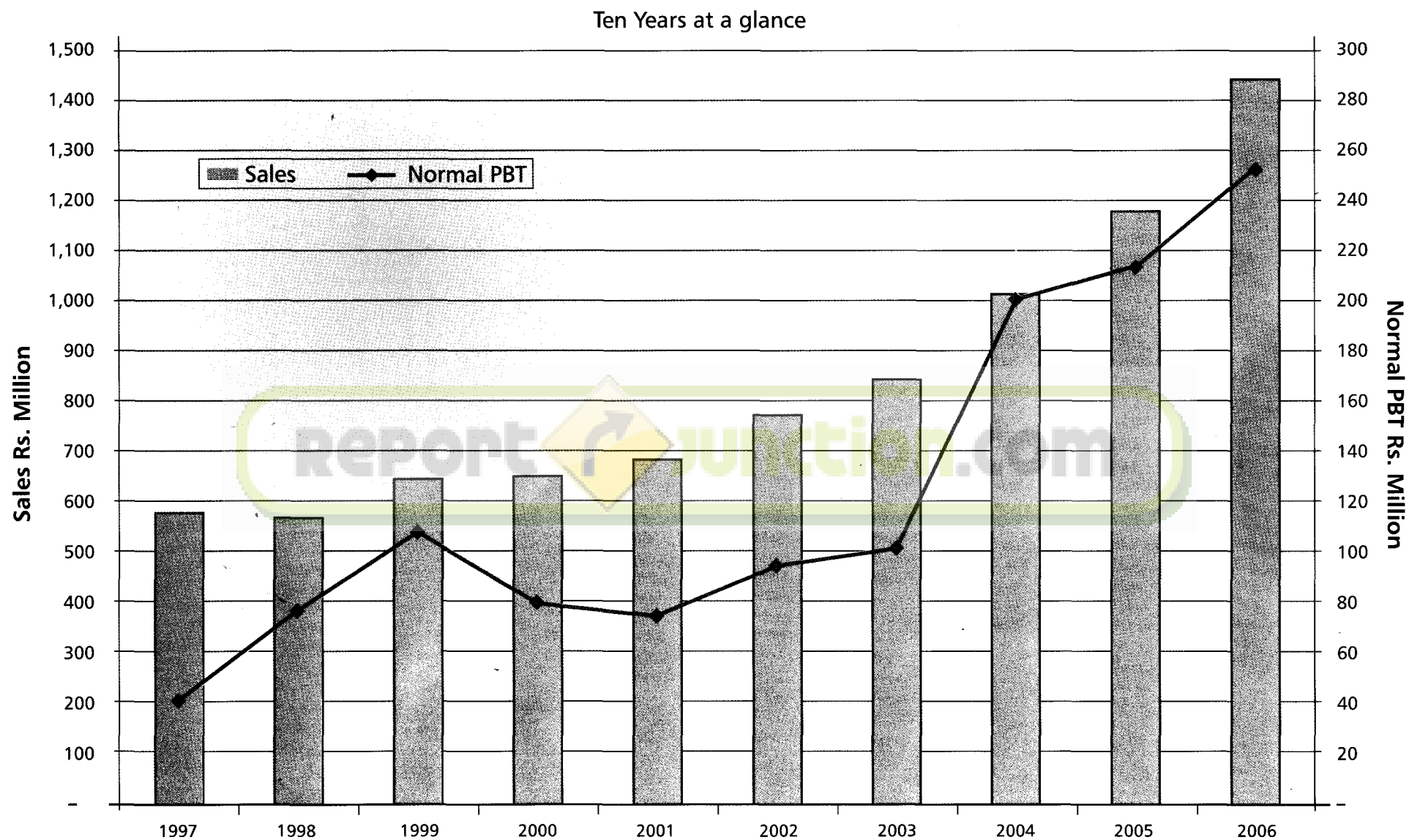
The Bank of Nova Scotia
Bank of Baroda

Registrars & Share Transfer Agents
Sharepro Services (India) Pvt. Ltd.

CONTENTS

Page

Ten years at glance	02
Directors' Report	03
Management Discussion & Analysis Report	08
Report on Corporate Governance	10
Auditors' Report	17
Balance Sheet	20
Profit & Loss Account	21
Cash Flow Statement	22
Notes to Financial Statements	23
Additional Information as required under part IV of Schedule VI to the Companies Act, 1956	36



Note : Normal PBT excludes profit / loss as a result of sale of business.

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Fifty-first Annual Report and the Audited Accounts for the financial year ended 31 December 2006.

Financial Highlights

(Rs. Million)

	Year ended 31.12.2006	Year ended 31.12.2005
Income from operations	1483.57	1219.85
Profit before Interest & Depreciation & Tax	269.72	229.86
Depreciation	16.99	14.78
Interest	0.11	0.75
Profit Before Tax	252.62	214.33
Provision for tax	83.77	75.95
Net Profit	168.85	138.38
Profit & Loss Account brought forward	181.57	102.23
Profit Available for appropriation	350.42	240.61
Appropriations:		
Interim Dividend	27.75	-
Proposed Dividend (Final)	-	39.64
Tax on Dividend distributed	3.89	5.56
Transfer to General Reserve	16.89	13.84
Carried to Profit & Loss Account	301.89	181.57
	350.42	240.61

Dividend

In view of improved performance of the Company during the year under review, your Directors approved and paid an Interim dividend of Rs.3.50 per equity share for the year ended 31 December 2006 (previous year Rs.2.50 plus Rs.2.50 special dividend on the occasion of the Golden Jubilee). In view thereof the Directors do not recommend any final dividend.

Performance

The sales performance of Rs.1442 million for the year ended 31 December 2006 is 22% higher than the sales performance for the previous year ended 31 December 2005 of Rs.1175 million. In quantitative terms, a similar comparison reveals a growth in sales volume of about 17%, for the year under review.

The aforesaid growth in sales as well as an improvement in other operational parameters has resulted in an appreciable increase in Profit Before Tax.

Directors

Mr. Pradeep Mallick and Mr. R. K. Kulkarni retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

As per the requirement under the Listing Agreement, particulars of Directors seeking re-appointment at the ensuing Annual General Meeting have been attached to the Notice of the meeting.

None of the Directors are disqualified from being appointed as or holding office as Directors, as stipulated under Section 274 of the Companies Act, 1956.

Corporate Governance

The Company has taken adequate action in order to ensure that all mandatory provisions prescribed under the Listing Agreements of the Stock Exchanges at which the Company is listed, as pertaining to Corporate Governance, are complied with. A separate Report on Corporate Governance is annexed to the Auditor's Certificate on the status of compliance. The Management Discussion and Analysis Report also forms an integral part of this report.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, after due inquiry and on the basis of the information received from the operating management and relying upon the report of the auditors regarding compliance with the Accounting Standards, the Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed, along with appropriate explanations relating to material departures.
2. the accounting policies have been consistently applied and reasonable and prudent judgement and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31 December 2006 and the Profit for the year ended on that date.
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

Fixed Deposits

During the year under review, the Company has not accepted any Fixed Deposits. As at 31 December 2006, deposits amounting to Rs.34,000 which, though matured, had remained unclaimed. Depositors had been accordingly intimated with a request to claim their deposits.

Cost Audit

Dhananjay V. Joshi & Co., Cost Accountants, have been re-appointed for the year 2007 to conduct an audit of the Cost accounting records maintained by the Company in respect of Synthetic Resins and Varnishes.

Auditors

The Auditors BSR & Co., Chartered Accountants, Mumbai, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee recommends the re-appointment of BSR & Co., as Auditors of the Company for the year 2007. The Company has received a letter from retiring auditors to the effect that their appointment, if carried out, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo

Information as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo, is given in Annexure A to this report.

Particulars of Employees

Information to be provided under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is given in Annexure B forming part of this report.

Industrial Relations

During the year under review, industrial relations continue to be cordial.

The Board wishes to place on record its appreciation to all employees of the Company for their continued contribution to the performance of the Company.

For and on behalf of the Board

Mumbai
20 April 2007

S.N. Talwar
Director

M. Tandon
Managing Director

Annexure A to the Directors' Report

Additional information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

(a) Following measures were taken to conserve energy:

- Handling of material using air operated diaphragm pumps in place of Vacuum Pumps & Ejectors
- Provision of Screw compressor with variable frequency drive for tuning as per pressure requirements
- Addition of new products covered by PCS7 automation system at Pimpri and Ankleshwar
- Use of energy efficient CFL for street lighting
- Use of hot oil heating in place of steam for melting of material in drums
- Installation of capacity for product Dobeckan 2504E at Pimpri with new energy efficient equipment
- Installation of a new fuel efficient DG set complying with stringent emission norms as per CPCB norms at Pimpri Factory
- Installation of energy efficient variable frequency drives for agitators at Pimpri

(b) Additional investments and proposals being implemented for reduction of consumption of energy:

- Implementation at Ankleshwar of various recommendations arising out of CII's Energy Audit
- Improvement in material handling by use of above ground tanks in place of barrels for charging solvents, at Pimpri
- Infrastructure upgradation leading to centralisation of production activities at Pimpri
- Provision of separate mixing vessels to augment energy efficiency and capacity utilisation of reactors
- Replacement of forced draft ventilation systems by naturally induced convective ventilation systems

(c) Impact of (a), (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

- Overall savings in energy consumption leading to reduced electricity and fuel consumption per Metric Ton of production

(d) Total energy consumption and energy consumption per unit of production.

Particulars	Year ended 31.12.2006	Year ended 31.12.2005
A. POWER & FUEL CONSUMPTION		
1. Electricity		
(a) Purchased unit (KWH in lakh)		
Total KWH	21.00	18.91
Total amount (Rs.lakh)	102.45	83.15
Rate /KWH (Rs.)	4.88	4.40
(b) Own generation		
i) Through Diesel Generator		
Units (KWH in lakh)	1.36	1.49
Units per ltr. of Diesel Oil	2.73	2.44
Cost / Unit (Rs.)	14.06	13.92
ii) Through Steam turbine / generator		
Units (KWH in lakh)	-	-
Units per ltr. of fuel oil /gas	-	-
Cost / Unit (Rs.)	-	-
2) Coal		
Quantity (Tonnes)	-	-
Total amount (Rs.lakh)	-	-
Average Rate (Rs./MT)	-	-
3) Furnace Oil (LDO)		
Quantity (K.Ltrs.)	356.63	319.13
Total amount (Rs.lakh)	103.54	80.40
Average Rate (Rs./KM3)	29032.89	25193.49
4) Natural Gas		
Quantity (KM3)	367.29	323.72
Total amount (Rs.lakh)	32.88	28.81
Average Rate (Rs./KM3)	8951.30	8900.99
B. CONSUMPTION PER M.T. OF PRODUCTION		
Products: Wire Enamels, Impregnating Varnishes & Synthetic Resins		
Electricity (KWH)	190.33	216.47
Furnace Oil in Ltrs. (LDO)	30.35	33.85
Coal	-	-
Natural Gas	31.26	34.34
Others	-	-

B. TECHNOLOGY ABSORPTION :

- Specific areas in which R&D carried out by the Company :
Research and Development Centre was engaged in the development of new synthetic insulation materials for the winding wire industry and absorption of imported technology for a few secondary insulation materials used in electrical industries. Development of coatings for the construction industry was also carried out.

2. Benefits derived as a result of the above R&D :
Introduction of new products and improvements in manufacturing process leading, in turn, to the following benefits:
- Development of eco-friendly and less toxic insulating varnishes, which are ROHS compliant, (awaiting commercialization)
 - Scale up and introduction of several products transferred from Group Companies under technology transfer to meet the specific demand from local customers
 - Cost reduction and improvement in manufacturing processes
3. Future plan of action :
- Continue work on high quality wire enamels and varnishes with reduced toxicity.
 - Develop new intermediate resins for supply to associate companies.
 - Adapt new products from group companies under technology transfer to cater to local demand potential.
 - Initiate new projects as part of global R&D initiatives for the benefit of local and global customers.
4. Expenditure on R&D :

(Rs. Lakh.)

	Year ended 31.12.2006	Year ended 31.12.2005
(a) Capital	35.40	20.44
(b) Recurring	97.63	99.03
(c) Total	133.03	119.47
(d) Percentage of total turnover	0.81	0.88

5. Technology absorption, adaptation & Innovation :
The Technology received from our collaborators in respect of new product is modified to suit customers' needs.
Information regarding technology imported during the last five years:

Technology imported	Year of Import	Has the Technology been fully absorbed	If not, when to be absorbed
1. Know-how for manufacture of insulating varnishes.	2004	Yes	Completed

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information regarding foreign exchange earnings and outgo is contained in Note Nos. 26 & 27 to the financial statements.

Annexure B to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31 December 2006.

1	Name	Mr. Manu Tandon
2	Designation	Managing Director
3	Remuneration subject to tax	(Rs.) 54,22,501/-
4	Qualifications	B.Com. F.C.A (England & Wales)
5	Age & experience (Years)	63/38
6	Date of commencement of employment	1.1.1996
7	Last employment held, Designation and Organisation	Chief Executive - Finance & Personnel BASF India Ltd., Mumbai.

Notes:

1. The nature of employment is contractual.
2. Other terms and conditions : as per Company's rules.
3. Gross remuneration includes allowances, Company's contribution to provident fund, provision for medical entitlement as per Company's rules, monetary value of perquisites as per Income Tax Act / Rules and does not include provisions for leave encashment, premium for gratuity and group insurance.

Management Discussion & Analysis Report

Growth in the manufacturing sector in India has crossed 10% in 2006-07, driven primarily by strong domestic consumer demand from the ever increasing middle class and investments in high technology capital intensive industry and infrastructure. The Indian economy has grown by 8% and unlike countries of East and South East Asia is less affected by global volatility, due to exports constituting only about 16% of its GDP. Although inflation and consequent rise in interest rates may moderate growth rates in the near future, particularly in the housing and auto sectors where consumer finance plays a significant role, the corporate sector is generally bullish on the 2007-08 prospects. There is now evidence of massive expenditures taking place to address the problems of infrastructure, but power will remain a constraint for some years. The manufacturing sector is now reaching high capacity utilization and is once again in a capital expenditure mode, which itself spurs the growth rate. However, release of agricultural land for expansion and new industrial units has become a contentious issue and in general, our society has to address several social issues such as inclusive growth and the education and health sectors.

During 2006, the Speciality Chemical Industry experienced volatility in certain key raw material prices for reasons not related to crude oil prices, but otherwise prices remained largely stable except for seasonal fluctuations.

Beck India's business lines are directly linked to the Electrical and Construction Industry, both of which are expected to remain buoyant. Given below is an analysis of our business in these two sectors.

Electrical Insulation Systems

Beck India has categorised its markets into three main areas – Primary Insulation comprising enamels for winding wires; Secondary Insulation comprising varnishes and resins for electrical rotating machinery, lighting components, transformers, switch gear and control gear; and a diverse variety of compounded resins for Engineering, construction and electronics applications.

In terms of end products, the Company's product range filters down to consumer electrical and electronics, domestic, agricultural and industrial pump sets, generating sets, electrical equipment for industry, railways, automobiles, two wheelers, transformers and power equipment. Construction chemicals are utilized in industrial & commercial buildings and bridges, dams, port structures etc.

The wide spectrum of end user industry which constitutes the customer base of Beck India indicates that the Company's prospects are closely enmeshed with the country's manufacturing and infrastructure sectors, and the growth outlook thereof augers well for the Company. For the electrical sector specifically, the Indian Electrical & Electronic Manufacturers Association (IEEMA) has projected robust growth rates in the next 4-5 years.

Progressively reduced import tariffs have intensified competition from imports, particularly in the market segment of Primary Insulation. The Company will therefore have to innovate through its R&D and commercial skills to reduce input costs in order to retain its competitive edge. The Company is also collaborating with its Group affiliates to lower costs of key imported raw material prices through global demand bundling arrangements.

During the year under review, the Company concluded negotiations with Sanmar Speciality Chemicals Ltd. for the purchase of their Electrical Insulation business comprising of certain selected intangibles but excluding all tangible assets and liabilities. Although a small acquisition in terms of incremental sales turnover, this will broaden the customer base of the Company for future growth. This acquisition was completed in the early part of the current year and will start showing results from the second quarter of 2007.

Construction Chemicals

The entry of several global companies setting up new manufacturing units has revolutionized construction techniques of industrial buildings, supplanting traditional building materials and increasing use of polymers, particularly for floorings and high value chemical based exterior coatings. Beck India's business in Construction Chemicals has witnessed a 13% growth in 2006, but with more global companies entering this business, constant product innovation and tailor made solutions are key to staying ahead. In 2006, Beck India has secured several large contracts from global companies setting up new sites in India, and has established a significant niche in the pharmaceutical, auto and electronic sectors.

Current & Future Outlook

The continuing growth of the Indian manufacturing sector will sustain the demand for the Company's product range, subject to competition from imports and global competitors establishing manufacturing bases in India.

In the process of rationalisation within the Altana Group, aimed at optimization of both costs and benefits to customers, Beck India had taken over export of certain electrical insulation products to South Africa and Sri Lanka, as well as supplies to a key global customer in India, hitherto supplied out of Europe. Conversely, such a rationalisation process will also mean that Beck India will transfer certain customers in East Asia to its local affiliates, which will marginally impact the results in 2008. In the event trade restrictions between India and Pakistan are lifted, we see opportunities for Beck India with customers serviced from other Affiliates.

Subject to the continuing economic buoyancy and stability in raw material prices, your Board is optimistic about prospects for the current year. Going