

## DIRECTORS' REPORT &amp; MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Your Directors are pleased to present the 58<sup>th</sup> Annual Report of Balkrishna Industries Limited (the "Company") along with the audited financial statements for the financial year ended 31<sup>st</sup> March, 2020. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

### 1. FINANCIAL RESULTS:

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	Current Year ended	Previous Year ended	Current Year ended	Previous Year ended
	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
Revenue from Operations	4,78,249	5,24,450	4,81,124	5,20,999
Other Income	24,877	21,421	25,078	21,817
<b>Total Income</b>	<b>5,03,126</b>	<b>5,45,871</b>	<b>5,06,202</b>	<b>5,42,816</b>
<b>Gross Profit</b>	<b>1,49,085</b>	<b>1,51,556</b>	<b>1,51,313</b>	<b>1,50,917</b>
Less: Depreciation	36,801	33,255	37,361	33,261
<b>Profit before tax</b>	<b>1,12,284</b>	<b>1,18,301</b>	<b>1,13,952</b>	<b>1,17,656</b>
Less: Provision for tax				
Current Tax	29,230	39,160	29,431	39,350
Deferred Tax	(11,444)	941	(11,444)	941
<b>Profit after Tax</b>	<b>94,498</b>	<b>78,200</b>	<b>95,965</b>	<b>77,365</b>

### 2. INDUSTRY STRUCTURE AND DEVELOPMENT:

Your Company is primarily engaged into Specialty "Off Highway Tire segment" which is consisting of Agriculture, Industrial, Construction, Earthmoving, Mining, Port, Lawn and Garden and All-Terrain Vehicle (ATVs) Tires, etc.

This segment is highly technical & capital intensive and known as "large varieties low volume segment" where any credible player needs to maintain large number of Stock Keeping Units (SKUs) to meet the diverse requirement of its customers worldwide. While the sub segment (agriculture) is largely known as non-cyclical in nature, the other sub segment (industrial, construction and mining) is generally considered as cyclical and the performance of it is largely linked to overall economic outlook of the world. The market for Company's products is mainly Europe, America, Australasia and India.

The first 8 months of the year under review have been challenging due to various macro factors such as; Trade War, unfavourable climate condition in Europe which impacted the demand of our products adversely in various parts of the globe.

From December 2019, after resolution of trade war between USA and China and favourable winter agricultural season in Europe, the demand scenario turned positive and business continued to improve until middle of March 2020 when we all were caught by the deadly Corona Virus more commonly known as "COVID-19" which led to lockdown of the entire country and as a result, our manufacturing activities as well as dispatches remained suspended from 25<sup>th</sup> March 2020 to the later part of April 2020 when lockdown was partly lifted by the Government as we were falling into essential services. We have undertaken sufficient safety measures across all our plants and followed increased protocol to ensure safety and well-being of our staff members as well as outsiders interacting with our staff members.

After resumption of manufacturing activities and dispatches, we were gradually able to ramp up our activities and are happy to inform you that we have gained normalcy in our manufacturing activities as well as dispatches to a good extent. However, the year ahead also looks challenging as we are still struggling with COVID-19 issues, the solution of which does not seem to be in sight as of today.

### 3. OPERATIONS AND STATE OF AFFAIRS:

**Standalone:** During the year under consideration on Standalone basis, your Company achieved a Revenue from Operations of ₹ 4,78,249 Lakhs as against ₹ 5,24,450 Lakhs during the previous financial year. Earnings before Interest, Depreciation and Tax (EBIDTA) has decreased to ₹ 1,49,812 Lakhs from ₹ 1,52,535 Lakhs during previous financial year and Net profit has increased to ₹ 94,498 Lakhs from ₹ 78,200 Lakhs during previous financial year. More than 80% of our revenue is generated through exports.

**Consolidated:** During the year under consideration on Consolidated basis, your Company achieved Revenue from operations ₹ 4,81,124 Lakhs as against ₹ 5,20,999 Lakhs during the previous financial year. Earnings before Interest, Depreciation and Tax (EBIDTA) has increased to ₹ 1,52,203 Lakhs from ₹ 1,52,030 Lakhs during previous financial year and Net profit has increased to ₹ 95,965 Lakhs from ₹ 77,365 Lakhs during previous financial year.

The decrease in revenue and EBIDTA in standalone and decrease in revenue in consolidated results have happened due to adverse factors explained hereinabove whereas the net profit has increased despite lower revenue due to reduction in rate of tax by the Government of India during the year and consequent adjustments in deferred tax liability.

### 4. EXPORT HOUSE STATUS:

Your Company enjoys the status of "Four Star Export House".

## 5. PROJECT AND EXPANSION:

Your Company had undertaken various projects/expansion during financial year 2018-19. The current status of these are as under:

- A. Carbon Black: The Second phase of the Carbon Black project was completed on 12<sup>th</sup> March, 2020 with a capacity of 80,000 tons per annum. The first Phase of 60,000 tons per annum capacity was already completed in the month of June, 2018.
- B. Greenfield Tire Plant in US: The Board had approved to explore to set up a Green Field Tire Project of 20,000 Mts per annum capacity with an estimated capital outlay up to USD 100 million through its wholly owned subsidiary company in USA. After reviewing various aspects of the project in the backdrop of various challenging economic and business environment, the Board decided to keep it in abeyance.
- C. Waluj Plant: The Green Field Tire project was progressing as per schedule, however due to COVID-19, the work was temporarily shut from 25<sup>th</sup> March, 2020. The project work resumed after the lockdown was lifted. The Company is trying to complete this project as per schedule i.e. before 31<sup>st</sup> March 2021 subject to delay of one quarter provided there is no further lockdown or any unforeseen circumstances.
- D. Bhuj Plant: The various activities; setting up of ultra large sized all steel OTR Radial Tire Plant, expansion of mixing facility and setting up of a warehouse at Bhuj plant were progressing as per schedule. However, due to COVID-19, the work was temporarily shut from 25<sup>th</sup> March, 2020. The project work resumed after the lockdown was lifted. The Company is trying to complete these activities as per schedule i.e. before 31<sup>st</sup> March 2021 subject to delay of one quarter provided there is no further lockdown or any unforeseen circumstances.

## 6. DIVIDEND:

Your Directors are pleased to inform that your Company has a consistent track record of dividend payment. Your Company had declared and paid 3 interim dividends during the financial year under consideration aggregating to ₹ 20/- per share as compared to total dividend of ₹ 8/- per share for the financial year 2018-19. In view of the various expansion projects being undertaken by the Company, no final dividend is proposed to be declared.

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations, 2015"), the Board has approved and adopted a Dividend Distribution Policy, attached as **Annexure - I**.

## 7. SHARE CAPITAL:

The paid-up Share Capital of the Company as on 31<sup>st</sup> March, 2020 was ₹ 3,866 Lakhs. As on 31<sup>st</sup> March, 2020, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity and none of the Directors of the Company hold any convertible instruments.

## 8. RESERVES:

The Company proposes to transfer ₹ 300 Lakhs to General Reserves.

## 9. OUTLOOK FOR THE FINANCIAL YEAR 2020-21:

The outlook for the current year i.e. 2020-21 is full of challenges, mainly due to COVID-19 pandemic. The entire world including India is struggling with it which has severely impacted the economic activities across the globe including India. Since there is no treatment / solution in sight, it is very difficult to say when and how normalcy will be restored.

This pandemic has also triggered a fresh tussle between USA and China which may impact the global business environment adversely. In view of all such factors, the outlook for the current financial year is uncertain. However, the long-term prospects of the company are good and promising as your Company continues to explore all the avenues to ensure growth of its business which includes deeper penetration into its existing market within India as well as outside India including OEMs and continuous expansion of its product range. Your Company is proud to say that it has more than 2700 SKUs.

## 10. MATERIAL CHANGES AND COMMITMENTS:

In terms of Section 134(3)(l) of the Companies Act, 2013, there are no material changes and commitments affecting the financial position of your Company which have occurred between the close of the financial year of the Company on 31<sup>st</sup> March, 2020 to which the financial statements relate and up to the date of this report except a delay in completion of expansion projects as stated earlier.

## 11. OPPORTUNITIES AND THREAT:

### Opportunities:

Your Company operates into a segment predominantly known as "large varieties - low volume segment", which is not only capital intensive but also labour intensive. Your Company is fully geared 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 is continuously marching ahead to explore incremental opportunity in the form of developing "Earthmovers & mining tires" markets and taking advantage of the shift from bias to radial tires, which is growing continuously. In order to take advantage of this opportunity, the Company had set up an all-steel OTR Radial tire plant and have further added such capacities by setting up a green field tire plant at Bhuj to produce large size all steel OTR radial tires besides other categories of tires. Your Company is proud to be the first Company in India to set up such a plant. Your Company is continuously expanding its base into various sub-segments like agricultural, industrial, construction, mining, winter and solid tires under both technologies – bias as well as radials.

The COVID-19 issue has led to a situation where most of the countries are thinking to reshuffle their sourcing plan / strategy. It may open up lot of opportunities for India including our Company.

### Threats:

Like any other Company, your Company is also exposed to various threats like competition from small players, retention of employees, labour issues, increase in raw material prices and other input costs, etc.

A new threat has emerged out of COVID-19 which may change the manner and pattern of the business and also may intensify the various threats to which we are already exposed to. It may increase the operating cost of running the business.

**12. SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS & RETURN ON NET WORTH:****Accounts:**

As per amendment made under Schedule V read with Regulation 34(3) to the Listing Regulations, details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in Key Financial Ratios and any changes in Return on Net Worth of the Company including explanations thereof are given below:

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Debtors Turnover ratio (Days) *	50.69	40.92	45.77	37.50
Inventory Turnover ratio (Days) **	12.27	15.34	14.93	18.76
Interest Coverage Ratio (ICR) # \$ 1	155.45	121.84	129.04	106.71
Current Ratio## \$ 2	1.28	1.76	1.23	1.70
Net Debt - Equity Ratio ! \$ 3	0.10	0.01	0.11	0.01
Operating Profit Margin !!	23.63	22.74	23.87	22.80
Net Profit Margin ^ \$ 4	18.78	15.43	18.96	14.25
Return on Net Worth ^ ^	22.48	25.49	22.93	25.52

\* Accounts receivables / Sales \* 365 days

\*\* Closing stock of finished and traded goods / sales \*365 days

# EBIT / finance cost

## Current Assets /Current liabilities

! (Long term borrowings + short term borrowing + current maturities less current investment, cash and Cash Equivalents) / Total equity

!! EBIT / Operating Income

^ PAT / Total Income

^ ^ EBIT / Net Worth

\$ Reason for variance (> 25%)

\$ 1 The ICR increased due to lower finance cost as company availed foreign currency working capital loan (PCFC in EURO) at lower rate of interest and also due to reduction in borrowings.

\$ 2 The Current Ratio reduced due to reduction in current investment.

\$ 3 The net debt / equity increased as net debt increased due to reduction in current investment.

\$ 4 The Net Profit margin increased due to lower tax rate.

**13. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:**

The Company has adequate internal control systems in place, and also has reasonable assurance on authorizing, recording and reporting transactions of its operations. The Company has a well-placed, proper and adequate internal controls environment, commensurate with its size, scale and complexities of its operations. The Company had already developed and implemented a framework for ensuring internal controls over financial reporting. This framework includes entity level policies, processes and operating level standard operating procedures. Internal control systems are an integral part of your Company's Corporate Governance structure. These have been designed to provide reasonable assurance with regard to inter-alia a. recording and providing reliable financial and operational information; b. complying with the applicable statutes; c. safeguarding assets from unauthorized use; d. executing transactions with proper authorization, and ensuring compliance with corporate policies e. Prevention and detection of Frauds / errors; f. Continuous updating of IT systems. The Company's management has assessed the effectiveness of the Company's internal control over financial reporting as of 31<sup>st</sup> March, 2020.

Your Company has appointed M/s KPMG to assess the effectiveness of internal financial controls of the Company. Their assessment was based on an internal audit plan, which was reviewed in consultation with the Audit Committee.

The Audit Committee reviewed the reports submitted by the Management and Internal Auditors. Based on their evaluation (as defined in section 177 of the Companies Act, 2013 and Regulation 18 of Listing Regulations, 2015), the Company's Audit Committee has concluded that, as of 31<sup>st</sup> March, 2020, the Company's internal financial controls were adequate and operating effectively.

**14. HUMAN RESOURCES:**

Your Company believes in a culture of inclusion, trust, empowerment and development for its employees. Your Company continues to invest significantly in building a culture of coaching and mentoring and further aims to make coaching, mentoring and communication ability the foundation of its leadership style. Your Company considers people as its biggest asset and believes in People at the heart of its Human resource strategy. Your Company has established an organization structure that is agile and focused on delivering business results. With regular communication and sustained efforts, it is ensuring that employees are aligned on common objectives and have the right information on business evolution. Your Company ensures that young talent is nurtured and mentored consistently, that rewards and recognition are commensurate with performance and that employees have the opportunity to develop and grow. Your Company had 2,834 employees as on 31<sup>st</sup> March, 2020. Your Company strongly believes in fostering a culture of trust and mutual respect in all its employees and seeks to ensure that Company's values and principles are understood by all and are the reference point in all people matters. Employee relations continue to be cordial.

COVID-19 has created lot of challenges on the Human Resources front; both in the staff category as well as in workmen category. In order to address this challenge, the Company has taken medical insurance of all its employees to protect them from COVID-19 and have taken good care of its staff members as well as workers during the period of lockdown and continues to do so on regular basis.

**15. SUBSIDIARY COMPANIES:**

Thritha Synthetics Limited, the wholly owned subsidiary of the Company, incorporated in year 2013, has voluntarily made an application with the Registrar of Companies (ROC), Mumbai, Ministry of Corporate Affairs, for striking off its name from the records of ROC after meeting / discharging all the necessary requirements for striking off, on 21<sup>st</sup> August, 2018, which is currently 'under process of striking off'.

At the end of the year under review, the Company had one Domestic Wholly Owned Subsidiary Company viz. BKT Tyres Limited and the following Overseas Subsidiary Companies viz. BKT EUROPE S.R.L., BKT USA INC, BKT TIRES (CANADA) INC., BKT EXIM US, INC. The company has also one step down subsidiary in the name of BKT Tires Inc. based in USA which is a 100% subsidiary of BKT Exim US, INC. The Company does not have any material subsidiary as per the thresholds laid down under the Listing Regulations. A policy on material subsidiaries has been formulated by the Company and posted on the website of the Company and can be accessed on the Company's website at: <https://www.bkt-tires.com/www/en/investors-desk>.

Pursuant to Section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014, a statement containing the salient features of the financial position of subsidiary companies in Form AOC-1 attached as **Annexure II**.

#### 16. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134 (3)(c) and 134(5) of the Companies Act, 2013, your Directors, to the best of their knowledge and belief, make the following statements that:

- (i) that in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2020, the applicable accounting standards 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 31<sup>st</sup> March, 2020 and the Statement of Profit and Loss of the Company for the financial year ended 31<sup>st</sup> March, 2020;
- (iii) the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts of the Company on a "going concern" basis;
- (v) the Directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and are operating effectively; and
- (vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that systems are adequate and operating effectively.

#### 17. CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES:

All contracts /arrangements / transactions entered by the Company during the financial year with related parties were in ordinary course of business and on an arm's length basis. During the year, the Company has not entered into any contracts /arrangements / transactions with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC - 2 is not applicable to your Company.

The Policy on materiality of related party transactions and dealing with related party transactions are approved by the Board and can be accessed on the Company's website at: <https://www.bkt-tires.com/www/en/investors-desk>. The details of transactions / contracts/ arrangements entered by the Company with Related parties during the financial year are set out in the Notes to the Financial Statement.

The Board of Directors of the Company has approved the criteria for making the omnibus approval by the Audit Committee within the overall framework of the policy on related party transactions. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and proposed to be entered in the ordinary course of business and at arm's length during the financial year. All related party transactions are placed before the Audit Committee for review and approval.

#### 18. CORPORATE SOCIAL RESPONSIBILITY:

The Company's social initiatives empower society at a large and provide a holistic growth platform. The Company believes that Corporate Social Responsibility (CSR) projects undertaken by it should be sustainable with the long-term purpose of improving the quality of living for the less privileged. The funds on CSR projects / activities are spent very carefully to ensure that the desired objectives are achieved.

During financial year 2018-19, your Company was required to spend ₹1,893 lakhs, of which Company had actually spent ₹ 1,697 lakhs and balance amount of ₹ 197 lakhs were unspent as on 31<sup>st</sup> March, 2019. During the year under review, your Company has spent the balance amount of ₹ 197 lakhs on the identified CSR project.

The Board of Directors of the Company has approved a CSR Policy based on the recommendation of the CSR Committee. The brief outline of the CSR policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure-III**. The Board of Directors has formed a committee on CSR in accordance with The Companies Act, 2013. The terms of reference of the CSR Committee, number and dates of meetings held, composition and attendance of the Directors during the financial year ended 31<sup>st</sup> March, 2020 are given separately in the Corporate Governance Report.

During the year under review, the Company was required to spend ₹ 2,123 lakhs. The Company had identified various CSR projects having a total commitment of more than ₹ 2,123 lakhs and had spent amount of ₹ 1,576 Lakhs till March, 2020. The balance amount of ₹ 547 lakhs has been spent in the month of April, May and June 2020 on the CSR identified projects. Hence, your Company has spent the total amount of ₹ 2,123 lakhs towards CSR.

In line with company's objective under its CSR policy to support the society at a large, the company has distributed cooked food and food grains in various part of India to the people affected by lockdown due to COVID-19. The Company has also distributed PPE kits to various hospitals in Mumbai and other part of India. Moreover, company has donated Hemodynamic Monitors to Tata Memorial Hospital, Mumbai. These monitors will help the hospital to monitor vital parameters like pulse, BP, Oxygen saturation and other vital functions of patients with severe COVID-19 infection.

The CSR policy of the Company is available on the Company's website: <https://www.bkt-tires.com/www/en/investors-desk>.

**19. RISKS RELATED TO BUSINESS:**

Risk is an integral and unavoidable component of business. In today's challenging and competitive environment, mitigating risks is imperative. Common risks include changing regulations, competition, business risk, technology obsolescence, investments and retention of talent. Business risk, inter alia, further includes financial risk, social risk, political risk, environmental risk and legal risk. For managing risks more efficiently, the Company has undertaken a detailed risk management exercise and has identified key risks that can have a critical impact on the Company's performance. The Company has inter alia identified the following key risks:

**Operational Risk:**

Operational risks like equipment obsolescence can impact production. To mitigate such risks, the Company continuously monitors equipment obsolescence and upgrades equipment from time to time and undertakes preventive maintenance measures. The Company has also made significant investment in equipment modernization.

**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. The demand supply situation of Natural Rubber has been favourable to the users which has kept its prices under check. Though we see volatility in its pricing, we do not foresee any major increase in its prices in the near to medium term unless due to unforeseen circumstances. The prices of other raw materials which are crude derivatives have been declining on account of drop in crude prices. Since crude is a very volatile commodity, the prices of crude linked raw materials are likely to fluctuate due to any fluctuation in crude prices.

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. The timely sourcing of various raw materials consumed by the Company is ensured by procuring it from different geographies.

COVID-19 has disrupted the entire supply chain across the globe which has led to higher delivery time coupled with increase in logistic cost. The company is continuously developing alternative sources of raw material as well as their supply chain to ensure timely delivery of goods at a minimal cost.

**Market Risk:**

More than 80% of the Company revenue is generated through exports which is made to different geographies. Almost 1/3<sup>rd</sup> of the Company's revenue is generated through a product category which is cyclical in nature and therefore your Company is exposed to market risk.

Your Company manages this risk by expanding its presence in different markets, deeper penetration into existing markets and by launching new products. Furthermore, the Company spends requisite amount on marketing and promotional activities to ensure customer retention and brand-building.

COVID-19 has led to lockdown across the globe which has impacted the demand adversely. The Company believes that the disruption in demand is temporary in nature and do not foresee any long-term challenges on demand front out of COVID-19.

**Labour Relations:**

Since the manufacturing process of the Company is labour intensive, 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 and safety of its workmen and maintain a cordial working environment. All workers are paid more than government stipulated remuneration for their work.

COVID-19 led to migration of labour from various industrial zones to their home towns; this may create a situation of shortage of labour which may impact the operations of the Company adversely. Despite this, your Company does not foresee any major challenge as it has taken good care of all its staff members as well as workers during the period of lockdown and continues to do so regularly ensuring smooth and seamless operations of the Company.

**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. COVID-19 has further intensified this risk. However, the Company is able to manage the said risk by good HR practices and rewarding its employees handsomely.

**Currency Fluctuation:**

The Company revenues are mainly generated through exports. Further, since most of the raw materials and capital equipment are imported, the Company is exposed to foreign currency risk. However, it enjoys natural hedge as most of its revenues are in foreign currency.

COVID-19 issue has created imbalance in the economies of various countries including India and therefore we are exposed to wider risk due to currency fluctuation.

However, since, the Company is a net foreign exchange earner and hedges its net exposure well in advance by way of forward contracts, it is immune to a great extent from the fluctuation in currencies.

**Risk Management and Mitigation:**

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and/or impact of uncertain events or to maximize the realization of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources. Risk management also attempts to identify and manage threats that could severely impact or bring down the organization.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company risk management framework. Pursuant to Regulation 21 of Listing Regulations, the Board of Directors at their meeting held on 8<sup>th</sup> February, 2019, has constituted Risk Management Committee comprising of Mr. Pannkaj Ghadiali, an Independent Director as Chairman of the Committee, Mr. Arvind Poddar, Mr. Rajiv Poddar, Mr. Vipul Shah, Directors of the Company and Mr. Basant Bansal, KMP are Members



of the Committee. The primary objective of the Committee is to control the various risks that the Company is exposed to, with a view to prevent unacceptable losses, to provide an effective means of identifying, measuring and monitoring credit exposures incurred by Company and to keep such risk at or below pre-determined levels. The Company has framed an Enterprise Risk Management Policy (the "Policy") to realize the following benefits for the Company:

1. Enhanced risk management for the organization including strategy setting.
2. Facilitate risk-based decision making.
3. Improve governance and accountability.
4. Enhance credibility with key stakeholders such as investors, employees, government, regulators, society, etc.
5. Create, Protect and enrich stakeholder value.

The policy contains the objectives of risk management, company's approach to risk management and the risk organization structure for identification, management and reporting of risks. The policy specifies the roles and responsibilities of key stakeholders and other key personnel of the company with regards to risk management. The policy also aims to ensure and identify process of risk identification and management in compliance with the provisions of the Companies Act, 2013.

Following objectives are achieved through the Risk Management program of the Company viz:

1. Enable organizational sustainability taking cognizance of the impact of its products, services & operations on society and the environment.
2. Reduce potential gaps in achieving company's objectives.
3. Align and integrate existing risk management practices in the organization.
4. Build confidence of investment community and stakeholders.
5. Enhance Corporate Governance.
6. Successfully respond to changing business environment.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's Activities.

The Audit Committee oversees how management monitors compliance with the Company's risk management policy and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit Committee.

There are no risks, which in the opinion of the Board threaten the existence of the Company.

## **20. DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

Mr. Ashok Saraf, Mr. Laxmidas Merchant and Mr. Sanjay Asher, Independent Directors, were appointed for a period of five consecutive years w.e.f. 2<sup>nd</sup> August, 2014. During the year under review, all the above-mentioned Independent Directors completed their second term of five years and ceased to be Independent Directors w.e.f. closing business hours of 1<sup>st</sup> August, 2019. Your directors place on record their appreciation on the valuable guidance given and the services rendered by all the aforesaid independent directors during their tenure with the Company.

In accordance with provisions of the Companies Act, 2013 and Articles of Association of the Company, Mr. Vipul Shah, Executive Director of the Company, retires by rotation at the ensuing AGM and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

Brief profile of the Director being re-appointed as required under Regulations 36(3) of Listing Regulations, 2015 and Secretarial Standard on General Meetings is provided in the Notice for the forthcoming AGM of the Company.

The Company has received declaration from all Independent Directors of the Company confirming that they meet with the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 as well as Regulation 16(1)(b) of the Listing Regulations, 2015.

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirement set out by the SEBI. The Company has complied with the requirements of Corporate Governance as stipulated under the Listing Regulations, 2015 and accordingly, the Report on Corporate Governance forms part of this Annual Report. The requisite certificate from the Auditors of the Company confirming compliance with the conditions of the Corporate Governance is attached to the Report on Corporate Governance.

## **21. POLICY ON DIRECTORS APPOINTMENT AND REMUNERATION:**

The Company has devised the Nomination and Remuneration Policy for the selection, appointment and remuneration of Directors, Key Managerial Personnel and also remuneration of other employees including Senior Management employees who have the capacity and ability to lead the Company towards achieving sustainable development. The extract of Nomination and Remuneration Policy is provided in the Corporate Governance Report and forms part of Board's Report.

The Criteria for appointment and remuneration of Directors is as under:

- (i) Criteria for Appointment of Managing Director / Whole Time Director/ Director:  
The Nomination and Remuneration Committee shall identify persons of integrity who possess relevant expertise and experience particularly in Tire Industry, leadership qualities required for the position and shall take into consideration recommendation, if any, received from any member of the Board.
- (ii) Criteria for Appointment of Independent Director:  
The Independent Director shall be of high integrity with relevant expertise and experience so as to have as diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management.

## **22. PERFORMANCE EVALUATION:**

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Directors pursuant to applicable provisions of the Act and the corporate governance requirements as prescribed by applicable Listing Regulations 2015.

The performance of the Board was evaluated after seeking inputs from all the Directors present in the meeting on the basis of criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc.

The Nomination and Remuneration Committee had evaluated the performance of individual Directors on the basis of criteria such as the contribution of the individual Director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

The Securities and Exchange Board of India (SEBI) vide circular SEBI/HO/CFD/CMD/CIR/2017/004 dated 5<sup>th</sup> January, 2017, issued a Guidance Note on Board Evaluation about various aspects involved in the Board Evaluation process to benefit all stakeholders. While evaluating the performance the above guidance note was considered. Performance evaluation of Independent Directors was carried out by the entire board, excluding the Independent Director being evaluated. Due to COVID-19 Pandemic and further relaxation as provided by the relevant competent authority a meeting of the Independent Director for the financial year 2019-20, with Mr. Pannkaj Ghadiali as the Chairman, was held on 18<sup>th</sup> June, 2020, to review the performance of the Non-Independent Directors, the Board as a whole and the Chairman on the parameters of effectiveness and to assess the quality, quantity and timeliness of the flow of information between the Management and the Board. The same were discussed in the board meeting that followed the meeting of the Independent Directors, at which the performance of the board, its committees, and individual Directors were also discussed. The Directors expressed their satisfaction with the evaluation process.

## 23. AUDITORS:

### Statutory Auditor:

Pursuant to Section 139 of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the members of the Company at its AGM held on 9<sup>th</sup> September, 2017 had approved the appointment of M/s. N G Thakrar & Co., Chartered Accountants (Firm Registration No. 110907W) as the Statutory Auditors for period of five years. Pursuant to amendments in Section 139 of the Companies Act, 2013, the requirements to place the matter relating to such appointment for ratification by members at every AGM has been omitted.

### Internal Auditor:

The Board has appointed M/s. RTD & Associates, Chartered Accountants as Internal Auditors w.e.f. 17<sup>th</sup> May 2019 for financial year 2019-20 under Section 138 of the Companies Act, 2013 and they have completed the Internal Audit as per the scope as defined by the Audit Committee.

### Secretarial Auditor:

The Company has appointed Mr. G.B.B Babuji, Company Secretary in Whole Time Practice, to conduct Secretarial Audit for the financial year 2019-20 as required by Section 204 of the Companies Act, 2013 and rules made thereunder. The Company provided all assistance and facilities to the Secretarial Auditors for conducting their audit. Further, pursuant to SEBI Circular CIR/CFD/CMD1/27/2019 dated 8<sup>th</sup> February, 2019, Mr. G.B.B Babuji, has also conducted the Annual Secretarial Compliance. The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2020 is annexed herewith marked as **Annexure – IV**.

### Cost Auditor:

In terms of Section 148 of the Companies Act, 2013 read with Rule 5 of Companies (Cost Records and Audit) Rules, 2014, ("Cost Records Rules") as amended from time to time, the Company maintained its Cost records on regular basis in such manner which facilitated the calculation as may be prescribed by the Rules. Also, cost records maintained in such manner which enable the Company to exercise, to the extent possible, control over the various operations and costs to achieve optimum economies in utilization of resources. The Company's revenue from exports, in foreign exchange, exceeds 80% per cent of Company's total revenue. Pursuant to Rule 4 of Cost Records Rules of Companies Act, 2013 as amended from time to time, Cost Audit is not applicable to the Company for the financial year 2019-20.

## 24. AUDITOR'S QUALIFICATION:

There are no qualifications in the reports of the Statutory Auditors and Secretarial Auditor. There was no instance of fraud during the year under review, which is required to be reported by Statutory Auditors in their reports as mentioned under sub-section (12) of Section 143 of the Act.

The Auditors, in their report, under para titled "Emphasis of Matter" has mentioned about uncertainty of impact of COVID-19. The Company however, has assessed and accounted for non-usable work-in-progress which was of insignificant value. Consequently, there is no loss remaining to be accounted during the accounting year ended 31<sup>st</sup> March, 2020. After the lifting of the lockdown, all the plants of the Company are functioning by following the required protocols.

## 25. INDUSTRIAL RELATIONS:

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

## 26. CHANGE IN THE NATURE OF BUSINESS, IF ANY:

There is no change in the nature of business of your Company during the year under review.

## 27. DISCLOSURES:

### i. Vigil Mechanism /Whistle Blower Policy:

The Vigil Mechanism of the Company which also incorporate a whistle blower policy in the terms of SEBI (Listing Obligations and Disclosure Requirements), 2015 deals with instances of fraud and mismanagement, if any. Adequate safeguards have been provided against victimization of persons who use the vigil mechanism. The Policy on vigil mechanism and whistle blower policy may be accessed on the Company's website: <https://www.bkt-tires.com/www/en/investors-desk>.

### ii. Audit Committee:

During the year under review, Mr. Ashok Saraf and Mr. Laxmidas Merchant, Independent Directors and member of Audit Committee, ceased to be Independent Directors w.e.f. closing business hours of 1<sup>st</sup> August, 2019 due to completion of their second term of five years and consequently also ceased from the membership of the Audit Committee. Your directors place on record their appreciation on the valuable guidance given and services rendered by them during their tenure as members of Audit Committee of the Company.

Consequent to cessation of Independent Directors, the Audit Committee was re-constituted and comprised of the following Directors as on 31<sup>st</sup> March, 2020 viz. Mr. Pannkaj Ghadiali, an Independent Director as Chairman, Mr. Rajendra Hingwala & Mrs. Shruti Shah, Independent Directors and Mr. Rajiv Poddar, Joint Managing Director. All the recommendations made by the Audit Committee have been accepted by the Board.

**iii. Number of Board Meetings:**

The Board of Directors of the Company met four times in the year, the details of which are provided in the Corporate Governance Report.

**iv. Particulars of loans given, investment made, guarantees given and securities provided:**

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the Notes Nos.5,10,14,47 and 50 to Financial statement forming a part of this Annual Report.

**v. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo:**

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 are provided in **Annexure - V** and forms an integral part of this report.

**vi. Extract of Annual Return:**

Extract of Annual Return of the Company is annexed herewith as **Annexure - VI** to this report. However, for the compliance of conditions of Section 134, copy of the Annual Return for the financial year ended 31<sup>st</sup> March, 2020 shall be placed on the Company's website at: [www.bkt-tires.com](http://www.bkt-tires.com).

**vii. Particulars of Employees and related disclosures:**

The information required under Section 197(12) of the Companies Act, 2013 read with Rules 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as **Annexure - VII**.

A statement comprising the names of top 10 employees in terms of remuneration drawn and every person employed throughout the year, who were in receipt of remuneration in terms of Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in the Report.

However, having regard to the provisions of the first proviso to Section 136 of the Act, the details are excluded in the report sent to members. Members who are interested in obtaining the particulars may write to the Company Secretary at Email ID : [shares@bkt-tires.com](mailto:shares@bkt-tires.com) or registered/ corporate office of the Company. The aforesaid information is available for inspection.

**viii. Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013:**

The Company has formulated and implemented a policy of prevention of sexual harassment at the workplace with mechanism of lodging/redressal complaints. During the year under review, there were no complaints reported to the Board.

**ix. Business Responsibility Report:**

As mandated by Regulations - 34(2)(f) of Listing Regulations, 2015, Business Responsibility Report, of the Company for the year ended 31<sup>st</sup> March, 2020, describing the initiatives taken by the Company from an environmental, social and governance prospective, in the prescribed form is annexed as **Annexure - VIII**.

**x. Compliance with the Institute of Company Secretaries of India ("ICSI") Secretarial Standards:**

The relevant Secretarial Standards issued by the ICSI related to the Board Meetings and General Meeting have been complied with by the Company.

No disclosure or reporting is required in respect of the following items as there were no transaction on these items during the year under review:

1. Details relating to deposit and unclaimed deposits or interest thereon.
2. Issue of equity shares with differential rights as to dividend or voting.
3. Issue of shares (including sweat equity shares) and Employee Stock Option Scheme of the Company under any scheme.
4. None of the managerial personnel i.e. Managing Director, Joint Managing Director and Whole-time Director of the Company are in receipt of remuneration / commission from Subsidiary Companies of the Company.
5. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern and Company's operation in future.

**28. CAUTIONARY STATEMENTS:**

Certain statements in the "Director's Report & 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.

**29. APPRECIATION:**

Your Company has been able to operate efficiently because of the culture of professionalism, creativity, integrity and continuous improvement in all functions and areas as well as the efficient utilization of the Company's resources for sustainable and profitable growth.

The Board of Directors would like to express their sincere appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors and members during the year under review. The Board of Directors also wish to place on record its deep sense of appreciation for the dedicated and committed services by the Company's executives, staff and workers.

Last but not the 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**

Place : Mumbai,  
Dated: 20<sup>th</sup> June, 2020

**ARVIND PODDAR**  
Chairman & Managing Director  
DIN: 00089984