



*BPL Sanyo
Utilities and Appliances Limited*

Annual Report 1998-99

BELIEVE IN THE BEST
BELIEVE IN THE BEST



BPL

Believe in the Best

M ISSION STATEMENT

BPL is committed to achieve a leadership position in all its business groups through utilisation of the best and most appropriate technologies, applying the finest manufacturing disciplines and most efficiently marketing high quality products and services to consistently give its customers the best value for money.

GUIDING PRINCIPLES

- To ensure customer confidence through product quality, efficient marketing and effective service.
- To continually enhance the Company's worth to its shareholders and investors through sound investments and profitable operations.
- To demonstrate a real concern for its employees and to constantly improve the quality and value of their jobs and career advancement.
- To be a good corporate citizen who contributes positively to its community by protecting the environment and working for public welfare.
- To respect the law, rules and customs of the land and to ensure that the conduct of all Company activities are always to the highest ethical standards.



TPG NAMBIAR
Chairman

B OARD OF DIRECTORS

Board of Directors

TPG Nambiar, *Chairman*

Ajit G Nambiar, *Vice Chairman*

MK Narayanan

TC Chauhan

Bharat M Mehta

LH Bhatia

PM Kale, *ICICI Nominee*

R Murali

M Sasi

Viswanath Nambiar, *Managing Director*

Company Secretary

UN Kini

Auditors

Kumbhat & Co.,
Chartered Accountants,
Bangalore

Bankers

Punjab National Bank

Bank of Baroda

UTI Bank Limited

State Bank of Mysore

ICICI Banking Corporation Limited

ANZ Grindlays Bank

Registered Office and Works

No. 1-B, Sadaramangala Industrial Area,
Whitefield, Bangalore 560 066

CONTENTS

	<i>Page No.</i>
Directors' Report	2
Auditors' Report	5
Balance Sheet	6
Profit and Loss Account	7
Schedules	8
Balance Sheet Abstract	17
Cash Flow Statement	18
Investor Information	19

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Tenth Annual Report on business and operations of the Company together with the audited statements of account for the year ended 31st March, 1999.

Financial Highlights

(Rs.in lacs)

	Year ended March 31	
	1999	1998
Sales and other Income	14,667.69	17,650.50
Profit before depreciation, financial expenses & taxation	2,161.18	2,670.10
Less: Depreciation	346.06	338.40
Financial expenses	1,114.21	1,295.45
Profit before tax	700.91	1,036.25
Less: Provision for Taxation	121.00	149.58
Net Profit for the year	579.91	886.67
Add: Surplus brought forward from previous year	1,121.89	1,089.84
Profit available for appropriation	1,701.80	1,976.51
Proposed Dividend	157.34	314.68
Provision for Corporate Dividend tax	15.73	31.47
Transfer to Debenture Redemption Reserve	-	77.00
Transfer to General Reserve	250.00	400.00
Dividend tax of earlier year	-	31.47
Balance carried to Balance Sheet	1,278.73	1,121.89
Book Value per share (in Rs.)	39.28	36.69

Operations

Your Company was able to achieve a turnover of Rs.14,667.69 lacs and a profit after tax of Rs.579.91 lacs for the year ended 31st March, 1999. The sluggish business environment which was experienced by most of the industries for a major part of the fiscal year 1998-99 and the general slackness of demand in the consumer durable market was more pronounced in Washing Machines, which resulted in a drop in turnover of your Company as compared to that of the previous year, Washing Machines being the largest revenue earner for the Company.

With more players entering the scene including the MNCs, the market turned price sensitive and all the players had to cut down the prices even to retain their market shares. This price cutting and the customer preference for low priced models also had its toll on the turnover and profits of the Company. However, indigenisation and the rigorous cost control measures initiated by the Company has enabled the Company to maintain a relatively satisfactory profit level.

Dividend

Your Directors are pleased to recommend dividend for the year ended 31st March, 1999 as follows, for declaration by members at the ensuing Annual General Meeting :

- On 1,32,50,000 Equity Shares of Rs.10/- each, at 10%.
- On 33,12,000 Equity Shares of Rs.10/- each, on which Rs.7.50 per share is paid up, at 10%, pro-rata.

If approved, this will absorb a sum of Rs.157.34 lacs.

Future Outlook

Despite increased competition from multinational and domestic brands, your Company is confident of garnering a higher growth in its products during 1999-2000. The demand for the three new models of Washing Machines and two new models of Microwave Ovens introduced during 1998-99 are expected to grow and consolidate during the next year. The Company has already witnessed a growth of over 30% in the sales of Microwave Ovens during 1998-99.

Your Company had introduced an upgraded version of the 5 kg model and also a new 6 kg model in the Washing Machine segment towards the end of the financial year 1998-99. With this, your Company will have the widest range of models in all its product category. This, and with the reputation enjoyed by the Company as a quality and contemporary manufacturer offering customers the latest in international technology and convenience, your Company will be in a position to fully exploit the spurt in demand, expected in the immediate future.

Dematerialisation of Shares

During the year, your Company entered into an agreement with National Securities Depository Limited (NSDL) to facilitate holding and trading of its shares in the electronic form. Your Company has paid the one time custody charges to NSDL on behalf of all the shareholders of the Company, which reduces to a great extent the burden on the shareholders to pay annual custody charges to the Depository Participants in respect of their holdings in the dematerialised form. This has evoked good response from the shareholders of the Company and as on date around 50% of the Equity has been dematerialised.

Status on Y2K Compliance

In order to mitigate Y2K risks, the Company has initiated a well researched Y2K Management Plan consisting of five phases including contingencies for high risk areas. The progress, besides being managed by a designated team, is also being reviewed at the Board level. The Company is dependent upon suppliers of critical materials and services, compliance by whom is critical to the Company's business.

The Company is maintaining a continuous follow up with them as to the status of their Y2K compliance and is developing contingency plans to minimise the risks of disruption to its operations due to Y2K non-compliance by them. The Company is confident of mitigating Y2K related problems by 30th September, 1999 for which the Company is likely to incur a total cost of Rs.60 lacs.

Public Deposits

Deposits collected from the shareholders and the public as on 31st March, 1999 aggregate Rs.910.15 lacs. 772 deposits aggregating Rs.87.44 lacs due for repayment by 31st March, 1999 were not claimed by the depositors as on that date. Out of the above, 460 Deposits aggregating Rs.51.96 lacs have either been paid or renewed as on date.

Particulars of Employees

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

Industrial Relations

The Company's Unit at Whitefield reported a higher than usual absenteeism by workers. But for this, the Industrial relations remained cordial throughout the year.

Contribution to Exchequer

The Company's contribution to the Government's revenue during the year under review, by way of all taxes and duties amounted to Rs.3,340 lacs.

Conservation of Energy

The nature of operations of the Company does not involve large energy consumption. However, conservation of energy is considered to be a priority area. Minimum consumption by way of better layout at the manufacturing unit and its prompt upkeep has contributed to further energy efficiency.

Foreign Exchange Earnings and Outgo

Foreign exchange earnings during the year was Rs.62 lacs by way of export of Washing Machines. The total foreign exchange utilised by the Company during the year was Rs.2,956.55 lacs.

Research and Development & Technology Absorption

During 1998-99, the emphasis was on introduction of new models in Washing Machines and Microwave Ovens. R&D also continued its efforts to achieve cost control measures like value engineering, vendor development and alternate sourcing. This has resulted in substantial savings which enabled the Company to reduce the prices of its products.

The Company introduced two new models in the semi-automatic Washing Machine segment, one each in 5 kg and above 6 kg capacities and also two new models of Microwave Ovens in the 25 litre capacity, with unique super shower wave technique, with grills and concealed quartz heater, the first of its kind in the country, in the later half of the