



Believe In the Best

Annual Report

B S Appliances Limited

ANNUAL REPORT 2001-2003

2001-2003

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Corporate Information

Board of Directors

T P G Nambiar, Chairman (*till 31.10.02*)

Viswanath Nambiar

M K Narayanan (*till 31.07.03*)

Bharat M Mehta (*till 31.07.03*)

Rajnish K Singh, Nominee of ICICI (*till 30.09.02*)

Devender Gupta, Nominee of ICICI

R Murali (*till 31.10.02*)

A R Rajaram (*till 31.07.03*)

M V Ramdas

V G Rajagopalan

N Koteswara Rao

Ms Rema G Kurup (*till 23.07.03*)

R Raghavendran, Wholetime Director

Bankers

Punjab National Bank

ICICI Bank Ltd.

UTI Bank Ltd.

State Bank of Mysore

Bank of Baroda

Registered Office & Factory

1-B, Sadaramangala Industrial Area,
Whitefield, Bangalore 560 066

Company Secretary

U N Kini

Auditors

M/s Varma & Varma
Chartered Accountants,
Bangalore

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Notice of Annual General Meeting

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of B S Appliances Limited will be held on Friday, the 19th day of September, 2003 at 10.30 AM at Gurunanak Bhavan, No.6, Miller Tank Bund Area, Vasanth Nagar, Bangalore 560 052, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March 2003 the Audited Profit and Loss Account for the period ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Viswanath Nambiar, Director, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint Auditors, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following as a SPECIAL RESOLUTION:
RESOLVED THAT subject to the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject further to the approval of Central Government, consent of the members be and is hereby accorded for the re-appointment of Mr. R Raghavendran, as the Wholtime Director of the Company for a period of one year commencing from, 9th January 2003 to 8th January 2004 on the terms and conditions as approved by the Remuneration Committee of the Board and as set out below :
a. SALARY : Rs. 40,000/- per month
b. PERQUISITES

- I. The Wholtime Director shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof, Professional Development Allowance, Medical Allowance, Car Allowance and Premiums towards personal accident insurance and medi-claim for self and his family, including dependents and all other payments in the nature of perquisites and allowances as agreed to by the Remuneration Committee, from time to time, subject however, that the aggregate monetary value of the perquisites in any year shall not exceed Rs.12,50,000/- per annum.

Explanation

"Family" here means the spouse, dependent children and dependent parents of the Wholtime Director.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

- II. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
- III. Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites to the extent the same are not taxable under the Income Tax Act.
- IV. Mr. R Raghavendran, Wholtime Director, shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.
RESOLVED FURTHER THAT the appointment is liable for termination by one month's notice on either side.

5. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:
RESOLVED THAT, Mr. M V Ramdas, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retirement by rotation.

6. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:
RESOLVED THAT, Mr. V G Rajagopalan, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retirement by rotation.
7. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:
RESOLVED THAT, Mr. N Koteswara Rao, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retirement by rotation.
8. To consider and if thought fit, to pass with or without modification(s), the following as a SPECIAL RESOLUTION:
RESOLVED THAT, subject to requisite consent(s)/ permission(s)/ approval(s) of the concerned authorities as may be necessary, consent of the shareholders be and is hereby granted for the delisting of Equity Shares of the Company from the Delhi Stock Exchange and the regional Stock Exchange, Bangalore..
RESOLVED FURTHER THAT the Board of Directors of the Company or its authorised representatives, be and are hereby severally authorised to do all such acts, deeds and matters as may be deemed necessary and expedient in relation thereto.

By Order of the Board

Bangalore
20th August, 2003

U N KINI
Company Secretary

NOTES:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the special business to be transacted at the meeting is attached herewith.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND TO VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. Members / Proxies should bring the Attendance Slip sent herewith duly filled in, for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will be closed from 16th September 2003 to 19th September 2003 (both days inclusive).
5. The Company has already transferred the unclaimed dividend declared upto the financial year ended 31st March 1995 to the General Revenue Account of the Central Government. In terms of the provisions of Section 205A of the Companies Act, 1956, as amended, the unclaimed dividends are now required to be transferred to the Investor Education and Protection Fund established by the Central Government after a period of seven years from the date it is transferred to the unpaid dividend account. Accordingly, the Company would be transferring unclaimed dividend from the financial year 1995-96 as mentioned in the table below:

Dividend for the year	Date of declaration	Due date for transfer to Investors' Education & Protection Fund
1995-96	11.09.1996	17.10.2003
1996-97	25.09.1997	31.10.2004
1997-98	25.09.1998	31.10.2005
1998-99	29.09.1999	04.11.2006

Shareholders who have not encashed the above dividends, are requested to claim it from the Company, immediately.

6. Pursuant to the recently amended clauses of the listing agreements, additional information on the Director seeking re-election at the Annual General Meeting is appended to this Notice.

Notice

7. Shareholders are requested to address all their correspondence including on matters related to Share Transfers, Non Receipt of Dividend/Annual Report etc., to the Investors' Service Cell of the Company at, BPL Towers, No.13, Kasturba Road, Bangalore-560001.

By Order of the Board

U N KINI

Company Secretary

Bangalore
20th August, 2003

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice and should be taken as forming part of the Notice.

Item No.4

The Board of your Company at its meeting held on 31st October 2002, had re-appointed Mr. R Raghavendran, as the Whole time Director of the Company, for a period of one year with effect from 9th January 2003 till 8th January 2004, on the terms of remuneration as set out in the resolution at item No.4.

Mr. R Raghavendran, aged 57, is a Mechanical Engineer and has been associated with the Company since 1992. He is in charge of and responsible for the day to day operations of the Company's manufacturing facilities at Whitefield. He has wide and varied experience of over three decades in technical as well as administrative matters.

The Company having posted inadequate profits, the payment of remuneration to Mr. Raghavendran, would be governed by the provisions of Clause 1(A) of Section II - Part II of Schedule XIII to the Companies Act, 1956. Although the remuneration payable to him is within the limits provided therein, the Company not having complied with the additional conditions provided under sub-clause (ii) of Clause 1(A) - Section II of Part II, of Schedule XIII, was required to obtain the approval of the Central Government for payment of remuneration to him.

On an application made by the Company, the Central Government vide its letter dated 10th June 2003 has granted its approval for the payment of remuneration to Mr. Raghavendran upto the date of the ensuing Annual General Meeting and has directed the Company to approach them after obtaining the approval of members by way of a special resolution, for its approval for payment of remuneration to him for the remaining period of his term in office.

Your Directors consider that it is in the best interest of the Company to re-appoint Mr. R Raghavendran as the Whole time Director of the Company and recommend the resolution set out in Item No.4 for your approval.

None of the Directors of the Company, except Mr. R Raghavendran, may be deemed to be concerned or interested in the resolution.

Item No. 5, 6 & 7

Mr. M V Ramdas, was co-opted as an Additional Director of the Company by the Board at its Meeting held on 29th July, 2002. Mr. Ramdas, is a Mechanical Engineer with a Masters' Degree in Business Administration (MBA) from IIM, Bangalore and has nearly two decades of experience in Finance and Management both in India and abroad.

Mr. V G Rajagopalan, was co-opted as an Additional Director of the Company by the Board at its Meeting held on 31st July 2003. Mr. Rajagopalan, aged 37, is a B Tech (Aeronautical Engineering) and holds a Post Graduate Diploma in Marketing and Finance. He has nearly 12 years of experience in the industry.

Mr. N Koteswara Rao, was co-opted as an Additional Director of the Company by the Board at its Meeting held on 31st July 2003. Mr. Rao, aged 51, is a Chartered Accountant with over 25 years of experience in General Management in the industry.

In terms of Section 260 of the Companies Act, 1956, read with the Articles of Association of the Company, they hold the office till the ensuing Annual General Meeting.

The Company has received notices, in writing, from Members under Section 257 of the Companies Act, 1956, (along with the requisite fee of Rs.500/- each) signifying their intention to propose the candidature of the above Directors, for the office of the Director of the Company.

Your Directors consider that it is in the best interest of the Company to appoint Mr. M V Ramdas, Mr. V G Rajagopalan and Mr. N Koteswara Rao, as Directors and recommend the resolution set out in Item No.5, 6 and 7 for your approval.

None of the Directors of the Company, except Mr. M V Ramdas, Mr. V G Rajagopalan and Mr. N Koteswara Rao, may be deemed to be concerned or interested in these resolutions.

Item No. 8.

The equity shares of the Company are currently listed on the following Stock Exchanges :

Bangalore Stock Exchange Limited (BGSE); The Delhi Stock Exchange Association Limited (DSE); The Stock Exchange Mumbai Limited (BSE) and National Stock Exchange of India Limited (NSE)

Trading in the Equity Shares of the Company is abysmally low in all the Stock Exchanges except the National Stock Exchange of India Limited (NSE) and the Stock Exchange of, Mumbai (BSE). The BOLT of BSE and the large network of NSE, offer investors sufficient trading and liquidity. Hence, it is proposed to de-list the Equity Shares of the Company from all the Stock Exchanges other than The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. Prior consent of the members is sought in terms of the SEBI guidelines on de-listing

The Directors recommend the passing of Special Resolution as set out in Item No.8 of the Notice. None of the Directors of the Company is in any way concerned or interested in the Resolution.

Information on Directors seeking re-appointment at the Annual General Meeting

Mr. Viswanath Nambiar, aged 62, is an Engineer by profession and has been associated with the Group (for nearly four decades), since its inception, in various capacities. He holds directorships of several Companies in the Group and at present, is the Managing Director of BPL Power Projects (AP) Private Limited. He carries with him rich experience in the management of Industrial Enterprises. He is a Director in the following Companies, apart from B S Appliances Limited:

a) BPL Limited b) BST Limited c) BPL Engineering Limited d) Bharat Home Appliances Limited e) Bharat EPDC Energy Private Limited f) BPL Power Projects (AP) Private Limited g) BPL Power Projects (Kerala) Private Limited

Mr. Viswanath Nambiar is the Chairman of the Investors' Relation Committee and a member of Audit, Finance, Remuneration and Nomination Committees of BPL Engineering Limited.

Attendance Record

Name of the Director	No. of Board Meetings held during the financial Year 2001 - 2003	No. of Board Meetings attended	Last AGM Attendance (Yes/No)
Mr. Viswanath Nambiar	6	5	Yes

By Order of the Board
Bangalore
20th August, 2003
U N KINI
Company Secretary

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

B S Appliances Limited

Directors' Report

To the Members,

Your Directors take pleasure in presenting the 13th Annual Report on the Business and Operations of the Company together with the audited statements of account for the period ended 31st March 2003.

Financial Highlights

(Rs. in lacs)

Particulars	Period ended	
	31.03.2003 (18 months)	30.09.2001 (18 months)
Sales & Other Income	3876	8966
Profit before Financial Exp, Depreciation and Deferred Rev. Exp	369	942
Less : Financial Expenses	3185	2690
Depreciation	385	433
Deferred Revenue Expenditure	714	114
Loss for the period	(3915)	(2295)
Less: Extra Ordinary / Non recurring expenses	(210)	-
Total Loss	(4125)	(2295)
Add : Surplus brought forward from previous year	99	1294
Transferred from General Reserve	-	1100
Set off against balance in General Reserve	1022	-
Profit available for appropriation	(3004)	99
Balance carried to Balance Sheet	(3004)	99

Dividend

In view of the losses posted by the Company, no dividend has been recommended for the current period.

Operations

The home appliances market, especially washing machines segment, has remained stagnant for the fourth year in succession. The sluggish economy, low demand for the main product and the large number of players including MNCs vying for a share in the stagnant washing machines market has affected the top line of the Company adversely.

The fierce price competition and the liberal credit terms offered by the new entrants to gain market shares, has taken a toll on the profitability, as your Company had no option but match the competition. This has resulted in a severe crunch in working capital, leading to lower turnover.

The sluggish economy and lack of buying sentiments have continued even during the first quarter of 2003-04. During the 18 months period from October 2001 to March 2003, your Company has achieved a turnover of Rs. 3876 lacs and incurred a loss of Rs. 3915 lacs. Together with extra-ordinary/non-recurring expenses, the Company posted a loss of Rs. 4125 lacs.

Future Outlook

Through highly focussed actions the Company is on the verge of regaining the lost market share in washing machines in the near future. In spite of inadequate working capital, the Company has focussed on new product development and has brought out 2 "Value For Money" (VFM) models, in capacities of 5 kg and 6 kg, in semi automatic washing machines and one model in fully automatic segment, with highly competitive prices.

The expenses have been considerably brought down to improve operating margins. The marketing set up has been toned up to bounce back in sales. In view of the sluggish growth in the washing machine market, the Company plans to manufacture low end/low cost Refrigerators, for which a separate manufacturing line has been set up.

These developments are however clouded by the unsustainable level of borrowings and interest rates paid by your Company. During the year under review your Company has worked on a comprehensive corporate and financial re-structuring including seeking external advice on this matter.

Corporate Governance

As per the requirements of Clause 49 of the Listing Agreement executed with the Stock Exchanges, a statement of compliance is provided in the Corporate Governance Section of the Annual Report. The Statutory Auditors' Certificate on compliance with the mandatory recommendations of the committee is annexed to the report.

Directors' 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:

- in the preparation of the annual accounts for the 18 months period ended 31st March, 2003 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- Your Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the Company for the period under review;
- Your Directors had taken proper and sufficient care 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 for preventing and detecting fraud and other irregularities;
- Your Directors had prepared the accounts for the 18 months period ended 31st March, 2003 on a 'going concern' basis.

Contribution to Exchequer

The Company's contribution to the Government revenues during the year under review, by way of all taxes and duties amounted to Rs. 790.05 lacs.

De-materialisation of Shares

The Company's equity shares are available for de-materialisation on both the Depositories viz., NSDL & CDSL. Shareholders may be aware that SEBI has made trading in your Company's shares mandatory, in the de-materialised form. As on date, 67% of your Company's shares have been de-materialised.

De-listing of Shares

Trading in the Equity Shares of the Company has been abysmally low in all the stock exchanges except The National Stock Exchange and The Stock Exchange, Mumbai. The National Stock Exchange and The Stock Exchange, Mumbai, offer investors spread across the country, sufficient trading and liquidity through their large network. Hence, it is proposed to de-list the Equity Shares of the Company from all the stock exchanges except the National Stock Exchange of India Limited and the Stock Exchange, Mumbai. Necessary resolution is being placed before the members in the ensuing Annual General Meeting, seeking consent for the same.

Public Deposits

Deposits collected from the shareholders and the public as on 31st March 2003 aggregate to Rs.18.87 lacs. Out of this, 5 deposits aggregating Rs.0.79 lacs have since been claimed and re-paid by the Company. 110 deposits aggregating Rs.18.08 lacs, remain unclaimed, as on date.

Particulars of Employees

None of the employees of the Company are drawing salary in excess of the limits specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Industrial Relations

The employer-employee relations remained cordial throughout the period.

Directors' Report

Conservation of Energy

Your Company is not a large-scale energy user. Still, as a responsible Company, it has taken several steps to conserve energy and water and to safeguard the environment. Power factor improvement to reduce electrical energy wastage, water recycling, control of solder fumes, waste recycling (packing cases, thermocole, solder waste etc.) are measures taken by the Company in conservation and improvement of natural resources.

RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1) Efforts made:

The R&D efforts of your Company, is more than twelve years old and is recognized by the Department of Science and Technology of Govt. of India. During the period under review, efforts were made to develop models with state-of-the-art technology, improved aesthetics and higher reliability. Constant efforts were made to enhance component and product quality, which helps in supplying reliable products to customers and the society, reducing the cost of after-sales service.

Results achieved:

New models were developed in both automatic and semi-automatic range with reduced cost, improved features and aesthetics through value engineering and indigenous developments. The cost reduction has yielded in reduced price for the products, thus helping in maintaining margins in today's competitive business.

During the period under review, the following models were developed:

- SWAN & FLAMINGO: Economy Models in the semi-automatic range in 5kg and 6kg segments respectively.
- SAPPHIRE: Fully automatic washing machine with improved aesthetics.
- REGAL: Semi Automatic washing machine with Electronic Control, was fully designed and developed including electronic hard ware and software.

Future plan of action:

- To improve the quality of wash through ULTRASONIC cleaning. Introduction of Bubble Generator is planned and the development is in progress. For hygienic cleaning, introduction of stainless steel drum in automatic washing machines has been taken up and is expected to be ready by the next season.
- Design work has been taken up for introducing heaters in automatic range of washing machines, which will reduce washing efforts while improving wash quality.
- Designs are being finalized to introduce handles in automatic washing machines, which are ergonomically placed for easy lifting and transportation.
- Motors have been designed and tested for working in dual voltage (127V / 230V) ranges, which will help in addressing the export orders positively.

EXPENDITURE ON R&D.

Capital	: Nil
Recurring	: Rs. 101.04 Lacs
R&D expenditure as a percentage to total turnover	: 2.42%

ii) Technology absorption

The company is up-to date on technology absorption. The team is fully equipped with knowledge and facilities to indigenously design, develop, test and produce washing machines with aesthetics and quality, on par, with competitors' models. The bubble generator wash technology being introduced is unique and is not available in any of the competitors' models. The company has the ability to develop all tools and moulds indigenously.

Foreign Exchange Earnings and Outgo

The Foreign Exchange earnings during the period under review was Rs. 131 lacs while the outgo was Rs.250 lacs. The export prices of washing machines will be competitive once the manufacturing volumes are stepped up. The Company has plans to drive exports through OEM's in Middle East Countries.

Directors

The Board at its meeting held on 31st October 2002, re-appointed Mr. R Raghavendran as the Whole time Director of the Company, for a period of one year, to hold office from 9th January 2003 to 8th January 2004. A resolution relating to his re-appointment is set out in the accompanying notice.

Mr. M V Ramdas, Mr. V G Rajagopalan and Mr. N Koteswara Rao, were co-opted as Additional Directors by the Board on 31st July 2003, to hold office till the ensuing Annual General Meeting. Resolutions relating to their appointments are set out in the accompanying notice. ICICI Limited has withdrawn the nomination of Mr. Rajnish K Singh from the Board on 30th September 2002 and has nominated Mr. Devender Gupta in his place with effect from 30th September 2002.

IIBI Limited nominated Ms. Rema Kurup on the Board of the Company with effect from 19th April 2002. However, her nomination was withdrawn on 23rd July 2003. Mr. T P G Nambiar and Mr. R Murali resigned from the Board on 31st October 2002. Mr. M K Narayanan, Mr. A R Rajaram and Mr. Bharat Mehta resigned from the Board on 31st July 2003. Your Directors wish to place on record their appreciation of the valuable contributions rendered by the above mentioned Directors during their tenure as Directors of the Company.

- In accordance with the provisions of Companies Act, 1956, and the Articles of Association of the Company, Mr. Viswanath Nambiar, retires by rotation at the ensuing Annual General Meeting and is eligible for re-election. A brief resume of Mr. Nambiar is appended to the Notice covering the AGM in compliance with the Code of Corporate Governance.

Extension of Financial Year 2001-02 and the time for holding the Annual General Meeting

- The financial year 2001-02 of the Company was extended by a period of 6 months so as to end on 31st March, 2003 with the approval of the Registrar of Companies, Karnataka. The time for holding the Annual General Meeting of the Company for the year ended 31st March, 2003 was extended by a period of three months, with the approval of the Registrar of Companies.

Auditors

- M/s. Varma & Varma, Chartered Accountants, Bangalore, Statutory Auditors, retire at the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed their eligibility to act as auditors of the Company under Section 224(1B) of the Companies Act, 1956, if re-appointed at the ensuing Annual General Meeting.

Acknowledgment

- The Board wishes to record its appreciation of the efforts put in by the employees of the Company at all levels. Your Directors take this opportunity to express their gratitude to the Bankers, Financial Institutions, Depositors and Shareholders for their continued support. Your Directors also acknowledge, the assistance and co-operation received from the Collaborators, SANYO, Japan.

For and on behalf of the
Board of Directors

Bangalore	R Raghavendran	V G Rajagopalan
20th August 2003	Wholtime Director	Director

Addendum to Directors Report by way of explanation on the qualification in the Auditors' Report

- IV.e(i) The management is confident that it would generate adequate level of profit within the statutory time limit to absorb the business losses and hence considering these losses in the determination of the net deferred tax asset is in order.
- (ii) As the company could not achieve significant sales of new models of washing machines and commence manufacture of refrigerators owing to reasons beyond the control of the management, the economic benefit that will flow from the marketing expenditure is yet to accrue. Hence, it is proposed to write off this expenditure quantified and accounted in the current year, over a suitable period over which economic benefit is expected to accrue.
- (iii) As stated at note no. 4 to the accounts, the management has substantially completed the exercise to ascertain the realisable value of these old / non moving inventories and is confident of making the determination during 2003-04. Therefore, the management is confident of complying with the said Accounting Standard during 2003-04.
- f. (i) As stated at note no.4 to the accounts, the management has substantially completed the ascertainment of realisable value of certain items of inventory and other items of current assets. It is confident of completing the determination and accounting for the effect during 2003-04.
- (ii) The note referred to by the auditors is self explanatory.
- (iii) By their very nature, contingent liabilities are not possible of being provided for. The management is confident that, there may not be any significant loss in this regard.
- Matters referred to in the Annexure to the Auditors' Report
- Para 1
 - (i) Special efforts have been initiated to update the fixed assets register, which will be completed shortly.
- Para 3
 - (ii) Physical verification of old stocks could not be done due to logistical issues.
- Para 6 & 12
 - (iii) Valuation of the old/non moving inventories could not be done on the basis of net realisable value as the same is yet to be ascertained as stated in note no. 4 to the accounts.

For and on behalf of the
Board of Directors

Bangalore	R Raghavendran	V G Rajagopalan
20th August 2003	Wholtime Director	Director

Management Discussion and Analysis

I Industry Structure and Developments

- The Home Appliances segment of consumer durable also known as White goods, comprises of Refrigerators, Washing Machines, Air Conditioners (ACs), Microwave Ovens, Vacuum Cleaners and Dishwashers.
- With the entry of global giants like Whirlpool, Electrolux, Samsung, LG, Daewoo, the Indian customer now has a plethora of world-class brands to choose from. Among the MNC's, in the consumer durables market, Koreans have been the most aggressive and they have performed better. Greater spending and access to cheap finance have made these companies as formidable competitors.
- On the other hand, Indian companies have the disadvantage of high cost finance, slow growth of the market and erosion in the profit due to competition from multinationals.
- The Washing Machines market, with sale volumes of 1.1 million units, is broadly segmented into
 - Washers • Semi automatic • Fully automatic machines.
- Semi automatics constitute nearly 70% of the total market in volume terms, on account of the lower price relative to fully automatic machines of same capacity. (semi automatics are nearly Rs. 5000 cheaper than fully automatic machines).
- The market can also be segmented on the basis of loading into top and front loading. Top loading machines or vertical axis machines are predominant and account for 95% of the total sales. Front loading machines are becoming increasingly popular in the recent past.
- The demand for washing machines is restricted mainly to the urban market with the penetration rate of washing machines in the urban market being significantly higher than the rural penetration of 0.5% on account of lack of clean water and electric power in rural areas.

II Opportunities and Threats

Opportunities • Strong brand equity • BPL Washing Machine well known for reliability and trouble free performance

Threats • Flat/negative market growth in the last 2 years • Stiff competition from multinationals • Slow down in replacement demand and growth of front loading automatic machines • Weak financials of the company. Over leveraged, unsustainable debt levels • Recent loss of customers due to negligible marketing activity • Low operating levels below break-even point resulting in cash erosion on a continuous basis

III Performance

- Even when the operations of the Company was seriously affected due to squeeze on working capital, the operating team has worked on up-grading existing models and developing new models for addressing the market requirements.
- The Company has two high-end premium models in automatic segment with best-in-the class aesthetics and performance. In addition, the Company has a well-featured "value for money" automatic model with highly competitive price of below Rs. 10,000 level.
- In the semi automatic segment, the demand for washers and less than 3 kg capacity models has dramatically declined and the margins have shrunk to un-viable levels. The Company has stopped producing washers and 3 kg models. The Company has a strong line up of 5 kg and 6 kg semi automatic models.
- The well-featured models with soak and hot water wash facility called 'Dolphin' and 'Angel Plus' have been up-graded aesthetically with clear windows in the washer lid and attractive body colours.

- During September 2002 the company has introduced two value for money models in capacities of 5 kg called 'Swan' and 6 kg called 'Flamingo', which have been very well received in the market.

- In the extremely price conscious Indian market the Company offers superior "Value for Money" proposition to the customer by way of enhanced aesthetics/features at competitive prices.

IV Outlook

- The washing machine industry grew at a CAGR of over 10% in the period 1996-99. Since then, the growth has declined and this declining period coincided with entry of MNC's. This has resulted in capacity far outstripping demand. The washing machine segment is characterized by intense competition, price discounts, extended credit periods to dealers and free bees.

V Risks and Concerns

- The disproportionate manufacturing capacity at 3 times the demand, and intense competition makes it unviable for the company to continue as a single product company. To overcome this aspect, the company has installed a dedicated refrigerator line to manufacture the entry level of refrigerators in the factory. The production could not commence due to lack of working capital.
- With the strength of R&D, in-house Tool Room, low foreign exchange content and the successful introduction of Non-CFC technology, the Company considers risks of technology, product changes, foreign exchange and environmental risks as low.
- The Company is working with Institutions and Banks for financial restructuring to improve revenue generation.

VI Internal Control System and their Adequacy

- The Company has out-sourced the Internal Audit Function to an experienced firm of Chartered Accountants who carry out the same. The scope and extent of Internal Audit encompasses, audit and review of transactions involving, Inventory and Purchase including Sub-contracting, Cash and Bank transactions including bank reconciliation, Verification of Accounting records, Central Excise and MODVAT records, General Ledger, Statutory Compliance's, Fixed Assets.
- The Internal Auditors furnish their reports to the Company and in turn an executive summary of observations and Company's comments are made available to the Audit Committee. The Committee reviews the summary of observations with the Auditee's comments and gives directions to the Company for initiating necessary corrective action.
- The Statutory Auditors review the internal audit reports, the area, scope and coverage and advise the management from time to time.

VII Discussions on financial performance with respect to operational performance

Financial Objectives

Financial objective of B S Appliances Limited (BSAL) is mainly to ensure availability of need based working capital, thereby increase the volume of activities, which will help to reduce the overall loss suffered by the company.

Review Process

The Company carried out stringent financial reviews at regular intervals. A monthly analysis of Cash flow and working capital requirements were carried out to ensure that the performance matched or exceeded the budget. This ongoing check also ensured adequacy of funds to meet peak / seasonal demands.

Management Discussion and Analysis

Accounting Policies

The company follows accrual method of accounting. The details of these policies are available elsewhere in the annual report. The company follows conservative accounting policies to ensure that the results of the company are reported credibly to all stakeholders.

Share Capital

Paid up Equity Share capital of the Company as on 31-03-2003 is Rs 15.73 Crores comprising 1,32,47,400 equity shares of Rs 10/- each fully paid up and 33,12,000 equity shares of Rs 10/- each partly paid up to the extent of Rs 7.5/- each.

The Company has a Preference Share Capital of Rs. 40 Crores as on 31st March 2003 consisting of 40,00,000 preference shares of Rs.100/- each. During the financial year ended 31st March, 2003, there was no change in the value of share capital.

Reserves & Surplus

The Reserves of the Company has reduced from Rs.44.56 Crores in 2000-01 to Rs. 32.00 Crores in 2001-03. The main components attributable to the changes are: (1) Decrease due to transfer of an amount equal to the excess depreciation on account of revaluation of fixed assets, from revaluation reserves to the extent of Rs 1.38 Crores. (2) Accumulated balance in Profit and Loss Account as on 30th September 2001 to the extent of Rs 1 Crore has been wiped out due to the loss in the current financial year. (3) General Reserves set off against accumulated losses to the extent of Rs. 10.22 Crores.

Borrowings

Total borrowings of the company as on 31st March 2003 was Rs.134.19 Crores, out of which secured loan was Rs 134.00 Crores and unsecured loan Rs. 0.19 Crores.

Cost of Borrowing

As compared to the previous financial year, which ended on 30th September 2001, financial expenses have increased by Rs.4.95 Crores. However the company is planning to initiate several steps to reduce the cost of borrowings in the coming months.

Net Block

Net Block as on 31st March 2003 stood at Rs 113.24 Crores as compared to Rs 92.67 Crores as on 30th September 2001. Rs.25.98 Crores has been added to the gross block during the accounting year. Bulk of this investment was made in Design & Drawings.

Capital Expenditure

The capital expenditure of the company for the Financial Year ended 31st March, 2003 was Rs. 25.98 Crores. The company had invested Rs 25.20 Crores in Design & Drawings, Rs 0.70 Crores in Plant Machinery and Rs 0.08 Crores in other Fixed Assets.

Depreciation & Amortization

The details of depreciation and amortisation have been provided in the notes to accounts. No significant changes were made in the depreciation policies.

Extra Ordinary Items

The Company has re-focused on core business on the basis of market demands and has also carried out a major exercise of reconciliation of its account with many of its suppliers, customers and other parties. Consequently, few items were identified as not having significant commercially realizable value and have been

charged off as extra-ordinary/non recurring and the details for the same are furnished in the notes to accounts.

Corporate Tax

Since the company has not generated any taxable income for the period, no provision has been made in the books.

Foreign Exchange Earnings

The Company has earned Rs. 1.31 Crores from exports during the financial year.

VIII People & HR

Company's Human Resource (HR) practices have contributed to achieve higher employee productivity and greater efficiency, to attain competitive advantage and achievement of Company's overall objectives and goals.

Some of the major HR initiatives undertaken during the year are given below:

- To enhance the skills & knowledge of employee, job rotation system was introduced. This has resulted in filling up of several vacant positions internally by re-deployment of competent manpower.
- Need based training program is continuously being carried out at factories for Workmen & Supervisory Staff, to increase their knowledge, skills & competencies.
- Concerted efforts have been put to reduce cost and inventory, by introduction of Gemba Kaizen initiative.
- Implemented Activity Based Costing system for identifying and eliminating non-value-adding activities in the Company.
- Process Benchmarking with best practices and actions initiated to excel in them.
- Implemented world class quality improvement like, TPM and Kaizen.

Safety, Health and Environment

- The Company continued to provide a safer, healthier work environment by practicing manufacturing processes, which are environment friendly.
- A Safety Committee is functioning in the factory, which is educating employees on Safety at workplace, Fire Fighting in association with National Safety Council and the Inspector of Factories.
- Safety Audits, were undertaken by internal/external auditors, which has resulted in providing employees with safe working environment.

Industrial Relations

A cordial and healthy environment was maintained with the following ongoing initiatives to strengthen Employee Relations:

- Regular conduct of Open House Meetings to understand the grievances of the employees and to address these grievances collectively with the active involvement of senior level Executives.
- Effective functioning of Various Committees, with the active participation of representatives of employees, resulting in sustaining healthy employee relations.
- As at 31st March 2003, the Company had a total strength of 237 employees.

Report on Corporate Governance

Company's Philosophy

The Company has always been committed to the system of good corporate governance. The Company acknowledges the three key aspects of Corporate Governance, being, accountability, transparency and equality of treatment for all stakeholders and has identified the roles, responsibilities and rights of the three constituents of Corporate Governance, being, the Shareholders, the Board of Directors and the Management which would enhance shareholder value.

Adequate financial reporting and disclosures are the corner stones of good corporate governance. The Company has been disclosing detailed information on different issues concerning the Company's performance from time to time.

Board of Directors

a) Composition, Category of Directors and Attendance at Meetings during the financial year 2001-2003 (1st October 2001 to 31st March 2003)

Name	Category of Director	Attendance			Other Directorships/Mandatory Committee memberships		
		No. of Board meeting held during the tenure	No. of Board Meetings attended	Last AGM attendance	Directorships in other public Companies	Committee Member	Committee Chairman
Mr. T P G Nambiar (*)	Promoter	4	0	Yes	3	-	-
Mr. Ajit G Nambiar (*)	Promoter	2	2	No	4	-	-
Mr. L H Bhatia (*)	Non executive	2	0	No	5	-	-
Mr. R Murali (*)	Independent	4	3	Yes	3	-	-
Mr. T C Chauhan (*)	Independent	2	1	No	4	-	-
Mr. P M Kale (*)	Nominee	0	0	No	3	-	-
Mr. Rajnish K Singh(*)	Nominee	4	3	No	3	-	-
Mr. Devender Gupta(**)	Nominee	2	2	No	-	-	-
Ms. Rema G Kurup (**)	Nominee	3	3	No	1	-	-
Mr. Viswanath Nambiar	Non executive	6	5	Yes	5	2	1
Mr. M K Narayanan	Independent	6	6	Yes	9	1	1
Mr. Bharat M Mehta	Independent	6	4	Yes	3	5	3
Mr. A R Rajaram (**)	Non executive	4	4	Yes	2	1	1
Mr. M V Ramdas (**)	Non executive	3	3	No	3	2	-
Mr. R Raghavendran (**)	Executive	5	5	Yes	-	-	-

Notes:

(*) Resignations- Mr. Ajit G Nambiar, Mr. L H Bhatia and Mr. T C Chauhan resigned on 31.01.2002, Mr. T P G Nambiar and Mr. R Murali resigned on 31.10.2002, Mr. P M Kale withdrawn as nominee on 10.10.2001 and Mr. Rajnish K Singh withdrawn as nominee on 30.09.2002.

(**) Appointments (Co-option) - Mr. R Raghavendran was appointed in the Board Meeting held on 26.12.2001 upto 8.01.03, re-appointed from 09.01.2003 to 08.01.2004 in the Board Meeting held on 31.10.2002, Mr. A R Rajaram was appointed on 31.01.2002, Mr. M V Ramdas was appointed on 29.07.2002, Ms. Rema Kurup – Nominee of IIBI was appointed on 19.04.2002 and Mr. Devender Gupta – Nominee of ICICI was appointed on 30.09.2002

b) Number of Board meetings held, dates on which held

Six Board meetings were held during the period. The meetings were held on the following dates, 26.12.2001, 31.01.2002, 29.04.2002, 29.07.2002, 31.10.2002 and 31.01.2003.

Audit Committee

In terms of the Listing Agreements executed by the Company with Stock Exchanges, and pursuant to Section 292A of the Companies Act, 1956, the Company has complied with the requirements of Clause 49 of the Listing Agreement as regards composition of the Audit Committee.

a) Terms of reference

- Oversight of the Company's financial reporting process.
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment for other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.

- Compliance with Stock Exchange and legal requirements concerning financial statements.
- Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.
- Reviewing with the management, external and internal auditors and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with external auditors, before the audit commences, on the nature and scope of the audit as well as post-audit discussions to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.