

***B S Appliances Limited***  
ANNUAL REPORT 2003 - 2004

# Annual Report 2003 - 2004

# Corporate Information

## Board of Directors

Viswanath Nambiar

M V Ramdas

N Koteswara Rao, *Director & Manager*

R Segar

P R Laxminarayan

P S Arul Ramalingam

R Raghavendran, *Wholetime Director (till 08.01.04)*

V G Rajagopalan *(till 28.07.04)*

K K Yadhunath *(till 12.08.04)*

Devender Gupta, *Nominee ICICI (till 06.11.03)*

## Bankers

Punjab National Bank

ICICI Bank Limited

UTI Bank Limited

State Bank of Mysore

Bank of Baroda

## Registered Office & Factory

1-B, Sadaramangala Industrial Area,

Whitefield,

Bangalore 560 066

## Auditors

M/s. Varma & Varma

Chartered Accountants,

Bangalore

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# Notice of Annual General Meeting

NOTICE is hereby given that the 14th Annual General Meeting of the Members of B S Appliances Limited will be held on **Thursday, the 23rd day of September 2004 at 11.30 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, 2004, the Audited Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M V Ramdas, 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 an ORDINARY RESOLUTION:  
RESOLVED THAT Mr. R Segar, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retirement by rotation.
5. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:  
RESOLVED THAT Mr. P R Laxminarayan, 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. P S Arul Ramalingam, 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 pursuant to the provisions of Section 269 and read with the provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded for the appointment of Mr. N Koteswara Rao, Director, as the Manager of the Company, for a period of three years, with effect from 5th March, 2004, without remuneration.

RESOLVED FURTHER THAT Mr. N Koteswara Rao, shall be entitled for reimbursement of actual expenses incurred in connection with the business of the Company.

8. To consider and if thought fit, to pass with or without modification(s), the following as a SPECIAL RESOLUTION:  
RESOLVED THAT pursuant to the provisions of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to the approval of The Stock Exchange Mumbai and any other requisite consent(s) / permission(s) / approval(s) of the concerned authorities as may be required, consent of the Company be and is hereby accorded to the Board of Directors to de-list the Equity Shares of the Company from The Stock Exchange, Mumbai.  
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

**R Segar**  
Director

Bangalore  
12th August, 2004

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

## 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 VOTE ON A POLL INSTEAD OF HIMSELF AND A PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. PROXIES, ONCE ISSUED WILL HOLD GOOD FOR ANY ADJOURNMENT OF THIS ANNUAL GENERAL MEETING.
3. Members / Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
4. The Register of Members and Transfer Books of the Company will be closed from 16th September, 2004 to 23rd September, 2004 (both days inclusive).
5. Shareholders intending to require information about the Accounts, to be explained at the Meeting are requested to inform the Company at least a week in advance of their intention to do so, so that the information relating thereto may be made available, if the Chairman permits such information to be furnished.
6. Pursuant to the provisions of Section 205C of the Companies Act, 1956, the dividend amount, which was lying unclaimed for a period of seven years on the dividend declared for the year 1995-96, has been transferred to Investors' Education and Protection Fund (IEPF) during November 2003.
7. The Shareholders, who have not claimed / encashed dividend warrants for the years 1996-97, 1997-98 and 1998-99 are requested to correspond with the Investors' Service Cell, as the dividend amount remaining unclaimed for seven years would be transferred to the Investors' Education and Protection Fund, pursuant to the provisions of Section 205A of the Companies Act, 1956.
8. Pursuant to the requirements of listing agreement, additional information on Directors seeking appointment and re-appointment at the Annual General Meeting is appended to this Notice.
9. The Shareholders are requested to communicate all their correspondence including share transfers to:

Investors' Service Cell, B S Appliances Limited, Dynamic House, No.64, Church Street, Bangalore 560 001. Phone : 080 - 25587787, Fax : 080 - 25596286

OR

Alpha Systems Private Limited, Unit - B S Appliances Limited No.30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore 560 003, Phone : 080 - 23460815/16/17/18, Fax : 080 - 23460819 e-mail : alffint@vsnl.net.in

By Order of the Board

Bangalore  
12th August, 2004

**R Segar**  
Director

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

## 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 businesses mentioned in the accompanying Notice and should be taken as forming part of the Notice.

### Item Nos. 4, 5 and 6

Mr. R Segar was co-opted as an Additional Director on the Board of the Company on 29th January, 2004. Mr. P R Laxminarayan and

# Notice of Annual General Meeting

Mr. Arul Ramalingam were co-opted as Additional Directors on the Board of the Company on 12th August 2004. In terms of Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company, the above Directors hold office till the ensuing Annual General Meeting.

The Company has received notices in writing under Section 257 of the Companies Act, 1956, (along with the requisite deposit of Rs. 500/- each) signifying their candidature for the office of Directors.

Your Directors consider that it is in the best interest of the Company to appoint the aforesaid Directors and recommend the resolutions set out in Item Nos. 4, 5 and 6 for your approval.

None of the Directors of the Company, except Mr. R Segar, Mr. P R Laxminarayan and Mr. Arul Ramalingam may be deemed to be concerned or interested in the respective resolutions.

## Item No. 7

Mr. N Koteswara Rao, Director, was appointed as the 'Manager' of the Company under Section 269 of the Companies Act, 1956, for a period of three years, with effect from 5th March, 2004, without remuneration, subject to the approval of shareholders. The appointment of Mr. N Koteswara Rao as the 'Manager' does not require the approval of the Central Government.

Your Directors consider that it is in the best interest of the Company to appoint Mr. N Koteswara Rao, as the Director & Manager of the Company and recommend the resolution as set out in Item No. 7, for your approval.

None of the Directors of the Company, except Mr. N Koteswara Rao, may be deemed to be concerned or interested in the resolution.

The Board recommends the resolution for adoption by the Members.

## Item No. 8

The Equity Shares of the Company are currently listed at NSE and BSE. SEBI (De-listing of Securities) Guidelines, 2003 provides for voluntary de-listing of securities by the Company provided that the securities continue to be listed in a stock exchange having nationwide trading terminals i.e., either NSE or BSE. Since the National Stock Exchange offer investors sufficient trading and liquidity through their nationwide trading terminals, it is proposed to de-list the Equity Shares of the Company from The Stock Exchange, Mumbai. However, the Company will have continued listing of its equity shares with the National Stock Exchange of India Limited.

Pursuant to the SEBI (De-listing of Securities) Guidelines, 2003, the Company is required to seek approval of the Members to voluntarily de-list its securities from the Stock Exchanges. Hence, necessary resolution is being placed before the Members seeking their consent for de-listing of the Company's Equity Shares from The Stock Exchange, Mumbai.

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

## INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT/ APPOINTMENT AT THE ANNUAL GENERAL MEETING

### Mr. M V Ramdas

Mr. Ramdas aged 45, holds a Bachelors' Degree in Engineering and a Masters' Degree in Business Administration from IIM, Bangalore. At present, he is the Vice President of BPL Power Projects (AP) Private Limited and the 'Manager' of Bharat Energy Ventures Limited and BPL Engineering Limited. He has nearly two decades of experience in finance and management.

At present, he is on the Board of the following companies:

- BPL Engineering Limited
- Bharat Home Appliances Limited
- Bharat EPDC Energy Private Limited

He is the Chairman of the Audit & Remuneration Committee and a Member of Investors' Relation Committee of the Company and also a Member of the Finance Committee of BPL Engineering Limited.

### Mr. R Segar

Mr. Segar, aged 46, is a Mechanical Engineer with over two decades of experience in Production Technology covering Electronic Equipments, Washing Machines and Refrigerators.

Mr. Segar neither holds directorship / committee membership in other companies nor holds committee membership in the Company.

### Mr. P R Laxminarayan

Mr. Laxminarayan, aged 54, holds Bachelor's Degree in Mechanical Engineering. He has 30 years experience in Tool Engineering (Design, Development, Manufacturing of various types of tools, Injection Moulds, Press tools, Vacuum Forming Moulds, PUF Jigs, Jigs & Fixtures etc.) and Production Engineering. He has worked in various commercial / captive tool room manufacturing, automation toolings, consumer durable product toolings. He has been with the BPL Group for the past 14 years.

Mr. Laxminarayan does not hold directorship / committee membership in other companies. He is the Member of the Audit and Investors' Relation Committee of the Company.

### Mr. P S Arul Ramalingam

Mr. Arul Ramalingam, aged 41, holds Diploma in Mechanical Engineering & Post Diploma in Production Management. He has 22 years experience in the areas of Tool Engineering (Design, Development, Manufacturing of Injection Moulds, Press tools, Vacuum forming Moulds, SPM Trimming Tools and PUF Jigs) and Tool Room Machine Shop and also worked with Refrigerators Production Engineering Department. He has been with the BPL Group for the past 14 years.

Mr. Arul Ramalingam does not hold directorship / committee membership in other companies. He is the Member of the Audit and Investors' Relation Committee of the Company.

### Mr. N Koteswara Rao

Mr. N Koteswara Rao, aged 51, is a Chartered Accountant with over 25 years of experience in areas of Finance and General Management in the Industry.

Mr. Koteswara Rao is the Director & Manager of B S Refrigerators Limited. He is not a member of any of the committee of Companies, in which he is a Director.

## ATTENDANCE RECORD OF DIRECTORS WHO SEEK APPOINTMENT AND RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Name of the Director	No. of Board Meetings held during 2003-2004	No. of Board Meetings attended	Last AGM attendance (Yes / No)
Mr. M V Ramdas	5	5	YES
Mr. N Koteswara Rao (*)	5	3	YES
Mr. R Segar (**)	5	NIL	NA
Mr. P R Laxminarayan (***)	-	-	-
Mr. P S Arul Ramalingam (***)	-	-	-

(\*) Appointed on 31st July, 2003 (\*\*) Appointed on 29th January, 2004

(\*\*\*) Appointed on 12th August, 2004

By Order of the Board

Bangalore  
12th August, 2004

**R Segar**  
Director

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

# Directors' Report and Management Discussion & Analysis

To the Members,

Your Directors present the Fourteenth Annual Report on the Business and Operations of the Company together with the Audited Statements of Account for the year ended 31st March, 2004.

## FINANCIAL HIGHLIGHTS

(Rs. in lacs)

Particulars	Year ended 31.03.2004 (12 months)	Period ended 31.03.2003 (18 months)
Sales & Other Income	1604	3876
Profit before Financial Expenses, Depreciation and Deferred Revenue Expenditure	136	369
Less : Financial Expenses	2604	3185
Depreciation	530	385
Deferred Revenue Expenditure	1181	714
Loss for the year	(4179)	(3915)
Less: Extra-ordinary / Non-recurring expenses	(3416)	(210)
Total Loss	(7595)	(4125)
Add : Surplus brought forward from previous year	(4025)	99
Set off against balance in General Reserve	1022	1022
Profit available for appropriation	-	(3004)
Balance carried to Balance Sheet	(10598)	(3004)

## DIVIDEND

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

## OPERATIONS

The home appliances market, especially the Washing machines segment, has remained stagnant for the fifth year in succession. The low demand for the main product and the large number of players including MNCs vying for a share of 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 to match the competition. This has resulted in a severe crunch in working capital, leading to further lower turnover.

The stagnant demand for the product and lack of buying sentiments has continued even during the first quarter of 2004-05.

During the period under review [April 2003 to March 2004], your Company has achieved a turnover of Rs.1603.59 Lacs and incurred a loss of Rs.4179.21 Lacs. Together with extra-ordinary /non-recurring / exceptional expenses, the Company posted a loss of Rs.7595.14 Lacs.

## 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 MNCs, 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 and • Fully automatic machines.
- Semi automatics constitute nearly 70% of the total market in volume terms, on account of the lower price



# Directors' Report and Management Discussion & Analysis

relative to fully automatic machines of same capacity. (semi automatics are substantially 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 dominate the market and account for 95% of the total sales. Front loading machines are becoming increasingly popular in recent times.

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	Threats
<ul style="list-style-type: none"> <li>• Strong brand equity</li> <li>• BPL Washing Machine well known for reliability and trouble free performance</li> </ul>	<ul style="list-style-type: none"> <li>• Flat/ Negative market growth in the last 2 years</li> <li>• Stiff competition from multinationals</li> <li>• Slow down in replacement demand and growth of front loading automatic machines</li> <li>• Weak financials of the company, over leveraged, unsustainable debt levels</li> <li>• Recent loss of customers due to negligible marketing activity</li> <li>• Low operating levels below break-even point resulting in cash erosion on a continuous basis</li> </ul>

## III) Performance

- Even when the operations of the Company were 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 3kg 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 5kg and 6kg 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.
- Two value for money models in capacities of 5kg called 'Swan' and 6kg called 'Flamingo', introduced last year continued to be 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) Restructuring Initiatives & Future Outlook

The operations of the company have been affected due to lack of working capital. The Company's proposal for restructuring its debt, both Term & Working Capital, is under active consideration of its lenders. On successful implementation of restructuring proposal, the Company would be favorably positioned to address the various "threats" mentioned earlier.

The Company now has a complete range of Washing Machines both in the Semi-Automatic & Fully Automatic category. The company is also manufacturing the low capacity (170 Ltrs) DC refrigerators in 3 variations.

- The expenses have been appreciably brought down to improve operating margins.
- Through highly focussed initiatives, the Company is poised to regain the lost market share.

## 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 had installed a dedicated refrigerator line to manufacture the entry level of refrigerators in the factory. The production of these refrigerators was successfully launched during the year and it has been well received.
- 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 Purchases including Sub-contracting, Cash and Bank transactions including bank reconciliations, verification of Accounting records, Central Excise and MODVAT records, General Ledger, Statutory Compliances, Fixed Assets etc.
- 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 BS 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.
- *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 31st March, 2004 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 Rs. 7.50 each.

The Company has a Preference Share Capital of Rs. 40 Crores as on 31st March, 2004 consisting of 40,00,000 shares of Rs. 100/- each.

During the financial year ended 31st March, 2004, there was no change in the value of share capital.

- *Reserves & Surplus* : The Reserves of the company has reduced from Rs. 32.00 Crores in 2001-03 to Rs. 31.08 Crores in 2003-04. The main component attributable to this change is 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. 0.92 Crores.
- *Borrowings* : Total borrowings of the Company as on 31st March, 2004 was Rs. 152.84 Crores, out of which secured loan was Rs. 152.73 Crores and unsecured loan Rs. 0.11 Crores.
- *Cost of Borrowing* : The financial expenses for the year stood at Rs. 26.04 Crores.
- *Net Block* : Net Block as on 31st March, 2004 stood at Rs. 107.31 Crores as compared to Rs. 113.24 Crores as on 31st March, 2003.
- *Capital Expenditure* : The capital expenditure of the Company for the Financial Year ended 31st March, 2004 was Rs. 30.23 lacs.
- *Depreciation and 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/ Non-Recurring/ Exceptional Items*: The company had taken up a process of detailed review of its inventories, other current assets, capital work in progress and investments in the previous period and to the extent finality was reached in that period, certain amounts were charged off in the profit and loss account of that period. Balance work has also been completed and to state these assets at their reasonably expected realisable values, certain items were identified and have been charged off in the current period as extra-ordinary / prior period expenditure and the details for the same are furnished in 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. 6.30 Lacs 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

# Directors' Report and Management Discussion & Analysis

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, 2004, the Company had a total strength of 195 employees.

## **REFERENCE TO BIFR**

At the end of the financial year, the accumulated losses of the company have exceeded the Net worth and as such, the company has become a sick industrial company under the provisions of Sick Industrial Companies (Special Provision) Act, 1985 (SICA). Hence, a reference Under Section 15 (1) of SICA is proposed to be made to the Honorable Board for Industrial And Financial Reconstruction (BIFR).

## **CORPORATE GOVERNANCE**

As per the requirements of Clause 49 of the Listing Agreement executed with the Stock Exchanges where the Company's shares are listed, 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 said report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- i) In the preparation of the annual accounts for the year ended 31st March, 2004, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) 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 year and of the profit or loss of the company for the year under review;
- iii) 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;
- iv) Your Directors had prepared the accounts for the year ended 31st March, 2004 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.200.94 Lacs.

## **DE-MATERIALIZATION OF SHARES**

The Company's equity shares are available for de-materialization on both the Depositories viz., NSDL & CDSL. Shareholders may be aware that SEBI has made trading of your Company's shares mandatory, in the de-materialized form. As on date, 68.12% of your Company's shares has been de-materialized.

## **DE-LISTING OF SHARES**

The Members at their meeting held on 19th September 2003, had accorded their consent for de-listing of Company's equity shares from all stock exchanges except National Stock Exchange of India Limited and The Stock Exchange, Mumbai. In pursuance of this and on applications made by the Company in this behalf, the Company's equity shares were de-listed from Bangalore Stock Exchange Limited and The Delhi Stock Exchange



Association Limited, with effect from 4th December, 2003 and 31st March, 2004, respectively.

Further, SEBI (De-listing of Securities) Guidelines, 2003 provides for voluntary de-listing of securities by the Company provided that the securities continue to be listed in a stock exchange having nation-wide trading terminals i.e., either NSE or BSE. Since the National Stock Exchange offer investors sufficient trading and liquidity through their nationwide trading terminals, it is proposed to de-list the Equity Shares of the Company from The Stock Exchange, Mumbai. However, the Company's equity shares will continue to be listed with National Stock Exchange of India Limited. Necessary resolution is being placed before the Members in the ensuing Annual General Meeting, seeking consent for the same.

#### **PUBLIC DEPOSITS**

Your Company had 108 unclaimed deposits aggregating Rs.10.77 Lacs as on 31st March, 2004 as against Rs.18.87 Lacs as on 31st March, 2003. Out of the above, a sum of Rs.1 Lac has since been claimed and repaid by the Company, as on date. Your Company has stopped accepting / renewing deposits and the depositors had been requested to approach the Company for repayment of matured deposits.

#### **PARTICULARS OF EMPLOYEES**

During 2003-2004, none of the employees of the Company have drawn remuneration in excess of Rs.24 Lacs per annum or Rs.2 Lacs per month. Hence, furnishing information in terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, does not arise.

#### **INDUSTRIAL RELATIONS**

Employee relations at all levels remained cordial. The Directors express their appreciation to all the employees for their dedication and hard work.

#### **CONSERVATION OF ENERGY**

Your Company is not a large scale 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, thermo Cole, solder waste etc.) are measures taken by the Company in conservation and improvement of natural resources.

Research & Development, Technology Absorption, Adaptation and Innovation

##### *i) Efforts Made:*

The R&D efforts of your Company are more than 13 years old and your Company is recognized by the Department of Science and Technology of Govt. of India.

During the period under review, efforts were :

- a) Made to strengthen certain Semi-Automatic Washing Machines through customizing on need based requirement.
- b) Directed towards installation of a manufacturing line for production of Direct Cool Refrigerators which are environmental friendly (Non-CFC type).
- c) Continued to enhance Product Quality and reliability testing of components.

##### *II) Results Achieved :*

- a) During the period under review, new models were developed and offered to specific customers.
- b) Reduction in imports contents through indigenisation of Major components like Spin Timer, Torque Motor, Soak Timer and Adhesives etc. has helped in reduced RMC cost. These efforts have helped in competitive pricing.
- b) Reliability testing of components which has resulted in reduced cost after sales service

##### *Future Plan of Action :*

- a) Identify further OEM requirement (for Washing Machines and Refrigerators) and develop models based on OE requirements.
- b) Phased introduction of Bubble Generator, Stainless Steel Drum and Heaters based on market requirement.
- c) Exploring the possibility of providing Design solutions for various Customer requirement.
- d) Efforts in pursuing further export orders.

#### **TECHNOLOGY ABSORPTION AND ADAPTION**

Your Company is up to date on Technology Absorption and the team is fully equipped with knowledge and facilities to indigenously Design, Develop, Test and produce Washing Machines and Refrigerators with aesthetics and Quality on Par with competitors models. The company has the ability to Design and Develop all tools and Mould indigenously.

#### **EXPENDITURE ON R&D**

Capital : NIL

Recurring : Rs. 23.07 Lacs

R&D expenditure as percentage to total turnover : 1.44

#### **FOREIGN EXCHANGE EARNINGS AND OUTGO**

##### *A. Exports*

The export prices of washing machines are now competitive. The company has identified few OEM's in Middle East countries & continuously pursuing for major orders

##### *B. Foreign Exchange Earnings & Outgo*

Foreign Exchange Earned : Rs. 6.30 Lacs

Foreign Exchange Utilized : Rs. 71.92 Lacs