



Believe in the Best

Annual

BS Refrigerators Limited

ANNUAL REPORT 2000-2001

Report 2000-2001

BELIEVE IN THE BEST.

Corporate Information

BOARD OF DIRECTORS

T P G Nambiar, *Chairman*

Ajit G Nambiar (till 31.01.02)

M A Uppal (till 29.10.01)

M K Narayanan

Viswanath Nambiar

Bharat M Mehta

R Murali

A R Rajaram

P J V Sarma *Nominee of ICICI*

K Sundararaman, *Wholesale Director*

L H Bhatia, *Managing Director (till 31.01.02)*

AUDIT COMMITTEE

Bharat M Mehta

P J V Sarma

R Murali

INVESTOR RELATIONS COMMITTEE

R Murali

P J V Sarma

A R Rajaram

AUDITORS

M/s. T Velu Pillai & Co.,
Chartered Accountants,
Bangalore

BANKERS

State Bank of Mysore

Union Bank of India

Bank of Baroda

REGISTERED OFFICE

1-D, Kadugodi, Sadaramangala Industrial Area,
Whitefield Road, Whitefield,
Bangalore 560 066

FACTORY

Moulding & Tool Room Complex

1-D, Kadugodi, Sadaramangala Industrial Area,
Whitefield Road, Whitefield,
Bangalore 560 066

Refrigerator Plant

1-A, Kadugodi, Sadaramangala Industrial Area,
Whitefield Road, Whitefield,
Bangalore 560 066

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Notice

Notice is hereby given that the 14th Annual General Meeting of the Members of B S Refrigerators Limited will be held on Wednesday, the 20th March, 2002 at 3.30 p.m. at Gurunank 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 30th September, 2001, 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. T P G Nambiar, Director, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. R Murali, Director, who retires by rotation and being eligible, offers himself for re-election.
4. 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

5. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:

RESOLVED THAT, Mr. Viswanath Nambiar, 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. M K Narayanan, 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. Bharat M Mehta, 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 an ORDINARY RESOLUTION:

RESOLVED THAT, Mr. A R Rajaram, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retirement by rotation.

9. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:

RESOLVED THAT, Mr. K Sundararaman be and is hereby appointed as a Director of the Company.

RESOLVED FURTHER THAT pursuant 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 to the approval of Central Government, if necessary, consent of the Company be and is hereby accorded to the appointment of Mr. K Sundararaman, as the Wholtime Director of the Company for a period of three years with effect from 31st January, 2001, on the terms and conditions as set out below :

a. SALARY

Rs. 29,000/- per month in the scale of Rs.25,000 - Rs.50,000.

b. PERQUISITES

- I. The Wholtime Director shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof, city compensatory allowance, education allowance, car allowance, reimbursement of medical expenses and leave travel concession for self and his family including dependents, premiums towards personal accident insurance and medi-claim and all other payments in the nature of perquisites and allowances as agreed to by the Board of Directors, from time to time, subject however, that the aggregate monetary value of the perquisites in any year shall not exceed Rs. 9,90,000/- 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. K Sundararaman, Wholtime Director, shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.
- V. The aggregate of the salary, perquisites and allowances, contribution towards Provident Fund and Superannuation Fund in respect of the Wholtime Director, shall always be subject to the overall ceiling laid down in Sections 198 and 309 of the Companies Act, 1956.

MINIMUM REMUNERATION

RESOLVED FURTHER THAT where in any financial year the Company has no profits or its profits are inadequate, the Company may pay to Mr. K Sundararaman, Wholtime Director, remuneration by way of salary and perquisites as specified supra, subject to the approval of the Central Government or in the alternative, in accordance with the limits laid down in Section II, Part II of Schedule XIII to the Companies Act, 1956 as in force, from time to time.

10. To consider and if thought fit, to pass with or without modification(s), the following as an ORDINARY RESOLUTION:

RESOLVED FURTHER 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 the Central Government, consent of the members be and is hereby accorded for the appointment of Mr. LH Bhatia, as the Managing Director of the Company with effect from 1st July, 2001 till 31st January, 2002, on the terms and conditions as set out below.

- a. Salary
Rs.2,00,000/- per month
- b. Perquisites
 - I. The Managing Director, shall be entitled to Perquisites like furnished accommodation or house rent allowance in lieu thereof, City compensatory allowance, Education allowance, together with re-imbursement of expenses for utilisation of gas, Electricity & Water, re-imbursement of ordinary medical expenses and leave travel concessions for self and his family including dependents, club fees, premiums towards personal accident insurance and medi-claim and all other payments in the nature of perquisites and allowances as agreed to by the Board of Directors, subject to a ceiling of Rs.7,50,000/- per annum.

Explanation

'Family' here means the spouse, dependent children and dependent parents of the Managing 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 rule, perquisites shall be evaluated at actual cost.

Use of Company's Car for official purposes and Telephone at residence (including payment for local calls and long distance official calls), shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

- 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.

MINIMUM REMUNERATION

RESOLVED FURTHER THAT, where in any financial year the Company has no profits or its profits are inadequate, the Company may pay to Mr. L H Bhatia, remuneration by way of salary and perquisites as specified supra, subject to the approval of the Central Government or in the alternative, in accordance with the limits laid down in Section II, Part II of Schedule XIII to the Companies Act, 1956, as in force from time to time.

11. To consider and if thought fit, to pass with or without modifications, the following Resolution which will be proposed as a SPECIAL RESOLUTION :

RESOLVED THAT in accordance with applicable provisions if any, of the Companies Act, 1956, consent of the members be and is hereby accorded, in relation to 94,00,000 equity shares allotted to BPL Limited, BPL Sanyo Finance Limited and Alpha Securities Limited on 22nd November, 1994 (pursuant to authority granted by the members vide Special Resolution at the Extra-ordinary General Meeting held on 31st October, 1994) to reduce the issue price of Rs. 48.44 per equity share to a price not below Rs. 36.33 per equity share by waiving payment of the balance of share premium and / or face value in respect of the shares referred to above, or by extinguishing the unpaid amount on these shares and / or in such other manner as may be considered appropriate by the Board.

RESOLVED FURTHER THAT, the Company do hereby authorise the Board to carry out requisite endorsement on the share certificates to make these shares as fully paid up or issue fresh share certificates in lieu thereof and the Board is hereby further authorised to make such appropriations, modifications or alterations in the books of account, to give effect to this decision and to settle any questions, difficulty or doubt that may arise in this regard.

By Order of the Board

Sd/-

K Sundararaman
Wholetime Director

Bangalore
31st January, 2002

Registered Office : No.1-D, Kadugodi, Sadaramangala Indl. Area
Whitefield Road, Whitefield, BANGALORE 560 066

NOTES :

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special business to be transacted at the meeting is annexed to this notice.
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 15th March, 2002 to 20th March, 2002 (both days inclusive).
5. The Company has transferred unclaimed dividends declared upto the financial year 1994-95 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Karnataka, E-Wing, Kendriya Sadan, Koramangala, Bangalore 560 034. The Shareholders who have not claimed the dividend declared for the financial years 1995-96 and 96-97 can claim the same by lodging their request directly with the Company.

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 considered as forming part of the Notice.

Item Nos.5, 6, 7 & 8

Mr. Viswanath Nambiar, Mr. MK Narayanan, Mr. Bharat M Mehta and Mr. AR Rajaram, were co-opted as Additional Directors of the Company by the Board of Directors at their Meeting held on 31st January, 2002.

Mr. Viswanath Nambiar : Mr. Viswanath Nambiar, holds a Bachelor's Degree in Engineering, has been associated with BPL Group right since its inception in various capacities. Mr. Viswanath Nambiar carries with him rich experience in the management of Industrial enterprises. He has had extensive training abroad with various Foreign Collaborators of the BPL Group. He is at present the

Managing Director of BPL Power Projects (AP) Limited. He is on the Boards of several other Companies.

Mr. M K Narayanan : Mr. M K Narayanan, aged 68, is a former member of the Indian Police Services (IPS) and has had a wide array of assignments dealing with National Security and Intelligence for over 33 years. He was a Director of India's apex intelligence body, the Intelligence Bureau (IB), for two terms. As the head of India's Security and Intelligence Service from 1987 to 1992, he was an advisor on National Security affairs to 4 Prime Ministers. Mr. M K Narayanan is on the Boards of several other Companies, including a few in the BPL Group.

Mr. Bharat M Mehta : Mr. Bharat M Mehta, aged 54, is a Graduate in Commerce and has over 23 years of experience in the areas of Finance and Administration. He is a well known businessman and is the Managing Director of Barton Son & Co. Pvt. Ltd. He is on the Board of a few other Companies in the BPL Group.

Mr. A R Rajaram : Mr. A R Rajaram, who is a fellow member of the Institute of Company Secretaries of India (FCS) and a law graduate (LLB), has been associated with BPL Group since 1981. He is currently the General Manager and Company Secretary of BPL Limited. He has a wide and varied experience in handling Corporate laws and in general management. He is on the Boards of a few other Companies in the BPL Group.

In terms of Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company all the above Directors hold 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.

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.5, 6, 7 & 8 for your approval.

No other Director of the Company, except the above Directors may be deemed to be concerned or interested in the item Nos. 5, 6, 7 & 8 relating to their respective appointment as Directors.

Item No. 9

Mr. K Sundararaman, General Manager of the Company was co-opted as an Additional Director by the Board on 31st January, 2001. On the same day he was appointed as the Wholtime Director of the Company for a period of three years, on the terms of remuneration as set out in the resolution at item No.9 of the Notice.

Mr. K Sundararaman, aged 50, is a Mechanical Engineer and has been associated with the Company since 1999. He is incharge of and responsible for the day to day operations of the Company's manufacturing facilities at Whitefield. Before joining the BPL Group he was with Widia India Limited. He has wide and varied experience of more than two decades in technical as well as administrative matters.

The remuneration payable to him is within the limits provided in Schedule XIII to the Companies Act, 1956, in respect of Companies with inadequate profits and hence would not require the permission of Central Government. However, the same is subject to the approval of shareholders in the General Meeting.

The Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, (along with the requisite fee of Rs. 500/-) signifying his intention to propose the candidature of Mr. K Sundararaman 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. K Sundararaman as the Whole time Director of the

Company and recommend the resolution set out in Item No.9 for your approval. None of the Directors of the Company, except Mr. K Sundararaman, may be deemed to be concerned or interested in the resolution.

Item No.10

Mr. L H Bhatia was appointed as the Managing Director of the Company from 1st July, 2001 on the terms of remuneration as set out in the resolution at item No.10 of the Notice.

Subsequently, on 31st January, 2002 Mr. L H Bhatia resigned from the Board of the Company. His appointment as the Managing Director of the Company and payment of remuneration from 1st July, 2001 to 31st January, 2002 requires the approval of Central Government, apart from being ratified by the members, (as the remuneration paid to him is in excess of the limits laid down in Schedule XIII of the Companies Act, 1956, in respect of Companies having inadequate profits).

Your Directors recommend the resolution as set out in Item No.10 for your approval. None of the Directors of the Company may be deemed to be concerned or interested in the resolution.

Item No.11

The members of the Company had at the Extra-ordinary General Meeting held on 31st October, 1994, approved the issue and allotment of Equity Shares to a few Corporates on a preferential basis in accordance with applicable Guidelines governing issue of shares on preferential basis. In pursuance of this approval, the Board had allotted 41,300, 32,00,000 and 61,58,700 equity shares of Rs. 10/- each, at Rs 48.44 per share to BPL Limited, BPL Sanyo Finance Limited & Alpha Securities Limited, respectively, comprising a share premium of Rs. 38.44 per share. At present, these shares are paid up to the extent of Rs. 36.33 per share, i.e., 75% of the Issue Price, of which, Rs. 7.50 is towards the face value and Rs. 28.83 towards the share premium.

The issue price of Rs 48.44 per share was fixed in 1994 by considering the average of weekly high and low of the closing prices of the shares quoted on the Stock Exchange, Mumbai, during the six months preceding 30 days prior to the Extra-ordinary General Meeting held on 31st October, 1994.

The Company has now received a communication from the allottees of the shares referred to above, expressing their inability to pay the balance of Issue Price and have cited, amongst others, lower than expected performance of the Company, tight financial conditions, as well as the low market quotations of Company's shares (which has fallen steeply in the last few years). Further, the fact of non-declaration of dividend in the last few years has severely impacted their cash flows and they have pointed to the present market prices, which are lower than the balance amount payable by them.

Re-fixation of the Issue Price of the shares and / or extinguishing the unpaid amount requires, amongst others, the consent of members in the General Meeting. Therefore, the Board has placed the matter before the General Body.

Your Directors recommend the resolution set out in Item No. 11 for your approval. None of the Directors of the Company, except Mr. T P G Nambiar and Mr. A R Rajaram, may be deemed to be concerned or interested in the Resolution.

By Order of the Board

Sd/-

Bangalore
31st January 2002

K Sundararaman
Wholtime Director

Registered Office : No.1-D, Kadugodi, Sadaramangala Indl. Area
Whitefield Road, Whitefield, BANGALORE 560 066

Directors' Report

To the Members,

Your Directors take pleasure in presenting the Fourteenth Annual Report on business and operations of the Company together with the audited statements of account for the period ended 30th September, 2001.

Financial Highlights

Particulars	Period ended	Year ended
	30.09.2001 (18 months)	31.03.2000 (12 months)
Sales & Other Income	17,180.50	1,2741.17
Profit before financial expenses & depreciation	1,664.97	1,812.29
Financial Expenses	3,393.21	2,331.54
Depreciation	1,420.56	680.38
Loss for the period	(3,148.80)	(1,199.62)
Add : Profit & Loss Account brought forward	(5,864.02)	(4,664.40)
Less : Investment Allowance no longer required	18.51	-
Balance carried over	(8,994.31)	(5,864.02)

Operations

The Frost Free Refrigerator market saw further decline during the year. The Industry de-growth registered has been as high as 17%, hurting your Company. The turnover of the Company at Rs.17180.50 lacs, resulted in a loss of Rs.3148.80 lacs, for the 18 months period ended 30th September, 2001. This is the first time in the history, even Direct Cool Refrigerators suffered a negative growth as high as 9%. In spite of the fact that your Company has successfully introduced 2 models of Direct Cool Refrigerators, which have been extremely well accepted in the market and has continued to grow in its supplies to OEM customers and exports, unfortunately, the liquidity constraints and high interest costs have adversely affected your Company's performance. Due to these limitations, your Company has not been able to improve its production quantities in spite of a good demand for BPL brand products.

Excessive negative growth of the industry coupled with hyper competition from large players has resulted in free fall of prices in the market place, affecting the realisation. Increasingly, lower end products are seen to be sold in the market place.

Your Company has well accepted the current challenge and introduced Direct Cool Refrigerators in 170 litre capacity, to take competition head-on and build large numbers in the coming year. Simultaneously, significant cost reduction has been achieved across the board by your Company by improving the productivity and creating efficient supply chain management.

Future Outlook

Your Company is currently working on the financial restructuring proposal to establish business viability from a long term perspective. Leading management consultants such as Ambit Corporate Finance and Anderson Consulting are working on the financial restructuring. Simultaneously, discussions with foreign partners for equity participation, are in an advanced stage of negotiation.

Your Company is pursuing in the interim, aggressively maximising the sales on OEM basis to leading brands of Refrigerators in the country and also exports to all the SAARC countries and Middle East markets.

Your Company is also in the final stages of introducing Non-CFC Refrigerators in the domestic market.

Dividend

Since the Company has not made any profit during the period under review, your Directors have not recommended any dividend.

Creation of Revaluation Reserve

The fixed assets of your Company were revalued during the year in order to capture their replacement cost. A surplus of Rs.44,23,96,625/- arising therefrom, has been credited to the Revaluation Reserve Account.

Corporate Governance

In compliance with the requirements of Section 292 (A) introduced vide the Companies (Amendment) Act, 2000, an audit committee of the Board was constituted on 31st January, 2001.

The Kumaramangalam Birla Committee on Corporate Governance, (whose recommendations have been accepted and implemented by Securities Exchange Board of India, by way of amendments to the listing agreement) has recommended the formation of certain committees of the Board.

Although the constitution of committees of the Board is applicable to your Company from the Financial year 2001-2002, as a matter of good corporate governance, your Directors have constituted the following committees on 31st January, 2001.

- i) Audit Committee
- ii) Investor Relations Committee

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 :

- i) in the preparation of the annual accounts for the 18 months period ended 30th September, 2001 the applicable accounting standards had been followed along with proper explanation relating to material departures;