

BPL Limited

ANNUAL REPORT 1997-98

Annual Report 1997-98

WE BELIEVE IN THE BEST

BPL



Believe in the Best.



<Mission Statement>

MD	<input checked="" type="checkbox"/>		3KC	<input checked="" type="checkbox"/>
CS	NA		DPY	NA
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	NA		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

Mission Statement

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

Guiding Principles

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

A handwritten signature in black ink, appearing to read "TPG Nambiar".

TPG NAMBIAR
Chairman

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<Corporate Description>

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What is BPL ?

BPL Limited is the flagship of India's largest consumer electronics entity, the BPL group. The BPL group is a Rs. 30 Billion (US \$ 750 Million) diversified conglomerate with products in the business of entertainment electronics like colour and black and white televisions, home appliances like washing machines, refrigerators, vacuum cleaners, microwave ovens and gas tables, soft energy, telecom products and services, information technology and components.

BPL Limited posted a turnover of Rs. 17.49 billion (US \$ 440 million) and a profit after tax of Rs. 0.86 billion (US \$ 21.67 million) in 1997-98. The group has a comprehensive technology partnership with Sanyo, Japan, and various other leading international players.

BPL Limited is India's largest producer of CTVs with a market share of 28% for 1997-98. The Company has an installed capacity to make 1.20 million CTVs spread across its factories on the outskirts of Bangalore and Noida. What drives the Company's competitive edge is the fact that BPL has integrated backwards more aggressively than any other Indian manufacturer. Nearly 90% of the components used in the manufacture of a CTV set (by value) - starting from printed circuit boards to flyback transformers to colour picture tubes, are made within the group or by the Company.

In 1997-98, the Company reported a 76.54% increase in its profit after tax. Its 17.92% return on capital employed was higher than what was reported by the other major consumer electronics manufacturers in the country.

The Company's stock is quoted on the Ahmedabad, Bangalore, Calcutta, Cochin, Delhi, Mumbai and National Stock Exchanges.

The promoters hold 67 per cent of the BPL equity.

The stated objective of the Company is to deliver superior long-term value to its shareholders.

<Post-balance sheet date developments>

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The First Quarter

By the time this report reaches you, the Company will have finished its working for the first quarter of 1998-99. Sales (provisional) for the first quarter of 1998-99 was Rs. 427.39 crores, compared with the previous year's corresponding figure of Rs. 329.63 crores. This reflects an increase of 29.66%. The profit after tax (provisional) was Rs. 21.44 crores compared with Rs.16.25 crores for the corresponding period in the previous year.

Next Results

The Company expects to announce the unaudited quarterly results for 1998-99 as follows :

Second quarter : between 15th and 31st October 1998

Third quarter : between 15th and 31st January 1999

The audited results of the Company for the financial year 1998-99 will be announced by 31st May, 1999 which will include the results for the fourth quarter of 1998-99.

<Highlights>

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Highlights of 1997-98

- Post tax profit up by 77% to Rs. 85.57 crores.
- Return on capital employed improved from 12% to 18%.
- Dividend increased from 30% in the previous year to 50%.
- Earnings per share up by 76% to Rs. 31.77 (previous year Rs. 18.02).
 - A 19% jump in sale of colour televisions.
 - Largest market share in CTV sales.
- Successfully commenced production of Colour Picture Tubes through its subsidiary Company.
- Launched the sale of alkaline batteries in the domestic market in August 1997.
 - Exported 33 million alkaline batteries to Japan and 110,000 computer monitors to USA.
- Increase in export turnover of 144% from Rs. 36 crores to Rs. 89 crores.
- Adjudged the most admired durables Company in the country by A&M-ORG-MARG survey.

<Letter from the Chairman>

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Eagle Vision

The Indian economy passed through one of its most difficult years during 1997-98. Cash reserves were low, corporate spending sluggish, credit expansion restrictive along with a depressed stock market. Even real estate prices faced the brunt of the recession.

Under such economic conditions, BPL forged ahead and set an example by reporting its best results ever. A 77% increase in post tax profits which is still on the rise in the first quarter of 1998-99. The first quarter registered a 59% increase in volume of CTV sales and a 31.94% in bottomline improvement when compared with the profits during the corresponding quarter of the previous year.

Our success is a result of high growth in the CTV industry combined with our internal re-engineering. Fuelled by increasing television channels and excellent quality of programmes transcending across age groups, the television as a product has become a necessity in every Indian household.

Yet there is a huge market potential for CTVs that is still to be exploited. This is evident from the fact that we have the lowest penetration of CTVs in the world. The fall in CTV prices has also contributed to an unprecedented explosion in sales. No wonder the CTV market in India expanded faster than most other industries during 1997-98. Our shareholders would now appreciate our achievement and future prospects.

At BPL we have continued to offer the consumers the best quality and value for the product they buy. BPL lowered prices by cutting costs. Not surprisingly, we were the largest sellers of colour televisions in India - more than any multinational.

We are also pleased to inform you that we have rapidly progressed to become the undisputed leader in alkaline batteries and computer monitor sectors, making us a truly diversified Company. Together they are expected to contribute nearly Rs. 235 crores, approximately 10 % of turnover in the current financial year. Of this Rs. 192 crores will accrue from exports.

We shall continue our excellent performance this year and strive for a higher market share. BPL's performance has become the benchmark for the Indian CTV industry. While targeting a 35% marketshare in the CTV segment, the product is now expected to contribute as much as 50% of the turnover.

160 million households and only 19.2 million households with colour televisions : we could not have hoped for a better future.

Sincerely,



TPG NAMBIAR
Chairman

<Interview with Vice Chairman & Managing Director>

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"Our business must be driven by what the market requires. This means our products must always be innovative and our marketing creative"

Mr Ajit G Nambiar, Vice Chairman and Managing Director, analyses the year gone by

How would you sum-up 1997-98 with reference to BPL ?

In one word, it was 'excellent'. Excellent because our strategy clicked in a number of areas : in increasing productivity, reducing costs, linking the factory to the dealer and decentralising decision making in an attempt to drive the growth engine of the Company. The fact is that we had started some of these activities a couple of years ago. However, it was only in 1997-98 that the results became visible in our bottomline, with PAT up by 76.54% to Rs. 85.57 crore on a sales turnover of Rs. 1748.78 crores.

What was the objective of this re-engineering of business practices?

In order to compete and win in today's increasingly borderless market place, we at BPL believe that we needed to change the way we did business.

To achieve these goals, we reorganised and re-engineered our business practices, focussing mainly on the Kanban system of manufacturing. This exercise has been vindicated by our sales and profit figures : in 1996-97 we sold around 5.23 lacs colour television sets in the domestic market and reported a post-tax profit of Rs. 48.46 crores. In 1997-98 we sold only 19.39% more CTVs but reported a 76.54% increase in our post-tax profits.

Over the long term, the re-engineering programme will result in a stronger, more competitive organisation and will set the stage for a more vigorous growth in the current year and beyond.

In your opinion, which initiative was the highlight of 1997-98 ?

1997-98 saw BPL improving its market responsiveness through the reduction of product cycle times, a lowering of product costs by minimising inventory and increasing inventory turns.

We developed a total business strategy that

addresses diverse functions of the Company such as product engineering, demand management, production line scheduling, material replenishment and supply chain management.

For instance, we recognised that each region within India needs a marketing approach which is customised to the purchasing pattern of that region. To make this decentralisation effective, we linked the regions to the factories. The regions sold, then informed the respective factories which simply replenished the sold material. Among other things, it enabled the Company to reduce the time taken for a specific dealer's request to be activated on the shop floor, from 35 to 3 days.

Can you explain the Kanban system of manufacturing?

The Kanban system of manufacturing deviates significantly from the traditional manufacturing methods. Kanban is a just-in-time based "pull" system that manufactures to customer order. Production lines and processes are designed to produce a constantly changing mix of products at a steady rate. It utilises schedules for mixed model production instead of work orders to drive production. The schedules for the mixed models is based on the customer's orders and material is replenished using Kanban.

The key objective of Kanban system of manufacturing is to minimise the inventory and increase inventory turns.

Will this re-engineering help BPL meet foreign competition?

This has enhanced our ability to offer competitive prices essential to success in today's consumer electronics market.

What was the strategy with regard to the brand?

People buy products but own brands. Based on this insight into the changing consumer behaviour, BPL invested heavily into communicating brand values as a means of moulding preference towards the BPL brand.

Through a series of road shows, consumers got to see the future face of the BPL brand as manifested in futuristic products and through a series of television commercials, the confidence of the brand as a

<Interview with Vice Chairman & Managing Director> Continued > > >

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symbol of reliability and trust was reinforced.

A recent survey by A&M magazine in association with ORG-MARG recognised BPL as the number one consumer durable brand.

Do you think 1998-99 will continue to be a growth year for BPL?

I have no reason to believe that it will not. For the first quarter of 1998-99, BPL has sold 59 % more CTVs than it did in the first quarter of 1997-98. As per the trend observed over the last number of years, the sales offtake generally rises in the last quarter of the calendar year so, I have every reason to believe that this will be a record year in sales and profits for the Company.

A better year or a substantially better year?

A substantially better year in my opinion. Look at the numbers: during the first quarter, the Company sold 1.82 lacs CTV sets, a 59 % growth over the previous corresponding quarter. I feel we should sell atleast 8.50 lacs CTVs in 1998-99.

Exports of alkaline batteries and digital computer monitors are expected to be in the range of Rs. 50 crores and Rs. 140 crores, respectively.

Our aim is to achieve a total turnover of Rs. 2400 crores.

What specific initiatives are likely to drive growth in 1998-99 ?

Maintaining a decentralised decision making process which has helped link the market to the factories will ensure that we continue to rapidly respond to customer needs.

Our business must be driven by what the market requires. This means our products must always be innovative and our marketing creative.

We intend to launch a number of products in 1998-99 which should help in identifying BPL as a Company which is at the forefront of emerging technologies. For example, the launch of BPL's multi-media TV : the personal computer, television and DVD/VCD player combined into one.

The commissioning of Uptron Colour Picture Tubes Ltd's plant (now BPL Display Devices Limited's plant), and the large installed capacity for CTVs will help us reduce costs and improve product com-

petitiveness over the coming years.

What threats face the Company ?

The major threats faced by us is a devaluation of Asian currencies, which could enable manufacturers in these countries to export aggressively to India.

Where is BPL headed ?

We can never allow ourselves to be satisfied. We therefore, set our sights higher each year. We are looking at a 50% growth in our bottomline in 1998-99. We see the turnover increasing to Rs. 4,000 crores by the turn of the century hopefully on the same equity base. I see growth coming from all segments though in percentage terms I see the biggest jump coming from our alkaline battery and computer monitor businesses.

How does BPL intend to deliver shareholder value?

Improved profitability is the single most important focus of the management. The benefits of the re-engineering that have been initiated in the previous years will assist in this goal.

BPL will continue to focus on its core areas of consumer electronics and pay special attention to sound financial management which will help support the Company's future growth. We hope that these strategies, if successfully implemented, will enhance shareholder value.

Our measurement of superior performance is the continuing creation of shareholder value. This drives everything we do.

What are the main challenges facing BPL?

Managing the growth of our Company is emerging as one of the most important challenges we face in the years ahead. Our success in this endeavour is largely dependent upon how well our employees internalise our Company's values. The most important elements in our success are the enthusiasm and skills of our people combined with the effectiveness and flexibility of our management team. This is where we believe we have the greatest edge. Our aim is to maintain a stimulating environment in which to work and continue to provide opportunities for career development.