

Annual Report 1997-98

BPL Santhi Technologies Limited

ANNUAL REPORT 1997-98

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B P L G R O U P

MISSION STATEMENT

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

TPG Nambiar
Chairman

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NOTES

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, pertaining to special business contained in Item 5 of the Notice, is annexed hereto.
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 SUCH A PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE LODGED WITH THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING. PROXIES, ONCE ISSUED WILL HOLD GOOD FOR ANY ADJOURNMENT OF THIS ANNUAL GENERAL MEETING.
3. Members / Proxies attending the Annual General Meeting on Thursday, 17th September, 1998 may be aware that the Management of the Company has discontinued the distribution of Gifts / Coupons.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 1st September, 1998 to Thursday, the 17th September, 1998 (both days inclusive).
5. Members are requested to notify any change in their address immediately to the Company's Investors' Service Cell at Dynamic House, 64, Church Street, Bangalore 560 001.
6. IN ACCORDANCE WITH THE PROVISIONS OF SECTION 205A OF THE COMPANIES ACT, 1956, THE COMPANY WILL TRANSFER DURING OCTOBER 1998 UNCLAIMED DIVIDEND RELATING TO THE YEAR 1994-95 TO THE GENERAL REVENUE ACCOUNT OF THE CENTRAL GOVERNMENT. MEMBERS WHO HAVE A VALID CLAIM, ARE REQUESTED TO CLAIM THE DIVIDEND FROM THE COMPANY FOR THAT YEAR IMMEDIATELY.

The Unclaimed dividends for the year 1991-92, 1992-93 and 1993-94 declared on 24th September, 1992, 23rd September, 1993 and 26th August, 1994 respectively have been transferred to the Central Government Account. The concerned members may claim the dividend from the Registrar of Companies, Kerala, M G Road, Ernakulam, Cochin 682 011.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM No. 5

The Company has availed / will be availing financial assistance for its normal capital expenditure and incremental margin money requirements for working capital by way of a Rupee Term Loan from ICICI and by allotment of non convertible debentures to IDBI on a private placement basis. The said Rupee Term Loan / Debentures have to be secured by charge / mortgage on all or any of the movable and/or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors in consultation with the ICICI / IDBI. Since the mortgaging / charging of the assets of the Company may be regarded as a disposal of the whole or substantially the whole of the undertaking of the Company, it is necessary for the Board of Directors to obtain the approval of members under Section 293(1)(a). The Directors recommends the resolution for your approval.

None of the Directors are, in any way, concerned or interested in the resolution, except Mr. PJV Sarma who is a Director nominated by ICICI.

By Order of the Board

Bangalore
June 16, 1998

Srinath Maniyal M
Company Secretary

REGISTERED OFFICE
Audio House,
7/711, N H Bypass Road,
Palakkad 678 007.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of BPL Sanyo Technologies Limited, will be held on Thursday, the 17th September, 1998 at 4.00 p.m. at Shri Parvathi Mandapam, Chandranagar, Palakkad 678 007, Kerala, to transact the following business:-

ORDINARY BUSINESS:

1. To consider and adopt the Profit and Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date and the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. TPG Nambiar, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. TC Chauhan, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors to hold office from the conclusion of the Seventeenth Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modifications, the following Resolution:-

(Proposed as an Ordinary Resolution)

5. RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of both or any of the following, viz.
 1. To secure Rupee Term Loan not exceeding Rs. 1000 lacs to be lent and advanced by Industrial Credit and Investment Corporation of India Limited (ICICI) to the Company;
 2. To secure 15.5% Secured Redeemable non convertible debentures aggregating to Rs. 1200 lacs allotted to Industrial Development Bank of India (IDBI)

together with interest at the respective agreed rate, additional interest, liquidated damages, commitment charge, premium on prepayment or on redemption, costs, charges and all other monies payable by the Company to ICICI and IDBI in terms of their respective loan agreement / Debenture Subscription

Agreement entered into / to be entered by the Company in respect of the said term loan / non-convertible debentures.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with ICICI and IDBI for creating aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolutions.

By Order of the Board

Bangalore
June 16, 1998

Srinath Maniyal M
Company Secretary

REGISTERED OFFICE

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7/711, N H Bypass Road,
Palakkad 678 007.

A N N U A L R E P O R T

1997-98

BPL SANYO TECHNOLOGIES LIMITED

BOARD OF DIRECTORS

TPG Nambiar, *Chairman*

Viswanath Nambiar

TC Chauhan

KS Jayanth Kumar

PJV Sarma, Nominee *ICICI*

PS Gopalakrishnan, Nominee *UTI*

Shashi Nambiar, *Executive Director*

MA Uppal, *Managing Director*

COMPANY SECRETARY

Srinath Maniyal M

AUDITORS

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

BANKERS

American Express Bank Limited
Bank of Baroda
Canara Bank
Citibank N A
Indian Bank
Indusind Bank Limited
State Bank of Travancore

REGISTERED OFFICE

Audio House, 7/711, N H Bypass Road,
Palakkad 678 007

HEAD OFFICE

1/1, Palace Road, Bangalore 560 001

FACTORIES

Audio House, 7/711, N H Bypass Road, Palakkad 678 007
No.1, KIADB Ind. Area, Doddaballapur, Bangalore 561 203

DIRECTORS' REPORT

TO THE MEMBERS OF BPL SANYO TECHNOLOGIES LIMITED

Your Directors take pleasure in presenting the Seventeenth Annual Report on the business and operations of the Company and the Statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

(Rs. in Lacs)

		Year ended 31.03.98		Year ended 31.03.97
Gross Profit for the year		2357.85		2398.23
Less : Interest	1647.68		1463.52	
Depreciation	<u>477.95</u>	<u>2125.63</u>	<u>437.87</u>	<u>1901.39</u>
Profit for the year		232.22		496.84
Less : Provision for Taxation		<u>24.50</u>		<u>-</u>
		207.72		496.84
Add : Balance brought forward from the previous year		635.06		288.22
Profit available for appropriation		<u>842.78</u>		<u>785.06</u>
Appropriations :				
Transfer to General Reserve		100.00		150.00
Proposed Dividend		-		-
Balance carried to Balance Sheet		742.78		635.06
		<u>842.78</u>		<u>785.06</u>

OPERATIONS

The advent of cable channels on TV and the recession in the consumer electronics goods had an impact on the industry as a whole. The audio industry has registered a negative growth with no exception to your Company. Severe competition and recession had led to piling of finished stocks. The falling value of rupee has resulted in the higher cost of import of raw materials and components. Steep increase in interest cost and selling expenses has affected the profitability of your Company. The price cutting resorted to by several manufacturers resulted in a dip in the turnover from Rs. 16520.01 lacs to Rs. 16218.34 lacs. As against a net profit after tax of Rs. 496.84 lacs in the previous year, your Company registered a net profit of Rs. 207.72 lacs. Your directors regret their inability to recommend dividend for the year under review as it would not be prudent to do so when the profits are declining.

During the year under review, your Company has invested Rs. 662.92 lacs in fixed assets. The exports during the year amounted to Rs. 172.24 lacs as against Rs. 43.31 lacs in the previous year.

FINANCE

During the year, Industrial Development Bank of India agreed to

subscribe to Non-convertible Debentures aggregating Rs.1200 lacs on private placement basis. Out of this, the Company has availed Rs. 1175 lacs during the last quarter of the year. Your Company continued to exercise tight control on working capital to contain the high interest costs.

The total amount of fixed deposits held as on 31st March, 1998 were Rs. 913.85 lacs as against Rs. 435.05 lacs as on 31st March, 1997. The Company had 135 deposits amounting to Rs. 20.35 lacs matured on 31st March, 1998 and these depositors have been requested to either renew the deposits or approach the Company for repayment. Of the above deposits, a sum of Rs. 3.59 lacs has either been renewed or repaid as on date.

FUTURE OUTLOOK

The fall in the value of rupee being witnessed now is a matter of grave concern for any Company depending on import of inputs used in manufacturing. This is bound to spiral the cost of production. The Company foresees tough market conditions. The competition has increased many fold both from the multinational and other Indian manufacturers. This

will lead to cutting profit margins which is already thin and is expected to be under pressure. Your Company has drawn out plans to launch latest models with contemporary features for the urban market and attractive, sturdy and inexpensive models with basic features for semi-urban and rural market. A combination of CD and tape based models with different sound outputs will be launched during the current year. Penetrating the vast Indian market is crucial and the Company is strengthening its distribution and service network. A major foray into the car audio systems and up coming FM radio market is being made. Your Company is also holding talks with several automobile manufacturers to become OEM supplier of car audios.

Your Company is committed to improving its market share. A great stress is being laid for giving value for money to the customers by ensuring quality of the sound and durability which is going to be a key for long run success.

CONTRIBUTION TO EXCHEQUER

Your Company has contributed during the year Rs. 49.55 crores by way of Excise Duty, Sales Tax and Customs Duty to the Government Revenue.

CONSERVATION OF ENERGY

The operations of the Company does not consume heavy energy. However, energy consumption is closely monitored for optimum utilisation. Creation of a general awareness among employees to conserve energy is an ongoing exercise.

TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT

The Company has set up a good Research and Development Laboratory. The R & D activities cover New Model Development based on market needs, Value Engineering on existing Models for cost reduction, productivity improvement by design innovations, field problems study and solving them and improve the production processes.

As a result of the above, the Company has been able to develop CD Mechanisms which are highly technical and are being thus far imported. Your Company will be the first in India to manufacture CD Mechanisms. Further, your Company introduced several new models in the market specially for the semi-urban and rural market taking into account the price affordability. The 'Sangeet' series of Mono Radio Cassette Players and 'RP' Series Radios have been well received in the market. Presently, your Company offers over 40 audio models. Your Company has adopted TPM or Total Productive Maintenance which is a results driven approach towards achieving zero defects, zero break-downs, zero accidents. Many new models in different segments are scheduled for release during the current year.

The total expenditure on R & D during the year under review amounted to Rs. 186.52 lacs which is 1.15% of the turnover.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, your Company's foreign exchange earnings were Rs. 172.24 lacs and the outgo was Rs. 4545.14 lacs.

DIRECTORS

In terms of the Articles of Association of the Company, Mr. TPG Nambiar and Mr. TC Chauhan, retire by rotation at the Seventeenth Annual General Meeting and are eligible for re-appointment.

AUDITORS

M/s T Velu Pillai & Co., Chartered Accountants, retire and are eligible for re-appointment as Auditors.

PERSONNEL

The Directors place on record, their appreciation of the contributions made by the employees at all levels for their dedication, support and hard work. The relationship with the employees was cordial throughout the year.

The Statement of Employees required to be furnished as per Section 217(2A) of the Companies Act, 1956, is given in the annexure and forms part of this report.

ACKNOWLEDGEMENT

Your Directors acknowledge the valuable support and guidance received from SANYO, Japan, and thank all the customers, suppliers and the Financial Institutions, Bankers the Depositors and the shareholders for their continued support.

For and on behalf of the
Board of Directors

TPG Nambiar
Chairman

Bangalore
16th June, 1998

REGISTERED OFFICE
Audio House,
7/711, N H Bypass Road,
Palakkad 678 007.