



*Believe In the Best*

# Annual Report 2002-2003

**BST Limited**

ANNUAL REPORT 2002-2003

Report  junction.com

## CORPORATE INFORMATION

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### BOARD OF DIRECTORS

Viswanath Nambiar (till 31.07.2003)

K S Jayanth Kumar (till 20.08.2003)

Shashi Nambiar (till 01.10.2003)

Bharat M Mehta (till 31.07.2003)

Rajinish K Singh (till 14.03.2003)

Nominee of ICICI Bank Limited

U N Kini (till 27.09.2003)

C R Menon

K Gopi

Alok Arora

N P Perumal, Director & Manager

### COMMITTEE OF DIRECTORS

#### AUDIT COMMITTEE

C R Menon, Chairman

K. Gopi

Alok Arora

#### INVESTOR RELATIONS COMMITTEE

C R Menon, Chairman

K. Gopi

N P Perumal

#### AUDITORS

M/s. T Velu Pillai & Co.,

Chartered Accountants

Bangalore

### BANKERS

Bank of Baroda

Indian Bank

State Bank of Travancore

### REGISTERED OFFICE

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

### FACTORIES

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

No. 1, KIADB Industrial Area, Doddaballapur,  
Bangalore 561 203

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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of BST Limited, will be held on Friday, the 19th day of December, 2003 at 10.00 a.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 30th June, 2003 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. C.R.Menon, 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 Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

### **SPECIAL BUSINESS**

4. To consider and if thought fit, to pass with or without modification the following as an ORDINARY RESOLUTION :  
RESOLVED THAT subject to the provisions of Section 269 and all other applicable provisions of the Companies Act, 1956, Mr. C R Menon, be and is hereby appointed as the Manager of the Company, for the period starting from 1st July, 2003 to 27th September, 2003 without remuneration.
5. To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :

RESOLVED THAT Mr. K.Gopi 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, the following as an ORDINARY RESOLUTION :  
RESOLVED THAT Mr. Alok Arora 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, the following resolution which will be proposed as a SPECIAL RESOLUTION :

RESOLVED THAT Mr. N P Perumal be and is hereby appointed as a Director of the Company.

RESOLVED THAT, subject to the approval of the Central Government, Mr. N P Perumal, be and is hereby appointed as the Manager of the Company, under Section 269 and other applicable provisions of the Companies Act, 1956, for a period of three years, with effect from 27th September, 2003 and he shall not be liable to retire by rotation whilst in service, on the terms and conditions as set out below:

#### **A. SALARY in the scale of**

Rs. 12,400/- to Rs. 18,000/- per month as may be fixed by the Board of Directors from time to time.

#### **B. PERQUISITES**

1. The Manager shall be entitled to perquisites like furnished accommodation or house rent allowance in

lieu thereof, professional development allowance, conveyance allowance, housing interest subsidy, performance based incentive, education allowance, car allowance, city compensatory allowance, reimbursement of ordinary medical expenses and leave travel concessions 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 and may be approved by the Board of Directors from time to time, subject to a ceiling limit in the scale of Rs.4,17,432/- to Rs. 7,60,000/- per annum.

### **EXPLANATION**

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

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.

Use of Telephone at residence (including payment for local calls and long distance official calls)/Mobile phone, 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.

- IV The Manager shall be entitled to re-imbursement of expenses incurred by him in connection with the business of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to revise the remuneration payable (including the perquisites) by way of annual increments or otherwise to Mr. N P Perumal, Manager, as they deem fit from time to time, within the above specified limits of salary and perks.

### **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. N P Perumal, 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.

8. To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :

## NOTICE OF ANNUAL GENERAL MEETING

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 de-listing of Equity Shares of the Company from the Regional Stock Exchange, Cochin.

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 things as may be deemed necessary and expedient in relation thereto.

By Order of the Board

Bangalore  
27th September, 2003

**N P Perumal**  
Director

Registered Office : Audio House, 7/711, N H Bypass Road,  
Palakkad - 678 007, Kerala

### 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 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 the Share Transfer Books of the Company will be closed from 9th December, 2003 to 19th December, 2003 (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. 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 Investors' 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 for the financial year 1995-96 in November, 2003.
7. Pursuant to the recently amended clause of the listing agreements, additional information on Directors seeking appointment / re-appointment at the Annual General Meeting is appended to this Notice.
8. Shareholders are requested to notify any change in their address and communicate all their correspondence including

Share Transfer matters to: Investors' Service Cell, BST Limited, BPL TOWERS, 13, Kasturba Road, Bangalore - 560 001, Phone Nos. 080 - 2274990/ 94

By Order of the Board

Bangalore  
27th September, 2003

**N P Perumal**  
Director

Registered Office : Audio House, 7/711, N H Bypass Road  
Palakkad - 678 007, Kerala

### 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

The Board had at its meeting held on 26th June, 2003 appointed Mr. C R Menon, Director as the Manager of the Company under Section 269 of the Companies Act, 1956, for a period of one year, with effect from 1st July, 2003 without remuneration, subject to the approval of shareholders. However, Mr. Menon resigned as the Manager of the Company on 27th September, 2003 and the approval of the members is required for the period Mr. Menon acted as the Manager. The appointment of Mr. C R Menon as the Manager does not require the approval of the Central Government.

Mr. Menon is also the Director and Manager of BPL Sanyo Private Limited. A brief profile of Mr. C R Menon has been furnished at the end of this Notice.

None of the Directors of the Company except Mr. C R Menon are concerned or interested in the resolution.

The Board recommends the resolution for adoption by the Members.

#### Item Nos. 5 & 6

Mr.K.Gopi and Mr.Alok Arora were co-opted as Additional Directors on the Board of the Company on 20th August, 2003.

The Company has received notices, in writing along with a requisite deposit of Rs.500/- each from the said Directors under Section 257 of the Companies Act, 1956, signifying their candidatures for the office of directors of the Company.

A brief profile of Mr.K. Gopi and Mr. Alok Arora have been furnished at the end of this notice.

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

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

None of the Directors of the Company, except Mr. K.Gopi and Mr. Alok Arora may be deemed to be concerned or interested in the respective resolutions.

## NOTICE OF ANNUAL GENERAL MEETING

### Item No. 7

Mr.N.P Perumal was co-opted as an Additional Director of the Company on 27th September, 2003 and was appointed as Manager of the Company under Section 269 and all other applicable provisions of the Companies act, 1956, with effect from 27th September, 2003.

The Company has received notice, in writing along with a requisite deposit of Rs.500/- from Mr. Perumal under Section 257 of the Companies Act, 1956, signifying his candidature for the office of the Director of the Company.

The appointment of Mr. N.P.Perumal as the Director & Manager, and payment of remuneration is subject to the approval of members in General Meeting and the approval of the Central Government. The Directors feel that Mr. N.P.Perumal's appointment as the Director & Manager would be in the best interests of the Company and therefore, unanimously recommend the passing of Special Resolution set out in Item No. 7 of the Notice. A brief profile of Mr. N.P.Perumal has been furnished at the end of this Notice.

None of the Directors of the Company except Mr. N.P.Perumal are concerned or interested in the resolution.

### Item No. 8

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

Cochin Stock Exchange Limited, The Stock Exchange, Mumbai (BSE) and The 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 and the Stock Exchange, Mumbai. 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 the Cochin Stock Exchange and continue listing on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. Prior consent of 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 / APPOINTMENT AT THE ANNUAL GENERAL MEETING

#### Mr. C R Menon

Mr. C R Menon aged 59, is a Master of Commerce and Gold Medallist in Master of Business Administration from Allahabad University and has over 32 years of previous experience in the areas marketing and general management both in India and abroad. He has widely travelled and possesses in-depth knowledge in matters relating to production, marketing and finance. Mr. Menon is the Manager of BPL Sanyo Private Limited.

Mr. Menon has worked in various senior capacities in leading Corporates in India and abroad.

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

| Name of the Director | No. of Board meetings held during the financial year 2002-2003 | No. of Board Meetings attended | Last AGM attendance (Yes/No) |
|----------------------|--|--------------------------------|------------------------------|
| Mr. C R Menon        | 6  | 6                              | YES                          |

### Brief Profile of directors co-opted as Additional Directors of the Company

#### Mr.K.Gopi

Mr. K.Gopi aged 47, is an Electronics and Telecommunications Engineer and has 24 years of industrial experience entirely with BPL Group and he has rich experience production and general management of factories.

At present, Mr. K.Gopi is a member of the Audit Committee, Finance Committee, Remuneration Committee and Investor Relations Committee of BST Limited.

#### Mr. Alok Arora

Mr Alok Arora aged 42, is a graduate in Business Management with industry experience of 17 years and has been associated with BPL Group for the past 11 years.

He has rich experience in areas of General Management, Marketing and Distribution.

Widely travelled and with previous exposure to paints and electrical industry, he has in-depth knowledge of trade and cultures across the country.

At present, Mr. Alok Arora is a member of the Audit Committee, Finance Committee & Remuneration Committee of BST Limited.

#### Mr. N.P.Perumal

Mr. N.P.Perumal aged 46, is a graduate in Commerce having a total industrial experience of 25 years in fields of finance, accounts, costing, budgeting, taxation, out of which 11 years is in BPL group. He has in-depth exposure in textiles, power transmission equipments, industrial electronics accessories and consumer durable industries with foreign collaborations.

At present, Mr. Perumal is a member of the Investor Relations Committee of BST Limited.

By Order of the Board

Bangalore  
27th September, 2003

**N P Perumal**  
Director

Registered Office : Audio House, 7/711, N H Bypass Road  
Palakkad - 678 007, Kerala



## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

To the Members

Your Directors present the twenty-second Annual Report on the business and operations of the Company and the Statement of Accounts for the financial year ended on 30th June, 2003. The financial year 2002-03 of the company was extended by three months to end on 30th June, 2003 and accordingly, the accounts furnished to the members is for a period of fifteen months.

### FINANCIAL HIGHLIGHTS

| Particulars                              | (Rs. in lacs)                            |   |
|--|--|---|
|  | Year ended<br>30.06. 2003<br>(15 Months) | Year ended<br>31.03.2002<br>(12 Months) |
| Total Income                             | 5582.07                                  | 7538.13                                 |
| Gross Profit / (Loss) for the year       | (760.94)                                 | 938.61                                  |
| Less : Finance Charges                   | 953.14                                   | 903.73                                  |
| Depreciation                             | 809.69                                   | 554.70                                  |
| Deferred Revenue Expenditure written off | 110.87                                   | 60.01                                   |
| Loss for the year                        | (2634.64)                                | (579.83)                                |
| Extra-ordinary/Non recurring expenses    | 2072.76                                  | -                                       |
| Provision for taxation (prior years)     | 65.05                                    | -                                       |
| Loss carried to Balance Sheet            | (4772.45)                                | (579.83)                                |

### OPERATIONS

The total revenues for the fifteen months period ended on 30th June 2003 was Rs.5582 lacs compared to Rs. 7538 lacs for the twelve months period ended on 31st March 2002. Your Company has incurred a loss of Rs.2635 lacs for the period. In addition, extraordinary / non-recurring expenses of Rs.2073 lacs, and Rs.65 lacs by way of tax pertaining to previous year has been charged off.

The loss of Rs.2635 lacs includes finance charges of Rs.953 lacs, depreciation of Rs.810 lacs, and deferred revenue expenditure of Rs.111 lacs, which has been written off. The finance charges including interest paid to the banks and financial institutions account for 15 percent of the total revenues compared to 11 percent for the previous year.

The discontinuation of the erstwhile Evelux model of TVs contributed partly to the decline in the sales. The sale of Evelux TVs during 2001-02 was Rs.1399 lacs as against Rs.14 lacs during 2002-03.

The lower end of audio market, except Radios declined to the extent of almost 15 percent in terms of volume during the year. This market is now dominated by the small-scale sector (SSI) in India. All the well known brands are facing tough competition from the small-scale sector both on price and the variety of models made available. China offers many models at attractively low prices. This has given an opportunity to the SSI and the grey market operators to deal in them. The product differences as perceived by the middle class are not significant when compared to that of well known brands, and the Chinese products offer reasonably good value for money at least at the mid segment of the price quality matrix.

In spite of this trend, BST Limited achieved a total revenues of Rs.5582 lacs during the year under review. CD based systems viz., RDX 102, 112, 222, 441, Z11V, and CD 7588 contributed over Rs.905 lacs to the sales value. Monos and SRRs contributed Rs.489 lacs to our sales while Compos consisting of models viz., Concert, Black Pearl, Aura, Duet etc contributed nearly Rs.530 lacs to our business. Car Audios and Speakers constituted Rs.477 lacs while the share of Head Phone Stereos in sales was to the extent of Rs.245 lacs. Considering that the market for Audios at the lower end had declined during the year, your Company's sales, though modest, may be considered reasonable.

Your company made a major break through which contributed to our sales by over Rs.2980 lacs in the following three areas :

- VCD players : This contributed to a sale of Rs.2096 lacs. The stand-alone VCD players that the company sold have been rated as one of superior quality, with good performance record, and are patronized by the quality conscious buyers.
- WorldSpace : The BPL group has entered into an arrangement for the supply of Digital Satellite Radio Receivers for the WorldSpace Corporation and under this arrangement, your Company has been able to meet the requirements of WorldSpace in India and Kenya. A beginning has been made and your company expects the demand for Digital Satellite Radio Receivers to grow very rapidly during the coming months.
- Exports : A major foray has been made in Exports. For the first time in recent history, exports made during the last few months of the year have contributed to a sales value of Rs.425 lacs. Exports have been made to a number of countries including Kenya, Srilanka, Nepal, UAE, South

## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Africa, France and the United Kingdom and your company's products have been well accepted in these countries. The exports grew by over 160 percent compared to that of previous year.

Radio is the only product line among the audio range, which had a remarkable volume growth during the year. The launch of AM / FM channels in metros and other cities and their success contributed to a spurt in sales of radios even in major urban markets. While your Company is not manufacturing stand alone radios, it offers better value for money through mono radio recorders with AM / FM features under Sangeeth series which continue to be popular across all regions.

One of the major impediments on our volume growth has been the inadequate non-fund based working capital facilities from the consortium of banks. The banks had permitted your Company to utilize only Rs.500 lacs of letter of credit facilities as against the assessed limit of Rs.1925 lacs, the minimum required for reaching a break even in our operations. This point has been amply highlighted several times to the banks as well as with the financial institutions.

The high cost of borrowings, excessive financial leverage, and the inadequate letter of credit facilities have had a cascading effect on the overall operations of the company. Your Company voluntarily de-listed its shares from the Bangalore Stock Exchange Limited during the year in pursuance of the Special Resolution passed by the members. However, the shares continues to be listed on the Cochin Stock Exchange and is further listed on the Mumbai Stock Exchange and the National Stock Exchange Limited, which have nationwide trading terminal.

### DIVIDEND

In view of the losses during the year and accumulated losses for the period under review, your directors are unable to recommend any dividend.

### PUBLIC DEPOSITS

Your Company had 61 unclaimed deposits aggregating to total amount of Rs. 12.11 lacs as on 30th June, 2003 as against Rs. 14.01 lacs as on 31st March 2002. Out of the above said unclaimed deposits, a sum of Rs. 2.90 lacs has been repaid 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.

### OUTLOOK FOR THE FUTURE

The strategy of your Company is to make use of the facilities at Doddaballapur exclusively for manufacture and assembly of digital products, using its own technically skilled staff and is intended to focus on better value addition from the premium end of audio viz., Digital. As far as traditional analog products are concerned, the strategy has been to outsource them from quality vendors under the strict supervision of your Company's own vendor development and quality assurance team. This has been accepted as a prudent approach since it helps us to fully utilize our superior technical and manufacturing facilities and infrastructure and skilled manpower for focussing on value added products. This is particularly significant since the

traditional analog products are fast giving way to the digital range, the Audios of the future.

Among the audio products, BPL is a widely accepted brand. In terms of depth of coverage and distribution, your Company's network covers the length and breadth of India covering almost 75 percent of the urban population. The after sales service arrangements through an accredited list of 152 service franchisees meet your Company's requirements for the present.

A substantial increase in the market share in the Audio range is possible by adopting the following strategies :

- 1) Vendor base expansion for OEM supply of traditional products viz., Head Phone Stereos, Monos and Stereo radio recorders and AM / FM radios to meet the renewed demand for these products.
- 2) Capitalize on the good product image that exists for our VCD / MP3 players and VCD based systems by aggressive marketing of these models, apart from increasing the supply base, in such a way so that products are sourced / assembled at locations in close proximity to the major markets.
- 3) Widen the product range in the medium price segment of Car Audios so as to tap the emerging middle class just buying their first car.
- 4) Look for new avenues of capital investments beyond what is currently available.

A lot of success in the above areas will depend upon a more positive response from the banks and financial institutions.

### FINANCIAL SITUATION

During the last financial year, your Company made a variety of efforts to persuade the consortium of working capital banks and financial institutions to understand the difficult financial situation in which the Company was placed because of :

- a) Inadequate non-fund based working capital facilities due to which your Company could not open letter of credits for purchase of components and parts. This resulted in substantial under-utilization of the manufacturing and assembly facilities and as a consequence, a major part of the market demand generated for our products both from domestic and export markets could not be tapped.
- b) The general rate of interest charged by the banks and the financial institutions including the penal rate has been out of tune with the changing times, particularly when the general rate of interest has softened phenomenally across all classes of borrowers. Unfortunately, the general rate of interest applicable to companies like BST has been unfavourable thereby accelerating the process of shift to a sick industry status.

The Company took the initiative to co-ordinate with the lending institutions to arrange a number of "lenders' meet" at frequent intervals as specified below :

|                     |                        |
|---------------------|------------------------|
| First Lenders meet  | - 16th August, 2002    |
| Second Lenders meet | - 10th October, 2002   |
| Third Lenders meet  | - 4th March, 2003      |
| Fourth Lenders meet | - 24th March, 2003     |
| Fifth Lenders meet  | - 29th May 2003        |
| Sixth Lenders meet  | - 10th September, 2003 |

## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

A series of meetings, discussions, and deliberations were held at many locations including Bangalore, Chennai, Trivandrum and Mumbai at different points of time.

In all these meetings, your Company highlighted to the representatives of various banks the critical need for restructuring the financial facilities by way of reducing the rate of interest and simultaneously providing the Letters of Credit facilities at the assessed level of Rs.1925 lacs, the minimum required to reach a breakeven.

### FINANCIAL INSTITUTIONS

As far as IDBI is concerned, your Company put up three proposals dated 23rd October, 18th December and 28th December 02 in successive sequence with the intention of redeeming the non-convertible debentures of Rs.1200 lacs along with the arrears of interest. The first two proposals involved your Company availing of an External Commercial Borrowing (ECB) to pay off the principal debenture amount with concessions sought on the arrears of interest. The third proposal involved converting the arrears of interest into a term loan, based on a softened rate of interest and providing for repayment of the same, once the principal amount of debenture is fully repaid, as per the already agreed repayment schedule.

The fourth proposal made to IDBI in March 03 was based on the future financial projections made by Indian Bank jointly with your Company, which provided for repayment of both the debenture and the interest at a subsidized rate of 12 percent in quarterly installments spread over 7 years, after an initial moratorium of one year.

IDBI has not found the terms acceptable while your Company is looking at ways and means of coming to an amicable settlement.

During August 2003, your Company brought to the notice of all the banks that against a cumulative sales of Rs.125100 lacs of revenue during the last 10 years of operation since 1993-94, the cumulative interest and financial charges paid to the banks have been to the extent of Rs.7479 lacs in addition to Rs.4813 lacs paid to financial institutions. Your Company has not been able to declare any dividend since 1996-97. The only monetary benefit accrued to the shareholders has been a total of Rs.900 lacs by way of dividend during 1993-96, when the company's performance justified the declaration of dividend for three years in succession.

Since 1998-99 though your Company has been making loss, the banks and institutions, by and large have been paid the interest in full, with the exception of only one or two, during the last two years. Your Company has therefore requested the banks that considering that they have been the single largest beneficiaries of your Company's operations during the last 10 years, it was time that as a consortium, the lending banks and institutions review their stand and take a more positive approach in terms of understanding the company's current position and requirement and accordingly extend facilities without insisting on many pre-conditions. This alone would go a long way in bringing BST back into a profitable phase and meet the requirements of all stakeholders.

### REFERENCE TO BIFR

At the end of 30th June 2003, the company's accumulated losses at Rs.7385 lacs have exceeded the networth and as such the company has become a sick industrial company under the provisions of Sick Industrial Companies (Special provisions) Act, 1985 (SICA). Hence a reference under section 15(1) of SICA is proposed to be made to the Honourable Board for Industrial and Financial Reconstruction (BIFR) for seeking a revival package.

### CONTRIBUTION TO EXCHEQUER

Your company has contributed Rs.928.90 lacs by way of Excise Duty, Sales Tax and Customs Duty, etc., during the year to the Government Revenue.

### DIRECTORS

Your Directors co-opted Mr. K Gopi, Mr. Alok Arora and Mr. U N Kini as the Additional Directors of the Company on 20th August, 2003.

Mr. Viswanath Nambiar, Mr. Bharat M Mehta, Mr. K Jayanth Kumar and Mr. U N Kini resigned as the Directors of the Company respectively on 31st July, 2003, 31st July, 2003, 20th August, 2003 and 25th September, 2003. ICICI Bank Limited withdrew its nominee Mr. Rajnish K Singh on the Board, effective from 14th March, 2003. Mr. CR Menon who was the Wholtime Director of the Company resigned as the Wholtime Director on 30th June, 2003. However, Mr. C R Menon was appointed as the Manager of the Company with effect from 1st July, 2003 and was the Manager till 27th September, 2003 and continues as a Director of the Board. Mr. N P Perumal was appointed as the Director and Manager of the Company on 27th September, 2003.

Your Directors place on record their deep appreciation of the valuable contributions rendered by Mr. Viswanath Nambiar, Mr. Bharat M Mehta, Mr. K S Jayanth Kumar, Mr. Rajnish K Singh and Mr. U N Kini during their tenure as directors of the Company and also to Mr. C R Menon for his contributions during his tenure as the Wholtime Director of the company.

In accordance with the provisions of the Articles of Association of the Company, Mr. C R Menon retires by rotation at the twenty second Annual General Meeting and being eligible, offers himself for re-appointment.

### AUDITORS

M/s T Velu Pillai & Company, Chartered Accountants, retire at the forthcoming annual general meeting and have confirmed their eligibility under Section 224(1B) of the Companies Act, 1956.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts for the financial year ended 30th June, 2003 the applicable accounting standards had been followed along with proper explanation relating to material departures;



## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

- ii) the 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) the 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) the Directors had prepared the accounts for the financial year ended 30th June, 2003 on a 'going concern' basis.

### INTERNAL CONTROLS AND SYSTEMS

The Company has an adequate system of Internal Audit conducted by qualified Chartered Accountants covering Inventory Management, Purchases, Production, Sub-contract activities, Accounts and Finance including Cash/Bank Operations, Expenses, Debtors, Creditors, Fixed Assets, Insurance besides Statutory Compliances. The Statutory Auditors also review the area, scope and coverage of the Internal Audit from time to time and advise the Management.

Since the formation of an Audit Committee of the Board, Internal Auditors submit their report to the Audit Committee at regular intervals for their review. The Committee reviews the audit observations and issues necessary directions for implementation of corrective actions against deviations, if any.

### PEOPLE & HR

The Company believes that its greatest asset is the human resources. To catch up and stay tuned to the fast changing business scenario, the Company has initiated several actions through HR to enhance competencies in the core business i.e., manufacturing.

### MAJOR HR INITIATIVES DURING 2002-03

In order to bring effective changes across the organization and to face the challenges of market place, the Company is focused in achieving sustained value creation by balancing long-term and short-term goals and performance. In this direction, the Company has drawn up the following people oriented strategies:

- a) To create a culture that focuses on improving the effectiveness of the plant, equipment and processes through the empowerment of people through effective implementation of TPM.
- b) Implementation of Balance Score Card system for measurement and review of Business Performance.
- c) Enhanced Involvement of all employees in achieving business objectives.

Introduction of various communication forums for employees at all levels and their active participation in day-to-day matters had not only resulted in boosting the employees' morale but

also helped the company in sustaining a congenial industrial peace and harmony at the Company.

As at 30th June, 2003, the Company had a total strength of 451 employees.

### PARTICULARS OF TECHNOLOGY ABSORPTION, R & D ETC., AND OF EMPLOYEES

Information required to be furnished in terms of Section 217 (1) (e) and Section 217(2A) of the Companies Act, 1956 are annexed hereto and form part of this Report.

### MANAGEMENT DISCUSSION & ANALYSIS

Your Directors have covered the Management Discussion & Analysis as required under Corporate Governance requirements, as a part of the Directors' Report in appropriate places, to avoid duplication and overlapping of the contents of the said two reports.

### ACKNOWLEDGEMENTS

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

Your Directors place on record their appreciation of the valuable support and guidance received from SANYO, Japan and thank all the customers, suppliers and the financial institutions, bankers, depositors and the shareholders for their continued support.

For and on behalf of the  
Board of Directors

Bangalore  
27th September, 2003

**CR Menon**  
Director

**K Gopi**  
Director

Registered Office: 'Audio House', 7/711, N H Bypass Road  
Palakkad-678 007.

### ANNEXURE TO DIRECTORS' REPORT

Information under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the financial year ended 30th June, 2003.

### CONSERVATION OF ENERGY

### RESEARCH AND DEVELOPMENT (R&D) AND TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The focus of R & D team was on the VCD segment. Efforts were put in to bring out the new designs to market and upgradation of few models.

Your Company offered two new models of VCDs, such as VCD 4000 and VCD 4070 using the new single chip IC. Two upgraded models of Mini Hi-Fi models, RDX 102 and Z11V were developed and brought out to market.

A new car audio model CR45A was launched. The total expenditure on R&D during the year under review amounted to Rs. 2.75 lacs.