

Annual
Report 2003 - 2004

BST Limited
ANNUAL REPORT 2003 - 2004

Corporate Information

BOARD OF DIRECTORS

K P Balagopal

K Gopi

S Hariharan

N P Perumal, *Director & Manager*

C R Menon (*till 28.01.2004*)

Alok Arora (*till 28.01.2004*)

COMMITTEE OF DIRECTORS

AUDIT COMMITTEE

K P Balagopal, *Chairman*

K Gopi

S Hariharan

INVESTOR RELATIONS COMMITTEE

S Hariharan, *Chairman*

K Gopi

N P Perumal

REMUNERATION COMMITTEE

K P Balagopal, *Chairman*

K Gopi

S Hariharan

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-third Annual General Meeting of the Members of BST Limited will be held on Tuesday, the 14th day of September 2004, 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 31st March 2004 and the Balance Sheet as at that date and the Report of the Directors' and Auditors thereon.
2. 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

3. To consider and if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION :

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

4. To consider and if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION :

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

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

RESOLVED THAT subject to the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby granted for the appointment and payment of remuneration to Mr. C R Menon, Director and Chief Operating Officer for the period 25th June, 2002 to 30th June, 2003, on the terms and conditions as set out below :

A. SALARY : Rs.50,000/- per month

B. PERQUISITES

- I. Mr. C R Menon shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof, car allowance/company maintained car, professional development allowance, performance based incentive, education allowance, city compensatory allowance, together with reimbursement of expenses for utilisation of gas, water and electricity, 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 by the Board of Directors, subject to a ceiling of Rs.16,05,000/- per annum.

Explanation

"Family" here means the spouse, dependent children and dependent parents of Mr. C R Menon.

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 Company's car for official purposes and 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.

Apart from re-imbursement of ordinary medical expenses, in case of hospitalisation of Mr. C R Menon and his family, the Board of Directors shall have discretion to reimburse the actual expenses incurred by him, including on travel, notwithstanding that the total perquisites will exceed the limit of Rs.16,05,000/- per annum, in any financial year.

- II Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in computation of 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 ceiling on perquisites to the extent the same are not taxable under the Income-tax Act.
- IV Mr. C R Menon shall however be entitled to reimbursement 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. C R Menon, Director & Chief Operating Officer as they deem fit from time to time, as per the rules of the Company.

Minimum Remuneration

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or its profits are

Notice of Annual General Meeting

inadequate, the Company may pay to Mr. C R Menon, 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.

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

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 Stock Exchange, Mumbai.

RESOLVED FURTHER THAT the Board of Directors of the Company or its authorised representatives, be and are hereby severally authorised to do all such acts, deeds and things as may be deemed necessary and expedient in relation thereto.

By Order of the Board

Bangalore
28th July, 2004

N P Perumal
Director & Manager

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 1st September 2004 to 14th September 2004 (both days inclusive).
5. Shareholders intending to require information about the Accounts, to be explained at the Meeting are requested to inform the Company at least a week in advance of their

intention to do so, so that the information relating thereto may be made available, if the Chairman permits such information to be furnished.

6. 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 amount which were lying unclaimed for a period of seven years on the dividend declared for the year 1995-96 has been transferred to Investor Education and Protection Fund (IEPF) during November 2003.
7. Pursuant to the clauses of the listing agreements, additional information on Directors seeking 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, 'Dynamic House'
No.64, Church Street, Bangalore - 560 001
Phone No : 080 - 25587787, Fax : 080 - 25596286

OR

Alpha Systems Private Limited, Unit - BST Limited
30, Ramana Residency, 4th Cross, Sampige Road
Malleswaram, Bangalore - 560 003
Phone : 080 - 23460815 to 818, Fax : 080 - 23460819
email : alfint@vsnl.com

By Order of the Board

Bangalore
28th July 2004

N P Perumal
Director & Manager

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. 3 & 4

Mr. K. P. Balagopal and Mr. S. Hariharan were co-opted as Additional Directors on the Board of the Company on 28th January 2004.

The Company has received notices, in writing along with a requisite deposit of Rs.500/- each from the said Directors under

Notice of Annual General Meeting

Section 257 of the Companies Act, 1956, signifying their candidatures for the office of directors of the Company.

A brief profile of Mr. K. P. Balagopal and Mr. S. Hariharan has 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 3 and 4 for your approval.

None of the Directors of the Company, except Mr. K. P. Balagopal and Mr. S. Hariharan may be deemed to be concerned or interested in the respective resolutions.

Item No. 5

Mr. C.R. Menon, Chief Operating Officer (COO) was appointed as the Director and Chief Operating Officer (Wholtime Director) of the Company with effect from 25th June, 2002 for a period of three years. The appointment was approved by the Company at its annual general meeting held on 30th September, 2002. However, he resigned as the Wholtime Director and continued as an ordinary director from 30th June, 2003. The Central Government while according its approval for the appointment and payment of remuneration has stipulated that the Company shall seek the approval of the shareholders by way of a Special Resolution in terms of Schedule XIII to the Companies Act, 1956. In view of Mr. Menon having resigned before the expiry of the term of his office, members approval is sought only for the period for which he had acted as the Wholtime Director.

Your Directors recommend the resolution set out in Item No. 5 for your approval, which will enable the Company to comply with the stipulations of the Government.

None of the Directors of the Company, may be deemed to be concerned or interested in the respective resolution.

Item No. 6

The equity shares of the Company are currently listed on National Stock Exchange of India Limited (NSE) and The Stock Exchange, Mumbai [BSE]

As the large network of NSE offers investors sufficient trading and liquidity, it is proposed to de-list the equity shares of the company from The Stock Exchange, Mumbai (BSE) and continue listing on the National Stock Exchange of India Limited. The Directors at their Meeting held on 28th July, 2004 have accorded their consent for de-listing of Company's equity shares from 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.6 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. K.P. Balagopal

Mr K.P.Balagopal aged 70 years, has done Diploma in Engineering and has been associated with the BPL Group since 1984 in various capacities. He carries with him experience, in-depth knowledge in matters relating to production, Sales and finance, the management of industrial enterprises and general management of factories. At present he is on the Board of the Jayakumar Engineering (Kerala) Private Limited and Technocity Digital Electronics Private Limited.

At present, Mr. K.P.Balagopal is the Chairman of Audit, Finance, Remuneration and Nomination Committees of the Company.

Mr. S. Hariharan

Mr. S. Hariharan aged 50 years, is a Cost Accountant and a graduate of Commerce and Law. He has been associated with BPL Group since 1980 and is currently the General Manager for Corporate Taxation & Audit of BPL Limited. He carries with him 30 years of rich experience in the areas of Taxation, Audit, Costing and General Management.

At present, Mr. S. Hariharan is a member of the Audit, Finance, Remuneration and Nomination Committees and Chairman of Investor Relations Committee of the Company.

Attendance record of directors who seek appointment/re-appointment at the Annual General Meeting.

| Name of the Director | No. of Board meetings held during the financial year 2003-04 (During their Directorship) | No. of Board Meetings attended | Last AGM attendance (Yes/No) |
|----------------------|--|--------------------------------|------------------------------|
| K.P. Balagopal* | 1 | - | NA |
| S. Hariharan* | 1 | - | NA |

*Appointed as the Directors on 28th January, 2004

By Order of the Board

Bangalore
28th July, 2004

N P Perumal
Director & Manager

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 third Annual Report on the business and operations of the Company and the Audited Statement of Accounts for the financial year ended on 31st March, 2004. The Financial Highlights of the Company are as follows :

FINANCIAL HIGHLIGHTS

| | | | (Rs. in lacs) |
|--|-------------|------------|---------------|
| Particulars | 31.03. 2004 | 30.06.2003 | |
| Net Income | 913.05 | 5,582.07 | |
| Gross Profit / (Loss) for the year | (374.56) | (760.94) | |
| Less : Finance Charges | 68.19 | 953.14 | |
| Depreciation | 474.93 | 809.69 | |
| Deferred Revenue Expenditure written off | 66.52 | 110.87 | 1,873.70 |
| Loss for the year | (984.20) | (2,634.64) | |
| Provision for Diminution in value of Investments | 700.08 | - | |
| Extra-ordinary/Non recurring expenses | - | 2,072.76 | |
| Provision for taxation (prior years) | - | 65.05 | |
| Loss carried to Balance Sheet | (1,684.28) | (4,772.45) | |

OPERATIONS

The Gross operating income (Including Excise Duty) for the nine months period ending on 31st March, 2004 was Rs. 986.47 lacs compared to Rs. 6,206.98 lacs for the fifteen months period ended on 30th June 2003. Your Company has incurred a loss of Rs. 1,684.28 lacs for the period.

The operating loss during the year under review is Rs. 374.56 lacs before finance charges, depreciation and deferred revenue expenditure written off compared to Rs.760.94 lacs during the previous year.

In the previous report, the Directors had reported that one of the major constraint on volume growth had been the inadequate non-fund based working capital facilities. During that year, the banks had permitted your Company to utilize only Rs.500 lacs of letter of credit facilities as against the assessed limit of Rs.1,925 lacs, minimum that was required for reaching a break even level of

operations. In spite of highlighting the requirement of non-fund based working capital facility, the LC facility was completely withdrawn by the banks during 2003-04.

The high cost of borrowings, excessive financial leverage and the withdrawal of existing letter of credit facilities have had a cascading effect on the overall operations of the company.

Due to unviable operations, the operations of the Palakkad factory had to be suspended during the year. The Company filed an application with the Government of Kerala seeking its permission to close down the factory. Though Government of Kerala has refused permission for the same, your Company sought a review of the Government's order highlighting the non-viability of the unit. Your company is awaiting response from the Government.

Directors' Report & Management Discussion and Analysis

DIVIDEND

Your directors are unable to recommend any dividend, in view of absence of profits for the period under review.

PUBLIC DEPOSITS

Your Company had 51 unclaimed deposits aggregating to total amount of Rs. 8.78 lacs as on 31st March, 2004 as against Rs. 12.11 lacs as on 30th June 2003. Out of the above said unclaimed deposits, a sum of Rs. 0.25 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

In the absence of Letter of Credit facilities from banks and the resultant inability to source raw materials and components for production of Audios, the strategy of your Company is to make use of the facilities at Doddaballapur, Bangalore for manufacture and assembly of audio and other electronic products, moulding of plastic parts on job order basis for various customers, using its own technically skilled staff and infrastructure.

REFERENCE TO BIFR

As at the end of 30th June 2003, the company's accumulated losses at Rs. 7,385 lacs had exceeded the networth and as such the company had 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 was made to the Honourable Board for Industrial and Financial Reconstruction (BIFR). The reference has been admitted by BIFR in December 2003. Your Company is awaiting initiation of restructuring process by BIFR.

CONTRIBUTION TO EXCHEQUER

Your company has contributed Rs. 118.96 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.P. Balagopal and Mr. S. Hariharan as the Additional Directors of the Company on 28th January, 2004.

Mr. C.R. Menon and Mr. Alok Arora resigned as the Directors of the Company on 28th January, 2004.

Your Directors place on record their deep appreciation of the valuable contributions rendered by Mr. C.R. Menon and Mr. Alok Arora during their tenure as directors of the Company.

Your Company voluntarily de-listed its shares from the Cochin Stock Exchange Limited during the year in pursuance of the Special Resolution passed by the members. In view of the cost considerations, it is proposed to de-list the shares in Mumbai Stock Exchange during the current year for which approval is sought through a Special Resolution in this meeting. However, the shares will continue to be listed on the National Stock Exchange Limited, which has nationwide trading terminal.

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 :

Directors' Report & Management Discussion and Analysis

- i) in the preparation of the annual accounts for the financial year ended 31st March, 2004 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 31st March, 2004 on a 'going concern' basis.

INTERNAL CONTROLS AND SYSTEMS

The Company has an adequate system of Internal Audit conducted by qualified Chartered Accountants. The scope of internal audit includes 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.

RISKS, THREATS AND CONCERNS

Your Directors are deeply concerned at the lack of non fund based working capital facilities that has led to serious reduction of operations and the resultant cash losses

incurred. Further, the Company is unable to service its debts to the banks, financial institutions and other creditors that may lead to recovery proceedings.

PEOPLE & HR INITIATIVES

Your Company believes that its greatest asset is the human resources. Within the available resources, efforts are being made to retain the trained personnel and initiate HR actions to improve competencies in the core business i.e., manufacturing.

As at 31st March, 2004 the Company had a total strength of 349 employees.

PARTICULARS OF EMPLOYEES

During 2003-04, none of the employees drew remuneration in excess of Rs.24 lacs per annum or Rs.2 lacs per month. Hence, furnishing information in terms of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 does not arise.

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

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 from the customers, suppliers, the financial institutions, bankers and the shareholders for their support.

For and on behalf of the
Board of Directors

Bangalore **N P Perumal** **K Gopi**
28th July, 2004 Director & Manager Director

Directors' Report & Management Discussion and Analysis

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 31st March, 2004.

CONSERVATION OF ENERGY

Your Company has taken up energy saving projects like power factor improvement. Adequate awareness has been created among employees to conserve energy by way of switching off lights and power when not required, making use of natural ventilation / lighting for shop floors and improving the efficiency of the diesel generator sets by preventive maintenance.

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

In view of severe financial constraints, R&D expenditure had to be curtailed. However, as part of on going process, process improvements were done to keep the competitive edge in technological excellence.

The total expenditure on R&D during the year under review amounted to Rs. 0.11 lacs.

EXPENDITURE ON R&D

| | Rs. in Lacs |
|--|-------------|
| a. Capital | Nil |
| b. Recurring | 0.11 |
| c. Total | 0.11 |
| d. Total R&D expenditure as a percentage of total turnover | 0.01 |

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, your Company's foreign exchange earnings were Rs.65.18 lacs and the outgo was Rs. 82.10 lacs

For and on behalf of the
Board of Directors

Bangalore N P Perumal K Gopi
28th July, 2004 Director & Manager Director

ADDENDUM TO THE DIRECTORS' REPORT

With reference to the comments made by the Auditors in their Report, the Directors wish to state the following:

Non Provision of interest

The Company has been registered under BIFR. Anticipating waiver of interest, no provision for interest has been made.

For and on behalf of the
Board of Directors

Bangalore N P Perumal K Gopi
28th July, 2004 Director & Manager Director

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