

DIRECTORS' REPORT

To the Members

The Directors have great pleasure in presenting the Seventh Annual Report of your Company for the year ended 31st March, 1998.

Financial Results

	31 st March, 1998	(Rs. in thousands) For the year ended 31 st March, 1997
Revenues	1,709,204	1,573,876
Less : Operating Expenses	1,628,721	1,465,092
Finance Cost (net)	51,714	48,015
Depreciation	53,271	46,653
Profit/(Loss) before tax & unusual items	(24,502)	14,116
Less : Restructuring Cost	17,873	8,479
Profit/(Loss) before tax	(42,375)	5,637
Less : Provision for tax	-	727
Profit /(Loss) after tax	(42,375)	4,910
Profit and Loss A/c balance brought forward	31,397	41,390
Profit/(Loss) available for distribution	(10,978)	46,300

Performance

Your Company's loss during the year under review was mainly on account of lower international sales and lower contribution therefrom during the second half of the year as compared to the first half mainly on account of the new FedEx contract which became operative from 1st October, 1997, and the restructuring costs of Rs.178 lakhs incurred during the year.

During the year, your Company rationalised its Surface (SFC) network in a manner that would support its future growth in air express related products. The sales mix of your Company has improved as a result thereof. Simultaneously, your Company improved its yields on all major products to ensure qualitative sales.

Your Company also initiated certain cost actions mainly towards reduction of network cost and cost related to pick-up/delivery operations in the field. The full impact of these reductions will be felt in the next year.

Dividend

Your Directors do not recommend a dividend for the year ended 31st March, 1998 in view of the net loss for the financial year.

Operations Review

Revenue

Notwithstanding a much lower industrial and export growth, your Company was able to record a 12% increase in the domestic sales. The growth in International Priority product was restricted to 2% for the year on account of the impact of the new FedEx contract as explained below. The year under review was one of consolidation to enable your Company to absorb the changes resulting from the Aviation activity and the FedEx direct entry into India.

International Services

Your Company has signed a new 5 year Global Service Program Contract with Federal Express (FedEx), which became effective from 1st October, 1997. Under the new contract, the international bill consignee (AFR) sales, which earlier formed part of your Company's revenue, are now handled directly by FedEx on its entry into India. However, your Company has been appointed by FedEx as the sole preferred middleman/consolidator for its international products in India and will also be the exclusive pick-up/delivery agent for all FedEx's direct sales in India.

As per the new contract design, the initial drop in revenues and rates would be compensated by increase in operational earnings from growth in volumes through FedEx direct sales in the Indian market, over the term of the contract. Although the FedEx contract had an adverse impact on international sales and contribution during the second half of the financial year, which may be deemed to be in the nature of start up costs, your Company is confident that volumes will grow over the five year period of the contract which will benefit your Company in the future years.

Restructuring

The restructure exercise which your Company had undertaken with the set up of the Aviation system, was completed during the financial year under consideration. Your Company's operation and distribution systems have been re-organised and a new organisation structure has been put in place to meet the challenges of the Aviation system and cater to future growth. This has therefore been a year of consolidation and capacity creation rather than of pure growth for your Company. The integration of the Aviation system into the Express Company to provide a seamless service on global standards, needed an interphase of people and sales product mixes with the emerging new technology which has now been accomplished.

Aviation System

With the advent of the Aviation system, your Company has further strengthened its position as the leading player for domestic shipments and has an estimated market share of more than 36%. Significantly, the sales mix ratio of your Company during the past 3 years has changed in favour of the domestic sector. The ratio of domestic sales: international sales during the past 3 years was 45:55 for 1995-96, 54:46 for 1996-97 and 57:43 for 1997-98. Given your Company's strong domestic network and growth of the aviation system, this trend is expected to continue.

Interline arrangements

Your Company has set up customs bonded warehouse at Chennai, Mumbai and Calcutta and transshipment facilities at all the 5 major domestic airports through which it operates, thus enabling it to facilitate movement of import/export cargo within India. Your Company has entered into appropriate

Singapore Airlines, Swissair, Air Canada, Cargolux and FedEx for movement of interline cargo and this is expected to contribute a steady stream of revenue growth in the future.

Technology

Your Company has been continuously associated with reliability and speed. One of the important reasons for this has been the extensive use of technology in all operations. The technology used by your Company helps to track and trace every shipment. Your Company has installed PAMA (Permanently Assigned Multiple Access) which is the latest in VSAT technology and which is revolutionising the world. This technology will substantially upgrade the existing systems in term of speed and accuracy of carrying data. Further, your Company has made available, at the major metros, the facility of voice over VSAT which will enable cost effective communications for the future.

Superhub

The Superhub project near Sahar Airport is nearing completion. Your Company expects to complete the interiors and commence commercial operations from the last quarter of the 1998-99 financial year. Your Company expects substantial savings arising from reduction in costs of rentals, communications, conveyance besides increase in package handling capacity and facilities.

Issue of convertible debentures

Your Company has issued 23,00,000 debentures of the face value of Rs.100/- each aggregating to Rs.2300 lakhs to Newfields Holdings Limited. The debentures are convertible into equity shares of Rs.10/- each at a premium of Rs.65/- per share on 31st July, 1998. The total number of new shares to be issued on conversion will be 30,66,667 shares, thus increasing the total number of issued shares of your Company from 88,50,000 shares to 119,16,667 shares and the issued capital of your Company from Rs.8,85,00,000/- to Rs.11,91,66,667/-

Subsidiary Company

During the year, your Company has subscribed to the Rights issue of 100 lakhs shares of Rs.10 each, aggregating to Rs.1000 lakhs of Blue Dart Aviation Limited – a 100% subsidiary.

The turnover of Blue Dart Aviation Limited for the year was Rs.5493.52 lakhs (previous year Rs.4260.94 lakhs) on which the Company has reported an operating profit of Rs.405.54 lakhs as compared to an operating loss of Rs.153.44 lakhs for the previous year. Blue Dart Aviation Limited has shown a massive improvement in performance during the current year by reducing its net loss from Rs.513.64 lakhs in 1996-97 to Rs.160.82 lakhs in 1997-98. The previous year figures reflect an operating period of 9.5 months as compared to a full year's operation during the current period. The results reflect an encouraging trend.

The Directors' Report and the audited accounts of the subsidiary company are annexed, as required under Section 212 of the Companies Act, 1956.

Outlook for the future

Your Company has created a very strong and reliable express cargo Aviation system in the country, which is ahead of any of its competitors. This will form the basis on which your Company will continue to grow and increase its market share in the domestic sector. Your Company has created an entry barrier for its competitors and also carved a special niche for its products. Your Company is today the only Company to offer multi-modal integrated products in India. Your Directors envisage a very

expected to perform well in the future.

Particulars regarding conservation of energy, technology absorption and foreign exchange earnings and expenditure.

The particulars regarding foreign exchange earnings and expenditure are annexed hereto as Annexure “A” and forms part of this report. Since your Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors’ Rules, 1988) are not applicable.

Employees

Your Company has in place some very effective human resource development systems to enhance employee satisfaction in the form of Guaranteed Fair Treatment Policy (GFTP), Survey Feedback Action (SFA) and Subsidised Tuition Education Plan (STEP). These enable your Company to address employee concerns in a timely manner besides keeping a continuously open channel for employees to participate in your Company’s progress and also their individual growth.

Your Company is grateful to the employees for their continued dedicated and committed services and for their co-operation and support in the growth of your Company.

The statement showing particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 is annexed hereto as Annexure ‘B’ and forms part of this report.

Directors

In accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company, Air Marshal S.S.Ramdas (Retd.) retires by rotation, and being eligible, offers himself for re-appointment.

Fixed Deposits

Your Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956.

Auditors

The auditors Arthur Andersen & Associates, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Acknowledgement

Your Directors place on record their gratitude for the co-operation and support given to your Company by financial institutions, your Company’s bankers, customers, solicitors, suppliers and shareholders.

For and on behalf of the Board of Directors

Tushar K. Jani
Chairman

Clyde C. Cooper
Managing Director

Khushroo M. Dubash
Director

Suresh G. Sheth
Director

Director

Mumbai : 26th June, 1998

ANNEXURE TO THE DIRECTORS' REPORT
ANNEXURE 'A'

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY
ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE**

A) Earnings in Foreign Currency

Earnings in foreign currency for pick-up charges and the distribution of international shipments in India amounting to Rs.280,730,226 (1997 – Rs.187,115,792).

B) Expenditure in Foreign Currency

Expenditure in foreign currency for the distribution of international shipments outside India, professional fees, foreign travel and training amounting to Rs.258,587,263 (1997 – Rs.238,301,986).



**ANNEXURE TO THE DIRECTORS'
REPORT
ANNEXURE 'B'**

Statement of particulars of employment pursuant to the provision of Section 217(2A) of the Companies Act, 1956, read with the Companies' (Particulars of Employees) Rules, 1975
and forming part of the Director's report for the year ended on March 31, 1998

A) Employed throughout the year and were in receipt of remuneration aggregating to not less than Rs.3,00,000/- p.a.

NAME OF EMPLOYEE	QUALIFICATION	DATE OF JOINING	REMUNERATION RECEIVED	DESIGNATION	AGE	EXP (NO OF YRS)	LAST EMPLOYED	
							NAME OF COMPANY	DESIGNATION
ADI SOONAWALA	B.A	01/12/83	328,230	SR.MGR-REV	41	19	THOMAS COOK	COUNTER STAFF
AMOD DASGUPTA	B.A.POST GRADUATE DIPLOMA IN BUSINESS MANAGEMENT	01/03/95	481,323	GEN.MANAGER-EAST	44	21	PRAKASH ROADLINES LIMITED	ZONAL MANAGER-EAST
ANIL KHANNA	BSC,MBA	15/06/92	824,553	VP.REV - WEST I	42	18	M/S STP LTD	MARKETING MGR.
ARUN S KULKARNI	BSC (HONS) GRADUATE DIPLOMA IN MATERIALS MANAGEMENT	04/03/91	791,221	VP REG & IND AFFAIRS	49	27	SH DHOOTA PAPERESHWAR LTD	COMMERCIAL MGR.
ASHOKA K.JAIN	B.COM(HONS) M.A-SOCIOLOGY PG.D.B.M.(XLRI)	04/05/87	1,534,361	SR.V.P-NORTH	45	19	KEGG FARMS LTD.	MANAGER (CORP.DIV)
BALFOUR MANUEL	B.A.ECONOMICS	01/12/83	340,244	SR METRO SALES MGR	37	14	-	-
CLYDE COOPER	B.A.HONS	06/04/91	1,166,025	MANAGING DIRECTOR	44	19	BUSINESS	
DODDA BASAPPA M	M.COM	07/01/87	318,493	REG CONTROLLER -STH 2	40	17	MODI RUBBER LTD	ACCOUNTANT
GOPINATH MENON	B.COM	01/11/91	737,787	VP - SOUTH -2	44	23	PATEL ROADWAYS LTD	ZONAL SALES MGR.
KARTIK PANDIT	B.COM (HONS) LLB, FCA	22/04/94	759,040	VP TAX AUDIT & CO.AFFAIRS	43	15	SYNTHETICS AND CHEMICALS LTD	SR.MANAGER ACCTS & TAXATION
KHUSHROO DUBASH	B.SC	06/04/91	1,037,100	WHOLE TIME DIRECTOR	44	18	BUSINESS	
K.RAGHVENDRA	B.COM(HONS) DIP IN PMIR	08/04/92	318,201	GM -HR & EMP REL	37	13	J.K.SYNTHETICS LTD	ASST.MGR -HR
KRISHNAN T.A.	M.COM	01/12/86	346,329	G.M.-NORTH	34	13	M/S.AIRTECM (P) LTD	SALES OFFICER
LT.CDR A.S.ANANTH	B.SC	01/04/93	355,387	SR.MGR-ISO ALL INDIA	47	27	INDIAN NAVY	-
MALCOLM MONTEIRO	B.TECH.ELEC(IIT-B) P.G.D.M.(IIM-AHD)	22/05/89	1,604,646	SR.VP SALES & SYSTEMS	45	21	ORSON ELEC.LTD	GR.GM - MFG. DIRECTOR
NANDE MILIND G	B.COM	01/08/89	311,356	MGR SYSTEMS	33	14	EXCELLO SOFTWARE SERVICES	SR.EXEC
PERCY DHUNJISHA	B.COM,AICWA,FCA	14/08/89	1,894,507	SR.V.P & GROUP FINANCE OFFICER	52	27	GERMAN REMEDIES	SYS&PLANNING :MGR
PEREIRA MCWEN	B.SC	05/06/90	312,587	MGR-SYSTEM	34	11	JOY ICECREAMS P.LTD	PROGRAMMER ANALYST EDP-IN-CHARGE
PRADEEP R APTE	B.A.DIP IN COMP.PROG	25/04/92	314,734	MGR-SYSTEM	33	12	SOFT PLUS COMPUTER SERVICES P.LTD	SYSTEM ANALYST
PRADEEP VERMA	B.A(HONS).ECONOMICS MBA	01/03/95	737,428	VP-SYSTEM	42	19	NETWORK LIMITED	MANAGER - ISD
RAJINDER RASTOGI	B.A.ECONOMICS (HONS)	20/05/96	376,189	SR.MGR (AIR EXP.FR INT)	59	26	AIR FRANCE	DEPUTY SALES MGR

RAVINDRAN G	M.A.(PMIR)M.PHIL	26/06/95	1,250,390	SR.VP HRD	40	20	THE ACADEMY	DIRECTOR
SANJAY MOHAN	B.COM	27/03/97	429,183	G.M.-BUS.LOG	37	16	DIXON UTILITIES & EXPORTS LIMITED	DY.GEN MGR
SHARMA R.K.	B.COM	16/06/84	310,798	SR.BR.MANAGER	53	31	FREE LANCING	CONSULTANT
SHEKHAR VISVANATH	B.COM,FELLOWSHIP IN HOSPITALITY MGMT (USA)	15/09/94	320,756	GM-TRAINING & PUBLIC RELATIONS	35	15	INDIAN HOTELS	F&B MGR HOD F&B
TULSI MIRCHANDANEY	B.A	01/11/95	805,195	SR.VP FREIGHT INTL	47	28	JET AIR LIMITED	AREA MANAGER – NORTH DIVISION
TUSHAR CHITNIS	B.COM.,FCA	01/06/96	1,020,987	CHIEF FINANCE OFFICER	46	21	WHIRLPOOL	VP.FINANCE-TREASURY & ADMN
TUSHAR JANI	B.SC (HON)	06/04/91	1,103,152	CHAIRMAN & WHOLE TIME DIRECTOR	43	24	BUSINESS	
YOGESH DHINGRA	B.COM(HONS),ACA	20/04/92	515,975	V.P. & CORPORATE CONTROLLER ALL INDIA	36	12	DUNEZ SOGEA BORIE SAE	MANAGER ACCOUNTS

B) Employed for part of the year and were in receipt of remuneration aggregating to not less than Rs.25000/- per month.

NAME OF EMPLOYEE	QUALIFICATION	DATE OF JOINING	REMUNERATION RECEIVED	DESIGNATION	AGE	EXP (NO OF YRS)	LAST EMPLOYED	
							NAME OF COMPANY	DESIGNATION
BASHIR SHEIKH	B.SC	11/08/97	204187	GM-SOUTH 2	44	12	THE ARVIND MILLS LTD	CIRCLE BUS-MGR
B.RAJAGOPALAN	M.COM	04/03/91	280698	SR.MGR OPS-WEST	38	16	EURO INDIAN PHARMA	LOGISTICS EXECUTIVE
DINESH MIRCHANDANEY	INTER ARTS	16/05/96	126374	HEAD OF SERVICE QUALITY	40	14	JET AIR LTD	GEN.MGR-MKT
JAISHREE PAWASKAR	B.COM.,ICWAI	24/11/95	84215	SR.MGR-AUDIT & METHODS	42	22	SYNTHETICS & CHEMICALS	SR.MGR FINANCE
J.S.SABHARWAL	B.SC	01/08/96	9730739	CHIEF EXECUTIVE OFFICER	51	31	UNILEVER PLC LONDON	OPERATIONS EXECUTIVE
NINA FERNANDES	M.A.,DIPLOMA IN BUSINESS ADM	03/05/93	89991	SR.MGR-HUMAN RESOURCES	34	11	HOECHTS	SR.EXEC
PRADEEP BONDE	B.SC-MMS	22/04/97	454,250	GM-MKTG	35	9	ABN AMRO BANK	MKTG.MGR

Notes :

1. Remuneration shown above includes Salary, Taxable allowances, value of perquisites as per Income Tax Rules, 1962 and Company's contribution to Provident Fund, Family Pension Fund & Superannuation
2. The Nature of employment in all cases is contractual
3. None of the employees mentioned above is a relative of any Director of the Company.

BLUE DART EXPRESS LIMITED
AUDITORS' REPORT



To the Members of

BLUE DART EXPRESS LIMITED

We have examined the accompanying balance sheet of BLUE DART EXPRESS LIMITED at March 31, 1998 and the related statements of profit and loss and cash flows for the year then ended. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination.

In our opinion, the financial statements referred to above give a true and fair view of the state of affairs of BLUE DART EXPRESS LIMITED at March 31, 1998 and of its loss and cash flows for the year then ended. The balance sheet and the related statement of profit and loss are in agreement with the books of account and are presented in the manner required by the Companies Act, 1956. Further, in our opinion, the Company has maintained proper books of account as required by law insofar as appears from our examination of those books.

We have also examined the matters specified in paragraphs 4 and 5 of the Manufacturing and Other Companies (Auditor's Report) Order, 1988 for the year ended March 31, 1998 as they relate to the Company. Our report thereon is annexed.

Arthur Andersen & Associates
Chartered Accountants