

DIRECTORS' REPORT

To the Members

The Directors have pleasure in presenting the Eighth Annual Report of your Company for the year ended 31st March, 1999.

Financial Results

	31 st March, 1999	(Rs. in thousands) For the year ended 31 st March, 1998
Revenues	1,760,219	1,709,204
Less : Operating Expenses	1,569,054	1,628,721
Finance Cost (net)	71,464	51,714
Depreciation	49,596	53,271
Profit/(loss) before tax & other items	70,105	(24,502)
Less : Restructuring Costs	-	17,873
Profit/(Loss) before tax	70,105	(42,375)
Less : Provision for tax		
-- current year	3,507	-
-- prior year, net	6,566	-
Profit/(Loss) after tax	60,032	(42,375)
Profit and Loss A/c balance B/F	(10,978)	31,397
Profit/(Loss) available for appropriation	49,054	(10,978)

Performance

Your Company's performance has been strong during the year. Your Company's turnaround recorded a profit, before interest and depreciation of Rs.1912 lacs, as compared to Rs.626 lacs of previous year, and profit after interest and depreciation of Rs.701 lacs vis-à-vis a loss of Rs.424 lacs of previous year.

The above performance has been achieved by timely implementation of the following long term strategies, by your Company:

- ☐ Introduction of the Aviation System in June 1996 to establish Domestic market leadership which enabled the Company to increase its market share to 36% of the Domestic market.
- ☐ Restructuring exercise undertaken during 1997-98 enabled the Company to rationalise its operations and improve cost efficiency thereby reducing its operating cost base.
- ☐ Better productivity in sales by improving the sales mix and yields, contributing to increased profitability.

Dividend

Your Directors are pleased to recommend a dividend at the rate of 15% for the year ended 31st March, 1999.

Operations Review

Revenue

Your Company, during the year ended 31st March, 1999 for the Core Domestic Priority products, recorded a 23% growth inspite of the slowdown in the Indian economy. On the International priority products, your Company recorded a decline of 20% and is expected to show a growing trend in future years.

By reducing the fixed cost base, the incremental revenue of the Company has resulted in the Operating margins rising from 5% to 11% in this year.

Your Company has successfully absorbed the impacts resulting from the entry of FedEx into India, and has interphased its infrastructure with FedEx on the operations front and will work towards the sales opportunities in the year 1999-2000.

Aviation System

Your Company continues to strengthen its domestic position as the leading player, due to its competitive edge of having the Aviation System. Sales Mix ratio of your Company for Domestic Sales: International Sales has changed over the years from 45:55 for 1995-96 to 70:30 in the current year.

Interline arrangements

Your Company continues to set up air side and customs bonded warehouses, alongwith transshipment facilities, at the 5 major domestic airports, to facilitate movement of import/ export cargo within India. Your Company has agreements with 13 international carriers viz., Air Canada, Air France, Air India, Alitalia, Asiana Airlines, British Airways, Cargolux, DAS Air, Emirates, Saudi Arabian Airlines, Singapore Airlines, Swiss Air and KLM Cargo for movement of interline cargo.

Information Technology/Y2K compliance

Your Company continues to make significant investment in Information Technology to cope up with the growing customer information needs and to manage operations more effectively.

Your Company upgraded the Space Management Allocation Reservation and Tracking (SMART) for its aircraft, to allow booking of a shipment across multiple flights under a single token number, enabling the Company to induct additional aircraft without requiring any system change.

Your Company has taken reasonable steps over the last fifteen months to ensure that the entity is prepared for the Year 2000 (Y2K) date change. The entire process of identification of the impact of the Year 2000 change has been completed and necessary action taken to gear your Company for a smooth changeover into the new millenium.

Your Company is presently initiating the requirements for the support of trade and commerce towards the impending future of 'E-Commerce'.

Superhub

The Superhub project near Sahar Airport will be ready for occupation with the latest technological state-of-the-art devices and systems and full-fledged commercial operations are expected to commence from the 2nd quarter of 1999-2000.

Your Company expects productivity savings arising from the reduction in costs of rentals, communications, conveyance, fuel and other expenses, besides increasing package handling capacity, to support future growth.

Conversion of Convertible Debentures

Your Company has converted 23,00,000 debentures of the face value of Rs.100/- each aggregating to Rs.2300 lacs of Newfields Holdings Limited in equity shares of Rs.10/- each at a premium of Rs.65/- per share on 31st July, 1998. As a consequence thereof, the paid-up equity share capital stands increased by Rs.307 lacs and share premium stands increased by Rs.1718 lacs, net of expenses and placement cost.

Subsidiary Company

The Company's wholly owned subsidiary, Blue Dart Aviation Limited, has shown an improvement in performance by achieving an operating profit of Rs.591 lacs as compared to Rs.406 lacs of previous year and PBT of Rs.66 lacs against the previous year's loss of Rs.161 lacs.

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

The Company is actively preparing for the launch of support systems for E-Commerce on the Internet.

The Company will also be setting up its Business Logistics designs over the next 15 months.

Following the successful rationalisation of cost bases over the last two years, the Company finds itself in a position to capitalise on the future growth of the express industry.

Globally, the express industry underlines economic growth, given the robust medium term growth prospects for the Indian Economy. The Director's believe that the future of the Company is bright.

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

The Directors hereby wish to place on record their appreciation of the efficient and loyal services rendered by all employees of the Company, without whose wholehearted support and efforts, the turnaround performance would not have been possible. The Company's belief in the philosophy of People, Service, Profit is a key cornerstone of our success.

Information on particulars of employees' remuneration is as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975 and forms part of this report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders of the Company, excluding the Statement of Particulars of Employees. The same is available for inspection at the Registered Office of the Company during working hours. Any shareholder interested in such particulars may inspect the same.

Directors

In accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company, Mr. Anil Thadani, Director, retires by rotation, and being eligible, offers himself for re-appointment.

Fixed Deposits

Your Company has not accepted any deposits from the public u/s 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 the Company by customers, financial institutions, Company's bankers, suppliers and the shareholders and solicitors.

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

Air Marshal S.S. Ramdas (Retd.)

Director

Gordon Byrn

Alternate Director for
Anil Thadani

ANNEXURE TO THE DIRECTORS' REPORT
ANNEXURE 'A'

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION
AND FOREGIN 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.35,802,716 (1998 – Rs. 280,730,226).

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.708,197 (1998 – Rs.258,587,263).

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, 1999 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, 1999 and of its profit 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, comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 ('the Act') and are presented in the manner required by the Act. 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, 1999 as they relate to the Company. Our report thereon is annexed.

Arthur Andersen & Associates
Chartered Accountants

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Narayan K.Seshadri
Partner

Mumbai
May 25, 1999

BLUE DART EXPRESS LIMITED
ANNEXURE TO AUDITORS' REPORT – MARCH 31, 1999

1. The Company has maintained proper records showing full particulars, including quantitative details and situation, of the majority of its fixed assets. We are informed that management verifies its fixed assets on a rotational basis and that no material discrepancies were noted on the fixed assets verified during the year. In our opinion, the frequency of physical verification is reasonable.
2. The fixed assets of the Company have not been revalued during the year.
3. The Company does not have any stocks of finished goods, stores, spare parts or raw materials.
4. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
5. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has granted unsecured loans to a company under the same management as defined under Section 370(1B) of the Companies Act, 1956. The rates of interest and other terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company.
6. The Company has given interest-free advances in the nature of loans to its employees and is recovering the principal amounts as stipulated.
7. In our opinion, the internal control procedures of the Company relating to the purchase of packing materials, equipment and other assets are adequate and commensurate with the size of the Company and the nature of its business.
8. In our opinion and according to the information and explanation given to us, the transactions of sale of services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000 or more in respect of each party, were made at prices which are reasonable having regard to the prices at which similar transactions were made with other parties.
9. The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder apply.
10. The Company's activities do not generate any by-products or scrap.