Balmer Lawrie
Freight Containers Limited

Annual Report & Accounts 1999 - 2000

Board of Directors	**Dr. C.V.Chandrashekharan-Chairman** **Mr. H. Shankar - Managing Director** Mr.Heinz Rode Prof. Ramaswamy P. Aiyar Mr.S.B.Chakravarty Mr.C.N.Ramdas
Registered Office	21, Netaji Subhas Road Calcutta – 700 001
Factory and Administrative Office	Plot No.D-6 Madras Export Processing Zone Tambaram (West) Chennai – 600 045
Bankers	State Bank of Travancore HDFC Bank ABN Amro Bank
Auditors	Messrs Ray & Ray Chartered Accountants
Share Registrars	ABC Computers Private Limited National Council of Education Building Jadavpur University Campus Jadavpur, Calcutta – 700 032

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DIRECTORS' REPORT

The Board of Directors present the sixth Annual Report of the Company for the year ended 31st March, 2000 together with the Balance Sheet as on that date and the Profit and Loss Account for the year ended 31st March, 2000.

Financial Results	Rs. Million
Production (TEUs)	2492
Total Income	167.56
Materials and Stocks	141.51
General Expenditure	71.20
Surplus/(Deficit) before Depreciation Amortization and interest	(45.15)
Depreciation and Amortization	26.46
Interest	92.75
Surplus / (Deficit)	(164.36)

Overview

Demand for new built empty marine freight containers in a location is a function of the aggregate of demand for containers generating out of the demand for containerizable exports from that geographical location and its hinterland, partially met by containerizable imports into that location by users of containers, i.e. Shipping Lines. Drop in demand for containerizable exports and increase in containerizable imports coupled with empty repositionings will adversely affect the requirement of new built empty containers.

The demand for new built containers out of India plummeted drastically on account of continued depression in Indian exports of containerisable products coupled with unrestricted dumping/ positioning of empty containers from overseas. All operating manufacturing plants in India (and this Company was no exception), were plagued by low capacity utilization arising out of paucity of demand which resulted in adverse financial performance.

Market

Freight Container Manufacturing is a cyclical business with its regular troughs and peaks. We believe that the present down-cycle will bottom out shortly and better days are ahead for state of the art economic scale size plants. This Company is well positioned to take advantage of the economic revival and at present the market is showing marginal improvement. The business environment has undergone rapid transformation. The market has become complex and fast paced. Superior competitive capability can be the only assurance for survival and profitable growth. Towards this end, the Company continues to focus resources on the greatest strengths and opportunities.

In recent months, the Indian export scenario has shown signs of improvement with inventory of containers belonging to Lines/Leasing Companies reaching low levels. This is yet to, however, translate itself into active enquiry/orders and in an attempt to insulate itself from the vagaries of international business and in order to utilize idle capacities, the Company shifted its focus to domestic opportunities and embarked on development of certain specialised / value added new products. This development exercise is progressing satisfactorily.

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Freight Containers Limited

Operations

With the depressed demand from the Company's traditional customers, owing to market scenario, the Company has been able to partially offset the adverse impact with a few small orders from new customers.

The Company successfully reduced the working capital utilization, and also pegged the interest cost reasonably even after incurring substantial losses during the year. In order to provide liquidity for operations and investment in new facilities, the Company has prepared a detailed turnaround plan, focussing on development of special products for the Indian Domestic Market. This report has been appraised by a Government Agency and a fresh Term Loan granted, subsequent to Balance Sheet date.

The Company has also embarked on stringent cost reduction exercises, including downsizing of operations, essentially to keep losses under control.

Industrial relations

With the decline in market, the Company is not able to employ all the workmen fully and the management is addressing this issue.

Future Prospects

Prospects for the current financial year is focussed on domestic market as well. The Company is hopeful that the product diversification strategy will rescue and keep the operations going till demand for containers for maritime trade picks up.

Net Worth

The Company, having completed five years from its date of incorporation, in view of the Accumulated Losses, has become a 'Sick Industrial Company' under Section 3(1) (o) of Sick Industrial Companies (Special Provisions) Act. During the year, the Board of Directors, after due deliberation, formed an opinion to the effect that the Company has become a "Sick Industrial Company" and accordingly action was initiated with Board for Industrial and Financial Reconstruction (BIFR), based on which the case of the Company has been registered by BIFR.

Y2K

The Company did not face any significant Y2K related problems.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

1. Conservation of Energy

Details for electricity consumption is given below :

	1999/2000	1998/99
Energy consumed (Kwh)	18,81,970	21,15,600
Throughput (TEU)	2,566	2,933
Per Unit Consumption (Kwh)	735	721

Reduced production levels have had an adverse impact on the specific energy consumption in manufacturing operations.

Balmer Lawrie
Freight Containers Limited

2. ***Technology Absorption***

During the year under review, new variant containers were developed in house and added to the existing range for the domestic /export market.

3. ***Foreign Exchange Earnings and Outgo***

During the period ended 31st March, 2000 the Company was able to register export earnings of Rs. 73.90 million. The total foreign exchange outgo during the same period accounted for Rs. 46.85 million on import of raw materials, components, capital goods, know-how fees and others. The particulars of foreign exchange utilized/ earned during the year are given under clauses 11, 12 & 17 of notes to the accounts.

Particulars of Employees

There is no employee drawing remuneration in excess of the amount specified under the Companies (Particulars of Employees) Rules, 1975 as amended.

Directors

Mr. Heinz Rode and Prof. Ramaswamy P. Aiyar retire by rotation at this Meeting and being eligible offer themselves for appointment.

Auditors

Messrs. Ray & Ray, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Acknowledgements

The Directors express sincere thanks to the Company's customers and other business associates for their continued patronage and confidence reposed in the Company. The Directors also wish to place on record their deep sense of appreciation for the entire team of employees and other personnel at all levels of the Company for their continued cooperation and dedication. The Directors would also like to express their deep sense of gratitude to Balmer Lawrie & Co. Ltd. and its team of dedicated personnel for having extended their support through out the year.

On behalf of the Board

Registered Office

21, Netaji Subhas Road
Calcutta – 700 001

Dr. C.V. Chandrasekharan
Chairman

Dated: 30th June, 2000

AUDITOR'S REPORT
TO THE MEMBERS OF
BALMER LAWRIE
FREIGHT CONTAINERS LIMITED.

We have audited the annexed Balance Sheet of **BALMER LAWRIE FREIGHT CONTAINERS LIMITED** as at 31st March, 2000 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under the reference to this report , are in agreement with the books of account.

We report as follows:

1.0 As required by the Manufacturing and Other Companies (Auditor's Report) Order,1988 issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us we set out in the Annexure, as statement on the matters specified in paragraphs 4 and 5 of the said Order.

2.0 Further to our comments in the Annexure referred to in paragraph 1 above, we state that:

2.1 The Balance Sheet and Profit and Loss Account complied with the Accounting Standards referred to in Subsection (3C) of Section 211 of the Companies Act, 1956.

2.2 We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit.

2.3 In our opinion proper books of accounts as required by law, have been kept by the Company so far as it appears from our examination of the books.

2.4 Despite continued losses resulting in total erosion of net worth of the Company, the Accounts have been prepared on "Going Concern" basis, since the management has prepared plans for revival in order to enable the Company to continue as a "Going Concern", which in our opinion, is dependent on significant continuance of the financial support by the external / Governmental agencies and further profitability of its operations. Based on this, in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with notes thereon / attached thereto give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively a true and fair view of the state of the Company's affairs as at 31st March, 2000 and its loss for the year ended on that date.

For **RAY & RAY**
Chartered Accountants

Place : Chennai
Date : 5th June 2000

M.Kishore
(Partner)