

## DIRECTORS' REPORT

### To the Members

The Directors present the Sixth Annual Report of the Company and the audited accounts for the year ended 31st March, 1997.

### Financial Results

|                                       | (Rs. in thousands)              |   |
|---------------------------------------|---------------------------------|---|
|                                       | 31 <sup>st</sup> March,<br>1997 | For the year ended<br>31 <sup>st</sup> March,<br>1996 |
| Revenues                              | 1,573,876                       | 1,150,974   |
| Less : Operating Expenses             | (1,465,092)                     | (1,032,408)   |
| Finance Cost (net)                    | (48,015)                        | 7,772   |
| Depreciation                          | (46,653)                        | (23,536)  |
| Profit before tax & unusual items     | 14,116                          | 102,802   |
| Less : Restructuring Cost             | (8,479)                         | -   |
| Profit before tax                     | 5,637                           | 102,802   |
| Less : Provision for tax              | (727)                           | (4,320)   |
| Profit after tax                      | 4,910                           | 98,482  |
| Less : Prior period items             | -                               | (2,516)   |
| Net Profit                            | 4,910                           | 95,966  |
| Profit and Loss brought forward       | 41,390                          | 29,074  |
| Profit available for distribution     | 46,300                          | 125,040   |
| Transfer to General Reserves          | 300                             | 60,000  |
| Proposed Dividend                     | 13,275                          | 23,650  |
| Corporate tax on proposed dividend    | 1,328                           | -   |
| Balance carried over to Balance Sheet | 31,397                          | 41,390  |
| Profit available for appropriation    | 46,300                          | 125,040   |

### Dividend

Your Directors are pleased to recommend a dividend for the year ended 31<sup>st</sup> March, 1997 at the rate of 15%.

During the year, your Company successfully launched its Aviation system (and India's first all jet cargo Aviation system) thereby increasing the service and reliability for its customers to a level which was earlier not available in India. Since the Aviation system was capital intensive, it was but natural that the Company's financial burden would increase. Although the Company witnessed an increase in its volumes with the start up of the Aviation system, it could not market its full potential as the regulatory approvals for permission to operate interline services were delayed and were ultimately obtained only in March 1997. As a result during the initial months of operation the Aviation system increased the fixed cost of the Company whereas a proportionate volume growth lagged behind.

Again, the untoward incident at Bangalore airport in December, 1996 resulted in one aircraft being grounded for nearly 77 days and all connections to and from Calcutta having to be routed through commercial flights at a heavy cost besides disrupting the market trends. A combination of above such factors and the general slow down in the economy tended to keep our revenues much below forecast and led to the resultant reduction of profits.

## **Revenue**

In the domestic market, the Company continued to grow its Domestic Priority product by 35%. Surface Express product by 13% and Dart Apex product by 183%. In addition, the Company introduced its ATA (Airport to Airport) product and achieved sales of Rs.905.96 lakhs during the financial year. The growth in the international product was at 8% only due to strong market competition and lower growth in total export volumes as compared to the earlier years.

## **Restructure**

The Company has taken on its rolls, Mr.J.S.Sabharwal as its first Chief Executive Officer, as part of its restructure exercise to be better positioned to meet the challenges of growth in the future. Besides the organisational change in the structure, the territorial allocations have also been redefined.

The Company as a part of its restructuring exercise has started outsourcing many of its non critical fixed cost activities. It has also embarked on a programme of expanding its domestic network through appointment of FCCs and RSPs which will increase its service and collective points to over 1000 in the coming years. The Company has invested substantial amount in training and development to ensure that its service and quality standards are maintained.

## **International Services**

The Company has negotiated a new long term arrangement with Federal Express (FedEx), which will come into effect from 1<sup>st</sup> October, 1997. Under the new arrangement, the Company will continue selling its international services and in addition will also undertake the operation for all FedEx direct international business in India on an exclusive basis. With the proposed entry of FedEx into India, the Company's international operations are bound to strengthen.

## **Finance**

The finance costs of the company during the year are high mainly due to the increase in working capital requirement and higher level of borrowings due to reduction in internal generation of funds and ongoing capital projects. The Company had planned to increase its long term resources through issue of Convertible Debentures on a preferential basis by September 1996, which materialised only in April 1997. In the interim, the company had to borrow funds at market rates to meet the short term funding requirement thus resulting in a heavy interest cost burden for the year.

During the year under review, the Company availed funds of Rs.925 lakhs by way of subscription money towards Non Convertible Debentures in addition to FCNR(B) loan of USD 3 million.

## **Warrants**

The promoters of the Company have during the year converted 2,50,000 warrants into equity shares of the Company @ Rs.45 per shares inclusive of premium of Rs.35 per share.

## **Issue of Convertible Debentures**

In terms of the special resolution passed at the Extra-Ordinary General Meeting on 27<sup>th</sup> January, 1997, the Company has allotted convertible debentures for a total amount aggregating Rs.23 crore to Newfields Holdings Limited during April 1997.

## **Subsidiary Company**

The turnover of the Company's wholly owned subsidiary "Blue Dart Aviation Limited" amounted to Rs.4260.94 lakhs on which it has incurred a loss of Rs.513.46 lakhs after charging interest and depreciation. The loss was mainly on account of delayed start up of operations and an incident to one of its aircraft. The Company has presently stabilised its operations.

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

## **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 the 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 Company has continued with its various employee training programmes during the year which has received active employee participation and support. With the ongoing technological development, the company has consciously planned to upgrade the job content of each employees job profile. This has been well received by most of the employees.

The Company thanks its employees who have put in tremendous efforts towards the Company's strategies of the future, implemented during the year.

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, Mr.Khushroo M. Dubash and Mr.Suresh.G. Sheth retire by rotation, and being eligible, offers themselves for re-appointment.

Mr.Anil Thadani has been appointed as an Additional Director of the Company with effect from 25<sup>th</sup> April, 1997. Under Article 140 of the Articles of Association of the Company, he will hold office upto the date of the Annual General Meeting. Notice has been received from a member, pursuant to the provision of Section 257 of the Companies Act, 1956, proposing the appointment of Mr.Anil Thadani as a Director of the Company.

### **Fixed Deposits**

The 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 contribution made to the performance of the Company by Financial Institutions, the Company's bankers, Customers, Solicitors, Suppliers and to the Shareholders for their support.

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

Mumbai : June 27, 1997

**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.187,115,792 (1996 – Rs.167,412,515).

**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.238,301,986 (1996 – Rs.184,970,068).

**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, 1997

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        | 345,537               | SR.MGR-REV                            | 40  | 18              | THOMAS COOK                     | COUNTER STAFF                  |
| AMOD DASGUPTA    | B.A.POST GRADUATE<br>DIPLOMA IN BUSINESS<br>MANAGEMENT       | 01/03/95        | 516,444               | GEN.MANAGER-EAST                      | 43  | 20              | PRAKASH ROADLINES<br>LIMITED    | ZONAL MANAGER-EAST             |
| ANIL KHANNA      | BSC,MBA  | 15/06/92        | 754,284               | VP.REV - WEST                         | 41  | 17              | M/S STP LTD                     | MARKETING MGR.                 |
| ARUN NAGPAL      | BSC.M.A.   | 01/12/83        | 307,221               | ALL INDIA CUSTOMER<br>SERVICE MANAGER | 41  | 13              | -                               | -                              |
| ARUN S KULKARNI  | BSC (HONS)<br>GRADUATE DIPLOMA<br>IN MATERIALS<br>MANAGEMENT | 04/03/91        | 749,454               | VP REG & IND AFFAIRS                  | 48  | 25              | SH DHOOTA<br>PAPESHWAR LTD      | COMMERCIAL MGR.                |
| ASHOKA K.JAIN    | B.COM(HONS)<br>M.A.SOCIOLOGY<br>PG.D.B.M.(XLR)               | 04/05/87        | 1,241,393             | SR.V.P-NORTHERN 1<br>REGION           | 44  | 18              | KEGG FARMS LTD.                 | MANAGER (CORP.DIV)             |
| BALFOUR MANUEL   | B.A.ECONOMICS  | 01/12/83        | 353,992               | SR.MGR-REV                            | 36  | 13              | -                               | -                              |
| CLYDE COOPER     | B.A.HONS   | 06/04/91        | 1,155,000             | MANAGING DIRECTOR                     | 43  | 18              | BUSINESS                        |                                |
| DODDA BASAPPA M  | M.COM  | 07/01/87        | 304,317               | SR.MGR-FINANCE                        | 39  | 16              | MODI RUBBER LTD                 | ACCOUNTANT                     |
| GOPINATH MENON   | B.COM  | 01/11/91        | 749,646               | VP - SOUTH                            | 43  | 22              | PATEL ROADWAYS LTD              | ZONAL SALES MGR.               |
| KARTIK PANDIT    | B.COM (HONS)<br>LLB, FCA                                     | 22/04/94        | 746,615               | VP TAX AUDIT &<br>CO.AFFAIRS          | 42  | 14              | SYNTHETICS AND<br>CHEMICALS LTD | SR.MANAGER ACCTS &<br>TAXATION |
| KHUSHROO DUBASH  | B.SC   | 06/04/91        | 1,027,200             | WHOLE TIME<br>DIRECTOR                | 43  | 17              | BUSINESS                        |                                |
| MALCOLM MONTEIRO | B.TECH.ELEC(IIT-B)<br>P.G.D.M.(IIM-AHD)                      | 22/05/89        | 1,871,421             | SR.VP SALES                           | 44  | 20              | ORSON ELEC.LTD                  | GR.GM - MFG. DIRECTOR          |
| NINA FERNANDES   | M.A. DIPLOMA IN<br>BUSINESS ADMN                             | 03/05/93        | 316,650               | SR.MANAGER HUMAN<br>RESOURCES         | 33  | 10              | HOECHST                         | SR.EXEC                        |
| PERCY DHUNJISHA  | B.COM,AICWA,FCA  | 14/08/89        | 2,242,500             | GROUP FINANCE<br>OFFICER              | 51  | 26              | GERMAN REMEDIES                 | SYS&PLANNING :MGR              |
| PRADEEP VERMA    | B.A(HONS).ECONOMICS  | 01/03/95        | 672,760               | VP-SYS                                | 41  | 18              | NETWORK LIMITED                 | MANAGER - ISD                  |

|                    |  |          |           |   |    |    |                          |                                  |
|--------------------|--|----------|-----------|---|----|----|--------------------------|----------------------------------|
| RAVINDRAN G        | MBA<br>M.A.(PMIR)M.PHIL                          | 26/06/95 | 1,212,365 | SR.VP HRD   | 39 | 19 | THE ACADEMY              | DIRECTOR                         |
| SHEKHAR VISVANATH  | B.COM,FELLOWSHIP IN<br>HOSPITALITY MGMT<br>(USA) | 15/09/94 | 307,884   | CORPORATE MANAGER<br>TRAINING & PUBLIC<br>RELATIONS | 34 | 14 | INDIAN HOTELS            | F&B MGR HOD F&B                  |
| TULSI MIRCHANDANEY | B.A  | 01/11/95 | 787,204   | VP FREIGHT INTL                                     | 46 | 27 | JET AIR LIMITED          | AREA MANAGER – NORTH<br>DIVISION |
| TUSHAR JANI        | B.SC (HON)                                       | 06/04/91 | 1,030,800 | CHAIRMAN & WHOLE<br>TIME DIRECTOR                   | 42 | 23 | BUSINESS                 |                                  |
| YOGESH DHINGRA     | B.COM(HONS),ACA                                  | 20/04/92 | 500,695   | CORPORATE<br>CONTROLLER<br>ALL INDIA                | 35 | 11 | DUNEZ SOGEA BORIE<br>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<br>EMPLOYEE     | QUALIFICATION        | DATE OF<br>JOINING | REMUNERATION<br>RECEIVED | DESIGNATION                | AGE | EXP<br>(NO OF<br>YRS) | LAST EMPLOYED          |                                 |
|-------------------------|----------------------|--------------------|--------------------------|----------------------------|-----|-----------------------|------------------------|---------------------------------|
|                         |                      |                    |                          |                            |     |                       | NAME OF COMPANY        | DESIGNATIOIN                    |
| DINESH MIRCHANDANEY     | INTER ARTS           | 16/05/96           | 890705                   | HEAD OF SERVICE<br>QUALITY | 39  | 13                    | JET AIR LTD            | GEN.MGR MARKETING               |
| J.S.SABHARWAL           | B.SC.                | 01/08/96           | 4607691                  | CHIEF EXECUTIVE<br>OFFICER | 50  | 30                    | UNILEVER PLC<br>LONDON | OPERATIONS EXECUTIVE            |
| MURALI MENON<br>SHANKAR | B.A.(HONS) MBA       | 19/10/87           | 69125                    | SR.VP-SOUTH                | 41  | 18                    | BRITANIA IND.LTD       | ASST.SALES MANAGER              |
| RAJINDER RASTOGI        | B.A.ECONOMICS (HONS) | 20/05/96           | 339376                   | SR.MGR (AIR EXP FR<br>INT) | 58  | 25                    | AIR FRANCE             | DEPUTY SALES MANAGER            |
| TUSHAR CHITNIS          | B.COM,FCA            | 01/06/96           | 797,700                  | CHIEF FINANCE<br>OFFICER   | 45  | 20                    | WHIRLPOOL              | V.P.FINANCE-TREASURY &<br>ADMIN |

**Notes :**

1. Remuneration shown above includes Salary, Taxable allowances, leave encashment, value of perquisites as per Income Tax Rules, 1962 and Company's contribution to Provident Fund, Family Pension Fund & Superannuation fund.
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, 1997 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, 1997 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 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, 1997 as they relate to the Company. Our report thereon is annexed.



.....sd/-.....  
**Vijay Sahni**  
Partner

Mumbai  
June 27, 1997

**BLUE DART EXPRESS LIMITED**  
**ANNEXURE TO AUDITORS' REPORT – MARCH 31, 1997**

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 taken unsecured loans from companies listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has also taken unsecured loans from a Company under the same management as defined under Section 370(1B) of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company.
5. The Company has not granted any loans, secured and 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 explanations 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.
11. In our opinion, the Company has an internal audit system, which is generally commensurate with its size and the nature of its business, but needs to be extended to the area of computer audit.
12. The Central Government has not prescribed the maintenance of cost records by the Company under Section 209(1) (d) of the Companies Act, 1956.
13. The Company has generally been regular in depositing Provident Fund due and has been generally regular in depositing Employees' State Insurance dues with the appropriate authorities.
14. According to the records of the Company, there were no amounts outstanding at March 31, 1997 in respect of undisputed income-tax, wealth-tax, sales-tax, customs duty and excise duty which were outstanding for a period of more than six months from the date they became payable.
15. On the basis of our examination of the books of account, and according to the information and explanation given to us, no personal expenses have been charged to the statement of profit and loss, for the year ended March 31, 1997.
16. The Company is not an industrial undertaking within the meaning of Section 3(1) (f) of the Sick Industrial Companies (Special Provisions) Act, 1985.

**In respect of services activities-**

17. In our opinion, the Company has a reasonable system of recording receipts, issues and consumption of packing materials, commensurate with its size and the nature of its business. The nature of the activities carried out by the Company are such that the allocation of materials consumed to relative jobs and the allocation of man-hours utilised to relative jobs are not required.
18. In our opinion, the Company has reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with its size and the nature of its business, for the issue of packing material.

Arthur Andersen & Associates  
Chartered Accountants

.....sd/-.....  
**Vijay Sahni**  
Partner

Mumbai  
June 27, 1997

**BLUE DART EXPRESS LIMITED**  
**BALANCE SHEET -- MARCH 31, 1997**

(All amounts in thousands of Rupees, unless otherwise indicated)

Note

1997

1996

**SOURCES OF FUNDS****SHAREHOLDERS' FUNDS**

|                      |   |                |                |
|----------------------|---|----------------|----------------|
| Share capital        | 3 | 88,164         | 85,602         |
| Reserves and surplus | 4 | <u>504,113</u> | <u>503,874</u> |
|                      |   | <u>592,277</u> | <u>589,476</u> |

**LOAN FUNDS**

|                 |   |                  |                |
|-----------------|---|------------------|----------------|
| Secured loans   | 5 | 527,731          | 261,719        |
| Unsecured loans | 6 | <u>138,425</u>   | <u>4,850</u>   |
|                 |   | <u>666,156</u>   | <u>266,569</u> |
|                 |   | <u>1,258,433</u> | <u>856,045</u> |

**APPLICATION OF FUNDS****FIXED ASSETS**

2(a), (e), (h) &amp; 7

|   |  |                 |                 |
|---|--|-----------------|-----------------|
| Cost                                      |  | 603,207         | 401,094         |
| Accumulated depreciation and amortisation |  | <u>(99,475)</u> | <u>(56,621)</u> |
| Net book value                            |  | 503,732         | 344,473         |
| Capital work-in-progress                  |  | 189,821         | 200,084         |
| Capital advances                          |  | <u>8,480</u>    | <u>5,890</u>    |
|   |  | <u>702,033</u>  | <u>550,447</u>  |

**INVESTMENTS**

2(b) &amp; 8

|  |                |               |
|--|----------------|---------------|
|  | <u>100,425</u> | <u>77,925</u> |
|--|----------------|---------------|

**CURRENT ASSETS, LOANS AND ADVANCES**

|                        |      |                |                |
|------------------------|------|----------------|----------------|
| Sundry debtors         | 9(a) | 326,440        | 193,556        |
| Cash and bank balances | 9(b) | 102,841        | 42,804         |
| Loans and advances     | 9(c) | <u>356,362</u> | <u>146,047</u> |
|                        |      | <u>785,643</u> | <u>382,407</u> |

**CURRENT LIABILITIES AND PROVISIONS**

|                     |       |                  |                  |
|---------------------|-------|------------------|------------------|
| Current liabilities | 10(a) | (332,111)        | (139,402)        |
| Provisions          | 10(b) | <u>(16,648)</u>  | <u>(26,372)</u>  |
|                     |       | <u>(348,759)</u> | <u>(165,774)</u> |
| Net current assets  |       | <u>436,884</u>   | <u>216,633</u>   |

**MISCELLANEOUS EXPENDITURE**

(to the extent not written off or adjusted)

2(c) &amp; 11

|  |                  |                |
|--|------------------|----------------|
|  | <u>19,091</u>    | <u>11,040</u>  |
|  | <u>1,258,433</u> | <u>856,045</u> |

The accompanying notes 1 to 27 are an integral part of this balance sheet.

|                              |                                |                            |
|------------------------------|--------------------------------|----------------------------|
| .....sd/-.....               |                                | .....sd/-.....             |
| Tushar K Jani                |                                | Clyde C Cooper             |
| Chairman                     |                                | Managing Director          |
| .....sd/-.....               |                                | .....sd/-.....             |
| Khushroo M Dubash            |                                | Suresh G Sheth             |
| Director                     |                                | Director                   |
| .....sd/-.....               |                                | .....sd/-.....             |
| Arthur Andersen & Associates | Air Marshal S.S.Ramdas (Retd.) | Tushar Chitnis             |
| Chartered Accountants        | Director                       | Chief Financial Officer    |
| .....sd/-.....               |                                | .....sd/-.....             |
| Mumbai                       | Vijay Sahni                    | Mumbai                     |
| June 27, 1997                | Partner                        | June 27, 1997              |
|                              |                                | Rambhau R.Kenkare          |
|                              |                                | Co Secretary & Sr Manager, |
|                              |                                | Legal                      |

**BLUE DART EXPRESS LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 1997**

(All amounts in thousands of Rupees, unless otherwise indicated)

|   | <u>Note</u> | <u>1997</u> | <u>1996</u> |
|---|-------------|-------------|-------------|
| <b><u>REVENUES</u></b>                                      |             |             |             |
| Service charges   | 2(d)        | 1,486,521   | 1,144,974   |
| Lease rentals   | 2(e), 12    | 87,355      | 6,000       |
|   |             | 1,573,876   | 1,150,974   |
| <b><u>OPERATING COSTS</u></b>                               |             |             |             |
| Freight, handling and servicing costs                       | 13          | (995,131)   | (603,649)   |
| Employee costs  | 2(f) & 14   | (223,594)   | (202,574)   |
| Selling and administration expenses                         | 15          | (137,287)   | (127,091)   |
| Establishment costs   | 16          | (109,080)   | (99,094)    |
|   |             | (1,465,092) | (1,032,408) |
| Profit before tax, interest, depreciation and unusual item  |             | 108,784     | 118,566     |
| Depreciation and amortisation                               | 2(a) & 7    | (46,653)    | (23,536)    |
| Interest expense  | 17          | (65,823)    | (7,839)     |
| Interest income   | 18          | 17,808      | 15,611      |
| Profit before tax and unusual item                          |             | 14,116      | 102,802     |
| Restructuring cost  | 19          | (8,479)     | -           |
| Profit before tax   |             | 5,637       | 102,802     |
| Provision for tax   | 2(i)        | (727)       | (4320)      |
| Profit after tax  |             | 4,910       | 98,482      |
| Cumulative effect of prior years accrual for employee leave |             | -           | (2,516)     |
| Encashment benefits   |             | 4,910       | 95,966      |
| Net Profit  |             | 4,910       | 95,966      |
| Profit and loss account, beginning of year                  |             | 41,390      | 29,074      |
| Profit available for appropriation                          |             | 46,300      | 125,040     |
| Proposed dividend   |             | (132,75)    | (23,650)    |
| Corporate tax on proposed dividend                          |             | (1,328)     | -           |
| Transfer to general reserve                                 | 4           | (300)       | (60,000)    |
| Profit and loss account, end of year                        | 4           | 31,397      | 41,390      |

The accompanying notes 1 to 27 are an integral part of this statement .

|                              |                                |                         |
|------------------------------|--------------------------------|-------------------------|
|                              | .....sd/.....                  | .....sd/.....           |
|                              | Tushar K Jani                  | Clyde C Cooper          |
|                              | Chairman                       | Managing Director       |
|                              | .....sd/.....                  | .....sd/.....           |
|                              | Khushroo M Dubash              | Suresh G Sheth          |
|                              | Director                       | Director                |
|                              | .....sd/.....                  | .....sd/.....           |
| Arthur Andersen & Associates | Air Marshal S.S.Ramdas (Retd.) | Tushar Chitnis          |
| Chartered Accountants        | Director                       | Chief Financial Officer |
| Mumbai                       | Vijay Sahni                    | .....sd/.....           |
|                              |                                | Mumbai                  |
|                              |                                | Rambhau R.Kenkare       |

June 27, 1997

Partner

June 27, 1997

Co Secretary & Sr Manager,  
Legal

**BLUE DART EXPRESS LIMITED**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 1997**

(All amounts in thousands of Rupees, unless otherwise indicated)

|  | <u>Note</u> | <u>1997</u> | <u>1996</u> |
|--|-------------|-------------|-------------|
| <b>CASH FLOWS PROVIDED BY /(USED IN) OPERATING ACTIVITIES:</b>             |             |             |             |
| Profit before tax  |             | 5,637       | 102,802     |
| Adjustments to reconcile profit before tax to cash provided by operations: |             |             |             |
| Depreciation and amortisation  |             | 46,653      | 23,536      |
| Interest expense   |             | 65,823      | 7,839       |
| Miscellaneous expenses written off   |             | 7,582       | 4,274       |
| Expenses deferred during the year  |             | (15,633)    | (2,370)     |
| Lease equalisation credit  |             | (11,004)    | -           |
| Loss/(gain) on retirement of fixed assets, net                             |             | 188         | (763)       |
| Interest income  |             | (17,808)    | (15,611)    |
| (Increase) in current assets, loans and advances:                          |             |             |             |
| Sundry debtors   |             | (132,884)   | (51,153)    |
| Loans and advances, excluding advance taxes                                |             | (181,006)   | (9,561)     |
| Increase in current liabilities and provisions                             |             | 181,334     | 33,771      |
| Cash provided by/(used in) operating activities                            |             | (51,118)    | 92,764      |
| Tax refund received  |             | 8,974       | -           |
| Tax paid   |             | (23,393)    | (22,500)    |
| Interest paid  |             | (53,797)    | (7,839)     |
| Net cash (used in)/provided by operating activities                        |             | (119,334)   | 62,425      |
| <b>CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:</b>              |             |             |             |
| Additions to fixed assets including capital work-in-progress               | 26          | (195,623)   | (419,844)   |
| Purchase of investments  |             | (22,500)    | (73,226)    |
| Interest received  |             | 863         | 15,611      |
| Proceeds from retirement of fixed assets                                   |             | 8,200       | 2,276       |
| Net cash (used in) investing activities                                    |             | (209,060)   | (475,183)   |
| <b>CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:</b>              |             |             |             |
| Proceeds from issue of share capital                                       |             | 12,494      | 23,560      |
| Proceeds from secured loans  |             | 265,595     | 167,871     |
| Proceeds from unsecured loans  |             | 501,177     | -           |
| Repayment of secured loans   |             | (21,867)    | (7,521)     |
| Repayment of unsecured loans   |             | (367,602)   | -           |
| Net proceeds from bank overdraft   |             | 22,284      | 76,008      |
| Dividend paid  |             | (23,650)    | (15,786)    |
| Net cash provided by financing activities                                  |             | 388,431     | 244,132     |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS                       |             | 60,037      | (168,626)   |
| CASH AND CASH EQUIVALENTS, beginning of year                               | 9(b)        | 42,804      | 211,430     |
| CASH AND CASH EQUIVALENTS, end of year                                     | 9(b)        | 102,841     | 42,804      |

The accompanying notes 1 to 27 are an integral part of this statement.

|  |   |  |
|--|---|--|
| .....sd/.....<br>Tushar K Jani<br>Chairman                             | .....sd/.....<br>Clyde C Cooper<br>Managing Director        |  |
| .....sd/.....<br>Khushroo M Dubash<br>Director                         | .....sd/.....<br>Suresh G Sheth<br>Director                 |  |
| .....sd/.....<br>Arthur Andersen & Associates<br>Chartered Accountants | .....sd/.....<br>Air Marshal S.S.Ramdas (Retd.)<br>Director | .....sd/.....<br>Tushar Chitnis<br>Chief Financial Officer |

Mumbai  
June 27, 1997

Vijay Sahni  
Partner

Mumbai  
June 27, 1997

.....sd/-.....  
Rambhau R.Kenkare  
Co Secretary & Sr Manager,  
Legal

**BLUE DART EXPRESS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1997**  
**(All amounts in thousands of Rupees, unless otherwise indicated)**

**1. Background**

Blue Dart Express Limited ('the Company') is primarily engaged in the business of integrated air and ground transportation of time-sensitive packages to various destinations in the domestic and international sectors. The Company has a reciprocal agreement with Federal Express Corporation ('FedEx') to supplement their respective distribution networks for international shipments.

The Company extended its relationship with FedEx by entering into an agreement on May 7, 1997, under which the Company will become the exclusive provider of pick-up, domestic transportation, customs clearance and delivery services to FedEx in India, besides being the sole preferred consolidator for FedEx International priority services.

The Company is also engaged in the leasing business.

**2. Summary of significant accounting policies**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting. The significant accounting policies are as follows:

**(a) Fixed assets and depreciation/amortisation**

Fixed assets are stated at cost less accumulated depreciation/amortisation. The Company capitalises all costs relating to the acquisition and installation of fixed assets. Costs incurred to carry out substantial modifications to fixed assets are also capitalised.

Interest on borrowed funds used to finance the acquisition and modification of fixed assets, up to the date the asset is ready for use, is capitalised and included in the cost of the assets.

Depreciation is provided pro-rata to the period of use on the straight-line method, at the following annual rates stipulated in Schedule XIV to the Companies Act, 1956.

|                             | Assets acquired<br>After December<br>15, 1993 | Assets acquired<br>up to December<br>15, 1993 |
|-----------------------------|---|---|
| Buildings                   | 1.63  | 1.63  |
| Office equipment            | 4.75  | 5.15  |
| Electrical equipment        | 4.75  | 5.15  |
| Furniture and fixtures      | 6.33  | 3.34  |
| Computers                   | 16.21   | 16.21   |
| Vehicles - jeeps and trucks | 11.31   | 11.31   |
| - cars                      | <u>9.50</u>                                   | <u>7.07</u>                                   |

The Company's aircraft are depreciated at 8 per cent per annum.



Goodwill represents the excess of the value of the erstwhile partnership business as a whole over its net asset value as at the date of registration and is stated at cost less accumulated amortisation. Goodwill is amortised using the straight-line method over a period of 20 years.

**(b) Investments**

Investments are stated at cost.

**(c) Miscellaneous expenditure**

Miscellaneous expenditure primarily comprises advertising costs directly linked to introduction of new products/enhanced services/new processes and costs directly incurred in upgrading the Company's computerised domestic tracking system ('the system'). Advertising costs are deferred and amortised on the straight-line method over a period of 3 years, beginning from the financial year in which these expenses are incurred. Costs incurred in upgrading the system are deferred and amortised on the straight-line method over a period of 5 years, beginning from the date on which the system became operational.

**(d) Service charges**

Service charges for the transportation of shipments are recognised as income when shipments are manifested and represent amounts invoiced, net of all discounts and allowances.

**(e) Leasing**

Lease rentals represent income earned from the leasing of aircraft to Blue Dart Aviation Limited ('Blue Dart Aviation'), the Company's wholly owned subsidiary, as adjusted for the annual lease charge/lease equalisation credit.

Assets given on lease are accounted for in accordance with the guidance note issued by the Institute of Chartered Accountants of India on accounting for leases. Accordingly, the Company has recorded the lease adjustment amount in the net book value of fixed assets. The lease adjustment amount is charged to/included in the statement of profit and loss, to the extent recovered during the year.

**(f) Retirement benefits**

Retirement benefits to employees comprise payments to gratuity, superannuation and provident funds as per the approved schemes of the Company and leave encashment entitlements, in accordance with the policies of the Company. The Company's employees are covered under the Employees' Gratuity Fund ('EGF') established by the Life Insurance Corporation of India ('LIC')

Liability in respect of leave encashment entitlement in accordance with the policies of the Company is provided for, based on valuations by an independent actuary.

**(g) Foreign currency transactions**

Foreign currency transactions during the year are recorded at the exchange rates prevailing on the dates of the transactions. Foreign currency denominated assets and liabilities are translated into rupees at the exchange rates prevailing at the date of the balance sheet or when the Company has entered into foreign exchange contracts, at the contracted exchange rates. All exchange differences are dealt with in the statement of profit and loss, except those relating to the acquisition of fixed assets, which are adjusted in the cost of the fixed assets.

**(h) Hire purchase contracts**

The cash value of fixed assets acquired under hire purchase contracts is capitalised and depreciated in accordance with the fixed assets and depreciation policy of the Company. Interest payable under hire purchase contracts is charged on the straight-line method to the statement of profit and loss, over the period of the hire purchase contracts.

**(i) Income-tax**

Provision for income-tax is made on the assessable income at the applicable tax rate.

**3. Share capital**

|   | <u>1997</u>    | <u>1996</u>    |
|---|----------------|----------------|
| Authorised  |                |                |
| 40,000,000 (1996 -- 40,000,000) equity shares<br>of Rs 10 each (1996 -- Rs 10 each)             | <u>400,000</u> | <u>400,000</u> |
| Issued, subscribed and paid-up  |                |                |
| 8,850,000 (1996 – 8,600,000) equity shares of Rs 10 each<br>(1996 -- Rs 10 each), fully paid-up | 88,500         | 86,000         |
| Less: Calls in arrears  | <u>(336)</u>   | <u>(398)</u>   |
|   | <u>88,164</u>  | <u>85,602</u>  |

Of the above, 5,650,000 equity shares of Rs.10 each (1996 – 5,650,000 equity shares of Rs.10 each) have been issued as fully paid-up bonus shares by capitalisation of general reserves.

On June 3, 1994, the Company allotted 1,595,455 convertible warrants to its existing shareholders. Each warrant carried the option of being converted into one equity share of Rs.10 each at a premium of Rs.35 per share, which could be exercised at any time between April 1, 1995 and June 2, 1996. During the year, such shareholders exercised their option to convert 250,000 warrants into equity shares. The option to convert the balance warrants has lapsed.

**4. Reserves and surplus**

|                                       | <u>1997</u>    | <u>1996</u>    |
|---------------------------------------|----------------|----------------|
| Share premium                         |                |                |
| Balance, beginning of year            | 328,543        | 306,161        |
| Received during the year              | 9,932          | 22,382         |
| Balance, end of year                  | <u>338,475</u> | <u>328,543</u> |
| General reserve                       |                |                |
| Balance, beginning of year            | 133,941        | 73,941         |
| Transfer from profit and loss account | 300            | 60,000         |
| Balance, end of year                  | <u>134,241</u> | <u>133,941</u> |
| Profit and loss account               | 31,397         | 41,390         |
|                                       | <u>504,113</u> | <u>503,874</u> |

**5. Secured loans**

|   | <u>1997</u>    | <u>1996</u>    |
|---|----------------|----------------|
| From banks (see (a) below)                                | 211,840        | -              |
| From financial institutions (see (b) below)               | 182,738        | 152,460        |
| Bank overdraft (see (c) below)                            | 101,712        | 79,428         |
| Obligations under hire purchase contracts (see (d) below) | 31,441         | 29,831         |
|   | <u>527,731</u> | <u>261,719</u> |

## (a) Of the above term loans:

- Rs.50,000 is to be converted into 20 per cent non-convertible debentures to be secured by a second charge on the Company's aircraft. These debentures would be redeemable in November 1997.

- Rs .27,500 is to be converted into 21.5 per cent non-convertible debentures to be secured by a second charge on the Company's aircraft. These debentures would be redeemable in two instalments in February 1998 and April 1998.

- Rs.15,000 is to be converted into 19 per cent non-convertible debentures to be secured by a first charge on the Company's aircraft and a pari passu equitable mortgage on the Company's "Super-Hub" property (the property'), which is presently under construction. These debentures would be redeemable in January 2000.

The balance term loans from banks are secured as follows:

- Rs.107,340 is secured by a pari passu first charge on the property and the Company's fixed assets (eg, movable and immovable machinery, furniture, electrical equipment) to be located within the property. Currently, certain directors of the Company have provided personal guarantees to the lender, which would be cancelled upon creation of the equitable mortgage on the property. This loan is repayable in 8 half-yearly instalments, commencing in March 1998.

- Rs.12,000 is secured by a hypothecation of book debts (both present and future) and a collateral security of the Company's property at Bhiwandi and is repayable on demand.

(b) The loan from a financial institution comprises rupee and foreign currency components, secured by hypothecation and a first charge on the Company's property, its aircraft and movable and immovable machinery, machinery spares, tools and accessories (both present and future).

The rupee component is to be repaid in 17 quarterly instalments commencing from July 1997 and ending in July 2001. The foreign currency component is repayable in 10 half-yearly instalments, which instalments commenced in December 1996.

(c) The bank overdraft is repayable on demand and is secured by hypothecation of book debts (both present and future) and a collateral security on the Company's property at Bhiwandi.

(d) Obligations under hire purchase contracts are typically for a 5 year period and are secured by the fixed assets acquired under these contracts.

**6. Unsecured loans**19971996

|                                 |                |              |
|---------------------------------|----------------|--------------|
| Inter corporate deposits        | 78,425         | -            |
| From bank                       | 60,000         | -            |
| From directors and shareholders | -              | 4,850        |
|                                 | <u>138,425</u> | <u>4,850</u> |

All unsecured loans are repayable on demand or within one year.

## 7. Fixed assets

|                         | Balance,<br>beginning<br>of year | Additions/<br>charge | Lease<br>adjustment<br>account | Deletions/<br>Disposals | Balance<br>end of<br>year |
|-------------------------|----------------------------------|----------------------|--------------------------------|-------------------------|---------------------------|
| <b>Cost</b>             |                                  |                      |                                |                         |                           |
| Goodwill                | 30,000                           | -                    | -                              | -                       | 30,000                    |
| Land                    | 1,800                            | -                    | -                              | -                       | 1,800                     |
| Buildings               | 16,846                           | 841                  | -                              | -                       | 17,687                    |
| Office equipment        | 11,777                           | 3,303                | -                              | (175)                   | 14,905                    |
| Electrical equipment    | 31,612                           | 3,995                | -                              | (284)                   | 35,323                    |
| Furniture and fixtures  | 50,008                           | 3,749                | -                              | (66)                    | 53,691                    |
| Computers               | 96,088                           | 15,386               | -                              | (3,906)                 | 107,568                   |
| Vehicles                | 24,963                           | 2,315                | -                              | (7,756)                 | 19,522                    |
| Assets given on lease : |                                  |                      |                                |                         |                           |
| Aircraft                | 138,000                          | 173,707              | 11,004                         | -                       | 322,711                   |
|                         | <u>401,094</u>                   | <u>203,296</u>       | <u>11,004</u>                  | <u>(12,187)</u>         | <u>603,207</u>            |

## **Accumulated depreciation and amortisation**

|                          |                |              |          |                |                |
|--------------------------|----------------|--------------|----------|----------------|----------------|
| Goodwill                 | 7500           | 1500         | -        | -              | 9,000          |
| Buildings                | 262            | 296          | -        | -              | 558            |
| Office equipment         | 2115           | 802          | -        | (40)           | 2,877          |
| Electrical equipment     | 2803           | 1742         | -        | (65)           | 4,480          |
| Furniture and fixtures   | 5497           | 3011         | -        | (21)           | 8,487          |
| Computers                | 28247          | 16511        | -        | -              | 44,758         |
| Vehicles                 | 7645           | 2292         | -        | (3,673)        | 6,264          |
| Assets given on lease    |                |              |          |                |                |
| Aircraft                 | 2552           | 20499        | -        | -              | 23,051         |
|                          | <u>56621</u>   | <u>46653</u> | <u>-</u> | <u>(3,799)</u> | <u>99,475</u>  |
| <b>Net book value</b>    | 344,473        |              |          |                | 503,732        |
| Capital work-in-progress | 200,084        |              |          |                | 189,821        |
| Capital advances         | 5,890          |              |          |                | 8,480          |
|                          | <u>550,447</u> |              |          |                | <u>702,033</u> |

The net book value of fixed assets shown above includes an amount of approximately Rs.38,739 (1996 -- Rs.32,636) in respect of assets held under hire purchase contracts.

Net exchange loss included in fixed assets is Rs.4,286 (1996 – Net gain Rs.3,920).

Capital work-in-progress primarily comprises costs incurred for the construction of the “Super-Hub” property.

Following substantial modification of its aircraft, the Company, during the year, revised its estimate of the useful lives of the aircraft from approximately 6 years to approximately 12 years. Due to the revision in this estimate, the depreciation charge for the year is lower by Rs.20,171 and consequently, the net profit is higher by Rs.20,171.

## 8. Investments

|  | <u>1997</u>    | <u>1996</u>   |
|--|----------------|---------------|
| Investment in a subsidiary company<br>(trade, unquoted, long-term)   |                |               |
| Blue Dart Aviation Limited<br>(‘Blue Dart Aviation’)   |                |               |
| 2,500,000 (1996 -- 2,500,000) equity shares of<br>Rs 10 each, fully paid-up<br>(1996 – fully paid up)                                  | 25,000         | 25,000        |
| 1,500,000 (1996 -- 1,500,000) equity shares of Rs 10 each,<br>at a premium of Rs 40 per share, fully paid up<br>(1996 – Rs 35 paid up) | 75,000         | 52,500        |
| Other investments (unquoted, long-term)  |                |               |
| National saving certificates   | 425            | 425           |
|  | <u>100,425</u> | <u>77,925</u> |

## 9. Current assets, loans and advances

|                                    | <u>1997</u>    | <u>1996</u>    |
|------------------------------------|----------------|----------------|
| (a) Sundry debtors                 |                |                |
| Unsecured, considered doubtful     |                |                |
| Exceeding six months               | 5,183          | -              |
| Unsecured, considered good         |                |                |
| Exceeding six months               | 19,342         | 11,591         |
| Other debts                        | 307,098        | 181,965        |
|                                    | <u>331,623</u> | <u>193,556</u> |
| Less: Provision for doubtful debts | (5,183)        | -              |
|                                    | <u>326,440</u> | <u>193,556</u> |
| (b) Cash and bank balances         |                |                |
| Cash and cheques in hand           | 23,601         | 10,714         |
| Balances with scheduled banks:     |                |                |
| -- in current accounts             | 75,571         | 30,899         |
| -- in margin money account         | 3,669          | 1,191          |
|                                    | <u>102,841</u> | <u>42,804</u>  |

The balance in the margin money accounts is given as security against guarantees issued by banks on behalf of the Company.

(c) Loans and advances (unsecured, considered good)

|  | <u>1997</u>    | <u>1996</u>    |
|--|----------------|----------------|
| Advances recoverable in cash or in kind or for |                |                |
| Value to be received:                          |                |                |
| -- Blue Dart Aviation                          | 83,228         | 1,424          |
| -- Prepaid expenses                            | 41,602         | 6,860          |
| -- Others                                      | 28,103         | 25,795         |
| Deposits with                                  |                |                |
| -- Blue Dart Aviation                          | 51,000         | -              |
| -- Others                                      | 91,708         | 63,611         |
| Advance tax, net of provisions                 | 60,721         | 48,357         |
|  | <u>356,362</u> | <u>146,047</u> |

Advances recoverable in cash or kind include a sum of Rs.1,805 (1996 – Rs.Nil) due from a director of the Company, which has subsequently been recovered. The maximum amount outstanding during the year was Rs.1,805 (1996 – Rs.Nil).

During the year, the Company placed inter-corporate and trade deposits with Blue Dart Aviation. The maximum amount due from Blue Dart Aviation during the year was approximately Rs.138,895 (1996 – Rs.12,821).

As at March 31, 1997, advance tax includes approximately Rs.15,397 (1996 – Rs.12,398) made towards part payment of disputed tax demands for earlier years. The Company has been legally advised that ultimately a tax liability under the relevant sections of the Income-tax Act, 1961 will not arise. Accordingly, no provision for these tax demands has been made in the financial statements.

**10. Current liabilities and provisions**

|                                 | <u>1997</u>    | <u>1996</u>    |
|---------------------------------|----------------|----------------|
| (a) Current liabilities         |                |                |
| Sundry creditors                | 167,679        | 83,132         |
| Bills discounted                | 81,578         | -              |
| Other current liabilities       | 60,133         | 45,585         |
| Deposit from Blue Dart Aviation | 6,700          | 6,700          |
| Calls in advance                | 972            | 962            |
| Interest accrued but not due    | 15,049         | 3,023          |
|                                 | <u>332,111</u> | <u>139,402</u> |

The Company has received a security deposit from Blue Dart Aviation in respect of the aircraft given on lease.

(b) Provisions

|                   |               |               |
|-------------------|---------------|---------------|
| Leave encashment  | 3,373         | 2,722         |
| Proposed dividend | 13,275        | 23,650        |
|                   | <u>16,648</u> | <u>26,372</u> |

**11. Miscellaneous expenditure**  
(to the extent not written off or adjusted)

|                                  | <b><u>1997</u></b> | <b><u>1996</u></b> |
|----------------------------------|--------------------|--------------------|
| Advertising expenses             |                    |                    |
| Balance brought forward          | 4,874              | 5,286              |
| Deferred during the year         | 15,633             | 2,411              |
| Amortised during the year        | (6,132)            | (2,823)            |
| Balance carried forward          | <u>14,375</u>      | <u>4,874</u>       |
| Computerised systems development |                    |                    |
| Balance brought forward          | 6,166              | 7,616              |
| Amortised during the year        | (1,450)            | (1,450)            |
| Balance carried forward          | <u>4,716</u>       | <u>6,166</u>       |
|                                  | <u>19,091</u>      | <u>11,040</u>      |

**12. Lease Rentals**

Lease rentals include a lease equalisation credit of Rs.11,004 (1996 – Rs.Nil).

**13. Freight, handling and servicing costs**

|                                  | <b><u>1997</u></b> | <b><u>1996</u></b> |
|----------------------------------|--------------------|--------------------|
| Aircraft charter hire costs      | 340,926            |                    |
| International servicing charges  | 332,205            | 322,617            |
| Domestic network operating costs | 183,229            | 120,180            |
| Domestic excess baggage          | 74,227             | 89,563             |
| Printing and stationery          | 37,099             | 41,980             |
| Handling and clearing charges    | 13,783             | 11,084             |
| On-board courier expenses        | 13,662             | 18,225             |
|                                  | <u>995,131</u>     | <u>603,649</u>     |

**14. Employee costs**

|   | <b><u>1997</u></b> | <b><u>1996</u></b> |
|---|--------------------|--------------------|
| Salaries and wages                        | 121,299            | 113,664            |
| Staff welfare                             | 72,740             | 63,875             |
| Contribution to provident and other funds | 14,816             | 12,462             |
| Bonus                                     | 9,433              | 9,875              |
| Leave encashment benefits                 | 2,956              | 2,698              |
| Recruitment and training                  | 2,350              | -                  |
|   | <u>223,594</u>     | <u>202,574</u>     |

**15. Selling and administration expenses**

|                                     | <b><u>1997</u></b> | <b><u>1996</u></b> |
|-------------------------------------|--------------------|--------------------|
| Lease rentals                       | 29,204             | 23,074             |
| Travel                              | 15,825             | 23,533             |
| Repairs and maintenance – others    | 14,611             | 11,924             |
| Professional and consulting charges | 14,417             | 9,772              |
| Advertising                         | 12,712             | 16,314             |
| Sales promotion                     | 9,470              | 7,742              |

|   |                |                |
|---|----------------|----------------|
| Miscellaneous expenditure written off<br>(see note 2(c) & 11) | 7,582          | 4,274          |
| Provision for bad debts                                       | 5,183          | -              |
| Security charges  | 6,315          | 7,742          |
| Insurance   | 3,358          | 4,454          |
| Office expenses   | 4,636          | 7,592          |
| Subscription  | 1,986          | 2,221          |
| Conference charges  | 441            | 3,998          |
| Miscellaneous expenses  | 11,547         | 4,451          |
|   | <u>137,287</u> | <u>127,091</u> |

#### 16. Establishment costs

|                         | <u>1997</u>    | <u>1996</u>   |
|-------------------------|----------------|---------------|
| Rent                    | 55,483         | 48,062        |
| Communications          | 33,419         | 28,046        |
| Electricity charges     | 14,922         | 13,058        |
| Duties, rates and taxes | 5,256          | 9,928         |
|                         | <u>109,080</u> | <u>99,094</u> |

#### 17. Interest expense

|                   | <u>1997</u>   | <u>1996</u>  |
|-------------------|---------------|--------------|
| On loans          | 53,751        | -            |
| On hire purchase  | 6,637         | 4,512        |
| On bank overdraft | 5,435         | 3,327        |
|                   | <u>65,823</u> | <u>7,839</u> |

#### 18. Interest Income

|                             | <u>1997</u>   | <u>1996</u>   |
|-----------------------------|---------------|---------------|
| On inter corporate deposits |               |               |
| Tax deducted at source      | 17,808        | 14,210        |
| Rs.3,628 (1996 – Rs.3,049)  | -             | 754           |
| On public issue funds       | -             | 647           |
| On capital advances         | <u>17,808</u> | <u>15,611</u> |

#### 19. Restructuring Costs

During the year, the Company undertook certain organisational and operational restructuring activities, designed to improve controls over operations, better manage the rapid growth of business and reduce operating fixed costs. These restructuring activities which include realigning the organisational structure and rationalisation of service centres are expected to be completed by March 31, 1998. As a result of the restructuring, the Company has incurred costs of approximately Rs.8.5 million at March 31, 1997 and based on results obtained, may incur some further costs in the year ended March 31, 1998.



## 20. Private placement of unsecured convertible debentures

Subsequent to year end, on April 25, 1997 ('the allotment date'), the Company allotted 2,300,000 unsecured convertible debentures, of the face value of Rs.100 each, aggregating to Rs.230 million to Newfields Holding Limited ('NHL'), a Company incorporated in Mauritius, and advised by Schroder Capital Partners (Asia) Limited. Under the terms of the issue, the debentures are to be converted into equity shares on July 31, 1998 ('the conversion date'). Further, as the Company has not received permission for redemption of these debentures from the regulatory authorities, a redemption option is not available.

The conversion price of these debentures is dependent on several factors, including the Company's net profit for the year ended March 31, 1998, and agreed multiple of this net profit and the average of the weekly high and low of the closing prices (as quoted on the Bombay Stock Exchange) of the Company's equity shares during a period of six months prior to June 30, 1998, and is subject to a maximum and minimum price of Rs.180 per share and Rs.75 per share, respectively.

The Company is required to pay NHL, interest at a rate of 2.7 per cent per annum from the allotment date to the conversion date.

The Company has incurred placement costs of approximately Rs.15 million in connection with this private placement of which, Rs.3.6 million had been incurred as at March 31, 1997. The Company will set-off these placement costs against the proceeds received from this issue in the year ended March 31, 1998.

## 21. Net Foreign Exchange differences

The net foreign exchange gain recognised in the statement of profit and loss is approximately Rs.3,799 (1996 – Rs.1,039).

## 22. Capital commitments

The estimated amount of contracts remaining to be executed on capital account, net of advances, and not provided for, are as follows:

|                                      | <u>1997</u>    | <u>1996</u>    |
|--------------------------------------|----------------|----------------|
| Construction of "Super-Hub" property | 126,875        | 168,000        |
| Modification to aircraft             | -              | 42,076         |
| Others                               | 5,830          | 12,796         |
|                                      | <u>132,705</u> | <u>222,872</u> |

## 23. Contingent liabilities

|   | <u>1997</u>    | <u>1996</u>   |
|---|----------------|---------------|
| (a) Corporate guarantees given on behalf of Blue Dart Aviation  | <u>184,750</u> | <u>15,000</u> |
| (b) Income tax matters  | <u>7,100</u>   | <u>7,100</u>  |
| (c) Bank guarantees   | <u>6,042</u>   | <u>2,519</u>  |
| (d) Uncalled liability on Nil (1996 – 1,500,000) equity shares of Blue Dart Aviation of Rs.10 each, at a premium of Rs.40 per share, Rs.Nil (1996 – Rs.35) paid up. | <u>-</u>       | <u>22,500</u> |

- (e) The Company has been advised by legal counsel to file a writ petition challenging the constitutional validity of the amendments made to the Bombay Stamp Act, 1994 and the Karnataka Stamp Act, 1995, levying stamp duty on courier companies. Accordingly, the Company has not made any provision for stamp duty amounting to Rs.6,489 in the current year. Given that the Company has not yet filed a writ petition challenging the amendments, the Company will consider reversing the provision of earlier years aggregating to Rs.6,946 at an appropriate time.

#### 24. Commitments under lease agreements

The Company has entered into lease agreements for the rental of property, vehicles, computers, equipment and other assets. Typically, lease agreements are for a period of 3 to 5 years. At March 31, 1997, the Company had commitments under non-cancellable leases of approximately Rs.48,165 (1996 – Rs.45,749).

#### 25. Supplementary profit and loss data

|   | <u>1997</u>  | <u>1996</u>  |
|---|--------------|--------------|
| (a) Managerial remuneration               |              |              |
| Salary                                    | 2,970        | 4,104        |
| Commission (See (b) below)                | -            | 1,350        |
| Contribution to provident and other funds | 225          | 264          |
| Other perquisites                         | 18           | 101          |
| Directors' fees                           | 30           | 14           |
|   | <u>3,243</u> | <u>5,833</u> |

- (b) Computation of 'net profit' in accordance with Section 349 of the Companies Act, 1956 and commission payable to the whole-time directors (including Managing Director) for the year ended March 31, 1997:

|  | <u>1997</u>     | <u>1996</u>    |
|--|-----------------|----------------|
| Profit before tax  | 5,637           | 102,802        |
| Add: Directors' remuneration (including Managing Director)         | 3,243           | 5,833          |
| Depreciation and amortisation provided in the books                | 46,653          | 26,184         |
| Profit on assets sold under Section 350 of the Companies Act, 1956 | 3,284           | 1,125          |
| Loss on assets sold or written off as per books                    | 188             | -              |
| Provision for doubtful debts                                       | 5,183           | -              |
|  | <u>64,188</u>   | <u>135,944</u> |
| Less: Depreciation under Section 350 of the Companies Act, 1956    | (78,645)        | (38,069)       |
| Profit on assets sold as per books                                 | -               | (763)          |
| 'Net profit' as per Section 349 of the Companies Act, 1956         | <u>(14,457)</u> | <u>97,112</u>  |
| Commission payable restricted to                                   | <u>-</u>        | <u>1,350</u>   |

|                                  | <u>1997</u>  | <u>1996</u>  |
|----------------------------------|--------------|--------------|
| (c) Payments to auditors         |              |              |
| As auditors                      | 2,250        | 2,000        |
| As advisors for taxation matters | 2,700        | 3,234        |
| Information systems development  | -            | 700          |
|                                  | <u>4,950</u> | <u>5,934</u> |
| Reimbursement of expenses        | 172          | 135          |
|                                  | <u>5,122</u> | <u>6,069</u> |

- (e) Earnings in foreign currency (on a cash basis)

Earnings in foreign currency for pick-up charges and the distribution of international shipments in India amounted to approximately Rs.187,116 (1996 – Rs.167,413)

(d) Expenditure in foreign currency (on a cash basis)

|   | <u>1997</u>    | <u>1996</u>    |
|---|----------------|----------------|
| Delivery of shipments                                   | 182,469        | 176,085        |
| Foreign travel  | 1,139          | 2,820          |
| Others (including expenses on modification to aircraft) | 54,693         | 6,065          |
|   | <u>238,301</u> | <u>184,970</u> |

## 26. Statement of cash flows

Capital work-in-progress includes interest capitalised of approximately Rs.20,095 (1996 – Rs.7,222)

## 27. Prior year comparatives

Prior year comparatives have been reclassified to conform with the current year's presentation, wherever applicable.

## 28. Balance sheet abstract and Company's general business profile

### (a) **Registration details**

|                     |   |                |
|---------------------|---|----------------|
| Registration number | : | 61074          |
| State code          | : | 11             |
| Balance sheet date  | : | March 31, 1997 |

### (b) **Capital raised during the year**

|                   |   |            |
|-------------------|---|------------|
| Public issue      | : | Nil        |
| Rights issue      | : | 2,500      |
| Bonus issue       | : | Nil        |
| Private placement | : | <u>Nil</u> |

### (c) **Position of mobilisation and deployment of funds**

|  |   |                  |
|--|---|------------------|
| Total liabilities and shareholders funds | : | <u>1,258,433</u> |
| Total assets                             | : | <u>1,258,433</u> |

### **Sources of funds**

|                      |   |                |
|----------------------|---|----------------|
| Paid-up capital      | : | 88,164         |
| Reserves and surplus | : | 504,113        |
| Secured loans        | : | 527,731        |
| Unsecured loans      | : | <u>138,425</u> |

### **Application of funds**

|                           |   |               |
|---------------------------|---|---------------|
| Net fixed assets          | : | 503,732       |
| Capital work in progress  | : | 189,821       |
| Capital advance           | : | 8,480         |
| Investments               | : | 100,425       |
| Net current assets        | : | 436,884       |
| Miscellaneous expenditure | : | <u>19,091</u> |

### **(d) Performance of the company**

|                          |   |            |
|--------------------------|---|------------|
| Turnover                 | : | 1,573,876  |
| Total expenditure        | : | 1,568,239  |
| Profit/(loss) before tax | : | 5,637      |
| Profit/(loss) after tax  | : | 4,910      |
| Earnings per share in Rs | : | 0.55       |
| Dividend rate %          | : | <u>15%</u> |

### **(e) Generic names of three principal products/services of the company**

|                     |   |                        |
|---------------------|---|------------------------|
| Product Description | : | Domestic Priority      |
| Product Description | : | International Priority |
| Product Description | : | Dart Apex              |