

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

Mumbai : May 25, 1999

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.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

.....sd/.....

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.

11. In our opinion, the Company has an internal audit system, which is commensurate with its size and the nature of its business.
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 and Employees' State Insurance dues with the appropriate authorities.
14. According to the records of the Company, and as per the information and explanations given to us, there were no amounts outstanding at March 31, 1999 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 explanations given to us, no personal expenses have been charged to the statement of profit and loss, for the year ended March 31, 1999.
16. The Company is not an industrial undertaking within the meaning of Section 3(1)(o) 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 is not required.
18. In our opinion, the Company has reasonable system of authorisation at proper levels and an adequate system of internal controls commensurate with its size and the nature of its business, for the issue of packing material.

Arthur Andersen & Associates
Chartered Accountants

.....sd/-.....

Narayan K.Seshadri
Partner

Mumbai
May 25, 1999

BLUE DART EXPRESS LIMITED
BALANCE SHEET -- MARCH 31, 1999

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

Note

1999

1998

SOURCES OF FUNDS**SHAREHOLDERS' FUNDS**

Share capital	3	118,839	88,165
Reserves and surplus	4	<u>675,484</u>	<u>461,754</u>
		<u>794,323</u>	<u>549,919</u>
Fully convertible debentures		-	204935

LOAN FUNDS

Secured loans	5	544,596	602,173
Unsecured loans	6	<u>27,000</u>	<u>47,573</u>
		<u>571,596</u>	<u>649,746</u>
		<u>1,365,919</u>	<u>1,404,600</u>

APPLICATION OF FUNDS**FIXED ASSETS**

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

Cost		363,088	631,342
Accumulated depreciation and amortisation		(132,742)	(149,198)
Lease terminal adjustment		-	31,330
Net book value		<u>230,346</u>	<u>513,474</u>
Capital work-in-progress		481,690	302,438
Capital advances		<u>1,892</u>	<u>1,818</u>
		<u>713,928</u>	<u>817,730</u>

INVESTMENTS

2(b) & 8

200,485 200,485

CURRENT ASSETS, LOANS AND ADVANCES

Sundry debtors	9(a)	263,694	308,074
Cash and bank balances	9(b)	64,021	45,996
Loans and advances	9(c)	<u>401,910</u>	<u>324,405</u>
		<u>729,625</u>	<u>678,475</u>

CURRENT LIABILITIES AND PROVISIONS

Current liabilities	10(a)	(287,117)	(327,354)
Provisions	10(b)	<u>(22,666)</u>	<u>(3,674)</u>
		<u>(309,783)</u>	<u>(331,028)</u>
Net current assets		<u>419,842</u>	<u>347,447</u>

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)	2(c) & 11	<u>31,664</u>	<u>38,938</u>
		<u>1,365,919</u>	<u>1,404,600</u>

The accompanying notes 1 to 25 are an integral part of this balance sheet.

.....sd/-.....	.....sd/-.....
Tushar K Jani Chairman	Clyde C Cooper Managing Director
.....sd/-.....	.....sd/-.....
Khushroo M Dubash Director	Suresh G Sheth Director
.....sd/-.....	.....sd/-.....
Arthur Andersen & Associates Chartered Accountants	Air Marshal S.S.Ramdas (Retd.) Director Gordon S.Byrn Alternate Director for Anil Thadani
.....sd/-.....	.....sd/-.....
Mumbai May 25, 1999	Narayan K.Seshadri Partner Yogesh Dhingra Chief Financial Officer Tushar Gunderia Company Secretary

BLUE DART EXPRESS LIMITED**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 1999**

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

	<u>Note</u>	<u>1999</u>	<u>1998</u>
<u>REVENUES</u>			
Service charges	2(d)	1,686,724	1,608,479
Lease rentals	2(e) & 12	73,495	100,725
		<u>1,760,219</u>	<u>1,709,204</u>
<u>OPERATING COSTS</u>			
Freight, handling and servicing costs	13	(1,094,624)	(1,158,594)
Employee costs	2(f) & 14	(272,023)	(240,625)
Selling and administration expenses	15	(93,003)	(115,825)
Establishment costs	16	(109,404)	(113,677)
		<u>(1,569,054)</u>	<u>(1,628,721)</u>
Profit before tax, interest, depreciation and other items		191,165	80,483
Depreciation and amortisation	2(a) & 7	(49,596)	(53,271)
Interest expense, net	17	(71,464)	(51,714)
Profit/(loss) before tax and other items		70,105	(24,502)
Restructuring cost		-	(17,873)
Profit/(loss) before tax		70,105	(42,375)
Provision for tax			
- current year	2(i)	(3,507)	-
- prior year, net		(6,566)	-
Net profit		60,032	(42,375)
Profit and loss account, beginning of year		(10,978)	31,397
Profit available for appropriation		49,054	(10,978)
Proposed dividend		(16,342)	-
Corporate tax on proposed dividend		(1,797)	-
Transfer to general reserve	4	(5,000)	-
Profit and loss account, end of year	4	<u>25,915</u>	<u>(10,978)</u>

The accompanying notes 1 to 25 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.)	Gordon S.Byrn
Chartered Accountants	Director	Alternate Director for Anil Thadani
	.....sd/-.....	.....sd/-.....
Mumbai	Narayan K.Seshadri	Yogesh Dhingra
May 25, 1999	Partner	Chief Financial Officer
		Tushar Gunderia
		Company Secretary

BLUE DART EXPRESS LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 1999

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

	<u>Note</u>	<u>1999</u>	<u>1998</u>
CASH FLOWS PROVIDED BY /(USED IN) OPERATING ACTIVITIES:			
Profit/(loss) before tax		70,105	(42,375)
Adjustments to reconcile profit before tax to cash provided by operations:			
Depreciation and amortisation		49,596	53,271
Interest expense		87,804	70,374
Miscellaneous expenses written off		13,494	10,678
Expenses deferred during the year		(6,220)	(30,525)
Lease equalisation credit		(14,350)	(20,326)
Loss on retirement of fixed assets, net		2,508	10
Interest income		(16,340)	(18,660)
(Increase)/decrease in current assets, loans and advances:			
Sundry debtors		44,380	13,183
Loans and advances, excluding advance taxes		(63,988)	50,753
(Increase)/Decrease in current liabilities and provisions		<u>(67,036)</u>	<u>6,636</u>
Cash provided by operating activities		99,953	93,019
Income-tax refund received		17,615	19,910
Income-tax paid		<u>(25,300)</u>	<u>(20,965)</u>
Net cash provided by operating activities		<u>92,268</u>	<u>91,964</u>
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:			
Additions to fixed assets including capital work-in-progress	23	(181,859)	(139,593)
Purchase of investments		-	(100,060)
Interest received		435	919
Proceeds from retirement of fixed assets		<u>293,471</u>	<u>2,106</u>
Net cash (used in)/provided by investing activities		<u>112,047</u>	<u>(236,628)</u>
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:			
Proceeds from issue of share capital		202,511	17
Proceeds from issue of fully convertible debentures (net)		(204,935)	204,935
Net repayment of secured loans		(54,461)	(8,647)
Net repayment of unsecured loans		(20,573)	(90,852)
Net proceeds from bank overdraft		(21,159)	71,924
Interest paid		(87,673)	(76,283)
Dividend paid		-	(13,275)
Net cash (used in)/provided by financing activities		<u>(186,290)</u>	<u>87,819</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		18,025	(56,845)
CASH AND CASH EQUIVALENTS, beginning of year	9(b)	<u>45,996</u>	<u>102,841</u>
CASH AND CASH EQUIVALENTS, end of year	9(b)	<u>64,021</u>	<u>45,996</u>

The accompanying notes 1 to 25 are an integral part of this statement

<p>.....sd/-.....</p> <p style="text-align: center;">Tushar K Jani Chairman</p>		<p>.....sd/-.....</p> <p style="text-align: center;">Clyde C Cooper Managing Director</p>
<p>.....sd/-.....</p> <p style="text-align: center;">Khushroo M Dubash Director</p>		<p>.....sd/-.....</p> <p style="text-align: center;">Suresh G Sheth Director</p>
<p>.....sd/-.....</p> <p>Arthur Andersen & Associates Chartered Accountants</p>	<p>.....sd/-.....</p> <p>Air Marshal S.S.Ramdas (Retd.) Director</p>	<p>.....sd/-.....</p> <p>Gordon S.Byrn Alternate Director for</p>

Mumbai	Narayan K.Seshadri	.....sd/-.....	.....sd/-.....
May 25, 1999	Partner	Yogesh Dhingra	Tushar Gunderia
		Chief Financial Officer	Company Secretary

BLUE DART EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1999

(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 has 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, in accordance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956 ('the Act'). 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 assets are ready for use, is capitalised and included in the cost of these assets.

Depreciation is provided pro-rata to the period of use on the straight-line method in the manner specified in Schedule XIV to the Companies Act, 1956 ('the Act') at the rates prescribed therein or based on the useful life of assets, whichever is higher. Depreciation rates other than Schedule XIV to the Act are provided for the Company's aircraft, which 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 long-term in nature and are hence stated at cost.

(c) Miscellaneous expenditure

Miscellaneous expenditure primarily comprises advertising costs directly linked to introduction of new products, long-term contract negotiation costs, initial costs for setting up new business and costs directly incurred in upgrading the Company's computerised domestic tracking 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 and contract negotiation are deferred and amortised on the straight-line method over a period of 5 years beginning from the date on which the system/contract became operational.

(d) Service charges

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

(e) Lease rentals

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

(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 group gratuity and superannuation schemes with the Life Insurance Corporation of India ('LIC'). The schemes are defined benefit scheme and are funded in line with the LIC's actuarial valuation carried out at year end.

Contribution to the provident fund, a defined contribution scheme, are charged to the statement of profit and loss.

Liability in respect of leave encashment, a defined benefit scheme, is provided for based on an actuarial valuation carried out 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. 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 under Minimum Alternate Tax.

3. Share capital

	<u>1999</u>	<u>1998</u>
Authorised		
40,000,000 (1998 -- 40,000,000) equity shares of Rs 10 each (1998 -- Rs 10 each)	<u>400,000</u>	<u>400,000</u>
Issued, subscribed and paid-up		
11,916,667 (1998 – 8,850,000) equity shares of Rs 10 each (1998 -- Rs 10 each), fully paid-up	119,167	88,500
Less: Calls in arrears	<u>(328)</u>	<u>(335)</u>
	<u>118,839</u>	<u>88,165</u>

4. Reserves and surplus

	<u>1999</u>	<u>1998</u>
Share premium		
Balance, beginning of year	338,491	338,475
Transferred during the year	<u>171,837</u>	<u>16</u>
Balance, end of year	<u>510,328</u>	<u>338,491</u>
General reserve		
Balance, beginning of year	134,241	134,241
Transfer from profit and loss account	<u>5,000</u>	<u>-</u>
Balance, end of year	<u>139,241</u>	<u>134,241</u>
Profit and loss account	<u>25,915</u>	<u>(10,978)</u>
	<u>675,484</u>	<u>461,754</u>

On April 25, 1997, the Company allotted 2,300,000 unsecured convertible debentures, of the face value of Rs. 100 each, aggregating Rs. 230 million to Newfields Holdings Limited, a company incorporated in Mauritius. Under the terms of the issue, the Company converted these debentures into 3,066,667 equity shares of Rs. 10 each at a premium of Rs. 65 per share on July 31, 1998. As a consequence thereof, the share capital stands increased by Rs. 30,666 and share premium stands increased by Rs. 171,837, net of issue expenses and placement costs of Rs. 27,497.

5. Secured loans

	<u>1999</u>	<u>1998</u>
Debentures (see (a) below)	127,500	85,000
Term Loans		
From bank (see (b) below)	112,084	103,674
From financial institutions (see (c) below)	121,250	205,643
Working capital loans (see (d) below)	164,477	185,636
Obligations under hire purchase contracts (see (e) below)	<u>19,285</u>	<u>22,220</u>
	<u>544,596</u>	<u>602,173</u>
Aggregate amount of secured loans repayable within one year (excluding working capital loans)	<u>126,575</u>	<u>107,614</u>

(a) Debentures include:

- Rs 50,0000, 15.50 per cent non-convertible debentures ('NCDs') which are secured by a pari passu first charge on the Company's movable and immovable property and personal guarantee of certain directors. These NCDs are redeemable in three instalments in November 1999, May 2000 and November 2000.
- Rs. 50,000, 16.75 per cent NCDs which are secured by a pari passu first charge on the Company's movable and immovable property and personal guarantee of certain directors. These NCDs are redeemable in three instalments in February 2002, February 2003 and February 2004.
- Rs. 15,000, 19 per cent NCDs which are secured by a pari passu first charge on the Company's movable and immovable property. These NCDs are redeemable in January 2000
- Rs. 12,500, 19 per cent NCD's which are to be secured by a second charge on Company's movable and immovable property. These NCDs are redeemable in June 2000 with an early redemption option in December 1999.

(b) Term Loans from banks include:

- Rs. 69,201, 9 per cent foreign currency term loan which is secured by a pari passu first charge on the Company's movable and immovable property. Currently, certain directors of the Company have provided personal guarantees to the Bank, which will be cancelled upon creation of any equitable mortgage on the Company's immovable property. This loan is repayable in 8 half-yearly instalments, which commenced in March 1998.
- Rs. 42,883, 18 per cent term loan which is secured by a pari passu first charge on the movable and immovable property of the Company. Currently, certain directors of the Company have provided personal guarantees to the Bank, which will be cancelled upon creation of an equitable mortgage on the Company's immovable property. This loan is repayable in 60 monthly instalments which commenced in May 1998.

(c) Term Loans from financial institutions include:

- Rs. 50,000, 19.70 per cent term loan which is secured by a pari passu first charge on the Company's movable and immovable property. The loan is repayable in 17 quarterly instalments which commenced in August 1997.
- Rs. 71,250, 18.50 per cent term loan which is secured by a pari passu first charge on the Company's movable and immovable property. The loan is repayable in 16 quarterly instalments which commenced in April 1998.

(d) Working capital loans comprise of bank overdrafts and working capital demand loans from the Company's bankers. These are repayable on demand and are secured by hypothecation of book debts, collateral security on the Company's property at Bhiwandi and a second charge on the Company's movable and immovable property

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

6. Unsecured loans

	<u>1999</u>	<u>1998</u>
Inter corporate deposits	<u>27,000</u>	<u>47,573</u>

These are repayable on demand or within one year.

7. Fixed assets

	Balance, beginning of year	Additions/ charge	Deletions/ Disposals	Balance end of year
Cost				
Goodwill	30,000	-	-	30,000
Land	1,800	-	-	1,800
Buildings	19,302	402	(1,441)	18,263
Office equipment	31,260	5,081	(55)	36,286
Electrical equipment	37,797	4,397	(392)	41,802
Furniture and fixtures	58,774	4,120	(565)	62,329
Computers	111,013	21,342	(350)	132,005
Vehicles	22,879	729	(1,685)	21,923
Assets given on lease :				
Aircraft	301,269	-	(301,269)	-
Others	17,248	1,432	-	18,680
	<u>631,342</u>	<u>37,503</u>	<u>(305,757)</u>	<u>363,088</u>
Accumulated depreciation and amortisation				
Goodwill	10,500	1,500	-	12,000
Buildings	8,66	325	-	1,191
Office equipment	3,720	1,781	(657)	4,844
Electrical equipment	6,442	2,100	(209)	8,333
Furniture and fixtures	11,556	3,462	(89)	14,929
Computers	60,779	20,024	(451)	80,352
Vehicles	7,149	2,198	(208)	9,139
Assets given on lease				
Aircraft	47,726	16,712	(64,438)	-
Others	460	1,494	-	1,954
	<u>149,198</u>	<u>49,596</u>	<u>(66,052)</u>	<u>132,742</u>
Lease terminal adjustment				
Aircraft	31,330	14,350	(45,680)	-
Net book value	<u>513,474</u>			<u>230,346</u>
Capital work-in-progress	302,438			481,690
Capital advances	1,818			1,892
	<u>817,730</u>			<u>713,928</u>

The net book value of fixed assets shown above includes an amount of approximately Rs. 36,034 (1998-Rs. 30,086) in respect of assets held under hire purchase contracts. Capital work-in-progress primarily comprises costs incurred for the construction of the "Super-Hub" property.

8. Investments

	<u>1999</u>	<u>1998</u>
Investment in a subsidiary company (trade, unquoted, long-term)		
Blue Dart Aviation Limited (Blue Dart Aviation')		
12,500,000 (1998 -- 12,500,000) equity shares of Rs 10 each, fully paid-up	125,000	125,000
1,500,000 (1998 -- 1,500,000) equity shares of Rs 10 each, at a premium of Rs 40 per share, fully paid up	75,000	75,000
Other investments (unquoted, long-term)		
1,000 (1998 -- 1000) equity shares of Rs 50 each in Thane Janta Sahakari Bank Limited	50	50
1,000 (1998 -- 1000) equity shares of Rs 10 each in Saraswat Co-operative Bank Limited	10	10
National saving certificates	425	425
	<u>200,485</u>	<u>200,485</u>

9. Current assets, loans and advances

	<u>1999</u>	<u>1998</u>
(a) Sundry debtors		
Unsecured, considered doubtful		
Exceeding six months	18,366	11,183
Unsecured, considered good		
Exceeding six months	51,749	78,264
Other debts	211,945	229,810
	<u>282,060</u>	<u>319,257</u>
Less: Provision for doubtful debts	<u>(18,366)</u>	<u>(11,183)</u>
	<u>263,694</u>	<u>308,074</u>
(b) Cash and bank balances		
Cash and cheques in hand	20,789	16,883
Balances with scheduled banks:		
-- in current accounts	39,628	25,032
-- in margin money account	3,604	4,081
	<u>64,021</u>	<u>45,996</u>

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

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

	<u>1999</u>	<u>1998</u>
Advances recoverable in cash or in kind or for Value to be received:		
Blue Dart Aviation		
-- Advance against maintenance jobs	78,991	26,040
-- Inter corporate deposits	62,586	42,777
-- Others	22,216	-
Prepaid expenses	28,233	34,240
Others	29,562	27,617
Deposits		
-- Blue Dart Aviation	54,000	51,000
-- Others	66,619	80,955
Advance tax, net of provisions	59,703	61,776

401,910 324,405

Advances recoverable in cash or kind include a sum of Rs.Nil (1998 – Rs.1,222) from directors of the Company. The maximum amount outstanding during the year was Rs.1,222 (1998 – Rs.1,222).

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.274,517 (1998 – approximately Rs.178,244)

10. Current liabilities and provisions

	<u>1999</u>	<u>1998</u>
(a) Current liabilities		
Sundry creditors		
- Outstanding due to Small Scale Industries (see note 24)	3,209	1,956
- Outstanding due to other than Small Scale Industries	110,914	164,310
Bills discounted	67,954	64,863
Other current liabilities	94,076	78,703
Deposit from Blue Dart Aviation	-	6,700
Calls-in-advance	1,672	1,682
Interest accrued but not due	9,292	9,140
	<u>287,117</u>	<u>327,354</u>
 (b) Provisions		
Leave encashment	4,527	3,674
Proposed dividend	16,342	-
Corporate tax on proposed dividend	1,797	-
	<u>22,666</u>	<u>3,674</u>

11. Miscellaneous expenditure

(to the extent not written off or adjusted)

	<u>1999</u>	<u>1998</u>
Advertising costs		
Balance brought forward	26,232	15,101
Deferred during the year	6,220	19,229
Amortised during the year	(9,869)	(8,098)
Balance carried forward	<u>22,583</u>	<u>26,232</u>
 Computerised systems development/long-term contract negotiation cost		
Balance brought forward	12,706	3,990
Deferred during the year	-	11,296
Amortised during the year	(3,625)	(2,580)
Balance carried forward	<u>9,081</u>	<u>12,706</u>
	<u>31,664</u>	<u>38,938</u>

12. Lease rentals

Lease rentals include a lease equalisation credit of Rs.14,350 (1998 – Rs.20,326)

13. Freight, handling and servicing costs

	<u>1999</u>	<u>1998</u>
Aircraft charter hire costs	555,628	524,716
International servicing charges	219,999	313,211
Domestic network operating costs	216,298	227,979
Domestic excess baggage	42,682	28,947
Printing and stationery	33,543	35,261
Handling and clearing charges	18,566	20,190
On-board courier expenses	7,908	8,290
	<u>1,094,624</u>	<u>1,158,594</u>

14. Employee costs

	<u>1999</u>	<u>1998</u>
Salaries and wages	147,532	128,734
Staff welfare	85,801	83,255
Contribution to provident and other funds	22,378	17,119
Bonus	11,200	6,000
Leave encashment benefits	4,713	2,783
Recruitment and training	399	2,734
	<u>272,023</u>	<u>240,625</u>

15. Selling and administration expenses

	<u>1999</u>	<u>1998</u>
Lease rentals	21,698	28,463
Miscellaneous expenditure written off (see note 2(c) & 11)	13,494	10,678
Travel	3,143	10,712
Repairs and maintenance -- others	9,602	10,051
Professional and consulting charges	8,892	10,901
Advertising	1,333	10,031
Sales promotion	1,521	3,259
Provision for doubtful debts	7,183	6,000
Bad debts written off	3,365	1,747
Security charges	6,145	8,582
Insurance	2,885	2,669
Office expenses	6,907	6,728
Miscellaneous expenses	6,835	6,004
	<u>93,003</u>	<u>115,825</u>

16. Establishment costs

	<u>1999</u>	<u>1998</u>
Rent	59,929	54,534
Communications	26,667	39,104
Electricity charges	15,707	15,310
Duties, rates and taxes	7,101	4,729

109,404113,677**17. Interest expense, net**

	<u>1999</u>	<u>1998</u>
On loans	46,917	49,742
On hire purchase	8,266	6,701
On bank overdraft	32,621	13,931
Less: Interest income:		
On inter corporate deposits [tax deducted at source Rs 3,180 (1998 – Rs 3,732)]	(16,340)	(186,60)
	<u>71,464</u>	<u>51,714</u>

18. Net foreign exchange differences

- (a) The net foreign exchange gain recognised in the statement of profit and loss is approximately Rs.204 (1998 – Rs.5,165)
- (b) Net exchange loss included in fixed assets is Rs.18,060 (1998 – Rs.4,600)

19. 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>1999</u>	<u>1998</u>
Construction of "Super-Hub" property	32,275	61,600
Others	6,472	8,344
	<u>38,747</u>	<u>69,944</u>

20. Contingent liabilities

	<u>1999</u>	<u>1998</u>
(a) Corporate guarantees given on behalf of Blue Dart Aviation	219,500	187,500
(b) Income tax matters under appeal	65,726	-
(c) Bank guarantees	<u>11,592</u>	<u>8,538</u>

- (d) 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 been making any provision for stamp duty of Rs.28,627, since the implementation of the acts.

21. Commitments under lease agreements

The Company has entered into lease agreements for the rental of property, vehicles, computers, equipments and other assets. Typically, lease agreements are for a period of 3 to 5 years. At March 31, 1999, the Company had commitments under non-cancellable leases of approximately Rs.36,070 (1998 – Rs.55,294)

22. Supplementary profit and loss data

	<u>1999</u>	<u>1998</u>
(a) Managerial remuneration		
Salary	6,645	2,970
Commission (see (b) below)	900	-
Contribution to provident and other funds	495	249
Other perquisites	38	88
Directors' fees	17	21
	<u>8,095</u>	<u>3,328</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, 1999:

	<u>1999</u>	<u>1998</u>
Profit/(loss) before tax	70,105	(42,375)
Add: Directors' remuneration (including Managing Director)	8,095	3,328
Depreciation and amortisation provided in the books	49,596	53,271
Profit on assets sold under Section 350 of the Companies Act, 1956	-	1,087
Loss on assets sold or written off as per books	2,508	10
Provision for doubtful debts	7,183	6,000
	<u>137,487</u>	<u>21,321</u>
Less: Depreciation under Section 350 of the Companies Act, 1956	(58,082)	(149,072)
'Net profit' as per Section 349 of the Companies Act, 1956	<u>79,405</u>	<u>(127,751)</u>
Commission paid to whole-time directors at 1 per cent of net profit per director, limited to Rs.450 per director	<u>900</u>	<u>-</u>

The Company has received permission from the Department of Company Affairs to pay increased remuneration under Section 310 of the Companies Act, 1956 to the Managing and the Whole-time Directors.

Directors' remuneration does not include provision for leave encashment.

(c) Payments to auditors	<u>1999</u>	<u>1998</u>
As auditors	2,250	2,250
As advisors for taxation matters	-	900
Other matters	15	1,800
	<u>2,265</u>	<u>4,950</u>
Reimbursement of expenses	150	178
	<u>2,415</u>	<u>5,128</u>

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

Earnings in foreign currency for Interline Sales in India amounted to approximately Rs.35,803 (1998 – Rs.280,730). Earnings in foreign currency in the prior year included pick-up charges and the distribution of international shipments in India.

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

	<u>1999</u>	<u>1998</u>
Delivery of shipments	-	251,220
Foreign travel	529	2,236
Others (including expenses on modification to aircraft)	180	5,131
	<u>709</u>	<u>258,587</u>

23. Statement of cash flows

Capital work-in-progress includes cumulative interest capitalised till date of approximately Rs.103,620 (1998 – Rs.49,768).

24. Outstanding due to small scale industries

Consequent to the amendment to Schedule VI to the Companies Act, 1956, the information in respect of Small Scale Industries to whom the Company owes a sum exceeding Rs.100,000/- which is outstanding for more than 30 days is as follows:

	<u>1999</u>	<u>1998</u>
Alpha Enterprises	934	1,076
Manish Plastic Industries	642	389
Gems Enterprises	116	-
Sandeep Plastic Industries	-	132
Rambhia Industrial Traders	93	359
Sago Paper Products	824	-
U-Tan Creations	20	-
	<u>2,629</u>	<u>1,956</u>

25. Prior year comparatives

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

26. Balance sheet abstract and Company's general business profile

(a) Registration details

Registration number	:	61074
State code	:	11
Balance sheet date	:	March 31, 1999

(b) Capital raised during the year

Public issue	:	Nil
Rights issue	:	Nil
Bonus issue	:	Nil
Private placement	:	<u>30,667</u>

(c) Position of mobilisation and deployment of funds

Total liabilities and shareholders funds	:	<u>1,365,919</u>
Total assets	:	<u>1,365,919</u>

Sources of funds

Paid-up capital	:	118,839
Reserves and surplus	:	675,484
Secured loans	:	544,596
Unsecured loans	:	<u>27,000</u>

Application of funds

Net fixed assets	:	230,346
Capital work in progress	:	481,690
Capital advance	:	1,892
Investments	:	200,485
Net current assets	:	419,842
Miscellaneous expenditure	:	<u>31,664</u>

(d) Performance of the company

Turnover	:	1,760,219
Total expenditure	:	1,690,114
Profit/(loss) before tax	:	70,105
Profit/(loss) after tax	:	60,032
Earnings per share in Rs	:	5.05
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