



Nature's Elements Our Inspiration

64TH ANNUAL REPORT 2002-03  **bajaj electricals limited**

Dear Shareholder,

The year gone by has been a very difficult year for the Company. Our various businesses have witnessed intense competition and pressures on the bottom line. The drought in various parts of the country, poor infrastructure and capital investments and depressed GDP growth rates have affected demand conditions.

During the last year we had re-structured the Company into 5 Strategic Business Units-Appliances, Fans, Lighting, Luminaires and Engineering & Projects with an objective of moving fast forward towards profitable growth. I am happy to inform you that the restructuring exercise has been accepted well and the various BUs are working as profit centres.

The Company has achieved a growth in Sales under difficult demand conditions and we have also improved our market share in many products such as Fans and Room Coolers. The manufacturing operations of Die-casting and Galvanising have had a large burden of interest, depreciation and low capacity utilization. This coupled with some closure costs has resulted in the Company incurring a significant loss in this year. Therefore, this year the whole team is working on a single objective of waging a "War for Profits" and we would like to see that in the current year, the Company turns around and becomes profitable again.

The business environment will continue to remain tough. The "War for Profits" will have to be won by improving our own efficiency and focus. We will strive to improve profitability through value engineering, better sourcing, improving margins, reducing costs all across and managing the working capital better, so that the current year will be an improved year for the share holders and the Company.

A major decision taken has been the closing down of our Die-casting business at Matchwel Unit and at Chakan Unit. The Matchwel Unit land in Pune has been sold, which will contribute "Other Income" Rs. 13 Crores in the current year.

During 2002, the Company has entered into a franchise agreement with one of UK's leading brands "Morphy Richards" to market various premium range products like Toasters, Coffee Makers, Steam Irons, etc., which have been well accepted by the market. We will be extending the same all over India in the current year.

There have been requests in the past from Shareholders for a Rights Issue. I am happy to inform you that we are offering a Rights Issue at an attractive price of Rs.25/- per share (i.e. Rs.10 + Rs.15 premium) and shareholders have a good opportunity to take full advantage of this issue.

The year 2003-04 will be a challenging year for the Company. We are confident of achieving a significant turn around in our operations in the year ahead.



Shekhar Bajaj
Chairman & Managing Director

bajaj electricals limited

Board of Directors

Shekhar Bajaj, Chairman & Managing Director
Harsh Vardhan Goenka

A.K. Jalan
Ajit Gulabchand
M.R. Pai
V.B. Haribhakti
Madhur Bajaj
Dakshesh B. Dhruv
S.C. Batra

Secretary

Bharat Thakkar

Auditors

Dalal & Shah, Chartered Accountants

Bankers

State Bank of Bikaner & Jaipur
Bank of Rajasthan Limited
Bank of India

Registered Office

45-47, Veer Nariman Road, Mumbai 400 023.

Factories

Matchwel Unit : Off Nagar Road, Pune 411 014.
Chakan Unit : Mahalunge, Chakan Talegaon Road, Khed, Pune 410 501.
Wind Farm : Village Vankusawade, Tal.: Patan, Dist.: Satara, Maharashtra 415 206.
Ranjangaon Unit : Village Dhoksanghvi, Taluka Shirur, Ranjangaon, Dist.: Pune, Maharashtra 412 210.

Branches

Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Cochin, Delhi, Guwahati, Hyderabad, Indore, Jaipur, Kolkata, Lucknow, Mumbai, Noida, Patna, Pune, Raipur & Wardha.

Depots

Daman, Dehradun, Faridabad, Goa, Jabalpur, Jalandhar & Ranchi.

Management

Shekhar Bajaj, Chairman & Managing Director
R. Ramakrishnan, President & Chief Operating Officer
L.K. Mehta, Sr. Vice President & Head – Engineering & Projects BU
Harsh Mittal, Vice President & Head – Lighting BU
P.S. Tandon, Vice President & Head – Appliances BU
S. Ramprasad, Vice President & Head –
Corporate Planning & Branch Sales Support
G.P. Satsangi, Vice President & Head – Luminaires BU
A.S. Radhakrishna, Vice President & Head – Fans BU
Pravin Jathar, Vice President & Head – Corporate Finance
Dipak Karnik, Sr. General Manager & Head – Customer Care

Matchwel and Chakan Units

Sudeep P. Naigaonkar, Sr. General Manager & Head –
Fans Manufacturing

Ranjangaon Unit

S.C. Bhargava, Sr. General Manager (Projects)

A request

The practice of distributing the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing. You are, therefore, requested to bring your copy of the Annual Report to the Meeting.

bajaj electricals limited

Registered Office : 45-47, Veer Nariman Road, Mumbai 400 023.

NOTICE

NOTICE is hereby given that Sixty-fourth Annual General Meeting of the Shareholders of Bajaj Electricals Limited will be held at Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai 400 021 on Tuesday, the 12th day of August, 2003 at 4.30 P.M. (I.S.T.) to transact the following business:

1. To consider and adopt the Directors' Report, the Auditors' Report and the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2003.
2. To declare dividend.
3. To appoint a Director in place of Shri Ashok Kumar Jalan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Madhur Bajaj, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri S.C. Batra, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividend upto the financial year 1994-95 has been transferred to the General Revenue Account of the Central Government. Shareholders, who have not encashed the dividend warrants upto the said year, are requested to claim the same from the Registrar of Companies, Maharashtra, Mumbai.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 6th day of August, 2003 to 12th day of August, 2003, both days inclusive.

By Order of the Board of Directors
For Bajaj Electricals Limited

Bharat Thakkar
Secretary

Mumbai, 11th June, 2003

bajaj electricals limited

DIRECTORS' REPORT

The Shareholders,

The Directors hereby present the Sixty-fourth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2003.

Sales and Other Income

During the year under review, your Company earned revenues, comprising of sales and other income, of Rs 450.12 crores, which is higher by about 8% over the revenue of Rs.417.14 crores earned in the previous year. However, the loss of Rs.1163.65 lacs, before provisions is significantly higher than the loss of Rs.276.49 lacs (without considering the receipt of Non-Compete fees of Rs.325 lacs and provisions) in the previous year. This is mainly on account of fall in other income from Rs.1440 lacs to Rs.698 lacs. The Financial Results are as follows:

Financial Results

	Rs. in lacs	Previous Year Rs. in lacs
Sales and Other Income*	45,012.12	41,714.24
Gross Profit	(527.85)	307.78
Depreciation	635.80	584.27
Profit before Taxes & Provisions	(1,163.65)	(276.49)
Extra-Ordinary Item of Income	—	325.00
Doubtful Debts & Advances	156.66	4.61
Diminution in Value of Investments	27.24	—
Provision for Taxation:		
Current	6.00	11.00
Deferred	(373.74)	8.92
Profit after Tax	(979.81)	23.98
Prior Period Adjustments	(6.29)	(110.50)
Amount Brought Forward from Previous Year	2.13	209.87
Balance available for appropriation	(965.57)	123.35
Proposed Dividend: Equity	—	—
Preference	110.00	110.00
Tax on corporate dividend	—	11.22
Balance Carried to Balance Sheet	(965.57)	2.13

* Other income Rs. 6.98 crores (Previous year Rs. 14.40 crores)

Dividend

In view of the results, the Directors do not recommend any dividend on 43,21,440 equity shares of Rs.10/- each. As per the terms of issue of Preference Shares, the Board has declared and paid, for the year ended 31st March, 2003, interim dividend aggregating to Rs. 110.00 lacs on 1,00,00,000 - 11% Cumulative Non-Participating Preference Shares of Rs.10/- each from the Reserves. The Directors recommend the same as the final dividend.

Market Conditions and Profitability

The market for all types of goods, during the year under review remained sluggish, resulting in an acute competition in the market. The growth, if any, in the market was imperceptible. The increase in the income from sales is a result of adoption of very aggressive marketing practices for capturing market share. However, due to intense competition, the profitability has suffered.

Financial Restructuring

During the year under review, the Company faced cash flow problems due to delayed recoveries of outstandings and higher requirement of working capital. The Company has taken various steps as follows to mitigate the situation.

The Company has entered into a Memorandum of Understanding for development / sale of the land of Matchwel Unit, Pune for a total consideration of Rs.23.00 crores. This amount is receivable over a couple of years including the current financial year. Out of Rs.23.00 crores, an amount of Rs.4.25 crores has already been received upto now.

Secondly, for infusing long term funds in the Company and for meeting the financial obligations, the Board has approved the issue of 43,21,440 equity shares of Rs. 10/- each at a premium of Rs. 15/- aggregating to Rs. 1080.36 lacs on a rights basis in the ratio of one share for every share held by any shareholder. The Right Issue will open in the next few months after the completion of the necessary formalities for the same.

The Company has also approached the Banks for restructuring of the loan portfolio. The discussions in this regard are in progress.

It is expected that the above measures will go in

long way in mitigating the cash flow problems and reducing the interest burden.

Divisional Performances

Lighting and Industrial Products

These products include Lamps, Tubes, Luminaires, Highmasts and Projects. The turnover of these products increased by about 8% at Rs. 248.14 crores during the year under review from Rs. 229.61 crores in the previous year. The margins, as stated earlier, remained under pressure.

In the field of turnkey projects, in the month of December 2002 the E&P Business Unit successfully commissioned one of the most prestigious orders for illumination of eight outdoor and indoor stadiums at Hyderabad, the venue for the National Games 2002. The Unit also achieved a breakthrough in designing, manufacturing and erecting 60-meter Highmast Lighting System, the tallest in the country at the Chennai Port.

Consumer Durables

Consumer Durables include fans and small appliances. The turnover increased by over 18% at Rs. 192.80 crores during the year under review from Rs. 163.28 crores in the previous year. The Company, during the year under review, concluded an arrangement with Morphy Richards Ltd., UK to market a wide range of appliances under Morphy Richards' (MR) brand in the premium segment. The Company, pursuant to this arrangement, has already introduced products like Coffee Makers, Irons, Toasters etc. under the MR brand. These products have been well received in the market. Apart from this, the Company has continued to introduce new products and different models in the existing range of products and upgrade the technology, wherever possible, to improve its competitive edge.

Matchwel Unit

After the suspension of operations at this Unit from May 2002, most of the employees / workmen accepted retirement under the Voluntary Retirement Schemes announced by the Company. Consequently, the Company withdrew the application filed under the provisions of the Industrial Disputes Act, 1947 for the permission for Closure of the die-casting division and retrenchment of the labour. The compensation paid/payable in terms of the Voluntary Retirement Schemes and

other dues, including the statutory dues like Gratuity etc. amounted to Rs. 287.43 lacs. As per the past practice, this expenditure will be written off over a period of five years as the benefit of this extraordinary expenditure is expected to inure over a number of years in future. Accordingly, a sum of Rs. 57.49 lacs, being one fifth of the total expenditure, has been debited to the Profit & Loss account of the year under review and the balance is carried as deferred revenue expenditure in the balance sheet.

The Matchwel Unit has incurred significant losses on account of the above as also due to suspension of operations from May 2002. These losses will be significantly reduced in the coming financial year.

Chakan Unit

The production at this Unit further improved during the year under review. The Unit produced 4,97,467 nos. of fans during the year under review as against 4,29,647 nos. of fans in the previous year. The Unit also produced 474 MT of die-cast components against 1216 MT in the previous year. The Company in October 2002, discontinued the manufacturing of die-cast components at this unit also.

The die-casting operations at Chakan Unit have suffered losses due to discontinuation of manufacturing of die-cast components since October 2002 as also due to the interest and depreciation burden. The Fans manufacturing operations have shown a significant turnaround and has made a small profit.

Ranjangaon Unit

The production at this unit further improved in the year under review. The plant achieved capacity utilization of over 60%. The unit produced 691 nos. of Highmast shafts, 5616 nos. of poles against 790 nos. and 2450 nos. respectively, in the previous year. The Unit also manufactured 9258 MT of lattice mast/transmission line towers as against 4513 MT in the previous year.

Telecommunication Towers manufactured at this Unit have been installed in Mumbai, Gujarat, Maharashtra and Kerala Telecom Circles. The unit also manufactured 32 meter tall Highmast Telecommunication Systems installed for the first time in the country.

The Ranjangaon operations have incurred a loss due to high interest and depreciation burden coupled with

the inadequate capacity utilization and the product mix.

With a good order book in hand, it is expected that the Unit will show improvement in the current financial year.

Wind Energy

The 2.8 MW Wind Farm at Village Vankusawade in Maharashtra generated about 44.27 lacs of electrical units during the year under review (previous year about 43.37 lacs units). The Company has transferred sales tax incentive available to this unit for Rs. 177 lacs (previous year Rs. 196 lacs).

Deferred Tax Liability

In terms of the Accounting Standard 22, dealing with "Accounting for Taxes on Income" of the Institute of Chartered Accountants of India, the Company has credited to the Profit & Loss Account, net deferred tax asset of Rs.373.74 lacs in respect of the year under review. The impact of Deferred Tax Liability/ Assets upto the year ended 31 March 2002, as per the details given in the note no.4 in the Notes to Accounts (Schedule 14) is reflected in the General Reserves.

Auditors' Qualifications

As regards the qualification in the Auditors' Report, the Directors would state as under:

- (a) On the qualification regarding the carrying cost of the balance investment in the shares of Bajaj Ventures Ltd., attention is invited to Note No 5 in Schedule 14 to the Balance Sheet. The management's view is that carrying cost has been properly disclosed in order to show a true and fair view.
- (b) On the qualification regarding absence of confirmation of balances with various parties and the differences in the inter-unit accounts, attention is invited to Note No.23(i) & (ii), in Schedule 14, which are self-explanatory. The Company is taking effective steps for getting confirmation of balances and reconciliation of inter unit accounts.
- (c) On the qualification regarding the matters upon which auditors have relied on the management's perception and judgement, the contents of the Auditors' Report, read with Note No.1, in Schedule 14, are self-explanatory.

Corporate Governance

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed report on the measures adopted by the Company towards Corporate Governance is given in **Annexure-I** hereto along with a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance.

Management Discussion and Analysis statement as required under Clause 49 of the Listing Agreement is annexed in **Annexure-II** hereto.

Directors' Responsibility Statement

On the basis of information placed by the management, the Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (b) such accounting policies have been selected and applied consistently and that reasonable and prudent judgments and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period;
- (c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken; and
- (d) the annual accounts are prepared on a going concern basis.

Directors

Shri Ashok Kumar Jalan, Shri Madhur Bajaj and Shri S. C. Batra retire by rotation and being eligible, offer themselves for re-appointment.

Auditors

The Auditors, M/s. Dalal & Shah, retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. You are requested to appoint Auditors and fix their remuneration.

Particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

The particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology, absorption, etc. to the extent applicable are set out in the **Annexure-III** hereto.

Employees

Particulars with regard to employees as required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming an integral part of Directors' Report are given in the **Annexure-IV** hereto.

The relations with the employees of the Company have continued to remain cordial.

By Order of the Board of Directors
For Bajaj Electricals Limited

Mumbai, 11th June, 2003

Bharat Thakkar
Secretary

V. B. Haribhakti
Director

Shekhar Bajaj
Chairman & Managing Director



Annexure-I to the Directors' Report

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance

Good Corporate Governance is the adoption of best business practices which ensure that the Company operates not only within the regulatory frame-work, but is also guided by ethics. The adoption of such Corporate practices ensures accountability of the persons in charge of the Company on one hand and brings benefits to investors, customers, suppliers, creditors, employees and the society at large on the other.

The shareholders have role in Governance of their Companies by appointing Directors and Auditors and by ensuring that an appropriate governance structure is put in place. The management has the role in discharging their responsibility and the Government has the role to monitor and bring the same in public glare.

2. Board of Directors

The Board of Directors of your Company is comprised of two Promoter Directors (of whom one is the Managing Director) and seven non-promoter, independent and Non-executive Directors. No Director is a member of more than ten committees or Chairman of more than five committees across all companies in which they are Directors. The details are as under:-

Name	Executive/Non-Executive/Promoter/Independent	Number of Other Directorship(s) (*)	Total Number of Membership(s) in other Board Committees	Number of Chairmanship(s) in other Board Committees
Shri Shekhar Bajaj	Chairman & Managing Director (Promoter)	14	8	2
Shri H.V. Goenka	Non-Executive Director (Independent)	11	—	1
Shri A.K. Jalan	Non-Executive Director (Independent)	7	—	—
Shri Ajit Gulabchand	Non-Executive Director (Independent)	15	2	—
Shri M. R. Pai	Non-Executive Director (Independent)	6	3	4
Shri V.B. Haribhakti	Non-Executive Director (Independent)	11	2	4
Shri Madhur Bajaj	Non-Executive Director (Promoter)	9	—	—
Shri D.B. Dhruv	Non-Executive Director (Independent)	6	—	—
Shri S.C. Batra	Non-Executive Director (Independent)	—	—	—

* This includes Directorships held in Private Limited Companies.

Number and dates of Meetings of Board of Directors held during the Financial Year 2002-2003.

Eight Board meetings were held during the financial year, as against the minimum requirement of four meetings. The meetings were held on 25th June, 2002, 25th July, 2002, 23rd August, 2002, 29th October, 2002, 27th November, 2002, 24th December, 2002, 30th January, 2003 and 26th March, 2003.

Attendance of each Director at the Board meetings and the last AGM is as follows:

Director	Attended	Last AGM Attended
Shri Shekhar Bajaj	8	Yes
Shri H.V. Goenka	3	No
Shri A.K. Jalan	7	Yes
Shri Ajit Gulabchand	1	No
Shri M.R. Pai	5	No
Shri V.B. Haribhakti	7	Yes
Shri Madhur Bajaj	3	Yes
Shri D.B. Dhruv	6	Yes
Shri S.C. Batra	8	Yes

Information placed before the Board of Directors

The information regularly placed before the Board includes:-

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of audit and other committees of the Board.
- Information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices, which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relation front like signing of wage agreement, implementation of Voluntary Retirement Scheme, etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.