



Dear Shareholder,

In my previous communication to you, I had mentioned that the entire organization will be focusing on the single objective of waging a “War for Profits” and we would like to see that the Company turns around and becomes profitable again. Indeed, I am happy to inform you that we have succeeded in the “War for Profits”. As against a significant loss of Rs.13.48 crore incurred during 2002- 03, we have earned a Profit Before Tax of Rs.16.72 crore (including extraordinary item of Rs.11.70 crore). The net profit was Rs.10.31 crore against a loss of Rs.9.68 crore during 2002- 03. The Company achieved a sales turnover of Rs.503 crore against Rs.433 crore last year, thereby showing a healthy growth rate of over 16%.

The turnaround in performance has been achieved through the dedication of the Company employees, support of our channel partners and suppliers, clear top line and bottom line focus, financial restructuring, disposal of unproductive assets, faster pace of new product introduction coupled with strong sales and marketing action. The Company also focused on controlling its costs, improving operating margins, reducing working capital and improvements in capacity utilization in manufacturing operations. All these efforts have given us the confidence that the Company has bounced back and is poised to further improve its performance in the future.

The various Business Units of the Company have done well last year and have registered double-digit growths, except for the Lighting BU. The Appliances, Fans and Engineering & Projects BUs have individually crossed the Rs.100 crore sales turnover mark and the Lighting & Luminaires BUs are likely to cross the same in the current year. The new products introduction by the Company in CFLs, Domestic Luminaires, Room Heaters, Mixers and Fans have been received well. The Company remains committed to being a customer centric and market focused organization.

The rights issue of Rs.10.80 crore was fully subscribed and those who participated in the same have benefitted from the improvement in the share prices. I am glad that we have been able to put a smile on the face of our stakeholders again, as depicted on the cover page of this Annual Report.

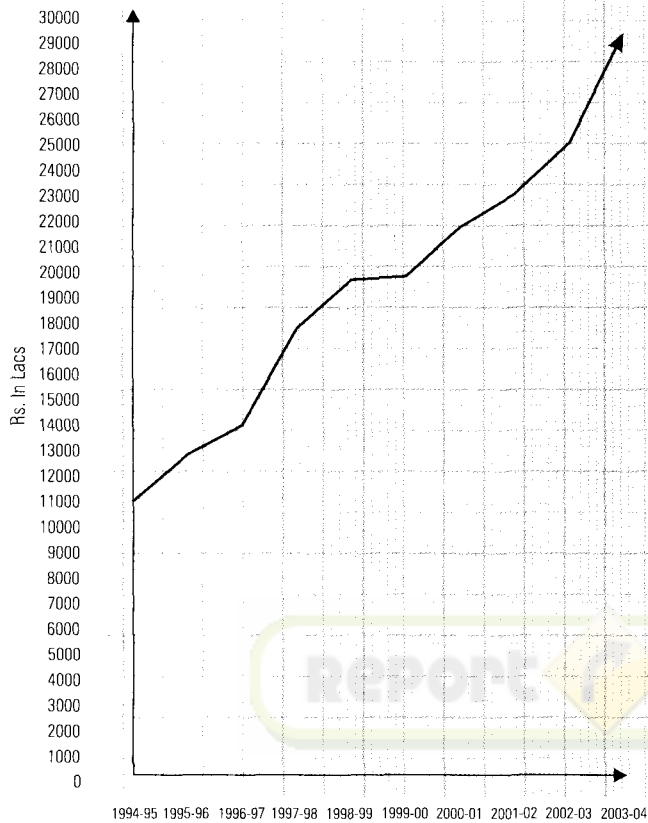
Though our focus on “War for Profits” will continue, we have chosen the theme of “Faster, Higher, Stronger” for the current year which is the motto of the Olympic games. We are confident that the coming year will be a bright and prosperous one.

Shekhar Bajaj
Chairman & Managing Director



Statistics

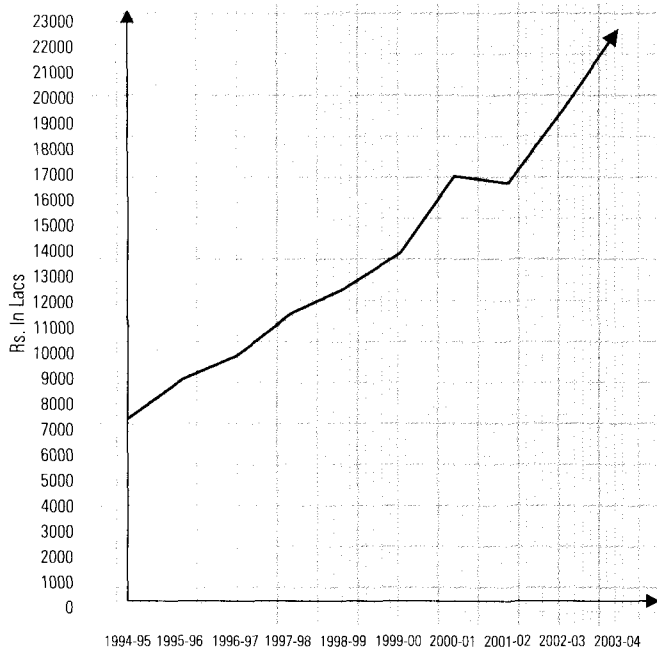
LIGHTING



TOTAL SALES (All Products)



CONSUMER DURABLES





Significant Achievements

**At the 2004 ABBY Awards for Creative Excellence, held in Mumbai, two of our press advertisements were awarded 'SILVER'.
The ads are reproduced here below :**



**Incredibly Fast -
Bajaj Fans**

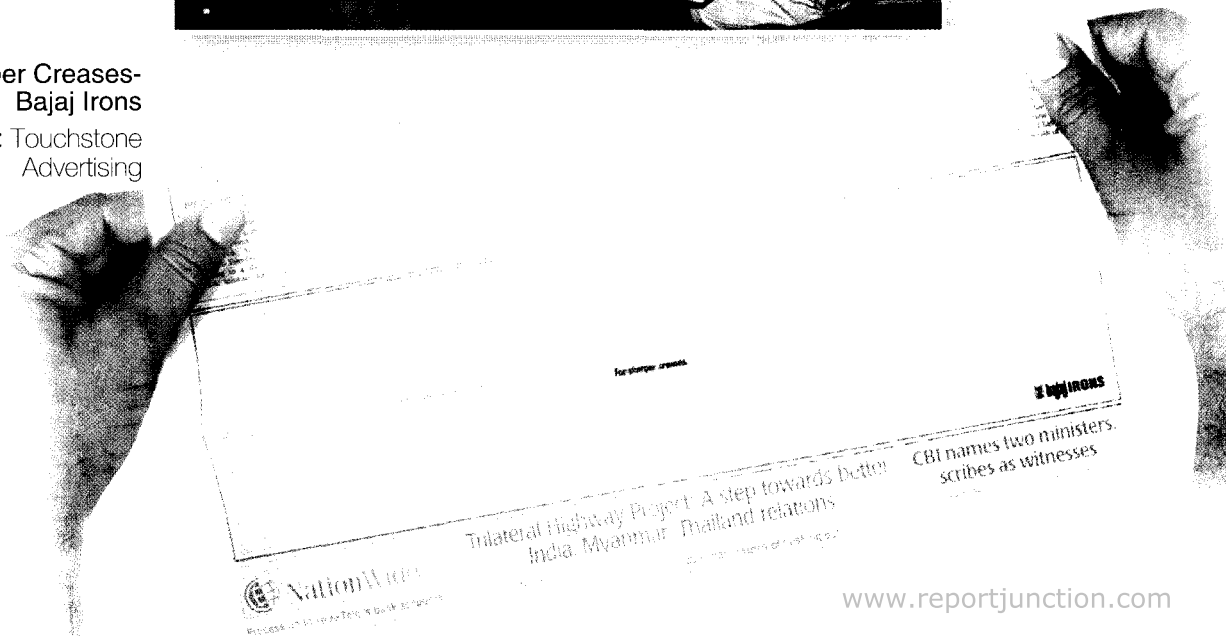
Agency : Leo Burnett

Mr. Shekhar Bajaj, CMD and
Mr. R. Ramakrishnan,
President & COO,
holding the
SILVER ABBY Award with
Mr. Mukul Upadhyaya, Head,
Touchstone Advertising.



**For Sharper Creases-
Bajaj Irons**

Agency : Touchstone
Advertising



bajaj electricals limited

Board of Directors

Shekhar Bajaj, Chairman & Managing Director
 Harsh Vardhan Goenka
 A.K. Jalan
 Ajit Gulabchand
 M.R. Pai (Upto 3.7.2003)
 V.B. Haribhakti
 Madhur Bajaj
 Dakshesh B. Dhruv
 S.C. Batra
 H.R. Srivastava (From 29.3.2004)

Company Secretary

Mangesh Patil

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, Ranchi & Zirakhpur

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
 Dr. K. Suryanarayanan, Vice President & Head – Human
 Resource & Administration
 Markand Pandit, 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 & Head – Ranjangaon Unit

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. Shareholders are therefore requested to bring their copies 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-fifth 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 Thursday, the 29th day of July, 2004 at 4.30 P.M. (I.S.T.) to transact the following business:

1. To consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2004 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend on Preference Shares.
3. To declare dividend on Equity Shares.
4. To appoint a Director in place of Shri Harsh Vardhan Goenka, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Ajit Gulabchand, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Dakshesh B.Dhruv, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and in this connection, to consider and if deemed fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED that Messrs Dalal & Shah, Chartered Accountants, Mumbai, be and they are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration to be decided by the Board or Committee thereof in addition to reimbursement of actual travelling and out-of-pocket expenses incurred by them."

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. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Shareholders are requested to bring their copy of Annual Report to the meeting.
3. Members/Proxies should fill the Attendance Slip for attending the meeting.

4. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, unclaimed dividend that are due for transfer to the Investor Education and Protection Fund are as follows:

Particulars	Financial Year	Date of Declaration	Due date for transfer to IEP Fund
Dividend	1996-97	05.08.1997	21.09.2004
Dividend	1997-98	05.08.1998	21.09.2005
Dividend	1998-99	20.07.1999	05.09.2006
Dividend	1999-00	16.08.2000	02.10.2007
Dividend	2000-01	30.07.2001	03.09.2008

5. The Register of Members and the Share Transfer Books of the Company will remain closed from 20th day of July, 2004 to 29th day of July, 2004, both days inclusive.

6. **Re-appointment of Directors:**

At the ensuing Annual General Meeting, Shri Harsh Vardhan Goenka, Shri Ajit Gulabchand and Shri Dakshesh B. Dhruv, retire by rotation and being eligible offer themselves for re-appointment. The information pertaining to the Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges is furnished in the statement on Corporate Governance published in the Annual Report.

By Order of the Board of Directors
For Bajaj Electricals Limited

Mumbai, 11th June, 2004

Mangesh Patil
Company Secretary

bajaj electricals limited

DIRECTORS' REPORT

To
The Members,

The Directors are pleased to present their Sixty-fifth Annual Report on the business and operations of the Company and the Statement of Accounts for the year ended 31st March, 2004.

Financial Highlights/Sales and Other Income

The year under review has been a year of significant turnaround in the operating performance of the Company. Your Company earned revenues, comprising of sales and other income, of Rs.521.93 crores, which is higher by about 18.50% over the revenue of Rs.440.28 crores earned in the previous year. Profit before tax and provisions has improved to Rs.17.83 crores (including Profit on Sale of development rights of Land of Rs.11.70 crores) as against the loss of Rs.11.64 crores in the previous year. Profit After Tax is Rs.11.36 crores as compared to a loss of Rs.9.80 crores in the previous year. The Earning Per Share for the year is Rs.17.17 (Previous Year (-) Rs.24.94). The Company has a net worth of Rs.73.43 crores, which translates to a book value of Rs.84.96 per share.

Financial Results

	FY 2003-04 Rs. in lacs	FY 2002-03 Rs. in lacs
Sales and Other Income*	52,192.65	44,027.64
Gross Profit	2,385.16	(527.85)
Less: Depreciation	602.32	635.80
Profit before Taxes & Provisions	1,782.84	(1,163.65)
Less: Provision for:		
Doubtful Debts & Advances (Net)	110.51	156.66
Diminution in Value of Investments	—	27.24
Taxation (including deferred taxation)	536.32	(367.74)
Profit after Tax	1,136.01	(979.81)
Less: Prior Period Adjustments	105.29	6.29
Tax Provision in respect of earlier years	—	(18.40)
Add: Balance brought forward from previous year	—	2.13
Balance available for appropriation	1,030.72	(965.57)
Appropriations:		
Proposed Dividend: Equity	86.43	—
Preference	110.00	110.00
Tax on Corporate Dividend	25.16	—
Transferred (from)/to General Reserve	310.00	(110.00)
Balance carried to Balance Sheet	499.13	(965.57)

* Other income Rs. 7.05 crores (Previous year Rs. 6.87 crores) and Profit on Sale of Development Rights of land Rs. 11.70 crores (Previous year Rs. Nil)

Dividend

As per the terms of issue of Preference Shares, the Board has declared and paid, for the year ended 31st March, 2004, interim dividend aggregating to Rs.110.00 lacs on 1,00,00,000 - 11% Cumulative Non-Participating Preference Shares of Rs.10/- each. The Directors recommend the same as the final dividend.

The Directors recommend a dividend of 10% (Re.1/- per share) on the Equity Shares, which if approved by the Shareholders at the Annual General Meeting, will be paid to (i) all those Equity Shareholders whose names appear in the Register of Members as on 29th July, 2004 and (ii) to those whose names as beneficial owners are furnished by National Securities Depository Limited and Central Depository Services (India) Limited. The dividend will absorb a sum of Rs.97.50 lacs (including dividend tax of Rs.11.07 lacs).

Market Conditions and Profitability

Despite tough market conditions and intense competition, the Company has recorded a satisfactory revenue growth of 16% sales over the previous year.

The market for all types of goods, during the year under review, continued to be competitive. Prices of various inputs such as steel, copper and aluminium showed a significant rising trend. However, due to cost cutting, margin improvement, better working capital management and volume growth, there is a good improvement in profits.

Financial Restructuring

The Company, which was predominantly a marketing company, took up manufacturing activities in a big way since 1997-98 and set up manufacturing facilities for fans, die cast components and magneto assemblies at Chakan, the wind energy unit at Satara and the highmasts/tower manufacturing and galvanizing plant at Ranjangaon. As a result of these projects the term loans increased substantially leading to higher incidence of interest burden. This resulted in putting the Company in a severe cash crunch.

Due to low profitability and inadequate working capital facilities, the Company has been drawing a part of its operational requirements through short-term borrowings like Inter Corporate Deposits, Fixed

Deposits and Short Term Loans from Banks.

To overcome this situation, the Company took the following measures as a part of its financial restructuring:

1. Restructuring of Term Loans of Rs.36 crores with Banks/Financial Institutions for reduction in rate of interest, two years moratorium and repayment in the next five years in a ballooning manner;
2. Roll-over of Preference Shares of Rs.10 crores for a further period of five years to be redeemed in four tranches and reduction in coupon rate from 11% to 10%;
3. Sale of Development rights of land at Pune;
4. Infusion of long term funds by way of issue of Rights Shares.

Rights Issue

During the year under review, the Company issued to the existing equity shareholders 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 on the record date. The Rights Issue was fully subscribed and the shares were allotted to the applicants on 20th November, 2003. As per the objects of the issue, as specified in the Letter of Offer, the net proceeds from the Rights Issue have been utilized for reducing short term borrowings as under:

Rs.in lacs

	Projected Utilisation of Funds	Actual Utilisation of Funds
Share Issue Expenses	15.00	18.17
Repayment of ICDs	65.36	65.36
Redemption of Preference Share/ Repayment of ICDs	1000.00	1000.00

The net proceeds from the Rights Issue of Equity Shares have been utilized for repayment of ICDs on their respective due dates

Divisional Performances

Lighting and Industrial Products

These products include Lamps, Tubes, Luminaires, Highmasts and Projects. The turnover of these

products increased by about 14% at Rs. 248.71 crores during the year under review from Rs. 218.21 crores in the previous year.

Consumer Durables

Consumer Durables include fans and small appliances. The turnover increased by over 16% at Rs.224.14 crores during the year under review from Rs.192.80 crores in the previous year. The Company had launched various products like Coffee Makers, Irons, Toasters etc. under the Morphy Richards brand in the premium segment in the previous year. These products have been well received in the market. The contribution from this product range is expected to grow substantially in the coming years. Apart from this, the Company has continued to introduce new products and different models in the existing range of products and improved the technology and quality wherever possible, to improve its competitive edge.

Matchwel Unit

Consequent upon the retirement of the workers under the Voluntary Retirement Schemes, the Company had entered into a Memorandum of Understanding for sale of land along with development rights with M/s.Bramha Builders. In pursuance thereto, during the year under review, the Company had entered into an agreement with the said M/s.Bramha Builders for Sale of Development Rights of part of the land for a total consideration of Rs.13 crores. Out of the said consideration, the Company has received Rs.12.50 crores and the balance Rs.50 lacs will be received at the time of conveyance. The Company has also received a sum of Rs.2.25 crores as advance against the sale of development rights for part of the balance land.

Chakan Unit

The production at this Unit showed marginal increase during the year under review with production of 5,02,250 nos. of fans as against 4,97,467 nos. of fans in the previous year. This Unit continues to show an improvement in its operations.

Ranjangaon Unit

The Ranjangaon unit has increased its capacity utilisation to 78% compared to 60% in the previous year. The unit produced 1059 nos. of Highmast shafts, 7579 nos. of poles as against 691 nos. and 5616 nos. respectively in the previous year. The Unit

also manufactured 14013 MT of lattice mast/ transmission line towers as against 9258 MT in the previous year.

The Company continued its dominance in Highmast business with over 55% market share and the Bajaj Smart Poles introduced in the Indian market have received wide acceptance with an order book of over 11,000 Poles during the year, which is more than double the previous year's order book.

The Ranjangaon operations continue to incur loss due to high interest and depreciation burden and the product mix. The profitability was further affected due to unprecedented rise in steel prices.

With a good order book in hand and better prices, it is expected that the Unit will turnaround and make profits in the current financial year.

Wind Energy

The 2.8 MW Wind Farm at Village Vankusawade in Maharashtra generated about 44.07 lacs of electrical units during the year under review (previous year about 44.27 lacs units). The Company has transferred sales tax incentive available for Rs.167 lacs (previous year Rs. 177 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 debited to the Profit & Loss Account, net deferred tax liability of Rs.410.32 lacs in respect of the year under review.

Auditors' Qualifications

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

- (a) On the qualification regarding recoverability of debts (including loans and advances) owed to the Company by an erstwhile subsidiary i.e. Bajaj Ventures Ltd. (BVL) aggregating to Rs. 694.13 lacs, BVL was unable to repay the instalments amounting to Rs.50 lacs as stipulated, since its performance during the year under review was not satisfactory. However, BVL has been regular in payment of interest on the said debts. The Management of BVL has undertaken a restructuring exercise. It is also expected that with the substantial infra-

structural activities taking place in the country, the demand for power tools will go up and BVL will perform better in the years to come.

- (b) On the qualification regarding management's confidence and virtual certainty of the future profits for realizing deferred tax assets recognized in the accounts as required by Accounting Standard-22 "Accounting for Taxes on Income", attention is invited to Note No. (X) and Note No.4 of Schedule 14 – Notes to Accounts.

Depository System

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

Corporate Governance

To comply with conditions of Corporate Governance, pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Statement, Corporate Governance Report and Auditors' Certificate, are included in the Annual Report.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the information/ representations received from the Operating Management, 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;