

69th Annual Report 2007-08



Celebrating
60 years of
independence



BAJAJ

Bajaj Electricals Limited

Inspiring Trust



Dear Shareholders,

The year 2007-08 has been a particularly satisfying one for your Company. All our businesses have performed encouragingly. Several business initiatives have helped us put in place a sound platform for performance growth in the future.

The year saw our gross sales turnover improving by 26.08% to Rs. 1,403 crore, PAT by 89.41% to Rs. 73.13 crore and the EPS consequently grew by 87.62% to Rs. 42.29. The Directors of your Company are delighted to recommend payment of dividend for the year at 80% (last year 80%), after a Bonus issue of 1:1 in September, 2007, with a dividend payout of 19% of the net profit.

If we look at our performance on various parameters compared to last year, we see a substantial improvement as shown in the table below :

Rs. Crores			
	2006-07	2007-08	Growth (%)
Gross Sales Turnover	1113.01	1403.29	26.08
Net Sales Turnover	1077.30	1373.17	27.46
PAT	38.61	73.13	89.41
EPS (Rs.)	22.54	42.29	87.62
Net Worth	116.84	174.78	49.64
Capital Employed	361.26	415.60	15.04
Market Capitalisation*	336.60	749.51	122.67
ROCE (%)	23.24	33.85%	

* Market Capitalisation as at March 31.

While the previous year saw the market capitalization of your company cross the Rs. 336 crore mark, I am pleased to inform you that the current market capitalization of your company is over Rs. 749 crore, more than doubling the shareholder wealth in a short span of a year.

India continues to be a high growth economy with exciting opportunities for all. The Indian economy is estimated to grow at about 8.75% in 2008-09 despite a global slowdown. Agriculture has grown, albeit modestly, while industry and services sectors grew above 10%. Looking ahead, the overall growth story remains robust for the economy. However, inflationary pressures from petroleum prices, commodities and food grains need to be managed dynamically.

Technology, we know, is critical in ensuring efficiency and competitiveness and recognizing the need of the hour the Company has initiated the implementation of Oracle ERP, a powerful IT platform for financial, supply chain and various other Business processes and is expected to be completed in FY 2008-09.

We received 'Mera Brand' Awards for both Water Heaters and Fans in Consumer World Awards – 2008 held by FMCG Federation of India.

Your company has been an active participant in the Indian economy for the past 70 years and would continue to be even more relevant in coming years by sustaining superior business performance predicted on a healthy economic environment, continuous increase in consumer spend, strong organizational capabilities, powerful brands and a motivated employee team. We will drive growth by continuous improvements in our products and processes, enlargement of product range and by entering new categories and geographies. Our tie-ups with Nardi Elettrodomestici SpA of Italy for Gas Appliances, Securiton of Switzerland for Fire Alarms and Security Products and Delta Controls of Canada for BMS and HVAC are important steps for the future.

Our continued commitment to protect the environment is strong. We take pride in claiming that our initiative in the area of preserving the environment through the NGO "Paryavaran Mitra" has started making an impact as a number of our channel partners have extended their support to the cause of environment protection.

Our journey thus far has been made possible with the consistent support of the Bankers, Financial Institutions, Investors and all our stakeholders. We seek their continued patronage and support.

I greatly value the collective efforts of entire Team Bajaj and the contribution and involvement of my colleagues on the Board. Having 'Zoomed' ahead, I look forward to your active support during the year to enable the Company to accomplish its mission of "ACTION 2008".

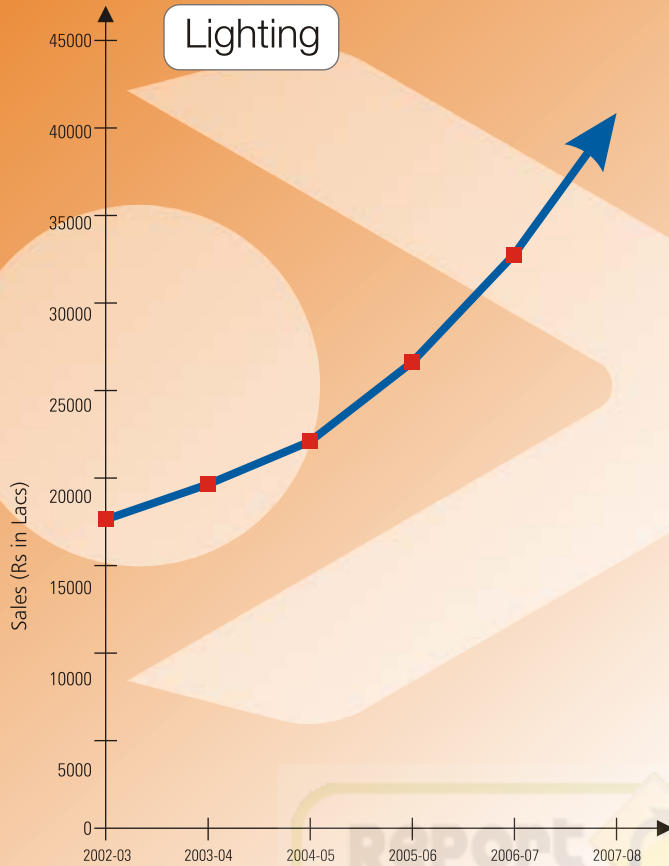
With warm regards,



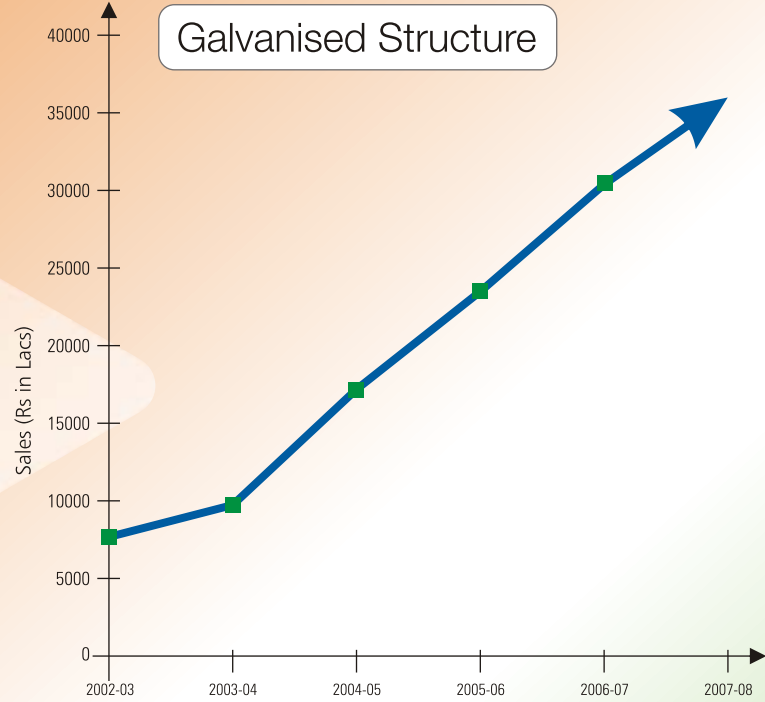
SHEKHAR BAJAJ
CHAIRMAN & MANAGING DIRECTOR

STATISTICS

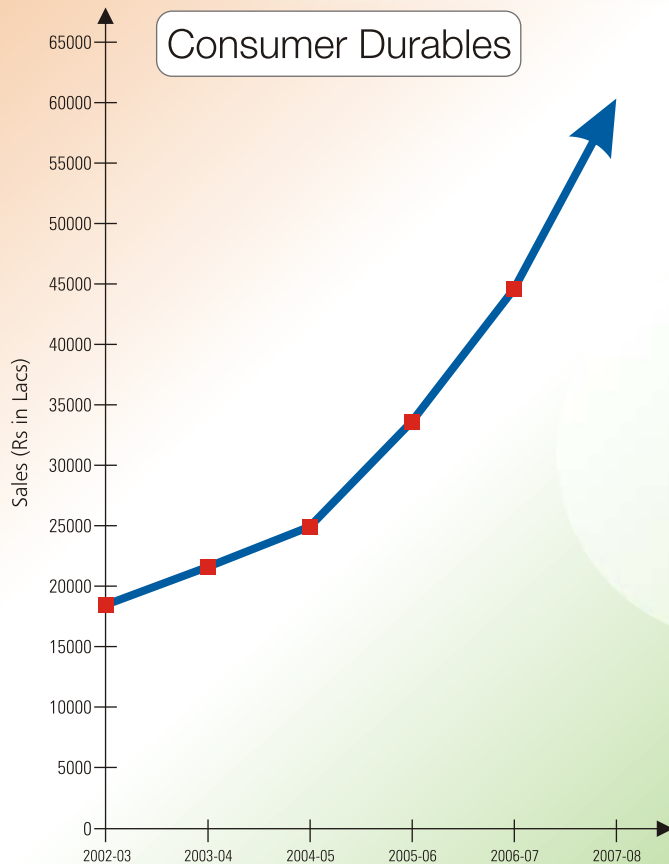
Lighting



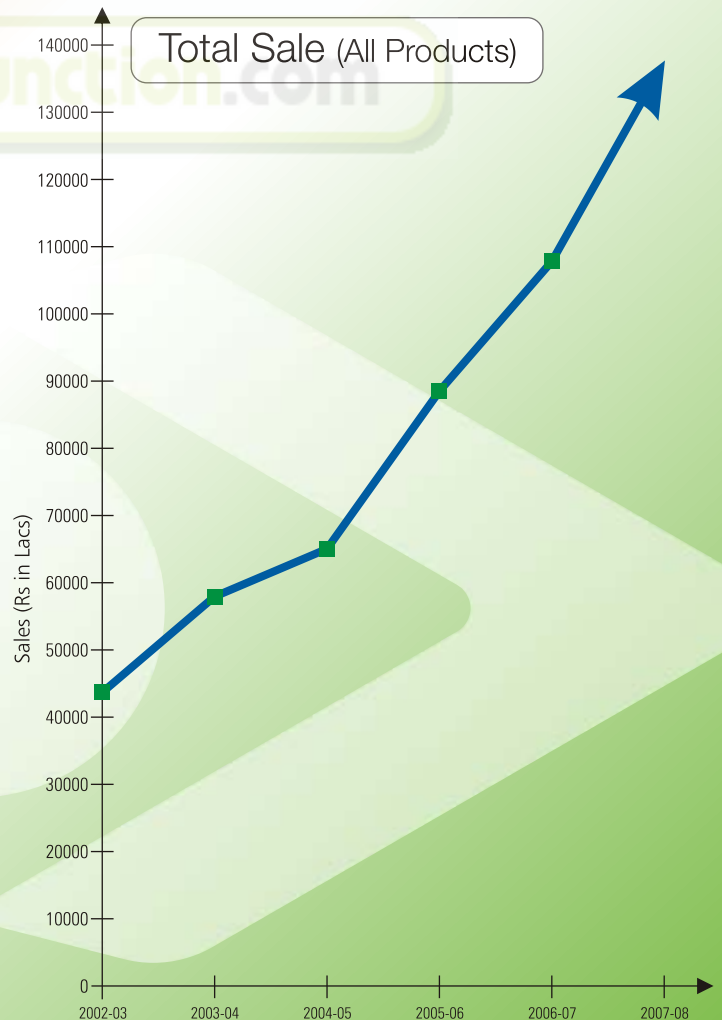
Galvanised Structure



Consumer Durables



Total Sale (All Products)





Board of Directors :

Shekhar Bajaj, Chairman & Managing Director
Harsh Vardhan Goenka
A.K.Jalan
Ajit Gulabchand
V.B.Haribhakti
Madhur Bajaj
Anant Bajaj, Executive Director
Dr.Indu Shahani
R.Ramakrishnan, Executive Director

Company Secretary :

Mangesh Patil

Auditors :

Dalal & Shah, Chartered Accountants

Bankers :

State Bank of Bikaner and Jaipur
Bank of India
Union Bank of India
State Bank of India
Yes Bank Ltd.

Registered Office :

45-47, Veer Nariman Road, Mumbai 400 001

Factories :

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

Branches :

Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh,
Chennai, Cochin, Delhi, Guwahati, Hyderabad, Indore,
Jaipur, Kolkata, Lucknow, Mumbai, Nagpur, Noida,
Patna, Pune, Raipur.

Depots :

Daman, Dehradun, Faridabad, Goa, Parwanoo, Ranchi &
Zirakhpur.

Management :

Shekhar Bajaj, Chairman & Managing Director
Anant Bajaj, Executive Director
R.Ramakrishnan, Executive Director
L.K.Mehta, President - Engineering & Projects BU
P.S.Tandon, President – Appliances BU
A.S.Radhakrishna, Executive Vice President & Head – Fans BU
Pravin Jathar, Executive Vice President & CFO
C.G.S.Mani, Executive Vice President & Head -Lighting BU
Gulshan Aghi, Executive Vice President & Head – Luminaires BU
Vivek Sharma, Vice President & Business Head (Morphy Richards)
Prataprao S. Gharge, Vice President & CIO
R.Ramesh, Vice President - Human Resources & Administration

Ranjangaon Unit :

Jayant K.Deshmukh, Chief General Manager & Head (Operations)



Contents	Page No.
Notice	2
Directors' Report	5
Report on Corporate Governance	13
Auditors Certificate on Corporate Governance	25
Management Discussion and Analysis	27
Report of the Auditors to the Members	54
Balance Sheet	58
Profit & Loss Account	59
Schedules forming part of the Financial Statements	60
Cash Flow Statement	85
Balance Sheet Abstract and Company's General Bussiness Profile	86
Financial Position at a Glance	87

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 as well as in our concern for environment protection. Shareholders are therefore requested to bring their copies of the Annual Report to the meeting.

Registered Office: 45-47, Veer Nariman Road, Mumbai 400 001.

NOTICE

NOTICE is hereby given that Sixty-ninth Annual General Meeting of Bajaj Electricals Limited will be held on Thursday, the 24th day of July, 2008 at 11.30 A.M. at Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, Nariman Point, Mumbai 400 021 to transact the following business:

1. To consider and adopt the Profit and Loss Account for the financial year ended 31st March, 2008 and the Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri Harsh Vardhan Goenka, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri V.B.Haribhakti, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s.Dalal & Shah, Chartered Accountants, retiring Auditors, as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution, as an Ordinary Resolution:
 "RESOLVED THAT in modification of the resolution passed at the 66th Annual General Meeting of the Shareholders of the Company held on 28th July, 2005, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactments thereof for the time being in force, to borrow any sum or sums of money for and on behalf of the Company from time to time for the purpose of the Company notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, which have not been set apart for any specific purpose but so that the total amount upto which the money may be borrowed shall not exceed Rs.500 crores (Rupees Five Hundred crores only), over and above the paid-up capital and free reserves, on account of the principal."
7. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an Ordinary Resolution:
 "RESOLVED THAT pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge, in addition to the mortgages and/or charges created/to be created by the Company, in such form and manner and with such ranking as to priority and for such time and on such terms as the Board may determine, all or any part of the immovable and/or movable properties/assets of the Company wherever situate, both present and future, to or in favour of any Bank(s), Financial Institution(s), Company(ies) or other Organisation(s) or Institution(s) or Trustee(s) (hereinafter referred to as the 'Lending Agencies') in order to secure the loans (excluding temporary loans obtained from the Company's Bankers in the ordinary course of business) advanced/to be advanced by such lending agencies to the Company together with interest at the respective agreed rates, compound/additional interest, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said borrowings.

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things and to execute such deeds, documents or writings as are necessary or expedient, on behalf of the Company for creating the aforesaid mortgages and/or charges as it may in its absolute discretion deem necessary or expedient for such purpose and for giving effect to the above resolution."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxies to be effective, should be deposited at the registered office of the Company not later than 48 hours before the commencement of the meeting.

2. An explanatory statement pursuant to Section 173 of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 17th day of July, 2008 to 24th day of July, 2008 (both days inclusive).
4. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.
5. Disclosure pursuant to Clause 49 of the Listing Agreement with respect to the Directors seeking re-appointment at the forthcoming Annual General Meeting is given below :-

Details of Directors seeking Re-appointment in the forthcoming Annual General Meeting

Name of Director	Brief Resume & Functional Expertise	Appointment/ Re-appointment	No. of Shares held in the Company	List of other Companies in which Directorship is held	Chairman / Member of the Mandatory Committees of the Board of other Companies on which he is a Director
H.V.Goenka	Aged about 50 years, B.A. (Hons.) from Kolkata University, MBA from IMD Switzerland, a member of the Board since 1984, Industrialist with over 22 years of experience in managing large enterprises	Re-appointment on retirement by rotation	Nil	1. Ceat Ltd. 2. KEC International Ltd. 3. RPG Enterprises Ltd. 4. Spencor International Hotels Ltd. 5. RPG Life Sciences Ltd. 6. Raychem RPG Ltd. 7. SICOM Ltd. 8. Zensar Technologies Inc 9. Zensar Technologies Ltd.	Nil
V.B.Haribhakti	Aged about 78 years, Chartered Accountant in practice for the past several years, a member of the Board since 1991 with considerable experience in the field of accountancy and management.	Re-appointment on retirement by rotation	Nil	1. Rohit Pulp and Paper Mills Ltd. 2. The Simplex Realty Ltd. 3. The Anglo-French Drug Co. (Eastern) Ltd. 4. Ester Industries Ltd. 5. Lakshmi Automatic Loom Works Ltd. 6. Hindustan Composites Ltd. 7. Tilaknagar Industries Ltd. 8. Haribhakti MRI Corporate Services Pvt. Ltd.	Hindustan Composites Ltd. – Audit Committee (Chairman) Ester India Ltd. – Audit Committee (Chairman) Tilaknagar Industries Ltd. – Audit Committee (Chairman) Rohit Pulp and Paper Mills Ltd. – Audit Committee (Member) Lakshmi Automatic Loom Works Ltd. – Audit Committee (Member) Hindustan Composites Ltd. – Shareholders Grievance Committee (Member) Tilaknagar Industries Ltd. – Shareholders Grievance Committee (Member)

By Order of the Board of Directors
For Bajaj Electricals Limited

Mangesh Patil
Company Secretary

Mumbai, May 27, 2008

Registered Office: 45-47, Veer Nariman Road, Mumbai 400 001.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Resolutions at Item No. 6 & 7

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the consent of the Company in the general meeting, borrow money in the aggregate (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) which exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

Presently, as per the resolution passed under Section 293(1)(d) of the Companies Act, 1956 at the Annual General Meeting of the Company held on 28th July, 2005, the Board of Directors of the Company are authorized to borrow funds upto Rs.200 crores over and above the paid-up capital and free reserves of the Company. Considering the increase in the level of operations and its expansion plans, the Board is of the opinion that this limit needs to be increased to Rs.500 crores over and above the paid-up capital and free reserves of the Company for the time being.

The borrowings of the Company in general are required to be secured from time to time by creation of mortgage or charge on all or any of the movable or immovable property(ies)/assets of the Company in such form and manner as may be required by the lenders and acceptable to the Board of Directors of the Company. Mortgaging or creating charge by the Company of its assets to secure the funds borrowed from time to time within the overall limits of borrowing powers delegated to the Board of Directors, may be construed as disposal of the Company's undertaking within the meaning of Section 293(1)(a) of the Companies Act, 1956. It is therefore considered necessary for the Members to authorise the Board to create mortgage/charge on Company's assets in the manner proposed in the resolution to secure the funds borrowed by the Company from time to time.

None of the Directors of the Company is in any way interested or concerned in these resolutions.

Your Board recommends the Resolutions for your approval.

By Order of the Board of Directors
For Bajaj Electricals Limited

Mangesh Patil
Company Secretary

Mumbai, May 27, 2008

DIRECTORS' REPORT

To
The Members,

The Directors are pleased to present their Sixty-ninth Annual Report on the business and operations of the Company and the Statement of Accounts for the year ended 31st March, 2008.

Financial Highlights / Sales and Other Income

For the financial year 2007-08, your Company achieved an overall growth in turnover of 27.46% and Profit After Tax registered a growth of 89.41%. All BUs have achieved over 100% of their respective profit budgets. The financial figures are given below :

Financial Results

	Rs. in Crore	
	FY 2007-08	FY 2006-07
Gross Sales Turnover and Other Income *	1409.61	1,118.88
Gross Profit before Interest & Depreciation	148.23	91.23
Less : Interest	29.34	23.07
Less : Depreciation	7.45	7.29
Profit before Taxes & Provisions	111.44	60.87
Less : Provision for Taxation (including deferred taxation & FBT)	38.31	21.68
Less : Extraordinary Items -		
(i) Impact of discontinued operations	-	0.58
Profit after Tax	73.13	38.61
Less : Prior Period Adjustments	0.03	0.09
Add : Balance brought forward from previous year	10.90	7.00
Balance available for appropriation	84.00	45.52
Appropriations :		
(i) Capital Redemption Reserve	-	1.60
(ii) Dividend : Equity	13.83	6.91
Preference	-	0.12
(iii) Tax on Corporate Dividend	2.35	0.99
(iv) Transferred to General Reserve	50.00	25.00
Balance carried to Balance Sheet	17.82	10.90

* Other income Rs.5.01 crore (Previous year - Rs.4.30 crore)

Dividend

During the year the Company issued Bonus Equity Shares in the ratio of 1:1. The Directors are now pleased to recommend, for the year ended 31st March, 2008, a dividend of 80% on the Equity Shares of the Company (Previous year 80%). The payment of dividend is subject

to the approval of the shareholders at the Annual General Meeting and will be paid on 1,72,85,760 Equity Shares @ Rs.8/- per share. The dividend will absorb a sum of Rs.16.18 crore (including dividend tax of Rs.2.35 crore).

Operations :

Lighting

The turnover of lighting products viz. Lamps, Tubes, Luminaires, and Domestic fittings increased by about 24% at Rs.410 crores during the year under review from Rs.330 crores in the previous year.

The Division is continuously working on developing energy-efficient consumer luminaire. It has successfully launched LED based luminaries for landscape & decorative lighting. It has also entered into an arrangement with Helvar Ltd of Finland for Dimming & Non-Dimming electronic ballasts as also for Lighting Controls to offer complete energy saving solutions to discerning class of customers and has partnered with Securiton of Switzerland & Delta Controls of Canada to offer the latest and cutting edge Security and BMS (Building Management Systems) to its institutional customers.

Consumer Durables

The turnover of consumer durables, which include fans and small appliances, increased by over 35% at Rs.611 crores during the year under review from Rs.453 crores in the previous year. The Company's Morphy Richard brand has emerged as the fastest growing premium brand with a growth of 51% and a CAGR of 44%. The Company has continued to introduce new range of products with varied models and improve the technology and quality in order to gain a competitive advantage.

Chakan Unit

The production at this Unit showed decrease during the year under review with production of 2,87,474 nos. of fans as against 3,78,822 nos. of fans in the previous year. We are developing this Unit to cater to our growing export requirement.

Engineering & Projects

The E & P BU has achieved a turnover of Rs.382 crore as compared to Rs.330 crore in the previous year, registering a growth of 16% and a CAGR of 20%. The Unit produced 3,169 nos. of Highmasts and 29,518 nos. of Poles as against 2,970 nos. and 17,181 nos. respectively in the previous year. The Unit also manufactured 21,604 MT of transmission line towers as against 25,223 MT in the previous year.

The infra-structure development continues to be the Government's focus area, which offers a good opportunity to this division to improve its growth and profitability in the future.

Wind Energy

The 2.8 MW Wind Farm at Village Vankusawade in Maharashtra generated 27,02,563 electrical units during the year under review (previous year 40,93,311 units).

Stock Options

Members' approval was obtained at the Annual General Meeting of the Company held on 26th July, 2007 for introduction of Employee Stock Option Scheme.

Under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Remuneration & Compensation Committee of your Company has granted 7,46,900 Stock Options, under two plans namely Growth and Loyalty, to the eligible employees during the year under review. Out of the total granted options, the options which are in force as on 31st March, 2008 under the Scheme are 7,09,100. These options would vest in four tranches and are exercisable within a period of 5 (five) years from the date of vesting.

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure-I, to this report.

Risk Management

The Company has designed a system of internal control with the objective of safeguarding the Company's assets, ensuring that transactions are properly authorized, and providing significant assurance at reasonable cost, of the integrity, objectivity and reliability of financial information. The management of the Company duly considers and takes appropriate action on recommendations made by the statutory auditors, internal auditors and the independent Audit Committee of the Board of Directors.

The Company wide Risk Management framework for controls testing pertaining to financial reporting is well established.

Corporate Governance

Your Company has been practising the principles of good corporate governance over the years and lays strong emphasis on transparency, accountability and integrity.

A Report on Corporate Governance and a Statement on Management Discussion and Analysis, as required under Clause 49 of the Listing Agreement are annexed.

All the Board members and senior management personnel have affirmed compliance with the Code of Conduct for the year 2007-08. A declaration to this effect signed by the Chief Executive Officer (CEO) of the Company is contained in this Annual Report.

The CEO and Chief Financial Officer (CFO) have certified to the Board with regard to the financial statements and

other matters as required in Clause 49 of the Listing Agreement and the said Certificate is contained in the Annual Report.

Social Initiatives

Since inception, your Company has engaged in activities which add value to the communities around it. Your Company and its employees are closely associated with "Paryavaran Mitra" (Friends of Environment) a non-government organization (NGO) and involved in numerous activities like tree plantation, cleanliness drive, tobacco free environment and creation of social awareness, training & dissemination of information concerning Paryavaran (Environment) and Pollution and host of other activities for a noble cause of environment protection at Company's various locations.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Act, 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;
- (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.

Subsidiaries

The Company has no subsidiary as on 31st March, 2008.

Directors

In accordance with the provisions of the Companies Act, 1956 and Article 126 of the Articles of Association of the Company, Shri Harsh Vardhan Goenka and Shri V.B.Haribhakti retire by rotation and being eligible, offer themselves for re-appointment.

Brief resumes of the Directors proposed to be re-appointed as required under Clause 49 of the Listing Agreement are provided in the Notice of the Annual General Meeting forming part of the Annual Report.