



Bharat Bijlee Limited

56th ANNUAL REPORT

Year Ended March 2003

DIRECTORS

Mr. Bansi S. Mehta (Chairman)

Mr. Nikhil J. Danani
(Vice Chairman & Managing Director)

Mr. Nakul P. Mehta
(Vice Chairman & Managing Director)

Mr. Jaisingh R. Danani

Mr. Mukul Harkisondass

Mr. Prakash V. Mehta

Mr. Anand J. Danani

Mr. Deepak S. Parekh
(Alternate to Mr. Anand J. Danani)

Mr. N. Balakrishnan

Mr. Sanjiv N. Shah

Mr. Jairaj C. Thacker

REGISTERED OFFICE

Electric Mansion, 6th Floor,
Appasaheb Marathe Marg, Prabhadevi,
Mumbai 400 025.

Tel. No. : 022-24306237

Fax No. : 022-24370624

WORKS

Plot No. 2, MIDC Industrial Estate,
Belapur Road, Kalwa,
Thane 400 601.

Maharashtra.

Tel. No. : 022-27600401

Fax No. : 022-27600443

AUDITORS

Messrs Dalal & Shah

SOLICITORS

Messrs Malvi Ranchoddas & Co.

BANKERS

Bank of India

The United Western Bank Limited

Syndicate Bank

Indian Bank

REGIONAL OFFICES**Western Regional Offices**

Swastik Chambers, 5th Floor,
Junction of Sion Trombay Road and C.S.T. Road,
Chembur, Mumbai 400 071.
Tel. No. : 022-25228771
Fax No. : 022-25225870

Northern Regional Office

Milap Niketan, 4th Floor,
8-A, Bahadur Shah Zafar Marg,
New Delhi 110 002.
Tel. No. : 011-23319694
Fax No. : 011-23319413

Eastern Regional Office

Mansarowar, 2nd Floor,
3B, Camac Street,
Kolkata 700 016.
Tel. No. : 033-22172382
Fax No. : 033-22172467

Southern Regional Office

Ramanashree Chambers,
37, Lady Curzon Road,
Bangalore 560 001.
Tel. No. : 080-5592646
Fax No. : 080-5592823

REGISTRAR & SHARE TRANSFER AGENTS**Intime Spectrum Registry Ltd.**

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg,
Bhandup (W),
Mumbai 400 078.
Tel. No. : 022-25923837
Fax No. : 022-25672693



NOTICE

Notice is hereby given that the 56th Annual General Meeting of Bharat Bijlee Limited will be held at Walchand Hirachand Hall, Indian Merchants' Chamber Building, Veer Nariman Road, Churchgate, Mumbai 400 020 on Tuesday, 12th August, 2003 at 4.00 p.m. to transact the following business:

1. To receive and adopt the Audited Profit and Loss Account for the year ended 31st March, 2003 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Anand J. Danani who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Bansi S. Mehta who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. Jaishigh R. Danani who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors of the Company for the ensuing year and to authorise the Board of Directors or its Audit Committee to fix their remuneration. Pursuant to Section 224A(1) of the Companies Act, 1956 a special resolution will be proposed for their re-appointment.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

“RESOLVED that the accounts for the year ending 31st March, 2004 of the Company's branches at New Delhi, Kolkatta, and Bangalore be audited otherwise than by the Company's Auditors and that for the audit of the accounts of these branches the Company hereby authorises the Board of Directors or its Audit Committee to appoint as Branch Auditor or Branch Auditors in consultation with the Company's Auditors, a person or firm of persons qualifying for appointment as auditors of the Company under Section 226 of the Companies Act, 1956 and to fix the terms and conditions of appointment and remuneration of such Branch Auditors.”

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, the Company hereby approves the reappointment of Mr. Nikhil J. Danani as Managing Director for a further period of 5 years with effect from 20th June, 2003 on the terms and conditions and remuneration as follows:

Salary: In the range of Rs. 50,000 per month to Rs. 1,25,000 per month. The Board of Directors or its

Committee thereof, be and are hereby authorised in its absolute discretion, to fix, from time to time, within the range stated above, the salary payable to the Managing Director.

Commission: Commission at the rate of 1% of net profits of the Company in addition to salary and perquisites, subject to the overall ceiling stipulated in Section 198 and 309 of Companies Act, 1956, the actual amount to be determined by Board of Directors at the end of each financial year.

Perquisites: Accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, reimbursement of expenditure or allowances in respect of maintenance, utilities such as gas, electricity, water, furnishing and repair of the house, medical reimbursement, and leave travel concession for self and family, personal accident insurance, medical insurance, club expenses, hospitalisation expenses and such other perquisites and allowances as may be agreed to by the Board of Directors or its Committee and the Managing Director. Such perquisites and allowances shall be restricted to a maximum of 100% of annual salary.

“Family” means the spouse, dependent children and dependent parents, of the individual or any of them, wholly or mainly dependent on the individual.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per income-tax Rules, wherever applicable, in the absence of any such Rules, the perquisites shall be evaluated at actual costs.

Provision of car and driver for use on the Company's business and telephones (fixed and mobile) will not be considered as perquisites.

The Managing Director shall also be eligible to the following perquisites which shall not be included in computation of ceiling on the Managing Directors' remuneration as aforesaid:

- (a) The Company's contributions to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act, 1961.
- (b) Gratuity payable to the Managing Director as per the Rules of the Company.
- (c) Encashment of leave at the end of the Managing Director's tenure.

Minimum Remuneration: Notwithstanding anything to the contrary contained herein above, wherein in any financial year, during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay salary, perquisites and allowances as specified above to the Managing Director as Minimum Remuneration to him.

The Managing Director, so long as he functions as such shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The Managing Director, shall not be subject to retirement by rotation during his tenure as Managing Director of the Company."

9. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, the Company hereby approves the reappointment of Mr. Nakul P. Mehta as Managing Director for a further period of 5 years with effect from 20th June, 2003 on the terms and conditions and remuneration as follows:

Salary: In the range of Rs. 50,000 per month to Rs. 1,25,000 per month. The Board of Directors or its Committee thereof, be and are hereby authorised in its absolute discretion, to fix, from time, within the range stated above, the salary payable to the Managing Director.

Commission: Commission at the rate of 1% of net profits of the Company in addition to salary and perquisites, subject to the overall ceiling stipulated in Section 198 and 309 of Companies Act, 1956, the actual amount to be determined by Board of Directors at the end of each financial year.

Perquisites: Accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, reimbursement of expenditure or allowances in respect of maintenance, utilities such as gas, electricity, water, furnishing and repair of the house, medical reimbursement, and leave travel concession for self and family, personal accident insurance, medical insurance, club expenses, hospitalisation expenses and such other perquisites and allowances, as may be agreed to by the Board of Directors or its Committee and the Managing Director. Such perquisites and allowances shall be restricted to a maximum of 100% of annual salary.

"Family" means the spouse, dependent children and dependent parents, of the individual or any of them, wholly or mainly dependent on the individual.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable, in the absence of any such Rules, the perquisites shall be evaluated at actual costs.

Provision of car and driver for use on the Company's business and telephones (fixed and mobile) will not be considered as perquisites.

The Managing Director shall also be eligible to the following perquisites which shall not be included in computation of ceiling on the Managing Directors' remuneration as aforesaid:

- The Company's contributions to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act, 1961.
- Gratuity payable to the Managing Director as per the Rules of the Company.
- Encashment of leave at the end of the Managing Director's tenure.

Minimum Remuneration: Notwithstanding anything to the contrary contained herein above, wherein in any financial year, during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay salary, perquisites and allowances as specified above to the Managing Director as Minimum Remuneration to him.

The Managing Director, so long as he functions as such shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The Managing Director, shall not be subject to retirement by rotation during his tenure as Managing Director of the Company."

NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. INSTRUMENTS APPOINTING PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, 28th July, 2003 to Tuesday, 12th August, 2003 (both days inclusive).
- The Dividend on Equity Shares, if declared, will be paid to those Shareholders whose names shall appear on the Company's Register of Members on July 28th 2003. In respect of shares in dematerialised form, dividend will be paid to the beneficial owners as at the end of business on July 25th 2003 as per details to be furnished by the Depositories for the purpose. Dividend warrants will be despatched on or after 1st September, 2003.
- Shareholders may avail the facility of Electronic Clearing Service (ECS) for receiving direct credit of dividend to their accounts with Banks. Bank details for the purpose may be given in the proforma annexed herewith on or before July 25th 2003.

(E) The Explanatory Statement is annexed to this notice as regards items 3 to 5, and 7 to 9 of the business as required under section 173 and other applicable provisions of the Companies Act, 1956 and Clause No. 49 of the Listing Agreement with Stock Exchanges..

(F) It is notified for the information of shareholders concerned that the unclaimed dividends on equity and preference shares for the year ended 31-3-1995 has been transferred by the Company to the General Revenue Account of the Central Government and the same can be claimed by such shareholders from the Registrar of Companies, Maharashtra, Office of the Registrar of Companies, Central Government Office Building, A Wing, 2nd Floor, Next to Reserve Bank of India, CBD Belapur, 400 614 by submitting an application in the prescribed form No. II under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

As per the provision of Section 205A read with Section 205C of the Companies Act, 1956 a Company is required to transfer its unclaimed dividends, debentures, bonds, redeemed preference shares, fixed deposits, interest on fixed deposits, interest on debentures etc. upto the financial year March 31, 1995 and onwards which remain unpaid or unclaimed for a period of 7 years to the Investor Education and Protection Fund set up by the Central Government. The Company has in compliance transferred all such unclaimed amounts excluding dividends upto the financial year 31st March, 1996 to the said fund. It may be noted that no claims will lie against the Company in respect of the said unclaimed amount(s) transferred to the said fund. Members who have not claimed the dividends declared for the Financial Year 31-3-1996 and onwards are requested to lodge their claim immediately with the Company's Registrar and Transfer Agents at the address mentioned in the Annual Report.

(G) The Registrar and Transfer activity of shares held in physical and demat form continue to be carried out by our Registrars, M/s Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078, Phone No. 022-25923837.

The Register of Members continue to be maintained at the Registered Office of the Company.

(H) Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders may file nomination in respect of their shareholdings. Any shareholder willing to avail of this facility may submit to the Company the prescribed Form 2B, if not already filed.

(I) The Equity Shares of the Company are listed on the following stock exchanges:

1. The Stock Exchange, Mumbai
Pheroze Jeejeebhoy Towers
Dalal Street,
Mumbai 400 001
2. The Delhi Stock Exchange Association Ltd.
DSE House, 3/1 Asaf Ali Road
New Delhi 110 002

The listing fee for the period 1.4.2003 to 31.3.2004 to the above Exchanges has been paid.

REQUEST TO THE MEMBERS

1. Members desiring any information on the Accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring the copy of the Annual Report to the Meeting.
3. Members who hold shares in the dematerialised form are requested to bring their Depository Account Number for identification.

By Order of the Board

D.N. NAGARKAR

Company Secretary &
Deputy General Manager: Legal

Registered Office:
Electric Mansion, 6th Floor
Appasaheb Marathe Marg,
Prabhadevi, Mumbai 400 025

Dated: 30th May, 2003

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item Nos. 3, 4 & 5**

Mr. Anand J. Danani holds a degree in Commerce from the Mumbai University and a Masters degree in Business Administration from USA. He has vast knowledge and experience in the Banking and Finance industry and is an expert in Business Management & Marketing.

He has been a Director on the Board of the Company since 23rd March, 1995.

Mr. Bansi S. Mehta holds a degree in Commerce and is a fellow member of the Institute of Chartered Accountants in India. He is a renowned Accountant in practice and an expert in taxation, accounting matters, and Mergers & Acquisitions. He has been a Director on the Board of the Company since September 26th, 1986 and Chairman of the Board of Directors since November 29, 1994.

He is on the Board of the following prominent companies:

1. Atul Ltd.
2. Century Enka Ltd.
3. Ceat Ltd.
4. Housing Development Finance Corpn. Ltd.
5. IL&FS Investment Managers Ltd.
6. JB Chemicals & Pharmaceuticals Ltd.
7. Pidilite Industries Ltd.
8. Procter & Gamble Hygiene and Health Care Ltd.
9. Varun Shipping Co. Ltd.
10. Sudarshan Chemical Industries Ltd.
11. The Dawn Mills Co. Ltd.
12. The Vinyl Chemicals (India) Ltd.

He is also an Alternate Director in

1. Chemetall Rai India Ltd.
2. Uhde India Ltd.
3. Sasken Communication Technologies Ltd.
4. Demech Contractors Ltd. (Incorporated outside India)

Mr. Mehta is on the following Committees:

Sr. No.	Company	Name of the Committee
1.	Housing Development Finance Corporation Limited	Compensation & Audit
2.	Atul Limited	Audit

Sr. No.	Company	Name of the Committee
3.	Century Enka Limited	Audit
4.	Procter & Gamble Hygiene and Health Care Limited	Audit
5.	IL & FS Investment Managers Ltd.	Audit
6.	J.B. Chemicals & Pharmaceuticals Ltd.	Audit
7.	Sudarshan Chemical Industries Ltd.	Audit
8.	Sasken Communication Technologies Ltd.	Audit
9.	Pidilite Industries Ltd.	Audit

Chairman

Mr. Jaisingh R. Danani has been a Director on the Board of the Company since August 27th, 1955 and was one of the Managing Directors of the Company from March 18, 1963 to March 31, 1990.

Mr. Danani along with the late Chairman and Managing Director, Mr. Prahlad C. Mehta nurtured the Company for over 35 years with his entrepreneurial skill, dedication, high ethical standards and vision to create strong core values and principles which have helped the Company to withstand a highly competitive environment for well over 50 years.

Mr. Danani has over 50 years of experience in the Electrical Engineering Industry and it was under his guidance that the Company entered the lift business 30 years ago and successfully established its "Olympus" brand of lifts in India.

Item No. 7

It is obligatory on the part of the Company to have all its branches audited by the statutory auditors of the Company unless the Company in general meeting decides to have any branches audited by persons qualified to be appointed as auditors of the Company under Section 226 of the Companies Act, 1956. The Company has branches at Delhi, Kolkatta, and Bangalore. The necessary authorisation of the members is sought, in accordance with the provision of Section 228(3) of the Companies Act, 1956, to enable the Board of Directors to appoint branch auditors in consultation with the Company's auditors, to audit the accounts of the aforesaid branches and to fix terms, conditions and remuneration, as the Board may deem fit.

None of the Directors are concerned or interested in the Resolution.

Item Nos. 8 & 9

Mr. Nikhil J. Danani and Mr. Nakul P. Mehta were reappointed as Managing Directors for a period of 5 years w.e.f. 20th June, 1998 and hence their term of office expires on 19th June, 2003. The Board of Directors at their meeting held on 30th May, 2003 have reappointed them as Managing Directors for a further period of 5 years with effect from 20th June, 2003 subject to obtaining the requisite approval of shareholders at the ensuing Annual General Meeting. Their reappointment and remuneration is in terms of Section 269 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereof.

The proposed remuneration of the Managing Directors was approved by the Remuneration Committee at its meeting held on 28th May, 2003.

Ordinary resolutions proposing the terms and conditions of their appointment as set out in item Nos. 8 and 9 of the accompanying notice are now being placed before the members at the Annual General Meeting for their approval.

Mr. Nikhil J. Danani holds a Bachelor Degree in Mechanical Engineering and a Masters Degree in Business Administration from Rutgers University, USA. He has been employed with the Company since 1975 and is one of the Managing Directors, since 1st April, 1990. Mr. Danani has over 25 years experience in the business of Transformers and Motors with vast knowledge in the field of Electrical Engineering Industry.

He is a Director on the Board of M/s. Danmet Chemicals Pvt. Ltd.

Mr. Nakul P. Mehta holds a Bachelor Degree in Science and also Bachelor and Master of Science Degrees in Mechanical Engineering. He has been employed with the Company since 1984 and is one of the Managing Directors since 1st April 1990. Mr. Mehta has vast experience in the elevator business and over 18 years experience in the Electrical Engineering Industry.

He is a Director on the Board of M/s. Nasivan Investments Pvt. Ltd. and a Managing Committee Member of M/s. Gayatri Education, Medical & Research Foundation.

Mr. Nikhil J. Danani, Mr. Jaisingh R. Danani and Mr. Anand J. Danani are concerned or interested in the Resolution No. 8 and Mr. Nakul P. Mehta is concerned or interested in Resolution No. 9.

None of the other Directors are concerned or interested in the Resolutions.

The explanatory statement together with the Notice should be treated as an abstract under Section 302 of the Companies Act, 1956.

A copy of the resolution passed by the Board at its meeting held on 30th May, 2003 in this regard maybe inspected at the Registered Office of your Company on any working day between 10.30 a.m. to 12.30 p.m.

By Order of the Board

D.N. NAGARKAR

Company Secretary &
Deputy General Manager: Legal

Registered Office:
Electric Mansion, 6th Floor
Appasaheb Marathe Marg,
Prabhadevi, Mumbai 400 025

Date: 30th May, 2003



REPORT OF THE DIRECTORS TO THE MEMBERS

The Directors take pleasure in presenting their 56th Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

	Year ended 31st March, 2003 Rupees in lakhs	Year ended 31st March, 2002 Rupees in lakhs
Sales	16281.89	14099.45
Other Income	222.44	151.06
	16504.33	14250.51
Profit/(-)Loss before Interest & Financial Charges		
Depreciation and Tax	762.86	- 5.96
Less: Interest & Financial Charges	439.12	485.18
Less: Depreciation	138.97	146.23
Profit/(-)Loss Before Taxation	184.77	- 637.37
Less: Provision for Taxation	7.74	- 173.12
Profit/(-)Loss for the year	177.03	- 464.25
Short(-)/Excess Provision of tax for earlier years	- 1.08	0.32
	175.95	- 463.93
Add: Transfer from General Reserve	—	463.93
Add: Profit brought forward	86.82	86.82
Net Surplus available for Appropriation	262.77	86.82
APPROPRIATION:		
Proposed Equity Dividend	56.52	—
Tax on proposed Equity Dividend	7.24	—
Profit Carried Forward	199.01	86.82

DIVIDENDS

In view of the profitable performance, the Directors recommend dividend payment of Rs. 10 per share on 5,65,156 equity shares of Rs. 100 each for the year ended 31st March, 2003.

OPERATIONS

The year under review saw some respite from a five year period of adverse market conditions, and the Company was able to secure and execute higher volumes of business.

Orders received during the year were higher by 39% at Rs. 190.01 crores, and the order backlog as of 31st March, 2003 strengthened by 36% to Rs. 114.43 crores. Sales and other income increased by Rs. 22.53 crores, from Rs. 142.51 crores to Rs. 165.04 crores, representing a growth of 16%.

Although the business environment remained challenging and price realisations stagnant, higher volumes backed by cost reduction initiatives and improvements in productivity enabled the Company to turn around a loss situation of Rs. 6.37 crores before tax during the previous year to a profit of Rs. 1.85 crores before tax but after writing off 1/5th i.e. Rs. 1.59 crores of VRS expenditure.

EXPANSION OF TRANSFORMER MANUFACTURING FACILITIES

The expansion of the transformer manufacturing facilities at Kalwa to manufacture transformers of higher ratings upto 160 MVA/220 KV is in progress. While finalising the project in consultation with a renowned international consultant, the scope of expansion underwent civil engineering changes and technical upgradation due to which the project investment increased by Rs. 3 crores. The total resources have been secured, at a cost lower than that of the earlier term borrowings for this purpose. The new plant will have modern manufacturing facilities of international standards, and is expected to become functional in July 2003. This will enlarge the Company's range of transformers and will also create flexibility to improve the mix and margins of the existing range.

CHANGE INITIATIVES

The ongoing emphasis on productivity improvement in both factory and field operations, cost control, vendor development, customer orientation and rigorous management of working capital has already shown results, and will continue to be a focus area. It is expected that the successful implementation of ERP systems in the Industrial Products segment will contribute to reductions in overall cycle time and inventory.

FINANCE

Despite tight liquidity conditions for the fourth successive year, with appropriate funds planning, some strategic financial sourcing, marginal support of packing credit and drop in interest rates, the Company was able to sustain a growth of approximately Rs. 22 crores in Sales and finance the VRS with no default whatsoever in meeting obligations, legal or otherwise, and at the same time reduce the interest cost by Rs. 46 lakhs over the previous year.

As on 31st March, 2003, the Company had Fixed Deposits aggregating to Rs. 746.82 lakhs. Out of Fixed Deposits which matured for payment prior to 31st March, 2003, 42 deposits aggregating to Rs. 4.78 lakhs were neither renewed nor claimed till 31st March, 2003. Of these 4 deposits aggregating to Rs. 0.45 lakhs have since been repaid on receipt of requests from the deposit holders. The balance of 38 deposits aggregating to

Rs. 4.33 lakhs have been neither claimed nor renewed till date of this report, inspite of the Company's intimation to the deposit holders. There has been no default or delay in meeting any maturity payment nor interest obligations.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance is set out in Annexure 'A'.

DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors confirm

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, 31st March, 2003 and of the profit and loss of the Company for that period;
- (iii) that the Directors have taken 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;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

HUMAN RESOURCES

The Management has been constantly keeping the Union and members of the Union informed about the losses the Company has suffered over the last few years and consequently the need to be cost-conscious, positive and mature in response and approach. The Union and its members have shown remarkable understanding, and have improved productivity, cooperated in cost-control measures, and have ensured a very cordial relationship across the Company at all locations.

The Union and members of the Union have been made aware that the wage settlement, if any, would be prospective and has to be reasonable since the Company has still to recoup past losses and face a challenging business environment.

VOLUNTARY RETIREMENT SCHEME

During the second quarter of the year, a Voluntary Retirement Scheme was announced for employees in Mumbai, and at Delhi in the third quarter. There was a positive response, and 206 employees opted for early retirement at a total cost of approximately Rs. 7.22 crores which would be amortized over a period of 5 years. This rationalisation has enabled the Company to improve efficiencies and to exercise various options to

improve the effectiveness of its manufacturing and field operations.

DIRECTORS

Mr. Anand J. Danani, Mr. Bansi S. Mehta and Mr. Jaisingh R. Danani, retire by rotation at the 56th Annual General Meeting of the Company to be held on 12th August 2003, but are eligible for re-appointment.

The term of appointment of Mr. Nikhil J. Danani and Mr. Nakul P. Mehta, Managing Directors, expires on 19th June, 2003. The Board of Directors and the Remuneration Committee will make appropriate recommendation to the members as regards their re-appointment and remuneration for a further period of 5 years with effect from 20th June, 2003, the terms and conditions of which form part of the accompanying Notice dated 30th May, 2003 at Item Nos. 8 and 9.

Information on the Directors eligible for re-appointment as required under Clause 49 of the listing agreement with Stock Exchanges is disclosed in the Explanatory Statement under Item Nos. 3, 4, 5, 8 and 9 forming part of the Notice dated 30th May, 2003 circulated along with the Annual Report 2003.

AUDITORS

M/s. Dalal & Shah, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have confirmed their eligibility and consent to be re-appointed pursuant to Section 224(1) of the Companies Act, 1956. Members are requested to appoint the Auditors and to authorise the Board of Directors to appoint Branch Auditors and to fix the remuneration of the Auditors and Branch Auditors for the year ending 31st March, 2004. These items of business are covered by Item Nos. 6 and 7 of the accompanying Notice and Explanatory Statement.

COST AUDITORS

The Government of India vide its Notifications GSR 277(E) and 279(E) each dated 24th April, 2001 has directed with effect from 1st April, 2002, maintenance of cost records, in terms of Cost Audit Report Rules, 2001, for transformer and electronic products, which is applicable to your Company.

The Company has been historically maintaining such cost records much before the aforesaid notification was issued. The Department of Company Affairs has to date not issued any orders making cost audit of the above products mandatory and the same is awaited.

The Central Government has approved the appointment of M/s. P. M. Nanabhoy & Co. as Cost Auditors of the Company in respect of electric motors for the financial year ending 31st March, 2003.

The Board has appointed M/s. P. M. Nanabhoy & Co. as Cost Auditors of the Company in respect of electric motors and other