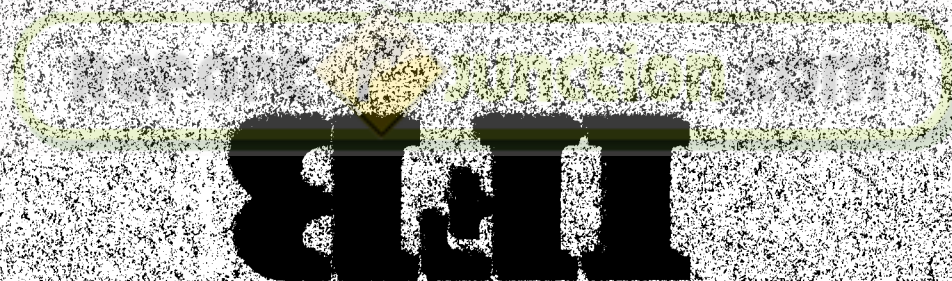


IFB INDUSTRIES LIMITED



**Annual Report
2002-2003**

IFB

IFB INDUSTRIES LTD.

BOARD OF DIRECTORS

Bijon Nag
Executive Chairman

Gautam Dasgupta
Executive Director

Dipak Mitra
Executive Director

S. Bal
Director

B. P. Muktieh (*Nominee of IDBI*)
Director

AUDIT COMMITTEE

B. P. Muktieh	-	<i>Chairman</i>
S. Bal	-	<i>Member</i>
Dipak Mitra	-	<i>Member</i>

COMPANY SECRETARY

G. Raychowdhury

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

BANKERS

State Bank of India
Bank of Maharashtra
United Bank of India
State Bank of Mysore
Allahabad Bank
Canara Bank
State Bank of Bikaner & Jaipur
Chinatrust Commercial Bank

REGISTERED OFFICE

14, Taratolla Road
Kolkata - 700 088
Tel : (091) (33) 2401 4917 - 23
Fax : (091) (33) 2401 4182, 2401 4579
E-mail : ifbi_corporate@ifbglobal.com
ifb@cal2.vsnl.net.in

CORPORATE OFFICE

Plot No. IND-5, Sector - I
East Calcutta Township
Kolkata - 700 078
Tel : (091) (33) 2442 8286/87/89/90/91
Fax : (091) (33) 2442 7779/1003
E-mail : ifbi_corporate@ifbglobal.com
ifb@cal2.vsnl.net.in

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IFB INDUSTRIES LTD.

Regd. Office : 14, Taratolla Road
Kolkata – 700 088

NOTICE

NOTICE is hereby given that the 27th Annual General Meeting of the members of IFB Industries Limited will be held at Science City Seminal Hall, JBS Haldane Avenue, Kolkata -700 046 on Saturday, 21st June 2003 at 11.00 a.m to transact the following:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the financial year ended 31st March, 2003 and reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Dipak Mitra who retires by rotation.
3. To appoint a Director in place of Mr. Gautam Dasgupta who retires by rotation.
4. To consider and if thought fit, to pass, with or without modification the following resolution as a special resolution :

“RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants be and is hereby appointed Auditors of the Company from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and the Board of Directors be and is hereby authorised to fix their remuneration and out of pocket expenses payable to them.”

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification, the following resolutions as

5. **AN ORDINARY RESOLUTION**
“RESOLVED THAT Mr. Rathindra Nath Mitra be and is hereby appointed a Director of the Company whose period of office shall be liable to retirement by rotation.”
6. **AN ORDINARY RESOLUTION**
“RESOLVED THAT Mr. Radharaman Bhattacharya be and is hereby appointed a Director of the Company whose period of office shall be liable to retirement by rotation.”
7. **AS SPECIAL RESOLUTION**
“RESOLVED THAT pursuant to the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the GUIDELINES) on delisting of securities, the equity shares (Equity) of the Company listed with Delhi, Bangalore and Pune Stock Exchanges be are hereby delisted through the Voluntary Delisting Option and that the Company's Equity Shares be continued to be listed with Calcutta, Mumbai and National Stock Exchanges.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as the Board) or such committee of the Board as may be formed be and is hereby authorised to do such acts and deeds as may be required in connection with the delisting of the Equity as per the GUIDELINES and give effect to the resolution.”

Registered Office :
14, Taratolla Road
Kolkata - 700 088
Dated : 29th May, 2003

By Order of the Board

Goutam Ray Chowdhury
Company Secretary

NOTES :

- i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy, to attend and vote on a poll on his behalf and such a proxy need not be a member of the Company. Proxies in order to be effective must be deposited at the Registered Office or with the Registrars and Share Transfer Agents of the Company, M/s CB Management Services (P) Ltd. , not less than 48 hours before the meeting.
- ii) The Register of Members of the Company and the Share Transfer Registers shall remain closed from 20th June 2003 to 21st June 2003 (both days inclusive).
- iii) The members are requested to
 - a) notify immediately any change in their address to the Company;
 - b) bring their copy of the Annual Report to the meeting;
 - c) write to the Company's Registrars & Share Transfer Agents, M/s CB Management Services (P) Ltd enclosing their share certificates for consolidation into one folio for better investor service, if they have more than one folio in identical order of name(s).
- iv) Explanatory Statements under Section 173(2) of the Companies Act, 1956 for resolution nos. 4 to 7 are annexed hereto.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)
OF THE COMPANIES ACT, 1956.**
Resolution No.4

As the Company is a widely held Company and its shares are traded on the Stock Exchanges regularly, a part of its share capital is sometimes held by the financial institutions who now routinely invest in the stock market. As this may sometime attract the provisions of Section 224A of the Companies Act, 1956, the Company proposes to appoint the Auditors by Special Resolution as abundant precaution.

The Board recommends the passing of this Special Resolution.

None of the Directors is interested / concerned in the resolution.

Resolution No. 5

Notice under Section 257 of the Companies Act, 1956 has been received from a member stating therein his intention to appoint Mr. Rathindra Nath Mitra as Director of the Company whose office shall be liable to retirement by rotation. Consent from Mr. Rathindra Nath Mitra has also been received in accordance with Section 264(1) of the said Act. The members are now requested to approve the appointment of Mr. Rathindra Nath Mitra as Director of the Company whose office shall be liable to retirement by rotation.

The Board recommends the passing of this Ordinary Resolution.

None of the Directors is interested / concerned in the resolution.

Resolution No. 6

Notice under Section 257 of the Companies Act, 1956 has been received from a member stating therein his intention to appoint Mr. Radharaman Bhattacharya as Director of the Company whose office shall be liable to retirement by rotation. Consent from Mr. Radharaman Bhattacharya has also been received in accordance with Section 264(1) of the said Act. The members are now requested to approve the appointment of Mr. Radharaman Bhattacharya as Director of the Company whose office shall be liable to retirement by rotation.

The Board recommends the passing of this Ordinary Resolution.

None of the Directors is the interested/concerned in the resolution.

Resolution No. 7

The Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 issued by SEBI permit companies, inter alia, to voluntarily delist securities from the Stock Exchanges subject to fulfillment of conditions laid down in the Guidelines. Accordingly, the Board of Directors of your Company at their meeting held on 29th May 2003 considered and recommended delisting of the Company's equity shares from Delhi, Bangalore and Pune Stock Exchanges and continuance of listing with Calcutta, Mumbai and National Stock Exchanges where Calcutta being the Regional Stock Exchange and Mumbai and National Stock Exchanges have nationwide trading terminals. Delisting from the aforementioned Stock Exchanges will thus not affect the investors in any way. Your Company will also be benefited in view of delisting thus reducing cost and multiplication of work.

The Board recommends the passing of this Special Resolution in the best interest of the Company.

None of the Directors of the Company is concerned or interested in the proposed resolution.

INSPECTION OF DOCUMENTS

The documents mentioned in resolution(s) 5, 6 & 7 are available for the inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day of the Company prior to the date of the meeting.

Registered Office :
14, Taratolla Road
Kolkata - 700 088
Dated : 29th May, 2003

By Order of the Board

Goutam Ray Chowdhury
Company Secretary

DIRECTORS' REPORT to the Shareholders

Dear Shareholders,

Your Directors have pleasure in presenting the 27th Annual Report and Accounts for the financial year ended 31st March, 2003.

1. FINANCIAL RESULTS

	(Rs. '000) Year ended 31st March, 2003	(Rs. '000) Year ended 31st March, 2002
Total Income	1927960	2028647
Gross Profit /(Loss)	56081	114329
Interest	569702	592100
Depreciation	234132	172181
Loss before Extra-ordinary items and prior period adjustments	747753	649952
Adjustments for Extra-ordinary items and prior period adjustments	33790	61011
Provision for taxation	-	-
Loss after tax	781543	710963
Balance brought forward	3378251	2667288
Available for appropriation	4159794	3378251
Transfer from Revaluation Reserve	32907	-
Balance carried to Balance Sheet	4126887	3378251

2. DIVIDEND

In view of the Company having made losses for the above period the Board regrets its inability to recommend any dividend for the year.

3. REVIEW OF OPERATION

The consumer durables industry have passed through a turbulent period during the year under review which was plagued with economic depression on account of global recession and inadequate monsoon at home. The only segment in the durable industry which registered growth was Colour Televisions and A.C.s. In the Washing Machine segment we have maintained strong presence and leadership in the fully automatic segment although

we have lost some volume at the lower price point fully auto washes for which we do not have a product. However, it would be pertinent to note that the division has achieved better result compared to previous year by enforcing strong operational discipline across the board to contain costs. The other positive contribution has been in the area of after sales service.

Due to growth in the automobile sector the company could improve the business of fine blanking segment as compared to last year. Despite an overall 11% growth in the automobile sector there has been a severe price war among the competitors leading to a lower margin on fine blanking components supplied by the company to its customers. The Company has also successfully ventured in other areas and has become regular vendor to customers like BSNL, Defence Factories, etc. The Company has maintained a very healthy inventory turnover ratio and striving to improve it further. The Calcutta & Bangalore Engineering Factories of the Company have been certified as a QS9000 by DNV.

During the year the Company has suffered a loss of Rs. 78 crores as against previous year's reported figure of Rs. 71 crores. Last year's figure as shown in this report under 'Financial Results' have been arrived at after regrouping and are not strictly comparable.

4. MANAGEMENT DISCUSSION AND ANALYSIS

A) Industry Structure & Developments:

The year 2002-03 shows encouraging results for all segments of automobile industry and it is expected to grow in the same fashion if the favourable conditions prevail. Exports have also been showing the buoyancy. The exports will be potential source of revenue growth in the future. However, the demand for higher end fully automatic washing machine is yet to pick up to the level of expectations. On the top of that MNCs are dumping in the market at an exorbitantly low price and/or offering attractive schemes. Thus the supply outstripped the demand and put price and margins of our products under continuous pressure.

B) Opportunities & Threats

The greatest opportunity of the Company is its brand equity and product quality. The Company has built up brand image through close liaison with

its valued customers during the past years of its operation and addressing customers' aspirations promptly. The primary threat in home appliance business is dumping of goods from other countries which is expected to be intensified further.

C) Segment wise performance

Fine Blanking Division has improved its turnover and profitability largely due to increase in market share and adopting various cost reduction measures. The Home Appliance division has achieved better result compared to previous year by adopting various cost control measures.

D) Outlook

Home Appliance Division has drawn up aggressive plan to improve its overall operations and to earn better profit and accordingly restructured its manpower and product portfolio. The regional offices have been structured in terms of sales, commercial personnel and have improved distribution network by adding 250 nos. of retail outlets in different parts of the Country. During the year the Company has also launched a highly sophisticated washing machine "IFB Digital" with advanced features in line with the latest international models. The product has been well received in the market instilling dealers as well as customers confidence of IFB's renowned technological capabilities. Further, during the year the division introduced a new range of Microwave Ovens which has been a runaway success. Further, plans are there to roll out new models to cater to the entire price segment of the automatic washing machine business thus ensuring greater market share and stronger presence of the brand.

The early signs of industrial recovery are encouraging. Increased industrial production should lead to efficiency, improvement in demand and capacity expansion in the medium term. Outlook for the current year is encouraging due to expected growth in industry by 6 to 7% in 2003-04.

E) Concerns

World economic downtrend are expected to ease which will rejuvenate the demand growth in white goods in the years to come. However, major concerns for home appliance division is dumping of goods from various other countries and unexpected increase in steel prices worldwide. Rising fuel cost

is also a matter of concern for engineering and home appliance divisions.

F) Internal Control Systems and their adequacy.

The Company has adequate system of internal controls and checks and balances to ensure that its assets are safeguarded and protected against loss from unauthorised use. Internal controls are in place to ensure optimal use of company's resources and protection thereof, facilitate accurate and speedy compilation of accounts and management information reports and compliances with laws and regulations. Regular internal audits are conducted by firms of Chartered Accountants of repute.

Audit plans, internal/external auditors' observations and recommendations, significant risk area assessments and adequacy of internal controls are also periodically reviewed by the Audit Committee of the Board of Directors.

G) Human Resources

The Company firmly believes that human resources and knowledge capital are vital for business success and creating value for stakeholders. As a result of focused attention the employees at all levels have actively participated in the effort to sustain and improve the performance of the Company even in the most difficult times. The Company had 606 employees at the end of March 2003. As in the past, industrial relations continued to remain cordial at all locations in the Company.

5. STATUS OF REFERENCE TO THE BOARD FOR INDUSTRIAL AND FINANCIAL RESTRUCTURING

The Board of Directors at their meeting held on 22nd June, 2001 decided to refer the Company to the BIFR as the accumulated losses had exceeded its net worth. The said reference stands registered as Case no. 302/2001 as per BIFR's letter dated 30th July, 2001. The matter was heard on 5th March, 2002 and IDBI was appointed as Operating Agency and M/s. V. Shankar Iyer & Co., Chartered Accountants, was appointed to conduct special investigative audit. Company filed an appeal on 18th May, 2002 inter-alia against BIFR's order permitting to continue pending legal proceedings for recovery of Debts through Debt Recovery Tribunals and AAIFR admitted the appeal no. 101/2002 and vide their order dated 29.11.2002 set aside the BIFR Order with the observation

IFB**IFB INDUSTRIES LTD.**

that the Order should have disclosed reasons as to why it was justified to grant permission under section 22(1) of the SICA at that stage. However, AAIFR also admitted that there would be no bar for the BIFR to consider such application afresh and to take a decision on such application keeping in view the observation made by them. The SIA Auditors have already conducted their investigative audit and their report is pending.

6. DIRECTORS' RESPONSIBILITY STATEMENT IN TERMS OF SECTION 217 (2AA) OF THE COMPANIES ACT, 1956

To the best of the knowledge and belief and according to the confirmations and explanations obtained by them, your directors make the following statements in terms of Section 217(2AA) of the Companies Act, 1956 :

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) The Directors have selected such accounting policies and applied them consistently and made judgments 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 and of the loss of the Company for that period;
- c) 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;
- d) These accounts are prepared on a going concern basis.

7. ADDITIONAL DISCLOSURES

In line with the requirements of the Listing Agreement and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of Consolidated Financial Statements.

8. CORPORATE GOVERNANCE

As stipulated by Clause 49 of the Listing Agreement, a Report on Corporate Governance along with a Certificate from the Auditors is given separately in this Annual Report.

9. SUBSIDIARY

As the net worth of European Fine Blanking Ltd (EFB) an overseas subsidiary of the Company has substantially eroded by March 2003 and EFB is not in a position to pay its creditors, all the assets of the Company have been taken possession of by the Administrative Receivers appointed by the bankers of EFB and are being sold in satisfaction of debts. The Company is in a process of creditors'/members' voluntary liquidation. As a consequence of the above European Fine Blanking Ltd. has failed to get its financial accounts audited for the financial year ending 31st December 2002 and as such IFB Industries Ltd. is not in a position to comply with the provisions of Section 212(1)(a), (b), (c) and (d) of the Companies Act, 1956. Necessary application to waive the requirement of attaching the copy of Balance Sheet, Profit & Loss Account, Report of Board of Directors and Report of Auditors has already been made to the Secretary, Ministry of Finance, Department of Company Affairs in terms of Section 212(8) of the Companies Act, 1956.

10. FIXED DEPOSITS AND DEBENTURES

The Company has already cleared all its liabilities to FD holders and on account of Debentures issued to public. To consider reschedulement of debts by secured institutional debenture holders of the Company an inter Institutional meeting was held on 28th November 2001. Based on the discussions at this meeting, a very favourable scheme for redemption of Debentures privately placed with various Public Financial Bodies was formulated and UTI, one of the Debentureholders conveyed its willingness to consider the same but subject to the Company providing a viable OTS proposal in respect of unsecured term loans granted by them. Army Insurance Group and Naval Group Insurance Fund approved the scheme but most of the other Institutional Debentureholders followed UTI in the matter of settlement. However the Board considered the proposal and was of the opinion that unsecured creditors cannot be dealt with in this manner without first implementing the plan for settling the secured Debentureholders. The non-redemption of debentures attracts Directors' disqualification in terms of Section 274 (1)(g) of the Companies Act.

11. SETTLEMENT OF SECURED LOANS

With limited resources the Company approached various secured creditors including Banks and Financial Institutions for one time settlement of outstanding dues. The Company so far entered into Memorandum of

Settlement with China Trust Bank Ltd., Allahabad Bank, ICICI Bank Ltd. and Army Group Insurance Fund and are paying regularly the installments as per the settlement schedule.

12. TRANSFER TO INVESTORS EDUCATION AND PROTECTION FUND

In terms of section 205C of the Companies Act an amount of Rs. 13.58 lacs being unclaimed dividend was transferred during the year to the Investors Education and Protection Fund established by the Central Government.

13. DELISTING FROM BANGALORE STOCK EXCHANGE, DELHI STOCK EXCHANGE AND PUNE STOCK EXCHANGE

As the volume of trading of Company's securities in the above Stock Exchanges have become insignificant the Board recommends to the shareholders to pass appropriate resolution to delist its securities from the above Stock Exchanges. After the above delisting the securities of the Company will remain listed with National Stock Exchange of India Ltd., The Stock Exchange, Mumbai and The Calcutta Stock Exchange Association Ltd.

14. PREFERENTIAL ALLOTMENT OF SHARES

Although the shareholders in their Annual General Meeting held on 30th August 2002 accorded their consent to the Board of Directors of the Company to allot on preferential basis to promoters group 2500000 equity shares of Rs.10/- each, but due to subsequent amendment in SEBI(SAST) Regulations, the directors were restricted to allot only 635000 equity shares of the Company to Asansol Bottling & Packaging Company Pvt. Ltd., a promoter group company.

15. CAPITAL REDUCTION

The Company has moved necessary application in the Hon'ble Calcutta High Court and the matter is pending before the said Court.

16. AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept

reappointment and have further confirmed their eligibility under section 224(1B) of the Companies Act, 1956

The Auditors' observations in their report dated 29th May, 2003 are dealt with suitably in the notes on accounts in Schedule 15 as annexed to the Balance Sheet and Profit & Loss Account which are self explanatory.

17. DIRECTORS

During the year Mr. B.P. Muktieh has been nominated to the Board by IDBI in place of Dr. T.K. Mukhopadhyay. In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company Mr. Dipak Mitra and Mr. Gautam Dasgupta retire by rotation.

18. PERSONNEL

The Directors would like to place on record their appreciation of the dedication and hard work put in by employees at all levels.

The Company did not have any employee falling within the scope of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

19. ENVIRONMENT, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the relevant data are given in the Annexure to this Report.

20. ACKNOWLEDGMENTS

Your Directors would like to place on record their sincere appreciation to the Shareholders, Debentureholders, Foreign Collaborators and also Financial Institutions, Banks, Customers, Central & State Government Offices and all others for their co-operation and support.

On behalf of the Board

Place : Kolkata
Dated : 29th May, 2003

BIJON NAG
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A CONSERVATION OF ENERGY

The Company's operations involve low energy consumption. However, the Company took adequate measures to optimise use of energy through improved operational methods.

B TECHNOLOGY ABSORPTION

The Company is a leader in its respective product category and this has become possible due to absorption of technology in the quickest possible time and development of in house Research & Development. Further, development activities were carried out to make the products more suitable for Indian conditions, e.g. quality of water, fluctuating power supply and environmental pollution.

The Company's R&D activity focuses mainly on application of new materials, new process, latest electronic system and metal processing technology. The Company's R&D capability has been established by launching of new washing machine model "IFB DIGITAL" with advanced fully electronic control. The Company is now actively involved in upgrading computer design software, wash lab equipment, development of new models, etc.

C FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the Company earned foreign exchange equivalent to Rs. 17145 thousand. Details of Foreign exchange outgo on account of imports, expenditure on travelling, knowhow, royalties etc and Export earnings are shown in note no. 17 under the heading 'NOTES ON FINANCIAL STATEMENTS' of Schedule 15 forming part of the Balance Sheet and Profit & Loss Account.

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