

**ANNUAL REPORT
2003-2004**

IFB

IFB INDUSTRIES LIMITED

BOARD OF DIRECTORS
Executive Chairman

Mr. Bijon Nag

Directors

Mr. B. P. Muktieh (Nominee of IDBI)

Mr. Somen Bal

Dr. Rathindra Nath Mitra

Mr. Radharaman Bhattacharya

Mr. R. Muralidhar

Mr. K. M. Unnikrishnan

REGISTERED OFFICE

14, Taratolla Road

Kolkata – 700 088

Tel : (091) (33) 2401 4917 – 23

Fax : (091) (33) 2401 4182, 2401 4579

E-mail : ifbi_legal@ifbglobal.com

CORPORATE OFFICE

Plot No. IND-5, Sector – I

East Kolkata Township

Kolkata – 700 107

Tel : (091) (33) 2442 8286/87/89/90/91

Fax : (091) (33) 2442 7779/1003

E-mail : ifbi_legal@ifbglobal.com

AUDIT COMMITTEE
Chairman

Mr. B. P. Muktieh

Members

Mr. Somen Bal

Mr. Radharaman Bhattacharya

Mr. R. Muralidhar

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COMPANY SECRETARY

Mr. G. Ray Chowdhury

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AUDITORS

Deloitte Haskins & Sells

Chartered Accountants

**REGISTRAR AND
SHARE TRANSFER AGENTS**

CB Management Services (P) Ltd.

P 22, Bondel Road, Kolkata - 700 019



IFB INDUSTRIES LTD.

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

NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of the members of IFB Industries Limited will be held at Eastern Zonal Cultural Centre, IA - 290, Sector III, Bidhannagar, Kolkata - 700 091 on 27th August, 2004 at 11.00 am 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, 2004 and reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Somen Bal who retires by rotation and being eligible offers himself for reappointment.
3. 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

4. **AN ORDINARY RESOLUTION**

"RESOLVED THAT Mr. R. Muralidhar be and is hereby appointed a Director of the Company whose period of office shall be liable to retirement by rotation."

5. **AN ORDINARY RESOLUTION**

"RESOLVED THAT Mr. K.M. Unnikrishnan be and is hereby appointed a Director of the Company whose period of office shall be liable to retirement by rotation."

Regd. Office :

14, Taratolla Road

Kolkata – 700 088

Dated : 24th June, 2004.

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 25th August, 2004 to 27th August, 2004 (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. 3 to 5 are annexed hereto.

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

Resolution No. 3

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. 4

Mr. R. Muralidhar was appointed as an Additional Director of the Company with immediate effect by the Board at its meeting held on 30th July, 2003. As Mr. Muralidhar was appointed as an Additional Director of the Company, he holds office of a Director only upto the date of the 28th Annual General Meeting of the Company by virtue of the provisions of Section 260 of the Companies Act, 1956 read with Article 138 of the Articles of Association of the Company.

Notice under Section 257 of the Companies Act, 1956 has been received from a member stating therein his intention to appoint Mr. R. Muralidhar as Director of the Company whose office shall be liable to retirement by rotation. Consent from Mr. R. Muralidhar also been received in accordance with Section 264(1) of the Act. The members are now requested to approve the appointment of Mr. R. Muralidhar as Director of the Company whose office shall be liable to retirement by rotation. The information or details pertaining to Mr. R. Muralidhar has been furnished in the statement on corporate governance.

The Board recommends the passing of this Ordinary resolution.

Except Mr. Muralidhar, none of the Directors is, in any way concerned or interested in the Resolution.

Resolution No. 5

Mr. K. M. Unnikrishnan was appointed as an Additional Director of the Company with immediate effect by the Board at its meeting held on 30th July, 2003. As Mr. Unnikrishnan was appointed as an Additional Director of the Company, he holds office of a Director only upto the date of the 28th Annual General Meeting of the Company by virtue of the provisions of Section 260 of the Companies Act, 1956 read with Article 138 of the Articles of Association of the Company.

Notice under Section 257 of the Companies Act, 1956 has been received from a member stating therein his intention to appoint Mr. K. M. Unnikrishnan as Director of the Company whose office shall be liable to retirement by rotation. Consent from Mr. K. M. Unnikrishnan also been received in accordance with Section 264(1) of the Act. The members are now requested to approve the appointment of Mr. K. M. Unnikrishnan as Director of the Company whose office shall be liable to retirement by rotation. The information or details pertaining to Mr. K. M. Unnikrishnan has been furnished in the statement on corporate governance.

The Board recommends the passing of this Ordinary resolution.

Except Mr. Unnikrishnan, none of the Directors is, in any way concerned or interested in the Resolution.

INSPECTION OF DOCUMENTS

The documents mentioned in resolution(s) 4, 5 are available for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

Regd. Office :

14, Taratolla Road

Kolkata - 700 088

Dated : 24th June, 2004.

By Order of the Board

Goutam Ray Chowdhury
Company Secretary

DIRECTORS' REPORT to the Shareholders

Dear Shareholders,

Your Directors present the 28th Annual Report and Accounts for the Financial Year ended 31st March, 2004.

1. FINANCIAL RESULTS

	(Rs. '000) Year ended 31st March, 2004	(Rs. '000) Year ended 31st March, 2003
Total Income	2028370	1736931
Profit/(Loss) before		
Interest & Depreciation	(36537)	56081
Interest	599439	569702
Depreciation	217502	234132
Loss before Extra-ordinary items and prior period adjustments	853478	747753
Adjustments for Extra-ordinary items and prior period adjustments	2947	33790
Provision for taxation	-	-
Loss after tax	856425	781543
Balance brought forward	4126887	3378251
Available for appropriation	4983312	4159794
Transfer from Revaluation Reserve	-	32907
Balance carried to Balance Sheet	4983312	4126887

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 positive impact of strategies initiated during the last couple of years alongwith revival of Indian economy has helped the Home Appliances and Engineering Divisions to achieve growth in sales. Market

penetration, increased focus on manufacturing efficiency and productivity supported by signs of industrial revival played a key role in the growth. Further, the product range was extended in home appliance and engineering business.

Despite the fact that the washing machine segment has under performed compared to the other durable segments mainly due to its declining position in the consumers' list of aspirations, the Company maintained strong presence and leadership in the fully automatic front loading segment. While a growth in production and sales in washing machines and dryers were recorded, the sale of microwave oven had increased substantially. During the year the new model washing machine "Elena" and new model dryer "Easy Drier" were launched. However, the margin in washing machine sale reduced due to steel price increase and increased sale of lower end washing machines. Due to financial constraints the Company could not make adequate advertisement and marketing expenses leading to lower sales in higher end washing machines. 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 10% 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 already 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 Kolkata & Bangalore Engineering factories of the Company have been certified as QS9000 by DNV.

During the year the Company has suffered a loss of Rs. 85 crores as against previous year's reported figure of Rs. 78 crores. Last year's figures as shown in this report under 'Financial Results' have been arrived at after regrouping and are not strictly comparable. Loss for the year under review increased due to booking of impairment loss of the assets of the Company in terms of AS28

4. MANAGEMENT DISCUSSION AND ANALYSIS

A) Industry Structure & Developments :

The year 2003-04 showed encouraging results for all segments of automobile industry and it is expected to grow if the favourable conditions prevail. Exports have also been showing the buoyancy. The exports will be potential source of revenue growth in the future. Although the demand for washing machines has grown at an annualized rate for 2.5% over last five years upto 2002-03, the industry recorded a modest growth during the year 2003-04. Demand for washing machines has been relatively price inelastic and price reduction has not yielded a corresponding sales growth. Price reductions are likely to be marginal and confined largely to lower end, entry level models. The low growth in demand vis-à-vis, the large idle capacities and price led competition are the key reasons for the industry's weak financial performance.

B) Opportunities & Threats :

The greatest opportunity of the Company is its brand equity, product quality, latest technical know how and last but not the least is the trust in Company's products by the valued customers. The Company has built up brand image through close liaison with its valued customers during the past years of its operation. The two main threats are :

- Significant rise in material cost will drastically impact on contribution unless operating cost can be reduced at unprecedented magnitude and speed.
- The growth of the Indian economy together with the reduction of import duties makes India increasingly a target market for many MNCs and therefore, competitive pressure on the domestic market will continue to grow fast. In particular, imports from low labour cost countries will increase and will lead to increased price pressure.

The management of IFB is aware of both opportunities and threats and will continue to

work to maintain global competitiveness by reducing costs and improving quality as well as growth of sales in the domestic market.

C) Segment wise Performance :

Fine Blanking Division has improved its turnover and profitability 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 :

The pick up in the global economy, the revival of the Indian economy, industrial revival and reforms programmes being implemented at various stages are factors that augur well for the Company. Efforts towards higher operational efficiencies and focus on cost reduction shall continue. In addition to increasing market penetration and higher volumes the Company is also expanding its product range. 102 nos. service centers are already present with a view to improve accessibility to Company's service facilities across the country.

Modest demand growth of washing machines in the region of 3-5% over the medium term is expected to be driven by increasing urbanization, the rising population of working woman, declining price and soft rates on consumers credit and higher disposable income increasing the affordability of the product.

A significant share of demand for fully automatic washing machines accrues from the replacement segment. Replacement market to be aggressively targeted.

E) Concerns :

Market stress on product pricing vis-à-vis uncontrolled increasing trend of raw material price like steel, hardening of Euro and its impact on product pricing is a major area of concern. Dumping of goods from China and Korea is a major concern for Home Appliance Division.

F) Internal Control Systems and their adequacy :

The Company has adequate systems of internal control and checks & balances to ensure that its assets are safeguarded and protected against loss from unauthorized use. The strength of these systems is continuously being monitored by the internal auditors and the findings of these audits are reported to the Audit Committee of the Board and also to the Board of Directors. The adequacy of the internal control system has also been examined by the statutory auditors and the Company has not received any adverse comments from them on the adequacy of internal control system.

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 focussed 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 635 nos. employees at the end of March 2004. As in the past, industrial relations continued to remain cordial at all locations in the Company.

- 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

No additional disclosure in respect of Consolidated Financial Statements has been made as European Fine Blanking Ltd., the only subsidiary of the Company has been excluded from consolidation in terms of Clause 11(b) of AS-21.

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

Our reference to BIFR which was registered as case no. 302/2001 as per BIFR's letter dated 30th July 2001 is pending before the Board. In the meanwhile M/s. V Shankar Aiyar & Co., Chartered Accountants, the Special Investigative Auditors submitted their report on 21.08.2003 confirming inter alia the sickness of the Company. BIFR is yet to consider this report and pass order.

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 :

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. SUBSIDIARIES

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 Receiver appointed by the bankers of EFB and are being sold in satisfaction of debts. Based on advice received from the Administrative Receiver the administration process is yet to be completed. 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, 2003 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 is being made to the Secretary, Ministry of Finance, Department of Company Affairs in terms of Section 212(8) of the Companies Act, 1956.

10. DEBENTURES

The Company has already cleared all its liabilities to debentures issued to public. The Company restructured its debenture debts with Army Group Insurance Fund, Naval Group Insurance Fund and General Insurance Corporation of India and is paying regularly in terms of the respective Memorandum of Settlements. The Company is also negotiating with other privately placed debentureholders to restructure its debenture debts.

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 Settlements with Chinatrust Commercial Bank Ltd., Allahabad Bank, ICICI Bank Ltd., Army Group Insurance Fund, Naval Group Insurance Fund, United Bank of India and General Insurance Corporation of India and is paying regularly the instalments as per the respective settlement schedule. The Company has cleared the full settlement amount to Chinatrust Commercial Bank Ltd. and Allahabad Bank.

12. TRANSFER TO INVESTORS EDUCATION AND PROTECTION FUND

In terms of section 205A & 205C of the Companies Act an amount aggregating to Rs. 19.49 lacs lying with the Company as unclaimed for a period of seven years on account of dividend, public deposits, redemption of and interest on non-convertible part of partly convertible debentures was transferred during the year to the Investors Education and Protection Fund.

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

In line with the shareholders' resolution the Company made necessary application for delisting of its securities from Bangalore, Delhi and Pune Stock Exchanges. Bangalore Stock Exchange and Pune Stock Exchange have already confirmed delisting of the Company's securities from their Exchanges. The application for delisting to Delhi Stock Exchange is pending.

14. 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 re-appointment and have further confirmed their eligibility under section 224(1B) of the Companies Act, 1956.

15. DIRECTORS

The non-redemption of debentures attracted directors' disqualification in terms of section 274(1)(g) of the Companies Act. A writ petition was filed before the Hon'ble High Court challenging the applicability of section 274(1)(g) of the Companies Act which is pending for final disposal. An interim order dated 14.05.2004 has been passed by the Hon'ble Calcutta High Court directing Union of India and its authorized agents, servants or otherwise from giving any effect or further effect to or taking any step in pursuance of the provisions contained in section 274(1)(g) of the Companies Act, 1956. The Board at its meeting held on 30th July 2003 appointed Mr. R. Muralidhar and Mr. K. M. Unnikrishnan as additional directors of the Company who shall hold office upto the ensuing Annual General Meeting. The Company has received notice from a member in terms of section 257 of the Companies Act signifying his intention to propose the names of Mr. K.M. Unnikrishnan and Mr. R. Muralidhar for appointment as directors of the Company at the next Annual General Meeting. This has been included in the Notice convening the next Annual General Meeting. Mr. Somen Bal retires as director by rotation at the ensuing Annual General Meeting and being eligible,

offers himself for reappointment. The particulars of directors seeking appointment/reappointment are given in Corporate Governance section of this Report.

16. 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.

17. 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.

18. ACKNOWLEDGMENTS

Your Directors would like to place on record their sincere appreciation to the Shareholders, Debenture-holders, 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 : 24th June, 2004

BIJON NAG
Executive Chairman

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ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) 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 material, new process, latest electronic system and metal processing technology. The unit could also indigenise critical electronic components, e.g. speed control unit, switches, thermostats, magnetic valves, etc. in shortest possible time. 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. 18570 thousand. Details of Foreign exchange outgo on account of imports, expenditure on travelling, knowhow, royalties etc. and Export earnings are shown in note no. 15 under the heading 'OTHER INFORMATION' forming part of the Balance Sheet and Profit & Loss Account.