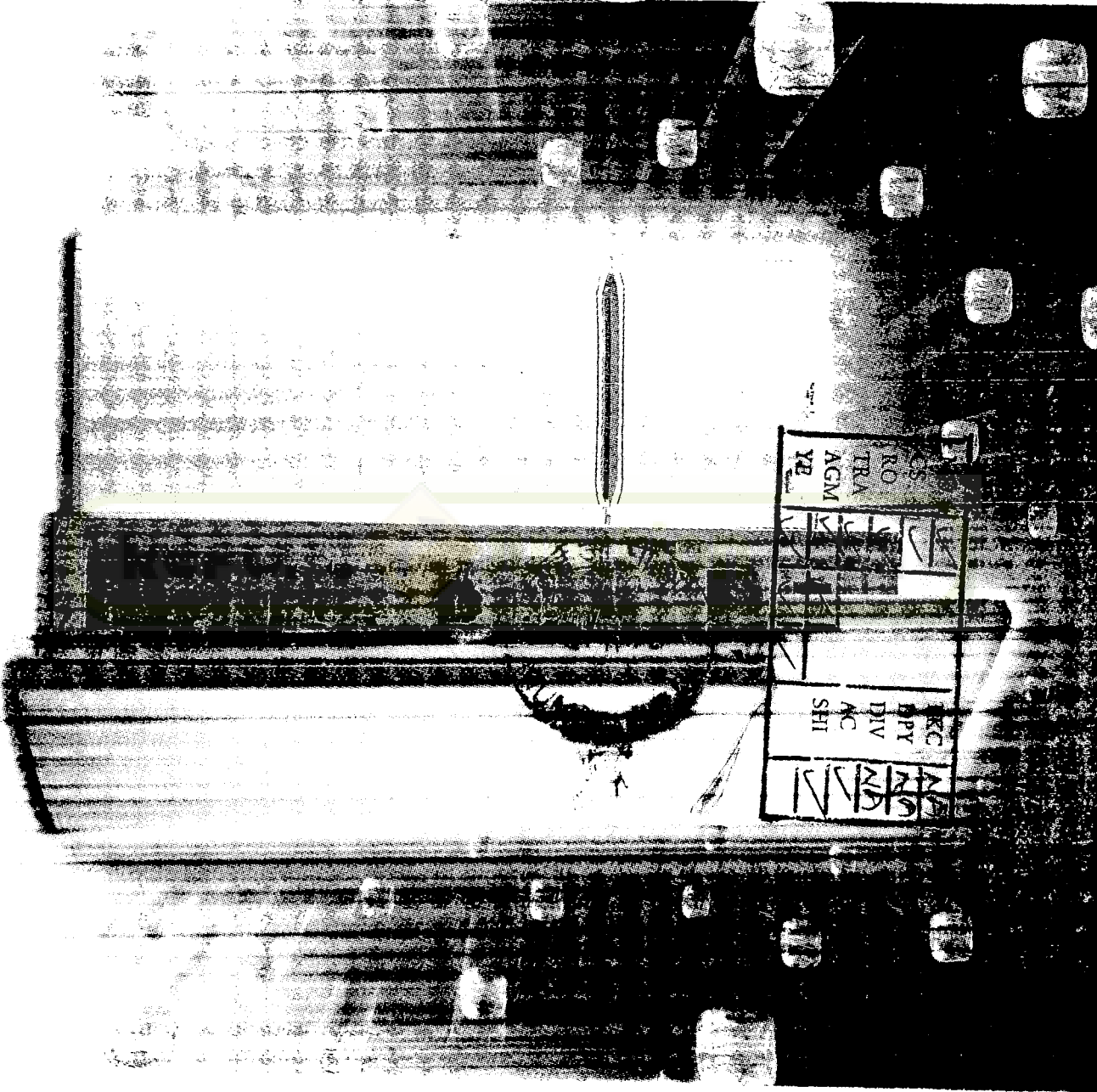


Whirlpool of India Limited

37th Annual Report



Whirlpool
Quicktag

Every Home... Everywhere with Pioneer Passions Performance

Whirlpool of India Limited

DIRECTORS:

J.R. DESAI (Chairman)
DALTON NIGEL GARRICK D'SILVA (Managing Director)
ROBERT LAWRENCE MINK
ASHOK KHANNA
JOHN C. PINTO
M. CHITTARANJAN KUMAR (Nomine of I.D.B.I.)

ADDL. SECRETARY:

N.C. KHANNA

BANKERS:

ANZ Grindlays Bank
Canara Bank
Oriental Bank of Commerce
Punjab National Bank
Standard Chartered Bank
Deutsche Bank
Bank of Baroda
State Bank of India
Citibank
Societe Generale
Hongkong & Shanghai Banking Corpn.
Corporation Bank
Bank of America

AUDITORS:

S.R. BATLIBOI & CO.,
Chartered Accountants
SRB House
20, Community Centre
Pushp Vihar (Madangir)
New Delhi - 110 062

COST AUDITOR:

ASHOK K. AGARWAL,
Cost Accountant,
50-D, Sunder Apartments,
Outer Ring Road,
New Delhi - 110 087

REGISTERED OFFICE:

7th floor, Atmaram House,
1, Tolstoy Marg,
New Delhi - 110 001

WORKS:

Faridabad (Haryana)
Village Thirubhuvanai, Pondicherry
Ranjangaon, Pune.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY-SEVENTH ANNUAL GENERAL MEETING OF WHIRLPOOL OF INDIA LTD. will be held at Airforce Auditorium, Subroto Park, New Delhi 110 010, on Monday the 14th December, 1998 at 11.00 a.m. to transact the following business:

A. ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1998, the Profit & Loss Account for the 15 months period ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr Robert Lawrence Mink, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr Garrick D' Silva, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

B. SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.
"RESOLVED that Mr Ashok Khanna be and is hereby appointed a Director of the Company."
6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.
"RESOLVED that Mr John Pinto be and is hereby appointed a Director of the Company."
7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**.
"RESOLVED that in supersession of the ordinary resolution passed in this behalf at the Annual General Meeting of the Company held on 16th June, 1997 the consent 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) of the Companies Act, 1956 and other enabling provisions, if any, to borrow from time to time any sum or sums of money which, together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), will 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, provided that the total amount so borrowed by the Board shall not at any time exceed the sum of Rs.600 crore."
8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**
"RESOLVED that pursuant to the provisions of 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 create mortgage(s) and

charge(s) in addition to the mortgage(s) and charge(s) already created, in such form and manner and with such ranking and at such time and on such terms as the Board may determine on the movable and immovable properties and assets of the Company both present and future and/or the whole or any part of the undertaking(s) of the Company together with power inter alia to take over and sell charged assets of the Company and to take over the management of the business and concern of the Company in certain events of default in favour of the trustees/lenders towards the issue of secured non-convertible debentures in one or more tranches on rights basis and/or private placement basis and/or to the public under a prospectus and/or in favour of financial institutions/banks/other lenders to secure repayment of such debentures/term loans/financial assistance obtained to meet the capital expenditure for modernisation and/or expansion programme of the Company in an amount not exceeding Rs.600 crore at any one time together with the interest thereon, compound/additional interest, commitment charges, remuneration of trustees for the holders of the said debentures, costs, charges, expenses and all other moneys payable to the trustees for holders of the said debentures/financial institutions/banks/other lenders and incurred in terms of the issue of the said debentures and/or terms and conditions of the term loans/financial assistance availed by the Company."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to vary and/or alter the terms and conditions of the security aforesaid in consultation with the debenture trustees, financial institutions/banks/other lenders and mortgagees as may be necessary."

"RESOLVED FURTHER that for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds of issue of the securities and further to do all such acts, deeds, matters and things and to finalise and execute all such deeds, documents and writings as may be necessary, desirable or expedient as it may deem fit."

Registered Office: By Order of the Board of Directors
7th floor, Atma Ram House,
1, Tolstoy Marg,
New Delhi 110 001.
October 9, 1998

N.C.KHANNA
Addl. Secretary

NOTES:

- a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under items 5, 6, 7 & 8 set out above, is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND

Whirlpool of India Limited

VOTE AT THE MEETING INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument appointing proxy to be valid, shall be deposited with the Company at its registered office atleast 48 hours before the time fixed for the meeting.

- c) Members/proxies should bring the attendance slip duly filled in for attending the meeting.

- d) The Company has already transferred unclaimed dividend upto the financial year ended 30th June, 1994 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out the material facts relating to the special business under item Nos. 5, 6, 7 & 8 of the accompanying Notice dated October 9, 1998.

Item No. 5:

The Board of Directors of the Company had at their meeting held on 28th August, 1997 appointed Mr. Ashok Khanna as a Director of the Company in the casual vacancy caused by the resignation of former director, Mr. Stanley K. Kinnett. Pursuant to the provisions of Article 107 of the Articles of Association of the Company read with Section 262 of the Companies Act, 1956, Mr. Ashok Khanna holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose at the forthcoming Annual General Meeting the appointment of Mr. Ashok Khanna as a Director of the Company.

Mr. Ashok Khanna is a qualified Chartered Accountant and has a Masters degree in Business Studies from London. He has worked for over 23 years with A.F. Ferguson & Co. With his professional back-ground, your directors feel confident that the Company will benefit greatly with his co-option to the Board.

The Directors recommend the resolution for approval of the shareholders.

No Director other than Mr. Ashok Khanna is in any way concerned or interested in the proposed Resolution.

Item No. 6:

The Board of Directors of the Company had at their meeting held on 9th October, 1998 appointed Mr. John C. Pinto as a Director of the Company in the casual vacancy caused by the resignation of Mr. Robert D Hall. Pursuant to the provisions of Article 107 of the Articles of Association of the

Company read with Section 262 of the Companies Act, 1956, Mr. John C. Pinto holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose at the forthcoming Annual General Meeting the appointment of Mr. John C. Pinto as a Director of the Company.

Mr. John C. Pinto is a Chartered Accountant and has over 25 years of experience in finance and allied areas. In view of Mr Pinto's professional background and experience, the Board of directors consider that his appointment on the Board would be in the best interest of the Company and accordingly recommend his appointment as director of the Company.

No Director other than Mr. John C. Pinto is in any way concerned or interested in the proposed Resolution.

Item Nos. 7 & 8:

The Company would continue to invest in its expansion and modernisation programme. It is therefore proposed to raise the borrowing powers of the directors u/s 293 (1)(d) from the existing limit of Rs.500 crore to Rs.600 crore.

The Company may borrow funds through Issue of Debentures, Term-loan borrowings and/or other financial assistance from various sources to achieve an optimum mix of low cost funds and debentures. This would require creation of mortgages and charges on the undertakings of the company. Shareholders had earlier given their consent to create such charges/ mortgages for the purpose of securing debentures/term-loans/ financial assistance for an amount upto Rs.500 crore. This ceiling is now proposed to be raised to Rs.600 crore.

The Board commends passing of the resolutions set out at item Nos.7 & 8 of the accompanying Notice.

None of the directors is concerned or interested in these Resolutions.

Registered Office: By Order of the Board of Directors
7th floor, Atma Ram House,
1, Tolstoy Marg,
New Delhi 110 001.
October 9, 1998

N.C.KHANNA
Addl. Secretary

Whirlpool of India Limited**DIRECTORS' REPORT TO THE MEMBERS**

The Directors are pleased to present their 37th Annual Report and the Audited accounts for the 15 months period ended 31st March, 1998.

FINANCIAL RESULTS**Rs. in lacs**

| | 31st March, 1998 Current Period | 31st December 1996 Previous Period |
|--------------------------------------|--|---|
| Sales, Service & Other Income | 67287 | 78346 |
| Loss before Interest & Depreciation | 8158 | 2217 |
| Interest | 4963 | 2850 |
| Depreciation | 2525 | 1415 |
| Loss after depreciation | 15646 | 6482 |
| Voluntary Retirement Scheme adjusted | — | (768) |
| | 15646 | 5714 |
| Royalty for earlier years | — | 708 |
| Tax provision for earlier year | — | 5 |
| Net loss before Wealth tax provision | 15646 | 6427 |
| Provision for wealth tax | 8 | 3 |
| Loss before extraordinary income | 15654 | 6430 |
| Extra-ordinary income | (2656) | — |
| Net Loss | 12998 | 6430 |

PERFORMANCE OF THE COMPANY

The Company's operations have been effected by the recessionary trends generally experienced during 1997-98. Market conditions for refrigerators have been particularly sluggish though washers remained buoyant. The Company's sales have seen a decline in the current period also because of adverse seasonality (as compared to the previous period), rationalisation of credit terms and the conducting of business under one brand (Whirlpool) only. However, the "Whirlpool" brand, in its infancy in 1996/97, has registered handsome gains in consumer awareness and market share. Consequently sales during the period April 1998 to September 1998 have grown by 55% over the corresponding period of the previous year.

The increase in Net loss over the previous period is accounted for primarily by higher interest and depreciation costs and a one time charge of about Rs.35 crores by way of Provision made for doubtful debts, damages, obsolescence and inventory differences. Interest costs are substantially higher due to increased funding for working capital requirements and for expansion projects. The higher depreciation charge reflects increased investments in existing refrigerator and washer plants to improve quality and productivity for new product introductions.

The losses are being vigorously addressed through multi-pronged efforts in several areas. The product mix is being improved whilst a sharp focus is being maintained on cost reduction in all areas of the Company's operations. Simultaneously product quality and service continue to receive top priority and management attention.

The Company with its updated portfolio of products and adequate capacity coupled with its lower cost structure is poised to take full advantage of growing market opportunities.

DIVIDEND

The Directors do not recommend payment of dividend in view of losses.

MERGER WITH WHIRLPOOL FINANCIAL INDIA PRIVATE LIMITED

At the court convened meeting of the shareholders held on 25th April, 1998 the merger of Whirlpool Financial India Private Limited with the Company was approved w.e.f. 1st April, 1997. The Delhi High Court was pleased to sanction the Scheme of Amalgamation on 18th August, 1998 and the Merger was completed on 9th September, 1998. Consequent to the Merger the shareholding of Whirlpool Corporation has increased to 82.33%. Whirlpool had earlier acquired the 15.16% stake of the Indian Promoters.

CAPITAL STRUCTURE

In accordance with the resolution passed by the shareholders at their meeting held on 25th April, 1998 the Authorised Share Capital of the Company has been increased from Rs.100 crore to Rs.150 crore keeping in view the allotment of shares pursuant to the aforesaid Scheme of Amalgamation and a proposed Rights Issue.

The Board has since allotted 2,42,02,188 shares of Rs. 10 each fully paid up to Whirlpool Financial Mauritius Ltd. following completion of the Merger and receipt of necessary Government approvals.

The Company has received approval from the Delhi High Court to adjust its accumulated losses against the Share Premium account following an application made by the Company in this regard. This was earlier approved by the shareholders at their meeting held on 25th April, 1998. The adjustment will be carried out in the current financial year.

During the year, Board of Directors approved a Rights Issue of equity shares for an aggregate amount of upto Rs.100 crore. The Rights Shares are now to be issued in the ratio of 1 new share of Rs.10 each fully paid up @ Rs.12 per share inclusive of Premium of Rs.2 for every 1 existing equity share held on the Record Date to be fixed for the purpose. The Rights Issue will raise a total amount of Rs. 76.12 crores including premium.

DISPOSAL OF COMPRESSOR & AUTOMOTIVE DIVISIONS

In accordance with the shareholders approval the compressor and Automotive divisions have been disposed of. Tecumseh India Private Limited, a subsidiary of Tecumseh Inc., USA, acquired the Compressor Division. The Automotive division was purchased by Monto Motors Ltd., a group company of Paccor Industries.

The disposals are in line with the Company's strategy to focus on core competencies. Extraordinary Income includes profits on these disposals of Rs. 26.56 crores.

NEW PROJECT

The new Frost Free/No CFC refrigerator plant at Ranjangaon has been completed ahead of schedule and below budget at a cost of Rs. 321 Crores. Commercial production has started in March, 1998 and the new refrigerators have been extremely well received by the trade and consumers both in domestic and export markets. The Company has pioneered the introduction of environmentally friendly refrigerators in the country and the Ranjangaon facility is the only one of its kind in India.

SALES & MARKETING

The Company has continued its efforts to successfully build the "Whirlpool" brand into a major player in the Indian market

Whirlpool of India Limited

place. This has been achieved through significant product launches and effective communication in market programmes. The Washer range was completed with the introduction of three new models covering twin tubs, the "Combimatic" and a low end fully automatic. The new Frost Free / No CFC refrigerator from the Ranjangaon facility was launched nationally commencing March 1998. Dubbed "Quick Chill", the product has been an outstanding success because of its superior aesthetics, advanced features and premium quality image. The advertising campaign to support the launch, now famous for its "ice, ice baby" refrain, has achieved the highest ever cut-through rates for the consumer durables industry and has had a significant rub-off effect across the Company's product range.

The Company has completed appointment of all C&FA's for the management of stocks at Distribution points in each State. This is expected to drive efficiencies in logistics whilst reducing overall distribution costs.

CUSTOMER SERVICES

The Company has maintained its strong focus on customer service as a key source of competitive advantage. Service Vans have now been introduced to provide faster and better service to consumers in Metro locations. A 24 hour call service is now maintained in most parts of the country, allowing consumers to make enquiries as well as complaints at any time of day. In addition, a 7 day service is now available to benefit consumers over week ends and holidays.

The Company continues to offer the most attractive protection plan/warranty in the industry for its appliances at 7 years for refrigerators and 5 years for washing machines. This is consistent with the Company's high quality and service profile.

HUMAN RESOURCES

The Company has attracted and developed a professional managerial, sales and technical talent base. Focused initiatives have been undertaken at all units during the period in the training and development of employees to improve and upgrade skills and competencies. At all manufacturing units a number of ongoing People Involvement Programmes have also been introduced including the launching of Quality Circle Forums to improve product quality, operational effectiveness, working conditions and quality of life with special emphasis on employee feedback. A regular system of communication with labour unions has also been put into place to secure their active participation in the improvement of business processes.

Industrial relations have remained cordial during the period. Following the disposal of the Compressor Division comprising manufacturing facilities at Faridabad and Ballabgarh 1620 employees working directly in the Division have been smoothly transferred to the buyers, Tecumseh India Pvt. Ltd. Whirlpool's High Performance Culture initiative has been further pursued during the period and this has succeeded in driving a performance oriented business culture.

FINANCE & ACCOUNTS

A total of Rs.214 crores of loans, both Rupee and Foreign Exchange, have been raised by the Company to bring financial closure to the new refrigerator project at Ranjangaon. In addition, Rs.65 crores have been raised by way of long term funds through loans and debentures. Furthermore, to strengthen the Company's balance-sheet, the merger of Whirlpool Financial India Private Limited with the Company was undertaken to bring in Rs. 111.95 crores in the form of equity and reserves. Also, an advance of Rs.56.26 crores was received from Whirlpool against an approval by the Board of

Directors for a Rights Issue of upto Rs.100 crore to augment the Company's finances.

A major initiative has been successfully launched during the period to reduce the Company's Working Capital. Consequently, Accounts Receivable and Inventories have declined significantly with corresponding reductions in the Company's interest burden. A strong focus on fundamental controls has been maintained on all aspects of the business and several new computer and information systems introduced. The internal control environment has accordingly witnessed considerable improvement.

EXPORTS

The Company registered substantial growth in exports in the current year. Products worth Rs.2.48 crores were exported to General Currency Area whilst exports to Nepal amounted to Rs. 1.26 crores.

The new Frost Free product has been extremely well received in Hong Kong, Sri Lanka and Bangladesh. Export opportunities are also being actively explored in Taiwan and the Latin American Region where these products have evoked considerable interest. Product variations have already been developed to meet the electrical voltages and country code approvals for these markets.

Furthermore, considerable progress has been made in developing the export of twin-tub washing machines to over 10 countries around the world. Substantial growth is anticipated in this area as customer confidence in the quality of the Company's products increases.

RESEARCH & DEVELOPMENT

Whirlpool Corporation, USA places considerable emphasis on Research & Development in order to provide high quality products to millions of consumers around the globe. A Central Technology Organisation (CTO) based in Benton Harbour, USA coordinates worldwide R & D activity and is supported by Regional Technology Centres (RTCs) in various parts of the world.

A fully equipped RTC has been established in India at Ranjangaon since January 1997. World-class testing facilities have been installed at a cost exceeding Rs.20 crores which include Performance Chambers, Sound Room, Model Shop, Environmental Chambers, Structural Lab, Safety Lab, Electrical Lab, Materials Lab, etc. Highly qualified scientists and engineers have been employed to man these laboratories. The Ranjangaon RTC has direct links to Whirlpool's CTO and other RTCs and has an arm at the Direct cool refrigerator plant at Faridabad which has been recognised by the DSIR, Government of India.

The RTCs have contributed significantly to product quality and cost reduction initiatives by extensive testing of finished products and components.

DIRECTORS

Pursuant to Article 115 of the Articles of Association of the company, Mr. Robert L. Mink and Mr Garrick D' Silva retire by rotation and being eligible offer themselves for reappointment.

Mr Stanley K. Kinnett has returned to Whirlpool Corporation, USA and consequently resigned from the Directorship of the Company. Mr Ashok Khanna has been appointed as Director in the casual vacancy so caused. The Directors acknowledge their indebtedness to Mr Kinnett for his invaluable contribution during the initial period of stabilising the joint venture with Whirlpool Corporation and in the subsequent tasks of restructuring and integrating the business operations of the Company.

Whirlpool of India Limited

Mr. F.P. Sarkari has resigned from the Directorship of the Company having served on the Board for 23 years. The Board has accepted with regret Mr Sarkari's resignation and places on record its sincere appreciation for the most useful professional advice rendered by him during his tenure. Mr. J.R.Desai has resigned from the wholetime Directorship of the Company with effect from 1st July, 1998 but continues as the non-executive Chairman of the Company. ICICI withdrew its nominee Mr V.A. Gore from the Board of the company on full repayment of its outstanding loans. The Board acknowledges Mr Gore's service to the Company as its Director.

IDBI has nominated Mr. M. Chittaranjan Kumar to the Board of Directors of the Company. The Directors welcome Mr Kumar's appointment.

Mr. Robert D Hall has resigned as a Director of the Company following his retirement from Whirlpool Corporation. The Board recognises the immense contribution made by Mr Hall during his term as Director. Mr Hall's advice and guidance helped to shape the Company's strategies and firmly establish it as a key player in the Indian appliance market.

Mr John C. Pinto has been appointed as Director in the Casual Vacancy caused by the resignation of Mr Robert D Hall.

AUDITORS

M/S S.R.Batliloi & Co., the present Auditors of the company have furnished a certificate regarding their eligibility for reappointment as Company's auditors, pursuant to Section 224(1B) of the Companies Act, 1956. The notes to the accounts referred to in the Auditors Report are self explanatory and, therefore, do not call for any further comment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the requirements of 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, statement showing particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are annexed hereto and form part of this report.

ANNEXURE TO THE DIRECTORS' REPORT**INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31st MARCH, 1998****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

In accordance with the requirements of 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, statement showing particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is as under:

A. CONSERVATION OF ENERGY

The Company has taken the following measures for Conservation of Energy:

1. Installation of 3 Nos. Fuel efficient 1 MW DG Sets and phased out lesser fuel efficient DG sets.

FIXED DEPOSITS

The deposits from the public and the shareholders as on 31st March, 1998 amounted to Rs. 992.05 lac and the unclaimed amount of fixed deposits was Rs. 106.05 Lacs lac out of which Rs. 0.81 Lacs lac has since been repaid.

INSURANCE

The Directors confirm that the fixed assets of the Company are adequately insured against fire and allied risks on a Replacement Cost Basis. The stocks are also appropriately insured.

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956 the audited Balance Sheet and Profit & Loss Account along with the Directors' and Auditors' Reports for the 15 month period ended 31st March, 1998 of Kelbex International Ltd., the wholly owned subsidiary of the Company, are annexed hereto.

PARTICULARS OF EMPLOYEES

Information as per sub-section (2-A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st March, 1998 is available for inspection at Registered Office of the Company during working hours for the period of 21 days before the date of the meeting and any shareholder interested in such particulars may inspect the same or write to the Additional Secretary for a copy.

ACKNOWLEDGEMENT

The Directors wish to thank the Bankers, Financial Institutions, Trade Partners and the Government for their continued support and assistance. They also wish to place on record their deep sense of appreciation for the dedicated service rendered by employees at all levels in the organisation.

Registered Office:

7th floor, Atmaram House
1, Tolstoy Marg,
New Delhi 110 001.

for and on behalf of the
Board of Directors
J.R. Desai

Dated: October 9, 1998

Chairman.

2. Installations of Additional capacitors at nearest point of load to improve power factor.
3. Synchronisation of 5 nos. 1 MW DG sets through PLC as well as relays to optimise load on DG sets thereby improving fuel efficiency.
4. Automatic lighting switch off-on system LDR (Light Dependence Resistance) provided in Plant III (Faridabad) to avoid wastage of energy for lighting in natural day light.
5. Improvement of Compressed air piping network to bring down compressed air generation cost.
6. Provision of energy efficient CFL lamps.
7. Removal of Surplus heaters on Rotafast Machine.
8. Provision of Auto heater switching off circuit for Rotafast Machine
9. Provision of Automatic switch ON/OFF system for lighting on Assembly Lines by PLC.
10. Installation of a Capacitor Bank (100 KVAR) reduce the amperage by around 13%.
11. Improvement of the Air line layout reducing leak points by around 95%.

Whirlpool of India Limited

12. Improvement of the production planning process to reduce ON time of High Temperature furnace in motor assembly unit by around 50% .

The following steps are being taken for further conservation of energy consumption:-

- Leakage Control of compressed air.
- Centralisation of Air Compressors.
- synchronisation of cooling towers for DG Sets to reduce consumption of auxiliaries
- Installation of CFL lamps in office block, gangways and receptions.
- LDR switching installation in Evaporating Selection & Press Shop.
- Auto ON-OFF switching provision for Press Shop lighting through PLC.

B. TECHNOLOGY ABSORPTION

The efforts made in Technology Absorption are given below:

1. RESEARCH AND DEVELOPMENT

Specific Areas in which R & D carried out by the Company:

- New Product/Model Development of Refrigerators.
- New Process development
- Value Engineering
- Industrial design to meet customer needs
- Conversion of obsolete technology to new technology.

2. BENEFITS/ACHIEVEMENTS DERIVED AS A RESULT OF THE ABOVE R & D

Specific benefits/achievements are as follows :

- Launched 220L, 250L and 285L CFC free No-frost Refrigerators.
- Launched 165L Flat door model.
- Launched new 220L refrigerator model with latest features.
- Considerable savings through Value Engineering.
- Introduction of restyled Semi-automatic / Automatic washing machines
- Introduction of new low end automatic washer.

3. FUTURE PLAN OF ACTION

Further plans are as follows :

- To update the product technology of current Direct Cool product lines.
- To reduce CFC consumption
- To reduce SIR and improve quality
- To implant New Value Engineering proposals.

4. EXPENDITURE ON R & D

| | (Rs. in lacs) |
|--|---------------|
| a) Capital | 1788.23 |
| b) Recurring | 124.94 |
| c) Total | 1913.17 |
| d) Total R & D expenditure as a percentage of total turnover | 2.87% |

5. Technology Absorption, Adaptation and Innovation.

1) Efforts made towards technology absorption, adaptation and innovation:-

a) New processes developed:

- Complete New process for CFC Free, Frost Free refrigerator at Pune.
- Installation of six station Automatic Door Foaming Equipment in place of Manual foaming. Installation of Auto-transfer Door Metal line for manufacturing of outer door of refrigerator
- Automatic Vacuumisation and Charring system in Assembly line.
- New Dip painting line for wire condenser
- Mouth Down assembly for 310L model
- Conveyorised Pre-foam 165L cabinet assembly.

b) Improvement in existing production processes:

- Process improvement in the existing dehydration system by providing hot air equipment for the dehydration of evaporator and wire condenser
- Conveyorisation assembly for evaporator manufacturing
- Conveyorisation of welding/grinding/finishing of outer cabinet in press shop
- Modification in paint shop overhead conveyor by linking with press shop.

The company continues to receive technical support from its Regional Technology Centres and the St. Joe Technology Centre at Whirlpool Corporation, USA.

2) Benefits derived as a result of the above efforts -

As a result of these efforts, the following benefits have been realised:

- (a) Upgraded technology and new products
- (b) Higher productivity and lower rejections
- (c) Cost reduction and import substitution.
- (d) Reduction of SIR for products.
- (e) Higher consumer satisfaction and patronage.

3) Information in case of Imported Technology:

| A. Technology Imported | Hermetic Compressors | Refrigerators | Washers |
|---|----------------------|----------------|----------------|
| B. Year of Import | 1986 | 1987 | 1988-89 |
| C. Has the technology been fully absorbed | Yes | Yes | Yes |
| D. If not fully absorbed area where this has not taken place, reasons thereof and future plans of action. | Not applicable | Not applicable | Not applicable |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in lacs)

| | |
|--|-----------|
| 1. Foreign Exchange Earnings (FOB Value) | 125.45 |
| 2. Foreign Exchange Outgo - | |
| i) CIF value of imports - Raw Materials, Components Tools, Spare parts & Capital Goods | 13,899.48 |
| ii) Others | 806.23 |

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of WHIRLPOOL OF INDIA LIMITED as at 31st March, 1998 and the annexed Profit and Loss Account of the Company for the period ended on that date and report that :

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Subject to and in terms of the above, we also report that:
 - (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - (ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of these books.
 - (iii) The attached Balance Sheet and Profit and Loss Account are in agreement with the books of account.
 - (iv) In our opinion and to the best of our information and according to the explanations given to us, the said statements of account read together with the notes appearing in the Schedule of Notes, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1998, and
 - (b) In the case of Profit and Loss Account, of the loss of the Company for the period ended on that date.

S.R. BATLIBOI & CO.
Chartered Accountants
Per

Place : New Delhi
Dated : October 9, 1998

RAJIV MEMANI
Partner

ANNEXURE TO THE AUDITORS' REPORT

1. The Company is maintaining proper records showing full particulars including quantitative details and situations of Fixed Assets except for Fixed assets lying at branches. As explained to us, the Company has a programme of physically verifying its Fixed Assets once in every three years to cover all fixed assets. In accordance with this programme, the management had carried out a physical verification of the Company's Fixed Assets lying at branches during the period. Discrepancies, if any, will be adjusted after the reports are compiled. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its Fixed Assets.
2. Fixed Assets have not been revalued during the period.
3. The stocks of finished goods, stores & spares, raw materials and components have been physically verified by the management during the period.
4. In our opinion, procedures followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification as compared to book records for the stocks physically verified, except for spares of finished goods lying at branches for which the book records are yet to be updated, (refer note no. 18 of part 'c' of Schedule 'Q'), in our opinion, were not material and the same have been properly dealt with, in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the previous period.
7. According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or under sub-section (1-B) of Section 370 of the Companies Act, 1956.
8. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties

listed in the register maintained under Section 301 of the Companies Act, 1956 or under sub-section (1-B) of Section 370 of the Companies Act, 1956.

9. In respect of loans and interest free advances in the nature of loans given to employees, the principal amounts and interest, wherever applicable, are generally being recovered as stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business, with regard to purchase of stores and spares, raw materials and components, plant and machinery equipments and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts, or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the period to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable, having regard to prevailing market prices as available with the Company for such goods, materials or services or transactions made with other parties.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials, components and finished goods including goods purchased for resale. Adequate provision for loss arising on all such items has been made in the accounts.
13. In our opinion and according to information and explanations given to us, the Company has complied with the provisions of Section 58 A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public.
14. As explained to us, the Company has no by-products. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap.
15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business in all its divisions.
16. We have broadly reviewed the books of account maintained by the Company pursuant to the notification of the Central Government for the maintenance of the cost records under Section 209(1)(d) of the Companies Act, 1956 and on the basis of information received, are of the opinion that prima facie the prescribed accounts and records have been made and maintained except that the final statements are in the process of being compiled. We have not, however, made a detailed examination of the said records.
17. According to the records of the Company, Provident Fund and Employees' State Insurance dues have generally been regularly deposited during the period with the appropriate authorities except for overdue amounts of Provident Fund and Employees' State Insurance dues amounting to Rs. 1.94 lacs and Rs. 1.29 lacs respectively, which have not been deposited till date.
18. According to the information and explanations given to us and the books and records examined by us, there are no undisputed amounts outstanding for a period of more than six months from the date these became payable in respect of Income Tax, Wealth Tax, Customs Duty and Excise Duty except for Sales Tax amounting to Rs. 46.12 lacs as at 31st March, 1998.
19. In our opinion and according to the information and explanations given to us, no personal expenses have been charged to Revenue Account other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a Sick Industrial Company within the meaning of Clause (i) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

S.R. BATLIBOI & CO.
Chartered Accountants
Per

Place : New Delhi
Dated : October 9, 1998

RAJIV MEMANI
Partner

Whirlpool of India Limited**BALANCE SHEET AS AT MARCH 31, 1998**

| | Schedule | As at 31.03.98 (Rs.in lacs) | As at 31.12.96 (Rs.in lacs) |
|---|----------|-----------------------------------|-----------------------------------|
| I. SOURCES OF FUNDS | | | |
| 1. Shareholders' Funds | | | |
| a) Share Capital | A | 3923.37 | 3923.37 |
| b) Share Capital Suspense Account (Refer note no. 9 (b) of part c of Schedue 'Q') | | 2420.22 | — |
| c) Advance against Equity Share Capital | | 5626.00 | — |
| d) Reserves & Surplus | B | 32334.35 | 44303.94 |
| | | | 35450.46 |
| | | | 39373.83 |
| 2. Loan Funds | | | |
| a) Secured Loans | C | 40521.94 | 10605.12 |
| b) Unsecured Loans | D | 5531.45 | 1482.56 |
| c) Deferred Payment Credits | E | — | 3.80 |
| | | 46053.39 | 12091.48 |
| | | 90357.33 | 51465.31 |
| II. APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | F | | |
| a) Gross Block | | 54840.82 | 29051.45 |
| Less : Depreciation | | 8077.41 | 10754.23 |
| Net Block | | 46763.41 | 18297.22 |
| b) Capital Work-in-Progress | | 631.20 | 1871.97 |
| c) Capital Advances | | 111.85 | 492.38 |
| d) Project and Pre-operative expenses pending Capitalisation | G | — | 940.00 |
| | | 47506.46 | 21601.57 |
| 2. Investments | H | 4082.01 | 2280.02 |
| 3. Current Assets, Loans and Advances | I | | |
| A. Current Assets | | | |
| a) Inventories | | 10363.27 | 8354.70 |
| b) Sundry Debtors | | 11871.73 | 11934.24 |
| c) Cash and Bank Balances | | 4310.44 | 1249.85 |
| B. Loans and Advances | | 5874.36 | 4114.95 |
| | (A) | 32419.80 | 25653.74 |
| Less : Current Liabilities & Provisions | J | | |
| a) Current Liabilities | | 14440.57 | 17995.04 |
| b) Provisions | | 1783.89 | 944.58 |
| | (B) | 16224.46 | 18939.62 |
| Net Current Assets (A-B) | | 16195.34 | 6714.12 |
| | | 67783.81 | 30595.71 |
| 4. Miscellaneous Expenditure (To the extent not written off or adjusted) | K | — | 4755.79 |
| 5. Profit & Loss Account | | 22573.52 | 16113.81 |
| | | 90357.33 | 51465.31 |
| 6. Accounting Policies, Contingent Liabilities and Notes | Q | | |
| 7. Additional Information pursuant to Schedule VI of the Companies Act, 1956 | R | | |

Schedules A to R form an integral part of accounts

In terms of our attached report of even date

S.R. BATLIBOI & CO.
Chartered Accountants
PerRAJIV MEMANI
PartnerPlace : New Delhi
Dated : October 9, 1998N.C. KHANNA
Addl. SecretaryDALTON NIGEL GARRICK D'SILVA
Managing DirectorJOHN C. PINTO
Director