

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 79th Annual Report of the Company, together with the audited financial statements for the financial year (FY) ended March 31, 2018. This Report states compliance as per the requirements of the Companies Act, 2013 (the "Act"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and other rules & regulations as applicable to the Company.

FINANCIAL RESULTS

The highlights of the Standalone Financial Results are as under:

(Amount: ₹ in crore, except for EPS)

Particulars	FY 2017-18	FY 2016-17
Revenue from Operations & Other Income	4,769.58	4,333.85
Gross Profit before Finance Cost and Depreciation	346.63	278.35
Less: Finance Cost	58.86	80.44
Less: Depreciation	33.94	29.87
Profit / (Loss) before Exceptional Items and Tax	253.83	168.04
Exceptional Items	(89.36)	-
Profit/(Loss) before Taxes	164.47	168.04
Less: Provision for Tax expenses	80.85	60.38
Profit/(Loss) after Tax	83.62	107.66
Less: Other Comprehensive Income	(4.08)	2.29
Add: Balance in Profit & Loss Account	140.92	35.55
Less: Dividend including Dividend Distribution Tax paid during the year	34.18	-
Balance available for appropriation	194.44	140.92
Amount transferred to General Reserves	-	-
Earnings per share (₹) Basic	8.23	10.65
Earnings per share (₹) Diluted	8.19	10.63

The highlights of the Consolidated Financial Results are as under:

(Amount: ₹ in crore, except for EPS)

Particulars	FY 2017-18	FY 2016-17
Revenue from Operations & Other Income	4,769.58	4,333.85
Profit / (Loss) before Exceptional Items and Tax	253.83	168.04
Exceptional Items	78.79	-
Profit / (Loss) before Taxes	175.04	168.04
Share of Profit / (loss) of associates and joint ventures	(10.56)	(5.49)
Profit / (Loss) before tax	164.48	162.55
Less: Provision for Tax expenses	80.85	60.38
Net Profit / (Loss) for the period	83.63	102.17
Earnings per share (₹) Basic	8.23	10.10
Earnings per share (₹) Diluted	8.19	10.08

The financial results of the Company are elaborated in the Management Discussion and Analysis Report.

SHARE CAPITAL

The Paid-up Equity Share Capital as on March 31, 2018 was ₹ 20.41 crore. During the year under review, there

was no public issue, rights issue, bonus issue, preferential issue, etc. made by the Company. The Company has not issued shares with differential voting rights. The increase in

number of shares is due to issue of 747325 equity shares of ₹ 2 each to the employees upon their exercise of stock options. These shares were included, on weighted average basis, for the computation of EPS. Details of Directors' shareholding as on March 31, 2018, are mentioned in the Annexure to this Directors' Report in 'Form MGT – 9'.

No disclosure is required under Section 67(3)(c) of the Act, in respect of voting rights not exercised directly by the employees of the Company, as the provisions of the said Section are not applicable.

The equity shares of the Company continue to remain listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). The stipulated listing fees for FY 2018-19 have been paid to both the stock exchanges.

DEPOSITORY SYSTEM

As the members are aware, the Company's shares are compulsorily tradable in electronic form. As on March 31, 2018, 97.96% of the Company's total paid up capital representing 99953845 shares are in dematerialised form. In view of the numerous advantages offered by the Depository system as well as to avoid frauds, members holding shares in physical mode are advised to avail the facility of dematerialisation from either of the Depositories viz. National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL").

DIVIDEND & DIVIDEND DISTRIBUTION POLICY

Your Directors are pleased to recommend a dividend of 175% (₹ 3.50) on 102037501 equity shares of ₹ 2 each for FY 2017-18. The amount of dividend and tax thereon aggregates to ₹ 43.05 crore (previous year ₹ 34.18 crore). The dividend on equity shares, subject to the approval of the Members at the Annual General Meeting ("AGM") to be held on August 9, 2018, will be paid on or after August 16, 2018 to the Members whose names appear in the Register of Members as of the close of business hours on August 3, 2018; in respect of shares held in dematerialised form, it will be paid to Members whose names are furnished by Depositories, as beneficial owners as of the close of business hours on that date.

CREDIT RATING

The below table depicts Company's credit ratings profile in a nutshell:

Instrument	Rating Agency	Rating	Outlook
Commercial Paper (CP)	ICRA Limited	ICRA A1+ (pronounced ICRA A one plus)	-
	CARE Ratings Limited	CARE A1+ (pronounced CARE A one plus)	-
Line of Credit (LOC)	ICRA Limited	Short Term Rating - [ICRA] A1 (pronounced ICRA A one)	Positive
		Long Term Rating - [ICRA] A (pronounced ICRA A)	

Shares that may be allotted on exercise of stock options granted under the Employee Stock Option Scheme before the book closure date for payment of dividend will rank pari-passu with the existing shares and be entitled to receive the dividend.

As per Regulation 43A of the Listing Regulations, the top 500 listed companies shall formulate a dividend distribution policy. Accordingly, the policy was adopted to set out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to its shareholders and/or for retaining profits earned by the Company. The policy is annexed herewith as Annexure I and is also available at the Company's website: www.bajajelectricals.com.

TRANSFER TO RESERVE

The Company has not transferred any amount to the reserves during the current financial year.

FINANCIAL LIQUIDITY

The Company's cash and cash equivalent as at March 31, 2018 was ₹ 21.82 crore. The Company continues to focus on judicious management of its working capital. Receivables, inventories and other working capital parameters were kept under strict check through continuous monitoring.

CAPITAL EXPENDITURE

As at March 31, 2018 the gross property, plant and equipment, investment property and other intangible assets including leased assets, stood at ₹ 404.53 crore and the net property, plant and equipment, investment property and other intangible assets, including leased assets, at ₹ 312.55 crore. Capital Expenditure during the year amounted to ₹ 40.93 crore.

STATE OF COMPANY AFFAIRS / OPERATIONS

Detailed information on the operations of the different business segments of the Company and details on the state-of-affairs of the Company are covered in the Management Discussion and Analysis Report, which forms part of this Annual Report.

RELATED PARTY TRANSACTIONS

The Company undertakes various transactions with related parties in the ordinary course of its business. All transactions entered into with the related parties during the year under review were on arm's length basis and in the ordinary course of business. Your Company has not entered into any contracts / arrangements / transactions with related parties which could be considered material in accordance with the policy of the Company i.e. Policy on Materiality of and Dealing with Related Party Transactions ("RPT Policy"). Accordingly, AOC-2 is not applicable to the Company. Further, the details of transactions entered into by the Company with related parties in the normal course of business were placed before the Audit Committee of the Board.

There were no materially significant related party transactions with the Promoters, Directors and Key Managerial Personnel, which may have a potential conflict with the interest of the Company at large.

The RPT Policy as approved by the Audit Committee and the Board is available on the website of the Company: www.bajajelectricals.com.

Your Directors draw attention of the members to Note No. 38 to the standalone financial statements which sets out related party disclosure.

PARTICULARS OF LOANS AND ADVANCES, GUARANTEES OR INVESTMENTS

The Company has disclosed the full particulars of the loans given, investments made or guarantees given or security provided as required under Section 186 of the Act and Regulation 34(3) and Schedule V of the Listing Regulations in Note Nos. 4, 6, 7, 9 & 12 forming part of the financial statements.

The details of loans and advances which are required to be disclosed in the Annual Report of the Company pursuant to Regulation 34(3) read with Schedule V of the Listing Regulations are furnished separately as Annexure II to this report.

DEPOSITS

The Company has not accepted deposits from the public falling within the ambit of Section 73 of the Act and the Rules framed thereunder.

NON-CONVERTIBLE DEBENTURES

During FY 2013-14, the Company had issued 1000 Secured Rated Listed Redeemable Non-Convertible Debentures (NCDs) of ₹10,00,000/- each, aggregating

to ₹100.00 crore, on private placement basis, in two series, Series – 1 of 400 NCDs & Series – 2 of 600 NCDs, which were listed on NSE under ISIN 'INE193E07014' and 'INE193E07022', respectively. The said Series – 1 and Series – 2 NCDs were redeemed on their respective due dates i.e. on April 28, 2016 and April 24, 2017.

Axis Trustee Services Limited was the Debenture Trustee for the debentureholders, whose details are provided in the Corporate Governance section of the Annual Report. Further, pursuant to Regulation 53 of the Listing Regulations, disclosures in compliance with the Accounting Standard on "Related Party Disclosures" are given in the notes to the financial statements annexed to this Annual Report.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by the Regulators/Courts/Tribunal which would impact the going concern status of the Company and its operations in the future.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility ("CSR") activities of the Company are guided by its CSR Policy, which is framed and approved by the Board. These are discussed in detail in the Management Discussion and Analysis Report, which forms part of this Annual Report. The statutory disclosure with respect to CSR activities forms part of this Report and is annexed herewith as Annexure III.

BUSINESS RESPONSIBILITY REPORT

Regulation 34(2) of the Listing Regulations, inter-alia, provides that the Annual Report of the top 500 listed entities based on market capitalisation (calculated as on March 31 of every FY), shall include a Business Responsibility Report ("BRR").

Your Company, being one of such top 500 listed entities, has included BRR, as part of the Annual Report, describing initiatives taken from an environmental, social and governance perspective.

As a green initiative, the BRR for FY 2017-18 has been hosted on the website of the Company: www.bajajelectricals.com. Any Member interested in obtaining a copy of BRR may write to the Company Secretary.

CORPORATE GOVERNANCE REPORT

A Report on Corporate Governance along with a certificate from the Statutory Auditors of the Company regarding

the compliance of conditions of corporate governance as stipulated under Schedule V of the Listing Regulations forms a part of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed analysis of the Company's operational and financial performance as well as the initiatives taken by the Company in key functional areas are separately discussed in the Management Discussion and Analysis Report, which forms a part of this Annual Report.

WHISTLE BLOWER POLICY & VIGIL MECHANISM

As per the provisions of Section 177(9) of the Act, the Company has established a vigil mechanism by adopting Whistle Blower Policy pursuant to which whistle blowers can raise concerns in the prescribed manner. Further, the mechanism adopted by the Company encourages a whistle blower to report genuine concerns or grievances and provides for adequate safeguards against victimisation of the whistle blower, who avails of such mechanism, as well as direct access to the Chairman of the Audit Committee. The functioning of the vigil mechanism is reviewed by the Audit Committee from time to time.

None of the whistle blowers have been denied access to the Audit Committee of the Board. The Whistle Blower Policy is available on the website of the Company: www.bajaelectricals.com.

EMPLOYEES STOCK OPTION SCHEME

The Company implemented the Employees Stock Option Schemes ("ESOP Schemes") in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations") as a measure to reward and motivate employees as also to attract and retain talent. There has been no material change in the ESOP Schemes during the year under review and the ESOP Schemes are in compliance with SEBI SBEB Regulations.

During FY 2017-18, 377500 stock options were granted to the eligible employees at the market price prevailing on NSE as on the date of their grant. The issuance of equity shares pursuant to exercise of stock options granted under Growth Plan does not affect the profit and loss account of the Company, as the exercise is made at the market price prevailing as on the date of the grant plus taxes as applicable.

The disclosures relating to ESOP Scheme required to be made under the provisions of the Act and the rules made thereunder and SEBI SBEB Regulations together

with a certificate obtained from the Statutory Auditors, confirming compliance, are provided on the website of the Company: www.bajaelectricals.com. The details of options vested, exercised and cancelled are provided in the notes to the standalone financial statements. No employee has been issued stock options, during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant.

The certificate from the Auditors of the Company which certifies that the ESOP Scheme has been implemented in accordance with SEBI SBEB Regulations and the resolutions passed by the shareholders would be placed at the AGM for the inspection by the Members.

SUBSIDIARIES / ASSOCIATES / JOINT VENTURES

The Company has no subsidiary as on March 31, 2018.

Details of associate companies/joint ventures of the Company:

Name of the Company	% of shareholding of the Company as on March 31, 2018	Status
Starlite Lighting Limited (SLL)	47.00*	Joint Venture
Hind Lamps Limited (HLL)	19.00	Associate

*Acquisition of additional 28% equity shares in SLL

The Company had advanced a sum of ₹3.80 crore to SLL as a Short-Term Loan inter-alia on the collateral security by way of pledge of 3500000 (28%) equity shares of ₹10 each held in SLL by the Promoters of SLL, under an Agreement of Pledge of Shares dated February 23, 2007, with a right to the Company to purchase the same, at its sole discretion, at a pre-determined consideration of ₹0.10 paisa per equity share. During the year under review, the Company exercised its right to acquire these shares and with this acquisition, the shareholding of the Company in SLL has increased from 19% to 47%.

Performance of Joint Venture and Associate

****SLL:** The gross revenue of SLL for FY 2017-18 stood at ₹ 158.07 crore (Previous Year: ₹ 90.54 crore). Loss for the year was at ₹122.30 crore (Previous Year Loss: ₹ 29.17 crore).

***Based on unaudited figures.*

HLL: The gross revenue of HLL for FY 2017-18 stood at ₹ 42.18 crore (Previous Year: ₹ 44.16 crore). Loss for the year was at ₹ 8.46 crore (Previous Year Loss: ₹ 9.30 crore).

A separate statement containing the salient features of the associate and joint venture in the prescribed 'Form AOC-1' is annexed herewith as Annexure IV to this Report.

The policy for determining material subsidiaries as approved by the Board may be accessed on the Company's website: www.bajajelectricals.com.

In accordance with the third proviso to Section 136(1) of the Act, the Annual Report of Company, containing therein its Standalone and Consolidated Financial Statements are available on the Company's website: www.bajajelectricals.com. Further, as per fourth proviso to the said Section, the annual accounts of the joint venture and associate of the Company are also available on the Company's website: www.bajajelectricals.com. Any shareholder who may be interested in obtaining a copy of the aforesaid documents may write to the Company Secretary at the Company's Registered Office. Further, the said documents will be available for examination by the shareholders of the Company at its Registered Office during all working days except Saturday, Sunday, Public Holidays and National Holidays, between 10.00 a.m. to 05.00 p.m.

CONSOLIDATED FINANCIAL STATEMENTS

The directors also present the audited consolidated financial statements incorporating the duly audited/unaudited financial statements of the associate and joint venture prepared in compliance with the Act, applicable Accounting Standards and the Listing Regulations. The Consolidated Financial Statements of the Company and its associate and joint venture companies prepared in accordance with the Act and applicable Accounting Standards forms part of this Annual Report.

PRESENTATION OF FINANCIAL RESULTS

The financial results of the Company for the year ended March 31, 2018 have been disclosed as per Schedule III to the Act.

SCHEME OF ARRANGEMENT FOR DEMERGER OF MANUFACTURING BUSINESS OF HLL INTO THE COMPANY

During FY 2015-16, the Board of Directors of the Company had approved the proposal for demerger of manufacturing business of HLL into the Company, pursuant to a Scheme of Arrangement ("Scheme") under Sections 230-232 and other applicable provisions of the Act and granted its approval for issue of 529740 fully paid-up equity shares of the Company of the face value of ₹2 each to the shareholders of the HLL (except to the Company itself) as a consideration for the demerger in compliance with

the provisions of Section 2(19AA) of the Income Tax Act, 1961, which was based on the Share Entitlement Ratio (i.e. 109 equity shares of the Company of the face value of ₹2 each for 1000 equity shares of HLL of the face value of ₹25 each), as recommended by Messrs S.R.Batlboi & Co. LLP, Chartered Accountants, who were appointed as Independent Valuer by the Company and HLL.

Since HLL was declared as a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA") by the Board for Industrial and Financial Reconstruction ("BIFR"), the said Scheme was required to be filed only with BIFR for its approval and accordingly, on April 22, 2016, HLL had filed the said Scheme with BIFR vide its letter dated April 18, 2016 under BIFR Case No.09/2002 ("Case").

As the Scheme was not required to be filed with the High Court or Tribunal for its approval when it was approved by the Board of Directors of both the companies and was required to be filed only with BIFR, the provisions of erstwhile Clause 24(f) of the Listing Agreement and/or Regulation 37 of the Listing Regulations and SEBI circulars No. CIR/CFD/DIL/5/2013 dated February 4, 2013 and CIR/CFD/CMD/16/2015 dated November 30, 2015 ("SEBI Circulars"), in respect of filing of draft scheme of arrangement with the stock exchange(s) / SEBI for obtaining Observation Letter or No-Objection Letter were not applicable to the Company.

However, subsequently, the Central Government of India, vide Notification No. S.O. 3568 (E) dated November 25, 2016, brought the provisions of SICA Repeal Act into force with effect from December 1, 2016 and SICA was repealed. Section 4(b) of SICA Repeal Act (as amended by Section 252 of the Insolvency and Bankruptcy Code, 2016) provides that any proceeding of whatever nature, pending before BIFR shall stand abated. Accordingly, the Scheme filed by HLL stood abated as on December 1, 2016.

With the notification of SICA Repeal Act, the provisions of Regulation 37 of the Listing Regulations and SEBI Circulars have become applicable to the Company as the Scheme was then required to be filed with Tribunal.

On March 10, 2017, SEBI vide its Circular No. CFD/DIL3/ CIR/2017/21 ("Revised SEBI Circular"), amended the regulatory framework for schemes of arrangements. The provisions of Para 8 of the Revised SEBI Circular, inter-alia, states that in cases of the issuance of shares under schemes to a select group of shareholders or shareholders of unlisted companies, the issuer shall follow the pricing provisions of Chapter VII of SEBI (Issue of Capital and

Disclosure Requirements) Regulations, 2009 (“SEBI ICDR Regulations”). Further, as per Para 6 of the said Revised SEBI Circular, the schemes filed with the stock exchange(s) / SEBI after the date of the Revised SEBI Circular shall be governed by its provisions.

On September 29, 2017, the Company had filed the Scheme with the stock exchanges under Regulation 37 of the Listing Regulations with a request for waiver from the requirements of adhering to the pricing provisions of Chapter VII of SEBI ICDR Regulations considering the fact that the Scheme was approved by the Board of Directors of both the companies well before the issue of the said Revised SEBI Circular.

However, the stock exchanges requested the Company to amend the Scheme and the Valuation Report to meet with the requirements of the Revised SEBI Circular. Accordingly, the Board of Directors of the Company, in its meeting held on November 9, 2017, considered and approved the revised valuation / share entitlement ratio for a demerger of the manufacturing business of HLL into the Company and made consequential amendment to the Scheme (hereinafter referred to as “Amended Scheme”).

As per the revised valuation report dated October 31, 2017, as issued by Messrs Katre Barwe & Associates, Chartered Accountants, Mumbai, the independent valuation firm, the revised share entitlement ratio of equity shares for the proposed demerger of the manufacturing business of the HLL into the Company, as at relevant date, shall be 97 equity shares of the Company of ₹2 each fully paid up for every 1,000 equity shares of HLL of ₹25 each fully paid up (“Revised Valuation Report”). Accordingly, the shareholders of HLL, except the Company, shall now be issued 471420 fully paid-up equity shares of the Company of the face value of ₹2 each, as against 529740 equity shares proposed earlier in consideration for the demerger, in compliance with the provisions of Section 2(19AA) of the Income Tax Act, 1961.

On November 20, 2017, the Company had filed the Amended Scheme with the stock exchanges under Regulation 37 of the Listing Regulations. On March 21, 2018, the stock exchanges conveyed their no-objection to the Company in terms of Regulation 94 of the Listing Regulations while advising the Company to publish the information pertaining to Dr. Rajendra Prasad Singh, Independent Director of the Company, in the matter of G.E.T. Power Limited in the Scheme and to bring the same to the notice of shareholders and Hon'ble National Company Law Tribunal (“Hon'ble NCLT”). The copies of the aforesaid observation letters along with other relevant

documents are available on the website of the Company: www.bajajelectricals.com.

To meet the requirements of the aforesaid observation letters, the Board at its meeting held on March 29, 2018, suitably amended the Scheme (hereinafter referred to as the “Amended Scheme with SEBI/RBI Observations”). The Company is now in the process of filling the Amended Scheme with SEBI/RBI Observations with the Hon'ble NCLT.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year under review, Shri Vishnubhai Haribhakti, Independent Director and Chairperson of the Audit Committee, Nomination and Remuneration Committee and Stakeholders' Relationship Committee, stepped down from the directorship of the Company w.e.f. August 4, 2017 due to his advancing age. The Board placed on record its appreciation of the contribution made by Shri Vishnubhai Haribhakti as Director of the Company.

As on the date of this report, the Company's Board comprises of nine (9) Directors, out of which, seven (7) are Non-Executive Directors (NEDs) including one (1) Woman Director. NEDs represent 77.78% of the total strength. Further, out of the said seven (7) NEDs, six (6) are independent directors representing 66.67% of the total strength of the Board. The composition of the Board is in conformity with Regulation 17 of the Listing Regulations and also with the provisions of the Act.

Director coming up for retirement by rotation

In accordance with the provisions of the Act and the Articles of Association of the Company, Shri Anant Bajaj retires by rotation and being eligible offers his candidature for re-appointment as a Director. The information as required to be disclosed under Regulation 36 of the Listing Regulations in case of re-appointment of the director is provided in the Notice of AGM.

Independent Directors

The Independent Directors hold office for a fixed term of five years and are not liable to retire by rotation. In accordance with Section 149(7) of the Act, each Independent Director has given a written declaration to the Company confirming that he/she meets the criteria of independence as mentioned under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations.

The terms and conditions of appointment of the Independent Directors are placed on the website of the Company: www.bajajelectricals.com.

Number of Meetings of the Board

The details of the Board Meetings and attendance of Directors are provided in the Report on Corporate Governance, which forms part of this Annual Report. The intervening gap between the meetings was within the period prescribed under the Act and Listing Regulations.

Audit Committee

The Company has in place an Audit Committee in terms of the requirements of the Act read with the Rules made thereunder and Regulation 18 of the Listing Regulations. The details relating to the same are given in the Report on Corporate Governance which forms part of this Annual Report.

Familiarisation Programme for the Independent Directors

In compliance with the requirement of Listing Regulations, the Company has put in place a familiarisation programme for the independent directors to familiarise them with their role, rights and responsibility as directors, the working of the Company, nature of the industry in which the Company operates, business model, etc. The details of familiarisation programme are explained in the Corporate Governance Report. The said details are also available on the website of the Company: www.bajajelectricals.com.

Evaluation of performance of the Board, its Committees and Directors

The Board has conducted an annual evaluation of performance of all its Directors, Committees of the Board and that of its Chairman, in terms of the relevant provisions of the Act, Rules made thereunder and Listing Regulations. The manner in which the evaluation was conducted by the Company has been explained in the Corporate Governance Report, which forms part of this Annual Report.

Key Managerial Personnel (KMP)

Pursuant to the provisions of Sections 2(51) and 203 of the Act, read with the Rules framed thereunder, the Board has designated Shri Shekhar Bajaj, Chairman & Managing Director, Shri Anant Purandare, President & Chief Financial Officer and Shri Mangesh Patil, EVP – Legal & Taxation and Company Secretary and Compliance Officer, as KMPs of the Company.

None of the KMPs of the Company has resigned during the year under review.

Policy on Remuneration of Directors, KMPs and Senior Managerial Personnel & criteria for matters under Section 178 of the Act

Information regarding Policy on Remuneration of Directors, KMPs and Senior Managerial Personnel &

criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of Section 178 of the Act are provided in the section of Corporate Governance Report.

Criteria for selection of candidates for appointment as Directors, KMPs and Senior Managerial Personnel

Your Company has laid down a well-defined criteria for the selection of candidates for appointment as Directors, KMPs and Senior Managerial Personnel.

Promotion and re-designation of Shri Anant Bajaj

On the recommendation of the Nomination and Remuneration Committee, the Board in its meeting held on May 23, 2018, has approved and recommended to the Members' for their approval, the promotion and re-designation of Shri Anant Bajaj, Joint Managing Director as the Managing Director of the Company.

Members' attention is drawn to the Item No. 7 of the Notice convening the AGM proposing the promotion / re-designation of Shri Anant Bajaj, Joint Managing Directors as the Managing Director of the Company.

INTERNAL FINANCIAL CONTROLS AND RISK MANAGEMENT

The Company has robust systems for internal audit and corporate risk assessment and mitigation. The Company has an independent Internal Audit Department assisted by dedicated outsourced audit team.

The Internal Audit covers all the factories, branch offices, warehouses, project sites and centrally controlled businesses and functions, as per the annual plan agreed with the Audit Committee. The audit coverage plan of Internal Audit is approved by the Audit Committee at the beginning of every year. Every quarter, the Audit Committee of the Board is presented with key control issues and actions taken on the issues highlighted in previous report.

The procedures have been set in place for self-assessment of business risks, operating controls and compliance with Corporate Policies. There is an ongoing process to track the evolution of risks and delivery of mitigating action plans.

The Company's internal financial control framework is commensurate with the size and operations of the business and is in line with the requirements of the Act. The Company has laid down standard operating procedures and policies to guide the operations of the business. Unit heads are responsible to ensure compliance with the policies and procedures laid down by the management. Robust and



continuous internal monitoring mechanisms ensure timely identification of risks and issues. The management, Statutory and Internal Auditors undertake rigorous testing of the control environment of the Company.

Based on the report of the Statutory Auditors, the internal financial controls with reference to the standalone financial statements were adequate and operating effectively, however, the consolidated financial statements of the Company were qualified for internal financial controls, as SLL, a joint venture of the Company did not have appropriate internal financial control system over financial statement close process in relation to establishing processes for evaluation and determination of impairment of assets including tax assets, appropriate review of financial statements including application of accounting standards on non-routine transactions (sale and lease back of fixed assets) which could potentially result in the joint venture not recognising impairment of assets on a timely basis or incorrectly recognising or derecognising assets; resulting in restatement of financial statements.

The Board has taken note of the findings of the statutory auditors of SLL with respect to the weakness in its internal financial control system over financial statement close process and endeavors to strengthen the same so as to be commensurate with the size and nature of its business.

COMPLIANCE WITH SECRETARIAL STANDARDS

Pursuant to the approval given on April 10, 2015 by Central Government to the Secretarial Standards specified by the Institute of Company Secretaries of India, the Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) came into effect from July 1, 2015. These Secretarial Standards were thereafter revised and made effective from October 1, 2017. The Company is in compliance with the same.

REPORTING OF FRAUD

The Auditors of the Company have not reported any instances of fraud committed against the Company by its officers or employees as specified under Section 143(12) of the Act.

RISK MANAGEMENT

The Company has formulated a risk management policy and has in place a mechanism to inform the Board about risk assessment and minimisation procedures and periodical review to ensure that executive management controls risk by means of a properly designed framework. These are discussed in detail in the Management

Discussion and Analysis Report forming part of this Annual Report.

AUDITORS

Statutory Auditors

Messrs S R B C & Co. LLP, Chartered Accountants (ICAI Registration No.324982E/E300003) were appointed as the Statutory Auditors of the Company to hold office from the conclusion of the 78th AGM held on August 3, 2017 until the conclusion of the fifth consecutive AGM of the Company to be held in the financial year 2021-22, subject to ratification of their appointment by the Members at every AGM held after the AGM held on August 3, 2017.

As required under the provisions of Section 139(1) of the Act, the Company has received a written consent from Messrs S R B C & Co. LLP, Chartered Accountants and a Certificate to the effect that their appointment, if made, would be in accordance with the provisions of the Act and the Rules framed thereunder and that they satisfy the criteria provided in Section 141 of the Act.

The Members are requested to ratify the appointment of the Statutory Auditors as aforesaid and fix their remuneration.

The notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

The Auditors' Report on financial statements does not contain any qualification, reservation or adverse remark or disclaimer.

Cost Auditors

Pursuant to Section 148 of the Act read with the Rules made thereunder, the cost audit records maintained by the Company in respect of its manufacturing activities are required to be audited. The Board has, on the recommendation of the Audit Committee, appointed Messrs R. Nanabhoy & Co., Cost Accountants (Firm Registration No.000010), to audit the cost accounts of the Company for FY 2018-19. As required under the Act, the remuneration payable to the Cost Auditors is required to be placed before the Members in the general meeting for their ratification. Accordingly, a resolution seeking Members ratification for the remuneration payable to Messrs R. Nanabhoy & Co., Cost Accountants, is included at item no. 5 of the Notice of the AGM.

The particulars of the Cost Auditors and cost audit conducted by them for FY 2016-17 are furnished below:

ICWA Membership No.	7464
Registration No. of Firm	000010
Address	Jer Mansion, 70, August Kranti Marg, Mumbai 400 036
Cost Audit Report	FY 2016-17
Due date of filing of Report	September 30, 2017
Actual date of filing of Report	August 31, 2017

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Act and Rules thereunder, the Company had appointed Messrs Anant B. Khamankar & Co., Practicing Company Secretaries (Membership No. FCS 3198; CP No. 1860) to undertake the secretarial audit of the Company for FY 2017-18. The Report of the Secretarial Auditor is annexed herewith as Annexure V.

The Secretarial Audit Report does not contain any qualification, reservation, adverse remark or disclaimer.

INVESTOR EDUCATION AND PROTECTION FUND

Please refer to paragraphs 'Unclaimed Dividends' and 'Transfer of Shares to IEPF', the Corporate Governance Report which forms part of this Annual Report.

MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments, affecting financial position of the Company which have occurred between the end of the financial year of the Company i.e. March 31, 2018 and the date of the Directors' Report.

EXTRACT OF ANNUAL RETURN

An extract of the Annual Return as of March 31, 2018 pursuant to the sub-section 3 of Section 92 of the Act, in Form MGT-9 is annexed herewith as Annexure VI.

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

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure VII to this Report.

HUMAN RESOURCES

Your Company takes pride in the commitment, competence and dedication shown by its employees in all areas of its

business. The Company considers people as its biggest assets and hence, has put in concerted efforts in talent management and succession planning practices, strong performance management and learning and training initiatives to ensure that it consistently develops inspiring, strong and credible leadership. Apart from continued investment in skill and leadership development of its people, this year your Company has also focused on employee engagement initiatives and drives aimed at increasing the culture of innovation & collaboration across all strata of the workforce. These are discussed in detail in the Management Discussion and Analysis Report forming part of this Annual Report.

PROTECTION OF WOMEN AT WORKPLACE

The Company has formulated a policy on 'Protection of Women's Rights at Workplace' as per the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. This has been widely disseminated. There were no cases of sexual harassment complaints received by the Company in FY 2017-18.

PARTICULARS OF EMPLOYEES

Disclosures with respect to the remuneration of Directors, KMPs and employees under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("Rules"), is given in Annexure VIII to this Report.

The Company had ten (10) employees who were employed throughout the year and were in receipt of remuneration more than ₹102 lakh per annum and eleven (11) employees were employed for part of the year and were in receipt of remuneration of more than ₹8.50 lakh per month.

In terms of Section 136 of the Act, the copy of the Financial Statements of the Company, including the Consolidated Financial Statements, the Auditor's Report and relevant Annexures to the said financial statements and reports are being sent to the Members and other persons entitled therefore, excluding the information in respect of the said employees containing the particulars as specified in Rule 5(2) of the said Rules, which is available for inspection by the Members at the Company's Registered Office during all working days except on Saturday, Sunday, Public Holidays and National Holidays, between 10.00 a.m. to 5.00 p.m. up to the date of AGM. If any Member is interested in obtaining a copy thereof, he/she may write to the Company Secretary of the Company at its Registered Office.

The financial statements, reports etc. of the Company are available on the website of the Company: www.bajaelectricals.com.



INDUSTRIAL RELATIONS

The relations with the employees of the Company have continued to remain cordial.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Act, your Directors state that:

- a) in the preparation of the annual accounts for the year ended March 31, 2018, the applicable Accounting Standards have been followed and there is no material departure;
- b) they 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 as at March 31, 2018 and of the profit of the Company for the year ended on that date;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENT AND APPRECIATION

Your Directors take this opportunity to thank the Company's customers, shareholders, suppliers, banks, financial institutions and the Central and State Governments for their unstinted support. The Directors would also like to place on record their appreciation to employees at all levels for their hard work, dedication and commitment.

ANNEXURES

The following annexures form part of this report:

- a. Dividend Distribution Policy – Annexure I;
- b. Details of Loans and Advances as per Regulation 34(3) read with Part A of Schedule V of the Listing Regulations – Annexure II;
- c. Annual Report on CSR Activities – Annexure III;
- d. Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures in 'Form AOC-1' – Annexure IV;
- e. Secretarial Audit Report in 'Form MR-3' – Annexure V;
- f. Extract of Annual Return in 'Form MGT-9' – Annexure VI;
- g. Report on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo – Annexure VII; and
- h. Disclosures with respect to the remuneration of Directors, KMPs and employees under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 – Annexure VIII.

For and on behalf of the Board

Mumbai
May 23, 2018

Mangesh Patil
EVP - Legal & Taxation and
Company Secretary
FCS No.: 4752

Anant Bajaj
Joint Managing Director
DIN: 00089460

Shekhar Bajaj
Chairman & Managing Director
DIN: 00089358