

1997-98

ANNUAL REPORT

MID	✓				MD	✓
CS	✓				DEY	✓
RO	✓				DIV	✓
TRA	✓				AC	✓
AGM	✓	✓	✓	✓	SHR	✓
YE	✓	✓	✓	✓		✓

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For W.S. INDUSTRIES (INDIA) LTD

[Signature]
 P. S. CURIYANARAYANAN
 Company Secretary

**W.S. Industries (India) Ltd.**

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Our Managing Director, Sri. Murali Venkatraman addressing the Technical Symposium organised for our customers at Tehran, Iran

W.S. INDUSTRIES (INDIA) LIMITED

Regd. Office : Porur, Chennai - 600 116.



NOTICE

NOTICE is hereby given that the Annual General Meeting of the Company will be held on Monday, the 28th December, 1998 at 10.00 A.M. at Sri Rama Kalyana Mandapam, 24, Cathedral Garden Road, Chennai - 600 034 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the Audited Balance Sheet and Profit & Loss Account of the Company for the year ended 30th June, 1998 and the Auditors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in the place of Sri K.Raman, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri K.D.Parakh, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Air Marshal S.J.Dastur, who retires by rotation and being eligible, offers himself for reappointment.
6. Appointment of Auditors

To move the following Resolution as a Special Resolution :

"RESOLVED THAT M/s.S.Viswanathan, Chartered Accountants, Chennai, the retiring Auditors of the Company be and are hereby re-appointed as Auditors of the Company to hold such office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.1,00,000/- (Rupees One Lakh only) plus all out-of-pocket and travelling expenses incurred to be reimbursed at Actuals."

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification/s, the following Resolution as an Ordinary Resolution :

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immoveable and moveable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of The Sumitomo Bank, Limited.



- a) To secure the additional Rupee Term Loan of Rs.200 lacs together with interest at the agreed rates, additional interest, liquidated damages, commitment charges, premium on prepayment, costs, charges, expenses, and all other monies payable by the Company to The Sumitomo Bank, Limited as set out in Loan Agreement/ Hypothecation Agreement/ Letter of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of availing the said loan;

and

- b) To the Board of Directors of the Company agreeing with the said Bank in terms of the Loan Agreement/ Hypothecation Agreement/Letter of Sanction/Memorandum of Terms and Conditions to reserve a right to take over the management of the business and concern of the Company in certain events.

RESOLVED further that the Board of Directors of the Company be and is hereby authorised to finalise with The Sumitomo Bank, Limited, the documents for creating the aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolutions.”

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

“RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immoveable and moveable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of Bank of Bahrain & Kuwait B.S.C.

- a) To secure the Foreign Currency Loan of US\$ 1.5 Million equivalent to Indian Rs.600 lacs together with interest at the agreed rates, additional interest, liquidated damages, commitment charges, premium on prepayment, costs, charges, expenses, and all other monies payable by the Company to Bank of Bahrain & Kuwait B.S.C. as set out in Loan Agreement/Hypothecation Agreement/ Letter of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company in respect of availing the said loan;

and

- b) To the Board of Directors of the Company agreeing with the said Bank in terms of the Loan Agreement/ Hypothecation Agreement/Letter of Sanction/Memorandum of Terms and Conditions to reserve a right to take over the management of the business and concern of the Company in certain events.

RESOLVED further that the Board of Directors of the Company be and is hereby authorised to finalise with Bank of Bahrain & Kuwait B.S.C. the documents for creating the aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolutions.”



9. To consider and if thought fit, to pass with or without modification/s, the following Resolution as a Special Resolution :

“RESOLVED that the existing Subclause (ii) of Clause (a) of the Article 132 of the Articles of Association of the Company be deleted and be replaced by the following as Subclause (ii):

‘Subject to the provisions of Section 267, 268 and 269 of the Companies Act, 1956 and other relevant provisions of the Act, if any, or any statutory modification thereof, the Board of Directors of the Company may from time to time appoint one or more of their body to the office of Managing Director/Managing Directors for such period and on such terms as the Board of Directors may think fit subject to the terms of any agreement entered into with them. But his/their appointment/appointments shall be automatically determined if he/they ceases/cease to be director/directors and provided also that the appointment of Managing Director/Managing Directors shall be further subject to the provisions of Section 316 and 317 of the Companies Act, 1956 or any statutory modification thereof.’ ”

BY ORDER OF THE BOARD
for W.S. INDUSTRIES (INDIA) LIMITED

Bangalore
26th November, 1998

N.S. SURYANARAYANAN
COMPANY SECRETARY

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member. The Proxy Forms should be lodged with the Registered Office of the Company not later than 48 hours before commencement of the Meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd December, 1998 to 28th December, 1998 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report to the Meeting. They are also requested to avoid being accompanied by non-members and children.
5. Members are requested to notify any change in their addresses to the Company immediately.
6. The Dividend, if declared, will be paid to the shareholders whose names appear in the Register of Members as on 28th December, 1998 and the Dividend Warrants will be posted on or before 8th February, 1998.
7. Shareholders are requested to advise the Company of their Account No. and Bank particulars, if not already done so, to incorporate the same in Dividend Warrants.



EXPLANATORY STATEMENT

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

ITEM NO.7

The Company has availed a Rupee Term Loan of Rs.500 lacs from The Sumitomo Bank, Limited last year. The Company has availed an additional Rupee Term Loan of Rs.200 lacs from The Sumitomo Bank, Limited for meeting the repayment of certain of its term loans and to augment its long term working capital requirements. The Company is required to create a charge on the immoveable and/or moveable assets of the Company, present and future in favour of The Sumitomo Bank, Limited for securing the said borrowing. Since the Loan Agreements generally incorporate a provision that the lender/s will have the power to take over the management of the Company in certain events, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before the creation of such a mortgage, hypothecation or charge. Accordingly, the resolution is placed before the shareholders for their consideration.

None of the Directors are interested in the resolution.

ITEM NO.8

The Company has availed a Foreign Currency Loan of US\$ 1.5 Million equivalent to Indian Rs.600 lacs from Bank of Bahrain & Kuwait B.S.C. for meeting the repayment of certain of its term loans and to augment its long term working capital requirements. The Company is required to create a charge on the immoveable and/or moveable assets of the Company, present and future in favour of Bank of Bahrain & Kuwait B.S.C. for securing the said borrowing. Since the Loan Agreements generally incorporate a provision that the lender/s will have the power to take over the management of the Company in certain events, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before the creation of such a mortgage, hypothecation or charge. Accordingly, the resolution is placed before the shareholders for their consideration.

None of the Directors are interested in the resolution.

ITEM NO.9

At present, the position of the Managing Director/s is not subject to retirement by rotation as per Article 132(a)(ii) of the Company. Due to the reduction in the total number of Directors in the Board over the years, the number of Directors retiring by rotation has to be increased so as to comply with the provisions of Section 255 of the Companies Act, 1956. It is proposed to remove the provisions in the Articles which states that the Managing Director/s shall not be retiring by rotation. Hence this resolution is placed before the members for approval.

Sri. Murali Venkatraman, Managing Director and Sri. Narayan Sethuramon, Joint Managing Director are deemed to be interested in the subject in their individual capacity.

Sri. V. Srinivasan, Executive Chairman is deemed to be interested by virtue of being related to Sri. Murali Venkatraman and Sri. Narayan Sethuramon.

None of the other Directors are interested in the resolution.

BY ORDER OF THE BOARD
for **W.S.INDUSTRIES (INDIA) LIMITED**

Bangalore
26th November, 1998

N.S.SURYANARAYANAN
COMPANY SECRETARY



W.S. Industries (India) Limited

Board of Directors

Chairman Emeritus	K.S. Narayanan
Executive Chairman	V. Srinivasan
Managing Director	Murali Venkatraman
Joint Managing Director	Narayan Sethuramon

Directors

K.D. Parakh
K. Raman
Air Marshal S.J. Dastur (Retd.)

S. Ravikumar	(Nominee of UTI)
M.P. Tellis	(Nominee of ICICI)
P. Vaidhyanathan	(Nominee of LIC)
K.R. Sukhija	(Nominee of GIC)

Company Secretary N.S. Suryanarayanan

Bankers Punjab National Bank
Chennai - 600 001

Indian Overseas Bank
Bangalore - 560 009

State Bank of India
Chennai - 600 001

Times Bank Limited
Chennai - 600 034

Centurion Bank Limited
Chennai - 600 035

Auditors M/s. S. Viswanathan
Chennai - 600 004

Legal Advisor T. Raghavan
25, T.T.K. Road
Chennai - 600 018

Registered Office Porur, Chennai - 600 116
Phone No. 4827811
Fax No. (091) - 44 - 4826382

Works Porur, Chennai
Settigere, Bangalore

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DIRECTORS' REPORT

To

The Shareholders

Your Directors have pleasure in presenting their Annual Report along with the Audited Accounts for the year ended 30th June, 1998.

FINANCIAL RESULTS

	For the Year ended 30.06.1998 Rs.	For the Year ended 30.06.1997 Rs.
Gross Profit for the year	18,67,64,203	21,79,85,056
Less: Depreciation	3,39,99,070	3,25,19,244
Interest	14,45,03,649	13,32,62,573
Profit before tax	82,61,484	5,22,03,239
Less : Provision for Taxation	11,00,000	1,00,00,000
Profit after tax	71,61,484	4,22,03,239
Add: Balance in Profit and Loss Account brought forward	2,37,78,668	2,14,77,199
Transfer from Investment Allowance(Utilised)Reserve	20,00,000	30,00,000
Profit available for appropriation	3,29,40,152	6,66,80,438
It is proposed to appropriate this as under :		
(i) Proposed Dividend		
- Preference	55,66,918	19,12,466
- Equity	—	2,05,43,688
(ii) Tax on proposed Dividend	5,56,692	22,45,616
(iii) Capital Redemption Reserve	40,00,000	—
(iv) Special General Reserve	—	32,00,000
(iv) General Reserve	—	1,50,00,000
	1,01,23,610	4,29,01,770
Balance retained in Profit and Loss Account	2,28,16,542	2,37,78,668
	3,29,40,152	6,66,80,438

DIVIDEND

Your Directors greatly regret that in view of the lower profits and the continuing difficult business environment coupled with onerous financial obligations, they are compelled not to recommend a Dividend on the Equity Capital of the company. This difficult decision was taken after considerable deliberation, keeping in mind the long track record of regular dividend payments by your company. We seek shareholders' understanding in the matter and hope that we will soon return to the Dividend list.

However, your Directors recommend for your approval, the dividend on the Redeemable Cumulative Preference Shares at the contracted rates amounting to Rs.55,66,918/-.

INCOME TAX

Taking into consideration the various reliefs and concessions available under the Income Tax Act, we are advised that there will be no tax liability to the Company for the year under review. However, a sum of Rs. 11,00,000/- has been provided for in the books as Minimum Alternate Tax (MAT) in accordance with Section 115JA of the Income Tax Act, 1961.

W.S. Industries (India) Limited

OPERATIONS

The slowdown in the Economy which was noticeable last year has greatly intensified, affecting many sectors of Industry. The Power Equipment Sector has been particularly hit, with procurement of Transmission and Distribution Equipment at very low levels. Compounding the situation are the Economic sanctions imposed on India, with consequent suspension of the credits for financing several projects. While there has been a marginal increase in the sales turnover as compared to the previous year, there has been a sharp decline in the Net Profit to Rs.83 Lakhs as there have been substantial increases in the input and operating costs including finance costs.

The modern operational planning and control system installed last year at the Bangalore factory contributed significantly to the improvement of operations during the year. A similar programme has now been initiated at the Chennai factory with assistance from a Professional Firm of Management Consultants. It is anticipated that significant improvements in the working of the Chennai factory will also be achieved.

The activity based costing system initiated by the Company last year has given new insights into the business and is being extended to cover more areas of operations.

During the year, your Company contracted for further supplies of Complete High Voltage Shunt Power Capacitor Banks. Two contracts have been successfully executed. A further contract is under execution. These Banks incorporate all your Company's products and help to improve efficiency of Power Transmission Systems.

Another new important achievement was the stringing under live conditions of a 220 KV Transmission Line of 180 KM length. The project was successfully commissioned on time to the satisfaction of the customer.

EXPORTS

The Company's main thrust continues to be on the export markets. However, there has been a slow down in the international markets also due to the crisis in South East Asia and the uncertain political climates in several countries. The Company has achieved physical and deemed export sales turnover of Rs.3234 lakhs and Rs.1012 lakhs respectively, amounting to 34 % of its turnover, as against Rs.4292 lakhs and Rs.2825 lakhs in the previous financial year.

The Company further accentuated its export marketing efforts. It was the only Indian Company to participate in special electrical engineering exhibitions in Dalian (China) and Paris (France). Well attended Technical Seminars were conducted in Turkey and Iran, while the export marketing personnel made intensive visits to several countries to follow-up business prospects.

MODERNISATION AND EXPANSION

During the year, the Company completed the first phase of its modernisation programme at the Chennai Unit with the financial assistance from the Export-Import Bank of India. The Company also improved its captive power generation capacity and reduced the power cost substantially. With relining and changing of the muffles, the yield and output from the first Tunnel Kiln improved significantly. In view of the present forex market conditions, the Company would be converting its existing Foreign Currency Loan from the Export-Import Bank of India into a Rupee Loan. The Business Process Re-engineering (BPR) exercise carried out at the Chennai Unit also envisages certain layout changes and installation of certain additional balancing equipments. Taking these into consideration, the second phase of the modernisation programme will now be taken up for implementation.

FUTURE PROSPECTS

The present order book of the Company stands at Rs.2532 lakhs which includes Rs.1284 lakhs of Export Orders. As stated earlier, the Company is making strong efforts to open new markets in several countries and with new customers. It is also hoped that the Power Transmission System Construction Programme, which is urgently required in the country, will also quickly revive, with consequent increased demands for our products.

FINANCE

The difficult Economic situation has also had its effect on the liquidity of the Government as well as of Industry. Collections of Receivables from our customers continued to be tardy throughout the year and the Company's finances were consequently strained. It is hoped that the Government's recent announcements of large scale expenditure on infrastructure development will improve this situation.