


ANNUAL REPORT

2000

CERTIFIED TRUE COPY

For W.S. INDUSTRIES (INDIA) LTD


N. S. SURYANARAYANAN
Company Secretary & GM - CA

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W.S. INDUSTRIES (INDIA) LIMITED



W.S. Industries (India) Limited

BOARD OF DIRECTORS

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.)	
N. Ramesh	(Nominee of ICICI)
Nagashayana	(Nominee of GIC)

Company Secretary & General Manager (Corporate Affairs)

N.S. Suryanarayanan

Bankers

Punjab National Bank
Chennai - 600 001

Indian Overseas Bank
Bangalore - 560 009

State Bank of India
Chennai - 600 001

HDFC Bank Limited
Chennai - 600 002

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. 4767811
Fax No. (091) - 44 - 4766382

Works

Porur, Chennai

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W.S. Industries (India) Limited**DIRECTORS' REPORT**

To

The Shareholders

Your Directors present their Annual Report along with the Audited Accounts for the year ended 31st December, 2000.

FINANCIAL RESULTS

	For the Year ended 31.12.2000 Rs.	For the Period ended 31.12.1999 Rs.
Sales and other operational Income	1,003,719,132	1,352,820,293
Other Income	403,534,436	15,222,235
Total Income	1,407,253,568	1,368,042,528
Gross Profit/(Loss)	168,365,317	(1,975,045)
Add/Less : Depreciation	35,174,133	52,348,556
Interest	170,861,003	229,421,016
Net Profit/(Loss)	(37,669,819)	(283,744,617)
Less/Add : Balance in Profit & Loss Account brought forward	(88,528,075)	22,816,542
Transfer from General Reserve	-	170,400,000
Transfer from Investment Allowance (Utilised) Reserve	5,060,000	2,000,000
(Deficit)/Surplus carried to Balance Sheet / Reserves	(121,137,894)	(88,528,075)

DIVIDEND

Your Directors regret to advise you that in view of the losses suffered by the Company in the last two years, they are unable to recommend any dividend on the Equity and Preference Share Capital of the Company.

INCOME TAX

Taking into consideration the business losses sustained by the Company and the reliefs available under the Income Tax Act, your Directors have been advised that there will not be any tax liability on the Company for the year under review.

BUSINESS OPERATIONS

During the year under review, the operations of the Company continued to remain under significant stress. This was mainly due to the inadequate fund flows in the two major divisions as well as the delays arising in customers accepting delivery due to the postponement of major projects. In spite of these constraints, sales for the year was higher by 11.3% as compared to that of the previous period (on an annualised basis).



The austerity measures initiated in the previous year also assisted in keeping costs under check to a certain extent. However, due to the shortfall in the order book in the previous year, sale prices were still under pressure which also contributed to the negative margins.

During the year, your Directors took a strategic decision to concentrate on the core business of the Company, which is the manufacture of Porcelain Insulators. In line with this objective, the assets of the Power Control Division of the Company at Bangalore which manufactures Instrument Transformers, Capacitive Voltage Transformers, Lightning Arrestors and other allied products were disposed of at the end of November, 2000. The proceeds of this sale have been mainly used to discharge the high cost loans and other borrowings and for the additional working capital requirements of the Company. This would result in savings in interest costs in the ensuing period.

The Management has already initiated various measures for improving the productivity and for the reduction of the overheads of the Power Transmission Division at Chennai which would also contribute towards improving the bottom line.

EXPORTS

The Export sales for the year was Rs.318.10 Million representing 31.7% of its turnover as compared to Rs.368.10 Million (on an annualised basis) made in the previous accounting period. -

Your Company has made systematic efforts to ensure consistent support to its key customers in terms of delivery and quality and this has resulted in good increase in the orders being placed for the financial year 2001.

Orders have also been received from various new markets like USA and Nigeria where there is a good potential for the Company's Products.

RESEARCH & DEVELOPMENT

Your Company has successfully developed and tested several new products in disc, pin and solid core porcelain insulators as per ANSI standards for supply to the US market. Continuing the development of 160 KN DC disc insulators from last year, your Company received trial orders for execution in 2001.

FUTURE PROSPECTS

The present Order Book of the Company stands at Rs.515.50 Million as compared to Rs.406.90 Million (for the Power Transmission Division at the beginning of financial year 1998-1999). The Government has enlarged its focus on the Transmission Sector and priority is now being given to projects for linking all elements of the National Grid. These policy initiatives are expected to translate into good requirements for your Company's products in the medium term. The export prospects, as mentioned above, are also encouraging.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors do state in good faith that :

1. In the preparation of the annual accounts for the year ended 31st December, 2000, the applicable accounting standards as presented in the Notes on Accounts have been followed by the Company.
2. The accounting policies have been selected appropriately and applied consistently and judgement and estimates have been made reasonably and prudently so as to give a true and fair view of the state of affairs of the Company as at end of the financial year.

W.S. Industries (India) Limited

3. They have taken proper and sufficient care :
 - a) for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 ;
 - b) for safeguarding the assets of the Company ; and
 - c) for preventing and detecting fraud and other irregularities.
4. The Accounts of the Company have been prepared on a going concern basis.

DIRECTORS

During the year, the Financial Institutions, M/s. Unit Trust of India and Life Insurance Corporation of India withdrew the nominations of their representatives Sri S.Ravikumar and Sri P.Vaidhyathan from the Board. M/s. ICICI Ltd. and General Insurance Corporation of India withdrew the nominations of Sri M.P.Tellis and Sri K.R.Sukhija and have in turn nominated Sri N.Ramesh and Sri Nagashayana respectively to the Board of Directors of the Company.

Your Directors wish to place on record their appreciation for the valuable services rendered by Sarvasri M.P.Tellis, K.R.Sukhija, S.Ravikumar and P.Vaidhyathan during their tenure of office as Directors of the Company.

Your Directors Messrs. V.Srinivasan, Murali Venkatraman and Narayan Sethuramon retire by rotation at this Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

The Auditors of the Company, M/s.S.Viswanathan, Chartered Accountants, retire and are eligible for reappointment. Since not less than 25% of the subscribed Equity Share Capital of your Company is held by Public Financial Institutions, their reappointment has been proposed as a Special Resolution in accordance with Section 224 A of the Companies Act, 1956.

ROLLOVER OF PREFERENCE SHARES

The Company had issued Preference Shares to Financial Institutions, Insurance Companies, Banks and Mutual Funds, which had fallen due for redemption in 1999/2000. It had approached the respective Preference Shareholders for their consent to rollover these shares for a period of 3 years from the respective dates of redemption on the existing terms and conditions. Most of the Preference Shareholders have agreed to the proposal of the Company and the Company is in the process of issuing fresh Preference Shares for the redemption value together with dividend thereon upto 31st December 1999.

STATUTORY INFORMATION

There is no employee, particulars of whom are required to be furnished under section 217(2A) of the Companies Act, 1956.

Particulars under Section 217(1)(e) relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo are furnished in a separate statement annexed to and forming part of this report.

Cash flow statement as required under Clause 32 of the Listing Agreement is annexed.

**FIXED DEPOSITS**

As mentioned in the previous Directors' Report, your Company had submitted a petition to the Company Law Board seeking time for payment of the outstanding deposits and outlining a Scheme of Repayment.

The Southern Bench of the Honourable Company Law Board has approved of a Scheme of Repayment, the details of which have been communicated to all depositors. The Company is complying with the terms and conditions of the Order of the Company Law Board in this regard.

DEMATERIALISATION OF SHARES

During the year, the Securities and Exchange Board of India (SEBI) have directed the Company to dematerialise its shares. Your Company has taken necessary steps to do so and is in the process of intimating all the Shareholders about the modalities to be followed in this regard.

INDUSTRIAL RELATIONS AND HUMAN RESOURCES MANAGEMENT

Industrial relations throughout the year at our Units were satisfactory. The wage settlement at the Power Transmission Division has expired on 30th September, 2000. Discussions with the recognised Union for a fresh agreement are under progress.

SUBSIDIARY COMPANIES

The accounts and other statements required to be furnished under Section 212 of the Companies Act, 1956 are annexed in respect of the subsidiary Companies W.S.Telesystems Limited and W.S.Electric Limited (formerly known as W.S. Ceram (India) Ltd.).

ACKNOWLEDGEMENT

Your Directors wish to commend the wholehearted efforts of all the employees of your Company at all levels. Your Directors also wish to place on record their appreciation of the continued support extended to your Company by its Financial Institutions, Bankers, Preference Shareholders, Customers and Suppliers.

Chennai
30th March, 2001

For and on behalf of the Board

V.SRINIVASAN
Executive Chairman

W.S. Industries (India) Limited**ANNEXURE TO DIRECTORS' REPORT**

Information under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 and forming part of the Directors' Report.

A. CONSERVATION OF ENERGY

The Company's Energy Conservation Programme is being continued on an on-going basis during the year. Focus during 2000 was on the following :

1. Recycling of waste heat thereby conserving fuel.
2. Improvement of power factor.

The above projects were completed and will result in a saving of Rs.6.00 Million during 2001. The main initiatives during 2001 will be :

1. Continuing efforts on waste heat recycling.
2. Usage of electronic ballast in tube lights.

Projects have been identified under the above two heads and annual savings of Rs.5.00 Million are being targetted.

B. TECHNOLOGY ABSORPTION**I. RESEARCH & DEVELOPMENT (R&D) :****a. NEW PRODUCT DEVELOPMENT IN THE YEAR 2000**

1. Development of new ANSI type pin and disc insulators for the US market.
2. Development of more competitive and improved strength designs for solidcore insulators.
3. Development of solidcore and hollow porcelain insulators with square flanges.
4. Development of high creepage solidcore and hollow porcelain insulators for 400 KV applications.
5. Development of high strength hollow porcelain insulators for special SF6 breaker applications.
6. Development of hollow porcelains for cable termination applications.
7. Process and composition improvements undertaken.

b. BENEFITS DERIVED AS A RESULT OF ABOVE DEVELOPMENTS

1. New market entry.
2. Improvement of competitiveness for certain products.
3. Market leadership in domestic market for insulators manufactured for polluted environment.
4. Better product performance.
5. Improvement in process yields.

c. FUTURE PLAN OF ACTION

1. Productionisation of disc insulators for HVDC application.
2. Development of insulators for extremely polluted environment.
3. Development of high strength disc insulators.
4. Continuing improvements in process cycles and yields.

The R&D activities of the Company are recognised by the Department of Science & Technology and by the Central Board of Irrigation and Power (CBIP) and Central Electricity Authority (CEA) of the Ministry of Energy. Recently, the recognition was extended for a further period of three years from April 2000.

**II. EXPENDITURE ON R&D** (Rs in Million)

Capital	-
Recurring	3.278
TOTAL	<u>3.278</u>

Total R&D expenditure as a percentage to Total turnover : 0.32 %

III. Technology absorption, adaptation and innovation :

Please refer above.

IV. IMPORTED TECHNOLOGY : Nil**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(Rs in Million)

EARNINGS

Exports (including Deemed Exports)	<u>318.144</u>
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OUTGO

Import of Raw Materials and Components	44.218
Interest	20.255
Others	<u>11.621</u>
	<u>76.094</u>

Chennai
30th March, 2001For and on behalf of the Board
V.SRINIVASAN
Executive Chairman**Statement regarding Subsidiary Companies under Section 212 (3) of The Companies Act, 1956.**

	Name of the Company	W.S. Electric Limited	W.S. Telesystems Limited
1.	Accounting year ended	31st March 2000	31st March 2000
2.	Holding Company's interest at the end of the financial year of the Subsidiary Company		
	a. Number of Equity Shares	20,300	5,335,000
	b. Extent of Holding	100%	50.25%
	c. Number of Preference Shares	Nil	300
	d. Extent of Holding	Nil	100%
3.	The net aggregate amount of the Subsidiary's Profit / (Loss) so far as it concerns the members of the Holding Company and is not dealt with in Holding Company's accounts		
	a. Profit / (Loss) for the financial year	(3,936)	(85,941,629)
	b. Profit / (Loss) for the previous financial years since becoming Subsidiary.	(415,444)	(326,087,933)

Chennai
30th March, 2001For and on behalf of the Board
V.SRINIVASAN
Executive Chairman

W.S. Industries (India) Limited

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF W.S. INDUSTRIES (INDIA) LIMITED

We have audited the attached Balance Sheet of M/s. W.S. Industries (India) Limited as at 31st December 2000 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement of the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above :
 - a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of accounts required by law have been kept by the company, so far as appears from our examination of the books;
 - c) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of accounts;
 - d) In our opinion, the Balance Sheet and Profit and Loss Account read with Schedules and Notes thereon dealt with by this Report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act 1956, so far as applicable.
 - e) Attention is drawn to Note No. 9 of Notes forming part of Accounts in Schedule 15 regarding change in method of valuation of work-in-progress and finished goods to comply with Accounting Standard – 2 (AS-2) as recommended by the Institute of Chartered Accountants of India resulting in decrease in valuation of inventories and increase in loss by Rs.281.10 lakhs.
 - f) On the basis of the written representation received from the directors as on 31st December 2000, we report that none of the directors is disqualified as on 31st December 2000 from being appointed as a director in terms of clause (g) of subsection (1) of Section 274 of the Companies Act 1956
 - g) In our opinion and to the best of our information and explanation given to us, the said accounts read with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - i. in the case of Balance Sheet, of the state of affairs of the Company as at 31st December 2000 and
 - ii. in the case of Profit and Loss Account of the LOSS for the year ended on that date.

For M/s. S. VISWANATHAN
Chartered Accountants

CHELLA K. SRINIVASAN
Partner

CHENNAI
30th March 2001

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph (1) of our report of even date)

- I. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have not been physically verified by the management during the period but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- II. None of the fixed assets have been revalued during the year
- III. Physical verification of stocks of Finished Goods, Stores, Spare Parts and Raw materials was conducted by the management during the period, except materials lying with third parties for which confirmation certificates have been obtained in some cases. Materials in Bond have been verified with the respective Bills of Entry. In our opinion, the frequency of verification was reasonable.
- IV. The procedures of physical verification of stocks followed by the management are reasonable and adequate, commensurate to the size of the company and the nature of its business.
- V. The discrepancies noticed on verification between the physical stocks and the book records were not material and were also adjusted.
- VI. In our opinion, 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 year, except that the closing stocks of Finished Goods and Work-in-progress are now being valued as per Accounting Standard (AS-2) issued by the Institute of Chartered Accountants of India, resulting in the decrease in value of Stocks by Rs.281.10 lakhs.
- VII. The Company has not taken any loans from companies, firms, or other parties listed in the Registers maintained under Section 301 of the Companies Act, 1956 and from the Companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.



- VIII. The company has not granted any loans and advances to companies, firms, or other parties, listed in the Register maintained under Section 301 of the Companies Act 1956. In respect of companies under the same management as defined under Section 370 (1-B) of Companies Act 1956, it has granted interest free loans to its subsidiaries.
- IX. In respect of loans and advances in the nature of loans given by the company, where stipulations have been made, the parties are repaying the principal amounts and interest as stipulated.
- X. In our opinion and according to the information and explanation 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, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.
- XI. In our opinion, the transactions of sale of goods and materials made in pursuance of contracts or arrangements 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, at which transactions for similar goods have been entered with other parties.
- XII. With regard to the transactions of purchase of goods and materials, there are no transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
- XIII. As explained to us, the Company has regular procedure for the determination of unserviceable or damaged stores, raw materials, finished goods and trading stocks. The loss arising on the items so determined has been adequately provided for in the accounts.
- XIV. **As explained to us, the company has approached the Company Law Board Southern Regional Bench, Chennai under section 58A (9), who have sanctioned a scheme of repayment and granted time for repayment of deposits. The company has complied with the scheme of repayment of Fixed deposits approved by Company Law Board.**
- XV. As explained to us, the company is maintaining reasonable records for the sale and disposal of realisable production scrap. The company has no by-products.
- XVI. A firm of Chartered Accountants is appointed as Internal Auditors of the company for the year under review. In our opinion, the company has internal audit system commensurate with its size and nature of its business.
- XVII. We have been informed that the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act 1956 for the products of the company.
- XVIII. According to the records of the company, the provident fund and employee state insurance contributions have been remitted to the appropriate authorities during the year in time except in some months where delays have been noticed.
- XIX. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, customs duty and excise duty were outstanding as at 31st December 2000 for a period of more than six months from the date they became payable.
- XX. On the basis of examination of books of accounts carried out by us in accordance with generally accepted auditing practices and according to the information and explanations given to us, no personal expenses of the employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- XXI. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act 1985.
- XXII. In respect of service activities, the company has commensurate with its size and nature of its business, a reasonable system of :
 i. Recording receipts, issues and consumption of materials and stores and allocating materials consumed to the relative jobs;
 ii. Allocating labour to relative jobs
 iii. Authorisation at proper levels and an adequate system of internal control on issue of stores and allocation of stores and labour to jobs.
- XXIII. In respect of trading activities, there are no damaged goods and hence no provision has been made in the accounts.
- XXIV. In respect of its finance activities :
 (a) The company has not granted loans and advances based on security by way of pledge of shares, debentures and other securities.
 (b) None of the provisions of any special statute applicable to chit fund, nidhi or mutual benefit society is applicable to the company.
 (c) The company is not dealing or trading in shares, securities, debentures and other investment.

CHENNAI
30th March 2001

For M/s. S. VISWANATHAN
Chartered Accountants
CHELLA K. SRINIVASAN
Partner