

ANNUAL REPORT
2001

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W.S. INDUSTRIES (INDIA) LIMITED

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 Saturday, the 29th June, 2002, at 10.35 A.M. at Kasturi Srinivasan Hall (Mini Hall), The Music Accademy, New No.168, TTK Road, Chennai - 600 014 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 31st December, 2001 and the Auditors' Report thereon.
2. To appoint a Director in the place of Sri V. Srinivasan, who retires by rotation and being eligible, offers himself for reappointment.
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 Air Marshal S.J. Dastur, who retires by rotation and being eligible, offers himself for reappointment.

5. APPOINTMENT OF AUDITORS

To move the following Resolution with or without modification(s) as a Special Resolution :

"RESOLVED that pursuant to Section 224A of the Companies Act, 1956, 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 office from the conclusion of this Meeting till the conclusion of the Next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors.

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

N.S. SURYANARAYANAN
Company Secretary &
GM - Corporate Affairs

Chennai
30th March, 2002

W.S. Industries (India) Limited

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 Register of Members and Share Transfer Books of the Company will remain closed from 18th June, 2002 to 29th June, 2002 (both days inclusive).
3. 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.
4. Members are requested to notify any change in their addresses to the Company immediately.

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

N.S. SURYANARAYANAN
Company Secretary &
GM - Corporate Affairs

Chennai
30th March, 2002





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)
G.R.M. Naidu	(Nominee of GIC)

Company Secretary & General Manager (Corporate Affairs)

N.S. Suryanarayanan

Bankers

Punjab National Bank
Chennai - 600 001

Indian Overseas Bank
Chennai - 600 004

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
47, T.T.K. Road
Chennai - 600 018

Registered Office & Works

Porur, Chennai - 600 116
Phone No. 4767811
Fax No. (091) - 44 - 4766382

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W.S. Industries (India) Limited**DIRECTORS' REPORT****PART I - PERFORMANCE / OPERATIONS**

Your Directors present their Annual Report along with the Audited Accounts for the year ended 31st December, 2001.

FINANCIAL RESULTS

	For the Year ended 31.12.2001 Rs.	For the Year ended 31.12.2000 Rs.
Sales and other operational Income	963,509,689	1,003,719,132
Other Income	4,607,798	403,534,436
Total Income	968,117,487	1,407,253,568
Gross Profit / (Loss) from Operations	96,630,630	168,365,317
Add/Less : Depreciation	37,359,621	35,174,133
Finance Charges	89,637,682	170,861,003
Profit / (Loss)	(30,366,673)	(37,669,819)
Loss on sale of investment	(68,385,636)	-
Net Loss for the year	(98,752,309)	(37,669,819)
Less/Add : Balance in Profit & Loss Account brought forward	(121,137,894)	(88,528,075)
Transfer from Investment Allowance (Utilised) Reserve	3,745,870	5,060,000
Transfer from General Reserve (arising on Amalgamation)	12,207,355	-
(Deficit)/Surplus carried to Balance Sheet / Reserves	(203,936,978)	(121,137,894)

DIVIDEND

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

INCOME TAX

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



BUSINESS OPERATIONS

During the year under review, the operations of the Company have improved significantly. Sales and other operational income (excluding that of the erstwhile Power Control Division, Bangalore), has improved to Rs.909 million as compared to Rs.571 million of the previous year which constitutes an increase of 59 percent. The demand for all types of insulators manufactured by the Company has picked-up both in the domestic as well as the export markets. While the over-all financial position of the various Electricity Boards in India continues to cause concern, the release of tenders under funded projects resulted in reasonable order inflow to the Company.

In the international markets, good requirements for electrical equipment and the reduction in competitive plant capacity resulted in steady order inflows and increased off take particularly by various OEMs. The export turnover for the year amounts to Rs.550 million as compared to Rs.347 million in the previous year, resulting in an increase of 58 percent. With consistent quality and timely delivery, your Company has become one of the main suppliers of Insulators to certain leading International Electrical Equipment manufacturers by securing annual contracts from them for their global requirements. Your Company has received the special Export Award instituted by CAPEXIL for export performance for the financial year 2000-2001.

The proceeds realised on the sale of the assets of the Power Control Division were used to primarily discharge the high cost loans and other borrowings as well as to provide additional working capital for your company. This, along with more effective utilization of export credit resulted in considerable savings in interest costs during the year under review. In addition, your company initiated various measures for reducing costs in its plant at Chennai which included reduction of manpower through VRS, implementing a business process re-engineering exercise for improving output of its tubular product line and value engineering projects to improve the yields and control costs in all aspects of manufacturing. The implementation of these schemes have contributed significantly in improving the operations.

RESEARCH & DEVELOPMENT

During the year, your Company continued to work on various aspects of product improvement including optimization in raw-material composition and enhancing the performance, both electrical and mechanical. Efforts were also taken on the process side to improve the yield of all types of insulators produced. Additional details pertaining to R&D and technology absorption are furnished in Annexure-A to this report.

FUTURE PROSPECTS

Your Company's order book stands at Rs.460 million. The current year's orders as on date are in line with the projections both for the domestic and the export markets. Further orders to the extent of Rs.420 million are in the pipeline. The emphasis given to the electrical sector by increasing the allocation to transmission and distribution segments as well as the thrust on reforms under the Accelerated Power Development and Reform Program promises revival of the demand during the next few years which augurs well for the products manufactured by your company.

INDUSTRIAL RELATIONS AND HUMAN RESOURCES MANAGEMENT

Industrial relations during the year were satisfactory. Your Company has entered into a 3 year wage settlement with the Workers' Union with effect from August 2001. Co-operation between Management and the Union was continued with the objective to achieve operational improvements.

W.S. Industries (India) Limited

PART II - CORPORATE MATTERS**CORPORATE GOVERNANCE**

As per the requirement of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Company is required to comply with the SEBI guidelines on Corporate Governance with effect from the financial year 2001-2002. A detailed report on the subject forms Annexure-B to this report.

The statutory Auditors of the Company have examined the Company's compliance in this regard and have certified the same, as required under the SEBI Guidelines. Such Certificate is reproduced as Annexure - C to this Report. A separate Management Discussion and Analysis Report detailing out the Company's performance is given in Annexure-D to this Report.

Directors responsibility statement as required under Section 217(2A) is furnished as Annexure-E to this report.

DIRECTORS

During the year, M/s. General Insurance Corporation of India had withdrawn the nomination of Sri Nagashayana and have nominated Sri G.R.M.Naidu to the Board of the Company. Your directors wish to place on record their appreciation for the valuable services rendered by Sri Nagashayana during his tenure of office as a Director of the Company.

Your Directors Messrs. V. Srinivasan, K. Raman and Air Marshal S.J.Dastur 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 224A of the Companies Act, 1956.

AMALGAMATION OF SSB INDUSTRIES LIMITED WITH YOUR COMPANY

As the members may be aware, the Company had submitted a Scheme to the Honourable High Court of Judicature at Madras for the amalgamation of SSB Industries Limited (SSB) with itself. The members had approved the above Scheme at the Court convened Meeting on 21st May, 2001.

The Honourable High Court of Judicature at Madras has sanctioned the Scheme of Amalgamation of SSB with your Company vide its Order dated 20.12.2001. Consequently, all the assets and liabilities of SSB stand vested with WSI with effect from 01.04.2001. Your Company has since allotted its shares to the shareholders of SSB as per their shareholding held on the Record Date (06.02.2002). The necessary return in this regard has also been filed with the Registrar of Companies, Chennai and the listing applications have been filed with the Madras and Mumbai Stock Exchanges for listing the additional shares of WSI so allotted to the shareholders of SSB.

**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 as Annexure 'A'.

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

FIXED DEPOSITS

Your Company has complied with the terms and conditions of the scheme of repayment as per the order of the Southern Region Bench of the Company Law Board, Chennai, and as of date, all deposits which are due and payable under the said scheme have been settled.

DEMATERIALISATION OF SHARES

The Company's shares have since been dematerialized and the necessary connectivity in this regard has been obtained with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited [CDSL] through the Depository Participant, M/s. Integrated Enterprises (India) Ltd., Chennai. About 30% of the Company's shares have since been dematerialized as on date.

SUBSIDIARY COMPANY

The accounts and other statements required to be furnished under Section 212 of the Companies Act, 1956 are annexed in respect of the subsidiary Company, W.S. Electric Limited.

ACKNOWLEDGEMENT

Your Directors wish to gratefully acknowledge the wholehearted efforts put in by 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.

For and on behalf of the Board,

Chennai
30th March, 2002

V. SRINIVASAN
Executive Chairman

W.S. Industries (India) Limited**Statement regarding Subsidiary Company Under Section 212(3) of the Companies Act, 1956**

- | | | |
|--|---|-----------------------|
| 1. Name of the Company | : | W.S. ELECTRIC LIMITED |
| 2. Holding Company's interest at the end of the Financial year of the Subsidiary Company | | |
| a. No of Equity shares | : | 28,300 |
| b. Extent of Holding | : | 100% |
| c. Number of Preference Shares | : | Nil |
| d. Extent of Holding | : | Nil |
| 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 the Holding Company's books of accounts. | | Rs. |
| a. Profit / (Loss) for the Financial Year | : | (7,178) |
| b. Profit / (Loss) for the previous Financial years since becoming subsidiary | : | (419,380) |

For and on behalf of the Board,

Chennai
30th March, 2002**V. SRINIVASAN**
Executive Chairman**Statement under Section 212(5) of the Companies Act, 1956**

- | | | |
|---|---|-----------------------|
| NAME OF THE SUBSIDIARY | : | W.S. ELECTRIC LIMITED |
| 1. Whether there has been any, and, if so, what change in the Holding Company's interest in the subsidiary between the end of the financial year or of the last of the financial years of the subsidiary and the end of the Holding Company's financial year. | : | No |
| 2. Details of any material changes which have occurred between the end of the financial year or of the last of the financial years of the subsidiary and the end of the Holding Company's financial year in respect of - | | |
| (i) the Subsidiary's fixed assets | : | } Nil |
| (ii) its investments | : | |
| (iii) the moneys lent by it | : | |
| (iv) the moneys borrowed by it for any purpose other than that of meeting current liabilities | : | |

For and on behalf of the Board,

Chennai
30th March, 2002**V. SRINIVASAN**
Executive Chairman



ANNEXURE - A 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

1. Recycling of Waste Heat thereby saving fuel
2. Installation of energy efficient blower for kilns
3. Installation of Electronic Ballast's for lighting

B. TECHNOLOGY ABSORPTION

I. RESEARCH & DEVELOPMENT (R&D) :

a. NEW PRODUCT DEVELOPMENT IN THE YEAR 2001

1. Development of higher strength insulators.
2. Improvement in the performance characteristics of insulators (both electrical and mechanical).
3. Development of insulators for higher ratings.
4. Development of insulators for HVDC applications.

b. BENEFITS DERIVED AS A RESULT OF ABOVE DEVELOPMENTS

1. New market entry
2. Improvement of competitiveness for certain products
3. Better product performance
4. Improvement in process yields

c. FUTURE PLAN OF ACTION

1. Improvement in performance of products.
2. Continuing improvements in process and material composition.

The R & D activities of the Company are recognised by the Department of Science and Technology.

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

Capital	—
Recurring	2.553
TOTAL	2.553

Total R&D expenditure as a percentage of Total turnover : 0.26%

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)	548.70	
Agency Commission	0.73	
	<u>549.43</u>	

OUTGO

Import of Raw Materials and Components	37.68	
Interest	5.18	
Others	9.92	
	<u>52.78</u>	

Net earnings in foreign currency	<u>496.65</u>	
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For and on behalf of the Board

Chennai
30th March, 2002

V. SRINIVASAN
Executive Chairman