

Annual Report
2004 - 2005



W.S. INDUSTRIES (INDIA) LIMITED



W.S. Industries (India) Limited

BOARD OF DIRECTORS

Chairman	V. Srinivasan
Vice Chairman & Managing Director	Murali Venkatraman
Managing Director	Narayan Sethuramon
Directors	K.D. Parakh
	K. Raman
	Air Marshal S.J. Dastur (Retd.)
	G. Balasubramanyan
	G.V. Viswanath

Company Secretary & General Manager (Corporate Affairs) **N.S. Suryanarayanan**

Bankers

Punjab National Bank
Chennai - 600 002.

Indian Overseas Bank
Chennai - 600 004.

State Bank of India
Chennai - 600 001.

Legal Advisor **T. Raghavan**
Chennai - 600 018.

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

Registered Office & Works 108, Mount Poonamallee Road
Porur, Chennai - 600 116.
Phone No: 91-44-55500811
Fax No: 91-44-55500882

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W.S. Industries (India) Limited

DIRECTORS' REPORT

PART I - PERFORMANCE / OPERATIONS

Your Directors have pleasure in presenting the Annual Report along with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	For the year ended 31 st March, 2005 Rs.	For the year ended 31 st March, 2004 Rs.
Sales and other Operational Income	1,200,017,157	1,037,262,816
Other Income	1,523,107	16,766,424
Total Income	1,201,540,264	1,054,029,240
Gross Profit from Operations	124,517,465	163,056,407
Less: Depreciation	39,975,500	40,673,362
Finance Charges	61,482,178	64,215,695
Net Profit for the year	23,059,787	58,167,350
Less: Provision for Taxation	1,900,000	—
Net Profit for the year after tax	21,159,787	58,167,350
Loss brought forward from previous year	(40,708,880)	(154,531,205)
Transfer from Share Premium Account	—	85,798,574
Provision for Preference Dividend (including Tax thereon)	3,546,577	12,103,599
Transfer to Capital Redemption Reserve	11,000,000	18,040,000
Deficit carried to Balance Sheet	(34,095,670)	(40,708,880)

DIVIDEND

The operations of the Company for the year ended 31st March, 2005 have resulted in a net profit of Rs.23.06 million. Your directors therefore recommend payment of dividend on the Cumulative Redeemable Preference Shares at the agreed coupon rate of 10% per annum for the year ended 31st March, 2005 and the dividend (paid on a pro-rata basis) on the shares redeemed during the year (amounting to Rs.0.43 million) totalling to Rs.3.09 million for the consideration of the shareholders. The above dividends, together with the distribution-tax/education cess thereon, have been provided for appropriation out of the profits of the Company for the year under review. Your directors deem it prudent not to recommend any dividend on the Equity Share Capital for the year under review.

INCOME TAX

Your Directors have been advised that based on the completed assessments and those that are in progress and taking into consideration the reliefs that will be available, the profit for the year will attract only Minimum Alternate Tax (MAT) amounting to Rs.1.9 million. Based on the advice given, the Company has not created any deferred tax asset.

BUSINESS OPERATIONS

The economic scenario in the Electrical Transmission and Distribution Sector as well as the details of your Company's performance, have been discussed in detail in Annexure D to this Report. The sales and other operational income have increased by 15.69% from Rs.1037 million to Rs.1200 million in the current year as a result of higher turnover from both insulators as well as other activities. However, the profit before tax decreased from Rs.58.17 million in the previous year to Rs.23.06 million in the year under review. The Company faced extra-ordinary increase in the cost of fuel which went up progressively by 29% through



multiple price increases, also the worldwide scarcity in metals impacted the price of castings and alumina. These two aspects have primarily affected the bottom line. The efforts initiated in the previous year to improve the yield from the various product lines have been accelerated and have started to yield results in the last quarter. The company has further initiated a number of projects for effecting cost control in the area of energy, material procurement etc.

The export turnover of the Company improved during the year. The reduction in deemed exports has mainly arisen because of the increased recourse to domestic financing by the major customers. The overall order position continues to be satisfactory. The Company was able to maintain control on the interest costs by judicious use of working capital in foreign currency. Your Directors are pleased to inform that the Company continues to enjoy the status of Star Export House for the year under review. The Company has also redeemed the Preference Shares issued to Financial Institutions/ Insurance Companies which fell due for redemption during the year.

As informed in the last Annual Report, your Company is taking necessary steps to develop part of its land as Software Technology Park through its subsidiary, W.S.Electric Limited

CAPITAL EXPENDITURE PROGRAMME

The capital expenditure program which was identified during the year, has been substantially completed. Apart from creating additional capacity for the production of sub-station porcelains, the Company has also upgraded and added some debottlenecking and handling equipments to improve the overall manufacturing efficiency by securing financial assistance from the Company's Bankers.

DEVELOPMENT

Continuing thrust is being given to Development, Product and Process Engineering in order to increase the competitiveness of the company as well as to develop new products for both existing and new markets. A detailed write up on the Development activities undertaken by the Company is set out in Annexures A & D to this report.

FUTURE PROSPECTS

Your Company's order book presently stands at Rs. 1038 million. Based on the interactions with the major domestic utility customers as well as the trend of activity by major OEMs both in India and elsewhere, the potential for growth, both immediate and over a longer time frame, is very positive. The new Central Government has continued the emphasis on the Power sector through new initiatives which is bound to have a beneficial impact on the market requirements for your Company's products and allied capabilities.

INDUSTRIAL RELATIONS AND HUMAN RESOURCES MANAGEMENT

The industrial climate in the Company was satisfactory during the year under review. During the year, the Company has concluded a three-year agreement with the worker's union. A number of initiatives which have been launched during the previous year, have been continued in order to move towards global standards of machine utilization and employee productivity as detailed in Annexure D to this report.

PART II - CORPORATE MATTERS

CORPORATE GOVERNANCE

As per the requirement of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, a detailed report on Corporate Governance is set out in 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 on the Company's performance is given in Annexure-D to this Report.

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

DIRECTORS

Sri.G.R.M.Naidu, Nominee Director of General Insurance Corporation of India, ceased to be a Director on the Board with effect from 27.10.2004, consequent to the Company redeeming the Preference Shares allotted to GIC /Other Insurance Companies under the agreements entered into with them

W.S. Industries (India) Limited

Your Directors, Sri.V.Srinivasan and Sri.G.Balasubramanyan retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

The Board has co-opted Sri. G.V.Viswanath as an Additional and Independent Director, at their Board Meeting held on the 26th July 2005. Sri. Viswanath has over three decades of experience in the Indian Administrative Services particularly in the field of Development planning and Industrial Development and has held very senior positions in Government Departments and Public Sector Enterprises in the State of Karnataka. He holds office till the date of the ensuing Annual General Meeting. A Notice has been received from a member proposing his candidature for appointment as a Director of the Company liable to retirement by rotation and the same is being placed before the members for their consideration at the forthcoming Annual General Meeting.

The Securities and Exchange Board of India (SEBI) have recently amended the provisions of Clause 49 with regard to mandatory compliances viz. Board Composition, Audit Committee, Code of Conduct etc. with effect from 31st December, 2005. The Company is taking steps to comply with these amended provisions.

AUDITORS

The Auditors of the Company, M/s. S.Viswanathan, Chartered Accountants, Chennai, retire at the forthcoming Annual General Meeting of the Company and are eligible for reappointment.

STATUTORY INFORMATION

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

Particulars required 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

There are 13 depositors who have still not claimed their deposits placed with the Company amounting to Rs.0.176 Million. The Company has been sending periodic reminders to them and has been transferring the unpaid deposits to the Investor Education and Protection Fund at the expiry of the specified period as required under Section 205 C of the Companies Act, 1956 after giving final notice to the depositors concerned.

SUBSIDIARY COMPANY

The Company has obtained necessary approval from the Central Government under section 212(8) of the Companies Act, 1956 exempting the Company from annexing the Annual Accounts of its subsidiary company, W.S. Electric Limited, whose levels of business is not material to the total volume of business done by the Company, since the Company has been publishing the Consolidated Accounts. In the event of any shareholder requiring a copy of the Subsidiary Company's Accounts, they may kindly write to the Company Secretary at the Registered Office of the Company mentioning their Folio / Client ID number. Copies of Annual Accounts of the Subsidiary Company, have also been kept for inspection by the Members at the Registered Office of the Company and at the Registered Office of the Subsidiary Company, as required under the said approval.

ACKNOWLEDGEMENT

Your Directors wish to specifically acknowledge the contribution made by the employees at all levels towards the operations of your Company. Your Directors also wish to place on record their appreciation of the continued support extended to your Company by its stakeholders in particular by its customers, suppliers, and its Bankers.

For and on behalf of the Board,

Chennai
26th July, 2005

V. SRINIVASAN
Chairman



ANNEXURES TO DIRECTORS' REPORT

ANNEXURE A

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 blowers for kilns
3. Installation of electronic ballasts for lighting
4. Optimising the usage of air compressors
5. Installing transparent roofing sheets thereby saving on electric lighting

B. TECHNOLOGY ABSORPTION

I. RESEARCH & DEVELOPMENT (R&D):

a. NEW PRODUCT DEVELOPMENT IN THE YEAR 2004-05

1. Development of higher strength insulators
2. Improvement in the performance characteristics of insulators (both electrical and mechanical)
3. Development of disc insulators for higher ratings and special applications
4. Process improvement in the manufacture of Hollow Porcelain Insulators.

b. BENEFITS DERIVED AS A RESULT OF ABOVE DEVELOPMENTS

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

c. FUTURE PLAN OF ACTION

1. Improvement in performance of products
2. Continuing improvements in process

The development activities of the Company are recognized by the Department of Science and Technology.

II. EXPENDITURE ON R&D

	(Rs. in million)
Capital	2.20
Recurring	7.74
Total	9.94

Total R&D expenditure as a percentage of total turnover: 0.83%.

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

Please refer above.

W.S. Industries (India) Limited

IV. IMPORTED TECHNOLOGY:

The company is absorbing information pertaining to product design, process and manufacturing methods, process support, quality, etc. under the technology agreement entered. This will help the Company to upgrade its design and engineering capability as well as improve the efficiency of the operations.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in million)

EARNINGS		
Exports		395.39
OUTGO		
Import of Raw Materials and Components	104.46	
Others	19.95	
Total		124.41
NET EARNINGS		270.98

For and on behalf of the Board,

Chennai
26th July, 2005

V. SRINIVASAN
Chairman

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 b. Extent of Holding c. Number of Preference Shares d. Extent of Holding	63,300 100% Nil Nil
3.	The net aggregate amount of the Subsidiary's Profit / (Loss) so far as it concerns the members of the Holding Company and not dealt with in the Holding Company's books of accounts a. Profit / (Loss) for the financial year b. Profit / (Loss) for the previous financial years since becoming the subsidiary	(Rs.460,635) (Rs.539,050)

For and on behalf of the Board,

Chennai
26th July, 2005

V. SRINIVASAN
Chairman

(Since the financial year of the Subsidiary coincides with that of the Holding Company, the statement under Section 212(5) of the Companies Act, 1956 is not applicable)



ANNEXURE B – REPORT ON CORPORATE GOVERNANCE

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. Company's Philosophy on Corporate Governance

The Board of Directors and the Management commit themselves to:

- Transparency, professionalism and accountability in all dealings with customers, employees, shareholders and other stakeholders
- Following sound corporate governance principles
- Being a good and responsible corporate citizen

2. Board of Directors

a) The Board of Directors consists of:

1. Sri. V. Srinivasan - Chairman
2. Sri. K.D. Parakh

Whole-time Directors

3. Sri. Murali Venkatraman - Vice Chairman and Managing Director
4. Sri. Narayan Sethuramon - Managing Director

Non Whole-time and Independent Directors

5. Sri. K. Raman
6. Air Marshal S.J. Dastur
7. Sri. G. Balasubramanyan
8. Sri. G.V. Viswanath (from 26th July, 2005)

b) Attendance at Board Meetings and last AGM and details of memberships in other Boards and Board Committees:

Five meetings of the Board were held during the year under review - on 04/06/2004, 30/07/2004, 14/08/2004, 27/10/2004 and 31/01/2005. The last AGM was held on 20th September, 2004.

The details of attendance of the Directors together with the particulars of their memberships in other Boards/ Committees are as under:

Name of Director	No of Board Meetings Attended	Attendance at the Last AGM	Membership in Other Boards	Membership in Other Committees (including WSI)
V. Srinivasan	5	Yes	5	2
Murali Venkatraman	5	Yes	7	4
Narayan Sethuramon	5	Yes	1	—
K. Raman	4	Yes	—	3
K.D. Parakh	4	No	5	6
Air Marshal S.J. Dastur	4	Yes	2	2
G.R.M. Naidu*	4	Yes	—	—
G. Balasubramanyan	5	Yes	2	1

* Ceased to be director with effect from 27.10.2004

W.S. Industries (India) Limited

3. Audit Committee

a. Constitution

The Audit Committee of the Company functions under the terms of reference as stipulated under Clause 49 of the Listing Agreement as well as the relevant sections of the Companies Act and which include the following:

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure the adequacy and credibility of the financial statements.
- Reviewing with Management and Auditors, the annual, half yearly and quarterly financial statements before submission to the Board.
- Reviewing with the Management and External and Internal Auditors the adequacy of internal control systems, findings of Internal Audit and the actions taken thereagainst.

b. Composition

The Audit Committee comprises of Air Marshal S.J. Dastur (Chairman), Sri. K. Raman, Sri. G. Balasubramanyan and Sri. Murali Venkatraman.

c. Meetings and Attendance

The details of meetings held during the years 2004-05, and the attendance thereat, are as follows:

Date of meetings: 04/06/2004, 29/07/2004, 27/10/2004 and 31/01/2005.

Attendance:

Name of Director	No of Meeting Attended
Air Marshal S.J. Dastur	3
K. Raman	3
G. Balasubramanyan	4
Murali Venkatraman	4

4. Remuneration Committee

The Remuneration Committee comprising of Air Marshal S.J. Dastur, Sri. K.D. Parakh and Sri. K. Raman has been constituted under the Chairmanship of Air Marshal S.J. Dastur to determine the quantum and components of the remuneration to be paid to the Wholetime Directors within the overall limits approved by the shareholders based on the performance of the Company.

There was one meeting of the Remuneration Committee held during the year under review on 29.07.2004 and the meeting was attended by all the members of the Committee.

The Company does not have a Stock Option Scheme.

The details of the remuneration paid to the Directors for the year 2004-05 are as under:

Whole-time Directors

Name of Director	Salary (Rs.)	Perquisites (Rs.) *
Murali Venkatraman	1,465,968	626,542
Narayan Sethuramon	553,828	330,111

* does not include contribution to Provident and Superannuation Funds.



Non Whole-time Directors

Name of Director	Sitting Fees Paid - For Board/Committees				
	Board	Share Transfer	Audit	Remuneration	Total
V. Srinivasan	10000	5000	—	—	15000
K. Raman	8000	5000	12000	750	25750
K.D. Parakh	8000	—	—	750	8750
Air Marshal S.J. Dastur	8000	—	12000	750	20750
G.R.M. Naidu	8000	—	—	—	8000
G. Balasubramanyan	10000	—	16000	—	26000

5. Share Transfer and Investors' Grievances Committee

Share Transfer and Investors' Grievances Committee has been constituted under the Chairmanship of Sri. K. Raman to specifically address the redressal of the investor grievances and also the share transfers and other investor related matters. Sri. N.S. Suryanarayanan, Company Secretary, is the Compliance Officer to supervise and attend to the grievance redressal, share transfer, investor correspondences and to liaise with the statutory authorities.

The Company confirms that there were no share transfers which were outstanding as on 31st March, 2005 and all requests for de-materialization and re-materialization as on that date were confirmed/rejected into the NSDL/CDSL system.

No. of complaints received during the year for redressal : 15

No. of complaints pending for resolution as on date : Nil

6. General Body Meeting

(a) (1) The details of location and time of holding the last three Annual General Meetings are as under:

For the Financial Year/ Period Ended	Date & Time	Location
31-12-2001	29-06-2002, 10.35 A.M.	Kasturi Srinivasan Hall (Mini Hall), The Music Academy, 168, T.T.K. Road, Chennai - 600 014.
31-03-2003	17-09-2003, 9.30 A.M.	
31-03-2004	20-09-2004, 10.00 A.M.	

(2) Special Resolutions passed at the last three Annual General Meetings:

i. At the AGM held on 20th September, 2004

1. Reappointment of Sri. Murali Venkatraman as the Managing Director of the Company.
2. Appointment of Sri. Narayan Sethuramon as the Managing Director of the Company.

ii. At the AGM held on 17th September, 2003

1. Reappointment of Sri. Murali Venkatraman as the Managing Director of the Company.

iii. At the AGM held on 29th June, 2002

1. Appointment of Auditors of the Company pursuant to Section 224 A of the Companies Act, 1956.

(b) Notes on Directors seeking appointment / reappointment:

I. SRI.V.SRINIVASAN

Sri. Srinivasan was one of the founder promoters of the Company along with Late N.S. Sethuramon in 1963. He was the Chairman and Managing Director of the Company until 1997 and presently continues