



W.S. INDUSTRIES (INDIA) LIMITED

Annual Report

2005 - 2006



W.S. Industries (India) Limited

CORPORATE INFORMATION

Board of Directors

✧ Chairman	V. Srinivasan
✧ Vice Chairman & Managing Director	Murali Venkatraman
✧ Managing Director	Narayan Sethuramon
✧ Directors	K. Raman
	Air Marshal S.J. Dastur (Retd.)

G. Balasubramanyan

G.V. Viswanath

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Chief Financial Officer M. Ganesan

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

Bankers Punjab National Bank
Indian Overseas Bank
State Bank of India

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

Registered Office & Works 108, Mount Poonamallee Road
Porur, Chennai - 600 116.
Phone : 91 - 44 - 6650 0811
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DIRECTORS' REPORT

PART I - PERFORMANCE / OPERATIONS

Your Directors have pleasure in presenting the Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

(Rs. in Million)

	For the year ended	
	31st March 2006	31st March 2005
Sales and other Operational Income	1470.58	1200.02
Other Income	0.77	1.52
Total Income	1471.35	1201.54
Gross Profit from Operations	149.71	124.52
Less Depreciation	33.17	39.98
Finance Charges	62.50	61.48
Net Profit for the year	54.04	23.06
Provision for { Income Tax	8.40	1.90
{ Fringe Benefit Tax	2.40	—
Net Profit for the year after Tax	43.24	21.16
Loss Brought forward from previous year	(34.10)	(40.71)
Provision for Preference Dividend (Including tax thereon)	0.87	3.55
Transfer to Capital Redemption Reserve	11.00	11.00
Deficit carried to Balance Sheet	(2.73)	(34.10)

DIVIDEND

The operations of the Company for the year ended 31st March, 2006 have resulted in a net profit of Rs 43.24 million. Your directors therefore recommend payment of dividend on the Cumulative Redeemable Preference Shares upto the date of redemption at the contracted rates for the year ended 31st March, 2006 amounting to Rs.0.76 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. As the company has not yet completely wiped off the deficit brought forward from the previous year and in view of the substantial repayment obligations during the current year, your directors are unable 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 relief that will be available, the profit for the year will attract only Minimum Alternate Tax (MAT) amounting to Rs. 5.1 million. In addition, a sum of Rs.3.3 million has been provided towards capital gains tax arising this year, on sale of land to the subsidiary. Based on the advice given, the Company has not created any Deferred Tax Asset.

BUSINESS OPERATIONS

The analysis of the Electrical Transmission 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



22.55% from Rs.1201 million to Rs.1471 million in the current year as a result of better performance from both insulators as well as other activities and the profit before tax has increased from Rs 23 million in the previous year to Rs. 54 million in the year under review. The challenges faced by the company in terms of increase in the cost of fuel and the worldwide scarcity in metals impacting the price of castings and alumina continued this year also. However the various initiatives launched by the company to control its costs have yielded good results. The company is intensifying its efforts in the area of energy conservation, material supply chain efficiency etc, during the current year.

The export sales of the Company was marginally lower than that of the previous year. During the year under review, the Company has given greater thrust for execution of the orders secured from its main customer - Power Grid Corporation of India Ltd. (PGCIL), due to better pricing and commercial terms.

The overall order book position continues to be satisfactory. The Company was able to maintain strict control on the interest costs by prudent working capital management.

Your Directors are pleased to advise that the Company continues to enjoy the status of Star Export House for the year under review.

During the year under review, the Company has redeemed 110,000 Preference Shares issued to the Insurance Companies which fell due for redemption. The Company had made requests for extension of the period of redemption dates in respect of 156,150 Preference Shares to the preference shareholders of which consent for renewal in respect of 46,150 preference shares has been received.

CAPITAL EXPENDITURE PROGRAMME

The capital expenditure programme, which was planned for 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.

CAPACITY ADDITION AND ISSUE OF CAPITAL

In view of the increasing demand for insulators both in the global and domestic markets, your company has decided to augment additional capacity to meet the growing demand for its products by setting up a green field project for manufacture of Hollow and Solid Core Insulators to create an additional capacity of 8000 tonnes and also incur certain additional capital expenditure at its existing plant to enhance its capacity by 2000 tonnes.

As the shareholders are aware, to part finance the above project, the company has recently made a preferential issue of 3.15 million Equity Shares at a price of Rs.67.30 per share to Schroder Credit Renaissance Fund Ltd. and Schroder Credit Renaissance Fund L.P., thereby raising Rs.212 million. The company would also be raising debt to meet the needs of the project. The benefits of the expansion will allow the company to achieve its objective of ensuring adequate capacity to become a major supplier to global OEMs.

STRATEGIC ALLIANCE WITH PPC INSULATORS INC.

Your company has entered into a strategic relationship encompassing technology and marketing alliances with PPC Insulators Inc. (PPC). Your Directors are confident that this arrangement will be of mutual benefit to both the companies on a long term basis.

STATUS OF SOFTWARE TECHNOLOGY PARK

As the members are aware, W.S.Electric Limited, which is a subsidiary of your company, has entered into a joint development agreement with TCG Software Parks Private Limited for developing an IT Park in the land transferred to it. The construction work for the first phase of the project has already commenced.



RENEWAL OF RECOGNITION OF IN-HOUSE R&D UNIT

Your Directors are happy to advise that the Department of Scientific and Industrial Research have accorded their approval for recognition of in-house R&D unit of the Company located at its factory premises in Chennai for a further period of 3 years upto 31.03.2009. Your Company has the privilege of enjoying this recognition from the Government for an uninterrupted period of 21 years, since 1985.

FUTURE PROSPECTS

Your Company's order book presently stands at Rs. 1094 million. Based on forecasts, your Directors believe that the market for its products in the short to medium term is very encouraging. Your company has participated in several large tenders and is confident of converting a sizeable portion of the same into firm orders sustain its strong order book position.

INDUSTRIAL RELATIONS AND HUMAN RESOURCES MANAGEMENT

The industrial climate in the Company was conducive during the year under review. There is continuing emphasis placed on improving the productivity to move closer towards global norms.

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.

The declaration given by the Vice Chairman & Managing Director with regard to compliance of Company's code of conduct by the Board members and senior management personnel is furnished as Annexure - E to this report.

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

DIRECTORS

It is with deep regret that we inform about the demise of your Director, Mr. K.D. Parakh on the 2nd January 2006. He served the Board with distinction for over 35 years and was a source of great inspiration and strength in all these years. The Board wishes to record its appreciation for the invaluable contribution made by Mr. Parakh during his tenure as the Director of the Company.

Your Directors, Mr.K.Raman and Air Marshal S.J.Dastur retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

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

STATUTORY INFORMATION

There is no employee, particulars of whom are 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.

All the dividends of the earlier years, which remained unclaimed, have since been transferred to Central Government and there are no unclaimed dividends pending for transfer.



FIXED DEPOSITS

There are 7 deposits amounting to Rs.0.126 Million which have still not been claimed as on the date of this report. The Company has been sending periodic reminders to the depositors and has been transferring the unclaimed deposits to the Investor Education and Protection Fund at the expiry of the specified period as required under Section 205C of the Companies Act, 1956, after giving final notice to the depositors concerned.

SUBSIDIARY COMPANY

During the year under review, W. S. Electric Limited has ceased to be a wholly owned subsidiary of the 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 the subsidiary company, W.S. Electric Limited, whose levels of business is not material to the total business of the Company and the Company has been publishing the Consolidated Accounts as required under the Accounting Standards. In the event of any shareholder requiring a copy of the Subsidiary Company's Accounts, he may kindly write to the Company Secretary mentioning their Folio / Client ID number. Copies of Annual Accounts of the Subsidiary, has also been kept open for inspection by the members at the Registered Office of the Company and the Subsidiary Company, as set out in the said approval.

ACKNOWLEDGEMENT

Your Directors wish to gratefully acknowledge the contribution made by the employees at all levels towards the improved 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.

Chennai
31st July, 2006

For and on behalf of the Board,

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	62,000
	b. Extent of Holding	97.95%
	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 within the Holding Company's books of accounts.	
	a. Profit / (Loss) for the Financial Year	Rs. (1,503,891)
	b. Profit / (Loss) for the previous financial years since becoming a subsidiary	(979,154)

For and on behalf of the Board,

Chennai
31st July, 2006

V. SRINIVASAN
Chairman

(Since the Financial Year of the Subsidiary coincides with that of the Holding Company, the Statement required to be furnished under Section 212(5) of the Companies Act, 1956 is not annexed).



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 into the driers for saving energy.
2. Optimising the usage of dedicated air compressors.
3. Installing transparent roofing sheets for better lighting during the day thereby saving Power.

B. TECHNOLOGY ABSORPTION

I. RESEARCH & DEVELOPMENT (R&D) :

a. NEW PRODUCT DEVELOPMENT IN THE YEAR 2005-06

1. Development of new 210 KN DC Disc Insulators.
2. Development of 800 KV Solid Core Insulators.

b. BENEFITS DERIVED AS A RESULT OF ABOVE DEVELOPMENTS

1. New market entry.

c. FUTURE PLAN OF ACTION

1. To develop a wider range of insulators required for different markets including 800 KV products.

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

II. EXPENDITURE ON R&D :

(Rs. In Million)

Capital	0.35
Recurring	7.50
Total	7.85

Total R & D expenditure as a percentage of Total Turnover : 0.53%

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION : Please refer above.

IV. IMPORTED TECHNOLOGY : N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO (Rs. in Million)

EARNINGS	
Physical Exports	374.78
Deemed Exports	29.31
Total	404.09
OUTGO	
Import of Raw Materials and Components	148.46
Others	17.30
Total	165.76
NET EARNINGS	238.33

For and on behalf of the Board,

V. SRINIVASAN
Chairman

Chennai
31st July, 2006

ANNEXURE - B TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

(As required by 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 their dealings with customers, employees, shareholders and other stakeholders.
- ★ Following sound corporate governance principles
- ★ Being a good and responsible corporate citizen

2. Board of Directors

Attendance of the Directors at Board Meetings and last AGM and details of memberships in other Boards / Committees are as under.

Name of Director	Category	No of Board Meetings Attended	Attendance at the Last AGM	Membership in other Boards	Other Committee Membership (Inclusive of WSI)
V. Srinivasan	NI- NE	3	Yes	5	3
Murali Venkatraman	NI-EX	4	"	7	4
Narayan Sethuramon	NI-EX	4	"	1	-
K. Raman	IN-NE	2	"	-	3
K. D. Parakh *	NI-NE	2	"	-	-
Air Marshal S.J. Dastur	IN-NE	4	"	2	2
G.Balasubramanyan	IN-NE	4	"	2	2
G.V.Viswanath	IN-NE	3	"	-	2

* Expired on 02.01.2006 NI – Non Independent NE – Non-Executive EX- Executive IN – Independent

Four Meetings of the Board were held during the year under review on 30.04.2005, 26.07.2005, 31.10.2005 & 30.01.2006. The last AGM was held on 15.09.2005.

3. Audit Committee

a. Constitution

The Audit Committee of the Company, functions under the terms of reference as stipulated by Clause 49 of the Listing Agreement and the Companies Act, apart from overseeing the process of checks and balances in the working of the Company.

The scope include the following :

- ★ Critically examining 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 Quarterly, Half-yearly and Annual Financial Statements before their submission to the Board.
- ★ Reviewing the adequacy of internal control systems, findings of Internal Audit and the actions taken thereof.

b. Composition

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



c. Meetings and Attendance

The details of meetings held during the year 2005-06, and the attendance thereat, are as follows:

Date of Meetings: 29.04.2005, 26.07.2005, 31.10.2005 and 30.01.2006.

Attendance :

Name of Director	No of Meetings Attended
Air Marshal S.J.Dastur	4
K.Raman	2
G.Balasubramanyan	4
Murali Venkatraman *	3

* Ceased to be a member w.e.f. 31.10.2005

4. Remuneration Committee:

The Remuneration committee, comprising of Air Marshal S.J. Dastur, Mr.K. Raman and Mr.G.V.Viswanath, 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 Wholtime Directors within the overall limits approved by the shareholders based on the performance of the Company.

There was no meeting of the Remuneration Committee held during the year under review.

The details of the remuneration paid to the Directors for the year 2005-06 together with the shareholding held by the Non Executive Directors as on 31st March 2006 are as under:

Executive Directors

Name of Director	Salary	Perquisites *
Murali Venkatraman	Rs. 1,680,000	Rs. 648,666
Narayan Sethuramon	Rs. 840,000	Rs. 377,915

* does not include contribution to Provident and Superannuation Funds.

Non Executive Directors

(in Rs.)

Name of Director	Sitting Fees Paid - For Board / Committees				Shares Held in the Company
	Board	Share Transfer	Audit	Total	
V.Srinivasan	6,000	3,000	—	9,000	4,17,528
K.Raman	4,000	5,000	8,000	17,000	—
K.D.Parakh *	4,000	—	—	4,000	9,954
Air Marshal S J Dastur	8,000	—	16,000	24,000	2,000
G.Balasubramanyan	8,000	—	16,000	24,000	—
G.V.Viswanath	6,000	—	—	6,000	—

* Expired on 02.01.2006

5. Share Allotment Committee :

The Share Allotment Committee, comprising of Mr.G.V.Viswanath, Mr.G.Balasubramanyan and Mr.Murali Venkatraman, has been constituted under the Chairmanship of Mr.G.V.Viswanath to consider and finalize the allotment of 31,50,000 Equity Shares to Schroder group of companies on preferential basis.

There was one meeting of the Share Allotment Committee held on 26th June, 2006 and was attended by all the Members of the Committee.



6. Share Transfer and Investors' Grievances Committee

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

The Company confirms that there were no share transfers lying outstanding as on 31.03.2006 and all requests for de-materialization and re-materialization as on that date were confirmed/rejected through NSDL/CDSL system. There were 15 complaints received during the year for redressal and all have been satisfactorily redressed. There are no complaints pending for resolution as on 31st March 2006.

7. General Body Meeting:

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

For the Financial Year / Period Ended	Date & Time	Location
31-03-2003	17-09-2003 - 9.30 A.M.	Kasturi Srinivasan Hall (Mini Hall) The Music Academy 168, T.T.K Road, Chennai 600 014.
31-03-2004	20-09-2004 - 10.00 A.M.	
31-03-2005	15-09-2005 - 10.00 A.M.	

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

- i. At the AGM held on 15th September, 2005 - Nil
- ii. At the AGM held on 20th September, 2004
 1. Reappointment of Mr.Murali Venkatraman as the Managing Director of the Company.
 2. Appointment of Mr.Narayan Sethuramon as the Managing Director of the Company.
- iii. At the AGM held on 17th September, 2003
 1. Reappointment of Mr.Murali Venkatraman as the Managing Director of the Company.

No Resolution involving postal ballot was passed in the last year. There is no resolution proposed to be passed through postal ballot at the ensuing Annual General Meeting.

(b) Notes on Directors seeking reappointment:

I. Mr. K. RAMAN

Mr. K. Raman is a qualified engineer and former Chairman and Managing Director of Best & Crompton Engineering Ltd. He has more than three decades of experience in the management of large organizations with diversified activities including execution of turnkey projects and contracts to various Government Bodies and Public Sector Undertakings.

II. AIR MARSHAL S.J.DASTUR

Air Marshal S.J. Dastur has rich experience in the Armed Forces and subsequently in various other responsibilities including as Managing Director of Bharath Dynamics and Chairman of Hindustan Aeronautics Ltd., prior to his retirement. He advises several organizations

The details of other Directorship and Committee Membership of aforesaid Directors are as follows :

Name of the Director/Company	Chairmanship/Directorship	Name of the Committee	Chairmanship/Membership
Mr. K. Raman	Does not hold office as a Director / Committee Member in any other company		
Air Marshal S.J. Dastur			
Aman International Pvt Ltd	Director	—	—
Links Aviation Pvt Ltd	Director	—	—