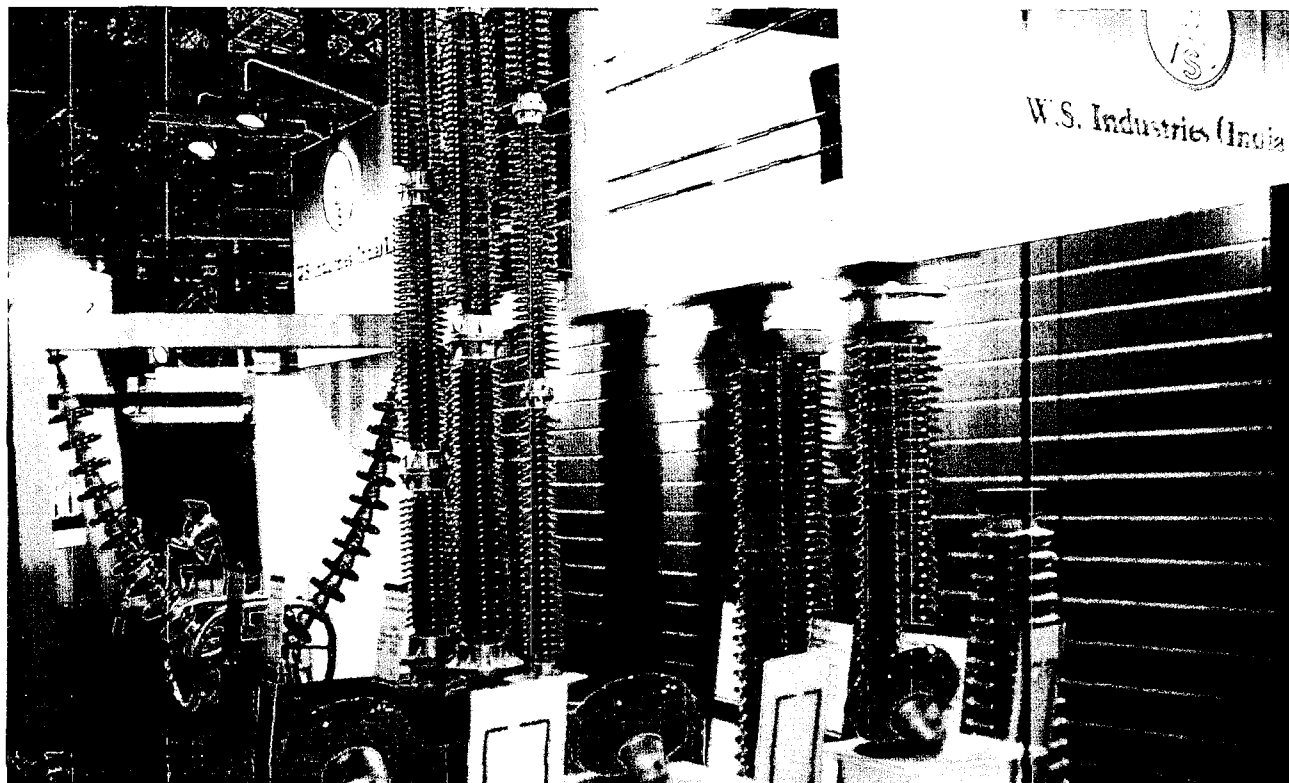


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W.S. INDUSTRIES (INDIA) LIMITED

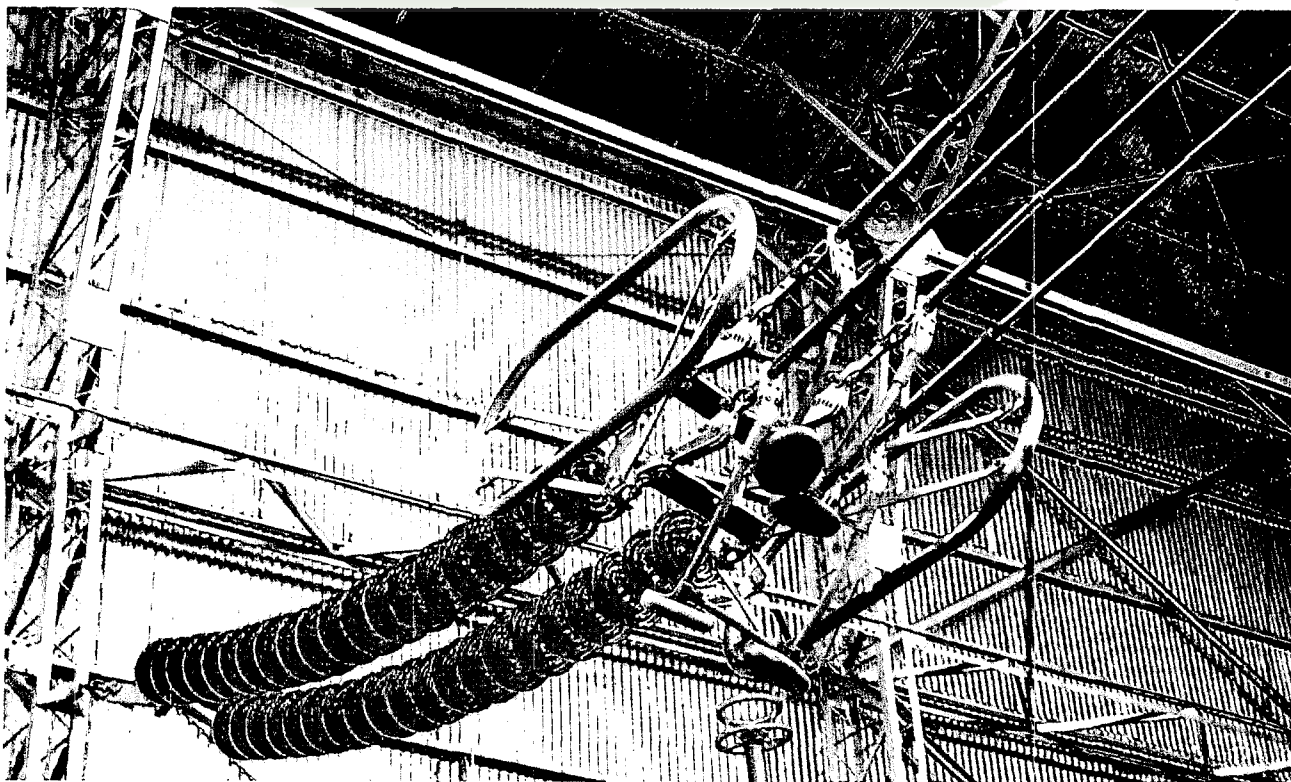
**Annual Report
2007 - 2008**



WSI at ELECRAMA 2008

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320 KN Disc Insulators being teste





W.S. Industries (India) Limited

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
Julian C. Schroeder

Chief Financial Officer M.Ganesan

Company Secretary K.S. Natarajan

Bankers Punjab National Bank
Indian Overseas Bank
State Bank of India

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

Registered Office 108, Mount Poonamallee Road
Porur, Chennai - 600 116.
Phone : 91 - 44 - 6650 0811
Fax : 91 - 44 - 6650 0882

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DIRECTORS' REPORT TO THE MEMBERS

PART I - PERFORMANCE / OPERATIONS

Your Directors have pleasure in presenting the Annual Report alongwith the Audited Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

(Rs. in Million)

		For the year ended			
		31 st March 2008		31 st March 2007	
Sales and other operational income		2269.89		1652.47	
Other Income		3.21		3.43	
Total Income		2273.10		1655.90	
Gross Profit from Operations		313.76		202.97	
Less : Depreciation		31.87		32.42	
Finance Charges		68.36		70.42	
Net Profit for the year		213.53		100.13	
Provision for Income Tax	Tax	23.90		13.70	
	Less: MAT entitlement	8.90	15.00	11.20	2.50
	Deferred Tax	28.13		30.07	
	Fringe Benefit Tax	3.17		2.00	
Net Profit for the year after Tax		167.23		65.56	
Profit/(Loss) Brought forward from previous year		34.50		(2.73)	
Transfer to Capital Redemption Reserve		46.25		24.62	
Provision for Preference Dividend (including tax thereon)		5.70		3.71	
Interim Dividend paid (including tax thereon)		12.37		-	
Provision for Final Dividend (including tax thereon)		12.37		-	
Surplus carried to Balance Sheet		125.04		34.50	

DIVIDEND

The operations of the Company for the year ended 31st March, 2008 have resulted in a net profit of Rs.213.53 million which is more than double that of last year. Considering the performance, your Directors had recommended the payment of interim dividend of 5% on Equity Share Capital which was paid to those shareholders whose names appeared in the Register of Members as on 25th February, 2008.

Your directors now recommend a final dividend of 5% which, together with the interim dividend of 5% already paid, aggregates to 10% for the year ended March 31, 2008. Your Directors also recommend payment of dividend on the Cumulative Redeemable Preference Shares at the contracted rates and for the appropriate periods as applicable amounting to Rs.5.70 million. These 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 stated above.

BUSINESS OPERATIONS

An analysis of the Electrical Transmission Sector as well as your Company's performance has been provided in Annexure D to this Report. The sales and other operational income have increased by 37.4 % from Rs.1652.47million to Rs.2269.89million in the current year as a result of improved performance from the Insulator operations (where the sales growth was 30.5%) as well as due to significant increase in the Projects and Turnkey business activity where the billing has increased from Rs 88.03 million in 2006~07 to Rs 227.22 million in 2007-08. The profit before tax has increased from Rs.100.13million in the previous year to Rs.213.53million inspite of inflationary increases in



commodity metals and fuel. The higher production and sales tonnage of Insulators, improved product mix coupled with strict control on raw material usage, have resulted in a higher contribution. This improved contribution together with control on most fixed cost components have resulted in a net benefit to the bottom line.

In anticipation of the additional capacity for Sub-station Insulators being shortly made available from its new plant, your Company added new customers in several countries as well as strengthened its relationships with existing key customers. The overall order position, both for the Insulator Division (domestic and export segments) and the Projects Division, is quite satisfactory.

RECOGNITION

Your Directors are pleased to report that The Institute of Cost and Works Accountants of India has ranked your Company as "First" in "Excellence in Cost Management Practices" for the year 2007 on All India basis in the category of manufacturing industries with sales turnover < Rs.1,000 Crores.

Your Directors are also pleased to inform that the Company continues to enjoy the status of Star Export House and has secured the special export performance award of CAPEXIL this year as well.

CAPITAL EXPENDITURE PROGRAMME

The Company continues to upgrade its manufacturing facilities at its Chennai factory in a phased manner with refurbishment and new equipment as appropriate. As during the previous year, this year's capex was primarily focused on de-bottlenecking, productivity and quality improvement areas.

The Company has commissioned a new wind energy generator of 600 KW to augment the existing bank of WEGs and thus contribute to the efforts in controlling the increase in power costs due to the additional machinery installed in the Chennai Plant.

CAPACITY ADDITION

Construction of the new production facility at Visakhapatnam for the manufacture of Sub-station Insulators, has been nearly completed and commercial production from this Unit is expected to commence shortly.

ISSUE OF WARRANTS TO PROMOTERS

Further to the approval of the Members at the Extraordinary General Meeting held on 23rd January, 2008 and after obtaining the approvals of the Bombay Stock Exchange and the National Stock Exchange, 9,25,000 warrants were issued to the promoters Mr.V.Srinivasan, Mr.Murali Venkatraman and Mr.Narayan Sethuramon convertible into equity shares of Rs.10/- each at a premium of Rs.97/- per share. As required, the promoters have subscribed 10% of the amount viz. Rs.9,897,500/- towards allotment. The balance amount will be paid by them in one or more tranches within a period of 18 months and upon such payment these warrants will be converted into Equity Shares of Rs.10/- each fully paid up in the ratio of one equity share per warrant.

STATUS OF SOFTWARE TECHNOLOGY PARK

The construction of the 1st phase of the Software Technology Park promoted by the Subsidiary Company – W.S.Electric Ltd. in association with TCG group has been nearly completed and is being leased out. The construction work for the 2nd phase has commenced.

FUTURE PROSPECTS

The Company's order book presently stands at Rs.1378 million. With the thrust given to the Power Sector in the 11th Plan as well as the global activity taking place in the construction, rehabilitation and upgradation of electricity networks, the ongoing demand for the Company's products both domestically and in the international arena continues to remain strong.

The challenge before the Company is to manage the inflationary trends in all inputs so that the adverse effect on operating margins is minimised.

INDUSTRIAL RELATIONS AND HUMAN RESOURCES MANAGEMENT

Industrial relations remained cordial throughout the year. A new long term wage settlement was signed with the Employees Union during the year. Appropriate steps have been taken for manpower for the new plant and training in all functional aspects of manufacturing, quality control and work methods has commenced.



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 reviewed 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 with the 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) of the Companies Act, 1956 is enclosed as Annexure-F to this Report.

MADRAS STOCK EXCHANGE - DELISTING

Further to the approval accorded by the Members at the Annual General Meeting held on 28th September 2007, the Company sought delisting of its shares from the Madras Stock Exchange (MSE). MSE vide their letter dated 5th May, 2008 gave their approval to such delisting. The Company's Equity Shares continue to be listed on Bombay and National Stock Exchanges.

DIRECTORS

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

The Board co-opted Mr.N.Srinivasan as an Additional and Independent Director, at their Meeting held on the 28th January, 2008. During a career span of over 40 years, Mr.Srinivasan has held senior positions in reputed organisations including Federation of Indian Export Organisations (FIEO) and Confederation of Indian Industry (CII).

In terms of Article 92 of the Articles of Association of the Company, Mr.N.Srinivasan will hold 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.

AUDITORS

M/s.S.Viswanathan, Chartered Accountants, Chennai, the retiring Auditors, being eligible, offer themselves for reappointment.

AUDITORS' REPORT

The Auditors have, in their Report to the Members, commented on the revision in Accounting Policy with regard to Refractories and other related consumables. Based on technical judgement, the Directors felt it prudent to charge off the entire amount of Refractories and other related consumables on consumption which has resulted in Profit for the year being lower by Rs.18.30 million.

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) of the said Act 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'.

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



FIXED DEPOSITS

The Company has not accepted any deposits during the year under review. There are 5 deposits amounting to Rs.0.107 million which have still not been claimed for repayment as on the date of this Report. The Company has been sending 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 COMPANIES

a. W.S.Electric Limited :

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 Audited Accounts of the Subsidiary Company, W.S.Electric Limited (WSE), whose present operations are not significant to the total operations of the Company and the Company has been publishing the Consolidated Accounts as required under the Accounting Standards and Listing Agreement. The Annual Accounts of WSE and the related detailed information will be made available to the Shareholders of the Company and WSE against written request.

Copies of Audited Accounts of WSE have been kept open for inspection by the Members at the Registered Offices of the Company and WSE.

b. W.S.Insulators Limited :

A new Company, W.S.Insulators Limited was incorporated as a subsidiary of your Company on 7th May, 2008 which has since become a wholly owned subsidiary. W.S.Insulators Limited has also obtained the Certificate of Commencement of Business on 16th June, 2008.

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 all its stakeholders.

For and on behalf of the Board,

Visakhapatnam
July 29, 2008.

V. SRINIVASAN
Chairman

Statement regarding material non-listed Subsidiary Company under Section 212(3) of the Companies Act, 1956

1.	Name of the Subsidiary 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	58.77%
	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. in Million)
	a. Profit for the Financial Year	1.81
	b. Profit for the previous financial years since becoming a subsidiary	0.32

For and on behalf of the Board,

Visakhapatnam
July 29, 2008

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 furnished).



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

Improvement of thermal and electrical energy efficiency.

B. TECHNOLOGY ABSORPTION

I. RESEARCH & DEVELOPMENT (R&D)

a. NEW PRODUCT DEVELOPMENT IN THE YEAR 2007-08

1. New 363kV Solidcore and Operating Rod Insulators for use in heavily polluted atmospheric conditions for the export market.
2. New 420kV high strength breaker Porcelain Insulators for the new generation Breakers introduced by Indian manufacturers.

b. BENEFITS DERIVED AS A RESULT OF THE ABOVE DEVELOPMENTS

1. Increased market share
2. Entry into new markets
3. Entry into specialised product segment

c. FUTURE PLAN OF ACTION

1. Working jointly with POWERGRID for development of Insulators for the new 1200kV national transmission grid.
2. Development of specialised Disc Insulators for use in 800kV Ultra High Voltage Direct Current (UHVDC) transmission line.

Successful development of the above specialised products will qualify your Company to join the international select few with competency in Ultra High Voltage Transmission (UHV). The R&D activities of the Company are recognized by the Department of Science and Technology, Govt. of India and the certification is valid till 31st March, 2009.

II. EXPENDITURE ON R&D

(Rs. In Million)

Capital	4.82
Recurring	7.32
Total	12.14

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

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Please refer above.

IV. IMPORTED TECHNOLOGY

- Not Applicable -

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in Million)

EARNINGS	
Exports	534.33
Others	1.82
Total	536.15
OUTGO	
Import of Raw Materials and Components	373.93
Others (including machinery imports)	109.85
Total	483.78
NET EARNINGS	52.37

Visakhapatnam
July 29, 2008

For and on behalf of the Board,
V. SRINIVASAN
Chairman



ANNEXURE-B TO DIRECTORS' REPORT

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 and the Company to:

- Transparency, professionalism and accountability in all dealings with customers, employees, shareholders and other stakeholders.
- Abide by sound corporate governance principles.
- Being a responsible and socially committed corporate citizen.

2. Board of Directors

Attendance at Board Meetings and last AGM and details of memberships in other Boards and Board Committees.

Name of Director	Category	No. of Board Meetings Attended	Attendance at the Last AGM	Membership in other Boards	Committees** Membership (Inclusive of WSI)
V. Srinivasan	NI- NE	5	Yes	5	2
Murali Venkatraman	NI-Ex	6	Yes	6	3
Narayan Sethuramon	NI-Ex	6	Yes	2	-
K.Raman	IN-NE	6	Yes	-	2
Air Marshal (Retd.) S.J.Dastur	IN-NE	3	Yes	-	1
G.Balasubramanyan	IN-NE	6	Yes	3	1
G.V.Viswanath	IN-NE	6	Yes	-	-
Julian C.Schroeder	NI-NE	4	Yes	1	-
N.Srinivasan*	IN-NE	-	-	-	-

NI – Non Independent, NE – Non-Executive, Ex- Executive, IN – Independent.

* Co-opted as Additional Director on the Board with effect from 28.01.2008.

** As required under the Listing Agreement, memberships of only Audit Committee and Share Transfer Committee have been included.

Mr.V.Srinivasan, Mr.Murali Venkatraman and Mr.Narayan Sethuramon are related to one another. None of the other Directors are related to one another.

Six Meetings of the Board were held during the year under review on 30.04.2007, 25.07.2007, 31.10.2007, 24.12.2007, 23.01.2008 & 28.01.2008. The last AGM was held on 28th September, 2007.

3. Audit Committee

a. Constitution

The Audit Committee of the Company functions under the mandate stipulated under Clause 49 of the Listing Agreement and the Companies Act, which includes reviewing and taking corrective actions as and when required, in consultation with the Internal Auditors.



The scope includes 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 the following Members:

- a) Air Marshal (Retd.) S.J.Dastur - Chairman
- b) Mr.K.Raman
- c) Mr.G.Balasubramanyan

c. Meetings and Attendance

Four Audit Committee Meetings were held in the financial year 2007-08 on 30.04.2007, 24.07.2007, 31.10.2007 and 28.01.2008.

Attendance

Name of Director	No. of Meetings Attended
Air Marshal (Retd.) S.J.Dastur (Chairman)	3
Mr.K.Raman	4
Mr.G.Balasubramanyan	4

4. Remuneration Committee

The Remuneration Committee, comprising Air Marshal (Retd.) S.J. Dastur, Mr.K.Raman and Mr.G.V.Viswanath, has been constituted under the Chairmanship of Air Marshal (Retd.) S.J.Dastur to determine the quantum and components of the remuneration to be paid to the two Managing Directors. There was one meeting of the Remuneration Committee held during the year under review, on 25.07.2007 and the meeting was attended by all the Members of the Committee. The details of remuneration paid to the Directors for the year 2007-08 together with the shareholding details of the non executive Directors as on 31st March 2008 are as under:

Managing Directors

(In Rupees)

Name of Director	Salary	Incentive	Perquisites *
Murali Venkatraman	2,430,000	600,000	504,426
Narayan Sethuramon	1,585,161	600,000	397,758

* Does not include contribution to Provident and Superannuation Funds.