

BOARD OF DIRECTORS

- **Chairman** V. Srinivasan
- **Vice Chairman & Managing Director** Murali Venkatraman
- **Managing Director** Narayan Sethuramon
- **Directors**
 - K. Raman
 - Air Marshal (Retd.) S.J. Dastur (*upto 30.7.2010*)
 - G. Balasubramanyan
 - G.V. Viswanath
 - Julian C. Schroeder
 - N. Srinivasan
- **Chief Financial Officer** T. Chandrasekharan
- **Company Secretary** K.S. Natarajan
- **Bankers**
 - Punjab National Bank
 - Indian Overseas Bank
 - State Bank of India
 - Standard Chartered Bank
- **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 hereby present the Forty Seventh Annual Report along with the audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

(Rs. in Million)

		For the year ended	
		31st March 2010	31st March 2009
Sales and other operational income		2175.62	2227.30
Other Income		10.47	5.30
Total Income		2186.09	2232.60
Gross Profit from Operations		53.86	251.63
Less : Depreciation		79.85	37.18
Interest /Finance Charges		113.57	82.20
Net Profit / (Loss) for the year		(139.56)	132.25
Provision /(withdrawal) for Income Tax	Tax	-	42.50
	Deferred Tax	(9.20)	(2.10)
	Fringe Benefit Tax	-	2.80
Net Profit / (Loss) for the year after Tax		(130.36)	89.05
Profit Brought forward from previous year		157.69	125.04
Transfer to Capital Redemption Reserve		17.50	26.25
Provision for Preference Dividend		7.14	4.63
Provision for Dividend		-	21.14
Distribution tax / Education cess on dividends		1.21	4.38
Surplus carried to Balance Sheet		1.48	157.69

DIVIDEND

During the year under review, the operations of the Company were impacted for various reasons as explained under the head 'Business Operations'.

Hence, in view of the adverse financial results, no dividend has been proposed in respect of the Equity Shares. However, in order to meet the contractual commitments, the Directors recommend payment of dividend aggregating to Rs.7.14 million on the Cumulative Redeemable Preference Shares at the contracted rate, for the full year in respect of the existing preference shares and on pro- rata basis for the shares allotted during the year. This dividend, together with the distribution-tax/education cess thereon, has been provided for appropriation out of the profits of the Company carried forward in the Balance Sheet from the previous year.

BUSINESS OPERATIONS

Your Company operates in two business segments namely (a) Insulators and (b) Turnkey Projects. The net sales from Insulator business for the year was Rs.1764 million. Our second unit, a 'green field project' located in the Special Economic Zone at Visakhapatnam commenced commercial production in July 2009 and its operations are now getting stabilized.



The Turnkey Projects Division performed satisfactorily with a sales of Rs. 411 million as against sales of Rs. 124 million for the previous year thus recording an increase of more than three times.

However, the year was marked by several adverse factors both on the production and commercial fronts. The market both in India and overseas saw a slowdown in demand in the aftermath of the global financial crisis. The reduction in demand resulted in significant increased competition due to the large global capacities that had been recently commissioned, especially in India and China, leading to significant reductions in selling prices. The operations faced a continuing inflationary cost of raw material and components. Consequent to the power cut imposed by the utilities, the Company had to rely on expensive third party and self generated power to meet its energy requirements.

All these factors were responsible for the net loss of Rs. 139.56 million for the year under review.

Detailed analysis of the Company's performance during the year as well as the T & D Sector is provided in Annexure D to this Report.

RECOGNITION

Your Directors are pleased to inform that the Company continues to enjoy the status of Star Export House and recognition as approved R&D Unit.

Our Unit I at Chennai has completed I M S final certification Audit thereby complying with all the three Standards viz., **ISO 9001:2008, ISO 14001:2004 and OHSAS (Occupational Health & Safety Assessment Series) 18001:2007.**

Our Unit II at Visakhapatnam has also been certified under **ISO 9001:2008** (Quality Management System).

CREDIT RATING

The Company has been rated LBBB for its long term and A3+ for its short term working capital facilities granted by its Consortium bankers as per BASEL II requirements by the credit rating agency ICRA.

CAPITAL EXPENDITURE PROGRAMME

The Company continues to upgrade its manufacturing facilities at its Chennai factory in a phased manner with refurbishment and addition of new equipment as appropriate. This year's capex was primarily focused on re-orienting capacities of Transmission and Substation Insulators keeping market conditions in perspective.

STATUS OF SOFTWARE TECHNOLOGY PARK

The Company's Subsidiary, W.S. Electric Limited (WSE), is receiving the rental income from the space owned by it in Phase – I of the Software Technology Park, co-developed by it. The Developer has sought extra time for the construction of Phase – II citing sluggish demand for IT space. WSE has not accepted this request and the dispute on account of this is being dealt with as per the Dispute Resolution Mechanism available under the Development Agreement.

FUTURE PROSPECTS

The Company's order book presently stands at Rs. 2488 million as against Rs. 2394 million at the same time last year. The Company is taking vigorous steps to restore profitability of operation as explained in detail in Annexure D to this Report. With the thrust given to the Power Sector in the 12th Plan as well as the activity taking place in the construction, rehabilitation and upgradation of electricity networks in many parts of the world, the demand for your Company's products and project capabilities continues to remain vibrant.

INDUSTRIAL RELATIONS AND HUMAN RESOURCES MANAGEMENT

Employee relations continued to be cordial and smooth. Attention was paid on strengthening the total employee involvement in all the turnaround initiatives. Focus was given on training and improvement in Health, Safety and Environment. Special emphasis was given on job rotation for multi-tasking to facilitate revised product mix and enhanced production targets.



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. Further, M/s.Lakshmmi Subramanian & Associates, Practising Company Secretaries, have conducted a Secretarial Audit for the year ended 31st March, 2010 and have confirmed in their Report compliance of the Company with all the applicable provisions of the Companies Act, 1956, the Regulation and Guidelines of SEBI as applicable to the Company and Listing Agreements with the Stock Exchanges.

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.

DIRECTORS

Your Directors, Mr.K.Raman and Mr. Julian C. Schroeder retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Due to his advancing age, Air Marshal (Retd.) S.J. Dastur has resigned from the Directorship of the Company which was duly accepted by the Board effective from 30.7.2010.

Air Marshal (Retd.) S.J. Dastur has been a Member of the Board of your Company for more than two decades and has steered the Audit Committee since 2001. He has made a very significant contribution to the growth of the Company and the Board too benefited from his wise counsel.

The Board wish to place on record its sincere appreciation of the contribution made by Air Marshal (Retd.) S.J. Dastur during his long tenure as a Member of the Board.

MANAGING DIRECTORS

Pursuant to the resolution passed at the last Annual General Meeting, the Company had obtained approvals of the Central Government under the Companies Act, 1956 for the re-appointment of Mr. Murali Venkatraman, and Mr. Narayan Sethuramon, as Vice Chairman and Managing Director and Managing Director respectively for a period of five years with effect from 24.7.2009 and for payment of revised remuneration for a period of three years with effect from 1.4.2009 vide Central Government approval letters both dated 5.4.2010.

However, both Mr. Murali Venkatraman and Mr. Narayan Sethuramon have informed the Company that considering the constraints faced by the Company, they would continue to draw during the year only the lower remuneration which they were in receipt before the increase was approved by the Members.

AUDITORS

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

STATUTORY INFORMATION

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure to



the Director's Report. However, as per the provisions of Section 219 of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company, excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

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 the Investor Education and Protection Fund at the expiry of the specified period(s) as required under Section 205C of the Companies Act, 1956. Details of Interim Dividend and Final Dividend of 2008 and Dividend of 2009 remaining unclaimed as on 31.3.2010 are as under:

	No. of Shareholders	Total unclaimed Dividend (in Rs.)
Interim Dividend 2008	2012	3,12,747.00
Final Dividend 2008	2045	2,61,707.50
Dividend 2009	1731	3,51,133.00

FIXED DEPOSITS

Your Company has not accepted any deposit from Public during the year under review and there are no outstanding deposits from Public as on date.

SUBSIDIARY COMPANIES

W.S. Electric Limited is implementing a Restructuring Programme under a Scheme of Arrangement to obtain greater flexibility in its Development activities.

The Company has obtained necessary approvals from the Central Government under Section 212(8) of the Companies Act, 1956, exempting the Company from annexing the Audited Accounts of the Subsidiary Companies, W.S. Electric Limited and W.S. Insulators Limited and the Company has been publishing the Consolidated Accounts as required under the Accounting Standards and Listing Agreement. The Annual Accounts of the subsidiary Companies and the related detailed information will be made available to the Members of the Company and the subsidiaries on written request for the same made to the Company Secretary quoting their Folio/Client ID number.

Copies of audited Accounts of the Subsidiaries have been kept open for inspection by the Members of this Company and the Subsidiary Companies at the respective Registered Offices of the Company and its subsidiaries.

Statement as required under Section 212(3) of the Companies Act, 1956 in respect of the above Subsidiaries is also enclosed.

ACKNOWLEDGEMENT

Your Directors wish to gratefully acknowledge the contribution made by the employees at all levels towards the operations of your Company within the constraints of a difficult operating environment. Your Directors also wish to place on record their appreciation of the continued support extended to your Company by all its stakeholders and bankers.

For and on behalf of the Board,

Chennai
30th July, 2010

V. SRINIVASAN
Chairman



**Statement Regarding Subsidiary Companies
under Section 212(3) of the Companies Act, 1956**

1.	Name of the Subsidiary Company	W.S.ELECTRIC LIMITED	W.S.INSULATORS LIMITED
2.	Holding Company's interest at the end of the financial year of the Subsidiary Company		
	a. No. of Equity Shares	62,000	50,000
	b. Extent of Holding	58.77%	100%
	c. No. of Preference Shares	Nil	Nil
	d. Extent of Holding	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 is not dealt with in the Holding Company's books of accounts.	(Rs. in Million)	
	a. Profit for the Financial Year	14.62	Nil
	b. Profit for the previous financial years since becoming a Subsidiary	69.36	Nil

Chennai
30th July, 2010

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

(Since the Financial Years of the Subsidiary Companies coincide with that of the Holding Company, the Statement under Section 212(5) of the Companies Act, 1956 is not required to be 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**(a) Energy Conservation measures taken:**

1. Expansion of waste heat recovery system.
2. Use of transparent roofing sheets where possible to reduce artificial lighting.
3. Use of Variable Frequency Drives (VFD) to regulate Motors.
4. Energy savings in lighting load consumption due to conservation measures implemented

(b) Additional measures taken for reduction of consumption of energy:

Change in process energy usage.

(c) Additional investments and proposals being implemented for reduction of consumption of energy:

1. Next phase expansion of waste heat recovery system.
2. Upgradation of process equipment.

(d) Impact of the measures at (a) (b) and (c) above, for reduction of energy consumption and consequent impact on the cost of production of goods:

Reduction in consumption of thermal and electrical energy resulted in lower operational costs.

B. TECHNOLOGY ABSORPTION**I. RESEARCH & DEVELOPMENT (R&D):****a. New product development in the Year 2009-10:**

1. 800kV Solid Core Insulators;
2. 320 KN B&S Disc Insulator;
3. Development of Disc and Solid Core Insulators for 1200kV networks.

b. Benefits derived as a result of the above developments:

Improved competitive positioning in both domestic and international markets.

c. Future plan of action:

Products to meet the 800 kV DC and 1200 kV AC network requirements.

II. EXPENDITURE ON R&D:

(Rs. in million)

Capital	6.80
Recurring	2.58
Total	9.38

Total R&D expenditure as a percentage of Total Turnover 0.43%

**III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

Please refer above

IV. IMPORTED TECHNOLOGY

- Not Applicable.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a. The Company's Foreign Exchange Risk Management practices are covered under Annexure D – Management Discussion and Analysis Report.
- b. Total foreign exchange used and earned.

(Rs. in million)

EARNINGS	
Exports	444.15
Others	3.95
Total	448.10
OUTGO	
Import of Raw Materials and Components	312.67
Others (Including machinery imports)	75.90
Total	388.57
NET EARNINGS	59.53

Chennai
30th July, 2010

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

Composition and category of Board of Directors and their 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	4	Yes	5	3
Murali Venkatraman	NI-EX	4	Yes	6	3
Narayan Sethuramon	NI-EX	4	Yes	2	-
K. Raman	IN-NE	4	Yes	1	3
Air Marshal (Retd.) S.J. Dastur	IN-NE	3	Yes	-	1
G. Balasubramanyan	IN-NE	3	Yes	3	1
G. V.Viswanath	IN-NE	4	Yes	1	1
Julian C. Schroeder	NO-NI-NE	4	Yes	1	-
N. Srinivasan	IN-NE	3	No	2	-

NI – Non Independent, IN – Independent, NE – Non-Executive, Ex-Executive, NO - Nominee

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

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

Four Meetings of the Board were held during the year under review on 30.4.2009, 24.7.2009, 26.10.2009 and 30.1.2010. The last AGM was held on 15th September, 2009.

3. Audit Committee

a. Terms of reference

The Audit Committee of the Company functions under the mandate stipulated under Clause 49 of the Listing Agreement and the Companies Act, 1956, which includes reviewing and taking corrective actions as and when required, in consultation with the Internal Auditors.

The Committee's 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 Independent Directors (Effective from 30.7.2010):

Mr. K. Raman- Chairman

Mr. G. Balasubramanyan

Mr. N. Srinivasan

Air Marshal (Retd.) S.J. Dastur who was a Member and Chairman of the Audit Committee resigned from the Board effective from 30.7.2010.

c. Meetings and Attendance

Four Audit Committee Meetings were held in the financial year 2009-10 on 29.4.2009, 23.7.2009, 25.10.2009 and 29.1.2010.

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

(a) Terms of reference

A Remuneration Committee has been constituted to determine the quantum and components of the remuneration to be paid to the Managing Directors.

(b) Composition

The Remuneration Committee comprises the following Independent Directors (Effective from 30.7.2010):

Mr. K. Raman - Chairman

Mr. G. V.Viswanath

Mr. G. Balasubramanyan

Air Marshal (Retd.) S.J. Dastur who was a Member and Chairman of the Remuneration Committee resigned effective from 30.7.2010.

There was one meeting of the Remuneration Committee held during the year under review, on 24.7.2009 and the meeting was attended by all the Members of the Committee.