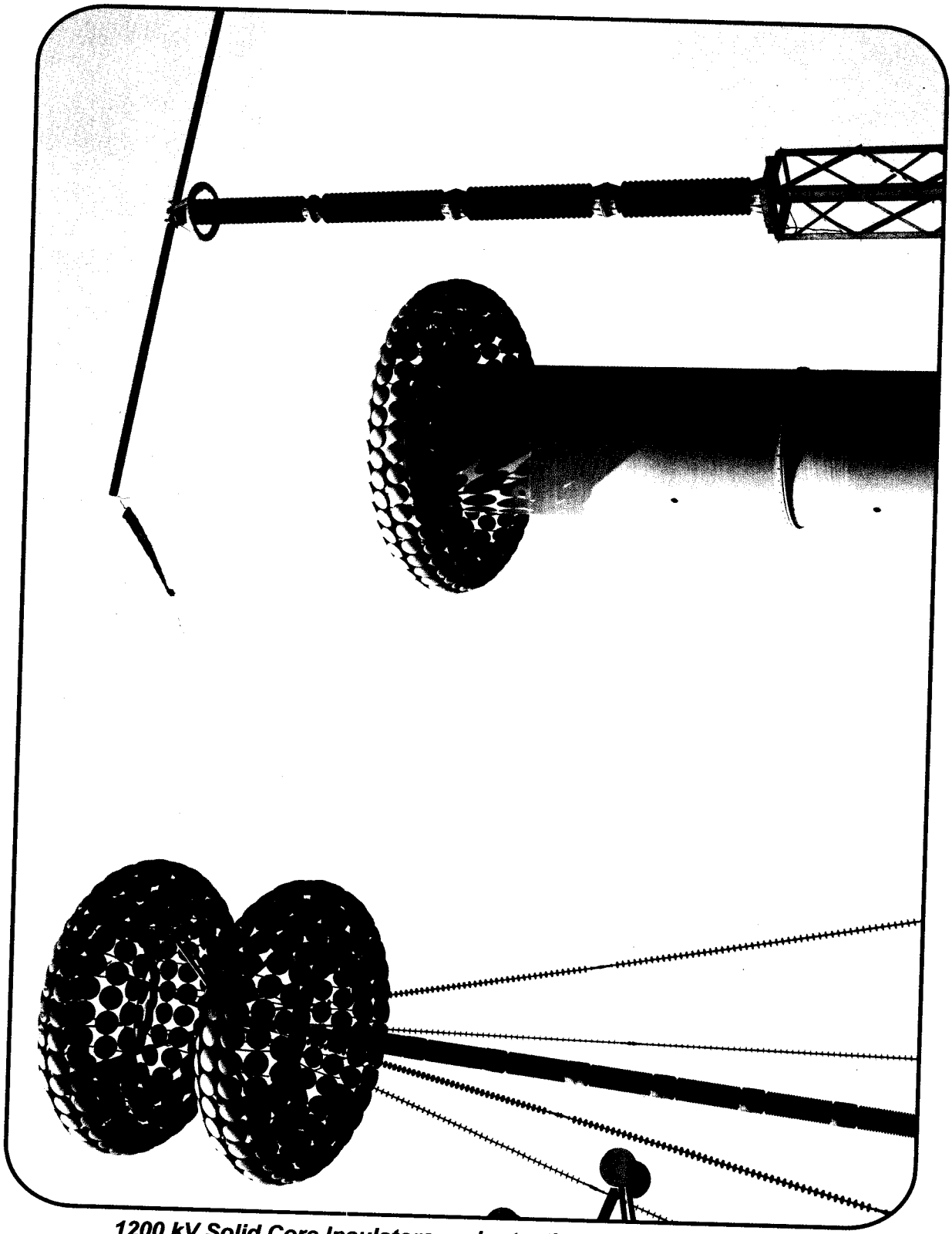
W.S. INDUSTRIES (INDIA) LIMITED

48th Annual Report
2010 - 2011



1200 kV Solid Core Insulators under testing at CPRI, Hyderabad

W.S. Industries (India) Limited

BOARD OF DIRECTORS

➢ **Chairman**	V. Srinivasan
➢ **Vice Chairman & Managing Director**	Murali Venkatraman
➢ **Managing Director**	Narayan Sethuramon
➢ **Directors**	K. Raman 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 Eighth Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

(₹ in Million)

		For the year ended	
		31st March 2011	31st March 2010
Sales and other operational income		2531.36	2175.62
Other Income		393.96	10.47
Total Income		2925.32	2186.09
Gross Profit from Operations		242.46	53.86
Less : Depreciation		96.06	79.85
Interest /Finance Charges		174.33	113.57
Net Profit / (Loss) for the year		(27.93)	(139.56)
Provision /(withdrawal) for Income Tax	Deferred Tax	2.40	(9.20)
Net Profit /(Loss) for the year after Tax		(30.33)	(130.36)
Profit Brought forward from previous year		1.48	157.69
Transfer from General Reserve		60.00	–
Transfer to Capital Redemption Reserve		(17.50)	(17.50)
Provision for Preference Dividend		(9.27)	(7.14)
Distribution tax / Education cess on dividends		(1.54)	(1.21)
Surplus carried to Balance Sheet		2.84	1.48

DIVIDEND

During the year under review, the operations of the Company were severely impacted for various reasons explained under the head 'Business Operations'. In view of the adverse financial results, no dividend has been proposed on the Equity Shares.

However, in order to meet the contractual commitments, the Directors recommend payment of dividend on the Preference Share Capital at the contracted rates out of the available reserves in terms of Companies (Declaration of Dividend out of Reserves) Rules, 1975 aggregating to Rs.9.27 million on the Cumulative Redeemable Preference Shares at the contracted rates. This dividend, together with the distribution-tax/education cess thereon, has been provided for in the accounts.

BUSINESS OPERATIONS

The Company operates in two business segments namely (a) Insulators and (b) Turnkey Projects. The net sales from Insulator business for the year was Rs.2122.67 million as against Rs.1764.59 million made in the previous year resulting in a growth of 20% in value terms. Our second unit, located in the Special Economic Zone at Visakhapatnam, is now stabilizing its operations but operated at a low capacity utilization through out the financial year.

The Turnkey Projects Division achieved a turnover of Rs.408.69 million in the current financial year as against Rs.411.03 million for the previous year.

The year was marked by several adverse factors both on the production and commercial fronts. The market, both in India and overseas, saw reduction in prices due to intense competition. The overall reduction in export demand for Indian Insulator industry due to Chinese competition was further aggravated by the diversion of that capacity in to the domestic market. Added to this, direct competition from China also in the Indian market resulted in substantial reduction in selling prices. The operations faced continuing inflationary trend in cost of raw materials and components. Runaway increase in crude prices also impacted the energy cost significantly. Consequent to the power cut imposed by the State utility, the Company had to rely heavily on the expensive third party and self generated power in order to meet its energy requirements.

All these factors have resulted in the Company incurring net loss of Rs.27.93 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.

Other Income includes Rs.387.19 million being the profit arising on transfer of 31,000 Equity Shares of Rs.10/- each held by the Company in its real estate subsidiary to another subsidiary of your Company.

RECOGNITION

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

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. The CAPEX Programme initiated by the Company during the year is mainly focused on capacity addition for high end Insulators and for improving process efficiency.

STATUS OF SOFTWARE TECHNOLOGY PARK

As stated in the previous report the Subsidiary Company W.S. Electric Limited (WSE) continues to receive rental income from the Lessees regularly in terms of the lease agreements with them. The arbitration proceeding, initiated by WSE's joint developer, is in the final stages of completion.

FUTURE PROSPECTS

The Company's order book presently stands at Rs.1689 million. The Company is taking vigorous steps to restore profitability of operations 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 activities taking place in the construction, rehabilitation and upgradation of electricity networks in many parts of the world, the demand for our Company's products and project capabilities continues to remain vibrant though competitive.

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, 2011 and have confirmed in their Report satisfactory compliance by the Company with all the applicable provisions of the Companies Act, 1956, the Regulations and Guidelines of SEBI as applicable to the Company and the 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.V.Srinivasan and Mr. G.Balasubramanyan retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

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

STATUTORY INFORMATION

The provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not applicable since there is no employee drawing remuneration more than Rs.60,00,000/- per annum (full year) or Rs.5,00,000/-p.m (part of the year).

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 31.3.2011 are as under:

	No. of Shareholders	Total unclaimed Dividend (in ₹)
Interim Dividend 2008	2004	310428.00
Final Dividend 2008	2037	263165.50
Dividend 2009	1717	347158.00

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 AND W.S. INSULATORS LIMITED

During the year, 31,000 Equity Shares of Rs.10/- each, fully paid-up, held by the Company in W.S. Electric Limited, were transferred to W.S. Insulators Limited, another subsidiary of the Company. A further 10,000 shares were approved for transfer to W.S.Insulators Limited during the current year. With this transfer, W.S. Insulators Limited holds 41,000 Equity Shares (38.86%) of W.S. Electric Ltd. while your Company holds 21,000 (19.91%).

The Restructuring Programme proposed to be undertaken by W.S. Electric Limited was withdrawn in view of certain constraints envisaged.

The Ministry of Corporate Affairs vide its General Circular No: 2/2011 dated 8/2/2011, issued under Section 212 of the Companies Act, 1956, has given a general exemption to all companies from annexing the Audited Accounts of the Subsidiary Companies subject to providing certain key information with regard to the subsidiaries and fulfilling certain other conditions. Accordingly, such information has been provided in respect of the Company's subsidiaries W.S. Electric Limited and W.S. Insulators Limited elsewhere in this Report. The Company has also been publishing the Consolidated Accounts as required under the Accounting Standards and the 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 enclosed.

GREEN INITIATIVE

In line with the Green Initiative of the Ministry of Corporate Affairs, the Company had initiated steps for implementing the same for the benefit of the shareholders.

In this connection, the Company had sent communication to the shareholders seeking their consent for sending the Annual Report and other communication from the Company by using electronic mode.

We are thankful to such of the shareholders who have accepted receiving the Annual Report through e-mail and would request other shareholders also to give their consent at the earliest to enable the Company to implement and make the Govt.'s initiative a success.

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.

For and on behalf of the Board

V. SRINIVASAN
Chairman

Chennai
27th July, 2011

Statement regarding Subsidiary Companies
under Section 212(3) of the Companies Act, 1956 as at 31.03.2011

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% *	99.80 %
	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.	(₹ in Million)	
	a. Profit for the Financial Year	14.89	Nil
	b. Profit for the previous financial years since becoming a Subsidiary	83.98	Nil

* includes 31,000 shares (29.38%) held by the subsidiary company W.S. Insulators Limited.

(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.)

For and on behalf of the Board
V. SRINIVASAN
Chairman

Chennai
27th July, 2011.

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. Loading density in kilns increased to reduce energy and fuel consumption.
2. Usage of diesel reduced due to purchase of power from the exchange and private power producers during power cut and peak hour restriction period.

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

Optimal production planning and product mix to reduce unit power consumption.

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

Energy saver system provided for lighting feeder.

(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 resulting in lower energy costs.

B. TECHNOLOGY ABSORPTION

I. Research & Development (R&D)

a. New product development during the year:

i. 1200kV UHVAC Solidcore Insulators.

ii. Redesign of Insulators of various ratings to improve design efficiency and performance.

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

i. Expanded product portfolio.

ii. Advantageous positioning in domestic UHVAC market segment.

iii. Improved competitive positioning in both domestic and international markets.

c. Future plan of action:

Wider range of Products for the UHV voltage rate and for DC application.

II. EXPENDITURE ON R&D:

(₹ in million)

Capital	–
Recurring	3.52
Total	3.52

Total R&D expenditure as a percentage of Total Turnover 0.14%

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.

(₹ in million)

EARNINGS	
Exports	278.63
Others	3.78
Total	**282.41**
OUTGO	
Import of Raw Materials and Components	668.48
Others (Including machinery imports)	86.49
Total	**754.97**
NET OUTGO	**472.56**

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

Chennai
27th July, 2011