



W.S. INDUSTRIES (INDIA) LIMITED

49th Annual Report 2011 - 2012



W.S. Industries (India) Limited

BOARD OF DIRECTORS

- **Chairman** V. Srinivasan
- **Vice Chairman
(Whole time)** Murali Venkatraman
- **Managing Director and
Chief Executive Officer** Narayan Sethuramon
- **Directors** K. Raman
G. Balasubramanyan
G.V. Viswanath
Julian C. Schroeder
N. Srinivasan
- **Chief Financial Officer** T. Chandrasekharan
- **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
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**DIRECTORS' REPORT TO THE MEMBERS****PART I - PERFORMANCE / OPERATIONS**

Your Directors hereby present the Forty Ninth Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS**(₹ in Million)**

		For the year ended	
		31st March 2012	31st March 2011
Sales and other operational income		2251.04	2531.36
Other Income		167.87	393.96
Total Income		2418.91	2925.32
Gross Profit / (Loss) from Operations		(226.78)	243.89
Less : Depreciation		100.20	96.07
Interest / Finance Charges		323.54	175.77
Net Profit / (Loss) for the year		(650.52)	(27.95)
Provision / (withdrawal) for Income Tax	Deferred Tax	(101.80)	2.40
Net Profit /(Loss) for the year after Tax		(548.72)	(30.35)
Profit Brought forward from previous year		2.82	1.48
Transfer from General Reserve		94.04	60.00
Transfer to Capital Redemption Reserve		-	(17.50)
Provision for Preference Dividend		-	(9.27)
Distribution tax / Education cess on above dividend		-	(1.54)
Surplus / (Deficit) carried to Balance Sheet		(451.86)	2.82

DIVIDEND

During the year under review, the operations of the Company were severely impacted for several reasons explained under the head 'Business Operations'. In view of the adverse financial results, the Directors regret that it will not be possible to propose any dividend on the Equity Shares.

The Directors also regret their inability to recommend any payment of contracted dividend on Preference Share Capital in view of the loss sustained by the Company.



BUSINESS OPERATIONS

The Company operates in two business segments namely (a) Insulators and (b) Turnkey Projects. The overall sales from operations was ₹ 2251.04 million as against ₹ 2531.36 in the previous year. Pressure on pricing due to predatory competition from China, customer deferment due to delay in T & D projects execution and weak overall environment contributed to the reduction in sales. Our second unit, located in the Special Economic Zone at Visakhapatnam, is now fully operational but operated at a low capacity utilization through out the financial 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 resulted in substantial reduction in selling prices in the Indian market. 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 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 ₹ 548.72 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 ₹ 159.90 million being the profit arising on transfer of 10,000 Equity Shares of ₹ 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 modernise its manufacturing facilities at its Chennai factory in a phased manner with refurbishment and addition of new equipment as appropriate, mainly to reduce the production cost. The main focus of the Capital Expenditure program at the Visakhapatnam plant is to debottleneck capacities wherever required and expand the product portfolio.

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, has been concluded and the Award is reasonably in Company's favour. However, the joint developer has sought an interim stay against the implementation of the Award in the Madras High Court and the matter is posted for further hearing.

FUTURE PROSPECTS

The Company's order book presently stands at ₹ 1818 million. The Company is taking parallel steps to improve the financial health of the company by pursuing avenues for long term capital accrual in tandem with steps to improve the profitability of its businesses. These are explained in detail 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 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, 2012 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 Managing Director and Chief Executive Officer 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.N.Srinivasan and Mr. G.V. Viswanath retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

During the year, Mr.Murali Venkatraman was redesignated as Vice-Chairman (Wholtime) and Mr.Narayan Sethuramon was redesignated as Managing Director and Chief Executive Officer.

AUDITORS

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

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 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 31.3.2012 are as under:

	No. of Shareholders	Total unclaimed Dividend (in ₹)
Interim Dividend 2008	1997	309150.62
Final Dividend 2008	2030	262250.50
Dividend 2009	1707	340013.00



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, 10,000 Equity Shares of ₹ 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.

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 quoting their Folio/Client and Depository Participant ID numbers.

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 for 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

Chennai
31st May, 2012

V. SRINIVASAN
Chairman



**Statement regarding Subsidiary Companies
under Section 212(3) of the Companies Act, 1956 as at 31.03.2012**

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	55,550*	50,000
	b. Extent of Holding(%)	53.98%	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 / (Loss) for the Financial Year	11.71	(7.34)
	b. Profit for the previous financial years since becoming a Subsidiary	98.87	Nil

*includes 34,550 equity shares (33.58%) 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.)

Chennai
31st May, 2012

For and on behalf of the Board
V. SRINIVASAN
Chairman



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 in the year 2011 – 12:

- i. 550 kV Hollow Insulators.
- ii. 800 kV Hollow Insulators
- iii. 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 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: ₹ 21.86 Million.

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	246.02
Others	4.71
Total	250.73
OUTGO	
Import of Raw Materials and Components	702.77
Others (Including machinery imports)	132.61
Total	835.38
NET OUTGO	584.65

Chennai
31st May, 2012

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	5	Yes	5	2
Murali Venkatraman	NI-Ex	5	Yes	4	3
Narayan Sethuramon	NI-Ex	5	Yes	3	-
K.Raman	IN-NE	5	Yes	1	2
G.Balasubramanyan	IN-NE	5	No	4	2
G.V.Viswanath	IN-NE	5	Yes	1	-
Julian C.Schroeder	NO-NI-NE	3	Yes	1	-
N.Srinivasan	IN-NE	5	Yes	4	1

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.

Five Meetings of the Board were held during the year under review on 11.5.2011, 27.7.2011, 14.11.2011, 8.2.2012 and 2.3.2012. The last AGM was held on 29th September, 2011.

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.