



**W.S. INDUSTRIES (INDIA) LIMITED**

*Annual Report*

**2003 - 2004**



## W.S. Industries (India) Limited

### BOARD OF DIRECTORS

**Chairman** V. Srinivasan

**Vice Chairman & Managing Director** Murali Venkatraman

**Joint Managing Director** Narayan Sethuramon

**Directors**

K.D. Parakh

K. Raman

Air Marshal S.J. Dastur (Retd.)

G. Balasubramanyan

G.R.M. Naidu (Nominee of GIC)

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

**Bankers**

Punjab National Bank  
Chennai - 600 001.

Indian Overseas Bank  
Chennai - 600 004.

State Bank of India  
Chennai - 600 001.

**Legal Advisor** T. Raghavan  
47, T.T.K. Road  
Chennai - 600 018.

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

**Registered Office & Works** Porur, Chennai - 600 116.  
Phone No. 55500811  
Fax No. 91-44-55500882

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**W.S. Industries (India) Limited****DIRECTORS' REPORT****PART I - PERFORMANCE / OPERATIONS**

Your Directors have pleasure in presenting the Annual Report along with the Audited Accounts for the year ended 31st March, 2004.

**FINANCIAL RESULTS**

	For the year ended 31 <sup>st</sup> March, 2004 Rs.	For the 15 month period ended 31 <sup>st</sup> March, 2003 Rs.
Sales and other Operational Income	1,037,262,816	1,293,193,437
Other Income	16,766,424	3,050,897
<b>Total Income</b>	<b>1,054,029,240</b>	<b>1,296,244,334</b>
<b>Gross Profit from Operations</b>	<b>163,056,407</b>	<b>191,084,928</b>
Less: Depreciation	40,673,362	37,138,305
Finance Charges	64,215,695	97,226,785
<b>Net Profit/(Loss) for the year</b>	<b>58,167,350</b>	<b>56,719,838</b>
Loss brought forward from previous year	(154,531,205)	(203,936,978)
Transfer from Share Premium Account	85,798,574	—
Debenture Redemption Reserve withdrawn	—	15,000,000
Provision for Preference Dividend (including Tax thereon)	12,103,599	22,314,065
Transfer to Capital Redemption Reserve	18,040,000	—
Deficit carried to Balance Sheet	(40,708,880)	(154,531,205)

**DIVIDEND**

Your Directors wish to advise that the operations of the Company have resulted in a net profit of Rs.58.17 million for the year under review. Accordingly, your Directors have decided to recommend the payment of arrears of dividend for the 15 month period ended 31<sup>st</sup> March, 2003 and the year ended 31<sup>st</sup> March, 2004 on the Cumulative Redeemable Preference Share Capital at the contracted coupon rates for the relevant periods. The above dividends, together with the distribution-tax thereon, have been provided for appropriation out of the profits of the Company for the year under review. Due to the carry forward losses, the Directors regret that they are unable to recommend any dividend on the Equity Share Capital.

**INCOME TAX**

Your Directors have been advised that based on the completed assessments and those that are in progress and taking into consideration the reliefs that will be available, there will be no tax liability to the Company for the year under review. Based on the advice given, the Company has not created any deferred tax asset.

**BUSINESS OPERATIONS**

The macro-economic situation in the T & D sector and your Company's performance during the year has been discussed in detail in Annexure D to this report. While the sales and other operational income have marginally increased on an annualized basis from Rs.1035 million to Rs.1037 million in the year under review, there has been



a significant improvement in the profit before tax which has increased by 28% from Rs.45.38 million (annualized) in 2002-03 to Rs.58.17 million for the year under review. This has been achieved by not only increasing the production of higher value added products but also by strong emphasis on cost management in all areas of operations, particularly in a period when metal prices, power tariff and fuel costs have gone up substantially. Further, the appreciation of the rupee against the dollar resulted in lower export realizations for your Company's dollar exports.

The export turnover of the Company for the year under review amounted to Rs.512 million as compared to Rs.590 million (annualized) in the previous year. The reduction in exports was mainly compensated by increased execution of deemed export orders. However, the closing order book for both domestic and exports is quite encouraging and the demand for the Company's products is expected to improve further during the current financial year. Your Directors wish to advise that the Company has once again received the special export award from CAPEXIL for its outstanding export performance in 2002-03.

The improved working results of the Company have been recognized by the Banks and Financial Institutions who have assigned a higher credit rating to your Company and effectively brought down the interest rates on most of the loans extended by them. The Company has successfully continued the policy of substituting the high cost working capital borrowings with foreign currency borrowings to reduce the finance costs. Your Company's export earnings offer a natural hedge against exchange fluctuations on these borrowings.

Your Company has also put in place certain strategic relationships to further diversify its geographical markets and to further increase its sales of higher value added products.

Your Directors are pleased to advise that the Company has secured the approval from the Statutory Authority for developing a part of its land as a Software Technology Park. This land has recently been valued by a Professional and Registered valuer. Based on his report, the said property has been suitably revalued and the resultant increase in the value has been credited to a "Revaluation Reserve" created in the Books of the Company.

### **CAPITAL EXPENDITURE PROGRAMME**

It is proposed to incur specific capital expenditure of Rs.75 million during the ensuing financial year for the following purposes:

- To meet the increased requirement of sub-station porcelains for both domestic and export markets.
- To de-bottleneck some of the production lines, thereby creating additional capacity.
- To upgrade select equipment and control systems required to improve process capability, manpower and machine productivity and product quality.
- To create additional infrastructure facilities required for production support functions, and to provide certain upgraded welfare amenities to the employees.

Rs.60 million of the planned outlay will be funded through medium term loans which have been tied up with the Company's existing consortium of banks and a term lending institution.

### **DEVELOPMENT**

Focussed attention is being given to development, product and process engineering in order to increase the competitiveness of the Company as well as to develop new products for both existing and new markets. A detailed write-up on the development activities undertaken by the Company is set out in Annexure A and Annexure D to this report.

## W.S. Industries (India) Limited

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### FUTURE PROSPECTS

Your Company's order book presently stands at Rs.1066 million. Further orders to the extent of Rs.284 million are in the pipeline. The Company has also participated in several tenders floated by the domestic power utilities and in the export markets. The emphasis by the Government during the year under review on enhancing the infrastructure in the power sector to improve both the availability and quality of power and to increase the efficiency of power transmission and distribution is expected to continue in the short and medium term horizon. This is bound to translate into good business prospects for your Company's products on a sustained basis.

### INDUSTRIAL RELATIONS AND HUMAN RESOURCES MANAGEMENT

Industrial relations were satisfactory throughout the year under review. Employees at all levels are participating actively in the various improvement and efficiency initiatives launched by your Company. A detailed report on the various human resources and welfare schemes of the Company is set out 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 examined the Company's compliance in this regard and have certified the same, as required under the SEBI guidelines. Their 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 Directors' Responsibility Statement as required under Section 217(2AA) is furnished as Annexure E to this report.

### DIRECTORS

In response to the application filed for the re-appointment of Mr. Murali Venkatraman as Managing Director, the Central Government had accorded its approval for his re-appointment for a period of one year from 17<sup>th</sup> September, 2003 on the terms approved by the Shareholders. The Board of Directors have reappointed him as Managing Director for a further period of three years with effect from 16<sup>th</sup> September, 2004 and the necessary resolution in this regard is being placed before the members for their consideration at the forthcoming Annual General Meeting. The Board has also appointed him as the Vice-Chairman of the Company.

Mr. Narayan Sethuramon was earlier appointed on 9<sup>th</sup> December, 1999 as the Joint Managing Director of the Company for a period of five years. His appointment is due for renewal in the current financial year. The Board of Directors have considered his appointment as Managing Director for a period of three years with effect from 9<sup>th</sup> December, 2004 and the necessary resolution in this regard is being placed before the members for their consideration at the forthcoming Annual General Meeting.

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.



## **SCHEME OF ARRANGEMENT**

The Hon'ble High Court of Madras has been pleased to sanction the Scheme of Arrangement proposed by the Company with its members and the necessary entries arising out of the implementation of this Scheme have since been passed in the books of accounts of the Company.

## **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.

## **FIXED DEPOSITS**

At present there are no deposits which are outstanding and payable excepting 29 deposits amounting to Rs.0.262 million which remain unclaimed in spite of the reminders sent to these depositors for surrendering their deposit receipts duly discharged for effecting repayment.

In compliance with Section 205C (2)(c) & (d) of the Companies Amendment Act, 1999, the Company has transferred all the unpaid deposits and debentures (along with interest accrued thereon), dividends, etc. which remained outstanding for a period of seven years from their respective due dates of payment, to the Investor Education and Protection Fund of the Government of India.

## **SUBSIDIARY COMPANY**

The accounts and other statements required to be furnished under Section 212 of the Companies Act, 1956, in respect of the subsidiary company, W.S. Electric Limited, for the accounting year ended 31<sup>st</sup> March, 2004 are annexed.

## **ACKNOWLEDGEMENT**

Your Directors wish to specifically acknowledge the contribution made by the employees at all levels towards the 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, particularly the customers, suppliers, financial institutions, bankers and shareholders.

For and on behalf of the Board,

Chennai  
14<sup>th</sup> August, 2004

**V. SRINIVASAN**  
*Chairman*

**W.S. Industries (India) Limited****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 b. Extent of Holding c. Number of Preference Shares d. Extent of Holding	63,300 100% 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 a. Profit / (Loss) for the financial year b. Profit / (Loss) for the previous financial years since becoming a subsidiary	(Rs.) (3,414)  (535,636)

For and on behalf of the Board,

Chennai  
14<sup>th</sup> August, 2004**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 applicable)***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 thereby saving fuel
2. Installation of energy efficient blowers for kilns
3. Installation of electronic ballasts for lighting
4. Optimising the usage of air compressors
5. Installing transparent roofing sheets thereby saving on electric lighting

**B. TECHNOLOGY ABSORPTION****I. RESEARCH & DEVELOPMENT (R&D):****a. NEW PRODUCT DEVELOPMENT IN THE YEAR 2003-04**

1. Development of higher strength insulators
2. Improvement in the performance characteristics of insulators (both electrical and mechanical)
3. Development of insulators for higher ratings
4. Development of insulators for HVDC applications



**b. BENEFITS DERIVED AS A RESULT OF ABOVE DEVELOPMENTS**

1. New market entry
2. Improvement of competitiveness for certain products
3. Better product performance
4. Improvement in process yields

**c. FUTURE PLAN OF ACTION**

1. Improvement in performance of products
2. Continuing improvements in process

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

**II. EXPENDITURE ON R&D**

(Rs. in million)

Capital	0.66
Recurring	7.16
<b>Total</b>	<b>7.82</b>

Total R&D expenditure as a percentage of total turnover: 0.75%.

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

Please refer above.

**IV. IMPORTED TECHNOLOGY:**

The Company has entered into an agreement for acquisition of information pertaining to product design, process and manufacturing methods, process support, quality, etc. This will help the Company to upgrade its design and engineering capability as well as improve the efficiency of the operations.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(Rs. in million)

**EARNINGS**

Exports	300.71
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**OUTGO**

Import of Raw Materials and Components	67.29
Others	19.36
<b>Total</b>	<b>86.65</b>

**NET EARNINGS**

**214.06**

For and on behalf of the Board,

Chennai  
14<sup>th</sup> August, 2004

**V. SRINIVASAN**  
Chairman



## W.S. Industries (India) Limited

### 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 to:

- Transparency, professionalism and accountability in all dealings with customers, employees, shareholders and other stakeholders
- Following sound corporate governance principles
- Being a good and responsible corporate citizen

#### 2. Board of Directors

a) The Board of Directors consists of:

1. Mr. V. Srinivasan - Chairman
2. Mr. K.D. Parakh

##### Executive Directors

3. Mr. Murali Venkatraman - Managing Director
4. Mr. Narayan Sethuramon - Joint Managing Director

##### Non-Executive and Independent Directors

5. Mr. K. Raman
6. Air Marshal S.J. Dastur
7. Mr. G. Balasubramanyan
8. Mr. G.R.M. Naidu - Nominee Director of GIC

b) Attendance at Board Meetings and last AGM and details of memberships in other Boards and Board Committees:

Four meetings of the Board were held during the year under review - on 15/05/2003, 31/07/2003, 29/10/2003 and 31/01/2004.

The last AGM was held on 17<sup>th</sup> September, 2003.

The details of attendance of the Directors together with the particulars of their memberships in other Boards/ Committees are as under:

Name of Director	No of Board Meetings Attended	Attendance at the Last AGM	Membership in Other Boards	Membership in Other Committees (including WSI)
V. Srinivasan	3	Yes	6	2
Murali Venkatraman	4	Yes	6	4
Narayan Sethuramon	4	Yes	1	—
K. Raman	2	Yes	—	3
K.D. Parakh	4	Yes	5	6
Air Marshal S.J. Dastur	3	Yes	2	2
G.R.M. Naidu	3	Yes	—	—
G. Balasubramanyan	4	Yes	2	1



### 3. Audit Committee

#### a. Constitution

The Audit Committee of the Company functions under the terms of reference as stipulated under Clause 49 of the Listing Agreement as well as the relevant sections of the Companies Act and which include the following:

- Overseeing 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 annual, half yearly and quarterly financial statements before submission to the Board.
- Reviewing with the Management and External and Internal Auditors 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, Mr. G. Balasubramanyan and Mr. Murali Venkatraman.

#### c. Meetings and Attendance

The details of meetings held during the year 2003-04, and the attendance thereat, are as follows:

Date of meetings: 30/07/2003, 27/10/2003 and 31/01/2004.

##### Attendance:

Name of Director	No of Meeting Attended
Air Marshal S.J. Dastur	3
K. Raman	1
G. Balasubramanyan	3
Murali Venkatraman	3

### 4. Remuneration Committee

The Remuneration Committee comprising of Air Marshal S.J. Dastur, Mr. K.D. Parakh and Mr. K. Raman 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 Executive Directors within the overall limits approved by the shareholders based on the performance of the Company.

There were two meetings of the Remuneration Committee held during the year under review on 30.07.2003 & 31.07.2003 and both the meetings were attended by all the members of the Committee.

The Company does not have a Stock Option Scheme.

The details of the remuneration paid to the Directors for the year 2003-04 are as under:

#### Executive Directors

Name of Director	Salary	Perquisites *
Murali Venkatraman	1,200,000	754,004
Narayan Sethuramam	420,000	380,822

\* does not include contribution to Provident and Superannuation Funds aggregating to 25% of the salary.