

Websol Energy Sytem Limited

Annual Report 2012-13



Disclaimer

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. S. L. Agarwal, *Managing Director*
Mr. S. K. Tibrewalla, *Independent Director*
Mr. B. R. Sengupta, *Independent Director*

COMPANY SECRETARY

Ms. Swati Agarwal

BANKERS

Allahabad Bank
The Federal Bank Limited
Standard Chartered Bank
Dena Bank
HDFC Bank
Axis Bank
EXIM Bank
ICICI Bank

AUDITORS

M/s Agarwal Sangneria & Co.
Chartered Accountants

REGISTERED OFFICE

Ideal Centre,
9, A. J. C. Bose Road, 5th Floor,
Kolkata – 700 017, West Bengal, India
Ph: +91-33-4023-9031/9000
Fax: +91-33-4023-9011
Email: websol@webelsolar.com
Website: www.webelsolar.com

CORPORATE OFFICE & PLANT

Sector – II, Falta Special Economic Zone, Falta,
District: South 24 Parganas, West Bengal, India
Pin – 743 504
Ph: +91-3174-222932
Fax: +91-3174-222933

REGISTRAR & SHARE TRANSFER AGENTS

R&D Infotech Pvt. Ltd.
7A, Beltala Road, 1st Floor,
Kolkata -700 026
Phone: +91-33-2419-2641/42
Fax: +91-33-2476-1657
Email: rd.infotech@vsnl.net

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NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of Websol Energy System Limited will be held at Webel Bhavan, Block EP & GP, Sector – V, Salt Lake Electronics Complex, Kolkata – 700 091 on Monday 30th September, 2013, at 10.00 A.M. to transact the following businesses:-

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Statement of Profit & Loss of the Company for the financial period ended on 31st March 2013 together with Notes, Reports of the Board of Directors and Auditor's thereon.
2. To appoint a Director in place of Mr. Santosh Kumar Tibrewalla who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Biswa Ranjan Sengupta who retires by rotation and being eligible, offers himself for re-appointment

4. To appoint M/s Agarwal Sangneria & Co., Chartered Accountants, Kolkata as Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board,
For WEBSOL ENERGY SYSTEM LIMITED

Place: Kolkata
Date: 14th August 2013

Sd/-
(Swati Agarwal)
Company Secretary

NOTES:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY EIGHT HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.
- b) Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote at the Meeting.
- c) Members are requested to bring their attendance slip along with their copy of annual report to the Meeting
- d) The register of members and transfer books of the Company will be closed from Wednesday, 25th September, 2013 till Monday, 30th September, 2013 (both days inclusive), for the purpose of Annual General Meeting.
- e) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN)

by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their respective Depository Participants (DP). Members holding shares in physical form can submit their PAN details to the Company's Registrars & Share Transfer Agent, M/s R&D Infotech Private Limited.

- f) Members holding shares in physical mode are requested to notify immediately changes, if any, in their registered address and bank particulars, to the Company at its Registered Office or to its Registrars & Share Transfer Agent.
- g) Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. Members can avail of the nomination facility, under Section 109A of the Companies Act, 1956, by submitting Form No. 2B of the Companies (Central Govt's) General Rules and Forms, 1956 with the Company's Registrar and Share Transfer Agent.
- h) Members who hold shares in physical form in multiple accounts in identical names or joint accounts in the same order or names are requested to send the share certificates to the Company's Registrar and Share Transfer Agent for consolidation of such shareholdings into a single folio.

i) The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by Companies for servicing of various notices and documents to their members through electronic mode. To support this green initiative of the Government in full measure, members who have not yet registered their e-mail address with the Company can now register the same by intimating their e-mail address to the Company's Registrar and Share Transfer Agent and to the Depository Participant (DP) in respect of shares held in physical mode and demat mode, respectively. Even after registering for e-communication, the members of the Company shall be entitled to receive such communication in physical form, upon request.

j) **Re-appointment of Directors**

The details of Directors seeking re-appointment at the ensuing Annual General Meeting are produced below in terms of Clause 49 of the Listing Agreement:

Mr. Santosh Kumar Tibrewalla, aged about 50 years holds a bachelor's degree in Commerce as well as Law from Calcutta University. He is a member of the Institute of Company Secretaries of India. He is a practicing Company Secretary and holds vast experience in the field of Corporate Laws.

Mr. Santosh Kumar Tibrewalla is a Non-Executive Independent Director of the Company. He is the Chairman of Share Transfer

Committee and member of Audit Committee, Shareholder's/Investor's Grievance Committee and Committee of Directors of the Board of Directors of the Company. He is not a Director in any other Company. He is not holding any shares in the Company as on 31st March 2013.

Mr. Biswa Ranjan Sengupta, aged about 70 years holds bachelor's degree in Engineering in both streams viz Mechanical and Electrical. He is a member of the Institute of Cost Accountant of India. He possesses immense experience in the fields of Banking and Management Consultancy and Finance.

Mr. Biswa Ranjan Sengupta is a Non-Executive Independent Director of the Company. He is the Chairman of Shareholder's/Investor's Grievance Committee & Audit Committee and member of Share Transfer Committee and Committee of Directors. He is not a Director in any other Company. He is not holding any shares in the Company as on 31st March 2013.

By Order of the Board,
For WEBSOL ENERGY SYSTEM LIMITED

Place: Kolkata
Date: 14th August 2013

Sd/-
(Swati Agarwal)
Company Secretary

DIRECTORS' REPORT



Dear Shareholders,

Your Directors are pleased to present the Twenty Third Annual Report and the Audited Accounts for the financial period ended 31st March, 2013.

FINANCIAL RESULTS

(₹ in lacs)

Particulars	Current Period 2012-13	Last financial Period 2011-12
Revenue from operations	11,421.58	14,325.21
Other Incomes	1,146.63	291.15
Total Revenue	12,568.21	14,616.36
Profit / (Loss) before interest, depreciation & taxes	1,561.80	(17,569.97)
Less: Interest	1,854.27	3,175.00
Less: Depreciation	1,298.51	1,995.50
Profit / (Loss) before Tax	(1,590.98)	(22,740.47)
Less: Provision for taxes including deferred taxes	-	678.07
Profit / (Loss) after Tax	(1,590.98)	(23,418.54)

OPERATIONS

During the current financial period of nine months (ie. 2012 – 13) as well as the last financial period of fifteen months (ie. 2011-12), we witnessed a significant decline in the global prices of the raw materials and finished goods coupled with the devaluation in the Indian Rupees vs US Dollar which resulted in a sharp decline in profitability leading to erosion of entire net worth of your Company.

During the nine months financial period under review your company reported a total revenue of ₹12,568.21 Lacs against ₹ 14,616.36 Lacs during the last financial period for fifteen months. After providing ₹ 1,298.51 Lacs towards depreciation and ₹ 1,854.27 Lacs towards interest, the company suffered a loss of ₹ 1,590.98 Lacs during the current financial period as compared to a loss of ₹ 23,418.54 Lacs in the last financial period.

DIVIDEND

Due to the losses as reported, the Board of Directors of your company could not recommend any dividend for the financial period ended 31st March, 2013.

DEBT RESTRUCTURING AND BIFR

During the last financial period the credit facilities availed by your Company were restructured by a majority of the lenders under the bilateral scheme of restructuring. However three working capital banks viz., Standard Chartered Bank, Dena Bank and HDFC Bank did not consent to restructure the working capital credit facilities sanctioned by them and as such the scheme of restructuring was not implemented in its essence. As a consequence these three working capital lenders as also the other two working capital lenders i.e., Allahabad Bank and Federal Bank have classified your company's borrowings as Non Performing Asset (NPA) as on the date of the Balance Sheet under review.

Further due to the complete erosion of net worth of your company, a reference was filed and registered with the Board for Industrial and Financial Reconstruction (BIFR) during the financial period under review.

DIRECTORS

During the year under review Mrs. S. Vasanthi and Mr. S. K. Pal resigned from the office of Directors w.e.f. 08.10.2012 and 01.12.2012 respectively. However Mrs. S. Vasanthi is continuing with the Company as an employee. The Board put on record their valuable guidance and services rendered during their tenure as Directors of the Company.

According to the provisions of Articles of Association of the Company and the Companies Act, 1956, Mr. Biswa Ranjan Sengupta and Mr. Santosh Kumar Tibrewalla, Directors will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

STATUTORY AUDITORS

M/s. Agarwal Sangneria & Co., Chartered Accountants, the Statutory Auditors of your Company retire at the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment at the forthcoming Annual General Meeting under section 224(1B) of the Companies Act, 1956.

STATUTORY AUDITORS' REPORT

On the Statutory Auditor's observations, reply from the management is as under:

a. As mentioned in para (i) of the Annexure to the Auditors' Report, regarding updating of the book records related to Fixed

Assets, the updation of fixed asset register is in process and the same will be updated in due course of time.

b. As mentioned in para (ix) of the Annexure to the Auditors' Report, regarding delay in deposit of undisputed statutory dues as on 31st March 2013, the same is due, because of adverse cash flow situation of the Company. The said dues will be paid in due course of time.

c. As mentioned in para (x) of the Annexure to the Auditors' Report, regarding accumulated losses exceeding the net worth during the current financial period and as well as during the last financial period, the same was due to significant decline in the global prices of the raw materials and finished goods coupled with the devaluation in the Indian Rupees vs US Dollar which resulted in a sharp decline in profitability. These factors had an impact on the profitability of your Company which ultimately led to erosion of entire net worth of our Company. On erosion of entire net worth of the Company as on 30th June 2012, as a statutory compliance of law, a reference was filed and registered with Board for Industrial and Financial Reconstruction (BIFR) during the current financial period.

d. As mentioned in para (xi) of the Annexure to the Auditors' Report, regarding delays in repayment of principal sums and interest thereon to banks / financial institutions and classification of the accounts of the Company as Non Performing Asset (NPA) the same was due to adverse financial conditions. Further, three working capital lenders viz. Standard Chartered Bank, Dena Bank and HDFC Bank did not consent to the restructuring package approved and sanctioned by the lead bank. As on the date of the Balance Sheet all the working capital lenders viz. Allahabad Bank, The Federal Bank, Standard Chartered Bank, Dena Bank and HDFC Bank to the Company have classified the Company's borrowings accounts with them as Non Performing Assets (NPA).

DIRECTORS' RESPONSIBILITY STATEMENT

We, the Directors of the Company, hereby confirm, pursuant to provisions of section 217 (2AA) of the Companies Act, 1956, in respect of financial period under review:

i) That in the preparation of the Annual Accounts for the financial period ended 31st March, 2013, the applicable accounting standards have been followed and there are no material departures from the same;

ii) That we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial period

as at 31st March, 2013 and of the loss of the Company for that period;

iii) That we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing, and detecting fraud and other irregularities; and

iv) That we have prepared the annual accounts on a "going concern" basis.

LISTING OF SECURITIES IN STOCK EXCHANGES

The shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance along with a certificate from Auditors of the Company regarding Compliance of Conditions of Corporate Governance, certification by CEO & CFO and the Management Discussion & Analysis Report are given in the enclosed Annexure - B, which forms part of this Report.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

In terms of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 your Company has adopted the Code of Conduct for Prevention of Insider Trading.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNING AND OUTGO

Information in accordance with the provisions of 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 regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are given in

the Annexure –A, which forms part of this report.

INDUSTRIAL RELATIONS

The industrial relation during the period under review (July 2012- March 2013) had been cordial. The Directors take on record the dedication, contribution, support, commitment and significant efforts made by the Officers, Staff and Workers towards the overall evolution of the Company.

PARTICULARS OF EMPLOYEES

During the period under review none of the employees were in receipt of remuneration in excess of the amount prescribed under Section 217(2A) of The Companies Act, 1956.

ACKNOWLEDGEMENT

The Board of Directors would like to take this opportunity to offer their thanks and deep sense of gratitude for the support, assistance and co-operation received from the Financial Institutions, Banks, Customers, Vendors and the Government Authorities during the period under review. The Board is thankful to the shareholders for their support to the Company.

On behalf of the Board of Directors,
For WEBSOL ENERGY SYSTEM LIMITED

Sd/-

S. L. Agarwal
(Managing Director)

Sd/-

B. R. Sengupta
(Director)

Date: 29th May 2013

Place: Kolkata

ANNEXURE – "A" TO THE 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 for the period ended 31st March 2013.

A. CONSERVATION OF ENERGY

The company has taken adequate steps to ensure comparatively low energy consumption. Constant studies and reference are being made to improve the efficiency in consumption of energy.

B. TECHNOLOGY ABSORPTION

1. Research and Development (R & D)

Research and Development is spread across the business of our company. Though no specific expenditure is made under the



head R & D, constant development efforts are made to increase the efficiency and for cost reduction.

2. Technology Absorption, Adoption & Innovation

The company has fully absorbed the technology to manufacture Solar Photovoltaic Cells and Modules.

3. Information regarding Imported Technology

(a) Technology Imported	The technology to manufacture Solar Photovoltaic Cells and Modules has been imported from Helios Technology, Italy.
(b) Year of Import	1994-1995.
(c) Has technology been fully absorbed	Yes, fully absorbed.
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action.	Not Applicable.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ In Lacs)

Particulars	2012-13	2011-12
(a) Foreign Exchange earnings of the Company	21.80	11,223.60
(b) Foreign Exchange Outgo		
(i) C. I. F. value of import of Raw Materials, Components, Spare parts and Capital Goods	10,265.19	14,188.84
(ii) Others	525.31	1,012.13

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Global Solar Photovoltaic (SPV) industry

The SPV industry that witnessed a remarkable growth in the past decade continued its impressive performance in 2012 with an addition of 31GW (30.4 GW in 2011) of new capacity. SPVs are soon expected to become a mature and mainstream source of electricity globally. The industry set a new record with the total installed capacity crossing the 100 GW mark to reach 102 GW in 2012, which is capable of producing annual electricity energy equivalent to 16 coal power plants or supplying annual power needs to over 30 million European households.

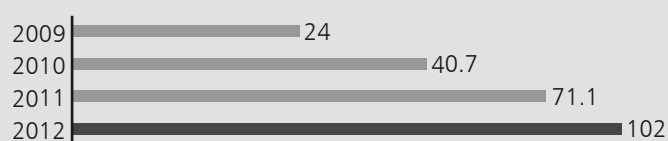
The growth in European markets (the largest market in the world with a capacity of 70GW) that witnessed continuous growth over the last decade, declined compared to the previous year. Europe's share of new PV installations across the world declined from 74% in 2011 to 55% in 2012. However, significant growth in other markets led to the overall growth in

the SPV industry. Germany topped the list of new capacity addition with 7.6 GW followed by China (5 GW), Italy (3.4 GW), the USA (3.3 GW), Japan (2 GW), France (1.1 GW), Australia and India (1 GW each). This clearly forecasts the end of European countries domination in the SPV industry in the coming years. It is expected that China, USA, Japan and India would be the new driving force for the industry. (Source: *European Photovoltaic Industry Association*)

Global polysilicon prices

The polysilicon prices that has witnessed an average price decline during the past one year is currently hovering at around USD 16.50/kg. This may go up to a maximum of USD 19.50/kg if China implements anti-dumping tariffs on imported silicon. However, this price rise would not lead to any major corrections in the market dynamics. (Source: *IHS Polysilicon Price Tracker report*)

Year-wise global PV capacity



Evolution of global PV cumulative installed capacity 2006-2012 (MW)

Region	2006	2007	2008	2009	2010	2011	2012
Europe	3,281	5,310	11,020	16,850	30,472	52,884	70,043
Asia Pacific	1,825	2,096	2,631	3,373	4,956	7,628	12,397
Americas	650	863	1,209	1,752	2,780	4,959	8,717
China	80	100	140	300	800	3,300	8,300
Middle East and Africa	1	2	3	25	71	192	601
Rest of the world	1,108	1,150	1,226	1,306	1,590	2,098	2,098
Total	6,946	9,521	16,229	23,605	40,670	71,061	102,156

Evolution of global PV annual installations 2006-2012 (MW)

Region	2006	2007	2008	2009	2010	2011	2012
Europe	992	2,028	5,710	5,830	13,622	22,411	17,159
Asia Pacific	324	271	535	742	1,583	2,672	4,769
Americas	150	213	346	543	1,029	2,179	3,758
China	10	20	40	160	500	2,500	5,000
Middle East and Africa	-	1	1	22	46	121	410
Rest of the world	105	42	76	80	284	508	-*
Total	1,582	2,575	6,708	7,376	17,064	30,391	31,095

* From 2012 onwards, these figures are directly integrated into those of the relevant regions.

Renewable energy in India

The share of energy produced from renewables in India has gone up from 2% in 2003-04 to 12% in 2012-13. In the renewables segment solar energy has the highest potential with equivalent energy potential of about 6,000 million GWh of energy. India's installed capacity of solar power increased from 941.24 MW in 2011-12 to 1,645.61 MW in 2012-13. (Source: AF-Mercados presentation)

Indian Solar Photovoltaic (SPV) industry

The Indian SPV market is estimated to grow from USD 1.05 bn in 2012 to USD 2.05 bn in 2013 given the robust demand generated from the JNNSM (Jawaharlal Nehru National Solar Mission). The demand for chemicals and materials used in the manufacture of cells and modules is to grow at a CAGR of 22.2% till 2015. During the same period the demand for module components is estimated to grow at a CAGR of 25% (Source: The Times of India).

Demand drivers such as Central and State policies, the renewable energy certification (REC) mechanism, rooftop policies, implementation of renewable purchase obligation (RPOs) and the huge off-grid market will open opportunities

again for domestic manufacturers. The rooftop photovoltaic (RTPV) installations expected to be major demand driver in the coming 3-4 years with cumulative installations expected to reach between 2GW and 5GW. (Source: Bettina Weiss, President, SEMI)

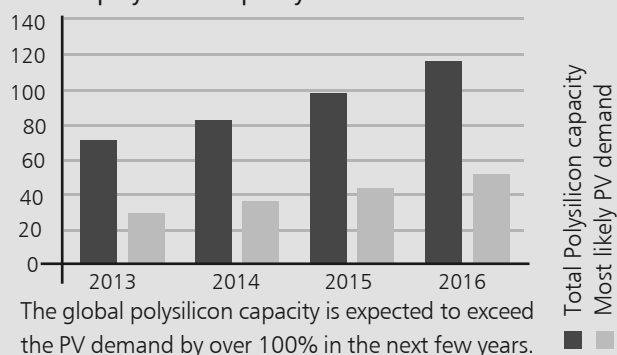
Jawaharlal Nehru National Solar Mission (JNNSM)

The JNNSM that had set a target of installing 1,000 MW-2,000 MW solar power in its first phase (2010-2013) has successfully commissioned 1,000 MW so far. In its second phase the JNNSM targets to install 9,000 MW. This is likely to boost demand for solar power manufacturing companies in the coming years.

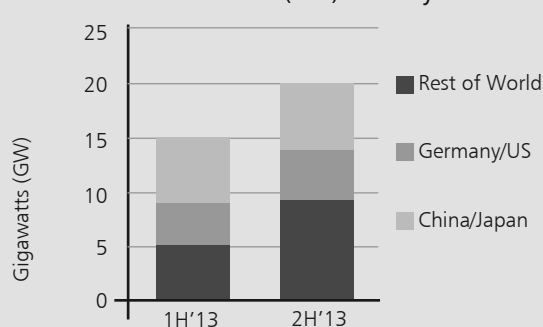
Global Solar Photovoltaic (SPV) industry outlook

The demand for solar photovoltaics is expected to reach 35.1 GW in 2013 with the first half of the year witnessing a demand of 15 GW. Large scale utility and commercial ground-mount applications accounted for 45% of the 1H'2013 demand, followed by rooftop applications with 20% and remaining from non-residential rooftop installations and off-grid applications. Almost 45% of the demand in 2H'2013 is expected to come from China and Japan. (Source: Solarbuzz)

Forecast of polysilicon capacity versus PV market demand

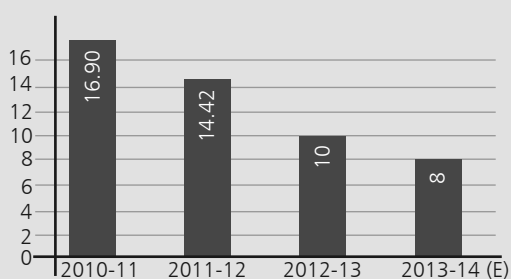


Global Solar Photovoltaic (SPV) industry outlook

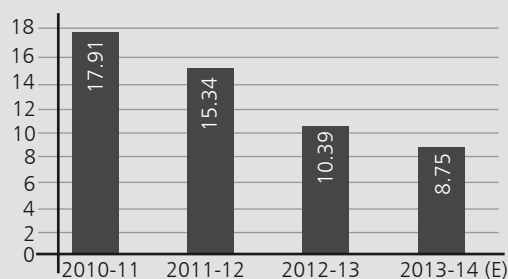


Reducing cost of solar PV generation and tariff

Cost of solar PV (₹ cr/MW)



Tariff of solar PV (₹/Kwh)



The cost of generating one megawatt of power through solar PV has come down from ₹16.90/MW in 2010-11 to ₹10/MW in 2012-13. The primary reasons for this reduction is supply-demand dynamics, competitive pressure, government support, reductions in the cost of PV power generation equipment and systems through technological innovations, economies of scale and efficiency improvements.