

Annual Report 2013–2014



Websol Energy System Limited

Corporate Information

Board of Directors

Mr. S. L. Agarwal, Managing Director
Mr. B. R. Sengupta, Independent Director
Mr. S. Mandal, Nominee Director
Mrs. S. Khaitan, Director
Mr. D Sethia, 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

48, Pramatha Choudhury Sarani
Plot 849, Block P, 2nd Floor, New Alipore
Kolkata – 700 053, West Bengal, India
Ph: +91-33-2400 0419. Fax : +91-33-2400-0375
Email : websol@webelsolar.com
CIN : L29307WB1990PLC048350

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

Contents

Directors' Report	1
Management Discussion and Analysis ..	5
Corporate Governance Report	9
Financial Section	18

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the Twenty Fourth Annual Report and the Audited Accounts for the financial year ended 31st March, 2014.

FINANCIAL RESULTS

	Year ended 31.03.2014	Period ended 31.03.2013
Revenue from operations	30,465.58	11,421.58
Other Income	125.10	1,146.63
Total Revenue	30,590.68	12,568.21
Profit / (Loss) before interest, depreciation, taxes and exceptional items	1,320.88	237.25
Less: Interest	3,103.04	1,854.27
Less: Depreciation	1,776.46	1,298.51
Profit / (Loss) before exceptional Items	(3,558.62)	(2,915.53)
Less: Exceptional Items & other Provisions	3,875.95	1,324.55
Profit / (Loss) after Tax	(7,434.57)	(1,590.98)

OPERATIONS

During the year under review your company was able to utilize the manufacturing capacity at its optimum but the sales realization continued to remain lower thereby resulting in losses for yet another year.

The concerned Government department has already initiated the imposition of anti-dumping duty on imports of solar cells and modules and has at the same time outlined the requirement of domestic content under various solar schemes to revive the industry. These positive steps will help your Company to augment its sales and profitability.

During the financial year under review your company reported total revenue of ₹ 30,590.68 Lacs against ₹ 12,568.21 Lacs during the last financial period for nine months. The company suffered a loss of ₹ 7,434.57 Lacs after providing ₹ 1,776.46 Lacs towards depreciation and ₹ 3,103.04 Lacs towards interest during the current financial year as compared to a loss of ₹ 1590.98 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 year ended 31st March, 2014.

DIRECTORS

During the year Mr. Santosh Kumar Tibrewalla has resigned from the Board w.e.f 1st April, 2014. Your Directors place on record their deep appreciation for the valuable contribution made by him.

In terms of Section 149, 152 and any other applicable provisions of the Companies Act, 2013, effective from 1st April, 2014, Independent Directors are not to be included in the total number of directors of the Company for the purpose of determining the directors liable to retire by rotation. Accordingly, Mr. Sohan Lal Agarwal, the Managing Director of the Company, who is a non retiring Director in terms of the erstwhile provisions of the Company Act, 1956 shall henceforth be liable to determination by retirement of Directors by rotation. Resolution is proposed for your approval for the change in terms of his appointment as rotating Director.

In terms of Section 149 of the Companies Act, 2013, effective from 1st April, 2014 the existing Independent Director - Mr. Biswa Ranjan Sengupta is being re-appointed for a term of 5(five) years w.e.f. 25th September, 2014. Resolution is proposed for your approval for his re-appointment as Independent Director.

Mr. Dharmendra Sethia and Mrs. Sushma Khaitan has been appointed as Directors of the Company w.e.f. 14th August, 2014 pursuant to the provisions of Section 161(4) and 149(1) of the Companies Act, 2013, respectively, who holds office upto the date of this Annual General Meeting. Resolutions are proposed for your approval for their appointment as Directors.

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 reappointment at the forthcoming Annual General Meeting under section 139 of the Companies Act, 2013.

STATUTORY AUDITORS' REPORT

- a. As regards the Fixed Assets records of the Company being incomplete mentioned in para (i) of the Annexure to the Auditors' Report, it is submitted that the updation of the records is under process and shall be completed in due course of time.
- b. As regards delay in payment of undisputed statutory dues mentioned in para (ix) of the Annexure to the Auditors' Report, it is submitted that it was due to the adverse financial condition as well as non-realization of receivables in time and that the same will be paid in due course of time together with applicable interest, if any.
- c. As regards the accumulated losses continuing to be more than its net worth and further cash losses incurred by the Company mentioned in para (x) of the Annexure to the Auditors' Report, it is submitted that during the year under review also the margins were impacted due to lower sales realizations adding to the losses of earlier years. The Company has already filed a reference to the Board for Industrial and Financial Reconstruction (BIFR) which was duly registered and further outcome is awaited.
- d. As regards the delay in the repayment of the principal sums and interest thereon to the banks / financial institutions mentioned in para (xi) of the Annexure to the Auditors' Report, it is submitted that it was due to continued losses incurred by the Company.

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 year under review:

- i) That in the preparation of the Annual Accounts for the financial year ended 31st March, 2014, 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 year as at 31st March, 2014 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.

COST AUDIT

The Company has filed the cost audit report for the financial year ending 31st March 2013, on 25th November, 2013. The Company will file the cost audit report for the financial year ending 31st March 2014 within the stipulated time period.

APPLICABILITY OF SECTION 15 OF SICK INDUSTRIAL COMPANIES ACT, 1985 (SICA)

The accumulated losses of the company continued to be more than its net worth and as per the provisions of Section 15 of the Sick Industrial Companies Act, 1985, the Company has made reference to Board for Industrial and Financial Reconstruction (BIFR) which was duly registered and its outcome is awaited.

DEPOSITS

The Company has not accepted any deposits from public during the financial year under review.

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 REPORT

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance along with a certificate from the 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.

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.

ACKNOWLEDGEMENTS

The Board of Directors take this opportunity to place on record its deep sense of gratitude for the continued support, assistance and co-operation received from the Customers, Vendors, Government Authorities and Banks during the year under review.

The Board is also grateful to the shareholder for their support.

The Board is also thankful to the employees of the Company for their contribution, support and commitment towards their duty leading to cordial industrial relations during the year under review.

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

Date : 14th August, 2014
Place : Kolkata

S. L. Agarwal
Managing Director

B. R. Sengupta
Director

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 year ended 31st March 2014.

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)

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)

	Year ended 2013-14	Period ended 2012-13
a) Foreign Exchange earnings of the Company	27,109.27	21.80
b) Foreign Exchange Outgo		
(i) C. I. F. value of import of Raw Materials, Components, Spare parts and Capital Goods	24,673.91	10,265.19
(ii) Others	818.84	525.31

Annexure “B” to the Directors’ Report

Management Discussion Analysis

INDUSTRY REVIEW

Global synopsis

Global Solar Photovoltaic (SPV) industry

The year 2014 has seen an increasing focus on curbing the emissions of greenhouse gases and other pollutants. This has been coupled with legislation and the need to enhance energy self-sufficiency and security. The global solar power market is benefitting from various incentive schemes in the form of tradable green energy certificates, feed-in-tariffs (FiTs), subsidies and tax rebates for the use of renewable energy for power generation.

This has fuelled the global solar power market to grow at a rapid pace. While sale volumes are primarily concentrated in Asia-Pacific, there has been an upward shift in sales across other geographies as well.

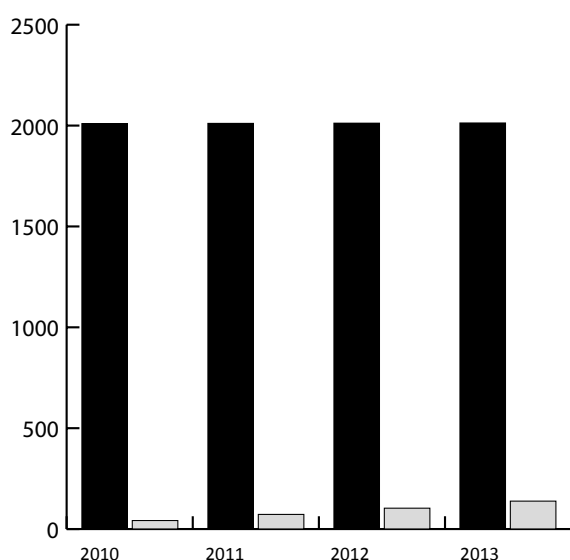
The total global installed SPV capacity by the end of 2013 was 137GW largely dominated by the Germany. SPV demand, on the other hand, was primarily dominated by the Asia-Pacific region, accounting for approximately 46% of annual installed SPV capacity globally. China, Japan, India, and Australia continued to be the top four countries driving regional demand.

The prices of SPV systems in the European region has witnessed a steeper fall owing to less FiTs and speculations on further subsidy cuts in the core solar power market. The unilateral obligation of the European Union member states to the Kyoto Protocol, which is designed to decrease emissions of greenhouse gases has also driven the solar power market in this region.

In the meantime, the United States has become a lucrative destination as the price of solar PV systems in the region has declined due to the reduction in imports from China following the imposition of anti-dumping and illegal subsidy tariffs on imports.

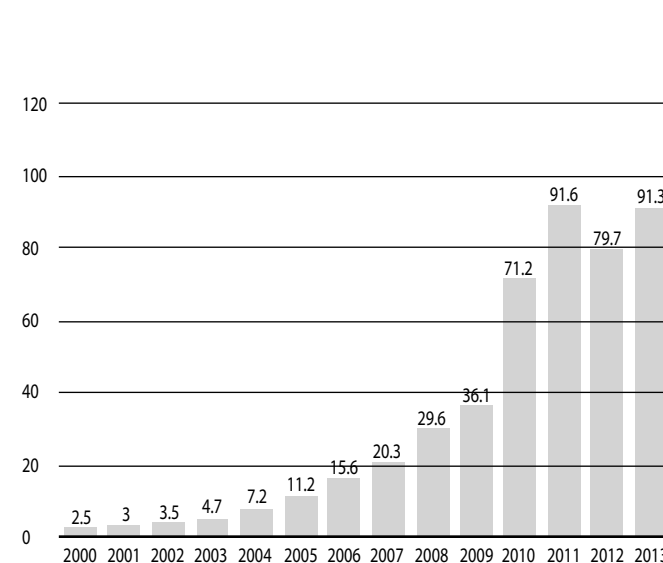
With panel prices across the globe coming down drastically, Asian manufacturers are now looking at value chain integration and technical efficiencies to differentiate their products from other suppliers in the market.

Year-wise global SPV capacities (GW)



(Source: Frost & Sullivan)

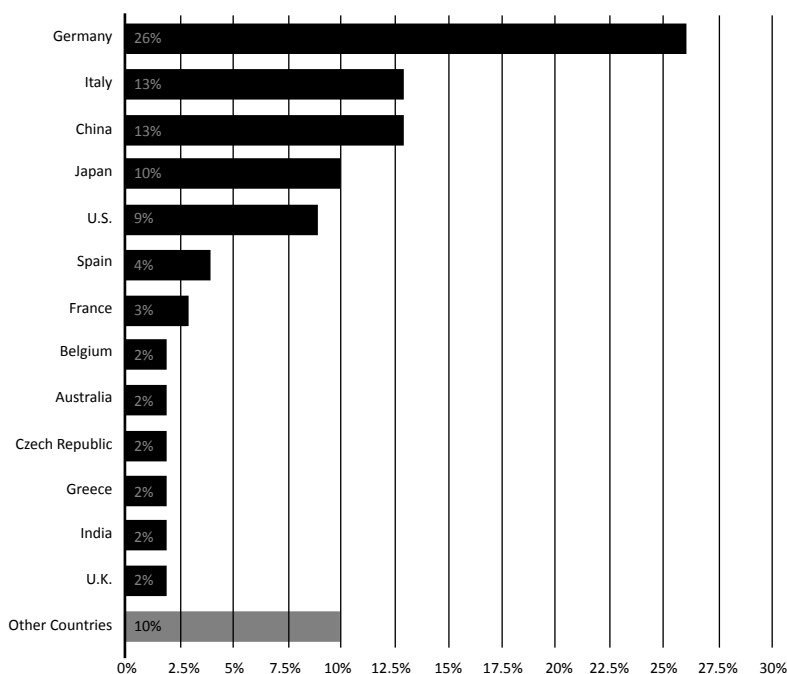
Global SPV manufacturing market size from 2000 to 2013 (USD bn)



(Source: Statista 2014)

Global SPV capacities (%)

Share of global cumulative solar PV capacity in 2013, by country*



(Source: Statista 2014)

INDIAN REVIEW

Renewable Energy

Electricity consumption in India has been increasing at a very quicker pace owing to population growth and economic development. However, energy supply is struggling to keep pace with the demand and has an average of 15% gap across the nation. Shortage of raw materials is posing further challenges to the conventional mode of energy supply. Such chronic lack of energy and unreliable supplies threaten India's economic growth.

The Government of India has off-lately started laying more stress on developing sustainable energy solutions. As such, there will be more focus on the renewable sources of energy like solar power. At present, renewable energy sources contribute about 12% to India's installed capacity base, with a capacity of about 32 GW.

The Ministry of New & Renewable Energy (MNRE) has already started working on four ultra mega solar power plants in the arid regions. The Indian Finance Ministry recently announced a ₹ 500 crore (\$90 million) outlay for these projects. The government would also support the construction of 'Green Corridors' – transmission networks dedicated to carry electricity generated from renewable energy projects.

Solar energy – India's untapped potential

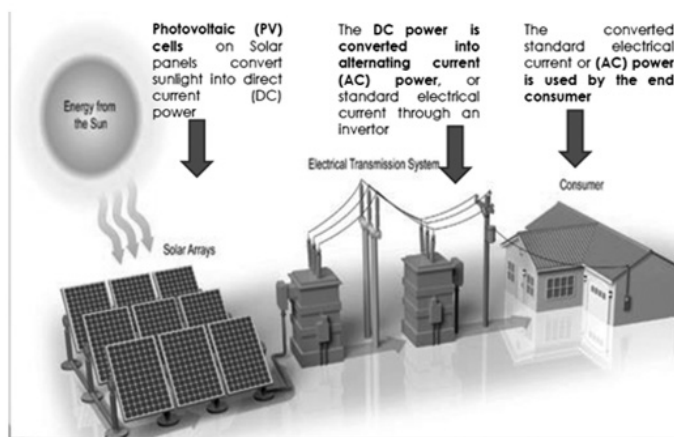
India is one of the sun's most favoured nations, blessed with about 5,000 TWh of solar insolation every year. Even if a tenth of this potential is utilised, it could mark the end of India's power problems. It has the potential to re-energise India's economy by creating millions of new jobs, allowing the country to achieve energy independence, reduce its trade deficits and propel it forward as a "Green Nation." Solar energy offers too many benefits for India to ignore, or delay its development.

200 Mw/Km square
Average intensity of solar radiation absorbed by India:

3,000-3,200 hours
Bright sunshine hours annually at Rajasthan, Guajrat, Madhya Pradesh and North Maharashtra

2.6 GW
Grid connected solar generation capacity

Graphical depiction
How does solar energy work?



Indian SPV industry

The Indian SPV industry is on the cusp of a revolution. When the current solar energy programme, the National Solar Mission was launched in 2010, a target of 20,000 MW was set for 2022. The country's grid connected solar power capacity has reached only 2,632 MW, but the cost of power generation has come down from ₹ 18 per unit to ₹ 7.5 per unit in just three years and promises to decline further.

During 2013, the Indian market witnessed 905 MW of solar PV installations compared to 982 MW in FY 2012. Though domestic manufacturers have a capacity for installing only 700-800 MW annually and foreign manufacturers contribute a bulk of the capacity, the right policy initiatives will catalyse the domestic industry's growth.

Government has announced various incentives and programs to promote PV industry in terms of increased indigenous manufacturing, increased power generation from solar, increased industry participation in R&D and technology development.

The SPV industry's potential to supply clean and cheap energy, achieve rural electrification, provide employment and fight climate change could make it the most important driver of India's future growth.

Jawaharlal Nehru National Solar Mission (JNNSM)

Objectives

- Reduce India's dependence on imports of diesel and coal for power generation
- Reduce greenhouse gas emissions
- Contribute to energy security

Under Phase I, solar PV capacity of 450 MW was installed by end of September 2013 against the targeted capacity of 500 MW (Bridge to India). Another 48 MW of PV projects were commissioned under the Migration scheme and 90.8 MW under the Rooftop PV and Small Solar Power Generation Programme (RPSSGP) Scheme.

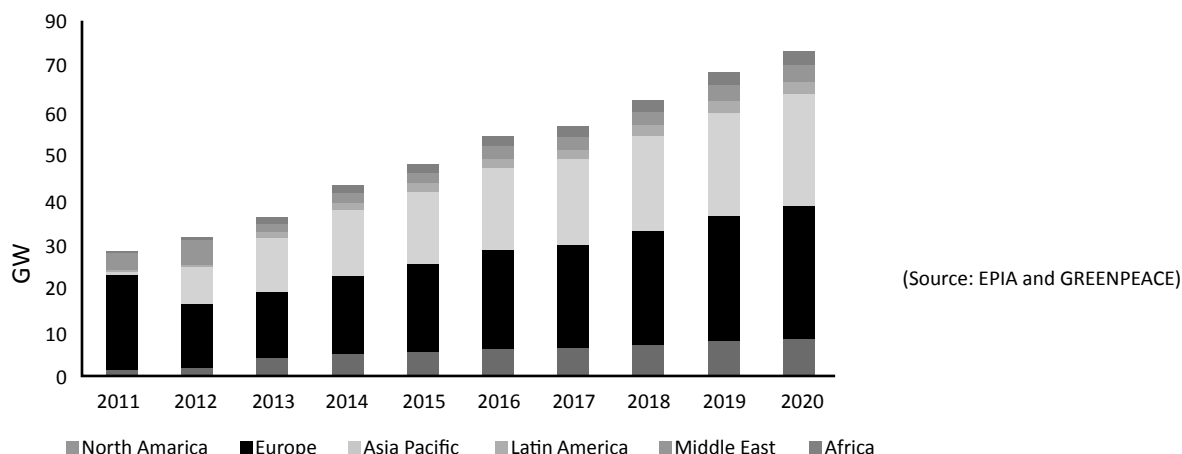
In April 2013, the Ministry of New and Renewable Energy released the draft guidelines for 750 MW of solar projects under Phase II Batch I of the JNNSM. Out of these, 375 MW of solar projects need to be developed using domestically manufactured solar cells and modules. This provides an ample of opportunity to domestic cell manufacturers to increase their utilization rates and participate in the implementation of Phase II of the JNNSM

Global Solar Photovoltaic (SPV) industry outlook

The solar power is anticipated to be an important factor towards meeting the energy needs across the globe. According to EPIA and GREENPEACE report on Solar Generation, global solar markets between 2016 and 2025 are estimated to remain on a high growth path an annual growth rate of 19% till 2020 and 11% until 2025. The growth will be largely driven by Asia-Pacific region. As such, Germany, France, Spain, Italy and the United Kingdom, together, plan to install more than 75 GW of SPV capacities. Drafting strict clean energy regulations and offering adequate subsidies to the renewable energy sector along with maintaining clarity in the incentive guidelines for solar power manufacturers will drive the Global SPV industry in the coming years.

Global Solar Power outlook

Growth will be driven by the Asia Pacific region



RISK MANAGEMENT

Technology risk

The Company's operation involves using dynamic technology. Hence, it requires continuous monitoring and upgradation of technology and processes at regular intervals.

At Websol, we continuously review and upgrade our technology, resources and processes to meet the globally accepted standard output. We have invested towards building in-house R&D unit and have constantly explored technological collaborations for knowledge exchange.

Geography risk

Company's dependence on limited geographies may put pressure on revenues in the event of any slowdown in any of those regions.

At Websol, we have a diversified customer base across various geographies. Moreover, with Indian Government's willingness to promote solar power in the country will further widen up opportunities in the domestic segment.

Currency risk

The Company may suffer forex losses in the event of unfavourable currency movement.

At Websol, we import silicon wafers and export end products which provides us a natural hedge against any foreign exchange fluctuations. Moreover, increasing focus on the domestic market will further provide an additional cushion to the Company to secure its foreign currency risks.

People risk

The Company may suffer productivity loss in the event of unavailability of talented and skilful workforces.

At Websol, our business interests are aligned with our workforce. We ensure continuous employee engagement and undertake development and motivational initiatives for their well-being.