WEBEL SOLAR

ANNUAL REPORT 2015-16

Websol Energy System Limited

Corporate Information

Board of Directors
Mr. S. L. Agarwal, Managing Director
Miss. S. Jhunjhunwala, Wholetime Director
Mr. D Sethia, Independent Director
Mr. P. Kaushik, Independent Director

Chief Financial Officer
Miss. Sima Jhunjhunwala

Company Secretary
Miss. Swati Agarwal
(has resigned from her post w.e.f. 6th of July, 2016. Miss. Sima Jhunjhunwala is acting as Compliance Officer of the Company till new Company Secretary is appointed)

Bankers
Invent Assets Securitisation & Reconstruction Pvt. Ltd.
The Federal Bank Limited
Standard Chartered Bank
Dena Bank
HDFC Bank
Axis Bank
EXIM Bank
ICICI Bank

Auditors
M/s Agarwal Sanganeria & Co.
Chartered Accountants

Registered Office
48,Pramatha Choudhury Sarani
Plot 849, Block P, 2nd Floor, New Alipore
Kolkata – 700 053, West Bengal, India
Phone : +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
Phone : +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

Navigating the inside pages

This Annual Report is available online at **www.webelsolar.com**

Management Discussion & Analysis

WORLD ECONOMIC OVERVIEW

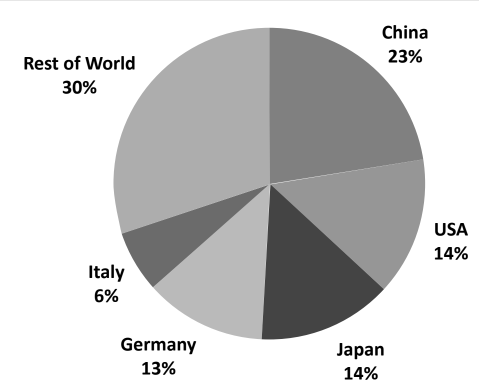
In 2015, global economic activity remained subdued. Growth in emerging market and developing economies—while still accounting for over 70% of global growth—declined for the 5th consecutive year, while a modest recovery continued in advanced economies. Three key transitions continue to influence the global outlook: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy.

Global growth is projected at 3.4% in 2016 and 3.6% in 2017. Growth in emerging market and developing economies is projected to increase from 4% in 2015—the lowest since the 2008–09 financial crisis—to 4.3% and 4.7% in 2016 and 2017, respectively (Source: imf.org).

INDIAN ECONOMIC OVERVIEW

The Indian economy has continued to exhibit resilience and the strength of its domestic absorption to register a growth of 7.2% during H1 FY16. That this has been attained, despite the highly tentative global economic environment that has not shown credible signs of improvement and despite sub-par monsoon rains that for the second year in succession resulted in low growth in agriculture sector, is indeed an encouraging development. In addition to robust growth, the year thus far has witnessed macro-economic stability aided by favourable factors such as comforting inflation indicators, benign fiscal situation and improving external current account balance. All these factors have resulted in India emerging as the fastest growing economy among the large economies, and, most international organizations predict that it will continue to remain so in the medium term. Further, India's growth will surpass China in 2016. It would suffice to say that global deflation need not lead to depression in general in Indian context because causes are not debt induced as is the case in Europe and US. In particular, economy, especially industrial activity should see an upswing in 2016, pulling up the services sector alongside. If the US remains strong, capital flows to emerging economies particularly India, will increase significantly. Liberalisation of key sectors should increase fund flows for financing infrastructure investment. Inflation should be largely under control (Source: finmic.nic.in).

Cumulative global PV installations 2016



Source: IHS

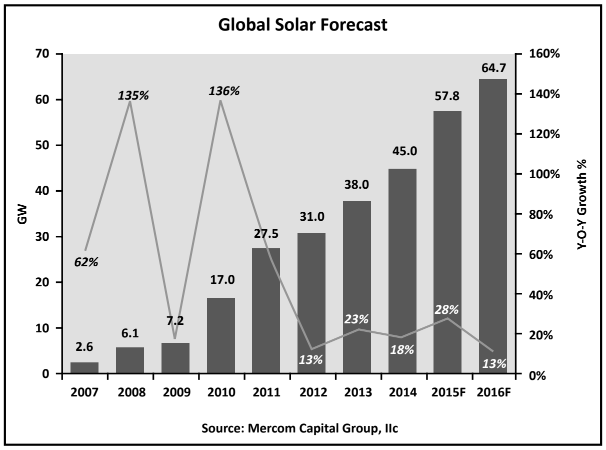
GLOBAL PV SOLAR INDUSTRY

Amidst at a snail-pace where world economy remain sub-dued, Global PV installations reached to 59GW in 2015, a 35% increase over 2014, while growth in 2016 is expected to top a further 17% is expected to reach 69GW in 2016. Key markets in 2016 will include the US, India and China, which are forecast to increase by 5.6GW, 2.7GW and 0.9GW respectively, accounting for 9.3GW of the 10GW global increase.

Due to the continued growth of major markets outside Europe, it is expected that cumulative global PV installations to surpass 310GW by the end of 2016, with five countries (China, US, Japan, Germany and Italy) accounting for 70% of capacity.

China installed close to an almost unbelievable 13 GW of PV, as PV developers scrambled to put their projects in place before the feed-in tariff drop in China. However, to balance out these huge numbers, PV installations are expecting to fall by 80% in the third quarter of the year, with the Chinese government's goal to keep installations below 20 GW for the year. As China pulls back its installations, prices are expected to cool down and stabilise. Although China is expected to continue

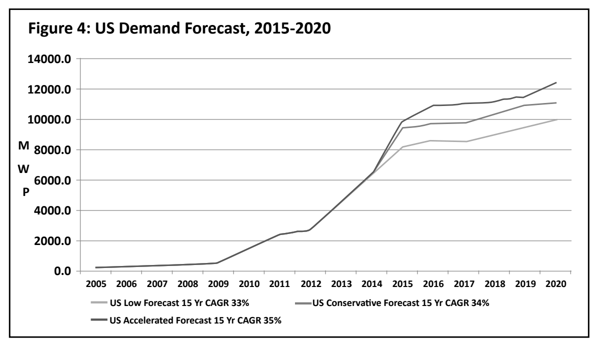
Management Discussion & Analysis



leading the global PV market, the U.S. will show the most robust growth in 2016, due to the anticipation of the federal Investment Tax Credit (ITC) expiration, which developers and EPC had already factored into their business plans for 2016, prior to the five-year extension received at the end of 2015.

INDIAN SOLAR INDUSTRY REVIEW

Coal is becoming more difficult to obtain, sources of domestic gas are shrinking, and there is more focus than ever on sustainability. The result: Stakeholders are scaling back expectations that conventional energy sources can fulfill India's power needs. India's renewed focus on solar power—led by the Jawaharlal Nehru National Solar Mission (JNNSM)—could not have come at a better time. Solar will become a crucial component of India's energy portfolio in the next decade—perhaps more so than it is in most other countries.



India is going to add 7.2 GW of utility-scale solar PV in the financial year 2016-17. Despite bottlenecks in power evacuation and grid stability. In 2016, 4.8 GW is expected, while last year saw 2 GW installed. Growth of 140% is expected in India's utility-scale solar PV segment, with 4.8 GW set to be commissioned in the calendar year 2016, 80% of which will be seen in the states of Tamil Nadu, Andhra Pradesh, Telangana and Karnataka.

2015 saw 2 GW installed, under the 2.45 GW anticipated by the analysts, which resulted from project delays in various states. Out of the 2 GW commissioned in 2015, 700 MW of capacity was completed under central government allocations, 850 MW under state allocations and the remaining 450 MW under other heads, including private initiatives. The majority of new utility-scale solar capacity this year is expected to come from state level allocations, while delays from utility. The calendar year 2017, meanwhile, is set to see more than the 4.8 GW expected this year. The overall result is that India will become one of the leading global solar markets.

OUTLOOK

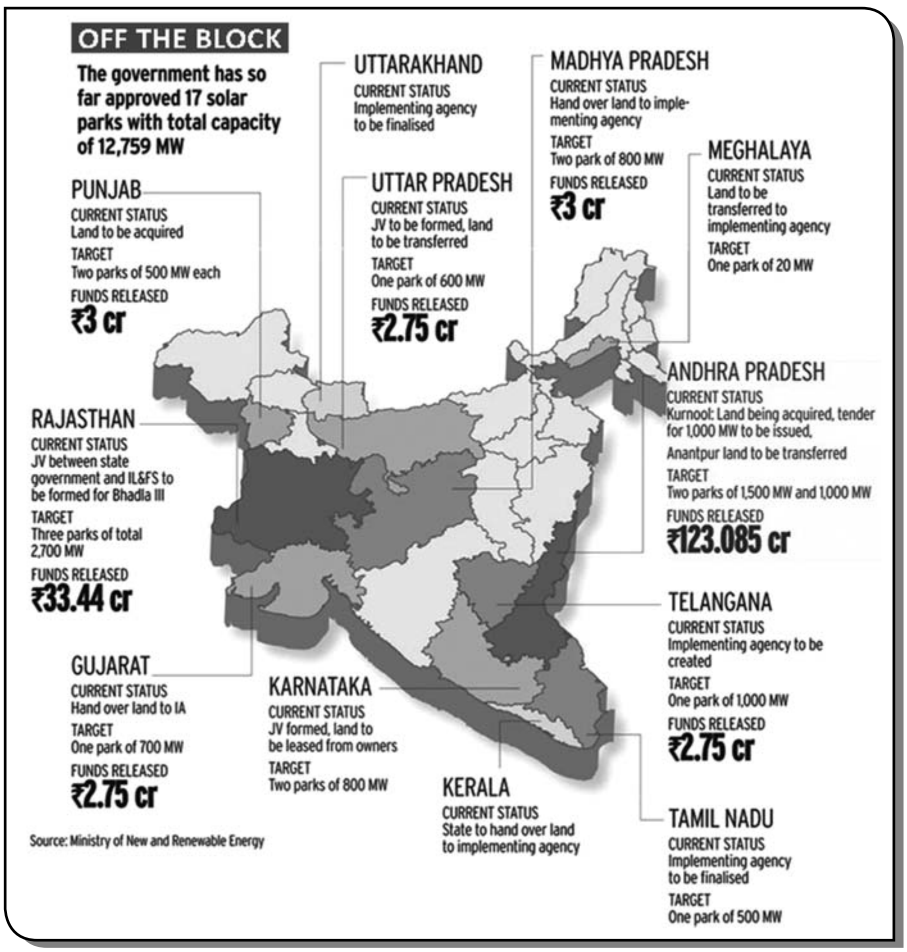
Execution : Given the substantial front-end costs of solar projects, delays can wreak havoc on profitability. Even under the most suitable conditions, managing power projects in India is tough—projects are often slowed by infrastructure issues and unreliable local vendors. In addition, stakeholder management at the national, state, and local levels often stands in the way of ensuring efficient project execution and sustained operation. Therefore, building a team of talented project managers and experienced troubleshooters will be crucial.

Financing : Innovative means of financing will create win-win situations for all stakeholders and drive significant upfront value for project developers. Differentiated models could include teaming with technology providers from low-cost financing countries—Japan, for example—or with consumers seeking sustainability benefits or tax credits. A pool of low-cost project equity developed from retail or other cost sources can add up to a distinct advantage.

Localization : Local design and engineering will play a major role in India's solar market. Inverter and balance-of-system designs that incorporate local requirements and eliminate unnecessary elements that are geared more toward global markets can generate significant benefits. Eventually, global players will see the benefits of manufacturing locally and specifically for the Indian market. Competition from local players could further drive down systems costs.

Management Discussion & Analysis

An open market : Although India's solar market appears well suited for local players, it's currently open to global players as well. Indeed, global firms that tailor their broad expertise to serve unique local needs in a frugal way could actually extract significant value. At the same time, local players can bridge capability gaps by striking appropriate alliances, or by recruiting strong teams or individuals. A partnership of foreign technology and local EPC can help both parties climb up the steep learning curve fast, but mechanisms will need to be put in place to ensure that the risks and upsides are shared equally. Both parties involved will need a long-term view of the market, with lessons learned from initial projects built into subsequent ones. Local or global, the leaders in this market will likely be those that get in the thick of things from the beginning, as the cost of entry rises significantly with grid parity nearing. A well-thought-out plan to make an immediate impact through short-term portfolio building and to build a growing advantage through planning for long-term scalability will be crucial tools for tapping into the multi-billion-dollar potential of India's solar market.



How can solar energy be distruptive in years down the line?

In the case of solar power technology, we see solar power disrupting the traditional utility model having large amounts of centralised generation. This disruption can potentially benefit in the following ways:

- On the one hand, it is a clean form of energy and is expected to eventually displace coal over a period of time. This will help in climate change control for a country like India. In many ways, it leapfrogs technology advancements to produce the power that India needs.

Management Discussion & Analysis

- It will help protect our environment and forests as much of our future coal will likely come from under forest land.
- The quality of our distribution grids leaves much to be desired, especially in our rural areas. Direct-to-home power through solar rooftop and storage will help bypass poor quality grids.
- Evolution of storage technologies could lead to the advent of electric vehicles and with that a mitigation of oil consumption. This could eventually help increase India's energy self-reliance and create significant foreign exchange for the country. From a global perspective, it will help increase energy security for many nations and hopefully will resolve or mitigate many wars fought over natural resources.

What could prevent the rise of solar energy in India?

While we have presented a likely scenario of how the solar and power sector will evolve over the next decade, we note below certain factors which could lead to different outcomes from what we have projected. These include:

Capital availability : Solar energy, being capital intensive relative to other conventional sources , a scenario where capital availability is challenged due to global economic conditions could hamper the solar march. This scenario would also likely correlate with a deep fall in commodities and prices of fossil fuels like coal and oil. Under this scenario, the achievement of the tipping points for the rise of solar would get delayed.

Alternative cheaper carbon efficient solutions : The other factor that could impact solar energy is the emergence of alternative cheaper forms of energy which are carbon efficient. For example, this could be a sharp rise in shale gas availability globally or a rise in clean coal technologies.

Delay in evolution of storage cost curves : A key element supporting the rise of solar and variable renewable is the evolution of storage technologies. If the pace of storage technology evolution slows down, it could impact the ability of the system to absorb vast amounts of variable renewable. While significant investments are happening in storage technologies, they are at a relatively early stage compared to solar PV or wind and hence there is more uncertainty in their cost trajectories going forward.

Unprepared grid infrastructure and utility resistance in India : From an India perspective, one possible barrier is the ability of our grids to take in large amounts of intermittent generation in the near term. While investments are being made in the transmission infrastructure at the national level, the timely execution of these projects, especially at the state level, is an important factor in ensuring the smooth pace of solar capacity additions. Along with transmission, investments in balancing services and standby capacities are needed. Over the longer term, the disruption to utilities could result in an imposition of regulatory costs on solar and wind and this may slow down their progress.

Disruption in Chinese solar manufacturing ecosystem : Today, China and Taiwan account for over 69% of global module supplies. A hard landing of the Chinese economy, and a scenario where some of the large manufacturers go bankrupt and close down, could hamper global supplies and consequently impact prices of solar panels. In the same scenario, availability of resources for R&D for technological evolution could get hampered and delay further cost reductions.

A steep fall in the Indian currency : Finally, a large part of the solar system cost is import linked. A scenario where the INR depreciates very significantly would lead to a rise in solar costs for India relative to coal. This would delay the rise of solar. For the same reason, it is important for the government to plan a hedge against this scenario by adequately encouraging localisation and the creation of a domestic ecosystem. The Indian government recognised the promise of solar energy early and rightly gave it the support it needed in its initial days. Along with the central government, various states have also supported it and this has helped to create an initial ecosystem. The solar sector is poised for a rapid scale up and makes an increasing contribution to our energy needs. It is expected to create disruption in the energy sector. As with any disruption, it may create some pain in the short run, but this would eventually lead to a larger good. In 90 minutes, the earth receives as much energy from the sun as mankind consumes in an entire year through fossil fuels. We may be finally close to truly tapping into that potential.

(Source: KPMGEnrich)

Management Discussion & Analysis

HUMAN RESOURCES

At "Websol" employees are not only considered to be the stakeholders in the corporate growth but also are the key drivers of its performance. The Company recognizes the need to have an optimum level of human resource and an orientation towards team efforts for sustained growth and performance. The Company that people constitute the strength of an organisation and it has established systems that reduce hierarchy and foster performance, transparency, fairness and empowerment at all levels. The Human Resource strategies aim at attracting, developing and retaining talent pool in the Company. As on the number of employees was about []Industrial relations continued to be cordial.

INTERNAL CONTROL

The Company has laid down policies, guidelines and procedures, which form part of its internal control system. The Company's internal control systems are periodically tested and supplemented by an extensive programme of internal audit by independent firm of Chartered Accountants. Audits are finalized and conducted based on internal risk assessment. Significant findings are brought to the notice of the Audit Committee of the Board and corrective measures recommended for implementation. The existing Audit Committee ensures proper compliance with provision of Listing Agreement with the stock exchanges and relevant provisions of the Companies Act.

RISKS AND CONCERNS

The Company is exposed to normal industry risk factors of competition, economic cycle and uncertainties in the international and domestic markets and credit risk. The Company manages these risks, by maintaining a prudent financial profile and by following healthy business and risk management practices.

CAUTIONARY STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take 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 'anticipate', 'estimate', '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 achievements of results are 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. Readers should keep this in mind that we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the Twenty Sixth Annual Report and the Audited Accounts on the business and operations of your company for the financial year ended 31st March, 2016.

FINANCIAL RESULTS ₹ in Lacs

Particulars	Year Ended 2015-16	Year Ended 2014-15
Revenue from operations	27,969.69	35,575.08
Other Income	77.35	80.29
Total Revenue	28,047.04	35,655.37
Profit / (Loss) before interest, depreciation, taxes and exceptional items	917.27	583.66
Less: Interest	112.55	207.06
Less: Depreciation	1,452.20	1,626.33
Profit / (Loss) before exceptional Items	(647.48)	(1,249.73)
Less: Exceptional Items & Income tax & other Provisions	339.62	3,939.63
Profit / (Loss) after Tax	(987.10)	(5,236.56)

OPERATIONS

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

Your company reported total revenue of ₹ 27,969.69 Lacs against ₹ 35,575.08 Lacs during the last financial year. The company suffered a loss of ₹ 987.10 Lacs after providing ₹ 1,452.20 Lacs towards depreciation and ₹ 112.55 Lacs towards interest during the current financial year as compared to a loss of ₹ 5,236.56 Lacs in the last financial year.

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, 2016.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 125 of the Companies Act, 2013, the unclaimed or unpaid Dividend for the Financial Year 2007-08 was due for remittance to the Investor Education and Protection Fund established by the Central Government in 2015. The company is in process of filing all documents and forms to respective banks for depositing the same to investor education fund account.

DIRECTORS

A) Changes in Directors and Key Managerial Personnel

1. Mr. S. L. Agarwal, Managing Director would retire by rotation and, being eligible, offer himself for re-appointment
2. Miss. Sima Jhunjhunwala has been appointed as Whole Time Director of the Company w.e.f 14th August, 2015 pursuant to the provisions of Section 161(4) and 149(1) of the Companies Act, 2013, which was later ratified by the company in the last AGM.
3. Mr Anup Agrawal has resigned from the post of CFO on 14th of November 2015 and in his place Miss. Sima Jhunjhunwala was given additional responsibility of CFO of the Company.
4. No. of Meetings of the Board : Please refer to PARA NO.2 of annexure "B" to the Directors Report

B) Declaration by an Independent director(s)

All Independent directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and respective guidelines of SEBI Regulations. The declaration is received in the first meeting of Board Of Directors every year.

Directors' Report

STATUTORY AUDITORS

As per Section 139 and other applicable provisions of the Companies Act, 2013 the Company has appointed M/s. Agarwal Sanganeria & Co., Chartered Accountants (Firm Registration No. 302111E) as the Auditors as per the approval of the shareholders in Annual General Meeting (AGM) held on 25th September, 2014, for a further period of three years till the conclusion of 27th Annual General Meeting of the Company subject to ratification by the shareholders in every AGM of the Company, on the remuneration and other terms and conditions as may be fixed by the Board of Directors as recommended by the Audit Committee.

The Board recommends the ratification by the shareholders regarding their reappointment in this AGM.

CLARIFICATION/EXPLANATION ON REMARKS IN INDEPENDENT AUDITORS' REPORT

a. As per the comments of auditor under para "EMPHASIS OF MATTER" for confirmation of accounts, the management hereby clarifies that all the balance confirmation has been to sent to respective vendors and customers, confirmation from all has yet not been received.

b. As per annexure B point No. 1(a) of the auditors report, company has appointed a firm of professional accountant to update the pending records of fixed assets with the physical records. We expect the same to be completed shortly.

c. As regards delay in payment of undisputed statutory dues mentioned in Annexure B point no. 7(a) to the Auditors' Report, it is submitted that it was due to the continous adverse financial condition and no banking facility currently available to the company. However we hereby submit that all the statutory dues relating to the financial year 2015-16 has been paid upto the date of this report.

d. As regards Annexure B point no. 8 the delay in the repayment of the principal sums and interest thereon to the banks / financial institutions, it is submitted that it was due to continued losses incurred by the Company. Allahabad Bank and DENA bank has been assigned to ARCs. Proposal settlement has been given to all bankers ,acceptance for the same is awaited.

e. With reference to point no. 1(g)(iii) under the caption "report on other legal and regulatory requirements" of the Independent auditors report it is hereby clarified that company is in process of submitting documents to banks for transferring the said amount to Investor Education Fund.

f. With reference to the point no 1(e) under the same caption of Auditors report in regards to disqualification of director(Mr Sohan Lal Agarwal), we hereby clarify that company has already applied for RBI approval for conversion of the liability of FCCB holder into equity shares of the company at a price of ₹ 62 per equity shares determined in accordance with SEBI rules and guidelines. We hope to the receive the approval from RBI within a short time.

COST AUDIT

Cost audit is not applicable to company.

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 but since the consortium bankers have taken up SARFAESI Action, BIFR has vacated our case. Your Directors have moved to AAIFR appealing against the order of BIFR, outcome thereof is awaited.

DEPOSITS

The Company has neither accepted nor renewed any deposits under Section 73 of the Companies Act, 2013 during the 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.

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 134(3)(m)of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are given in the **Annexure –A**, which forms part of this report.

Directors' Report

EXTRACT OF ANNUAL RETURN

The extract of Annual Return in form MGT – 9 is given in **Annexure B** to the Report.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204(1) of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the Company has appointed Miss Priti Lakhotia (Partner) CP No. 12790, ACS No. 21970 of Messers AL & Associates, Company Secretaries, for the financial year 2015-16 to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith as **Annexure C**.

ANNUAL CSR REPORT

Since the company is incurring losses, provisions of section 135 of the companies act 2013 regarding CSR is not applicable to the Company.

MANAGERIAL REMUNERATION AND PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of managerial personnel and employees of the Company is attached herewith in **Annexure D**.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the Company with promoters, key managerial personnel or other designated persons which may have potential conflict with interest of the Company at large. Necessary disclosure regarding transactions with related parties has been made in the Notes to the Audited Accounts.

Further, the particulars of every contract or arrangements entered into by the Company during the year with related parties as per Section 188(1) of the Companies Act, 2013 is disclosed in form AOC 2 in **Annexure E**.

PARTICULARS OF LOANS, GURANTEES OR INVESTMENTS UNDER SECTION 186

The company has not given any Loan, Guarantee or made any investments in violation of Section 186 of Companies Act 2013.

STATE OF AFFAIRS OF THE COMPANY

The Company is presently operating at optimum capacity. Since all the banks accounts of the company are NPA there is no banking facility available to the company. Company has proposed settlement terms to all banks, acceptance for the same is awaited. Allahabad Bank and DENA Bank has assigned their entire loan to ARCs. Few investors are interested in investing in your company provided all bank dues are settled. We hope that in the comming time your Company will regain financial strength and will plan for expansion of operations.

CORPORATE GOVERNANCE REPORT

A report on Corporate Governance along with a certificate from the Auditors of the Company regarding Compliance of Conditions of Corporate Governance, related party disclosure, disclosure of accounting treatment, certification by CEO & CFO and the Management Discussion & Analysis Report are given in the enclosed **Annexure - F**, which forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

We, the Directors of the Company, hereby confirm, pursuant to provisions of section 134(5) of the Companies Act, 2013, in respect of financial year under review:

i) That in the preparation of the Annual Accounts for the financial year ended 31st March, 2016, 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, 2016 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, 2013 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.

v) That the Board of Directors of the Company is responsible for ensuring that Internal Financial Controls have been laid down in the Company and that such controls are adequate and operating effectively. For this Kataruka & Company has been appointed