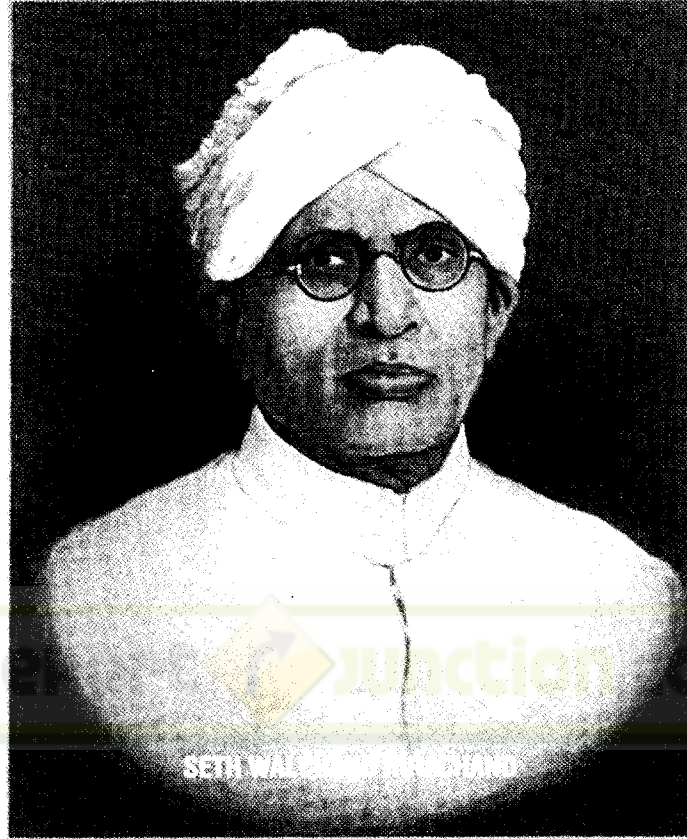




Report  junction.com

96th ANNUAL REPORT 2003-2004

**OUR BUSINESSMAN OF THE MILLENNIUM
and
FOUNDER OF WALCHAND GROUP**



(23-11-1882 to 8-4-1953)

“His life was truly a triumph of persistence over adversity”

Sardar Vallabhbhai Patel

“निराशा पर आशा, अविश्वास पर विश्वास और दुर्भाग्य पर सौभाग्य की
विजय के प्रतीक.”

सरदार वल्लभभाई पटेल

BOARD OF DIRECTORS



CHAKOR L. DOSHI
Chairman



P. K. BASU



SHARAYU DAFTARY



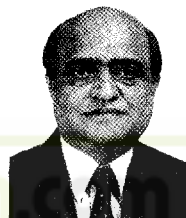
R. M. PANDE



DILIP J. THAKKAR



A. U. RIJHSINGHANI
Managing Director



J. L. Deshmukh
Executive Director

OPERATING MANAGEMENT TEAM

PRESIDENTS

Mr. S. S. Gangavati (BG-I)
Mr. T. S. Sakethan (BG-II)
Mr. U. K. Limaye (Foundry Divn.)
Mr. G. S. Prakash (BG-III)
Mr. Ramnathan Shankar
(CEO - Walchand Infotech)

VICE PRESIDENTS

Mr. J. N. Nandurkar (P & W)
Mr. V. M. Parthasarthy (SPD)
Mr. M. H. Purwat (Finance)
Mr. V. G. Ratnaparkhi (GEP)
Mr. P. K. Mahadevan (Materials)
Mr. A. K. Sood (Gear)
Mr. Chirag C. Doshi (Corporate Affairs)
Dr. R. K. Tiwari (R&D, PM & QA)

GENERAL MANAGERS

Mr. A. G. Pradhan (Special Assignments)
Mr. P. Suryanarayan (GEP)
Mr. J. D. Jadhav (Foundry Divn.)
Mr. A. B. Kamalapur (Tiwac)
Mr. P. D. Mandavekar (Engg - C & MP)
Mr. P. C. Bhagwat (Mktg. - CMT)
Mr. P.M. Ghodake (Mktg. - BLR)
Mr. S. K. Gulati (Mktg. - MP)
Mr. V. S. Pore (Materials)

Mr. D. V. Vairagkar (Planning - BLR)
Mr. S. S. Mahabaleshwarkar (Engg.)
Mr. S. V. Shahade (Prod. - SPD)
Mr. V. S. Galgali (WDS)
Mr. S. K. Dasgupta (Mktg. - Gear)
Mr. A. D. Abhyankar (E&S - C & MP)

COMPANY SECRETARY

Mr. R. J. Pardeshi
G.M (MS) & Company Secretary

REGISTERED OFFICE

WALCHANDNAGAR INDUSTRIES LTD.
3, Walchand Terraces
Tardeo Road, Mumbai - 400 034
Tel No. 24939498

REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (W). Mumbai - 400 078
Tel : (022) 55555454
Fax : (022) 55555353

MARKETING DIVISION

Walchand House
15/1/B-2, Kothrud
Pune - 411 038

FACTORIES

Walchandnagar, Dist. Pune,
Maharashtra
Satara Road, Dist. Satara,
Maharashtra
Attikola, Dharwad, Karnataka

AUDITORS

M/s. K. S. Aiyar & Co.

SOLICITORS

M/s. Kanga & Co.

PRINCIPAL BANKERS

Bank of India
Syndicate Bank
State Bank of India
Oriental Bank of Commerce



CHAIRMAN'S STATEMENT

Dear Members,



It is my pleasure to welcome you all to this 96th Annual General Meeting of the Company.

It can be seen that the Company's turnover registered a healthy growth over the previous year. However, the profitability did not improve suitably due to abnormal increase in the cost of raw materials viz. Steel, Castings and Forgings as also shortfall in sales of F&B and Infotech Divisions. The order book position of the Company at Rs. 348 Crores as on 1.10.2004 (Rs. 279 Crores on 1.10.2003) is also quite satisfactory and not withstanding any unforeseen events, the performance of the Company is expected to further improve in the ensuing year.

With a view to partly off-set the effect of spiralling increase in cost of raw materials particularly steel, special measures are being taken to control cost by value engineering and enhancing productivity by process innovation. As before, the Company is continuing its endeavour to keep enhancing customer satisfaction, employee motivation and shareholder value, in line with its declared quality policy.

During the year the Company successfully completed (with in-house engineering) some prestigious Mineral Processing Projects, a new line of business, which could throw open new opportunities for the Company. The Company also successfully manufactured some First Time in Country Development equipments for Defence which will help the Country attain self sufficiency in this crucial area.

Your support & goodwill as also the devotion and determination of our operating team, give me confidence of a brighter future for the Company.

Chakor L. Doshi
Chairman

96TH ANNUAL REPORT

NOTICE

Notice is hereby given that the 96th Annual General Meeting of Walchandnagar Industries Ltd. will be held as scheduled below :

Day : Tuesday
Date : 11th January, 2005
Time : 3.30 p.m.
Place : Walchand Hirachand Hall,
Indian Merchants' Chambers Building,
Churchgate,
MUMBAI 400 020.

The Agenda for the meeting will be as under :

Ordinary Business :

1. To receive, consider and adopt Audited Balance Sheet of the Company as at 30th September, 2004 and Profit & Loss Account for the year ended as on that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 30th September, 2004.
3. To appoint a Director in place of Dr. P. K. Basu, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. R. M. Pande, who retires by rotation and being eligible, offers himself for reappointment.
5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution as required under Section 224 of the Companies Act, 1956, for appointment of Auditors :

"RESOLVED THAT M/s. K. S. Aiyar & Co., Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs.3,50,000/- (Rupees Three lakhs fifty thousand only) and they be paid, in addition, service tax, out of pocket and/or travelling expenses they may incur while carrying out their duties as such auditors."

Special Business

6. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT in accordance with Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the redesignation of Mr. J. L. Deshmukh w.e.f. 12th January, 2005 as Managing Director of the

Company not liable to retire by rotation on the modified terms and conditions including remuneration as set out in the draft Supplementary Agreement to be entered into between the Company and Mr. J. L. Deshmukh, a copy whereof initialled by the Chairman for the purpose of identification is placed before the meeting with liberty to the Board of Directors to further alter and vary such remuneration, subject to the overall ceiling as specified in Schedule XIII to the Companies Act, 1956 read with Sections 198, 309 and all other applicable provisions of the Act or any amendments thereof or re-enactments thereof as may be agreed to by the Board and Mr. J. L. Deshmukh without any further reference to General Meeting.

RESOLVED FURTHER THAT the remuneration including commission as aforesaid shall be paid as minimum remuneration for any year in which there is absence or inadequacy of profits subject to approvals as may be required.

RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded that where, in any financial year during currency of the tenure of Managing Director, if the Company has no profits or its profits, are inadequate, Mr. J. L. Deshmukh be paid remuneration including commission as per the terms to be approved by the Shareholders within the ceiling as prescribed under Paragraph (B) of Section II of Part II of the Schedule XIII to the Companies Act 1956, for a period of 3 (three) years commencing from 12th January, 2005 being the date of change of designation and modifications in the remuneration.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to take such steps including seeking approval of the Central Government or any other authority, as may be necessary to give effect to the above Resolutions."

By order of the Board

R.J.Pardeshi

General Manager (MS) & Company Secretary

Registered Office :
3, Walchand Terraces,
Tardeo Road,
Mumbai 400 034.

Date : 20th November, 2004

NOTES :

- a) A member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the



Company. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time for holding this Annual General Meeting.

- b) The Register of Members and Share Transfer Books of the Company will remain closed from 5th January, 2005 to 11th January, 2005 (both days inclusive).
- c) The Dividend, if declared, will be payable within the stipulated period to those members whose names appear on the Company's Register as on 11th January, 2005. In respect of Shares held in Electronic Form, the dividend will be paid to the beneficial owners as per details furnished by the Depositories for this purpose at the end of business hours on 4th January, 2005.
- d) Members who hold shares in physical form are requested to notify immediately change in their addresses, if any, to the Company's Registrar and Share Transfer Agents, M/s Intime Spectrum Registry Ltd, specifying Registered Folio Number and other relevant details. Members, who hold shares in Electronic Form are requested to notify change in their addresses to Depository Participants with whom they are maintaining their Beneficial Owner Account.
- e) Members who have not encashed their dividend warrants for the financial years ended 30th September

1998 and thereafter may immediately approach the Company for revalidation of unclaimed warrants as the amount of dividend remaining unpaid for a period of 7 years shall be transferred to Investors Education & Protection Fund as per provisions of Section 205A of the Companies Act, 1956. It may also be noted that once the unclaimed dividend is transferred to the Central Government as above, no claim shall lie in respect thereof.

- f) Members, who hold shares in De-materialised form, are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
- g) Members are requested to get the shares transferred in joint names, if shares are held in a single name to avoid the inconvenience and also to send nomination form (available on request), if not sent earlier.
- h) Members are requested to bring the copies of the Annual Report at the time of attending Annual General Meeting.
- i) Members / Proxy Holders are requested to produce at the entrance of the hall admission slips forwarded to them duly completed and signed, in accordance with the specimen signature registered with the company for admission to the Meeting Hall.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO : 6

Mr. J. L. Deshmukh, aged 55 years, is a Bachelor of Engineering (Mechanical). He has worked for more than 31 years with Cummins India Ltd. His vast experience covers wide functions like Application Engineering, Marketing, Manufacturing and General Management. He has held senior positions like President, Director, Managing Director in Cummins India Ltd. He has also worked in U.S.A. as Business Development Director. He has been instrumental in increasing volumes, profitability, bringing in latest manufacturing practices, improving quality of production in the previous employment.

Mr. J. L. Deshmukh joined the Company as Chief Operating Officer on 5th October, 2003. Subsequently, Mr.J.L.Deshmukh was appointed as Executive Director for a period of 5 years w.e.f. 1st April 2004 on the terms and conditions approved by the Company in the 95th Annual General Meeting.

Taking into consideration the diverse and complex activities and growth plans of the Company and excellent contribution made by Mr. J. L. Deshmukh, in achieving improvements

in production and sales and in bringing about qualitative changes in various systems during last one year, the Board recommends redesignation of Mr.J.L.Deshmukh as Managing Director of the Company w.e.f. 12th January, 2005 on the modified terms & conditions as set out in the draft Supplementary Agreement subject to the consent of the Company in the ensuing 96th Annual General Meeting.

The draft Supplementary Agreement to be entered into between the company and Mr. J. L. Deshmukh in respect of modifications in the terms & conditions of his appointment inter alia, contains the following changes in terms and conditions :

Salary :

Rs.1,10,000/- (Rupees One lakh ten thousand only) per month in the grade of 1,10,000-10,000-1,40,000.

Perquisites :

House Rent :

House Rent Allowance at 50% of monthly salary.

96TH ANNUAL REPORT

All other terms & conditions of remuneration including perquisites will continue as approved by Shareholders in the 95th Annual General Meeting held on 10th February, 2004.

Minimum Remuneration :

In the event of loss or inadequacy of profits in any financial year during currency of his tenure as Managing Director, the Company will pay remuneration by way of salary, perquisites, other allowances and commission as specified above subject to the approval of the Central Government or any other authority whenever applicable and any other provisions of the Companies Act, 1956.

It is also proposed that the procedure under para (B) of Part II of Schedule XIII to the Companies Act, 1956 be followed to avail higher ceiling of Rs.3,50,000/- p.m. to enable the Company to pay remuneration including commission to Mr. J. L. Deshmukh as per the terms of appointment for a period of 3 years w.e.f. 12th January, 2005 being the date of his redesignation as Managing Director. The payment of remuneration is approved and recommended by the Remuneration Committee and the Board of Directors and the approval of Shareholders is sought by way of a Special Resolution.

The draft Supplementary Agreement to be entered into between the Company and Mr. Deshmukh is available for inspection at the Registered Office of the Company on any working days excluding Saturdays and Sundays and Public Holidays between 11.00 a.m. and 3.00 p.m.

The terms and conditions as set out in the Supplementary Agreement and the remuneration therein may be altered and varied from time to time by the Board of Directors, as it may at its discretion deem fit so as not to exceed the limits specified under the Companies Act, 1956 or any amendments made thereto without further reference to the Company in General Meeting.

The Directors recommend the Special resolutions as set out at Item No.6 of the Notice for the approval of the Shareholders. None of the Directors is concerned or interested in the Resolution except Mr. J. L. Deshmukh. This may also be treated as an abstract under Section 302 of the Companies Act, 1956.

A statement prescribed under sub-section (iv) of para (B) of Section II of Schedule XIII to the Companies Act, 1956 in respect of Mr. J. L. Deshmukh is given under :

I General Information

1. Nature of Industry :

The Company is engaged in engineering, manufacturing and project activity related to various segments of heavy process industries like Sugar, Cement, Boilers, etc

2. Date or expected date of commencement of commercial production.

The company is already in production for last several decades.

3. In case of new companies expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable, as the Company is existing one.

4. Financial performance based on given indicators:

The Financial performance of the company in relation to various indicators during the years 2002-2003 and 2003-2004 is given in the Directors Report under the heading "Financial Results".

5. Export performance and net foreign exchange collaborations.

Rs.757.77 lakhs (Foreign Exchange Earning).

6. Foreign investment or collaborators, if any

Foreign investment – Nil

Foreign collaboration with Magotteaux International, Belgium of High Efficiency Separators.

II Information about the appointee:

Information about Mr. J. L. Deshmukh

1. Background details:

Mr. J. L. Deshmukh, aged 55 years is a Bachelor of Engineering (Mechanical). He has worked for more than 31 years with M/s Cummins India Ltd. and his experience covers wide functions like Application Engineering, Marketing, Manufacturing and General Management. He has held senior positions like President, Director, Managing Director in Cummins India Ltd. Mr. J. L. Deshmukh has joined the company as Chief Operating Officer w.e.f. 5th October, 2003. Subsequently, Mr. J L Deshmukh was appointed as Executive Director of the Company w.e.f. 1st April, 2004 by the Shareholders at the 95th Annual General Meeting held on 10th February, 2004.

2. Past remuneration:

Rs. 17.71 Lakhs paid for the period 5th October, 2003 to 30th September, 2004



3. Recognition or awards :

Cummins India Ltd. received prestigious National Export Award and National Quality Award under his leadership.

4. Job profile and his suitability:

Mr. J. L. Deshmukh has been sharing various responsibilities with Mr. A. U. Rijhsinghani, Managing Director, in relation to overall supervision and control of the Company's activities and in particular to attend to all matters concerning production, planning, manufacture, finance, marketing and administration and such other duties and services entrusted by the Board of Directors.

5. Remuneration proposed:

On the recommendation and approval of Remuneration Committee, the Board of Directors proposes to pay the remuneration including commission to Mr. J. L. Deshmukh, as per the terms of appointment to be approved by the Shareholders in the forthcoming 96th Annual General Meeting being held on 11th January, 2005, subject to the ceiling limits as prescribed under Paragraph (B) of Section II of Part II of the amended Schedule XIII to the Companies Act 1956, for a period of 3 (Three) years w.e.f. 12th January, 2005 i.e. overall remuneration within the ceiling limit of Rs.3,50,000/- per month considering effective capital of the Company.

6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (In case of expatriates the relevant details would be w.r.t. the country of his origin):

On a scale of comparison the remuneration being proposed, to be paid to the Managing Director is on lower side when compared to the Companies in the Heavy Engineering sector.

7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:

Mr. J.L. Deshmukh, does not have any pecuniary relationship directly or indirectly with the company or with any other managerial personnel.

III Other information:

1. Reasons of loss or inadequate profits:

The financial year 2003-2004 was very challenging one. The continued recession, financial stringency with the customers in our conventional project sectors particularly, sugar machinery and increase in steel prices affected margins.

2. Steps taken or proposed to be taken for improvement

The Company has taken the following steps to improve the profitability,

- i) Cost reduction and productivity improvement.
- ii) Booking orders for traditional business segment on the basis of value addition.
- iii) Thrust on booking and executing orders from Aero Space Projects, NPC / BARC for higher value addition.
- iv) Boiler Division: Maintaining leadership in supply of co-generation boilers based on baggasse and bio-mass.
- v) Focus on booking EPC orders.
- vi) Diversification in Defence Projects, Waste recovery boilers and Mineral Processing Sector.

3. Expected increase in productivity and profits in measurable terms :

Though it is difficult to quantify expected profits in measurable terms, there will be a marked improvement in the position.

By order of the Board

R.J.Pardeshi

General Manager (MS) & Company Secretary

Registered Office :
3, Walchand Terraces,
Tardeo Road,
Mumbai 400 034.

Date : 20th November, 2004

96TH ANNUAL REPORT

DIRECTORS' REPORT

To:
The Members of
Walchandnagar Industries Limited.

Your directors have pleasure in presenting the Ninety Sixth Annual Report with Audited Statement of Accounts for the year ended 30th September 2004.

1. PERFORMANCE FOR THE YEAR IN RETROSPECT :

	30.09.2004 Rs.in Lakhs	30.09.2003 Rs.in Lakhs
Income:	21780.27	15336.95
Profit before Depreciation and Interest	904.02	921.17
Less : - Interest	83.13	108.35
- Depreciation	266.75	294.00
Profit before Tax	554.14	518.82
Less: Provision for Taxation	155.42	169.02
Profit after Tax	398.72	349.80
- Surplus brought forward from the previous year	489.97	269.50
- Transferred from Foreign Project Reserve	83.08	—
	971.77	619.30
Appropriations:		
- General Reserve	39.85	34.98
- Contingency Reserve	250.48	
- Proposed Dividend	82.62	75.11
- Income Tax on Proposed Dividend	10.80	9.62
- Income Tax on Dividend paid for the year 2001-2002	—	9.62
Surplus carried to Balance Sheet	588.02	489.97

The turnover achieved during the year was Rs.216.18 Crores as compared to Rs.152.17 Crores in the previous year registering growth of 42.1%.

The profits have improved but at a lower rate (6.8%) compared to the turnover, due to unprecedented rise in the prices of raw materials viz. steel, castings and forgings which had an overall impact of around Rupees Three Crores.

2. CURRENT YEAR:

The order book position as on 1.10.2004 was at Rs.348 Crores compared to Rs.279 Crores as on 1.10.2003. Although overall order book position is satisfactory, the Company has not been able to book any significant orders for sugar machinery as this segment continues to suffer from over capacity.

The Company has been continuously endeavoring to increase its market share and profitability by productivity improvement and

innovations. It is proposed to upgrade some of the critical machines and add some more sophisticated machines during the year.

3. EXPORTS:

The foreign exchange earnings for the year were Rs.758 Lakhs as against Rs. 305 Lakhs in the previous year. The export orders on hand as on 1.10.2004 are at Rs.2107 Lakhs, compared to Rs.275 lakhs as at 1.10.2003. The Company is actively participating in export enquiries for Cement & Sugar Machinery, gear boxes, centrifugals and CI/SGI Castings, and hopes to book some more export orders.

4. DIVIDEND:

Your Directors are pleased to recommend Dividend for the financial year 2003-2004 on Equity Shares of Rs.10/- each at Rs. 2.75 per share equivalent to 27.5% (25% in the previous year) aggregating to Rs. 82.62 lakhs.

5. MANAGEMENT DISCUSSION & ANALYSIS:

5.1 Overview:

During the year ended 30th September, 2004, concerted efforts were made to increase the share of turnover of jobs and equipments for Space, Nuclear, Defence and Mineral Processing with better value addition.

Thrust was also given on timely implementation of various projects, quality at source and customer satisfaction and in turn market share improvement.

5.2 Segment Analysis and Review:

5.2.1 Heavy Engineering Product Segment:

The segment achieved turnover of Rs.18714 Lakhs (as against Rs.13542 lakhs during previous year) accounting for 86.57% of Company's revenue. The profitability, however, did not improve to the same extent, due to abnormal rise in prices of raw materials, viz. steel, castings and forgings, which could not be recovered from the customers as the contracts were on firm price basis. However this impact could be contained by executing more of the Defence and Mineral Processing jobs which had higher value addition.

During the year, Company successfully completed the despatches for prestigious Mineral Processing Projects of Hindustan Zinc. It also delivered various critical equipments for Nuclear, Defence and Space projects.

The overall order book position is comfortable. However orders for Sugar Segment, which is still suffering from over capacity continue to be unsatisfactory.



Outlook:

The business outlook for this segment on the whole appears promising, considering the order book position at the start of the year 2004-2005. More emphasis will be given for improving the share of turnover of jobs for Special, General Engineering Products and Mineral Processing divisions, having better value addition.

In the case of Boiler Division, we are exploring the possibilities of entering into other related product lines like Fluidized Bed, Steam Generating Plants and Waste Heat Recovery Plants by establishing technical tie up with some renowned Companies.

Looking to the opportunities available, up-gradation of existing machines and procurement of some new critical machines have been planned during the current year. This will also improve the productivity and cost effectiveness.

5.2.2 Foundry & Machine Shop:

This segment has achieved revenue of Rs.2539 Lakhs as against Rs.1532 lakhs in the previous year. Both the sales turnover and PBT improved as compared to the previous year due to increase in demand for CI & SGI Castings.

Outlook:

The demand for CI & SGI castings has been on increase hence the turnover and PBT is expected to further improve in the ensuing year. With the completion of modernization and up-gradation scheme during the year 2005 the capability of the division will enhance and the division will be in a position to book orders for large size CI & SGI castings which have better margins.

5.2.3 Other Segments:

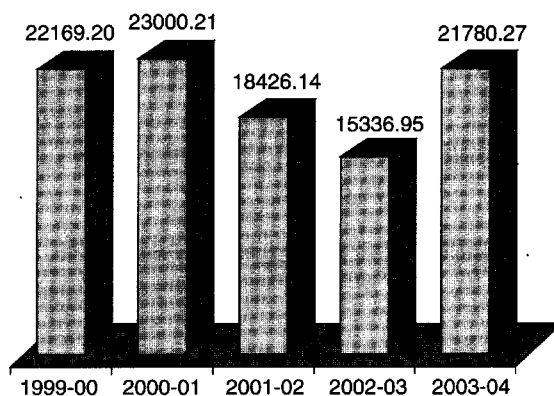
These include (i) the unit at Dharwad for manufacturing Pressure & Temperature Gauges and Sector Mechanisms (ii) Walchand Infotech Services Division (iii) Hospitality business.

The total revenue from these segments was Rs.543 Lakhs for the year 2003-2004 as against Rs.324 lakhs for the year 2002-2003.

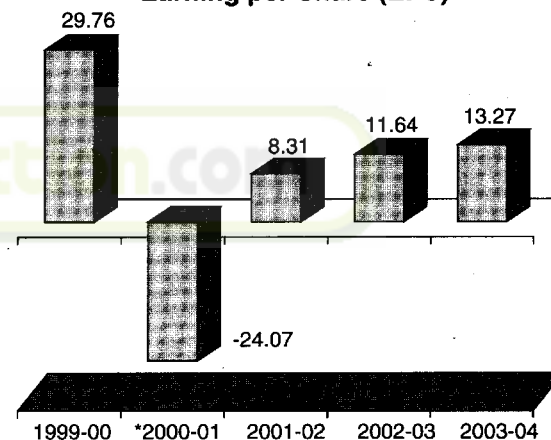
The performance of the unit at Dharwad showed significant improvement during the year 2003-2004 as compared to the previous year due to aggressive marketing efforts of the division.

The performance of the Infotech Services Division was not up to the expectation as the division could not convert the active enquiries for its product (Ex-Scheduler) into orders since the present users are seeking additional features, for making the product more effective. The Division has taken up the work of up-gradation of the product.

Income (Rs. In Lakhs)



Earning per Share (EPS)



* Includes provision for Diminution is value of investment for Rs. 1,231.56 lakhs equivalent to EPS of Rs. 41.56

Book Value Per Share (Rupees)

