



WALCHANDNAGAR INDUSTRIES LIMITED.

ANNUAL REPORT YEAR ENDED 1998-99

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



"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



VINOD L. DOSHI
Chairman Emeritus



A.U. RIJHSINGHANI
Managing Director



P. M. DANDEKAR



ARVIND R. DOSHI



P. K. BASU



A. R. GANDHI



SHARAYU DAFTARY



D. C. JOSHI

OPERATING MANAGEMENT TEAM

VICE PRESIDENTS

Mr. A. R. Sood
Engine & Foundry Divn.

Mr. V. T. Pawar
Management Services Group

Mr. P. V. Kulkarni
Boiler & Gear

Mr. S. S. Gangavati
Sugar Machinery Division

Mr. T. S. Sakethan
Special & General Engineering
Products

Mr. S. P. Gupte
Exports

Mr. P. P. Patkar
Realty

Mr. V. B. Mankar
Business Development

**DY. G.M. FINANCE &
DY. COMPANY SECRETARY**

Mr. S. C. Bhagwat

GENERAL MANAGERS

Mr. T. V. Rudrappa
Engineering & Quality Assurance

Mr. C. L. Suri
Internal Audit

Mr. A. A. Naik
Legal

Mr. A. G. Pradhan
Special Assignments

Mr. A. K. Sood
Gear Division

Mr. V. M. Parthasarthy
Special Product

Dr. R. K. Tiwari
Research & Development & P.M.

Mr. V. G. Ratnaparkhi
General Engg. Products

Mr. P. K. Mahadevan
Materials

Dr. V. P. Desai
Corporate Computer Centre

Mr. J. N. Nandurkar
Personnel & Welfare

Mr. M. H. Purwat
Accounts

Mr. P. Suryanarayan
Boiler

REGISTERED OFFICE/SHARE DEPARTMENT

3, Walchand Terraces,
Tardeo Road,
Mumbai - 400 034.
Tel. No. : 4938866/4932931

MARKETING DIVISION

16, Mahatma Gandhi Road,
Pune 411 001

FACTORIES

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

AUDITORS

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

SOLICITORS

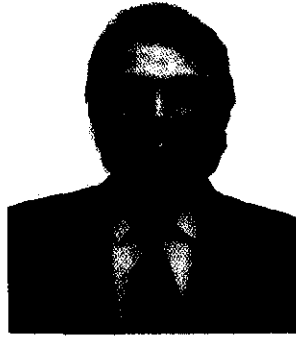
M/s. Daphtary Ferreira & Diwan
M/s. Mulla & Mulla & Craigie Blunt
& Caroe
M/s. Kanga & Co.

PRINCIPAL BANKERS

Bank of India
Syndicate Bank
United Bank of India
Bank of Maharashtra
Canara Bank
Bank of Baroda
Dena Bank

CHAIRMAN'S STATEMENT

Dear Members,



I take pleasure in welcoming you to this 91st Annual General Meeting of the Company.

In the current year, the country had to pass through tough times both on economic and political fronts. The unprovoked aggression in Kargil further aggravated the already grim situation. The adverse environment had its effects on Indian Industry and we were no exception to the same. In fact, under such circumstances Capital Goods industry had to suffer the most. Despite placing firm orders, several customers requested for deferment of execution of the projects as they could not make sufficient funds available.

Ever increasing competition and the present economic situation have made the markets extremely demanding. Now the customer is in no mood to settle for anything less than the very best at the lowest price and within the shortest possible delivery time. In stark contrast to this, cost of several inputs i.e. power, communication, transport and travel, etc. have been sharply increasing. Under the prevailing circumstances, the Company could maintain the profitability before tax at the level of last year by continuous cost reduction measures, economical buying of raw materials and enhancement in productivity.

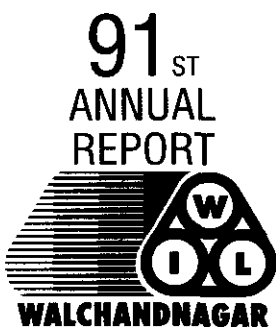
I take pride in informing you that this year, your Company won the Prestigious Technology Absorption Award as a leading Private Sector Industrial Firm having made most significant contribution in Fabrication of Special Hardware for multiple applications and outstanding performance in absorbing and productionising technology development by Defence Research and Development Organisation, Ministry of Defence. This Award was presented by the Hon'ble Prime Minister.

I also wish to inform you that your Company has received ISO-9001 Certificate for its operations at Walchandnagar from Lloyd Register Quality Assurance.

During the current year, the performance of your Company could improve despite continued sluggish scenario in Capital Goods industry by continuous improvement in quality standards, productivity and all out efforts towards customer satisfaction.

Like our country, your Company has many inherent strengths and has withstood ups and downs of time and I am confident of its bright future in the new century.

Chakor L. Doshi
Chairman



NOTICE

NOTICE is hereby given that the 91st Annual General Meeting of the Company will be held as scheduled below :

DAY : Tuesday
 DATE : 8th February, 2000
 TIME : 11.00 A.M.
 PLACE : Walchand Hirachand Hall
 Indian Merchants'
 Chambers Bldg.
 Churchgate
 Mumbai - 400 020.

The Agenda for the Meeting will be as under :

Ordinary Business :

1. To receive and adopt the Directors' Report and Audited Statement of Accounts of the Company for the year ended 30th September, 1999.
2. To declare dividend on Equity Shares for the year ended 30th September, 1999.
3. To appoint a Director in place of Dr. P. K. Basu, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. A. R. Gandhi, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Smt. Sharayu Daftary, who retires by rotation and is eligible for reappointment.
6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special resolution as required under Section 224A of the Companies Act, 1956, for appointment of Auditors:

"RESOLVED that M/s. K. S. Aiyar & Co., Chartered Accountants, Mumbai, be and they are hereby appointed 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. 2,50,000/- (Rupees two lakhs fifty thousand only) and they be paid, in addition, service tax, the out of pocket and/or travelling expenses they may incur while carrying out their duties as such auditors".

Special Business:

7. To consider and if thought fit, to pass with

or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be altered in the following manner:

After Article 54, insert the following Heading and Article as Article 54A:

Nomination/Transmission of Shares

54A. That notwithstanding any provision to the contrary contained in the articles and pursuant to Sections 109A and 109B of the Companies Act, 1956 every holder or joint holder of shares in or Debentures of the Company or Depositor under any fixed deposit scheme of the Company may at any time nominate in the prescribed manner, a person including a minor to whom his or their shares in or debentures of the Company shall vest in the event of his or their death and the provision of Sections 109A and 109B shall apply for registration, transfer or transmission of such shares, debentures or deposits by such Nominee.

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

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any of the Companies Act, 1956 the Articles of Association of the Company be and hereby altered as follows:

- i) Reference to Sections 370, 372 of the Act appearing in Article No. 174(m) & 174(n) to be replaced by Reference to Section 372A of the Act.

By order of the Board

S.C. Bhagwat

DGM(Finance) & Dy. Company Secretary

Registered Office :

3, Walchand Terraces
 Tardeo Road
 Mumbai 400 034

Date: 9th December, 1999.

NOTES:

- (a) Explanatory statement under Section 173(2) of the Companies Act, 1956 in respect of special business items 7 & 8 mentioned above is annexed hereto.
- (b) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday 1st February 2000 to Tuesday, 8th February 2000 (both days inclusive).
- (d) Dividend, if sanctioned, will be paid within the stipulated period to those members whose names stand on the Company's Register as on 8th February 2000.
- (e) Members are requested to notify immediately change in their address, if any, to the Company at its Registered Office specifying therein the Pin Code Number.
- (f) Members are hereby informed that the Company has transferred unpaid dividend up to financial year ending September 1994 to

General Revenue Account of Central Government in accordance with Section 205A(5) of the Companies Act, 1956. It may be noted that these unclaimed Dividends can now be paid by Central Government on application by the members.

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, as amended with effect from 31st October, 1998, dividends for the financial year ended 30th September, 1995 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same under sub-section(1) of the Section, will be transferred to the Investor Education and Protection Fund of the Central Government established under Section 205C of the Act. According to the provisions of the Act as amended, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.

- (g) Under the provisions of the Companies Act, 1956 as amended with effect from 31st October, 1998 shareholders may file Nomination Forms in respect of their shareholdings. Any shareholder willing to avail of this facility may submit to the Company the prescribed form 2B.

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 7

In view of the amendments made to the Companies Act, 1956 by the Companies (Amendment) Act, 1999 it has become imperative to amend the Articles of Association of the Company by inserting an Article No. 54A.

The Companies (Amendment) Act, 1999 inter alia has inserted two new Sections 109A & 109B for appointment of Nominee in respect of shares, debentures or deposits and registration and transmission thereof. Therefore, it is proposed to amend the provisions of the Articles of the Company by insertion of new clause 54A.

A copy of the existing Memorandum and Articles of Association of the Company together with the proposed alterations are available for inspection of the Members at the Registered Office of the Company on any days between 10.30 a.m. to 1.00 p.m. except Saturdays, Sundays and Public Holidays upto the date of the above Annual General Meeting.

None of the Directors of the Company is concerned or interested in the Resolution except as any other individual shareholder of the Company.

Item No. 8

Considering the provisions of the Act as amended to date it is desirable that Articles of Association of the Company should be suitably amended to bring them as much as practicable in line with the provisions of the Act. The proposed special

resolution has to be considered in the above context.

Sections 370 and 372 of the Act have been put out of force with effect from 31-10-98 and effective from the said date in Section viz. Section 372A have been incorporated in the Act relating to making of loans, giving of guarantees and providing securities in connection with loans and making investments in other bodies corporate by the Company. Reference to Sections 370 & 372 in the Articles are therefore being replaced by reference to Section 372A of the Act.

A copy of the Articles of Association of the Company with the proposed alteration will be available for inspection by the Members of the Company at its Registered Office on any day between 10.30 a.m. to 1.00 p.m. except on Saturdays, Sundays and Public Holidays upto the date preceeding the date of Annual General Meeting.

The Board of Directors recommend acceptance of the Special Resolution by the Members.

No Director of the Company is concerned or interested in the Special Resolution.

By order of the Board

S.C. Bhagwat

DGM(Finance) & Dy. Company Secretary

Registered Office :

3, Walchand Terraces
Tardeo Road
Mumbai 400 034

Date: 9th December, 1999.



DIRECTORS' REPORT

To

The Members of

Walchandnagar Industries Ltd

Your Directors have pleasure in presenting the Ninetyfirst Annual Report with Audited Statement of Accounts for the year ended 30th September, 1999.

YEAR IN RETROSPECT

Performance

	30-9-99 Rs. lakhs	30-9-98 Rs. lakhs
Income	21082.86	17690.35
Profit before Depreciation and interest	1391.36	1381.81
Less: - Interest	71.54	74.79
- Depreciation	265.30	261.01
Profit before tax	1054.52	1046.01
Less: Provision for Taxation	316.00	251.00
Profit after tax	738.52	795.01
Add: - Tax Provision written back	—	50.00
- Surplus brought forward from the previous year	822.02	994.89
	1560.54	1839.90

Appropriations :

- Foreign Project Reserve	—	22.00
- General Reserve	600.00	400.00
- Contingency Reserve	—	505.00
- Proposed Dividend	90.14	82.62
- Income Tax on Dividend	9.91	8.26
Surplus carried to Balance Sheet	860.49	822.02

Operations

For the third consecutive year, operations of the Company were affected by recession in the engineering industry. The unstable political situation and aggression in Kargil put further pressure on the economy. The capital goods sector had to bear the main brunt. Despite sharp increase in the cost of power, communication, transport, fuel, etc. the prices of the engineering/capital goods machinery went down eroding margins. Yet on consideration of quality of its products and services, the Company could book and execute several orders although at relatively low margins and thus maintain the Profit Before Tax around the level of the last year. Under the prevailing circumstances, the Company has performed reasonably well during the year under report.

The turnover achieved during the year was Rs. 210.07 crores as compared to Rs. 174.66 crores in previous year. However, as explained above the profit stagnated due to increase in input costs, down-ward trend in prices, and change in product mix. One major factor which affected the profitability by Rs. 168 lakhs was absorption and increase in Excise duty from 13% to 16% in fixed price contracts. But for effective and economical buying of materials, continuous costs reduction measures and productivity enhancement particularly in manufacturing process, the profit for the year would have been even lower.

The performance of Engine & Foundry Division at Satara Road suffered severely during the year due to continued tight conditions in the automobile industry. The additional capacities created on modernisation have remained underutilised for want of orders.

CURRENT YEAR

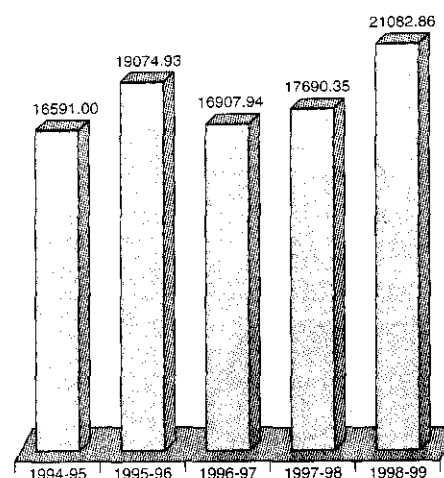
The total order book at the beginning of the current year at Rs. 335 crores is satisfactory. However, from the past experience it is felt that frequent interruption in financial arrangements by customers which affect the performance are unavoidable. The emphasis is continuing on improvement in productivity and control of costs.

EXPORTS

The foreign exchange earnings for the year was at Rs. 519 lakhs as against Rs. 466 lakhs in the previous year. Continuous efforts are being made for increasing the export business by exploring all possible opportunities.

Income

(Rupees in lakhs)



DIVIDEND

Your Directors are pleased to recommend Dividend for the Financial Year 1998-99 on Equity Shares of Rs. 10/- each at Rs. 3.00 per share equivalent to 30% (27.5% in the previous year), aggregating to Rs. 90.14 lakhs.

FINANCE & ACCOUNTS**1. Financial Parameters**

The Debt Equity Ratio has further improved from 0.06 to 0.02. The Earnings Per Share is Rs. 24.58 for the year. The book value per share has also gone up from Rs. 224.53 to Rs. 245.78.

During the year under report, outstanding loans of Rs. 292 lakhs were repaid to the Banks.

2. Fixed Deposits

The total amount of deposits outstanding as on 30-09-1999 was Rs. 3.66 lakhs, which is on account of 70 deposits due for repayment, but not claimed. The Company has sent reminders to these depositors to comply with the procedural formalities for repayment of their deposits.

3. Income Tax Assessments

The Company's Income tax and Wealth tax assessments are completed upto the Assessment Year 1996-97. Assessment for the Assessment year 1997-98 is in progress. Various appeals before the Appellate Authorities are being pursued.

4. Auditor's Report

Observations made by the Auditors in part "d" of their report are suitably clarified under note No. 11 forming part of the Accounts.

PERSONNEL

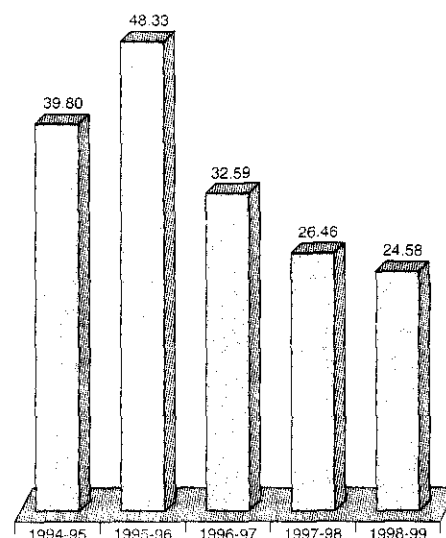
The Board wishes to place on record its appreciation of sustained efforts and valuable contribution made by all the employees of the Company in achieving satisfactory performance during the year.

The harmonious industrial relation climate continued to prevail in all the divisions of the Company. The Company is focussing on training of workmen which has enabled adaption of modern technology, upgrading skills, inter personal developments and productivity at our works.

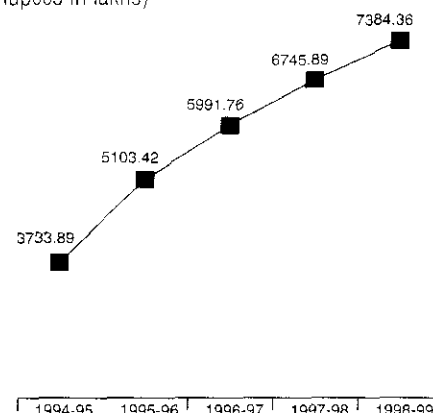
Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees), Rules 1975 and under Section 217(1)(e) of the said Act read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, form part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts is being sent to all the shareholders of the Company excluding the aforesaid information. Such information will be made available for inspection to the members

Earnings Per Share (EPS)

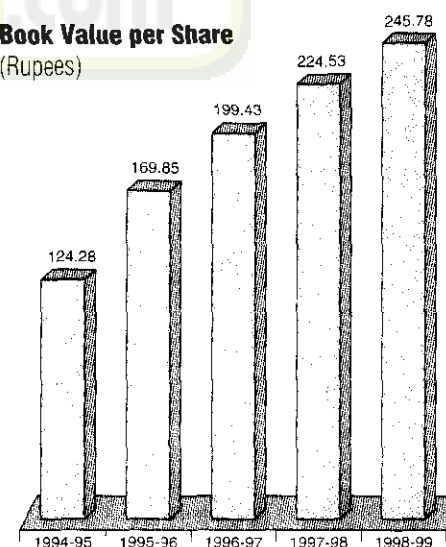
(Rupees)

**Shareholders' Net Worth**

(Rupees in lakhs)

**Book Value per Share**

(Rupees)



from 17-1-2000 to 8-2-2000 during business hours on the working days till 91st Annual General Meeting. Any shareholder interested in obtaining such particulars may write to the Company at the Registered Office of the Company.

YEAR 2000 (Y2K) PREPAREDNESS

The Company's operation and information processing have been so designed/modified that it shall not have any problems on account of Y2K issue.

QUALITY ISO-9001 CERTIFICATION

Your Company has been consistently maintaining and enjoying the reputation of being the manufacturer of high quality products. You will be pleased to know that the Company has received ISO-9001 Certification for its operations at Walchandnagar from Lloyds Register Quality Assurance.

RECOGNITION

Your Company has been awarded Technology Absorption Award as leading private sector industrial firm for significant contribution to Defence Research and Development Organisation, Ministry of Defence. This award was presented to the Company by Honourable Prime Minister of India.

SUBSIDIARY

As required by the Companies Act, 1956, the Annual Report and Accounts of the Company's Subsidiary M/s. Walchand Tandur Cement Company Ltd. for the year ended 31st March, 1999 are annexed to this report.

ADDITIONAL INFORMATION

Additional information required by the Companies (Amendment) Act, 1988 regarding conservation of energy, technology absorption, foreign exchange earnings and out-go is given in the annexure to this Report.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and Article 149 of Articles of Association of the Company, Dr. P.K. Basu, Mr. A.R. Gandhi and Smt. Sharayu Daftary, are due to retire by rotation at the 91st Annual General Meeting. Dr. P.K. Basu, Mr. A.R. Gandhi and Smt. Sharayu Daftary, being eligible offer themselves for re-appointment.

AUDITORS

M/s. K.S. Aiyar & Co., Chartered Accountants, Auditors of the Company will retire at the ensuing Annual General Meeting and they being eligible have offered themselves for reappointment. The members are requested to appoint the Auditors and fix their remuneration.

ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation of the assistance and co-operation that the Company has been receiving from the banks from time to time.

Your Directors also would like to thank the customers, suppliers and the shareholders for their continued support and co-operation.

For & on behalf of the
Board of Directors



Chakor L. Doshi
Chairman

Registered Office :

3, Walchand Terraces
Tardeo Road
Mumbai 400 034

Date: 9th December, 1999

ANNEXURE TO THE DIRECTORS' REPORT (ADDITIONAL INFORMATION GIVEN IN TERMS OF NOTIFICATION NO. 1029 OF 31-12-1988 ISSUED BY THE DEPARTMENT OF COMPANY AFFAIRS)

(DISCLOSURES)

(A) CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

- Three new screw compressors have been installed in place of old inefficient reciprocating compressors.
- Distribution system has been modified and corrected for reduction in pressure drop.
- Energy saving tubelights from Philips have been installed at Walchandnagar.
- Solar water heaters have been installed in the Guest House, Hospital and Hostel.
- Compressed air distribution system has been modified for energy saving.

(b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy:

- Proposal for a new compressed air management control system is under consideration.
- Proposal for on-load tap-changing transformer for power distribution.
- Low current energy efficient lamps are proposed in place of old panel indicating lamps.

(c) Impacts of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods:

- As a result of measures stated in (a) above, there will be reduction in energy consumption, which will help in reducing the cost of production.
- The proposal indicated in (b) above would result in conservation of energy further.

(B) TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

(1) Specific areas in which R&D has been carried out by the Company:

- New product development
- Import substitution
- Process/equipment developments
- Value engineering and value analysis (VEVA).

(2) Benefits derived as a result of above R&D:

The following items have been developed in R&D :

- Development of the trash threshing unit shiver has been completed. The unit is undergoing extensive field trials.
- A batch type, 1750 Kg/charge, flat bottom fully automatic, recycling type machine has been developed. It is the largest indigenously developed machine that consumes less power per ton massecuite per hour.
- A new sugar wash manifold has been developed for batch type centrifugal machine and installed at many sites.
- One of the largest milling plant of $\phi 42'' \times 84''$ size has been designed and developed for the first time. Crushing trial of the plant is in progress.
- A planetary gear box of 250 HP & 6000/30000 RPM has been developed as an import substitute.
- A remote operated turning gear has been developed for marine gear box for the first time.
- Development of Hi-Tech fabrication technology involving automatic TIG welding, heat treatment and precision machining of new generation high strength Silicon Steel (DMR-1700) is in progress.

