

103rd ANNUAL REPORT 2010-2011



A Tradition of Engineering Excellence

WALCHANDNAGAR INDUSTRIES LIMITED



SETH WALCHAND HIRACHAND

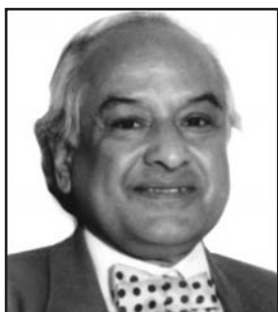
Seth Walchand Hirachand's life was truly a triumph of persistence over adversity.

Sardar Vallabbhai Patel

Board of Directors



Chakor L. Doshi
Chairman



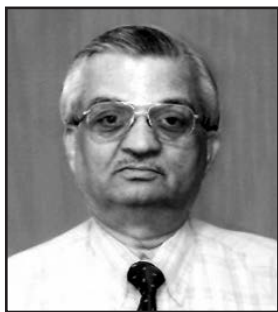
Dr. P. K. Basu
Director



Dilip J. Thakkar
Director



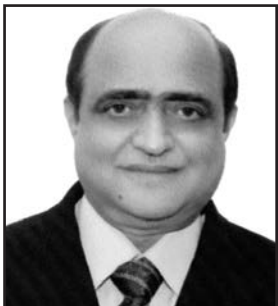
A. U. Rijhsinghani
Director



Dr. Anil Kakodkar
Director



G. N. Bajpai
Director



J. L. Deshmukh
Managing Director & CEO



Chirag C. Doshi
Managing Director

Corporate Information

Registered Office

Walchandnagar Industries Ltd.
3, Walchand Terraces,
Tardeo Road,
Mumbai - 400 034
Tel. No. (022) 4028 7109 / 2369 2295

Pune Offices

Walchand House
167A, 2/8+2/9,
Karve Road, Kothrud, Pune - 411 038
Tel. No. (020) 3025 2400

Walchand Technology Centre
15/1/B, G. A. Kulkarni Path,
Kothrud, Pune - 411 038

Factories

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

Compliance Officer

Mr. G. S. Agrawal
Vice President (Legal & Taxation) and Company Secretary

Registrar & Share Transfer Agents

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078.
Tel. No. (022) 2596 3838
Fax No. (022) 2594 6969
E-mail: mumbai@linkintime.co.in

Auditors

K.S. Aiyar & Co.,
Chartered Accountants

Principal Bankers

State Bank of India
Bank of India
ING Vysya Bank Ltd.
The Hongkong & Shanghai Banking Corporation Ltd.

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Letter from the Chairman



Dear Members,

It gives me great pleasure to welcome you all to this 103rd Annual General Meeting and present the Annual Report of your Company.

The year under report of your Company has shown highest revenue of ₹ 964 crores with exports of ₹ 137 crores, again, highest so far. The profitability was affected due to various execution reasons including customer's problems resulting into cost overruns and blockage of funds in working capital.

Considering the strong order book position of over ₹ 2200 crores as on 30th September 2011 and business opportunities in Nuclear, Defence and Aerospace segments, Directors of your Company have maintained recommendation of dividend at 50%.

Various steps continued to be taken to augment manufacturing capacities and the organization structure is being considerably strengthened by recruiting critical skills. This will enhance our ability to handle growth opportunities.

I thank you for your continued support and expect similar confidence in future.

Thank you,



Chakor L. Doshi

Chairman

Notice

Notice is hereby given that the 103rd Annual General Meeting of members of Walchandnagar Industries Limited will be held as scheduled below:

Day : Thursday
Date : 9th February, 2012
Time : 4.00 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, 2011 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, 2011.
3. To appoint a Director in place of Mr. A. U. Rijhsinghani, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Chakor L. Doshi, who retires by rotation and being eligible, offers himself for reappointment.
5. To consider and if thought fit, to pass with or without modification(s), 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 to be fixed by the Board of Directors of the Company."

Special Business:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution:

"RESOLVED THAT in supersession of the earlier Resolution passed at the Ninety Seventh Annual General Meeting held on 16th January, 2006, the Consent of the Company under Section 293(1)(d) of the Companies Act, 1956, be and is hereby given to the Board of Directors of the Company to borrow from time to time from any one or more Company's bankers and/or from any one or more other banks, persons, firms, bodies corporate or Indian or Foreign financial institutions, whether by way of term loans, advances or deposits, loans or bill discounting, issue of debentures, furnishing of guarantees or otherwise whether unsecured or secured by mortgage, charge, hypothecation, lien or pledge of the Company's assets and properties, whether immovable or movable and all or any of the undertaking (s) of the Company, any sum or

sums of monies together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) which may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the maximum amount of monies so borrowed by the Board shall not at any time exceed the limit of Rs. 800 Crores (Rupees Eight Hundred Crores), notwithstanding that the monies to be borrowed together with already borrowed by the Company (apart from such temporary loans obtained or to be obtained from Company's bankers) will or may exceed the aggregate of the paid up capital and free reserves, that is to say, reserves not set apart for any specific purpose.

RESOLVED FURTHER THAT the Company hereby accords it consent under Section 293(1)(a) of the Companies Act, 1956, to mortgage and/or to charge in any manner all or any of the immovable and/or movable properties including outstanding monies, receivables, claims, bills, documents, contracts, engagements, securities, investments and rights of the Company, both present and future, or the whole or substantially the whole of the undertaking or undertakings of the Company for securing any loan obtained or as may be obtained from such Bank or Consortium of Banks or Financial Institutions, or Fund or any other bodies together with interest, costs, charges, expenses and any other money payable by the Company on such terms and conditions as the Board of Directors deem fit in the interest of the Company."

By order of the Board

G. S. Agrawal
Vice President (Legal & Taxation) &
Company Secretary

Registered Office:

3, Walchand Terraces
Tardeo Road
Mumbai 400 034

Date : 22nd November, 2011

Notes:

- (a) An Explanatory Statement under Section 173(2) of the Companies Act, 1956 in respect of special business in respect of item No. 6 mentioned above is annexed hereto.
- (b) **A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll 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.**
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 3rd February, 2012 to Thursday, the 9th February, 2012. (both days inclusive).

- (d) The Dividend, if declared at the meeting, will be paid on 21.02.2012 i.e. within the stipulated period, to those members who hold shares in Physical Form and whose names appear on the Company's Register of members as on 9th February, 2012. In respect of Shares held in Electronic Form, the dividend will be paid to the beneficial owners as per details to be furnished by the Depositories for this purpose at the end of business hours on 2nd February, 2012.
- (e) 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 Link Intime India Pvt. 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.
- (f) Members who have not encashed their dividend warrants for the financial years ended 30th September 2004 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 Investors Education and Protection Fund (IEPF) as above, no claim shall lie against the Company or the IEPF in respect thereof.
- (g) In terms of the amended Clause 5A of the Listing Agreement, the Company is taking steps to issue notices to the concerned shareholders before transferring the unclaimed shares to the Unclaimed Suspense Account. The Shareholders are requested to claim their Split and Bonus share certificates issued to them by the Company in physical form, who has not yet collected the same. Concerned shareholders are requested to contact the Company at the aforesaid address and lodge their claim for the said shares. The said compliance has also been incorporated in Corporate Governance Report annexed to the Annual Report.
- (h) SEBI vide circular dated May 20, 2009 has made it mandatory for transferees requesting for transfer of shares of listed companies in physical form, to furnish a copy of their PAN, duly self attested to the Company/RTA, whilst lodgment of such shares.
- (i) SEBI vide circular dated January 7, 2010 has made it mandatory for legal heir(s) to furnish a copy of their PAN, duly self attested in the following cases in respect of shares of listed companies held in physical form:
- Deletion of name of the deceased shareholder(s), where the shares are held in the names of two or more shareholders;
 - Transmission of shares in favour of legal heir(s), where deceased shareholder was the sole holder of shares; and
 - Transposition of shares, when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.
- (j) Ministry of Corporate Affairs (MCA) vide circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively have clarified that a company would be deemed to have complied with the provisions of Sections 53 and 219(1) of the Companies Act, 1956, if documents like notices, annual reports, etc. are sent in electronic form to its Members.
- Accordingly, the said documents of the Company for the financial year ended September 30, 2011 will be sent in electronic form to those Members who have registered their e-mail address with their DP and made available to the Company by the Depositories.
- However, in case a Member wishes to receive a physical copy of the said documents, he is requested to send an e-mail to walchandnagargogreen@linkintime.co.in / investors@walchand.com duly quoting his DP ID and Client ID or the Folio number, as the case may be.
- Members holding shares in physical form are requested to submit their e-mail address to the Registrar, Link Intime India Private Ltd. / the Company, duly quoting their Folio number and Members holding shares in electronic form who have not registered their e-mail address with their DP are requested to do so at the earliest, so as to enable the Company to send the said documents in electronic form, thereby supporting the green initiative of the MCA. Please refer to the letter enclosed with the Report. Please note that the said documents will be uploaded on the website of the Company viz. www.walchand.com.
- (k) Members, who hold shares in De-materialized form, are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
- (l) 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.
- (m) Members / Proxy Holders are requested to produce at the entrance of the hall admission slips duly completed and signed, in accordance with the specimen signature registered with the Company for admission to the Meeting Hall.
- (n) Mr. A. U. Rijhsinghani and Mr. Chakor L. Doshi, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, the details of their qualifications and experience, and names of the other public Companies in which they hold Directorships and Memberships/ Chairmanships of Board and its Committees, as stipulated under Clause 49 of the Listing Agreement with Stock Exchange are provided in the Report on Corporate Governance forming part of Annual Report. The Board of Directors recommends their re-appointments.
- (o) Information on shareholding of non-executive directors proposed to be appointed / re-appointed are as under:
- Mr. Chakor L. Doshi holds 55,930 equity shares in the Company.
- (p) Documents relating to the items mentioned in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company on any working day (except Saturday and Sunday) during business hours from 10.30 a.m. to 12.30 p.m.

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

Item No. 6

At 97th Annual General Meeting of the Company held on 16th January, 2006, the shareholders of the Company had by passing an Ordinary resolution enhanced the borrowing limits to Rs. 400 Crores and empowered the Board of Directors to borrow money for the purpose of the Company under Section 293(1)(d) of Companies Act, 1956 upto a limit of Rs. 400 Crores. For the reason stated below, it is desirable to increase the limit of such borrowing (apart from such temporary loans obtained or to be obtained from Company's bankers) to Rs. 800 Crores.

The turnover of the Company has been growing during last few years. The trend is likely to continue in near future. The Company has undertaken modernization / upgradation and expansion of manufacturing facilities, providing infrastructure and construction of modern residential accommodation at Walchandnagar and for Foundry Division located at Satara Road. The Company also plans to install manufacturing facilities, providing infrastructure, and to construct residential quarters etc. at Dahej, Gujarat and set up Corporate Office in Mumbai. The Company has been in talks with various banks for obtaining funds to meet its additional working capital requirements and also to finance capital expenditure programme at competitive terms and conditions. In efforts to raise long term resources, the Company would be required to mortgage or create a charge on the entire or part of movable

and/or immovable properties of the company, both present and future in favour of one or more Company's bankers and/or any one or more other banks, persons, firms, bodies corporate or Indian or Foreign financial institutions. For the creation of mortgage or charge by the Company on its movable and/or immovable properties as aforesaid in favour of any Bank(s) or persons, firms, bodies corporate or Indian or Foreign financial institutions, it is necessary for the members to pass the resolution under Section 293(1)(a) of the Companies Act, 1956.

The Board recommends, the resolution set out in the Item No. 6 as Ordinary resolution for approval of the shareholders of the Company.

None of the Directors of the Company is interested in the above Resolution.

By order of the Board

G. S. Agrawal
*Vice President (Legal & Taxation) &
Company Secretary*

Registered Office:

3, Walchand Terraces
Tardeo Road
Mumbai 400 034

Date : 22nd November, 2011

Directors' Report

To:
The Members of
Walchandnagar Industries Limited

Your directors have pleasure in presenting the 103rd Annual Report with Audited Statement of Accounts for the year ended 30th September 2011.

1. Performance for the Year in Retrospect:

	Year ended 30.09.2011 ₹ in Lakhs	Year ended 30.09.2010 ₹ in Lakhs
Income:	96,435	69,368
Profit before Depreciation, Interest, Exceptional Item and Exchange currency fluctuations	6,152	3,891
Less: Interest	1,879	749
Depreciation	1,589	1,335
Exceptional Item	—	113
Profit before Exchange Currency fluctuations	2,684	1,694
Less: Exchange Currency Fluctuations Loss/(Gain)	989	(496)
Profit before Tax	1,695	2,190
* Less: Tax (Net)	415	(39)
Profit after Tax	1,280	2,229
Surplus brought forward from the previous year	11,454	9,892
	12,734	12,121
Appropriations:		
– General Reserve	128	223
– Proposed Dividend	381	381
– Income Tax on Proposed Dividend	62	63
Surplus carried to Balance Sheet	12,163	11,454

* In previous year, the PAT has the impact of the reversal of deferred tax liability created in earlier years upon final settlement of the dispute with Projects & Equipment Corporation (PEC) in the Matter of Cement Project at Padang Indonesia worth ₹ 544 Lakhs.

During the year under review the income of the Company showed growth from ₹ 693.68 Crores to ₹ 964.35 Crores. This reflects a rise of 39% over the previous year. However, profit before tax declined from ₹ 21.90 Crores to ₹ 16.95 Crores due to increase in fixed costs in respect of interest, depreciation, manpower and administrative costs, as well as foreign exchange currency fluctuations loss of ₹ 9.89 Crores.

The profitability has also impact of low value addition on orders received in tough competition.

2. Current Year:

The orders on hand as on 30.09.2011 were at ₹ 2205 Crores as compared to ₹ 2452 Crores as on 30.09.2010.

3. Exports and Overseas Projects:

During the year the Company achieved the export turnover of ₹ 137 Crores as against ₹ 60 Crores, in the previous year. The export orders on hand as on 30.09.2011 are at ₹ 576 Crores. During the year, the Company executed orders for Sugar & Boiler projects in Ethiopia, Cement machinery in Tanzania and Mali.

4. Dividend:

Your Directors are pleased to recommend Dividend for the financial year 2010-2011 on Equity Shares of ₹ 2/- each at ₹ 1.00 per share equivalent to 50% (50% in the previous year) aggregating to ₹ 380.70 Lakhs. The Dividend Distribution Tax thereon works out to ₹ 61.76 Lakhs.

5. Management Discussion & Analysis:

Detailed Management Discussion and Analysis is enclosed by way of Annexure 'A' to this report.

6. Finance & Accounts:

(i) Fixed Deposits:

The fixed deposits received from the shareholders and the public, outstanding as on 30th September, 2011, were at ₹ 0.70 Lakhs. Deposits due for repayment during the year have been paid in time and no deposits which were due for payment have remained unpaid as on 30th September, 2011.

(ii) Income Tax Assessments:

The Company's Income Tax and Wealth Tax Assessments are completed up to the Assessment Year 2008-09. Assessment for the Assessment year 2009-10 is in progress. Various appeals before Appellate Authorities are being pursued.

(iii) Auditors Report:

Observations made by the auditors in Clause No. 4(vi) of their report are suitably clarified under Note No. D-3(iii) of schedule 'O' forming part of the Accounts.

7. Human Resources Development:

Your Company is a strong value based organization with a culture that promotes openness, empowerment and freedom to work. The organization believes that human capital is the key differentiator in business in a challenging and competitive environment. The Human Resource Practices of the Company are focused on Talent Identification, Induction, Development & Retention. In addition, to cater to the future growth of the business, we are working with a reputed HR consultant to restructure the organization and further improve HR processes within the Company. The Company received "Best

Human Response" Award from Maharashtra Chamber of Commerce, Industries and Agriculture for its exemplary work in maintaining excellent employer employee relations and high ethical HR Practices.

Learning & Development Capability:

The Company undertakes continuous training & learning programs involving employees and officers. This includes programs to supplement / augment job related skills as well as programs to address the personality development aspects.

8. Directors' Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- (i) In preparation of the Annual Report, the Accounting Standards laid down by the Institute of Chartered Accountants of India have been followed.
- (ii) Appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgment applied consistently, and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at 30th September, 2011 and the profit of the Company for the year ended on that date.
- (iii) Proper and sufficient care has been taken for maintenance of appropriate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities.
- (iv) The annual accounts have been prepared on a going concern basis.
- (v) The observations of the Auditors in their Report to the members have been adequately dealt with in the relevant Notes to the Accounts. Hence, no additional explanation is considered necessary.

9. Corporate Governance:

Your Company believes that Corporate Governance is the basis of stakeholder satisfaction. The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance Requirements as set out by SEBI. Your Company has obtained a certification from K. S. Aiyar & Company, Chartered Accountants, Statutory Auditors, on compliance with clause 49 of the listing agreement. With a view to strengthen the Corporate Governance framework, the Ministry of Corporate Affairs has incorporated certain provisions in the Companies Bill 2009. The Company is evaluating the feasibility of these guidelines for its progressive implementation. Corporate Governance is also related to Innovation and strategy, as the organization's ideas of Innovation and strategies are driven to enhance stakeholder satisfaction. The Report of Corporate Governance along with Certificate from the auditors of the Company regarding compliance of conditions of corporate governance is enclosed by way of Annexure 'B' to this Report.

10. Social Responsibility:

Over the years, the Company has taken and continues to take several initiatives in order to fulfill its corporate social commitments.

Health:

To create health awareness in the township and nearby villages, the Company continued to organize various health schemes during the year. This year, free orthopedic checkup camp, free health checkup camp, eye checkup camp and dental checkup for school children were organized. This year, the Ergonomic and Obesity sessions and Blood Donation Camps were also arranged.

Education:

The schools established by the Company continued to impart education up to Higher Secondary grade to children staying in Walchandnagar and the children staying in nearby villages. The Company has kept the admission in the schools open for children from nearby villages in addition to children of employees.

Environment:

To maintain the pollution free atmosphere and to spread awareness about environment protection, we have undertaken tree plantation involving school children and other social institutes.

Encouraging young talents in the sports field:

As a part of our commitment to the Society, your Company has been sponsoring All-India Ranking National Tennis Tournaments in Pune for boys and girls below 16 years of age for the past 4 years.

This year also this Tournament was held in Pune from 9th November to 12th November 2011, wherein, prominent ranking tennis players participated from all over India.

11. Energy, Technology & Foreign Exchange:

Pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, information on conservation of energy, technology absorption, foreign exchange earnings and out-go is given in the Annexure 'C' to this Report.

12. Personnel:

Employee relations remained harmonious and satisfactory during the year and your Board would like to place on record sincere appreciation for sustained efforts and valued contribution towards growth initiative made by all the employees of the Company. New Wage Settlement Agreement entered into with Union in May 2011 for a period of 3 years.

Information as per amended Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and