

5th Annual Report

2012-13



Welspun Investments and Commercials Limited

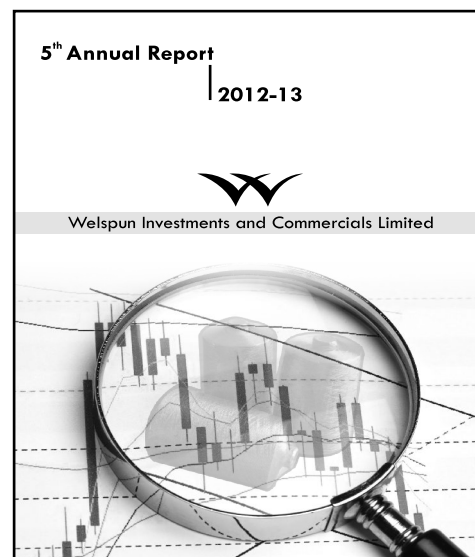




WELSPUN INVESTMENTS AND COMMERCIALS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS:	L. T. Hotwani Arun Tadarwal Raj Kumar Jain Atul Desai
AUDIT COMMITTEE:	Raj Kumar Jain Arun Tadarwal Atul Desai
SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE:	L. T. Hotwani Arun Tadarwal Atul Desai
COMPANY SECRETARY:	Jeevan Mondkar
STATUTORY AUDITORS:	Suresh Surana & Associates, Chartered Accountants
REGISTERED OFFICE:	Welspun City, Village Versamedi, Tal : Anjar, Dist. Kutch, Gujarat – 370 110 Tel: +91-2836- 661111 Fax : +91-2836-279010
CORPORATE OFFICE:	Welspun House, 7th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013. Tel : +91-22- 66136000 Fax : + 91-22-24908020
REGISTRAR AND TRANSFER AGENTS:	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West) Mumbai – 400 078.
BANKERS:	Punjab National Bank IndusInd Bank Limited Axis Bank
WEBSITE:	www.welspuninvestments.com
EQUITY SHARES LISTED AT:	Bombay Stock Exchange Limited National Stock Exchange of India Limited



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NOTICE

NOTICE is hereby given that the 5th Annual General Meeting of Welspun Investments and Commercials Limited will be held on Friday, August 30, 2013 at the Registered Office of the Company at Welspun City, Village Versamedi, Tal : Anjar, Dist. Kutch, Gujarat – 370 110 at 12.15.p. m. to transact the following business:

Ordinary Business:

- 1] To receive, consider and adopt the audited Balance Sheet as at March 31, 2013, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2] To appoint a director in place of Mr. L.T. Hotwani, who retires by rotation, and being eligible offers himself for re- appointment.
- 3] To appoint M/s. Suresh Surana & Associates, Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

By Order of the Board of Directors

Jeevan Mondkar
Company Secretary

Place: Mumbai

Date: May 15, 2013

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and Transfer Books of the Company will be closed from Friday, August 23, 2013 to Friday, August 30, 2013 (both days inclusive) for the purpose of Annual General Meeting.
3. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a duly certified copy of the Board resolution/Power of Attorney authorising their representative to attend and vote on their behalf at the Meeting.
4. Members are requested to notify change in address, signature or bank particulars for their shares held in electronic mode to their respective depository participant and for physical holding to the Registrar and Share Transfer Agents of the Company. i.e. M/s Link Intime Private Limited.
5. Members are requested to bring their copy of the Annual Report at the Meeting.
6. Members/Proxies should bring their attendance slips duly completed for attending the Meeting.
7. To support the Green Initiative in Corporate Governance taken by the Ministry of Corporate Affairs by allowing paperless compliances and stating that service of notices/documents including Annual Reports can be effected by sending the same through electronic mode to the registered email addresses of the shareholders. Notices /documents including the Annual Report are now being sent by electronic mode to the shareholders whose email addresses have been registered with the Company. Members who would like to receive such notices/documents in electronic mode in lieu of physical copy and who have not registered their email addresses so far are requested to register their email addresses:

In respect of electronic shareholding holding- through their respective Depository Participant.

In respect of physical shareholding- by sending a request to the Company's registrar and Share Transfer Agent, mentioning therein folio number and email address.



ANNEXURE TO THE NOTICE :

BRIEF RESUME OF DIRECTOR SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT.

ITEM NO. 2 :

As regards re-appointment of Mr. L.T. Hotwani referred to in item no. 2 of the notice, following necessary disclosures are made for the information of the shareholders:

Mr. L.T. Hotwani, aged 60 years, is a non-executive director. He has over 39 years of experience at senior level in various areas like supply chain, accounts, finance, taxation, commercials etc. He has been with Welspun Group since 1991.

Details of directorship / membership of the Committees of the Board of other companies are as under:

Directorship:

- i) Krishiraj Trading Ltd,
- ii) Mertz Securitates Ltd.,
- iii) Vipuna Trading Ltd.,
- iv) Goodvalue Polyplast Ltd.
- v) Welspun Mercantile Ltd.
- vi) Welspun Finance Ltd.
- vii) Alspun Infrastructure Limited
- viii) Welspun Pipes Limited

Membership of committees of the Board in other companies : Nil

He does not hold any equity shares in the Company.

By Order of the Board of Directors

Jeevan Mondkar
Company Secretary

Place: Mumbai

Date: May 15, 2013



DIRECTORS' REPORT

Dear Members,
WELSPUN INVESTMENTS AND COMMERCIALS LIMITED.

The Directors of your Company are pleased to present their 5th Annual Report together with Audited Statement of Accounts for the year ended March 31, 2013.

1. WORKING RESULTS:

The working results of the Company for the year under report are as under:

	2012-13 (Rs.)	2011-12 (Rs.)
Income	28,999,094	66,865,978
Expenditure	23,546,022	57,122,920
Profit Before taxation	5,453,072	9,743,058
Provision for current taxation	(254,237)	(23,234)
Profit After Taxation	5,198,835	9,719,824
Profit available for appropriation	5,198,835	9,719,824
Balance b/f for Previous Year	35,041,033	25,321,209
Balance Carried to Balance Sheet	40,239,868	35,041,033

2. DIVIDEND:

In order to conserve resources for the future, your directors do not recommend any dividend for the period ended March 31 2013. The directors expects that this will increase shareholders' value in the long term.

3. DIRECTORS:

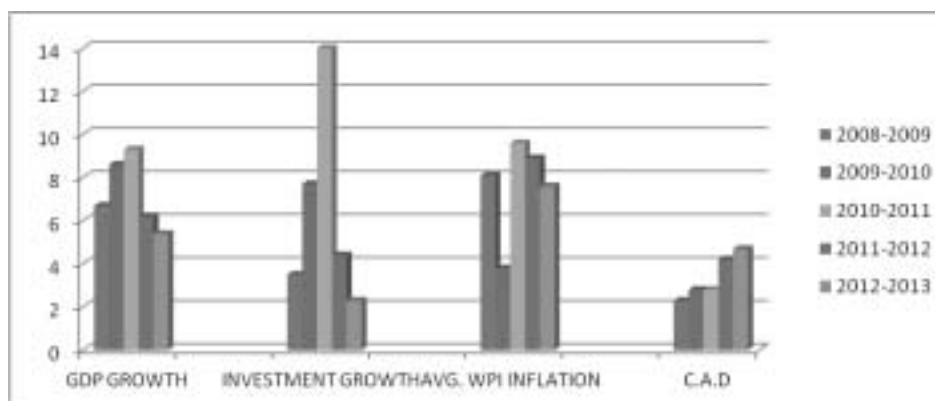
In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. L.T. Hotwani, a director liable to retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer himself for re-appointment. The Board of Directors recommends his appointment for approval of the shareholders of the Company.

Brief resume of Mr. Hotwani proposed to be re-appointed is provided in the Notice for convening the Annual General Meeting.

4. MANAGEMENT DISCUSSION AND ANALYSIS

a. Industry Structure and Developments

For the Indian economy, the slowdown in growth that began in FY12 continued in FY13. For FY13, the growth rate of real GDP is estimated at 5.0 percent, the slowest pace in a decade. The slowdown has been broad-based, affecting all major sectors of economic activity. Slowdown in industrial sector growth which started in FY12 weaknesses continued in FY13, bringing down the average industrial growth to 3.3 percent from an average of 9.2 percent during the preceding two years. Continued weakness in the industrial sector dragged down growth in services as well, bringing down its projected rate of growth an 11-year low of 6.6 per-cent. Although persistent weakness in the global environment contributed to the slowdown in growth, the adverse contagion effects from the Eurozone debt crisis explain only a small part of the overall deceleration. (See figure below) The key challenges facing the economy included a record current account deficit coupled with a high fiscal deficit and stubbornly high inflation, with the Reserve Bank of India (RBI) finding it difficult to strike a balance between monetary stimulus and price restraint.



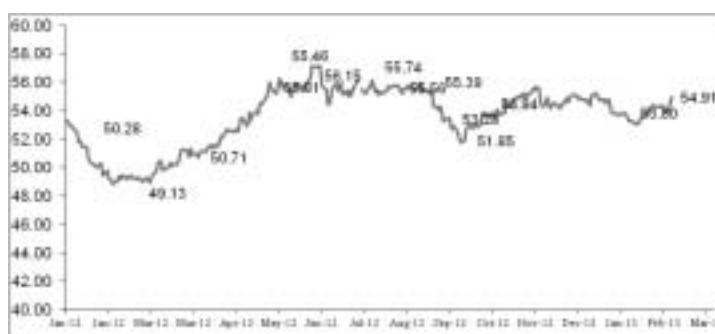
Source: RBI



Recovery in 2013-14 is expected to be modest. Subdued domestic business confidence, coupled with supply constraints, such as shortage of coal and natural gas, stoppage of mining in some states and delays in commissioning of large projects are expected to drag down growth for some more time. However, there is reason for optimism. Pick up of growth in consumption expenditure and gross fixed capital formation in the second half of FY13 suggest that the slowdown in demand may be bottoming out. With output growth slowing, headline inflation has fallen to its lowest level in over three years. This has prompted RBI to lower policy rates twice in the last quarter of FY13 and to follow it up with another cut in the first quarter of FY14. With interest rates on a downward trajectory, investment is expected to pick up. Policy action to reduce fuel subsidies and the recently presented fiscal 2014 Union Budget has reaffirmed the government's commitment to fiscal consolidation.

The Foreign Exchange

The Indian Rupee has been very volatile against the US dollar and other major currencies over the last year. Against the US dollar, from a high of 49.13 in April 2012, it depreciated sharply to around 56 levels in June 2012. It started appreciating post-June, reaching 51.85 in October 2012. But since then, the rupee has weakened closing the financial year at close to 55 levels. This volatility has created further uncertainty for companies, affecting both Importers and Exporters in equal measure. The figure below shows the price fluctuations during the year.



b. Business Overview

As the name reflects, Welspun Investments and Commercials Ltd, the business of the Company which is into a combination of trading activities and investment holding company with major size to be of trading activities, having investments predominantly in Welspun Group companies, which are engaged in the business of SAW Pipes & Plates, Infra, Steel, Home Textiles and Energy. The profitability from the investment activity is linked to the performance of the investee Company as well as fluctuations in the quotations on the stock markets. The Company also holds investments in bonds. The Company also deals in commodities in domestic as well as international market.

c. Outlook

The Company will continue to focus on its trading activities and making long term strategic investments in various existing/new ventures, besides consolidating the existing investments as and when the resources and opportunities are available going forward.

The economic situation continues to remain difficult. There seems little to suggest that governance at the level of centre and the states of India will improve sufficiently to re- create the investment climate.

d. Opportunity & Threats

The cut throat competition in trading activities is the major threat faced by the Company in the trading segment. Higher inflation is also a major challenge faced by trading business.

Various economic reforms announced by the Government are expected to boost investment and, it is hoped, rejuvenate the economy to provide business potential to the Company.

The Company is dependent on dividends and distributions from our investments. Thus, failure of the investee companies to be profitable, or inability of any of the investee companies to pay dividend could impact the revenue stream of the Company.

e. Internal control systems and their adequacy

The adequacy of the internal control system is reviewed by the Audit Committee of the Board of Directors. The emphasis on internal controls prevails across functions and processes, covering entire gamut of various activities. Your Company has taken proper and sufficient care for the maintenance of adequate accounting records as required by various Statutes.

Internal Auditors, the Audit Committee and Statutory Auditors have full and free access to all the information and records as considered necessary to carry out their responsibilities.

f. Cautionary Statement

The information and opinion expressed in this report may contain certain forward looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements, risks and opportunities could differ materially from



those expressed or implied in this report. This should be read in conjunction with the Company's financial statements.

5. DISCUSSION OF FINANCIAL PERFORMANCE

- a. Revenue: During FY13 the revenue from operations was Rs. 28.99 million as compared to Rs. 66.86 million in FY12. The Company is capitalizing on the opportunity to build on a strong trading business and at the same time focusing on its investment activities yielding market realistic returns. The Company's strong in-house capabilities give it a competitive edge in the industry.
- b. Purchases of Stock in Trade: The purchase of stock in trade was Rs. 16.36 million in FY13 as compared to Rs. 40.28 million in FY12.
- c. Employee Benefit Expenses: The Employee Benefit Expense was at Rs. 1.84 million in FY13 as compared to Rs. 1.77 million in FY12 showing a marginal increase.
- d. Interest Cost: The Interest expense was Rs. 3.36 million in FY13 as compared to Rs. 13.19 million in FY12.
- e. Other Expenses: The other expenses were Rs. 1.96 million in FY13 as compared to Rs. 1.87 million in FY 12 showing a marginal rise compared to last year.
- f. Profit (Loss) before Tax: The Profit before tax stands at Rs. 5.45 million in FY13 as compared to Rs.9.74 million in FY 12.
- g. Profit (Loss) After Tax : The Profit after tax in FY13 stands at Rs. 5.19 million as compared to Rs.9.71 million in FY12. The PAT margin in FY 13 was 18% as compared to 15% in FY12 which reflects better margins made during the year.
- h. Networth: The Networth of the Company stands at Rs. 273.58 million in FY13 as compared to Rs.268.36 million in FY12 showing a marginal increase.

6. PUBLIC DEPOSITS

The Company does not accept any deposit from public and hence has not contravened provisions of section 58A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 and Reserve Bank of India Rules, if any.

7. AUDITORS

The Auditors of the Company, M/s Suresh Surana & Associates Chartered Accountants hold office till the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The certificate from the Auditors have been received to the effect that their re-appointment, if made, would be within the limits under Section 224(1B) of the Companies Act, 1956. Their re-appointment as the Auditors for the financial year 2013-14, forms part of the Notice of the said Annual General Meeting.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your company does not carry any activity which is covered under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and accordingly no data needs to be enclosed.

9. PARTICULARS OF EMPLOYEES

No employee has drawn salary in excess of the limits specified under Section 217(2A) of the Companies Act, 1956 read with rules made there under.

10. DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm that they had:

- a. followed in the preparation of annual accounts, the applicable accounting standards and given proper explanation relating to material departures, if any;
- b. 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 and of the profit of the company for that period;
- c. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act so as to safeguard the assets of the company and to prevent and detect fraud and other irregularities; and
- d. Prepared the accounts on a going concern basis.

11. ACKNOWLEDGEMENTS

Your Directors wish to acknowledge the co-operation and support extended by the Group Companies, Central Government, State Governments, bankers, customers, and the shareholders. The directors also wish to thank all the employees for their contribution, support and continued co-operation throughout the year. It will be always be the Company's endeavor to build and nurture strong relationship for mutual benefits.

For and on behalf of the Board

Place: Mumbai
Date: May 15, 2013

L.T. Hotwani
Chairman

**CORPORATE GOVERNANCE REPORT – 2013****I. Philosophy on Corporate Governance:**

Welspun's Corporate Governance philosophy encompasses not only regulatory and legal requirements but also strives to enhance shareholders' value through good strategic decisions, prudent financial management, ensuring transparency and professionalism relating to the transactions of the Company. The Company is committed to achieve and maintain the highest standards of Corporate Governance. This Governance protects and balances the interest of all stakeholders thereby enhancing shareholder value. The Company is focused on enhancing the long term value creation for all the stakeholders without compromising on integrity, social obligations, environment and regulatory compliances.

Board of Directors:

Your Company is managed and controlled by the professional Board of Directors. As on March 31, 2013, the Board of Directors comprises of 4 Directors, of which 1 Director is Non - Executive and 3 are Independent Directors. The Chairman is non-executive director of the Company. Your Company's Board consists of eminent persons with considerable professional expertise and experience thereby ensuring the best interest of stakeholders and the Company. The Company is in compliance with the clause 49 of the listing Agreement pertaining to compositions of directors.

Composition and category of directors; attendance of each director at the board meetings and the last AGM; number of other companies on the Board or Committees of which, a director is a Director; and number of board meetings, dates on which held, are as under:

Name of Director	Category	Board Meetings Attended during the Year 2012-13	Attendance at the Last AGM	No. of Directorships in other Indian Public Limited Companies	No. of Chairmanship(s) /Membership(s) of Committees in other Public Ltd Cos.@	
					Chairman-ships	Member-ships
Mr. L.T. Hotwani	NE, C,	5	No	8	-	-
Mr. Arun Todorwal	NE,I	4	No	6	1	6
Mr. Atul Desai#	NE, I	3	No	9	4	5
Mr. Raj Kumar Jain	NE, I	5	Yes	4	3	-
Mr. Shailesh Vaidya*	NE, I	2	N.A.	N.A	N.A.	N.A.

* Resigned w.e.f August 8, 2012

inducted in the Board w.e.f August 8, 2012

@ Only two Committees, namely, Audit Committee and Shareholders' /Investors' Grievance Committee have been considered
Abbreviations:

NE = Non-Executive, I = Independent, C = Chairman.

Five meetings of the Board of Directors were held during the financial year 2012-13 and the gap between two meetings did not exceed four months. The dates of those five meetings were May 25 2012, August 08, 2012, October 1, 2012, November 9, 2012, and February 11, 2013. The information as required under Annexure IA to Clause 49 of the Listing Agreement is being made available to the Board.

II. AUDIT COMMITTEE**A. Terms of Reference:**

The terms of reference stipulated by the Board of Directors to the Audit Committee are as contained under clause 49 of the Listing Agreement. The Committee acts as a link between the management, external/ internal auditors and the Board of Directors and oversees the financial reporting process.