



*Industries we cater to.....*



**WENDT (INDIA) LTD**

# 69/70, SIPCOT INDUSTRIAL COMPLEX, HOSUR-635 126, TAMIL NADU,  
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**WENDT**



International Business

Non - Super Abrasives

Super Abrasives

**WENDT (INDIA) LTD**

28th Annual Report  
2009-2010



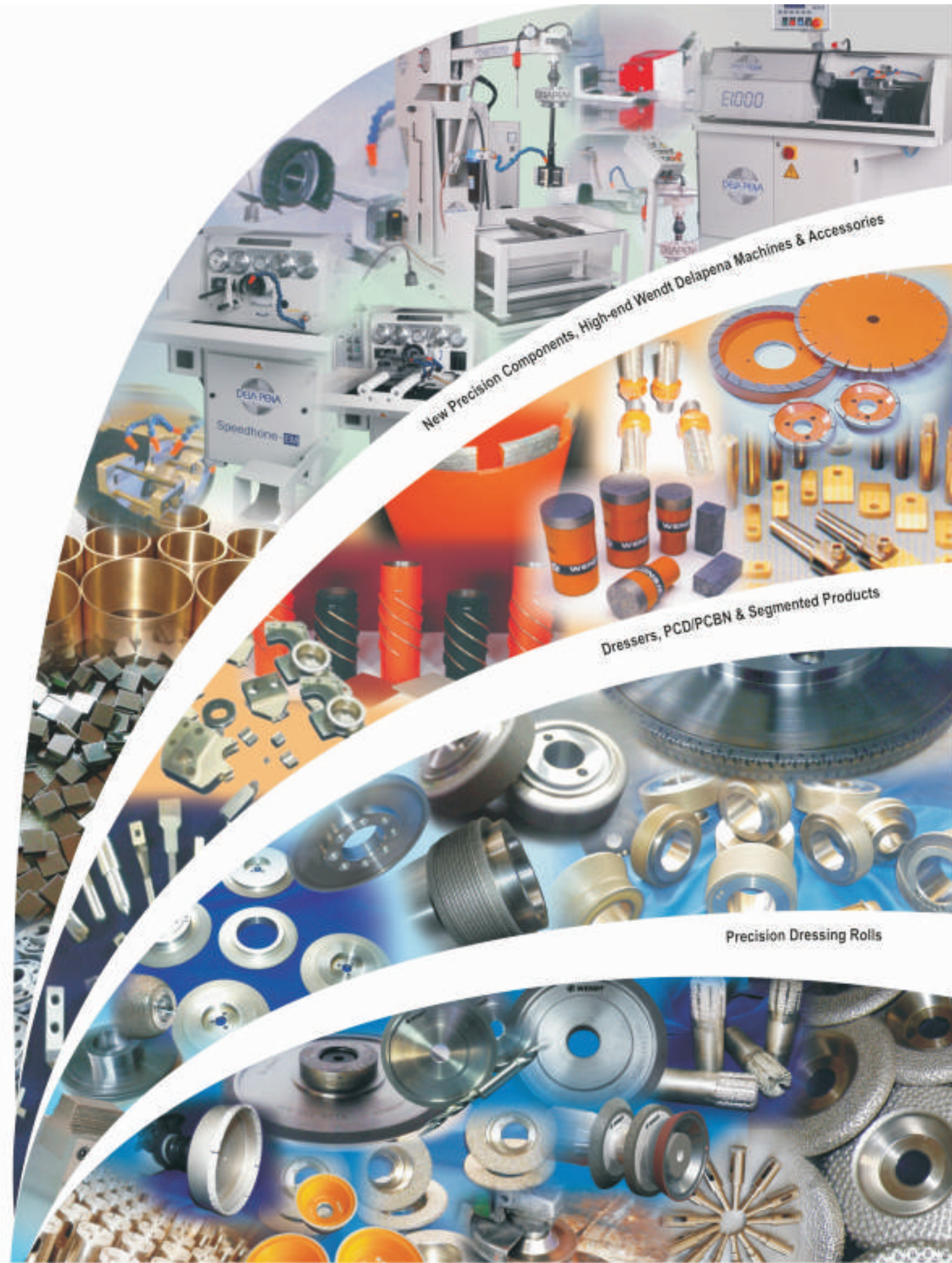


New Generation Machines, Accessories & Precision Components

Vitrified CBN & Honing Sticks

Precision Electroplated Profile Products

Resin & Metal Bonded Products



New Precision Components, High-end Wendt Delapena Machines & Accessories

Dressers, PCD/PCBN & Segmented Products

Precision Dressing Rolls

Product Innovation, Brazed Products



**BOARD OF DIRECTORS**

M M MURUGAPPAN (Chairman)  
N LAMERS (Alternate D Hallen)  
KIRAN A SHETH  
SHRINIVAS G SHIRGURKAR  
K SRINIVASAN  
K S SHETTY

**COMPANY SECRETARY**

SANTOSH KUMAR BARIK

**BANKERS**

STATE BANK OF INDIA

**AUDITORS**

DELOITTE HASKINS & SELLS

**REGISTERED OFFICE**

No.105, 1st Floor, Cauvery Block,  
National Games Housing Complex,  
Koramangala  
Bangalore –560 047  
Ph: 080-25701423  
Fax: 080-25701425  
E mail: santoshbarik@wendtindia.com  
investorservices@wendtindia.com

**FACTORY**

Plot No: 69/70,  
SIPCOT Industrial Estate,  
Hosur-635 126  
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Ph: 04344-276851 / 52, 405500  
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*Engineering flair with Environmental Care...*



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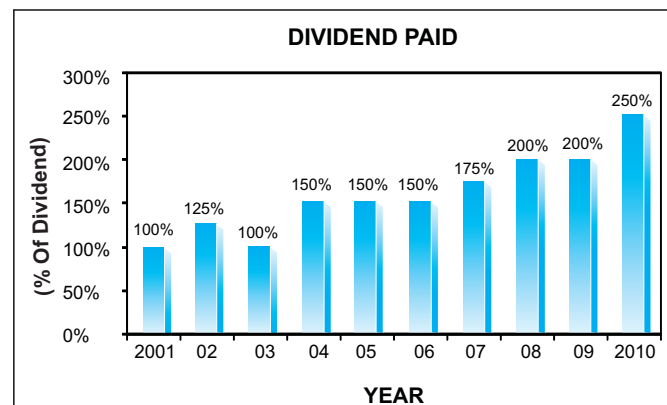
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*...with a bouquet of flowers from Wendt Garden...*

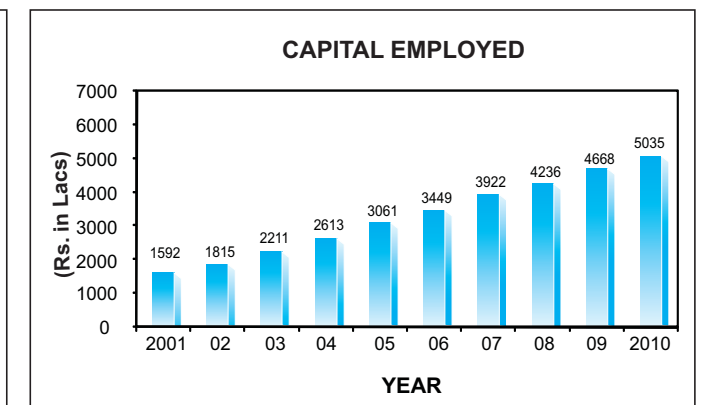
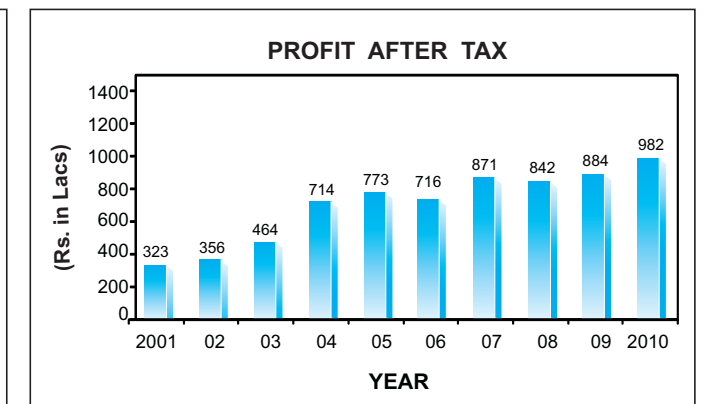
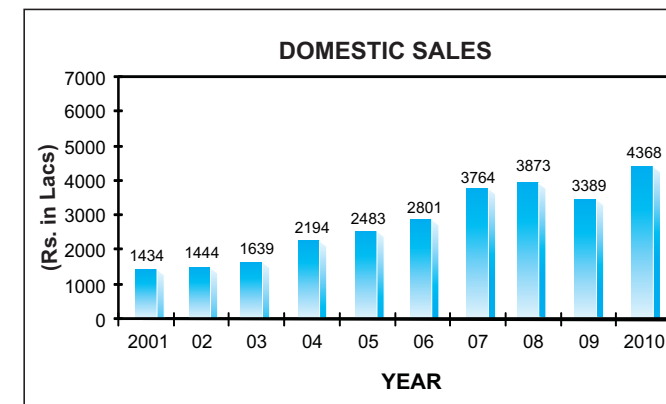
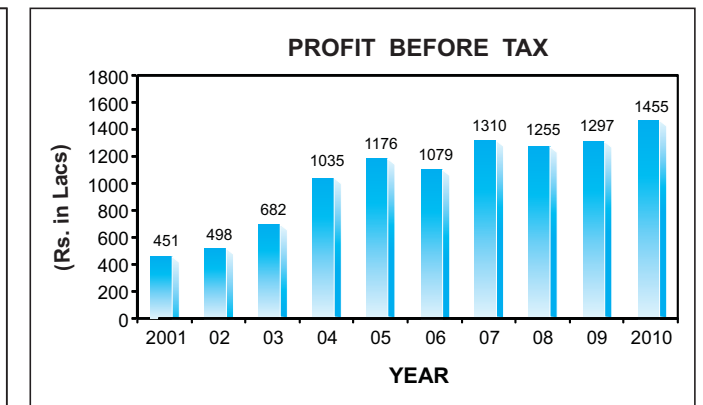
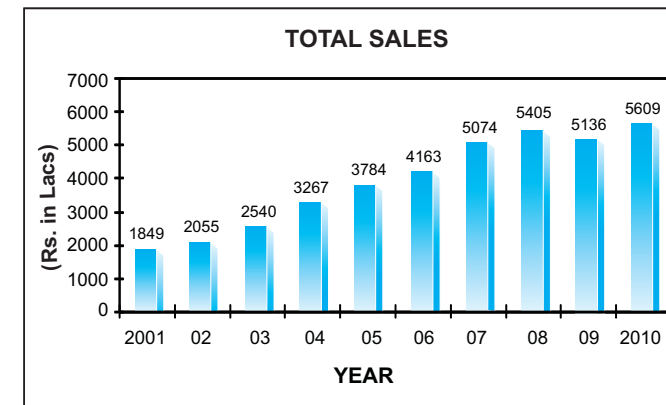


## FINANCIAL TRACK RECORD

Year ending 31st March	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Rs.in Lacs										
<b>REVENUE</b>										
NET SALES	1849	2055	2540	3267	3784	4163	5074	5405	5136	5609
DOMESTIC	1434	1444	1639	2194	2483	2801	3764	3873	3389	4368
EXPORT	415	611	901	1073	1301	1362	1310	1532	1747	1241
OTHER INCOME	41	55	59	124	128	100	155	185	309	222
<b>PROFITABILITY</b>										
Profit before depreciation	530	587	773	1137	1291	1215	1495	1459	1517	1714
Profit before tax	451	498	682	1035	1176	1079	1310	1255	1297	1455
Profit after tax	323	356	464	714	773	716	871	842	884	982
Dividend %	100	125	100	150	150	150	175	200	200	250
EPS (Rs.)	32.26	35.56	46.42	35.71	38.66	35.78	43.56	42.08	44.21	49.12
<b>ASSETS EMPLOYED</b>										
Fixed Assets	867	915	1015	1152	1280	1629	1911	2085	2610	2950
Investments	218	406	626	1069	1205	1183	1204	1454	1200	1672
Net Current Assets	507	494	570	392	576	637	807	697	858	413
Total Assets	1592	1815	2211	2613	3061	3449	3922	4236	4668	5035
<b>CAPITAL STRUCTURE</b>										
Paid up share capital	100	100	100	200	200	200	200	200	200	200
Reserves	1404	1503	1896	2172	2603	2977	3438	3787	4203	4602
Loan Funds	88	67	49	57	65	66	49	28	36	-
Deferred Tax Liability	-	145	166	184	193	206	235	221	229	233
Total Funds	1592	1815	2211	2613	3061	3449	3922	4236	4668	5035



2010 250% Final Dividend proposed



Notice is hereby given that the Twenty Eighth Annual General Meeting of the Members of Wendt (India) Limited, Bangalore will be held on Tuesday 27th July 2010 at 04:00 PM at Bharathiya Vidya Bhavan, Race course Road, Bangalore – 560001, Karnataka to transact the following business

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2010 and the Balance Sheet as at that date together with the report of Directors and Auditors thereon.
2. To declare Dividend.
3. To elect a Director in place of Kiran A Sheth who retires by rotation and has expressed his unwillingness to be reappointed.
4. To appoint M/s Deloitte Haskins & Sells, Chartered Accountants as Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, and to fix their remuneration.

## NOTES

1. Mr. Kiran A Sheth who retires by rotation has expressed his unwillingness to be reappointed and a new director will be appointed.
2. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and **the proxy need not be a member of the Company. Proxies, in order to be effective, the form must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxy form submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority as applicable, issued on behalf of the nominating organization.**
3. The Register of Members and Share Transfer Books of the Company will remain closed from 22nd July

2010 to 27th July 2010 (both days inclusive). The dividend on the Equity shares, as recommended by the Board of Directors, subject to the approval of the Members in the Annual General Meeting, will be paid to all the members whose names appear in the Register of Members on 27th July 2010, in respect of Physical Shares. In respect of the dematerialized shares, the dividend will be paid to the beneficial owner of the shares whose names appear in the statement of the beneficial ownership, furnished by the NSDL & CDSL.

**The Members desiring to avail the facility of receipt of dividend through Electronic Clearing System (ECS) are requested to fill up the Form ("ELECTRONIC CLEARING SERVICE MANDATE FORM") annexed to this Annual report and send back as mentioned therein.**

4. Shareholders holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of the dividend. The Company or its Registrars cannot act on any request received directly from the shareholders holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the shareholders.
5. Members are requested to note that dividend not encashed or claimed with in seven years from the Company's Unpaid Dividend account, will be transferred, as per Section 205A of the Companies Act, 1956, to the Investor Education & Protection Fund (IEPF). The detail of Unpaid / Unclaimed dividend which shall be transferred to IEPF during the year 2010-11 is as follows:

Financial Year	Date of declaration of Dividend	Last date of Claiming Dividend	Proposed Unpaid date for transfer to IEPF
2002-2003	24th July 2003	23rd July 2010	22nd September 2010

Members who wish to claim dividends, which remain unclaimed are requested to correspond either with the Company Secretary at the Company's registered office or the Company's Registrar and Share transfer agent M/s Karvy Computer Share Pvt. Limited, Karvy House, Plot No. 17-24, Vitalrao Nagar, Madhapur, Hyderabad 500 081.

6. Shareholders holding shares in physical form are requested to intimate the following to the Company's Registrar and Share Transfer Agents, M/s Karvy Computershare Private Ltd, Plot Nos. 17-24, Vitalrao Nagar, Madhapur, Hyderabad 500 081.
  - a) Full bank particulars to enable the same to be incorporated in the dividend warrant.
  - b) Change if any, in their address immediately.
  - c) Apply for consolidation of folios, if shares are under multiple folios.
  - d) Quote ledger folio numbers, in all their correspondence.
  - e) Request for nomination forms for making nomination as per amended provisions of the Companies Act, 1956.
7. Members or Proxies should bring the Attendance slip duly filled in for attending the meeting.
8. Members are requested to quote their registered folio no. or demat account no. and Depository Participant (DP) ID number on all correspondence with the Company.
9. Shareholders desiring any information on the accounts are requested to write to the Company at least one week before the meeting date.

By order of the Board  
For Wendt (India) Limited

Chennai  
29th April 2010

M M Murugappan  
Chairman

## REPORT OF THE DIRECTORS

(Including Management Discussion and Analysis)

Your Directors have pleasure in presenting the 28th Annual report together with the Audited Financial Statements for the year ended 31st March 2010. The Management Discussion & Analysis Report, which is required to be furnished as per the requirement of Stock Exchanges, has been included in the Directors Report so as to avoid duplication and repetition.

## ECONOMIC OVERVIEW

Indian economy has been witnessing a phenomenal growth since the last decade. The country is still holding its ground in the midst of the current global financial crisis. A number of leading indicators, such as increase in hiring, freight movement at major ports and encouraging data from a number of key manufacturing segments, such as steel and cement, indicate that the downturn has bottomed out and highlight the Indian economy's resilience. The real turnaround came in the second quarter of 2009-10 when the economy grew by 7.9 per cent. It was also a year of reckoning for the policymakers, who had taken a calculated risk in providing substantial fiscal expansion to counter the negative fallout of the global slowdown.

The continued recession in the developed world, for the better part of 2009-10, meant a sluggish export recovery and a slowdown in financial flows into the economy. Yet, over the span of the year, the Indian economy posted a remarkable recovery, not only in terms of overall growth figures but, more importantly, in terms of certain fundamentals, which justify optimism for the Indian economy in the medium to long term.

At global level, following one of the deepest downturns in recent times, economic growth took root and extended to advanced economies in the second half of 2009. The pace and shape of recovery, however, remains uncertain.



## COMPANY PERFORMANCE OVERVIEW

(Rs in Lacs)

	31/03/2010	31/03/2009
<b>Sales</b>	5609	5136
Other Income	221	309
Profit before tax	1455	1297
Provision for current & Fringe Benefit tax	468	405
Provision for deferred tax	4	8
Profit after tax	982	884
Earnings per share	49.12	44.21

## RESULTS OF OPERATIONS

The Company achieved a top line of Rs 5609 lacs during the year which is 9% higher than the previous year. The domestic turnover recorded an appreciable growth of 29% over the previous year. During the first half, the Indian economy limped back to normalcy and reversed the trend reflecting buoyancy in second half in many of the industrial segments the Company operate. Your Company having major exposures to the Automotive and the connected Engineering and Cutting tool sector, had its positive impact on the Company's Domestic Business. The Export sales recorded 29 % negative growth during the year. Exports to many countries continues to be lower than last year as these countries are still to come out of recession. Severe cash crunch situation in UAE has led to impose embargo on supplies to control exposure.

Various initiatives taken by the Company in the previous years to grow the precision Component business started showing results. The Company is also in the process of growing this business segment further in the coming years and would continue to make necessary investment in Plant and Machinery, infrastructure and human resource, accordingly.

The Company continues to focus on new products development in line with its strategy of providing technically superior products to its customers. During the year, the Company has successfully introduced and tested several new products including Segmented wheels for refractory grinding, plated diamond wheels, PCD Notch milling tools, Steel bodies for glass

grinding wheels and Brazed Diamond multi purpose Grinding wheel. The Company also successfully launched the following machines, CNC Surface Rotary Grinding WRS 600H Machine, CNC Guide Roll Grinder WGM20, CNC Notch Milling Machine.

## FUTURE PROSPECTS

The three Broad Strategies of the Company continue to be:

- Continually improving product performance by use of technology & superior manufacturing. While the existing products would continue to be offered to the customers, new products and new applications development would be the focus.
- Market penetration to increase the share with existing customers.
- Develop competitive edge by improving service levels and offering value added services.

In order to focus and channelize its resources more effectively, the Company segmented its business into three verticals namely Super Abrasives, Machines & Precision components and International Business. Further, in order to strengthen the customer engagement, your Company would bank on its knowledge base in grinding to achieve its objectives. Series of Seminars and Exhibitions planned would help in supporting the customer engagement.

The Company has recently signed the technical collaboration agreement with M/S Delapena, UK for manufacturing of Honing machines. This would enable the company to further strengthen its competitive edge by offering "Complete Honing Solutions" also along with grinding solutions. The Company will continue to focus on opportunities for its products and services in other growing industries such as Auto Component, Infrastructure & Construction, Steel, Defense & Aerospace.

## SUBSIDIARY COMPANIES

### Wendt Grinding Technologies Limited, Thailand

Despite turbulent economic situation, the Company's wholly owned subsidiary in Thailand continues to

perform well. During the year the Company's top line was Thai Bhat 45 miln (Rs 637 lacs) which was 4% higher than last year. The Profit before tax was Thai Bhat 12 miln (Rs 153 lacs) and Profit after tax was Thai Bhat 8 miln (Rs 103 lacs) both recorded an appreciable growth of 27% over the previous year. The higher profit has resulted on account of various cost reduction measures and operational efficiency measures put in place by the subsidiary Company. During the year the Subsidiary Company declared the first dividend of 20% amounting to Rs 71 lacs.

The Subsidiary Company, in order to build brand image and product awareness, participated in industrial exhibitions, developed local advertising materials, conducted technical seminars and sales meet. It has also, appointed new industry specific distributor as partners in progress. The Company is working with a clear focus to build business in following industries, Glass, Automobile, Steel, Auto parts, Wood, Furniture and Construction industry. Further the company is also exploring opportunities to extend re-profiling business to Malaysia, China & Vietnam. During the year, the company has upgraded "ISO9001-2008" certification with strong recommendation from "TUV NORD".

## Wendt Middle East FZE

The Company started its billing in August 2009 and during the year the sales was AED 179(000's) (Rs 23 lacs). The loss before tax for the year was AED 642 (000's) (Rs 88 lacs). The total accumulated loss is Rs 96 lacs. The Global meltdown severely affected the sale. The Middle East in General and UAE in particular are reported to have been going through the most severe economic crisis in their history. The Middle East being a Trading Economy is primarily driven by oil and construction.

While oil prices have stabilized at a low of 65 USD per barrel the construction has seen a massive decline with over 60% projects either shelved or stopped half-way. The slowdown compounded with a steep increase in operation costs has resulted in many businesses closing down and many migrants forced to return back to their countries.

Even though your subsidiary started the business midway during the year, the crisis has impacted on the

company's sale and profitability. Accordingly the market development and the revenue generation from servicing activity for glass grinding and Tile Plant wheels did not happen as expected.

However the company has quickly adopted new strategies to counter the slowdown by focusing more on Trading. The focus on un-explored opportunities in Glass Re-enforced Plastic Industry and oil Industry is expected to help the company to counter the recession and recover from the present crisis.

## APPROPRIATIONS

Available for appropriation	(Rs in Lacs)
Profit after tax	982.33
Add: Balance brought forward from previous year	675.06
<b>Total</b>	<b>1657.39</b>
<b>Recommended appropriations</b>	
Transfer to general reserve	350.00
Proposed dividend Rs 25/- per share of face value of Rs 10/- each (250 %)	500.00
Dividend tax	83.04
Balance carried forward	724.35
<b>Total</b>	<b>1657.39</b>

## DIVIDEND

The Board of Directors have recommended a dividend of Rs.25 /- per equity share of face value of Rs.10/- each (250%) and the same will be paid after the approval at the forthcoming Annual General Meeting. The dividend warrants will be posted on or after 5th August 2010.

## CONSOLIDATED FINANCIAL RESULTS

The Ministry of Corporate Affairs vide its letter dated 15/03/2010 has exempted the company in complying with the provisions of section 212(1) of the Companies Act, 1956 and has directed to present in the annual report the consolidated financial statements of its subsidiaries duly audited by its statutory auditors.

A consolidated financial statement (incorporating the operations of the Company and its Subsidiaries) has been provided in the Annual Report. The Key financial

data for the consolidated operations are given below:-

## KEY CONSOLIDATED FINANCIAL SUMMARY

(Rs in Lacs)

	31/03/2010	31/03/2009
Sales	6269	5600
Other Income	193	277
Profit before tax	1520	1381
Profit after tax	998	931
Earnings per share-Rs	49.91	46.54

## QUALITY

The Company's products are high precision grinding wheels, tools, machines and precision components. These are manufactured with close tolerance under tighter process controls. Quality at each level of operation is essential to achieve the final quality to meet the customer need. The Company constantly updates its quality programs to supply the right product at the right time. Quality is embedded in the DNA of the Organization through continued training of manpower and bench marking with the global best practices with Best in class.

## SAFETY, HEALTH AND ENVIRONMENT (SHE)

The SHE management system of the Company is top driven, efficient, effective and vibrant management system. Top management of company is committed for maintaining highest standard of Safety, Health and Environment protection and is also committed to meet all applicable statutory requirement and prevention of pollution.

During the year again the Company recorded zero accident and has not lost any man days of production on account of disability. The Company pays much attention and ensure safe working atmosphere and safe equipment, process and practices in the factory. Regular training on Safety, mock drills are conducted to ensure safety all round the year. Specialized Personnel Protection Equipments have been standardized and provided to operating personnel for use in their respective work areas.

Employee health is a paramount consideration for Company. Employees are required to undergo annual

medical check-ups for the timely diagnosis of health problems if any. The Company has a visiting doctor at the factory to help the employees and their family to maintain good health and keep fit. The company also offers a mediclaim policy that provides for healthcare expenses and other benefits to employees and their family members.

The Company has developed Environmental Management System based on ISO 14001 at each operating facility which is further integrated with Quality, Occupational Health and Safety management System for having holistic approach towards (SHE) issues of the company. The Company believes in the principles of good corporate citizenship that mandate the active contribution of companies towards preserving the environment. Accordingly, the Company has incorporated in its operations systems to ensure zero environmental impact.

## RECOGNITIONS AND AWARDS

Recognition and awards motivates the Company and its employees to achieve better results. During the year the Company has got the following awards Engineering Export Promotion Council (EEPC) AWARD

Engineering Export Promotion Council (EEPC) conferred on us "**Silver Shield for Star Performer**" under Large Enterprise category for Miscellaneous Engineering Goods for the year 2007-2008. This has been yet another year of your Company getting recognized by EEPC.

## Quality Circle Awards

Two Small Group Activities (SGA) teams of the Company participated in CCQC 2009 [Quality Circle Competitions] organized by QCFL, Bangalore Chapter and have bagged awards in "Excellence" and "Distinguished" categories.

## Cufest 2009

Participated in Group level Quality competitions Cufest 2009 [Quality Festival of CUMI], won following awards: 5S, Quality Slogan & Cartoon.

In the section that follow, the information required to be given in the **Management Discussion and Analysis Report** have been provided.

## GENERAL PERFORMANCE REVIEW

During the year 2009-10, the Indian economy bounced back to the growth trajectory particularly after the first quarter, maintaining a healthy pace by recording an impressive growth in excess of 8%. This impressive growth was fuelled by improved productivity from a buoyant industrial sector with IIP of 10%, reflecting India's strong internal growth dynamics in most noticeable segments like Automobile, Auto Component, Infrastructure & Construction, Steel and General Engineering. On the other hand, India's export continued to be sluggish due to prolonged economic slow down in developed nations.

The growth in Indian economy has augured well for domestic business of Wendt India Limited. While the Super abrasive products sale for the company grew by 6%, the Non Super abrasive business comprising of precision components and machine tools together recorded a growth of 15% over the last year. This has been possible due to the continued thrust on application development, widening the product basket, new product development, superior products performance and being closer to customers through continued direct marketing efforts. This has helped your company to maintain its leadership position in the Super abrasive arena in the competitive domestic market. Wendt's strong presence has been with all major industries where it operates namely Automotive, Cutting Tool, Engineering, Steel, Ferrite, Glass, Ceramics, Paper and Textile. Your company's competitive edge is derived from the most comprehensive product range in Resin, Metal, Electroplated and Vitrified bonding systems along with Diamond Dressing rolls and Honing sticks. Your Company philosophy of addressing the customer's needs and expectations have been key to its success.

In line with the company's Strategic Intent "**To become a Significant Global Player in offering Customized, Functionally Superior Products / Services for Grinding and Machining Hard-to-Process Material**", Wendt India is continuously searching for new business opportunities to enlarge its product canvas in the promising industry segments.

In order to take advantage of the growing economy and achieve aggressive growth in the chosen industries, your company has classified its business into two major segments - **Super Abrasives** comprising of all Diamond / CBN Products and **Non**

**Super Abrasives** comprising of Machine Tools and Precision Components.

During the fiscal, your company has signed technical collaboration with **M/S Delapena Honing Machines**, a well known company in UK, for manufacturing of Honing machines in India. This collaboration, apart from being the Segmental strengthening of the Non Super abrasive business, enables your company to become a "Total Honing Solution Provider". To sum up, despite the high inflationary market movements, input cost pressures, a yet- to-be stabilized domestic market and continued economic slow down in overseas markets, your company has had a decent year, fuelled by a buoyant domestic market.

## ECONOMIC OUTLOOK

The gloom prevailing last year has given way to optimism and confidence during the year 2010-2011. The growth optimism is resonated by around 8.3% growth expected in the coming year. There is a growing consensus world over that worst of the financial crisis is over. After having contracted in 2009, the global economy is expected to expand during 10-11. The Indian economy has displayed remarkable resilience by engineering a substantial increase in demand through fiscal measures to compensate for the decline in export. The focus has now turned towards domestic consumption and investments - the key drivers of growth in the coming year.

Demand in Domestic economy has already picked up and is expected to gather momentum in coming months. The capital goods market has shown impressive growth during the year aided by substantial growth in production in metal and metal parts and machinery & equipment.

The Industrial sector is expected to play a crucial role in driving the growth in GDP during FY11. Focus on infrastructure spending by the government and an increase in investment demand by the corporate would provide impetus to the industrial production.

The auto component industry is expected to have a healthy growth in on the back of revival in demand from domestic OEMs. However, the export sales volume is expected to remain flat during 10-11. Nevertheless, the export market could gain faster momentum due to expected marginal revival of global



market and cost competitive prices of Indian manufacturers.

The Indian automobile market which grew by 22% during 09-10 with strong recovery across all segments, the exports growth was 10% aided by buoyancy in passenger car segment which constitutes almost 25% of total exports. Recovery in Commercial vehicles could be attributed to improved freight movements. Similarly, fuelled by rural demand and favorable financing environment led higher volumes in cars and two wheelers. Overall lower input costs, reduced fixed costs and improved operating profits led to sharp improvement for automobile players.

The Indian steel industry is witnessing a faster-than-expected recovery from the global financial and economic slowdown. The steel industry is expected to continue its recovery with projected growth of 6.7% during 10-11 driven by strong demand from infrastructure, railways, urban development and automotive sector despite rise in excise duty and cess on coal.

## INDUSTRY STRUCTURE & DEVELOPMENTS

Being an indirect supplier, the Super abrasive tooling industry's growth is greatly dependent on the performance of sectors like automobile, auto components, engineering and their related industries in both domestic and export market. With the reversal of domestic economy from 2009-2010 second half in many segments and limping back of export from the unprecedented global economic crisis, your company has had a rather satisfying year 2009-10.

The global economic downturn and volatility has impacted the Super abrasive industry resulting in market shrinkage by over 20 % in the preceding year which is expected to return to positive in later part of the year. Taking cognizance of this, proactively, your company continued to focus on long term plans and has been working on various strategies to widen the portfolio to reduce dependency and de-risking the business on Auto industry. As a result, several newer application areas in various emerging industries and markets have been identified with industries like Aeronautical, Construction, Petroleum and Chemical, Power and Glass.

## PERFORMANCE OVERVIEW

### Key Financial Summary

(Rs in lacs)

Particulars	2008-09	2009-10	% change
Domestic Sales	3389	4368	29
Export Sales	1747	1241	(29)
Total Sales	5136	5609	9
Operating Profit	1035	1289	25
Capital Employed	4668	5035	8
Return on net worth %	21	21	—

## OPPORTUNITIES & THREATS

### Opportunities

While India's growth prospects in the long term remain promising, presently the economy is still to go through full consolidation to ensure robust growth. During the last year, the overall sentiment post Sept '09 has been extremely positive. Your company would take advantage of this rebound and the underlying opportunities by continued focus on leveraging on the wide product range, superior technology and resultant competitive advantage. With improved focus on service levels, your company expects to broaden the customer base and achieve the planned growth.

The Product Management approach adopted by your company in 08-09 has started yielding better results with more emphasis on end-to-end product management and new product development. With the addition of Delapena Honing machines to the existing machine tool umbrella is expected to provide more impetus to the Machine Tools business while taking the company to the next league of providing "Total Honing Solution Provider".

On the precision component front, the experience has been more than satisfying ever since its entry two years back with manufacture of vane components for fuel injection Industry. More thrust would be given by your company to further expand this business for manufacturing of precision components for non automotive segment.

## Threats

With the Super abrasive tooling market in India being fragmented and crowded by many small unorganized players, the company faces competition from both organized as well as unorganized players. The competition especially from the unorganized players has been more towards specific products at lower price levels. The global suppliers from the developed countries primarily concentrate on high end precision applications and OEM supplier by their tooling up with machines which are imported. This in fact is an opportunity for your Company for indigenization.

The key success factors for your company continue to be quality, cost effectiveness of its products, service and its vast experience and knowledge pool. It is now augmented by your company offering training programs on grinding to its customers on chargeable basis. The response has been very promising. More of such training programs have been planned during the year 2010-11. Combination of all this in offering technology solutions to customers helps your company to maintain its leadership position and profitability.

## BUSINESS OUTLOOK

The domestic market is expected to maintain uptrend with few exceptions in some industry segments. Your company is fully geared to meet the demand and delivery pressures resulting out of the buoyancy and also taking advantage of the emerging opportunities.

Continued focus on expansion of customer base and developing new application areas / industries, offering import substitution, thrust on improving operational efficiency is expected to yield positive results. This will help your company to churn out respectable profitable growth in the coming year.

The introduction of Wheel profiling machines with Video Vision system, Delapena Honing Machines, Guide Roll grinding machine for Steel Industry and several other machine accessories as well as for precision component to non automotive sector re-establishes the Company's confidence to look at Non Super abrasive Business more aggressively.

The newly set up 100% subsidiary at Sharjah, Wendt Middle East (WME) which became operational only during mid of last financial year now focuses on trading and services in the UAE and neighboring market. This would strengthen its foothold on overseas markets.

Wendt Grinding Technologies Ltd in Thailand continues to show exemplary performance despite adverse market situations due to the economic slowdown. Your company expects to spread its wings, improve the market reach in the neighbouring countries.

## RISK & CONCERN

The company seeks to enhance its value through adequately mapping the risk profiles and by incorporating a robust risk mitigation mechanism for its business.

Risk management refers to the formal processes whereby risks associated with the "enterprise", as a whole are managed.

Risk management encompasses the following sequence:

- Identification of risks and risk owners
- Evaluation of the risks as to likelihood and consequences
- Assessment of options for mitigating the risks
- Prioritizing the risk management efforts
- Development of risk management plans
- Authorization for the implementation of the risk management plans
- Implementation and review of the risk management efforts

Risk management strengthens the robustness of the business. The Company has an established risk assessment and minimization procedure. There are normal constraints of time, efficiency and cost. Some of the risks associated with the business and the related mitigation plans are discussed hereunder. The risks given below are not exhaustive and the evaluation of risk is based on management's perception.



## User Industry Concentration Risk

### Why considered as Risk

- Significant exposure to auto sector
- Lag in pass through of input cost changes
- Demand declining in global markets

### Mitigation Plan / Counter Measure

- Widen customer base spanning non-auto industry & recession free industries like Power, Aerospace, Defense, Infrastructure etc.
- New products / applications to existing / new customers / New markets
- Leverage relationship and Engagement with customers
- Drive operational efficiencies

## Competition Risk

### Why considered as Risk

- Imports – Since India is the most happening place
- Unorganized players

### Mitigation Plan / Counter Measure

- Focus on QCD – Consistent quality , Cost & timely delivery
- Innovate on products, process and applications
- Offer wide product range
- Value added services

## INFORMATION TECHNOLOGY:

The Company runs on SAP ERP and all its core functional operations are well integrated to achieve operational efficiency. During the year, up-gradation to higher version has been completed successfully to take advantage of the new features. During the year, the Company has also implemented SAP HCM module to effectively link the Human Resource Management system with other system. The SAP HCM also enables employee to interact with HR Department on-line, thereby avoiding time delay and paper movements.

In order to mitigate the risk of Hardware failure, the Company has put in place first stage data backup and

recovery systems and planning to go for a higher level / robust data back up and recovery system in the coming year.

## INTERNAL CONTROL SYSTEM & ADEQUACY

The Company is having a strong internal control system to achieve highest operational control. The Internal Audit covers all the operational areas and ensure that there is no revenue leakage or resource wastage. It also ensures that the Company's policies are implemented consistently and regularly. At regular intervals all observations and potential areas for improvements are reviewed with the concerned operating personnel to address the gaps if any.

The Audit Committee reviews the significant findings of the Internal Audit observation and advise at regular intervals for further action.

## FINANCIAL REVIEW

### EARNINGS

#### Revenues

The revenue, during the year, recorded 9% growth from Rs 5136 lacs to Rs 5609 lacs. The domestic sales achieved an appreciable growth of 29% while exports sales recorded a negative growth of 29% compared to the previous year.

#### Profit Before Tax

The profit before tax is higher by 12% from Rs 1297 lacs to Rs 1455 lacs

#### Profit After Tax

The profit after tax is higher by 11% from Rs 884 lacs to Rs 982 lacs

#### Investments

The Companies investment as on 31-3-10 was Rs 1672 lacs compared to Rs 1200 lacs previous year .Out of this amount Rs 394 lacs (Previous year Rs 297 lacs)

## Inventories and Sundry Debtors

The overall inventory has gone up by Rs 182 lacs compared to previous year, mainly on account of increase in Work-in-Progress machine inventory by Rs 126 lacs. This was due to delay in clearance by customers as tests / trials could not be completed in March 2010 and also for supporting the on call supplies to the customers.

Despite 9% increase in Sales, the Receivables has come down by Rs 83 lacs compared to last year due to dynamic and more aggressive receivable management drive aided by SAP ERP system.

## Foreign Exchange Hedging

As the Company follows the policy of natural hedging of foreign exchange earnings and outflow it does not take forward covers. The net forex gain during the year was Rs 10 lacs.

## Ratio

The return on the capital employed was 30% compared to 29% in previous year as a result of 12% increase in profit.

## Financial Performance with respect to Operational Performance

The operating profit and Contribution of the Company has recorded growth during the year due to improved operational efficiency. Thanks to the availability of reliable information and effective customer data such as drawings, specification, data sheet through the SAP ERP System, the Company improved its response time and was able to supply the right product at the right time with right specifications there by enhancing the value addition to customer.

## HUMAN RESOURCE

The Company maintains a congenial working atmosphere, which has been nurtured over the years though trust and transparency in all its dealing with its employees though vibrant Human Resource

is invested in two wholly owned subsidiary companies and the balance is in Mutual funds (debt schemes). During the year the Thailand Subsidiary Company has paid 20% dividend amounting to Rs 71 lacs. In the case of Wendt Middle East FZE, the accumulated loss was Rs 96 lacs as at 31-3-2010 and the paid up capital was Rs 116 lacs.

## Costs

The Fixed costs have grown 11% compared to last year. The main component of fixed cost depreciation has grown 18 % due to additional machines, sales expenses has grown by 19% on account of more sales promotion activities such as exhibitions, seminar and provision for doubtful debts etc. The salaries and wages have grown 16% due to additional manpower and provisioning done as per the revised accounting standard AS 15.

The variable cost has come down due to product mix and improved operational efficiency resulting into higher operating profit margin.

## FINANCIAL POSITION

### Shareholder Funds

The shareholders fund as on 31.03.2010 was Rs 4803 lacs against Rs 4403 lacs of previous year. The book value of the share accordingly stands at Rs 240/- as compared to Rs 220/- during the previous year.

### Loan Funds

The Company utilizes the Cash Credit limit only for meeting the temporary mismatch in the cash flow. It does not have any term loan.

## Assets

### Fixed Assets

The capital expenditure during the year was Rs 658 lacs against Rs 752 Lacs spent in the previous year. The net fixed asset was Rs 2950 lacs compared to Rs 2611 lacs previous year.



policies, procedures and practices. The healthy relationship with employees enables your Company to follow flexible working systems / shop floor management, in its more than 13 production cells, to meet the varying customer needs.

The Company gives very high importance for enhancing the employees competency and skill through on the job training and external training programs. Through constant interaction with its foreign collaborators by means of visits etc, Your Company's employees have been trained on latest technology. The Marketing and Sales Field Personnel have been trained and updated with the intricacies of modern day marketing and sales, tools and techniques, while honing their Commercial aspects through specialized training programs.

Employees are encouraged to participate in external competition to enhance their skills and bench mark with the global best practices.

## DIRECTORS

Mr. Kiran A Sheth, Director retires by rotation at the forthcoming Annual General Meeting has expressed his unwillingness to be re-appointed and a new director will be appointed.

## AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, up to the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment, subject to the approval of the shareholders at the Annual General Meeting.

## FIXED DEPOSITS

The Company has not accepted any public deposits and, as such, no amount on account of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

## CORPORATE GOVERNANCE

The Report on Corporate Governance along with a

Certificate from the Auditors is annexed as required by the listing agreement with Stock Exchanges. The Chief Executive and the Chief Financial Officer of the Company have submitted a certificate to the Board regarding the financial statements and other matters as required under clause 49 V of the listing agreement.

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors to the best of their Knowledge and belief confirm that:

- in the preparation of the Profit & Loss Account for the financial year ended 31st March 2010 and the Balance sheet as at that date ("financial statements") applicable accounting standards have been followed.
- Appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognized. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems.
- The financial statements have been prepared on a going concern basis.

## DISCLOSURE OF STATUTORY PARTICULARS

Information required under Section 217 (1) (e) and Section 217 (2A) of the Companies Act 1956 are given in Annexure A and B and forms part of this Report.

## APPRECIATION

The Board places on record its appreciation for the continued co-operation and support received from its esteemed customers and from M/s Wendt GmbH Germany, the Company's foreign Collaborators and its Associates and Subsidiaries. The Board also places on record its appreciation for continued support and co-operation received from Government Departments, Bankers, Shareholders, Suppliers and Employees.

By order of the Board  
For Wendt (India) Limited

Chennai  
29th April 2010

M M Murugappan  
Chairman

## ANNEXURE TO THE DIRECTORS REPORT

A) Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules 1988 and forming part of Director's Report.

### a) Conservation of Energy

Not applicable for the Company

### b) Technology absorption, adaptation and innovation

The Company has Technical Collaboration with one of its promoters Wendt GmbH Germany, a part of Winterthur Technology Group having plants at various global locations. They have a centralized R&D facility in Germany which conducts research on new generation bonds and related areas in connection with Grinding technologies. In order to have uniform product quality all through its plants, Wendt GmbH

provides necessary latest technology to its group Companies including Wendt India.

Your Company's Engineers visit Wendt GmbH Germany on regular basis to learn and get trained on latest grinding technology and implement the state-of-the-art technology in your Company. Wendt GmbH and Winterthur Technology Group Engineers also visit India and train your Company Employees to adapt the new technology and use it for new product developments and process improvements

## RESEARCH & DEVELOPMENT

The Company produces technically superior and high accuracy products. The grinding technology undergoes rapid changes due to change in material science and machining techniques. The Company needs to address these technology change progressively to stay ahead of the Competition. For this purpose, the Company's R&D activities are anchored by a Senior Level Management person designated as "Head of Technology" who leads the Research and Developments activities assisted through external research labs and consultants.

The Efforts in Brief: - As explained above, the Company's Head of Technology spearheads the R&D activities and enables the Company to develop new products and improve the production process. The Company, during the year, introduced several new products such as Segmented wheels for refractory grinding, plated diamond wheels, PCD Notch milling tools, Steel bodies for glass grinding wheels and Brazed Diamond multi purpose Grinding wheel. The Company also successfully launched the following machines, CNC Surface Rotary Grinding WRS 600H Machine, CNC Guide Roll Grinder WGM20, CNC Notch Milling Machine.

Benefits derived: The Company mainly caters to niche market and majority of its customers are OEMs and look for technologically superior product with superior and reliable performance. The Company is able to achieve this expectation of the Customers, due to its R&D strength and commands premium in the market reflecting on its operating profits.