



WENDT (INDIA) LTD

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**29th Annual Report
2010-2011**

**Innovation through
Technological Excellence**

WENDT (INDIA) LTD

Let's preserve the Gifts of Mother Nature

From time immemorial, trees have been the main source of life. However constriction of space caused by industrial growth, and scant concern for replanting trees, has led to large stretches of tree less cover.

At WENDT we have been planting trees since inception. The elegant boulevards, rows of fruit laden trees and the mini forest have helped us bring Nature into our work ethos.

At WENDT we strive to do our bit. We honestly do...

Engineering Flair with Environmental Care



BOARD OF DIRECTORS

M M MURUGAPPAN (Chairman)
E ALLITSCH (Alternate P Verholen)
SHRINIVAS G SHIRGURKAR
K SRINIVASAN
K S SHETTY

COMPANY SECRETARY

APEKSHA NAGORI

BANKERS

STATE BANK OF INDIA

AUDITORS

DELOITTE HASKINS & SELLS

REGISTERED OFFICE

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Engineering flair with Environmental Care...



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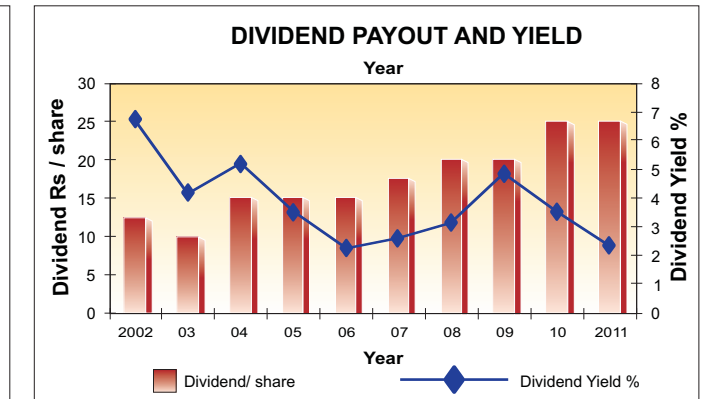
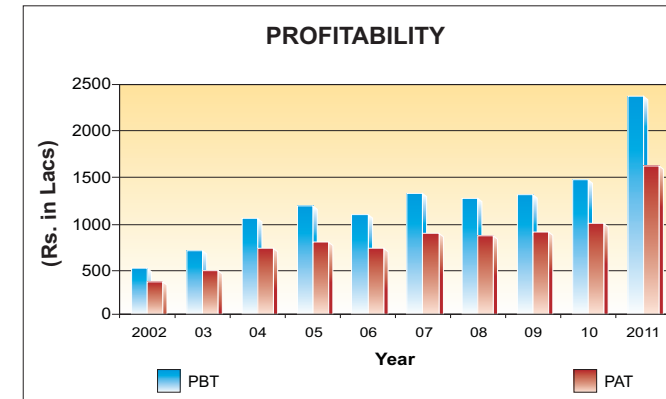
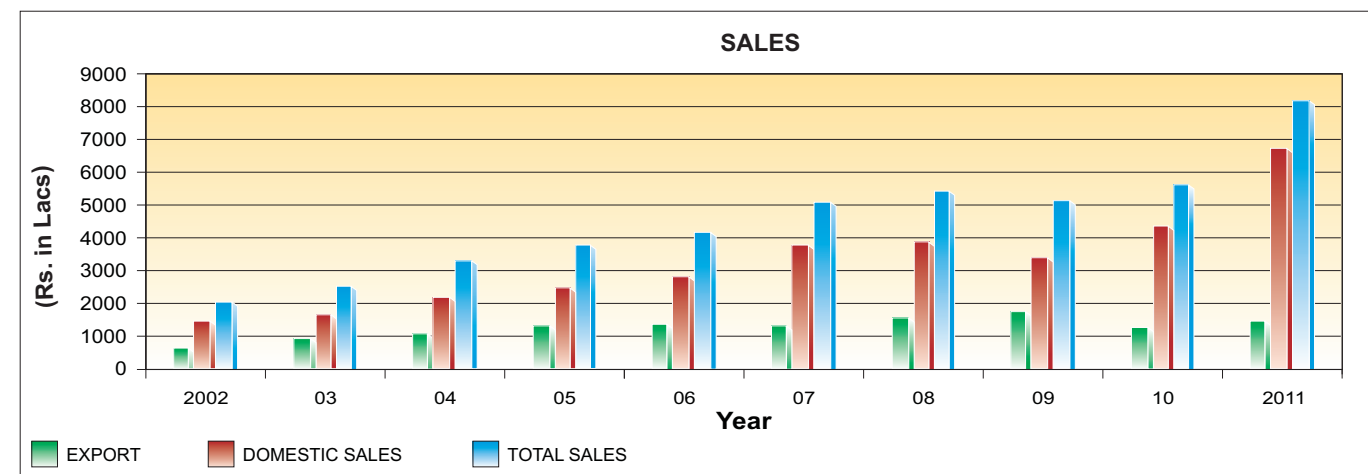
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...with a bouquet of flowers from Wendt Garden...

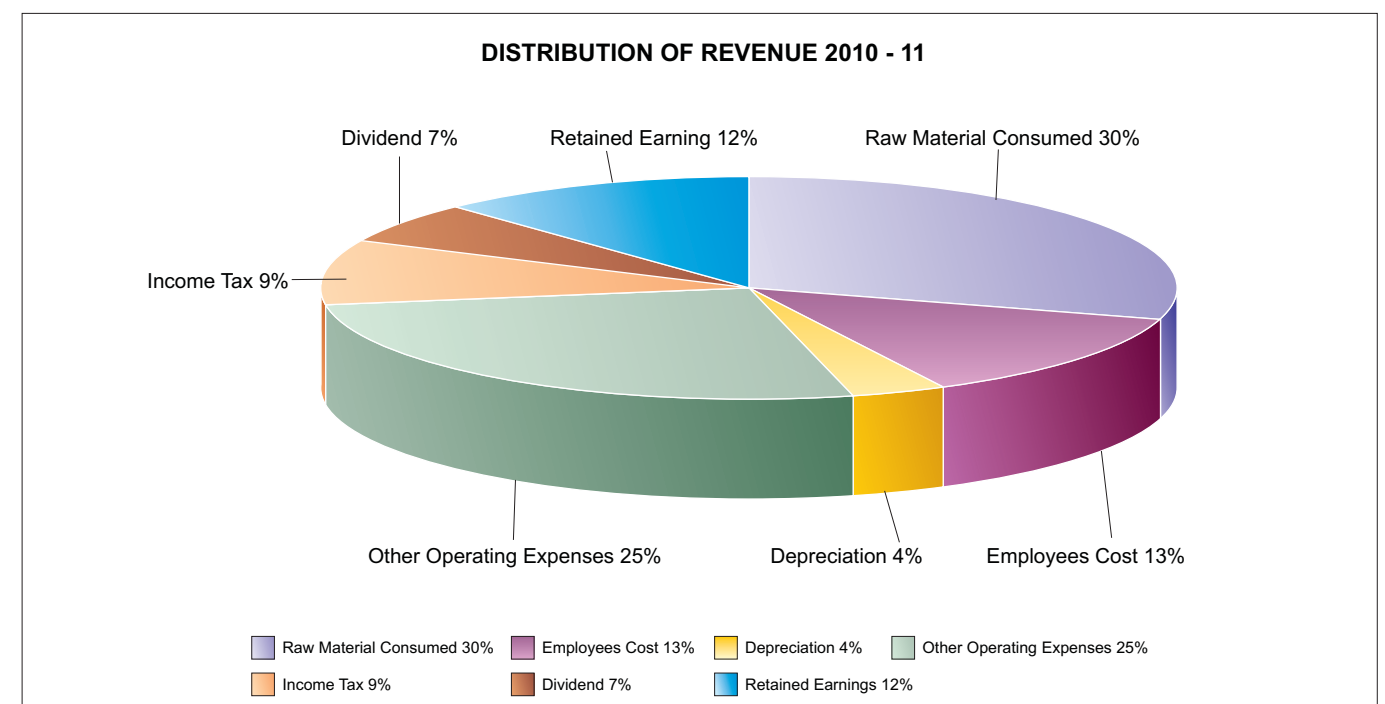
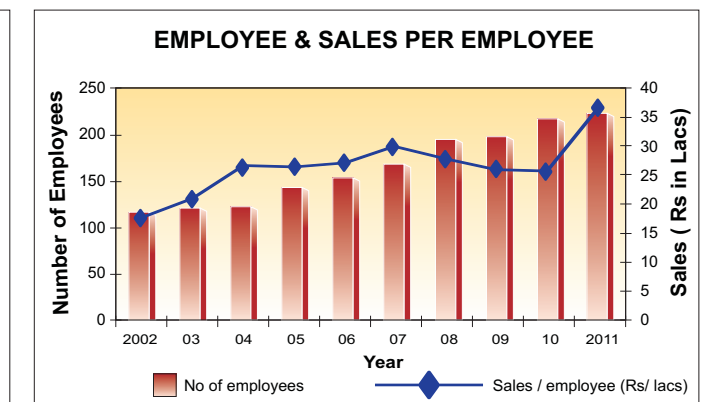
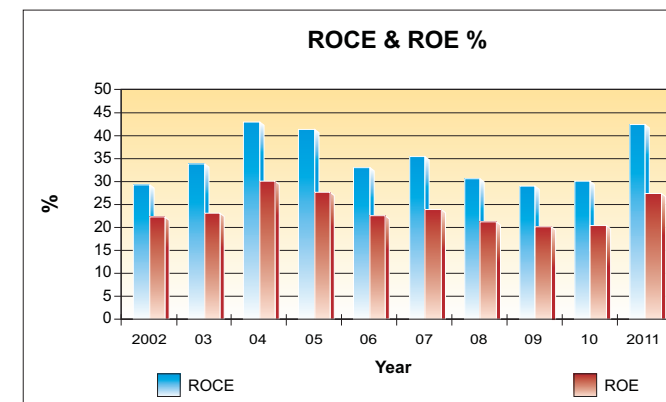


FINANCIAL TRACK RECORD

Year ending 31st March	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Rs.in Lacs										
REVENUE										
NET SALES	2055	2540	3267	3784	4163	5074	5405	5136	5609	8173
DOMESTIC	1444	1639	2194	2483	2801	3764	3873	3389	4368	6727
EXPORT	611	901	1073	1301	1362	1310	1532	1747	1241	1446
OTHER INCOME	55	59	124	128	100	155	185	309	222	299
PROFITABILITY										
Profit before depreciation	587	773	1137	1291	1215	1495	1459	1517	1714	2654
Profit before tax	498	682	1035	1176	1079	1310	1255	1297	1455	2356
Profit after tax	356	464	714	773	716	871	842	884	982	1595
Dividend %	125	100	150	150	150	175	200	200	250	250
EPS (Rs.)	35.56	46.42	35.71	38.66	35.78	43.56	42.08	44.21	49.12	79.76
ASSETS EMPLOYED										
Fixed Assets	915	1015	1152	1280	1629	1911	2085	2610	2950	3264
Investments	406	626	1069	1205	1183	1204	1454	1200	1672	2257
Net Current Assets	494	570	392	576	637	807	697	858	413	531
Total Assets	1815	2211	2613	3061	3449	3922	4236	4668	5035	6052
CAPITAL STRUCTURE										
Paid up share capital	100	100	200	200	200	200	200	200	200	200
Reserves	1503	1896	2172	2603	2977	3438	3787	4203	4602	5614
Loan Funds	67	49	57	65	66	49	28	36	-	-
Deferred Tax Liability	145	166	184	193	206	235	221	229	233	238
Total Funds	1815	2211	2613	3061	3449	3922	4236	4668	5035	6052



2011 Rs 25 per share Dividend proposed.



REPORT OF THE DIRECTORS

(Including Management Discussion and Analysis)

Your Directors have pleasure in presenting the 29th Annual Report together with the Audited Financial Statements for the year ended 31st March 2011. 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 OVER VIEW

The Indian economy continued to be buoyant, holding its ground despite high inflationary trend in food and vegetables in the recent past. Volatile situation in some of the developed economies and the spiraling oil prices as a fall out of Egypt / Libya crisis which began during the second half of the year has not had much impact on the country's growth during the last year. This signifies enough financial prudence of the Government and policy makers. Reflecting this, the domestic manufacturing sectors such as Automotive, Steel, Engineering, Cutting tools have witnessed higher growth.

However, the domestic economy is today at a crucial juncture, balancing between inflation, industrial growth and monetary policy tightening. The Reserve Bank of India has tightened monetary policy & interest rates several times since last year & taken the interest rates at the level which threatens to impact industrial growth. Analysts feel that there are several domestic as well as international factors responsible for fueling the inflation rate. While on the domestic front the robust demand is pushing the price up of broader items, in the international market, the soft monetary policies and the ongoing issues are constantly pushing up the international commodity prices, contributing to headline inflation rate. It is expected that the RBI will maintain its hawkish stance in the forth coming monetary policy.

The Index of Industrial Production (IIP) numbers has slowed down over the last few quarters, however, the Government is expected to show prudence in it's action to get this back on the growth path.

The monsoon, another factor responsible for macroeconomic parameters influencing the demand and development is expected to be good helping the agricultural growth to keep check on food prices & fighting the headline inflation.

At the global level, surviving one of the deepest downturns, the economic turnaround in some of the developed countries and the matured markets has been rather quick demonstrating growth. However, the high level of sovereign debt with no visible plans to recover from the situation in some western countries remains a major cause of concern making the pace and shape of growth somewhat uncertain.

COMPANY PERFORMANCE OVERVIEW

(Rs in Lacs)

	31/03/2011	31/03/2010
Sales	8173	5609
Other Income	299	221
Profit before tax	2356	1455
Provision for tax	755	468
Provision for deferred tax	6	4
Profit after tax	1595	982
Earnings per share	79.76	49.12

RESULTS OF OPERATIONS

Resonating with the economical growth, your Company achieved a top line of Rs 8173Lacs during the year which is 46% higher than the previous year. The domestic turnover recorded an appreciable growth of 54% over the previous year reflecting on better performance of many of the industrial

segments the Company operates. The major segments which contribute to your Company's growth are Automotive, Engineering, Cutting Tools and Steel that have had their positive impact on the Company's Domestic Business. The Export sales recorded a 17% growth during the year despite the slow industrial recovery in many of the developed nations including UAE which is still to experience signs of economic recovery.

In order to grow the business more aggressively as well as with increased focus, the Company had classified its businesses under three verticals- Super abrasives, Non-Super abrasives and International Business during end of 2009-10 which has now started paying rich dividends. Your Company is putting more efforts towards strengthening the Non Super abrasives business mainly comprising of machine tools and precision components. Like in past, it would continue to commit adequate investments in Plant and Machinery, Infrastructure and Human Resource.

During the year, your Company has successfully launched some of the new machines like CNC Rotary Surface Grinding with vertical spindle, CNC Guide Roll Grinder WGM35, 6-axes CNC Notch Milling Machine, Profile Grinding with Video Vision WDM 8V machine besides indigenously building Delapena Honing Machines.

Under Super abrasives, your Company continues to focus on the development of new products and new applications which would provide base for future growth. During the year, your Company has successfully introduced and tested several new products including Vitrified CBN wheels for Auto Component and Paper & Textile industry, High performance Electroplated CBN wheels for Automotive industry, Metal Bond wheels for Cutting Tools Industry, precision Dressing Rolls for Aerospace

industry and Electroplated Diamond wheels for Ceramic industry.

During the year, your Company has also formally launched Innovation Management Process as one of the drivers for growth. It has initiated work on two new projects namely Low cost Resin Bond wheels and Vitrified Diamond Products besides strengthening its capability for Brazed products. Your Company is one of the few companies in India to have implemented Integrated Management Systems (IMS) by combining both Quality Management System and Environmental Management System. Your Company has achieved yet another milestone when India's premier credit rating agency CRISIL conducted a comprehensive study commissioned by NSE and published the Independent Equity Research (IER) report about the Company - An ample evidence of your Company's commitment to strong business fundamentals and shareholder value creation.

FUTURE PROSPECTS

Aligning the management practices and policies with the Mission & Strategic Intent, the Company's three Broad Strategies 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 application developments would be the focus.
- Market penetration to increase the share with existing customers.
- Developing competitive edge by improving service levels and offering value added services.



Manufacturing Plants



Manufacturing Plants

In order to achieve the objectives, your Company would strive hard to focus on Innovation for both products and processes to ensure sustained growth year on year. This would be well supported by deploying state-of-the-art technologies and process automation in critical areas as required. Harnessing the opportunities and potential in growing new industries such as Construction, Infrastructure, Defense, Aerospace, Railways and Steel would continue to be key focus for growth. Various initiatives such as trade shows, exhibitions in both domestic as well as overseas, customer training and other value added services are expected to strengthen the customer engagement levels with your Company.

The recent acquisition of Winterthur Technology Group (WTG) by the US multinational 3M Corporation and resultant acquisition of 40% equity share holding in your Company has been a matter of contention. The Company expects the ownership matter to be resolved soon. Once completed, your Company would take advantage of the opportunities that the change brings in and ensure to derive benefits from the multitude of possibilities for accomplishing its long term objectives.

SUBSIDIARY COMPANIES

Wendt Grinding Technologies Limited, Thailand

In spite of continued political odds and subdued industrial activities, your Company's wholly owned subsidiary in Thailand presented yet another good performance. During the year the Company's top line was Thai Baht 70 mill. (Rs 1017 Lacs) which was 60% higher than last year. The Profit before tax was Thai Baht 24.4 mill (Rs 365Lacs) and Profit after tax was Thai Baht 17 mill (Rs 258Lacs) both recorded an exceptional growth of over 100% over the previous

year. The higher profit levels have been possible as a result of cost reduction initiatives, operational efficiency measures, enhanced product basket as well as market expansion. During the year the Subsidiary Company declared a dividend of 20% amounting to Rs.74Lacs.

In order to reinforce brand image and create increased recall, the subsidiary Company participated in major Industrial Trade exhibitions, conducted local advertising campaigns, technical seminars and prospected new market through surveys in addition to organizing plant tours for its key customers to showcase its capability. It also, added new industry specific distributors as partners and increased its product basket. As a part of business de-risking, it added solar glass panel manufacturers. The Company continues to focus on opportunities in industries such as Glass, Automobile, Steel, Auto parts, Engineering, Process, Wood, and Construction. Further, the Company is also exploring opportunities to extend re-profiling business to Vietnam, Laos and Cambodia.

Wendt Middle East FZE, Sharjah

The second wholly owned subsidiary in Sharjah, Wendt Middle East FZE, achieved a reasonable growth by closing with an annual sale of AED 916 (000's) (Rs.113Lacs) despite continued economic slowdown and recent social unrest. The loss for the year was AED 748(000's) (Rs 90Lacs) with a total accumulated loss of Rs.178Lacs. The volatility in the primary economic drivers such as Construction, Trading and Oil in the Middle East region further contributed to achieving the business lower than the plan.

However, the Company has worked on many new initiatives and strategies to minimize the impact of

continued economic slowdown by focusing on increased product range for Trading and concentrate on precision ground components. Additionally, the Company is also exploring opportunities to extend re-profiling, honing & grinding services to Iran, Egypt, Turkey and other adjoining countries. The renewed focus particularly in servicing industries like Glass Reinforced Plastic and Oil Exploration is expected to help the Company to tide over the current situation and achieve better results in the coming year.

APPROPRIATIONS

Available for appropriation	(Rs in Lacs)
Profit after tax	1595.09
Add: Balance brought forward from previous year	724.35
Total	2319.44
Recommended appropriations	
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	1386.40
Total	2319.44

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 2011.

CONSOLIDATED FINANCIAL RESULTS

The Ministry of Corporate Affairs vide its general circular no. 2/2011 dated 08/02/2011 has granted

general exemption in complying with the provisions of Section 212 (8) of the Companies Act, 1956 subject to fulfillment of certain conditions. The Ministry has further vide its letter dated 14/02/2011 informed the Company that approval of the Ministry is further not required.

A consolidated financial statement (incorporating the operations of the Company and its two subsidiaries) has been provided in the Annual Report. The key financial data for the consolidated operations are as given below:-

KEY CONSOLIDATED FINANCIAL SUMMARY

	(Rs in Lacs)	
	31/03/2011	31/03/2010
Sales	9129	6154
Other Income	197	193
Profit before tax	2551	1520
Profit after tax	1684	998
Earnings per share-Rs	84.18	49.91

QUALITY

Your Company is into manufacture of high precision super abrasive (Diamond / CBN) grinding wheels, special tools, customized CNC Grinding / Honing machines and precision components meeting close tolerances and exacting standards. Tight process controls and Quality at each stage of operation is paramount for final output to meet up with customer requirement. Your Company constantly updates its quality programs to supply the right product at the right time. Lean management has also been introduced in certain production programs. Its manufacturing practices lay greater emphasis on training on latest trends on continual basis by creating a conducive atmosphere for learning across the



Facilities



Facilities

organization in addition to bench marking with the global best practices. Your Company continues to also invest on latest equipments to ensure that product quality meets the exacting Product standards.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

The well crafted SHE management system of your Company is top driven and ensures effectiveness and adherence. The top management is committed to maintaining highest standards of Safety, Health and Environment protection for all applicable statutory norms and prevention of pollution requirements. Occupational health and safety continues to be an unrelenting focus area for the Company. The safety policy is put in place to nurture a 'Zero Accident' culture by adopting fail safe procedures, using best protective gears befitting the respective work areas, continuous training and enforcing compliance by vigilant Audit.

Your Company recorded zero accident during the year once again and has not lost even a single production man day on account of disability. Your Company accords high degree of importance to ensure a healthy and safe workplace for its own employees, the service providers including guests and visitors, by maintaining the highest levels of safety and occupational health standards across the organization. In order to make sure of the above, regular training on Safety, Fire hazards mock drills are conducted. Specialized Standard Personnel Protection Equipments are being provided to the operating personnel for use in their respective work areas.

General health & physical fitness of employees is of prime importance for your Company. Employees are required to undergo annual medical check-ups for timely diagnosis of their health condition. Your

Company has a qualified and competent doctor visiting the factory regularly to help the employees and their families to maintain good health condition and keep fit. Your Company also offers a mediclaim insurance policy that provides for hospitalization & major healthcare expenses to employees and their family members.

During the year, your Company has set up a fitness centre in the factory premises for its employees by equipping it with state-of-the-art fitness machines, equipments and gadgets. Employees are encouraged to use the fitness centre under the supervision of the practicing Physiotherapist.

Your Company had integrated its Quality Management System ISO 9001 and Environment Management System ISO 14001 and has been practicing Integrated Management System. Your Company is focusing on Occupational Health & Safety practices and initiatives and is now pursuing implementation of ISO 18001 and Social Accountability Standard SA 8000 during the year 2011-12. Your Company believes and follows the principles of good corporate citizenship that mandate the active contribution of companies towards ensuring employee's **Safety and Health** and preserving **Environment**. Consequently, your Company has incorporated required operation systems to ensure zero accidents, Good Health & Zero Environmental impact.

RECOGNITIONS AND AWARDS

Recognition, Awards and accolades keeps the employees and the Company as a whole motivated for achieving higher results. During the year your Company has got the following awards

Engineering Export Promotion Council (EEPC) Award

This year yet again Engineering Export Promotion Council (EEPC) India conferred on us "**Silver Shield for Star Performer**" under Large Enterprise category for Miscellaneous Engineering Goods for the year 2008-2009. This is the seventh consecutive year that your Company is getting recognized by EEPC.

Best Manufacturing Award

Your Company has received the Best Manufacturing Award and Certificate of Recognition in the Machine Tools sector for Ranking No.1 under Top 500 SMB category for 2008-09 following a survey conducted by the Centre for Monitoring of Indian Economy (CMIE) in association with Industry 2.0 magazine for superior manufacturing performance.

Quality Circle Awards

At the National level, your Company's employee team participated in Quality Circle competition & has been awarded for SGA with "Distinguished Category" at the national convention NCQC 2010 organized by QCPI at Vishakhapatnam.

Like wise, at the Regional level, teams from your Company won many quality related awards such as Small Group Activities (SGA), Kaizen, Quality Quiz and 5S from participation in CCQC 2010 [Quality Circle Competitions] organized by QCPI, Bangalore Chapter.

CII Work Skill Competition

At the Regional level, one of the employees of the Company was ranked 2nd in the Turner Trade Competition organized by CII and was advanced to the National Level.

CRISIL Independent Equity Research (IER) Rating

Your Company has been recognized by NSE as one of the few listed companies in India to have been practicing sound management systems and ethical norms based on strong business fundamentals. As advised by the NSE, India's premier equity research agency CRISIL had conducted an Independent study of your Company across all facets of the business during the year. Based on the assessment, CRISIL has assigned a rating of "4/5" for Superior Fundamentals and "3/5" indicating Fair Market Valuation of shares.

Cufest 2010

Employees of the Company participated in Group-level Quality competitions "Cufest 2010" [Quality Festival of CUMI], and won awards for Quality Logo, Poster & Idea King events.

MGTC Cultural Meet

Women Employees of the Company participated in the cultural meet organized by Murugappa Group and won awards for individual talents.

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

GENERAL PERFORMANCE REVIEW

During the year 2010-11, the Indian economy continued its momentum by maintaining the tempo ending with a reasonable GDP growth rate of around 8.3% in the midst of spiraling commodity prices. Despite the inflationary trend in foods, the economy was not out of the growth path. Accelerated



Manufacturing Processes



Manufacturing Processes

investments in Infrastructure, rapid rise in exports and growth in industrial out put helped the growth. India's strong internal growth dynamics was most visible in segments like Automobile, Auto Component, General Engineering, Infrastructure & Construction and Steel. Resonating with the growth in Indian economy, the domestic business of Wendt (India) Limited grew by 54% and export achieving a growth of 17% over the last year. While the Super abrasive business grew by 26%, the Non-Super abrasive has shown an exemplary growth of 138% over the last year. The growth in the Super abrasives has come mainly from your Company's increased focus on growing industries in Domestic market such as Automotive, Cutting Tools, Engineering, Steel, Ceramics and Refractory. Continuous efforts on new product and new application development including working in close coordination with customers for import substitutions supplemented to this growth. The Non-Super abrasive business comprising of machine tools, accessories and precision components together recorded the above commendable growth. Capacity expansions and new projects in Steel sector, positive performance by Engineering, Railways and Cutting Tool industries together with sustained demand for precision components has enabled your Company to record this higher growth in the Non-Super abrasives business. While new variants & models in Machines were introduced in the market by your Company during the year, continued thrust on new product development, increased service levels and direct marketing efforts have helped to maintain its leadership position in the domestic market.

In order to increase customer base, provide prompt services and ensure sustained growth in the domestic arena, your Company created two additional regions namely Jaipur and Nashik during the year. This move will help your Company to complement its market presence and competitive edge.

While your Company continues to offer products and services to the existing industries such as Automotive, Cutting Tool, Engineering, Steel, Ferrite, Glass, Ceramics, Paper and Textile, it expanded the industry base to Railways, Aerospace, Construction, Infrastructure and Oil and Gas during the year. This is in line with your Company's underlying core objective of constantly looking for opportunities in growth sectors which is vital for the success. As a result, the comprehensive product range particularly in the Super abrasives business has become still more inclusive in terms of applications and product basket.

As you would recall, in order to bring more focus and direction to address sustained growth year-on-year, your Company had formed the **Strategic Intent**, followed by identification of **Strategic Initiatives** and deployment of **Product Management approach** few years back. To strengthen and support this, in the year 2009-10, your Company re-classified the businesses into three verticals namely **Super abrasives**, **Non-Super abrasives** and **International Business**. The above initiatives and underlying actions have complemented well and have started yielding results from this financial year 2010-11.

ECONOMIC OUTLOOK

While there is optimism shown by continuing fiscal expansion plans and resultant demand growth, against the earlier government projection of 9%, the Indian GDP growth is now expected to be around 8.2% in the coming year. The Indian economy however has displayed remarkable resilience by engineering a substantial increase in domestic demand to compensate for the relatively lower export growth. This clearly indicates that more focus is towards driving higher domestic consumption and investments.



New products

The major Industrial sectors which are expected to support the growth projections would be Automotive, Steel, Engineering, Infrastructure & Construction, Fertilizer and Cement during the coming year. Sizeable investments and expansion plans in Steel, Automobile, Auto-component industries are expected to take advantage of the growth opportunities and growing domestic demands. The Indian auto sector has been experiencing robust growth during last two fiscals notwithstanding input material and fuel price hikes. This industry has closed the year with a growth of around 29% mainly driven by improved market sentiments, technological innovations, improved economic conditions, new product launches and consumer confidence in income security as well as relaxed policies by the Government for vehicle financing. The major contributors for this growth have been small cars with around 3 Million cars and Commercial vehicles. Your Company expects a slightly moderated growth of around 12-15% in the coming year as well in view of hardening of interest rates and rising commodity prices. On the same note, the auto component segment is also expected to reflect the trend with an estimated growth of 16-18% on account of OEM demand and planned investments by major component manufacturers.

Promotion of Infrastructure development, construction and housing sector has been one of the main agendas of the Government supported with various initiatives. Consequently, the performance of Indian steel industry has been better than the global average growth rate of 7-8% during the year achieving a growth of 9.5-10% despite the rise in input raw material prices. During the coming year, the steel industry is expected to maintain the upbeat due to continued planned Capex spend by major players, setting up of new plants and low per capita steel consumption as well as demand from major users like automotive industry.



New machines of the year

INDUSTRY STRUCTURE & DEVELOPMENTS

Your Company is the supplier of Super abrasives tooling to a wide spectrum of industry and its growth is greatly dependent on the performance of the industry. Since your Company caters to the requirement of Automobile, Auto Components, Engineering and the related industry which had a positive growth, your Company has mirrored the same positive trend posting an impressive performance during the year 2010-2011.

The revival in domestic industrial activities resulting in higher demand for Super abrasive products aided to achieve a much better performance. Recognizing this, your Company continued to focus its efforts on seizing the opportunities and has been working on various strategies to widen the product portfolio while also working on reducing dependency of the business on specific industries. As a result, several newer applications for various emerging industries and markets have been identified with industries like Aeronautical, Construction, Petroleum, Power and Glass.

PERFORMANCE OVERVIEW

Key Financial Summary

(Rs in lacs)

Particulars	2009-10	2010-11	% change
Domestic Sales	4368	6727	54
Export Sales	1241	1446	17
Total Sales	5609	8173	46
Operating Profit	1289	2145	66
Capital Employed	5035	6052	20
Return on Net Worth %	21	30	---

OPPORTUNITIES & THREATS

Opportunities

While India's economy in the long term appears promising, it is still to gain momentum and ensure growth on a sustainable basis. During the year 2010-2011 the overall sentiment has been extremely positive. Through various initiatives your Company would continue to explore newer markets and the unfolding opportunities which could emerge.

Your Company would leverage on its experience, its comprehensive product range, its superior technology and the resultant competitive advantage that emerges with the addition of new range of high precision grinding / honing machines under its manufacturing program. Your Company would take the advantage of being the provider of **TOTAL GRINDING / HONING SOLUTION** by offering comprehensive range which now extends from tools-to- machines.

Your Company would continue to strengthen the Product Management approach which has started yielding better results. Further consolidation with more emphasis on end-to-end product management and new product development has been planned. Your Company sees growth potential in some of the hitherto unaddressed markets, now would be catered to with new products initiated under new projects. This would provide added impetus to the super abrasive range. With the recent addition of Delapena range of Honing machines and new models of machines to the existing machine tool stable along with precision component is expected to strengthen the Non Super abrasive business while taking the Company to the next level of recognition as a machine manufacturer.

Threats

The super abrasive tool market in India is being shared by many of small unorganized players, proprietary-run companies on one side and few organized domestic as well as global players on the other side. The small players pose product/region specific competition at lower price levels putting pressure on profitability, while global players rely on entry by tooling up with global OEMs.

Your Company is addressing both the ends in order to improve its market presence. While the lower end competition is being addressed by innovative low cost products, the higher end is being addressed by developing import substitution and working on price performance measures.

Product innovations, application developments and market development are the key success factors for ensuring sustained results for your Company. The competency levels and the accumulated knowledge of the people are harnessed by the Company to stay ahead of market changes in the respective product programs it operates. Improved service levels along with offering customer training programs on grinding technology ensure further strengthening the value chain and better brand image connect with the customers. These initiatives well supported with market penetration leading to create entry barriers and better engagement with customers help the Company to protect the leadership position and competitive edge.

BUSINESS OUTLOOK

The Indian economy growth is expected to grow at 8.2% which is slightly downgraded from earlier projection of 9.0 % as a result of continued inflationary trends triggered by increase in

commodity prices, increasing raw material prices and interest rates affecting the liquidity. On the above background, your Company will continue to focus on retaining its strong domestic market position by virtue of its rich product portfolio, market reach and penetration. Your Company will also continue to intensify its efforts to further improve its market presence and address competition in the domestic front.

Continued focus on product developments and applications, introduction of new products and concentrate on growth industries for Super abrasives will play a major role for growth of your Company in the coming year. More over, improved service levels as also initiatives for better engagement levels with customers will ensure superior value proposition in the market. In order to achieve aggressive growth in the Non-Super abrasives business, your Company has planned new introductions as well as product extensions in grinding machines, Delapena Honing machines and machines for Steel Industry as well as development of precision components for new customers. The above plans will be adequately supported by earmarking necessary investments in building, infrastructure, machinery & equipment for reinforcement of customer confidence on your Company.

Your Company will also aggressively pursue opportunities in the overseas market which includes both Wendt group locations and Non-group regions for growth of Super abrasives as well as Non-Super abrasive products.

The relatively newly established 100% owned subsidiary, Wendt Middle East FZE at Sharjah, which has been in its infancy, has started showing improved results despite the socio-economical disturbances in

the region. It has renewed its focus on more of trading products and services in the UAE and neighboring market especially for Oil & Gas and General Engineering industry. With this change on focus and strategy, your Company expects to gain more traction during the coming year.

The other subsidiary Company, Wendt Grinding Technologies Ltd in Thailand is now matured & continues to show commendable performance year on year since its inception and enough resolve to beat its own record during the coming year notwithstanding the unfavorable market conditions & socio-political odds. This has been possible due to continual efforts on exploring new markets, opportunities, increasing product offerings and enhancing value propositions to the customers. With plans to expand the market development and operations to the bordering countries, your Company expects to churn out yet another better performance during the coming year.

RISK & CONCERN

Your Company has put in place an adequate system and mechanism for mapping the risks arising out of both internal and external environment and effective plans to mitigate the same. The risk management process has been so designed to ensure reasonable assurance with respect to the enterprise vulnerabilities in the areas of operations, financials and other business risks.

The Risk management process for your Company includes the following:

- Identification of different risks and risk owners
- Evaluation of the risks, Probability of occurrences and related consequences



Industries we cater to



Industries we cater to

- Assessment of options for risk mitigation
- Prioritizing the risk management actions
- Development of risk management plans
- Authorization for implementation of the risk management plans
- Implementation and appraisal of the risk management process

The top management takes the responsibility of total risk management process of the organization. Through this process it addresses opportunities and the associated risks through an institutionalized approach in line with your Company's objectives. It continually seeks to identify, assess, review, manage and works on developing the robustness of the system in terms of adequate internal controls, compliance. The business risks of your Company are managed through the cross functional involvement and communications. Your Company has identified some of the risks, nevertheless not exhaustive, associated with the business and their mitigation plans as described below.

User Industry Concentration Risk

Why is it considered as a Risk?

- High exposure of business to automobile sector
- Interim Fluctuations in input costs & time lag in passing to customer
- Effect on Business / Relationship with the customers with recent change in ownership.

Mitigation Plan / Counter Measure to address

- Increase the customer base with Non-auto sectors
- Seek growth opportunities industries like Construction, Infrastructure, Steel, Defense & Aerospace

- New product and application developments for existing non-auto sectors
- Improve customer engagement with innovative products & services
- Improve service levels through operational efficiency measures
- Reinstate Confidence with the customer

Competition Risk

Why is it considered as a Risk?

- Clustered unorganized players often adopting Low price strategy
- Imports, India being one of the fastest growing economies
- New organized players could find India attractive to set up manufacturing base

Mitigation Plan / Counter Measure to address

- Higher value proposition by focusing on three main drivers QCD – Superior **Quality**, Reasonable **Cost** & Reliable, Consistent **Delivery**
- Internal Efficiency Measures & offer value additions
- Create entry barriers for competition / exit barriers for customers by account penetration
- Product and process Innovation
- Enhancing value chain

INFORMATION TECHNOLOGY

With all the core functions & operations of your Company integrated well and running on an established SAP ERP system, your Company has now focused on deriving more benefits from the same.



Events during the year

Following the implementation of SAP HCM Module, integration task was carried for improving operational efficiencies in material procurement and cost control by integrating with the human resources during the year.

To minimize the risk of loss of information and data failure, your Company has installed data backup and Disaster Recovery systems during the year. The Company is now planning to implement IT enabled Knowledge Management system in the coming year whereby it would capture product application highlights and facilitate the marketing process for offering prompt and accurate technical solutions to its customers.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has an adequate system of internal control in place. It has documented procedures covering all financial and operating functions in alignment with the Company's objectives and management practices. These controls have been so designed as to prevent any revenue leakage or resource wastage through proper accounting controls, compliance with regulation, protecting assets from unauthorized use or loss. By the practice of regular monitoring of processes and operations, the resultant gaps are identified as areas of improvement. The concerned functional personnel work on addressing the gaps through regular reviews and measurements if any.

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

FINANCIAL REVIEW

EARNINGS

Revenues

During the year, the revenue recorded overall growth of 46% up from Rs.5609 Lacs for the year 2009-10 to Rs.8173 Lacs. The domestic sales achieved an appreciable growth of 54% while exports sales recorded a growth of 17% compared to the previous year.

Profit Before Tax

The profit before tax is higher by 62%, up from Rs.1455 Lacs to Rs.2356 Lacs

Profit After Tax

The profit after tax is higher by 62%, up from Rs.982 Lacs to Rs.1595 Lacs

Investments

The Company's investment as on 31-03-2011 grew by 35% at Rs.2257Lacs compared to Rs.1672 Lacs in the previous year. The Investment includes an amount Rs.431Lacs (Previous year Rs.394Lacs) in two of the wholly owned subsidiary companies viz. Wendt Grinding Technologies Ltd, Thailand & Wendt Middle East FZE, Sharjah and the balance is in Debt schemes. The Company follows the Group norms by investing the surplus in liquid debt funds which are giving sizeable returns. This ensures safety and liquidity of Company's funds along with reasonable yield as per the prevailing market rates. The investment in mutual funds ensures meeting the internal requirement of



Events during the year