



1983

2012

30TH ANNUAL REPORT 2011-2012

1997

1998

# 30 Year Journey of Consistent Growth...

- Start of Commercial Production
- Relocation of all Business activities at Hosur



1983-87

- First time Company sees profit on a sale of Rs.236 Lacs
- CUMI takes over WENDT
- Shri. M V Murugappan joins the Board as Chairman.



1988-92

- Wendt gets ISO 9001 certification
- Construction of TQM Shrine
- Start of Machine building activities
- Manufacture of High Precision Electroplated Products



1993-97

- Commencement of TQM journey
- Millennium Block for Electroplated Products
- Hermann Staender Block for Marketing



1998-2002

2003-07



- Start of Environmental Management System activity
- Manufacture of WRS series Rotary Surface Grinding Machines
- Set up of 1st 100% owned subsidiary WGTL at Thailand
- SAP ERP implementation
- Wendt receives IMEA Gold Award - Frost and Sullivan

## ... and the Journey Continues

2008-12



- Refurbishing of WAM Machines
- Begins manufacture of Precision Components
- Introduces Certification Training Programme on Grinding
- Set up of 2nd 100% owned subsidiary Wendt Middle East at Sharjah
- Technology tie-up with Delapena UK for Honing Machines
- Launch of Innovation *i@wendt*
- Commendation Certificate for Strong Commitment to Excel by CII -EXIM Bank for Business Excellence
- ICAI Award for Excellence in Financial Reporting
- Launch of Wendt on Wheels "WOW"

BOARD OF DIRECTORS

Chairman

M M MURUGAPPAN  
EDMAR ALLITSCH  
SHRINIVAS G SHIRGURKAR  
K SRINIVASAN  
K S SHETTY

SENIOR MANAGEMENT

CEO  
Marketing  
Technical  
Manufacturing  
CFO

PETER VERHOLEN  
  
RAJESH KHANNA  
M S VENKATESH  
D R KULKARNI  
S SUNDARIYA  
MUKESH KUMAR HAMIRWASIA

COMPANY SECRETARY

APEKSHA NAGORI

BANKERS

STATE BANK OF INDIA

AUDITORS

DELOITTE HASKINS & SELLS  
BANGALORE

REGISTERED OFFICE

No.105, 1st Floor, Cauvery Block,  
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[investorservices@wendtindia.com](mailto:investorservices@wendtindia.com)

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REGISTRAR & SHARE TRANSFER AGENTS

Karvy Computershare (P) Ltd.

*Engineering flair with Environmental Care...*



CONTENTS

|                                   | Page |
|-----------------------------------|------|
| Report of the Directors           | 8    |
| Report on Corporate Governance    | 32   |
| General Shareholder Information   | 35   |
| Auditors' Report                  | 40   |
| Balance Sheet                     | 44   |
| Statement of Profit and Loss      | 45   |
| Cash Flow Statement               | 46   |
| Notes                             | 48   |
| Consolidated Financial Statements | 72   |

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

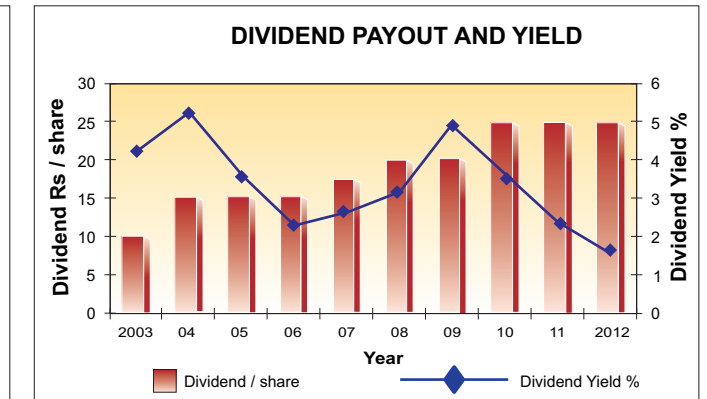
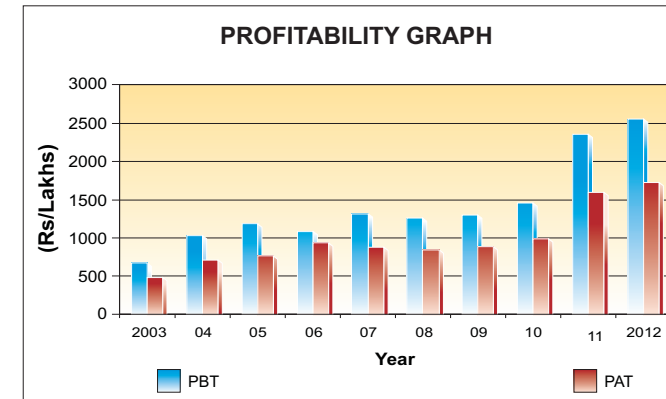
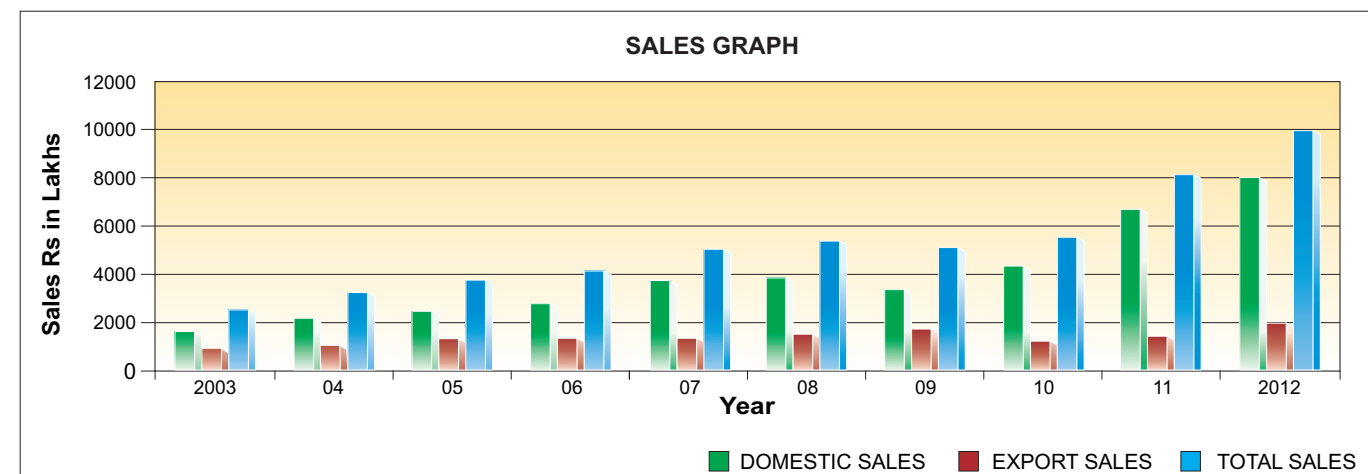


## FINANCIAL TRACK RECORD

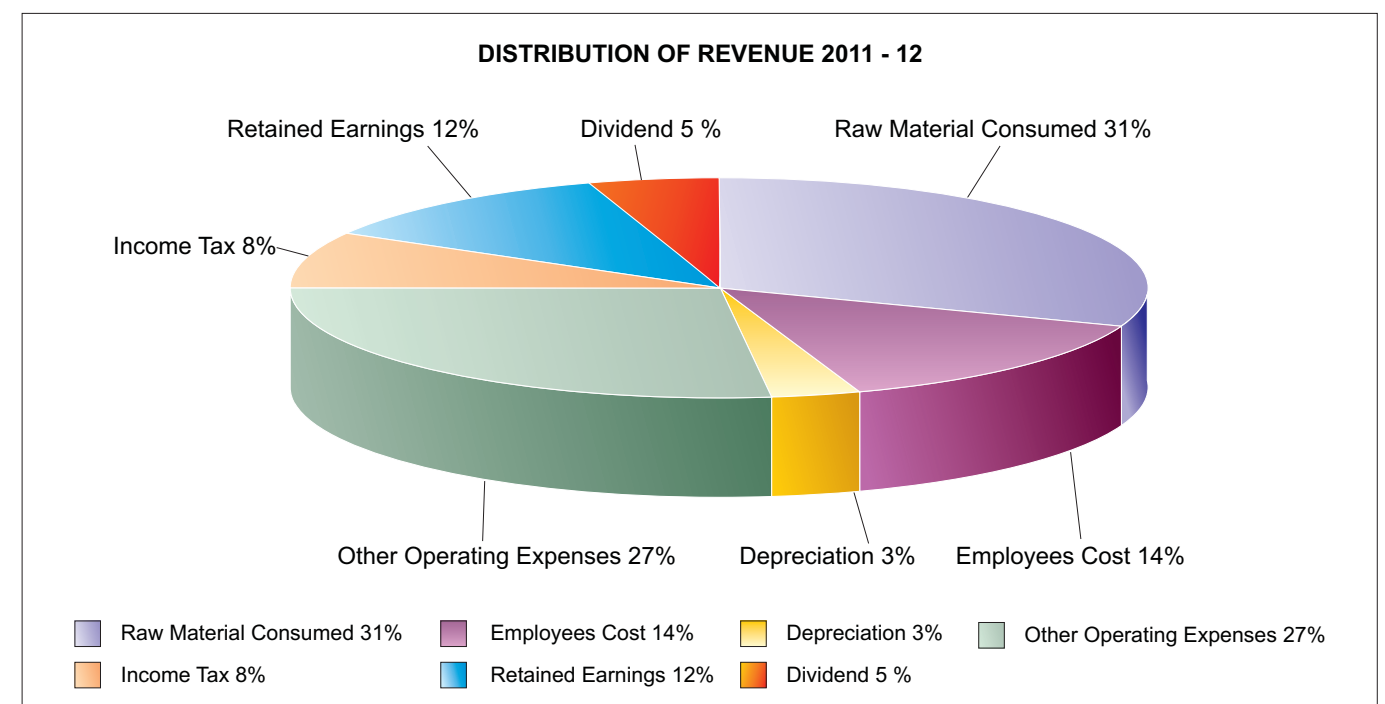
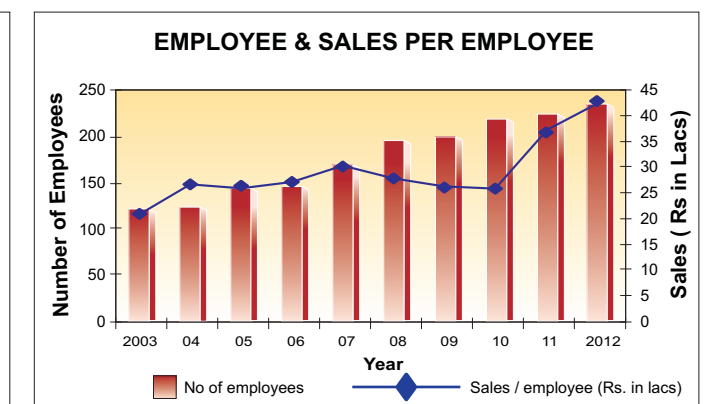
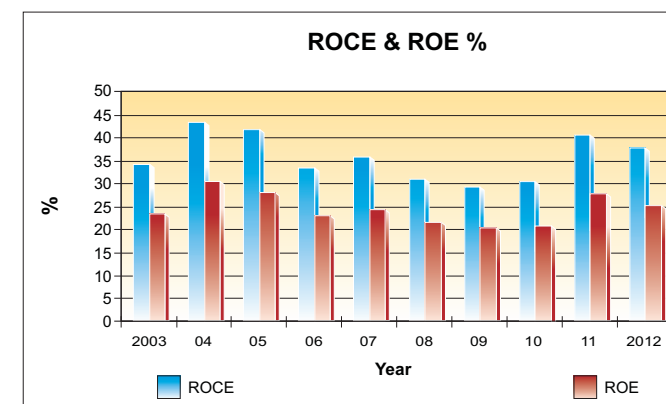
Rs.in Lacs

| Year ending 31st March     | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>REVENUE</b>             |       |       |       |       |       |       |       |       |       |       |
| NET SALES                  | 2540  | 3267  | 3784  | 4163  | 5074  | 5405  | 5136  | 5609  | 8173  | 10001 |
| DOMESTIC                   | 1639  | 2194  | 2483  | 2801  | 3764  | 3873  | 3389  | 4368  | 6727  | 8055  |
| EXPORT                     | 901   | 1073  | 1301  | 1362  | 1310  | 1532  | 1747  | 1241  | 1446  | 1946  |
| OTHER INCOME               | 59    | 124   | 128   | 100   | 155   | 185   | 309   | 222   | 299   | 278   |
| <b>PROFITABILITY</b>       |       |       |       |       |       |       |       |       |       |       |
| Profit before depreciation | 773   | 1137  | 1291  | 1215  | 1495  | 1459  | 1517  | 1714  | 2654  | 2888  |
| Profit before tax          | 682   | 1035  | 1176  | 1079  | 1310  | 1255  | 1297  | 1455  | 2356  | 2552  |
| Profit after tax           | 464   | 714   | 773   | 716   | 871   | 842   | 884   | 983   | 1595  | 1729  |
| Dividend %                 | 100   | 150   | 150   | 150   | 175   | 200   | 200   | 250   | 250   | 250   |
| EPS (Rs.)                  | 46.42 | 35.71 | 38.66 | 35.78 | 43.56 | 42.08 | 44.21 | 49.12 | 79.76 | 86.45 |
| <b>ASSETS EMPLOYED</b>     |       |       |       |       |       |       |       |       |       |       |
| Fixed Assets               | 1015  | 1152  | 1280  | 1629  | 1911  | 2085  | 2610  | 2950  | 3264  | 4363  |
| Investments                | 626   | 1069  | 1205  | 1183  | 1204  | 1454  | 1200  | 1672  | 2257  | 1370  |
| Net Current Assets         | 570   | 392   | 576   | 637   | 807   | 697   | 858   | 413   | 531   | 1532* |
| Total Assets               | 2211  | 2613  | 3061  | 3449  | 3922  | 4236  | 4668  | 5035  | 6052  | 7265  |
| <b>CAPITAL STRUCTURE</b>   |       |       |       |       |       |       |       |       |       |       |
| Paid up share capital      | 100   | 200   | 200   | 200   | 200   | 200   | 200   | 200   | 200   | 200   |
| Reserves                   | 1896  | 2172  | 2603  | 2977  | 3438  | 3787  | 4203  | 4602  | 5614  | 6762  |
| Loan Funds                 | 49    | 57    | 65    | 66    | 49    | 28    | 36    | -     | -     | -     |
| Deferred Tax Liability     | 166   | 184   | 193   | 206   | 235   | 221   | 229   | 233   | 238   | 303   |
| Total Funds                | 2211  | 2613  | 3061  | 3449  | 3922  | 4236  | 4668  | 5035  | 6052  | 7265  |

\* Net Current Assets is arrived after reducing Current Liabilities, Long Term Liabilities and provisions from Current assets(excluding Current investments) and long term loans and advances



2012 Rs 25 per share Dividend proposed.



## REPORT OF THE DIRECTORS

(Including Management Discussion and Analysis)

Your Directors are pleased to present the 30th Annual Report together with the Audited Financial Statements for the year ended 31st March 2012. 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

During the year, the Indian economy achieved a moderate growth reflecting a dampening of business sentiments, hit by headline inflation, high energy prices and a successive weakening of the Indian Rupee for most part of the year. High interest rates and spiraling prices of raw materials added to the woes. Regulatory issues with respect to environment clearances and land acquisitions slowing the pace of execution of high value projects and sector specific factors like coal and iron ore supply affecting the power, steel and related industries. While agriculture and services sector continued to perform well, this lower than expected growth can be attributed to weakening of industrial growth. The manufacturing sector grew by 2.7% and 0.4% during the second & third quarter respectively. Similarly, Index of Industrial Production (IIP) for first nine months recorded a growth of only 3.6% compared to 8.2% in the previous year. Other contributory factors include the fragile situation in Euro Zone and the spiraling oil prices have had adverse impact on the overall growth of the economy.

While all these factors had their influence on the tepid growth of the Indian economy, it still achieved a higher growth rate than many other emerging economies thereby providing ample evidence of financial prudence and resilience in the country's fiscal policy.

Contrary to the apprehensions, the export sector provided the silver lining by retaining its growth momentum. Industrial sectors like Automobile, Auto Components, Cutting Tools, General Engineering, Machine Tools, Ceramics, Glass and Defence demonstrated better results. While sectors like Aviation, Mining, Construction and Steel experienced lower than projected growth during the year. This anomaly contributed to India's modest GDP (Gross Domestic Product) rate.

With the IIP numbers showing an upward movement from the last quarter of the year, indicates a positive trend after a temporary slowdown. The Government is determined to continue with its fiscal measures to ensure a reversal of the economy to the growth trajectory. In fact, India has the advantage of a huge internal domestic market for goods and services which can generate demand and accelerate growth.

At the global level, we have seen steady flow of good news from the US with respect to improved employment and increased consumer spending. Japan and adjoining countries are likely to pull out of recession after being severely hit by earth quake and floods, post announcement of fiscal stimulus for reconstruction.

## COMPANY PERFORMANCE OVERVIEW

(Rs in Lacs)

|                            | 31 <sup>st</sup> March 2012 | 31 <sup>st</sup> March 2011 |
|----------------------------|-----------------------------|-----------------------------|
| Sales                      | 10001                       | 8173                        |
| Other Income               | 278                         | 299                         |
| Profit Before Tax          | 2552                        | 2356                        |
| Provision for Tax          | 759                         | 755                         |
| Provision for Deferred Tax | 64                          | 6                           |
| Profit After Tax           | 1729                        | 1595                        |
| Earnings per Share-Rs.     | 86.45                       | 79.76                       |



Manufacturing Plants

## RESULTS OF OPERATIONS

Despite a moderate economic growth, your Company during the year achieved a mile stone by crossing Top line of Rs 100 Crores translating into a growth of 22% over the previous year. Reflecting on better performance of many industrial segments which the company addresses, the domestic turnover recorded a growth of 20% over the previous year. The major contributory industry segments in the domestic business which helped your company's above growth are Automotive, Engineering, Cutting Tools and Steel. The Export sales achieved even better results by recording an impressive 35% growth during 2011-12 - albeit the continued slow industrial recovery in many of the developed markets.

Your Company's continued efforts on aggressively growing the three business verticals namely **Super Abrasives, Non-Super Abrasives and International Business** has yielded encouraging results once again. In order that your company achieves accelerated growth year on year, it would continue to commit the required investments and resources.

**Non-Superabrasive Business** which comprises of machine tools and precision components registered a growth of 21%. During the year, your company has successfully built and executed some of the new machines like Notch Milling Machine with branding feature Wencut405, CNC TC Roll Grinding Machine WGM35S, CNC Surface Grinding Machine WHS310V with reciprocating table, Delapena Honing Machines and Profile Grinding & Dressing Machine with Video Vision WDM 15V.

**Super Abrasive Business** which comprises of Diamond/CBN grinding Wheels & Tools, precision Dressing Rolls, Hones, Segmented products & Stationary Dressers achieved a growth of 23% over the last year. This has been possible due to continued

focus by your Company on the development of new products and new applications. Your Company successfully introduced many new products including Resin Bond Wheels for Rotary Tool reconditioning, Vittrified CBN Wheels for Paper & Textile and Auto Component, Precision Electroplated CBN Wheels for Engineering & Auto component applications, Brazed Diamond Products for Ceramic & Glass, Precision Dressing Rolls for Turbine and Aerospace and Vittrified Diamond Products for Lapidary industry.

In order to have better visibility and enhance the company's market reach for not only Super abrasives but also Machines in the domestic arena, your Company has launched a new nationwide initiative **Wendt-On-Wheels (WOW)**. Through this unique initiative, your Company would make the customers abreast of the new launches, show case the latest cost competitive, value-added Products & Services in the field of Precision Grinding and Honing, by going to the Cities and Doorsteps of the customers. Your Company is confident that this initiative would open new avenues for better understanding of the customer's exacting needs and addressing the requirements.

Your Company plans to leverage its competencies in Machines and related Superabrasive Tools by embarking on precision ground and honed components. This move would further strengthen its position in the machines and precision component business besides serving as new growth engine for your Company. On the super abrasive side, its two new innovative projects namely Eco Resin Bond wheels and Vittrified Diamond Products initiated last year, are progressing well and in the final stage of validation & testing in the market.

During the year, your Company has successfully implemented OHSAS 18001 and SA8000 standards. You will be pleased to know that Wendt India is one of



Manufacturing Plants

the few companies in the country to have implemented SA8000 standards which lays high emphasis on Corporate Social Responsibility and protects the interests of workforce at large.

With this, your company now has the following International Management Systems in place

- **Integrated Management System (IMS)**- integration of **ISO 9001** for Quality Management System and **ISO 14001** for Environment Management System
- **ISO/TS 16949** for Manufacture of Precision Machined Components
- **OHSAS 18001** focusing on Occupational Health and Safety
- **SA8000** for Social Accountability focusing on health & social accountable work culture

## FUTURE PROSPECTS

In line with the Mission, Vision, Strategies and Business Objectives, your Company's continued endeavor would be focusing on product and process Innovation for delivering superior performances and ensuring growth year on year. These efforts would be well supported through deployment of latest technologies and processes besides introduction of automation in critical areas. Your Company is constantly on the lookout for new opportunities in other growing industrial segments and exploring newer avenues in the existing industries it caters to. Your Company would intensively pursue business in Construction, Infrastructure, Defense, Aerospace, Ceramics, Railways and Health care for future growth. To augment this pursuit it will continue to participate in trade shows, exhibitions, customer education and other value added services.

The acquisition of Winterthur Technology Group (WTG) by the US multinational 3M Corporation and

resultant indirect acquisition of 40% equity share holding in your Company has been a matter of contention. The impending matter continues to be under the purview of The Honorable Company Law Board (CLB), Chennai and your company expects the ownership matter to be resolved soon.

## SUBSIDIARY COMPANIES

### Wendt Grinding Technologies Limited, Thailand

During the year, the devastating flood in Thailand and Tsunami coupled with political and economic turmoil severely impacted the business of your Company's wholly owned subsidiary situated there. Despite this, the subsidiary presented a commendable performance maintaining the top line at Thai Baht 65 Million (Rs.1028 Lacs). The Profit Before Tax was Thai Baht 17.1 Million (Rs.259Lacs) and Profit After Tax was Thai Baht 12 Million (Rs.178Lacs).

In order to improve its brand awareness and create increased recall, your Subsidiary Company participated in major Industrial Trade exhibitions with clear focus on brand building and increasing market reach. It also focused on industry specific product advertising, conducted technical seminars and organized sales meets.

Your Subsidiary maintained leadership position in re-profiling market segment in Thailand. However, completion of solar glass project running for 18 months coupled with floods resulted in significant drop in profiling business. To compensate the reduction in sales & profit, the subsidiary undertook a number of new initiatives aimed at expanding the product basket and ensuring profitable sustained operation. Your Subsidiary has put in place clear processes and business process improvement plans

with strict cost controls. Your Subsidiary during the year enhanced understanding of market/region and focus on high contribution products.

### Wendt Middle East FZE, Sharjah

Your Company's second wholly owned Subsidiary in Sharjah, Wendt Middle East FZE, achieved an annual sale of AED 2180 (000's) (Rs.283Lacs) during the year which is 150% higher over last year. This higher sales was despite continued economic slowdown and social unrest experienced in the region it operates. The volatility in the primary economic drivers such as Construction, Trading and Oil in the Middle East region was a dampener in our achieving the planned business. Even the re-profiling services did not gain momentum as anticipated due to slowdown which impacted the performance of the Subsidiary.

Your Subsidiary has embarked on new initiatives to consolidate and grow business. It expects to be profitable from the coming financial year.

## APPROPRIATIONS

| Available for appropriation                                               | (Rs in Lacs) |
|---------------------------------------------------------------------------|--------------|
| Profit after Tax                                                          | 1729         |
| Add: Balance brought forward from previous year                           | 1386         |
| Total                                                                     | 3115         |
| <b>Recommended appropriations</b>                                         |              |
| Transfer to General Reserve                                               | 350          |
| Proposed dividend Rs 25/- per share of face value of Rs 10/- each (250 %) | 500          |
| Dividend tax                                                              | 81           |
| Balance carried forward                                                   | 2184         |
| Total                                                                     | 3115         |

## CORPORATE SOCIAL RESPONSIBILITY

Corporate Social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of local communities and society at large.

Befitting the size, your Company contributes to various social causes in the field of education, healthcare and environment preservation. Your Company places great emphasis on tree planting measures and afforestation not only in the premises but also adjoining localities. Besides, your Company has been contributing to the old age homes and to the weaker sections of the society. Your Company also celebrated the Environmental Day where employees were handed over tree saplings to plant trees in their locality.

## DIVIDEND

Your Company has taken an aggressive plan for the next year including higher capital expenditure to fuel the required growth. This needs to be financed through its internal accruals and debt.

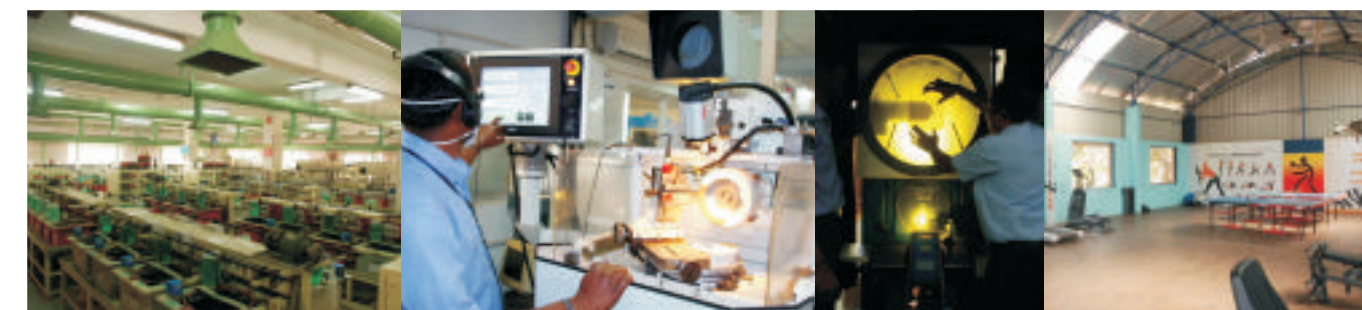
The Board of Directors have recommended a dividend of Rs.25/- per equity share of face value of Rs.10/- each (250%) and the same will be paid after the approval at the forthcoming Annual General Meeting. The dividend warrants will be posted after 20th July, 2012.

## CONSOLIDATED FINANCIAL RESULTS

As per Section 212 of the Companies Act, 1956, it is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of the Subsidiaries to your Company's Annual Report. The Ministry of Corporate Affairs vide its circular No. 2/2011 dated 8th February 2011 has granted general exemption to companies



Facilities



Facilities

from complying with the provisions of Section 212 (8) of the Companies Act, 1956 provided such companies publish the audited consolidated financial statements in the Annual Report. Accordingly, the Annual Report 2011-12 does not contain the financial statements of the Subsidiaries. The audited annual accounts and related information of the Subsidiaries is available in our website - [www.wendtindia.com](http://www.wendtindia.com). The Ministry has further vide its letter dated 14th February 2011 informed the Company that approval of the Ministry is further not required.

The Consolidated Financial Statements (incorporating the operations of the Company and its two subsidiaries), in terms of Clause 32 of the Listing Agreement and prepared in accordance with Accounting Standard 21 as specified in Companies (Accounting Standards) Rules, 2006 also form part of this Annual Report. The key financial data for the consolidated operations are as given below:-

## KEY CONSOLIDATED FINANCIAL SUMMARY

(Rs in Lacs)

|                       | 31 <sup>st</sup> March 2012 | 31 <sup>st</sup> March 2011 |
|-----------------------|-----------------------------|-----------------------------|
| Sales                 | 11056                       | 9129                        |
| Other Income          | 246                         | 197                         |
| Profit Before Tax     | 2849                        | 2551                        |
| Profit After Tax      | 1946                        | 1684                        |
| Earnings per share-Rs | 97.29                       | 84.18                       |

## QUALITY

Your Company manufactures products that require high level of precision meeting exacting customer standards and tolerances. The product range includes

Super Abrasive (Diamond / CBN) Grinding Wheels and Special Tools. Customized CNC Grinding / Honing Machines are manufactured to meet the international standards. Precision Components which require high degree of precision and tolerances go through stringent quality checks. Quality being one of the overriding attributes and differentiators, effective quality management, adequate process controls and quality assurance at each stage of operation are vital for final output to fulfill the customer requirement.

Recognizing this, your Company has put in place the required international standards such as Integrated Management System (IMS) focusing on quality management and environment management and TS 16949 for manufacturing precision machined components. As a part of driving the quality culture deeper into the organization, your Company continues to lay greater emphasis on training on latest trends. In order that the product quality meets the standards, your Company continues to earmark adequate investments on latest equipments, machineries etc.

## SAFETY, HEALTH AND ENVIRONMENT (SHE)

The Safety, Health and Environment Management System of your Company is top driven, efficient, effective and vibrant. The top management of your Company is committed for maintaining highest standards of safety, health and environment protection and fulfills the applicable statutory requirements.

Your Company considers its employees as the most valuable assets. Your Company believes that the safety and health of its employees are of paramount importance. Apart from adherence to all safety norms to ensure that the environment is free of accidents,

incidents, injuries and occupational illness during the working hours and your Company is committed to meet high level of health, safety and wellness standards.

Health and Safety continues to be key performance indicators of your Company and it firmly believes that safe and healthy conditions at the workplace are as necessary and as important as production and quality. Your Company provides the necessary information, promotes awareness and provides training to all employees to carry out their tasks in a safe manner.

Attesting these efforts, during the year, your Company has achieved the certification for the OHSAS 18001 focusing on Occupational Health & Safety of people

During the year, your Company again recorded Zero Accident and has not lost any man days of production. Apart from the employees, adherence of Safety, Health and Environmental practices are also ensured for its guests and visitors by maintaining the highest level of standards across the organization.

Regular training on Safety, Fire hazards mock drills are conducted to ensure safety all round the year. Specialized Standard Personnel Protection Equipments are being provided to the operating personnel for use in their respective work areas.

Employee health & physical fitness is a paramount consideration for your Company. Employees are required to undergo annual medical check-ups for timely diagnosis of their health condition. Your Company has a visiting doctor at the factory regularly to help the employees and their families to maintain sound health.

## RECOGNITIONS AND AWARDS

Your Company continues to win Awards,

Recognitions and bring Accolades by showcasing its performance, achievements and practices at various platforms. These recognitions and honours raise the morale and motivation levels of employees and your Company as a whole for achieving higher results. During the year your Company has received the following major awards

### ● Engineering Export Promotion Council (EEPC) Award

Your Company has for the eighth consecutive year received the "Silver Shield for Star Performer" under Large Enterprise category for export of Miscellaneous Engineering Goods from Engineering Export Promotion Council (EEPC), India.

### ● ICAI Award for Excellence in Financial Reporting

Your Company has been conferred with Silver Shield for Excellence in Financial Reporting by ICAI for the year 2010-11 under Manufacturing Sector Category for turnover less than Rs 500 crores.

Founded by the apex body, The Institute of Chartered Accountants of India (ICAI), this coveted acknowledgment signifies that the accounting policies followed by your Company are amongst the best in the industry. It also takes into consideration the review of accounting practices adopted in the preparation of financial statements and the policies for disclosure and presentation of financial statements and non-financial information in the Annual Report in terms of philosophy of transparent disclosures, integrity and reliability.



Manufacturing Processes



Manufacturing Processes

- **Commendation Certificate for CII -EXIM Bank Award for Business Excellence**

Your Company achieved another milestone by receiving the **Commendation Certificate for Strong Commitment to Excel in the CII-Exim Bank Award for Business Excellence**. For Wendt India, it is a journey in pursuit of Business Excellence and this award is a testimony of its continuous journey towards Business Excellence.

- **Quality Circle Awards**

Your Company's employees exhibited their skills in Quality Circle competitions and were recognized at both national and regional level

**National Level** organized by NCQC at Hyderabad

- Distinguished Award for SGA
- Par Excellence Award for Kaizen.

**Regional Level** organized by QCFI at Bangalore

- Awards for Small Group Activities (SGA), Kaizen, Quality Quiz and 5S

- **5S Model Company Award from ABK-AOTS DOSOKAI**

Your Company received special appreciation and highest level of recognition for practicing 5S and was conferred with **5S Model Company Award by ABK-AOTS**. This recognizes the efforts your Company continues to take in Japanese Management Practices such as Total Employee Engagement, 5S, Kaizen, TPM etc for the past many years.

- **Cufest 2011 Awards**

Your Company's employees participated in Group-level Quality Competitions "**Cufest 2011**" (Quality

Festival of CUMI), and won awards for Poster & Idea King & Quality Quiz events.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

### GENERAL PERFORMANCE REVIEW

The Indian economy continued to show a modest growth rate of around 6.9% down from earlier projection of 7.3% for the year 2011-12, in the midst of spiraling commodity prices, headline inflation till about third quarter, power shortage, all time high interest rates, political maneuvering and policy logjam besides some of the most noticeable international crisis situations in Europe, China and Japan. Despite these difficult circumstances, economy was still not out of the growth path mainly on account of the domestic demand, internal strength backed by financial prudence. This was visible in segments like Automobile, Auto Component, Engineering, Ceramics, Cutting Tools and some of the other allied industries.

As mentioned in the beginning, during the year, while the domestic business of Wendt (India) Limited grew by 20 %, the export achieved a commendable growth of 35 % over the previous year. With respect to the segmental growth, the Super Abrasive Business grew by 23%. This growth in the Domestic Business has come as a result of increased focus on some of the growing industries such as Automobile, Steel, Engineering, Ceramics, Cutting Tools and Refractories. Your Company's continued efforts and initiatives towards new product and application development in addition to working closely with

customers in the developmental process of import substitutions helped achieving the growth.

The Non-Super abrasive business constituting of machines, precision components and accessories achieved 21% growth over last year. This was possible on account of sustained demand for special machines arising out of capacity expansions and new projects in the Steel sector, better performance by Engineering, Ceramics and Cutting Tool industries.

A steady demand for precision components has also contributed to your company's growth.

Your Company's continued focus on better service levels and direct marketing efforts well-supported with efforts on new product developments, enhancing customer engagement levels has helped to protect its leadership position in the domestic market.

In order to ensure sustained growth in the domestic market, your Company continually endeavors to enlarge the customer base and provide prompt services. Accordingly, during the year, additional two regions were added to its existing 20 regions in the domestic market. This is expected to strengthen your Company's existing network, market presence and have competitive edge over others.

### ECONOMIC OUTLOOK

In the back of global economy still remaining volatile and fragile, with the continued fiscal expansion efforts by the Government and recent announcement of rate cut to bolster growth, it is expected that the Indian GDP is likely to achieve a growth of around 7.5 % in the coming year. The targets for expenditure growth and reduction in subsidies set out by the Government seem optimistic and help increase in domestic demand. Better credit availability will set the floor for growth and slowly regain business

confidence. This clearly indicates that more focus is towards driving higher domestic consumption and investments. Also the likely fall in exchange rate will help Indian exporters to gain market share even in the depressed international economic scenario.

Some of the major Industry segments that are expected to sustain the above growth projections are Automobile, Auto-component, General Engineering, Steel, Infrastructure, Housing & Construction, Fertilizer and Cement during 2012-13. Sizeable new investments, capacity expansions including reinstating some of stalled projects, Steel, Automobile, Auto-component, Engineering and Allied industries are certainly expected to take advantage of the opportunities in the coming fiscal year.

## INDUSTRY STRUCTURE & DEVELOPMENTS

Given the fragmented structure, the Super abrasive tooling industry is characterized by the presence of few organized players such as your Company and many small time often proprietor-driven companies in the country. Your Company being a major supplier of Super abrasive products enjoys single-source supplier status with many major customers for a wide spectrum of industry. Its growth continues to be dependent on the performance of the various industry segments it addresses. Accordingly, major contribution to your Company's topline in the coming year is expected to come from sectors such as Defence, Aerospace, Automobile, Auto Components, Engineering, Cutting Tools, Steel and Ceramics. Apparently, the same positive impact would be also mirrored in your Company's performance in the coming year as well.

Following the revival of industrial activities in the domestic arena resulting in higher demand for Super



New products



New machines of the year

Abrasive Tooling and in turn the potential growth, your Company would continue to focus on seizing the opportunities in pursuit of higher growth. Accordingly, it has been working on various projects to enhance the product offering besides working on reducing dependency on few specific industries. This has led to development of products for newer applications for many industries and applications namely Aeronautical, Turbine, Defence, Healthcare, Construction, Paper and Printing.

## PERFORMANCE OVERVIEW

### Key Financial Summary

(Rs in lacs)

| Particulars      | 2010-11 | 2011-12 | % change |
|------------------|---------|---------|----------|
| Domestic Sales   | 6727    | 8055    | 20       |
| Export Sales     | 1446    | 1946    | 35       |
| Total Sales      | 8173    | 10001   | 22       |
| Operating Profit | 2096    | 2325    | 11       |
| Capital Employed | 6052    | 7265    | 20       |

## OPPORTUNITIES & THREATS

### Opportunities:

Given the various measures, initiatives and fiscal consolidation process being undertaken by the Government, the Indian growth scenario remains optimistic in the medium to long term basis and it is expected to regain some momentum in the coming year. For most part of the year, the overall sentiment and confidence levels remained positive for your Company as the business is not just dependent on few of the industries but addresses a wide spectrum of the industries. It would continue its approach of exploring new business opportunities in new markets and diverse sectors.

Clearly, this would be done by taking into account your Company's vast experience, knowledge base, comprehensive product range, superior technology and the competitive advantage that emerges from the complimenting combination of Super Abrasive Tools and High Precision Grinding & Honing Machines. Your Company would continue to take advantage of being the provider of **Total Grinding & Honing Solution** by strengthening its approach "from Tools-to- Machines".

Your Company would continue to work on further consolidation of Product Management with more emphasis on end-to-end solution through innovative products, application developmental initiatives and maintaining sustained competitive edge. This is being done by being customer-centric, taking into account the customer requirements, its growth potential, addressability, identifying current gaps and value expectations from the customers.

Your Company has already commenced the initial work on some of the identified new projects. Delapena range of Honing Machines was added to the machine tool basket two years back and your Company has started seeing positive results. As mentioned above, some more new machine models have been planned for introduction during the coming years. In the Precision Component Segment, honing competency would also be considered to further strengthen the Non Super Abrasive Business.

### Threats

The Indian Super Abrasive Tool market on one end is populated by many small often unorganized players, proprietary-run concerns. These small players try to capture customers by concentrating in specific regions/products by offering lower prices. On the other end, there are few organized and large players from both domestic and global arena. The large

global suppliers heavily rely on tying up with global OEMs for establishing their entry.

In order to maneuver both the ends, your Company continues to adopt unique approach to improve its market presence. While the low end competition is addressed by innovative low cost products, the high end segment is serviced by developing import substitutes based on price-performance measure and value addition.

For your Company, the key success factors continue to be Product & Process Innovation, Application Developments and Market Development for ensuring sustained competitive advantage. Accordingly, in order to stay ahead of the competition and address the market dynamics, your Company constantly harnesses the competency levels and knowledge base of the people in the respective product programs it operates. These efforts are strengthened through offering improved levels of value added services along with paid customer education programs on grinding technology.

## BUSINESS OUTLOOK

The Indian Economy is expected to go through period of slow reversal till about the first half of the year 2012-13 in view of the continued inflationary trend, rise in commodity prices and increasing raw material prices as well as continued volatility in some of the developed economies. By taking this into consideration, your Company's efforts will be to retain its leadership position in the domestic market offering its comprehensive range of products, strengthening the network and better market reach and penetration. Needless to say, your Company will continue to intensify its efforts for further improvement in its market presence to address competition posed from both domestic and overseas players.

In the **Super Abrasive Business**, your Company will

lay higher emphasis on product innovation and new product development. In addition it will enlarge industry segments for sustaining growth in the coming year.

The **Non-Super Abrasives Business** has been doing well as a result of better focus on new introductions, new models, product extensions etc. In addition to putting the state of the art new facility for machine tools, several new launches have been planned for the coming year such as new models for steel, engineering, automotive and defense industries.

Your Company is also enhancing the Precision Component Business by adding new customers & new products. Your Company will support the above plans through adequate investments in infrastructure, machinery and equipment.

Your Company's new initiative **Wendt on Wheel (WOW)** will ensure better visibility and enhance your Company's market reach in the domestic market. This unique nationwide journey would make the customers abreast of its new launches, show case the latest cost competitive, value-added Products & Services in the field of Precision Grinding and Honing. Your Company is confident that this initiative will enhance the customer engagement levels while opening up new avenues for better understanding of the customers' exacting needs and requirements

Your Company will continue to focus on **International Business** by aggressively pursuing new business opportunities in the Wendt / Winterthur network and other global locations for the growth in the coming year.

Your 100% Subsidiary Company, **Wendt Grinding Technologies Ltd, Thailand**, continues to show commendable performance despite Thailand being hit by devastating floods. It shows resolve for even better performance in the coming year. Undoubtedly,



Engines of Growth



Engines of Growth

this has been possible due to tireless efforts on exploring new markets, opportunities, increased focus, enhanced product offering and higher value propositions to the customers in Thailand and adjoining countries.

The second 100% owned subsidiary, **Wendt Middle East FZE, Sharjah** has started showing improved results despite the continued socio-economical disturbances in the region. It has renewed its focus and strategy towards achieving business from trading activity and services in the UAE. Your subsidiary would now act as Product Availability Point (PAP) for its associated companies for the entire GCC nations by spreading its focus on Oil & Gas and General Engineering industry. With this change, your Company expects to show much better performance in the coming year.

## RISK & CONCERN

Your Company adopts a comprehensive and robust risk appraisal, mitigation and management process in the areas of operations, financial and other business risk. The Senior Management of your Company is involved in mapping the risks arising out of both internal and external environment and effective plans to mitigate the same. Business risk mitigation helps your Company to find ways to manage situations that could negatively impact the financial, physical and human capital of the organization. Your company would continue to build strategies to retain its leadership position while at the same time improving operational efficiencies would insulate it from various risks.

The Risk management process for your Company encompasses the following sequence:

- Identification of risks and risk owners
- Evaluation of the risks, as to likelihood of occurrences and related consequences

- Assessment of options for mitigation
- Prioritizing the risk management actions
- 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 top management takes the responsibility of total risk management process in the organization. Through its pursuit of anticipation and identifying risks before risks controls your Company's actions, the Risk Management Committee of your Company analyses the potential areas of risks and on the current business portfolio and decides which business should receive more focus, where to invest, what needs to be added/discontinued from the product portfolio, etc, to mitigate the risks.

Your Company 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. Some of the risks associated with the business and the related mitigation plans are given below. The risks given below are not exhaustive and the evaluation of risk is based on management's perception.

## User Industry Concentration Risk

*Why is it considered as a Risk?*

- Significant exposure to few sectors
- Time lag in passing of the fluctuations in input costs to the customers
- Effect on Customer Relationship with change in ownership.

- Global economic scenario leading to decline in demand

*Mitigation Plan / Counter Measure to address*

- De-risking the business with widening the customer/industry base
- Exploring growth opportunities in Construction, Infrastructure, Steel, Defense, Aerospace, Glass, Ceramics and other industries
- Continuously pursuing new product and application development for varied sectors
- Improving service levels through operational efficiency measures
- Leveraging relationship and Engagement with the customer-WOW initiative planned

## Competition Risk

*Why is it considered as a Risk?*

- Presence of too many unorganized regional players often adopting Low price strategy
- Imports- Direct and through OEM route
- New organized players setting up manufacturing base in India

*Mitigation Plan / Counter Measure to address*

- Offer sustained competitive advantage to customer through operational efficiencies
- Focus on QCD - Superior **Quality, Cost** competitive & Reliable products, Consistent **Delivery**
- Internal Efficiency Measures
- Creating entry barriers for competition/ exit barriers for customers
- Innovate on products, process and applications
- Enhancing value added services
- Increasing the product basket

## INFORMATION TECHNOLOGY

Your Company's business has been running successfully on **SAP ERP** for last many years now with integration of all the core functions & operations including HR. In order to derive the full benefit of the **SAP** system, your Company is in the process of continual improved planning process in certain areas such as Scheduling, Planning, Controlling, Materials Management, Marketing as well as Management Information System and will work on the same to ensuring resources optimization in the coming year.

In addition to the above, your Company has also initiated work on implementing IT enabled **Knowledge Management System** during the year. It would help improve productivity in marketing & product management functions besides serving as a repository of product application highlights and offering prompt and effective technical solutions to the customers.

## INTERNAL CONTROL SYSTEM & ADEQUACY

Your Company has a well defined and documented internal control system which is adequately monitored. Checks and balances and internal control systems have been established to ensure that all assets are safeguarded and protected and that all transactions are authorized, recorded and reported correctly and that material errors and irregularities are prevented or detected within time.

Capital and revenue expenditures are monitored and controlled with reference to approved budgets.

There is a proper definition of roles and responsibilities across the organization to ensure continuous flow and monitoring. These are



Events during the year



Events during the year