



WENDT Ethos in Practice



WENDT (INDIA) LTD

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31st ANNUAL REPORT  
2012-2013

OUR Ethos



WENDT (INDIA) LTD

# OUR Ethos

We value professional and personal integrity above all else. We achieve our goals by being honest and straightforward with all our stakeholders. We earn trust with every action, every minute of every day.

Integrity

We play to win. We have a healthy desire to stretch, to achieve personal goals and accelerate business growth. We strive constantly to improve and be energetic in everything that we do.

Passion

We take ownership of our work. We unfailingly meet high standards of quality in both what we do and the way we do it. We take pride in excellence.

Quality

We respect the dignity of every individual. We are open and transparent with each other. We inspire and enable people to achieve high standards and challenging goals. We provide everyone equal opportunities to progress and grow.

Respect

We are responsible corporate citizens. We believe we can help make a difference to our environment and change lives for the better. We will do this in a manner that befits our size and also reflects our humility.

Responsibility

We believe innovation helps the Company stay ahead. We invest suitably in development of new products and processes to meet ever-changing said and unsaid needs and demands of customers.

Innovation

We take responsibility in preserving Nature surrounding us. We consciously opt for measures like waste water management, rainwater harvesting, energy saving, tree plantations, etc. to conserve natural resources.

Eco-friendly

We practice openness and transparency in our actions be it customers, vendors, employees and all stake holders.

Transparency



## BOARD OF DIRECTORS

### Chairman

M M MURUGAPPAN  
EDMAR ALLITSCH  
SHRINIVAS G SHIRGURKAR  
K SRINIVASAN  
K S SHETTY  
PETER VERHOLEN  
(Alternate to Edmar Allitsch)

## SENIOR MANAGEMENT

Chief Executive  
Head - Technology and R & D  
Business Head - Superabrasives  
Business Head - Non-Superabrasives  
Chief Financial Officer

RAJESH KHANNA  
D R KULKARNI  
M S VENKATESH  
S SUNDARIYA  
MUKESH KUMAR HAMIRWASIA  
APEKSHA NAGORI (upto 29th April, 2013)  
AKANKSHA BIJAWAT (w.e.f. 29th April, 2013)

## COMPANY SECRETARY

## BANKERS

## AUDITORS

## COST AUDITORS

## REGISTERED OFFICE

STATE BANK OF INDIA  
DELOITTE HASKINS & SELLS  
Bangalore  
M.R. RAJHSHEKAR & CO.  
Hosur  
No.105, 1st Floor, Cauvery Block,  
National Games Housing Complex,  
Koramangala  
Bangalore - 560047  
Ph: 080 - 25701423  
Fax: 080 - 25701425  
[akankshab@wendtindia.com](mailto:akankshab@wendtindia.com)  
[investorservices@wendtindia.com](mailto:investorservices@wendtindia.com)

## FACTORY

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SIPCOT Industrial Estate,  
Hosur - 635 126  
Tamilnadu  
Ph: 04344-276851 / 52,405500  
Fax: 04344-405620, 405630  
Karvy Computershare (P) Ltd.

## REGISTRAR & SHARE TRANSFER AGENTS

*Engineering flair with Environmental Care...*



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

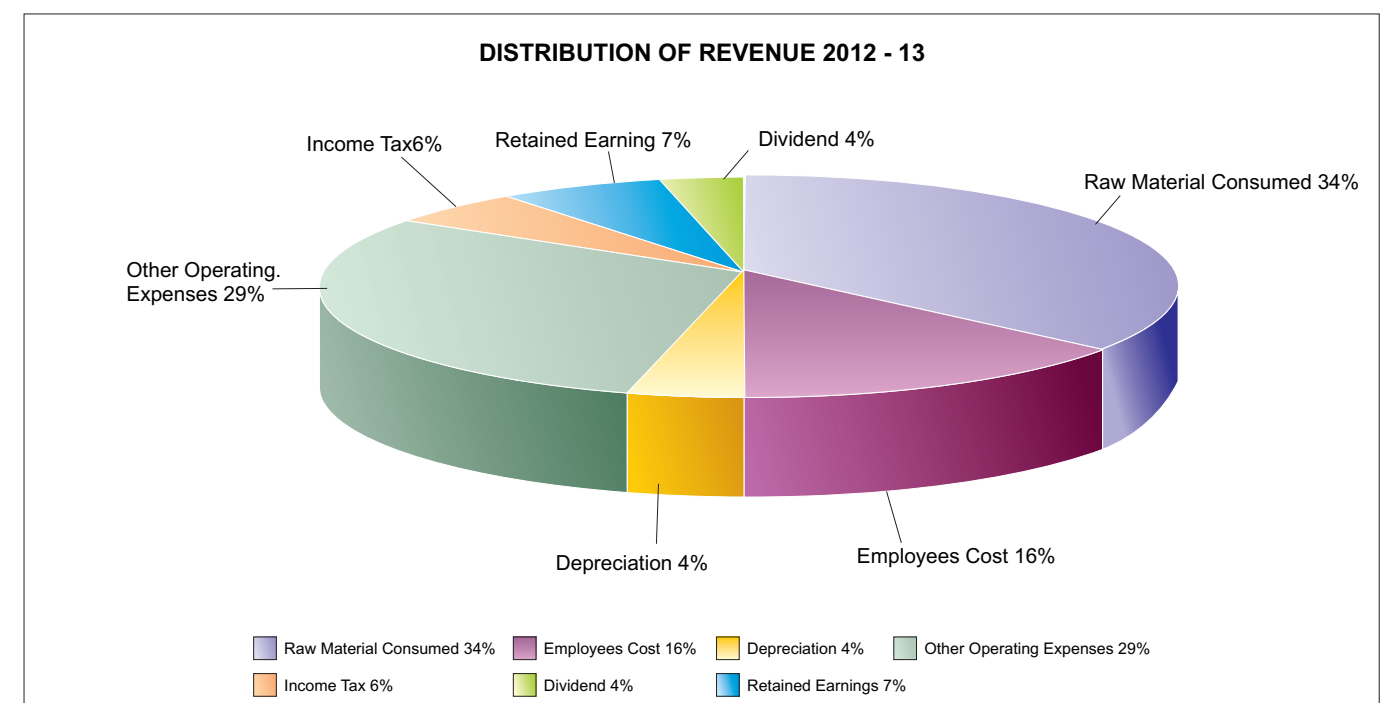
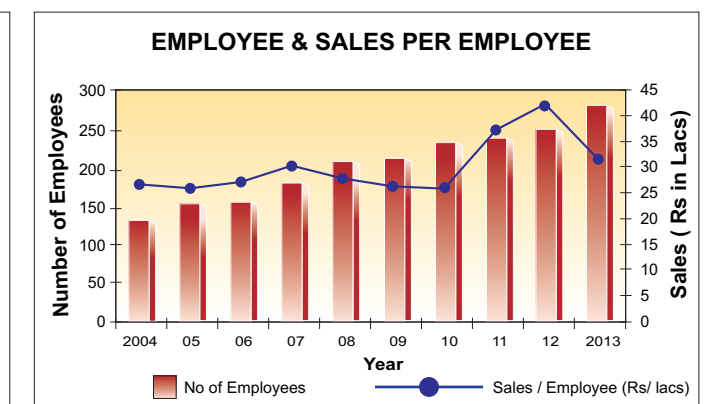
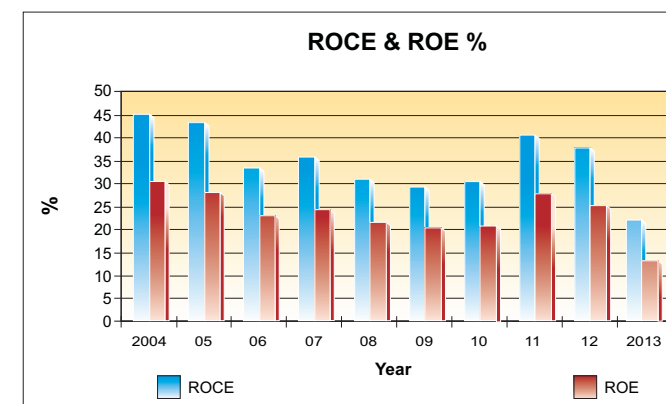
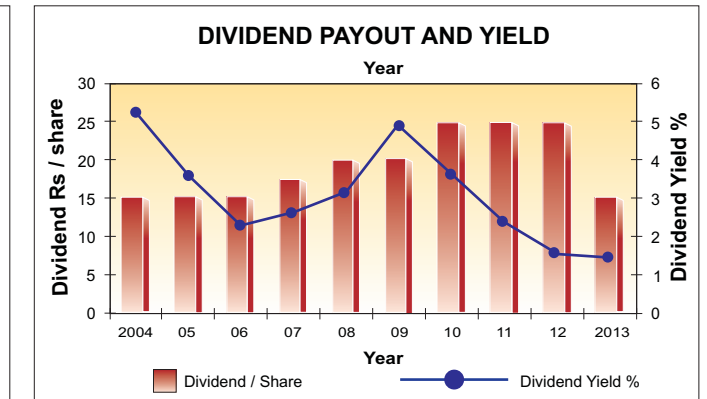
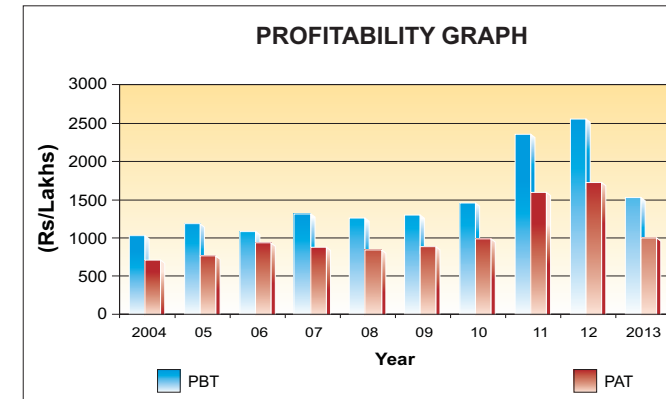
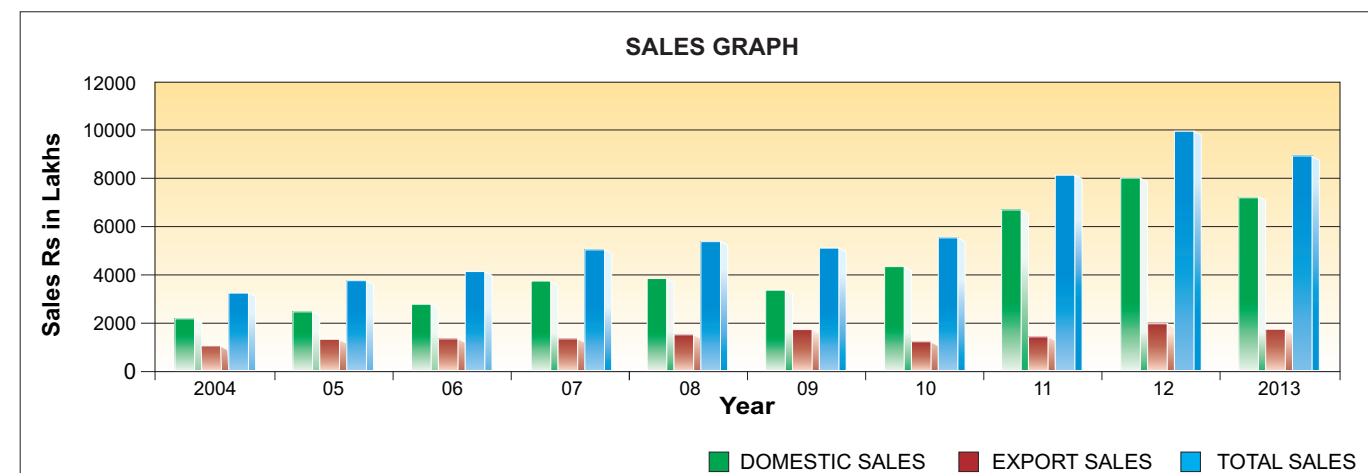


## FINANCIAL TRACK RECORD

Rs.in Lacs

Year ending 31st March	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUE</b>										
Net sales	3267	3784	4163	5074	5405	5136	5609	8173	10001	8895
Domestic sales	2194	2483	2801	3764	3873	3389	4368	6727	8055	7176
Export sales	1073	1301	1362	1310	1532	1747	1241	1446	1946	1719
Other Income	124	128	100	155	185	309	222	299	278	225
<b>PROFITABILITY</b>										
Profit before depreciation	1137	1291	1215	1495	1459	1517	1714	2654	2888	1125
Profit before tax	1035	1176	1079	1310	1255	1297	1455	2356	2552	1528
Profit after tax	714	773	716	871	842	884	983	1595	1729	1012
Dividend %	150	150	150	175	200	200	250	250	250	150
EPS (Rs.)	35.71	38.66	35.78	43.56	42.08	44.21	49.12	79.76	86.45	50.59
<b>ASSETS EMPLOYED</b>										
Fixed assets	1152	1280	1629	1911	2085	2610	2950	3264	4363	5027
Investments	1069	1205	1183	1204	1454	1200	1672	2257	1370	1496
Net current assets	392	576	637	807	697	858	413	531	1532*	1485*
Total assets	2613	3061	3449	3922	4236	4668	5035	6052	7265	8008
<b>CAPITAL STRUCTURE</b>										
Paid up share capital	200	200	200	200	200	200	200	200	200	200
Reserves	2172	2603	2977	3438	3787	4203	4602	5614	6762	7425
Loan funds	57	65	66	49	28	36	-	-	-	-
Deferred tax liability	184	193	206	235	221	229	233	238	303	383
Total funds	2613	3061	3449	3922	4236	4668	5035	6052	7265	8008

\* 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



## REPORT OF THE DIRECTORS

(Including Management Discussion and Analysis)

Your Directors are pleased to present the 31st Annual Report together with the Audited Financial Statements for the year ended 31st March 2013. The Management Discussion & Analysis Report has been included in the Directors Report so as to avoid duplication and repetition.

## ECONOMIC OVERVIEW

The year 2012-13 has been one of the most difficult years with the Indian economy slowing down significantly on account of lowered domestic demand, declining exports, continued high energy prices alongside successive weakening of the Indian Rupee and stalling investments. High inflation rates and spiraling prices of raw materials continued with no respite thereby adding to the deceleration. Execution of high value projects such as Mining, Steel, Coal, Power continued to be mired by regulatory and environmental issues affecting the growth and investments by the downstream projects. Even the bellwether service sector of the Indian economy could clock the lowest-ever growth of just 6% over the last year. The average capacity utilization by the manufacturing sector remained subdued between 60-75% level specifically for Automotive, Engineering and Cutting Tool industries sectors resulting in lowering of the capex plans. The other contributory factors include continued sovereign debt crisis in Euro Zone, successive recessionary trend in Japan and political instability in major oil producing countries fueling rise in oil prices have had their adverse impact on the overall growth of the economy.

The export demand was also hard hit due to continued global slowdown except some of the South East Asian countries such as Thailand, Malaysia, and Indonesia. While industry segments such as Automobile, Auto Components, Cutting Tools, Machine Tools & Refractory are the worst affected due to the deepening of industrial slowdown, segments like Steel, Ceramics, Glass and Defence have demonstrated marginally better results on a comparable basis. While the slow and subdued global scenario has had its share in the growth of Indian economy, in the domestic front it has cut across all the sectors resulting in lowest GDP (Gross Domestic Product) growth in the last decade.

The Industrial Production numbers remained weak on account of poor performance of the manufacturing and mining sectors which recorded a meager 1% growth compared to 3.7% of previous year. The decline in manufacturing numbers has mainly been driven by contraction of orders and investments by capital goods, engineering, consumer goods and allied industry segments. However, the Government with its recent announcement of reforms and policy change measures has demonstrated some encouragement & rekindled the business confidence on recovery.



Exhibiting Trust, Honesty & Desire for achieving our goals in every action...

## COMPANY PERFORMANCE OVERVIEW

(Rs in Lacs)

	31st March 2013	31st March 2012
Sales	8895	10001
Other Income	225	278
Profit Before Tax	1528	2552
Provision for Tax	435	759
Provision for Deferred Tax	81	64
Profit After Tax	1012	1729
Earnings per Share- Rs	50.59	86.45

## RESULTS OF OPERATIONS

Despite the industry slowdown and sluggish market condition, your Company has put in its best efforts to achieve a Top line of Rs.8895 Lacs during the year which is 11% lower than the previous year. The major contributory industry segments in the domestic business which had their adverse impact on your company's sales of 11% lower than last year are Automobile, Auto component, Cutting Tools, Steel, Refractory and Ceramics. The Export business was also affected by continued volatility and global slowdown with achieving a total sale of 12% lower compared to the previous year.

Your Company continued its efforts on pursuing business in three verticals namely **Superabrasives, Non-Superabrasives and International Business**. The current slowdown being considered temporary and in keeping with your Company's long-term growth, would continue to commit the required investments and resources in identified growth areas.

**Superabrasive Business** consisting of Diamond/CBN Grinding Wheels & Tools, Precision Dressing Rolls, Hones, Segmented Products & Stationary Dressers achieved a performance level of 91% over the last year which is better than the industry average. This has been possible due to continued focus by your Company on the development of new products and new applications. During the year, your Company successfully introduced some new products including Resin Bond Wheels for Steel and Cutting Tools, Hones for Auto Component, Vitrified CBN Wheels for Paper & Textile and Auto Component, Precision Electroplated CBN Wheels for Engineering, Brazed Diamond Products for Ceramic & Glass and Precision Dressing Rolls for Aerospace and Gear Manufacturing.

During the year, the technical collaboration with its parent company Wendt GmbH got discontinued. Your Company, over the years has gained competency to have its own fully equipped **Research & Development Center**. You will be happy to know that your Company's R&D Center has obtained **Department of Science & Industrial Research (DSIR)** recognition, **Government of India**. This recognition and approval would not only help your Company to carry out research & development work for itself but also provide ample opportunity to jointly work with some of the leading research institutes and laboratories on cutting-edge technologies in future.

**Non-Superabrasive Business** which comprises of machine tools and precision components could achieve a performance of 83% of the previous year. This lower performance is on account of capex freeze and postponement



of investment decisions by many of the targeted customers. However, during the period, your Company has developed many new models/variants of machines and successfully executed some of the new machines like CNC TC Roll Grinding Machine, CNC Surface Grinding Machine with reciprocating table and Honing Machine. Introduced three years back to the basket, the Delapena range of Honing Machines has been well accepted in the market. Recognizing the need for catering to a wider range of honing applications, your Company has started work on development of 4 new models of Wendt-Delapena Honing Machines.

On the precision components front, during the year, your Company has successfully completed the development of two variants of components for new applications. This is expected to enhance the precision component basket and de-risk from dependency on single customer. In addition, your Company continued to embark on its new initiative of producing Precision Ground and Honed Components by leveraging its competencies in Machines and related Superabrasive Tools. Process establishment, trials and component prove-out have been done. On commercial production, your Company's position would get further strengthened in Precision Component Business while also being a new growth engine.

### FOCUS ON CUSTOMER CENTRICITY

In order to enhance the Company's market reach and better visibility for both Superabrasives and Machines in the domestic market, your Company launched the unique nationwide initiative **Wendt-On-Wheels (WOW)** during the year. Through this initiative, your Company could make the customers abreast of the latest products and new launches besides demonstrating your Company's capabilities in the field of Precision Grinding and Honing by going to the Cities and Doorsteps of the customers. In its first six months of journey covering the Western, Northern and parts of Central India, the Company received many appreciations besides generating business opportunities. Having had a good response, this initiative would now be extended to Eastern, South Central and Southern regions of the domestic market. Your Company is confident of generating new business opportunities while developing better understanding of the customers' exacting needs and requirements.

Your Company would be implementing **Customer Relationship Management (CRM)** and is working with SAP for effective implementation. With a comprehensive approach towards customer, this will enable seamless integration of every aspect of process that touches the customer - marketing, sales, customer service and field support by connecting people, process, knowledge and technology. This initiative is aimed at enhancing business relationship, creating new opportunities for engagement and generating long term value for both customer and the company based on **mutual trust, openness and win-win** situation. With this Wendt would be the first tooling company globally which would link the Knowledge Portal and provide real-time technological solutions in Grinding and Honing to its customers while also helping to take commercial decisions promptly.

Some of the major benefits your Company sees from the CRM Application are :

- Extend reach to customers worldwide through offering value proposition and effectively addressing their needs.
- Act as platform of **Solution Knowledge Base** by interfacing with Company's Knowledge Management Portal and helping the team to respond to customers with accuracy and minimum effort
- Better and faster customer service



Perform, Stretch & Win in everything that accelerates Business Growth...

- Enable the Company to gain competitive edge over its peers
- Provide 360 degree view of customer, insightful analytics and reports

### FUTURE PROSPECTS

With the business processes aligned with the Strategies and Objectives, your Company strives in its endeavors by focusing on product and process Innovation for delivering superior performances and sustainable growth. Adoption and deployment of appropriate technologies for indigenous Bond development, streamlining processes and introduction of automation in critical areas is the key for the future growth for your Company. The Company thrives to seize new business opportunities in new growing industrial segments which it addresses through New Products for New Markets. Secondly, it continuously explores opportunities for the existing range of products that can find applications in the New Industries and Markets. Accordingly the Company would continue to aggressively pursue business in Construction, Infrastructure, Aerospace, Ceramics, Defense, Railways and Health Care to ensure future growth in both Indian and Global scenario. Thirdly, under key account management, the existing range of products would be aggressively promoted with the existing identified key customers as a part of Market Penetration. Complementing these pursuits would be through active participation in major national and international trade shows, exhibitions, providing customer education and 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

Your Company's wholly owned Subsidiary in Thailand demonstrated yet another year of commendable performance despite the turbulent economic situation and subdued industrial activities. During the year, your Company's Subsidiary achieved a top line sales of Thai Baht 63 Million (Rs.1108 Lacs), 8% growth over last year. The Profit Before Tax was Thai Baht 17.3 Million (Rs.292Lacs) and Profit After Tax was Thai Baht 13 Million (Rs.219Lacs), a growth of 23% over last year.

The improved profit level was possible as a result of various cost reduction initiatives, operational efficiency measures, enhanced product basket as well as market expansion undertaken by the Subsidiary Company during the year.

Your Company's Subsidiary maintained leadership position in re-profiling business in Thailand and achieved highest ever re-profiles for auto industry since inception. While many of the customers in the existing industries operated between 50-60% capacity level during the year, focused approach by your Company's Subsidiary on exploring new business opportunities with industries like Glass, Automobile, Steel, Auto parts, Wood, Furniture and Construction industry, well compensated for the drop. During the year, your Company's Subsidiary added Industrial Ceramic Products into its basket for catering to Power and Cement Industries in Thailand. Initial responses from customers have been encouraging for these products.



Your Company's Subsidiary continued to participate in major Industrial Trade Exhibitions with clear focus on brand building and increasing the market reach. It also conducted Technical Seminars, Sales Meets and organized Plant Tours for its key customers to showcase its capability. Addition of new products to its existing basket helped in generating new opportunities for the Subsidiary.

### Wendt Middle East FZE, Sharjah

Your Company's second wholly owned Subsidiary in Sharjah, Wendt Middle East FZE, has demonstrated a turnaround despite all odds. It has achieved an annual sale of AED 19.81Lacs (Rs.293Lacs). During the year, it has undertaken major restructuring and cost control measures which helped the Subsidiary to end the year with PBT of AED 3.72 Lacs (Rs.62 Lacs) against a loss of AED 2.41 Lacs (Rs.27 Lacs) in previous year. As a part of restructuring, the Subsidiary has continued its operations by keeping the employee strength lean and efficient with greater emphasis on multi- tasking apart from maintaining strict control on fixed costs.

During the year, the manufacturing sector in the entire region has been severely impacted due to continued socio-economic and political instability resulting in average capacity utilization of less than 50% with no new investments in sight. Moreover, UAE being a trading economy primarily driven by Oil and Construction, continued fluctuation in the oil prices has resulted in higher inflation compared to previous year.

Despite the many challenges posed by the slowdown, the Subsidiary has worked on many new initiatives such as increased product range, addressing new markets and better service levels in the region. With the renewed focus the Subsidiary is expected to perform even better in coming years.

### APPROPRIATIONS

Available for appropriation	(Rs in Lacs)
Profit After Tax	1012
Add: Balance brought forward from previous year	2184
<b>Total</b>	<b>3196</b>
Recommended appropriations	
Transfer to General Reserve	101
Proposed dividend Rs 15/- per share of face value of Rs 10/- each (150%)	300
Dividend Tax	49
Balance carried forward	2746
<b>Total</b>	<b>3196</b>



Taking ownership and pride to meet high standards of Quality and Excellence...

### CORPORATE SOCIAL RESPONSIBILITY

As a responsible Corporate, your Company's Corporate Social Responsibility pursuits have always been based on the foundation of ethical behavior in all its business transactions and contributions for economic development of not only the workforce and their families but also extending to the local communities and society at large.

Your Company, befitting its size & operations, makes contributions to various social causes such as education, healthcare, employability and environment preservation. It also places emphasis on tree plantation and afforestation not only in the premises but also adjoining areas by distributing free saplings.

During the year, your Company has established the Skill Development Centre - CUMI CENTRE FOR SKILL DEVELOPMENT (CCSD) by joining hands with its parent company CUMI housed within the factory premises. The objective of this initiative is to provide vocational education, training, employability and create highly skilled & productive workforce for the Company and outside industry in future. Through this, the Company not only ensures livelihood and gainful employment but makes a conscious effort to bring transformation and uplift the lives of young children drawn from poor, underprivileged and back-ward classes of the society. In addition to a monthly stipend, all other expenses such as accommodation, food, books & writing materials etc are provided free of cost to each student during the training period. Apart from this, your Company uses every opportunity to make contributions to the Old Age Homes and to the Weaker Sections of the Society.

During the year, your Company has also got SA8000 certification accredited by the TUV. This is towards social accountability which lays high emphasis on work culture, healthy practices and protection of interests of work force at large.

### DIVIDEND

Despite having a tough year impacting the profits and the need to conserve cash for capital expenditure, which as a philosophy has been addressed through its internal accruals, the Board of Directors have recommended a dividend of Rs 15/- per equity share of face value of Rs.10/- each (150%). The Dividend on approval at the 31st Annual General Meeting will be paid to those shareholders whose names appear on the Register of Members of the Company as on 25th July, 2013.

The Dividend will be tax-free in the hands of the shareholders.

### TRANSFER TO RESERVES

Your Company proposes to transfer Rs 101 lacs to the General Reserve. An amount of Rs 2746 lacs is proposed to be retained in the Statement of Profit & Loss.

### CONSOLIDATED FINANCIAL RESULTS

The Ministry of Corporate Affairs (MCA) vide its circular no. 2/2011 dated 8th February 2011 has granted general exemption to holding companies from complying with the provisions of Section 212 (8) of the Companies Act, 1956 with regard to attaching the Balance Sheet, Profit and Loss Account and other documents of its Subsidiary



Companies provided such companies publish the Audited Consolidated Financial Statements in their Annual Report. Accordingly, the Annual Report 2012-13 of your Company does not contain the standalone 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 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)

	31st March 2013	31st March 2012
Sales	10059	11056
Other Income	236	246
Profit Before Tax	1874	2849
Profit After Tax	1286	1946
Earnings per share-Rs	64.30	97.29

## QUALITY

The products manufactured by your Company have high level of precision and accuracies meeting exacting customer requirements. In Superabrasives, the product range includes Diamond & CBN Grinding Wheels and Special Tools. In Non-Superabrasives, it includes customized CNC Grinding, Notch Milling, Honing Machines and Accessories meeting the international standards and CE certifications. Precision Components which form a part of Non Superabrasives require considerable degree of precision and higher tolerances thus requiring to go through stringent quality checks at every stage.

For your Company, Quality being the cornerstone as well as a differentiator, it ensures that the final output is built through effective quality management, adequate process controls and quality assurance at each stage of operation.

Your Company has ensured that international standards and practices are adopted like Integrated Management System (IMS) focusing on Quality Management and Environment Management and TS 16949 for manufacturing precision components. As a part of driving the quality culture deeper into the organization, your Company continues to prioritize the needs for training on latest trends besides investment in standard equipment, machineries & application software.



Demonstrating respect, dignity and openness. Inspire & provide equal opportunity to progress...

## SAFETY, HEALTH AND ENVIRONMENT (SHE)

Your Company accords top priority for Safety, Health and Environment Management System and ensures that it is efficient and effective. The top management is committed to maintaining highest standards of safety, health and environment fully complying with the applicable statutory requirements as per OHSAS 18001 and ISO 14001 EMS standards.

Your Company considers its employees as the most valuable assets and that the safety and health of each employee is of utmost importance. Employee safety and health is not just another aspect rather a necessity for your Company and treated at par with Quality and Manufacturing.

Against this backdrop, your Company is committed to meet highest level of health, safety and wellness standards by ensuring adherence to safety norms and a work environment free of accidents, incidents, injuries and occupational illness.

Health and Safety being the key performance measurements of your Company, it continuously promotes awareness programs and provides relevant training, workshops to all employees to perform their activities in a safe manner.

During the year, your Company again recorded Zero Accident and had no loss of man days in its operations. Apart from the employees, adherence of Safety, Health and Environmental Practices are also ensured for its guests and visitors.

Through various programs such as Annual Health Check-up Plan, Eye Camp, Physiotherapy, Fitness Center, Blood Donation Camps etc, your Company makes all efforts for its employees and their families to maintain sound health.

## RECOGNITIONS AND AWARDS

Your Company continues to maintain its winning streak of 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 the Company as a whole. During the year your Company has received the following major awards

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

Your Company has for the ninth 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 **Plaque for Excellence in Financial Reporting by ICAI** for the year 2011-12 under Manufacturing Sector Category for turnover less than Rs. 500 crores. This is the second consecutive year that your Company has got this recognition for Excellence in Financial Reporting,

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



terms of philosophy of transparent disclosures, integrity and reliability.

#### ● Significant Achievement in the CII – EXIM Bank Award for Business Excellence

Second year in the row, your Company achieved another milestone this year by receiving the **Commendation Certificate for Significant Achievement in the CII-Exim Bank Award for Business Excellence**. For Wendt (India) Ltd., it is a journey in pursuit of Business Excellence and this higher level award as compared to earlier year is a testimony of the continuous improvement in the journey towards Business Excellence.

#### ● ECGC – D&B Award

Your Company was adjudged as the winner of “**ECGC–D&B Award for Best Risk Management Practices**” for 2011-12 for exports from Export Credit Guarantee Corporation- Dun & Bradstreet.

#### ● Quality Circle Awards

Your Company's employees continued to exhibit their skills in Quality Circle Competitions and three of the teams were recognized with **Par Excellence/ Excellence Awards**. The teams had won these awards at the national level have been selected for participation at the **International Level Competition** to be held in **Taiwan** at the International Convention for Quality Circle.

**National Level** organized by NCQC at Kanpur

- “Par Excellence” Award for Kaizen & SGA (Small Group Activity)
- “Excellence” Award for SGA

**Regional Level** organized by QCFI at Bangalore

- Golden Award for Small Group Activity (SGA) and Kaizen

#### ● Cufest 2012 Awards

Your Company's employees participated in Group-level Quality Competitions “**Cufest 2012**” (**Quality Festival of CUMI**), and won awards for Innovation, Best Practice, 5S, 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

In the last two years the Indian economy has been adversely affected by a string of domestic and global upheavals which have negatively impacted the growth. As a result, the Indian economy could achieve growth rate of around 5%, the lowest growth rate since 2002 against earlier projection of over 6%. On the external front, while the slow recovery of global economy and weak environment has been a cause of major concern, in the domestic front continued spiraling commodity prices, high inflation, rise in raw material prices, declining exports, deepening industrial performance, acute power shortage, high interest rates, political instability and policy delays are some of the most noticeable factors responsible for this



Owning responsibility towards all our actions...

low growth rate. The subdued industrial performance is discernable despite the slew of measures and reforms introduced by the Government in order to arrest the downward spiral. This was most visible in segments like Automobile, Auto Component, Engineering, Ceramics, Cutting Tools and some of the other allied industries.

As mentioned earlier, during the year, while the domestic business of your Company achieved a performance level of 89% compared to previous year, the export could finally achieve 88% performance level of previous year. In the domestic business, while the sales of Superabrasive Products to some industry segments like Automotive, Cutting Tools, Machine Tools, Ceramics was lower between 10-15% as compared the previous year, the drop was more pronounced by more than 20% in segments like Steel & Refractory. Despite the depressing situation and looking at long term benefits, your Company continued to put efforts and initiatives towards development of new products and applications, besides working closely with customers in the developmental process of import substitutions.

In the Non-Superabrasive business, the performance level was 83% of last year on account of lesser inflow of machine orders and lower demand of precision components and accessories. Capacity expansion plans and fresh investments on machines have been shelved or postponed by the customers in view of the continued depressed market situation resulting in lesser orders from industry segments like Steel, Engineering, Ceramics, Refractory and Cutting Tools.

Your Company continues to maintain its leadership position in the domestic market on account of its focus on increased service levels and direct marketing efforts well-supported with efforts on new product developments and enhanced customer engagement levels.

In order to ensure sustained growth in both domestic and export market, your Company continually endeavors to enlarge the customer base and provide distinctive prompt services. As mentioned earlier, in the coming year your Company would be implementing CRM (**Customer Relationship Management**) application working with **SAP** as its implementation partner. This would not only strengthen your Company's existing sales & service network but also would improve market presence and customer reach, providing competitive edge over the competition.

### ECONOMIC OUTLOOK

In the backdrop of Global and Indian Economy still remaining weak and shaky despite the efforts of the Government for fiscal consolidation and recent announcement of policy reforms to arrest further deceleration, it is estimated that the Indian GDP would achieve a growth of around 6% in the coming year. Government's focus on sustainable development of agriculture, infrastructure, manufacturing and capital market will bolster the business confidence and reverse the declining trend. This clearly indicates that more focus is towards driving higher domestic consumption and investments.

Some of the major Industry Segments that are expected to benefit from the above measures are Automotive, General Engineering, Steel, Infrastructure, Housing & Construction, Power, Mining and Consumer Durables during 2013-14. Sizeable new investments, capacity creations including execution of large infrastructure projects in Steel, Power, Mining, Engineering and Allied Industries are expected to take advantage of the opportunities in the coming fiscal year.

### INDUSTRY STRUCTURE & DEVELOPMENTS

Given the fragmented structure of the Superabrasive Industry, your Company operates in a highly competitive and



regional industry structure characterized by the presence of few organized players such as your Company and many small time and proprietor-driven entities with their regional presence & dominance across the country. As a major supplier of the most comprehensive range of Superabrasive products and **Total Grinding Solution Provider**, your Company enjoys a single-source supplier status with many major customers for a wide spectrum of industry. It's growth continues to be dependent on the performance of these industry segments. As such, major contribution to your Company's top line in the coming year is expected to come from sectors such as Automotive, Engineering, Cutting Tools, Refractory, Aerospace, Defense, Steel, Ceramics and Construction. Consequently, the same positive impact would also be reflected in your Company's performance in the coming year as well.

Your Company would continue to focus on seizing every new opportunity, which unfolds for both Superabrasive Tools and Machine Tool requirements. It would aggressively focus on growth arising out of new Projects and higher demand from existing and new customers. Your Company accordingly has been working on various projects and has added some of the new products to enhance the product basket, while consciously working on reducing dependency on few specific industries e.g Automobile, Engineering & related industries. This has led to development of new products for applications for industries such as Turbine, Gears, Defense, Aerospace, Engineering, Auto Component, Bearing, Healthcare and Construction.

## PERFORMANCE OVERVIEW

### Key Financial Summary

(Rs in Lacs)

Particulars	2012-13	2011-12	% change
Domestic Sales	7176	8055	(11)
Export Sales	1719	1946	(12)
Total Sales	8895	10001	(11)
Operating Profit	1345	2325	(42)
Capital Employed	7625	6962	10

## OPPORTUNITIES & THREATS

### Opportunities:

Despite the recent announcement of a slew of reforms, policy measures and fiscal consolidation by the Government, the Indian growth is expected to remain modest in the medium term. As for your Company, the confidence levels would continue to be positive because of the spread of its business and not dependent only on few industry segments. It would continue its exploration on new business opportunities in new markets and emerging sectors.

Your Company would continue to leverage upon its vast experience, comprehensive product range, superior



Pursuing innovation for New Products & Process developments to meet customers' demands...

technology and the resultant competitive advantage emerging out of its two complementing business, the Superabrasives and the Precision Grinding / Honing Machines. Precision Component Manufacturing as an extension of this competitive advantage has augured well for your Company in last few years. Your Company would continue to make the most from being the provider of **Total Grinding & Honing Solution** by extending its offering "**from Tools-To- Machines- To-Components**".

Your Company with its initiative **i@wendt** launched couple of years back would continue to work on further widening the Product Basket with more innovative products. New application developments would also be the hallmark of your Company for maintaining sustained competitive edge.

Your Company has already commenced work on some of identified new projects in both Superabrasives and Non Superabrasives. As explained in earlier sections, some more new machine models / ranges have been planned for introduction during the coming year. In the precision component area, in addition to honed components, few more are planned as a part of driving aggressive growth in the Non Superabrasive Business.

This would be achieved with clear focus on being more customer-centric through the implementation of CRM. We expect this new initiative to have seamless association with the customer, effectively addressing key customer requirements, linking with his growth plans, gap identification, addressability as well as value expectation and fulfilment of the complete value chain.

## Threats

The Domestic Superabrasive Tool market is characterized by the presence of both organized & unorganized players. At one end we have many unorganized regional proprietary-run entities that are smaller in size and operations. They have presence in only limited range of Superabrasive Products. Many a time, these players try to focus on addressing customer requirements in specific regions / products and compromise with lower priced products. On the other end, there are a few organized and large players from both domestic and global arena. The large global players in particular, heavily rely on Tie-ups with global Grinding / Honing Machine manufacturers as OEMs to establish their presence, adopting a combination of approaches around cost, performance, technology, supplier lock-in with yearly requirements to have their share of business.

In order to counter both the ends arising out of this polarization, your Company continues to evolve an unique approach to improve its market presence and market share and reach both segments. To address the low end competition, it offers innovative low cost products while the high end segment is serviced by developing import substitutes based on price-performance measures and value addition backed by its local strong technological service support.

The key success factors for your Company continue to be Product & Process Innovation. Competitive advantage is sustained by complementing application developments, market development and key account management with the above processes. Your Company constantly harnesses the knowledge base and competency levels of the people in the respective product programs in order to stay ahead of the competition.

