

Our Guiding Principles



EMPLOYEE CENTRIC
TECHNOLOGY DRIVEN
LEARNING

32nd ANNUAL REPORT
2013-2014

ADAPTIVE

CUSTOMER INTENSIVE

RESULT ORIENTED

PROACTIVE

INNOVATIVE

TRUST

PERFORMANCE DRIVEN

PEOPLE

Driving Excellence

TRANSSPARENT & FAIR

DIVERSE & INCLUSIVE

RESPONSIVE

AGILE

WENDT (INDIA) LTD



WENDT (INDIA) LTD

69/70, SIPCOT INDUSTRIAL COMPLEX,
HOSUR-635 126, TAMIL NADU.

Ph: +91-4344-276851, 276852, 276254, 405500, 405501.

Fax: +91-4344-405620, E-mail: wil@wendtindia.com

Visit us : www.wendtindia.com

Wendt Domestic Business achieves 99% performance level

the export has achieved a creditable growth of 36% compared to the previous year with a moderate 6% growth on overall basis

The last three years the economy has been severely impacted by a series of domestic global disarrays. The environment out of gear and deceleration and a downward spiral was in the last few years. Although, some of the developed countries have started seeing a slow recovery, the domestic front has remained weak as a result of raw material price fluctuations, disruptions in the supply chain, and a lower energy demand. Higher interest rates without reduction in investments in the domestic economy have led to a current situation of stagnation. One of the major challenges is the reduction in the growth rate of the domestic economy. The last three years the economy has been severely impacted by a series of domestic global disarrays. The environment out of gear and deceleration and a downward spiral was in the last few years. Although, some of the developed countries have started seeing a slow recovery, the domestic front has remained weak as a result of raw material price fluctuations, disruptions in the supply chain, and a lower energy demand. Higher interest rates without reduction in investments in the domestic economy have led to a current situation of stagnation. One of the major challenges is the reduction in the growth rate of the domestic economy.

policy delays, all of them have taken a toll on the lower growth rate. The downward spiral was most visible and harsh in segments like Automobile, Auto Component, Steel, Heavy Engineering, Cutting Tools and some of the other allied industries.

Wendt Middle East FZE, Sharjah records 27% growth over last year

The second subsidiary of your Company's in Sharjah, Wendt Middle East FZE, had turned profitable in FY 12-13 after initial years of hiccups and has done even better in the FY 13-14 despite odds and market volatility. During the year, it has achieved an annual sale of AED 25.22 Laacs (Rs.416 Laacs) a growth of 27% over the previous year. You would note that earlier year it had undertaken a major restructuring and cost control initiative which have tremendously helped the subsidiary to end the year with a PBT of AED 6.61 Laacs (Rs.109.13 Laacs), a growth of

continued socio-economic instability and mired by political issues resulting in contraction of average capacity utilization to a 50% below level with hardly any sizable new investments announcement. One of the Government and Foral players. The UAE region being primarily an economy driven by Oil, Construction, Tourism, and fluctuation in these sectors resulted in sharp inflation.

Amid these challenges by all round slowdown and adversaries, your subsidiary has strived to focus on initiatives like increased product range, new markets and improved service level.

Wendt received the Certificate of Merit Award for Excellence in Financial Reporting from SAFA

India, but in the South Asian countries as well. It also recognizes that the review of accounting practices, preparation of financial statements, disclosure of financial information in the Annual Report are based on philosophy of transparent disclosures, integrity and reliability.

- Quality Circle Awards
- Wendt employees continued to exhibit their skills in Quality Circle competitions and two teams were recognized with Excellence Awards at international level convention in the International Convention of Quality Circle, Taiwan held in Taipei during the year.
- National Level organized by NCQC
- "Excellence" Award for Kaizen
- "Excellence" Award for SGA
- Regional Level organized by CGC
- "Golden Award"

Wendt Grinding Technologies Limited, Thailand records 15% growth over last year

Your Company's 100% owned subsidiary in Thailand has yet again achieved a laudable performance amid economic downturn, heavy floods and socio-economic issues and all time low industrial activities. During the year, your company's subsidiary achieved a top line sales of Thai Baht 723.54 Laacs (Rs.1398 Laacs), a 15% growth over last year. The Profit Before Tax was Thai Baht 142.15 Laacs (Rs.261 Laacs) and Profit After Tax was Thai Baht 113.32 Laacs (Rs.206 Laacs), lower by 13% over last year.

The increase in topline has been possible as a result of addition to products to the existing basket as well as new market continued in the customers during the year.

While many of the customers utilized their capacities around 65% levels for most part of the year, your subsidiary kept its vigil and focus on exploring new business opportunities with industries like Glass, Automobile, Steel, Auto parts, Ceramics, Cement and Engineering which well compensated for the drop. Last year, your subsidiary added Ceramic products mainly for Cement industry to its portfolio as a part of product offering to address the gap from one of the group companies and has seen initial successes and encouraging responses from the customers.

The subsidiary company continued its active participation in major Industrial and Trade

Wendt has been using SAP ERP including the HR for many years now. However, a seamless integration between various modules as the key for harnessing the full benefits of the ERP has been identified as one of the priorities by your company during the year. Accordingly it has initiated work on some of the critical business processes such as production planning materials management, financials and receipts, SAP-CIP integration as a part of project towards productivity improvement, prioritization, scheduling and cycle time reduction.

IT enabled Knowledge Management System is another area which your company has embarked on and has been deemed as a step closer to the customers in terms of relationship management and interactions.

Wendt ensures livelihood and gainful employment opportunities as part of Corporate Social Responsibility

You company sincerely acknowledges the role and responsibility of a good corporate and its Corporate Social responsibility pursuits have always been based on the foundation of ethics and utmost transparency in all its business dealings and as such the contributions your company makes for economic development which are not limited to the workforce but extends to the families and their families and society at large.

company makes contributions for various social causes like child education, old age, orphanages, 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.

The Skill Development Centre established two years back within the premises by joining hands with its parent company CUMI, has been progressing well with addition of new batch of students. As you may be

Wendt records Zero accident with no loss of man days

Wendt continues to place high emphasis on aspects such as Safety, Health of not only its workforce but also equal importance on environment management of your company which is conducive and efficient too. Towards this, the top management stays ever committed for maintaining high standards for safety, health and environment management by being fully compliant to applicable statutory requirements per OHSAS 18001.

programs such as annual health eye camp, physiotherapy, fitness donation camps etc., so that the employees and their families maintain good health and wellness. Health and Safety being considered as one of the

TIMES

WENDT Launches New Grinders & Honing Machines

The Non-Superabrasive Business comprising of machines and precision components achieved a moderate growth of 4% over the previous year. In an extremely difficult year characterized by deferment/freeze on capex, few project orders, postponement of investment decisions by most customers, this performance has been possible as a result of your company's best efforts against these tough conditions. During the year, your company has developed many new models/variants of machines and successfully executed some of them like CNC Rotary Surface Grinding Machines and launch of TC Ring Grinding Machine for mini steel plants. This machine has received encouraging responses from some of the potential users. Your company also has started development of few new models of Honing Machines with vertical spindle, one of them is scheduled for launch in few months from now. These

new models are expected to address to a wider range of industry applications thereby increased customer base in addition to enhancing the existing product basket for your company in future.

On the precision components area, during the year, your company has fully completed the development of two new applications and started commercial production in small quantities on account of slowdown. By leveraging its knowledge and competencies in Machines and related Superabrasive Tools, your company has also started commercial production of precision ground and honed components for customers. At the same time, you company is in the process of exploring few other opportunities in this area which would not only strengthen the precision component business but also become a new engine for future growth.

WENDT records 36% growth in Exports

Despite the continued slowdown and subdued market situation, your Company has put in its best efforts to achieve a Top line of Rs.9449 Laacs during the year which is 6% higher compared to the previous year. The growth has been primarily possible due to efforts by your Company in product developments in product integration of every Bond Vales process that Tools, both in Auto and Compo markets. Besides Electroplating, it would Engineer long term value for the company introduced some product integration of every Bond Vales process that Tools, both in Auto and Compo markets. Besides Electroplating, it would Engineer long term value for the company

Wendt clearly defines its verticals - Super abrasives, Non-Super abrasives and International Business.

Company continues to pursue business by three clearly defined verticals such as Super abrasives, Non-Super abrasives and International Business. Your company has an ace of the current slowdown as temporary phenomenon and eves in long-term growth of the continues to make suitable

Diamond Products for Textile and Dressing Rolls for Bearing and certain auto component applications.

During the year, Your Company has augmented the Research and Development Centre and pursued indigenous development of some of the Bonds/Matrix in an applications. During the year, your Company successfully introduced some of new products including Resin Bond Wheels for Auto and Vitrified CBN Wheels for Auto and Component, Precision Electroplated products, Engineering, Gear and Ceramics, Diamond Products for Textile and Dressing Rolls for Bearing and certain component applications.

WENDT Introduces New Super Abrasives

Super abrasive Business consists of Diamond/CBN grinding Wheels & Tools, precision Dressing Rolls, Honed, Segmented products & Stationary Dressers achieved a growth of 7% over the previous year surpassing the industry average growth. This has been primarily possible due to constant efforts by your Company on new developments in product and

During the year, Your Company has augmented the Research and Development Centre and pursued indigenous development of some of the Bonds/Matrix in an applications. During the year, your Company successfully introduced some of new products including Resin Bond Wheels for Auto and Vitrified CBN Wheels for Auto and Component, Precision Electroplated products, Engineering, Gear and Ceramics, Diamond Products for Textile and Dressing Rolls for Bearing and certain component applications.

Sluggish Growth affects Domestic Demand, General High Energy Prices, Weakens the Indian Rupee

One of the main reasons of stalling growth has been the vicious cycle of regulatory delays, judicial intervention and risk aversion by financial institutions and corporations in the high value projects.

The slowdown in the Indian economy continued for the year 2013-14, resulting in another tough year of sluggish growth affecting domestic demand, high energy prices, weakening of the Indian Rupee, higher raw material costs, repeated increases in the interest rates and lower investments than expected. Fall in savings without corresponding reduction in aggregate investments in critical areas led to widening of current account deficit. Higher inflation rates particularly in food grains and essential items, have all added up to the successive deceleration. One of the reasons of stalling growth has been the vicious cycle of regulatory delays, judicial intervention and risk aversion by financial institutions and corporations in the high value projects. With the in the process of exploring few other opportunities in this area which would not only strengthen the precision component business but also become a new engine for future growth.

The moderation effect by the manufacturing sector has taken toll on the overall growth in addition to having a commensurate impact on the services sector as well during the fiscal which contributes to 60% of the GDP and resultant contraction over previous year. This has been reflected as a common factor of weakness and negative sentiment across automotive and auto component industry as also infrastructure due to lack of new project approvals by the lenders. The average capacity utilization by the manufacturing sector continued to be around 60-70% level specifically for Automotive, Engineering and Cutting Tool industries sectors resulting from overall lower demand. Despite deceleration in the

domestic market and paltry recovery in some of the developed nations, India's export showed a gradual pick up partly contributed by rupee depreciation and improving demand in USA and European markets. While industry segments such as Automobile, Auto Components, Steel, Cutting Tools, Machine Tools & ceramics are the worst affected due to heightened industrial slowdown, segments like Refractory, Engineering and Glass have demonstrated a marginally better results compared to the previous year. While the continued slowdown and weak global scenario has had its impact on the Indian economy, in the domestic arena, it has spread to all the sectors resulting in a modest GDP

(Gross Domestic Product) growth.

The Industrial Production numbers have continued to be below normal on account of poor performance of core sectors having recorded a meager 1 % growth which is around the same level of last year. The fall in output in manufacturing numbers has been mainly driven by lower inflow of orders, sharp fall in investments by capital goods sector, engineering, consumer goods and allied industry segments. However, in last few months, there has been some positive improvement in business sentiment, improved confidence and expectation of a recovery in growth and decline in inflation expectation, mainly on account of intervention by RBI to check capital outflow and upcoming general elections.

Last few months, has seen some positive improvement in business sentiment

WENDT Implements Customer Relationship Management (CRM)

In order to enhance the reach and build better relationship with the customers, your Company has undertaken the implementation of Customer Relationship Management (CRM) in association with SAP which is progressing well. This comprehensive approach towards customer will help the company with seamless integration of every aspect of marketing and sales process that directly connects the customer both in domestic and export markets. It creates enhancing business relationship, provides create new opportunities for long term value creation for both customer and company in a win-win situation.

During the year, your company has embarked on Lean Management System in order to enhance process efficiency, identification and elimination of bottlenecks in manufacturing, smooth integration of key areas, planning and scheduling, and product delivery.

WENDT Embarks on Lean Management System

During the year, your company has embarked on Lean Management System in order to enhance process efficiency, identification and elimination of bottlenecks in manufacturing, smooth integration of key areas, planning and scheduling, and product delivery.

Some of the major benefits your company expects to derive from CRM are:

- Global reach through offering value proposition and effectively addressing customer needs
- Knowledge and solution base platform machinery through integration with CRM, streamline the process, significantly improve helping the team with quick implementation of lean management system, company is aimed at eliminating activities at every possible stage and for touching as many areas as possible, utilization of the resources and

methods and tools with a structured manner expected to reap long term benefits in a similar manner in terms of process reliability, deliveries and higher customer satisfaction level.

Kellogg Students Visit WENDT

A group of 17 bright MBA students along with their faculty-advisor Prof Kalpana Waikar from Kellogg School of Management, Northwestern University, USA visited Wendt on 25th March as a part of their study tour and research project under "Global Initiative in Management (GIM)

where they meet and interact with leading business houses and governmental organizations- to gain an in-depth understanding of economic, social and political characteristics, learn about key business trends, challenges, success

BOARD OF DIRECTORS	Chairman	M M MURUGAPPAN
	Director	EDMAR ALLITSCH
	Director	K SRINIVASAN
	Independent Director	SHRINIVAS G SHIRGURKAR
	Independent Director	K S SHETTY
	Alternate Director to (Edmar Allitsch)	PETER VERHOLEN
SENIOR MANAGEMENT	Chief Executive	RAJESH KHANNA
	Head - Lean & Management Systems	J H SASTRY
	Head - Technology and R & D	D R KULKARNI
	Business Head - Superabrasives	M S VENKATESH
	Business Head - Non-Superabrasives	S SUNDARIYA
	Chief Financial Officer	MUKESH KUMAR HAMIRWASIA
COMPANY SECRETARY		AKANKSHA BIJAWAT
BANKERS		STATE BANK OF INDIA
AUDITORS		DELOITTE HASKINS & SELLS Bangalore
COST AUDITORS		M.R. RAJHSHEKAR & CO. Hosur
REGISTERED OFFICE		No.105, 1st Floor, Cauvery Block, National Games Housing Complex, Koramangala Bangalore - 560047 Ph: 080 - 25701423 Fax: 080 - 25701425 akankshab@wendtindia.com investorservices@wendtindia.com
FACTORY		Plot No: 69/70, SIPCOT Industrial Estate, Hosur - 635 126 Tamilnadu Ph: 04344-276851 / 52,405500 Fax: 04344-405620, 405630
REGISTRAR & SHARE TRANSFER AGENTS		Karvy Computershare (P) Ltd.

Engineering Flair with Environmental Care...



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.....With a bouquet of flowers from Wendt

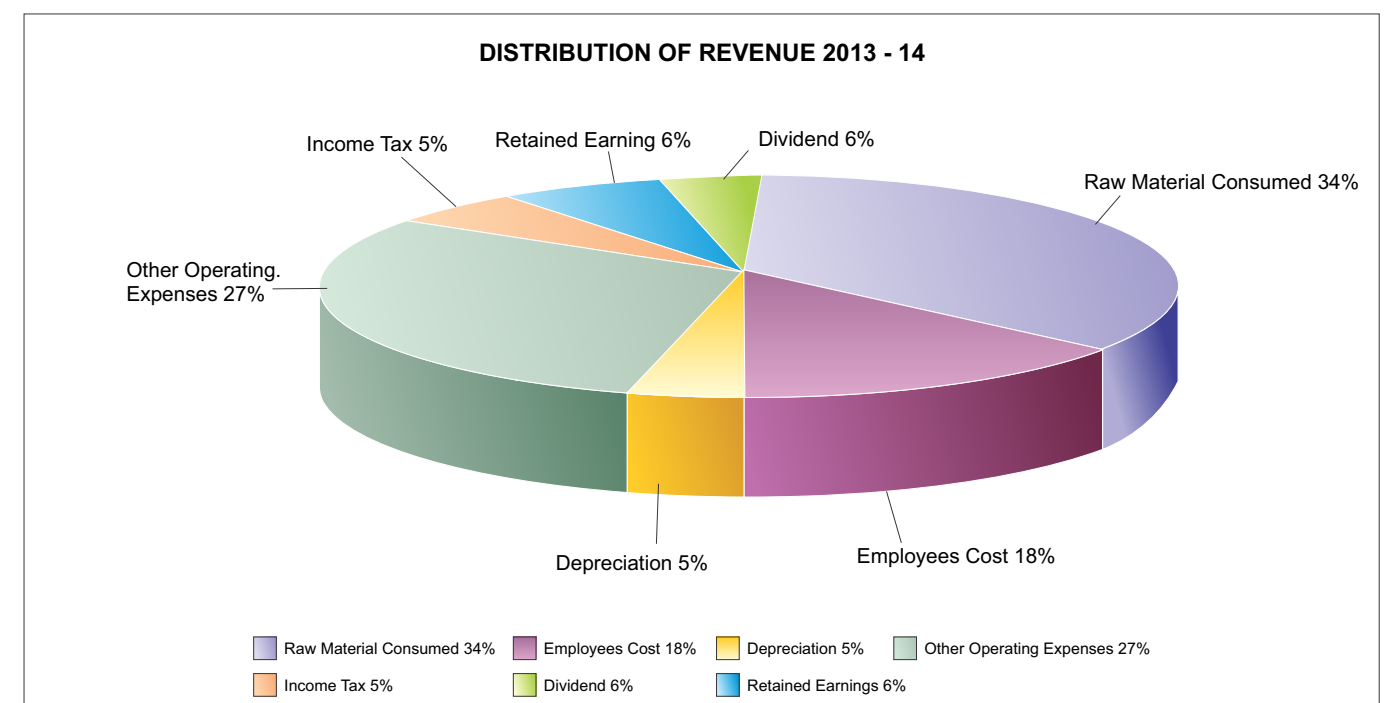
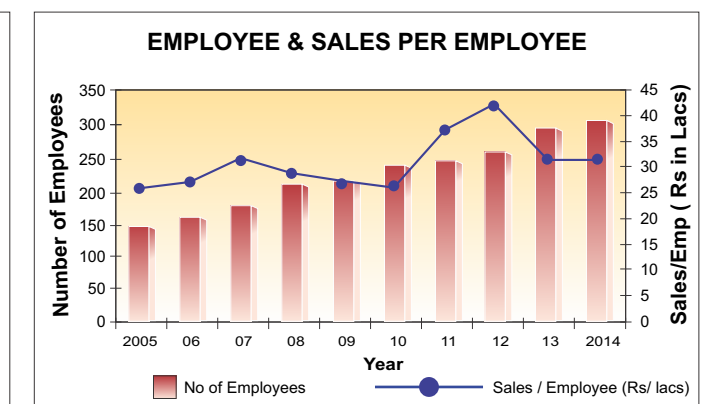
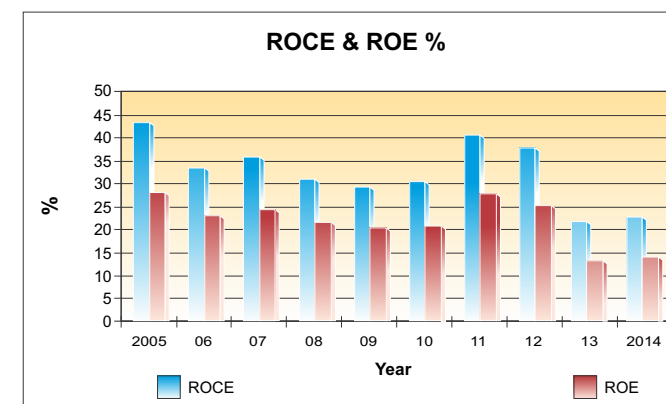
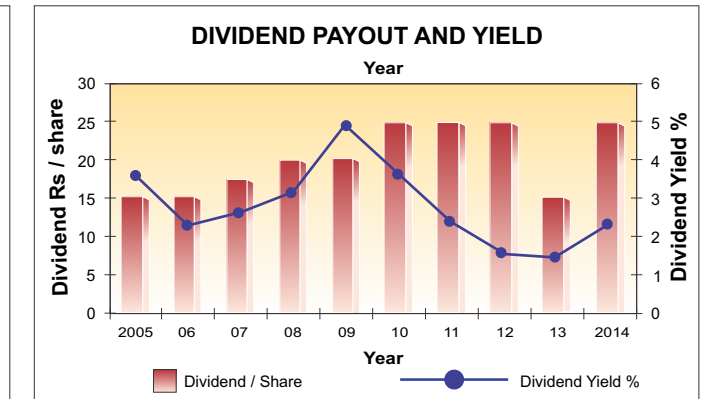
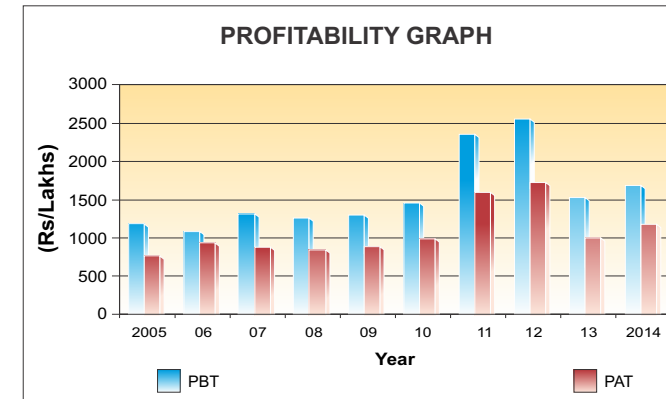
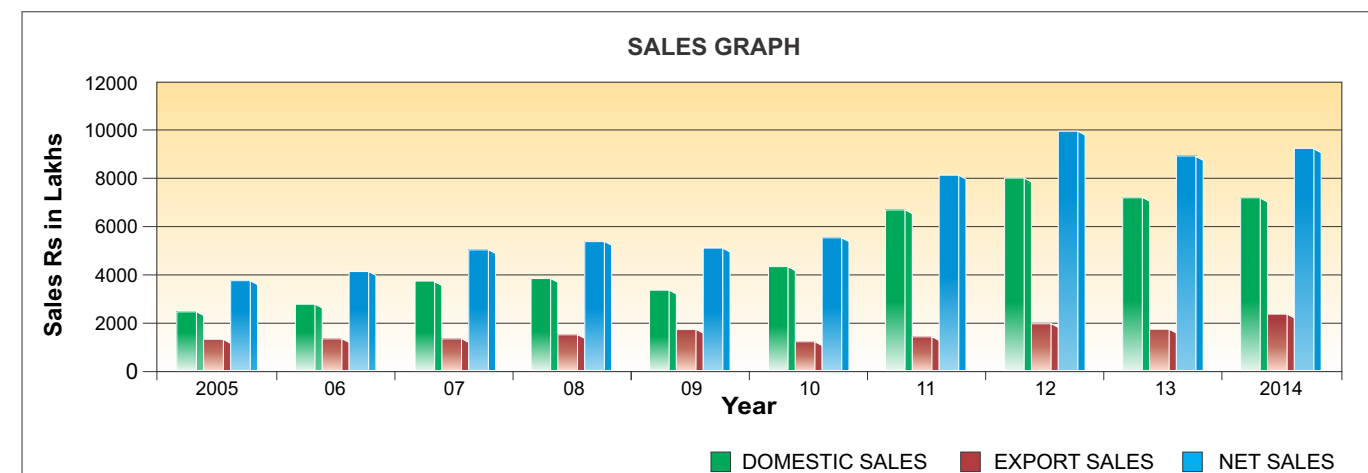


FINANCIAL TRACK RECORD

Rs.in Lacs

Year ending 31st March	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUE										
Net sales	3784	4163	5074	5405	5136	5609	8173	10001	8895	9449
Domestic sales	2483	2801	3764	3873	3389	4368	6727	8055	7176	7110
Export sales	1301	1362	1310	1532	1747	1241	1446	1946	1719	2339
Other Income	128	100	155	185	309	222	299	278	225	611
PROFITABILITY										
Profit before depreciation	1291	1215	1495	1459	1517	1714	2654	2888	1930	2098
Profit before tax	1176	1079	1310	1255	1297	1455	2356	2552	1528	1640
Profit after tax	773	716	871	842	884	983	1595	1729	1012	1187
Dividend %	150	150	175	200	200	250	250	250	150	250
EPS (Rs.)	38.66	35.78	43.56	42.08	44.21	49.12	79.76	86.45	50.59	59.34
ASSETS EMPLOYED										
Fixed assets	1280	1629	1911	2085	2610	2950	3264	4363	5027	5510
Investments	1205	1183	1204	1454	1200	1672	2257	1370	1496	1703
Net current assets	576	637	807	697	858	413	531	1532*	1485*	1505*
Total assets	3061	3449	3922	4236	4668	5035	6052	7265	8008	8718
CAPITAL STRUCTURE										
Paid up share capital	200	200	200	200	200	200	200	200	200	200
Reserves	2603	2977	3438	3787	4203	4602	5614	6762	7425	8031
Loan funds	65	66	49	28	36	-	-	-	-	-
Deferred tax liability	193	206	235	221	229	233	238	303	383	487
Total funds	3061	3449	3922	4236	4668	5035	6052	7265	8008	8718

* 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 32nd Annual Report together with the Audited Financial Statements for the year ended 31st March 2014. The Management Discussion & Analysis Report has been included in the Directors Report so as to avoid duplication and repetition.



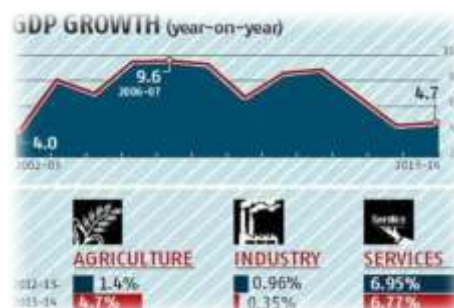
ECONOMIC OVERVIEW



The slowdown in the Indian economy continued for the year 2013-14, resulting in another tough year with sluggish growth affecting domestic demand, high energy prices, weakening of the Indian Rupee, higher raw material costs, repeated increases in the interest rates and lower investments than expected. Fall in savings without corresponding reduction in aggregate investments in critical areas led to widening of current account deficit. Higher inflation rates particularly in food grains and essential items, have all added up to the successive deceleration. One of the main reasons of stalling growth has been the vicious cycle of regulatory delays, judicial intervention, risk aversion by financial institutions and corporations in high value projects. With the loss of optimism in manufacturing sector, most companies have resorted to either deferment or significant reduction in their capital expenditures. The moderation effect by the manufacturing sector has taken a toll on the overall growth in addition to having a commensurate impact on the services sector during the year which contributes to 60% of the GDP and the resultant overall contraction over previous year. This has been reflected as a common factor of weakness and negative sentiment across automotive and auto component industry as also infrastructure due to lack of new project approvals by the lenders. The average capacity utilization by the manufacturing sector continued to be around 60-70% level specifically for Automotive, Engineering and Cutting Tool industry sectors resulting from overall lower demand.



Despite deceleration in the domestic market and paltry recovery in some of the developed nations, India's export has shown a gradual pick up partly contributed by rupee depreciation and improving demand in USA and European markets. While industry segments such as Automobile, Auto Components, Steel, Cutting Tools, Machine Tools & ceramics are the worst affected due to heightened industrial slowdown, segments like Refractory, Engineering and Glass have demonstrated marginally better results compared to the previous year. While the continued slowdown and weak global scenario has had its impact on the Indian economy, in the domestic arena, it has spread to all the sectors resulting in a modest GDP (Gross Domestic Product) growth.



The Industrial Production numbers have continued to be below normal on account of poor performance of core sectors having recorded a meagre 1 % growth which is around the same level of last year. The fall in output in manufacturing numbers has been mainly driven by lower inflow of orders, sharp fall in investments by capital goods sector, engineering, consumer goods and allied industry segments. However, in last few months, there



has been some positive improvement in business sentiment, improved confidence and expectation of a recovery in growth and decline in inflation expectation, mainly on account of intervention by RBI to check capital outflow and upcoming general elections.

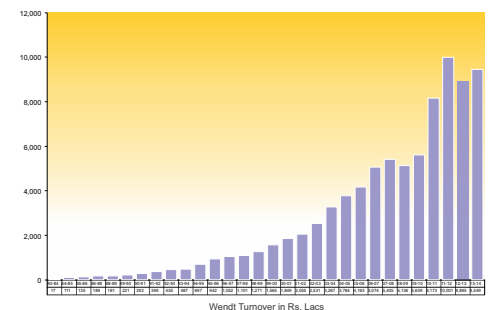
COMPANY PERFORMANCE OVERVIEW

(Rs in Lacs)

	31st March 2014	31st March 2013
Sales	9,449	8,895
Other Income	611	225
Profit Before Tax	1,640	1,528
Provision for Tax	350	435
Provision for Deferred Tax	103	81
Profit After Tax	1,187	1,012
Earnings per Share - Rs	59.34	50.59

RESULTS OF OPERATIONS

Despite the continued slowdown and subdued market situation, your Company has put in its best efforts to achieve a top line of Rs.9449 Lacs during the year which is 6% higher compared to the previous year. While few industry segments like Refractory, Engineering and Glass have positively contributed in the domestic market, business from other segments such as Automobile, Auto component, Cutting Tools, Steel and Ceramics had adverse impact on your company's sales resulting in 1% lower than last year. On the other hand, the Export business despite continued volatility and slow recovery, has achieved a growth of 36% as compared to the previous year.



Your Company continues to pursue business by focusing on three clearly defined verticals such as **Super abrasives**, **Non-Super abrasives** and **International Business**. Your company having taken cognizance of the

current slowdown as one that is temporary and believing firmly in long-term growth of the company, it continues to make suitable investments and deploy the required resources in identified areas to ensure that the long term growth of your Company is sustained.

Super abrasive Business consisting of Diamond / CBN Grinding Wheels & Tools, Precision Dressing Rolls, Hones, Segmented Products & Stationary Dressers, achieved a growth of 7% over the previous year surpassing the industry average growth. This has been possible primarily due to constant efforts by your Company on new developments in product and applications. During the year, your Company successfully introduced some of new products including Resin Bond Wheels for Rotary Tools, Vitrified CBN Wheels for Auto and Auto Component, Precision Electroplated products for Engineering, Gear and Ceramics, Brazed Diamond Products for Textile and Precision Dressing Rolls for Bearing and certain auto component applications.





During the year, Your Company has augmented the Research and Development Centre and pursued indigenous development of some of the Bonds/Matrix in an effort to gain self-sufficiency in this area following the discontinuance of technical collaboration with its parent company Wendt GmbH. As you may be aware, your Company has gained competency in developing new applications / products for various industries over the years and the **R & D Centre** now complements these efforts well in all future endeavors for the Company. The recognition of the R & D Centre by the **Department of Science and Industrial Research (DSIR)**, also provides an opportunity for your company to engage in jointly carrying out research & development work

with other leading research organizations and laboratories on new technology frontiers.

The **Non-Superabrasive Business** comprising of machines and precision components achieved a moderate growth of 4% over the previous year. Despite an extremely difficult year characterized by deferment/freeze on capex, few project orders from the customers, the performance has been a decent one. During the year, your Company has developed many new models/variants of machines and successfully executed orders on CNC Rotary Surface Grinding Machines. The Company also successfully launched TC Ring Grinding Machine for mini steel plants which has received encouraging responses from some of the potential users. Your Company during the year has also started development of few new models of Honing Machines with vertical spindle, one of them is scheduled for launch in few months from now. These new models are expected to address to a wider range of industry applications thereby de-risking from dependence purely on automotive segment while also increasing the customer base and help in enhancing the product basket for your Company.



On the precision components area, during the year, your Company has fully completed the development of two new applications and started the commercial production in small quantities. By leveraging its knowledge and competencies in Machines and related Superabrasive Tools, your Company has also started commercial production of precision ground and honed components for one of the customers. At the same time, the Company is in the process of exploring few other opportunities in this area which would not only strengthen the precision component business but also become a new engine for future growth.

FOCUS ON CUSTOMER CENTRICITY

In order to enhance the reach and build better relationship with the customers, your Company has undertaken implementation of **Customer Relationship Management (CRM)** in association with SAP which is progressing well. This comprehensive approach towards customer will help the company with seamless integration of every aspect of marketing and sales process that directly connects the customer both in domestic and export market. Besides enhancing business relationship, it would create new opportunities for long term value creation for both customers and the company based on win-win situation.

Some of the major benefits your Company expects to derive from CRM are:

- Global reach through offering value proposition and effectively



- addressing customer needs
- Knowledge and solution base platform through integration with company's Knowledge Management Hub thus helping the team with quick responses to customers with accuracy and minimum effort
- Better, faster and precise customer service and gaining competitive edge over its peers
- 360 degree view of customers and insightful analytics



FOCUS ON PROCESS EFFICIENCY



During the year, your Company has embarked on **Lean Management System** in order to enhance process efficiency. Identification and elimination of bottlenecks, smooth integration of key areas in quality, planning, scheduling, production and operations is envisaged. Optimal utilization of various workstations, equipment and machines through effective planning and proper scheduling of material movement will streamline the process flows and significantly improve efficiency. Thus the implementation of lean management by your Company would ensure elimination of non-value added activities in the process flow touching overall effective utilization of the resources through use of scientific methods and tools. With this initiative, your Company is expected to reap

long term benefits in terms of process reliability, better deliveries and higher customer satisfaction.

Some of the major benefits your Company expects are

- Reduction in lead time for product delivery
- Reduction in rejection levels
- Better control on Work in Progress and Raw Material Planning
- Reduction in outsourcing cost
- Improved employee productivity
- Cost effective products to customers

FUTURE PROSPECTS

Your Company has aligned the Business processes with the Strategies and Objectives and constantly strives to achieve superior performances year on year by focusing on products and process Innovation on a sustainable basis. To do this, deployment of appropriate technologies and processes are paramount in areas such as indigenous Bond development, process automation and effective utilization of machines and equipment. Your Company makes special effort to capitalize on the emerging opportunities in growing industrial segments through New Products for New Markets. Your Company continuously explores opportunities for its existing range of products for the New Industry segments.

Accordingly, the company continues to strengthen its presence in Construction, Infrastructure, Aerospace, Ceramics, Defense and Railways to ensure future growth. While doing so, its key account management and increase of share of business with large customers for existing products would be pursued as a part of Market Penetration. These pursuits would be well supported by active participation in major national and international trade shows, exhibitions, providing customer education and value added services. Riding on the good export performance for the year, presence in export market and enhancing the global foot print would be focused by the company.



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 continues to be a matter of contention while not being an issue. The matter still 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 100% owned subsidiary in Thailand has yet again achieved a laudable performance amid economic downturn, heavy floods and socio-economic issues and all time low industrial activities. During the year, your Company's subsidiary achieved a top line sales of Thai Baht 723.54 Lacs (Rs.1398 Lacs), a 15% growth over last year. The Profit Before Tax was Thai Baht 142.15 Lacs (Rs.261 Lacs) and Profit After Tax was Thai Baht 113.32 Lacs (Rs.206 Lacs), lower by 13% over last year.

The increase in topline has been possible as a result of addition of products to the existing basket as well as new markets and customers during the year.

While many of the customers utilized their capacities around 65% levels for most part of the year, your subsidiary kept its vigil and focus on exploring new business opportunities with industries like Glass, Automobile, Steel, Auto parts, Ceramics, Cement and Engineering which well compensated for the drop. Last year, your subsidiary added Ceramic products mainly for Cement industry to its portfolio as a part of product offering to address the gap from one of the group companies and has seen initial successes and encouraging responses from the customers.

The subsidiary company continued its active participation in major Industrial and Trade Exhibitions with a clear focus on brand building, networking and seizing new business opportunities. It also organized many technical seminars at customer places, organized plant tours for its key customers to showcase its capability which are expected to benefit the subsidiary in the near future.



Wendt Middle East FZE, Sharjah

The second subsidiary of your Company in Sharjah, Wendt Middle East FZE, had turned profitable in FY 12-13 after initial years of hiccups and has done even better in the FY 13-14 despite odds and market volatility. During the year, it has achieved an annual sale of AED 25.22 Lacs (Rs.416 Lacs) a growth of 27% over the previous year. You would note that earlier year it had undertaken a major restructuring and cost control initiative which have tremendously helped the subsidiary to end the year with a PBT of AED 6.61 Lacs (Rs.109.13 Lacs), a growth of 78% over the last year.



As you may be aware, the manufacturing scenarios in the entire region including the neighboring countries has been severely affected on account of continued socio-economic instability and mired by political issues resulting in contraction of average capacity utilization to below 50% level

with hardly any sizable new investments announcement by the Government and Foreign player. The UAE region being primarily an economy driven by Oil, Construction and Tourism, continuous fluctuation in these sectors has resulted in sharp rise of inflation.

Amid these challenges posed by all round slowdown and adversaries, your subsidiary has strived to focus on new initiatives like increased product range, new markets and improved service levels in the region to churn out a better than expected performance during the year.



APPROPRIATIONS

Available for appropriation	(Rs in Lacs)
Profit After Tax	1187
Add: Balance brought forward from previous year	2746
Total	3933
Recommended appropriations	
Transfer to General Reserve	119
Dividend	
-Interim Rs 10/-per share	200
-Final (Proposed dividend Rs 15/- per share of face value of Rs 10/- each)	300
Dividend Tax	
-Interim	32
-Final (Proposed)	49
Balance carried forward	3233
Total	3933

CORPORATE SOCIAL RESPONSIBILITY

Your Company sincerely acknowledges the role and responsibility of a good corporate and its Corporate Social responsibility pursuits have always been based on the foundation of ethics and utmost transparency in all its business dealings and as such the contributions your company makes for economic development which are not limited to the workforce alone and their families but extends to the local communities, schools and society at large.

Thus, befitting the company's size & operations, your Company makes contributions for various social causes like child education, old age, orphanages, 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.

The Skill Development Centre established two years back within the premises by joining hands with its parent company CUMI, has been progressing well with addition of new batch of students. As you may be aware, the objective of this initiative is to provide vocational training - a platform for continuance of formal education, employability opportunities and create highly skilled & productive workforce for the company and outside industry in future. By doing this, your Company not only ensures livelihood and gainful employment it also 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.





DIVIDEND

Your Directors are pleased to recommend a Final Dividend of Rs 15/- per equity share of face value Rs 10/- each (150%) for the year ended 31st March'2014. This is in addition to the Interim Dividend of Rs 10/- per equity share of face value of Rs 10/- each paid on 15th February 2014.

The Final Dividend, subject to approval of members at the 32nd Annual General Meeting will be paid to those shareholders whose names appear on the register of members of the company as on 24th July, 2014. If approved, the total Dividend for the financial year, including the interim

dividend, amounts to Rs 25/- per equity share and will absorb Rs.581 Lacs including dividend distribution tax of Rs 81 Lacs.

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

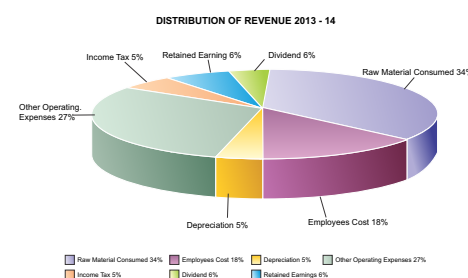
TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 119 Lacs to the General Reserve. An amount of Rs. 3233 Lacs is proposed to be retained in the Statement of Profit & Loss.



CONSOLIDATED FINANCIAL RESULTS

As per General Circular No. 2/2011 dated 8th February 2011 issued by The Ministry of Corporate Affairs (MCA), Government of India, a general exemption was provided to Companies for attaching the Directors Report, balance sheet, profit and loss account of all subsidiary companies to its Annual Report, subject to fulfilling certain conditions as stipulated in the circular. Your Company complies with those conditions and therefore the financial statements of the subsidiaries are not attached in its Annual Report. The audited annual accounts and related information of the subsidiaries is available in our website- 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. A statement of summarized financials of all subsidiaries of your company including capital, reserves, total assets, total liabilities, details of investment, turnover etc pursuant to General Circular issued by MCA forms part of this report. The key financial data for the

consolidated operations are as given below:-

KEY CONSOLIDATED FINANCIAL SUMMARY

	(Rs in Lacs)	
	31st March 2014	31st March 2013
Sales	10,890	
10,059		
Other Income	304	236
Profit Before Tax	1,675	1,874
Profit After Tax	1,166	1,286
Earnings per share-Rs.	58.30	64.30

QUALITY

Your Company manufactures products that embed a high level of precision and accuracy as demanded by the customers and various industry segments. While the Super Abrasives Product range consists of Diamond & CBN Grinding Wheels and Special Tools, the Non Super Abrasives includes customized range of high precision machines such as CNC Grinding, Notch Milling, TC Ring Grinding, Honing and Accessories which fulfil the international standards and CE certifications. Precision Components which is part of Non Super Abrasives require significant degree of precision and



at every stage of material flow.

Your Company has ensured that international standards and systems like Integrated Management System (IMS) focusing on quality management and environment management and TS 16949 for manufacturing precision components are deployed and followed in strict adherence throughout. It has been a constant endeavor for your Company to drive quality deeper in every aspect and in order to ensure this, your Company continues to place higher emphasis on training in latest trends besides investment in high-end equipment, machineries & application software and modern tools.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

Your Company continues to place high emphasis on aspects such as Safety, Health of not only its workforce but also equal importance on Environment management of your company which is conducive and efficient too. Towards this, the top management stays ever committed for maintaining high standards for safety, health and environment management by being fully compliant to applicable statutory requirements as per OHSAS 18001 and ISO 14001 EMS standards and guidelines.



Recognizing that the employees are the most valuable assets of your Company and that the safety and health of each employee is of utmost importance, their safety and health does not become just a mundane necessity but is at par with Quality and Manufacturing by your Company. In order to ensure this, your Company continues to take initiatives and various programs such as annual health check-up plan, eye camp, physiotherapy, fitness center, blood donation camps etc., so that the employees and their families maintain good health and overall wellness.

Health and Safety being considered as one of the important performance measurements by your Company, it continuously provides awareness



training programmes and makes efforts to encourage the workforce to actively participate in relevant training programmes, workshops to perform their activities in a safe manner.

Your Company has always been committed to meet high level of health, safety and wellness standards by ensuring adherence to safety standards and practices so as to keep the work areas free of accidents, injuries, incidents and occupational related hazards for all.

You will be pleased to know that your Company has again recorded Zero accident with no loss of man days in its operations during the year. Apart from the employees, adherence to Safety, Health and Environmental practices are also ensured for its guests and visitors.



RECOGNITIONS AND AWARDS

Your Company continues to maintain its record of winning Awards, Recognitions and Accolades by demonstrating its achievements, performances and practices in various platforms at National and International levels as well. These recognitions and honors raise the motivation levels and morale of the employees and the Company as a whole. During the year your Company has received the following major

• Meritorious Award for Best Presented Accounts from South Asian Federation of Accountants (SAFA).

Your Company has received the Certificate of Merit Award for **Best Presented Accounts** from SAFA for the year 2011-12 under Manufacturing Sector Category.

This coveted award conferred by South Asian Federation of Accountants, is an acknowledgment of the accounting practices, policies and transparency adopted by your Company which are not only amongst the best in India, but in the South Asian countries as well. The

Best Presented Annual Report Award of SAFA is considered to be the most prestigious accolade for financial reporting in the region and represents SAFA's recognitions for organizations which have achieved excellence in presentation and disclosure of high quality, relevant, realistic and objectively comparable financial statements, being in line with the International Accounting Financial Reporting standards.



• Quality Circle Awards

Your Company's employees continued to exhibit their skills in Quality Circle competitions and two teams were recognized with **Excellence Awards** at international level convention in the **International Convention of Quality Circle, Taiwan** held in Taipei during the year.



National Level organized by NCQC

- "Excellence" Award for Kaizen
- "Excellence" Award for SGA

Regional Level organized by CCQC

- "Golden Award" - SGA & Kaizen: 2 teams
- "Golden Award" - Kaizen: 2 teams

• Environment, Health & Safety (EHS) Award

Your Company has received the **4 Star** category Award from CII, Southern Region in recognition of its "Excellent Commitment in



Environment Health and Safety" in manufacturing industry category for environment, health and safety standards at the workplace.

• 5S Model Company Award

Your Company has been conferred with the **Successive Model Company Award for 5S** by the ABK-AOTS, a Japanese international body reputed for acknowledging innovative 5S practices and setting standards around the world.

• Cufest 2013 Awards

Your Company's employees participated in Group-level Quality competitions **Cufest 2013 (Quality Festival of CUMI)**, and won awards for Best Practices, 5S, Poster, Idea King, Quality Quiz events during the year.

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 three consecutive years the Indian economy has been severely impacted by a series of domestic and global disarrays throwing the business environment out of gear and deceleration and de-growth. As a consequence, the Indian economy could achieve a modest growth rate of around 4.5%, the lowest growth in the last several years. Although, some of the developed countries have started seeing a slow recovery, in the domestic front the optimism and sentiments largely remained weak as a result of continued rise in commodity prices, inflation, raw material prices, power disruptions, sub optimal industrial performance, repeated rise in interest rates, added



to this the political instability and policy delays, all of them in conjunction have taken a toll on the lower growth rate. The downward spiral was most visible and harsh in segments like Automobile, Auto Component, Steel, Heavy Engineering, Ceramics, Cutting Tools and some of the other allied industries.



As earlier explained, your Company achieved a domestic business performance level of 99% compared to previous year and on the contrary, the export has achieved a creditable growth of 36% compared to the previous year with a moderate 6% growth on overall basis. In the domestic business, while the sales of Super Abrasives Products to some of industry segments like Automotive, Cutting Tools, Engineering was between 2% to 6% as compared to the previous year, the decline was lower and more pronounced with over 15-20% in segments like Steel & Ceramics. Amid these unusually challenging circumstances, your Company continued its best efforts and new initiatives for new developments of products and applications in addition to working closely with customers to explore some of the new opportunities for its products which could serve as import substitutions.

The performance level of Non-Super Abrasive business was 4% higher than last year on account of orders for existing machines and some of the new machines. However, the demand for Precision Components and Accessories continued to be lower than the previous year reflecting the





weak performance in the Automotive sector. As you may be aware, new capacity additions, expansion projects and fresh investments have been either dropped or suspended by customers in view of the continued slowdown, resulting in fewer orders for machines from industry segments like Engineering, Refractory, Steel and Automobile.

With all the above in place, your Company has been consistently maintaining its leadership position in the domestic market.

ECONOMIC OUTLOOK

While the world economy continues its slow recovery from global financial crisis, the main impetus however, lies with the advanced countries. In the backdrop of this, though the outlook for Indian economy has improved marginally in past few months with some positive sentiments and improved business confidence, the expectation of a high growth rate still remains a question mark. It is estimated that the Indian GDP would achieve a growth of around 6% in the coming year on account of unclogging of domestic policy deadlocks and improved global demand aiding exports to lift growth. With elections around the corner in India, there are high hopes that the change in the political leadership will lead to better growth. This positivity is evident in the financial markets which are at a high amidst the expectation of a good recovery and improved investment prospects. When the new and stable Government takes office in a few months, its focus is expected on development of agriculture, fast tracking of stalling infrastructure projects, manufacturing and capital



market to encourage 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, Construction, Infrastructure, Mining, General Engineering, Steel, Power, Food, Services and Consumer durables during 2014-15. New investments, capacity expansions and creations including implementation of infrastructure, construction, Steel, Power, Mining, Engineering, Machine Tools and allied industries are expected to take advantage of the opportunities in the coming year.

INDUSTRY STRUCTURE & DEVELOPMENTS

The Indian Super Abrasive Tooling Market largely remains fragmented in nature and operates in a highly competitive environment often characterized by the presence of few organized players such as your Company and many small time and proprietor-driven organizations with strong focus on regional presence & dominance across the country. Your Company remains as a major supplier of Super Abrasive Products with its comprehensive range and regarded as **Total Grinding & Honing Solution Provider**, thus enjoys a preferred supplier status, oftentimes a single-source tier-II supplier for many major customers for a wide spectrum of industry. As a result, your Company's growth continues to be dependent mainly on the performance of these customers. A major contribution to your Company's topline in the coming year is expected to come from sectors such as Automotive, Engineering, Cutting Tools, Refractory, Aerospace, Defence, Steel, Ceramics and Construction. Therefore, your Company's performance will also be in congruence with the performance levels of these industries in the coming year.



As always, your Company will strive to focus on exploring every new opportunity, which would open up in both Super Abrasive Tools and Machine Tool areas. Also, your company would focus on growth prospects coming out of new Projects and higher demand from existing and new customers. Accordingly, it has been working on various projects and has added some new products to enhance the product basket especially in the



Precision Grinding areas. At the same time it is also consciously working on progressively minimizing dependency on few specific industries e.g. Automobile and its related industries. The effect of this endeavor is evident from the fact that your Company has developed many new products for precision applications for industries like Aerospace, Turbine, Gears, Defence, Textile, Ceramics, Bearing, Construction, Infrastructure, Healthcare and Paper & Printing.

PERFORMANCE OVERVIEW

Key Financial Summary

(Rs in Lacs)

Particulars	2013-14	2012-13	% change
Domestic Sales	7,110	7,176	(1)
Export Sales	2,339	1,719	36
Total Sales	9,449	8,895	6
Operating Profit	1,147	1,379	(17)
Capital Employed	8,231	7,625	8

OPPORTUNITIES & THREATS

Opportunities:

In the backdrop of the continued slowdown, policy logjam and unclear agenda till at least the new stable government is in place, the Indian growth is expected to remain modest in the medium term. However, your Company would continue to be having high confidence levels on account of the spread and widening of the business canvas. The wider canvas and comprehensiveness of its products would act as compensators. Your Company would continue to be on constant search for potential business opportunities in new industries and markets.



The biggest competitive advantage for your Company has been its long experience in this industry which is complemented well by its exhaustive product range practically for every industry and its superior technology for manufacturing Super Abrasive Tooling and Precision Grinding / Honing Machines. Extension of this advantage to Precision Component Manufacturing in last few years has only been a natural choice for your Company where your Company uses "own machines, own tooling and own processes". Your Company would strive to leverage the maximum and derive benefits from being the provider of **Total Grinding & Honing Solution** by extending its offerings from **Tools - To - Machines - To - Components**.