



*Years of
Customer Care with
Engineering Flair.*

**th ANNUAL REPORT
2016-17**



New Product Developments & Launches - Machine Tools



Cylindrical Grinding Machine - AWH 250



Cylindrical Grinding Machine - SWH 250



Twin Spindle Vertical Honing Machine with Robot
- E3500TS



Horizontal Honing Machine - E2000S



Wheel Profiling & Dressing Machine - WDM 8V



Surface Grinding Machine - WHS21HCF

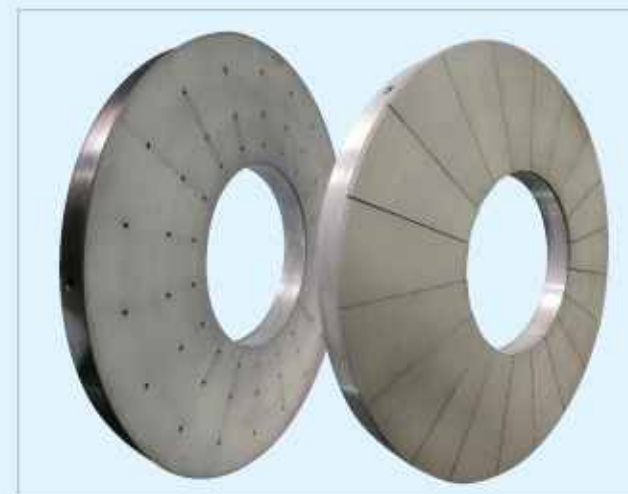
New Product Developments & Launches - Super Abrasive Tools



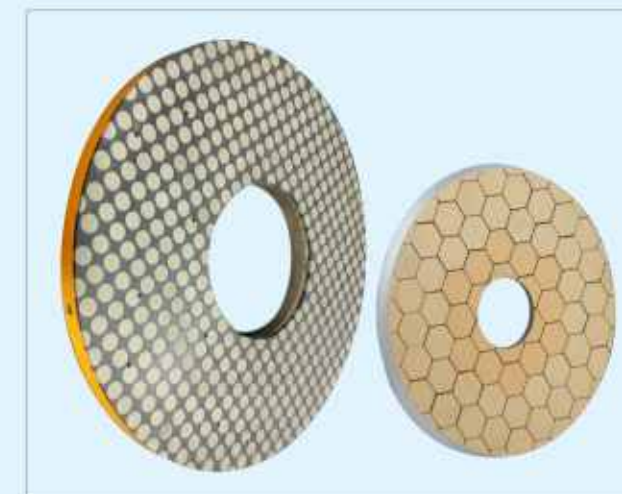
Brazed Grinding Wheel - Paint Industry



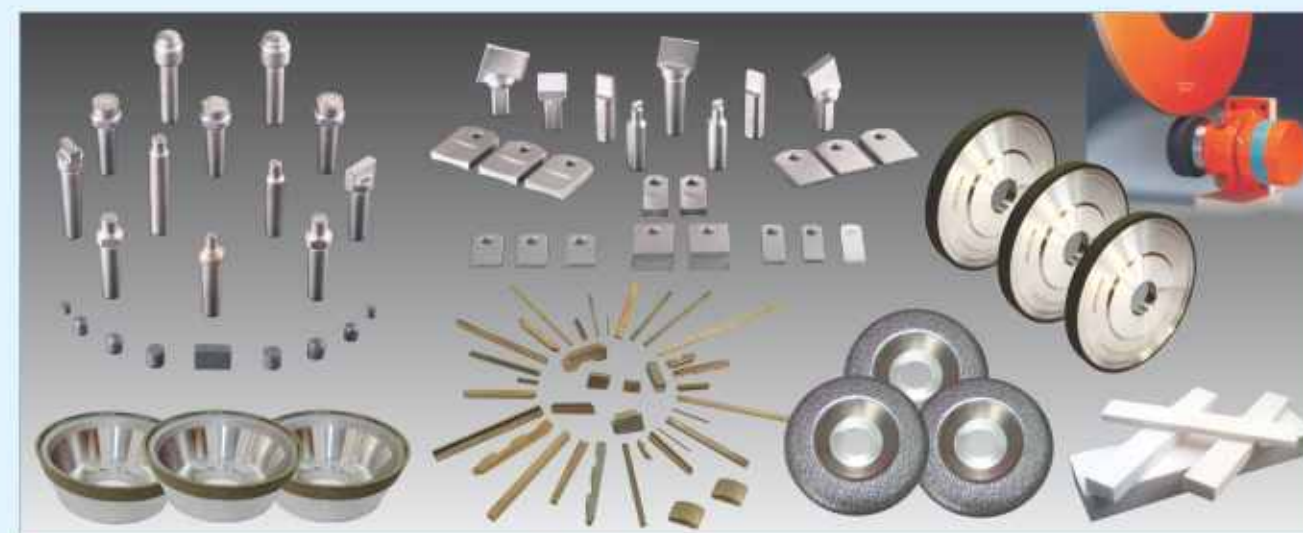
Spiral Grinding Wheel - Razor Blade Industry



Double Disc Grinding Wheel - Engineering,
Ceramic & Auto Industry



Fine Grinding Wheel - Engineering,
Ceramic & Auto Industry



Star Range of Products

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
Unit Head	M S VENKATESH
Business Head - Superabrasives	D K HOTTA
Business Head - Non-Superabrasives	S SUNDARIYA
Chief Financial Officer	MUKESH KUMAR HAMIRWASIA
Head - Technology and R & D	Dr. S SANTANU MANDAL

COMPANY SECRETARY

AKANKSHA BIJAWAT

BANKERS

STATE BANK OF INDIA

AUDITORS

DELOITTE HASKINS & SELLS
Bangalore

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REGISTRAR & SHARE TRANSFER AGENTS

Karvy Computershare (P) Ltd.

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Engineering Flair with Environmental Care...



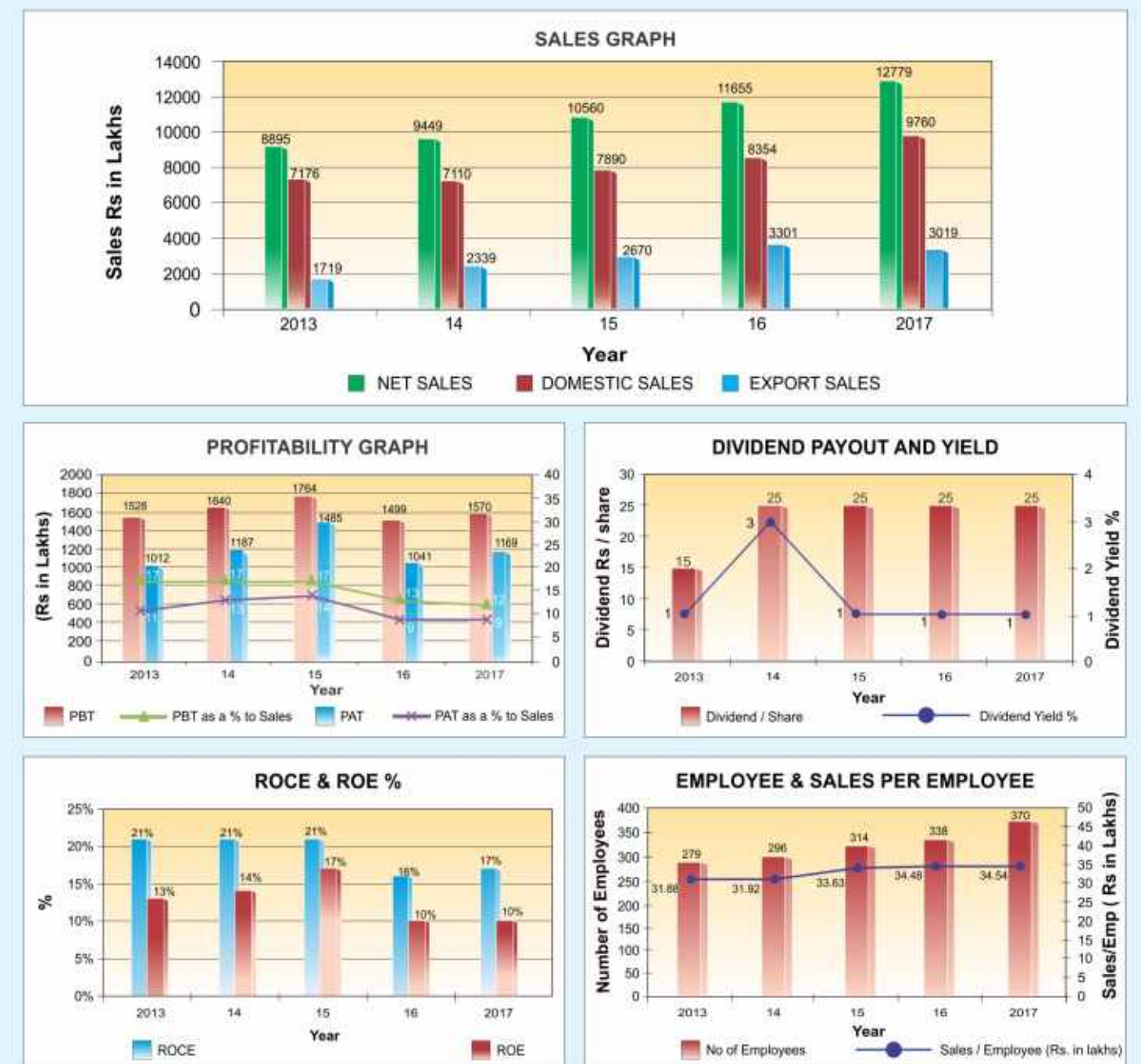
FINANCIAL TRACK RECORD

Year ending 31st March	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Rs. in Lakhs										
REVENUE										
Net sales	5405	5136	5609	8173	10001	8895	9449	10560	11655	12779
Domestic sales	3873	3389	4368	6727	8055	7176	7110	7890	8354	9760
Export sales	1532	1747	1241	1446	1946	1719	2339	2670	3301	3019
Other Income	185	309	222	299	278	225	611	800	648	543
PROFITABILITY										
Profit before depreciation	1459	1517	1714	2654	2888	1930	2098	2556	2335	2534
Profit before tax	1255	1297	1455	2356	2552	1528	1640	1764	1499	1570
Profit after tax	842	884	983	1595	1729	1012	1187	1485	1041	1169
Dividend %	200	200	250	250	250	150	250	250	250	250
EPS (Rs.)	42.08	44.21	49.12	79.76	86.45	50.59	59.34	74.24	52.06	58.47
ASSETS EMPLOYED										
Fixed assets	2085	2610	2950	3264	4363	5027	5510	5608	6060	6078
Investments	1454	1200	1672	2257	1370	1496	1703	1866	1360	1502
Net current assets	697	858	413	531	1532*	1485*	1505*	2047*	2534	3112
Non- current assets	-	-	-	-	-	-	-	-	470	344
Total assets	4236	4668	5035	6052	7265	8008	8718	9521	10424	11036
CAPITAL STRUCTURE										
Paid up share capital	200	200	200	200	200	200	200	200	200	200
Reserves	3787	4203	4602	5614	6762	7425	8031	8790	9544	10043
Loan funds	28	36	-	-	-	-	-	-	-	-
Deferred tax liability	221	229	233	238	303	383	487	531	553	566
Non- current liability	-	-	-	-	-	-	-	-	127	227
Total funds	4236	4668	5035	6052	7265	8008	8718	9521	10424	11036

* 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 for 2012, 2013, 2014 and 2015

Note : 2016 and 2017 figures are as per IND AS. However sales figures given above are net of excise duty.

Engineering Flair with Environmental Care...

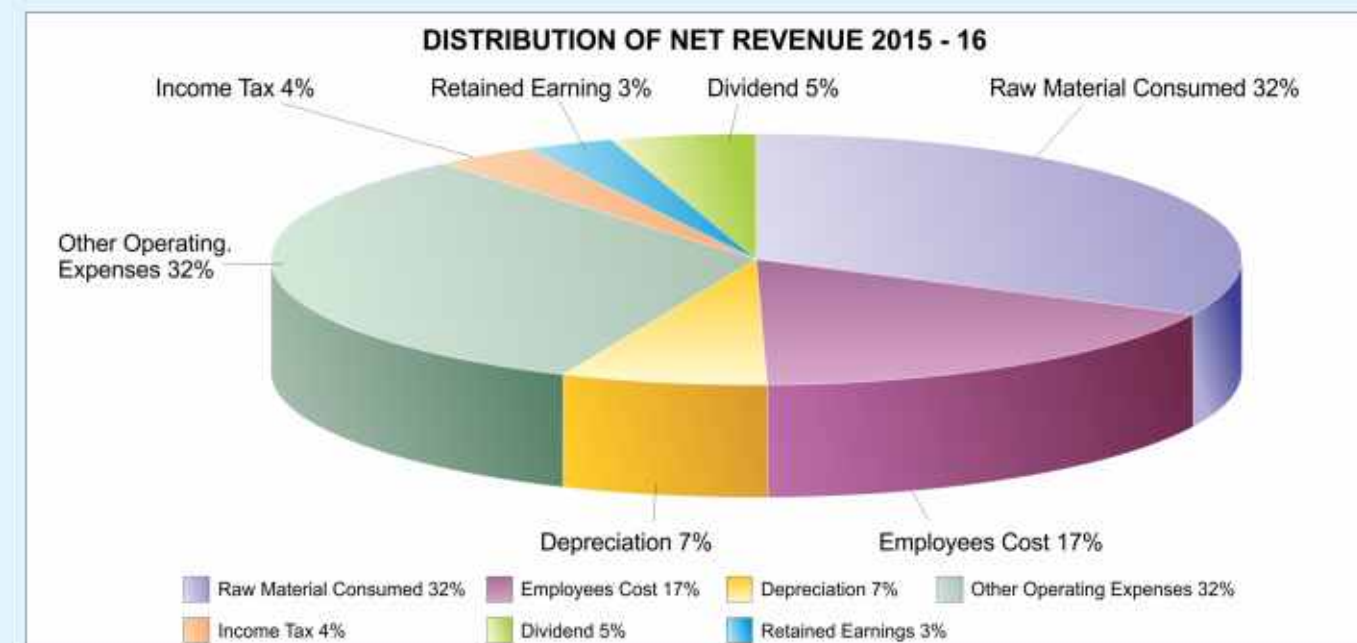
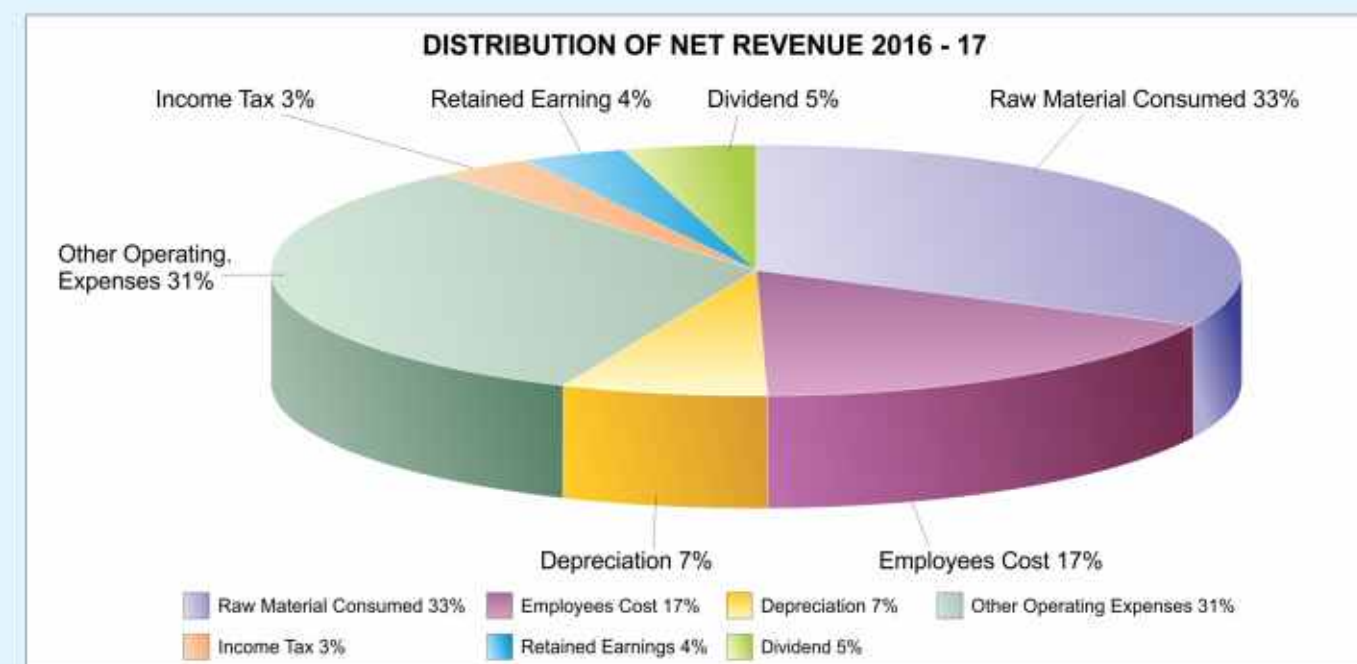


...Total Grinding and Honing Solutions





Engineering Flair with Environmental Care...



...Total Grinding and Honing Solutions



REPORT OF THE DIRECTORS

(Including Management Discussion and Analysis)

TO THE MEMBERS OF WENDT INDIA LTD

The Board of Directors are pleased to present the 35th Annual Report of the Company together with the Audited Financial Statements for the year ended 31st March 2017. The Management Discussion & Analysis Report forms part of the Directors Report to avoid duplication and repetition.



ECONOMIC OVERVIEW

During the year 2016-17 the Indian economy witnessed upsurge in economic activities both in private and government sector, resulting in positive sentiments and strengthening demand conditions in domestic market. Both Global and Indian economy now seem to be in a much better shape than earlier years. The key factors supporting the confidence are rapid recovery from demonetization-related down turn, softer inflationary pressures, proposed GST Roll out and public-sector disinvestments.

The Indian economy achieved a moderate growth of around 7.1% during the year because of increase in manufacturing

activities except for the temporary dip due to demonetization effect witnessed during second half of the year. Strengthening of investor's confidence including foreign direct investments is strongly seen in some of the key areas such as defence production, electronics component manufacturing, medical devices as well as in non-manufacturing sectors like insurance and professional services. Despite the temporary dip during the third quarter, the automobile sector, overall, ended the year on a positive note on account of new launches by leading manufacturers reporting corresponding sales growth during the year.

Reflecting the overall optimism, other industry segments such as Engineering, Refractory, Ceramics, Cutting Tools and Glass have also achieved reasonable



growth over the previous year. On the contrary, India's overall export continued to be lower than expected due to falling prices of metals and commodities & world oil prices. World trade has been shrinking as demand in key American and European markets has slowed down and remained sluggish. Moreover, Brexit and consequent depreciation of the British pound has put Indian exporters in a difficult situation due to volatility in currency and increasing competition from low cost economies.



COMPANY PERFORMANCE OVERVIEW

(Rs in Lakhs)

	FY 2016- 2017	FY 2015- 2016
Sales (net of excise duty)	12,779	11,655
Other Income	543	648
Profit Before Tax	1,570	1,499
Profit After Tax	1,169	1,041
Earnings per Share - Rs	58.71	52.06

RESULTS OF OPERATIONS

During the year under review, your company achieved a Top line of Rs.12779 Lakhs (net), which is 10% higher compared to the previous year by putting its best efforts both in the domestic and export market. The demand for your company's products and services in the domestic market has seen reasonable traction from industry segments such as Automobile, Auto component, Ceramics, Cutting Tools and Engineering resulting in a growth of 17% over the previous year. However, the export business has seen a de-growth of 8% on account of shrinkage in demand in some of the advanced markets and overall continued slow recovery. Your company continued its efforts in addressing the challenges in some of the overseas markets such as USA, Russia, Thailand as well as countries in the European market which have greatly contributed to achieving the above results despite uncertainties.



countries for growing its exports. On domestic front, your company continues to focus on top 200 customers having significant contributions to your company's overall business.

During the year, your company actively participated in the IMTEX 2017 exhibition where it showcased its products and capabilities to both the Domestic & the international audience including launch of four new models of machines during the exhibition.

The **Super Abrasive Business** consisting of Diamond/CBN grinding Wheels in various bonding systems, Rotary Dressers, Stationary Dressers, Hones and Segmented products achieved a growth of 14% as compared to the previous year amidst many challenges and high competition in both domestic and overseas markets. This has

Your Company continues to conduct its business under three clearly defined business verticals such as **Super Abrasives, Non-Super Abrasives and International Business**. Your company also recognizes the importance of the "Make in India" campaign started by the Indian Government two years back and the growth opportunities it would provide for your company from the ongoing investments, innovation, adoption of new methods and technologies by customers, providing the much-needed impetus for higher growth. Accordingly, your company continues to allocate the required investments in high growth areas and other resources to attain its long-term business objectives. Your company continues putting focused efforts in enhancing its presence in ten identified





been possible through continued efforts and various initiatives for new application and product developments addressing import substitutions. Your company successfully launched new products such as Dressing Rolls for Taps and Bearing applications, Resin Bond Spiral CBN Wheels for Razor Blade grinding, Double Disc Fine grinding Wheels for certain Ceramic, Automotive and Engineering applications, Vitrified CBN Wheels for internal grinding applications. During the year, your company successfully completed integration of the **STAR Diamond Business** into its operations and commencement of regular production from Hosur. The renovation of the Electroplating facility was also undertaken cater to the increased demand in terms of higher quantity &

precision. Today you can claim of Wendt having one of the most modern and state-of-the-art Plating facility in the world.

Your Company continues to work on strengthening its **Research and Development Centre** by enhanced efforts in Bond / Matrix formulations towards building self-reliance on the technological front. Accordingly, your company has added new capabilities and competencies towards development of new applications / products for various industries such as Glass, Auto component, Ceramics etc. during the year.

The **Non-Super Abrasive Business** comprising of Machine Tools & Precision Components performance was about 4% lesser than previous year. Although machine sales in the domestic market achieved an impressive growth of 40% on the back of good orders from various customers, the exports saw a negative growth.

During the year, your company has launched many new models / variants which includes four new CNC machines - Wheel Dressing & Profiling Machine, Creep Feed Grinder, Cylindrical Grinder with Angular Wheel Head and Cylindrical Grinder with Straight Wheel Head apart from developing Vertical Honing Machine - Twin spindle with Robotics and Horizontal Honing Machine with added features. These Machines have been received well by the customers and the company expects to a positive response from the market.

The **Precision Components Business**, during the year, faced few challenges in terms of lower volume offtake by the customers due to slow revival in auto sector and delay in getting final approvals for starting the new projects. As a result, the performance of precision components was 11% lower than the previous year.



Nevertheless, company's efforts in enhancing the product basket by adding components for non-auto and non-metallic sectors have started generating business for the company, although in smaller volume during the year. It is expected to contribute in a major way to the overall precision component business in coming year.

In order to strengthen the precision component business, the company is in various stages of approval on testing of some of the new components with few potential customers and expects to start the business in the current year.

FOCUS ON PROCESS EFFICIENCY

Your Company continues to focus on improving operational efficiency as well as optimal utilization of various resources in manufacturing and production areas. This is being supported through continuing implementation of LEAN for last three years. This initiative has been found beneficial in addressing some of the key areas like planning and scheduling, production reliability, materials availability and product delivery. One of the key objectives is the elimination of waste through optimum usage of all critical resources. The lean management is a philosophy and way of life for deriving long terms benefits by elimination of non-value-added activities, effective utilization of resources and helps in garnering higher level of customer satisfaction.

As part of continuing LEAN, your company has started driving this end to end whereby all support functions are also brought into its domain as important enablers for achieving organizational results.



Some of the major benefits are

- Reduced lead time for products
- Reduced Work in Progress
- Effective Raw Material Planning
- Controlling inventory levels
- Improved employee productivity

PROSPECTS

Your Company continually works on narrowing the gap between its strategies and objectives based on the market dynamics to achieve the set goals and improved performance year on year through various initiatives. The

company recognizes the fact that high level of focus on product and process innovation, careful selection and deployment of new technologies and processes are critical to achieve its long-term objectives. Your company, accordingly works on improving product performance by use of technology & superior manufacturing methods towards meeting the objective.

While the existing products would continue to be offered, new products, new application developments including development on import substitutes would be the focus for your company for growth. Together with, efforts of market penetration to increase the share of business with top customers, both domestic and overseas would continue. Your company would continue to work on enhancing its competitive edge, through improving capability, service levels and offering value added services. This would ensure higher performance & improved engagement with the customer.

Future growth of your company lies in constantly watching and monitoring changes in the external environment and customer needs that are emerging. Accordingly, your company has been working on the mega trends and underlying new opportunities that these trends unfold & is constantly focusing on new products to address this trend



in all concerned industry segments.

Your Company would fully complement these efforts by maximizing its participation in major national and international exhibitions & trade shows & will continue to put efforts and initiatives towards increasing the global presence in identified countries through strategic alliances and co-operations besides taking advantage of the CUMI Distribution network & its' focus on digital marketing.

The acquisition of Winterthur Technology Group (WTG) by the US multinational 3M Corporation and resultant indirect acquisition of 40% equity shareholding in your Company continues to be a matter of contention while not being an issue. The matter has been moved to The National Company Law Tribunal (NCLT), Bangalore and matter remains *sub judice*.

SUBSIDIARY COMPANIES

Wendt Grinding Technologies Limited, Thailand

Your company's 100% owned subsidiary Wendt Grinding Technologies Limited, Thailand, has achieved a topline of Thai Baht 857 Lakhs (Rs.1645 Lakhs) which is at the same level as the previous year, despite continued downtrend, political instability, declining export and rising costs in the region. The Profit Before Tax was Thai Baht 131 Lakhs (Rs 265 lakhs) and the Profit After Tax has been Thai Baht 104 Lakhs (Rs.214 Lakhs) which is 12% higher than previous year.



Like previous years, continued initiatives & efforts has been the key to this performance sustainability of your subsidiary company. New customer additions and widened product basket have compensated for the decline in automotive sector and related industries. In addition to constantly looking for new opportunities, enhancing product basket, the new projects being envisaged would help your subsidiary to achieve better performance in the coming year.

Your subsidiary continues to take part in the important Industrial and Trade Exhibitions, exploring new businesses and strengthening networking with industry leaders for business promotion and development.

Wendt Middle East FZE, Sharjah

The second wholly owned subsidiary of your company, Wendt Middle East FZE, Sharjah, has achieved a reasonable performance for the year under review despite the continuing oil crisis, political disturbance and slowdown in new projects in the region. During the year, the subsidiary has achieved an annual sale of AED 25 Lakhs (Rs.449Lakhs) which is 20% lower than the previous year. As such, the Profits have also been lower at AED 2.87 Lakhs (Rs.52 Lakhs) which is at 40% level as compared with that of previous year despite its best efforts.



As mentioned earlier, the manufacturing sector in the whole region has been undergoing severe pressure due to lower demand, underutilized capacity, rising costs etc. & due to continuing socio-economic issues, higher inflation and regional disturbances with very few new investments by the Government.

To address these challenges, your subsidiary continues to put its best efforts and has taken many new initiatives, adding new customers and industries apart from enhancing the product basket and offering to achieve better results in the coming year.

APPROPRIATIONS

Available for appropriation	(Rs in Lakhs)
Profit After Tax	1169
Add: Balance brought forward from previous year	3995
Total	5164
Recommended appropriations	
Transfer to General Reserve	120
Dividend	
-Interim Rs 10/-per share	200
-Final (Dividend paid for 2015-16 Rs 15/- per share of face value of Rs 10/- each)	300
Dividend Tax	
-Interim	41
-Final (for 2015-16)	61
Balance carried forward	4442
Total	5164

CORPORATE SOCIAL RESPONSIBILITY



For your company, corporate social responsibility remains as one of the key areas along with transparency. The company continues to make contributions to the society that is not limited but extends to communities in the vicinity, local schools, orphanages, homes for destitute etc. This is based on your company's firm belief that an organization's true value lies beyond its business and is reflected by the services it extends to the society. Your company also gives importance to green environment and tree plantation in the nearby communities by distributing and planting free saplings every year.

Your Company's running of the **Skill Development Centre** has been a major initiative towards addressing the social responsibility. The main objective being providing of high quality vocational and technical training towards uplifting the lives of young children drawn from poor and deprived background. Not only does this initiative help continuance of formal education for these apprentices, but also helps them to seek gainful employment and leading a meaningful life upon successful completion of the course.

With the enactment of CSR provisions in the Companies Act 2013, your Company has put in place a CSR policy incorporating the requirements therein which is also available on Company's website at the following link <http://www.wendtindia.com/pdf/csrpolicy.pdf>

Your Company, during the year 2016-17, has spent of Rs 32.34 Lakhs towards the CSR activities in line with the provisions of the Companies Act, 2013,.

The Annual Report on CSR activities in the prescribed format is annexed herewith as ANNEXURE II.



DIVIDEND

The Board of Directors of the Company had approved the Dividend Distribution Policy on 20th March'2017 in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The policy is uploaded in the Company's website www.wendtindia.com.



In line with the policy, the 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 2017. This is in addition to the Interim Dividend of Rs 10/- per equity share of face value of Rs 10/- each which was paid on 22nd February 2017.

The Final Dividend, is subject to approval of members at the 35th Annual General Meeting & will be paid to those shareholders whose names appear on the register of members of the company as on 1st August 2017. If approved, the total Dividend for the financial year, including the interim dividend, amounts to Rs 25/- per equity share and will absorb Rs 602

lakhs including dividend distribution tax of Rs 102 Lakhs.

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 120 lakhs to the General Reserve. An amount of Rs. 4443 Lakhs is proposed to be retained in the Statement of Profit & Loss.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits during the year 2016-17 and as such, there are no outstanding fixed deposits from the public as on 31st March 2017.

INVESTMENTS

Details of investments covered under section 186 of the Companies Act 2013 are given in the notes no 6 b to the financial statements.



TRANSFER TO THE INVESTOR EDUCATION & PROTECTION FUND

Pursuant to the provision of Section 124 of the Companies Act, 2013, your Company has transferred an amount of Rs.1.71 lakhs (Interim Dividend 2008-09) and Rs.1.88 lakhs (Final Dividend 2008-09) being unclaimed dividend during the year, to the **Investor Education and Protection Fund (IEPF)** established by the Central Government after sending due reminders to the shareholders.

CONSOLIDATED FINANCIAL RESULTS

The Consolidated Financial Statements of the company (incorporating the operations of the Company and its two wholly owned overseas subsidiaries), for the financial year 2016-17 are prepared in compliance with the applicable provisions of the Companies Act, Accounting Standards as prescribed by Regulation 33 of the Securities and Exchange Board of India (SEBI) Regulations-2015, under Listing Obligations and Disclosure Requirements (LODR).

The Consolidated Financial Statements have been prepared based on the audited financial statements of the company, its subsidiaries, as approved by their respective Board of Directors.

Pursuant to provisions of Section 136 of the Act, the Financial Statements of the Company, the Consolidated Financial Statements, along with the relevant documents and the Auditors' Report thereon 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 audited annual accounts and related information of the subsidiaries is available in our website- www.wendtindia.com.

The key financial data for the consolidated operations are as follows: -

KEY CONSOLIDATED FINANCIAL SUMMARY

	(Rs in Lakhs)	
	FY 2016-2017	FY 2015-2016
Sales (net of excise duty)	14,466	13,335
Other Income	313	381
Profit Before Tax	1,657	1,580
Profit After Tax	1,205	1,078
Earnings per share-Rs.	60.26	53.88

QUALITY

The most critical aspect of the products that are offered by your company are high precision, accuracy and assurance of quality in terms of exacting standards required by the customer including the functionality for the desired applications.

Your Company's **Super Abrasives product** range comprises of Diamond & CBN grinding wheels and Tools in various bonding systems. **The Machine Tools & Precision Component** business include a range of machines such as Rotary Surface Grinding, Notch Milling, TC Ring Grinding, Vertical & Horizontal Honing, Cylindrical grinding & accessories that are fully compliant with the International standards and CE certification fulfilling the European safety norms. Precision Components being a part of Non-Super Abrasives business, requires high level of precision and close tolerance limits necessitating utmost care and adherence to quality parameters and process controls.

To ensure that your company's products meet these requirements, your company has put in place the necessary Quality & Management standards such as ISO 9001, ISO 14001, TS 16949, OHSAS and SA 8000. Your company has also successfully implemented EN 13236 Standards to address the safety norms and requirements of overseas customers. All of these standards are regularly reviewed and upgraded based on the changing requirements of global customers & are audited and certified by TUV & concerned certifying Body at regular intervals.

Superior quality and consistency in performance of the products being the main differentiators, your company has ensured deployment of an effective **Quality Management System (QMS)** and practice at each stage of material flow in the manufacturing cycle. Needless to mention that, your company endeavors to enhance quality and

consistency in every aspect of its business on a continual basis. Accordingly, it accords high importance and care while imparting training on New Processes, New Technologies & Newer methods to its employees in the respective areas.

The necessary investments on machines, equipment & application software solutions are also being done to update & address Quality Standards. To improve on our product delivery Reliability and quality on time delivery, your company has successfully completed implementation of **Bar Coding System** in most of the production areas during the year.





SAFETY, HEALTH AND ENVIRONMENT (SHE)

Your Company is highly committed towards good health and workplace safety for its employees. The company makes sure that the workforce follows the safety standards and practices religiously so that the work environment is safe and free from accidents, incidents and any occupational hazards.

With respect to Environment Management, preservation and maintenance, your company is committed to and accords high importance to this aspect both within the company and the neighborhood as well. The senior management takes responsibility for this and due efforts are made to keep a close watch on

maintaining the required safety standards and protection of environment through deployment of relevant processes and guidelines in line with ISO 14001 and OHSAS 18001 standards.

As mentioned above, your company considers its employees as the most valuable assets and gives utmost importance to their sound health and adopts good safety practices. The company continues to take various initiatives and programs such as annual health check-up, eye camp, cardio test, fitness and physiotherapy including awareness trainings so as to ensure good health and wellness of the employees and their families.

Your Company periodically conducts safety mock drills to address employee's awareness & preparedness towards fire, chemical, electrical & medical urgencies.

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. During the year, your company has successfully upgraded to latest SA8000-2014 standards, which is more rigorous as compared to the earlier version. Your company is one of the few companies in the country to have implemented this standard.



RECOGNITIONS AND AWARDS

Your Company continues to motivate the employees to pitch in several national & international competitions. As in the past, the company has received many awards and recognitions and accolades from organizations and establishments of repute. Needless to mention that these recognitions and accolades enhance the passion and optimism among the employees and act as confidence builder for the Company.

During the year, your company has received the following major awards.



- **Quality Circle Awards**

Your Company's employees continued to exhibit their skills in various Quality Circle competitions as below

International Level organized by ICQC, Thailand

- "Gold" Award for Kaizen- 1 team
- "Silver" Award for SGA- 1 team

National Level organized by NCQC

- "Par Excellence Award" - SGA: 1 team
- "Excellence Award" - Kaizen: 1 team

- **Pride of Murugappa Group-Best Practice**

Your Company's employees have won the **2nd Runner Up**

Award on Customer Centricity Category in the Pride of Murugappa Group – Best Practice. The annual best practice competition at the group level, involving large number of initiatives and best practices among all group companies.

- **MGTC Cricket Tournament**

Your company's employees participated in the Group Level Cricket tournament and won the **"Winners" Trophy** during the year.

- **MGTC Women Sports Tournament**

Your company's women employees participated in the Group level sports competitions and won awards in **Carom, Chess and Relay** competitions.

- **Cufest 2016 Awards**

Your Company's employees participated in Group-level Quality competitions **"Cufest 2016"** (Quality Festival of CUMI), and won awards for **5S, Poster, Slogan, Kaizen and CFT**.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

GENERAL PERFORMANCE REVIEW

The Indian economic conditions have started seeing improvements and positive sentiments among various sectors resulting in a modest growth in some of the industry segments including manufacturing. However, the pace of recovery has been rather slower than expected.

During the year, your company continued to put its best efforts on new initiatives and new product & application developments in addition to working as closely as possible with customers for new opportunities including import substitutions to maintain its leading position in the domestic market.

ECONOMIC OUTLOOK

There seems to be lot of optimism and improved confidence across all the industrial segments. The proposed GST Rollout, the controlled inflation, the disinvestment drive, supported by Government reforms and initiatives is likely to propel demand and the resultant manufacturing & servicing activities.

For the coming year, the Indian economy is expected to achieve a growth rate in excess of around 7.5% as per various reports and studies by leading agencies. Several

