

WHEELS INDIA LIMITED



50th ANNUAL REPORT 2008 - 2009



WHEELS INDIA LIMITED

Registered Office : 21, Patullos Road, Chennai - 600 002.

50TH ANNUAL REPORT

FACTORIES

PADI

CHENNAI – 600 050

TAMILNADU

22KM RAMPUR – TANDA ROAD

RAMPUR – 244 925, U.P.

PLOT NO C-1

RANJANGAON GROWTH CENTRE

KAREGAON VILLAGE, SHIRUR TALUK

PUNE DISTRICT – 412 210

MAHARASHTRA

PLOT NO 11-18, SECTOR 7

HSIDC GROWTH CENTER

BAWAL

REWARI DISTRICT - 123 501

HARYANA

SRIPERUMBUDUR

KANCHIPURAM DISTRICT – 602 105

TAMILNADU

PLOT NO.56, SECTOR 11

INTEGRATED INDUSTRIAL ESTATE IIE

PANTNAGAR – UDHAM SINGH NAGAR

UTTARKHAND - 263 153

PLOT NO D-3, DEOLI GROWTH CENTRE,

DEOLI MIDC, TALUKA DEOLI,

DISTRICT WARDHA - 442 101 MAHARASHTRA

WEBSITE ADDRESS : www.wheelsindia.com

BANKERS

UNITED BANK OF INDIA

STATE BANK OF INDIA

STANDARD CHARTERED BANK

HDFC BANK LIMITED

AUDITORS

M/S SUNDARAM AND SRINIVASAN

CHARTERED ACCOUNTANTS

CHENNAI

STOCK EXCHANGE LISTING

NATIONAL STOCK EXCHANGE OF INDIA LIMITED

MUMBAI

BOARD OF DIRECTORS

S RAM – Chairman & Managing Director

S VIJI

T T RANGASWAMY

J M AAKERS

SRIVATS RAM – Managing Director

T K SESHADRI

T S VIJAYARAGHAVAN

S PRASAD

AUDIT COMMITTEE

S PRASAD – Chairman

S VIJI

T T RANGASWAMY

T K SESHADRI

SHARE TRANSFER & INVESTOR

RELATIONS COMMITTEE

T T RANGASWAMY – Chairman

S RAM

S VIJI

REMUNERATION COMMITTEE

T T RANGASWAMY – Chairman

T K SESHADRI

S PRASAD

PRESIDENT (FINANCE) & SECRETARY

S SRIVATHSAN

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50TH ANNUAL REPORT

Notice to the Shareholders

NOTICE is hereby given that the Fiftieth Annual General Meeting of the Shareholders of the Company will be held on Friday, **14th day of August, 2009**, at 10.25 a.m. at **"The Music Academy"**, 168 (Old No.306), T T K Road, Chennai 600 014, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statements of accounts for the year ended 31st March, 2009, and the reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2009.
3. To elect a Director in the place of Mr. S Viji, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Mr. T T Rangaswamy, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration. M/s. Sundaram and Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

Regd. Office:
21, Patullos Road
Chennai - 600 002.

By order of the Board
S Srivathsan
President (Finance) & Secretary

25th June, 2009



Notes:

- 1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend the meeting and vote instead of himself and such a proxy need not be a member. For appointment of a proxy to be effective, the proxy form (enclosed) shall be duly filled, stamped, executed and lodged with the Registered Office of the Company at least 48 hours before the time fixed for the commencement of the meeting.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 07.08.2009 to 14.08.2009 (both days inclusive) for the purpose of Annual General Meeting and for payment of dividend on equity shares.
3. Dividend, as recommended by the Board of Directors, if declared at the meeting shall be paid, to those members whose name(s) appear in the Register of Members of the Company as on 14th August, 2009. In respect of shares held in Electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 2002 and thereafter, which remain unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 2002, or any subsequent financial year are requested to make their claim to the Share Department of the company at Padi, Chennai - 600 050. It may also be noted that once the unclaimed dividend is transferred to the Government, as above, no claim shall lie against the Fund or the Company in respect of such amount.

Encl: Proxy Form.

50TH ANNUAL REPORT**Directors' Report to the Shareholders**

Your Directors present their Fiftieth Annual Report and the Audited Accounts of your Company for the year ended 31st March 2009.

Financial Results

Sales for the year under review were Rs . 1128 crores compared to Rs. 1130 crores in the last year. The financial results of your Company for the year under review are as below:

	<u>2008-2009</u>	<u>2007-2008</u>
	(Rs. in Lakhs)	
Gross profit before interest and depreciation	10,997	10,170
Interest	4,676	3,069
Depreciation	3,379	3,127
Profit before tax for the year	2,942	3,974
Profit after tax for the year	2,115	2,586

Dividend

Your Directors are pleased to recommend, out of the profits of the current year, a dividend of Rs.5.50 per share on the paid up capital of the Company as at 31st March, 2009. The dividend will be paid to all the shareholders whose names appear in the Register of Members as on the Book closure date. If the dividend recommended is approved at the Fiftieth Annual General Meeting, a sum of Rs. 5,42,81,942/- will become payable. A dividend tax of 16.995% (including surcharge) will be paid on the dividend declared.

Management Discussion and Analysis

The last year saw a dramatic deterioration in your company's markets, affected by events that affected the global financial system. The automotive markets and off-highway markets were in disarray reeling under the effects of this crisis. While, India was relatively unscathed, there was a slowdown in GDP growth (estimated at 6.5%) as against 9% in the preceding fiscal. The industrial growth also slowed down, (estimated at 4.3%) as against a growth of 8.1% in the previous year. Given the international nature of the crisis, the exports from the country in US dollar terms grew at only 2.5% as opposed to 29% in the previous year due to the dramatic slowdown in the second half of the year. The liquidity crunch and high interest rates affected most of the sectors in the second half of the year.

The commercial vehicle sector was amongst the worst hit sectors with the medium and heavy commercial vehicles (M&HCV) registering a drop of 33% over the previous year, and the light commercial vehicles down by 7% against a 12% growth in the previous year. The major drop in the M&HCV segment was in haulage where the excess build up of capacities over the past years in multi-axle and tractor-trailer vehicles was exposed by the sudden slowdown in the economy.

The sales of passenger cars and multi-utility vehicles showed a marginal growth as against a growth of 12% in the previous year. This sector was affected in the second half of the year by risk aversion on the



part of lenders and concerns about continued job security on the part of prospective buyers. The agricultural tractor market fell by 5% in the last year, with the slowdown resulting in accumulation of pipeline stocks that manufacturers depleted by reducing their production towards the end of the year.

As a result of this, your Company saw its overall sales in the second half of the year at only 60% of the first half levels of operation. The drop in the second half for your Company in the terms of schedules for M&HCV wheels was even more dramatic, with second half volumes at only 35% of the first half volumes. This decline in volumes adversely affected your Company. In spite of cost cutting measures, your Company suffered operating losses in the second half of the year. The slowdown resulted in an immediate pile up of inventory at our end. Your company was able to tide over this situation by both operational control as well as support from our long standing bankers. In the last financial year, your company was also significantly affected by the volatile currency movements.

The slowdown in the global economy resulted in a drop in prices of commodities and this has had to be passed on to customers. We do see relative stability in commodity prices in the coming year.

In the coming year, with a stable government at the centre, we see the possibility of pump priming the economy resulting in some recovery in the latter part of the coming year. There is a need for significant investments in infrastructure in the country and if the government is able to move a number of projects in this area, it should bode well for the commercial vehicle market, probably towards the end of the year. At the same time, the current trends in vehicle production are not encouraging and we see a marginal decline in truck production in the coming year. We do, however, see some increase in share of business for the company resulting in a marginal increase in wheels sold by the company. In addition to trucks, the government has decided to buy a large number of low floor buses as a part of the Jawaharlal Nehru National Urban Renewal Mission. This will positively impact the company as nearly all the buses under this scheme will require air suspension systems where your company has market leadership.

In the passenger car and utility vehicle segment, we believe that there will be a return to a more positive sentiment as most believe that the worst is over for the Indian economy and prospects can only improve. In addition, car manufacturers have ambitious plans to increase export of small cars to cater to the demand for fuel efficient vehicles in the west. These factors lead us to believe that there will be a growth of 5-7% in the coming year in this segment.

In the agricultural tractor market, with an improvement in availability of finance, and stable government that wants to grow rural India, there will be some growth in the market in the coming year. In the construction equipment market, growth is dependent on mining and infrastructure projects coming through which is more likely with slightly improved funds availability and stable government.

While your company's export market remains at the depressed levels of the second half of last year, we believe that the market will improve from the third quarter of the current year, albeit not to the levels of the first half of last year, as de-stocking at the customer end is over and as finance availability improves following the re-structuring of global financial markets. It is expected that the export sales in the coming year will be 30% lower than the year under review.

The Pantnagar plant of your company which was set up to serve customers in the state of Uttarkhand has started operations in the first quarter of the coming year. In addition, your company is looking at reallocation of existing production capacities amongst its existing plants to ensure customer proximity and logistics cost optimization.

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Your company has been looking at new areas of growth which align with our capabilities with a view to improve business performance. The 11th five year plan of GOI has called for the addition of 78,000MW as energy remains a major infrastructure bottleneck in our country. In line with this, power equipment companies are ramping up their production capacities. In discussion with power plant companies, we learnt that structural components were one of the major supply chain bottlenecks they faced in their expansion plans. The business aligns itself with your company's expertise in high quality welding of large parts. Your company has decided to invest Rs 40 Crores in a plant at Deoli, Wardha District, Maharashtra, to manufacture structural components for power plant manufacturers. The location of the plant has been decided to optimise on inbound and outbound logistics costs. The plant will be commissioned in the third quarter of the coming year. It is expected that the business from this investment will further grow substantially over a three year period.

Your Company has a well established internal audit procedure that continuously monitors the adequacy and effectiveness of the internal control across the Company. The internal audit function supplemented by independent internal auditors ensures periodical review of internal controls and suggests necessary checks and balances to improve effectiveness. The in house internal audit department along with the external audit firms reviews the status of compliance with operating systems, internal policies and regulatory requirements. During the year, your Company has successfully implemented a SAP based ERP system across its plants.

Your company would like to place on record its appreciation for the efforts of its employees in controlling the operating costs of the company, in this most difficult environment.

Directors

Under Article 94(3) of the Company, Mr. S Viji and Mr. T T Rangaswamy retire from office by rotation, and being eligible, offer themselves for re-appointment.

Corporate Governance

In pursuance to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report is given elsewhere and forms part of this Report.

Directors responsibility statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii. such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company as at 31st March, 2009 and of the profit of the Company for the year ended on that date;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv. the annual accounts have been prepared on a going concern basis.



Auditors

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai retire at the conclusion of the Fiftieth Annual General Meeting and are eligible for re-appointment. The Directors recommend their re-appointment.

Particulars of Employees

In accordance with provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Company excluding the annexure prescribed under Section 217(2A) of the Companies Act. The said annexure, setting out the names and other particulars of employees, is available for inspection by the Members at the Registered Office of the Company during office hours till the date of the Annual General Meeting viz. 14.08.2009.

General

Particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are enclosed in the annexure and form part of this report.

The Directors wish to thank United Bank of India, State Bank of India, Standard Chartered Bank and HDFC Bank Limited for their continued support.

Your Company continues to enjoy the full cooperation of all its employees. The Directors wish to place on record their appreciation of the good work done by them.

Chennai
25th June, 2009

On behalf of the Board of Directors
S Ram
Chairman & Managing Director

50TH ANNUAL REPORT**Report of the Auditors' to the Shareholders**

We have audited the attached Balance Sheet of Wheels India Limited as at 31st March, 2009, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit, we enclose in the annexure a statement on the matters specified in the said order.

Further to our comments in the Annexure referred to above, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v. As per information furnished to us, no Director of the Company is disqualified as on 31st March, 2009 from being appointed as Director under Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
 - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - c) In the case of cash flow statement, of the cash flows for the year ended on that date.

for SUNDARAM AND SRINIVASAN
Chartered Accountants
K. Srinivasan
Partner
Membership No.5809

Chennai
25th June, 2009



Annexure to the Report of Auditors

- I. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) These fixed assets have been physically verified by the Management at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
- (c) The company has not disposed of substantial part of fixed assets during the year.
- II. (a) Physical verification of inventory has been conducted at reasonable intervals by the Management
- (b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory and the discrepancies noticed on physical verification which were not material, have been properly dealt with in the books of account.
- III. The company has neither granted nor taken any loans secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence, the clauses (iii) (b) to (g) of the order are not applicable.
- IV. There is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. There is no continuous failure to correct major weaknesses in internal control system.
- V. (a) The particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under the section.
- (b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- VI. The company has complied with the provisions of Section 58 A and 58 AA or any other relevant provisions of the Act and the Rules framed thereunder with regard to the deposits accepted from the public.
- VII. The company has an adequate internal audit system commensurate with its size and nature of its business
- VIII. The company has made and maintained the accounts and records prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and we have broadly reviewed the same.
- IX. (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.