

WHEELS INDIA LIMITED



51st ANNUAL REPORT 2009 - 2010



WHEELS INDIA LIMITED

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

51ST 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

B-54, SIPCOT INDUSTRIAL PARK

IRUNGATTUKOTTAI, SRIPERUMBUDUR

KANCHIPURAM 602 105

TAMILNADU

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

S VIJI

T T RANGASWAMY

J MAAKERS

SRIVATS RAM — Managing Director

T K SESHADRI

T S VIJAYARAGHAVAN

S PRASAD

AUDIT COMMITTEE

S PRASAD — Chairman

S VIJI

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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Notice to the Shareholders

NOTICE is hereby given that the Fifty First Annual General Meeting of the Shareholders of the Company will be held on Friday, **13th day of August, 2010**, at 11.00 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, 2010, and the reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2010.
3. To elect a Director in the place of Mr. T S Vijayaraghavan, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Mr. S Prasad, 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.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a **SPECIAL RESOLUTION**.

RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, including any statutory modification(s) or re-enactment thereof, for the time being in force, the approval of the members be and is hereby accorded to the reappointment of Mr. S Ram, as Whole time director and designated as Executive Chairman, for a period of 5 (Five) years with effect from 01.05.2010, on the terms and conditions including remuneration as set out there under:

Salary: Rs 1, 50,000 per month in the scale of pay Rs 1,50,000 - Rs 25,000 - Rs 2,75,000 effective 1st May, 2010 with annual increment of Rs 25,000 in every April, commencing from April, 2011.

Free furnished accommodation or House Rent Allowance @ 60% of the salary.

Perquisites: As detailed in the Annexure I to the Explanatory Statement.

Minimum Remuneration: Where in any financial year during his tenure, the Company has no profits or its profits are inadequate, Mr. S Ram shall be entitled to the salary and perquisites mentioned above as minimum remuneration, as may be approved by the Remuneration Committee,



however not exceeding the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956.

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

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

29th May, 2010

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 07.08.2010 to 13.08.2010 (both days inclusive) 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 13th August, 2010. 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, first interim dividend for the financial year ended 31st March, 2004 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, 2004, 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, Explanatory Statement.

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173 of the Companies Act, 1956

SPECIAL BUSINESS:

Item No.6

The term of office of Mr. S Ram as Chairman and Managing Director of the Company expired on 30.04.2010. The Board of Directors, at their meeting held on 23.04.2010 have thought fit to reappoint Mr. S Ram as Whole time Director and designated as Executive Chairman for a further period of 5 (Five) years with effect from 01.05.2010.

The appointment of Mr. S Ram as Whole time Director of the Company and the payment of remuneration to him as detailed in the resolution as set out under Item No.6 of the notice require the consent of the members.

Mr. S. Ram has attained the age of 70 and hence a special resolution has to be passed in accordance with Part I of Schedule XIII of the Companies Act, 1956.

Abstract of the terms of service of Mr. S Ram and memorandum of interest under section 302 of the Companies Act, 1956 was already circulated to the members of the company.

INTEREST OF DIRECTORS:

Mr. S Ram is interested in this resolution to the extent of the remuneration payable to him.

Mr. S Viji, Director and Mr. Srivats Ram, Managing Director are also deemed to be interested in the said resolution.

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29th May, 2010

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



ANNEXURE I

Details of perquisites payable to Mr. S Ram, Whole time Director of the Company, referred to in the resolution No 6.

Company's contribution to Provident Fund, Gratuity Fund and encashment of leave as applicable to other Senior Executives of the Company.

Payment or reimbursement of medical expenses (for self and family), provision of telephone at residence, mobile phone, gas, electricity, water, payment of premium for personal accident insurance, Leave Travel Assistance, Club Membership of any 2 clubs (excluding admission and life membership fee) , provision of car with driver and such other allowances/ perquisites/benefits and amenities as may be provided by the company to other senior executives from time to time; the annual value of these will be limited to a ceiling of 100% of annual salary.

Provision of chauffer driven Company car for official purposes shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Payment of Company's contributions to Provident Fund/Gratuity Fund and encashment of leave (at the end of the tenure) shall not be included in the computation of remuneration or ceiling on the perquisites.

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such rule, the same shall be evaluated at actual cost.

Directors' Report to the Shareholders

Your Directors present their Fifty First Annual Report and the Audited Accounts of your Company for the year ended 31st March 2010.

Financial Results

Sales for the year under review were Rs. 1,241 crores compared to Rs. 1,128 crores in the last year. The financial results of your Company for the year under review are as below:

	<u>2009-2010</u>	<u>2008-2009</u>
	(Rs in Lakhs)	
Gross profit before interest and depreciation	9,116	10,997
Interest	3,777	4,676
Depreciation	3,316	3,379
Profit before tax for the year	2,023	2,942
Profit after tax for the year	1,295	2,115

Dividend

Your Directors are pleased to recommend, out of the profits of the current year, a dividend of Rs. 4.50 per share on the paid up capital of the Company as at 31st March, 2010. 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 Fifty First Annual General Meeting, a sum of Rs. 4,44,12,498/- will become payable. A dividend tax of 16.60875% (including surcharge) will be paid on the dividend declared.

Management Discussion and Analysis

The last year started with a recession in international markets and a slowing down of the domestic market in India. The Government of India came out with a stimulus package which included cuts in excise duty for vehicles and the inclusion of city buses in the JNNURM scheme. The Indian economy recovered quiet strongly especially in the latter part of the year. The GDP growth rate last year was 7.1% as against 6.7% the previous year. It was also significant that the industrial production index grew by nearly 10% to fuel growth in the country in spite of a marginally negative growth in agriculture. The quick recovery resulted in higher levels of inflation with the consumer price index for the year at 12%.

The passenger car market grew significantly throughout the year recording a 29% growth, initially fuelled by export of cars to Europe feeding into the "scrappage" scheme there, and later fed by the resurgence of the Indian economy. The truck market started the year sluggishly, but recovered very strongly in the second half thanks to the stimulus package to record a 32% growth. The tractor market grew by 30%, in spite of a -1% growth in agriculture production, fuelled by high food grain prices, the NREG scheme



and credit availability in the rural sector. The export markets for your Company plummeted with international markets in recession.

Your Company faced a very difficult first half of the year with truck volumes at a low level and export activity at 30% of the same period the previous year. The low level of activity in the first half was barely adequate to cover our fixed costs and the company just about broke even for the half year. The strong recovery of the economy in the second half resulted in increase in steel prices and major power availability issues. The inflationary pressures affected all elements of cost across the board in spite of your Company's best efforts to control cost. The export markets remained at a low level throughout the year. The drop in exports was partly made up by increase in the demand for air suspension for buses. Your company was able to ramp up both manufacturing and its supply chain adequately to meet this demand.

Your Company started operations at its Panthnagar facility which services customers in the region. During the first half, we moved a truck wheel line to Rampur in an effort to reduce costs and get closer to the customer plants. In the wheel business, we will be de-bottlenecking our major lines to meet the increased demand in the coming year.

Your Company was able to commence operations at its Deoli plant in Wardha District, Maharashtra in the month of March, within a year of ground breaking. This plant will be making components for the power equipment sector, which is likely to continue to grow at a substantial rate in the coming years.

In the coming year, the Indian economy is expected to grow at 9%. While the current demand in all vehicle segments remains strong, it is expected that with the high levels of inflation credit availability will be tightened in the latter part of the year. In spite of this, we expect a double digit growth in all sectors. The central government has scaled down the stimulus package in light of the high growth of the economy. While this is likely to affect the bus air suspension business, your Company is looking at widening the product range to other suspension applications. The export markets are showing signs of recovery although it will take some time till we reach our previous export peak levels.

The effects of inflation are the main challenges your Company will face in the coming year, with increase in the cost of steel, power and fuel and manpower. The effective management of operations are critical to containing costs in the coming year. In light of this, your Company is practicing Total Productive Maintenance at its Padi plant and intends to take this practice across its major plants.

The Company remains committed to ensure an effective internal control environment that provides assurance on the efficiency of operations, statutory compliance and security of assets of the Company. The Internal Audit team of the Company along with a team of outside internal audit firms appointed to carry out the internal audit function at various units of the Company reviews the adequacy of internal control systems and suggests necessary checks and balances to increase the effectiveness of the system. The Company has an Enterprise Resource Planning system that helps in monitoring the adequacy and effectiveness of the internal controls across the various units of the Company and the status of compliance with internal policies and regulatory requirements.

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

Directors

Under Article 94(3) of the Company, Mr. T S Vijayaraghavan and Mr. S Prasad 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 and Corporate Governance Voluntary Guidelines, 2009 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, 2010 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;
- iv. The annual accounts have been prepared on a going concern basis and
- v. Proper systems are in place to ensure compliance with all laws applicable to the Company

Auditors

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai retire at the conclusion of the Fifty First 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 Director's Report is being sent to all the shareholders of the Company excluding the annexure prescribed under Section 217(2A) of the Companies Act, 1956. 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 date of the Annual General Meeting viz. 13.08.2010.

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
29th May, 2010

On behalf of the Board of Directors
S. Ram
Chairman