

**WHEELS INDIA LIMITED**



**52<sup>nd</sup> ANNUAL REPORT 2010-2011**



# WHEELS INDIA LIMITED

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

Website Address : [www.wheelsindia.com](http://www.wheelsindia.com)

## 52<sup>ND</sup> ANNUAL REPORT

### FACTORIES

- PADI, CHENNAI - 600 050  
TAMILNADU
- 22KM RAMPUR, TANDA ROAD  
RAMPUR-244 925, UTTAR PRADESH
- PLOT NO. C - 1  
RANJANGAON GROWTH CENTRE  
KAREGAON VILLAGE, SHIRUR TALUK  
PUNE DISTRICT - 412 220  
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 - 263 153  
UTTARAKHAND
- PLOT NO. D - 3, DEOLI GROWTH CENTRE  
DEOLI MIDC, TALUKA DEOLI  
WARDHA DISTRICT - 442 101  
MAHARASHTRA
- B-54, SIPCOT INDUSTRIAL PARK  
IRUNGATTUKOTTAI, SRIPERUMBUDUR  
KANCHIPURAM - 602 105, TAMILNADU

### BANKERS

- UNITED BANK OF INDIA
- STATE BANK OF INDIA
- STANDARD CHARTERED BANK
- HDFC BANK LIMITED

### AUDITORS

- M/S SUNDARAM & SRINIVASAN  
CHARTERED ACCOUNTANTS  
CHENNAI

### STOCK EXCHANGE LISTING

- NATIONAL STOCK EXCHANGE OF INDIA LIMITED  
MUMBAI

### BOARD OF DIRECTORS

S RAM	Chairman
S VIJI	
J M AAKERS	
SRIVATS RAM	Managing Director
T K SESHADRI	
T S VIJAYARAGHAVAN	
S PRASAD	
AROON RAMAN	

### AUDIT COMMITTEE

S PRASAD	Chairman
S VIJI	
T K SESHADRI	
AROON RAMAN	

### SHARE TRANSFER & INVESTOR RELATIONS COMMITTEE

S VIJI	Chairman
S RAM	
S PRASAD	

### REMUNERATION COMMITTEE

S PRASAD	Chairman
T K SESHADRI	
T S VIJAYARAGHAVAN	

### PRESIDENT (FINANCE) & SECRETARY

S SRIVATHSAN

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## Notice to the Shareholders

**NOTICE** is hereby given that the Fifty Second Annual General Meeting of the Shareholders of the Company will be held on Wednesday, **10th day of August, 2011**, 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, 2011, and the reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2011.

3. To elect a Director in the place of Mr. J M A Akers, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Mr. T K Seshadri, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration. M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

Regd. Office:  
21, Patullos Road  
Chennai - 600 002.  
30th May, 2011

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

### 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 01.08.2011 to 10.08.2011 (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 10.08.2011. 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, second interim dividend declared on 23.06.2004 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.

5. **As part of "green initiative" in Corporate Governance, Ministry of Corporate Affairs (MCA) vide Circular No.18/2011 dated 29.04.2011, has permitted paperless compliances by recognizing communication through electronic mode to shareholders under the Companies Act, 1956.**

**Accordingly, it has been decided to send all future communication from the Company including notices, annual reports, attendance slip, proxy form etc., to the shareholders in electronic form to their registered email address. Investors are requested to update their e-mail IDs with depository participants (DP) for shares held in electronic form or with the Registrar and Transfer Agent or to the Company in case the shares are held in physical form.**

Encl : Proxy Form



## Directors' Report to the Shareholders

Your Directors present their Fifty Second Annual Report and the Audited Accounts of your Company for the year ended March 31, 2011.

### Financial Results

Sales for the year under review were Rs. 1676 crores compared to Rs. 1241 crores in the last year. The financial results of your Company for the year under review are as below:

(Rs. in Lakhs)

	2010-2011	2009-2010
Gross profit before interest and depreciation	<b>12,844</b>	9,116
Interest	<b>4,978</b>	3,777
Depreciation	<b>4,608</b>	3,316
Profit before tax for the year	<b>3,258</b>	2,023
Profit after tax for the year	<b>2,464</b>	1,295
Transfer to General Reserve	<b>1,600</b>	2,100

### Dividend

Your Directors are pleased to recommend, out of the profits of the current year, a dividend of Rs. 6.50 per share on the paid-up capital of the Company as at 31st March, 2011. 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 Second Annual General Meeting, a sum of Rs. 6,41,51,386/- will become payable. A dividend tax of 16.2225% (including surcharge) will be paid on the dividend declared.

### Management Discussion and Analysis

After two years of slowdown, in the last year, global GDP is estimated to have grown at 3.9%, with growth

in all geographies. The Indian economy grew at 8.6% over the year, as against 7.1% in the previous year, with strong recovery in the agricultural sector. Inflation remains a concern with the consumer price index at a double digit level for the second year in a row.

The growth in the economy resulted in a high growth in all segments of the automotive industry. The passenger car and light vehicle segment grew at 25% to come close to 3 million vehicles in the last year. While, the exports of cars marginally slowed down with the removal of the "scrappage" scheme in Europe, the growth was driven by strong demand in the domestic market. There was a strong growth of almost 30% in the commercial vehicle market in the last year, mainly in the goods carriage segments, as the government did not extend the inclusion of city buses under the JNNURM scheme. With a growth of over 5% in the agricultural sector, high food grain prices, the NREG scheme and good rural credit availability, the tractor segment grew at 24% in the year under review.

Your Company grew along with domestic industry in all segments. In the last two months of the year, for the first time in our history, we produced more than a million wheels a month, supported by robust demand in the domestic industry. The earthmoving and mining equipment market that was worst hit by the recession showed an impressive recovery in the last year. With the recovery of global markets, your Company's exports more than doubled from the last year. In Air Suspension business, with the JNNURM bus scheme being discontinued, volumes dropped to less than half of last year's volumes. In the coming year, with introduction of new models, your Company is seeing growth in the Air Suspension business. The raw material costs increased significantly last year and

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are likely to increase in the coming year as well, in line with global commodity trends. Last year saw a steep increase in energy costs and continues to be an issue in the coming year. The biggest challenge for your Company remains cost control in these two areas.

The Pantnagar plant that was started two years ago has reached peak production levels servicing the customer base at Uttarakhand. The Deoli plant that makes components for the power equipment sector completed its first full year of operations and is expected to break even in the coming year.

In the coming year, the Indian economy is expected to grow at the same level as last year. The automotive and tractor markets are expected to grow at 15%. However, the continuing hikes in interest rates and fuel prices are likely to result in a slightly muted growth in the commercial vehicle segment. The exports of your Company are expected to grow in the coming year, although not at the same levels as last year.

Your Company's main plant at Padi was awarded the TPM Excellence Award by the Japanese Institute of Plant Maintenance in the last year. While your Company faced high inflation in the year under review with material, energy and manpower costs increasing, more efficient management of operations by implementing TPM yielded benefits to the Company.

Your Company continues to receive awards for performance from its customers and has received awards from Caterpillar, Maruti Suzuki and Toyota Kirloskar in this respect. Your Company continues to engage, educate and motivate its employees through quality circles, self directed work teams and suggestions schemes.

Your Company remains committed to ensuring an effective internal control system that provides assurance on the effectiveness of operations, reliability in financial reporting and security of its assets. Towards this, the internal audit department of the Company, along with external audit firms frequently review internal control procedures and make suggestions for improvement. Their reports are placed before the Audit Committee at periodic intervals for review and assessment of the status of compliance with operating systems, 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**

Mr. T T Rangaswamy who was appointed as a Director on the Board of the Company on 28th June, 1990 resigned from the Board on April 15, 2011. Your Directors place on record the significant contribution made by him to the deliberations of the Board and various committees of the Board.

At its meeting held on April 15, 2011, the Board appointed Mr. Aroon Raman as a Director of your Company under Section 262 of the Companies Act, 1956, in the casual vacancy caused by the resignation of Mr. T T Rangaswamy.

Consequent to the above changes, your Company reconstituted Audit Committee, Share Transfer & Investor Relations Committee and Remuneration Committee of the Board.



Under Article 94(3) of the Company, Mr. J M A Akers and Mr. T K Seshadri 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 Exchange, 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 issued by the Ministry of Corporate Affairs, your Directors confirm that:-

1. in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. such accounting policies have been selected and applied consistently and judgments 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, 2011 and of the profit of the Company for the year ended on that date;
3. 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;
4. the annual accounts have been prepared on a going concern basis and

5. 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 Second Annual General Meeting and are eligible for re-appointment. The Directors recommend their re-appointment.

### Particulars of Employees

None of the employees of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### 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.

On behalf of the Board of Directors

Chennai  
30th May, 2011

**S Ram**  
Chairman

## Report of the Auditors to the Shareholders

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We have audited the attached Balance Sheet of Wheels India Limited as at 31st March, 2011, 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, 2011 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 2011;
  - 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 & SRINIVASAN**  
Chartered Accountants  
(Registration No.: 004207S)

**K. Srinivasan**

Chennai  
30th May, 2011

Partner  
Membership No. 5809



## 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 58A and 58AA 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.



- b) There were no disputed tax dues which have not been deposited with the respective authorities in respect of Income Tax, Wealth Tax, Excise Duty, Customs Duty, Value Added Tax and Cess. However disputed Income Tax, Service Tax and Property Tax aggregating to Rs. 328.38 lakhs has not been deposited on account of disputes which are contested in appeals and are pending before Commissioner of Income Tax (Appeals), Central Excise and Service Tax Appellate Tribunal and Madras High Court.
- X. The Company has no accumulated losses and has not incurred cash losses during this financial year or in the immediately preceding financial year.
- XI. The Company has not defaulted in repayment of dues to a financial institution or bank.
- XII. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. The Company is not a chit fund or a nidhi/ mutual benefit fund / society. Therefore, clause 4 (xiii) of the Order is not applicable to the Company.
- XIV. The Company is not dealing or trading in shares, securities, debentures and other investments.
- XV. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- XVI. The term loans were applied for the purpose for which the loans were obtained.
- XVII. Based on the Balance Sheet and Fund Flow Statement of the Company in our opinion the funds raised on short term basis have not been used for long term investments.
- XVIII. The Company has not made any preferential allotment of shares during the year.
- XIX. The Company has not issued any debentures during the year.
- XX. The Company has not raised any money by way of public issues during the year.
- XXI. No fraud on or by the Company has been noticed or reported during the year.

For **SUNDARAM & SRINIVASAN**

Chartered Accountants  
(Registration No.: 004207S)

**K. SRINIVASAN**

Chennai  
30th May, 2011

Partner  
Membership No. 5809



# **ACCOUNTS 2010-2011**