

WHEELS INDIA LIMITED



53rd ANNUAL REPORT 2011-2012

Car Wheel Manufacturing Line - Padi



Car Wheel Disc Line - Bawal



Top Coat Line for Tractor Wheels - Pune



Commercial Vehicle Wheel Line - Rampur



Earth Mover Manufacturing Line - Sriperumbudur



WHEELS INDIA LIMITED

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

Website Address : www.wheelsindia.com

53RD ANNUAL REPORT

FACTORIES

- PADI, CHENNAI - 600 050
TAMIL NADU
- 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 - 123501, HARYANA
- SRIPERUMBUDUR
KANCHIPURAM DISTRICT - 602 105
TAMIL NADU
- PLOT NO. 56, SECTOR 11
INTEGRATED INDUSTRIAL ESTATE
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 DISTRICT - 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 Third Annual General Meeting of the Shareholders of the Company will be held on Tuesday, 14th day of August, 2012, 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, 2012, and the reports of the Directors and Auditors thereon.
2. To record and confirm the interim dividend paid and declare final dividend for the year ended 31st March, 2012.
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 S Vijayaraghavan, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, who are retiring and are eligible for re-appointment and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

To elect a Director in the place of Mr Aroon Raman, who holds office under Section 262 of the Companies Act, 1956, only upto the date of this Annual General Meeting, but who being eligible, offers himself for election and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose Mr Aroon Raman as a candidate for the office of a Director. It is proposed to move the following resolution for the said purpose.

"RESOLVED that Mr Aroon Raman, vacating office as a Director of the Company under Section 262 of the Companies Act, 1956, being eligible for appointment, be and is hereby appointed as a Director of the Company liable to retirement by rotation".

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to Section 293 (1) (d) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the consent of the members be and is hereby accorded to the Board of Directors of the Company, for borrowing monies for the purpose of business of the Company, from time to time, notwithstanding that the monies to be borrowed together with the monies already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up Capital of the Company and its Free Reserves that is to say, reserves not set apart for any specific purpose, provided however that the aggregate of amounts so borrowed and outstanding at any time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs 400 crores (Rupees four hundred crores only)".

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the members be and is hereby accorded to the Board of Directors of the Company to create / modify any mortgage, hypothecation or other charge or encumbrance from time to time on such terms as it may think



fit, over the whole or substantially the whole of the Company's undertaking, including all present and future immovable and movable properties and assets of the Company wherever situate, in favour of the banks, financial institutions and other persons for securing loans, credit, guarantees or other facilities provided or to be provided by them to the Company and / or to secure debentures issued / to be issued by the Company, which borrowings and facilities

together with the existing ones shall not exceed an aggregate limit of Rs 400 crores (Rupees four hundred crores only)".

Regd. Office:
21, Patullos Road
Chennai 600 002
30th May, 2012

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 1.8.2012 to 14.8.2012 (both days inclusive) for payment of final dividend on equity shares.
3. Final 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 14.8.2012. 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, interim dividend declared on 31.1.2006 for the financial year ended March 31, 2006 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 March 31, 2006 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.

Annexure to the Notice

Explanatory Statement under Section 173 of the Companies Act, 1956.

SPECIAL BUSINESS

Item No. 6

Mr Aroon Raman was appointed as a Director under Section 262 of the Companies Act, 1956, with effect from 15.4.2011 in the casual vacancy caused due to the resignation of Mr T T Rangaswamy. Mr Aroon Raman vacates office as a Director at the 53rd Annual General meeting.

A notice under Section 257 of the Companies Act, 1956, has been received from a member of the Company signifying his intention to propose Mr Aroon Raman as a candidate for the office of the Director at the 53rd Annual General Meeting, and for that purpose, to move the resolution set out in Item No. 6 of the Notice.

Mr Aroon Raman has also forwarded to the Company his consent to act as a Director of this Company under Section 264 of the Companies Act, 1956.

The resolution as set out under Item No 6 of the Notice is accordingly submitted to the members for consideration.

Mr Aroon Raman, Director is interested in the resolution in as much as it relates to his appointment as a Director of the Company.

Item Nos. 7 & 8

At present the Board of Directors are empowered to borrow (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) upto Rs.300 crores vide resolution passed by the members u/s 293(1)(d) and 293(1)(a) of the Companies Act, 1956 by way of postal ballot on March 20, 2009.

To meet the increasing needs of working capital arising out of growth in business in the coming years and term loans to fund capacity additions, the Company proposes to obtain the consent of members to increase the borrowing limits to Rs 400 crores from Rs. 300 crores previously approved and for creating charge on the assets of the Company.

The resolution as set out under Item Nos. 7 & 8 of the Notice are accordingly submitted to the members for consideration.

None of the Directors is interested or concerned in the above said resolutions.

Regd. Office:
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Chennai 600 002
30th May, 2012

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



Directors' Report to the Shareholders

Your Directors present their Fifty Third Annual report and the Audited Accounts of your Company for the year ended March 31, 2012.

Financial Results

Sales for the year under review were Rs. 2,051 crores compared to Rs. 1,676 crores in the last year. The financial results of your Company for the year under review are as below:

(Rs. in Lakhs)

	2011-2012	2010-2011
Gross profit before finance cost and depreciation	17,493	13,228
Finance Costs	7,030	5,362
Depreciation	5,047	4,608
Profit before tax for the year	5,416	3,258
Profit after tax for the year	3,435	2,464
Transfer to General Reserve	2,300	1,600

Dividend

The Board approved and paid an interim dividend of Rs. 4/- per equity share of Rs. 10/- each, in March 2012.

Your Directors are pleased to recommend a final dividend of Rs. 6/- per equity share of the face value of Rs.10/- each, for the year ended 31st March, 2012. The final dividend, recommended, if approved at the Fifty Third Annual General Meeting, will be paid to all the shareholders whose names appear in the Register of members as on the Book closure date.

The total dividend for the financial year including the proposed final dividend amounts to Rs. 10/- per equity share and will absorb Rs. 11.47 Crores including Dividend Distribution Tax of Rs. 1.60 Crores

Management Discussion and Analysis

The last financial year saw tumultuous events on the world stage from the Arab Spring to the Japanese earthquake-tsunami to the Euro crisis. The Indian economy saw the GDP growth come down to 6.8% as the nation's fiscal and trade deficit widened and inflation remained at high levels. Coming on the back of a year of strong growth, the headwinds of the slowing economy affected all domestic market segments serviced by your Company.

The passenger car market was additionally burdened by two factors. There was a major industrial dispute affecting production at the largest car manufacturer for over a month. The year also saw a widening gap between petrol and diesel prices leading to consumers increasingly preferring diesel vehicles. The supply chain capacities in diesel engines was not able to ramp up adequately to meet this demand. As a result, the passenger car market had only a marginal growth during the year.

The traditional commercial vehicle market saw growth in the heavy and light segments with no growth in the medium commercial vehicles. This resulted in the commercial vehicle segment growing at only single digit rates. Outside of the traditional CV market there continued to be strong growth in the small commercial

vehicle market. Even the agricultural tractor market saw moderated growth as the slowdown in the economy started affecting all market segments. The construction and mining equipment wheel segment of your Company is truly international in nature and a resurgence in global demand augurs well for your Company in the coming years.

Your Company faced increased competition in all domestic industry segments, as demand slowed down. While Company grew at around industry rates in all segments, it benefited from its relatively stronger position in the growing small commercial vehicle segment. The air suspension system division of your Company, that had seen a decline in the previous year, saw strong growth off the low base, with demand from both state transport undertakings and private operators. In the energy equipment structural parts division, your Company was able to scale up above break-even levels. It was really the growth in the earth moving and construction equipment wheel global business together with new segments of businesses that were taken up that helped your Company to grow at a faster rate above the domestic vehicle industry levels.

While the year under review saw a slower rate of growth, it had its share of inflationary forces to deal with, with higher material costs at the start of the year and high energy costs at the year-end. Added to this, a double digit depreciation of the Indian Rupee vis-a-vis the US Dollar added to the cost pressures. In this environment, your Company dedicated its efforts for the year on operational cost control across

its plants. This has built strength and teamwork within the organization that can be harnessed in the years to come. During the year, your Company signed a technical agreement with Topy Industries, a leading Japanese wheel manufacturer, that will strengthen the passenger car wheel business.

The coming year is likely to see the Indian economy grow at around 7%, and the domestic industry segments are likely to grow at single digit levels. There is particularly some concern on the growth prospects of the tractor and truck markets in the country. Your Company is a supplier in some of the high volume newer models in the passenger car segment and is likely to benefit from this in the coming year. We continue to see reasonable growth in the construction and mining equipment business worldwide, as also the non-wheel business. The major concerns in the year ahead is inflation in the cost of most inputs. Your Company has a reasonably large foreign exchange exposure to the extent of approximately 23% of sales by way of exports and imports. To add to this, in the year under review, there was a steep depreciation of the Indian Rupee vis-a-vis the US Dollar particularly in the second half of the year. This element of foreign exchange risk is likely to continue in the current year.

Directors

Mr Aroon Raman, who was appointed as a Director in the vacancy caused by the resignation of Mr T T Rangaswamy holds upto the conclusion of the 53rd Annual General Meeting and being eligible, offers himself for appointment by the members.



The Company has received notice under Section 257 of the Companies Act, 1956 from a member of the Company proposing Mr Aroon Raman to be appointed a Director.

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

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, 2012 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 Third Annual General Meeting and are eligible for re-appointment. The Directors recommend their re-appointment.

Internal Control and Audit

The Company has a well established internal control system which helps in ensuring that the assets of the Company are properly protected. The effectiveness of the internal control system is constantly monitored by the internal audit department along with the external audit firms appointed to carry out the internal audit of the various units of the Company. The Audit Committee periodically reviews the reports on the internal audit findings and takes appropriate decisions to implement corrective action wherever required.

Awards

During the year under review, your Company's Padi plant won the All India Organisation of Employers (AIOE) Industrial Relations Award for the year 2010-11.

Your Company received awards from TAFE, Toyota, Caterpillar and Maruti Suzuki for its performance, quality and supply of products.

Safety

Your Company gives high priority to the Safety and the objective is to achieve a zero incident. To ensure Safety and create a safe work environment, Safety Audit is being conducted regularly and reviewed by the Company. Further, safety performance is being reviewed by the top-level management every month. Your Company also gives safety training to create awareness on safety to all the employees periodically.

Corporate Social Responsibility

Your Company believes that Corporate Social Responsibility is an integral part of the business. As a part of its CSR activity:-

- your Company established educational facilities in Thiruvannamalai District to cater to the needs of the children. Your Company along with reputed Non Governmental Organization, has set up SuperKidz Centers in 13 villages in Vembakkam, Thiruvannamalai District, wherein most of the children in Vembakkam, Thiruvannamalai District have benefited.

- Special Health check up camp was conducted in association with ESI Hospital Chennai and Sriperumbudur during the year under review .

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 have the full cooperation of all its employees. The Directors would like to place on record the appreciation of the efforts of the employees in controlling costs and improving the profitability of the Company.

On behalf of the Board of Directors

Chennai
30th May 2012

S Ram
Chairman