

WHEELS INDIA LIMITED



54th ANNUAL REPORT 2012-2013



WHEELS INDIA LIMITED

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

Website Address : www.wheelsindia.com

54TH 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
- DP NO 70 (P), SURVEY NO 214 (P),
SIDCO INDUSTRIAL ESTATE, THIRUMUDIVAKKAM,
SRIPERUMBUDUR TALUK,
KANCHIPURAM DISTRICT, CHENNAI 600 044

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 Fourth Annual General Meeting of the Shareholders of the Company will be held on Tuesday, 13th day of August, 2013, 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, 2013, and the reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2013.
3. To elect a Director in the place of Mr S Prasad, who retires by rotation and being eligible, offers himself for re-election.
4. 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.
5. To appoint Auditors M/s Sundaram and Srinivasan, Chartered Accountants, Chennai, who are retiring and are eligible for reappointment 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.

RESOLVED that in accordance with the provisions of Sections 198, 269 read with Schedule XIII, 309 and 317 of the Companies Act, 1956 (the Act) and other applicable provisions, if any, of the Act, the Company hereby accords its approval and consent to the re-appointment of Mr Srivats Ram as Managing Director, for a period of 5 years with effect from 1.5.2013 and for the payment of

remuneration to him for his services as Managing Director, as set out hereunder

SALARY

Rs.3,50,000/- (Rupees Three Lakhs Fifty Thousand only) per month in the scale of Rs.3,50,000 – Rs.5,00,000. Annual increase will be effective 1st April every year and the quantum of increase will be decided by the Remuneration Committee constituted for this purpose.

COMMISSION

Not exceeding 2% of the Net Profits of the Company for each financial year or part thereof, computed in the manner laid down in the Companies Act, 1956. The quantum may be decided by the Remuneration Committee constituted for this purpose.

PERQUISITES

As detailed in the Explanatory Statement, the annual value of which will be limited to a ceiling of 100% of the annual salary.

MINIMUM REMUNERATION

Where in any financial year, during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary, allowances, commission and perquisites not exceeding the limits specified in Part II of Section II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

Regd. Office:
21, Patullos Road
Chennai 600 002
27th May 2013

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 1.8.2013 to 13.8.2013 (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 13.8.2013. 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 30.1.2007 for the financial year ended March 31, 2007 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, 2007 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

At the Annual General Meeting held on 14.08.2008, Mr Srivats Ram was appointed as Managing Director for a period of 5 years with effect from 1.5.2008, on remuneration as approved by the shareholders at the said Annual General Meeting.

Your Board of Directors at the meeting held on 5.2.2013, re-appointed Mr Srivats Ram as Managing Director for a period of 5 years with effect from 1.5.2013 and the re-appointment of Mr Srivats Ram as Managing Director of the Company and the payment of remuneration to him as detailed in the resolution require the consent of the members. The perquisites payable to Mr Srivats Ram are detailed in the Annexure I to this statement.

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

None of the Directors except Mr S Ram and Mr Srivats Ram is concerned or interested in the said re-appointment.

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

Annexure I : Details of perquisites payable to Mr Srivats Ram, Managing Director of the Company referred in resolution No. 6

1. Housing, Utilities and Furnishings:

- i) Provision of unfurnished residential accommodation, owned or leased by the Company, expenditure on which will be limited to 60% of the salary, or house rent allowance not exceeding 60% of salary.
- ii) a) the expenditure incurred by the Company on gas, electricity and water will be evaluated as per Income-tax Rules, 1962.
- b) perquisites in the form of furniture, furnishings and other utilities in accordance with the rules of the Company, the value of which will be evaluated as per Income-tax Rules, 1962

2. Medical reimbursement: Expenses incurred for self and family including premium payable for medical insurance in accordance with the rules of the Company. Explanation: "Family" means the spouse, children and parents of the Managing Director.

3. Personal Accident Insurance in accordance with the rules of the Company.

4. Leave Travel Assistance for self and family once in a year in accordance with the rules of the Company.

5. Payment of Company's contributions to Provident Fund / Pension Fund / Superannuation 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.

6. Fees for clubs, subject to a maximum of two clubs excluding admission and life membership fee.

7. Provision of chauffeur driven Company car. (Provision of chauffeur driven Company car for official purposes shall not be included in the computation of perquisites for the purpose of calculation of the said ceiling on perquisites.)

8. Provision of telephone(s) including mobile phones at the expense of the Company.

9. Such other allowances, perquisites, benefits and amenities as may be provided by the Company to other senior executives from time to time.

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.

The above said remuneration and perquisites shall be subject to the ceiling laid down in Sections 198, 309 and all other applicable provisions of the Companies Act, 1956 as may be amended from time to time.



Directors' Report to the Shareholders

Your Directors present their Fifty Fourth Annual report and the Audited Accounts of your Company for the year ended March 31, 2013.

Financial results

Sales for the year under review were Rs. 1,897 crores compared to Rs. 2,051 crores in the last year. The financial results of your Company for the year under review are as below:

(Rs. in Lakhs)

	2012-13	2011-12
Gross profit before finance cost and depreciation	15,364	16,598
Finance Costs	5,550	6,135
Depreciation	5,359	5,047
Profit before tax for the year	4,455	5,416
Profit after tax for the year	3,188	3,435
Transfer to General Reserve	2,000	2,300

Dividend

Your Directors are pleased to recommend, out of the profits of the current year, a dividend of Rs. 8.10 per share on the paid-up capital of the Company as at 31st March, 2013. 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 Fourth Annual General Meeting, a sum of Rs. 7,99,42,496.40 will become payable. A dividend tax of 16.995% (including surcharge) will be paid on the dividend declared.

Management Discussion and Analysis

The growth in the global economy was weak in 2012 and is expected to stay sluggish in 2013, as fiscal

adjustments are expected to slow growth in advanced economies and delay cyclical recovery in emerging economies. In India, the GDP growth in the last fiscal was at 5%, the lowest levels in the last decade. The persistent high levels of inflation adversely impacted consumption while structural bottlenecks affected investments. The last financial year saw the second consecutive year of decelerating growth and the uncertainty in the business environment affected all major industry segments serviced by your Company.

The passenger vehicle segment was affected by these macroeconomic factors and registered only a marginal growth last year. The passenger car sub-segment was affected by the escalation of labour issues in the first half of last year and the price gap between diesel and petrol, and saw negative growth in the last year. This was offset by a strong performance by the diesel dominated utility vehicle market. The utility vehicle segment sales were also boosted by popular new models. The small truck segment continued to grow albeit at a slower pace with customers segmenting the market with new products in both goods and passenger applications.

The medium and heavy commercial vehicle segment was badly affected by the slowdown in the Indian economy. The slowing down of infrastructure projects, the stoppage of mining activities in some states and the general slowing down of demand in the economy resulted in under utilization of trucks. The last three quarters of the year under review saw a steep decline in truck production in the country as the medium and heavy commercial vehicle segment had a negative growth of 29% over the year. There was also a marginal negative growth in the light commercial vehicle sector.

After a number of years of robust growth, the agricultural tractor market in India saw a negative

growth of 8% last year, due to deficit rainfall in some states, high interest rates and at the same time huge grain stocks with the Government. The tractor in rural India is used not only for agriculture but also for haulage where demand was affected by the slowdown.

The slowdown in the global economy last year affected the demand for construction and mining equipment significantly especially towards the second half of the year. In this, the mining sector globally was especially hard hit as commodity prices remained at low levels through the year. The coal industry which is one of the major users of mining equipment, was severely hit by the movement from coal to shale gas as an energy source in the US.

The power equipment sector which is serviced by your Company was very badly hit last year as project clearances slowed down significantly. The sector was also affected by coal linkages and environmental clearance issues. The gap between demand and supply widened resulting in a significant increase in power tariff across the country.

The slowing down in growth in all major industry segments affected the growth of your Company last year, and saw the sales decline by 7.5%. The decline in sales was more towards the second half of the year as sales to commercial vehicle and construction and mining equipment customers fell steeply during this period. The slowing down of the economy in a competitive environment, with high inflation especially in manpower and energy costs adversely affected the performance of your Company. Nevertheless, in the passenger vehicle segment, your Company was able to increase its share of business and grow in a sluggish market. Similarly, your Company was able to increase its fabrication business supplying energy equipment manufacturers in spite of the adverse business environment in that sector. In all other segments,

your Company top-line was in line with the respective industry segments. Your Company launched an after-market brand WILGO in the last year and hopes to build this business in the years to come. In the year under review, your Company received a number of awards from its valued customers both domestic and international, recognising our performance as their suppliers.

In spite of the difficult business environment, your Company has continued its internal drive towards operational efficiencies and cost management. The review mechanism of internal projects and processes has been made more robust. Your Company has also re-organized itself internally into business units to bring better focus to the specific requirements of business segments. It is only with this relentless focus on our internal processes that we have been able to tackle the significant obstacles in the last financial year.

The year ahead is likely to see the Indian economy growing at around the same level as last year. The passenger vehicle and commercial vehicle segments are expected to grow only marginally in the current year. The expectations of a good monsoon, are likely to result in some growth in the agricultural tractor segment. However, the construction and mining industry worldwide continues to be depressed. Your Company is likely to benefit from the JNNURM scheme as the government plans to purchase city buses with air suspension systems under the scheme in the coming year. Similarly, we do expect some movement in the power equipment segment, especially in the second half of the year.

Directors

Under Article 94(3) of the Company, Mr S Prasad and Mr J M A Akers retire by rotation and being eligible offer themselves for re-election.

Your Board of Directors at the meeting held on 05.02.2013, re-appointed Mr Srivats Ram as Managing Director for a period of 5 years with effect from 01.05.2013 subject to the approval of members in the ensuing Annual General Meeting.

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, 2013 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 Fourth Annual General Meeting and are eligible for re-appointment. The Directors recommend their re-appointment.

Internal Control and Audit

The Company's internal control system provides for adequate documentation of policies, guidelines, authorities and approval procedures, 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 highlights of the internal control and internal audit reports are placed before each Audit Committee meeting along with the recommendations and responses of the management. Besides, statutory auditors also present their suggestions to the members for improvements in control and compliance.

Cost Audit

Pursuant to the circular dated 24th January, 2012 of the Ministry of Corporate Affairs, your Company has appointed M/s Geeyes & Co, Cost Accountants, Chennai, (Firm Registration No. 00044) as Cost Auditor for the year 2012-13, with the consent of the Central Government, for the audit of cost accounts maintained by the Company.

Safety

Your Company has always attached a high degree of importance to safety, health and environment standards, wherein the objective is to excellence in Safety without any incident

Your Company is working with DuPont, the world leader in industrial safety, to implement several initiatives for achieving excellence in safety. Your Company anticipates such implementation will see an all-round improvement in various essentials of Safety in the Company.

By persistent efforts in Safety management, the Company was able to achieve considerable reduction in incidents.

The Central Safety Committee of the Company, continues to monitor safety, health and environment performance and provides necessary direction for improvement through regular monthly reviews, which includes proper training to the employees, creating awareness on safety to all the employees. The Central Safety Committee is also supported by several sub-committees, which also co-ordinates and monitors Safety management in the Company.

Corporate Social Responsibility

Your Company believes that working with the local communities is an integral part of business. Towards this, your Company has taken sustainable initiatives in the field of health and supplementary education in the year under review to underprivileged children in rural areas around the Company's plants.

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.

Open Offer by Titan

Consequent to the acquisition of shares by Titan International Inc., in Titan Europe Plc., an Open Offer was made by Titan Europe Plc. (Acquirer) along with Titan International Inc., the Person Acting in Concert (PAC) with the Acquirer to acquire equity shares of Rs.10/- each of Wheels India Limited, in order to comply with the SEBI Regulations.

Pursuant to the above Open Offer Titan Europe acquired 5,74,170 equity shares of Rs. 10/- each in the Company.

General

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

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

Your Company continues to have the full co-operation 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
May 27, 2013

S Ram
Chairman



Independent Auditors' Report on the Financial Statements

To the Members of Wheels India Limited

Report on the Financial Statements

We have audited the accompanying financial statements of WHEELS INDIA LIMITED, which comprise the Balance Sheet as at 31st March 2013, the Statement of Profit and Loss, and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of

India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid