



Wires and Fabriks (S. A.) Ltd.

AN ISO 9001 : 2000 COMPANY

ANNUAL REPORT

2004-2005

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| OUR PRODUCTS RANGE |
|---------------------------|
| ★ Paper Machine Clothing |
| ★ Paper Making Chemicals |
| ★ EDM Wires |
| ★ Filter Fabrics |

Directors

M. P. JATIA

Chairman

S. AJMERA

M. L. BHAGAT

K. K. KHEMKA

D. D. TRIVEDI

M. K. KHAITAN

Executive Director

K. K. KHAITAN

Joint Managing Director

B. K. KHAITAN

Managing Director

Secretary

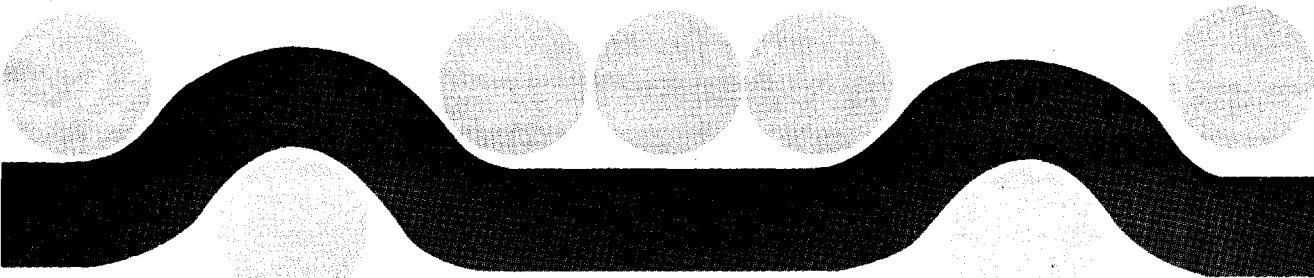
A. K. MUCHHAL

Auditors

S. S. Kothari & Co.

Registered Office

7, Chittaranjan Avenue,
Kolkata - 700 072



In 1963, at Jaipur, with German Machinery and Technology, the Company started manufacturing Paper Machine Clothing namely Phosphor Bronze Wire Cloth for the Paper industry. Stainless Steel Wire Cloth was introduced in 1974. After further additions in capacity and products, in 1981 the Company entered into manufacturer of Single Layer Synthetic Forming Fabrics, with German collaboration. Double Layer Synthetic Forming Fabrics were introduced for the first time in India in 1986 and again Triple Layer Synthetic Forming Fabrics were introduced for the first time in India in 1996. Recently the company has also successfully entered in the field of Dryer Screens & Paper Making Chemicals both used in the Paper Industry.

Today, Wires & Fabriks is the market leader in India and the sub-continent for Synthetic Forming Fabrics and among the few manufacturers in world for Triple Layer Fabrics, which represents the latest in Synthetic Forming Fabrics Technology. In the Paper Making Chemicals, the Company has a tie up with some of the best overseas Paper Making Chemical manufacturers.

In 2001, the Company was awarded accreditation under the new ISO 9001:2000 system after being the first company in its field in India with an ISO 9002 certification in 1994. The Company is the first manufacturer of technical/industrial fabrics in the country to have its in-house R&D recognized by the Govt. of India. The Company constantly updates itself with modern machines and latest technology. It also exports its products to over twenty countries.

The Company's mission is to consistently delight its customers through its value added products and services and to create a strong technological base through an environment of team work which will enable it to become a world class manufacturer in its existing product line and to use its strength to diversify into other profitable ventures.



DIRECTORS' REPORT FOR THE YEAR 2004-05

Your Directors have pleasure in presenting the Annual Report and Audited Accounts of your Company for the year ended 31st March, 2005.

FINANCIAL RESULTS

Your Company has been able to close last year with further improved performance. Both sales and profits have shown improvement. Expansion cum modernisation programme has been completed and results of the same will be reflected fully in the current year. Further a new modernisation programme has been undertaken during the current year. Financial Results for the year in the brief are as under –

| | (Rs. in Lacs) | |
|---|-----------------|-----------------|
| | <u>31.03.05</u> | <u>31.03.04</u> |
| Turnover | 4435.76 | 4300.25 |
| PBT | 196.66 | 193.68 |
| PAT | 147.30 | 121.31 |
| Disposable Surplus (including earlier years balance) | 639.92 | 593.34 |
| Appropriations | 63.24 | 100.72 |
| Balance Carried forward | 576.58 | 492.62 |

DIVIDEND

The Directors have recommended to the members a dividend of Rs. 1.50 per share, amounting to Rs. 52.27 Lacs, including dividend tax of 12.5% & surcharge thereon, for the year under review.

FUTURE OUTLOOK

The economy in the previous year continued to see real growth. The Paper sector too grew with sign of further growth, with increased domestic off take and strengthening of exports, your Company sees further improvement in the coming year. Continued thrust on Research & Development will help your Company to remain ahead of competition, gain new markets and increase sales.

DIRECTORS

Mr. M. L. Bhagat & Mr. M. K. Khaitan retire by rotation and being eligible, offer themselves for re-appointment.

The Board recommends their re-appointment. The necessary resolutions for these re-appointments will be placed for your approval in the ensuing AGM.

AUDITORS

M/s. S. S. Kothari & Co., Chartered Accountants, auditors of the Company, retire and being eligible, offer themselves for re-appointment. The necessary resolution for their re-appointment will be placed for your approval in the ensuing AGM.

DIRECTORS' RESPONSIBILITY STATEMENT & OTHER INFORMATION

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed :

- That in the preparation of the Accounts for the Financial Year ended 31st March, 2005, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of profit of the Company for the year under review.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the accounts for the financial year ended 31st March, 2005 on a going concern basis.

Information pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to the Report.

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, is not given as



none of the employees is covered under the provisions of the said section.

the Annexure to the Report.

ACKNOWLEDGEMENT

Your directors wish to place on record their gratitude to the customers, banks, suppliers, government agencies, investors and other associates for their valuable assistance, continued support and confidence in your Company. Your Directors also place on record their deep appreciation to all employees of your Company for their services during the year.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

Corporate Governance Report as required under the listing agreement together with Auditors certificate concerning compliance with corporate governance and Management Discussions & Analysis Report is given in

For and on behalf of the Board

Kolkata
30th June, 2005

K. K. KHAITAN
Jt. Managing Director

M. K. KHAITAN
Executive Director

Report  Junction.com



ANNEXURE TO DIRECTORS' REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in Report of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended on 31st March, 2005.

A. CONSERVATION OF ENERGY

1. Energy Conservation Measures taken :

The Company continues to lay great emphasis on the conservation of energy and takes various measures like study, monitoring and modification of energy consumption centers.

2. Additional Investments and proposals being implemented for reduction in consumption of energy :

Continuation of various measures for conservation of energy.

3. Impact of the measures above for reduction of energy consumption and on the cost of production of goods :

The measures taken have resulted in optimising energy consumption and savings in cost.

3. Future plan of action :

- Continuation of various developments.
- New products for export market.
- Continuous upgradation of equipments.
- Further strengthening of infrastructure for R&D.

4. Expenditure on R&D :

(Rs. in Lacs)

| | |
|--|--------|
| a) Capital | 4.22 |
| b) Revenue | 24.48 |
| c) Total | 28.70 |
| d) Total R&D Expenditure (as a % of total turnover) | 0.65 % |

Technology absorption, adoption and innovation

1. Efforts made :

- Training of personnel.
- Absorption/adoption of technology to suit indigenous requirements.
- Analysis and feedback to improve products /processes/equipments, etc.
- Strengthening of R&D.
- Participation in conferences, seminars and exhibitions.

2. Benefits :

- New/improved products/processes/equipments, etc.
- Indigenisation.
- Strengthening of the technological base.

B. TECHNOLOGY ABSORPTION

Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company :

- Development of products/processes/equipments, etc.
- Development of local vendors for imported items.
- Strengthening infrastructure for R&D.
- Improvement of quality systems for recognised quality certifications.

2. Benefits derived as a result of above R&D :

- Various developments.
- Process consistency.
- Indigenisation.
- Reducing manufacturing/delivery time and cost.
- Continuing recognised quality certifications.
- Developing new markets.
- Development of indigenous know-how.
- Strengthening of the technological base.
- Increasing ability to compete in the world market.
- Preparation for the future.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities Relating to Exports :

The Company regularly exports its products to several countries. Efforts to develop new markets and consolidate the existing ones is continuing.

2. Total Foreign Exchange used and earned :

(Rs. in Lacs)

| | |
|-------------------------|---------|
| Foreign Exchange earned | 812.49 |
| Foreign Exchange used | 1167.61 |



REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance :

The Company believes in and practices good corporate governance. The Company creates an environment to enable the management for the efficient conduct of the business and to meet its obligations to all stakeholders.

2. Board of Directors :

The Board is headed by Mr. M. P. Jatia, Non-Executive Chairman and is composed of eminent persons with considerable experience in varied fields and comprises majority of non-executive & independent Directors. None of the Director of the Company represents any lending/equity investor.

During the year, 8 Meetings of Board of Directors were held on 12/05/04 (1:00 P.M. & 3:00 P.M.), 31/07/04 (12:00 noon & 12:15 P.M.), 30/10/04 (5:45 P.M. & 6:15 P.M.) & 29/01/05 (4:30 P.M. & 5:30 P.M.). The Board was presented with all relevant and necessary informations at its meetings as required under the listing agreement. Details of Directors seeking re-appointment in 48th Annual General Meeting are given with the notice.

The composition of the Board of Directors, category and their attendance at the Board Meetings during the year & last Annual General Meeting as also other directorships/memberships of committees held are as follows :

| Name of Director | Category of Director | No. of Board Meetings Attended | Last AGM Attended | No. of outside Directorships* | No. of Committee Membership** | |
|---|----------------------|--------------------------------|-------------------|-------------------------------|-------------------------------|----------|
| | | | | | Member | Chairman |
| Mr. M. P. Jatia, <i>Chairman</i> | NEI@ | 2 | No | 9 | 1 | -- |
| Mr. B. K. Khaitan, <i>Managing Director</i> | PE# | 6 | Yes | 3 | — | — |
| Mr. K. K. Khaitan, <i>Jt. Managing Director</i> | PE# | 4 | Yes | 1 | 1 | -- |
| Mr. M. K. Khaitan, <i>Executive Director</i> | PE# | 8 | Yes | 2 | — | — |
| Mr. S. Ajmera | NEI@ | 8 | Yes | 4 | 2 | 4 |
| Mr. M. L. Bhagat | NEI@ | 4 | Yes | 1 | 2 | — |
| Mr. K. K. Khemka | NEI@ | 4 | No | 2 | 1 | — |
| Mr. D. D. Trivedi | NEI@ | 8 | Yes | 8 | 2 | — |

@ Non Executive & Independent, # Promoter & Executive

* Excludes alternate directorship, directorship in foreign companies and directorship of private companies which are neither a subsidiary nor a holding company of a public company.

** Excludes Committees other than Audit Committee, Shareholders/Investors Grievance Committee & Remuneration Committee and Committees of Companies other than public limited companies.

3. Board Committees :

The Board has constituted the following Committees of Directors :

(a) Audit Committee :

The Audit Committee headed by Mr. S. Ajmera comprises of 3 Non-Executive Independent Directors namely Mr. S. Ajmera, Mr. D. D. Trivedi and Mr. M. L. Bhagat. The Company Secretary act as Secretary to the Committee. The terms of reference, role & powers of the Committee are as laid down under the listing agreement. During the year under review, 4 meetings of the committee were held on 12/05/04, 31/07/04, 30/10/04 & 29/01/05. Mr. S. Ajmera, Mr. D. D. Trivedi and Mr. M. L. Bhagat attended 4, 4 & 2 meetings respectively.

(b) Remuneration Committee :

The Remuneration Committee headed by Mr. K. K. Khemka comprises of 3 Non-Executive Independent Directors namely Mr. K. K. Khemka, Mr. M. L. Bhagat and Mr. D. D. Trivedi. The Company Secretary acts as Secretary to the Committee. The terms of reference, role & powers of the Committee are as laid down under the listing agreement. During the year under review, 1 meeting of the committee was held on 12/05/04 and all members of the committee attended the meeting.

**Remuneration Policy :**

Payment of remuneration to the Managing /Joint Managing/Executive Directors is governed by the respective agreement between them and the Company duly approved by the Board and the shareholders. The Non-Executive Directors are paid sitting fees for attending Board/Committee meetings besides reimbursement of actual traveling and out of pocket expenses. Presently the Company does not have any scheme for grant of stock options either to the directors or employees.

Details of payments to the Directors during the year 2004-05 are given below :

(In Rs.)

| Name | Salary | Perquisites | Sitting Fees | Total |
|---|-----------|-------------|--------------|-----------|
| Mr. M. P. Jatia, <i>Chairman</i> | — | — | 10,000 | 10,000 |
| Mr. B. K. Khaitan, <i>Managing Director</i> | 30,00,000 | 10,82,359 | — | 40,82,359 |
| Mr. K. K. Khaitan, <i>Jt. Managing Director</i> | 28,80,000 | 10,12,406 | — | 38,92,406 |
| Mr. M. K. Khaitan, <i>Executive Director</i> | 27,60,000 | 9,28,432 | — | 36,88,432 |
| Mr. S. Ajmera | — | — | 65,000 | 65,000 |
| Mr. M. L. Bhagat | — | — | 40,000 | 40,000 |
| Mr. K. K. Khemka | — | — | 25,000 | 25,000 |
| Mr. D. D. Trivedi | — | — | 65,000 | 65,000 |

(c) Shareholders Grievances Committee :

The Shareholders Grievances Committee headed by Mr. D. D. Trivedi comprises of 2 Non-Executive Directors namely Mr. D. D. Trivedi, Mr. S. Ajmera and 1 Executive Director, Mr. K. K. Khaitan, Joint Managing Director. The Company Secretary acts as Secretary to the Committee. The terms of reference, role & powers of the Committee are as laid down under the listing agreement. The Company has delegated power of share transfers to the Company Secretary, Mr. A. K. Muchhal, compliance officer of the Company, who reports the share transfers to the Board. During the year under review, the Committee meet on 12/05/04 which was attended by all committee members. Grievances requiring specific guidance in between the meetings are communicated to the chairman and redressed as per his advice. All transfers, de/re-materialisation requests & complaints upto 31st March, 2005 has been completed/redressed.

4. General Body Meetings :

The last three Annual General Meetings were held on 31/07/04, 31/07/03 and 24/08/02 at 10:30 am at Seminar Hall, Science City, JBS Haldane Avenue, Kolkata - 700 046. No Special Resolution was required to be put before AGM through postal ballot last year. No Special Resolution on matters requiring postal ballot is placed for shareholders approval at this meeting.

5. Other disclosures :

- There were no transactions of material nature with related parties that were in conflict with the interest of the Company at large.
- There was no non-compliance of requirements of the Stock Exchanges, SEBI and other statutory authorities on matters related to the capital market.

6. Means of communication :

The quarterly financial results are published in Kolkata edition in English (Financial Express) & Vernacular (Bengali – Danik Lipi) newspapers and are also furnished to the Stock Exchanges with whom the Company has listing arrangements. The Annual report is posted to shareholders. The Company has its own website www.wirefabrik.com. The management discussion and Analysis Report forms part of the Directors Report.

7. General Shareholder information :

- AGM : Date, Time and Venue :

30st July, 2005, 10:30 A.M., Seminar Hall, Science City, JBS Haldane Avenue, Kolkata-700 046.



(b) Financial calendar (tentative)

| | |
|--------------------------------|---------------------|
| 1st Quarterly Results | : End July, 2005 |
| 2nd Quarterly Results | : End October, 2005 |
| 3rd Quarterly Results | : End January, 2006 |
| Annual Results (Audited) 05-06 | : End June, 2006 |
| AGM for the year 05-06 | : End July, 2006 |

(c) Book closure period : 19/07/05 to 30/07/05 (both days inclusive)

(d) Dividend payment date : On or after 01/08/05

(e) Listing on Stock Exchanges : The Company's shares are listed* at –

1. The Stock Exchange, Mumbai.

2. The Calcutta Stock Exchange Association Ltd.

Annual Listing Fee for the year 2005-06 has been paid to the above Stock Exchanges.

*Confirmation is still awaited from The Delhi Stock Exchange Association Ltd. for voluntary delisting of its equity Shares from the said Stock Exchange.

(f) Stock Code : Stock Exchange, Mumbai Calcutta Stock Exchange

Physical Form 7817 33008

Demat Form 5007817 10033008

Demat ISIN Number for NSDL & CDSL INE 469D01013

(g) Share Price Data* at Mumbai Stock Exchange :

(In Rs.)

| | 2004 | | | | | | | | | 2005 | | |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| High | 28.85 | 34.35 | 26.00 | 24.40 | 30.95 | 41.25 | 39.70 | 53.00 | 47.85 | 42.60 | 45.00 | 42.50 |
| Low | 20.10 | 19.35 | 20.25 | 19.65 | 23.00 | 26.45 | 30.30 | 33.20 | 39.15 | 36.50 | 36.25 | 36.70 |

at Calcutta Stock Exchange :

(In Rs.)

| | 2004 | | | | | | | | | 2005 | | |
|------|-------|-------|------|------|------|-------|------|------|------|------|------|------|
| | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| High | N.T. | 23.50 | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. |
| Low | N.T. | 21.75 | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. | N.T. |

* There was no trading in shares of the Company at Delhi Stock Exchange during the year under review.

(h) Stock Performance in comparison to Indices :

| | 01.04.2004 | 31.03.2005 | Increase % |
|-----------------------------|------------|------------|------------|
| BSE Sensex | 5520.44 | 6381.40 | 15.60 |
| Nifty | 1750.15 | 1993.70 | 13.92 |
| Company's Stock Price (Rs.) | 23.25 | 38.50 | 65.59 |

(i) Registrar & Transfer Agents

: ABS Consultant Pvt. Ltd.,
 99, Stephen House, 6th Floor,
 4, B. B. D. Bag (East) Kolkata-700 001
 Ph: 2243-0153, 2220-1043, Fax: 033-2243-0153
 E-Mail : absconsultant@vsnl.net

(j) Share Transfer System :

Share transfers documents complete in all respects are registered and/or share transfers under objections are returned within stipulated time period.

**wires & fabriks**

(k) Distribution of shareholding as on 31st March, 2005 :

| No. of Shares | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Shareholding |
|----------------|---------------------|-------------------|--------------------|-------------------|
| 1 to 500 | 5531 | 95.20 | 697508 | 22.81 |
| 501 to 5000 | 259 | 4.47 | 462224 | 15.12 |
| 5001 and above | 19 | 0.33 | 1896518 | 62.07 |
| Total | 5809 | 100.00 | 3056250 | 100.00 |

(l) Dematerialisation of shares and liquidity:

As on 31st March, 2005, 84.36% of the Company's total equity shares were held in dematerialised form and 15.64% were held in physical form. Trading in Equity Shares of the Company is permitted only in dematerialised form.

(m) Outstanding GDRs/Warrants, Convertible Bonds :

There are no outstanding GDRs/Warrants & Convertible Bonds.

(n) Plant Locations :

The Company's plants are located at Howrah (West Bengal) and Jaipur (Rajasthan).

(o) Address for correspondence & redressal of investor grievances :

The Company Secretary,
Wires & Fabriks (S.A.) Ltd.

7, Chittaranjan Avenue, Kolkata-700 072

Ph : 91-33-2237-0116/7, Fax : 91-33-2225-7136, E-Mail : wfcal@cal.wirefabrik.com

8. Non-Mandatory Requirements :

- (a) The Chairman is not maintaining a separate Chairman's Office. However all expenses incurred by the Chairman in performance of his duties are being reimbursed to him.
- (b) The Remuneration Committee has been constituted.
- (c) Half yearly performance including summary of significant events in the last six months is not being sent to the Shareholders.
- (d) The Company has not passed any resolution requiring approval of the Shareholders by postal ballot.

Auditors' Certificate to the Members of Wires & Fabriks (S.A.) Ltd., on the conditions of corporate governance for the year ended 31st March, 2005 under Clause 49 of the listing agreements with relevant stock exchanges.

We have examined the compliance of conditions of Corporate Governance by Wires & Fabriks (S.A.) Ltd., for the year ended on 31st March, 2005, as stipulated in Clause 49 of the listing agreement of the said company with stock exchanges (hereinafter referred to as Clause 49).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination is limited to review of the procedures and compliance thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned listing agreement.

As required by the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we state that no investor grievance is pending for a period exceeding one month, as at 31st March, 2005 against the Company as per the records maintained by the Company

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

INDIA STEAMSHIP HOUSE
21, Old Court House Street,
Kolkata-700 001

The 30th day of June, 2005

For S. S. KOTHARI & CO.
Chartered Accountants

R. N. BARDHAN
Partner