

wires & fabriks



Wires and Fabriks (S.A.) Ltd.

AN ISO 9001 : 2000 COMPANY

ANNUAL REPORT

2005-2006

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Directors

M. P. JATIA *Chairman*

S. AJMERA

M. L. BHAGAT

K. K. KHEMKA

D. D. TRIVEDI

M. K. KHAITAN

K. K. KHAITAN

B. K. KHAITAN

Executive Director

Joint Managing Director

Managing Director

Secretary

R. GUPTA

OUR PRODUCTS RANGE

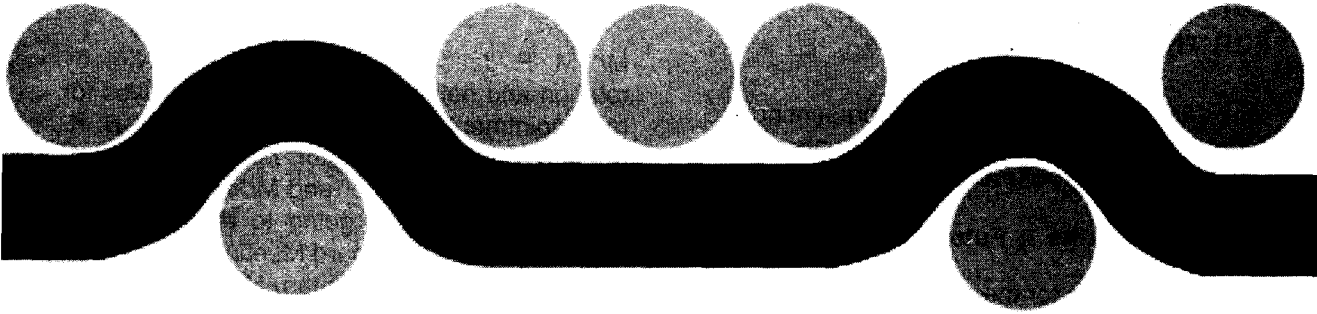
- ★ Paper Machine Clothing
- ★ Paper Making Chemicals

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 manufacturing 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 2005-2006

Your Directors have pleasure in presenting the 49th Annual Report and Audited Accounts of your Company for the year ended 31st March, 2006.

Financial Results & Future Outlook

Financial Results for the year in the brief are as under :-

	<i>(Rs. in Lacs)</i>	
	<u>31.03.06</u>	<u>31.03.05</u>
Total Income	4,701.81	4,435.76
PBT	285.17	196.66
PAT	150.85	147.30
Disposable Surplus (Including earlier years balance)	728.14	639.92
Appropriations	62.27	63.24
Balance Carried forward	665.86	576.68

Your Company has been able to close last year with improved performance once again. Both sales & profits have shown improvement. During the year your Company exited loss making copper alloy business and has set up a wind power plant. The ongoing modernisation programme is expected to be completed this year. Your Company is setting up a new wind power plant and plans to continue the thrust on modernisation, research & development. Further expansion is also planned in coming years. All these together with increased domestic off take & strengthening of exports, is expected to further improve the performance in the forth coming years.

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 12.50% and surcharge & education cess thereon, for the year under review.

Directors

Mr. M. P. Jatia & Mr. D. D. Trivedi retire by rotation and being eligible, offer themselves for re-appointment. Further the tenure of Mr. B. K. Khaitan, Managing Director, Mr. K. K. Khaitan, Joint Managing Director and Mr. M. K. Khaitan, Executive Director is going to expire on 31st March, 2007. At the Board Meeting held on 29th June 2006, Mr. B. K. Khaitan, Mr. K. K. Khaitan & Mr. M. K. Khaitan were re-appointed as Managing Director, Joint Managing Director and Executive Director respectively, effective from 1st April 2007. 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, Statutory 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 ensuring AGM.

Directors' Responsibility Statement & Other Informations

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, 2006, the applicable accounting standards have been followed along with 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 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 preventing and detecting fraud and other irregularities.
- That the Directors have prepared the accounts for the Financial Year ended 31st March, 2006 on a going concern basis.

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of 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.

Corporate Governance And Management Discussions & Analysis Report

Corporate Governance Report as required under the Listing Agreement with Stock Exchanges together with Auditors Certificate concerning compliance with corporate governance and Management Discussion & Analysis Report is given in 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.

For and on behalf of the Board

Kolkata
29th June, 2006

B. K. Khaitan
Managing Director

K. K. Khaitan
Jt. Managing Director



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, 2006.

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 improving energy consumption and savings in cost.

B. TECHNOLOGY ABSORPTION

Research & 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 recognized quality certifications.
2. Benefits derived as a result of above R&D :
 - Various developments.
 - Process consistency.
 - Indigenisation.
 - Reducing manufacturing / delivery time & 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.

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	3.59
(b) Revenue	33.95
(c) Total	37.54
(d) Total R&D Expenditure (as a % of total turnover)	0.80%

Technology absorption, adaptation and innovation

1. Efforts made :

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

2. Benefits :

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

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	911.33
Foreign Exchange used	1,095.36



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, 9 meetings of Board of Directors were held on 04/05/05 (11:00 A.M.), 30/06/05 (12:30 P.M. & 3:00 P.M.), 30/07/05 (1:00 P.M. & 1:30 P.M.), 29/10/05 (3:30 P.M. & 4:30 P.M.) & 28/01/06 (2:15 P.M. & 3:00 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 49th 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 AGM 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 outside Committee Membership*	
					Member	Chairman
Mr. M. P. Jatia, <i>Chairman</i>	NEI@	2	No	8	1	—
Mr. B. K. Khaitan, <i>Managing Director</i>	PE#	6	Yes	4	2	2
Mr. K. K. Khaitan, <i>Jt. Managing Director</i>	PE#	7	Yes	1	—	—
Mr. M. K. Khaitan, <i>Executive Director</i>	PE#	9	Yes	2	—	—
Mr. S. Ajmera	NEI@	6	Yes	3	1	1
Mr. M. L. Bhagat	NEI@	9	Yes	1	—	—
Mr. K. K. Khemka	NEI@	5	Yes	2	1	—
Mr. D. D. Trivedi	NEI@	6	Yes	4	—	—

+ Non Executive & Independent

Promoter & Executive

* Excludes alternate directorship, directorship in foreign companies and directorships of private companies which are neither a subsidiary nor a holding company of a public limited 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. M. L. Bhagat & Mr. D. D. Trivedi. The Company Secretary acts as the Secretary to the Committee. The terms of reference, role & powers of the Committee are as laid down under the listing agreement. During the year 4 meetings of the Committee were held on 30/06/05, 30/07/05, 29/10/05 & 28/01/06. Mr. S. Ajmera, Mr. M. L. Bhagat & Mr. D. D. Trivedi attended 4, 4 & 3 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 no meeting of the Committee was held.

Remuneration Policy :

Payment of remuneration to the Managing/Joint Managing/Executive Directors is governed by the respective agreement between them & the Company duly approved by the Remuneration Committee, the Board & the Shareholders. The Non-Executive Directors are paid sitting fees for attending Board / Committee meetings besides reimbursement of actual travelling 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 2005-2006 are given below : (in Rs.)

Name	Salary	Perquisites	Sitting Fees	Total
Mr. M. P. Jatia, <i>Chairman</i>	–	–	15,000	15,000
Mr. B. K. Khaitan, <i>Managing Director</i>	30,00,000	8,79,493	–	38,79,493
Mr. K. K. Khaitan, <i>Jt. Managing Director</i>	28,80,000	8,24,994	–	37,04,994
Mr. M. K. Khaitan, <i>Executive Director</i>	27,60,000	8,57,636	–	36,17,636
Mr. S. Ajmera	–	–	65,000	65,000
Mr. M. L. Bhagat	–	–	80,000	80,000
Mr. K. K. Khemka	–	–	25,000	25,000
Mr. D. D. Trivedi	–	–	65,000	65,000

***Sitting Fees are being paid to Non-Executive Directors as approved by the Board.**

(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 the delegated power of share transfers to the Company Secretary, Mr. R. Gupta who is also the Compliance Officer of the Company, reports the share transfers to the Board. During the year, the Committee met on 30/06/05 which was attended by Mr. S. Ajmera & Mr. K. K. Khaitan. Grievance requiring specific guidance in between the meetings are communicated to the Chairman and redressed as per his advice. All transfers, de/rematerialisation requests & complaints upto 31st March, 2006 have been completed/redressed. The Company has received 17 complaints from Shareholders during the year under review and all of them were resolved on or before 31st March, 2006.

4. GENERAL BODY MEETINGS :

The last three Annual General Meetings were held on 30/07/05, 31/07/04 and 31/07/03 at 10:30 A.M. respectively at Seminar Hall, Science City, JBS Halden 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 :

The Declaration regarding compliance by the Board Members and Senior Management Personnel with the Company's Code of Conduct by the CEO is enclosed as an Annexure to this report.

6. MEANS OF COMMUNICATION :

The quarterly financial results are published in Kolkata edition in English (Business Standard) & Vernacular (Bengali- Dainik 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 a part of the Directors Report.

7. GENERAL SHAREHOLDER INFORMATION:

- (a) AGM : Date Time & Venue:
Friday, 28th July, 2006 at 11:00 A.M., Seminar Hall, Science City, JBS Halden Avenue, Kolkata 700 046.
- (b) Financial Calendar (Tentative) :
1st Quarterly Results : End of July, 2006
2nd Quarterly Results : End of October, 2006
3rd Quarterly Results : End of January, 2007
Annual Results (Audited) 2006-2007 : End of June, 2007
AGM for the year 2006-2007 : End of July, 2007
- (c) Book closure period : 20/07/06 to 28/07/06 (both days inclusive)
- (d) Dividend payment date : On or after 29/07/06
- (e) Listing of Stock Exchanges : The Company's shares are listed* at
1. Bombay Stock Exchange Ltd. 2. The Calcutta Stock Exchange Association Ltd.
* Confirmation is still awaited from Delhi Stock Exchange Association Ltd. for voluntary delisting of its equity shares from the said Stock Exchange.
- (f) Stock Code : Bombay Stock Exchange Calcutta Stock Exchange
Physical Form 7817 33008
Demat Form 507817 10033008
Demat ISIN Number for NSDL & CDSL : INE 469D01013

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

	2005									2006		
	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
High	50.30	85.90	85.90	98.25	92.15	100.95	79.80	71.00	72.80	70.50	68.00	67.70
Low	38.00	44.40	66.35	69.80	80.00	74.10	69.00	64.10	63.20	64.20	54.65	57.50

* There was no trading in shares of the Company at Calcutta & Delhi Stock Exchanges during the year.

(h) Stock Performance in comparison to Indices :

	01.04.2005	31.03.2006	Increase %
BSE Sensex	6605.04	11279.96	70.78
Company's Stock Price (Rs.)	39.50	58.55	48.23

(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.

(k) Distribution of Shareholding as on 31st March, 2006 :

No. of shares	No. of Equity	% of Shareholders	No. of Equity Shares held	% of Shareholding
1 to 1000	5019	96.93	704173	23.04
1001 to 10000	138	2.66	392950	12.86
10001 and above	21	0.41	1959127	64.10
Total	5178	100.00	3056250	100.00

**wires & fabriks**

- (l) Dematerialisation of shares and liquidity :
As on 31st March, 2006, 86.89 % of Company's total Equity Shares were held in dematerialisation form and 13.11% were held in physical form. Trading in Equity Shares of the Company is permitted only in dematerialisation 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) & Jaipur (Rajasthan).
- (o) Address for correspondence & redressal of investor grievances :
The Company Secretary,
Wires and Fabriks (S.A.) Ltd., 7, Chittaranjan Avenue, Kolkata-700 072
Ph: 91-33-2237-0116/7. Fax: 91-33-2225-7136. E-Mail: wfc@cal.wirefabrik.com
- (p) Details of Shareholding of Non-Executive Directors: 1150

8. NON-MANDATORY REQUIREMENTS :

- (a) All expenses incurred by the Chairman in performance of his duties are being reimbursed to him.
- (b) The Remuneration Committee has been constituted.

Annexure**Code of Conduct Compliance Declaration**

This is to confirm that the Company has adopted a Code of Conduct for its Board Members & Senior Management Personnel.

It is hereby confirmed that the Company has in respect of the financial year ended March 31st, 2006, received from the senior management of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

Kolkata
29th June, 2006

M. K. KHAITAN
(CEO)

Certificate to the members of Wires & Fabriks (S. A.) Ltd. on the conditions of corporate governance for the year ended 31st March, 2006 under the 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 31st March 2006 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

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 of 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.

We state that no investor grievance is pending for a period exceeding one month 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.

"Saha Court"
8, Ganesh Chandra Avenue
5th floor, Room No.# 33
Kolkata-700 013

B. N. Khandewal
Company Secretary
in Whole time Practice

The 29th day of June, 2006