



# **Wires and Fabriks (S.A.) Ltd.**

**AN ISO 9001 : 2000 COMPANY**

**ANNUAL REPORT**

**2006-2007**

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#### Directors

M. P. JATIA	<i>Chairman</i>
S. AJMERA	
M. L. BHAGAT	
K. K. KHEMKA	
D. D. TRIVEDI	
M. K. KHAITAN	<i>Executive Director</i>
K. K. KHAITAN	<i>Joint Managing Director</i>
B. K. KHAITAN	<i>Managing Director</i>

#### Secretary

T. K. JAIN

#### OUR PRODUCTS RANGE

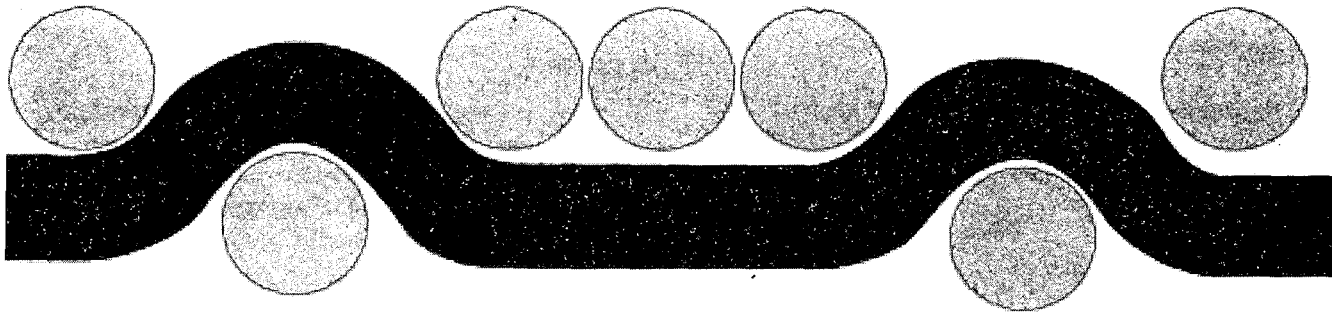
- ★ Paper Machine Clothing
- ★ Paper Making Chemicals

#### 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.*



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## DIRECTORS' REPORT FOR THE YEAR 2006-2007

Dear Members,

The Directors of the Company have pleasure in presenting the 50<sup>th</sup> Annual Report and Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2007.

### FINANCIAL RESULTS

The financial results, in brief, for the year ended 31<sup>st</sup> March, 2007 is as under:

	<i>(Rs. in Lacs)</i>	
	<u>31.03.2007</u>	<u>31.03.2006</u>
<b>Total Income</b>	<b>4,982.67</b>	<b>4,701.81</b>
Profit Before Tax	392.44	285.17
<b>Profit After Tax</b>	<b>237.79</b>	<b>150.85</b>
Disposable Surplus	968.65	728.14
(including earlier years balance)		
Appropriations	137.63	62.27
Balance Carried Forward	831.02	665.87

### DIVIDEND

The Directors have recommended to the Members a dividend of Rs. 1.50 per share, amounting to Rs.53.63 lacs, including dividend tax etc thereon, for the financial year ended 31<sup>st</sup> March, 2007.

### OPERATIONS & FUTURE OUTLOOK

During the year under review, the Company continued to perform well both in terms of sales as well as profits. The Company completed the ongoing modernisation programme and set up another wind power plant. The Company has maintained its leadership, due to continuous thrust on Research & Development. The Company is further undertaking Expansion cum Modernisation Project, the results of which would be accrued in the forthcoming years.

### DIRECTORS

Mr. Satish Ajmera and Mr. K. K. Khemka, Directors of the Company, retire by rotation at the ensuing Annual

General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

### AUDITORS

M/s S. S. Kothari & Co., Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT & OTHER INFORMATION

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed :

- That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March, 2007, 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 affairs of the Company at the end of the financial year and of the 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 31<sup>st</sup> March, 2007 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 annexed herewith.



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 DISCUSSION & ANALYSIS REPORT**

In accordance with Clause 49 of the Listing Agreement, the Management Discussion & Analysis Report together with the Report on Corporate Governance and the certificate, in respect of compliance with the

conditions of corporate governance, is annexed herewith.

#### **ACKNOWLEDGEMENT**

The directors wish to place on record their gratitude to the Customers, Banks, Investors, Suppliers, Government agencies and all other business associates for their valuable assistance, continued support and confidence in the Company. The Directors also place on record their deep appreciation to all employees of the Company for their services during the year.

For and on behalf of the Board

Jaipur

Dated, the 22<sup>nd</sup> day of June, 2007

B. K. Khaitan  
Managing Director

K. K. Khaitan  
Jt. Managing Director

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## ANNEXURE TO DIRECTORS' REPORT

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 and forming part of the Directors' Report for the year ended on 31<sup>st</sup> March, 2007.

### 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	—
(b) Revenue	34.83
(c) Total	34.83
(d) Total R&D Expenditure (as a % of total turnover)	0.70%

### 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 are continuing.

#### 2. Total Foreign Exchange used and earned :

(Rs. in Lacs)

Foreign Exchange earned	888.57
Foreign Exchange used	1,385.21



## 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 Directors of the Company represents any lending institution / equity investor.

During the year, 10 meetings of the Board of Directors were held on 05/05/06 (1:00 P.M.), 29/06/06 (12:00 Noon & 1:00 P.M.), 28/07/06 (12:30 P.M. & 1:00 P.M.), 28/10/06 (11:30 A.M. & 12:00 Noon), 31/01/07 (11:30 A.M. & 12:00 Noon) and 17/03/07 (11.30 A.M.). The Board was presented with all relevant information at its meetings as required under the listing agreement alongwith other necessary information. Details of Directors seeking re-appointment in 50<sup>th</sup> Annual General Meeting are given with the Notice.

The composition & category of the Board of Directors of the Company and other information as required, is as follows :

Name of Director	Category of Director	No. of Board Meetings Attended	Last AGM Attended	Directorships in other Public Ltd. Companies	Committee* Position in other Companies	
					Member	Chairman
Mr. M. P. Jatia, <i>Chairman</i>	NEI	1	No	8	1	—
Mr. B. K. Khaitan, <i>Managing Director</i>	PE	10	Yes	5	1	1
Mr. K. K. Khaitan, <i>Jt. Managing Director</i>	PE	8	Yes	1	—	—
Mr. M. K. Khaitan, <i>Executive Director</i>	PE	10	Yes	2	—	—
Mr. S. Ajmera	NEI	5	No	3	—	1
Mr. M. L. Bhagat	NEI	9	Yes	1	—	—
Mr. K. K. Khemka	NEI	6	Yes	3	1	—
Mr. D. D. Trivedi	NEI	8	Yes	3	—	—

NEI : Non-Executive & Independent PE : Promoter & Executive

\* Audit Committee & Shareholders Grievance Committee only

### 3. AUDIT COMMITTEE :

The Audit Committee headed by Mr. D. D. Trivedi, comprises of 3 Non-Executive Independent Directors, namely, Mr. D. D. Trivedi, Mr. S. Ajmera & Mr. M. L. Bhagat. The terms of reference, role and powers of the Committee are as laid down under the Listing Agreement. During the year, 6 meetings of the Committee were held on 05/05/06, 29/06/06, 28/07/06, 28/10/06, 31/01/07 and 17/03/07. Mr. D. D. Trivedi, Mr. S. Ajmera & Mr. M. L. Bhagat attended 5, 3 & 5 meetings respectively.

### 4. REMUNERATION COMMITTEE :

The Remuneration Committee headed by Mr. M. L. Bhagat comprises of 3 Non-Executive Independent Directors, namely, Mr. M. L. Bhagat, Mr. K. K. Khemka and Mr. D. D. Trivedi. The terms of reference, role and powers of the Committee are as laid down under the Listing Agreement as well as Schedule XIII to the Companies Act, 1956. During the year, 1 meeting of the Committee was held on 29/06/06, which was attended by all the Members.

#### 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 as approved by the Board and are as per prevailing industrial norms, 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.





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The details of remuneration to the Directors during the year is as under :

Name	Salary (Rs.)	Other Benefits (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mr. M. P. Jatia, <i>Chairman</i>	—	—	7,500	7,500
Mr. B. K. Khaitan, <i>Managing Director</i>	30,00,000	8,75,201	—	38,75,201
Mr. K. K. Khaitan, <i>Jt. Managing Director</i>	28,80,000	8,00,940	—	36,80,940
Mr. M. K. Khaitan, <i>Executive Director</i>	27,60,000	8,09,538	—	35,69,538
Mr. S. Ajmera	—	—	57,500	57,500
Mr. M. L. Bhagat	—	—	97,500	97,500
Mr. K. K. Khemka	—	—	50,000	50,000
Mr. D. D. Trivedi	—	—	95,000	95,000

**5. SHAREHOLDERS GRIEVANCES COMMITTEE :**

The Shareholders Grievances Committee headed by Mr. S. Ajmera, comprises of 2 Non-Executive Directors, namely, Mr. S. Ajmera & Mr. M. L. Bhagat and 1 Executive Director, Mr. K. K. Khaitan, Joint Managing Director. Mr. Rajesh Patni, Sr. General Manager—Finance, is the Compliance Officer of the Company. During the year, the Committee met on 29/06/06, which was attended by all the Members. Grievance requiring specific guidance in between the meetings are communicated to the Chairman and redressed as per his advice. The Company has received 4 complaints during the year and all of them were resolved/replied within reasonable time.

**6. GENERAL BODY MEETINGS :**

The last three Annual General Meetings were held on 28/07/06, 30/07/05 and 31/07/04 at 11.00 A.M., 10.30 A.M. & 10.30 A.M. respectively at Seminar Hall, Science City, JBS Halden Avenue, Kolkata 700 046. All the Special Resolutions containing in the respective Notices of the AGMs were passed by the Members. No Special Resolution was passed last year through postal ballot.

**7. DISCLOSURES :**

As a matter of policy, the Company does not enter into any transaction with any related party that may have potential conflict with the interests of the Company at large. The transactions with related party in normal course of business have been disclosed in the Notes forming part of Accounts. Though, the Company does not have a whistle-blower policy, still no employee has been denied access to the Audit Committee and/or Directors in respect of their grievances on this front. The details of Compliance with mandatory requirements and adoption of non-mandatory requirements is as under:

**Compliance with Mandatory Requirements :**

Sl.No.	Particulars	Compliance Status/Remarks
I	Board of Directors	Complied with
II	Audit Committee	Complied with
III	Subsidiary Companies	Not Applicable
IV	Disclosures	Complied with
V	CEO/CFO Certification	Complied with
VI	Report on Corporate Governance	Complied with
VII	Compliance	Complied with

**Adoption of Non-Mandatory Requirements:**

Sl.No.	Particulars	Compliance Status/Remarks
1	The Board	All expenses incurred by the Non-Executive Chairman, in performance of his duties, are being reimbursed.
2	Remuneration Committee	The Remuneration Committee is already in existence, comprising of only non-executive directors and all the members attended the Meeting of the Committee held during the year.
3	Audit Qualification	The financial statements do not have any audit qualification



**8. MEANS OF COMMUNICATION :**

The quarterly financial results are normally published in Business Standard (English) & Dainik Lipi (Vernacular) and are also furnished to the concerned Stock Exchanges in required format to enable them to display at their respective websites. The abridged annual report is posted to the Shareholders. On request, full annual report is also send to the requesting Shareholders. The Company has its own website.

**9. GENERAL SHAREHOLDER INFORMATION :**

- (a) AGM: Date, Time & Venue : Tuesday, 31<sup>st</sup> July, 2007 at 11:00 A.M.  
Seminar Hall, Science City, Kolkata 700046
- (b) Financial Year : 1<sup>st</sup> April to 31<sup>st</sup> March
- (c) Dates of Book Closure : 21<sup>st</sup> July, 2007 to 31<sup>st</sup> July, 2007 (both days inclusive)
- (d) Dividend Payment Date : On or after 1<sup>st</sup> August, 2007
- (e) Listing on Stock Exchanges & Stock Code

Bombay Stock Exchange Ltd. P. J. Towers, Dalal Street Mumbai 400 001 (Stock Code : 507817)	The Calcutta Stock Exchange Ass. Ltd. 7, Lyons Range Kolkata 700 001 (Stock Code : 10033008)	The Delhi Stock Exchange Ass. Ltd.* DSE House, 3/1, Asaf Ali Road New Delhi 110 002 (Stock Code : 4900)
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The annual listing fee for the year 2007-2008 has been paid to all the above Stock Exchanges.

\* The application for voluntary delisting of shares made to The Delhi Stock Exchange Ass. Ltd. is pending with them.

**(f) Share Price Data, as traded at Bombay Stock Exchange Limited during 2006-2007 (in Rs.)**

	2006									2007		
	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
<b>High</b>	66.90	69.45	57.00	59.95	59.00	59.90	76.00	78.00	76.90	82.75	75.00	74.30
<b>Low</b>	54.00	45.25	40.00	45.00	46.35	47.05	51.50	56.55	60.05	68.80	63.05	57.00

(Source: BSE Website)

**(g) Stock Performance in comparison to BSE Sensex :**

	<b>As on 31.03.2006</b>	<b>As on 31.03.2007</b>	<b>Increase %</b>
BSE Sensex	11279.96	13072.10	15.89%
Company's Stock Price at BSE (Rs.)	58.55	61.35	4.78%

(Source: BSE Website)

- (h) Registrar & Transfer Agents : ABS Consultant Pvt. Ltd.  
99, Stephen House, 6<sup>th</sup> Floor, 4, B.B D.Bag (E)  
Kolkata-700 001  
Ph: 2220-1043, 2243-0153.  
E-Mail: absconsultant@vsnl.net
- (i) Share Transfer System : Share transfer documents complete in all respects are registered and/or share transfer under objections are returned within stipulated time period.

**(j) Distribution of Shareholding as on 31<sup>st</sup> March, 2007**

<b>No. of Shares</b>	<b>No. of Equity Shareholders</b>	<b>% of Shareholders</b>	<b>No. of Equity Shares Held</b>	<b>% of Shareholding</b>
1 to 1000	4653	97.36	624653	20.44
1001 to 10000	102	2.14	292956	9.58
10001 and above	24	0.50	2138641	69.98
<b>Total</b>	<b>4779</b>	<b>100.00</b>	<b>3056250</b>	<b>100.00</b>

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- (k) Dematerialisation of shares and liquidity : The Equity Shares of the Company are eligible for demat by both the depositories, namely, NSDL & CDSL, under ISIN: INE469D01013. About 88% of shares were held in dematerialisation form by the shareholders of the Company, as on 31<sup>st</sup> March, 2007. The trading of the equity shares of the Company on the Stock Exchanges are under the list of compulsory delivery in dematerialisation form by all investors. The shares of the Company are frequently traded at BSE.
- (l) Outstanding GDRs/Warrants Convertible Bonds : Nil
- (m) Plant Locations : Howrah, West Bengal  
Jaipur, Rajasthan
- (n) Address for correspondence & redressal of investor grievances : The Compliance Officer  
Wires and Fabriks (S.A.) Limited  
7, Chittaranjan Avenue, Kolkata-700 072  
Phone Nos.: 91-33-2237-0116/7. Fax: 91-33-2225-7136  
E-Mail: ig@cal.wirefabrik.com
- (o) Shareholding of Non-Executive Directors : 1150

#### Declaration in respect of Compliance with the Code of Conduct

It is hereby declared that all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company, for the financial year ended 31<sup>st</sup> March, 2007.

Jaipur  
Dated, the 22<sup>nd</sup> day of June, 2007

M. K. KHAITAN  
(CEO)

#### Certificate to the Members of Wires and Fabriks (S.A.) Limited on the conditions of Corporate Governance for the year ended 31<sup>st</sup> March, 2007 under the Clause 49 of the Listing Agreements with the concerned Stock Exchanges

We have examined the compliance of conditions of Corporate Governance by **M/s Wires and Fabriks (S.A.) Limited** for the year ended 31<sup>st</sup> March, 2007 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 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.

8, Ganesh Chandra Avenue  
Kolkata 700 013  
Dated, the 22<sup>nd</sup> day of June, 2007

(B. N. Khandelwal)  
Company Secretary in Practice  
C.P.No. 1148