

# 104<sup>th</sup> ANNUAL REPORT 2011-2012



**A Tradition of Engineering Excellence**

**WALCHANDNAGAR INDUSTRIES LIMITED**



## SETH WALCHAND HIRACHAND

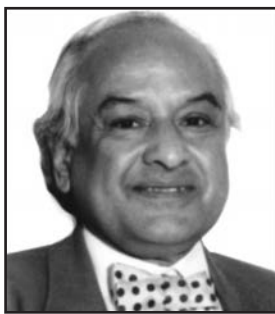
Seth Walchand Hirachand's life was truly a triumph of persistence over adversity.

Sardar Vallabhbhai Patel

## Board of Directors



Chakor L. Doshi  
Chairman



Dr. P. K. Basu  
Director



Dilip J. Thakkar  
Director



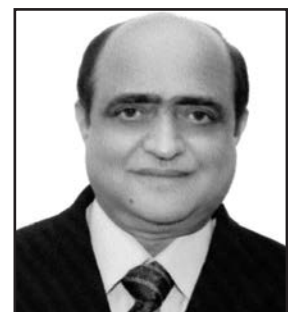
A. U. Rijhsinghani  
Director



Dr. Anil Kakodkar  
Director



G. N. Bajpai  
Director



J. L. Deshmukh  
Director



G. K. Pillai  
Managing Director & CEO



Chirag C. Doshi  
Managing Director

# Corporate Information

## Registered Office

Walchandnagar Industries Ltd.  
3, Walchand Terraces,  
Tardeo Road,  
Mumbai - 400 034  
Tel. No. (022) 4028 7110 / 2369 2295

## Pune Offices

Walchand House  
167A, 2/8+2/9,  
Karve Road, Kothrud, Pune - 411 038  
Tel. No. (020) 3025 2400

Walchand Technology Centre  
15/1/B, G. A. Kulkarni Path,  
Kothrud, Pune - 411 038

## Factories

Walchandnagar, Dist. Pune, Maharashtra  
Satara Road, Dist. Satara, Maharashtra  
Attikola, Dharwad, Karnataka.

## Compliance Officer

Mr. G. S. Agrawal  
Vice President (Legal & Taxation) and Company Secretary

## Registrar & Share Transfer Agents

Link Intime India Pvt. Ltd.  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W),  
Mumbai - 400 078.  
Tel. No. (022) 2596 3838  
Fax No. (022) 2594 6969  
E-mail: mumbai@linkintime.co.in

## Auditors

K.S. Aiyar & Co.  
Chartered Accountants

## Principal Bankers

State Bank of India  
Bank of India  
ING Vysya Bank Ltd.  
The Hongkong & Shanghai Banking Corporation Ltd.

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## Letter from the Chairman



**Dear Members,**

It is my pleasure to welcome you all to this 104<sup>th</sup> Annual General Meeting and present the Annual Report of your Company.

The economic business environment in India was quite challenging in the last year and investments in some of the sectors continued to remain subdued. Consequent to which there was a lower demand for capital goods.

However, your Company has been making sustained efforts to increase its presence in the overseas market in some of the sectors like Sugar, Boiler & Cement where the domestic demand has been low. Your Company was able to achieve export sales of Rs. 298 Crores in the year under review.

Further, the business outlook continues to remain positive for other segments like Aerospace, Missiles, Defense and Nuclear power in the foreseeable future and the Company is well placed to benefit from the opportunities in these sectors.

It is with this cautious confidence in the future prospects of the Company, that the Board of Directors of your Company has maintained a recommendation of dividend of 50%.

I take this opportunity to place on record my sincere thanks for your continued support and confidence that you have placed on the Company and look forward to the same in future.

Thank you,

A handwritten signature in dark ink, appearing to read 'Chakor L. Doshi'.

**Chakor L. Doshi**

*Chairman*

## Notice

Notice is hereby given that the 104<sup>th</sup> Annual General Meeting of members of Walchandnagar Industries Limited will be held as scheduled below:

Day : Thursday  
Date : 31<sup>st</sup> January, 2013  
Time : 4.00 p.m.  
Place : Walchand Hirachand Hall,  
Indian Merchants' Chambers Building,  
Churchgate, Mumbai-400 020.

The Agenda for the meeting will be as under:

### Ordinary Business:

1. To receive, consider and adopt Audited Balance Sheet of the Company as at September 30, 2012 and Statement of Profit & Loss for the year ended as on that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended September 30, 2012.
3. To appoint a Director in place of Dr. P. K. Basu, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Dilip J. Thakkar, who retires by rotation and being eligible, offers himself for reappointment.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution as required under Section 224 of the Companies Act, 1956, for appointment of Auditors:

**"RESOLVED THAT** M/s. K. S. Aiyar & Co., Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company."

### Special Business:

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

**"RESOLVED THAT** Mr. G. K. Pillai whose term of Office as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and Article 133 of the Articles of Association of the Company expires at this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, not liable to retire by rotation.

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

**"RESOLVED THAT** subject to the approval of the Central Government, if required and pursuant to the provisions of

Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any amendment, modification, variation or re-enactment thereof), the consent of the shareholders of the Company be and is hereby accorded to the appointment of Mr. G. K. Pillai as Managing Director & Chief Executive Officer of the Company, for a period of five years w.e.f. 25.11.2012 on the terms and conditions including remuneration as mentioned in the Explanatory Statement annexed to this notice and the same as specified in the draft agreement to be entered between the Company and Mr. G. K. Pillai, a copy whereof initialled by the Chairman for the purpose of identification is placed before the meeting and with the authority to the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include the Remuneration Committee of Directors constituted by the Board to exercise its powers including powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment including remuneration as hereinafter appearing in the Explanatory Statement.

**RESOLVED FURTHER** that the Board be and is hereby authorized to alter and/or vary the terms and conditions of the appointment including remuneration payable to him from time to time, provided however that the remuneration payable shall not exceed the limits specified in Schedule XIII of the Companies Act, 1956 as existing or as amended, modified or re-enacted from time to time.

**RESOLVED FURTHER** that the Board of Directors of the Company be and is hereby authorised to take all such steps, including seeking approval of the Central Government, if required, as may be necessary to give effect to this resolution."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 314(1B) read with Directors Relatives (Office or Place of Profit) Amendment Rules, 2011 and other applicable provisions, if any, of the Companies Act, 1956 and as recommended by the Remuneration Committee and approved by the Board of Directors, the consent of the shareholders of the Company be and is hereby accorded to Mrs. Tanaz C. Doshi, Special Executive of the Company and daughter-in-law of Mr. Chakor L. Doshi, Chairman and the wife of Mr. Chirag C. Doshi, Managing Director of the Company, to hold and continue to hold an office or place of profit on part time basis in the Company w.e.f. 04.05.2012 on the payment of revised Consolidated Salary of ₹ 90,000/- per month plus other benefits and perquisites as mentioned in the Explanatory Statement annexed to this notice, with authority to Remuneration Committee at their discretion to give increment as it may deem fit and proper, and to sanction at its discretion and in due course, promotion to next higher grade together with modifications in benefits and perquisites, subject to the maximum amount of remuneration of ₹ 2,50,000/- p.m. inclusive of all other benefits and perquisites or upto higher

ceiling amount as per any amendments thereof from time to time, and such revision in remuneration together with other perquisites and benefits will be effective from the date as may be decided by Remuneration Committee.

**RESOLVED FURTHER** that for the purpose of giving effect to this resolution, the Board or any Committee thereof be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 314(1B) read with Directors Relatives (Office or Place of Profit) Amendment Rules, 2011 and other applicable provisions, if any, of the Companies Act, 1956 and as recommended by the Remuneration Committee and approved by the Board of Directors, the consent of the shareholders of the Company be and is hereby accorded to Mrs. Champa C. Doshi, Special Executive (Corporate Affairs) and wife of Mr. Chakor L. Doshi, Chairman and mother of Mr. Chirag C. Doshi, Managing Director of the Company, to hold and continue to hold an office or place of profit on part time basis in the Company w.e.f. 04.05.2012 on the payment of revised Consolidated Salary of ₹ 1,00,000/- per month plus other benefits and perquisites as mentioned in the Explanatory Statement annexed to this notice, with authority to Remuneration Committee at their discretion to give increment as it may deem fit and proper, and to sanction at its discretion and in due course, promotion to next higher grade together with modifications in benefits and perquisites, subject to the maximum amount of remuneration of ₹ 2,50,000/- per month inclusive of all other benefits and perquisites or upto higher ceiling amount as per any amendments thereof from time to time, and such revision in remuneration together with other perquisites and benefits will be effective from the date as may be decided by Remuneration Committee.

**RESOLVED FURTHER** that for the purpose of giving effect to this resolution, the Board or any Committee thereof be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

**"RESOLVED THAT** subject to the approval of the Central Government, if required and pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment,

modification, variation or re-enactment thereof), the consent of the shareholders of the Company be and is hereby accorded to the re-appointment of Mr. Chirag C. Doshi as Managing Director of the Company, for a period of five years w.e.f. 25.11.2012 on the terms and conditions including remuneration as mentioned in the Explanatory Statement annexed to this notice and the same as specified in the draft agreement to be entered between the Company and Mr. Chirag C. Doshi, a copy whereof initialled by the Chairman for the purpose of identification is placed before the meeting and with the authority to the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include the Remuneration Committee of Directors constituted by the Board to exercise its powers including powers conferred by this resolution) to alter and vary the terms and conditions of the said re-appointment as hereinafter appearing in the Explanatory Statement.

By order of the Board

**G. S. Agrawal**

*Vice President (Legal & Taxation) &  
Company Secretary*

*Registered Office:*

3, Walchand Terraces  
Tardeo Road  
Mumbai 400 034

*Date : 23<sup>rd</sup> November, 2012*

#### **Notes:**

- An Explanatory Statement under Section 173(2) of the Companies Act, 1956 in respect of special business in respect of item No. 6 to 10 mentioned above are annexed hereto.
- A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a member of the Company. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time for holding this Annual General Meeting.**
- The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 25<sup>th</sup> January, 2013 to Thursday, the 31<sup>st</sup> January, 2013. (both days inclusive).
- The Dividend, if declared at the meeting, will be paid on 15.02.2013 i.e. within the stipulated period, to those members who hold shares in Physical Form and whose names appear on the Company's Register of members as on 31<sup>st</sup> January, 2013. In respect of Shares held in Electronic Form, the dividend will be paid to the beneficial owners as per details to be furnished by the Depositories for this purpose at the end of business hours on 24<sup>th</sup> January, 2013.



- (e) Members who hold shares in physical form are requested to notify immediately change in their addresses, if any, to the Company's Registrar and Share Transfer Agents, M/s Link Intime India Pvt. Ltd., specifying Registered Folio Number and other relevant details. Members, who hold shares in Electronic Form are requested to notify change in their addresses to Depository Participants with whom they are maintaining their Beneficial Owner Account.
- (f) Members who have not encashed their dividend warrants for the financial years ended 30<sup>th</sup> September 2005 and thereafter, may immediately approach the Company for revalidation of unclaimed warrants as the amount of dividend remaining unpaid for a period of 7 years shall be transferred to Investors Education & Protection Fund as per provisions of Section 205A of the Companies Act, 1956. It may also be noted that once the unclaimed dividend is transferred to the Investors Education and Protection Fund (IEPF) as above, no claim shall lie against the Company or the IEPF in respect thereof.
- (g) In terms of the amended Clause 5A of the Listing Agreement, the Company has already complied with by sending three Reminders to the respective shareholders and taking further steps to transfer the balance unclaimed shares to the Unclaimed Suspense Account. The Shareholders are requested to claim their Split and Bonus share certificates issued to them by the Company in physical form, who has not yet collected the same. Concerned shareholders are requested to contact the Company at the aforesaid address before 25.01.2013 and lodge their claim for the said shares. The said compliance has also been incorporated in Corporate Governance Report annexed to the Annual Report.
- (h) SEBI vide circular dated May 20, 2009 has made it mandatory for transferees requesting for transfer of shares of listed companies in physical form, to furnish a copy of their PAN, duly self attested to the Company/RTA, whilst lodgment of such shares.
- (i) SEBI vide circular dated January 7, 2010 has made it mandatory for legal heir(s) to furnish a copy of their PAN, duly self attested in the following cases in respect of shares of listed companies held in physical form:
- Deletion of name of the deceased shareholder(s), where the shares are held in the names of two or more shareholders;
  - Transmission of shares in favour of legal heir(s), where deceased shareholder was the sole holder of shares; and
  - Transposition of shares, when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.
- (j) Ministry of Corporate Affairs (MCA) vide circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively have clarified that a company would be deemed to have complied with the provisions of Sections 53 and 219(1) of the Companies Act, 1956, if documents like notices, annual reports, etc. are sent in electronic form to its Members.
- Further, in terms of Clause 32 of the Listing Agreement which was amended vide Circular no. CIR/CFD/DIL/2011 dated October 5, 2011, issued by SEBI, listed companies are required to supply soft copies of the said documents to all

the shareholders who have registered their email address(es) for the purpose.

Accordingly, the said documents of the Company for the financial year ended September 30, 2012 will be sent in electronic form to those Members who have registered their e-mail address with their DP and made available to the Company by the Depositories.

However, in case a Member wishes to receive a physical copy of the said documents, he is requested to send an e-mail to [walchandnagargogreen@linkintime.co.in](mailto:walchandnagargogreen@linkintime.co.in)/ [investors@walchand.com](mailto:investors@walchand.com) duly quoting his DP ID and Client ID or the Folio number, as the case may be.

Members holding shares in physical form are requested to submit their e-mail address to the Registrar, Link Intime India Private Ltd. / the Company, duly quoting their Folio number and Members holding shares in electronic form who have not registered their e-mail address with their DP are requested to do so at the earliest, so as to enable the Company to send the said documents in electronic form, thereby supporting the green initiative of the MCA. Please refer to the letter and E-communication Registration Form enclosed with the Report. Please note that the said Form has also available on the website of the Company viz. [www.walchand.com](http://www.walchand.com).

- (k) Members, who hold shares in De-materialized form, are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
- (l) Members are requested to get the Shares transferred in joint names, if shares are held in a single name to avoid the inconvenience and also to send nomination form (available on website of the Company viz. [www.walchand.com](http://www.walchand.com)), if not sent earlier.
- (m) Members/Proxy Holders are requested to produce at the entrance of the hall admission slips duly completed and signed, in accordance with the specimen signature registered with the Company for admission to the Meeting Hall.

Members desiring any information relating to the annual accounts of the Company are requested to write to the Company at least 10 (Ten) days before the meeting to enable the Company to keep the information ready at the meeting.

- (n) Dr. P. K. Basu and Mr. Dilip J. Thakkar, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. G. K. Pillai and Mr. Chirag C. Doshi, Directors are being appointed/re-appointed in the ensuing Annual General Meeting. Brief resume of appointed/re-appointed Directors, the details of their qualifications and experience, and names of the other public Companies in which they hold Directorships and Memberships/ Chairmanships of Board and its Committees, as stipulated under Clause 49 of the Listing Agreement with Stock Exchange are provided in the Report on Corporate Governance forming part of Annual Report. The Board of Directors recommends their respective appointments/ re-appointments.
- (o) Documents relating to the items mentioned in the Notice and Explanatory Statement are available for inspection at the Registered Office of the Company on any working day (except Saturday and Sunday) during business hours from 10.30 a.m. to 12.30 p.m.



**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 6**

The Board of Directors in their Meeting held on 13<sup>th</sup> August, 2012 appointed Mr. G. K. Pillai as an Additional Director of the Company w.e.f. 25-11-2012. Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 133 of Articles of Association of the Company, Mr. G. K. Pillai holds the office only upto the date of this Annual General Meeting. A Notice has been received from a member as required under Section 257 of the Companies Act, 1956, alongwith required deposit of ₹ 500/- proposing Mr. G. K. Pillai as candidate for office of the Director.

A brief resume of Mr. G. K. Pillai, details of his qualifications and experience and names of the Companies in which he holds Directorships and Memberships/Chairmanships of Board Committees, is provided in the Report on Corporate Governance forming part of the Annual Report.

Considering his invaluable contribution to Indian Industry and vast experience in Heavy Engineering sector, the Board of Directors recommends the resolution as set out in Item No. 6 of the Notice for his appointment as a Director not liable to retire by rotation for the approval of the shareholders.

Except Mr. G. K. Pillai, no other Director is concerned or interested in the above resolution.

**Item No. 7**

Mr. G. K. Pillai is an alumnus of Birla Institute of Technology & Science (B.I.T.S.) Pilani and started his career with Instrumentation Ltd., a Government of India Enterprise, in Palakkad, Kerala. After a successful career there for 21 years, he moved on to join a private sector company M/s. Fisher Sanmar Ltd. as Vice President and rose to become its Chief Executive. Having had successful stint in both Public sector and private sector industries, he was selected to head HEC Ltd., an ailing PSU at Ranchi as Chairman cum Managing Director. At HEC, Mr. G. K. Pillai anchored the 'Turn-around' of a sick PSU to a profitable company during his 5 year term. Upon superannuating from HEC he joined WIL on 27<sup>th</sup> February, 2012.

A brief resume of Mr. G. K. Pillai, details of his qualifications and experience and names of the Companies in which he holds Directorships and Memberships/Chairmanships of Board Committees, is provided in the Report on Corporate Governance forming part of the Annual Report.

The Board of Directors recommends the resolution as set out in Item No. 7 of the Notice for appointment of Mr. G. K. Pillai as Managing Director & Chief Executive Officer of the Company for a period of 5 years w.e.f. 25<sup>th</sup> November, 2012 on the following terms and conditions for approval of the shareholders of the Company.

**REMUNERATION:**

**SALARY:** ₹ 4,00,000/- per month.

(In the grade of ₹ 4,00,000/- to ₹ 8,00,000/- per month).

The Chairman of the Board has been authorised to sanction annual increment within above grade.

**COMMISSION:**

Mr. G. K. Pillai would be entitled to a Commission of 1% (One Percent) of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956.

**SPECIAL ALLOWANCE:**

Special Allowance of ₹ 2,92,000/- per month

**PERQUISITES:**

In addition to Salary and Commission, Mr. G. K. Pillai would be entitled to the following perquisites:

**HOUSING/RENT FREE ACCOMMODATION:**

House Rent Allowance/Rent Free Accommodation (including Water and Electricity Charges) not exceeding ₹ 70,000/- per month.

**LEAVE TRAVEL CONCESSION/ALLOWANCE:**

Leave Travel Concession/Allowance for self and family once in a year subject to the ceiling of one month's salary per annum.

"Family" means 'spouse, dependent children and parents.'

**LEAVE:**

Leave, Leave accumulation and encashment as per Rules of the Company.

**MEDICAL ALLOWANCE/REIMBURSEMENT:**

Medical Allowance/Reimbursement of expenses incurred by the Managing Director and Chief Executive Officer for Self and his family (spouse, dependent children and parents) subject to the ceiling of one month's salary in a year or 5 months' salary over a period of 5 years.

**FREE USE OF CAR:**

The Company shall provide one car with driver or reimburse the Driver's Salary, for the Company's business which will not be considered as a perquisite and use of car for private purposes shall be billed by the Company.

**GAS, PERSONAL ACCIDENT INSURANCE, FURNISHING, ETC.**

The Company shall reimburse expenses or pay allowance for utilization of Gas, Furnishing, Repairs, Personal Accident Insurance Premium, Membership of Professional Bodies and such other perquisites and/or allowances with overall ceiling of one month's average salary per year. The said perquisites and allowances shall be calculated wherever applicable as per Income Tax Act, 1961 and any rules thereunder. In the absence of any Rules, such perquisites shall be considered at actual cost.

**COMMUNICATION FACILITIES:**

The Company shall provide free of charge communication facilities such as telephone, mobile, internet etc. the expenditure on which shall not be considered as a perquisite. However, long distance personal calls shall be billed by the Company.

**MINIMUM REMUNERATION :**

The remuneration specified above shall continue to be paid to Mr. G. K. Pillai as and by way of Minimum Remuneration as per the provisions of Schedule XIII of the Companies Act, 1956 in case of loss or inadequacy of profit during the relevant period of tenure of his office.

Mr. G. K. Pillai shall not be subject to retirement by rotation during his tenure as Managing Director and Chief Executive Officer in terms of Article 148 of Articles of Association of the Company.

Except Mr. G. K. Pillai, no other Director is concerned or interested in the above resolution.

The resolution set out in the accompanying Notice together with this Explanatory Statement is and should be treated as an abstract of the terms of contract between the Company and Mr. G. K. Pillai under Section 302 of the Companies Act, 1956 and the same is circulated to the members accordingly.

#### Item No. 8

Mrs. Tanaz C. Doshi wife of Mr. Chirag C. Doshi, Managing Director and daughter-in-law of Mr. Chakor L. Doshi, Chairman of the Company, has been associated with the Company since last 5 years. She joined the Company as 'Executive' of the Company on part time basis w.e.f. 01.11.2006. The Board of Director in their Meeting held on 25.11.2009 approved revision in remuneration of Mrs. Tanaz C. Doshi within the ceiling limit of ₹ 50,000/- p.m., with the designation 'Special Executive' of the Company, which was subsequently approved by the shareholders by passing Special resolution in the 101st Annual General Meeting held on 20<sup>th</sup> January, 2010.

Mrs. Tanaz C. Doshi is a graduate in Arts and has vast experience in the field of Advertising, Publicity, Event Management and Social Service and the services of Mrs. Tanaz C. Doshi are beneficial to the Company.

Considering the services being rendered by her and recent amendments made in the provisions of the Companies Act, 1956 and Rules made thereunder for enhancement in the ceiling limits for payment of remuneration to relatives of Directors of the company falling u/s 314(1B) of the Companies Act, 1956, the Board of Directors considers and recommends the resolution as set out in the Item no. 8 of the Notice for revision in the remuneration package of Mrs. Tanaz C. Doshi, Special Executive of the Company as stated below for approval of the shareholders of the Company.

- (a) Consolidated Salary: ₹ 90,000/- per month with increments as the Remuneration Committee may fix from year to year such that consolidated salary including perquisites shall not exceed ₹ 2,50,000/- per month.
- (b) Other benefits and perquisites:
  1. Provident Fund: 12 % of Basic Salary.
  2. Gratuity: As per Payment of Gratuity Act, 1972.
  3. House Rent Allowance: ₹ 54,000/- per month.
  4. Medical: ₹ 7,500/- per annum.
  5. Leave Travel Assistance: One month's salary once in a year as per Company's Rules.
  6. Leave: As per Company' Rules
  7. Conveyance: Company car will be provided and reimbursement of salary of driver will be made.
  8. Telephone: Expenses towards usage of telephones installed at residence will be reimbursed by the Company.

Except Mr. Chakor L. Doshi, Chairman and Mr. Chirag C. Doshi, Managing Director no other Director is concerned or interested in the above resolution.

#### Item No. 9

Mrs. Champa C. Doshi wife of Mr. Chakor L. Doshi, Chairman and Mother of Mr. Chirag C. Doshi, Managing Director of the Company, has been associated with the Company since last 17 years. She has joined the Company as 'Executive' of the Company on part time basis w.e.f. 26.08.1994. The Board of Director in their Meeting held on 17.12.2003 approved revision in remuneration of Mrs. Champa C. Doshi within the ceiling limit of ₹ 50,000/- p.m.,

with the designation 'Special Executive' (Corporate Affairs) of the Company, which was subsequently approved by the shareholders by passing Special resolution in the 95<sup>th</sup> Annual General Meeting held on 10<sup>th</sup> February, 2004.

Mrs. Champa C. Doshi is a graduate of St. Xavier's College and has good experience in Commercials and Corporate matters and the services of Mrs. Champa C. Doshi are beneficial to the Company.

Considering the services being rendered by her and recent amendments made in the provisions of the Companies Act, 1956 and Rules made thereunder for enhancement in the ceiling limits for payment of remuneration to relatives of Directors of the company falling u/s 314(1B) of the Companies Act, 1956, Board of Directors considers and recommends the resolution as set out in the Item No. 9 of the Notice for revision in the remuneration package of Mrs. Champa C. Doshi, Special Executive (Corporate Affairs) of the Company as stated below for approval of the shareholders of the Company.

- (a) Consolidated Salary : ₹ 1,00,000/- per month with increments as the Remuneration Committee may fix from year to year such that consolidated salary including perquisites shall not exceed ₹ 2,50,000/- per month.
- (b) Other benefits and perquisites:
  1. Provident Fund: 12 % of Basic Salary.
  2. Gratuity: As per Payment of Gratuity Act, 1972.
  3. House Rent Allowance: ₹ 60,000/- per month.
  4. Medical: ₹ 8,333/- per annum.
  5. Leave Travel Assistance: One month's salary once in a year as per Company's Rules.
  6. Leave: As per Company' Rules
  7. Conveyance: Company car will be provided and reimbursement of salary of driver will be made.
  8. Telephone: Expenses towards usage of telephones installed at residence will be reimbursed by the Company.

Except Mr. Chakor L. Doshi, Chairman and Mr. Chirag C. Doshi, Managing Director no other Director is concerned or interested in the above resolution.

#### Item No. 10

Mr. Chirag C. Doshi has been working with the Company since 10<sup>th</sup> January, 1997 in various capacities and was appointed as President w.e.f. 01.02.2005 and lastly, the members of the Company in the 99<sup>th</sup> Annual General Meeting held on January 30<sup>th</sup>, 2008, appointed Mr. Chirag C. Doshi as Managing Director of the Company for a period of 5 years from 25<sup>th</sup> November, 2007 to 24<sup>th</sup> November, 2012.

A brief resume of Mr. Chirag C. Doshi, details of his qualifications and experience and names of the Companies in which he holds Directorships and Memberships/Chairmanships of Board Committees, is provided in the Report on Corporate Governance forming part of the Annual Report.

Taking into consideration the diverse and complex business activities, plans for expansion and diversification of the Company and to meet global business challenges and considering excellent contribution made by Mr. Chirag C Doshi in growth of the company during his association with the Company, the Board of Directors considers and recommends the resolution as set out

in Item No. 10 of the Notice for re-appointment of Mr. Chirag C. Doshi as Managing Director of the Company for a further period of five years commencing from 25<sup>th</sup> November, 2012 on the following terms and conditions for approval of the shareholders of the Company.

**REMUNERATION:**

**SALARY :** ₹ 4,00,000/- per month.

(In the grade of ₹ 4,00,000/- to ₹ 8,00,000/- per month).

The Chairman of the Board has been authorised to sanction annual increment within above grade.

**COMMISSION:**

Mr. Chirag C. Doshi would be entitled to a Commission of 1% (One Percent) of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956.

**SPECIAL ALLOWANCE:**

Special Allowance of ₹ 1,65,000/- per month

**PERQUISITES:**

In addition to Salary and Commission, Mr. Chirag C. Doshi would be entitled to the following perquisites :

**HOUSING/RENT FREE ACCOMMODATION:**

House Rent Allowance/Rent Free Accommodation not exceeding ₹ 70,000/- per month.

**LEAVE TRAVEL CONCESSION/ALLOWANCE:**

Leave Travel Concession/Allowance for self and family once in a year subject to the ceiling of one month's salary per annum.

"Family" means 'spouse, dependent children and parents.'

**LEAVE:**

Leave, Leave accumulation and encashment as per Rules of the Company.

**MEDICAL ALLOWANCE/REIMBURSEMENT :**

Medical Allowance/Reimbursement of expenses incurred by the Managing Director for Self and his family (spouse, dependent children and parents) subject to the ceiling of one month's salary in a year or 5 months' salary over a period of 5 years.

**CONTRIBUTION TO PROVIDENT FUND AND SUPERANNUATION BENEFIT:**

Contribution to Provident Fund and the Superannuation benefit by purchase of Annuity or otherwise shall be as prescribed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and Income-tax Act, 1961 to the extent that these either singly or put together are not taxable under the Income-tax Act, 1961.

**GRATUITY:**

Half month's salary for each completed year of service.

**FREE USE OF CAR:**

The Company shall provide one car with driver or reimburse the Driver's Salary, for the Company's business which will not be considered as a perquisite and use of car for private purposes shall be billed by the Company.

**GAS, ELECTRICITY, PERSONAL ACCIDENT INSURANCE, ETC.**

The Company shall reimburse expenses or pay allowance for utilization of Gas, Electricity, Water, Furnishing, Repairs, Personal Accident Insurance Premium, Club fees, Membership of Professional Bodies and such other perquisites and/or allowances with overall ceiling of one month's average salary per year. The said perquisites and allowances shall be calculated wherever applicable as per Income Tax Act, 1961 and any rules thereunder. In the absence of any Rules, such perquisites shall be considered at actual cost.

**COMMUNICATION FACILITIES:**

The Company shall provide free of charge communication facilities such as telephone, mobile, internet etc. the expenditure on which shall not be considered as a perquisite. However, long distance personal calls shall be billed by the Company.

**MINIMUM REMUNERATION :**

The remuneration specified above shall continue to be paid to Mr. Chirag C. Doshi as and by way of Minimum Remuneration as per the provisions of Schedule XIII of the Companies Act, 1956 in case of loss or inadequacy of profit during the relevant period of tenure of his office.

Mr. Chirag C. Doshi shall not be subject to retirement by rotation during his tenure as Managing Director in terms of Article 148 of Articles of Association of the Company.

Except Mr. Chakor L. Doshi, Chairman and Mr. Chirag C. Doshi, Managing Director no other Director is concerned or interested in the above resolution.

The resolution set out in the accompanying Notice together with this Explanatory Statement is and should be treated as an abstract of the terms of contract between the Company and Mr. Chirag C. Doshi under Section 302 of the Companies Act, 1956 and the same is circulated to the members accordingly.

By order of the Board

**G. S. Agrawal**  
Vice President (Legal & Taxation) &  
Company Secretary

Registered Office:  
3, Walchand Terraces  
Tardeo Road  
Mumbai 400 034

Date : 23<sup>rd</sup> November, 2012

## Directors' Report

To:  
The Members of  
**Walchandnagar Industries Limited**

Your directors have pleasure in presenting the 104<sup>th</sup> Annual Report with Audited Statement of Accounts for the year ended September 30, 2012.

### 1. Performance for the Year in Retrospect:

|  | Year ended<br>30.09.2012<br>₹ in Lakhs | Year ended<br>30.09.2011<br>₹ in Lakhs |
|--|--|--|
| <b>Income:</b>   | <b>89,246</b>                          | 96,431                                 |
| Profit before Depreciation,<br>Interest, Exceptional Item<br>and Exchange currency<br>fluctuations | <b>6,925</b>                           | 6,152                                  |
| Less: Interest   | <b>2,229</b>                           | 1,486                                  |
| Depreciation   | <b>1,798</b>                           | 1,589                                  |
| Exceptional Item   | <b>529</b>                             | —                                      |
| Profit before Exchange<br>Currency fluctuations  | <b>2,369</b>                           | 3,077                                  |
| Less: Exchange Currency<br>Fluctuations Loss/(Gain)  | <b>678</b>                             | 1,382                                  |
| Profit before Tax  | <b>1,691</b>                           | 1,695                                  |
| Less: Tax (Net)  | <b>478</b>                             | 415                                    |
| Profit after Tax   | <b>1,213</b>                           | 1,280                                  |

During the year under review, the revenue for the year 2011-12 declined by 7.5% as compared to the previous year. However, there is a rise in the PBT margins largely on account of the following:

- Higher contribution on account of the reduction in the material costs and better value additions
- Better realization on export sales

### 2. Current Year:

The orders on hand as on 30.09.2012 were at ₹ 1481 Crores as compared to ₹ 2205 Crores as on 30.09.2011.

### 3. Exports and Overseas Projects:

During the year under review, the Company achieved an export turnover of ₹ 298 Crores as against ₹ 137 Crores, in the previous year. The export orders on hand as on 30.09.2012 are at ₹ 250 Crores. During the year, the Company executed orders for Sugar & Boiler projects in Ethiopia and Colombia & Cement machinery in Tanzania and Malawi.

### 4. Dividend:

Your Directors are pleased to recommend Dividend for the financial year 2011-2012 on Equity Shares of ₹ 2/- each at ₹ 1 per share equivalent to 50% (50% in the previous year)

aggregating to ₹ 380.70 Lakhs. The Dividend Distribution Tax thereon works out to ₹ 61.76 Lakhs.

### 5. Management Discussion & Analysis:

Detailed Management Discussion and Analysis is enclosed by way of **Annexure 'A'** to this report.

### 6. Finance & Accounts:

#### (i) Fixed Deposits:

Your Company did not invite or accept deposits from the public during the year under review. 3 deposits (pertaining to previous years) aggregating to ₹ 70,000/- remained unclaimed as on September 30, 2012.

#### (ii) Income Tax Assessments:

The Company's Income Tax and Wealth Tax Assessments are completed up to the Assessment Year 2009-10. Assessment for the Assessment Year 2010-11 is under progress. Various appeals before Appellate Authorities are being pursued.

### 7. Human Resources Development:

Your Company has been successful in implementing contemporary Human Resource practices and policies with a view to make Walchandnagar Industries Limited a preferred employer in the heavy engineering industry. Augmentation of critical skills and senior management talent has been a thrust area to address immediate business needs and succession planning. A new Performance Management System has been designed and implemented and the appraisal process for the year has been completed. A number of initiatives towards employee engagement and pride of belongingness has been taken up by strengthening the internal communications process.

#### Learning & Development Capability:

The Company conducted almost 70 training programs involving both, workers and officers. Feedback on these programs has been encouraging and the impact of trainings on employee development and overall performance has been significant.

### 8. Directors' Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- In preparation of the Annual Report, the Accounting Standards laid down by the Institute of Chartered Accountants of India have been followed.
- Appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgment applied consistently, and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at September 30, 2012 and the profit of the Company for the year ended on that date.



- iii. Proper and sufficient care has been taken for maintenance of appropriate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities.
- iv. The annual accounts have been prepared on a going concern basis.

#### 9. Corporate Governance:

Your Company believes that Corporate Governance is the basis of stakeholder satisfaction. The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance Requirements as set out by SEBI. Your Company has obtained a certification from K. S. Aiyar & Co., Chartered Accountants, Statutory Auditors, on compliance with clause 49 of the listing agreement. The Report of Corporate Governance along with Certificate from the auditors of the Company regarding compliance of conditions of corporate governance is enclosed by way of **Annexure 'B'** to this Report.

#### 10. Social Responsibility:

Over the years, the Company has taken and continues to take several initiatives in order to fulfill its corporate social commitments.

##### Health:

To create health awareness in the township and nearby villages, the Company continued to organize various health schemes during the year. This year the Company organized a general health check up camp for hazardous workers, ECG check up camp for employees above 50 years of age, undertook health related sessions for women and senior citizens and organized a Blood Donation Camp.

##### Education:

The schools established by the Company continued to impart education up to Higher Secondary grade to children staying in Walchandnagar and in nearby villages. The Company currently provides education to 4880 children of which, 20% are children of employees of the company and 80% are other children who reside in Walchandnagar & nearby villages.

##### Environment:

To maintain a pollution free atmosphere and to spread awareness about environment protection, we have undertaken tree plantation and organized seminars on pollution control & on disposal of hazardous waste.

##### Encouraging young talents in the field of sports:

As a part of our commitment to the Society, your Company has been sponsoring All-India Ranking National Tennis Tournaments in Pune for boys and girls below 16 years of age for the past five years.

This year, the tournament was held in Pune from 5<sup>th</sup> November to 10<sup>th</sup> November 2012, wherein prominent ranking tennis

players from all over India participated. We have also organized Cricket & Rugby tournaments at Walchandnagar.

#### 11. Energy, Technology & Foreign Exchange:

Pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, information on conservation of energy, technology absorption, foreign exchange earnings and out-go is given in the Annexure 'C' to this Report.

#### 12. Personnel:

Employee relations remained harmonious and satisfactory during the year and your Board would like to place on record sincere appreciation for sustained efforts and valued contribution towards growth initiative made by all the employees of the Company. The Wage Settlement Agreement entered into with the Union in May, 2011 will remain in operation upto 30.4.2014.

Information as per amended Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and accounts are being sent to the shareholders excluding the statement giving particulars of employees under Section 217(2A) of the Act.

The copy of the said statement is available at the Registered Office for inspection. Any shareholder interested in obtaining a copy of the statement, may write to the Company Secretary at the Registered Office of the Company.

#### 13. Subsidiaries:

The Company does not have any subsidiary.

#### 14. Directors:

In accordance with the provisions of Companies Act, 1956 and Article 149 of the Articles of Association of the Company, Dr. P. K. Basu and Mr. Dilip J. Thakkar are due to retire at the 104th Annual General Meeting and they being eligible offer themselves for re-appointment.

During the year, the Board of Directors in their Meeting held on 13<sup>th</sup> August, 2012 (i) appointed Mr. G. K. Pillai as an Additional Director of the Company w.e.f. 25-11-2012 and appointed him as Managing Director & Chief Executive Officer of the Company, (ii) accepted the request of Mr. J. L. Deshmukh, not to renew his term of appointment with the Company and would like to relinquish his position of Managing Director & Chief Executive Officer of the Company w.e.f. 25<sup>th</sup> November, 2012. However, he will continue as a Director of the Company, liable to retire by rotation w.e.f. 25.11.2012 and (iii) on completion of contractual terms, re-appointed Mr. Chirag C. Doshi as Managing Director of the Company for a period of 5 years w.e.f. 25<sup>th</sup> November, 2012.

Brief profiles of the proposed appointees together with other disclosures in terms of clause 49 of the Listing Agreement are part of the Corporate Governance Report forming part of this Report.

#### 15. Auditors:

M/s. K.S. Aiyar & Co., Chartered Accountants, Auditors of the Company will retire at the ensuing Annual General Meeting and they being eligible have offered themselves for reappointment. The members are requested to appoint the Auditors and authorize the Board to fix their remuneration.

#### 16. Cost Auditors and Cost Audit Report

Government of India, Ministry of Corporate Affairs, vide Order No. 52/26/CAB-2010 dated 30<sup>th</sup> June 2011 has mandated Cost Audit for companies engaged in the production, processing, manufacturing or mining of the products falling under Chapter 72 or 73 of the First Schedule to the Central Excise Tariff Act, 1985 which was further amended vide Order No. 52/26/CAB-2010 dated 24<sup>th</sup> January, 2012 covering products falling under Chapter 84 or 85 also of the First Schedule to the Central Excise Tariff Act, 1985. Accordingly, M/s. S. R. Bhargave & Co., Pune., Cost Accountant Firm were appointed as "Cost Auditor" to carry out Cost Audit for the Year ended 30.09.2012.

The Cost Audit Report in respect of the financial year ending 30.09.2012 will be filed within the stipulated time i.e. on or before 31<sup>st</sup> March, 2013.

The Company has received certificate from M/s S. R. Bhargave & Co., Pune., Cost Accountant Firm, to the effect that their re-appointment for F.Y. 2012-2013, if made, would be within the

prescribed limits under Section 224(1B) read with Section 233B(2) of the Companies Act, 1956 and that they are not subject to disqualifications specified in Section 226 of the said Act.

The Cost Auditors have further certified that they are independent firm of Cost Accountants and are at arm's length relationship with the Company.

#### 17. Acknowledgement:

Your Directors place on record their sincere appreciation of the assistance and co-operation that the Company has been receiving from the banks from time to time.

Your Directors also would like to thank the customers, suppliers and the shareholders, for their continued support and co-operation.

For & on behalf of the Board of Directors



**Chakor L. Doshi**  
Chairman

*Registered Office:*

3, Walchand Terraces,  
Tardeo Road,  
Mumbai 400 034.

*Date : 23<sup>rd</sup> November, 2012*

## ANNEXURE “A” TO THE DIRECTORS’ REPORT MANAGEMENT DISCUSSION AND ANALYSIS

### Economic Overview

The Indian economy continued to witness a slowdown during the year 2011-12 due to a weakening demand for goods combined with a loss of investor confidence owing to fiscal policies. Inflation continues to remain a concern and has added to the pressures on pricing at the consumer level which in turn affected household consumption at various levels. The capital goods sector was affected adversely making the climate for investment in new projects less attractive. The Government has recently initiated some favourable changes in the monetary policy, however, these changes are expected to yield positive results only in the subsequent year.

### Financial Overview

#### Sales & Profitability

Following is the summary of sales & profitability for the fiscal 2011-12 compared with previous year.

| Particulars  | FY 2011-12    | FY 2010-11 |
|--|---------------|------------|
| Total Income   | <b>89,246</b> | 96,431     |
| EBIDTA (Before Exceptional Items & Exchange Currency fluctuations) | <b>6,925</b>  | 6,152      |
| EBIDTA (After Exceptional Items & Exchange Currency fluctuations)  | <b>5,718</b>  | 4,770      |
| Profit Before Tax (PBT)  | <b>1,691</b>  | 1,695      |
| Profit After Tax (PAT)   | <b>1,213</b>  | 1,280      |
| Cash Profit  | <b>3,011</b>  | 2,869      |
| Fully diluted EPS  | <b>3.19</b>   | 3.36       |

All figures ₹ in lakhs except EPS, which is an absolute number

Although, the revenue for the year 2011-12 has shown a decline of 7.50% over the previous year, there is a rise in the EBIDTA and PBT margin on account of the following:

- Higher contribution on account of the reduction in the material costs and better value addition.
- Better realization on export sales.

### Order Book

The Company has been selective in booking orders during the year and has not compromised on the quality of orders despite the subdued market conditions and intense competition prevailing in the domestic market place in the sugar, boiler, cement, mineral & bulk handling project sectors. The Company has expanded its geographical footprint into the export market and has taken a number of initiatives which are expected to yield good results in the forthcoming year. The Order Book of the Company remains at a reasonable level with the outstanding orders at ₹ 1481 Crores as on September 30, 2012. Following are the highlights of the order book:

- It includes order for steam generation package and process house equipments at Tendaho Sugar Factory, Ethiopia which is under execution.
- It also includes order for 12 Co-Gen Power Projects aggregating to 183 MW and Sugar plant modernization/expansion from Tamilnadu State Electricity Board (TNEB), which is under execution.
- The order book underlines the strong engagement of your Company in the Nuclear Power sector with the orders for core machinery & components for 700 MW Nuclear Power Projects of NPCIL.

### Key Events

#### Discussions with Atomenergomash, Russia

Pursuant to the MOU signed with M/S Atomenergomash (AEM) in 2011, discussions have taken place at various levels during the course of the year, to explore the possibility of manufacturing a number of Nuclear Power Plant (NPP) equipments in India. These discussions are making good progress and a detailed business plan is being prepared jointly. Due to the Fukushima incident and consequent activism against nuclear power, there has been some slow down in this segment of business but the nuclear business is expected to gather momentum soon.

#### Manufacturing – Missile Division

Your esteemed Company is involved in India’s program for development of one of the most advanced surface to air missile systems in the world. In order to cater to this requirement, a state of the art manufacturing facility has been established bringing all operations under one roof.

The Company was entrusted with the manufacture of the Metallic Motor Hardware for these missiles which was accomplished successfully by the Company. The product went through many rigorous acceptance tests and initial production runs have been completed with a high level of quality standard, consequent to which, the Company has received repeat orders. The Company is planning to invest further to augment the existing manufacturing capacity of this division as this segment holds very good potential for growth.



## Segment Review

### Heavy Engineering

For the year under consideration, the Sales of the Heavy Engineering Division decreased by 9% as compared to the previous year. The profitability in the manufacturing sector is encouraging and is expected to continue but the profit margins on the project business remains to be tight and extremely competitive. The profitability margins however improved during the later part of the year due to better realizations on export projects and because of reduction in material costs resulting from better efficiencies in procurement.

### Foundry

The business of Foundry Division is divided mainly into:

- Automotive sector where the division supplies the heavy grey and SG Iron dies for the automotive industry.
- Industrial machinery and equipment.

Although the Foundry Division has made a loss during the year 2011-12, it has been able to reverse the downward trend and achieved break even operating levels in the last quarter of the year.

### Precision Instrument Division

The Precision Instrument Division of the Company manufactures pressure and temperature gauges and sector mechanisms required for a range of process industry applications as well as automotive applications. The division grew at a rate of 12% and is on the pedestal of high growth trajectory in the coming years. This was possible due to the efforts and initiatives taken internally to improve the productivity to effectively use the available infrastructure and capital and in house design & engineering effort.

### Risk Management

Your Company follows a conservative Risk Management policy. Whilst the broad framework of the risk remains more or less same, the priorities do change in line with the changing business profile, economic scenario etc.

The business profile of your Company is evolving in line with current market trends and conditions wherein the focus is more on turnkey project execution as against pure supply of equipment with a thrust to expand the Company's geographic footprint in overseas markets.

The above risks are largely mitigated because the Company has a well established track record of executing turnkey projects for the sugar, boiler and cement industry in the domestic and overseas markets.

## Project Management and Contract Performance

As mentioned above, your Company has started executing more projects on a turnkey basis. The size of the projects is also increasing as compared to the past. This, on one hand, enhances the opportunity to attain scale economies and other benefits, but it exposes the Company to a larger value of retentions and guarantees. In such a scenario, Contract Management and Performance Risk Management assume a much greater significance, than any time in the past. This entails three primary things:

- Robust estimation process.
- Strong execution process encompassing engineering, procurement, manufacturing and site installation.
- Effective Project and Contract Management.

The Company has strengthened the existing processes and increased the management bandwidth in these areas.

## Liquidity & Financial Prudence

Management of liquidity assumes even more importance when the size of the projects being handled goes up. This is to ensure adequate supply of funds for execution of the projects and entails the complete management of net working capital. Your Company is giving significant emphasis on this aspect with specific efforts to track receivables, inventories and payment to supply base. Further, your Company firmly believes that financial prudence is the key to survival in difficult times as well as sustained growth. Despite all the constraints faced during the year, your Company has maintained key financial parameters at a prudent level, where debt equity ratio is maintained at a healthy ratio of 0.76.

The Company has free cash flow of ₹ 29.19 Crores on its books, which is invested in safe instruments such as liquid/liquid plus mutual funds & fixed deposits of the reputed banks.

## Foreign Exchange Risk Management

Your Company's fundamental policy on the exchange risk management still continues to be conservative where the Company does not enter into any exotic, leveraged or embedded, long term structures of hedging. The only instrument, if used for hedging, is a Forward contract strictly against the underlying asset or liability. Further, your Company has created significant natural hedge between the exports outstanding and import and loan liability in the US Dollar terms.

## Technology up-gradation

The key to sustained competitiveness is the availability of contemporary technologies. Your Company, over the years, has entered into collaboration arrangements with some of the world's renowned technology providers in its core field of activities. These included ongoing technology inputs as well as project specific technology support.

### Demand Cyclicalities

Demand cyclicalities is a generic risk applicable almost across the spectrum. In case of your Company, this risk assumes significance since most of the end users of your Company follow an economic cycle of their own. This results in variation in the revenue drawn from different end user segments from year to year. Your Company's approach to mitigate this risk continues to be:

- Technology up-gradation and moving up the value chain.
- Diverse yet synergistic revenue model.
- Focus on core & less cyclical industries such as Nuclear Power, Aerospace, Missiles and Defence.
- Growing focus on overseas business.

### Internal Control & Audit

The internal audit function of the Company can be broadly divided into the following:

- Risk Based Internal Audit (RBIA) wherein the focus is given on End to End processes and control points from the point of view of Systems, Processes and awareness of people.
- Transaction audit covering all individual transactions on a granular basis to check the accuracy, accounting, propriety and controls.
- Audit of various sub processes in SAP. This entails identification of process gaps in SAP and correcting them from time to time.
- The findings of the audit are discussed in each audit committee meeting as well as in the internal meetings at a regular interval.

### Outlook & Conclusion

#### Revenue

While the revenues of the Company declined by 7.50% in the year 2011-12 over the previous year, the Company looks to be poised for good growth in the next year because of the following:

- Adequate order book as on September 30, 2012, which stands at ₹ 1481 Crores.
- Strong business outlook in the Aerospace, Missiles, Defense and Nuclear power segment. This business lends long term sustainability to the revenue model of the Company.
- A number of initiatives for developing the export market were made during the year 2011-12 which are expected to yield good results in the coming year.

- Since the US Dollar is becoming strong, value of Rupee realisation from exports is expected to be remunerative and Company will be giving thrust for export market.
- Continued focus & efforts to build on the current order book position of the Company.

Further, your Company has strong fundamentals for a sustainable growth:

- Well diversified yet synergistic business model.
- Strong manufacturing capability.
- In house design engineering capability.
- Project management capability.
- Technology tie-ups in critical areas.

This would augur well for your Company's long term sustainable growth.

### Profitability

The profitability margins in the year 2011-12 have improved as compared to the previous year because of improved efficiencies in the procurement chain combined with better realization on export orders. Your Company is also taking steps to bring about further improvement in profitability for which following progressive steps are planned:

- Attain scale of economies to effectively absorb overheads and expenses.
- Significant focus on cost reduction & resource optimization.
- Focus on the quality of orders & sectors.

### Long term competitiveness

Your Company believes that it has taken steps to attain long term growth and competitiveness and has significant resilience to sustain through the periods of economic cyclicalities and adversities. The key to this lies in the conservative, synergistic and technology focussed strategies adopted by your Company.

### Cautionary Statement

*This management discussion and analysis may contain Forward looking statements within the meaning of the applicable laws, rules and judicial pronouncements, relating to the business strategies, prospects, financial performance etc. The actual results may vary significantly or materially than those contemplated/implied in the analysis for various reasons including but not limited to the Government policy, macro economic situation, Business cycles, Financial & liquidity situation, demand slowdown, performance risk, material costs, interest costs, exchange rates etc. The Company does not undertake to make any declarations/pronouncements of any such eventuality.*

## ANNEXURE “B” TO DIRECTORS’ REPORT REPORT ON CORPORATE GOVERNANCE:

### (1) A brief statement on Company’s philosophy on Code of Governance:

The Company’s commitment for effective Corporate Governance continues and the Company has always been at the forefront of benchmarking its internal systems and policies within accepted standards so as to facilitate the creation of long term value for its shareholders. The Company has Audit Committee, Shareholders’ Grievance Committee, Remuneration Committee, Finance Committee, Allotment Committee, Committee of Directors for Capital Issue, Corporate Strategic Planning Committee and these Committees report to Board of Directors about the tasks assigned to them.

The Board adopted Code of Conduct for all Board Members and Senior Management of the Company vide Circular Resolution No. 01 dated 1st March, 2005. The said Code of Conduct is posted on the Website of the Company ([www.walchand.com](http://www.walchand.com)).

### (2) Board of Directors:

As on September 30, 2012, the Board of Directors comprised of a Non-Executive Chairman, a Managing Director & CEO,

a Managing Director and 5 other Non-Executive Directors. The Listing Agreement requirement of at least one-half of the Board to be of independent Directors, where the Non-Executive Chairman is a promoter of the Company is met by the Company in view of 4 directors being Independent Directors out of total 8 Directors as on September 30, 2012. The Non-Executive Directors are professionals and have vast experience in the field of industry, finance, law and management bringing a wide range of expertise and experience to the Board.

As required under the Listing Agreement, the Directors’ Report includes the Report on “Management Discussion and Analysis” as Annexure ‘A’ to Directors’ Report. The Board Members are presented with proper notes along with the Agenda papers well in advance before the meeting. Information covering the matters listed as per Annexure-1 to Clause 49 is provided to the Board as a part of Agenda papers.

The details of composition of the Board, the attendance at the Board Meetings during the financial year and at the last Annual General Meeting, number of Directorships, remuneration paid to/provided for Directors during 2011-2012 are given in the following table:

**Information on Board of Directors**

| Name of Director       | Director Identification Number (DIN) | Status   | No. of Board Meetings held | No. of Board Meetings attended | Attendance at last AGM | No. of other Directorship in other Public Ltd. Cos. # | Chairmanship/ Membership of Committees in other Public Ltd. Cos. \$ |             | Remuneration paid/payable to Directors (₹ in Lakhs) |                        |            |        |
|------------------------|--------------------------------------|----------|----------------------------|--------------------------------|------------------------|---|---|-------------|---|------------------------|------------|--------|
|                        |                                      |          |                            |                                |                        |   | Chairman-ship   | Member-ship | Sitting Fees  | Salaries & Perquisites | Commission | Total  |
| Mr. Chakor L. Doshi §  | 00210949                             | C-NED    | 4                          | 4                              | YES                    | 2   | None  | None        | 3.20  | —                      | —          | 3.20   |
| Dr. P.K. Basu          | 01293663                             | NED-I    | 4                          | 4                              | YES                    | Nil   | None  | None        | 2.00  | —                      | —          | 2.00   |
| Mr. Dilip J. Thakkar   | 00007339                             | NED-I    | 4                          | 4                              | YES                    | 12  | 4   | 5           | 3.20  | —                      | —          | 3.20   |
| Mr. A. U. Rijhsinghani | 00177091                             | NED      | 4                          | 3                              | YES                    | Nil   | None  | None        | 0.60  | —                      | —          | 0.60   |
| Dr. Anil Kakodkar      | 03057596                             | NED-I    | 4                          | 4                              | YES                    | 1   | None  | None        | 1.20  | —                      | —          | 1.20   |
| Mr. G. N. Bajpai       | 00946138                             | NED-I    | 4                          | 4                              | YES                    | 14  | 5   | 8           | 2.20  | —                      | —          | 2.20   |
| Mr. J. L. Deshmukh     | 00267467                             | MD & CEO | 4                          | 4                              | YES                    | 1   | None  | None        | —   | 84.04                  | 16.00      | 100.04 |
| Mr. Chirag C. Doshi §  | 00181291                             | MD       | 4                          | 4                              | YES                    | 1   | None  | None        | —   | 73.04                  | 16.00      | 89.04  |

- Notes:
1. “C-NED” Chairman – Non Executive Director  
“NED-I” Non Executive Director – Independent  
“NED” Non Executive Director
  2. The Board meets at least once in a quarter to review the financial results and other items on the agenda, which are distributed to all the Directors in advance. During the Financial Year 2011-2012, 4 Board Meetings were held on 22.11.2011, 09.02.2012, 04.05.2012 & 13.08.2012 and the maximum gap between the two Board meetings did not exceed four months.
  3. Sitting fees paid to Directors include fees paid for attending the Board Meetings and all Sub-Committees thereof during the Financial Year.
  4. During the year, the professional fees amounting to ₹ 128.80 Lakhs & ₹ 33.71 Lakhs were paid to Mr. Chakor L. Doshi, Chairman and Mr. A.U. Rijhsinghani, Director respectively, in accordance with the approvals granted by the Shareholders. There were no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis the Company.
  - # Excludes Directorship in Private Limited Companies which are not subsidiaries of Public Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act.
  - \$ Figures includes Committee positions in Audit & Shareholders/Investors Grievance Committee only.
  - § Except Mr. Chirag C. Doshi, Managing Director, son of Mr. Chakor L. Doshi, Chairman, no other directors have any inter-se relationship with the other Directors of the Company.

### Code of Conduct:

The Company has formulated, adopted and implemented the Code of Conduct for all its Board Members and Senior Management Personnel of the Company as required under Clause 49(I)(D) of the Listing Agreement. The Code is posted on the Company's website: [www.walchand.com](http://www.walchand.com). All Board members and Senior Management personnel have affirmed compliance with the Code on an annual basis and a declaration to this effect by Mr. J. L. Deshmukh, Managing Director and CEO is attached to this report.

### CEO/Head of Finance Certification:

As required under Clause 49(V) of the Listing Agreement with the Stock Exchanges, the Managing Director & CEO and Head of Finance have certified to the Board the financial statements for the year ended September 30, 2012.

### The information regarding details of Directors being appointed/re-appointed is given below pursuant to Clause 49(IV)(G) of the Listing Agreement.

- (i) Mr. G. K. Pillai is an alumnus of Birla Institute of Technology & Science (B.I.T.S.) Pilani and started his career with Instrumentation Ltd., a Government of India Enterprise, in Palakkad, Kerala. After a successful career there for 21 years, he moved on to join a private sector company M/s. Fisher Sanmar Ltd. as Vice President and rose to become its Chief Executive. Having had successful stint in both Public sector and private sector industries, he was selected to head HEC Ltd., an ailing PSU at Ranchi as Chairman cum Managing Director. At HEC, Mr. G. K. Pillai anchored the 'Turn-around' of a sick PSU to a profitable company during his 5 year term. Upon superannuating from HEC, he joined the Company on 27th February, 2012 as Chief Operating Officer. The Board of Directors in their Meeting held on 13th August, 2012 appointed Mr. G. K. Pillai as an Additional Director of the Company w.e.f. 25.11.2012 and approved his appointment as Managing Director & Chief Executive Officer and is seeking to be elected as Managing Director and CEO not liable to retire by rotation.
- (ii) Mr. Chirag C. Doshi, Managing Director of the Company has been working with the Company since 1998. He is B.A. (Economics) from University of Michigan, USA, and M.B.A. from the world-renowned 'INSEAD INSTITUTE' Paris. He has extensively worked on business strategies, various growth initiatives, market research, business development and exploring new business ventures for the Company and risen to the

position of President and Managing Director of the Company. He is also on the Board of Bombay Cycle & Motor Agency Ltd. The term of Service Contract of Mr. Chirag C. Doshi, Managing Director of the Company expires on 24th November, 2012 and is seeking to be re-elected as Managing Director not liable to retire by rotation at the ensuing Annual General Meeting of the Company.

- (iii) Dr. P.K. Basu is B.A. Eco TRIPOS (CANTAB) MA (CANTAB), CBIM (London), PH.D (Business Administration), who initially joined Company as a Nominee Director of ICICI and continued as such till 20-08-1996 and then became a Director of the Company liable to retire by rotation. Dr. P.K. Basu was Secretary to Govt. of India, Ministry of Steel & Mines. He is having vast experience in the field of Business Administration in general.
- (iv) Mr. Dilip J. Thakkar is a Practising Chartered Accountant since last 51 years and is a Partner of M/s. Jayantilal Thakkar & Co. and Jayantilal Thakkar Associates, Chartered Accountants, Mumbai. Mr. Thakkar is having vast experience in the fields of Accounts, Finance, Taxation, FEMA etc. He is also on the Board of 12 other Public Limited Companies namely: Poddar Developers Ltd., Panasonic Energy India Co. Ltd., Essar Oil Ltd., The Ruby Mills Ltd., PAE Ltd., Himatsingka Seide Ltd., Indo Count Industries Ltd., Garware Polyester Ltd., Essar Ports Ltd., Modern India Ltd., Premier Ltd., Magus Estates & Hotels Ltd. and 8 Private Limited Companies. He is also a Trustee of HSBC Mutual Fund. Mr. Thakkar is a Chairman of Audit Committees of Panasonic Energy India Co. Ltd., Essar Oil Ltd., PAE Ltd. and Himatsingka Seide Ltd., besides Walchandnagar Industries Ltd. He is also a Member of Investors Relations Committee of Essar Oil Ltd.

### (3) Audit Committee:

The Audit Committee of the Board comprises of 3 Non-Executive Directors namely Dr. P. K. Basu, Mr. Dilip J. Thakkar and Mr. Chakor L. Doshi, out of which two are independent Directors including Mr. Dilip J. Thakkar, the Chairman of the Committee and the requirement of Section 292A of the Companies Act, 1956 and Clause 49(II)(A) of the Listing Agreement have been complied with. The Committee was re-constituted on 13.08.2012 by appointing Mr. Dilip J. Thakkar as a Chairman of the Committee. The Committee is authorised by the Board in the manner as envisaged under Clause 49(II)(C) of the Listing Agreement.

The Committee has been assigned task as listed under Clause 49(II)(D) of the Listing Agreement. The Committee reviews the information as listed under Clause 49(II)(E) of the Listing Agreement.

**Attendance of Directors at the Audit Committee Meeting held during the Financial Year:**

| Name of Director     | No. of Meetings held | No. of Meetings attended |
|----------------------|----------------------|--------------------------|
| Dr. P. K. Basu       | 4                    | 4                        |
| Mr. Dilip J. Thakkar | 4                    | 4                        |
| Mr. Chakor L. Doshi  | 4                    | 4                        |

Four Audit Committee Meetings were held during the year 2011-2012 on 22.11.2011, 09.02.2012, 04.05.2012, & 13.08.2012.

The necessary quorum was present for all the meetings.

Dr. P. K. Basu, Chairman of the Audit Committee was present at the Annual General Meeting held on 09.02.2012.

Managing Director & CEO, Managing Director, Sr. President, President (Finance & Commercial), Statutory Auditors and Vice President (Internal Audit) are the permanent invitee of the Audit Committee. Internal Independent Auditor and other members of the Senior Management have attended when invited to the meetings. Mr. G. S. Agrawal, Vice President (Legal & Taxation) & Company Secretary attended the meetings as Secretary of the Committee. All the members of the audit committee are financially literate and possess the requisite accounting and related financial management expertise.

**(4) Remuneration Committee:**

The Remuneration Committee comprises of Mr. Chakor L. Doshi and four Independent Directors viz., Dr. P. K. Basu, Mr. Dilip J. Thakkar, Mr. G. N. Bajpai and Dr. Anil Kakodkar. Dr. P. K. Basu is the Chairman of the Committee. Mr. G. S. Agrawal, Vice President (Legal & Taxation) & Company Secretary acts as Secretary to the Remuneration Committee. The Remuneration Committee of the Company reviews the remuneration of Managing/Executive Directors. The Chairman of the Remuneration Committee was present at the Annual General Meeting held on 09.02.2012.

Remuneration Policy: The remuneration of Managing/Whole-Time Directors is approved by the Remuneration Committee based on criteria such as industry benchmarks, Company's performance vis-à-vis industry performance/track record of the Managing/Whole Time Director/appointee and is reported to the Board of Directors.

The Non-Executive Directors do not draw any remuneration from the Company except as mentioned in Item No. 2 above. The total amount of sitting fees paid to Non-Executive Directors during the year was ₹ 12.40 Lakhs.

**Shareholding of Non-Executive Directors:**

Mr. Chakor L. Doshi holds 55,930 equity shares of the Company including 6,680 equity shares held by his HUF. No other Non-Executive Director holds any shares in the Company.

**Attendance of Directors at the Remuneration Committee Meeting held during the Financial Year:**

| Name of Director     | No. of Meetings held | No. of Meetings attended |
|----------------------|----------------------|--------------------------|
| Dr. P. K. Basu       | 2                    | 2                        |
| Mr. Dilip J. Thakkar | 2                    | 2                        |
| Mr. Chakor L. Doshi  | 2                    | 2                        |
| Mr. G. N. Bajpai     | 2                    | 2                        |
| Dr. Anil Kakodkar    | 2                    | 2                        |

During the year under review, two Remuneration Committee Meetings were held on 04.05.2012 and 13.08.2012.

The details of remuneration paid/provided for Mr. J. L. Deshmukh for the financial year ended September 30, 2012 is as follows:

Amount paid/payable (₹ in lakhs)

| Details                                 | Mr. J. L. Deshmukh<br>Managing Director & CEO |
|---|---|
| Salary                                  | 41.56   |
| Perquisites                             | 29.24   |
| Contribution to P.F. and Superannuation | 11.22   |
| Gratuity                                | 2.02  |
| Commission                              | 16.00   |
| Total                                   | 100.04  |



The additional information in respect of Mr. J. L. Deshmukh, Managing Director & CEO is as under:

|                  |                   |
|------------------|-------------------|
| Service Contract | : Five years.     |
| Notice Period    | : Six Months.     |
| Severance fees   | : Not Applicable. |
| Stock options    | : Not Applicable. |

The term of Mr. J. L. Deshmukh, as Managing Director & CEO of the Company will be expiring on 24th November, 2012. The Remuneration Committee in their Meeting held on 13th August, 2012 considered the request of Mr. J. L. Deshmukh, not to renew his term of appointment with the Company as Managing Director & CEO and appointed Mr. G. K. Pillai as Managing Director & CEO w.e.f. 25th November, 2012.

The details of remuneration paid/provided for Mr. Chirag C. Doshi for the financial year ended September 30, 2012 is as follows:

Amount paid/payable (₹ in lakhs)

| Details                                 | Mr. Chirag C. Doshi<br>Managing Director |
|---|--|
| Salary                                  | 35.10                                    |
| Perquisites                             | 26.73                                    |
| Contribution to P.F. and Superannuation | 9.48                                     |
| Gratuity                                | 1.73                                     |
| Commission                              | 16.00                                    |
| Total                                   | 89.04                                    |

The additional information in respect of Mr. Chirag C. Doshi, Managing Director is as under:

|                  |                   |
|------------------|-------------------|
| Service Contract | : Five years.     |
| Notice Period    | : Six Months.     |
| Severance fees   | : Not Applicable. |
| Stock options    | : Not Applicable. |

The term of Mr. Chirag C. Doshi, as Managing Director of the Company will be expiring on 24th November, 2012. The Remuneration Committee in their Meeting held on 13th August, 2012 considered the renewal of his term of appointment with the Company as Managing Director w.e.f. 25th November, 2012.

The Remuneration Committee also acts as Selection Committee by co-opting a suitable expert from respective

field to consider and approve cases falling under Section 314 of the Companies Act, 1956 and the Directors' Relatives (Office or Place of Profit) Rules, 2003.

#### (5) Shareholders' Grievance Committee:

Shareholders' Grievance Committee comprises of 2 Non-Executive Directors namely Mr. Chakor L. Doshi and Mr. Dilip J Thakkar. Mr. Chakor L. Doshi is the Chairman of the Committee. The composition of the Committee meets the requirement of the Clause 49 of the Listing Agreement. Mr. G. S. Agrawal, Vice President (Legal & Taxation) & Company Secretary and Compliance Officer acts as a Secretary of the Committee Meeting. The Committee is authorised to redress the Shareholder's and Investor's Complaints.

During the financial year 2011-12, 73 complaints were received from shareholders and were resolved as per details given hereunder:

| Sr. No. | Nature of query/ Complaint                            | Pending as on 01.10.11 | Received during the year | Redressed during the year | Pending as on 30.09.12 |
|---------|---|------------------------|--------------------------|---------------------------|------------------------|
| 1.      | Non Receipt of S.C. – Transfer                        | —                      | 8                        | 8                         | —                      |
| 2.      | Non Receipt of Dividend/ Interest/ Redemption Warrant | —                      | 44                       | 44                        | —                      |
| 3.      | Non Receipt of Annual Report                          | —                      | 2                        | 2                         | —                      |
| 4.      | Non Receipt of rejected DRF                           | —                      | 2                        | 2                         | —                      |
| 5.      | Non Receipt of Exchanged Cert                         | —                      | 6                        | 6                         | —                      |
| 6.      | Non Receipt of Bonus Certificate(s)                   | —                      | 5                        | 5                         | —                      |
| 7.      | Non Receipt of Rep/Spl/Con/Dup                        | —                      | 1                        | 1                         | —                      |
| 8.      | Others  | —                      | 5                        | 5                         | —                      |
|         | TOTAL   | —                      | 73                       | 73                        | —                      |

**Attendance of Directors at the Shareholders' Grievance Committee Meeting held during the financial year are as under:**

| Name of Director     | No. of Meeting held | No. of Meeting attended |
|----------------------|---------------------|-------------------------|
| Mr. Chakor L. Doshi  | 1                   | 1                       |
| Mr. Dilip J. Thakkar | 1                   | 1                       |

During the year under review, One Shareholders Grievance Committee Meeting was held on 22.11.2011. The necessary quorum was present at the meeting. Mr. G. S. Agrawal, Vice President (Legal & Taxation) & Company Secretary attended the meeting as Secretary of the Committee.

#### (6) Share Transfer Matters:

In order to ensure prompt service to Shareholders, the Board of Directors has given authority to Managing Director & CEO and Managing Director of the Company together with Link Intime India Pvt. Ltd., the Registrar & Share Transfer Agent of the Company to approve matters concerning share transfer/transmission, consolidation of shares etc. and all other functions as delegated to Shareholders Grievance Committee except replacement of lost/stolen/mutilated share certificates which is only approved by the Board of Directors of the Company. These matters are subsequently ratified by the Board of Directors. The Company did not have any Share Transfer application pending as on September 30, 2012.

In addition to above committees, the Board has constituted four more committees namely; Finance Committee, Allotment Committee, Committee of Directors for Capital Issue and Corporate Strategic Planning Committee. The composition, functions and attendance of members of the Committees are listed below:

#### (7) Finance Committee:

The Board of Directors formed Finance Committee to consider and approve borrowing proposals referred to it by the Board. During the financial year 2010-2011, the powers and responsibilities of Finance Committee were extended in respect of (i) Opening of new Bank Accounts and/or Closure of the Bank Accounts; (ii) Authorizing executives of the company to operate the bank accounts; (iii) Revision in Authorized Signatories to operate existing Bank Accounts of the company; (iv) Availing Internet Banking facilities including e-commerce and/or closure of Internet banking facilities, authorizing executives of the company to operate the said facilities and revision in authorized signatories for operating the said facilities; (v) Authorizing executives of the company for dealing in Forward Contracts on behalf of the Company and authorize the executives for executing the documents under Common Seal of the Company for availing the said facilities, from time to time. The Committee comprises of four Directors viz. Mr. Chakor L. Doshi, Mr. Dilip J. Thakkar, Mr. G. N. Bajpai and Mr. J. L. Deshmukh. Mr. Chakor L. Doshi is Chairman of the Committee. During the financial year 2011-12 under review, five meetings of Finance Committee were held on 22.11.2011, 09.02.2012, 04.05.2012, 13.08.2012 and 30.08.2012.

#### Attendance of Directors at the Finance Committee Meeting held during the financial year are as under:

| Name of Director     | No. of Meetings held | No. of Meetings attended |
|----------------------|----------------------|--------------------------|
| Mr. Chakor L. Doshi  | 5                    | 5                        |
| Mr. Dilip J. Thakkar | 5                    | 5                        |
| Mr. G. N. Bajpai     | 5                    | 5                        |
| Mr. J. L. Deshmukh   | 5                    | 4                        |

Mr. G. S. Agrawal, Vice President (Legal & Taxation) & Company Secretary attended the meetings as Secretary of the Committee.

#### (8) Allotment Committee:

The Board of Directors constituted Allotment Committee for the purpose of allotment of equity shares on conversion of warrants to specified allottees as approved by the shareholders by passing Special Resolution.

The Committee comprises of three Directors viz. Mr. Dilip J. Thakkar, Mr. G. N. Bajpai and Mr. Chakor L. Doshi. Mr. Dilip J. Thakkar is Chairman of the Committee. During the financial year 2011-12 under review, no meeting of the Allotment Committee was held.

#### (9) Committee of Directors for Capital Issue:

The Board of Directors had constituted 'Committee of Directors for Capital Issue' ('Committee') with regard to create, offer, issue and allot in one or more tranche(s), in one or more foreign markets or domestic markets, to persons and entities whether such persons and/or entities are shareholders of the Company or not, including to Qualified Institutional Buyers, as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as may be amended from time to time, ("SEBI Regulations"), (collectively "Investors").

The Committee comprises of four Directors viz. Mr. Chakor L. Doshi, Mr. Dilip J. Thakkar, Mr. J. L. Deshmukh and Mr. Chirag C. Doshi. Mr. Chakor L. Doshi is Chairman of the Committee. During the financial year 2011-12 under review, no meeting of the Committee of Directors for Capital Issue was held.

#### (10) Corporate Strategic Planning Committee:

The Board of Directors had constituted 'Corporate Strategic Planning Committee' for overseeing and facilitating the development and implementation of the Company's corporate strategy including Long and Short term plans.

The Committee comprises of five Directors viz. Dr. Anil Kakodkar, Mr. G. N. Bajpai, Mr. Chakor L. Doshi, Mr. J. L. Deshmukh and Mr. Chirag C. Doshi. Dr. Anil Kakodkar is Chairman of the Committee. During the financial year 2011-12 under review, no meeting of the Corporate Strategic Planning Committee was held.



**(11) General Body meetings:****(i) Location and time, where last three AGMs held:**

| Year    | Venue   | Date       | Time       |
|---------|---|------------|------------|
| 2008-09 | Walchand Hirachand Hall, IMC Building, Churchgate, Mumbai - 400 020 | 20.01.2010 | 03.00 p.m. |
| 2009-10 | Walchand Hirachand Hall, IMC Building, Churchgate, Mumbai - 400 020 | 10.02.2011 | 04.00 p.m. |
| 2010-11 | Walchand Hirachand Hall, IMC Building, Churchgate, Mumbai - 400 020 | 09.02.2012 | 04.00 p.m. |

**(ii) Location and time, where Extra Ordinary General Meetings were held in last three years:**

| Year    | Venue   | Date       | Time       |
|---------|---|------------|------------|
| 2009-10 | Walchand Hirachand Hall, IMC Building, Churchgate, Mumbai - 400 020 | 25.11.2009 | 12.00 Noon |

**(iii) Special resolutions passed in the previous three AGMs:**

## ➤ 2008-09

- Resolution Number 6, Resolution under Section 314 of the Companies Act, 1956 to accord consent of the shareholders of the Company to Mr. Chakor L. Doshi, Chairman of the Company to continue to provide professional service as Advisor/Consultants to the Company.
- Resolution Number 7, Resolution under Section 314 of the Companies Act, 1956 to accord consent of the shareholders of the Company to Mrs. Tanaz C. Doshi to hold and continue to hold an office or place of Profit in the Company with the designation as Special Executive and increase in the remuneration.

All resolutions including special resolutions were passed by the members of the Company. No postal Ballots were used for voting at these meetings.

**(12) Disclosures:**

- (i) *Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, their Subsidiaries or Relatives, etc. that may have potential conflict with the interests of the Company at large:*

The Audit Committee and the Board consider periodically the statement of related party transactions with details together with the basis at their meetings. However, these transactions are not likely to have any conflict with the interest of the Company.

As required by the Accounting Standards AS-18, the details of related party transactions are given in Note No. 31 to the Notes on the Financial Statements for the year ended September 30, 2012.

- (ii) *Management Disclosures:*

The Senior Management personnel have made disclosures to the Board relating to all material financial and commercial transactions, if any, where they may have personal interest that may have a potential conflict with the interest of the Company at large. Based on the disclosures received, none of the Senior Management personnel has entered into any such transactions during the year.

- (iii) *Details of non-compliance by the Company, penalties and strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authorities, on any matter related to Capital markets during last three years:*

None.

- (iv) *Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.*

The Company has complied with all the mandatory requirements on the Corporate Governance as specified in Annexure ID to the Clause 49 of the Listing Agreement with the Stock Exchanges and the Company has fulfilled the following non-mandatory requirements as prescribed in Annexure ID to the Clause 49 of the Listing Agreement with the Stock Exchanges:

1. Chairman of the Board:

The Chairman's Office with required facilities is provided and maintained at Company's expense for use by its Non-Executive Chairman.

2. Other Committees:

The Company has constituted 5 more committee viz. Remuneration Committee, Finance Committee, Allotment Committee, Committee of Directors for Capital Issue and Corporate Strategic Planning Committee of the Board of Directors of the Company.

(v) *Corporate Identity Number (CIN):*

The Corporate Identity Number of the Company allotted by the Ministry of Corporate Affairs, Government of India is L74999MH1908PLC000291.

(vi) *Compliance Certificate from Auditors on Corporate Governance:*

Certificate from Statutory Auditors M/s. K. S. Aiyar & Co, Chartered Accountants confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

(vii) *Reconciliation of Share Capital Audit report (formerly known as Secretarial Audit Report) and Certificate of Compliance with Clause 47(c) of the Listing Agreement:*

The SEBI vide Circular No. CIR/MRD/DP/30/2010 dated 6th September, 2010 has modified the terminology of 'Secretarial Audit', as '**Reconciliation of Share Capital Audit**'. A qualified practicing company secretary has carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and total issued and listed capital. The 'Reconciliation of Share Capital Audit' (formerly known as Secretarial Audit Report) confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of Dematerialized shares held with NSDL and CDSL. The audit is carried out by M/s. V. N. Deodhar & Co., Practicing Company Secretaries every quarter and report thereon is submitted to the Stock Exchanges along with half yearly Compliance Certificate as per Clause 47(c) of the Listing Agreement and placed before the Board of Directors.

(viii) *Risk Management Framework:*

The Company has laid down procedures to apprise the Board of Directors regarding key risk assessment and risk mitigation mechanisms and the same has been reviewed periodically to ensure that executive management control risk through means of a properly defined framework.

(ix) *Proceeds from Public Issues, rights issues, preferential issues etc.:*

During the financial year 2007-08, the Company had converted 8,00,000 convertible warrants issued on preferential basis. The Company has received entire amount of ₹ 5,072 Lakhs on conversion of the warrants into equity shares. The Company has utilized ₹ 1,516 Lakhs for capital expenditure, ₹ 2,780 Lakhs for working capital and the balance amount ₹ 776 Lakhs has been invested in Liquid & Debt schemes of Mutual Funds and Fixed Maturity Plans.

**(13) Means of Communication:**

- (i) Quarterly, Half Yearly and Annual Results are published in All India Edition of Financial Express in English & Mumbai Lakshadeep in Marathi News papers from Mumbai.
- (ii) The quarterly, half yearly and annual results and shareholding pattern are also posted on the website of the Company (www.walchand.com) and on the Corporate Filing (CORP filing) and Dissemination system which is excel based software at www.corpfiling.co.in. The Shareholding Pattern and Corporate Governance Report are also filed electronically on NSE Electronic Application Processing System (NEAPS), web based application designed for corporate at <https://www.connect2nse.com/LISTING/>.
- (iii) Green Initiative:

In support of the "Green Initiative" undertaken by Ministry of Corporate Affairs, the Company had during the year 2011-12 sent various communications including the Annual Report for F.Y. 2010-11, intimation of dividend for the year ending September 30, 2011, by email to those shareholders whose email addresses were made available to the depositories or the Registrar and Transfer Agents. Physical copies were sent to only those shareholders whose email addresses were not available and for the bounced email cases and who have specifically requested for the same.

**As a responsible citizen, your Company strongly urges you to support the Green Initiative by registering/updating your email addresses with the Depositories Participants or the Registrar and Transfer Agents for receiving soft copies of various communications including the Annual Reports.**

- (iv) The Company has designated investors@walchand.com as an email id for the purpose of registering complaints by investors and displayed the same on the Company's website.
- (v) "Management Discussion and Analysis" is given as Annexure 'A' to the Directors' Report.
- (vi) No presentations were made to institutional investors or to the analysts during the year.

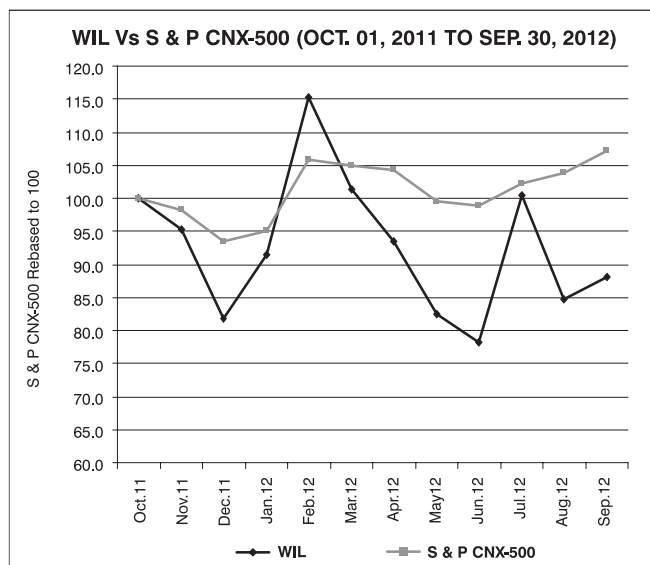
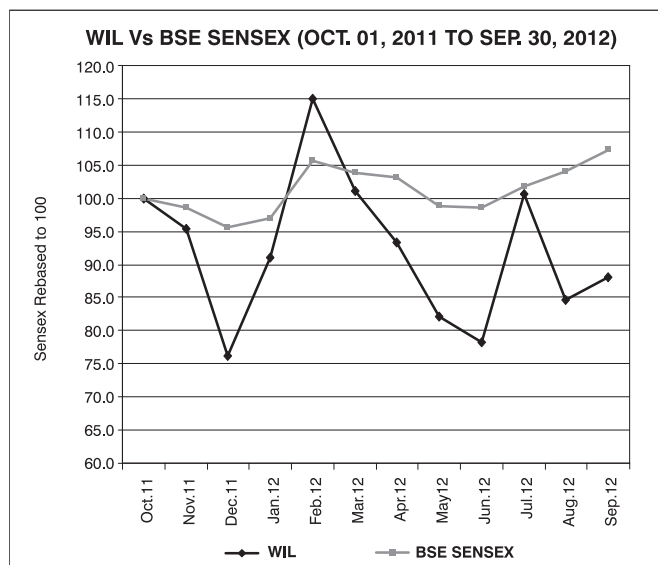
**(14) General Shareholder information:**

- (i) AGM : Date, Time & Venue : 31st January, 2013 – 4.00 p.m.  
Walchand Hirachand Hall,  
Indian Merchants' Chambers Building,  
Churchgate,  
Mumbai – 400 020
- (ii) Financial Calendar : The Company follows October to September as its Financial Year. The results for every quarter beginning from October are declared within 45 days from the end of the quarter except for the last quarter, for which Annual Audited Results are declared within the period of 60 days from the end of the quarter as per Clause 41 under the Listing Agreement.
- (iii) Date of Book Closure : 25th January, 2013 to 31st January, 2013  
(Both days inclusive)
- (iv) Dividend payment date : 15th February, 2013
- (v) Listing on Stock Exchanges : Bombay Stock Exchange Ltd. & National Stock Exchange of India Ltd. The Listing fees for the year 2012-2013 have been paid to both the Stock Exchanges.
- (vi) Stock Code : 507410 (BSE) and WALCHANNAG (NSE)
- (vii) Market Price Data : High, Low : BSE/NSE  
during each month in last  
financial year

(Amount in ₹)

| Month  | BSE    |       | SENSEX    | NSE    |       | S & P<br>CNX-500 |
|--------|--------|-------|-----------|--------|-------|------------------|
|        | High   | Low   | Closing   | High   | Low   | Closing          |
| Oct-11 | 91.45  | 82.35 | 17,705.01 | 91.50  | 82.00 | 4,215.90         |
| Nov-11 | 95.50  | 70.20 | 16,123.46 | 95.30  | 70.00 | 3,811.25         |
| Dec-11 | 75.25  | 57.00 | 15,454.92 | 81.00  | 61.00 | 3,597.75         |
| Jan-12 | 97.50  | 60.60 | 17,193.55 | 98.00  | 60.80 | 4,082.85         |
| Feb-12 | 111.40 | 88.25 | 17,752.68 | 111.40 | 88.55 | 4,275.55         |
| Mar-12 | 97.10  | 78.50 | 17,404.20 | 97.50  | 78.50 | 4,221.80         |
| Apr-12 | 88.75  | 73.30 | 17,318.81 | 88.90  | 73.35 | 4,178.35         |
| May-12 | 79.50  | 63.20 | 16,218.53 | 79.90  | 63.10 | 3,913.05         |
| Jun-12 | 71.40  | 64.75 | 17,429.98 | 71.20  | 64.65 | 4,170.65         |
| Jul-12 | 105.75 | 69.05 | 17,236.18 | 105.70 | 68.40 | 4,126.45         |
| Aug-12 | 80.80  | 66.20 | 17,429.56 | 80.00  | 66.90 | 4,129.90         |
| Sep-12 | 84.40  | 68.50 | 18,762.74 | 84.80  | 68.00 | 4,504.35         |

(viii) Performance in comparison : The Chart shows the performance of the Company's Shares at BSE and NSE as compared to BSE SENSEX and S & P CNX - 500 during the year 2011-2012:



(ix) Registrar and Transfer Agents

: M/s. Link Intime India Pvt. Ltd.  
 Unit: Walchandnagar Industries Ltd.  
 C-13, Pannalal Silk Mills Compound, L.B.S. Marg,  
 Bhandup (W), Mumbai 400 078  
 Ph. No. (022) 25963838  
 Fax No. (022) 25946969  
 e-mail id: mumbai@linkintime.co.in

(x) Share Transfer System

: Shareholders are permitted to hold shares in Physical form or in Demat Form. In case of Physical form, shareholders are informed to lodge the shares for transfer purpose to the Registrars and Share Transfer Agents and the Company is taking care to ensure that share transfer work gets completed as early as possible and not later than 15 days period. The transfers are being approved once in a week. In case the shares are transferred through Demat mode, the procedure is adopted as stated in Depositories Act, 1996.

(xi) (a) Shareholding Pattern as on September 30, 2012

| Category  | No. of Shares     | %             |
|---|-------------------|---------------|
| Promoters & Directors, Directors Relatives/HUF & Group Companies/Group Trusts | 20,938,613        | 55.00         |
| Mutual Funds & Unit Trust of India  | 6,500             | 0.02          |
| Banks, Financial Institutions, State Government                               | 194,990           | 0.51          |
| Insurance Companies   | 2,296,200         | 6.03          |
| Private Corp. Bodies & Clearing Members                                       | 1,858,909         | 4.88          |
| NRI/OCB/FII/FN  | 216,091           | 0.57          |
| Public (Resident Indians/Trusts)  | 12,558,902        | 32.99         |
| <b>Total</b>  | <b>38,070,205</b> | <b>100.00</b> |

(b) Distribution of shareholding  
as on September 30, 2012

| Shareholding of nominal value of ₹ | Number of Shareholders | % to Total      | Amount in ₹       | % to Total      |
|------------------------------------|------------------------|-----------------|-------------------|-----------------|
| 1 to 5000                          | 84,590                 | 99.2293         | 20,156,420        | 26.4727         |
| 5001 to 10000                      | 410                    | 0.4810          | 2,936,400         | 3.8566          |
| 10001 to 20000                     | 142                    | 0.1666          | 2,053,948         | 2.6976          |
| 20001 to 30000                     | 45                     | 0.0528          | 1,103,644         | 1.4495          |
| 30001 to 40000                     | 15                     | 0.0176          | 541,810           | 0.7116          |
| 40001 to 50000                     | 6                      | 0.0070          | 272,836           | 0.3583          |
| 50001 to 100000                    | 23                     | 0.0270          | 1,520,500         | 1.9970          |
| 100001 onwards                     | 16                     | 0.0188          | 47,554,852        | 62.4568         |
| <b>Total</b>                       | <b>85,247</b>          | <b>100.0000</b> | <b>76,140,410</b> | <b>100.0000</b> |

(xii) Dematerialization of Shares and Liquidity

: As stated earlier, the Company's shares are listed on the Stock Exchanges. As per the SEBI notifications, trading in Company's shares has been made compulsorily in Dematerialised form w.e.f. 26th December, 2000 and Company's Registrar & Transfer Agents have connectivity with NSDL & CDSL. The ISIN No. is INE711A01022. As on September 30, 2012, 3,67,93,019 equity shares representing 96.65% of the total shares have been Dematerialised. The members holding shares in physical form are requested to get the shares converted into demat form as per the prescribed procedure. The shares of the Company are traded in the "B" group and Index "BSE SMALL-CAP".

(xiii) National ECS Facility

: As per RBI notification, with effect from October 1, 2009 the remittance of money through ECS is replaced by National Electronic Clearing Services (NECS) and banks have been instructed to move to the NECS platform.

NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solution (CBS) for centralized processing of inward instructions and efficiency in handling bulk transaction.

In this regard, shareholders holding shares in electronic form are requested to furnish the new 10-digit Bank Account Number allotted to you by your bank along with photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP). Please send these details to the Company/Registrars, if the shares are held in physical form, immediately.

If your bank particulars have changed for any reason, please arrange to register the NECS with the revised bank particulars.

The Company will use the NECS mandate for remittance of dividend either through NECS or other electronic modes failing which the bank details available with Depository Participant will be printed on the dividend warrant. All the arrangements are subject to RBI guidelines, issued from time to time.

(xiv) Unclaimed Dividends

: Under the Companies Act, 1956, Dividends that are unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund administered by the Central Government. After completion of seven years, no claims shall lie against the said Fund or the Company for the amounts of Dividend so transferred nor shall any payment be made in respect of such claims.

- : Separate intimation has been given in the notice convening 104th Annual General Meeting, a part of this 104th Annual Report. Members are requested to utilize this opportunity and get in touch with Company's Registrar and Share Transfer Agent, M/s. Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078 for encashing the unclaimed Dividend for the financial year 2004-2005 and for subsequent years standing to the credit of their account.
- The details of Unclaimed amount of Dividend/matured Fixed Deposit/matured Interest on Fixed Deposit are now available on the website of the Company and MCA website i.e. [www.mca.gov.in](http://www.mca.gov.in).
- (xv) Unclaimed Equity Shares : SEBI by circular no: CIR/CFD/DIL/10/2010 dated December 16, 2010 has amended Clause 5A of the Listing Agreement to provide that shares held physically which may have remained unclaimed by shareholders due to insufficient/incorrect information or for any other reason should be transferred in demat mode to one folio in the name of "Unclaimed Suspense Account" with one of the Depository Participants. The Company has sent three reminders as required in the Clause 5A to the concerned shareholders and is taking steps to open "Unclaimed Suspense Account" for transferring the unclaimed shares into that Account.
- (xvi) Outstanding GDRs/ADRs/Warrants or any other Convertible Instruments, Conversion date and likely impact on equity : No instrument is outstanding for allotment or conversion.
- (xvii) Plant Locations : The Company currently has 3 plants located as follows:
1. Walchandnagar, Dist. Pune, Maharashtra
  2. Satara Road, Dist. Satara, Maharashtra
  3. Attikola Dharwad, Karnataka
- (xviii) Address for correspondence
- (a) For Correspondence relating to shares : Link Intime India Pvt. Ltd.  
Unit: Walchandnagar Industries Ltd.,  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W), Mumbai 400 078  
Ph. No. (022) 25963838 Fax No. (022) 25946969  
Email : [mumbai@linkintime.co.in](mailto:mumbai@linkintime.co.in)
- (b) For other matters (At Company's registered Office) : Walchandnagar Industries Ltd.  
3, Walchand Terraces  
Tardeo Road, Mumbai 400 034  
Tel: 022 40287110  
Fax: 022 23634527  
Email: [investors@walchand.com](mailto:investors@walchand.com); [gsagrawal@walchand.com](mailto:gsagrawal@walchand.com)
- (xix) Company Website : The Company has its website namely [www.walchand.com](http://www.walchand.com). The website provides detailed information about the Company, its products and services offered, locations of its corporate offices and various sales offices etc. The Quarterly Results, Annual Reports and Shareholding patterns are updated on the website of the Company.
- (xx) Prevention of Insider Trading : In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations 1992, the Company has instituted a comprehensive Code of Conduct for Prohibition of Insider Trading in the Company's Shares.

### **DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT**

Compliance of Code of Conduct for Directors and Senior Management Personnel pursuant to amended provision of Clause 49 of the Listing Agreement.

The Board laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company on 1st March, 2005. The Code of Conduct was also posted on the Website of the Company.

All the Board Members and Senior Management Personnel affirmed that they have complied with the said Code of Conduct on an annual basis in respect of the financial year ended 30-09-2012.

*Date: 23rd November, 2012*

**J. L. Deshmukh**  
*Managing Director & CEO*

### **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To,  
The Members  
**Walchandnagar Industries Limited**

We have examined the compliance of conditions of Corporate Governance by Walchandnagar Industries Limited for the year ended 30th September, 2012 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 and the representations made by the Directors and the management, we certify that the Company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

**For K. S. Aiyar & Co.**  
*Chartered Accountants*  
FRN 100186W

**Satish K. Kelkar**  
*Partner*  
Membership No. 38934

Place : Mumbai  
*Dated : 23rd November, 2012*



**ANNEXURE "C" TO THE DIRECTORS' REPORT (ADDITIONAL INFORMATION GIVEN IN TERMS OF NOTIFICATION NO. 1029 OF 31-12-1988 ISSUED BY THE DEPARTMENT OF COMPANY AFFAIRS) (DISCLOSURES)**

**(A) CONSERVATION OF ENERGY**

- (a) Energy Conservation measures taken:
- (1) Installation of Thyristorised controlled electrical furnaces at plant for Solution Annealing Furnace & Stress relieving furnace.
  - (2) Installation of Air Compressors with variable frequency drives to reduce power consumption.
  - (3) Installed Metal Halide industrial lamp fittings. These lamps are energy efficient as compared to High Pressure Mercury Vapour lamps.
  - (4) Installation of inverter based welding equipments.
- (b) Energy Conservation Measures Proposed:
- (1) To control current Harmonious Distortions injected on account of non linear nature of electric load. This will improve the power factor from 0.95 to 0.98.
  - (2) Upgradation of stress relieving furnace from present heat resistant brick lining to ceramic blanket lining, which will reduce fuel consumption per charge.
  - (3) Providing layer of insulation cover to all electrical furnaces to prevent heat losses.

**(B) TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT**

**(1) Specific areas in which R&D has been carried out by the Company:**

- New Product Development
- Import Substitution
- Process/Equipment Developments
- Value Engineering and Value Analysis (VEVA)

**(2) Benefits derived as a result of R&D:**

- Development of Advanced Sodium to Air Heat Exchanger for Nuclear applications.
- Design & Manufacturing of Moderator Heat Exchanger for Nuclear Application.
- Development of Double Walled Spherical Vessel for BARC.
- Development of Planetary Gear box for cement mills (2900 kw)
- Design & Manufacturing of Slide Shoe Mill with central drive arrangement (3500 kw).
- Development of Water Spray arrangement to central drive clinker grinding mill.

**(3) Future Plan of Action**

Develop the processes for critical equipments for Defense and Nuclear jobs, for improving productivity.

**Expenditure on R&D**

₹ in Lakhs

|                                   |        |
|-----------------------------------|--------|
| Capital (Development Expenditure) | 121.00 |
| Recurring                         | 25.30  |
| Total                             | 146.30 |
| Total R&D Expenditure             |        |
| Percentage to turnover            | 0.17   |

**(4) Imported technology (imported during last 5 years reckoned from the beginning of the financial year):**

- (i) (a) Technology import  
Foster Wheeler North America Corporation, New Jersey, USA for High Pressure Stroker Fired Boilers:  
(b) Year of Collaboration – 2008-2009.  
(c) We have already started manufacturing and executing high pressure boilers.
- (ii) (a) Kawasaki Heavy Industries Ltd. Tokyo, Japan  
(b) Year of collaboration : 2010-11  
(c) We have already started getting enquiries for air supported Belt Conveyors and Parts thereof.
- (iii) (a) Earthtechnica Co. Ltd. Tokyo, Japan.  
(b) Year of Collaboration : 2011-12  
(c) We have already started getting enquires for super breaker for lime stone crushing and parts thereof.

Technology absorption, adaptation and innovations:

- (1) Efforts in brief made towards technology absorptions:
  - Continuous monitoring of technology trends.
  - Continuous interaction & exchange of information.
  - Deputing engineers abroad for interaction & exchange of information.
  - Development efforts for technology adaptations in new Areas.
- (2) Benefits derived as a result of above efforts:
  - Improvement in manufacturing methods and quality standards.
  - Enhancing engineering skills.
  - Development of energy efficient, cost effective & high performance engineering products.

**(C) FOREIGN EXCHANGE EARNING AND OUTGO**

Foreign exchange used and earned:

|                             |                  |
|-----------------------------|------------------|
| Earning in Foreign Exchange | ₹ 29867.09 Lakhs |
| Foreign Exchange Outgo      | ₹ 7954.84 Lakhs  |

## Auditors' Report

To the Members,  
**Walchandnagar Industries Ltd.**

We have audited the attached Balance Sheet of **Walchandnagar Industries Limited**, as at 30th September, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto, in which are incorporated the returns of the divisions at Zambia and Ethiopia audited by overseas local auditors and relied on by us.

1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the divisions at Zambia and Ethiopia not visited by us. The divisions' overseas Auditors' Reports have been forwarded to us and appropriately dealt with;

- (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the divisions at Zambia and Ethiopia;
- (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on 30th September 2012 and taken on record by the Board of Directors, we report that none of the Directors of the Company are disqualified as on 30th September 2012, from being appointed as a Director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2012;
- (b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For K. S. Aiyar & Co.**  
*Chartered Accountants*  
**FRN 100186W**

**Satish K. Kelkar**  
*Partner*

Place : Mumbai  
Date : November 23, 2012

Membership No. 38934

## ANNEXURE TO THE AUDITOR'S REPORT

### Referred to in paragraph 3 of our report of even date,

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of the Fixed Assets.
- (b) The Company has a programme for physical verification of the Fixed Assets, which in our opinion is reasonable having regards to the nature of the business. Accordingly, the Fixed Assets have been physically verified by the Management at the end of the year and no material discrepancies were noticed on such verification.
- (c) The Fixed Assets disposed off during the year were not substantial. According to the information and explanation given to us; we are of the opinion that the disposal of the Fixed Assets has not affected the going concern status of the Company.
- (ii) (a) The Management has conducted physical verification of the inventory at reasonable intervals other than material lying with sub-contractors, which have been substantially confirmed by them.
- (b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business
- (c) The Company has maintained proper records of inventory and no material discrepancies were noticed on physical verification as compared to the book records.
- (iii) The Company has not granted/taken any secured or unsecured loans to/from Companies, Firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, sub-clauses (b), (c), (d), (e), (f) and (g) of clause(iii) of the said Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 and exceeding the value of ₹ Five lakhs in respect of any party during the year

have been made at price which are reasonable having regard to prevailing market prices at the relevant time.

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. As informed to us, no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any other court or any other tribunal.
- (vii) In our opinion, Company has an internal audit system commensurate with size and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales-Tax, Wealth Tax, Service Tax, Custom Duty, Excise-Duty and Cess and other material statutory dues applicable to it. There are no undisputed outstanding dues in respect of the above items which are more than six months as at the balance sheet date.
- (b) According to the information and explanations given to us, the disputed statutory dues on account of Sales Tax, Income-Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess that have not been deposited on account of matters pending before appropriate authority are as follows:

| Name of the Statute      | Nature of Dues  | Amount (₹ in Lakhs)                         | Period to which the amount relates | Forum where dispute is pending |
|--------------------------|---|---|------------------------------------|--------------------------------|
| Central Excise Act, 1944 | Denial of exemption availed under notification No. 6/2002, for supply of biomass based boilers                          | 266.19 (Net of CENVAT reversal and payment) | March, 2000 to March, 2004         | CESTAT, Mumbai                 |
| Central Excise Act, 1944 | Excise duty demand on bought out items supplied for centrifugals, which have already suffered duty at manufacturers end | 82.45 (Net of CENVAT reversal and payments) | June, 1983 to April, 2005          | Supreme Court, Delhi           |

| Name of the Statute           | Nature of Dues   | Amount (₹ in Lakhs) | Period to which the amount relates | Forum where dispute is pending                 |
|-------------------------------|--|---------------------|------------------------------------|--|
| Maharashtra Land Revenue Code | NA Tax (₹ 20 lakhs paid under protest)   | 86.61               | 1982 to 2003                       | Collector of Pune                              |
|                               | NA Tax   | 16.18               | 1982 to 2003                       | SDO, Baramati                                  |
|                               | NA Tax   | 58.58               | 1994-2003                          | SDO, Baramati                                  |
| Central Sales Tax Act, 1956   | The exemption from Tax for transit sale, u/s. 6(2)(b) is denied. Paid ₹ 30 lakhs under protest | 159.83              | 2005-06                            | Joint Commissioner of Sales Tax (Appeal), Pune |
| Service Tax                   | Demand on value addition of bought out Items (amount paid under protest ₹ 28.76 lakhs)         | 362.65              | 2006-10                            | CESTAT, Kolkata                                |

- (x) The Company does not have any accumulated losses as at the end of the financial year and has not incurred any cash losses in the current year or in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to the financial institutions or banks or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The term loans have been applied for the purposes for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us during the period covered by our audit report, the Company has not made any preferential allotment of shares to the parties and companies covered under the register maintained u/s. 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us during the period covered by our audit report, the Company has not issued any debentures.
- (xx) According to the information and explanations given to us during the period covered by our audit report, the Company has not raised any money by public issue.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For K. S. Aiyar & Co.**  
Chartered Accountants  
**FRN 100186W**

**Satish K. Kelkar**  
Partner

Place : Mumbai  
Date : November 23, 2012

Membership No. 38934

## BALANCE SHEET AS AT SEPTEMBER 30, 2012

|   | Note No. | As at<br>September 30,<br>2012 | ₹ in Lakhs<br>As at<br>September 30,<br>2011 |
|---|----------|--------------------------------|--|
| <b>I. EQUITY AND LIABILITIES</b>                                  |          |                                |  |
| SHAREHOLDERS' FUNDS   |          |                                |  |
| (a) Share Capital   | 2        | 761.40                         | 761.40                                       |
| (b) Reserves and Surplus  | 3        | 39,502.90                      | 39,934.99                                    |
|   |          | <b>40,264.30</b>               | 40,696.39                                    |
| NON-CURRENT LIABILITIES   |          |                                |  |
| (a) Long-Term Borrowings  | 4        | 2,127.37                       | 3,713.88                                     |
| (b) Deferred Tax Liabilities (Net)                                | 5        | 337.10                         | 482.87                                       |
| (c) Other Long Term Liabilities                                   | 6        | 26,499.53                      | 25,684.80                                    |
| (d) Long Term Provisions  | 7        | 205.50                         | 84.95  |
|   |          | <b>29,169.50</b>               | 29,966.50                                    |
| CURRENT LIABILITIES   |          |                                |  |
| (a) Short-Term Borrowings   | 8        | 16,541.98                      | 9,983.48                                     |
| (b) Trade Payables  | 9        | 22,336.29                      | 25,234.46                                    |
| (c) Other Current Liabilities                                     | 10       | 16,425.69                      | 18,608.51                                    |
| (d) Short Term Provisions   | 7        | 771.81                         | 728.29                                       |
|   |          | <b>56,075.77</b>               | 54,554.74                                    |
| <b>TOTAL</b>  |          | <b>125,509.57</b>              | 125,217.63                                   |
| <b>II. ASSETS</b>   |          |                                |  |
| NON-CURRENT ASSETS  |          |                                |  |
| (a) Fixed Assets:   |          |                                |  |
| (I) Tangible Assets   | 11       | 29,659.82                      | 28,688.76                                    |
| (II) Intangible Assets  | 11       | 451.48                         | 752.84                                       |
| (III) Capital Work-in-Progress                                    | 11       | 2,195.30                       | 4,381.43                                     |
| (IV) Intangible Assets under Development                          | 11       | 109.65                         | —  |
|   |          | <b>32,416.25</b>               | 33,823.03                                    |
| (b) Non-Current Investments                                       | 12       | 135.65                         | 135.65                                       |
| (c) Foreign Currency Monetary Item Translation Difference Account | 15       | 156.74                         | —  |
| (d) Long-Term Loans and Advances                                  | 13       | 349.42                         | 543.56                                       |
| (e) Other Non-Current Assets                                      | 14.2     | 137.00                         | 137.00                                       |
|   |          | <b>778.81</b>                  | 816.21                                       |
| CURRENT ASSETS  |          |                                |  |
| (a) Current Investments   | 16       | 1,854.09                       | 1,729.11                                     |
| (b) Inventories   | 17       | 31,439.34                      | 28,974.82                                    |
| (c) Trade Receivables   | 14.1     | 43,909.13                      | 39,766.73                                    |
| (d) Cash and Bank Balances  | 18       | 1,853.79                       | 2,951.88                                     |
| (e) Short-Term Loans and Advances                                 | 13       | 13,228.72                      | 17,136.83                                    |
| (f) Other Current Assets  | 14.2     | 29.44                          | 19.02  |
|   |          | <b>92,314.51</b>               | 90,578.39                                    |
| <b>TOTAL</b>  |          | <b>125,509.57</b>              | 125,217.63                                   |
| Significant Accounting Policies                                   | 1        | —                              | —  |

As per our report attached

For K. S. AIYAR & Co.

Chartered Accountants

FRN: 100186W

Satish K. Kelkar

Partner

Membership No. 38934

G. S. Agrawal

Vice President (Legal & Taxation)  
& Company Secretary

J. L. Deshmukh  
Managing Director &  
Chief Executive Officer

Chirag C. Doshi  
Managing Director

Hari Narayan  
President (Finance & Commercial)

Chakor L. Doshi  
Chairman

Dilip J. Thakkar  
Director

Place : Mumbai

Date : 23rd November, 2012

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED SEPTEMBER 30, 2012**

|   | Note No. | Year ended<br>September 30,<br>2012 | ₹ in Lakhs<br>Year ended<br>September 30,<br>2011 |
|---|----------|-------------------------------------|---|
| <b>I. Revenue from Operations</b>   | 19       | <b>89,601.39</b>                    | 97,493.80   |
| Less: Excise Duty   |          | <b>1,725.94</b>                     | 1,726.45  |
|   |          | <b>87,875.45</b>                    | 95,767.35   |
| <b>II. Other Income</b>   | 20       | <b>1,370.78</b>                     | 663.77  |
| <b>III. TOTAL REVENUE (I + II)</b>  |          | <b>89,246.23</b>                    | 96,431.12   |
| <b>IV. Expenditure:</b>   |          |                                     |   |
| Cost of Materials Consumed  | 21       | <b>51,605.98</b>                    | 59,012.77   |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade         | 22       | <b>(1,903.11)</b>                   | (6,827.39)  |
| Employee Benefit Expenses   | 23       | <b>9,367.97</b>                     | 7,843.60  |
| Finance Costs   | 24       | <b>2,228.63</b>                     | 1,486.29  |
| Depreciation and Amortization Expenses  | 25       | <b>1,797.88</b>                     | 1,589.44  |
| Other Expenses  | 26       | <b>23,250.54</b>                    | 30,248.52   |
| Exchange Currency Fluctuation (Gain)/Loss   |          | <b>678.45</b>                       | 1,382.47  |
| <b>TOTAL EXPENSES</b>   |          | <b>87,026.34</b>                    | 94,735.70   |
| <b>V. Profit/(Loss) before exceptional and extraordinary items and tax (III - IV)</b> |          | <b>2,219.89</b>                     | 1,695.42  |
| <b>VI. Exceptional Items</b>  | 27       | <b>529.02</b>                       | —   |
| <b>VII. PROFIT/(LOSS) BEFORE EXTRAORDINARY ITEMS AND TAX (V - VI)</b>                 |          | <b>1,690.87</b>                     | 1,695.42  |
| <b>VIII. Extraordinary Items</b>  |          | —                                   | —   |
| <b>IX. PROFIT/(LOSS) BEFORE TAX (VII - VIII)</b>                                      |          | <b>1,690.87</b>                     | 1,695.42  |
| <b>X. Tax expense:</b>  |          |                                     |   |
| (1) Current tax   |          | <b>624.00</b>                       | 522.50  |
| (2) Deferred tax  |          | <b>(145.77)</b>                     | (106.86)  |
| <b>XI. PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>                    |          | <b>1,212.64</b>                     | 1,279.78  |
| <b>XII. Profit/(Loss) from discontinuing operations</b>                               |          | —                                   | —   |
| <b>XIII. Tax expense of discontinuing operations</b>                                  |          | —                                   | —   |
| <b>XIV. Profit/(Loss) from Discontinuing operations after tax (XII - XIII)</b>        |          | —                                   | —   |
| <b>XV. PROFIT/(LOSS) FOR THE PERIOD (XI + XIV)</b>                                    |          | <b>1,212.64</b>                     | 1,279.78  |
| <b>XVI. EARNINGS PER EQUITY SHARE OF FACE VALUE OF ₹ 2 EACH</b>                       |          |                                     |   |
| (1) Basic   | 28       | <b>3.19</b>                         | 3.36  |
| (2) Diluted   | 28       | <b>3.19</b>                         | 3.36  |

As per our report attached

For K. S. AIYAR & Co.  
Chartered Accountants  
FRN: 100186W

Satish K. Kelkar  
Partner  
Membership No. 38934

G. S. Agrawal  
Vice President (Legal & Taxation)  
& Company Secretary

J. L. Deshmukh  
Managing Director &  
Chief Executive Officer

Chirag C. Doshi  
Managing Director

Hari Narayan  
President (Finance & Commercial)

Chakor L. Doshi  
Chairman

Dilip J. Thakkar  
Director

Place : Mumbai  
Date : 23rd November, 2012



## CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2012

|  |            | Year ended<br>September 30,<br>2012 | ₹ in Lakhs<br>Year ended<br>September 30,<br>2011 |
|--|------------|-------------------------------------|---|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>        |            |                                     |   |
| PROFIT BEFORE TAX                                    |            | <b>1,690.87</b>                     | 1,695.42  |
| ADJUSTMENT FOR:                                      |            |                                     |   |
| Add: Depreciation                                    | 1,797.88   | 1,589.44                            |   |
| Interest   | 2,228.63   | 1,486.29                            |   |
|  |            | <b>4,026.51</b>                     | 3,075.73  |
| Less:  |            | <b>5,717.38</b>                     | 4,771.15  |
| Interest/Dividend                                    | 712.82     | 426.88                              |   |
| Profit/(Loss) on Sale of Investments (Net)           | 0.19       | 1.13                                |   |
| Profit/(Loss) on Sale of Assets (Net)                | 20.56      | 1.31                                |   |
|  |            | <b>733.57</b>                       | 429.32  |
| <b>I</b>   |            | <b>4,983.81</b>                     | 4,341.83  |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES      |            |                                     |   |
| ADJUSTMENT FOR:                                      |            |                                     |   |
| Trade and Other Receivables                          | (308.81)   | (4,913.82)                          |   |
| Inventories  | (2,464.52) | (6,659.92)                          |   |
| Trade and Other Payables                             | (4,216.40) | 3,481.86                            |   |
| <b>II</b>  |            | <b>(6,989.73)</b>                   | (8,091.88)  |
| <b>I+II</b>  |            | <b>(2,005.92)</b>                   | (3,750.05)  |
| CASH GENERATED FROM OPERATING ACTIVITIES             |            | <b>414.50</b>                       | 455.70  |
| Direct Taxes Paid (Net of Refund of Income Tax)      |            |                                     |   |
| <b>A</b>   |            | <b>(2,420.42)</b>                   | (4,205.75)  |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>        |            |                                     |   |
| Purchase of Investment                               | (124.98)   | —                                   |   |
| Purchase of Fixed Assets                             | (1,607.03) | (2,670.61)                          |   |
| Sale of Investments                                  | —          | 2,810.98                            |   |
| Sale of Fixed Assets                                 | 34.22      | 13.48                               |   |
| Interest Received                                    | 494.47     | 168.35                              |   |
| Profit/(Loss) on Sale of Investment                  | 0.19       | 1.13                                |   |
| Dividend Received                                    | 218.35     | 258.53                              |   |
| <b>B</b>   |            | <b>(984.78)</b>                     | 581.86  |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>        |            |                                     |   |
| Increase/(Decrease) in Borrowings                    | 4,971.99   | 5,163.90                            |   |
| Interest Paid  | (2,228.63) | (1,486.29)                          |   |
| Dividend Paid  | (436.25)   | (437.16)                            |   |
| <b>C</b>   |            | <b>2,307.11</b>                     | 3,240.45  |
| <b>(A+B+C)</b>                                       |            | <b>(1,098.09)</b>                   | (383.44)  |
| NET CASH FLOW FROM INVESTING ACTIVITIES              |            |                                     |   |
| NET CASH FLOW FROM FINANCING ACTIVITIES              |            |                                     |   |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS |            | <b>2,951.88</b>                     | 3,335.32  |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS         |            | <b>1,853.79</b>                     | 2,951.88  |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS         |            | <b>(1,098.09)</b>                   | (383.44)  |

As per our report attached

For K. S. AIYAR & Co.

Chartered Accountants

FRN: 100186W

Satish K. Kelkar

Partner

Membership No. 38934

G. S. Agrawal

Vice President (Legal & Taxation)  
& Company Secretary

J. L. Deshmukh  
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Managing Director

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President (Finance & Commercial)

Chakor L. Doshi  
Chairman

Dilip J. Thakkar  
Director

Place : Mumbai

Date : 23rd November, 2012



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012****1. SIGNIFICANT ACCOUNTING POLICIES****1.1 PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS**

During the year ended September 30, 2012, the Revised Schedule VI notified under the Companies Act, 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on the presentation and disclosures made in the financial statements. The Company has reclassified/regrouped, wherever applicable the previous year figures in accordance with the requirements applicable in the current year.

**1.2 METHOD OF ACCOUNTING**

The Company maintains its accounts under the historical cost convention on an accrual basis and complies in all material respects with generally accepted accounting principles in India. The Company has prepared these financial statements to comply in all material respects with Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and relevant provisions of the Companies Act, 1956.

**1.3 USE OF ESTIMATES**

The presentation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.

**1.4 REVENUE RECOGNITION**

Income is recognized on accrual basis, except where mentioned otherwise, in particular:

- (a) Domestic sales of manufactured items are recognized on dispatch and are stated net of returns;
- (b) Export sales are recognized on date of bill of lading/airway bill and initially recorded at the relevant exchange rates prevailing on the date of transaction;
- (c) Income on items delivered directly by suppliers/sub-contractors to the client is recognized on dispatch and receipt of suppliers'/sub-contractors' invoices;
- (d) Income from project site activities is recognized on acceptance by the client on the basis of the work performed;
- (e) Income on account of price variation is recognized on acceptance of the claim by the client and on certainty of its realization;
- (f) Revenue from long term projects of Special Products Division involving dispatch, commissioning and erection is recognized on the basis of milestone specified in the contracts after matching costs and revenue at each stage; and
- (g) Dividend is accrued in the year in which it is declared whereby the right to receive is established.

**1.5 TANGIBLE FIXED ASSETS**

Fixed Assets are stated at cost, net of tax/duty credits availed less depreciation/amortization to date and impairment, if any, except in the case of certain items of land, buildings, plant and machinery and roads, water works, drainage, which are stated on the basis of the revalued cost less depreciation/amortization to date and impairment, if any.

**1.6 INTANGIBLE ASSETS**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

**1.7 DEPRECIATION/AMORTIZATION**

- (a) The depreciation is computed on the Straight-Line Method on certain Buildings and Plant & Machinery of Heavy Engineering Division and Foundry Division and all the fixed assets of Tiwac Division in the manner prescribed in Schedule XIV to the Companies Act, 1956.

The depreciation on all other fixed assets is computed on the Written Down Value method in the manner prescribed in Schedule XIV to the Companies Act, 1956.

In respect of branches, which are an integral part of foreign operations, depreciation is provided in the manner prescribed by local laws so as to write off the assets over their useful life.

- (b) Intangible assets are amortized on a Straight Line basis over the estimated useful economic life and in case of:
  - (i) Patents are amortized on the basis of life of Patents as specified in the Patent Documents;

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- (ii) Technical Know-how is amortized on Straight Line Basis in six equal installments; and
- (iii) Computer Software, included in intangible assets, is amortized over a period of three years.
- (c) Depreciation on additions to/deletions from the fixed assets during the year is calculated on pro-rata basis from the date of addition/deletion.

#### 1.8 CAPITAL WORK-IN-PROGRESS

Projects under commissioning and other Capital Work-in-Progress are carried at cost, comprising direct cost and related incidental expenses.

#### 1.9 IMPAIRMENT OF ASSETS

Impairment is ascertained at each balance sheet date in respect of Cash Generating Units. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

#### 1.10 INVESTMENTS

Investments of long term nature are stated at cost less provision for diminution in value, if such decline is other than temporary. Current investments are stated at lower of cost or fair value.

#### 1.11 EMPLOYEE BENEFITS

- (a) Short term employee benefits are those which are payable within twelve months of rendering service and are recognized as expense in the period in which the employee renders the related service.
- (b) Contributions to the Provident Fund and Superannuation Fund, ESIC and Labour Welfare Fund which are defined contribution schemes are recognized as an expense in the Statement of Profit and Loss in the period in which the contribution is due.
- (c) Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation using the projected unit credit method at the end of each financial year. Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss.
- (d) Long term compensated absences including leave encashment are provided for on the basis of actuarial valuation. Accumulated leave, which is expected to be utilized within next twelve months, is treated as short term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

#### 1.12 TAXES ON INCOME

Tax expenses comprise current and deferred tax.

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961. The tax rates and tax laws used to compute amount are those that are enacted or substantively enacted.

Deferred tax is recognized on timing differences between the accounting income and taxable income that originate in one period and are capable of reversal in one or more subsequent periods and is quantified using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date.

Deferred tax assets (representing unabsorbed depreciation and carried forward losses) are recognized to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

#### 1.13 BORROWING COSTS

Borrowing costs attributable to acquisition, construction or production of qualifying assets are capitalized as part of such asset till the time the asset is ready for its intended use or sale. All other borrowing costs are recognized as an expense in the Statement of Profit and Loss in the period in which they are incurred.

#### 1.14 INVENTORIES

Inventories are valued after providing for obsolescence, if any, as under: -

- (a) Raw materials, Components, Stores and Spares at lower of cost or net realizable value. The cost includes freight inward, direct expenses, duties and taxes other than those subsequently recoverable. In case of Heavy Engineering Division, it is arrived at on "FIFO Method" and other divisions on "Weighted Average Method".

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****1. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

- (b) Dies, Jigs, Tools, Mould Boxes and Patterns at lower of cost or net realizable value, arrived at after providing for suitable diminution/ amortization.
- (c) Goods in transit at cost incurred till balance sheet date.
- (d) Work in Progress at lower of cost or net realizable value. The cost includes direct material, direct labour, and appropriate overheads booked on normal level of activity. The expenditure on uncompleted contracts is amortized over the period of contract on the basis of sales booked.
- (e) Finished Goods at lower of cost or net realizable value. Cost includes related overheads and wherever applicable excise duty.

**1.15 FOREIGN CURRENCY TRANSLATION****(a) Initial recognition**

Foreign currency transactions are reported in the reporting currency by applying to the foreign currency amount the exchange rate between reporting currency and the foreign currency at the date of transaction.

**(b) Conversion**

Foreign currency monetary items are re-instated using the exchange rate prevailing at the reporting date. Non monetary items which are measured in terms of historical costs denominated in a foreign currency are reported using the exchange rate at the date of transaction. Non monetary items which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

The financial statements of foreign branches of the Company which are integral to the operations are translated as if the transactions of the foreign operations have been those of the Company itself.

**(c) Exchange differences****(i) Change in accounting policy relating to long term foreign currency monetary items**

The Company has opted to avail the choice provided under Paragraph 46A of AS-11; The Effects of Changes in Foreign Exchange Rates, inserted vide Notification dated December 29, 2011. Consequently, the following exchange differences on long term foreign currency monetary items, which were until now being recognized in the Statement of Profit and Loss are now being dealt with in the following manner:

- Foreign exchange difference on account of a depreciable asset is adjusted in the cost of the depreciable asset, which would be depreciated over the balance life of the asset;
- In other cases, the foreign exchange difference is accumulated in a Foreign Currency Monetary Item Translation Difference Account and amortized over the balance period of such long term asset/liability.

**(ii) All other exchange differences are recognized as income or as expense in the period to which they relate.****(d) Premium or discount on forward exchange contracts is recognized in the Statement of Profit and Loss over the period of contract.****1.16 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if:

- (a) the Company has a present obligation as a result of past event;
- (b) a probable outflow of resources is expected to settle the obligation; and
- (c) the amount of the obligation can be reliably estimated

Contingent Assets are neither recognized nor disclosed.

Contingent Liabilities are not recognized, but are disclosed in Notes to Accounts.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each balance sheet date.

**1.17 LEASES**

Assets acquired under leases where the significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and lease rentals are charged to the Statement of Profit and Loss on accrual basis.

Assets leased out under operating lease are capitalized. Rental Income is recognized on accrual basis over the lease term.

**1.18 SEGMENT REPORTING (REFER NOTE 34)**

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue expenses, assets and liabilities which relate to the company as a whole and are not allocable to segments on reasonable basis have been included under unallocated revenue/expenses/assets/liabilities.

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Information given is in accordance with the requirements of Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India.

The Company has identified business segments as the primary and geographic segment as secondary segment. Segment have been identified after taking into account the nature of the products, differential risk and returns, the organizational structure and internal reporting system.

The Company's Primary business segments are organized on product lines as follows:

- (i) Heavy Engineering (also known as Industrial Machinery Division) - engaged in engineering, fabrication and manufacturing of Machinery for Sugar Plants, Cement Plants, Boilers & Power Plants, Industrial & Marine Gears, Mineral Processing & EPC, Petro Chemicals and Space, Defense and Nuclear Power Business;
- (ii) Foundry & Machine Shop - Manufacturing of Grey & Ductile Iron Castings required by various industries and machining of components; and
- (iii) Others - Non Reportable Segment, includes units manufacturing Precision Instruments such as pressure and temperature gauges and Infotech Services.

#### 1.19 EARNINGS PER SHARE

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20, "Earning Per Share" issued by the Institute of Chartered Accountants of India. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share are computed using the weighted average number of equity shares and potential dilutive equity shares outstanding at the year end.

### 2. SHARE CAPITAL

|   | As at September 30, 2012 | As at September 30, 2011 |
|---|--------------------------|--------------------------|
| ₹ in Lakhs  |                          |                          |
| AUTHORIZED:   |                          |                          |
| 50,000 (Previous Year 50,000) 10% Cumulative Preference Shares of ₹ 100 each    | 50.00                    | 50.00                    |
| 50,000 (Previous Year 50,000) Preference Shares of ₹ 100 each                   | 50.00                    | 50.00                    |
| 120,000,000 (Previous Year 120,000,000) Equity Shares of ₹ 2 each               | 2,400.00                 | 2,400.00                 |
|   | <b>2,500.00</b>          | <b>2,500.00</b>          |
| ISSUED:   |                          |                          |
| 38,070,205 (Previous Year 38,070,205 ) Equity shares of ₹ 2 each                | 761.40                   | 761.40                   |
| SUBSCRIBED AND PAID-UP:   |                          |                          |
| 38,070,205 (Previous Year 38,070,205 ) Equity shares of ₹ 2 each fully paid -up | 761.40                   | 761.40                   |
| TOTAL   | <b>761.40</b>            | <b>761.40</b>            |

#### ADDITIONAL INFORMATION:

- (a) Reconciliation of number of shares outstanding:

|                              | As at September 30, 2012 |            | As at September 30, 2011 |
|------------------------------|--------------------------|------------|--------------------------|
|                              | No. of Shares            | ₹ in Lakhs | No. of Shares            |
| Equity Shares of ₹ 2 each    |                          |            |                          |
| At the beginning of the year | 38,070,205               | 761.40     | 38,070,205               |
| Movements during the year    | —                        | —          | —                        |
| At the end of the year       | 38,070,205               | 761.40     | 38,070,205               |

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****2. SHARE CAPITAL (Contd.)****(b) TERMS AND RIGHTS ATTACHED TO EQUITY SHARES**

The Company has only one class of equity shares having par value of ₹ 2 per share. Each shareholder of equity share is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**(c) AGGREGATE NUMBER OF BONUS SHARES ISSUED, SHARES ISSUED FOR CONSIDERATION OTHER THAN CASH DURING THE PERIOD OF FIVE YEARS IMMEDIATELY PRECEDING THE REPORTING DATE:**

|   | No. of Shares            |                          |
|---|--------------------------|--------------------------|
|   | As at September 30, 2012 | As at September 30, 2011 |
| 1. Equity shares issued as bonus shares out of Share Premium, General Reserve and Capital Reserve   | <b>15,022,530</b>        | 15,022,530               |
| 2. Equity shares allotted to the allottees of the warrant on Preferential basis upon exercise of conversion option by them (inclusive of 4,000,000 Equity shares issued as bonus and included in Sr. No. 1 above) | <b>8,000,000</b>         | 8,000,000                |
| 3. Equity Shares issued under Employee Stock Purchase Scheme, 2008 (ESPS) at par to the permanent Employees   | <b>25,145</b>            | 25,145                   |

**(d) DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% IN THE COMPANY**

|   | As at September 30, 2012 |              | As at September 30, 2011 |              |
|---|--------------------------|--------------|--------------------------|--------------|
|   | Number                   | % of holding | Number                   | % of holding |
| (Equity shares of ₹ 2 each fully paid up) |                          |              |                          |              |
| Walchand Kamdhenu Commercials Pvt. Ltd.   | <b>9,869,673</b>         | <b>25.91</b> | 9,861,363                | 25.90        |
| Walchand Great Achievers Pvt. Ltd.        | <b>5,260,160</b>         | <b>13.82</b> | 5,260,160                | 13.82        |
| Rodin Holdings Inc.                       | <b>3,000,000</b>         | <b>7.88</b>  | 3,000,000                | 7.88         |
| Olsson Holdings Inc.                      | <b>2,000,000</b>         | <b>5.25</b>  | 2,000,000                | 5.25         |

**3. RESERVES AND SURPLUS**

|   | ₹ in Lakhs               |                          |
|---|--------------------------|--------------------------|
|   | As at September 30, 2012 | As at September 30, 2011 |
| CAPITAL REDEMPTION RESERVE  | <b>50.00</b>             | 50.00                    |
| SECURITIES PREMIUM RESERVE  | <b>4,994.46</b>          | 4,994.46                 |
| REVALUATION RESERVE   |                          |                          |
| Balance as per last Financial Statement   | <b>17,246.15</b>         | 18,489.44                |
| Less: Adjustment on account of sale   | <b>19.98</b>             | 0.62                     |
| Less: Amount transferred to the Statement of Profit and Loss as reduction from Depreciation | <b>1,182.29</b>          | 1,242.67                 |
| Closing Balance (Refer Note No. 32)   | <b>16,043.88</b>         | 17,246.15                |
| GENERAL RESERVE   |                          |                          |
| Balance as per last Financial Statement   | <b>5,481.04</b>          | 5,353.06                 |
| Add: Amount transferred from Statement of Profit and Loss                                   | <b>125.00</b>            | 127.98                   |
| CLOSING BALANCE   | <b>5,606.04</b>          | 5,481.04                 |

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 3. RESERVES AND SURPLUS (Contd.)

|   | As at September<br>30, 2012 | As at September<br>30, 2011 |
|---|-----------------------------|-----------------------------|
| SURPLUS/(DEFICIT) IN THE STATEMENT OF PROFIT AND LOSS |                             |                             |
| Balance as per last Financial Statement               | 12,163.34                   | 11,454.00                   |
| Add: Profit for the year                              | 1,212.64                    | 1,279.78                    |
| Less: Appropriations:                                 |                             |                             |
| Proposed Final Dividend                               | 380.70                      | 380.70                      |
| Tax on Proposed Dividend                              | 61.76                       | 61.76                       |
| Transfer to General Reserve                           | 125.00                      | 127.98                      |
| CLOSING BALANCE                                       | 12,808.52                   | 12,163.34                   |
| TOTAL RESERVES AND SURPLUS                            | 39,502.90                   | 39,934.99                   |

### 4. LONG-TERM BORROWINGS

|  | Non-Current Portion         |                             | Current Maturities          |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | As at September<br>30, 2012 | As at September<br>30, 2011 | As at September<br>30, 2012 | As at September<br>30, 2011 |
| TERM LOANS   |                             |                             |                             |                             |
| (a) From Banks (Secured)   |                             |                             |                             |                             |
| <b>Indian Rupee loan</b>   |                             |                             |                             |                             |
| Vehicle Loan - refer note 4(i)   | 25.94                       | 56.58                       | 48.57                       | 41.36                       |
| <b>Foreign currency loan</b>   |                             |                             |                             |                             |
| Corporate Term Loan - FCNR(B)  | 1,308.53                    | 2,187.90                    | 1,176.56                    | 1,082.00                    |
| - refer note 4(ii)   |                             |                             |                             |                             |
| External Commercial Borrowings   |                             |                             |                             |                             |
| - refer note 4(iii)  | 792.90                      | 1,469.40                    | 792.90                      | 734.70                      |
|  | 2,127.37                    | 3,713.88                    | 2,018.03                    | 1,858.06                    |
| (b) From Others (Unsecured)  |                             |                             |                             |                             |
| Deposits-unsecured - refer note 4(iv)  | —                           | —                           | 0.70                        | 0.70                        |
|  | —                           | —                           | 0.70                        | 0.70                        |
| Amount disclosed under the head<br>"Other Current Liabilities" - refer note 10 | —                           | —                           | 2,018.73                    | 1,858.76                    |
| NET AMOUNT   | 2,127.37                    | 3,713.88                    | —                           | —                           |

#### Additional Information

##### 4(i) Vehicle Loan

| ICICI Bank   | Amount of<br>Loan<br>₹ in Lakhs | Interest<br>rate %<br>p.a. | Installment<br>amount<br>₹ in Lakhs | No. of<br>Outstanding<br>Installments | Period of<br>Maturity from<br>Balance Sheet date |
|--|---------------------------------|----------------------------|-------------------------------------|---------------------------------------|--|
| Vehicle loan I - Secured by vehicle bought under loan and repayable in 36 Equated monthly installments of ₹ 4.03 Lakhs and interest @ 8.90% p.a.   | 128.00                          | 8.90                       | 4.03                                | 15                                    | 15 Months  |
| Vehicle loan II - Secured by vehicle bought under loan and repayable in 60 Equated monthly installments of ₹ 0.43 Lakhs and interest @ 10.82% p.a. | 20.00                           | 10.82                      | 0.43                                | 53                                    | 53 Months  |



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****4. LONG-TERM BORROWINGS (Contd.)**

- 4(ii) Corporate Term Loan - FCNR(B) is secured by first Pari passu charge by way of Equitable Mortgage on Land & Building & hypothecation on moveable Fixed Assets and Current Assets of Heavy Engineering Division at Walchandnagar along with other Working Capital Consortium Banks & existing ECB Lender and by way of Equitable Mortgage on Land & Building & hypothecation on Fixed Assets of Foundry Division at Satara Road along with existing ECB Lender. The said loan is repayable in 29 installments with interest @ 6M LIBOR + 5.75%.

| State Bank of India | Amount of Loan<br>₹ in Lakhs | Interest rate<br>%<br>p.a.   | Installment<br>amount<br>₹ in Lakhs | No. of<br>Outstanding<br>Installments | Period of<br>Maturity from<br>Balance Sheet date |
|---------------------|------------------------------|------------------------------|-------------------------------------|---------------------------------------|--|
| FCNR(B)             | 2,992<br>(USD 6,660,000)     | 6 Months<br>Libor +<br>5.75% | 141.18                              | 2                                     | 18 months  |
|                     |                              |                              | 94.12                               | 11                                    |  |
|                     |                              |                              | 235.31                              | 4                                     |  |
|                     |                              |                              | 226.09                              | 1                                     |  |

- 4(iii) External Commercial Borrowings is secured by first pari passu charge on the fixed assets of the Heavy Engineering Division at Walchandnagar and Foundry Division at Satara Road and second pari passu charge on current assets of the Heavy Engineering Division. Fixed assets and current assets of Heavy Engineering Division at Walchandnagar presently charged to State Bank of India consortium for Heavy Engineering Division along with corporate term loan lenders. Repayable after 15 months from the date of its origination viz., September 01, 2009 in 16 equated quarterly installments and carries interest @ 3M Libor + 260 basis points, payable quarterly from the date of origination viz., September 01, 2009.

| DBS Bank | Amount of Loan<br>₹ in Lakhs | Interest rate<br>%<br>p.a. | Installment<br>amount<br>₹ in Lakhs | No. of<br>Outstanding<br>Installments | Period of<br>Maturity from<br>Balance sheet date |
|----------|------------------------------|----------------------------|-------------------------------------|---------------------------------------|--|
| ECB      | 2,942.40<br>(USD 6,000,000)  | 6 Months<br>Libor+260bps   | 198.23                              | 8                                     | 24 Months  |

- 4(iv) Fixed Deposit received from public repayable within one year ₹ 0.70 Lacs (Previous Year ₹ 0.70 Lakhs)

**5. DEFERRED TAX LIABILITIES (NET)**

|  | As at September<br>30, 2012 | As at September<br>30, 2011 |
|--|-----------------------------|-----------------------------|
| Deferred Tax Liability:  |                             |                             |
| Fixed Assets: Impact of difference between tax depreciation and book depreciation/<br>amortization | 751.51                      | 736.08                      |
| Gross Deferred Tax Liability   | 751.51                      | 736.08                      |
| Deferred Tax Asset:  |                             |                             |
| Gratuity   | 96.27                       | 83.55                       |
| Others   | 318.14                      | 169.66                      |
| Gross Deferred Tax Asset   | 414.41                      | 253.21                      |
| Net Deferred Tax Liability   | 337.10                      | 482.87                      |

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 6. OTHER LONG TERM LIABILITIES

|   | As at September<br>30, 2012 | ₹ in Lakhs<br>As at September<br>30, 2011 |
|---|-----------------------------|---|
| Trade payables (including Acceptance) (Refer Note 9 for details of dues to Micro, Small and Medium Enterprises) | 3,333.55                    | 2,924.95                                  |
| Advance from Customers  | 22,735.17                   | 22,271.77                                 |
| Others  | 430.81                      | 488.08                                    |
| <b>TOTAL</b>  | <b>26,499.53</b>            | <b>25,684.80</b>                          |

### 7. PROVISIONS

|   | Long Term<br>As at September<br>30, 2012 | As at September<br>30, 2011 | Short Term<br>As at September<br>30, 2012 | As at September<br>30, 2011 |
|---|--|-----------------------------|---|-----------------------------|
| Provision for Tax (Net)                                   | 107.61                                   | —                           | —   | —                           |
| Provision for Employee Benefits                           |  |                             |   |                             |
| (a) Provision for Leave Encashment<br>(Refer Note No. 33) | 97.89                                    | 84.95                       | 32.63                                     | 28.31                       |
| (b) Provision for Gratuity (Refer Note No. 33)            | —  | —                           | 296.72                                    | 257.52                      |
| Provision for Equity Dividend                             | —  | —                           | 380.70                                    | 380.70                      |
| Provision for Tax on proposed Equity Dividend             | —  | —                           | 61.76                                     | 61.76                       |
| <b>TOTAL</b>  | <b>205.50</b>                            | <b>84.95</b>                | <b>771.81</b>                             | <b>728.29</b>               |

### 8. SHORT-TERM BORROWINGS

|   | As at September<br>30, 2012 | ₹ in Lakhs<br>As at September<br>30, 2011 |
|---|-----------------------------|---|
| <b>A. FROM BANKS - SECURED:</b>   |                             |   |
| HEAVY ENGINEERING DIVISION, WALCHANDNAGAR   |                             |   |
| (1) Buyers' Credit Loan<br>(Under Line of Credit facility)  | 1,907.03                    | 570.08                                    |
| (2) Working Capital Loans<br>(Secured by mortgage of residential flat in Mumbai and by way of charge on all movable Plant & Machinery, Fixtures, implements, fittings, furniture, current assets (both present & future) including stock in trade, raw material, semi-finished and finished products, stores & spares, book debts, tools & accessories and other movables of and pertaining to Heavy Engineering Division at Walchandnagar and by way of equitable mortgage on land & building of Heavy Engineering Division at Walchandnagar.) | 7,487.75                    | 4,280.01                                  |
| FOUNDRY DIVISION, SATARA ROAD   |                             |   |
| Working capital loans<br>(Secured by hypothecation of all those tangible movable properties and assets, including all stocks of Raw Material, Components, Tools, Stores Materials, Work-in-Progress, Finished Goods & Book Debts and equitable mortgage on fixed assets of Foundry Division at Satara Road.)  | 403.83                      | 733.40                                    |
|   | <b>9,798.61</b>             | <b>5,583.49</b>                           |
| <b>B. FROM BANKS-UNSECURED</b>  |                             |   |
| Working capital loans – Foreign currency & INR  | 6,743.37                    | 4,399.99                                  |
|   | <b>16,541.98</b>            | <b>9,983.48</b>                           |

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****9. TRADE PAYABLES**

|                                       | <b>As at September<br/>30, 2012</b> | ₹ in Lakhs<br>As at September<br>30, 2011 |
|---------------------------------------|-------------------------------------|---|
| Micro, Small and Medium Enterprises * | <b>851.08</b>                       | 416.65                                    |
| Others                                | <b>21,485.21</b>                    | 24,817.81                                 |
| <b>TOTAL</b>                          | <b>22,336.29</b>                    | 25,234.46                                 |

\* The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the company is as under:

|   |               |        |
|---|---------------|--------|
| (a) (i) Principal amount remaining unpaid to any supplier             | <b>851.08</b> | 416.65 |
| (ii) Interest due on above  | —             | —      |
| (b) (i) The amount of principal paid beyond the appointed date        | —             | —      |
| (ii) The amount of interest paid beyond the appointed date            | —             | —      |
| (c) Amount of interest due and payable on delayed payments            | —             | —      |
| (d) Amount of interest accrued and due as at 30th September, 2012     | —             | —      |
| (e) Total Outstanding dues to Micro Enterprises and Small Enterprises | <b>851.08</b> | 416.65 |

(The above details have been given to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditors)

**10. OTHER CURRENT LIABILITIES**

|   |                  |           |
|---|------------------|-----------|
| Current maturities of Long Term Borrowings (Refer Note No. 4)   | <b>2,018.73</b>  | 1,858.76  |
| Unclaimed dividend<br>(Liability towards Investor Education and Protection Fund under section 205C of the Companies Act, 1956) (not due on 30.09.2012 and 30.09.2011) | <b>47.58</b>     | 41.37     |
| Advance against orders and customers' credit balances   | <b>10,020.11</b> | 10,777.10 |
| Employee Dues   | <b>483.97</b>    | 403.69    |
| Statutory Dues  | <b>57.92</b>     | 99.88     |
| Others  | <b>3,797.38</b>  | 5,427.71  |
|   | <b>16,425.69</b> | 18,608.51 |

**11. FIXED ASSETS (Refer Note No. 32 on Revaluation Reserve)**

| PART. C. FIXED ASSETS (Refer Note No. 32 on Revaluation Reserve) |                                  |          |                          |                         |                                  |  |   |                          |                        |  |                                       | ₹ in Lakhs                            |
|--|----------------------------------|----------|--------------------------|-------------------------|----------------------------------|--|---|--------------------------|------------------------|--|---------------------------------------|---------------------------------------|
| Particulars  | Gross Block                      |          |                          |                         |                                  | Depreciation/Amortization                  |   |                          |                        |  | Net Cost/Book Value                   |                                       |
|  | Cost/Book Value as at 01.10.2011 | Addition | Added due to Revaluation | Deductions/ Adjustments | Cost/Book Value as at 30.09.2012 | Depreciation/ Amortization upto 01.10.2011 | Depreciation/ Amortization for the Year | Added due to Revaluation | Deduction/ Adjustments | Depreciation/ Amortization upto 30.09.2012 | Net Cost/ Book Value as at 30.09.2012 | Net Cost/ Book Value as at 30.09.2011 |
| TANGIBLE ASSETS:   |                                  |          |                          |                         |                                  |  |   |                          |                        |  |                                       |                                       |
| 1. a) Land (Free Hold) #   | 3,794.72                         | —        | —                        | —                       | 3,794.72                         | —  | —                                       | —                        | —                      | —  | 3,794.72                              | 3,794.72                              |
| b) Land (Lease Hold)   | —                                | 1,359.38 | —                        | —                       | 1,359.38                         | —  | —                                       | —                        | —                      | —  | 1,359.38                              | —                                     |
| 2. Buildings*  | 23,371.60                        | 625.29   | —                        | —                       | 23,996.89                        | 11,761.30                                  | 860.24                                  | —                        | —                      | 12,621.54                                  | 11,375.35                             | 11,610.30                             |
| 3. Plant and Machinery   | 31,538.06                        | 1,429.62 | —                        | 72.95                   | 32,894.73                        | 19,237.86                                  | 1,474.06                                | —                        | 43.44                  | 20,668.48                                  | 12,226.25                             | 12,300.20                             |
| 4. Furniture, Fixtures & Fittings, Computers                     | 1,577.85                         | 90.29    | —                        | 0.44                    | 1,667.70                         | 1,145.05                                   | 143.21                                  | —                        | 0.37                   | 1,287.89                                   | 379.81                                | 432.80                                |
| 5. Vehicles  | 681.56                           | 57.89    | —                        | 23.61                   | 715.84                           | 393.04                                     | 80.46                                   | —                        | 20.37                  | 453.13                                     | 262.71                                | 288.52                                |
| 6. Office Equipments   | 584.74                           | 39.86    | —                        | 1.50                    | 623.10                           | 322.52                                     | 39.66                                   | —                        | 0.68                   | 361.50                                     | 261.60                                | 262.22                                |
| TOTAL (A)  | 61,548.53                        | 3,602.33 | —                        | 98.50                   | 65,052.36                        | 32,859.77                                  | 2,597.63                                | —                        | 64.86                  | 35,392.54                                  | 29,659.82                             | 28,688.76                             |
| INTANGIBLE ASSETS:   |                                  |          |                          |                         |                                  |  |   |                          |                        |  |                                       |                                       |
| 7. Patents   | 11.05                            | —        | —                        | —                       | 11.05                            | 11.05                                      | —                                       | —                        | —                      | 11.05                                      | —                                     | —                                     |
| 8. Software  | 915.43                           | 81.18    | —                        | —                       | 996.61                           | 439.53                                     | 311.70                                  | —                        | —                      | 751.23                                     | 245.38                                | 475.90                                |
| 9. Tech. Knowhow   | 665.09                           | —        | —                        | —                       | 665.09                           | 388.15                                     | 70.84                                   | —                        | —                      | 458.99                                     | 206.10                                | 276.94                                |
| TOTAL (B)  | 1,591.57                         | 81.18    | —                        | —                       | 1,672.75                         | 838.73                                     | 382.54                                  | —                        | —                      | 1,221.27                                   | 451.48                                | 752.84                                |
| TOTAL (A)+(B)  | 63,140.10                        | 3,683.51 | —                        | 98.50                   | 66,725.11                        | 33,698.50                                  | 2,980.17                                | —                        | 64.86                  | 36,613.81                                  | 30,111.30                             | 29,441.60                             |
| Previous Year  | 59,050.97                        | 4,141.18 | —                        | 52.05                   | 63,140.10                        | 30,906.24                                  | 2,832.11                                | —                        | 39.85                  | 33,698.50                                  | 29,441.60                             | —                                     |
| Capital Work-in-Progress   |                                  |          |                          |                         |                                  |  |   |                          |                        |  | 2,195.30                              | 4,381.43                              |
| Intangible Assets under Development                              |                                  |          |                          |                         |                                  |  |   |                          |                        |  | 109.65                                | —                                     |

(\*) Includes cost of 5 shares of ₹ 50 each of Co-operative Housing Societies against acquisition of flats.

(#) Includes some land at Walchandnagar which has been acquired by the State Government. However as the matter is in appeal in Supreme Court, the award has not been accounted for as a sale.

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 12. NON-CURRENT INVESTMENTS

|  | As at September<br>30, 2012 | As at September<br>30, 2011 |
|--|-----------------------------|-----------------------------|
| NON - TRADE INVESTMENT (VALUED AT COST UNLESS OTHERWISE SPECIFIED)   |                             |                             |
| INVESTMENT IN EQUITY INSTRUMENTS - QUOTED  |                             |                             |
| 830,900 (Previous Year 8,30,900 of ₹ 2 each) Equity Shares of ₹ 2 each in Housing Development Finance Corporation Ltd.                 | 21.86                       | 21.86                       |
| 600 (Previous Year 600 of ₹ 10 each) Equity Shares of ₹ 10 each in Bombay Cycle & Motor Agency Ltd                                     | 0.10                        | 0.10                        |
| 2,500 (Previous Year 2,500 of ₹ 2 each) Equity Shares of ₹ 2 each in HDFC Bank Ltd.  | 0.05                        | 0.05                        |
| 12,000 (Previous Year 12,000 of ₹ 10 each) Equity Shares of ₹ 10 each in Bank of Baroda  | 10.35                       | 10.35                       |
|  | <b>32.36</b>                | <b>32.36</b>                |
| INVESTMENT IN EQUITY INSTRUMENTS - UNQUOTED  |                             |                             |
| 2 (Previous Year 2 equity shares of ₹ 50 each) Equity Shares of ₹ 50 each in Maharashtra State Co-operative Bank Ltd.                  | 0.01                        | 0.01                        |
| 100 (Previous Year 100 equity shares of ₹ 100 each) Equity Shares of ₹ 100 each in Shushrusha Citizens Co-operative Hospital Ltd.      | 0.10                        | 0.10                        |
| 20 (Previous Year 20 equity shares of ₹ 50 each) Equity Shares of ₹ 50 each in Walchand Terraces Co-op. Housing Society Ltd.           | 0.01                        | 0.01                        |
| 100 (Previous Year 100 equity shares of ₹ 25 each) Equity Shares of ₹ 25 each in Cooper Employee's Consumers Co-operative Society Ltd. | 0.02                        | 0.02                        |
| 10 (Previous Year 10 equity shares of ₹ 50 each) Equity Shares of ₹ 50 each in Walchand Co-operative Housing Society Ltd.              | 0.01                        | 0.01                        |
| 481 (Previous Year 481 equity shares of ₹ 100 each) Equity Share of ₹ 100 each in Walchand Foundries Pvt. Ltd.                         | 0.48                        | 0.48                        |
| 104,250 (Previous Year 104,250 equity shares of ₹ 10 each) Equity Shares of ₹ 10 each in Actis Biologics Pvt. Ltd.                     | 102.66                      | 102.66                      |
|  | <b>103.29</b>               | <b>103.29</b>               |
|  | <b>135.65</b>               | <b>135.65</b>               |
| Aggregate value of quoted investments at cost  | 32.36                       | 32.36                       |
| Market value   | 6,546.68                    | 5,325.24                    |
| Aggregate value of unquoted investments  |                             |                             |
| Book value and/or at cost  | <b>103.28</b>               | <b>103.28</b>               |

### 13. LOANS AND ADVANCES

|  | Non Current                 |                             | Current                     |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | As at September<br>30, 2012 | As at September<br>30, 2011 | As at September<br>30, 2012 | As at September<br>30, 2011 |
| Capital Advances                                   |                             |                             |                             |                             |
| Unsecured, considered good                         | 20.16                       | 85.86                       | —                           | —                           |
| Security Deposit                                   |                             |                             |                             |                             |
| Unsecured, considered good                         | 316.13                      | 343.70                      | 57.92                       | —                           |
| Advances recoverable in cash or in kind            |                             |                             |                             |                             |
| Unsecured, considered good                         | 13.13                       | 12.50                       | 11,079.18                   | 15,658.71                   |
| Other Loans and Advances                           |                             |                             |                             |                             |
| Advance Income Tax (net of provision for taxation) | —                           | 101.50                      | —                           | —                           |
| Balances with Statutory/Government authorities     |                             |                             |                             |                             |
| – Service Tax and input receivable                 | —                           | —                           | 822.99                      | 750.65                      |
| – Excise/ Input Credit Receivable                  | —                           | —                           | 157.75                      | 303.93                      |
| – VAT input receivable                             | —                           | —                           | 1,110.88                    | 423.54                      |
| SUB-TOTAL  | —                           | 101.50                      | 2,091.62                    | 1,478.12                    |
| TOTAL  | <b>349.42</b>               | <b>543.56</b>               | <b>13,228.72</b>            | <b>17,136.83</b>            |

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****14. TRADE RECEIVABLE AND OTHER ASSETS****14.1 TRADE RECEIVABLES**

₹ in Lakhs

|   | Non Current              |                          | Current                  |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | As at September 30, 2012 | As at September 30, 2011 | As at September 30, 2012 | As at September 30, 2011 |
| Trade receivable outstanding for a period less than six months from the date they are due for payment |                          |                          |                          |                          |
| Unsecured, considered good (Includes retention money ₹ 5,063 Lakhs (Previous Year ₹ 4,502 Lakhs))     | —                        | —                        | <b>26,105.70</b>         | 23,911.57                |
|   | —                        | —                        | <b>26,105.70</b>         | 23,911.57                |
| Trade receivable outstanding for a period more than six months from the date they are due for payment |                          |                          |                          |                          |
| Unsecured, considered good (Includes retention money ₹12,185 Lakhs (Previous Year ₹8,018 Lakhs))      | —                        | —                        | <b>17,803.43</b>         | 15,855.16                |
| Unsecured, considered doubtful  | —                        | —                        | <b>568.86</b>            | 109.62                   |
| Less: Provision for Doubtful  | —                        | —                        | <b>568.86</b>            | 109.62                   |
|   | —                        | —                        | <b>17,803.43</b>         | 15,855.16                |
| <b>TOTAL</b>  | <b>—</b>                 | <b>—</b>                 | <b>43,909.13</b>         | <b>39,766.73</b>         |

Trade Receivables over six months includes receivables amounting to ₹ 1,024 Lakhs against whom the Company has initiated legal/arbitration proceedings for the recovery of the dues. In the meanwhile, suitable provision has been made as a measure of abundant precaution.

**14.2 OTHER ASSETS**

₹ in Lakhs

|   | Non Current              |                          | Current                  |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | As at September 30, 2012 | As at September 30, 2011 | As at September 30, 2012 | As at September 30, 2011 |
| Non-Current Bank Balances (Refer note 18) | <b>137.00</b>            | 137.00                   | —                        | —                        |
| Interest accrued on investments           | —                        | —                        | <b>29.44</b>             | 19.02                    |
| <b>TOTAL</b>                              | <b>137.00</b>            | 137.00                   | <b>29.44</b>             | 19.02                    |
| <b>TOTAL - OTHER NON CURRENT ASSETS</b>   | <b>137.00</b>            | 137.00                   | —                        | —                        |

**15. FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT**

|  |               |   |   |   |
|--|---------------|---|---|---|
|  | <b>156.74</b> | — | — | — |
|--|---------------|---|---|---|

The Company has opted to avail the choice provided under para. 46A of AS-11: The Effects of Changes in Foreign Exchange Rates inserted by Notification dated December 29, 2011. Had the Company continued to follow the earlier accounting policy, the net foreign exchange loss recognized in the Statement of Profit and Loss would have been higher by ₹ 383.44 Lakhs (Previous Year ₹ Nil) and Foreign Currency Monetary Item Translation Difference Account would have been lower by ₹ 156.74 Lakhs (Previous Year ₹ Nil) and fixed assets would have been lower by ₹ 226.70 Lakhs (Previous Year ₹ Nil).

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 16. CURRENT INVESTMENTS

(Valued at lower of cost or net realisable value)

#### QUOTED MUTUAL FUNDS, FULLY PAID-UP

Birla Sunlife Savings Fund- weekly Dividend Reinvestment Units 2,69,868.979 at ₹ 100.0904 per unit (Previous Year unit 25,11,081 units at ₹ 10.004 per Unit)

ICICI Prudential Flexible Income Plan Premium Weekly Dividend units 2,70,738.953 at ₹ 105.4328 per unit (Previous Year 2,52,339.485 Units at ₹ 105.4412 per Unit)

HDFC Cash Management Fund Treasury Advantage Plan Weekly Dividend units 1,18,43,006.34 at ₹ 10.02787 per Unit (Previous Year 1,10,52,545 Units at ₹ 10.0280 per Unit)

IDFC Money Manager Fund Treasury plan weekly Dividend 11,03,506.303 units at ₹ 10.04673 per Unit ( Previous Year 10,30,996.003 units at ₹ 10.0379 per Unit)

Market value of quoted investments

|  | As at September 30, 2012 | As at September 30, 2011 |
|--|--------------------------|--------------------------|
|  |                          |                          |
|  | <b>270.15</b>            | 251.20                   |
|  | <b>285.47</b>            | 266.07                   |
|  | <b>1,187.60</b>          | 1,108.35                 |
|  | <b>110.87</b>            | 103.49                   |
|  | <b>1,854.09</b>          | 1,729.11                 |
|  | <b>1,855.59</b>          | 1,729.11                 |

### 17. INVENTORIES

(Valued at lower of cost or net realizable value)

Raw materials and components

Stores and Spares

Dies, Jigs, Tools, Mould Boxes & Patterns

Work in Progress

(a) Manufacturing

(b) Expenditure on Uncompleted contracts

Goods in Transit, at cost

Finished Products

|  | As at September 30, 2012 | As at September 30, 2011 |
|--|--------------------------|--------------------------|
|  |                          |                          |
|  | <b>9,842.35</b>          | 10,077.77                |
|  | <b>1,725.51</b>          | 1,553.31                 |
|  | <b>633.76</b>            | 693.73                   |
|  |                          |                          |
|  | <b>17,646.10</b>         | 15,577.29                |
|  | <b>324.22</b>            | 499.00                   |
|  | <b>1,239.83</b>          | 555.23                   |
|  | <b>27.57</b>             | 18.49                    |
|  | <b>31,439.34</b>         | 28,974.82                |

### 18. CASH AND BANK BALANCES

Cash and Cash Equivalents

(a) Balances with Banks

On Current accounts

(i) in Indian Rupees

(ii) in Foreign Currency

Deposits with original maturity of less than 3 months

On unpaid dividend account

(b) Cheques/drafts on hand

(c) Cash on hand

(d) Margin money deposit

Amount disclosed under non-Current assets (Refer note - 14.2)

|  | Non Current              | Current                  |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | As at September 30, 2012 | As at September 30, 2011 | As at September 30, 2012 | As at September 30, 2011 |
|  |                          |                          |                          |                          |
|  |                          |                          | <b>175.62</b>            | 1,186.29                 |
|  |                          |                          | <b>112.00</b>            | 60.19                    |
|  |                          |                          | <b>1,064.54</b>          | 1,390.40                 |
|  |                          |                          |                          |                          |
|  |                          |                          | <b>47.58</b>             | 41.37                    |
|  |                          |                          | <b>435.76</b>            | 233.65                   |
|  |                          |                          | <b>18.29</b>             | 39.98                    |
|  | <b>137.00</b>            | 137.00                   | —                        | —                        |
|  | <b>(137.00)</b>          | (137.00)                 | —                        | —                        |
|  |                          |                          | <b>1,853.79</b>          | 2,951.88                 |



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****19. REVENUE FROM OPERATIONS**

|                                     |  | ₹ in Lakhs                                  |
|-------------------------------------|--|---|
|                                     | <b>For the year ended<br/>September 30,<br/>2012</b> | For the year ended<br>September 30,<br>2011 |
| <b>Sales</b>                        |  |   |
| (a) Sale of Products                | <b>77,941.78</b>                                     | 81,558.01                                   |
| Less: Excise duty                   | <b>1,725.94</b>                                      | 1,726.45                                    |
|                                     | <b>76,215.84</b>                                     | 79,831.56                                   |
| (b) Erection, Job work and services | <b>11,659.61</b>                                     | 15,935.79                                   |
| TOTAL                               | <b>87,875.45</b>                                     | 95,767.35                                   |

**19.1 PARTICULARS OF SALE OF PRODUCTS & SERVICES****Products and Services**

|                                  |                  |           |
|----------------------------------|------------------|-----------|
| (a) Sugar Mill Machinery         | <b>23,092.15</b> | 18,979.31 |
| (b) High Speed Centrifugals      | <b>1,824.99</b>  | 1,558.42  |
| (c) Gear Boxes                   | <b>5,265.96</b>  | 6,532.45  |
| (d) Special Products             | <b>5,211.26</b>  | 3,148.43  |
| (e) Water Tube Boilers           | <b>30,351.83</b> | 35,830.68 |
| (f) Cement Making Plant          | <b>5,028.16</b>  | 7,530.50  |
| (g) Mineral Processing           | <b>198.61</b>    | 1,085.22  |
| (h) Castings                     | <b>4,143.20</b>  | 4,210.17  |
| (i) Pressure Guages              | <b>1,099.68</b>  | 956.38    |
| (j) Erection, Job work, Services | <b>11,659.61</b> | 15,935.79 |
| TOTAL                            | <b>87,875.45</b> | 95,767.35 |

**20. OTHER INCOME**

|  |                 |        |
|--|-----------------|--------|
| (a) Interest Income                                    | <b>494.47</b>   | 168.35 |
| (b) Dividend   | <b>218.35</b>   | 258.53 |
| (c) Rent   | <b>23.29</b>    | 85.77  |
| (d) Occupation fees                                    | <b>20.90</b>    | 19.58  |
| (e) Profit on sale of Investments                      | <b>0.19</b>     | 1.13   |
| (f) Profit on sale of Fixed Assets                     | <b>20.56</b>    | 1.31   |
| (g) Recovery of Bad debts written off in earlier years | <b>—</b>        | 15.00  |
| (h) Provision no longer required, written back         | <b>506.87</b>   | 109.24 |
| (i) Miscellaneous Income                               | <b>69.65</b>    | 4.86   |
| (j) Sundry Creditors Written Back                      | <b>0.59</b>     | —      |
| (k) Income from Securities Lending                     | <b>15.91</b>    | —      |
| TOTAL  | <b>1,370.78</b> | 663.77 |

**21. COST OF MATERIALS CONSUMED**

|   |                  |           |
|---|------------------|-----------|
| (a) Plates, Sheets, Beams & Steel Materials | <b>3,028.20</b>  | 4,618.00  |
| (b) Steel Scrap                             | <b>437.44</b>    | 1,177.19  |
| (c) Castings                                | <b>2,304.21</b>  | 4,415.00  |
| (d) Pig Iron                                | <b>—</b>         | 39.65     |
| (e) Ferro Alloys                            | <b>—</b>         | 365.72    |
| (f) Bought out Components, etc.             | <b>45,836.13</b> | 48,481.85 |
|   | <b>51,605.98</b> | 59,097.41 |
| Less: Expenditure capitalized               | <b>—</b>         | 84.64     |
| TOTAL                                       | <b>51,605.98</b> | 59,012.77 |

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 21.1 PARTICULARS OF RAW MATERIALS CONSUMED

|              | For the year ended<br>September 30,<br>2012 |               | For the year ended<br>September 30,<br>2011 |               |
|--------------|---|---------------|---|---------------|
|              | ₹ in Lakhs                                  | %             | ₹ in Lakhs                                  | %             |
| Imported     | 5,368.19                                    | 10.40         | 3,995.42                                    | 6.77          |
| Indigenous   | 46,237.79                                   | 89.60         | 55,017.35                                   | 93.23         |
| <b>TOTAL</b> | <b>51,605.98</b>                            | <b>100.00</b> | <b>59,012.77</b>                            | <b>100.00</b> |

### 22. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

|   | For the year ended<br>September 30,<br>2012 |                   | For the year ended<br>September 30,<br>2011 |                   |
|---|---|-------------------|---|-------------------|
| Stock at close:   |   |                   |   |                   |
| (a) Finished Products                                       | 27.57                                       |                   | 18.49                                       |                   |
| (b) Work-in-Progress (manufacturing)                        | 17,646.10                                   |                   | 15,577.29                                   |                   |
| (c) Work-in-Progress (Expenditure on uncompleted contracts) | 324.22                                      |                   | 499.00                                      |                   |
|   |   | <b>17,997.89</b>  |   | <b>16,094.78</b>  |
| Stock at Commencement:                                      |   |                   |   |                   |
| (a) Finished Products                                       | 18.49                                       |                   | 16.37                                       |                   |
| (b) Work-in-Progress (manufacturing)                        | 15,577.29                                   |                   | 8,862.63                                    |                   |
| (c) Work-in-Progress (Expenditure on uncompleted contracts) | 499.00                                      |                   | 388.39                                      |                   |
|   |   | <b>16,094.78</b>  |   | <b>9,267.39</b>   |
| <b>TOTAL</b>  |   | <b>(1,903.11)</b> |   | <b>(6,827.39)</b> |

### 23. EMPLOYEE BENEFIT EXPENSE

|   | For the year ended<br>September 30,<br>2012 |  | For the year ended<br>September 30,<br>2011 |  |
|---|---|--|---|--|
| (a) Salaries, Wages, Bonus and Gratuity       | 8,695.07                                    |  | 7,340.62                                    |  |
| (b) Contribution to Provident and Other Funds | 585.32                                      |  | 461.14                                      |  |
| (c) Staff Welfare Expenses                    | 87.58                                       |  | 41.84                                       |  |
| <b>TOTAL</b>                                  | <b>9,367.97</b>                             |  | <b>7,843.60</b>                             |  |

### 24. FINANCE COST

|   |                 |  |                 |  |
|---|-----------------|--|-----------------|--|
| (a) Interest expenses:  |                 |  |                 |  |
| (i) Term Loans  | 346.28          |  | 156.49          |  |
| (ii) Working Capital Loans  | 742.58          |  | 462.14          |  |
| (iii) Others  | 998.87          |  | 1,260.85        |  |
| (b) Applicable net loss/(gain) on foreign currency transactions and translation | 140.90          |  | (393.19)        |  |
| <b>TOTAL</b>  | <b>2,228.63</b> |  | <b>1,486.29</b> |  |

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****25. DEPRECIATION AND AMORTISATION EXPENSES**

|  |  | ₹ in Lakhs                                   |
|--|--|--|
|  | <b>For the year ended September 30, 2012</b> | <b>For the year ended September 30, 2011</b> |
| Depreciation and amortisation              | <b>2,980.17</b>                              | 2,832.11                                     |
| Less: Transferred from Revaluation Reserve | <b>1,182.29</b>                              | 1,242.67                                     |
| <b>TOTAL</b>                               | <b>1,797.88</b>                              | <b>1,589.44</b>                              |

**26. OTHER EXPENSES**

|   |                  |                  |
|---|------------------|------------------|
| (a) Subcontract and Processing Charges    | <b>8,799.12</b>  | 18,008.27        |
| (b) Stores and Spares Consumed            | <b>2,261.56</b>  | 2,371.45         |
| (c) Power and Fuel                        | <b>993.83</b>    | 893.62           |
| (d) Repairs:                              |                  |                  |
| (i) Buildings                             | <b>123.93</b>    | 118.44           |
| (ii) Machinery                            | <b>141.13</b>    | 97.36            |
| (iii) Other Assets                        | <b>133.65</b>    | 138.13           |
| (e) Rent                                  | <b>381.71</b>    | 374.63           |
| (f) Rates and taxes                       | <b>88.85</b>     | 146.04           |
| (g) Insurance                             | <b>279.63</b>    | 223.44           |
| (h) Travelling and Conveyance             | <b>786.92</b>    | 786.09           |
| (i) Legal and Professional Fees           | <b>678.37</b>    | 714.10           |
| (j) Bank Charges                          | <b>758.77</b>    | 212.14           |
| (k) Electricity Charges                   | <b>96.26</b>     | 73.85            |
| (l) Site Office Expenses                  | <b>425.23</b>    | 311.06           |
| (m) Telephone, Postage, Printing Expenses | <b>256.30</b>    | 242.76           |
| (n) Administrative and Other Expenses     | <b>877.64</b>    | 886.42           |
| (o) Guarantee Charges                     | <b>331.87</b>    | 340.72           |
| (p) Selling Commission                    | <b>477.59</b>    | 892.41           |
| (q) Forwarding, Selling and Service       | <b>4,375.35</b>  | 2,905.32         |
| (r) Bad debts written off                 | <b>157.79</b>    | —                |
| (s) Provision for Doubtful debts          | <b>550.00</b>    | 109.62           |
| (t) Donations                             | <b>3.64</b>      | 40.70            |
| (u) Royalty and Patent fee                | <b>271.40</b>    | 361.95           |
| <b>TOTAL</b>                              | <b>23,250.54</b> | <b>30,248.52</b> |

**26.1 PARTICULARS OF STORES & SPARES CONSUMED**

|              | <b>For the year ended September 30, 2012</b> |               | <b>For the year ended September 30, 2011</b> |               |
|--------------|--|---------------|--|---------------|
|              | <b>₹ in Lakhs</b>                            | <b>%</b>      | <b>₹ in Lakhs</b>                            | <b>%</b>      |
| Imported     | <b>65.54</b>                                 | <b>2.90</b>   | 100.45                                       | 4.24          |
| Indigenous   | <b>2,196.02</b>                              | <b>97.10</b>  | 2,271.00                                     | 95.76         |
| <b>TOTAL</b> | <b>2,261.56</b>                              | <b>100.00</b> | <b>2,371.45</b>                              | <b>100.00</b> |

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 26.2 PAYMENT TO AUDITORS

Administrative and other expenses includes payment made to auditors as under:

|   | For the year ended<br>September 30,<br>2012 | ₹ in Lakhs<br>For the year ended<br>September 30,<br>2011 |
|---|---|---|
| (a) Audit Fees                              | 10.00                                       | 8.50  |
| (b) Taxation, Limited Review and Others     | 13.00                                       | 8.50  |
| (c) In Other Capacity                       | 0.22  | 3.34  |
| (d) Reimbursement of out of pocket expenses | 2.05  | 1.71  |
| (e) Service Tax on Fees                     | 2.80  | 2.06  |
| <b>TOTAL</b>                                | <b>28.07</b>                                | <b>24.11</b>  |

### 26.3 VALUE OF IMPORTS ON CIF BASIS IN RESPECT OF

|   |                 |                 |
|---|-----------------|-----------------|
| Raw Materials                                 | 1,186.18        | 2,151.92        |
| Components, Stores, Consumables & Spare parts | 2,209.29        | 1,896.19        |
| Capital goods                                 | 140.11          | 1,786.14        |
| <b>TOTAL</b>                                  | <b>3,535.58</b> | <b>5,834.25</b> |

### 26.4 EXPENDITURE IN FOREIGN CURRENCY

|                             |                 |                 |
|-----------------------------|-----------------|-----------------|
| Technical fees (net of Tax) | 93.54           | 12.21           |
| Travelling expenses         | 106.15          | 98.25           |
| Commission and Others       | 859.35          | 694.59          |
| Zambia Branch expenses      | 131.41          | 66.35           |
| UAE Branch expenses         | 2.50            | 23.04           |
| Ethiopia Branch expenses    | 3,226.31        | 925.49          |
| <b>TOTAL</b>                | <b>4,419.26</b> | <b>1,819.93</b> |

### 27. EXCEPTIONAL ITEM

During the previous year, the company had invoked arbitration proceedings against a customer for recovery of contractual dues of ₹ 744 Lakhs and unlawful invocation of bank guarantee of ₹ 700 Lakhs. Pursuant to a settlement reached before the arbitrators during the year, the company has recovered the dues except for ₹ 529.02 Lakhs which has been written off.

|               |               |
|---------------|---------------|
| <b>529.02</b> | —             |
| <b>TOTAL</b>  | <b>529.02</b> |

### 28. EARNINGS PER SHARE

#### Basic & Diluted

|  |            |            |
|--|------------|------------|
| (i) Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders | 1,212.64   | 1,279.78   |
| (ii) Weighted average no. of Equity Shares of ₹ 2 Each outstanding during the year               | 38,070,205 | 38,070,205 |
| (iii) Earning per Share of face value of ₹ 2 each  | 3.19       | 3.36       |

### 29. EARNINGS IN FOREIGN EXCHANGE

|   |                  |                  |
|---|------------------|------------------|
| Export of goods calculated on FOB basis | 28,079.26        | 12,947.20        |
| Others                                  | 56.61            | 170.04           |
| Ethiopia                                | 1,731.22         | 588.86           |
| <b>TOTAL</b>                            | <b>29,867.09</b> | <b>13,706.10</b> |

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****30. OPERATING LEASES (AS-19)**

|   | <b>For the year ended<br/>September 30,<br/>2012</b> | ₹ in Lakhs<br>For the year ended<br>September 30,<br>2011 |
|---|--|---|
| (i) The Company has taken various residential/commercial premises on operating leases. The future minimum lease payments in respect of which as at September 30, 2012 are as follows: |  |   |
| Period  |  |   |
| Payable not later than one year   | <b>344.61</b>  | 331.89  |
| Payable later than one year and not later than five years   | <b>108.20</b>  | 420.10  |
| Payable later than five years   | —  | —   |
| The lease agreements provide for an option to the company to renew the lease period on mutually agreeable terms. There are no exceptional/restrictive covenants in lease agreements   |  |   |
| (ii) The Company has given property on lease and lease rentals receivable are as under:   |  |   |
| Period  |  |   |
| Not later than one year   | <b>1.78</b>  | —   |
| Later than one year and not later than five years   | —  | —   |

**31. RELATED PARTY DISCLOSURES**

Related party disclosures as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India are given below:

Relationship:

- (i) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise and relatives of any such individual.

|                     |   |
|---------------------|---|
| Mr. Chakor L. Doshi | : Chairman                                  |
|                     | : Wife : Mrs. Champa C. Doshi               |
|                     | : Son : Mr. Chirag C. Doshi                 |
|                     | : Daughter : Mrs. Kanika G. Sanger          |
|                     | : Daughter-in-Law : Mrs. Tanaz Chirag Doshi |

- (ii) Key Management personnel and relatives:

|                     |                                    |
|---------------------|------------------------------------|
| Mr. J. L. Deshmukh  | : Managing Director & CEO          |
|                     | : Brother : Mr. Pratap L. Deshmukh |
| Mr. Chirag C. Doshi | : Managing Director                |

- (iii) Enterprises over which any person described in (i) or (ii) above are able to exercise significant influence:

|   |  |
|---|--|
| Bombay Cycle & Motor Agency Ltd.        | Vinod Shashank Chakor Pvt. Ltd.            |
| Walchand Great Achievers Pvt. Ltd.      | Chirag Enterprises                         |
| Walchand Kamdhenu Commercials Pvt. Ltd. | Indpro Electronic System (India) Pvt. Ltd. |
| Walchand Chiranika Trading Pvt. Ltd.    | Walchand Engineers Pvt. Ltd.               |
| Chiranika Enterprises                   | Walchand Projects Pvt. Ltd.                |
| Chiranika Corporation                   | Walchand Power Systems Pvt. Ltd.           |
| Chiranika Properties                    | Walchand Oil & Gas Pvt. Ltd.               |
| Walchand Botanicals Pvt. Ltd.           | Walchand Leisure Realty Pvt. Ltd.          |
| Rodin Holdings Inc.                     | Walchand BMH Pvt. Ltd.                     |
| Olsson Holdings Inc.                    | Walchand Solar Pvt. Ltd.                   |

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 31. RELATED PARTY DISCLOSURES (Contd.)

The following transactions were carried out during the year with related parties in the ordinary course of business.

Details of transactions relating to the persons referred to in item (i), (ii) and (iii) above.

₹ in Lakhs

|                                       | Key Management Personnel | Relatives of Key Management Personnel | Enterprises mentioned in (iii) above | Total         |
|---------------------------------------|--------------------------|---------------------------------------|--------------------------------------|---------------|
|                                       | Current Year             | Current Year                          | Current Year                         | Current Year  |
|                                       | Previous Year            | Previous Year                         | Previous Year                        | Previous Year |
| Purchase of goods                     | —                        | —                                     | 109.74                               | 109.74        |
|                                       | —                        | —                                     | 258.70                               | 258.70        |
| Receiving of Services                 | —                        | 154.21                                | 60.36                                | 214.57        |
|                                       | —                        | 137.80                                | 51.36                                | 189.16        |
| Managerial Remuneration               | 189.08                   | —                                     | —                                    | 189.08        |
|                                       | 172.52                   | —                                     | —                                    | 172.52        |
| Leasing or Hire Purchase Arrangements | 14.51                    | 22.37                                 | —                                    | 36.88         |
|                                       | 13.38                    | 21.27                                 | —                                    | 34.65         |
| Outstanding payable                   | —                        | 11.20                                 | 37.06                                | 48.26         |
|                                       | —                        | 10.40                                 | 27.38                                | 37.78         |

### 32. REVALUATION RESERVE AND FIXED ASSETS

The Company has a practice of revaluing its certain assets at certain intervals. On the basis of valuation reports submitted by the approved valuers, certain fixed assets comprising Land, Building (including Roads, Water Works, etc.), Plant & Machinery were revalued at Market Value/Current Replacement Cost as at 01.10.2007 as follows:

₹ in Lakhs

|                   | Cost/Book Value as at 01.10.2007 | Market Value Replacement cost as at 01.10.2007 | Gross Amount Written upto 01.10.2007 | Accumulated Depreciation on Value Written upto 01.10.2007 | Net Appreciation Credited to Revaluation Reserve as on 01.10.2007 |
|-------------------|----------------------------------|--|--------------------------------------|---|---|
| Land              | 1,377.94                         | 3,776.98                                       | 2,399.04                             | —   | 2,399.04  |
| Buildings         | 13,789.66                        | 22,089.95                                      | 8,300.29                             | 3,327.85  | 4,972.44  |
| Plant & Machinery | 24,753.40                        | 25,317.39                                      | 563.99                               | (4,885.08)  | 5,449.07  |
|                   | <b>39,921.00</b>                 | <b>51,184.32</b>                               | <b>11,263.32</b>                     | <b>(1,557.23)</b>   | <b>12,820.55</b>  |

The Depreciation for the year ended 30.09.2012 on revalued assets has been calculated on straight line method on their residual technical life assessed by the valuers. However, the amount of Depreciation charged to Statement of Profit and Loss is as per Schedule XIV to the Companies Act, 1956 on the cost of the assets.



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****33. EMPLOYEE DEFINED PLAN (REFER NOTE 7)**

The disclosure in terms of Accounting Standard - 15 (Revised) "Employees Benefit" has been given on the basis of Actuarial Valuation Certificate for the year ended September 30, 2012 as below:

(₹ in Lakhs)

| Sr. No.     | Particulars  | Gratuity (Funded)                | Gratuity (Funded)                | Leave Encashment (Unfunded)      | Leave Encashment (Unfunded)      |
|-------------|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|             |  | October, 2011 to September, 2012 | October, 2010 to September, 2011 | October, 2011 to September, 2012 | October, 2010 to September, 2011 |
| <b>I.</b>   | <b>Expense recognized in the Statement of Profit and Loss for the year ended September 30, 2012:</b> |                                  |                                  |                                  |                                  |
|             | (a) Current Service Cost   | <b>116.64</b>                    | 118.69                           | <b>103.40</b>                    | 89.02                            |
|             | (b) Interest Cost  | <b>139.95</b>                    | 121.74                           | <b>9.06</b>                      | 7.74                             |
|             | (c) Actual return on plan assets   | <b>(119.66)</b>                  | (185.58)                         | <b>N.A.</b>                      | N.A.                             |
|             | (d) Actuarial Loss/(Gain)  | <b>(87.72)</b>                   | 226.26                           | <b>(37.22)</b>                   | (39.04)                          |
|             | (e) Total Expense recognized in the Statement of Profit and Loss                                     | <b>49.21</b>                     | 281.11                           | <b>75.24</b>                     | 57.72                            |
| <b>II.</b>  | <b>Net Liability recognized in the Balance Sheet as at September 30, 2012:</b>                       |                                  |                                  |                                  |                                  |
|             | (a) Present Value Defined Benefit Obligation as on 30.09.2012  | <b>1,642.89</b>                  | 1,749.38                         | <b>130.52</b>                    | 113.26                           |
|             | (b) Fair Value of Plan Assets as at 30.09.2012   | <b>1,346.17</b>                  | 1,491.86                         | <b>N.A.</b>                      | N.A.                             |
|             | (c) Net Assets/(Liabilities) as at 30.09.2012  | <b>(296.72)</b>                  | (257.52)                         | <b>(130.52)</b>                  | (113.26)                         |
| <b>III.</b> | <b>Change in Defined Benefit Obligation (DBO) during the year ended 30.09.2012:</b>                  |                                  |                                  |                                  |                                  |
|             | (a) Present Value of DBO at the beginning of the period  | <b>1,749.38</b>                  | 1,521.71                         | <b>113.26</b>                    | 96.72                            |
|             | (b) Current Service Cost   | <b>116.64</b>                    | 118.68                           | <b>103.40</b>                    | 89.02                            |
|             | (c) Interest Cost  | <b>139.95</b>                    | 121.74                           | <b>9.06</b>                      | 7.74                             |
|             | (d) Actuarial Loss/(Gain)  | <b>(87.72)</b>                   | 226.26                           | <b>(37.22)</b>                   | (39.04)                          |
|             | (e) Benefits Paid  | <b>275.36</b>                    | 239.01                           | <b>57.98</b>                     | 41.17                            |
|             | (f) Present Value of DBO at the year end   | <b>1,642.89</b>                  | 1,749.38                         | <b>130.52</b>                    | 113.27                           |
| <b>IV.</b>  | <b>Change in the Fair Value of Plan Assets during the year Ended 30.09.2012:</b>                     |                                  |                                  |                                  |                                  |
|             | (a) Plan Assets at the beginning of the year   | <b>1,491.86</b>                  | 1,444.93                         | <b>N.A.</b>                      | N.A.                             |
|             | (b) Actual Return on Plan Assets   | <b>119.66</b>                    | 185.58                           | <b>N.A.</b>                      | N.A.                             |
|             | (c) Actual Company Contributions   | <b>10.00</b>                     | 100.36                           | <b>N.A.</b>                      | N.A.                             |
|             | (d) Benefits paid  | <b>(275.35)</b>                  | (239.01)                         | <b>N.A.</b>                      | N.A.                             |
|             | (e) Fair Value of Plan Assets as at 30.09.2012   | <b>1,346.17</b>                  | 1,491.86                         | <b>N.A.</b>                      | N.A.                             |
| <b>V.</b>   | <b>Actuarial Assumptions:</b>  |                                  |                                  |                                  |                                  |
|             | (a) Discount Rate (per annum)  | <b>8.00%</b>                     | 8.00%                            | <b>8.00%</b>                     | 8.00%                            |
|             | (b) Expected Rate of Return on Assets (per annum)  | <b>8.02%</b>                     | 8.50%                            | <b>N.A.</b>                      | N.A.                             |
|             | (c) Rate of Increase in Compensation Levels (per annum)  | <b>5.00%</b>                     | 5.00%                            | <b>5.00%</b>                     | 5.00%                            |
|             | (d) Mortality Table  | <b>LIC (1994-96) ULTIMATE</b>    | LIC (1994-96) ULTIMATE           | <b>N.A.</b>                      | N.A.                             |

## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)

### 34. SEGMENT REPORTING (Refer Note 1.18)

#### I. PRIMARY SEGMENTS:

₹ in Lakhs

| Particulars                               | Heavy Engg. |            | Foundry M/c Shop |          | Others   |          | TOTAL      |            |
|---|-------------|------------|------------------|----------|----------|----------|------------|------------|
|   | 2011-12     | 2010-11    | 2011-12          | 2010-11  | 2011-12  | 2010-11  | 2011-12    | 2010-11    |
| <b>Revenue:</b>                           |             |            |                  |          |          |          |            |            |
| Net Revenue                               | 82,320.22   | 90,600.80  | 4,532.40         | 4,416.69 | 1,105.55 | 968.51   | 87,958.17  | 95,986.00  |
| Less: Inter-segment Revenue               | —           | —          | 76.85            | 206.52   | 5.87     | 12.13    | 82.72      | 218.65     |
|   | 82,320.22   | 90,600.80  | 4,455.55         | 4,210.17 | 1,099.68 | 956.38   | 87,875.45  | 95,767.35  |
| <b>Results:</b>                           |             |            |                  |          |          |          |            |            |
| Segment Result                            | 4,903.46    | 3,969.53   | (234.85)         | (135.38) | 200.41   | 131.49   | 4,869.02   | 3,965.64   |
| Unallocated Expenses                      |             |            |                  |          |          |          | 1,137.96   | 1,071.61   |
| Unallocated Income                        |             |            |                  |          |          |          | 188.44     | 287.68     |
| Operating Profit                          |             |            |                  |          |          |          | 3,919.50   | 3,181.71   |
| Interest Expenses                         |             |            |                  |          |          |          | 2,228.63   | 1,486.29   |
| Taxes on Income                           |             |            |                  |          |          |          | 478.23     | 415.64     |
| Profit from ordinary activities           |             |            |                  |          |          |          | 1,212.64   | 1,279.78   |
| <b>Other Information:</b>                 |             |            |                  |          |          |          |            |            |
| Segment Assets (including revaluation)    | 114,384.62  | 113,607.43 | 5,480.23         | 5,964.35 | 1,814.02 | 1,676.93 | 121,678.87 | 121,248.71 |
| Unallocated Corporate Assets              |             |            |                  |          |          |          | 3,830.70   | 3,968.92   |
| Total Assets                              |             |            |                  |          |          |          | 125,509.57 | 125,217.63 |
| Segment Liabilities                       | 83,571.02   | 82,146.19  | 875.55           | 1,343.58 | 172.05   | 231.10   | 84,618.62  | 83,720.87  |
| Unallocated Corporate Liabilities         |             |            |                  |          |          |          | 626.65     | 800.37     |
| Total Liabilities                         |             |            |                  |          |          |          | 85,245.27  | 84,521.24  |
| Capital Expenditure                       | 1,528.34    | 2,647.44   | 47.77            | 6.26     | 30.92    | 16.92    | 1,607.03   | 2,670.62   |
| Unallocated Capital Expenditure           |             |            |                  |          |          |          | —          | —          |
|   |             |            |                  |          |          |          | 1,607.03   | 2,670.62   |
| Depreciation (Net of revaluation)         | 1,550.12    | 1,346.20   | 102.73           | 107.73   | 6.06     | 5.23     | 1,658.91   | 1,459.16   |
| Unallocated Depreciation                  |             |            |                  |          |          |          | 138.97     | 130.28     |
| Total Depreciation                        |             |            |                  |          |          |          | 1,797.88   | 1,589.44   |
| Non Cash Expenses other than depreciation |             |            |                  |          |          |          | —          | —          |

#### II. SECONDARY SEGMENTS

|   |  |  |  |  |  |  |           |           |
|---|--|--|--|--|--|--|-----------|-----------|
| External Revenue by Location of Customers                         |  |  |  |  |  |  | 29,810.48 | 13,706.10 |
| Total Carrying Amount of Segment Assets (To the extent allocable) |  |  |  |  |  |  | 13,371.27 | 5,132.00  |
| Total Cost incurred to acquire Segment Assets                     |  |  |  |  |  |  | 29.94     | 25.81     |

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012 (Contd.)****35. CONTINGENT LIABILITIES AND COMMITMENTS**

|  | As at 30th<br>September, 2012 | ₹ in Lakhs<br>As at 30th<br>September, 2011 |
|--|-------------------------------|---|
| (i) Counter Guarantees by the Company in respect of guarantees given by banks (including guarantee on account of erstwhile Machine Tool Division of ₹ 3.55 Lakhs)  | <b>30,095.82</b>              | 31,016.92                                   |
| (ii) Estimated amount of Contracts remaining to be executed on Capital Accounts not provided for (Net of Advance)  | <b>429.27</b>                 | 137.29                                      |
| (iii) (a) Demand of Non Agricultural (NA) Tax of ₹ 86.61 Lakhs is raised by Tahshildar, Indapur (Previous Year ₹ 86.61 Lakhs) out of which ₹ 20 Lakhs is paid under protest by the Company. During the year, a demand of NA tax of ₹ 74.76 Lakhs has been raised by the concerned authorities. No provision has been made in the accounts as the Company has not accepted the liability and the matter is sub-judice.                              |                               |   |
| (b) The Central Excise Authorities have raised a demand of ₹ 266.19 Lakhs (Previous Year ₹ 266.19 Lakhs) (Net of Cenvat reversal and payment) denying the exemption from the excise duty on non-conventional energy devices/systems supplied by the Company. The Company has disputed the demand and has preferred an appeal which is pending before 'CESTAT, Mumbai'. On the basis of a legal opinion, the Company does not accept any liability. |                               |   |
| (c) The Central Excise Authorities have raised a demand of ₹ 82.45 Lakhs (Previous Year ₹ 79.98 Lakhs) on bought out items supplied for Centrifugals, which has already suffered duty at manufactures end. The Company has disputed the demand and has preferred an appeal which is pending before Supreme Court, Delhi. On the basis of legal opinion, the Company does not expect any liability.   |                               |   |
| (d) The Sales Tax Authority, Maharashtra has raised demand of ₹ 159.83 Lakhs as per Section 6(2) of the Central Sales Tax Act, 1956. The Company has disputed the demand and has preferred an appeal before The Sales Tax Appellate Commissioner. On the basis of legal opinion the Company does not expect any liability.   |                               |   |
| (e) Service Tax demand of ₹ 362.65 Lakhs on sale of bought out items has been raised by the concerned authorities. The Company has paid an amount of ₹ 28.76 Lakhs under protest and has preferred an appeal which is pending before the CESTAT.   |                               |   |
| (f) Bond issued to customs department for export obligations amounting to ₹ 1,363.45 Lakhs (Previous Year ₹ 1,363.45 Lakhs).   |                               |   |

**36. OTHER NOTES**

Pursuant to the approval of the shareholders at the Extra Ordinary General Meeting held on 23.11.2006 and in accordance with SEBI (DIP) Guidelines, the Company had issued 80,00,000 fully paid up Equity Shares to the Promoters on preferential basis, post conversion of 8,00,000 convertible warrants and received the total amount of ₹ 5,072 Lakhs. Out of these ₹ 1,516 Lakhs (Previous Year ₹ 1,516 Lakhs) has been utilised for capital expenditure, ₹ 2,780 Lakhs (Previous Year ₹ 2,780 Lakhs) for working capital and the balance amount of ₹ 776 Lakhs (Previous Year ₹ 776 Lakhs) is invested in Liquid Mutual Funds.

**37. The figures for the previous year are regrouped wherever necessary.**

As per our report attached

For K. S. AIYAR & Co.  
Chartered Accountants  
FRN: 100186W

Satish K. Kelkar  
Partner  
Membership No. 38934

G. S. Agrawal  
Vice President (Legal & Taxation)  
& Company Secretary

J. L. Deshmukh  
Managing Director &  
Chief Executive Officer

Chirag C. Doshi  
Managing Director

Hari Narayan  
President (Finance & Commercial)

Chakor L. Doshi  
Chairman

Dilip J. Thakkar  
Director

Place : Mumbai  
Date : 23rd November, 2012

## Important Statistical Data from 1908-09 to 2011-2012

(₹ in Lakhs)

| Year      | Paid up Capital |            | Reserves & Surplus | Debentures | Fixed Assets |           | Sales  | Net Profit | Dividend paid on Pref. and Equity Shares | Equity Dividend |
|-----------|-----------------|------------|--------------------|------------|--------------|-----------|--------|------------|--|-----------------|
|           | Equity          | Preference |                    |            | Gross Block  | Net Block |        |            |  |                 |
| 1908-1909 | 2.50            | 2.83       | –                  | –          | 3.50         | 3.50      | 10.14  | 0.28       | 0.93                                     | 4%              |
| 1909-1910 | 2.50            | 3.48       | –                  | –          | 3.81         | 3.70      | 2.06   | 0.53       | 0.37                                     | 5%              |
| 1910-1911 | 2.50            | 3.50       | –                  | –          | 4.08         | 3.95      | 2.11   | 0.71       | 0.39                                     | 6%              |
| 1911-1912 | 2.50            | 3.50       | –                  | –          | 4.45         | 4.28      | 1.60   | 0.25       | 0.39                                     | 6%              |
| 1912-1913 | 2.50            | 3.50       | –                  | –          | 4.34         | 4.18      | 1.58   | 0.34       | 0.24                                     | –               |
| 1913-1914 | 2.50            | 3.50       | –                  | –          | 4.88         | 3.90      | 2.71   | 1.10       | 0.39                                     | 6%              |
| 1914-1915 | 2.50            | 3.50       | 0.25               | 6.00       | 5.29         | 3.82      | 1.98   | 0.46       | 0.34                                     | 4%              |
| 1915-1916 | 2.50            | 3.50       | 0.25               | 5.75       | 5.17         | 3.60      | 2.35   | 0.82       | 0.34                                     | 4%              |
| 1916-1917 | 2.50            | 3.50       | 0.39               | 5.50       | 5.16         | 3.41      | 2.62   | 1.10       | 0.39                                     | 6%              |
| 1917-1918 | 2.50            | 3.50       | 0.64               | 5.25       | 5.33         | 3.34      | 1.97   | 0.40       | 0.24                                     | –               |
| 1918-1919 | 2.50            | 3.50       | 0.64               | 4.75       | 5.31         | 2.88      | 2.03   | 0.44       | 0.12                                     | –               |
| 1919-1920 | 2.50            | 3.50       | 0.64               | 4.75       | 5.31         | 2.88      | 2.03   | 0.44       | 0.12                                     | –               |
| 1920-1921 | 2.50            | 3.50       | 0.91               | 4.50       | 5.61         | 3.27      | 3.53   | 1.56       | 0.64                                     | 6%              |
| 1921-1922 | 2.50            | 3.50       | 1.21               | 4.25       | 5.97         | 3.17      | 5.56   | 3.12       | 0.92                                     | 20%             |
| 1922-1923 | 2.50            | 3.50       | 2.16               | 4.00       | 6.11         | 3.01      | 3.32   | 1.32       | 0.42                                     | 7%              |
| 1923-1924 | 2.50            | 3.50       | 2.95               | 3.75       | 6.33         | 3.03      | 3.14   | 1.11       | 0.42                                     | 7%              |
| 1924-1925 | 2.50            | 3.50       | 3.27               | 3.50       | 5.98         | 2.19      | 3.42   | 1.17       | 0.48                                     | 8%              |
| 1925-1926 | 2.50            | 3.50       | 3.42               | 3.25       | 6.12         | 1.76      | 2.68   | 1.04       | 0.48                                     | 8%              |
| 1926-1927 | 2.50            | 3.50       | 3.41               | –          | 6.60         | 1.96      | 1.85   | 0.47       | 0.24                                     | –               |
| 1927-1928 | 2.50            | 3.50       | 3.76               | –          | 6.75         | 1.94      | 1.27   | 0.23       | 0.24                                     | –               |
| 1928-1929 | 2.50            | 3.50       | 3.75               | –          | 6.89         | 2.08      | 0.55   | 0.02       | –  | –               |
| 1929-1930 | 2.50            | 3.50       | 3.38               | –          | 6.16         | 1.61      | 0.14   | –1.11      | 0.49                                     | –               |
| 1930-1931 | 2.50            | 3.50       | 1.92               | –          | 6.21         | 1.72      | 0.25   | –0.01      | 0.24                                     | –               |
| 1931-1932 | 2.50            | 3.50       | 1.97               | –          | 5.86         | 1.37      | 0.32   | –0.24      | 0.24                                     | –               |
| 1932-1933 | 2.50            | 3.50       | 1.83               | –          | 5.80         | 1.31      | 0.26   | –0.01      | 0.24                                     | –               |
| 1933-1934 | 2.50            | 3.50       | 2.01               | 4.00       | 13.37        | 8.88      | 0.07   | –0.08      | 0.24                                     | –               |
| 1934-1935 | 2.50            | 3.50       | 1.86               | 4.00       | 16.68        | 11.19     | 0.70   | –0.12      | 0.24                                     | –               |
| 1935-1936 | 2.50            | 3.50       | 1.06               | 4.00       | 17.19        | 17.19     | 1.38   | 0.01       | 0.24                                     | –               |
| 1936-1937 | 2.50            | 3.50       | 1.09               | 3.67       | 19.16        | 19.16     | 15.66  | 0.26       | –  | –               |
| 1937-1938 | 2.50            | 3.50       | 1.57               | 3.20       | 19.74        | 19.49     | 19.67  | 0.73       | 0.53                                     | –               |
| 1938-1939 | 10.00           | 3.50       | 3.99               | 3.03       | 22.89        | 15.19     | 20.55  | 3.14       | 2.24                                     | 20%             |
| 1939-1940 | 10.00           | 3.50       | 8.46               | 2.82       | 44.51        | 33.81     | 31.15  | 8.24       | 2.42                                     | 20%             |
| 1940-1941 | 10.00           | 3.50       | 12.56              | 23.22      | 51.11        | 36.66     | 54.61  | 6.52       | 2.82                                     | 24%             |
| 1941-1942 | 10.00           | 3.50       | 13.33              | 30.02      | 64.79        | 45.89     | 39.88  | 3.58       | 2.82                                     | 24%             |
| 1942-1943 | 10.00           | 3.50       | 25.87              | 30.02      | 71.09        | 47.94     | 54.89  | 15.38      | 4.02                                     | 36%             |
| 1943-1944 | 10.00           | 3.50       | 44.30              | 30.00      | 77.01        | 49.36     | 83.32  | 22.42      | 4.02                                     | 36%             |
| 1944-1945 | 23.50           | 3.50       | 51.72              | 48.26      | 83.19        | 51.54     | 78.12  | 14.13      | 6.45                                     | 36%             |
| 1945-1946 | 23.50           | 3.50       | 80.06              | 50.00      | 92.20        | 56.55     | 85.98  | 5.72       | 5.36                                     | 21%             |
| 1946-1947 | 50.50           | 3.50       | 51.68              | 50.00      | 107.09       | 66.94     | 75.50  | 0.70       | 0.24                                     | –               |
| 1947-1948 | 101.00          | 3.50       | 28.27              | 50.00      | 128.27       | 78.12     | 151.55 | 40.07      | 10.47                                    | 10%             |
| 1948-1949 | 101.00          | 3.50       | 36.60              | 50.00      | 135.46       | 75.37     | 133.24 | 10.44      | 17.92                                    | 17.5%           |
| 1949-1950 | 101.00          | 3.50       | 33.62              | 50.00      | 157.64       | 89.23     | 147.72 | 14.72      | 12.36                                    | 12%             |
| 1950-1951 | 101.00          | 3.50       | 45.50              | 45.00      | 165.03       | 86.81     | 185.38 | 23.48      | 14.38                                    | 14%             |
| 1951-1952 | 101.00          | 3.50       | 59.20              | 45.00      | 177.67       | 91.12     | 216.26 | 25.52      | 14.38                                    | 14%             |
| 1952-1953 | 101.00          | 3.50       | 68.09              | 45.00      | 185.81       | 89.24     | 190.50 | 23.03      | 14.38                                    | 14%             |
| 1953-1954 | 101.00          | 3.50       | 79.40              | 45.00      | 190.33       | 85.90     | 196.24 | 25.47      | 16.40                                    | 16%             |
| 1954-1955 | 101.00          | 3.50       | 91.72              | 45.00      | 204.70       | 89.38     | 189.72 | 27.95      | 18.42                                    | 18%             |
| 1955-1956 | 101.00          | 3.50       | 110.22             | 25.76      | 228.81       | 129.62    | 214.63 | 33.00      | 21.46                                    | 21%             |
| 1956-1957 | 101.00          | 3.50       | 128.00             | 25.00      | 271.48       | 165.02    | 246.90 | 38.98      | 21.46                                    | 21%             |
| 1957-1958 | 101.00          | 3.50       | 122.12             | 25.00      | 295.28       | 177.60    | 354.05 | 27.96      | 21.46                                    | 21%             |
| 1958-1959 | 101.00          | 50.00      | 125.94             | 25.00      | 347.35       | 218.28    | 403.17 | 19.01      | 23.97                                    | 20%             |
| 1959-1960 | 101.00          | 50.00      | 135.33             | 100.00     | 426.90       | 280.79    | 390.72 | 19.92      | 20.15                                    | 15%             |
| 1960-1961 | 150.94          | 50.00      | 135.11             | 100.00     | 460.83       | 277.21    | 402.82 | 16.34      | 22.04                                    | 15%             |
| 1961-1962 | 151.49          | 50.00      | 128.43             | 100.00     | 498.28       | 288.76    | 538.39 | 14.38      | 23.12                                    | 12%             |
| 1962-1963 | 151.50          | 50.00      | 162.44             | 100.00     | 510.73       | 274.82    | 575.63 | 25.34      | 23.18                                    | 12%             |
| 1963-1964 | 151.50          | 50.00      | 72.36              | 100.00     | 520.54       | 268.37    | 550.69 | 30.21      | 26.21                                    | 14%             |
| 1964-1965 | 151.50          | 50.00      | 188.12             | 75.00      | 535.57       | 270.25    | 463.39 | 19.72      | 26.21                                    | 14%             |
| 1965-1966 | 151.50          | 50.00      | 226.65             | 75.00      | 592.61       | 354.43    | 510.47 | 16.76      | 23.18                                    | 12%             |

(₹ in Lakhs)

| Year             | Paid up Capital |            | Reserves & Surplus | Debentures | Fixed Assets    |                 | Sales           | Net Profit     | Dividend paid on Pref. and Equity Shares | Equity Dividend |
|------------------|-----------------|------------|--------------------|------------|-----------------|-----------------|-----------------|----------------|--|-----------------|
|                  | Equity          | Preference |                    |            | Gross Block     | Net Block       |                 |                |  |                 |
| 1966-1967        | 181.80          | 50.00      | 203.15             | 75.00      | 624.84          | 357.01          | 559.21          | 10.33          | 23.18                                    | 10%             |
| 1967-1968        | 181.80          | 50.00      | 238.75             | 75.00      | 850.16          | 357.03          | 788.52          | 50.72          | 26.82                                    | 12%             |
| 1968-1969        | 181.80          | 50.00      | 231.56             | 75.00      | 667.18          | 342.72          | 1041.56         | 16.38          | 23.18                                    | 10%             |
| 1969-1970        | 181.80          | 50.00      | 110.85             | 75.00      | 714.09          | 392.12          | 1074.80         | -95.32         | -  | -               |
| 1970-1971        | 181.80          | 50.00      | 182.61             | 75.00      | 729.20          | 379.12          | 997.74          | 7.17*          | -  | -               |
| 1971-1972        | 181.80          | 50.00      | 208.36             | 75.00      | 762.77          | 335.97          | 1300.06         | 64.47          | 10.00                                    | -               |
| 1972-1973        | 181.80          | 50.00      | 306.46             | 75.00      | 801.21          | 333.03          | 1649.72         | 86.62          | 31.62                                    | 12%             |
| 1973-1974        | 181.80          | 50.00      | 331.70             | 75.00      | 873.04          | 357.31          | 2184.57         | 48.71          | 19.00                                    | 7.70%           |
| 1974-1975        | 181.80          | 50.00      | 393.41             | 75.00      | 959.60          | 395.57          | 2453.00         | 58.15          | 26.82                                    | 12%             |
| 1975-1976        | 181.80          | 50.00      | 423.49             | 75.00      | 1058.21         | 423.44          | 2421.71         | 96.07          | 32.27                                    | 15%             |
| 1976-1977        | 182.98          | 50.00      | 423.04             | 73.82      | 1081.47         | 379.54          | 1970.06         | 40.83          | 32.33                                    | 15%             |
| 1977-1978        | 200.30          | 50.00      | 572.12             | 98.79      | 1772.72         | 1017.81         | 3615.05         | 195.77         | 33.75                                    | 15%             |
| 1978-1979        | 200.30          | 50.00      | 808.57             | 98.79      | 1920.74         | 1087.31         | 5031.11         | 263.06         | 37.05                                    | 16%             |
| 1979-1980        | 200.30          | 50.00      | 898.16             | 94.13      | 2131.56         | 1189.78         | 5572.98         | 121.30         | 37.05                                    | 16%             |
| 1980-1981        | 200.30          | 50.00      | 1104.94            | 69.46      | 2307.98         | 1248.17         | 5958.51         | 203.11         | 37.05                                    | 16%             |
| 1981-1982        | 200.30          | 50.00      | 1175.52            | 54.75      | 2441.32         | 1260.11         | 5754.26         | 111.63         | 41.05                                    | 18%             |
| 1982-1984        |                 |            |                    |            |                 |                 |                 |                |  |                 |
| (18 Months)      | 300.45          | 50.00      | **5401.27          | 40.14      | 11118.29        | @5446.17        | 12715.01        | 230.15         | 79.61                                    | 24%             |
| 1984-1985        | 300.45          | 50.00      | 4735.39            | 20.00      | 11233.15        | 5169.87         | 10763.79        | 125.64         | 53.07                                    | 16%             |
| 1985-1986        | 300.45          | 50.00      | **4833.16          | 20.00      | \$12388.57      | \$6322.02       | 9132.83         | 797.64*        | -  | -               |
| 1986-1987        |                 |            |                    |            |                 |                 |                 |                |  |                 |
| (18 Months)      | 300.45          | 50.00      | 3538.79            | 20.00      | 10104.10        | 4915.55         | 10720.82        | 288.05*        | -  | -               |
| 1987-1988        | 300.45          | 50.00      | 3425.37            | 20.00      | 10074.99        | 4874.42         | 6140.79         | 0.94*          | -  | -               |
| 1988-1989        | 300.45          | 50.00      | 2819.95            | 20.00      | 9319.14         | 4306.41         | 7595.22         | 16.14*         | -  | -               |
| 1989-1990        | 300.45          | 50.00      | **5647.33          | 20.00      | (i)12893.64     | (ii)6995.49     | 7129.48         | 35.57*         | -  | -               |
| 1990-1991        | 300.45          | 50.00      | 5132.30            | 20.00      | 13003.87        | 6094.85         | 8892.12         | 202.29         | ***68.55                                 | 12%             |
| 1991-1992        | 300.45          | 50.00      | **11174.24         | 8.00       | (iii)20403.10   | (iv)11308.30    | 8871.05         | 849.60         | 65.09                                    | 20%             |
| 1992-1993        | 300.45          | -          | 1059.55            | -          | 20399.72        | 10203.16        | 9214.26         | 516.21         | 63.37                                    | 20%             |
| 1993-1994        | 300.45          | -          | 10363.94           | -          | 20423.66        | 9283.57         | 11361.56        | 705.72         | 60.09                                    | 20%             |
| 1994-1995        | 300.45          | -          | 10677.14           | -          | 20746.33        | 8636.18         | 16492.32        | 1195.74        | 75.11                                    | 25%             |
| 1995-1996        | 300.45          | -          | 11283.01           | -          | 21304.33        | 8306.83         | 18899.01        | 1452.15        | 82.62                                    | 27.5%           |
| 1996-1997        | 300.45          | -          | 18822.30           | -          | (v)30470.60     | (vi)15925.70    | 16600.58        | 979.22         | 82.62                                    | 27.5%           |
| 1997-1998        | 300.45          | -          | 18291.16           | -          | 30730.43        | 14650.54        | 17466.30        | 795.01         | 82.62                                    | 27.5%           |
| 1998-1999        | 300.45          | -          | 17504.50           | -          | 30983.72        | 13221.69        | 21006.70        | 738.52         | 90.14                                    | 30%             |
| 1999-2000        | 300.45          | -          | 17089.64           | -          | 31264.84        | 12037.02        | 22021.88        | 894.19         | 99.15                                    | 33%             |
| 2000-2001        | 300.45          | -          | 14376.07           | -          | 31466.54        | 10875.89        | 22883.70        | (723.29)       | 99.15                                    | 33%             |
| 2001-2002        | 300.45          | -          | 21147.74           | -          | (vii)37089.76   | 17350.72        | 17951.34        | 249.73         | 75.11                                    | 25%             |
| 2002-2003        | 300.45          | -          | 20255.68           | -          | 37134.92        | 16059.72        | 15216.82        | 349.80         | 75.11                                    | 25%             |
| 2003-2004        | 300.45          | -          | 19527.54           | -          | 37438.77        | 15207.04        | 21618.25        | 398.72         | 82.62                                    | 27.5%           |
| 2004-2005        | 300.45          | -          | 19297.32           | -          | 38315.75        | 14945.35        | 25279.95        | 772.39         | 90.14                                    | 30%             |
| 2005-2006        | 300.45          | -          | 19533.81           | -          | 40188.42        | 15801.12        | 35855.63        | 1329.43        | 135.20                                   | 45%             |
| 2006-2007        | 300.45          | -          | 21976.64           | -          | 42849.96        | 17381.79        | 63279.94        | 3556.33        | 300.45                                   | 100%            |
| 2007-2008        | 760.90          | -          | 41424.52           | -          | (viii)57879.57  | 31956.79        | 69604.31        | 3976.93        | 380.45                                   | 50%             |
| 2008-2009        | 761.40          | -          | 41960.83           | -          | 62639.64        | 34311.67        | 51261.53        | 2340.13        | 380.70                                   | 50%             |
| 2009-2010        | 761.40          | -          | 40340.96           | -          | 64902.96        | 33996.72        | 67237.11        | 2228.91        | 380.70                                   | 50%             |
| 2010-2011        | 761.40          | -          | 39934.99           | -          | 67521.53        | 33823.03        | 95767.35        | 1279.78        | 380.70                                   | 50%             |
| <b>2011-2012</b> | <b>761.40</b>   | <b>-</b>   | <b>39502.90</b>    | <b>-</b>   | <b>69030.06</b> | <b>32416.25</b> | <b>87875.45</b> | <b>1212.64</b> | <b>380.70</b>                            | <b>50%</b>      |

**NOTES:**

- \* Subject to Depreciation.
- \*\* Including the effect of Revaluation of certain fixed assets.
- Including the effect of Revaluation of certain fixed assets as at 30-09-90.  
@ Gross amount written up ₹ 8432.67 lakhs.  
@ Accumulated Depreciation written up ₹ 3775.62 lakhs.
- Including the effect of Revaluation of certain fixed assets as at 31-03-86.  
\$ Gross amount written up ₹ 906.89 lakhs.  
\$\$ Accumulated Depreciation written up ₹ 11.21 lakhs.
- Including the effect of Revaluation of certain fixed assets as at 30-09-90.  
(i) Gross amount written up ₹ 3556.43 lakhs.  
(ii) Accumulated Depreciation written up ₹ 334.16 lakhs.
- \*\*\* Includes Preference Dividend for the years. 1985-86, 1986-87, 1987-88, 1988-89, 1989-90.
- Including the effect of Revaluation of certain fixed assets as at 30-09-92.  
(iii) Gross amount written up ₹ 7526.25 lakhs.  
(iv) Accumulated Depreciation written up ₹ 1618.56 lakhs.
- Including the effect of Revaluation of certain fixed assets as at 01-10-96.  
(v) Gross amount written up ₹ 7985.90 lakhs.  
(vi) Accumulated Depreciation written up ₹ 20.30 lakhs.
- Including the effect of Revaluation of certain fixed assets as on 01-10-96 ₹ 7965.60 lakhs.
- Including the effect of Revaluation of certain fixed assets as on 01-04-2002  
(vii) Gross Amount written up ₹ 5449.30 lakhs.
- Including the effect of Revaluation of certain fixed assets as on 01-10-2007  
(viii) Gross Amount written up ₹ 11263.32 lakhs.



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## WALCHANDNAGAR INDUSTRIES LTD

Regd. Office : 3, Walchand Terraces, Tardeo Road, Mumbai-400 034

### Intimation to Shareholders

Dear Shareholders,

#### Sub.: Payment of Dividend through NECS Mandate Form

We bring to your kind attention the following facilities in connection with payment of dividend, dematerialization of shares and consolidation of shares.

1. For the benefit of investors, Reserve Bank of India (RBI) has introduced National Electronic Clearing Service (NECS) in banking system to bring in further efficiency and uniformity in electronic credit. NECS ensures quick credit and no rejections. This facility provides instant credit of dividend amount to your Bank Account electronically and there is no limitations of location in India. This also eliminates delays in postal transit and fraudulent encashment of dividend warrants. NECS is operational for banks/bank branches leveraging on Core Banking System (CBS), which provide more than ten digit bank account number to its customers.
2. If you are still holding the shares in the physical form, we would request you to kindly consider the benefits of dematerialization and open a Demat Account with any Depository Participant to get your physical shares dematerialized.
3. In case you are holding the shares in more than one folio in the same name(s) and order, we would request you to kindly let us have your consent for consolidation of such multiple folios into one single folio. This will facilitate prompt service to you in future. In case you consent for folio consolidation, you will be required to send to the Registrar & Share Transfer Agents ( Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai - 400 078) all the share certificates, under different folios in your custody for our necessary action and return.
4. Shareholders holding shares in physical form desirous of using this facility are requested to submit, the NECS Mandate Form to the Registrar and Share Transfer Agent. (The Form is printed on the backside of this page). The said Form is also be available on Company's Website [www.walchand.com](http://www.walchand.com).

The beneficial shareholders who are holding shares in demat form are requested to provide Bank details/NECS Mandate Form to their Depository Participants.

Yours faithfully,  
For **WALCHANDNAGAR INDUSTRIES LTD.,**

**G. S. Agrawal**  
*Vice President (Legal & Taxation) and Company Secretary*

**MANDATE FORMS RECEIVED BY REGISTRAR  
& SHARE TRANSFER AGENTS UPTO 24TH  
JANUARY, 2013 SHALL BE CONSIDERED  
WHILE EFFECTING DIVIDEND PAYMENT FOR  
THE YEAR 2011-12**

*Dated: 23rd November, 2012*



**WALCHANDNAGAR INDUSTRIES LIMITED**  
**Shareholder's Option to receive Dividend Payment through**  
**Warrants favouring Bankers/National Electronic Clearing Service (NECS)**

Folio No.(s):

No. of shares

1. I/We give below the necessary particulars

- A. Name of the Sole/First Shareholder : \_\_\_\_\_
- B. Name of the Bank : \_\_\_\_\_
- C. Name of the Branch : \_\_\_\_\_
- D. Address of the Branch : \_\_\_\_\_
- E. Telephone Number of Branch : \_\_\_\_\_
- F. Type of Account : \_\_\_\_\_  
(Savings/Current/Cash Credit)
- G. Applicable Code No. (10/11/13) : \_\_\_\_\_  
(Saving – 10, Current – 11,  
Cash Credit – 13)
- H. Account Number (min. 10 digits to max. 15 digits for  
dividend payment through NECS) : \_\_\_\_\_
- I. Ledger & Ledger Folio No.  
(if any) of your bank account : \_\_\_\_\_
- J. 9-Digit Code number appearing on the clear band  
area at the bottom of MICR Cheque issued by Bank  
(the code number is mentioned on the MICR band  
next to the cheque number) : \_\_\_\_\_  
(Ensure a photocopy of a blank cheque is enclosed)

|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|

2. I/We hereby opt for payment of dividend

- ☐ through physical warrants with Name and Account No. of my/our bank
- ☐ under NECS
- (Please tick whichever is applicable)

3. I/We hereby declare that the above particulars are complete and correct. I/We also undertake to advise any change in the particulars of my/our account to facilitate Updation of records for payment of dividend. If the transaction is delayed or is not effected at all due to incomplete or incorrect information or for any reason beyond the control of the Company, I/We shall not hold the Company responsible.

Place :

Date :

\_\_\_\_\_  
Signature of the Sole/First named Shareholder

Encl.: A Photo copy of the cheque/a blank cheque duly cancelled

Note: In case it is not possible to attach a copy of cheque, the following certificate may please be furnished from your Bank:

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp

Date :

\_\_\_\_\_  
Signature of the Authorised Official of the Bank



## WALCHANDNAGAR INDUSTRIES LIMITED

Regd. Office: 3, Walchand Terraces, Tardeo Road, Mumbai 400 034

23rd November, 2012

Dear Shareholder,

### **Re : Green Initiative in Corporate Governance : Go Paperless**

The Ministry of Corporate Affairs (MCA) has issued Circular Nos. 17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011 respectively propagating "Green Initiative", by allowing paperless compliances by serving documents through electronic mode (e-mail). As an enlightened corporate citizen, we propose to send all future shareholder communication like Notice of AGM, Audited Financial Statements, Directors' Report, Auditors' Report etc. for the financial year ended on 30th September, 2012 and all other documents as may be allowed henceforth to the shareholders through electronic mode to the registered e-mail addresses of the shareholders. This ensures reduction in paper consumption, eliminates wastage of paper, ensures prompt receipt of communication and avoids loss in postal transit.

For supporting this initiative :

1. If you hold shares in electronic form, kindly register your e-mail address with your Depository Participant. You are not required to re-register unless there is a change in your e-mail address.
2. If you hold shares in physical form, please intimate your e-mail ID to the Company's Registrars & Share Transfer Agents, M/s. Link Intime India Private Limited.

You can also download the attached registration form from our website : [www.walchand.com](http://www.walchand.com)

You are requested to fill up the form given below and send it to :

M/s. Link Intime India Pvt. Ltd.,  
Unit : Walchandnagar Industries Ltd.,  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W), Mumbai - 400 078.

You may please note that, as a member of the Company, you will be entitled to be furnished, free of cost, a printed copy of the Balance Sheet of the Company together with all annexure required to be attached thereto including the Directors' Report, Profit and Loss Account and Auditors' Report and all other communications that may be sent to you, **upon receipt of a written request from you to this effect.**

We are sure that you appreciate the Green initiative undertaken by the MCA and hope that you will support your Company's desire to participate in it.

Thanking you,

Yours truly,

**For Walchandnagar Industries Ltd.,**

Sd/-

**G. S. Agrawal**

*Vice President (Legal & Taxation) & Company Secretary*

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### **E-COMMUNICATION REGISTRATION FORM**

(In terms of circular No. 17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011 respectively issued by the Ministry of Corporate Affairs)

Folio No./DP ID & Client ID : \_\_\_\_\_  
Name of 1st Registered Holder : \_\_\_\_\_  
Name of Joint Holder(s) : \_\_\_\_\_  
Registered address : \_\_\_\_\_  
E-mail ID (to be registered) : \_\_\_\_\_

I/We shareholder(s) of Walchandnagar Industries Limited agree to receive communication from the Company in electronic mode. Please register my above e-mail ID in your records for sending communication through e-mail.

Date : \_\_\_\_\_

Signature : \_\_\_\_\_

(First Holder)

#### **Important Notes:**

1. On registration, all the communication/s will be sent to the e-mail ID registered in the Folio/ DP ID & Client ID.
2. The form is also available on the website of the company [www.walchand.com](http://www.walchand.com).
3. Shareholders are requested to keep their Depository Participant/ Registrars & Share Transfer Agents informed as and when there is any change in the e-mail address. Unless the e-mail ID given above is changed by you by sending another communication in writing, the Company will continue to send the notices/documents to you on the e-mail ID registered.





## WALCHANDNAGAR INDUSTRIES LIMITED

Regd. Office: 3, Walchand Terraces, Tardeo Road, Mumbai 400 034

### ATTENDANCE SLIP

I hereby record my presence at the 104<sup>th</sup> ANNUAL GENERAL MEETING of the Company being held at Walchand Hirachand Hall, Indian Merchants' Chambers Building, Churchgate, Mumbai 400 020 on Thursday, 31st January 2013 at 4.00 p.m.

Member's/Proxy's Name .....  
(in Capital Letters)

Folio No./DPID & Client ID No. ....

No. of Shares .....

.....  
Member's/Proxy's Signature

cut here



## WALCHANDNAGAR INDUSTRIES LIMITED

Regd. Office: 3, Walchand Terraces, Tardeo Road, Mumbai 400 034

### FORM OF PROXY

I/We .....

of ..... in the district of .....

being a Member/Members of the above-named Company hereby appoint Mr./Ms. ....

of ..... in the District of ..... or

failing him/her Mr./Ms. ....

of ..... in the District of ..... or

failing him/her Mr./Ms. ....

of ..... in the District of .....

as my/our Proxy to vote for me/us on my/our behalf at the 104<sup>th</sup> ANNUAL GENERAL MEETING of the Company to be held on Thursday, 31st January, 2013 at 4.00 p.m. at Walchand Hirachand Hall, Indian Merchants' Chambers Building, Churchgate, Mumbai 400 020 and at any adjournment thereof.

Signed this ..... day of ..... 2013

Signed .....

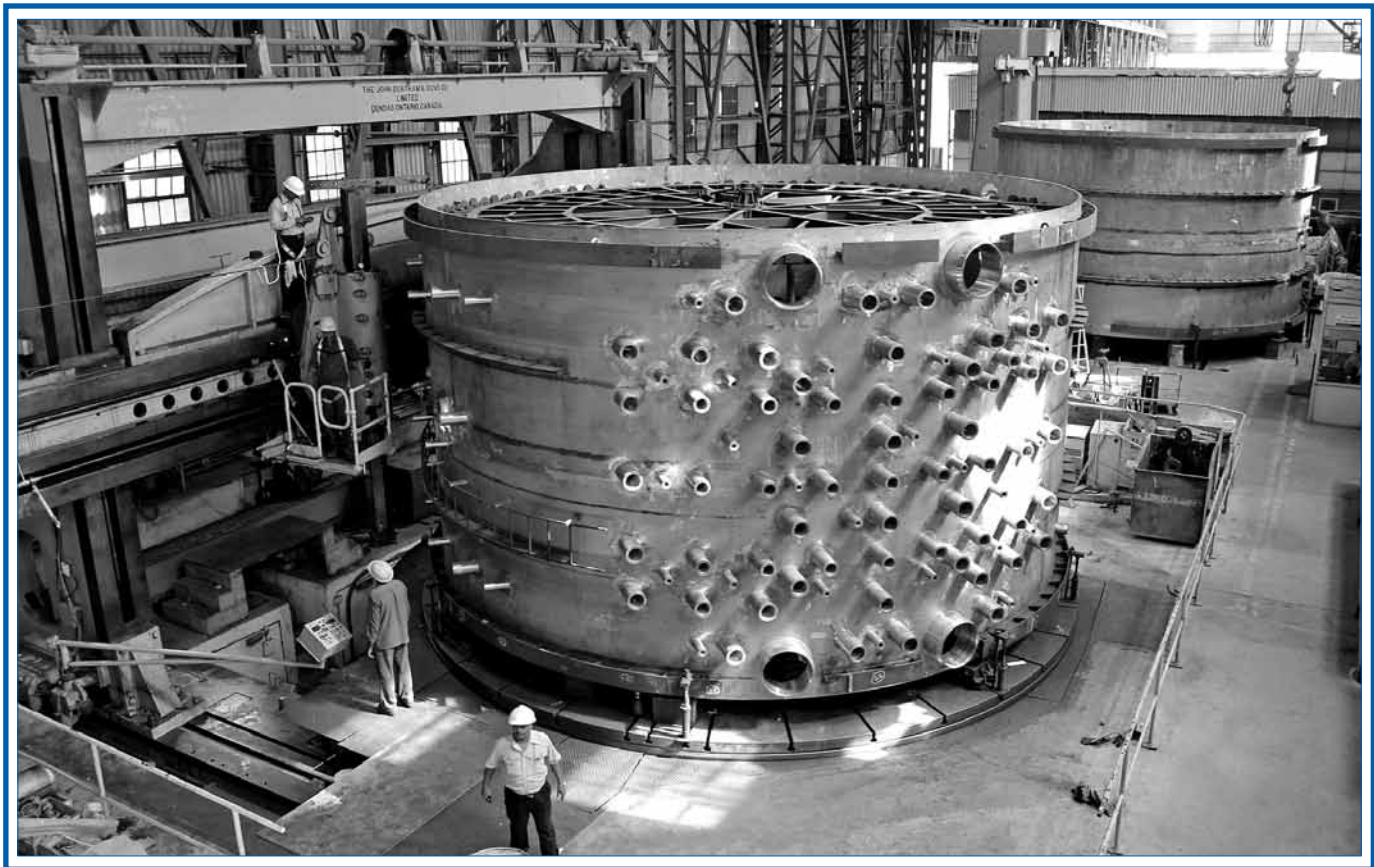
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Stamp

Folio No./DPID & Client ID No. ....

No. of Shares .....

**Note:** The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting. A Proxy need not be a member.





Calandrias for 700 MWe NPCIL Nuclear Power Plant under manufacturing.



WIL Senior Management with Dalwinder Singh and Vasanti Shinde the winners of Boys and Girls title respectively of the 5<sup>th</sup> Walchand Cup National Series Under 16 Tennis Tournament.





Regd. Office: 3, Walchand Terraces, Tardeo Road, Mumbai - 400 034  
Website: [www.walchand.com](http://www.walchand.com)