

WENDT GRINDING TECHNOLOGIES LIMITED

DIRECTORS REPORT

The Directors are pleased to present the twelfth Annual Report and Audited Accounts for the year ended March 31st 2017.

Key Financial Summary -:

| | (INR in lakhs) | |
|-------------------------|-------------------|-------------------|
| | 31/03/2017 | 31/03/2016 |
| Sales & Service Income | 1645 | 1620 |
| Other Income | 13 | 8 |
| Total Income | 1658 | 1628 |
| Profit Before Tax (PBT) | 265 | 232 |
| PBT% | 16% | 14% |
| Profit after tax (PAT) | 214 | 189 |
| PAT % | 13% | 12% |

Dividend:-

The Board of Directors of the Company during the year ended 31st Mar'2017, recommended confirmation of the interim dividend of Rs. 48.70 lakhs (10% on the Shares) paid in July 2016 and Rs. 121.62 lakhs (25% on the Shares) paid in March 2017 as the final dividend. The total dividend paid for the current financial year 2016-17 is Rs. 170.00 lakhs (35% of the paid up share capital).

Business Operations.-:

Our wholly-owned subsidiary, has once again delivered consistent results ensuring sustainable & profitable growth despite various odds & tough challenges. This good **performance** has been achieved despite continued slowdown, political issues and upheaval in the region.

During this challenging year, your Company faced numerous challenges especially, Auto industry business continue to decline, export continue to decline further since last 4 years for 70% export oriented economy along political uncertainty. This has resulted in existing competition resorting to competitive prices & increased resources to retain market share. Various new competitors especially from Korea & China putting best endeavors to penetrate into these market.

WENDT GRINDING TECHNOLOGIES LIMITED

Besides Auto & auto ancillary, many customers could not regain especially in electronic segment & white good appliances, while various other customers operated much lower production levels, due to contracting exports, coupled with economic & political challenges in Thailand. Overall GDP growth is around 3.1% levels during the year!

Auto industry continued downside & has impacted the automotive glass production with Asahi glass production remain at last year levels. Labour intensive industry seen shifting Further, Samsung TV decision to move production to Vietnam directly affected 50% decline in Eurokera production levels. However, your SBU has worked closely with this industry to regain dominant market share of 90% reprofiling with Asahi glass helping us grow 24% during the year for servicing business. Your Company maintained leadership position in reprofiling market segment in Thailand.

Clear focus on increasing product & customer basket for traded products yielded very good results besides de-risking the business. Your company generated additional business to compensate 24% drop in our existing customer sales along with 1% drop in tube sales, 7% drop in ceramic product through new product/new customer sales with a clear focus on 3 R approach to ensure increased net realization besides ensuring lower cost of gaining new businesses. Proactive actions to counter the costs like efforts required to keep a fine balance between employee cost/fixed costs, marketing cost etc.

Over all, your Company ensure sustainable profitable growth during the most challenging financial year

Your company also focused to grow export business to Vietnam & Japan with a clear focus on existing Japanese group companies & strong products. Your company has achieved 21% sales through export business during the year! During the year, your company could bring over 20 new customers on working platform to gain new business in coming years.

Further Your Company continues striving hard with a clear focus on the businesses with industries like Glass, Automobile, Steel, Auto parts, Wood, Furniture and construction industry. At the same time, your Company is increasing product basket to existing customers from above industries to optimize efforts/opportunity available and improve net realization.

Your Company is embarking on building and nurturing, business partners and customers to build this business with a long term prospective. At the same time, continue to explore opportunities to extrapolate/extend our business/product sales to other ASEAN countries as well, your company appointed 2 new Japanese base companies as distributor expanding reach with a clear focus & grow with select Japanese customers receiving very encouraging progress!

Working towards becoming a proffered Supplier, attaining the leadership position in field of grinding solutions!

WENDT GRINDING TECHNOLOGIES LIMITED

Your Company also participated in one exhibitions in Thailand with a clear focus on improving brand image, building customer trust & increasing market reach. Your Company also developed local advertising materials & further conducted technical seminars with identified customers & channel partners and organized sales meets to build product awareness, customer trust & brand image.

Despite various cost push & sales at last year levels, we could still achieve 11.9 % higher PAT worth INR 1.98 Cr over last year through increased product contribution/net realization in line with business strategy, reprofiling sales & 16% reduction in fixed cost expenditure with strict cost control! Manpower cost at same level last year maintained for last few years. Trading cost 3.5% lower reflecting in improved product mix & improved net realization

Further, focused strategy along with various Business process improvements to ensure sustainable & profitable growth, your company had taken various new projects to expand current products/market portfolio. Currently, evaluating various new projects to expand the strategic manufacturing/servicing base in line with strength & resources. Company would make further survey necessary along with feasibility study to finalize during the next financial year to keep up the growth path.

During the year, your Company received strong recommendations for complete involvement & commitment from top management to excel during "ISO9001-2008" audit from "TUV NORD" & have renewed the certificate!

HUMAN RESOURCE -:

Your Company focused on its Employee motivation & Total involvement, through training programs and brain storming sessions. This was done to build a cohesive, lean and effective team. Multi skilling of employees was promoted and encouraged to enhance individual as well as organizational value. Company continues to focus on recruit personnel with relevant adequate talent & positive attitude and focus on developing required skills with proper job orientation&on job training program.

During the year Company have maintained modest strength of 11 employees and plans to increase strength marginally to meet next year business plan & future growth.

DIRECTORS -:

As per law and Company's Articles of Association one third of the Directors will retire by rotation at its Annual General Meeting. During the twelfth Annual General Meeting Mr. Rajesh Khanna, retires by rotation and being eligible offers himself for re-appointment.

AUDITORS -:

Mr. Varanon Trathong was appointed as our Auditor of the Company and shall retire at the conclusion of the Annual General Meeting. Since he is being eligible for appointment, he offers himself for reappointment.

WENDT GRINDING TECHNOLOGIES LIMITED

ACKNOWLEDGMENT :-

The Board of Directors record their appreciation for the excellent work done by the WGTI team and for the co-operation and guidance extended by Wendt India Ltd and it's Associates and group Companies. The Board of Directors also thanks the Government Departments, IEAT, United Overseas Bank (formerly Bank of Asia), Customers, Suppliers and Employees for the Continued Support and Co-operation.



Bangkok
18th April 2017

RAJESH KHANNA
AUTHORISED DIRECTOR



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of WENDT GRINDING TECHNOLOGIES LIMITED.

Opinion

We have audited the financial statements of WENDT GRINDING TECHNOLOGIES LIMITED (the Company), which comprise the statement of financial position as at March 31, 2017, and the statement of income, statement of cash flows and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WENDT GRINDING TECHNOLOGIES LIMITED. as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is

Mr. Varanon Trathong

Certified Public Accountant (Thailand)

Registration No. 6886

Bangkok

April 18, 2017

WENDT GRINDING TECHNOLOGIES LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2017

| | | Unit : Baht | |
|---|-------------|----------------------|----------------------|
| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 2 | 25,750,000.00 | 25,750,000.00 |
| Reserve and surplus | 3 | 37,594,708.69 | 36,161,680.38 |
| Total shareholders' equity | | <u>63,344,708.69</u> | <u>61,911,680.38</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 4 | 8,940,401.16 | 13,040,132.16 |
| Other current liabilities | 5 | 2,193,401.32 | 1,377,366.90 |
| Short term provisions | 6 | 1,252,470.45 | 1,041,855.91 |
| Total current liabilities | | <u>12,386,272.93</u> | <u>15,459,354.97</u> |
| Total liabilities | | <u>12,386,272.93</u> | <u>15,459,354.97</u> |
| Total liabilities and shareholders' equity | | <u>75,730,981.62</u> | <u>77,371,035.35</u> |
| Significant accounting policies | 1 | | |
| Additional information to financial statements | 23 | | |
| See accompanying notes forming part of the financial statements | | | |

Bangkok, Thailand

April 18, 2017

WENDT GRINDING TECHNOLOGIES LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2017

| | | Unit : Baht | |
|--|-------------|----------------------|----------------------|
| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
| ASSETS | | | |
| Non - current assets | | | |
| Fixed assets | | | |
| Tangible assets | 7 | 13,979,947.60 | 15,693,176.29 |
| Intangible assets | 8 | 12,881.35 | 12,066.07 |
| Other non current asset | 9 | 100,000.00 | 100,000.00 |
| Total non - current assets | | <u>14,092,828.95</u> | <u>15,805,242.36</u> |
| Current assets | | | |
| Current investments | 10 | 21,121,816.88 | 24,432,536.36 |
| Inventories | 11 | 11,197,366.58 | 10,861,208.87 |
| Trade receivables | 12 | 8,583,163.39 | 7,541,733.77 |
| Cash and cash equivalents | 13 | 17,486,313.37 | 18,271,395.22 |
| Short term loans and advances | 14 | 3,234,838.80 | 357,176.09 |
| Other current assets | 15 | 14,653.65 | 101,742.68 |
| Total current assets | | <u>61,638,152.67</u> | <u>61,565,792.99</u> |
| Total assets | | <u>75,730,981.62</u> | <u>77,371,035.35</u> |
| Significant accounting policies | 1 | | |
| Additional information to financial statements | 23 | | |

See accompanying notes forming part of the financial statements

Bangkok, Thailand

April 18, 2017

WENDT GRINDING TECHNOLOGIES LIMITED
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2017

| | | Unit : Baht | |
|--|-------------|----------------------|----------------------|
| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
| REVENUES | | | |
| Revenue from operations | 16 | 85,691,761.62 | 86,372,126.73 |
| Other income | 17 | 692,706.22 | 437,793.10 |
| Total revenues | | <u>86,384,467.84</u> | <u>86,809,919.83</u> |
| EXPENSES | | | |
| Purchase of stock in trade and supplies | 18 | 57,306,818.27 | 59,442,617.94 |
| Changes in stock in trade and supplies | 19 | 569,214.35 | 127,423.74 |
| Loss on foreign currency transaction on trading products | | - | 641,559.39 |
| Employee benefit expenses | 20 | 8,050,807.63 | 7,934,896.06 |
| Finance costs | 21 | 143,370.64 | 131,270.68 |
| Depreciation and amortization | 7&8 | 1,858,984.43 | 1,764,308.34 |
| Other expenses | 22 | 5,330,310.97 | 5,083,549.22 |
| Total expenses | | <u>73,259,506.29</u> | <u>75,125,625.37</u> |
| Profit before income tax expense | | 13,124,961.55 | 11,684,294.46 |
| Current income tax expense | | 2,680,590.82 | 2,350,530.50 |
| Net profit for the year | | <u>10,444,370.73</u> | <u>9,333,763.96</u> |
| | | - | - |
| Basic earnings per share | | 1.01 | 0.91 |
| (Face value Baht 10 each) | | | |

Significant accounting policies 1

Additional information to financial statements 23

See accompanying notes forming part of the financial statements

Bangkok, Thailand

April 18, 2017

WENDT GRINDING TECHNOLOGIES LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED MARCH 31, 2017**

| | Unit : Baht | |
|---|----------------|----------------|
| | <u>2017</u> | <u>2016</u> |
| Cash flows from operating activities | | |
| Net profit | 10,444,370.73 | 9,333,763.96 |
| Adjustment to reconcile net profit to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 1,858,984.43 | 1,764,308.34 |
| Provision for diminution in value of inventory | 232,915.56 | 16,997.78 |
| Unrealized exchange loss (gain) | (84,876.05) | (59,980.00) |
| Net profit from operating before changes of operating assets and liabilities | 12,451,394.67 | 11,055,090.08 |
| Operating assets (increase) decrease | | |
| Inventories | (569,073.27) | (445,471.66) |
| Trade receivables | (1,033,888.61) | (112,938.07) |
| Short term loans and advances | (2,877,662.71) | 70,134.56 |
| Other current assets | 87,089.03 | (65,722.17) |
| Operating liabilities increase (decrease) | | |
| Trade payable | (4,022,395.96) | 513,598.51 |
| Other current liabilities | 816,034.42 | (985,531.04) |
| Short term provision | 210,614.54 | (279,172.61) |
| Net cash provided by operating activities | 5,062,112.11 | 9,749,987.60 |
| Cash flows from investing activities | | |
| Invest in current investment | 3,310,719.48 | 8,655,467.23 |
| Purchase of tangible assets | (142,842.05) | (621,311.17) |
| Purchase of intangible assets | (3,728.97) | (13,199.07) |
| Net cash used in investing activities | 3,164,148.46 | 8,020,956.99 |
| Cash flows from financing activities | | |
| Dividend payment | (9,011,342.42) | (8,999,807.00) |
| Net cash provided by financing activities | (9,011,342.42) | (8,999,807.00) |
| Net increase (decrease) in cash and cash equivalent | (785,081.85) | 8,771,137.59 |
| Cash and cash equivalent at the beginning of the period | 18,271,395.22 | 9,500,257.63 |
| Cash and cash equivalent at the ended of the period | 17,486,313.37 | 18,271,395.22 |
| | - | - |
| Cash paid during the period | | |
| Income tax | 2,469,976.28 | 2,629,703.10 |

Significant accounting policies

Note 1

Additional information to financial statements

Note 23

See accompanying notes forming part of the financial statements