

WENDT GRINDING TECHNOLOGIES LIMITED

DIRECTORS REPORT

The Directors are pleased to present the 14th Annual Report and Audited Accounts for the year ended March 31st 2019.

Key Financial Summary

	(INR in lakhs)	
	31/03/2018	31/03/2019
Sales & Service Income	1843	2476
Other Income	14	16
Total Income	1857	2492
Profit Before Tax (PBT)	345	499
PBT%	18.5%	20.18%
Profit after tax (PAT)	275	399
PAT %	14.8%	16%

Dividend:-

The Board of Directors of the Company during the year ended 31st March 2019 had paid two interim dividends of 15% on the shares each aggregating to 30% on shares in September 2018 and January 2019. The Board considered payment of 25% of the shares as final dividend.

Business Operations:

Your Company has once again delivered an excellent performance with highest ever sales & profits ensuring sustained results with sales at 19% higher than last year & 13% higher than the plan, despite continued industry slowdown, falling exports, political issues and odds - a good example of strong resolve and business acumen against challenging and unfavorable conditions.

During this challenging year, your Company faced numerous ongoing challenges especially decline in target customer segments, product challenges, political uncertainty. This has resulted in the existing competition resorting to competitive prices & increased resources to retain market share. Various new competitors especially from Korea & China have been putting their best endeavors to penetrate into this market.

External risks include potentially weaker than expected growth of Thailand's trade counterparts, China in particular and uncertainties over USA protectionist policies have started to affect the export oriented economy harder coupled with continued political instability

WENDT GRINDING TECHNOLOGIES LIMITED

hampering local economy. This uncertainty is affecting exports and tourism, as Thailand's export sector has seen a contraction of about 4.5 per cent in the first two months of this year 2019.

Besides Auto & auto ancillary, many customers could not regain especially in electronics & white good appliances segments, while various other customers operated at much lower production levels, due to contracting exports coupled with economic & political challenges in Thailand. Overall GDP growth was around 4.2 per cent levels during the year.

Thailand is an export oriented economy with major dependence on Europe, USA, Japan & China with over 70% of the country's GDP from exports. With the continued economic slowdown in these countries along with slowing down in local consumption with lack of government policy, internal political conflicts, the performance of manufacturing sector was affected during the year. However, the SBU's focus on more value-added service and increased product basket helped us achieve sustainable & profitable growth.

The Bank of Thailand's Monetary Policy Committee (MPC) has maintained its economic growth forecasts of 3.5% to 3.9% for the year 2019, noting that downside risks to the Thai economy largely come from external factors & looming political uncertainty. Your SBU has worked closely with this automotive glass industry to regain dominant market share of 70% reprofiling with Asahi glass. However, sluggish automobile growth coupled with customer's internal process improvement, profile potential continue to decline resulting in 11% decline in reprofile sales. The SBU has gained higher sales in other glass industry customers like Ocean Glass and has also started exploring other traded product sales to capitalize our continued relationship & market understanding.

Clear focus on increasing product & customer basket for traded products yielded very good results besides de-risking the business to achieve above growth despite compensating 13% sales in existing sales from various customers through continuous focus on new product & customers.

Your Company also focused to strengthen the export business resulting in 20% growth in exports to Vietnam, various new customers brought to working platform in Malaysia besides expanding source product sales to India. Also, the customer base in Japan was expanded with a clear focus on existing Japanese group companies & providing strong products.

Further, your Company continues to strive hard with a clear focus on industries like Glass, Automobile, Steel, Auto parts, Wood, Furniture and construction industry. At the same time, your Company is increasing its product basket to existing customers from above industries to optimize efforts/opportunity available and improve net realization. Your Company is also embarking on building and nurturing, business partners and customers to build this business with a long term prospective. At the same time, your Company continues to explore opportunities to extrapolate/extend our business/product sales to other ASEAN countries as well, working towards becoming a proffered supplier, attaining leadership position in field of grinding solutions. Your Company also participated in one exhibitions in Thailand with clear focus on improving brand image, building customer trust & increasing market reach. Your Company also has developed local advertising materials & further conducted technical

WENDT GRINDING TECHNOLOGIES LIMITED

seminars with identified customers & channel partners and organized sales meets to build product awareness, customer trust & brand image.

Through various business process improvements & strict cost control, key costs were maintained at last year levels despite sales growth to ensure lower cost of gaining new businesses. Proactive actions have also been taken to counter the costs through efforts to keep a fine balance between employee cost/fixed costs, marketing cost etc.

Over all, your Company achieved **highest ever PAT since inception worth INR 3.98Cr.** Clear focus on business process improvements, 3R approach to improve net realization with ever expanded product basket & strict cost control has helped us **achieve 28% higher PAT over corresponding year despite various cost pushes. Your Company achieved the highest EPS of 1.76.**

Further, through 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. Your Company is currently evaluating various new projects to expand the strategic manufacturing/servicing base in line with strength & resources. Your Company would conduct necessary surveys along with feasibility study 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 & **successfully upgraded to "ISO9001-2015" audit from "TUV NORD".**

HUMAN RESOURCE"

Your Company focused on its Employee motivation & Total involvement, through training programmes and brainstorming 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. Your Company continues to focus on recruiting personnel with relevant adequate talent & positive attitude and focus on developing the required skills with job orientation & on the job training program.

During the year, your Company has maintained a modest strength of 12 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 thirteenth Annual General Meeting, Mr. Rajesh Khanna, retires by rotation and being eligible offers himself for re-appointment.

WENDT GRINDING TECHNOLOGIES LIMITED

AUDITORS:

So Audit Company was appointed as our Auditors of the Company and shall retire at the conclusion of the Annual General Meeting. They being eligible for appointment, offer themselves for reappointment.

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 its 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.

**Hosur
15th April 2019**

A handwritten signature in blue ink, consisting of a large loop and a wavy tail.

**RAJESH KHANNA
AUTHORISED DIRECTOR**

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 31 March 2019, and the statement of income, statement of cash flows and statement of changes in 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 the Company as at 31 March 2019, and its financial performance 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.

Other Matter

The financial statements of Wendt Grinding Technologies Limited for the year ended 31 March 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 19 April 2018.

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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.

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.

7/20/17

- 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.



(Mr. Teerawat Tangwattayanayothin)

So Audit Co., Ltd.
บริษัท โซ ออดิท จำกัด

Certified Public Accountant (Thailand) No. 10642

So Audit Company Limited

Chonburi

15 April 2019

WENDT GRINDING TECHNOLOGIES LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2019

		Unit : Baht	
	Note	2019	2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2	25,750,000.00	25,750,000.00
Reserve and surplus	3	54,402,297.59	44,009,030.52
Total shareholders' equity		<u>80,152,297.59</u>	<u>69,759,030.52</u>
LIABILITIES			
Current liabilities			
Trade payables	4	8,050,027.11	9,652,527.37
Other current liabilities	5	2,130,701.68	2,440,700.80
Short term provisions	6	2,632,895.36	1,892,158.75
Total current liabilities		<u>12,813,624.15</u>	<u>13,985,386.92</u>
Total liabilities		<u>12,813,624.15</u>	<u>13,985,386.92</u>
Total liabilities and shareholders' equity		<u>92,965,921.74</u>	<u>83,744,417.44</u>

Significant accounting policies 1

Additional information to financial statements 23

See accompanying notes forming part of the financial statements

Chonburi, Thailand

April 15, 2019

Final 7

WENDT GRINDING TECHNOLOGIES LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2019

		Unit : Baht	
	<u>Note</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Non - current assets			
Fixed assets			
Tangible assets	7	12,996,962.01	13,666,676.40
Intangible assets	8	11,409.73	16,355.40
Other non current asset	9	100,000.00	100,000.00
Total non - current assets		<u>13,108,371.74</u>	<u>13,783,031.80</u>
Current assets			
Current investments	10	21,517,815.01	21,311,868.93
Inventories	11	10,356,150.74	12,333,869.04
Trade receivables	12	12,574,841.11	11,690,719.91
Cash and cash equivalents	13	33,741,518.83	24,083,308.87
Short term loans and advances	14	1,571,952.07	459,482.40
Other current assets	15	95,272.24	82,136.49
Total current assets		<u>79,857,550.00</u>	<u>69,961,385.64</u>
Total assets		<u>92,965,921.74</u>	<u>83,744,417.44</u>

Significant accounting policies 1

Additional information to financial statements 23

See accompanying notes forming part of the financial statements

So Audit Company Limited

Chonburi, Thailand

April 15, 2019

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WENDT GRINDING TECHNOLOGIES LIMITED**STATEMENT OF INCOME****FOR THE YEAR ENDED MARCH 31, 2019**

		Unit : Baht	
	<u>Note</u>	<u>2019</u>	<u>2018</u>
REVENUES			
Revenue from operations	16	112,587,464.80	94,545,048.86
Other income	17	723,388.52	715,298.98
Total revenues		<u>113,310,853.32</u>	<u>95,260,347.84</u>
EXPENSES			
Purchase of stock in trade and supplies	18	73,579,695.58	62,799,774.11
Changes in stock in trade and supplies	19	(592,248.97)	(2,266,878.72)
Loss on foreign currency transaction on trading products		264,687.48	204,839.36
Employee benefit expenses	20	8,903,548.14	8,699,164.39
Finance costs	21	166,560.12	155,376.71
Depreciation and amortization	7&8	1,861,696.45	1,698,370.56
Other expenses	22	6,410,506.95	6,257,016.60
Total expenses		<u>90,594,445.75</u>	<u>77,547,663.01</u>
Profit before income tax expense		22,716,407.57	17,712,684.83
Current income tax expense		4,598,140.50	3,583,625.00
Net profit for the year		<u>18,118,267.07</u>	<u>14,129,059.83</u>

Basic earnings per share 1.76 1.37
(Face value Baht 10 each)

Significant accounting policies 1

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So Audit Company Limited

Chonburi, Thailand

April 15, 2019

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WENDT GRINDING TECHNOLOGIES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	Unit : Baht	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net profit	18,118,267.07	14,129,059.83
Adjustment to reconcile net profit to net cash provided by (used in) operating activities		
Depreciation and amortization	1,861,696.45	1,698,370.56
Provision for diminution in value of inventory	119,102.45	102,028.82
(Gain) loss on sale of tangible assets	(233,643.86)	1.00
Unrealized exchange loss (gain)	(1,629.16)	(133,588.76)
Net profit from operating before changes of operating assets and liabilities	19,863,792.95	15,795,871.45
Operating assets (Increase) decrease		
Inventories	1,858,615.85	(1,238,531.28)
Trade receivables	(859,553.48)	(3,029,171.08)
Short term loans and advances	(1,112,469.67)	2,775,356.40
Other current assets	(13,135.75)	(67,482.84)
Operating liabilities increase (decrease)		
Trade payable	(1,625,438.82)	767,329.53
Other current liabilities	(309,999.12)	247,298.48
Short term provision	740,736.61	639,688.30
Net cash provided by operating activities	18,542,548.57	15,890,359.96
Cash flows from investing activities		
Invest in current investment	(205,946.08)	(190,052.05)
Cash proceed from dispose fixed asset	233,644.87	-
Purchase of tangible assets	(1,187,037.39)	(1,380,774.41)
Purchase of intangible assets	-	(7,800.00)
Net cash used in investing activities	(1,159,338.60)	(1,578,626.46)
Cash flows from financing activities		
Dividend payment	(7,725,000.00)	(7,714,738.00)
Net cash provided by financing activities	(7,725,000.00)	(7,714,738.00)
Net increase (decrease) in cash and cash equivalent	9,658,209.97	6,596,995.50
Cash and cash equivalent at the beginning of the period	24,083,308.87	17,486,313.37
Cash and cash equivalent at the ended of the period	33,741,518.84	24,083,308.87
Cash paid during the period		
Income tax	1,756,856.00	2,943,936.70

Significant accounting policies

Note 1

Additional information to financial statements

Note 23

See accompanying notes forming part of the financial statements

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