

ADOR FONTECH LIMITED



22nd Annual
Report 1996-97

Ador Fontech Limited

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DIRECTORS

J.K. Chandna	Chairman
A.K. Bahl	Director
R.D. Kothare	Director
M.T. Sheth	Director
K.L. Hira	Director
V.D. Mansukhani	Director

GENERAL MANAGER - FINANCE & COMPANY SECRETARY

G. Ramasubramanian

CORPORATE MANAGEMENT TEAM

H.P. Ledwani

D. Naronha

M.J. Kurien

K.K. Kashyap

M. Narain

P. Ramachandran

P. Viswanathan

G. Ramasubramanian

V. P. Kulkarni

AUDITORS

Amarnath Kamath & Associates

Chartered Accountants

221 Raheja Chambers

12 Museum Road

Bangalore - 560 001

BANKERS

The ICICI Banking Corporation Limited

REGISTERED & CORPORATE OFFICE

Belview

7 Haudin Road

Bangalore-560 042

The Company

A Front-runner organisation that operates on the philosophy of 'partnering' with its clients in recommending and implementing 'best-in-class' reclamation and surfacing solutions.

The world has limited reserves of mineral resources. However, the depletion rate resulting from industrialisation is very high. Reclamation and recycling of vital machinery components, therefore, assumes high priority. In addition, such an activity results in savings in downtime and inventory costs.

The company is dedicated to supply of products, services and solutions that meet and exceed the needs of end-users. The customer-base includes mining industries, steel and other metallurgical complexes, power plants, railways, road transport workshops, shipping industries, sugar mills, cement plants, fertilizer and chemical plants, oil drilling and refining sector, defence workshops and a whole range of engineering industries.

The products and services have been classified into the following groups:

OERLIKON FON is a market-driven brand name. A wide range of low heat input welding alloys have a performance - proven track record and are being used extensively in India and in several overseas locations.

FMA group consists of the following product ranges:

FONMATIC Fluxcored welding wires and wire feeders.

FONARC Range of welding and cutting equipment.

ARCOFON The world's most wear-resistant fused- alloy steel based wear plates.

FCT group consists of:

DELORO STELLITE consumables, **FONCOATECH** thermal spray products, Pyroputties, and **FONMETALL** range of cold repair products and services.

The **AGENCY** group has the following alliances:

SULZER METCO The world leaders in thermal coating products and related technologies. The company represents them exclusively in India.

The company also represents **DEGUSSA** Germany exclusively for a wide range of brazing alloys.

ADOR FONTECH'S products and services are backed by **DOTES** (Documentation, Training and Education Services). This service group documents and disseminates case studies, technical articles, product literature, etc. At Ador Institutes of Welding Technology (AIWTs - based at Mumbai, Chennai, Pune and Delhi) **DOTES** conducts focussed training programmes on reclamation and surfacing technologies. They also conduct training programmes and seminars at vital industrial and customer locations all over India.

The company has an uncompromising commitment to the continuous improvement of its products, services and delivery mechanisms. Every employee and over 200 authorised dealers are dedicated towards the mission of 'total customer satisfaction' by providing the endusers with best-in-class products and services.



Milestones

ISO 9002 Certification.
Launch of ARCOFON range of superior wear-resistance technology wear plates.
Launch of SAF range of portable welding and cutting outfits.

1995 Distributorship for Nelson range of low temperature putties. Public Issue successfully completed to raise the equity capital to Rs. 350 lacs.

1994 Distributorship for a wide range of Stellite products from Deloro Stellite, Germany. Equity capital increased to Rs. 225 lacs.

1992 Acquisition of FIST India Private Limited and merger of the same with ADFL. Acquisition of Kostech India Private Limited and merger of the same with ADFL. Number of shareholders increased from 112 to 1874 and equity capital increased from Rs. 48 lacs to Rs. 169 lacs.

1991 FONTECH training centre launched at Madras.

1988 Exclusive distributorship for special brazing alloys from Degussa AG, Germany. Fontech training centre launched at Kalina, Mumbai.

1987 Launch of Fonmatic open arc reclamation welding products.

1985 Finalisation of exclusive distributorship for India from Sulzer Metco, USA, for thermal spray equipment and materials.

1983 New reclamation welding alloy developed for the Indian Railways in the H3 class.

1979 Commencement of operations.

Ador Fontech Limited

ADOR GROUP VISION

MD	/			PRG	NA
CS	/			DEV	NA
RO	/			PL	/
TR	/			AC	/
AGM	NA			SIB	/
YE	/				

The Ador Group shall be a globally respected industry leader in all its lines of business.

The Group culture shall foster business excellence, high ethical and social practices and create pride for all stakeholders in the ADOR family.

CORPORATE MISSION

Ador Fontech Limited is a leading organisation dedicated to reclamation welding and thermal coating solutions. Our mission is to provide total customer satisfaction by focussing on our key strengths - motivated employees, technological superiority and multifold services with an enviable return to our shareholders.

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OUR SHARED VALUES

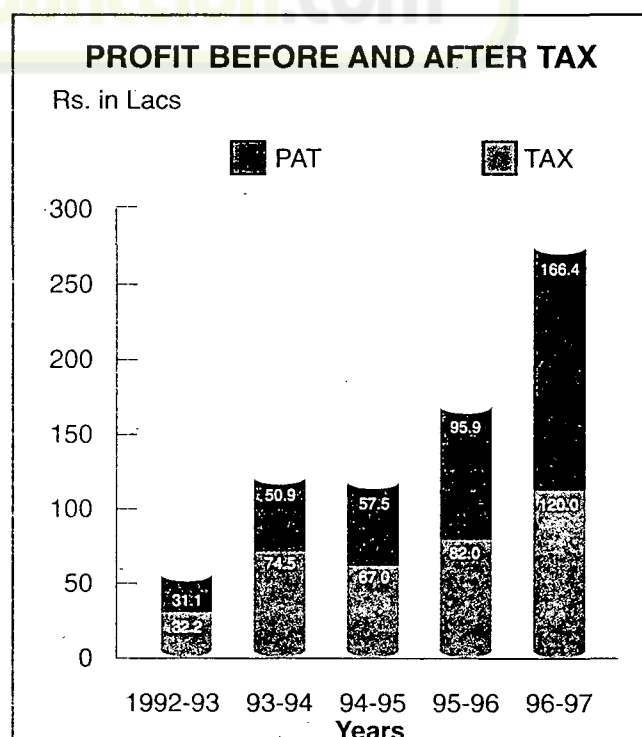
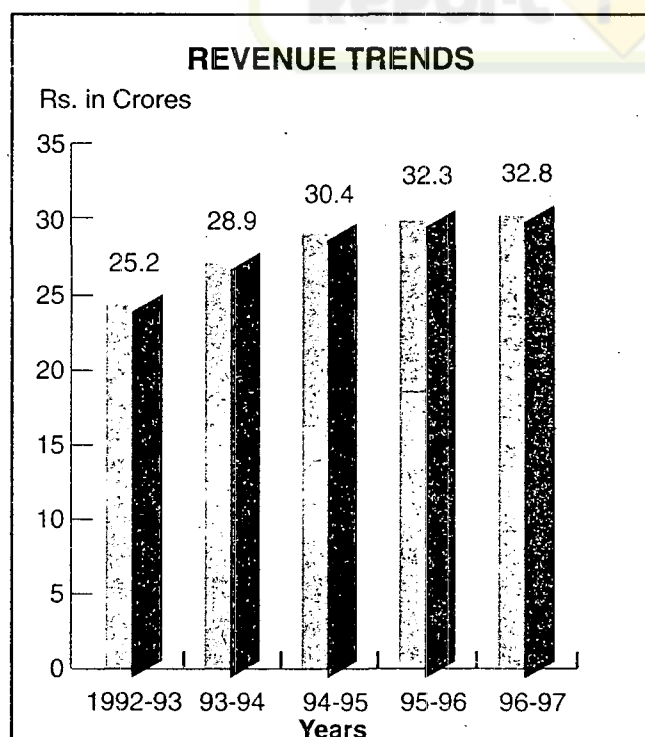
- D - Delighting customers is first & foremost. This applies to both internal & external customers.
- O - Openness to question issues one disagrees with till a final decision is reached.
- C - Commitment to total and continuous improvement in everything we do. We will be creatively dissatisfied with the status quo.
- H - Honouring commitments whether made orally or in writing.
- I - Innovativeness for new product & process ideas throughout the company.
- P - People power through role assignment, plus education & training for development and use of inherent strengths.

FIVE YEARS AT A GLANCE

Rs. in Lacs

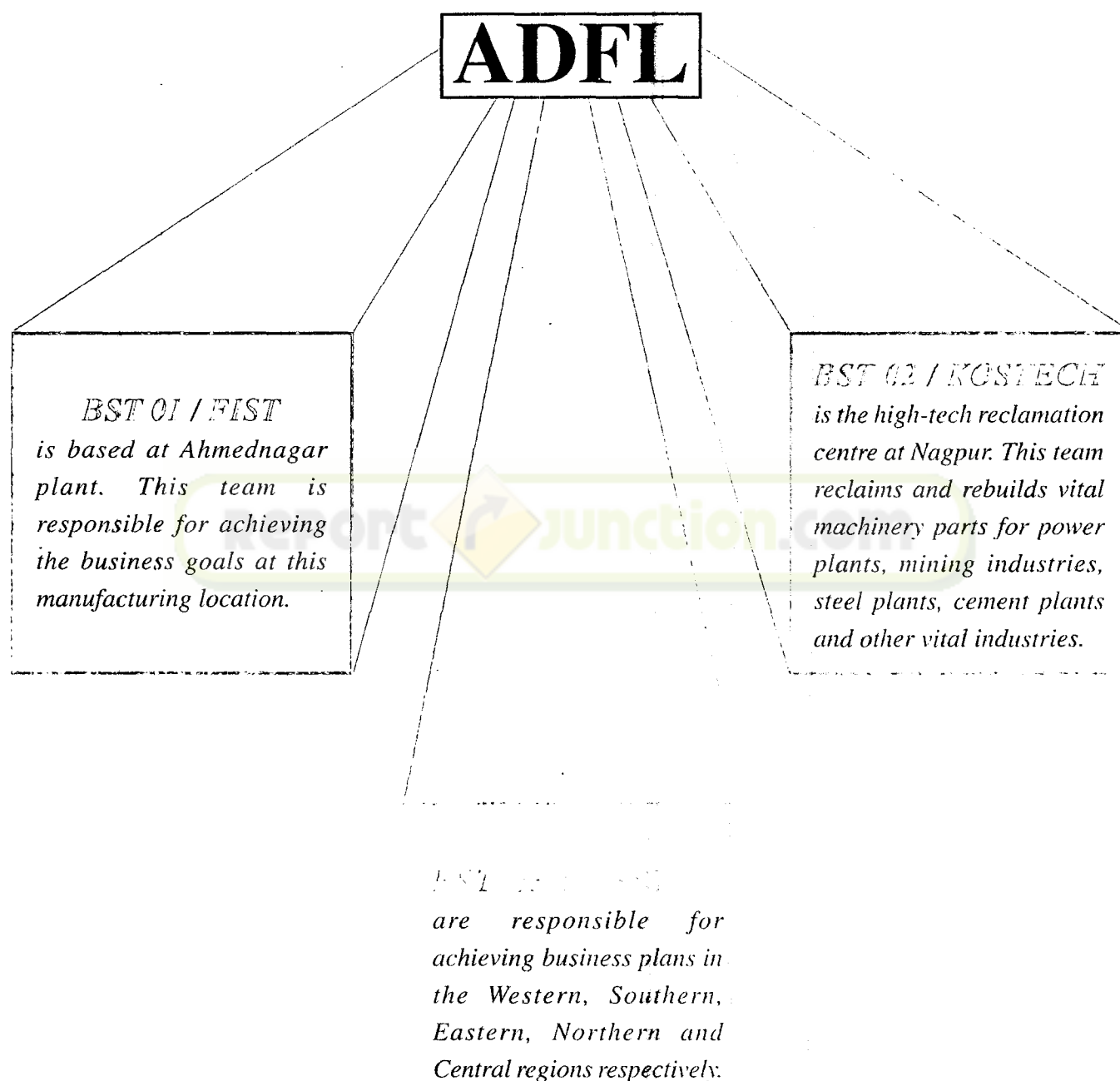
FIVE YEAR SUMMARY	1992-93	1993-94	1994-95	1995-96	1996-97
SALES (NET)	2522.4	2889.8	3040.9	3238.0	3286.7
PROFIT BEFORE TAX	63.4	125.4	124.5*	177.9	286.4
TAX	32.2	74.5	67.0	82.0	120.0
PROFIT AFTER TAX	31.1	50.9	57.5	95.9	166.4
GROSS BLOCK	376.2	493.5	631.5	883.0	937.9
SHARE CAPITAL	169.2	225.0	225.0	350.0	350.0
RESERVES & SURPLUS	41.1	121.5	220.2	525.1	571.5
NETWORTH	210.3	346.5	445.2	875.1	921.5
DIVIDEND	30.0	25.0	30.0	25.0	30.0
BOOK VALUE	12.4	15.4	19.8	25.0	26.3
EPS	1.8	2.3	2.5	2.7	4.8

* Excludes extraordinary income of Rs. 126 lacs.



Business Teams (SBUs)

The Company's business has been classified into Seven distinct profit centres called Business Teams. These are supported and facilitated by the Corporate Office. These Business teams are as follows:



Directors' Report

To,

The Members,

The Directors have pleasure in presenting their 22nd Annual Report and the Audited Statement of Accounts for the year ended 31st March 1997.

1.0 FINANCIAL RESULTS

(Rs. in lacs)

Key Financial Indicators	For the year ended 31st March, 1997	For the year ended 31st March, 1996
Sales & Other Income	3287.00	3238.00
Profit before depreciation and tax	359.00	236.00
Profit after Depreciation and Tax	166.00	96.00
Balance in Profit & Loss Account of Previous Year	8.00	18.00
Amount Available for Appropriation	178.00	116.00
Appropriations :		
General Reserve	50.00	24.00
Dividend (Proposed)	105.00	83.00
Tax on Proposed Dividend	10.50	-
Short provision for dividend of previous year	0.04	-
Balance carried to Balance Sheet	12.80	8.00

2.0 DIVIDEND

During the previous year, a dividend of 25% was paid. Your Directors recommend a dividend of 30% for the year ended 31.03.1997.

3.0 OPERATIONS

The sales turnover and other income for the year was at Rs. 3287 lacs against Rs. 3238 lacs of the previous year. The profit before tax was at Rs. 286 lacs as against Rs. 178 lacs of the previous year. The Net Profit is at Rs. 166 lacs as against Rs. 96 lacs of the previous year.

During the year further progress was made in expanding the end-user base for ARCOFON and PRESTO SERIES portable welding machines. The Kostech division too improved its performance considerably.

As a result of a series of cost reduction measures, administrative and financial expenses were brought down as compared to the previous year.

4.0 PERFORMANCE Vs. PROJECTIONS

The projections given in the prospectus at the time of Public Issue in March 1995 and the performance against the same are given below.

(Rs. in Lacs)

	Performance	Projections
Sales and other Income	3287.00	6000.00
Profit before tax	286.00	490.00
Profit after tax	166.00	310.00
E P S (Rs.)	4.80	8.80

Part of the turnover and profit projections were to come from incremental sales arising out of new Investments. In the light of the changed circumstances most of these investments could not be made as explained in the previous report. Therefore the turnover and profitability have been lower as compared to the projections.

5.0 DIRECTORS

Pursuant to the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. M.T. Sheth retires by rotation and being eligible offers himself for reappointment.

6.0 ISO 9002 ACCREDITATION

You will be glad to know that your company was awarded ISO 9002 certification for "Marketing And Supply Of Reclamation Welding And Surface Coating Products And Services" in terms of the certificate dated 2nd August 1996.

7.0 CHANGE OF NAME

In order to bring about the identity of the company in line with the well known ADOR group the name of the company has now been changed to ADOR FONTECH LIMITED. Approval of the Central Government has been obtained from the Registrar of Companies Karnataka in terms of certificate dated 11.09.1996.

8.0 EMPLOYEES

Continuous emphasis is being given to the training and development of personnel. In addition to on-the-job training, several training programmes and workshops are being conducted on an on-going basis. The objective is to upgrade and improve their skills, inculcate better quality awareness and improve the managerial effectiveness.

The Directors also wish to place on record their appreciation for the team work and dedication of the employees at all levels.

Statement as per Sec. 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is given in the Annexure to this report.

9.0 BANKERS

The Company's bankers ICICI Banking Corporation provided excellent support to the working capital needs of the Company. Your Directors place on record their appreciation for the same.

10.0 AUDITORS' REPORT

The report of the Auditors' and notes forming part of

the accounts being self explanatory, no further comments are considered necessary.

11.0 AUDITORS

M/S. Amarnath Kamath & Associates who were appointed as Statutory Auditors at the 21st Annual General Meeting retire at the conclusion of the 22nd Annual General Meeting and are eligible for reappointment.

You are requested to authorise the board to approve their appointment and to fix their remuneration. You are also requested to authorise the Board to appoint Branch Auditors and to fix their remuneration for the current year in consultation with the Statutory Auditors of the Company.

12.0 PARTICULARS OF DISCLOSURE

The information required under the Companies Act (disclosure of particulars in the report of the Board of Directors) Rules, 1988 is enclosed.

13.0 CASH FLOW STATEMENT

As required by SEBI and as advised by the Stock Exchanges, the Company is required to furnish Cash Flow statement as an Annexure to the Audited Balance Sheet, Profit & Loss Account and the Director's Report. This statement is also given along with the above, in the prescribed format, as given by the Stock Exchanges.

14.0 ACKNOWLEDGMENT

Your Directors express their gratitude for the business, assistance, co-operation and support extended to your Company by the customers, authorised dealers, suppliers, bankers, overseas business partners and various Government agencies. Your Directors also wish to thank the shareholders for their continued co-operation and support and for their continued confidence in the Company and its future.

For and on behalf of the Board
For ADOR FONTECH LIMITED

Bangalore
12th June 1997

J.K CHANDNA
Chairman

ANNEXURE TO THE DIRECTORS' REPORT
(Under Section 217(1)(c) of the Companies Act, 1956)

Additional information in terms of notification 1029 of 31.12.1988 by the Department of Company Affairs.

A. **Conservation of Energy:** Not given as the Company is not covered under the list of specified industries. However, efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

B. **Research and Development**

- | | | |
|--|---|--|
| 1. Specific areas in which R & D carried out by the Company. | : | Efforts are on to further improve the performance of products and the range. |
| 2. Benefits derived as a result of the above R & D. | : | Conservation of basic raw materials since components are rebuilt from wornout/scrap parts to original size and shape. In some cases they give much longer life compared to the original parts. |
| 3. Future Plan of action | : | We will make further progress on items 1 & 2 above. |
| 4. Expenditure on R & D | | |
| a. Capital | : | Nil |
| b. Recurring | : | As of now, it is being maintained as an on-going part of production activities and separate head of account is not maintained. |
| c. Total | : | N.A. in view of the above. |
| d. Total R & D Expenditure as a percentage of total turnover | : | -----do----- |

Technology Absorption, Adaption and Innovation

- | | | |
|---|---|---|
| 1. Efforts in brief, made towards technology absorption, adaption and innovation | : | Locally available raw materials are continuously tried and used. |
| 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc. | : | Reduced cost of final products and comparable quality and performance with the products produced with imported materials. |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished: | | |
| a. Technology Imported | : | Nil |
| b. Year of Import | : | N.A. |
| c. Has technology been fully absorbed. | : | N.A. |
| d. If not fully absorbed areas where this has not taken place, give reasons therefore and future plans of action | : | N.A. |

C. **Foreign Exchange Earnings and Outgoings** : As reported in Sl. Nos. 4,5,7 & 8 in "NOTES FORMING PART OF ACCOUNTS" in Schedule S