

# *Life Enhancement of Industrial Components*

38<sup>th</sup> Annual Report 2012-13



Ador Fontech Limited

## Overseas Business Associates



## Board of Directors



**Mrs. N Malkani Nagpal**  
Chairman



**Mr. H P Ledwani**  
Managing Director



**Mr. A T Malkani**  
Executive Director



**Mr. N S Marshall**  
Independent Director



**Mr. Nayan B Pandya**  
Independent Director

# Ador Fontech Limited

## Board of Directors

Mrs. N Malkani Nagpal	Chairman
Mr. H P Ledwani	Managing Director
Mr. A T Malkani	Executive Director
Mr. N S Marshall	Director
Mr. Nayan B Pandya	Director

## Company Secretary

Ms. Geetha D

## Management Team

Mr. H P Ledwani  
Mr. Muneesh Narain  
Mr. P Vishwanathan  
Mr. Rajesh V Joshi  
Mr. S V Puntambekar  
Mr. Melville Ferns  
Mr. R Krishna Kumar

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## Registered and Corporate Office

Belview 7 Haudin Road Bangalore 560 042

## Reclamation Centre

S-60-61 MIDC Hingna Industrial Estate Hingna Road Nagpur 440 016

## Manufacturing Plant I

486 B-1 14<sup>th</sup> Cross 3<sup>rd</sup> Main 4<sup>th</sup> Phase Peenya Industrial Estate Bangalore 560 058

## Manufacturing Plant II

A-288 6<sup>th</sup> Main 2<sup>nd</sup> Stage Peenya Industrial Estate Bangalore 560 058

## Share Transfer Agent

Integrated Enterprises (India) Limited  
(Formerly Alpha Systems Private Limited)  
30 Ramana Residency Sampige Road Malleswaram Bangalore 560 003

## Auditors

Amarnath Kamath and Associates  
Chartered Accountants  
Carewel House 6<sup>th</sup> Cross Muniswamappa Layout Opp. Kemp Fort  
Off HAL Airport Road Bangalore 560 017

## Bankers

HDFC Bank Limited  
8/24 Salco Centre Richmond Road Bangalore 560 025  
The Bank of Nova Scotia  
25/2 S N Towers M G Road Bangalore 560 001

## NOTICE

Notice is hereby given that the 38<sup>th</sup> Annual General Meeting of the Members of the Company will be held at 'Woodlands Hotel Private Limited' #5 Raja Ram Mohan Roy Road Bangalore 560 025 on Friday, July 19, 2013 at 11:30 hours to transact the following business:

### ORDINARY BUSINESS

**1. Adoption of Accounts**

To receive, consider and adopt the audited Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss for the year ended on that date, together with the reports of the Directors and Auditors thereon.

**2. Declaration of Dividend**

To declare dividend for the financial year ended March 31, 2013.

**3. Re-appointment of Mr. N S Marshall as 'Director'**

To appoint a Director in place of Mr. N S Marshall, who retires by rotation and being eligible, offers himself for re-appointment.

**4. Appointment of Statutory Auditors**

To appoint the retiring auditors, M/s. Amarnath Kamath and Associates, Chartered Accountants, as the Statutory Auditors of the Company, to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting, at such remuneration as may be determined by the Board of Directors in consultation with the Auditors.

### SPECIAL BUSINESS

**5. Appointment of Branch Auditors**

**To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION**

"RESOLVED THAT pursuant to Section 228 and other applicable provisions of the Companies Act, 1956, and amendments thereof, the accounts for the year ending March 31, 2014 of the manufacturing plants of the Company, be audited by the Company's Auditors or such other person or persons, other than the Company's Auditors and as are qualified for appointment as Auditors under Section 226 of the Companies Act, 1956, and that the Board of Directors be and is hereby authorised to decide and appoint such Branch/Unit Auditors in consultation with the Company's Auditors".

### NOTES

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON BEHALF OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**  
Proxy form in order to be valid must be lodged at the Registered office of the Company, not later than forty eight hours before the commencement of the meeting.
- (b) The 'Register of Members' and 'Share Transfer Books' will remain closed from July 10, 2013 to July 19, 2013 (both days inclusive).
- (c) Pursuant to the provisions of Section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of seven years from the date of declaration would be transferred to the 'Investor Education and Protection Fund'. As such, shareholders who have not encashed their dividend warrants are requested to write to the Company for claiming outstanding dividends, if any, in respect of the previous year(s).
- (d) Amount of unclaimed dividend as at March 31, 2013 for the years 2005-06 to 2011-12 aggregate to ₹57,29,148/- (Rupees fifty seven lakh, twenty nine thousand, one hundred and forty eight only).
- (e) To ensure prompt remittance of dividends, we recommend the shareholders to utilise the ECS scheme of the Reserve Bank of India. Kindly send photocopy of a cancelled cheque along with a request letter to the Registrar and Share Transfer Agent (Integrated Enterprises (India) Limited) or to the Depository Participant for shares held in physical and electronic form, respectively.
- (f) Members are requested to send all share transfer lodgements (physical mode) to Integrated Enterprises (India) Limited, marking on the envelope 'Unit-Ador Fontech Limited'.
- (g) The Company is concerned about the environment and natural resources in a sustainable way. The Ministry of Corporate Affairs (MCA), Government of India through its circulars, has permitted companies to send official documents to their shareholders by electronic mode as part of green initiative. Recognising the spirit of the circular issued by MCA, documents convening General meetings, Financial statements, Directors' report, Auditors' report are being e-mailed. Request to update your e-mail address with your depository participant to ensure that the Annual Report and other documents reach you on your preferred e-mail account.

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

**Item no. 5**

The Company's manufacturing plants are situated at diverse locations. In view of the same, it is proposed to authorise the Board of Directors to appoint, in consultation with the Company's Auditors, such persons as are qualified for appointment as Branch Auditors under Section 226 of the Companies Act, 1956, and amendments thereof, to audit the accounts, for the year ending March 31, 2014 and to fix their remuneration.

The Board recommends the resolution set out at item no. 5 for approval.

No Director of the Company is concerned or interested in the said resolution.



## NOTICE

### BRIEF PROFILE OF THE DIRECTOR

**Mr. N S Marshall**

Mr. N S Marshall is a British national of Indian origin. He holds a master's degree in Business Administration.

- (a) **Specific areas of expertise**  
Production, Planning and Leadership
- (b) **Directorship in companies (other than Ador Fontech Limited)**
  - Public Limited Companies**  
Simmonds Marshall Limited
  - Private Limited Companies**  
J N Marshall Engineering Private Limited  
Marshall Poultry Farm (India) Private Limited  
Langford Estates Private Limited  
S J Marshall Trading Company Private Limited  
Powair Automation Equipment Private Limited  
Jiji Marshall Trading Company Private Limited  
J N Marshall Private Limited  
Diamtools Private Limited  
Desmet Ballestra India Private Limited  
Corrodyne Coatings Private Limited
- (c) **Member of Board committees (other than Ador Fontech Limited): Nil**
- (d) **Chairman of Board committees (other than Ador Fontech Limited): Nil**
- (e) **Number of shares held in the Company: 3,099**

Place: Mumbai  
Date : April 26, 2013

By order of the Board  
For **Ador Fontech Limited**  
**Geetha D**  
Company Secretary

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**Disclosure in terms of Clause 49 (IV)(G)(ia) of the Listing Agreement**  
There are no inter-se relationship between the Board Members.

Place: Mumbai  
Date : April 26, 2013

By order of the Board  
For **Ador Fontech Limited**  
**Geetha D**  
Company Secretary

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**Annual Certification by the Managing Director pursuant to Clause 49 (I)(D)(ii) of the Listing Agreement**

As the Managing Director of Ador Fontech Limited and as required pursuant to Clause 49(I)(D)(ii) of the Listing Agreement, I hereby declare and certify that all the Board Members and Senior Management personnel of Ador Fontech Limited have affirmed compliance with the Code of Conduct adopted by the Company for the financial year 2012-13.

Place: Mumbai  
Date : April 26, 2013

For **Ador Fontech Limited**  
**H P Ledwani**  
Managing Director

## DIRECTORS' REPORT

### To the Members

The Directors have pleasure in presenting the 38<sup>th</sup> Annual Report and the Audited Statement of Accounts for the year ended March 31, 2013.

#### 1. FINANCIAL HIGHLIGHTS

(₹ in lakhs)

Details	2012-13	2011-12
Revenue	16,396	16,042
Operating profit	3,363	3,079
Interest	-	-
Depreciation	267	243
Profit before tax	3,096	2,836
Provision for tax	1,026	953
Profit after tax	2,070	1,883
<b>Appropriations</b>		
Transfer to general reserve	1,000	1,000
Proposed dividend including distribution tax	717	611

#### 2. DIVIDEND

The Directors are happy to recommend a dividend of ₹3.50/- per share (one hundred and seventy five percent), as compared to the previous year of ₹3/- per share (one hundred and fifty percent).

#### 3. REVIEW OF BUSINESS OPERATIONS

The Company has conscientiously balanced its performance in terms of revenue and profitability to ensure an optimum blend. Going forward, with the general economic scenario for the year 2013-14 also expected to remain in a state of stagflation, it becomes all the more essential for a cautious approach in all parameters of business performance. Training, performance and productivity will be the key thrust areas.

#### 4. DIRECTORS' RESPONSIBILITY STATEMENT

In the preparation of financial statements, the Board of Directors has ensured that:

- The applicable Accounting Standards have been followed.
- The accounting policies are reasonable, prudent and are consistently followed to give a true and fair view of the state of affairs of the Company, as at the end of the financial year and the profits of the Company for that period.
- Proper and sufficient care has been taken for maintenance of adequate accounting records, for safeguarding the assets of the Company, for preventing/detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

#### 5. DIRECTORS

During the year Mr. N Srinivasan, resigned from Directorship. The Board wishes to place on record his yeomen service and thankfully acknowledges his professional and dedicated contribution.

Mr. Nayan B Pandya also resigned on April 26, 2013 (at the end of the Board meeting) due to pre-occupied professional engagement. The Members of the Board send out their good wishes to his dedicated endeavour.

The Directors contemplate to fill the vacant positions arising out of the above cessations shortly.

Mr. N S Marshall retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

#### 6. CORPORATE GOVERNANCE

The Corporate governance report and certificate obtained from the Auditors of the Company are attached to this report.

#### 7. STATUTORY AUDITORS

M/s. Amarnath Kamath and Associates (Statutory Auditors) retire at the conclusion of the Annual General Meeting and being eligible offer themselves for re-appointment. The Branch Auditors will be appointed in consultation with the Statutory Auditors. As always, the Company has mandated for quarterly internal audits to be conducted by external independent auditors to ensure internal checks and financial discipline.

#### 8. COST AUDITORS

Pursuant to the Central Government's notification for conduct of cost audit based on industry wise applicability and turnover, M/s. Rao, Murthy and Associates (Firm registration no. 000065) represented by Mr. K R Murali Krishna (Membership no. M-21622) having office at 23/33 Surveyor's Street Basavanagudi Bangalore 560 004 Karnataka Tel: (080) 26602086 Fax: (080) 22428356 e-mail: raomurthy@vsnl.net, have been appointed as Cost Auditors.

## DIRECTORS' REPORT

### 9. FIXED DEPOSITS

The Company has not accepted fixed deposits and as such no amount was outstanding as on the date of the Balance Sheet.

### 10. PRODUCTS

The Company's products are manufactured to international standards and marketed under registered trade marks. Products in whole or in categories are certified/approved by TUV, DNV and NPCIL.

### 11. PARTICIPATION IN EXHIBITIONS

During the year, the Company participated in 'India Essen Welding and Cutting 2012' exhibition held at Mumbai.

### 12. AWARDS

The organisation received 'Forbes Asia's Best under a Billion Dollar Company' award in the category of the 'Region's top 200 small and midsize companies', for the second time in a row.

The Institute of Economic Studies has conferred Ador Fontech with 'Excellence Award' and the Managing Director with 'Udyog Rattan Award'.

### 13. EMPLOYEES

As has been in the past, the industrial relations with the employees of the Company continue to be harmonious, cordial and peaceful. Further, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this report and accounts are being sent to the shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company addressed to the Registered Office.

### 14. PARTICULARS OF DISCLOSURE

The information required under the Companies Act, 1956, and amendments thereof is enclosed.

### 15. CORPORATE SOCIAL RESPONSIBILITIES (CSR)

The Company operating in the domain of 'Life Enhancement of Industrial Components' is dedicated to conserve and preserve valuable mineral resources. Broad domain categories include:

- (a) Life enhancement of industrial components through protective coating and repair services.
- (b) Reclamation and refurbishment of worn out components.

Products, services and solutions are designed to meet the above endeavour which leaves an indelible mark in the sphere of 'Corporate Social Responsibilities'. Besides, as part of general humanitarian support, the employees of the Company had visited an old age home and distributed blankets and food grains. The Company also provided waste disposable bins, through the aegis of a local civic body, to help segregate bio-degradable wastes. Further, keeping in view that education is essential, annual school fees of little children housed in an orphanage was defrayed.

### 16. ACKNOWLEDGEMENTS

The Board of Directors thank the Shareholders, Authorised Dealers, Channel Partners, Overseas and Inland Business Associates, Bankers and the various Government agencies for their continued patronage and support.

Further, wish to place on record appreciation to the contribution made by employees at all levels.

On behalf of the Board  
For Ador Fontech Limited

**N Malkani Nagpal**  
Chairman

Place: Mumbai

Date : April 26, 2013

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

Additional information in terms of notification no. 1029 dated 31.12.1998 issued by the Department of Company affairs

### 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.

### RESEARCH AND DEVELOPMENT (R and D)

#### 1. Specific areas in which R and D has been carried out

Continual efforts are being made to develop special purpose flux-cored wires and electrodes to further improve the product range.

#### 2. Benefits derived as a result of the above R and D

- (a) Conservation of basic raw materials coupled with low cost and longer life.
- (b) Improvement in product quality.

#### 3. Future plan of action

To make further progress in areas enunciated at item nos. 1 and 2 above.

## DIRECTORS' REPORT

### 4. Expenditure on R and D

- |   |   |  |
|---|---|--|
| (a) Capital   | : | Nil  |
| (b) Recurring   | : | As of now, it is being maintained as an on-going part of production activities and a separate head of account is not maintained. |
| (c) Total   | : | Not applicable   |
| (d) Total R and D expenditure as a percentage of total turnover | : | Not applicable   |

## TECHNOLOGY ABSORPTION AND INNOVATION

### 1. Efforts in brief made towards technology absorption and innovation

Locally available raw materials are utilised to gain maximum advantage and product development efforts are being made towards indigenisation of equipment.

### 2. Benefits derived as a result of the above efforts

- (a) Product improvement.
- (b) Reduced cost of final products.
- (c) Comparable quality and performance with products produced using imported materials.

### 3. Details of technology imported during the last five years reckoned from the beginning of the financial year

- |  |   |                |
|--|---|----------------|
| (a) Technology imported  | : | Nil            |
| (b) Year of import   | : | Not applicable |
| (c) Has technology been fully absorbed   | : | Not applicable |
| (d) If not fully absorbed areas where this has not taken place.<br>Give reasons for the same and explain future plan of action, if any | : | Not applicable |

### 4. Foreign exchange earnings and outgoings : Please refer notes to the financial statements -2.29 and 2.30.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. INDUSTRY STRUCTURE AND DEVELOPMENT

Globally and in India, slow-down in industrial markets has meant that growth levels over short-term will be relatively slow. In corollary, the impact could result in the 'End-Users' to become extremely budget conscious, easily shift to cheaper equivalents and conscientiously postpone preventive maintenance and associated projects.

### 2. OPPORTUNITIES

Strategic alternatives, uncharted terrains and value added services will provide opportunities for sustenance.

### 3. THREATS

With perfect market having no barriers on entry and exit, keen competition is the order of the day and retention of market share would be a threat which has to be meticulously reckoned with.

### 4. RISKS AND CONCERNS

Concern is on the timing of economic recovery. As per analysts, short-time seems a period of six months and long-time period could be anywhere between one to two years. The sooner the growth impetus, greater will be the buoyancy to be back on track.

### 5. CURRENT YEAR OUTLOOK

Business has a positive correlation to the general economic and industrial growth. To remain competitive, it is essential to:

- (a) Maintain and enhance customer loyalty.
- (b) Undertake product customisation with strong distribution and on-time delivery system.
- (c) Consistent technical and after sales/service support.

### 6. HUMAN RESOURCES DEVELOPMENT

It is essential to maintain the morale and motivation of employees, particularly during slowdown. Their competency and confidence to deliver positive outcomes under constraints would enable the organisation to stay afloat. Employee engagement, training and counselling will be undertaken in greater measures.

There were 246 employees on the muster roll of the Company as on March 31, 2013.



## REPORT ON CORPORATE GOVERNANCE

Good governance is an integral part of corporate management. It is a process of building positive relationship with various stakeholders and involves conducting business in a fair and transparent manner. It also implies that the management must be empowered to drive the enterprise forward without undue restraint and operate within the framework of applicable laws.

### 1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE

The Company is committed to a system of good corporate governance. It firmly believes and consistently practices good business principles by increasing transparency and accountability to its stakeholders, maximising shareholders' value and working towards a motivated work force with updated knowledge.

### 2. BOARD OF DIRECTORS

#### 2.1 Composition of the Board

Name of the Director	Category of Directorship
Mrs. N Malkani Nagpal	Promoter
Mr. A T Malkani	Promoter and Executive
Mr. H P Ledwani	Executive
Mr. N Srinivasan*	Non-Executive and Independent
Mr. N S Marshall	Non-Executive and Independent
Mr. Nayan B Pandya**	Non-Executive and Independent

\*Till Oct 26, 2012

\*\* Till April 26, 2013

#### 2.2 Meetings

During the year 2012-13, four Board meetings were held on April 27, 2012; July 19, 2012; October 26, 2012 and January 29, 2013.

#### 2.3 Attendance and Directorships

Attendance at Board Meetings and last Annual General Meeting, number of directorships in other companies and memberships in committees across various companies:

Name of the Director	Financial year 2012-2013 Attendance at		As on March 31, 2013		
			Other Directorships		
	Board Meetings	Annual General Meeting held on 17.07.2012	Number	Committee Positions	
				No. of Memberships	Chairmanships
Mrs. N Malkani Nagpal	Four	Present	Five	Two	One
Mr. A T Malkani	Four	Present	Five	Two	-
Mr. H P Ledwani	Four	Present	One	-	-
Mr. N Srinivasan*	One	Present	Sixteen	Ten	Five
Mr. N S Marshall	Four	Present	Ten	-	-
Mr. Nayan B Pandya	Two	Present	Five	-	-

Directorship includes private limited companies and alternate Directorship.

\*Till Oct 26, 2012

### 3. AUDIT COMMITTEE

#### 3.1 Broad terms of reference

- To review the Company's financial reporting process and its financial statements.
- To review the efficacy of internal control mechanism and monitor risk management policies adopted by the Company.
- To review reports furnished by Internal/Statutory Auditors and ensure that suitable follow up action is taken.
- To examine accounting, taxation and disclosure aspects as stipulated under various legislations.
- Recommend appointment/re-appointment of Auditors and solicit professional guidance and support, wherever required.

#### 3.2 Meetings

During the year 2012-13, four Audit committee meetings were held on April 27, 2012; July 19, 2012; October 26, 2012 and January 29, 2013.

## REPORT ON CORPORATE GOVERNANCE

### 3.3 Composition and attendance

Name of the Director	Number of meetings attended
Mrs. N Malkani Nagpal	Four
Mr. N S Marshall	Four
Mr. Nayan B Pandya	Two

Mr. N Srinivasan and Mr. H P Ledwani were permanent invitees and had attended one and four meetings, respectively.

## 4. REMUNERATION COMMITTEE

The Remuneration committee is constituted by the Board to recommend compensation payable to the Directors. As regards Executive Directors, the recommendations of the committee are validated by the Board and thereafter, subjected to the approval of the shareholders. Non-executive Directors are paid sitting fees for attending meetings. Sitting fees for Board, Audit and Shareholders' committee meetings are ₹8,000/- (Rupees eight thousand only), ₹5,000/- (Rupees five thousand only) and ₹4,000/- (Rupees four thousand only) respectively. Directors in general will also be entitled towards travel expenditure (not being remuneration/perquisite) of travel fare/board and lodging/daily allowance/per diem allowance (as may become applicable) to enable discharge of official duties.

### 4.1 Sitting fees paid during the year 2012-13

Directors	Amount (₹)
Mrs. N Malkani Nagpal	68,000
Mr. A T Malkani	8,000
Mr. N Srinivasan	13,000
Mr. N S Marshall	52,000
Mr. Nayan B Pandya	34,000
<b>Total</b>	<b>1,75,000</b>

## 5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

### 5.1 Functions

The Shareholders'/Investors' grievance committee of the Board looks in to the redressal of Investors' complaints like non-receipt of annual report, dividend payments etc. and matters related to share transfers/transmission, issue of duplicate share certificates, de-materialisation/re-materialisation of shares and other allied transactions. The committee has delegated powers to the Executives of the Company, to facilitate ease in operation and quick response.

During the year 2012-13, the committee had sent reminder letters to individual shareholders who had not encashed dividends and the same had an overwhelming response. The Company contemplates to do the same on a regular basis.

### 5.2 Meetings

During the year 2012-13, four Shareholders' committee meetings were held on April 27, 2012; July 19, 2012; October 26, 2012 and January 29, 2013.

### 5.3 Composition and attendance

Name of the Director	No. of meetings attended
Mrs. N Malkani Nagpal	Four
Mr. Nayan B Pandya	Two
Mr. H P Ledwani	Four

### 5.4 Compliance officer

The Board has designated Ms. Geetha D, Company Secretary as the Compliance officer.

### 5.5 Transfer committee meetings

Seventeen transfer committee meetings were held during the year 2012-13.

### 5.6 Director's shareholding as on March 31, 2013

Name of the Director	Number of shares
Mrs. N Malkani Nagpal	27,350
Mr. A T Malkani	4,38,598
Mr. H P Ledwani	50,885
Mr. N S Marshall	3,099
Mr. Nayan B Pandya	-