

10TH ANNUAL REPORT
2001-02

ADITYA FORGE LIMITED

10th ANNUAL REPORT 2001-02**ADITYA FORGE LTD****NOTICE**

Notice is hereby given that the 10th Annual General Meeting of the members of ADITYA FORGE LTD. will be held at Registered Office of the company on 30th September, 2002 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2002 and the profit and loss Account for the financial year ended on that date and the Reports of the directors' & Auditor's there on.
2. To appoint a Director in place of Sri Pankaj Parekh who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider the report under section 3(1)(O) of Sick Industrial Companies (Special Provisions) Act, 1985 and consider passing the following resolution as ordinary resolution.

RESOLVED that report of Board of Directors as required under section 3(1)(O) of Sick Industrial Companies (Special Provisions) Act, 1985 on erosion more than 100% of the Company's net worth as at the end of Financial year ended 31st March 2002 in relation to its peak net worth be and it hereby received, considered and adopted.

To Consider and pass the following Resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1966 approval of Mr. Nitin R. Parekh as the Managing Director of the company for a period of 5 years with effect from 01/6/2002, upon the terms and conditions including remuneration as set out in the agreement to be entered into between the Company and Mr. Nitin R. Parekh, draft whereof is placed before this Meeting and initiated by the Chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors to alter and vary the terms and conditions of said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to Mr. Nitin R. Parekh, in such manner as may be agreed to between the Board of Directors and Mr. Nitin R. Parekh provided however that the remuneration payable to Mr. Nitin R. Parekh shall not exceed the limits prescribed under Schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof, for the time being in force."

By Order of Board
ADITYA FORGE LIMITED

SD/-

Place : BARODA
Date : 31.07.2002

NITIN R. PAREKH
Chairman

NOTES

- (1) The explanatory statement pursuant to section 173(2) of the companies Act, 1956, relating to the special business under item no.1 is annexure herewith.
- (2) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member.
- (3) Proxies, in order to be effective, should be duly stamped, completely signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- (4) The register of members of the Company will remain closed from 23/09/02 to 30/09/02 both days inclusive.
- (5) Members desirous of getting any information about the accounts & operations of the company are requested to send their queries at the Registered Office well in advance so that the same may reach the office atleast seven days before the date of meeting to enable the management to keep the information required readily available at the meeting.
- (6) Members holding shares in identical order of names in more than one folio are requested to write to the company to consolidate their holding in one folio.
- (7) Members are requested to notify change in address, if any, immediately to the company at its registered office quoting their folio number.

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EXPLANATORY STATEMENT**Item No.1**

Section 3(1)(O) of Sick Industrial Companies (Special Provision.s) Act 1985 (SICA) inter alia provides that, if the accumulated losses of Industrial company are 100% or more of its peak net worth during the financial year, the company has to report the said fact to the Board for Industrial and Financial Reconstruction (BIFR) and to the shareholders. The accumulated losses of the company as at 31st March 2002 have resulted in erosion of more than 100% of its net worth during the financial year. The material facts and the causes of the aforesaid erosion of the peak net worth of the Company have been set out in the Annexure to the Director's Report.

Item No.2

Shri Nitin R. Parekh was appointed as Managing Director for 5 years with effect from 01/06/2002. It was decided to re-appoint him as Managing Director for the further period of 5 years with effect from 01/06/2002 to 31/05/2007.

The Managing Director be paid following remuneration:

1. SALARY : Rs. 30000/- per month.
2. PERQUISITES : The appointee shall be entitled to perquisites, in addition to Salary and commission, equal to the annual salary or Rs. 300,000/- per annum whichever is less. The perquisites are classified into three categories as "A", "B", and "C".

"A" I. RESIDENTIAL ACCOMMODATION

The Company shall provide furnished residential accommodation with gas, electricity and water facilities at Baroda. Provided that the rent for unfurnished accommodation shall not exceed 50% of the salary over and above 10% of the salary payable by the Appointee towards rent.

Where residential accommodation is owned by the Appointee, the House Rent Allowance shall not exceed 50% of the salary. The Provisions of gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962 and shall be subject to a ceiling of 10% of the Appointee.

ii. **MEDICAL BENEFITS FOR SELF AND FAMILY**
Reimbursement of expenses incurred upto the total cost, which to the Company will not exceed one month's salary in a year or 3 months salary over a period of 3 years.

iii. **LEAVE TRAVEL CONCESSION**
For self and family. Once in a year, in accordance with the rules of Company.

iv. **CLUB FEES**
Fees of Club Subject to a maximum of two clubs, but not including admission and life membership fees.

v. **PERSONAL ACCIDENT INSURANCE**
Premium not be exceed Rs.4000/- per annum.

"B" i. **PROVIDENT FUND**
Company's contribution towards provident fund subject to a ceiling of 10% of his salary.

ii. **MEDICAL BENEFITS FOR SELF AND FAMILY**
Such contribution together with contribution to the provident fund shall not exceed 25% of the salary as laid down in the Income Tax Rules, 1962. (The overall ceiling will be non-interchangeable)

iii. **GRATUITY (Not Interchangeable)**
Payable in accordance with an approved fund and which does not exceed one half month's Salary for each completed year of services subject to a ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act.

"C" i. **USE OF CAR**
The company shall provide to the Appointee a car for use on Companies business. Use of car for personal purpose shall be billed by the company.

ii. **TELEPHONE**
Free Telephone facility at his residence. Personal long distance call - charges will be born by him.

Your Director command you approval.

Shri Nitin R. Parekh, Smt. Rekha N. Parekh Shri Pankaj R. Parekh are interested in the Resolution.

The above statement may also be considered as the statement required under Section 312 of the Companies Act, 1956.

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REPORT OF EROSION OF NET WORTH PURSUANT TO SECTION 3(1)(O) OF SICK INDUSTRIES COMPANIES (SPECIAL PROVISIONS) ACT, 1985 (SICA)

A. EROSION OF NET WORTH UNDER SECTION 3(1)(O).

The company's net worth as a result on losses as at 31st March 2002 has been eroded by more then 100% of the peak net worth of the Company in the Financial Year.

B. CAUSES OF EROSION

The following factors are responsible for the erosion of net worth of the company.

01. Due to non-availability of foreign Letter of Credit facilities from the existing Bankers Madhavpura Mercantile Co.Op. Bank Ltd. The company could not execute export orders worth Rs.2.00 Crores and that has resulted into business loss of Rs.2.00 Crores and ultimately the company was constrained to discontinue the international market in spite of having huge amount of orders against Foreign LC.
02. The company had manufactured FLANGES (C.S.) as per Japanese Standard unfortunately, these are not in demand & value of such type of Flanges in the International market. As such there are not in international market for American Standard at present, and no body is willing of lift flanges to Japanese Standards & due to steep fall in the value of such type of flanges. The management has decided to make valuation of such flanges at NET RELISABLE VALUE instead of ACTUAL COST PRICE for ascertaining the true & fair financial position of the company. Because of the said reason there is a loss of Rs.89.83 lacs due to change in the valuation.
03. The existing banker's Madhavpura Mercantile Co. Operative Bank Ltd. Is facing severe financial crisis and it is not functioning since March'2001. Under the present circumstances; your company could not obtain financial

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help for fund-based facilities and non-fund based facilities.

04. Due to adverse market and financial crisis, many companies have postponed their schedule of project implementations and because of the said reason your company could not obtain favourable order.
05. Due to non realising of Letter of Credit facilities and additional working capital facilities by the bankers your company could not bear the interest burden of Madhavpura Mercantile Co. Operative Bank Ltd. And has already request their bankers to give relief in the interest rate.
06. The management submitting that infusion of adequate working capital is one of the essential and indispensable ingredients of economic activity of any business entity. Working capital constitutes the financial life line of any business and if adequate working capital is not available than the industrial unit is bound to suffer adversely and in the long run may be face industrial sickness or closure due to accumulate losses.

The ill attitude of our banker Madhavpura Mercantile Co.Op. Bank Ltd. The company has suffers a lot in terms of business relations, good-will, with various customers in the domestic market as well as international market. The company has lost confidence of share-holders & business associates too.

Under the given circumstances, the company has filed a suit of damages to the extend of Rs.12,16,19,312/-

Under the given circumstances, the present net-worth of the company has been eroded by more then 100%.

10th ANNUAL REPORT 2001-02**ADITYA FORGE LTD****DIRECTORS' REPORT**

To,
The Members
Aditya Forge Limited

Your Directors have pleasure in submitting the Tenth Annual Report along with the audited Annual Accounts & Balance Sheet for the year ended 31st March 2002.

1. FINANCIAL RESULTS

	2001-02	2000-01
	Rs.	Rs.
Sales	99.89,060	1,63,91,338
Profit/(loss) before		
Depreciation	(1,66,37,993)	(2,40,60,214)
Less/Add		
Depreciation	25,34,386	27,45,888
Profit (loss) before Tax	(19,172,379)	(2,68,06,102)
Provision for Taxation	--	--
Net Profit (loss)	(19,172,379)	(2,68,06,102)
Profit available for		
Appropriation	--	--

APPROPRIATIONS

Transfer to General		
Reserve	--	--
Balance carried to	(19,172,379)	(2,68,06,102)
Balance Sheet		

4. OPERATIONS

1. Your company sales for the year under review is Rs 1.00 crores compared to Rs 1.72 crores for the previous year. During the year under review, your company could not perform well and not achieve targeted sales due to factors, which are beyond the control of management. The company's net worth has been eroded by more than 100% during the year under review. The factors which are responsible for the said erosion have been already highlighted in the annexure Pursuing to EROSEN OF NET WORTH, Hence, the same have not been repeated herein again.
2. The company is taking several measures to arrest this down turn and improve performance and profitability. This initiative is primarily in the areas of quality, product development, marketing, and working capital management and cost reduction. These measures are expected to improve the operations of the company and strengthen its competitiveness.

3. DIRECTOR'S RESPONSIBILITY STATEMENT

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

1. On the preparation of the annual accounts applicable accounting standards as specified by the Institute of Chartered Accountants of India have been followed except for non provision of Interest on term loan and working capital facilities availed from Madhavpura Mercantile Co.Op. Bank Ltd for the period from 1.4.2000 to 31.03.2002 aggregating Rs.179.83 lacs.
2. Such accounting policies have been selected and applied consistently subject to deviations as mentioned in & above and diminution in the value of stocks for the period 2000-01 and 2001-02 aggregating Rs.166.92 lacs and these adjustments and estimates have been made for the preparation of accounts that are reasonable and prudent so as to give a true and fair view of the state of affairs of company as at the end of the financial year ended on 31st March 2002 and the losses of the company of the year.
3. Directors have taken proper care for the maintenance of adequate accounting records in accordance with the provision of the company Act, 1956 to safeguard the assets of the company and to prevent fraud & irregularities.
4. Statement of accounts have been prepared on going concern basis since the company do not have intension to suspend the operational activities.

4. DIVIDEND

Due to losses, your Directors could not recommend for declaration of Dividend.

5. FIXED DEPOSITS

The company has accepted smaller amount of deposits from friends only and company shall make proper timely compliance as per the requirement of section 58A of company's act 1956 and the rules there under.

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The present Auditors M/s J. S. Parikh & Co., Chartered Accountants, Baroda are retiring at the conclusion of the Tenth Annual general Meeting. You are requested to appoint them and fix their remuneration, as they are eligible for re-appointment.

7. AUDITORS' REPORT

With reference to the observations made by the auditors in their report annexed to the Balance Sheet, the same are self-explanatory and hence, the said matters have not been repeated here in again.

8. DIRECTOR

In accordance with the Articles of Association of the company, Shri Pankaj Parekh, Director of the Company will retire by rotation and being eligible, offers herself for re-appointment.

9. INSURANCE

All the properties and insurable interest of the Company including plant and machinery, buildings and stocks are adequately insured.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO.

Particulars regarding the conservation of energy, technological Absorption and foreign exchange earnings and outgo as envisaged by Sec. 217 (i) (e) of the Companies (disclosures of particulars in the report of the Board of (Directors) Rules, 1988 are as given in the Annexure to this report.

11. INDUSTRIAL RELATIONS

Your Directors like to place on record their appreciation of contribution made by the employees at all levels, their stead fastness, solidarity, co-operation and support which have made it possible for the company to show satisfactory performance.

12. GENERAL

Information under section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 is given in the Annexure to this report.

13. ACKNOWLEDGEMENT

The Board of Directors are pleased to place on record their sense of gratitude for the continued financial support by banks and other associates.

By Order of Board
ADITYA FORGE LIMITED

SD/-

Place : BARODA
Date : 31.07.2002

NITIN R. PAREKH
Chairman

ANNEXURE A**ANNEXURE TO DIRECTORS REPORT**

INFORMATION AS PER SECTION 217 (i) (E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH 2002.

CONSERVATION OF ENERGY

The Company continued its efforts to save energy and reduce cost at every stage of production in consultation with technical experts engaged from time to time. Details for power and fuel consumption as required under Sec-217 (i) (e) of the Companies Act 1956, are as follows:

PARTICULARS	AS AT	
	31.3.02	31.03.01
Electricity Purchased		
I) Quantity : Units	190952	206274
Cost : Rupees	1215454	1212892
Rate per Unit: Rupees	6.36	5.88
II) Furnace Oil Purchases		
Quantity : Units	96745	66000
Cost : Rupees	883929	768550
Rate per Unit : Rupees	9.13	10.03

TECHNICAL ABSORPTION: N/A**FOREIGN EXCHANGE EARNINGS & OUT GO:**

The Company's foreign Exchange Earnings is Rs. Nil (FOB VALUE) & Out go is Rs. NIL Lacs (C I F Value)

RESERCH & DEVELOPMENT (R & D)

No expenditure is incurred on R & D.

By Order of Board
ADITYA FORGE LIMITED

SD/-

Place : BARODA
Date : 31.07.2002

NITIN R. PAREKH
Chairman

10th ANNUAL REPORT 2001-02**ADITYA FORGE LTD****AUDITOR'S REPORT**

To,

THE MEMBERS OF ADITYA FORGE LIMITED

1. We have audited the attached Balance Sheet of ADITYA FORGE LIMITED as at 31st March 2002 and also Profit & Loss Account of the company for the year ended on that date, annexed thereto. These financial statement are the responsibility of the company's management our responsibility is to express an opinion on these financial statement.
2. We conducted our audit in accordance with 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 statement. 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 manufacturing and other companies (Auditor's Report) order, 1988 issued by the Central Government in terms of Section 227 of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraph 4 & 5 of the said order.
4. Further to our comments in the annexure referred to above, we report that :-

- (i) We have obtained all the information & explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) In our opinion subject to Note No.1 & 2 of Schedule 21, proper books of accounts as required by law have been kept by the company so far as appears from our examination of the books.
- (iii) The balance-sheet and the profit & loss account dealt with by the report are in agreement with books of account.
- (iv) In our opinion subject to Note No. 1 & 2 of schedule 21 the balance-sheet and the profit & loss accounts comply with accounting standers referred to in sub-section (3c) of Section 211 of the Companies Act, 1956.

(v) Attention is invited to the following notes in schedule 21.

- (1) Note NO.2 : - Regarding non provision of Interest for the period 1.4.2000 to 31.3.2002 aggregation to Rs.179.83 lacs (approx) including Rs.132.15 lacs (approx) for the current year (app) on term loan & working capital facilities for the reasons mentioned in the notes.
- (2) Note No.1:- regarding diminution in the valuation of closing stock of goods under process.
- (3) Note No.3:- regarding accounts of the company prepared on a going concern basis explained in the notes.
- (4) Note No.13:- regarding appointment of qualified company secretary.

We further report has the observation made by us in the above paragraph been considered, there would have been loss of Rs.371.55 lacs (approx) loss for the year (as against the reported loss of Rs.191.72 lacs(approx)) secured loans would have been Rs.832.86 lacs(approx) (as against the reported figure of Rs.653.03 lacs(approx)) and the loss carried to Balance Sheet would have been Rs.624.03lacs (approx) (as against reported figure to Rs.444.20 lacs.(approx))

Subject to the foregoing, in our opinion and to the best of our information and according to explanations given to us, the said accounts read with other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true & fair view.

1. In the case of the Balance Sheet, of the sate of affairs of the company as at 31st March, 2002 and
2. In the case of the profit & loss account, of the loss for the year ended on that date.

For J S PARIKH & CO
Chartered Accountants
SD/-

Place : BARODA
Date : 31.07.2002

(J S PARIKH)
Proprietor

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ADITYA FORGE LTD

ANNEXURE TO THE AUDITOR'S REPORT

On the basis of the information and explanation furnished to us and the books & records examined by us in normal course of audit and to the best of our knowledge & belief, we report that: -

1. The Company is in the process of constructing proper records to show full particulars including quantitative details & situation of fixed Assets. The Company's programme of physical verification of all its fixed assets over a year is, in our opinion, reasonable having regard to the size of the Company & the nature of its business. Accordingly, the management during the year has physically verified the fixed assets. No discrepancies were noticed on such physical verification as compared to records.
2. None of the fixed assets have been revalued during the year.
3. The Stock of finished goods, stores, maintenance spares, raw materials and components have been physically verified by the management at reasonable intervals during the year.
4. In our opinion, the particulars of physical verification of stocks followed by the management are reasonable & adequate in relation to the size of the Company and the nature of its business.
5. The net discrepancies noted on such physical verification as compared to book records were not material and the same have been dealt with in the books of accounts.
6. On the basis of our examination of the stock records, the valuation of stocks is fair & proper, in accordance with the normally accepted accounting principles. In case of closing stock of goods under process to the net realisable value has been taken instead of cost price due to steep fall in the market value of existing goods under process lying in the factory premises as on 31st March 2002 to that extent there is a change the basis of valuation of goods under process compared to the proceeding year.
7. In our opinion, the company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 from the Companies under the same management which are, prima facie, prejudicial to the interest of the company.
8. The Company has granted advance to company, firms & other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to the companies under the same management as defined under Section 370(1B) (Non-operative) of the Companies Act, 1956. In our opinion the company should make proper stipulation regarding such transaction.
9. In respect of loans & advances in the nature of loans given by the company except in cases of employees, there are no stipulations as to the repayment of principal & interest in most of the cases. In case of employees the repayment is generally regular.
10. In our opinion & according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company & nature of its business with regard to purchases of stores, raw materials including components, plant & machinery, equipments, other assets & for the sale of goods.
11. In our opinion and according to the information and explanations given to us the transaction in pursuance of contracts made and agreements entered in the register maintained under section 301 of the Companies Act, 1956 in respect of Purchases and sale of goods aggregating to Rs. 50,000/- or more per annum in respect of each party have been made at the price which are reasonable having regard to prevailing market prices for such goods, materials or services where such market prices are available with the company or the prices at which transactions for similar goods or services have been made with other parties.
12. In our opinion and as explained to us by the management, the company has accepted smaller amount of deposits.