

# 24th Annual Report 1998 - 99

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**ADOR FONTECH LIMITED**

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## DIRECTORS

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### DIRECTORS

<b>J.K. Chandna</b>	Chairman
<b>A.K. Bahl</b>	Director
<b>R.D. Kothare</b>	Director
<b>M.T. Sheth</b>	Director
<b>K.L. Hira</b>	Director
<b>V.D. Mansukhani</b>	Director
<b>H.P. Ledwani</b>	Executive Director

### COMPANY SECRETARY

**S. Subramanyam**

### CORPORATE MANAGEMENT COUNCIL

**H.P. Ledwani**  
**M.J. Kurian**  
**D. Naronha**  
**Muneesh Narain**  
**P. Ramachandran**  
**G. Ramasubramanian**  
**P. Viswanathan**  
**V.P. Kulkarni**  
**C. Bhavani Sankar**  
**S. Goplakrishnan**  
**Ravi Magal**  
**R. Krishnakumar**

### 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



## ADFL AT A GLANCE

### ABOUT ADOR FONTECH

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 company has an uncompromising commitment to the continuous improvement of its products, services and delivery mechanisms. The entire Fonetech consisting of about 235 employees and over 200 Authorised Dealers is dedicated to our mission of 'Total Customer Satisfaction'

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### BUSINESS TEAMS

The company's operations have been classified into eight distinct profit centres called Business Teams. These are supported and facilitated by the Corporate Office. They are :

<b>BST 01 / FIST</b>	is based at Ahmednagar. This team is responsible for achieving the business goals at this manufacturing location.
<b>BST 02 / KOSTECH</b>	is the high-tech reclamation centre at Nagpur. This team reclaims and rebuilds vital machinery parts for power plants, mining industries, steel plants, cement plants and other vital industries.
<b>BST 03 to BST 07</b>	are responsible for achieving business plans in the Western, Southern, Eastern, Northern and Central regions respectively.
<b>BST 08</b>	Overseas Agency products and services from Sulzer-Matco and Degussa.

## MILESTONES

1998 Exclusive distributorship for Gasflux & Chem-Weld range of products and services. Approval of special welding alloys from Defence organisations for armor steel welding.

1997 Distributorship for copper and copper alloys from Bedra Germany and for tungsten carbide products from Woka Germany.

1996 ISO 9002 Certification  
Launch of ARCOFON range of superior wear-resistance technology wear plates and 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 Chennai.

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 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.



## GOVERNING PRINCIPLES

### ADOR GROUP VISION

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.

### ADFL 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.

### ADFL 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.**

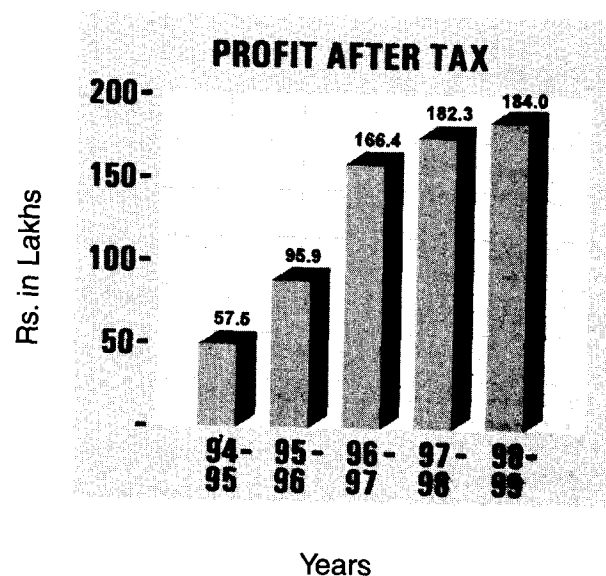
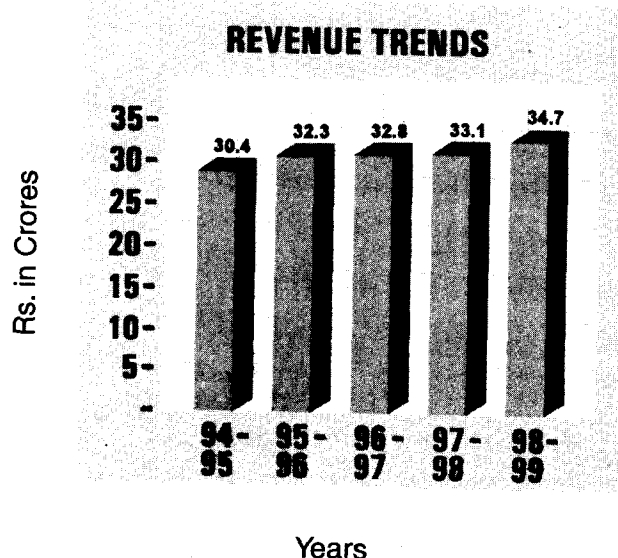
## FIVE YEARS AT A GLANCE

(Rs. in lakhs)

FIVE YEAR SUMMARY	1994-95	1995-96	1996-97	1997-98	1998-99
Sales (net)	3040.9	3238.0	3285.1	3315.1	3477.0
Profit Before Tax	124.5*	177.9	286.4	274.3	278.0
Tax	67.0	82.0	120.0	92.0	94.0
Profit After Tax	57.5	95.9	166.4	182.3	184.0
Gross Block	631.5	883.0	937.9	986.2	1050.9
Share Capital	225.0	350.0	350.0	350.0	350.0
Reserves & Surplus	220.2	525.1	571.5	630.2	688.9
Networth	445.2	875.1	921.5	980.2	1038.9
Dividend (%)	30.0	25.0	30.0	30.0	30.0
Book Value (Rs.)	19.8	25.0	26.3	28.0	29.7
EPS (Rs.)	2.5	2.7	4.8	5.2	5.3

\* Excludes extraordinary income of Rs. 126 lakhs.

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## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 24th Annual report of your Company and the Audited Statement of Accounts for the year ended 31st March 1999

### 1.0 THE FINANCIAL HIGHLIGHTS

Rs in Lakhs

	1998-99	1997-98
Income	3477	3315
Operating Profit ( PBIDT)	448	440
Interest	101	95
Depreciation	69	71
Profit Before Tax	278	274
Provision for tax	94	92
Profit After Tax	184	182
Earning per Share (Rs.)	5.27	5.21
<b>Appropriations</b>		
Dividend		
Recommended ( tax free)	105	105
Tax on Proposed Dividend	11.55	10.5
Transfer to General Reserves	50.00	50.00
Balance carried to Balance Sheet	46.26	29.53

### 2.0 DIVIDEND

Your Directors are pleased to recommend a tax-free dividend of 30% on the equity shares of the Company (Previous year 30 % )

### 3.0 OPERATIONS REVIEW

Our major end-user industries such as Steel and Cement plants , Mining industries etc. continued to be in a phase of demand slow-down. This impacted our supplies to them. However, due to an emphasis on new products, your company's income was marginally higher .

The total income was Rs. 3477 lakhs against Rs. 3315 lakhs for the previous year. Earning per share increased from Rs. 5.21 to Rs. 5.27 per share.

### 4.0 DIRECTORS

Pursuant to the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. Raghu D Kothare and

Mr. V D Mansukhani retire by rotation and being eligible offer themselves for reappointment.

### 5.0 EMPLOYEES

Dedicated and committed staff continue to be a key strength of your company. Your Directors recognise and appreciate the individual and team efforts of the entire Fonetwork.

### 6.0 BANKERS

ICICI Banking Corporation, our bankers have been supportive of our working capital needs. Our special thanks are therefore due to them.

### 7.0 AUDITOR'S REPORT

The report of the Auditors' and notes forming part of the accounts being self explanatory, no further comments are considered necessary.

### 8.0 AUDITORS

M/s. Amarnath Kamath & Associates who were appointed as Statutory Auditors at the 23rd



## DIRECTORS' REPORT

Annual General Meeting retire at the conclusion of the 24th 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.

### 9.0 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.

### 10.0 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 in the prescribed format, as given by the Stock Exchanges.

### 11.0 DEMATERIALISATION OF SHARES

You will be glad to know that your company proposes to dematerialise its shares through admission of Company's Equity shares to the Depository system of NSDL. The necessary arrangements are being made to implement this plan.

### 12.0 Y2K COMPLIANCE

The Company is taking adequate steps to ensure that all systems are Y2K Compliant. The estimated expenditure for the same is Rs. 15 lakhs during the current year. The impact of Y2K

issues, due to external failures, if any, is not likely to have any material impact on the company's operations.

### 13.0 Employee Stock Option Scheme (ESOS)

You will be glad to know that the Compensation Committee constituted by the Board has formulated an Employee Stock Option Scheme (ESOS) for the company employees. The ESOS is subject to your approval in the forthcoming Annual General Meeting, provisions of the Companies Act, 1956, SEBI regulations and other applicable laws.

### 14.0 Buy-back of Shares

Your Directors believe that the recent buy-back scheme introduced in our country will be beneficial to our shareholders as it will help improve the earning per share. This scheme too is subject your approval.

### 15.0 ACKNOWLEDGMENTS

Your Directors place on record their gratitude for the confidence, co-operation and assistance extended to your company by the End Users of our products, the Authorised Dealers, our Overseas Business Partners, our Inland Suppliers and the various Government Agencies.

Your Directors also wish to thank you - the shareholders for your support.

For and on behalf of the Board  
For ADOR FONTECH LIMITED

Bangalore  
Date: July 10, 1999

**J.K. Chandna**  
Chairman

## ANNEXURE TO DIRECTORS' REPORT

### (UNDER SECTION 217(1)(E) 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 being continued 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 case they give much longer life compared to the original parts. |
| 3. Future Plan of Action                                     | : To 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 on 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 & 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, give reasons therefore and future plans of action  | : N.A.  |

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