

26th



Annual



Report



2000



2001



ADOR FONTECH LIMITED

ADOR FONTECH LIMITED

DIRECTORS

| | |
|--------------|--------------------|
| J.K. Chandna | Chairman |
| A.K. Bahl | Director |
| K.L. Hira | Director |
| M.T. Sheth | Director |
| R.D. Kothare | Director |
| H.P. Ledwani | Executive Director |

COMPANY SECRETARY & MANAGER - FINANCE

Geetha D

CORPORATE MANAGEMENT COUNCIL

H.P. Ledwani
M.J. Kurian
D. Naronha
Muneesh Narain
P. Ramachandran
P. Viswanathan
C. Bhavani Sankar
S. Gopalakrishnan
Ravi Magal
Rajesh Joshi
R. Krishnakumar
U.D. Rane
M.S. Jauhal
Geetha D

REGISTERED & CORPORATE OFFICE

Belview
7 Haudin Road
Bangalore - 560 042

AUDITORS

Amarnath Kamath & Associates.
Chartered Accountants
221 Raheja Chambers
12 Museum Road
Bangalore - 560 001

BANKERS

ICICI Bank Limited
The Bank of Nova Scotia

SHARE TRANSFER AGENTS

Ador Finance Ltd
Ador House
6, K. Dubash Marg
Mumbai

DEPOSITORY REGISTRAR

Alpha Systems Private Limited
No. 30, Ramana Residency
Sampige Road
Malleswaram
Bangalore - 560 003

STOCK EXCHANGES WHERE SECURITIES ARE LISTED

Bangalore
Mumbai
Ahmedabad

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ADOR FONTECH LIMITED*Registered & Head Office*

Belview 7 Haudin Road Bangalore - 560 042

NOTICE

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Members of the Company will be held at Hotel Ajantha, 22-A, Mahatma Gandhi Road, Bangalore 560 001 on Thursday, August 09, 2001, at 4 p.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2001 and the Profit and Loss Account for the year ended on that date, together with the Directors' Report and the Auditors' Report thereon.
2. Declaration of Dividend.
3. To appoint a Director in place of Mr. A K Bahl who retires by rotation and being eligible has offered himself for reappointment.
4. To appoint a Director in place of Mr. K L Hira who retires by rotation and being eligible has offered himself for reappointment.
5. To appoint the Statutory Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

6. 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 31.03.2002 of the Branch/Area offices and 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 Auditors in consultation with the Company's Auditors and fix their remuneration and terms and conditions."

NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE 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 48 hours before the commencement of the meeting.

- b) Members are requested to kindly bring their copy of the Annual Report to the meeting.
- c) The Register of Members and Share Transfer Register will remain closed from August 1, 2001 to August 09, 2001 (both days inclusive).
- d) The Company has decided to undertake in-house share transfer work with effect from September 1, 2001. All communications including share transfers, effective from September 1, 2001, are to be addressed to the Corporate Office- Belview 7 Haudin Road Bangalore 560 042.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 6**

The Company has Divisional/Area Offices and Manufacturing Plants spread over in various parts of India. In view of the diverse locations, 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 Auditors under Section 226 of the Companies Act, 1956, and amendments thereof, to audit the accounts for the year ending 31.03.2002 of various units of the Company and to fix their remuneration and terms and conditions.

The resolution gives the necessary authority to the Board of Directors in this behalf.

This Ordinary Resolution, at item number 6 is commended for passing by the Members.

None of the Directors of the Company, is in any way, concerned or interested in the said resolution.

By order of the Board
For ADOR FONTECH LIMITED

Bangalore
June 13, 2001

Geetha D
Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of your Company and the Audited Statement of Accounts for the year ended March 31, 2001.

1.0 FINANCIAL HIGHLIGHTS

Rs. in Lakhs

| | 2000-2001 | 1999-2000 |
|-----------------------------|-----------|-----------|
| Income | 3,902 | 3,669 |
| Operating Profit | 342 | 278 |
| Interest | 97 | 96 |
| Depreciation | 70 | 68 |
| Profit before Tax | 175 | 114 |
| Provision for Tax | 63 | 31 |
| Profit after Tax | 112 | 83 |
| Earnings per Share (Rs.) | 3.2 | 2.4 |
| Appropriations | | |
| Dividend Recommended | 70 | 53 |
| Tax on Proposed Dividend | 7 | 6 |
| Transfer to General Reserve | 25 | 50 |
| Balance Carried Forward | 38 | 27 |

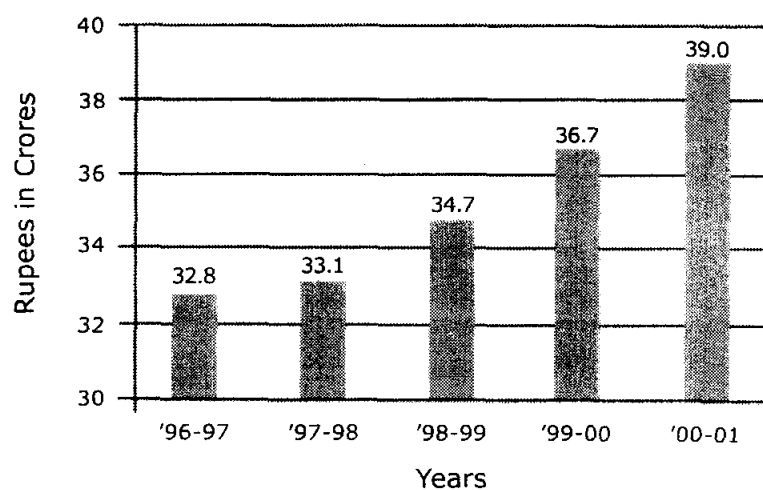
2.0 DIVIDEND

For the financial year ended March 31, 2001, the Directors have pleasure in recommending a dividend of Twenty percent on the paid-up share capital of the Company.

3.0 REVIEW OF BUSINESS OPERATIONS

Total income of the Company was Rs. 3,902 lakhs as against Rs. 3,669 lakhs during the previous year, in effect an increase of six percent. Continuous efforts are being made to introduce new products in line with the needs of our end-users.

3.1 THE GROWTH CHART



DIRECTORS' REPORT**3.2 OUR OVERSEAS BUSINESS PARTNERS**

Globalisation trends are here to stay. Over the years, the range of our product portfolio is on the increase. Win-Win and value-added reseller relationships now exist with the following principals.

| Sl.No. | Company | Country | Product Range |
|--------|----------------------------------|-------------------------|--|
| 1. | Alloy Steel International | Australia | The world's most wear-resistant fused-alloy steel-based wear plates. |
| 2. | Berkenhoff | Germany | Copper and copper-alloyed wires and rods for MIG/TIG Welding. |
| 3. | CEA | Italy | Welding equipment and air plasma cutting equipment. |
| 4. | Cepro | Netherlands | Welding spot separation products. |
| 5. | Degussa | Germany | Brazing alloys and soft solders. |
| 6. | Deloro Stellite | Germany | Cobalt, nickel or inter-metallic wear-resistant alloys and surface coatings. |
| 7. | Euromate | Netherlands | Welding fume extractors and fume extraction systems. |
| 8. | Gasflux | USA | Liquid gas flux used for brazing (The flux in the flame). |
| 9. | Protector | Australia/ Singapore | Personal protective equipment. |
| 10. | Sulzer Metco | Switzerland & USA | World leaders in thermal spray technology, products and solutions. |

3.3 PRODUCTS AND SERVICES**THE FON GROUP**

The **ADFL** performance proven low heat input welding alloys are frontrunners in maintenance and reclamation of vital machinery components. These quality products meet stringent customer specifications and can perform under severe work environments.

BERCO copper and copper-alloyed wires and rods for MIG/TIG welding from Berkenhoff Germany.

GASFLUX is a highly specialised process of applying flux for brazing by means of a flame. It is used in a wide variety of bronze and silver brazing applications. Ador Fontech represents Gas Flux company exclusively in India.

THE FMA GROUP

FONMATIC products - As an extension of the traditional business of low heat input welding alloys and to meet the continuous welding product needs of end-users, the **FONMATIC** range was launched. The main focus here is on hard-facing and other specialised continuous welding applications.

The product range includes joining wires, hard facing alloys, stainless steel alloys and other custom-built wires and equipment.

ARCOFON series of wear plates are manufactured by computer controlled weld-cast process which enables constant and even fusion of hypereutectic chrome alloy on to a mild steel backing plate. These wear plates have found numerous applications for use in the original equipment manufacturing as well as for the reclamation needs of cement plants, mining industries, power

DIRECTORS' REPORT

plants, steel and metallurgical complexes and several other vital industries. The number of satisfied end-users for this product group is rapidly on the increase.

THE FAC GROUP

FONANC range has been specially designed and developed to meet the requirements of welding power sources needed for reclamation and repair of vital machinery components. It includes welding transformers, rectifiers, inverter sets, MIG/MAG outfits, etc. Turnkey systems for specific welding applications are a forte of this group.

Inverter series portable welding-cutting sets are based on "Inverter" technology. These sets are powerful, light weight, easy to use and are engineered to ergonomic standards.

CEPRO range of world class "welding spot separation" products such as welding curtains, welding screens, welding strips and heat resistant fabrics are exclusively sold in India by Ador Fontech Limited. These products meet all international standards.

PROTECTOR range of personal protection equipment such as safety helmets, safety goggles, face and ear protection products, provide a reassuring standard for complete worker protection in virtually any industrial situation.

EUROMATE This new generation welding fume extraction equipment combines great ease of operation for the welder with an acceptable level of investment for the end-users. The standard range has models MFD, MFS and MFE. For large scale requirements custom-made systems are designed and developed.

THE FCT GROUP

DELORO STELLITE products are setting world standards in surfacing technology. These are cobalt, nickel or intermetallic cobalt or nickel based wear resistant alloys and surface coatings. They offer combinations of ● wear-resistance ● corrosion and oxidation resistance ● high temperature hardness ● resistance to galling and ● low coefficient of friction.

FONCOATECH wear, abrasion, erosion and corrosion of machinery components result in heavy downtime

losses. Foncoatech brand thermal spray powder alloys, spray torches and guns are marketed based on the development of end-user-wise specific job applications.

Ador Fontech also offers high temperature process and maintenance products from AREMCO, USA for the repair and corrosion protection of metal and refractory materials.

THE FOA GROUP

SULZER METCO the world leaders in thermal spray technology products and solutions are exclusively represented in India by Ador Fontech Limited. Any base material can achieve improved characteristics through spray coating. From hand-held to highly automated operations, low volume to mass production, thermal spray offers enormous flexibility.

DEGUSSA The Company has an exclusive distributorship for the Degussa range of world renowned brazing alloys and soft solders.

FIST DIVISION

Located at Ahmednagar, this plant manufactures "A" series products of the **ADFL** range.

KOSTECH DIVISION

State-of-the-art welding and metal spray processes are used to repair, reclaim and rebuild vital machinery parts for thermal power stations, cement plants, mining, steel and several other core sector industries. Located at Nagpur, this facility has been continuously expanding its capacity of taking up customer-specific and heavy-duty reclamation jobs.

DOTES

Ador Fontech's products and services are backed by **DOTES** (documentation, training and educational services). This service group documents and disseminates case studies, technical articles, product literature, etc. At Ador Institute of Welding Technology's (AIWTs – based at Mumbai and Chennai), **DOTES** conducts focussed training programmes on reclamation and surfacing technologies. They also conduct training programmes and seminars at vital industrial locations all over India.

DIRECTORS' REPORT**4.0 A NEW ERA - A NEW DIVISION - ZEPARC**

Recycling of machinery components through reclamation welding and surfacing techniques makes economic sense. It is also an eco-friendly policy as it leads to conservation of finite metal and mineral resources.

This range of maintenance and surfacing alloys has been specially formulated as solutions to wear and industrial maintenance problems.

5.0 INVESTMENTS

The Company has rupees one crore, thirty three lakhs, six thousand, six hundred and seventy four in investments as at the close of the accounting year (2000-2001). Subsequently, an amount of rupees fifty lakhs was divested in the month of May 2001 and the proceeds were ploughed back as working capital.

6.0 DIRECTORS

Mr. V D Mansukhani resigned as a Director of the Company with effect from April 27, 2001. Your Directors wish to place on record their gratitude for the contribution made by him during his tenure.

Pursuant to the provisions of the Companies Act, 1956, and the Articles of Association of the Company, M/s. A K Bahl and K L Hira retire by rotation and being eligible have offered themselves for reappointment.

7.0 AUDITORS

M/s. Amarnath Kamath and Associates who are the Statutory Auditors of the Company retire at the conclusion of the meeting and being eligible have offered themselves for reappointment.

8.0 CORPORATE GOVERNANCE

In accordance with the Securities and Exchange Board of India guidelines on Corporate Governance mandated through the Stock Exchange listing agreement, the provisions become applicable to your Company, during the

financial year 2002-2003. However, the Company has already constituted Audit Committee, Shareholders' Committee/Investors' Grievance Committee and Remuneration Committee.

9.0 SOCIAL CONTRIBUTION

During the year, an amount of rupees three lakhs was contributed to the victims of the Gujarat earthquake, through the Times of India Relief Fund. In addition, the Employees of the Company also donated a day's salary.

10.0 DEPOSITORIES

The Company is registered with both National Securities Depository Limited and Central Depository Services (India) Limited. The shareholders can take advantage of holding their scrips in dematerialised mode.

11.0 PARTICULARS OF DISCLOSURE

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

12.0 ADVANI OERLIKON

Our associates - Advani Oerlikon Ltd., are the pioneers of welding technology in India. In their year of "GOLDEN JUBILEE", your Directors wish them a glorious future.

13.0 ACKNOWLEDGEMENTS

Your Directors thank the End-users of our products, Authorised Dealers, Channel Partners, Overseas and Inland Business Associates, Bankers and various Government Agencies for their continued support.

In conclusion, your Directors also wish to thank you-the Shareholders for your faith in the Company and its future.

For and on behalf of the Board
ADOR FONTECH LIMITED

Bangalore
June 13, 2001

J. K. Chandna
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company has ensured that:

1. The applicable accounting standards were followed.
2. The accounting policies are reasonable and prudent and are consistently followed to give a true and fair view of the state of affairs of the Company.
3. Proper and sufficient care is taken for maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing/ detecting fraud and other irregularities.
4. The Annual Accounts have been prepared on an on-going-concern basis.

UNDER SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956

Additional information in terms of notification 1029 of 31.12.1998 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:

1. Specific areas in which R&D has been carried out: Efforts are being made to further improve the performance of products and their range.
2. Benefits derived as a result of the above R&D: Conservation of basic raw materials, coupled with low cost and longer life.
3. Future plan of action: To make further progress on areas enunciated as per item Nos. 1 and 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.

d) Total R & D expenditure as : - Do - a percentage of total turnover

Technology Absorption, Adaptation and Innovation:

1. Efforts in brief made towards technology, absorption, adaptation and innovation:
Locally available raw materials are continuously tried to gain maximum advantage.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
 - (i) Reduced cost of final products.
 - (ii) Comparable quality and performance with the products produced using 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 : Not Applicable
 - c) Has technology been : Not Applicable fully absorbed
 - d) If not fully absorbed : Not Applicable areas where this has not taken place. Give reasons for the same and explain future plan of action, if any
4. Foreign Exchange earnings and outgoes : As reported in serial numbers 4, 5, 7 & 8 "NOTES FORMING PART OF ACCOUNTS" in Schedule-S.

UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report.

| Sl No. | Name (Age) | Designation | Gross Remuneration | Qualifications Experience (Yrs.) | Date of Joining | Previous Employment |
|--------|------------|-------------|--------------------|----------------------------------|-----------------|---------------------|
|--------|------------|-------------|--------------------|----------------------------------|-----------------|---------------------|

None of the employee was in receipt of remuneration exceeding the specified limit, during the financial year 2000-2001.

AUDITORS' REPORT**TO THE SHAREHOLDERS OF ADOR FONTECH LIMITED**

We have audited the attached Balance sheet of Ador Fontech Limited as at March 31, 2001 and the Profit and loss account of the Company for the year ended on that date annexed thereto (in which are incorporated the accounts of Company's two manufacturing units viz., FIST at Ahmednagar, KOSTECH at Nagpur and four zonal divisions audited by Divisional Auditors) and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
3. The Balance sheet and the Profit and loss account, dealt with by this report, are in agreement with the books of account;
4. In our opinion, the Balance sheet and the Profit and loss account comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable;
5. On the basis of a review of written representations received from Directors of the Company as on March 31, 2001, and taken on record by the Board of Directors and the information and explanations given to us, none of the Directors are prima facie disqualified as on March 31, 2001 from being appointed as Directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, and
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - a) In the case of the Balance sheet, of the state of affairs of the Company, as at March 31, 2001 and

- b) In the case of the Profit and loss account, of the profit for the year ended on that date.

As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board under section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we report that, in our opinion -

1. The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets. *All the fixed assets have not been physically verified by the management during the year but according to the information and explanations given to us, there is a regular programme of verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.* We are informed that no material discrepancies have been noticed in respect of the assets physically verified.
2. None of the fixed assets have been revalued during the year.
3. We are informed that the stock of finished goods, work in progress, stores, raw materials and traded goods have been physically verified by the management during the year and also at the end of the year. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. In our opinion, the discrepancies noticed on physical verification of stocks, as compared to book records, were not material and have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally