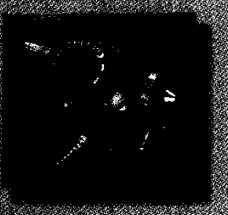
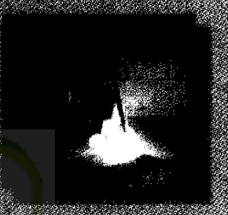
www.reportjunction.com

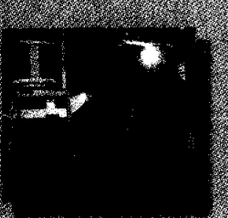
27th Annual Report
2001-2002

ador
FONTECH









reportjunction.com

H LIMITED

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

ADOR FONTECH LIMITED

THE BOARD OF 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

THE 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
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

The ICICI Bank Limited
The Bank of Nova Scotia
The HDFC Bank Limited

STOCK EXCHANGES WHERE SECURITIES ARE LISTED

Mumbai
Bangalore
Ahmedabad

CONTENTS

	Page
Notice	1
Directors' Report	3
Annexure to the Directors' Report	4
Auditors' Report	5
Balance Sheet	7
Profit and Loss Account	8
Schedules	9
Cash Flow Statement	21
Information to the Shareholders	22

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

ADOR FONTECH LIMITED

Regd. & Head Office: Belview 7 Haudin Road Bangalore 560 042

NOTICE

Notice is hereby given that the Twenty Seventh 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, July 25, 2002 at 16.30 hrs., to transact the following business.

ORDINARY BUSINESS

1.0 To receive, consider and adopt the audited Balance Sheet as at March 31, 2002 and the Profit and Loss Account for the year ended on that date, together with the Directors' Report and the Auditors' Report thereon.

2.0 Declaration of Dividend.

3.0 To appoint a Director in place of Mr. R D Kothare who retires by rotation and being eligible has offered himself for reappointment.

4.0 To appoint the Statutory Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

5.0 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, 2003 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 Auditors in consultation with the Company's Auditors and fix their remuneration and terms and conditions."

6.0 To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311, 314 and other applicable provisions, if any, of the Companies Act, 1956, and subject also to such sanctions and approvals as may be necessary including by the Government, the Company hereby approves the appointment of Mr. H P Ledwani as whole-time Director designated as "Managing Director" for a period of five years with effect from April 1, 2002 on the terms, conditions and remuneration as set out in the explanatory statement annexed hereto, with liberty to the Board of Directors to alter or vary the terms and conditions of the said appointment including remuneration as may be agreed to between the Directors and Mr. H P Ledwani or otherwise to the intent that approval be and is hereby granted irrevocably to the said appointment by the express authority of this resolution."

7.0 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 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals/permissions as may be required, consent be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board") to transfer and/or otherwise dispose of its assets at its branch/area offices or manufacturing units, subject to business exigencies; with full power and authority to the Board to do all acts, deeds, matters and things as may be necessary to implement this resolution."

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 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 books of the Company will remain closed from July 17, 2002 to July 25, 2002 (both days inclusive).

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

Item No. 5

The Company's manufacturing plants are situated at Ahmednager and Nagpur. In view of their 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 March 31, 2003 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 5 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.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Item No. 6

Mr. H P Ledwani started his career with Advani Oerlikon Limited. He joined Ador Fontech Limited on December 1, 1979 and was appointed as "Executive Director" at the twenty third Annual General Meeting of the Company for a period of five years w.e.f April 23, 1998. While his tenure expires on April 22, 2003, the Board of Directors at its meeting held on May 21, 2002 approved his extension of service for a further period of five years with effect from April 1, 2002.

The terms of appointment contained in the Agreement dated May 21, 2002 referred to in the resolution at item number 6 of the notice are set out below:

1. Term:
   Period of appointment shall be for five years effective from April 1, 2002.
2. Salary:
   On a time scale basis. Rs. 60,000 - 5,000 - 1,20,000 per month. Annual increments will be decided by the Board of Directors.
3. Housing:
   The Company shall provide furnished residential accommodation along with all amenities, facilities and utilities or in case no accommodation is provided, the Company shall pay house rent allowance equivalent to sixty percent of the basic salary.
4. Performance bonus:
   The Company shall pay performance bonus based on turnover and profitability or any amount that the Board may decide within the regulatory framework of corporate laws.
5. Medical:
   The Company shall reimburse all expenses incurred in India and/or abroad (for payment of premium,medical expenses and hospitalisation expenses incurred) for self and family.
6. Leave travel concession:
   The Company shall pay leave travel concession for self and family, once a year to any destination in India, as per the rules of the Company.
7. Club fees:
   The Company shall pay fees of clubs (maximum two clubs) including admission and life membership fees.
8. Personal accident insurance:
   The Company shall pay premium for personal accident insurance policy of a suitable amount.
9. Use of vehicle:
   The Company shall provide vehicle for official purpose, the expenditure on which shall not be considered as a perquisite.
10. Communication facility at residence:
    The Company shall provide telephone and other communication facilities.
11. Minimum remuneration:
    Where in any financial year, the Company has no profits or its profits are inadequate, the Company may pay remuneration by way of salary, performance bonus, commission, perquisites and any other allowance not exceeding the limits specified in Part II of Schedule XIII of the Companies Act, 1956 (as amended) or as per Government notification, in force, from time to time.
12. Sitting fees:
    No sitting fees will be payable for attending the meetings of the Board of Directors or Committees thereof.
13. Other perquisites:
    In addition to the above, Mr. H P Ledwani will also be eligible for the following perquisites, which shall not be included in the computation of ceiling on remuneration specified in 2 above.
    (a) Contribution to the Provident fund, Superannuation fund and Gratuity as per the rules of the Company as applicable to the Senior Executives or as may be notified by the Government from time to time.
    (b) One full month's leave for every eleven months of service and encashment of unavailed leave, if any, subject to the rules as applicable to the Senior Executives of the Company.

A copy of the above said agreement is available for inspection to the Members during office hours at the Registered Office of the Company on any working day.

The Directors recommend this resolution for approval by the shareholders.

Mr. H P Ledwani is interested in the resolution at item number 6 since it relates to his reappointment.

Item No. 7

As a part of its cost reduction and business consolidation process, the Company may rearrange/reorganise its business activities. Since, this necessitates approval under Section 293(1)(a) of the Companies Act, 1956, the Board seeks the approval of the shareholders.

The Board of Directors recommend passing of the resolution.

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**

Mumbai
May 21, 2002

Geetha D
Company Secretary

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Dear Members,

Your Directors have pleasure in presenting the Twenty Seventh Annual Report of your Company and the Audited Statement of Accounts for the year ended March 31, 2002.

1.0 FINANCIAL HIGHLIGHTS

(Rs. In Lakhs)

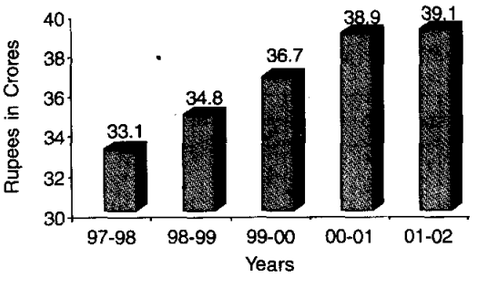
Details	2001-2002	2000-2001
Income	3,906	3,890
Operating profit	335	342
Interest	81	97
Depreciation	74	70
Profit before taxation	180	175
Provision for taxation	62	63
Net profit	118	112
Prior period adjustments	15	1
Profit attributable to equity shareholders	133	113
Earnings per share (Rs.)	3.80	3.2
Appropriations		
Dividend Recommended	77	70
Tax on Proposed Dividend	–	7
Transfer to General Reserve	50	25

2.0 REVIEW OF BUSINESS OPERATIONS

The total income of the Company was Rs. 3,906 lakhs as against Rs. 3,890 lakhs during the previous year. Over the last ten years in particular, the pace of globalisation is on the increase. A restructuring of the Indian economy is in progress. Customers now have much wider options. It is imperative, therefore, that our products and services portfolio be continuously improved and expanded.

Our main business focus is on " Partnering with our customers in reclamation and surfacing solutions". Reclamation, repair welding and surfacing are vital processes that keep the wheels of the industry running. Wear and breakdowns are caused by friction, corrosion, abrasion and impact. Operations at elevated temperatures aggravate wear. Recycling of machinery components through reclamation welding and surfacing techniques, makes economic sense. It is an eco-friendly policy as it leads to conservation of finite metal and mineral resources. Through a judicious choice of alloys and processes, the life of repaired or resurfaced components can be prolonged. In fact, weld surfacing or thermal spray coating techniques are now being widely used even for OEM applications.

2.1 THE GROWTH CHART



3.0 DIVIDEND

Your Directors are happy to recommend a dividend of twenty two percent on the paid up share capital of the Company for the financial year ended March 31, 2002.

4.0 INVESTMENTS

The Company had Rs. 82,05,041/- (Rupees eighty two lakhs, five thousand and forty one) in investments as at the close of the accounting year (2001-2002). Subsequently, an amount of rupees sixty seven lakhs was divested in the month of April 2002 and the proceeds have been ploughed back as working capital.

5.0 DIRECTORS

Mr. R D Kothare retires by rotation, pursuant to the provisions of the Companies Act,1956, and the Articles of Association of the Company and being eligible has offered himself for reappointment.

Born on October 2, 1926, Mr. R D Kothare graduated in law and is enrolled as an advocate since November 1951.

6.0 AUDITORS

M/s. Amarnath Kamath and Associates, the Statutory Auditors of the Company retire at the conclusion of the Annual General Meeting and being eligible have offered themselves for reappointment.

7.0 CORPORATE GOVERNANCE

The provisions of Corporate Governance become applicable during the financial year 2002-2003. The Company has already constituted an Audit Committee, the Shareholders' Committee / Investors' Grievance Committee and the Remuneration Committee.

8.0 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.

9.0 PARTICULARS OF DISCLOSURE

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

10.0 ACKNOWLEDGEMENTS

Your Directors thank the End-users of our products, Authorised Dealers, Channel Partners, Overseas and Inland Business Associates, Bankers and the various Government Agencies for their continued support. Further, we wish to place on record the invaluable contribution of all the employees of the Company.

To conclude, your Directors also wish to thank you - the Shareholders of the Company - for your faith and confidence in the Company and its future.

On behalf of the Board
For **ADOR FONTECH LIMITED**

Mumbai
May 21, 2002

J K Chandna
Chairman

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

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 the 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 in 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 a separate head of account is not maintained.
   c. Total : N.A.
   d. Total R & D expenditure as a percentage of total turnover. : - Do -

Technology Absorption and Innovation:

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

   Locally available raw materials are utilised 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 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 fully absorbed : Not applicable.
   d. If not fully absorbed areas where this has not taken place. Give reasons for the same and explain future plan of action, if any. : Not applicable.
4. Foreign exchange earnings and outgoings. : 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.

No employee was in receipt of remuneration exceeding the specified limit, during the financial year 2001-02.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

TO THE SHAREHOLDERS OF ADOR FONTECH LIMITED

We have audited the attached Balance Sheet of ADOR FONTECH LIMITED as at March 31, 2002 and also the Profit and Loss account of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. These 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.

Further to our comments in the Annexure referred above, we report that:

1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

2) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as it 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 and to the best of our information and according to the explanations given to us, the Balance Sheet and 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 the Directors of the Company as on March 31, 2002 and taken on record by the Board of Directors and the information and explanations given to us, we report that none of the Directors is disqualified as at March 31, 2002 from being appointed as a Director 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 accounts, read 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 in conformity with the accounting principles generally accepted in India:

a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002 and
b. in the case of the Profit and Loss account, of the profit for the year ended on that date.

For **AMARNATH KAMATH & ASSOCIATES**
CHARTERED ACCOUNTANTS

Bangalore
May 22, 2002

A R PAI
PARTNER

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 and on the basis of such examination of the books and records of the Company as we considered appropriate and on the basis of the information and explanations given to us during the course of our audit, 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 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 accepted accounting principles and is on the same basis as in the previous year.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

ANNEXURE TO THE AUDITORS' REPORT

7. The Company has not taken any loans, secured or unsecured, from Companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (6) of section 370 of the Companies Act, 1956, provisions of the section are not applicable to a company on or after October 31, 1998.

8. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (6) of section 370 of the Companies Act, 1956, provisions of the section are not applicable to a company on or after October 31, 1998.

9. In respect of loans and advances in the nature of loans given to employees and others, recovery of principal amounts and interest, wherever applicable, have been as stipulated.

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment & other assets and for the sale of goods.

11. The Company has availed services amounting to Rs. 6,26,266 from companies in which Directors are interested. *We are unable to express an opinion about the reasonableness of the prices at which these transactions have been entered into as the services are of a nature for which comparative quotations are not available.* Other than for the above services there were no transactions either for purchase of goods and materials or for sale of goods, materials and services, aggregating during the year to Rs. 50,000 or more, in respect of each party, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956.

12. As explained to us, the Company has a reasonable system for the determination of unserviceable or damaged stores, raw materials, and finished goods. Adequate provision has been made in the accounts for loss arising in respect of items so determined.

13. The Company has accepted fixed deposits from the public. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder.

14. In our opinion and according to the information and explanations given to us, the Company has maintained reasonable records for the sale and disposal of realisable scrap. We are informed that the Company's activities do not generate realisable by-products.

15. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of the Company's business.

16. We are informed that the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956, for any of the Company's products.

17. In our opinion and according to the information and explanations given to us, the Company has been regular in depositing Provident fund and Employees' State Insurance dues with appropriate authorities.

18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding as at March 31, 2002 for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us, no personal expenses have been charged to revenue accounts, other than those payable under contractual obligations or in accordance with generally accepted business practices.

20. The Company is not a sick industrial Company within the meaning of clause(o) of sub-section(1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of the Company's service activities,

    a) There is a reasonable system of recording receipts, issues, consumption of materials and stores, commensurate with the size of the Company and the nature of its business. *Though allocation of materials consumed is not made to relative jobs, in our opinion, proper control has been exercised on the materials issued for the jobs.*

    b) *Allocation is not made of man-hours utilised to the relative jobs. However, in our opinion, proper control has been exercised on the man-hours utilised on the jobs.*

    c) The Company has a reasonable system of authorisation at proper levels with necessary control on the issue of stores as stated in a & b above. *Though allocation of stores and labour to jobs is not made, in our opinion, proper control has been exercised on the materials consumed and labour hours utilised on the jobs.* The Company has a system of internal control, commensurate with its size and the nature of its business, so far as its service activities are concerned.

22. In respect of the trading activities of the Company, adequate provision has been made in the accounts for damaged goods.

For **AMARNATH KAMATH & ASSOCIATES**
CHARTERED ACCOUNTANTS

Bangalore
May 22, 2002

A R PAI
PARTNER

www.reportjunction.com