

# ***28th Annual Report 2002-2003***



**ADOR FONTECH LIMITED**

# ADOR FONTECH LIMITED

## **THE BOARD OF DIRECTORS**

J K Chandna	Chairman
H P Ledwani	Managing Director
K L Hira	Director
M T Sheth	Director
R D Kothare	Director

## **COMPANY SECRETARY & MANAGER-FINANCE**

Geetha D

## **THE CORPORATE MANAGEMENT COUNCIL**

H P Ledwani  
M J Kurian  
Muneesh Narain  
P Ramachandran  
P Viswanathan  
C Bhavani Sankar  
S Gopalakrishnan  
Ravi Magal  
Rajesh Joshi  
R Krishnakumar  
S V Puntambekar  
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**

HDFC Bank Limited  
ICICI Bank Limited  
The Bank of Nova Scotia

## **STOCK EXCHANGES WHERE SECURITIES ARE LISTED**

Mumbai  
Bangalore  
Ahmedabad

## **SHARE TRANSFER AGENTS**

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

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## ADOR FONTECH LIMITED

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

### NOTICE

Notice is hereby given that the Twenty Eighth 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 24, 2003 at 16.00 hrs., to transact the following business.

#### ORDINARY BUSINESS

- 1.0 To receive, consider and adopt the audited Balance Sheet as at March 31, 2003 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. J K Chandna who retires by rotation and being eligible has offered himself for reappointment.
- 4.0 To appoint a Director in place of Mr. M T Sheth who retires by rotation and being eligible has offered himself for reappointment.
- 5.0 To appoint the Statutory Auditors of the Company and fix their remuneration.

#### SPECIAL BUSINESS

- 6.0 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, 2004 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."

#### 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 14, 2003 to July 24, 2003 (both days inclusive).
- d) Members are requested to notify immediately changes, if any, in their address / bank mandate to their respective Depository Participants (DPs) in respect of their electronic share account and to the Registrar and Share Transfer Agents - Alpha Systems Private Limited in respect of their physical share folios.
- e) Nomination facility is available as per the provisions of the Companies Act, 1956. Those who wish to avail themselves of this facility may send in their nomination forms (Form 2B) either to the Registrar or the Company at its registered office.
- f) Pursuant to the provisions of Section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of 7 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 immediately for claiming outstanding dividends, in respect of previous years.

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

##### Item No. 6

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 Auditors under Section 226 of the Companies Act, 1956, and amendments thereof, to audit the accounts, for the year ending March 31, 2004 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**

Mumbai  
May 27, 2003

Geetha D  
Company Secretary

## Directors' Report

### Dear Members,

Your Directors have pleasure in presenting to you the Twenty Eighth Annual Report of your Company and the Audited Statement of Accounts for the year ended March 31, 2003.

#### 1. FINANCIAL HIGHLIGHTS (Rs. in lakhs)

DETAILS	2002-2003	2001-2002
Income	3,931	3,906
Operating profit	335	335
Interest	54	81
Depreciation	72	74
Profit before taxation	209	180
Provision for taxation	53	62
Net Profit	156	118
Prior period adjustments	7	15
Profit attributable to equity shareholders	149	133
Earnings per share (EPS)	4.25	3.80
<b>Appropriations</b>		
Dividend Recommended	88	77
Tax on Proposed Dividend	11	-
Transfer to General Reserve	30	50

#### 2. REVIEW OF BUSINESS OPERATIONS

The year ended with a turnover of Rs.3931 lakhs (Previous year Rs.3906 lakhs). The net operating margin for the year was higher by 32%. This was due to cost reduction measures successfully adopted by your company.

As a business restructuring strategy, the Company has entered into technical collaboration agreements with Advani-Oerlikon Limited for the manufacture of "FONMATIC" flux-cored arc welding consumables and "ADOR-FON" range of low heat input welding alloys. For the said purpose, the Company has acquired a suitable industrial land, building and other allied facilities in Peenya Industrial Area, Bangalore. With the installation of plant and machinery, commissioning of the unit will be complete shortly. This initiative will have a positive impact on the overall performance of the company in years to come.

#### 3. DIVIDEND

Your Directors are happy to recommend a dividend of twenty five percent on the paid up share capital of the Company, for the financial year ended March 31, 2003. Tax on dividend at 12.5% plus surcharge thereon will be borne by the Company. The dividend pay out will be tax free in the hands of the shareholders.

#### 4. 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.

#### 5. AUDITORS' REPORT

There are no qualifications contained in the Auditors' Report and therefore no further explanations are provided in this Report.

#### 6. DIRECTORS

Mr. J K Chandna and Mr. M T Sheth retire by rotation, pursuant to the provisions of the Companies Act, 1956,

and the Articles of Association of the Company and being eligible have offered themselves for reappointment.

A brief profile of the Directors liable to retire by rotation:

#### Mr. J K Chandna

Date of Birth	: 19.06.1933
Educational Qualification	: Marine Engineering Certificate of Competency.
Work Experience:	
1. Marine Engineer - About 7 years.	
2. Senior Management positions with Advani Oerlikon Limited - Over 29 years.	
3. Executive Chairman, Ador Fontech Limited - 5 years.	
4. Chairman, Ador Fontech Limited - 20.06.1998 till date.	
Specific area of expertise	: General Management.

#### Mr. M T Sheth

Date of Birth	: 27.10.1940
Educational Qualification	: B'Com (Hons) and FCA
Work Experience:	
Served in Advani Oerlikon Limited for over thirty years in senior management positions.	
Specific area of expertise:	Finance.

#### 7. CORPORATE GOVERNANCE

As per the listing agreements with the Stock Exchanges, the Company has implemented the code on Corporate Governance. The Corporate Governance Compliance certificate obtained from the Auditors of the Company is attached to this Report.

The Management Discussion and Analysis Report, as mandated under the code of Corporate Governance, is given in the Annexure attached to the Directors' Report.

#### 8. 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. PARTICULARS OF DISCLOSURE

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

#### 10. ACKNOWLEDGMENTS

Your Directors thank the valued customers of our products and services, 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 dedicated 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 27, 2003

**J K Chandna**  
Chairman

Ador Fontech Limited

www.reportjunction.com

**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, 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 : - Do - expenditure as a percentage of total turnover.

**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 2002-03.

## Management Discussion and Analysis Report

### INDUSTRY STRUCTURE AND DEVELOPMENT

The Indian Welding Industry comprises the organised and unorganised sectors. The former, to which the Company belongs, has seen a slow yet steady change over the years. Manual operations are being replaced by automatic and semiautomatic welding and thermal spray processes. High productivity welding systems and welder safety equipment are more and more in demand. Collectively, the Company has a quiet confidence about the future and a strong belief that customer focus, quality and productivity will continuously improve in the years to come.

### OPPORTUNITIES AND THREATS

The internet era presents challenges as well as opportunities. Ador Fontech has a culture of deploying these technological breakthroughs with an objective of increasing productivity. There are also opportunities of strategic alliances and mutually beneficial partnerships both globally and within the country.

### RISKS AND CONCERNS

There is a continuously increasing competition from domestic and overseas alternatives. The Company therefore has to have "The courage to compete". Introduction of new and improved products and diversification into allied areas and services therefore, has to be a 'way of life' for the Company.

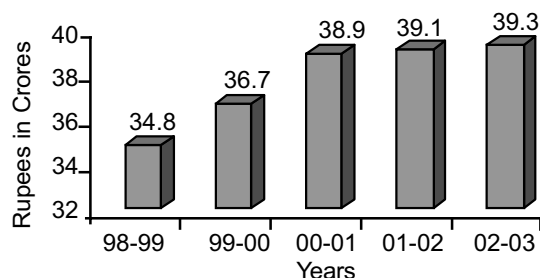
### SEGMENT/PRODUCT WISE PERFORMANCE

A detailed segment-wise report has been given in the "Notes on Accounts". However, as a business strategy, sales from new products is being targeted and achieved year on year.

### FINANCIAL PERFORMANCE

An overview of the financial performance is given in the Directors' Report.

The Growth Chart



### CURRENT YEAR OUTLOOK

With the industry drifting away from recession, the Company visualises a considerably improved performance in the

current year. Hitherto, the Company had concentrated on trading operations. However, as a business strategy manufacturing turnover will increase considerably from the current year onwards.

### INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has in place (a) Branch Audit (b) Internal Audit and (c) Commercial Audit. While Branch and Internal Audits are conducted by External Auditors who are qualified Chartered Accountants, Commercial Audit is conducted by an internal team, manned by technically and commercially qualified personnel. Quarterly reporting is ensured and is reviewed in the meetings of the Audit Committee.

### HUMAN RESOURCES DEVELOPMENT

Effective value creation requires incorporating the efforts of every employee into a business strategy that supports financial performance and profits. It requires that each team member takes ownership of the resources that he or she manages and translates organisational strategy into a personal plan of action.

The training wing of the organisation – DOTES (Documentation, Training and Educational Services) conducts induction and refresher courses for the employees of the organisation. Further, the employees at all levels are sponsored for external training and management development programmes. Continuous learning, performance reviews, internal newsletters, communication of Company-wide shared values form the basic philosophy of Ador Fontech's human resources strategy.

At Ador Fontech a major belief is ***"The courage to dream, the skill to achieve and the passion to excel"***.

### CAUTIONARY STATEMENT

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.



The detailed Report on Corporate Governance as per the format prescribed by the Securities and Exchange Board of India and incorporated in clause 49 of the Listing Agreement is set out below.

## 1. Company's philosophy on the code of Corporate Governance

Corporates are essentially innovative instruments of entrepreneurship for economic development. They have evolved as important engines of wealth creation. Total performance measurement techniques should comprise:

Net Income

Human Resources Contribution

Contribution to the Society

Environmental Contribution

Product or Service Contribution

In this multifaceted approach, 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.

## 2. Board of Directors

During the year 2002-2003, four Board meetings were held on May 21, 2002; July 25, 2002; October 31, 2002 and January 21, 2003.

### 2.1 Composition of the Board

Name of the Director	Position held	Category
Mr. J K Chandna	Chairman	Promoter and Independent.
Mr. H P Ledwani	Managing Director	Executive and Independent.
Mr. K L Hira	Director	Non-Executive and Independent
Mr. M T Sheth	Director	Non-Executive and Independent.
Mr. R D Kothare	Director	Non-Executive and Independent.

*2.2 Attendance at Board Meetings, last Annual General Meeting, Number of Directorships in other Companies and Memberships in Committees across various Companies of which the Director is a Member/Chairman are given below:*

Name of the Director	Financial Year 2002-2003	As on March 31, 2003
	Attendance At	No. of other Directorships
	Board Meetings	Committee Positions
	Annual General Meeting held on 25.07.02	
Mr. J K Chandna	4 Present	2 -
Mr. H P Ledwani	4 Present	3 2
Mr. K L Hira	3 Absent	- -
Mr. M T Sheth	4 Present	1 -
Mr. R D Kothare	4 Present	- -

## 3. Audit Committee

The Audit Committee was constituted on 27.04.2000.

### 3.1 Composition

Name of the Director	Designation
Mr. M T Sheth	Chairman
Mr. J K Chandna	Member
Mr. K L Hira	Member

### 3.2 Terms of reference

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

### 3.3 Meetings and Attendance

During the year 2002-2003, four Audit Committee Meetings were held on May 21, 2002; July 25, 2002; October 31, 2002 and January 21, 2003.

The attendance at the Committee Meetings were as under:

Name of the Director	No. of meetings attended
Mr. M T Sheth	4
Mr. J K Chandna	4
Mr. K L Hira	3

## 4. Remuneration Committee

### 4.1 Terms of Reference

1. To review, assess and recommend the appointment of wholtime Director(s).
2. To periodically review the remuneration package of wholtime Directors and recommend suitable revision to the Board.

### 4.2 Composition

Name of the Director	Designation
Mr. J K Chandna	Chairman
Mr. M T Sheth	Member
Mr. K L Hira	Member

### 4.3 Details of remuneration paid/payable to the Directors during the year

Name of the Director	Salary	Benefits (Perquisites)	Commis- sion	Sitting fees Board	Total
Mr. J K Chandna				8000	16000
Mr. H P Ledwani	1248000	158600	200000		1606600
Mr. A K Bahl				2000	2000
Mr. K L Hira				6000	12000
Mr. M T Sheth				8000	16000
Mr. R D Kothare				8000	8000

### 5. Shareholders'/Investors' Grievance Committee

#### 5.1 Functions

The Board of Ador Fontech Limited has constituted a Committee consisting of three members, chaired by an Independent, Non-Executive Director. The Committee meets at frequent intervals to approve interalia transfers/transmission of shares, issue of duplicate shares, sub-division and consolidation of share certificates and review the status of investors' grievances and redressal mechanism as also recommend measures to improve the level of investor services. Details of share transactions approved by the Committee are placed at the Board meetings from time to time.

#### 5.2 Composition

Name of the Director	Designation
Mr. J K Chandna	Chairman
Mr. M T Sheth	Member
Mr. H P Ledwani	Member

#### 5.3 Compliance officer

The Board has designated Ms. Geetha D - Company Secretary and Manager-Finance as the Compliance officer.

#### 5.4 Meetings

Twenty one meetings were held during the financial year 2002- 2003.

#### 5.5 Details of Shareholders' complaints received/replied and pending share transfers are given below:

The total number of complaints received and replied to the satisfaction of the shareholders during the year 2002-2003 were two.

No outstanding complaints as on March 31, 2003.

There are no pending share transfers in physical as well as in demat category. All the requests received upto March 31, 2003 have been processed.

### 6. General body meetings

#### 6.1 Location and time, where last three Annual General Meetings were held are given below:

Financial Year	Date	Location	Time (hrs.)
2001-02	25.07.02	Hotel Ajantha, B'lore	16.30
2000-01	09.08.01	Hotel Ajantha, B'lore	16.00
1999-00	10.08.00	Hotel Woodlands, B'lore	16.00

All special resolutions moved at the last Annual General Meeting were passed by show of hands unanimously by all the Members present at the meeting and no special resolution was put through postal ballot.

### 7. Disclosures

#### 7.1 Materially significant related party transactions

During the year 2002-2003 under review, there were no materially significant related party transactions with Promoters, Directors or the Management, their subsidiaries or relatives etc. that had a potential conflict with the interest of the Company at large.

#### 7.2 Details of non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Authority on any matter related to capital markets during the last three years

The Company has complied with various rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India and other statutory authorities relating to capital markets during the last three years. No penalty or strictures have been imposed by them on the Company.

### 7.3 Non-Mandatory Requirements

#### 1. Chairman of the Board:

Being a non-executive Chairman is entitled to maintain Chairman's office at the expense of the Company and is also entitled for reimbursement of expenses incurred in the performance of his duties.

#### 2. Remuneration Committee:

Please refer item number 4 under the heading "Mandatory Requirements".

#### 3. Shareholders' Rights:

As the Company's half yearly results are published in English newspaper having circulation all over India and in a Kannada newspaper widely circulated in Karnataka, the same are not sent to the shareholders' of the Company.

Postal ballot:

The provisions relating to postal ballot will be complied with, in respect of matters, wherever applicable.

### 8. Means of communication

#### 1. Half-yearly/quarterly financial results sent to each shareholders' residence: No.

#### 2. In which newspaper quarterly and half yearly results are normally published: Business Standard-English, Vijay Karnataka - Kannada

#### 3. Any website, where results or official news are displayed: www.adorfon.com

#### 4. Presentations made to institutional investors or to analysts: Yes, Whenever required.

#### 5. Whether Management Discussion and Analysis Report is a part of Annual Report: Yes.

### 9. General Shareholders' Information

#### Annual General Meeting:

Date : 24.07.03

Time : 16.00 hrs.

Venue : Hotel Ajantha, 22-A, M G Road  
Bangalore - 560 001

Book Closure : 14.07.03 to 24.07.03

Dividend payment date : 25.07.03 and onwards

Financial Calendar : April 1, 2002 to March 31, 2003

Listing on Stock Exchanges : Mumbai, Bangalore &  
Ahmedabad

ISIN : INE853A01014

Scrip code : Ahmedabad - 12615  
Bangalore-COSMICFON  
Mumbai - 530431

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Phone: 080 5583157, 5596045