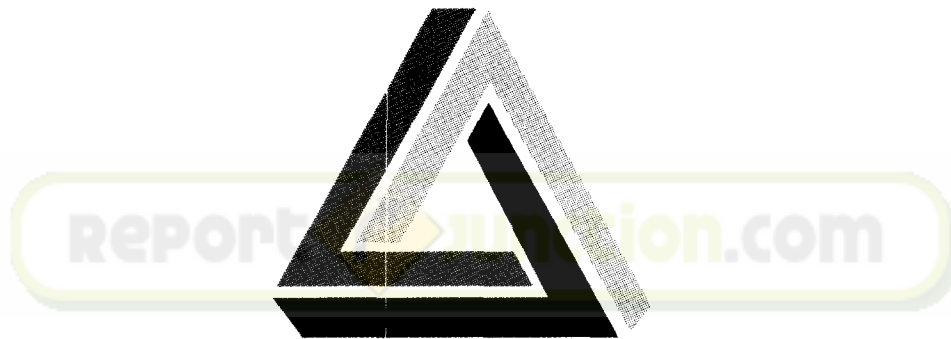


AHMEDNAGAR FORGINGS LIMITED



23rd
Annual Report
1999-2000

BOARD OF DIRECTORS

U. V. Patel	-	Chairman & Managing Director
J. S. Mody	-	Joint Managing Director
R. L. Soni	-	Director
S. P. Mantri	-	Director
M. K. Patel	-	Director
H. V. Amin	-	Director
R. P. Gokhale	-	Nominee (ICICI Ltd.)
J. S. Pal	-	Nominee (SICOM Ltd.)

COMPANY SECRETARY

S. M. Mahajan

BANKERSState Bank of India
Bank of Baroda**FINANCIAL INSTITUTIONS**SICOM Limited
ICICI Ltd.
The Sakura Bank Ltd.**REGISTRAR &
TRANSFER AGENTS****MCS LIMITED,**
116/118, AKSHAY COMPLEX,
OFF DHOLE PATIL ROAD,
PUNE - 411 001.

Tel : 020-6129597

AUDITORSD. N. Shukla & Co.
Chartered Accountants
Mumbai - 400 023**SOLICITORS**Eastley Lam & Co.
133, Jehangir Building,
Mahatma Gandhi Road, Fort,
Mumbai - 400 023**REGISTERED OFFICE**AFL House,
347-A, Off. Dhole Patil Road,
Pune - 411 001**WORKS**

- MIDC Area, Ahmednagar
- Chakan, Dist. Pune
- Asian Auto Parts, Ahmednagar
- Kuruli, Dist. Pune

AHMEDNAGAR FORGINGS LIMITED**23rd Annual Report 1999-2000****NOTICE**

NOTICE IS HEREBY GIVEN THAT THE TWENTYTHIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF **AHMEDNAGAR FORGINGS LIMITED** WILL BE HELD AT THE INSTITUTE OF ENGINEERS, JANGALI MAHARAJ ROAD, SHIVAJINAGAR, PUNE ON **SATURDAY, THE 23RD DAY OF SEPTEMBER, 2000 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, 2000 together with Profit and Loss Account for the year ended on that date, and the reports of the Directors and the Auditors thereon.
2. : To appoint a Director in the place of Mr. Rajkumar Lekhraj Soni who retires by rotation, and is eligible for re-appointment.
3. : To appoint Auditors of the Company to hold office from the conclusion of the forthcoming meeting until the conclusion of the Twenty Fourth Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. : To consider and if thought fit, to pass with or without modification the following resolution as an **Ordinary Resolution**.

"RESOLVED THAT, pursuant to Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals and sanctions as may be necessary, the Company hereby approves of the reappointment of Shri. J. S. Mody as Joint Managing Director, of the Company for a period from 1st April, 2000 to 30th September 2003 on the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the aforesaid period) set out in the Agreement executed on 31st January, 2000 a copy of which is submitted to this Meeting and signed by the Chairman & Managing Director for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and /or Agreement in such manner as may be agreed to between the Directors and Shri. J. S. Mody."

"RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to do such acts, deeds,

matters, and things, as may be considered necessary or expedient to give effect to this resolution."

5. : To consider and if thought fit, to pass with or without modification the following resolution as an **Special Resolution**.

"RESOLVED THAT, pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered and /or substituted in the manner and to the extent as is set out hereinbelow,

- 1) In Article 2,

at the end of the definition of the word "**Member**" i.e. after the words "**Subscribers to the Memorandum of the company**" the following words be added,

"or in the Register of Beneficial Owners in respect of the Shares held in a depository."

after the definition of the word "**Register of Members**" and before the definition of the word "**The Registrar**", the following definition be added

Depository "**Depository**" means a Depository as defined in the Depositories Act.

after the definition of the word "**Year and Financial Year**" and before the Words "**The marginal notes used in these articles.....**", following definition be added ,

Depositories Act "**Depositories Act**" means the "Depositories Act, 1996" and any statutory modification or re-enactment thereof for the time being in force in India.

- 2) The existing Article 11 be deleted and in place thereof, the following article 11 be substituted,

"The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members in accordance

AHMEDNAGAR FORGINGS LIMITED

with Sections 150 and 151 and other applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with the details of shares held in physical and dematerialised form in any media, as may be permitted by law including in any form of electronic media.

The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be the Register and Index of members for the purpose of the Companies Act, 1956 and any amendment or re-enactment thereof. The Company shall have power to keep in any State or Country outside India, a Register of Members for the residents in that State or Country."

- 3) At the end of Article **12, 19 & 20**, following words be added,
"This article will not be applicable to the shares held in depository."
- 4) In Article **17** after the words ".....the name of the allottee in the Register of Members" the following words be added,
"or in the Register of Beneficial holders in respect of the shares held in a Depository."
- 5) In Article **21**, after the words ".....first named in the Register" the following words be added,
"of Members or Register of Beneficial Holders."
- 6) In Article **22**, the following proviso be added at the end of the Article :
"Provided that, where any shares are held in a depository, the persons so entitled to the absolute right to the entirety thereof shall be the persons appearing as beneficial owners as per the Register maintained by the depository and the depository shall be deemed to the registered owner of such shares only for the purpose of effecting transfer of ownership of such shares on behalf of beneficial owners, a depository may, however, make such entries in the record of beneficial owners of any pledge or hypothecation intimations given in respect of any shares held in depository, as may be permitted under the Depositories Act."
- 7) In Article 23 the words "**and 77 A**" be added after the words "as provided by Section 77".
- 8) The following new Article with the marginal note be added after Article **54** and be numbered as

Article **54 A**;

"Securities may be held in Depository :

The Company may dematerialise / rematerialise its shares, debentures and other securities pursuant to the Depositories Act and offer its shares, debentures or other securities for subscription, allotment in a dematerialised form. The provisions of Articles 52, 53, 54, and 56 of the Articles of Association of the Company shall not apply to shares, debentures or securities held in a Depository in a dematerialised form. However, the Board of Directors at their discretion and subject to any prevailing regulation in that behalf, may charge and recover from the Shareholder, Debentureholder or Security holder, such amount on dematerialisation / rematerialisation of each certificate as they may deem fit."

- 9) In Article **55**, after the words ".....Register of Members or Register of Debenture-Holders" the following words be added,
"or Register of beneficial holders in respect of the shares held in a Depository...."
- 10) In Article **58** after the words "..... named in the Register of Members" the following words be added,
"or Register of beneficial holders in respect of the shares held in a Depository...."
- 11) The following new Articles with the marginal notes as indicated be inserted after Article **59** and be numbered as Article **59A** and **59 B**

Nomination of Shares **59 A**

- (1) Notwithstanding anything contained hereinabove, every shareholder of the Company, may at any time, nominate, in the prescribed manner, a person to whom his shares in the Company, shall vest in the event of his death.
- (2) Where the shares in the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner a person to whom all the rights in the shares in the Company, shall vest in the event of death of all the joint holders.
- (3) Notwithstanding anything contained in any other law for the time being in force or in any

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disposition, whether testamentary or otherwise, in respect of such shares in the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in the Company, the nominee shall, on the death of the shareholder or as the case may be, on the death of the joint holders become entitled to all the rights in such shares, to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

- (4) Where the nominee is a minor, it shall be lawful for the holder of the shares, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in the Company, in the event of his death, during the minority.

Transmission of shares by Nominee 59 B

- (1) A nominee may upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either -

- (i) to be registered himself as holder of the share; or
- (ii) to make such transfer of the share as the deceased shareholder, could have made.

- (2) If the nominee elects to be registered as holder of the share himself, he shall deliver or send to the company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder.

- (3) A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share except that he shall not, before being registered as a member in respect of his share, be entitled in respect of his share, to exercise any right conferred by membership in relation to meetings of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to

transfer the share and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the shares, until the requirements of the notice have been complied with".

NOTES :

1. : A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.
2. : The enclosed attendance slip should be brought by the Members / Proxies attending the Meeting and handed over at the entrance of the Meeting Hall.
3. : The Register of Members and Transfer Book of the Company will remain closed from, **Friday the 15th day of September, 2000 to Saturday the 23rd day of September 2000**, both days inclusive.
4. : The Company has transferred the unclaimed dividend declared upto the financial year ended on 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, Members who have not yet claimed the same, may claim it directly from Registrar of Companies (Maharashtra), 3rd floor, PMT Commercial Building, Deccan Gymkhana, Pune - 411 004.
All members who have either not received or have not encashed dividend warrants for the financial year 1995-96 and/or 1996-97 are requested to write to the Company for issuance of duplicate dividend warrants, mentioning relevant Registered Folio No(s) and year(s) for which the dividend warrant is not received / encashed.
5. : The Members are requested to intimate to the Company changes, if any, in their addresses at an early date.

By Order of the Board

S. M. Mahajan

D.G.M(Corp. Affairs) &
Company Secretary

Place : Pune

Date : June 13, 2000

AHMEDNAGAR FORGINGS LIMITED

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956 REGARDING SPECIAL BUSINESS

ITEM NO. 4 :

The tenure of Shri J. S. Mody as Joint Managing Director expired on 31st March 2000. The Board of Directors in their meeting held on 31st January 2000 have reappointed Shri. J. S. Mody as Joint Managing Director for a period starting from 1st April 2000 to 30th September 2003.

The Agreement executed on 31st January 2000 between the Company and Shri. J. S. Mody contains the following terms and conditions:-

Shri J. S. Mody, Joint Managing Director shall carry out such duties as may be entrusted to him, subject to the supervision and control of the Board of Directors.

During the continuance of this agreement, the Company shall in consideration of the performance of his duties pay to the Joint Managing Director, the following remuneration effective from 1.04.2000 to 30.09.2003.

A. Remuneration :

Rs. 50,000/- in the scale of Rs. 40,000/- 60,000/- per month.

The Board of Directors are hereby authorised to vary the terms of remuneration in the given range at any time during the currency of this Agreement.

B. Commission :

One percent of the net profits of the Company computed in the manner laid down in the Section 309 of the Companies Act, 1956 subject to the ceiling of 50 percent of the annual salary, whichever is less.

C. Perquisites :

- (a) In addition to the salary payable, the Joint Managing Director shall also be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance, together with utilities therefor such as gas, electricity, water, furnishings, repairs, servants salaries, society charges, property tax, medical reimbursement, medical/ accident insurance, leave travel assistance for himself and his

family; club fees, etc; in accordance with the Rules of the Company or as may be agreed to by the Board of Directors and Shri J. S. Mody, such perquisites to be restricted to the amount equal to annual salary of the Joint Managing Director. Provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

- (b) For the purpose of calculating the above ceiling perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

- (c) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent, these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration of perquisites aforesaid.

- (d) Mr. J. S. Mody will be entitled to avail paid leaves and encashment of balance leaves as per the leave rules of the company for working directors

D. Minimum Remuneration :

Notwithstanding anything to the contrary herein contained wherein any financial year during the currency of the tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above.

The terms and conditions of the said Agreement may be altered and varied in such manner as may be agreed to between the Board of Directors and Shri J. S. Mody. The

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Agreement may be terminated by either party giving the other party three months notice in writing.

If the employment of the Joint Managing Director ceases during the currency of the financial year, he shall be entitled to rateable proportion of what he would have received if he had been in the employment for whole of that year.

The Joint Managing Director shall not be liable to retire by rotation.

In compliance with the provisions of Sections 198, 269, 309, 310 and Schedule XIII of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the Members in General Meeting for their approval.

The Agreement between the Company and Shri J. S. Mody is available for inspection by Members of the Company at its Registered Office between 11.00 a.m. to 1.00 p.m. on any working day of the Company.

None of the Directors, except Shri J. S. Mody is concerned or interested in the Resolution at item No. 4 of the Notice.

Item No. 5 :

Consequent to the passing of the Depositories Act, 1996, a facility has been provided to the investor/ shareholders for holding securities in the form of electronic entries instead of paper scripts. The National Securities Depository Limited (NSDL) and Central Depository Services Ltd. (CDSL) has accordingly set up a depository under the said Act and the Company has signed an agreement with both NSDL & CDSL in March 2000 for joining the said depository. The new automated system of holding and trading in the securities of the Company side by side with the paper based system has necessitated certain alterations in the Articles of Association of the Company, especially in matters such as the Register of Members to cover the Beneficial Owners as per the records of the Depository, fungibility of the shares held in depository, transfer of shares held in depository etc. Articles Nos. 2, 11, 12, 17, 19, 20, 21, 22, 54, 55, 58 are proposed to be amended accordingly.

It may be clarified that while additional facility as above has been provided within the new legal framework, joining this system is entirely within the discretion of the shareholders. The existing provisions in respect of the shares held in the form of paper scripts will continue without any change.

Further, by the Companies (Amendment) Act, 1999, the holders of security of the Company have been given an option to nominate a person to whom the rights of security holders of the Company shall vest in the event of his death. It would be beneficial if such nomination clause is included in the Articles of Association of the Company, hence new Article 59 A & 59 B are proposed to be added.

The Companies (Amendment) Act, 1999 has also given the powers to the Companies to buy-back its own securities, if it is provided in the Articles of Association of the Company, hence the amendment in Article 23 is proposed.

Appropriate alterations as set out in the Special Resolution in the Notice are accordingly proposed for the approval of the shareholders.

None of the Directors of the Company is in any way concerned or interested in the said Special resolution, except to the extent of his share holdings.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the members of the Company at its Registered Office between 11.00 a.m. and 1.00 p. m. on any working day of the company.

By Order of the Board

Place : Pune

Date : June 13, 2000

S. M. Mahajan

D. G. M. (Corp. Affairs) &
Company Secretary

AHMEDNAGAR FORGINGS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF
AHMEDNAGAR FORGINGS LIMITED

The Directors hereby present their Twenty Third Annual Report on the business and operations of the Company and the financial accounts for the year ended 31st March, 2000.

1. FINANCIAL RESULTS

	1999-2000	1998-1999
	Rs. Lacs	Rs. Lacs
Profit before Depreciation	751.81	346.02
Less: i) Depreciation	600.67	442.47
ii) Provision for Taxation	13.63	—
Net Profit/(Loss)	137.51	(96.45)
Add : Balance brought forward from previous year	5.52	61.97
Profit Available for Appropriation	143.03	(34.48)
APPROPRIATIONS		
Transfer from General Reserve	—	(40.00)
Balance carried forward	143.03	5.52
	143.03	(34.48)

2. DIVIDEND

The Directors do not recommend any dividend for the year ended on March 31, 2000.

3. OPERATIONS

During the year, your Company produced **17845 M.Ts** of Steel Forgings against 13699 M.Ts in the previous year. The Company achieved a turnover of **Rs. 106.63 Crores** against previous year's turnover of **Rs. 86.99 Crores** showing an increase of 22.58% over that of last year..

During the year under review, the Company's sales of Steel Forgings in domestic market improved to **16990 M.Ts** as compared to 13243 M.Ts in the previous year showing improvement of 28.29% over the previous year and exports stood at **864 M.Ts** against 968 M.Ts in the previous year.

As reported earlier the company is taking all the necessary steps to reduce its production and operational costs as well as to reduce its expenditure.

The Company is also taking various other measures like reducing non performing assets and to improve the overall working. The Directors reiterate that due to continuous efforts of the management and co-operation of the staff and workers the Company will meet its challenges successfully.

4. EXPANSION

As reported in the previous year's Director's Report, the fourth press at the Company's Plant at Kuruli will be commissioned shortly. It is proposed to add one more press in the same plant.

5. FINANCE

During the year under review, the Company repaid to the Financial Institutions and Bank term loans amounting to Rs. **981.92** lacs. The Company availed further disbursement of Rs. 1.50 Crores from the ICICI Ltd. , out of sanctioned Term Loan of Rs. 10 Crores for the long term working capital requirement.

As at 31st March, 2000 there were no outstanding deposits.

6. DIRECTORS

The Board of Director has reappointed Mr. J. S. Mody as Joint Managing Director for a period of from 1st April 2000 to 30th September 2003 in their meeting held on 31st January 2000. An extract of the agreement between the company and Mr. J. S. Mody has been included in the explanatory statement to the notice of the 23rd Annual General Meeting .

In accordance with the Articles of Association of the Company Mr. Rajkumar Lekhraj Soni retires by rotation at the conclusion of the Twenty Third Annual General Meeting of the Company and is eligible for reappointment.

7. Y2K COMPLIANCE

There was a smooth switchover of the computer hardware and software in the year 2000.

8. DEPOSITORY FACILITY IN RESPECT OF EQUITY SHARES :

The delivery of the Equity Shares of your Company will be mandatory for all investors in dematerialised form w.e.f. 28th August 2000. The Company has already entered into the agreement with National Securities Depository Ltd. (NSDL) & The Central Depository Services (India) Ltd. (CDSL) and the shareholders can avail this facility as per their requirement.

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9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions of Section 217(I) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is given in the Annexure A which forms an integral part of this report.

10. PERSONNEL

Particulars as per Section 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the Annexure B which forms part of this report.

The Industrial relations at all the plants of the Company remained cordial during the year.

11. AUDITORS

M/s D.N. Shukla & Co. retire as Auditors at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

12. APPRECIATION

The Directors wish to place on record their sincere appreciation for the positive co-operation received by the Company from the Financial Institutions Banks, Customers, Suppliers, Vendors, Investors and Company's Employees at all levels.

For & on behalf of the Board

U. V. Patel

Chairman &
Managing Director

Place : Pune
Date : June 13, 2000

ANNEXURE - A TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

I. CONSERVATION OF ENERGY

Company continues its efforts for conservation of energy.

(A) Power and Fuel Consumption :

	1999-2000	1998-1999
Electricity purchased :		
Purchased Units in lacs	135.04	106.39
Total Amount - Rs. in Lacs	573.94	471.41
Average Rate per Unit - Rupees	4.25	4.43
Furnace Oil / L. D. O.:		
Quantity - K. Liters	5966	4577
Total Cost - Rs. in Lacs	475.54	292.50
Average rate per ltr/Rs.	7.97	6.39

(B) Consumption per Unit of Production :

Production - tonnes	17845	14122
Electricity - units / tonne	757	753
Furnace Oil - ltrs /tonne	334	324

II TECHNOLOGY ABSORPTION :

Research and Development :

The Company made revenue expenditure of Rs. 2.50 lacs on Research and Development activities which is 0.02 % of total turnover of the Company.

III FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) The Company is making special efforts to increase its export business & to develop new markets.
- (b) Total foreign exchange used and earned :

	1999-2000	1998-1999
	Rs. Lacs	Rs. Lacs
USED	119.84	124.76
EARNED	460.98	565.20

For & on behalf of the Board

U. V. Patel

Chairman &
Managing Director

Place : Pune
Date : June 13, 2000