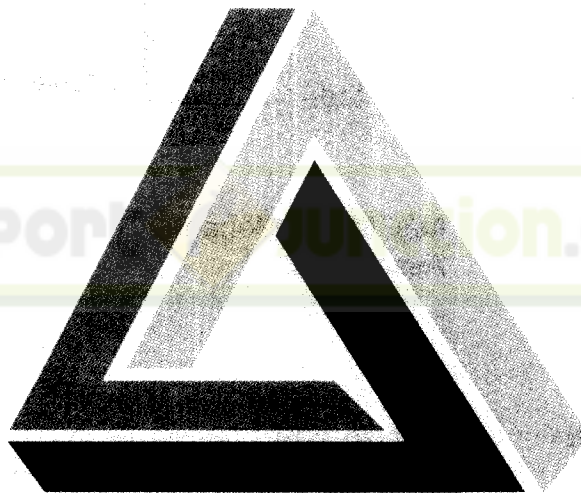


# 26<sup>th</sup> Annual Report

## 2002-2003



**CERTIFIED TRUE COPY.**

For AHMEDNAGAR FORGINGS LTD.

*[Signature]*  
Company Secretary



# AHMEDNAGAR

## Forgings Limited

BOARD OF DIRECTORS	Mr. Arvind Dham	- Chairman
	Mrs. Anita Dham	- Director
	Mr. D. S. Malik	- Director
	Mr. S. E. Krishnan	- Director
	Mr. A. K. Syal	- Wholetime Director
	Mr. B. Lugani	- Director
	Mr. R. P. Gokhale	- Nominee (ICICI Ltd.)

COMPANY SECRETARY Mr. R. U. Shanoy

BANKERS State Bank of India  
Bank of Baroda

FINANCIAL INSTITUTION ICICI Ltd.

**REGISTRAR &  
TRANSFER AGENTS**  
Beetal Financial & Computer  
Services Pvt. Ltd.  
321-S, Chirag Delhi,  
Near Shahid Bhagat Singh College,  
New Delhi 110017.  
Tel : 011 - 29255230  
Fax : 011 - 29252146

AUDITORS M/s. Manoj Mohan &  
Associates

REGISTERED OFFICE Gat No. 614,  
At Village : Kuruli  
Tal. : Khed  
Dist. : Pune - 410 501

CORPORATE OFFICE The Great Eastern Plaza,  
604, 6<sup>th</sup> floor, 1996 A, Airport Road,  
Near Gunjan Theatre, Yerwada,  
Pune 411 006.

WORKS ● MIDC Area, Ahmednagar ● Chakan, Dist. Pune  
● Fastener Division, Ahmednagar ● Kuruli, Dist. Pune

**AHMEDNAGAR FORGINGS LIMITED****26th Annual Report 2002-2003****NOTICE**

NOTICE IS HEREBY GIVEN THAT THE TWENTY SIXTH ANNUAL GENERAL MEETING OF THE MEMBERS OF **AHMEDNAGAR FORGINGS LIMITED** WILL BE HELD AT THE REGISTERED OFFICE OF THE COMPANY AT GAT NO. 614, AT VILLAGE KURULI, TAL. KHED, DIST. PUNE 410501 ON **TUESDAY, 16TH DECEMBER 2003**, AT 9.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2003 together with Profit and Loss Account for the period ended on that date, and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. Arvind Dham, who retires by rotation, and is eligible for re-appointment.
3. To appoint a Director in the place of Mrs. Anita Dham, who retires by rotation, and is eligible for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of the forthcoming meeting until the conclusion of the Twenty Seventh Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS :**

5. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution** :  
"RESOLVED THAT, Mr. B. Lugani be and is hereby appointed as a Director of the Company whose period of office is liable to determination by retirement of Directors by rotation."
6. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution** :  
"RESOLVED THAT, Mr. A. K. Syal be and is hereby appointed as a Director of the Company, not liable to retire by rotation."
7. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution** :  
"RESOLVED THAT, pursuant to Sections 198, 269, 309, 310, 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 the appointment of Mr. A. K. Syal as Wholtime Director of the Company for a

period of three years from 31<sup>st</sup> July 2003 to 30<sup>th</sup> July 2006 on the following terms and conditions :-

- A. The tenure of appointment of Mr. A. K. Syal shall be for a period from 31st July 2003 to 30<sup>th</sup> July 2006.
- B. The remuneration of Mr. A. K. Syal shall be:

**1. Remuneration :**

Rs. 32,000/- (Rupees Thirty Two Thousand Only) per month.

**2. Perquisites :**

HRA	Rs. 16,500/-
LTA	Rs. 2,666/-
Medical Reimbursement	Rs. 1,250/-
Annual Reimbursement	Rs. 2,666/-
Entertainment Allowance	Rs. 2,579/-
Children Education Allowance	Rs. 1,500/-
PF	Rs. 3,840/-
Total	Rs. 31,001/-

**3. Conveyance :**

He will be entitled to use Company's vehicle for official duties for which petrol and maintenance expenses will be reimbursed to him reasonably at actuals.

**4. Leaves :**

He will be entitled for leaves as per the rules of the Company as may be in force from time to time.

- C. Notwithstanding anything to the contrary herein contained where in any financial year during the tenure of appointment, the Company has no profits or its profits are inadequate, the Company will pay remuneration as per the provisions of Schedule XIII of the Companies Act, 1956.

The terms and conditions may be altered and varied in such manner as may be agreed to between the Board of Directors and Mr. A. K. Syal.

"RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be necessary, desirable or appropriate to give effect to this Resolution."

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

"RESOLVED THAT, pursuant to provision of Section 61 of the Companies Act, 1956 and

## AHMEDNAGAR FORGINGS LIMITED

any other applicable provisions, if any, and the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, consent of Company be and is hereby accorded to the Board of Directors to delist the equity shares of the Company from the **Pune Stock Exchange Ltd. and The Stock Exchange - Ahmedabad.**

"RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be necessary, desirable or appropriate to give effect to this Resolution."

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 Share Transfer Book of the Company will remain closed from, **Tuesday the 9<sup>th</sup> day of December 2003 to Tuesday the 16<sup>th</sup> day of December 2003**, both days inclusive.
4. The Members are requested to intimate to the Company changes, if any, in their addresses at an early date.
5. All documents referred in Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days (except Thursdays) between 11 a.m. to 1.00 p.m.
6. An Explanatory Statement under Section 173(2) of the Companies Act, 1956 is annexed herewith.

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES 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.

By order of the Board,  
For Ahmednagar Forgings Ltd.

Place : New Delhi  
Date : 31.10.2003

**A. K. Syal**  
Wholtime Director

### EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

#### ITEM NO. 5

Mr. B. Lugani was appointed by the Board of Directors as an Additional Director of the Company on 31<sup>st</sup> July 2003. He shall vacate office as a Director on the date of the ensuing Annual General Meeting of the Company. The Company has received a notice alongwith deposit as required under Section 257 of the Companies Act, 1956 for his candidature for the office of a Director of the Company.

The Board of Directors recommends the Resolution for your approval as an **Ordinary Resolution.**

None of the Directors of the Company, except Mr. B. Lugani, is concerned or interested in the said Resolution.

#### ITEM NO. 6

Mr. A. K. Syal was appointed as an Additional Director of the Company by the Board of Directors on 31<sup>st</sup> July 2003. He shall vacate office as a Director on the date of the ensuing Annual

General Meeting of the Company. The Company has received a notice alongwith deposit as required under Section 257 of the Companies Act, 1956 for his candidature for the office of a Director of the Company. It is proposed to appoint him as a Director not liable to retire by rotation.

The Board of Directors recommends the Resolution for your approval as an **Ordinary Resolution.**

None of the Directors of the Company, except Mr. A. K. Syal, is concerned or interested in the said Resolution.

#### ITEM NO. 7

Mr. A. K. Syal was appointed as a Wholtime Director of the Company by the Board of Directors by passing a Resolution on 31<sup>st</sup> July 2003.

The terms and conditions governing the remuneration have been approved by the Remuneration Committee. A copy of the said Resolution is available for inspection by the members of the Company at its Registered Office between 11.00 a.m. to 1.00 p.m. on working days of the Company (except Thursdays).

## 26th Annual Report 2002-2003



The appointment as a Wholetime Director and the remuneration mentioned in Item No. 7 of the Notice are subject to your approval.

The Board of Directors recommends the Resolution for your approval as an **Ordinary Resolution**.

None of the Directors of the Company, except Mr. A. K. Syal, is concerned or interested in the said Resolution.

### ITEM NO. 8

The equity shares of the Company are listed on The Stock Exchange, Mumbai (BSE), Pune Stock Exchange Ltd. (PSE), The Stock Exchange-Ahmedabad (ASE) and National Stock Exchange of India Ltd. (NSE). However, bulk of trading of the Company's equity shares takes place on NSE and BSE.

As per the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, it is open to the Company to voluntarily delist securities from any stock exchange(s), provided that the Company's securities continue to remain listed on a stock exchange having nation-wide trading terminals i.e. NSE and BSE.

For the last few years, the trading in equity shares of the Company on PSE and ASE has been negligible, as compared to the trading volume at NSE and BSE. Moreover, owing to the expansion of NSE and BSE and their extensive network and extension of their terminals to other cities, investors can access online dealing in the Company's equity shares on such terminals across the Country. No material benefit accrues to the members or the Company by continuing the listing of the equity shares on PSE and ASE.

Therefore, as a measure of cost saving and administrative convenience, it is considered desirable to delist equity shares of the Company from PSE and ASE in accordance with provisions of SEBI (Delisting of Securities) Guidelines, 2003.

However, the Company's equity shares will continue to be listed on NSE and BSE. The proposed delisting of the Company's equity shares from PSE and ASE will not be prejudicial to or affect the interest of the investors.

The Board of Directors recommends the Resolution for your approval as a **Special Resolution**.

None of the Directors of the Company is concerned or interested in the said Resolution.

By order of the Board,  
For Ahmednagar Forgings Ltd.

Place : New Delhi  
Date : 31.10.2003

**A. K. Syal**  
Wholetime Director

### INFORMATION AS REQUIRED UNDER CLAUSE 49 (VI) (A) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING REAPPOINTED

**Mr. Arvind Dham**, born on 15<sup>th</sup> February 1961, is M. Arch. by education. He is having vast experience in setting up new projects and their successful implementation. He is Chairman & Managing Director of Amtek Auto Limited and also a Director in Amtek India Ltd., Amtek Siccadi India Ltd., Benda Amtek Ltd., WHF Precision Forgings Ltd., Amtek Castings India Ltd. and Smith Jones Inc.

**Mrs. Anita Dham**, born on 28<sup>th</sup> March 1961, is B. Arch. by education. She is having vast experience in setting up new projects and their successful implementation. She is Director in Amtek Auto Ltd., Amtek Siccadi India Ltd., Benda Amtek Ltd. and Amtek Castings India Ltd.

**Mr. Bahushrut Lugani**, born on 27<sup>th</sup> July 1955, is a practicing Chartered Accountant and having vast experience and expertise in the field of Finance and Accounts. He is Director in Amtek Auto Ltd., Benda Amtek Ltd., Amtek Siccadi India Ltd., Raghu Consultants Pvt. Ltd. and Vishal Mechanical Works Pvt. Ltd. He is also on Board Committees of Amtek Auto Ltd. and Benda Amtek Ltd.

**Mr. Ashwini Kumar Syal**, born on 26<sup>th</sup> November 1953, is B.Sc. by education. He has also completed Post Graduate Diplomas in Computer Management and International Laws and Diplomacy. He has vast experience and expertise in the field of Marketing, Operations Management, Foreign Trade, Materials Management and Computer Management.

By order of the Board,  
For Ahmednagar Forgings Ltd.

Place : New Delhi  
Date : 31.10.2003

**Arvind Dham**  
Chairman

# AHMEDNAGAR FORGINGS LIMITED

## DIRECTORS' REPORT

TO THE MEMBERS OF

AHMEDNAGAR FORGINGS LIMITED

The Directors hereby present their Twenty Sixth Annual Report on the business and operations of the Company and the financial accounts for the period ended on 30<sup>th</sup> June 2003.

### 1. FINANCIAL RESULTS

	For the period ended on 30.06.2003 (15 Months) Rs. Million	For the period ended on 31.03.2002 (12 Months) Rs. Million
Turnover	1283.43	847.71
Less Expenditure	1143.71	808.17
Profit before Depreciation	139.72	39.54
Less: i) Depreciation	58.46	47.33
ii) Provision for Taxation	6.43	0.18
iii) Deferred Tax	22.25	—
Net Profit/(Loss)	52.58	(7.97)
Add : Balance brought forward from previous year	0.04	0.01
Profit Available for Appropriation	<u>52.62</u>	<u>(7.96)</u>

### APPROPRIATIONS

Transfer from Debenture		
Redemption Reserve	—	(4.00)
Transfer from General Reserve	—	(4.00)
Balance carried forward	<u>52.62</u>	<u>0.04</u>
	<u>52.62</u>	<u>(7.96)</u>

### 2. DIVIDEND

In view of the proposed expansion of the Company's manufacturing capacities, your Directors have decided to plough back profit in to the Company's business. Accordingly no dividend is recommended for the current year.

### 3. OPERATIONS

During the period ended 30<sup>th</sup> June 2003, your Company has registered significant improvement in its operational and financial performance. During the period, your Company has recorded turnover of **Rs.1283.43 Million** as against Rs. 847.71 Million, registering an increase of 21% over previous year figure.

The Company has been a turnaround case with net profit of **Rs. 52.58 Million** as against a loss of Rs. 7.97 Million in the previous year. All these positive development is the result of various steps initiated by the Company towards reduction of costs and improvement in overall productivity. There has been a fresh wave of optimism running across the

organization. The Company is setting higher targets and is confident of achieving them in the current financial year.

With the economy showing signs of buoyancy resulting in more demand from the domestic manufacturers coupled with the export orders from global players, the future outlook of the Company seems promising.

### 4. FINANCE

During the period under review, the Company has repaid the Financial Institutions and Banks, term loans amounting to Rs. 24.58 Million.

The Company is meeting all its statutory obligations and as at 30<sup>th</sup> June 2003, there is no default in payment of interest or the principle amount.

### 5. FIXED DEPOSITS

During the period ended on 30<sup>th</sup> June 2003, the Company has not accepted any fixed deposits.

### 6. CERTIFICATIONS OF PLANTS

During the period ended on 30<sup>th</sup> June 2003, the Company's plant at Ahmednagar has successfully qualified for TS Certification from BVQI. The Fastener Division at Ahmednagar has also been accredited with ISO Certification. Presently, at the Kuruli Plant, the procedure required under QS 9000 is being implemented which will lead to final certification in near future. Similarly, the TS Certification for the plant at Chakan is expected soon following the final inspection by the concerned authorities.

### 7. TAKEOVER AND CHANGE IN MANAGEMENT

With the takeover of Ahmednagar Forgings Limited by Amtek Auto Limited, there has been a change of Company's Management. Ahmednagar Forgings Limited is now a subsidiary of Amtek Auto Limited which is the largest manufacturer of connecting rod assemblies in the country. The combined forging capacity of Ahmednagar Forgings Limited and Amtek Auto Limited is 73000 tpa which is the second largest in the country. The business of Ahmednagar Forgings Limited and Amtek Auto Limited are closely interlinked and therefore, have apparent financial and technical synergies due to common customers, complimentary products, similar technology etc. Your Company expects to benefit substantially by taking advantage of these synergies in its business.

### 8. DIRECTORS

Mr. U. V. Patel, Mr. J. S. Mody, Mr. R. L. Soni, Mr. H. V. Amin and Mr. M. K. Patel resigned from the directorship of the Company w.e.f. 31<sup>st</sup> January 2003. Mr. U. V. Patel, Mr. J. S. Mody and Mr. R. L. Sony were the Promoter-Directors of the Company and due to their special efforts the Company has achieved the present status. The Directors put on record their

**26th Annual Report 2002-2003**

appreciation for the positive contribution made by retiring directors.

Mr. Arvind Dham, Mrs. Anita Dham, Mr. D. S. Malik and Mr. S. E. Krishnan were appointed as Additional Directors of the Company w.e.f. 31<sup>st</sup> January 2003. The shareholders in their Extra Ordinary General Meeting held on Saturday, the 21<sup>st</sup> June 2003 have appointed Mr. Arvind Dham, Mrs. Anita Dham, Mr. D. S. Malik and Mr. S. E. Krishnan as Directors of the Company.

On 31<sup>st</sup> July 2003, Mr. B. Lugani and Mr. A. K. Syal have been appointed as Additional Directors of the Company. On the same date Mr. A. K. Syal has been appointed as Wholtime Director of the Company. The Company has received Notices along with deposits as required under Section 257 of the Companies Act, 1956 for the candidature of Mr. B. Lugani and Mr. A. K. Syal for the office of Director of the Company.

In accordance with the Articles of Association of the Company, Mr. Arvind Dham and Mrs. Anita Dham retire by rotation at the conclusion of the Twenty Sixth Annual General Meeting of the Company and are eligible for reappointment.

#### **9. CHANGE IN SITUATION OF REGISTERED OFFICE**

With effect from 1<sup>st</sup> July 2003, the Registered Office of the Company has been shifted from 'AFL House', 347 - A, Off Dhole Patil Road, Pune 411001 to Gat No. 614, At Village Kuruli, Tal Khed, Dist. Pune - 410501.

#### **10. CHANGE IN FINANCIAL YEAR**

The Company has changed its financial year from 'April to March' to 'July to June'. Pursuant to this, the present financial year has been extended by three months and covers period from 1<sup>st</sup> April 2002 to 30<sup>th</sup> June 2003.

#### **11. DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956.**

The Directors hereby confirm,

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation related to material departures;
2. that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. that the Directors had taken proper and

sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. that the Directors had prepared the annual accounts on a going concern basis.

#### **12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information in accordance with the provisions of Section 217(1)(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.

#### **13. LISTING ON STOCK EXCHANGES**

The equity shares of the Company are listed on Pune Stock Exchange Ltd., The Stock Exchange, Mumbai, The Stock Exchange - Ahmedabad and National Stock Exchange of India Ltd. The annual listing fees for the year 2003-2004 to these stock exchanges has been paid within the prescribed time.

#### **14. DELISTING OF EQUITY SHARES**

It is proposed to get equity shares of the Company delisted from Pune Stock Exchange Ltd. and The Stock Exchange - Ahmedabad in accordance with Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. The shares of the Company will, however, continue to be listed on The Stock Exchange, Mumbai and the National Stock Exchange of India Limited.

#### **15. DEMATERIALISATION OF EQUITY SHARES**

The members can avail the dematerialisation facility for equity shares of the Company. The Company has entered into agreements with both the depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited. As on 31<sup>st</sup> October 2003, 29,28,992 equity shares representing 36.61% of the paid-up share capital are in dematerialised form.

#### **16. PERSONNEL**

Particulars as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable as there is no employee drawing remuneration more than Rs. 2.40 Million.

The Industrial relations at all the plants of the Company i.e. Chakan Plant, Kuruli Plant, Ahmednagar Plant and at Fastener Division remained cordial during the year.

#### **17. AUDITORS**

M/s. D. N. Shukla & Co. resigned as auditors of the Company and the shareholders in their Extra

## AHMEDNAGAR FORGINGS LIMITED

Ordinary General Meeting held on Saturday, 21<sup>st</sup> June 2003 have appointed M/s. Manoj Mohan and Associates as auditors of the Company who retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

### 18. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Management Discussion and Analysis Report has been annexed to this Report as Annexure B.

### 19. CORPORATE GOVERNANCE

A Corporate Governance Report has been annexed to this Report as Annexure C.

### 20. 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.

By order of the Board  
For Ahmednagar Forgings Ltd.

Place : New Delhi  
Date : 31.10.2003

Arvind Dham  
Chairman

## 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

Various steps and measures are continuously being taken to further reduce the consumption of electricity and fuel. The above measures have resulted in savings in consumption of power and fuel.

The company is continuing its efforts for the conservation of energy.

(a) Total energy consumption and consumption per unit of production as per Form A of the Annexure to the Rules:

#### (A) Power and Fuel Consumption :

	2002-2003 15 months	2001-2002 12 months
Electricity purchased:		
Purchased Units in Million	17.11	11.87
Total Amount - Rs. in Million	72.20	55.03
Average Rate per Unit - Rupees	4.22	4.64
Furnace Oil / L. D. O.:		
Quantity - K. Liters	6337	4594
Total Cost - Rs. in Million	76.39	48.93
Average rate per ltr/Rs.	12.05	10.65

#### (B) Consumption per Unit of Production :

	2002-2003 15 months	2001-2002 12 months
Production - tonnes	19328	13359
Electricity - units / tonne	885	889
Furnace Oil - ltrs / tonne	328	344

#### II TECHNOLOGY ABSORPTION :

Research and Development:

The Company has developed its own technology base at its factories. The Company has not imported any technology in the relevant period.

#### III FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) The Company has continued special efforts to increase its export business and to develop new markets.

(b) Total foreign exchange used and earned:

	2002-2003 15 months Rs. in Million	2001-2002 12 months Rs. in Million
USED	23.93	23.19
EARNED	86.03	62.89

By order of the Board  
For Ahmednagar Forgings Ltd.

Place : New Delhi  
Date : 31.10.2003

Arvind Dham  
Chairman

## ANNEXURE B TO THE DIRECTORS' REPORT

### Management Discussion and Analysis Report

#### Industry Structure and Developments :

The performance of auto ancillary sector mainly depends on the demand for automobiles, which is directly related to factors such as income levels, availability of financing options etc. and is inversely correlated to petrol prices. The growing demand for cars, two wheeler has fuelled demand for auto components and auto ancillaries are enjoying a good time. The picture on the export front is also very bright.

Forging is one of the prominent ancillary industries associated with the automobile industry. Substantial part of the production of forgings is supplied to the automobile industry for use in the manufacturing process of different types of vehicles. This industry requires heavy investment in plant and machinery and manpower. With globalisation customers have become extremely quality conscious. With the growing modernisation of the machinery, customers'

## 26th Annual Report 2002-2003



demand for more qualitative as well as economical products is increasing. The technological development worldwide has facilitated cost effective machinery, which can produce forgings with more dimensional accuracy.

#### Outlook :

The Company is in the process of diversifying its product range and also widening its customer base both in domestic as well as in overseas market. With the support of the Amtek Group, many business opportunities have opened up for the growth of business of the Company. The result of these increasing opportunities has reflected positively in the financial results of the Company since the takeover.

#### Opportunities & Threats :

Due to high cost pressure, the forging industries in some countries are being closed down and these countries are outsourcing forgings from countries like India. India is emerging as a global source for auto parts and almost all the major auto manufacturing companies worldwide have started sourcing their requirement from India. With the change in management of the Company due to takeover by the Amtek Auto Limited, the company is taking advantage of financial and technical synergies which has enabled it become more competitive.

Due to globalisation of Indian economy, Indian companies are being exposed to the international market conditions and its impacts. This has forced the Indian companies to raise their quality standards as they have to compete with global players. The prices of raw material e.g. steel, furnace oil etc. are linked to the prices in the international market and the fluctuation in the international prices of these materials is expected to have impact on the cost of production.

#### Risks and Concerns :

The population worldwide is getting concerned about the environmental issues. In many developed economies, the governments are forced by the people in the country to ban Industries, which are dangerous from the environment point of view. Forging industry has also been considered in such type of industries and the forging companies are either forced to close down or move to some other country in order to reduce the polluting effluents being placed in the environment. This phenomenon creates a risk factor for the forging industry. However, as and all the manufacturing units of the company are situated in the approved industrial areas, the company does not expect any adverse effect on its operations.

#### Internal Control Systems and their adequacy :

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions

are authorised, recorded and reported correctly.

The internal control is supplemented by an extensive program of internal audits, guidelines, and procedures. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

#### Discussion on financial performance with respect to operational performance :

During the period ended on 30<sup>th</sup> June 2003, income of the Company recorded turnover of **Rs. 1283.43 Million** as compared to Rs. 847.71 Million in the previous year registering an increase of 21%. During the period the Company has earned profits after taxation of **Rs. 52.58 Million** as compared to loss of Rs. 7.97 Million for the previous year. As on 30<sup>th</sup> June 2003, the Company has reserves and surplus amounting to **Rs. 344.45 Million** as compared to Rs. 291.87 Million as on 31<sup>st</sup> March 2002.

During the period ended on 30<sup>th</sup> June 2003, your Company produced **19328 M.T.** of Steel Forgings against 13359 M.T. in the previous year. During the period under review, the Company's sales of Steel Forgings in domestic market was **16469 M.T.** as compared to 11544 M.T. in the previous year and exports accounted for **1326 M.T.** as against 974 M.T. in the previous year.

#### Material Developments in Human Resources / Industrial Relations front, including number of people employed :

During the period, industrial relations at all the 4 plants remained cordial. The number of permanent employees in all the 4 plants as on 30<sup>th</sup> June 2003, is about 1000, besides contractual labour employed based on the fluctuating requirement. The wage agreements were due at the plants at Ahmednagar's Fastener Division, Kuruli and Chakan and all these were amicably settled.

#### Cautionary Statement :

Statements in the management's discussion and analysis describing the Company's 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 would make a difference to the Company's operations include demand - supply conditions, raw material prices, changes in Government regulations, tax regimes, economic developments within the country and other factors such as litigation and labour negotiations etc.

By order of the Board  
For Ahmednagar Forgings Ltd.

Place : New Delhi  
Date : 31.10.2003

**Arvind Dham**  
Chairman

## AHMEDNAGAR FORGINGS LIMITED

### ANNEXURE C TO THE DIRECTORS' REPORT

#### Report on Corporate Governance

The guidelines on corporate governance as per listing agreement with Stock Exchanges are applicable to the Company from the year 2001-2002. The Company has taken following steps towards implementation of the corporate governance.

#### Company's Philosophy on Corporate Governance :

Corporate Governance is the combination of voluntary practice and compliance with laws and regulations leading to effective control and management of the organisation. Good Corporate Governance leads to long term share holder value and enhances interest of other stakeholders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organisation keeping in mind the interest of the shareholders, stakeholders and the society.

#### Board of Directors, Board Meetings and Attendance of Directors :

The composition of the Company's Board of Directors is in accordance with the requirements of the listing agreement. Mr. Arvind Dham is the Non-Executive Chairman of the Company. The Board of Directors consists of majority of Non-Executive Directors. All of them are well experienced in their fields. As on 31<sup>st</sup> October 2003, the composition of the Board of Directors is as follows :

Name of Director	Category	No. of Board Committees++		No. of Other Directorship Held *
		Membership Held	Chairmanship Held	
Mr. Arvind Dham	Non - Executive Chairman	—	—	6
Mrs. Anita Dham	Non - Executive	—	—	4
Mr. B. Lugani	Independent & Non-Executive	5	2	3
Mr. D. S. Malik	Non-Executive	3	1	4
Mr. S. E. Krishnan	Independent & Non-Executive	—	—	1
Mr. A. K. Syal	Executive & Wholetime Director	—	—	—
Mr. R.P. Gokhale	Independent & Non-Executive	—	—	—

\* This excludes directorship held in Private Companies, Foreign Companies and Companies formed under Section 25 of the Companies Act, 1956.

++ Committee of Directors include Audit Committee, Shareholders/ Investors Grievance Committee and Remuneration Committee of Directors only. This does not include Membership/ Chairmanship in Committee of Directors of Ahmednagar Forgings Limited.

Mr. Arvind Dham, Non-Executive Chairman of the Company, is Chairman and Managing Director of Holding Company, Amtek Auto Limited and Mrs. Anita Dham, Mr. B. Lugani and Mr. D.S. Malik are Directors of Holding Company, Amtek Auto Limited.

There are no pecuniary relationship or transactions of independent Directors vis-a-vis the Company.

The Board of the Company met 10 times during the period from 1<sup>st</sup> April 2002 to 30<sup>th</sup> June 2003 on the following dates i.e. 29.04.2002, 29.07.2002, 23.09.2002, 12.10.2002, 30.10.2002, 31.01.2003, 31.01.2003, 25.02.2003, 26.04.2003 and 21.06.2003. The attendance of the Directors in the Board meetings held during 1<sup>st</sup> April 2002 to 30<sup>th</sup> June 2003 and at the last Annual General Meeting held on 23<sup>rd</sup> September 2002 is as under:

Name of Director	Last AGM Attended	No. of Board Meetings Attended During 1.04.02 to 30.06.03
Mr. U. V. Patel	Yes	7
Mr. J. S. Mody	Yes	7
Mr. R. L. Soni	Yes	4
Mr. H. V. Amin	Yes	6
Mr. M. K. Patel	Yes	6
Mr. Arvind Dham	No	3
Mrs. Anita Dham	No	3
Mr. D. S. Malik	No	3
Mr. S. E. Krishnan	No	4
Mr. R. P. Gokhale	No	2

#### Board Procedure :

The members of Board have been provided with the requisite information mentioned in the listing agreement well before the Board Meetings and the same was dealt with appropriately.

All the Directors who are on various committees are within the permissible limits of the listing agreement and none of the Directors is disqualified for appointment as Director under any of the provisions of the Companies Act, 1956.

#### Remuneration of Directors :

During the period ended on 30th June 2003, the remuneration package of Mr. U. V. Patel, Chairman & Managing Director and Mr. J. S. Mody, Joint Managing Director, each was as follows:

Remuneration : Rs. 50,000/- p.m.

#### Perquisites :

Accommodation or House Rent Allowance together with utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges, property tax, medical reimbursement, medical / accident insurance, Leave Travel Concession for himself and family, club fees, leave encashment etc. as per the rules of the Company. The value of perquisites was subject to maximum of annual salary.