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# **Amforge Industries Limited**

## **27th Annual Report 1998-99**

## Amforge Industries Limited

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**REGISTERED OFFICE**

United Bank of India Bldg.,  
6th Floor, Sir P.M. Road,  
Fort, Mumbai-400 001.

**CORPORATE OFFICE**

53 Maker Chambers VI,  
5th Floor, Nariman Point,  
Mumbai-400 021.

**WORKS**

Hakimrai Jaichand Compound,  
L.B. Shastri Marg,  
Bhandup (West),  
Mumbai-400 078.

Khopoli--Pen Road, 32-D-2, M.I.D.C. Area  
Mauje--Sarsan/Sajgaon, Chinchwad,  
Khopoli-410 203, Pune-411 019,  
Maharashtra. Maharashtra.

GAT 856-860 12/2 Mathura Road,  
Chakan, Ambethan Rd., Faridabad-121 003  
Tal. Khed, Pune, Haryana.  
Maharashtra.

**27TH ANNUAL GENERAL MEETING**

on  
WEDNESDAY THE 29TH SEPTEMBER 1999  
at  
11.30 a.m.  
Kamalnayan Bajaj Hall, Bajaj Bhavan,  
Nariman Point, Mumbai 400 021.

**BOARD OF DIRECTORS**

Yogiraj Makar (*Chairman & Mg. Director*)  
Surindernath Makar (*Vice Chairman*)  
Puneet Makar (*Joint Managing Director*)  
S. S. Bagai  
Jaidev Kapur  
M. M. Chilimbi  
Suresh Borkar  
A. K. Kapoor  
Sanjeev Kanwar  
A.S. Supanekar (*Nominee of ICICI*)  
B. L. Gupta (*Nominee of UTI*)

**VICE PRESIDENT &****COMPANY SECRETARY**

g. hariharan

**AUDITORS**

Bansal & Associates,  
Chartered Accountants,  
Mumbai

RSM & Co.  
Chartered Accountants,  
Mumbai

**SOLICITORS**

Mulla & Mulla, & Craigie Blunt & Caroe

**BANKERS**

State Bank of India  
ANZ Grindlays Bank Limited.  
Union Bank of India  
ABN AMRO Bank N.V.  
The South Indian Bank Ltd.

**REGISTRARS AND TRANSFER AGENTS**

Hamco Share Registry Pvt. Ltd.  
17/B, Dena Bank Building  
2nd Floor, Horniman Circle  
Fort, Mumbai-400 001.

As a Measure of economy, copies of the Annual Report will not be distributed at the Meeting and therefore, Members are requested to bring their copy of the Annual Report to the Meeting.

*Amforge Industries Limited***Notice**

NOTICE IS HEREBY GIVEN THAT the Twenty-Seventh Annual General Meeting of AMFORGE INDUSTRIES LIMITED will be held at Kamal-nayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai - 400021, on Wednesday the 29th September, 1999 at 11.30 a.m. to transact the following items of business:

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account of the Company for the year ended 31st March, 1999, the Board's Report and the Auditors' Report.
2. To appoint a Director in place of Mr. Surindernath Makar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Jaidev Kapur who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. M.M. Chilimbi who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint the Joint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration.

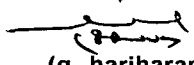
**NOTES:**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. A DULY COMPLETED PROXY FORM IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (b) The Register of Members and the share transfer books of the Company will remain closed from 17th September, 1999 to 29th September, 1999 (both days inclusive).
- (c) Members who desire any information as regards the Accounts are requested to write to the Company at least 10 days before the date of the Meeting so as to enable the Management to keep the information ready.
- (d) Members are requested to notify immediately any change in their address to the Company's Registrars and Transfer Agents, Hamco Share Registry Pvt.

Ltd., 17/B, 2nd Floor, Dena Bank Building, Opp. Horniman Circle, Fort, Mumbai 400 001.

- (e) Members who have not encashed their Dividend Warrants pertaining to years 1994-95, 1995-96 and 1996-97 are requested to write to the Company.
- (f) The Company in accordance with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, has transferred to General Revenue Account of Government, all dividend declared up to the dividend for the year 1993-94, and remaining unclaimed. Concerned shareholders can receive the unclaimed dividend from the Registrar of Companies, Maharashtra, at Hakoba Compound, 2nd floor, Dattaram Lad Marg, Kalachowki, Chinchpokli (East), Mumbai-400033, upon preferring an application in the form prescribed under the said rules.
- (g) Members holding shares in identical order of names in more than one folio are requested to write to the Company's Registrar and Transfer Agents enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
- (h) Members of erstwhile True Wheels Ltd. who have not yet surrendered their old certificate for exchange with the certificates of Amforge, consequent to amalgamation are requested to correspond with the Company's Registrars and Transfer Agents.
- (i) It may be noted that in Terms of the resolutions passed by the warrant holders and share holders at their respective meeting held on 5th March, 1999, the Tradeable Detachable Warrants issued along with ZFCDs in the 1996 Rights Issue and due for conversion into equity on or before 23rd July 1999 are now convertible into equity at the discretion of the Board of Directors any time on or before 23rd July, 2002.

By Order of the Board of Directors

  
(g. hariharan)  
Vice President &  
Company Secretary

Registered Office :  
United Bank of India Bldg.,  
6th Floor, Sir P.M. Road,  
Fort, Mumbai -400 001.  
Dated : 31st July, 1999.

*Annual Report 1998-99**Directors' Report*

## TO THE MEMBERS

Your Directors have pleasure in presenting their Twenty Seventh, Annual Report and Audited Statement of Accounts for the year ended 31st March, 1999.

## FINANCIAL HIGHLIGHTS :

	(Rs. in lacs)	
	1998-99	1997-98
Gross revenue after stock adjustments	19307.99	18645.14
Gross Profit before interest, depreciation, amortization and tax	1502.64	1827.43
Interest	(1392.19)	(1432.59)
Operating Profit before depreciation & amortisation (Cash Profit)	110.45	394.84
Depreciation	(503.72)	(732.39)
Amortization	(26.76)	(191.58)
Operating Profit /(Loss) for the year	(420.03)	(529.13)
Bad debts written off (net of provision)	(2.59)	(93.60)
Foreign exchange rate fluctuations	(136.89)	(110.81)
Profit/(Loss) for the year	(559.51)	(733.54)
Prior Period's adjustments (net)	24.96	(73.30)
Net profit /(loss)	(534.55)	(806.84)
Earlier years (short)/ excess provisions for tax	(8.19)	(20.96)
Balance Profit / (Loss) brought forward from previous year	(84.31)	743.49
Balance carried to Balance Sheet	(627.05)	(84.31)
Paid-up equity share capital	1209.20	1209.20
Reserves excluding revaluation reserves	3586.96	4129.69
Net-Worth	4796.16	5338.89

## OPERATIONS :

## Review of Financial and Operational Performance

During the year under review, the Company's gross revenues increased by 4% to Rs.19307.99 lacs (Rs.18645.14 lacs). Gross profit before interest, depreciation and tax amounted to Rs.1502.64 lacs (Rs.1827.43 lacs). Operating cash profit before depreciation & amortization was Rs.110.45 (Rs.394.84 lacs). The net came down by 34% to Rs.534.55 lacs (Rs.806.84 lacs).

The Indian economy in general and the automobile industry (the main consumer of forgings) in particular have experienced severe recession in recent years. Certain segments of automobile industry e.g. heavy & medium commercial vehicles, light commercial vehicles, and multi-utility vehicles registered negative demand growth. Demand in cars and other segments (except mobikes) had also slowed down. A substantial part of

the company's business was affected due to dependence on these segments.

However, in spite of the recession and increasing competition, the Company was able to improve its domestic sale by 8% to Rs. 17036.94 lacs during the year (Rs.15716.97 lacs) - thanks to its wide product range for different segments of automotive and non-automotive and a broad customer base of reputed OEMs.

Exports during the year were lower at Rs.594.28 lacs (Rs.798.81 lacs) since the company has decided to focus on export of only higher value products like forgings as against earlier low yielding products like flanges which formed bulk of the company's exports in earlier years.

## Amforge Industries Limited

The tractor wheel rims division and conrod division at Faridabad have done well both in term of business volumes and profitability. The wheel rims dispatch volumes grew by 7%, in line with the trend in the tractor industry. The conrods dispatch volumes also improved by 2%, and are seen as satisfactory in the prevailing market conditions.

The company's forging business has achieved 7% growth in dispatch volumes, whereas other leading industry players have experienced drop in their forging volumes.

The company's precision forging plant at Chakan has contributed higher turnover of Rs.3148.77 lacs (Rs.2453.31 lacs).

### THE BUSINESS RE-ORGANIZATION AND OTHER INITIATIVES

In order to meet the challenges posed by the industry recession, the company has undertaken business re-organization and other initiatives to improve the company's performance e.g.:

- Organization restructuring to make each plant a strategic business unit (profit centre) with accountability for the bottom-line;
- Greater marketing push to improve the market share in the automotive business; and increase business in the non-automotive segments;
- Focus on higher value addition in both domestic and export markets;
- Emphasis on productivity improvement, waste reduction, energy conservation and cost reduction;
- Systems and process improvement;
- Tighter controls on working capital etc.

These on-going initiatives along with the more focussed approach to business, have already started yielding positive results, which are reflected in the consistent improvement in the company's performance quarter after quarter during the year, as shown in the table below:

#### Improving Trend In Quarterly Performance During 1998-99

97-98			1998-99					
Total	Average per quarter	Quarter	Q1	Q2	Q3	Q4	Total	% Growth YTY
18645	4661	Gross Revenue	4341	4724	4906	5337	19308	4%
(807)	(202)	PBT	(225)	(205)	(116)	+12	(534)	34%*
% increase in gross revenue over previous quarter**			-7%	9%	4%	9%		
% improvement in profitability or reduction in loss over previous quarter **			-23%	9%	43%	110%		

\* % improvement in profitability or reduction in loss over previous year

\*\* or previous average quarter

### Performance Milestones

During the year, the company achieved the following performance milestones:

- Conrods division obtained ISO-9000 certification
- Export of wheel rims started
- Chakan forgings plant achieved a record capacity utilization of 40% in March'99.
- The Company turned the corner and returned to profitability in the fourth quarter of 1998-99.

### TRADEABLE DETACHABLE WARRANTS (TDWs)

The TDWs issued along with Zero percent Fully Convertible Debentures (ZFCDS) in the Rights Issue 1996, were due for conversion on or before 23rd July, 1999. However, the shareholders and warrant holders at their respective meetings held on 5th March 1999 unanimously extended the period of conversion of the said TDWs into equity anytime upto 23rd July 2002 at a price of Rs. 10/- per equity share with premium not exceeding Rs. 25/- per share at the discretion of the Board of Directors. Your Directors will take suitable decision at appropriate time in this regard, in the best interest of the Company and necessary intimation will be sent to you accordingly.

### PROJECTIONS Vs. PERFORMANCE

The company could not achieve the performance (Gross revenue of Rs.26038.38 lacs, and Net Profit of Rs.1426.12 lacs during 1998-99) as per the projections in the rights offer letter dated 12th April, 1996, in view of the severe recession in the automobile industry.

### OUTLOOK

The company has turned around in the fourth quarter of 1998-99. Now that the automotive market in general and for commercial vehicles in particular, have started reviving, the company would be in a position to further improve the business volumes and profitability during the current financial year, which has begun on a promising note.

The company is carrying out a feasibility study to undertake a restructuring exercise aimed at becoming a leaner, fitter and more focussed organization, to help improve the bottom line.

Barring unforeseen circumstances, the company expects to post much better performance during 1999-2000.

### DIVIDEND

In view of the loss incurred during the year, your Directors regret their inability to declare any dividend for the year.

*Annual Report 1998-99***DIRECTORS**

The changes in the composition of the Board of Directors from the date of last Directors Report are as under:

ICICI Ltd. has withdrawn nomination of Mr. M.P. Tellis; and in his place nominated Mr. Anil Supanekar.

Mr. A. K. Kapoor has resigned as Joint Managing Director. Mr. Kapoor continues as a Director on the Board.

Mr. B.H. Antia and Mr. Ravi Ghai have resigned as Directors.

Mr. Sanjeev Kanwar was appointed as a Director by the Board to fill the casual vacancy caused by resignation of Mr. Ravi Ghai.

The Board of Directors wish to record their deep appreciation of the valuable contributions of Mr. Tellis, Mr. B.H. Antia and Mr. Ravi Ghai. The Board also places on record their sincere appreciation of the outstanding services rendered by Mr. A.K. Kapoor during his tenure as the Joint Managing Director, and looks forward to continue to benefit with his wise counsel as a Director on the Board.

The Board welcomes the new directors Mr. Anil Supanekar and Mr. Sanjeev Kanwar.

Pursuant to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S.N. Makar, Mr. Jaidev Kapoor and Mr. M.M. Chilimbi retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

**AUDITORS**

The Company's Joint Auditors M/s Bansal & Associates, Chartered Accountants, and M/s RSM & Co., Chartered Accountants, retire at this Annual General Meeting; and being eligible have offered themselves for reappointment. The Board recommends their reappointment. Observations in the Auditors Report read together with relevant Notes to the Accounts are self-explanatory.

**Y2K COMPLIANCE**

The Company has analyzed and drawn a plan of action

of Y2K Compliance both of IT systems and non-IT related areas. The management has initiated adequate steps to be Y2K compliant. Efforts are being made for hardware and software to be Y2K compliant by 30th October, 1999. The cost involved is expected to be Rs.25 lacs. The Company has set up a steering committee to monitor, implement and meet any contingency that may arise.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.**

The information required in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Company's (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure-I forming part of this Report.

**PERSONNEL & INDUSTRIAL RELATIONS**

The Company continues to enjoy cordial relations with the employees at all levels.

The statement of particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is enclosed hereto (Annexure-II) and forms part of this Report.

**ACKNOWLEDGMENT**

Your Directors wish to place on record their sincere thanks to its valued customers, suppliers, bankers, and financial institutions for their continued support and guidance. Your Directors also wish to thank the employees and executives at all levels for their contribution.

On Behalf of the Board of Directors



YOGIRAJ MAKAR

Chairman & Managing Director

Mumbai

Dated : 31st July, 1999



# Amforge Industries Limited

## ANNEXURE I TO DIRECTORS' REPORT

Particulars Required Under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### A. CONSERVATION OF ENERGY

Use of radiation pyrometer to monitor forging temperature and final product quality and saving in fuel. Use of polymer in heat treatment for Quenching operation. Furnace modifications. Recuperators addition. In order to monitor the fuel consumption at the individual production units, precise oil flow meters are progressively being planned at all units. Modification and re-designing of the existing equipment and process, and increased use of monitoring and control devices are being taken up at all units on an on going basis. Regular supervision over energy consuming equipment, absorbing new technologies and adopting new devices to save energy consumption are being done on a continuing basis. Further investment in energy conservation equipment is planned.

#### TOTAL ENERGY CONSUMPTION & ENERGY CONSUMPTION PER UNIT OF PRODUCTION

a. Power & fuel Consumption		Current Year	Previous Year
1. Electricity - Purchased (KWH in lacs)		273	269
Total Amount (Rs. in lacs)		1182.25	1088.06
Average rate per unit		Rs. 4.33	Rs. 4.04
2. Furnace Oil			
Quantity (lacs of litres)		46	51
Total Amount (Rs. in lacs)		308.24	364.87
Average rate per litre		Rs. 6.70	Rs. 7.15
3. Light Diesel Oil			
Quantity (Kilo litres)		3100	2897
Total Amount (Rs. in lacs)		282.68	265.60
Average rate per litre		Rs. 9.12	Rs. 9.17
b. Consumption per unit of production			
Production (Tons)		36981	35925
Fuel Used		Units	
Electricity	KWH/Ton	739	749
Furnace Oil	Lit/Ton	125	142
Light Diesel Oil	Lit/Ton	84	81

### B. Technology Absorption

#### 1. Research & Development

- Increasing use of computerized CAD/CAM facilities.
- Development of new products. A few new complex jobs (e.g. crankshafts, conrods, underbracket manufacturing have been developed for both overseas and local customers).
- Process improvement/re-engineering: modification of die holders and trim tool; die-holder standardization.

- Design improvements in the forging to reduce input weight.
- Design of import substitution products.
- Statistical Process Control (SPC) and Corrective Action Plan (CAP) are being carried out progressively to improve quality of products.
- Improvement in the process to reduce energy consumption.
- Increasing use of energy saving induction heater to reduce power consumption and improvement of process efficiency.
- ISO 9000 certification for Conrod division at Faridabad.
- In respect of other Units also, necessary steps are being taken to get similar Certification.

#### 2. Benefits derived as a result of the above efforts :

The Company has been continuously developing new/critical products, many of which are import substitutes. Improvement in efficiency and cost reduction have been the direct results of the above efforts.

#### 3. Future plans of action :

- To strive further in the improvement of products and processes.
- To explore new and better ways to reduce costs.
- To strive to reduce power and fuel consumption.

#### 4. Expenditure on R & D

Most of the R&D work is carried out in-house. An expenditure of Rs. 3.87 lacs has been incurred on R&D.

#### 5. Technology absorption, adoption and innovation :

Efforts made towards this effect :  
Development of new designs and dies for reputed overseas and Indian customers.

#### 6. Foreign Exchange Earnings and Outgo :

Earnings	Rs. 578.28 lacs
Outgo	Rs. 153.69 lacs

On behalf of the Board of Directors



YOGIRAJ MAKAR  
Chairman & Managing Director

Mumbai,  
Dated : 31st July, 1999