



Amforge Industries Limited

28th Annual Report 1999-2000

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

164, Mittal Towers, 'C' Wing,
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.

28TH ANNUAL GENERAL MEETING

on
WEDNESDAY THE 27TH SEPTEMBER 2000
at
12.00 Noon at
Kamalnayan Bajaj Hall, Bajaj Bhavan,
Nariman Point, Mumbai 400 021.

BOARD OF DIRECTORS

Yogiraj Makar (*Chairman & Managing 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

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

Sharex (India) Pvt. Ltd.,
(Formerly 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 EIGHTH Annual General Meeting of AMFORGE INDUSTRIES LIMITED will be held at Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai - 400021, on Wednesday the 27th September, 2000 at 12.00 Noon to transact the following items of business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000 and Profit & Loss Account of the Company for the year ended on that date, together with the report of the Directors and Auditors.
2. To appoint a Director in place of Mr. Suresh Borkar, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A.K. Kapoor, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next 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 Shri Sanjeev Kanwar, in respect of whom the Company has received Notices under Section 257 of the Companies Act, 1956 from some Members proposing his candidature for the Office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation."

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 Explanatory Statement setting out the material facts concerning the Special business mentioned under item No. 5 of the

Notice as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.

- (c) The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday the 16th September, 2000 to Wednesday the 27th September, 2000 (both days inclusive).
- (d) 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.
- (e) Members are requested to notify immediately any change in their address to the Company's Registrars and Transfer Agents, Sharex (India) Pvt. Ltd. (Formerly Hamco Share Registry Pvt. Ltd.), 17/B, 2nd Floor, Dena Bank Building, Opp. Horniman Circle, Fort, Mumbai - 400 001.
- (f) 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.
- (g) 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 400 033, upon preferring an application in the form prescribed under the said rules.
- (h) Members holding shares in identical order of names in more than one folio are requested to write to the Company's Registrars and Transfer Agents enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
- (i) Members of erstwhile Tru Wheels Ltd. who have not yet surrendered their old certificate for exchange with the certificate of Amforge, consequent to amalgamation are requested to correspond with the Company's Registrars and Transfer Agents.

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(j) 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 originally 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.

(k) ***As per the directives from Securities and Exchange Board of India, the Company's shares have been dematerialised and necessary connectivities have already been established with Central Depository Services (India) Limited and National Securities Depositories Limited. The shareholders are requested to avail the facility and enjoy various related***

advantages.

(l) Members are requested to avail the facility of nomination by sending the required details in the prescribed form i.e. Form 2B under the Companies (Central Government) General Rules and Forms, 1956.

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, 2000.

ANNEXURE TO THE NOTICE PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT 1956

Mr. Sanjeev Kanwar was appointed a Director at the Board Meeting held on 5th March, 1999 in the casual vacancy caused by the resignation of Mr. Ravi Ghai. In terms of the provision contained in Section 262 and as per the Articles of Association, Mr. Kanwar will hold office upto the ensuing 28th Annual General Meeting of the Company. The Company has received Special Notices from some Members signifying their intention to propose the candidature of Mr. Kanwar as a Director, liable to retire by rotation.

Mr. Kanwar is an Honours Graduate in Economics from University of Essex, U.K. and has done his Post Graduation in Finance from the University of Washington, Seattle, U.S.A. He is an industrialist and associated with a few Companies as Director. His financial acumen and commercial experience would be of immense benefit to the Company. Since his association with the Company as Director, will be useful in the best interest of the Company,

the resolution as proposed is commended for the approval of the Members.

Except Mr. Surindernath Makar, Director, who being related to Mr. Sanjeev Kanwar is deemed to be concerned or interested in the resolution, no other Directors are interested or concerned in the resolution.

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, 2000.

*Amforge Industries Limited**Directors' Report*

TO THE MEMBERS

Your Directors have pleasure in presenting their Twenty-eighth Annual Report and Audited Statement of Accounts for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS :

(Rs. in lacs)

	1999-2000	1998-1999
Gross revenue after stock adjustments	20944.33	19307.99
Gross Profit before interest, depreciation, amortization and tax	1765.37	1502.64
Interest	(1512.45)	(1392.19)
Operating Profit before depreciation & amortisation (Cash Profit)	252.92	110.45
Depreciation	(481.32)	(503.72)
Amortization	(125.19)	(26.76)
Operating Profit /(Loss) for the year	(353.59)	(420.03)
Bad debts written off (net of provision)	(18.16)	(2.59)
Foreign exchange rate fluctuations	(81.73)	(136.89)
Profit/(Loss) for the year	(453.48)	(559.51)
Prior Period's adjustments (net)	(2.47)	24.96
Net profit /(loss)	(455.95)	(534.55)
Earlier years (short)/ excess provisions for tax	(—)	(8.19)
Balance Profit / (Loss) brought forward from previous year	(627.05)	(84.31)
Balance carried to Balance Sheet	(1083.00)	(627.05)
Paid-up equity share capital	1209.20	1209.20
Reserves excluding revaluation reserves	3131.01	3586.96
Net-Worth	4340.21	4796.16

OPERATIONS :**Review of Financial and Operational Performance**

During the year under review, the Company's gross revenues increased by 8.50% to Rs. 20944.33 lacs (Rs.19307.99 lacs). Gross profit before interest, depreciation and tax amounted to Rs. 1765.37 lacs (Rs.1502.64 lacs). Operating cash profit before depreciation & amortization was Rs. 252.92 lacs (Rs.110.45 lacs). The net loss came down by 14.70% to Rs. 455.95 lacs (Rs.534.55 lacs). These Results are to be viewed and appreciated in the context of severe recession in heavy vehicle segment, increasing competition, general over all increase in costs with steep escalation in fuel and energy costs and heavy interest burden.

Despite the recession and increasing competition, the Company managed to improve marginally its domestic sale by 8% to Rs. 18343.56 lacs during the year

(Rs.17036.94 lacs). Exports during the year were lower at Rs. 461.37 lacs (Rs.594.28 lacs) since the focus was on exports of higher value products like crank shafts and not on low yielding products like flanges which formed bulk of the company's exports in earlier years. Exports of wheel rims accounted for Rs. 109.48 lacs.

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 6%, in line with the trend in the tractor industry. The conrods dispatch volumes leaped by 116%.

The company's forging business has achieved 8% 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 once again contributed higher turnover of Rs. 4618.10

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lacs (previous year: Rs.3148.77 lacs) and capacity utilisation has started steadily increasing.

FINANCE

In view of stringent financial position and the need to conserve resources to be channelised into operations so as to contain losses and improve profitability, the company has already approached Financial Institutions / Banks for reschedulement / deferment of repayments and reduction in the rate of interest. A meeting of the holders of 12.50% NCDs is also being convened to be held on 11th August, 2000 to seek their approval and consent for deferment of the final redemption payment due on 13th August, 2000 by three years.

INITIATIVES FOR IMPROVEMENT AND OUTLOOK

To counter the challenges posed by the industry recession and severe competition, the company had undertaken re-organisation exercise to make each plant a strategic business unit (Profit Center) with accountability for bottom line.

These measures along with the more focussed approach to business by concentrating on value addition business have already started yielding positive results, by way of consistent improvement in the company's performance during the last three years as shown in the table below:

(Rs. Lacs)

	1997-98	1998-99	1999-2000
Gross Revenue after stock Adjustment	18645	19308	20944
Net Profit (Loss)	(807)	(534)	(455)

As informed earlier in the last Directors Report, a feasibility study was undertaken to help improve the bottom line. Your Directors are pleased to inform that the exercise has been completed. Considering the industry trend and competitive market, your management will weigh all the options in the best interest of your company to improve the profitability of the business.

DIVIDEND

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

DIRECTORS

Pursuant to the provisions of the Companies Act 1956 and the Articles of Association of the Company, Mr. Suresh Borkar and Mr. A.K. Kapoor retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. Sanjeev Kanwar, who was appointed in the casual

vacancy caused by the resignation of Mr. Ravi Ghai shall hold office upto the ensuing Annual General Meeting. The Company has received special notices from some members for appointment of Mr. Kanwar as Director and this item has been included in the notice of ensuing 28th Annual General Meeting.

AUDITORS

M/s RSM & Co., Chartered Accountants have resigned as Joint Auditors, at the beginning of the year. The Board places on record its appreciation of the valuable professional services rendered by M/s RSM & Co. The Board continued M/s Bansal & Associates, the remaining joint Auditors as sole Auditors, who retire at the ensuing Annual General Meeting; and being eligible offer themselves for re-appointment.

Y2K COMPLIANCE

The Company has successfully rolled over to the year 2000. All major systems / programmes are now functioning in normal manner.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

The information required in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (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

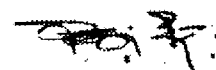
The Company's relations with the employees at all levels continue to be cordial.

The statement of particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule 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, cooperation 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, 2000

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

As a result of dedicated continuous monitoring over the energy consumption by adopting modern energy saving tools and devices clubbed with continuous drive to save energy and related costs, the fuel consumption cost remained relatively lower as compared to previous year.

New technologies to save energy further, like use of CNG in place of LDO are continuously being adopted and new investments planned.

Chakan plant have already taking up initiative resulting into lower consumption of LDO.

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 being done on a continuing basis

TOTAL ENERGY CONSUMPTION & ENERGY CONSUMPTION PER UNIT OF PRODUCTION

a. Power & fuel Consumption		Current Year	Previous Year
1. Electricity - Purchased (KWH in lacs)		290	273
Total Amount (Rs. in lacs)		1298.52	1182.25
Average rate per unit		Rs. 4.47	Rs. 4.33
2. Furnace Oil			
Quantity (lacs of litres)		39	46
Total Amount (Rs. in lacs)		348.77	308.24
Average rate per litre		Rs. 8.98	Rs. 6.70
3. Light Diesel Oil			
Quantity (Kilo litres)		3454	3100
Total Amount (Rs. in lacs)		369.22	282.28
Average rate per litre		Rs. 10.69	Rs. 9.12
b. Consumption per unit of production			
Production (Tons)		38706	36981
Fuel Used		Units	
Electricity	KWH/Ton	750	739
Furnace Oil	Lit/Ton	100	125
Light Diesel Oil	Lit/Ton	89	84

B. Technology Absorption

1. Research & Development

- Increasing use of computerized CAD/CAM facilities.
- Development of new products.

- 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.

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

New/critical products, many of which are import substitutes are being developed. 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. 0.88 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. 420.76 lacs
Outgo	Rs. 1277.99 lacs

On behalf of the Board of Directors



YOGIRAJ MAKAR
Chairman & Managing Director

Mumbai,
Dated : 31st July, 2000