



**ANNUAL REPORT
1998-99**



Ennore Foundries Limited



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Ennore Foundries Limited
Board of Directors
R.J. Shahaney
Chairman

P. K. Choksey
Dheeraj G. Hinduja
(from 5.9.98)

H. Klingele
(Alternate : S.C. Chawla)

B.D. Punjabi
S. Ragothaman
F. Sahami
R. Seshasayee
R. Sorce
J. Joseph
Director -in-charge

Assistant Secretary
N. Kumaraswamy
Bankers

State Bank of India
ANZ Grindlays Bank Ltd
Bank of America
Union Bank of India

Auditors

Fraser & Ross
Chartered Accountants

Registered Office & Works

Ennore, Chennai - 600 057


Ennore Foundries Limited
A Five Year Review

	Rs. Lakhs				
	1994-95	1995-96	1996-97	1997-98	1998-99
Income and Dividend					
Sales / Operating Income	9411	11086	12126	11028	10401
Operating Profit	1208	1663	1552	5	27
Profit / Loss (–) Before Tax	407	803	609	–1095	–1135
Profit / Loss (–) After Tax	407	512	367	–1095	–1135
Dividend including Tax	136	170	224	—	—
Retained Earnings	271	342	143	—	—
Assets Employed					
Net Fixed Assets @	4000	4073	4113	4038	3893
Net Current Assets	2430	2472	2611	2517	2570
Other Assets	49	47	46	191	237
Total	6479	6592	6770	6746	6700
Financed by					
Net worth @	3581	3787	3804	2597	2900
Borrowed Funds	2898	2805	2966	4149	3800
Total	6479	6592	6770	6746	6700
General					
Sales Units - Tonnes	34110	38122	38781	30458	25720
Earnings per share - Rs.	6.00	7.54	5.40	—	—
Dividend per share - Rs.	2.00	2.50	3.00	—	—
Book value per share - Rs.	52.74	55.78	56.02	38.25	20.63
@ Includes addition on Revaluation of Fixed Assets	1453	1317	1191	1079	1017



Ennore Foundries Limited

NOTICE

NOTICE is hereby given that the Thirty Ninth Annual General Meeting of the Members of Ennore Foundries Limited will be held on Friday the September, 17, 1999 at Sathguru Gnanananda Hall, Narada Gana Sabha, 254, T.T.K. Road, Chennai - 600 018 at 10.00 a.m. to transact the following business :

As Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 1999 and the Profit and Loss Account for the year ended on that date annexed thereto and the Reports of Directors and Auditors attached thereto.
2. To appoint a Director in the place of Mr. R.J. Shahaney, who retires by rotation under Article 106 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. P.K. Choksey, who retires by rotation under Article 106 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. H. Kilngele, who retires by rotation under Article 106 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

As Special Business

6. To appoint a Director in the place of Mr. Dheeraj G. Hinduja who vacates office at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a Member proposing the candidature of Mr. Dheeraj G. Hinduja for the office of the Director and for that purpose to move the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Dheeraj G. Hinduja be and is hereby appointed as a Director of the Company".

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of ICICI Limited to secure Rupee Term Loan not exceeding Rs.500 lakhs (Rupees Five Hundred Lakhs only) sanctioned towards Working Capital requirements lent and advanced/agreed to be lent and advanced by ICICI to the Company together with interest at the respective agreed rates, additional interest, liquidated damages, commitment charge, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to ICICI in terms of the Loan Agreement/Heads of Agreement/Hypothecation



Ennore Foundries Limited

Agreements/Letters of Sanction/Memorandum of Terms and Conditions, entered into / to be entered into by the Company, in respect of the said Term Loan and to the Board of Directors of the Company agreeing with ICICI in terms of the Loan Agreement/Heads of Agreement/Hypothecation Agreement/Letters of Sanction/memorandum of Terms and Conditions to reserve a right to take over the management of the business and concern of the Company in certain events.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with ICICI the documents for creating aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolution".

By Order of the Board

Chennai
May 22, 1999

N. Kumaraswamy
Assistant Secretary

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 or proxies so appointed need not be a member or members, as the case may be, of the Company. Proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for holding the meeting.
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business under item no.6 and 7 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 10, 1999 to September 17, 1999 (both days inclusive).
4. Members are requested to :
 - a) notify immediately any change in their address to the Company.
 - b) bring the copy of the Annual Report to the meeting.
5. Pursuant to section 205 A of the Companies Act, 1956 all unpaid/unclaimed dividend upto the financial year 1994-95 have been transferred to General Revenue Account of the Central Government within the prescribed time.

**Ennore Foundries Limited**

Shareholders who have not encashed the dividend warrants for the said periods are requested to claim the amount from the Registrar of Companies, Tamil Nadu, 26, Haddows Road, Chennai - 600 006.

In respect of the unpaid/unclaimed dividend for the financial years ended March 31, 1996 and 1997 respectively (paid on 7th & 1st September 1996 and 1997) shareholders who have not encashed the dividend warrants for the said periods are requested to write to the Company immediately.

6. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund.
7. Shareholders intending to appoint a nominee for the shares held by them may send the nomination particulars in the prescribed Form 2B. For this purpose, documents such as Will, Succession Certificate, Legal Heirship Certificate etc. are not required.
8. Shares of the Company are listed in Madras, Mumbai and Delhi Stock Exchanges.
9. Members who wish to transfer their shares are requested to send the Transfer Documents to the Secretarial Department at the Registered Office of the Company at Ennore, Chennai - 600 057.



**Ennore Foundries Limited**

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956 TO THE SPECIAL BUSINESS SET OUT IN THE NOTICE**Item 6**

Mr. Dheeraj G. Hinduja was appointed as Additional Director of the Company in the Board Meeting held on 5.9.98 to hold office upto the date of the ensuing Annual General Meeting pursuant to Article 101 of the Articles of Association of the Company. Notice has been received from a Member as required under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- proposing Mr.Dheeraj G. Hinduja as a candidate for the office of the Director and for that purpose to move at this Annual General Meeting the resolution set out in item 6.

Mr. Dheeraj G. Hinduja, Director of the Company is interested or concerned in the resolution set out in item 6 as being the person to be appointed as a Director.

Item 7

The Company has approached M/s. ICICI Limited for a rupee term loan of Rs.500 lakhs towards working capital requirements in September 1998. The said Rupee Term Loan is to be secured by a first mortgage and/or charge on the immovable/movable properties of the Company both present and future and the whole of the undertaking with power to take over the management of the business and concern of the Company in certain events.

As per Section 293 (1) (a) of the Companies Act, 1956 the Board of Directors shall not without the consent of the Company in general meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Since the mortgaging/charging by the Company of its immovable/movable properties as aforesaid in favour of M/s. ICICI Limited may be regarded as disposal of the Company's properties/undertaking, it is necessary for the Members to pass a resolution as contained in item 7 of the Notice.

Mr. S. Ragothaman, Nominee Director is concerned or interested in this resolution.

By Order of the Board

Chennai
May 22, 1999

N. Kumaraswamy
Assistant Secretary



Ennore Foundries Limited

Report of the Directors

To the Members

Your Directors have pleasure in presenting the Thirty Ninth Annual Report with the Accounts of your Company for the year ended March 31, 1999.

Financial Results	Rs. Lakhs	
	1998-99	1997-98
Loss (-) for the year	-1134.54	-1094.67
Add: Surplus/deficit (-) brought forward from last year	-19.55	109.62
Transfer from Investment Allowance Reserve	—	56.00
Transfer from Debenture Redemption Reserve	51.00	49.50
Deficit adjusted against General Reserve	4.29	860.00
Deficit (-) in the Profit & Loss Account carried over	-1098.80	-19.55

Dividend

In view of the loss, your Company is not in a position to recommend payment of dividend for the financial year ended March 31, 1999.

Operations

The Automobile industry particularly Commercial Vehicle segment, continued to experience severe recessionary conditions throughout the year, resulting in a major shortfall in demand for castings. Consequently the sales volume of the Company was indeed low during the year at 25720 tonnes compared to 30458 tonnes in the previous year. Correspondingly, the turnover was lower at Rs.10401 lakhs compared to Rs.11028 lakhs in the previous year. Gross production for the year was 27314 MT as compared to 33156 MT in 1997-98.

Recessionary conditions are still persisting in the Automobile sector, however there is a slight improvement in the off-take by customers. There is a reasonable expectation that there will be an abatement in the recessionary conditions at least in the second half of the year and consequent improvement in the demand for Company's products. The Company is, therefore, targetting a sale of about 37000 MT of castings in 1999-2000. Besides, your Company is actively pursuing measures towards broadening the customer base, reducing cost, improving quality and controlling rejections to cope with the higher expectations of the customers and the increased competitiveness in the Foundry industry.



Technology Upgradation

Your Company has undertaken several steps for modernisation/upgradation of its manufacturing facilities particularly in the core making area to meet the requirement of closer tolerance in the castings for the new generation of engines. Your Company has taken note of the technological upgradation taking place in the Automobile industry in the context of environmental improvements sought by Government and society at large and the consequent demands on the Foundry industry and on upgrading techniques and technology to meet these demands.

Research & Development

An expenditure of Rs.13.34 lakhs was incurred during the year on R&D activities. The main thrust in Research & Development continues to be in achieving major objectives of introduction of new processes in the manufacture of castings, cost saving, improvement in quality of castings and use of alternative materials on continuous basis.

Year 2000 (Y2K) Compliance

The Company has taken due steps to assure/secure Y2K compliance of the equipment deployed in the Company's operations. Most of the equipment, including Data Processing Systems and main applications, have been found to be compliant. Replacement/Upgradation of a few equipment for Y2K compliance, as necessary, will be completed well in time.

Personnel

Your Directors are happy to report that the relationship between the Management and the Employees continues to be cordial and satisfactory.

Information pursuant to Section 217 of the Companies Act, 1956

The particulars prescribed by the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are furnished in the Annexure to this Report.

The particulars of Employees under Section 217 (2A) of the Companies Act, 1956 are not applicable.

Directors

Mr. Mantosh Sondhi, Chairman retired on 5th September, 1998 from the Board. The Board places on record its deep appreciation of his valuable contribution during his tenure of office which commenced on 8.10.1981. Mr. R. J. Shahaney was elected Chairman of the Company.