

India Forge

42nd Annual Report 2001-2002

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INDIA FORGE AND DROP STAMPINGS LIMITED

INDIA FORGE & DROP STAMPINGS LTD.

INDIA FORGE & DROP STAMPINGS LTD.

42nd ANNUAL GENERAL MEETING

DAY : WEDNESDAY
DATE : 11.09.2002
TIME : 11 A.M.
VENUE : REGD.OFFICE.
54, FACIT AVENUE
OLD MAHABALIPURAM ROAD
KANDANCHAVADI
CHENNAI - 600 096.

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INDIA FORGE & DROP STAMPINGS LTD.

DIRECTORS

DIPAK RAJ SOOD,
Vice Chairman & Managing Director
V. DWARAKNATH REDDY
V.R. RAMAKRISHNAN
(Nominee of LIC of India)
G.KRISHNAN
A.K.MITRA, *Whole Time Director*
RUPA SOOD

AUDITORS

SINGHI & CO., CHENNAI

BANKERS:

SYNDICATE BANK
BANK OF BARODA
STATE BANK OF MYSORE
HDFC BANK

PRINCIPAL EXECUTIVES

D.R.SOOD, *Vice Chairman & Managing Director*
A.K. MITRA *Whole Time Director*
M. CHANDIRAMANI *Executive Director*
R. SUBRAMANIAN, *Secretary*

REGISTERED OFFICE

54, FACIT AVENUE,
KANDANCHAVADI,
CHENNAI - 600 096.

PLANTS

PUNE, FARIDABAD, CHENNAI.

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NOTICE TO THE SHARE HOLDERS

Notice is hereby given that Forty Second Annual General Meeting of the Members of the Company will be held at 11 A.M. on Wednesday the 11th September, 2002 at the Registered Office of the Company at 54, Facit Avenue, Old Mahabalipuram Road, Kandanchavadi, Chennai 600 096

1. To receive and adopt the Directors Report, the Audited Profit and Loss Account and the Balance Sheet for the year ended 31st March, 2002.
2. To elect a Director in place of Smt Rupa Sood, who retires by rotation and is eligible for re-election.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

4. To Consider and if deemed fit, to pass, with or without modification(s) the following as a Special Resolution.

"RESOLVED that the existing Regulation 7 of the Articles of Association of the Company with Head note shall be deleted in entirety and be substituted by the following Regulation together with the Heading as set out below":

COMPANY BUYING BACK SECURITIES

The Company may buy back its own shares of any class or any securities issued by the Company at such time and at such terms as may be prescribed by the Companies Act and subject to such regulations as may be issued by the Government or other Authorities from time to time"

4. To consider and if thought fit, to pass with or without modification/s the following resolution as a Special Resolution.
5. " RESOLVED THAT in accordance with and subject to the provisions contained in the Articles of Association as altered and Sections 77A, 77AA, 77B and all other applicable provisions of the Companies Act, 1956 and the provisions contained in the Securities and Exchange Board of India (buy-back of Securities) Regulations, 1998, for the time being in force and subject to such other approvals, permissions and sanctions as may be required in law and subject to such conditions and modifications as may be prescribed or imposed by the concerned authorities while
6. granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the Board which term shall also include any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution, the consent of the company be and is hereby accorded to the Board to purchase the Company's own fully paid equity shares of Rs.10/- each for an amount not exceeding Rs. 37.50 Lacs upto a maximum price of Rs.12/- per share (hereinafter collectively referred to as "Buy Back")

RESOLVED FURTHER THAT the Company may implement the Buy-Back in one or more tranche/tranches, from out of its free reserves and / or the Share premium account and/or the proceeds of earlier issue of shares other than equity shares made specifically for Buy-back purposes, and that the Buy Back may be made through the methodology of TENDER OFFER in such manner as prescribed under the Act and the Buy-back Regulations, and on such terms and conditions as the Board may in its absolute discretion deem fit.

RESOLVED FURTHER THAT nothing contained herein above shall confer and right on the part of any Shareholder to offer, or any obligation on the part of the Company or the Board to Buy-back, any shares, and/or impair any power of the Company or the Board to terminate any process in relation to such Buy Back, if so permissible in law;

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee thereof) be and is hereby authorised to do all such acts, deeds, matters and things as may be required and deemed necessary, expedient, usual or proper including the appointment of Merchant Bankers, Brokers, Solicitors, Registrars, Advertisement Agency, Compliance Officer, and other Advisors, Consultants or Representative, Investors Service Centre necessary and incidental to the implementation of the scheme of Buy-back as also to make all applications to the appropriate authorities, institutions or such other person for their requisite approvals as also to initiate all necessary actions for preparation and issue of public announcement and filing of Public Announcement with SEBI/Stock Exchange (s), filing of declaration of solvency certificate and filing of certificate for extinguishment and physical destruction of certificates, and all other documents required to be filled in connection with the above Buy Back and to settle all such questions or difficulties whatsoever which may arise in the Buy-back and take all such steps and decisions in that regard.

RESOLVED FURTHER THAT the Board Of Directors (including any Committee thereof) be and is hereby authorised to sub-delegate all or any of the authorities conferred as above to any Director (s)/Officer (s)/Authorised Representative (s) of the Company to give effect to the aforesaid resolution or to accept any change(s) or modification (s) as may be suggested by the appropriate authorities or advisors"

By Order of the Board
for INDIA FORGE & DROP STAMPINGS LIMITED

-sd-

(DIPAK RAJ SOOD)

Vice Chairman & Managing Director

CHENNAI

29th July, 2002

NOTES:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend instead of himself and the proxy need not be a member.
2. The instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than 48 Hrs. before the time of holding the aforesaid meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 10.09.2002 to 11-09-2002 (both days inclusive)

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT 1956

ITEM NO:4

The Board of Directors of the Company felt that for the purpose of effectively servicing the Shareholders of the Company it is desirable to bring down the number of Shareholders by Buy-back of Shares held in odd lots and also small share holders in the interest in the company and the said shareholders. Further the Board also felt that there will be effective and true capital structure by this process. In the circumstances the Board felt that it is necessary to remove the restriction imposed by the Regulations for the Company Buying Back its securities and to provide for an enabling provision in the Articles of Association of the Company for buying back the Shares and Securities of the Company. Further it will also enhance the quality of service to the Shareholders thereby increasing its value. Hence it would be advantageous to buy-back the Company's Equity Shares.

The Board is of the opinion that it will be in the best interest of the Company if shareholders approve the Special Resolution as set out under Item No:4 of the Notice altering the Articles of Association to remove the restrictions and permitting such buy-back. Accordingly the said Special Resolution is placed before the members for their approval.

INDIA FORGE & DROP STAMPINGS LTD.

Interest of Directors : None of the Directors of the Company is interested in the aforesaid Resolution

ITEM NO: 5 :

Explanatory statement required under the Companies Act, 1956 and the Buy Back Regulations setting out the various disclosures as required under sub-section (3) of Section 77A of the Companies Act, 1956 and Regulations 5 (1) read with Schedule I attached to Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998.

1. The Board of Directors of the Company in its meeting held on 27th April, 2002 has approved for Buy-back of its own fully paid-up equity shares of Rs. 10/-each (hereinafter referred to as "Buy-Back") in accordance with the provisions contained in the Articles of Association, Section 77A, 77AA, 77B and all other application provisions of the Act, and the provisions contained in the Buy-Back Regulations to the extent of Rs.37.50 Lacs.
2. The Share Buy-back programme is being proposed in pursuance of the Company's desire to improve the quality of service to the members by reducing the number of members to a manageable level and simultaneously help small investors to get decent return for their investments, by returning cash to shareholders, in a tax efficient and investor friendly manner.
3. The Share price of the Company's Shares has been good and delivered modest returns to investors, spanning 10 years, 5 years, 3 years, 2 years, 1 year and calendar year-to date, as at the date of this notice. The details are as follows:

% Change in NIL			
Period	India Forge Share Price	Sensex	India Forge relative to Sensex
Year to Date			
Year-on-Year			
2 Years			
3 years			
5 years			
10 years			

NO TRANSACTIONS

4. The implementation of a share Buy-back programme is expected to reduce the large number of small shareholders and enhance the quality of servicing by the company and in the long term result in better performance and also contribute to an increase in the Company's overall market development.
5. The reduction in beta will, in turn, lead to a lowering of the cost of equity, and weighted average cost of capital (WACC), for the company, further enhancing its competitiveness in the market.
6. The Share Buy-back programme is expected to contribute to further improvement in financial ratios, and overall enhancement of shareholder value. The Company will judiciously deploy the resources available for the Share Buy-back, in a manner designed to maximize overall shareholder value.
7. Buy-back regulations require the Company to specify the maximum amount proposed to be utilised for a Share buy-back programme. The Board of your Company has proposed a maximum limit of Rs.37.50 Lacs..for the share Buy-Back programme. This represents 10% the aggregate of the paid-up Share Capital and free reserves of the Company, against the maximum available 25% limit.
8. The amount required for the Buy Back will be financed out of the Company's free reserves and/or out of the Share premium account. The funds for Buy-Back will be available from current surpluses, and/or by liquidation of cash balances and financial investments, and/or out of internal accruals of the Company.

9. Buy-back regulations also require the Company to specify the maximum price at which shares may be bought back under the share Buy-back. The Board of the Company has proposed a maximum price of Rs 12/- per Share, for the Share Buy-back. This represents a Rs.2/- Premium to the average of the trading price range of the Company's Share for the preceding 52 weeks before the date of the Board Meeting at which the proposal for Buy-back was approved i.e 29-07-2002.
10. The price of Rs.12/- per Share also represents the Share market price prevailing at the time of notification to the Stock Exchanges of the Company's intention to implement a share Buy-back programme.
11. The Company proposes to implement the share Buy-back through the methodology of TENDER OFFER/OPEN MARKET PURCHASES in the Stock Exchanges, in the manner, and following the procedures, as may be prescribed, from time to time, under the Act, and the Buy-back Regulations, and as may be determined by the Board of Directors (including any Committee thereof) of the Company and on such terms and conditions, as may be permitted in law, from time to time. There will be no negotiated deals, Spot transactions, or any private arrangements, in the implementation of the share Buy-back.
12. The promoters, and/or persons in control, of the Company, and/or their associates, and/or persons acting in concert with them, will not offer their shares to the Company under the share Buy-back.
13. According to the provisions of the Companies Act, 1956 the special resolution passed by the shareholders approving the share Buy-back will be valid for a maximum period of TWELVE MONTHS from the date of passing of the special resolution (or such extended period as may be permitted under the Act or the Regulations or by the appropriate authorities). The Company proposes to complete the buy back on or before 31-03-2004.
14. In accordance with the provisions, the Shares bought back by the Company will compulsorily be cancelled, and will not be held for re-issuance.
15. The Company's total DEBT EQUITY RATIO, after the Buy-back, will be well below the maximum limit of 2:1 specified in law.
16. In accordance with the Provisions of the Act, the Company will not be entitled to make a fresh offering of equity Shares for a period of two years from the date of completion of this Share Buy-back programme except in cases/circumstances referred to in sub-section (8) of Section 77A of the Act.
17. The Company has not made any equity fresh offering for the past nearly 5 years. This will mean that the Company will not be making any equity offering for a total period of 7 years since the year 1997 while maintaining its consistent track record of growth, operational and financial performance, and also preserving conservative gearing profile with a debt equity ratio of 74:1 During the previous 5 years, the Company's net worth has increased from Rs. 627 lakhs in 1997 reduced to Rs. 236 lakhs in 2002 and the Total Assets stood at Rs. 2906 lakhs in 1997 reduced to Rs.2359 lakhs in March 2002.
18. In this entire period, India Forge has completed its major capital expenditure programmes at...NIL.
19. The Share Buy-back programme will be implemented after the approval of the Shareholders, subject to completion of necessary formalities as prescribed in law.
20. a) The aggregate shareholding of the promoters of the Company, and/or persons who are in control of the Company, and/or persons acting in concert with them, as defined under SEBI (Substantial Acquisition of Shares and Takeovers), Regulations 1997, as on the date of the notice convening the general meeting is 57.47%....of the issued and paid-up equity Sharecapital of the Company.
21. b) Some of the Promoters, and/pr persons in control of the Company, and/or persons acting in concert with them, have purchased...NIL .Equity Shares of.....each, in a transaction at a rate of Rs -.....per share on....-

INDIA FORGE & DROP STAMPINGS LTD.

.....during the period of six months preceding 29.7.2002, being the date of meeting of the Board of Directors at which the Buy-back was approved.

22. The Company confirms that there are no defaults subsisting in repayment of deposits, redemption of debentures or preference shares or repayment of term loans to any financial institutions or banks
23. The Board of Directors of the Company confirms that it has made the necessary and full inquiry into the affairs and prospects of the Company and the Board of Directors have formed the opinion that:
24. a) immediately following the date on which the general meeting is convened, there will be no grounds on which the Company could be found unable to pay its debts.
25. b) as regards its prospects for the year immediately following the date of the general meeting having regard to their intention with respect to the amount and character of the financial resources which will in the view of the Board of Directors be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of this

Annual General Meeting; and c) in forming their opinion for the above purposes, the Board of Directors have taken into account the liabilities, as if the Company were being wound-up under the provisions of the Companies Act, 1956 (including prospective and contingent liabilities).

26. The text of the Report dated 29.7.2002 received from M/s. Singhi & Co. Chartered Accountant, the Statutory Auditors of the Companies addressed to the Board of Directors of the Company is reproduced below:

" In continuation with the proposal of India Forge & Drop Stampings Ltd., (the Company) to Buy-Back its Shares and in pursuance of the Provisions of Section 77A and 77B of the Companies Act, 1956 and the SEBI (Buy-back of Securities) Regulations, 1998, We have examined the audited financial statements of the Company for the year ended 31.03.2002 and the relevant records, ratios, analysis, reports and according to the information and explanations given to us and on the basis of such verification of records as we considered appropriate, we report that:

We have enquired into the Company's state of affairs;

In our opinion, the amount of maximum permissible capital payment, being Rs 84.70 which is of the total paid-up capital and free reserves of the Company, for the Shares to be bought back, is properly determined in accordance with Section 77 A(2) C of the Companies Act, 1956.

The Board of Directors in their meeting on 29.07.2002 have informed their opinion, as specified in clause (x) of Schedule 1 of Securities and Exchange Board of India (Buy-back of Securities)

Regulations, 1998 on reasonable grounds that the Company will not having regard to its state of affairs, be rendered insolvent within a period of 1 year from the date of Annual General Meeting of the members of the Company proposed to be held on 11.09.2002.

All the material documents referred to in the Explanatory Statement such as Memorandum and Articles of Association, relevant Board resolution for Buy-back of Shares and the Auditors' Report on their enquiry into the State of affairs of the Company will be made available for inspection at the Registered Office of the Company on all working dates, except week days, holidays, between 10 AM and 5 pm..upto the date of Annual General Meeting.

27. As the proposal for Buy-Back of Equity Shares will be in the interests of the Company, the Directors recommend the passing of the resolution as set out in the notice.
28. None of the Directors of the Company, is, in anyway, concerned or interested in the resolution, save and except to the extent that, in like manner as for other shareholders, their percentage holding in the post Buy-back equity share capital will proportionately stand enhanced as a result of the share Buy-back.

DIRECTORS REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Fortysecond Annual Report and Audited Balance Sheet as at 31st March, 2002.

WORKING RESULTS

	Year ended 31-03-2002	Year ended 31-03-2001
	(Rupees In Lacs)	
Turnover	5378	4622
Gross Profit before Interest and depreciation & Provision for Taxation	443	310
Interest	82	103
Depreciation	152	106
Provision for Taxation	67	26
Net Profit	142	75
Carried forward from Last Year	133	58
Surplus carried to Balance Sheet	275	133

PERFORMANCE

The Company achieved a slight increase in turnover of Rs.53.78 Crores inspite of conditions remaining flat in the Automotive Industry. There has however been several calls from our customers to reduce prices. This coupled with the increasing cost of raw material and operating costs has caused severe erosion in the profit margin.

DIVIDEND

Considering the uncertain market conditions and eroded profit margin the Board of Directors do not consider it prudent to recommend Dividend on Equity Shares.

PROSPECTS

The Company is striving its best to improve its operations in all fronts , but a lot depends upon the fortunes of the Automotive Industry which has not witnessed a turn-around for several years..

EXPORTS

During the year the Company made an export of Rs.117 Lacs compared to Rs.171 Lacs achieved in the Previous year. The company is attempting to divert its capacity to export, however, logistics is a big hurdle.

DIRECTORS

Ms Rupa Sood, Director of the Company retires by rotation from the Board under Article 138 of the Articles of Association of the Company at the ensuing Annual General Meeting and being eligible offers herself for re-election.

BUY BACK OF SHARES

It was observed that during the last three years the Company has not declared any Dividend due to various operational reasons. In order to provide some relief to small Shareholders, the Board of Directors have decided to buy-back upto to 10% of the Company's Share Capital subject to the approval of the Shareholders. Suitable resolutions are being placed before the Shareholders giving effect to the Buy-back arrangement and consequential change in the Articles of Association of the Company.