



M M FORGINGS LIMITED

Regd. Office : 95, Anna Salai, Chennai - 600 032

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54th Annual Report

and

Accounts for the year ended 31.3.2000

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M M FORGINGS LIMITED

Board of Directors

Shri.V. Narayanan, Chairman

Shri.N. Srinivasan, Director

Shri.V. Vaidyanathan, Director

Shri.Vidyashankar Krishnan, Managing Director

Shri.K. Venkatramanan, Joint Managing Director

Shri. Iyer Ramdas Ramakrishnan,

Nominee Director (IDBI)

Company Secretary

Smt.J. Sumathi

Auditors

M/s.G.Ramesh Kumar & Co.

Akila Lands, Ganapathy Colony (South)

Thiruvanaikoil, Tiruchirapalli - 620 005

Registered Office

95 Anna Salai, Chennai - 600 032

Factories

Singampunari - 624 502, Tamil Nadu

Viralimalai - 621 316, Tamil Nadu

A24/25 Thiru-vi-ka Industrial Estate, Guindy, Chennai

Bankers

State Bank of Travancore

Mount Road Branch, Chennai - 600 002

ABN AMRO Bank N.V.

19/1, Haddows Road, Chennai - 600 006

Share Transfer Agents

Cameo Corporate Services Limited

"Subramanian Building", Fifth Floor

No.1, Club House Road,

Chennai - 600 002



M M FORGINGS LIMITED

REPORT OF THE DIRECTORS

The Directors are pleased to present their report for the year ended 31st March 2000.

RESULTS

The overall results of the Company have been satisfactory. Company Sales have increased by 17% over the previous year and Profit After Tax by 23%.

	1999-2000	1998-1999	% growth
	(Rs. lakhs)		
Gross Sales	7,055.38	6,042.14	17
Profit After Tax	651.68	529.35	23

DIVIDEND

An Interim Dividend of 40% was declared in April 2000 and was subsequently remitted to Shareholders in May 2000.

FINANCIAL RESULTS

	1999-2000	1998-1999
	(Rs. lakhs)	
a. Profit for the year	764.65	573.41
b. Excess/Short provision of Income Tax	1.88	(0.13)
c. Share Issue expenses written off	(28.85)	(5.77)
d. Profit Before Tax	737.68	567.51
e. Provision for taxation	86.00	38.16
f. Profit After Tax	651.68	529.35
Add :		
g. Surplus balance in Profit & Loss Account for the previous year	1.19	4.61
	652.87	533.96
h. Dividend	120.70	120.70
i. Dividend Tax @ 10%	12.07	12.07
j. Transfer to General Reserve	520.00	400.00
k. Balance carried to Balance Sheet	0.10	1.19

I. OPERATIONS

A. DOMESTIC

Domestic Sales have grown 18% over the previous year primarily due to a revival in demand from the automotive sector.

B. EXPORTS

Exports have grown by 16% and accounts for 65% of total sales. The Company continues to be the largest exporter of Steel Forgings in India and has received ten consecutive annual awards from the Engineering Export Promotion Council.

C. FOREIGN EXCHANGE EARNINGS

The Company is a Net Foreign Exchange Earner. During the current year the Company has earned Rs.34.94 Crores nett which is Rs.1.56 Crores more than Rs.33.38 Crores nett earned in the previous year.



M M FORGINGS LIMITED

D. QUALITY & PRODUCTIVITY

The Company has continued to retain the prestigious QS 9000 certification. The Company has been awarded ISO 9002 certification for the Fifth consecutive year.

Quality and Productivity have continuously been upgraded at the Company's factories. Efforts to reduce wastage and optimise material utilisation have yielded satisfactory results. In order to attain world class standards of productivity, the Company has initiated Total Productive Maintenance (TPM). This will help achieve certification by the Japan Institute of Productivity Maintenance (JIPM).

E. INDUSTRIAL RELATIONS

The Company continued to receive exemplary co-operation generally from all its employees. However, there has been a slowdown of work at the Viralmalai factory. A wage agreement is under negotiation with the workforce of this factory.

F. EXPANSION

The Company has secured a loan of Rs.700 lakhs from Export Import Bank of India (Exim Bank) to part finance its expansion activities. The increase in capacity is scheduled to come into effect by March 2001. The expansion will increase installed capacity to 20,000 tons. The Company has commenced machining operations in Chennai, at the premises of its subsidiary company, Gears India (Madras) Limited.

II. TECHNICAL COLLABORATION

The technology collaboration with Tokai Corporation of Japan has enabled the Company to improve its quality and productivity.

III. SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the Audited Statements of Account along with the Report of the Board of Directors and Auditors Report of the wholly owned subsidiary Companies, M/s. Srivatsa Electric & Electronic Ltd. and M/s. Gears India (Madras) Limited for the year ended 31st March 2000 are annexed.

IV. DEPOSITS

No unclaimed deposits are outstanding as at the end of the year.

V. DIRECTORS

Shri N. Srinivasan, Director retires by rotation and being eligible, offers himself for reappointment.

VI. AUDITORS

The retiring Auditors of the Company, Messrs. G. Ramesh Kumar & Co., Chartered Accountants, Tiruchirapalli, are eligible for re- appointment.

VII. ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Disclosures as per requirements of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in report of the Board of Directors) Rules, 1988 with respect to Energy Conservation, Technology Absorption, Research & Development and Foreign Exchange Earnings / Outgo are given in Annexure-1, which forms part of this report.

**M M FORGINGS LIMITED****VIII. YEAR 2000 COMPLIANCE REPORT**

The Company has achieved Y2K compliance successfully by addition of new computers as well as upgradation of existing software systems without any adverse impact on operations.

IX. PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are given in Annexure-II, which forms part of this report.

X. ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the cooperation and continued assistance received from ABN Amro Bank, EXIM Bank, IDBI, SIPCOT and State Bank of Travancore.

Your Directors wish to record their deep sense of appreciation for the exemplary services rendered by the employees of the Company. The Directors also thank the shareholders for their continued cooperation.

By Order of the Board

Place : Chennai
Date : 31.07.2000

V.NARAYANAN
Chairman





M M FORGINGS LIMITED

ANNEXURE I TO REPORT OF THE DIRECTORS

Information in accordance with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Report of the Directors for the year ended 31st March 2000.

(A) CONSERVATION OF ENERGY

- a. Energy Conservation measures undertaken :

Consumption of Light Diesel Oil and Furnace Oil is closely monitored to conserve energy.

- b. Additional investment and proposals, if any, being implemented for the reduction of consumption of energy :

—

- c. Impact of measures at (a) & (b) for reduction of energy consumption and consequent impact on the cost of production of goods :

—

- d. Total energy consumption and energy consumption per unit as per prescribed form :

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

POWER AND FUEL CONSUMPTION

1. ELECTRICITY	1999-2000	1998-1999
a. Purchased :		
Units	32,73,035	32,31,626
Total amount (Rs.)	1,48,59,320	1,39,57,347
Rate/Unit (Rs.)	4.54	4.32
b. Own generation through Diesel Generator :		
Units	80,08,126	62,25,695
Units per ltr. of Diesel Oil	2.91	2.86
Cost/Unit (Rs.)	3.74	3.41
2. FURNACE OIL		
Quantity (in ltrs.)	18,92,611	15,87,928
Total amount (Rs.)	1,66,27,755	1,25,16,897
Average Rate (Rs./ltr.)	8.79	7.88
3. CONSUMPTION PER UNIT OF PRODUCTION		
Product	Unit/Mt. of made Steel Forgings	
Steel Forgings		
a. Electricity	Units	986 924
b. Furnace Oil	Litres	165 155

Note : 1. No standards are available for comparison.



M M FORGINGS LIMITED

(B) TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R & D)

1. *Specific areas in which R & D carried out by the Company :*
R & D efforts in a manufacturing industry as that of ours is an on-going process. Continuous efforts are being taken in various areas of the manufacturing activity.
2. *Benefits derived as a result of the above R & D :*
It has not been possible to determine the figure.
3. *Future plan of action :*
Continuous efforts will be put in by way of Research and Development in the areas of better productivity of major inputs such as steel, fuel, power, etc.
4. *Expenditure on R & D :*
Not less than Rs.25 lakhs though indirectly.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. *Efforts, in brief, made towards technology absorption, adaptation and innovation :*
 - a. Continuous efforts are made on conservation of raw material by improving design and layout of dies.
 - b. The emphasis placed on "Quality Assurance Systems" has resulted in the Company being awarded ISO 9002 certification for the fifth successive year and also continued certification QS 9000 standard obtained first in February 1999.
2. *Benefits derived as a result of the above efforts :*
 - a. Reduction in raw material consumption and rejections.
 - b. With the accreditation to ISO 9002, many new multi-national export customers have been developed.
3. *Technology imported during the last 5 years :*
The technology transfer agreement with Tokai Corporation, Japan, for import of technical know-how has considerably improved our quality and productivity.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | |
|---|---|
| 1. Activities relating : | Exports have substantially increased to Rs.4,599.23 lakhs. |
| 2. Initiatives taken to increase development of new export markets for products and services and export plans | <ol style="list-style-type: none"> a. Vigorous efforts are undertaken by Marketing Department to locate new multi-national customers in addition to the existing multi-nationals. b. The Company has been awarded ISO 9002 certification for the sixth consecutive year and QS 9000 for the second successive year. |
| 3. Total Foreign Exchange | <ol style="list-style-type: none"> a. Used Rs. 4,57,26,798 b. Earned Rs.39,41,45,121 |

By Order of the Board

Place : Chennai
Date : 31.07.2000

V.NARAYANAN
Chairman

ANNEXURE II FORMING PART OF THE REPORT OF THE DIRECTORS

(Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Directors for the year ended 31.03.2000.

Sl. No.	Name	Designation	Remuneration (Rs.)	Qualification	Experience (years)	Date of Joining	Age	Last Employment	% of shares held in the Co.
a) Employed throughout the year and were in receipt of remuneration at a rate of not less than Rs.6,00,000/- per annum :									
1.	Shri. Vidyashankar Krishnan	Managing Director	19,87,802	B.E., M.S.	10	25.06.1990	35	— Nil —	4.78%
2.	Shri. K. Venkatramanan	Joint Managing Director	19,43,248	B.E.	8	24.01.1992	32	— Nil —	4.90%
b) Employed for a part of the year and were in receipt of remuneration at a rate of not less than Rs.50,000/- per month									
None									

Note :

1. Remuneration as shown above includes salary, commission, employer's contribution to Provident Fund and value of perquisites together with other allowances.

Place : Chennai
Date : 31.07.2000

By Order of the Board

V. NARAYANAN
Chairman



M M FORGINGS LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF M M FORGINGS LIMITED

We have audited the attached Balance Sheet of M M Forgings Limited as at 31st March 2000 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto and report that;

1. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
2. In our opinion, proper Books of Account as required by law, have been kept by the Company so far as appears from our examination of the books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
4. In our opinion, the Balance Sheet and Profit and Loss Account complies with the mandatory accounting standards referred to in Sub-section (3c) of Section 211 of the Companies Act 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the attached Company's Profit and Loss Account for the year ending 31st March 2000 and the Balance Sheet as at that date, together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view respectively of the profits of the Company for the year ending 31st March 2000 and the state of Company's affairs as at that date.

In accordance with the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, we report as follows :

1. The Company has maintained proper records showing full particulars including quantitative details and the situation of its fixed assets. The fixed assets were physically verified during the year and no discrepancies noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. Physical verification has been conducted by the Management at reasonable periods during the year in respect of raw materials, finished goods, spares and stores.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records which were not material have been properly dealt with in the Books of Account.
6. On the basis of our examination, we are satisfied that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of stocks is the same as in the preceding year.
7. The Company has not taken any secured or unsecured loans from companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and companies under the same Management as defined under Sub-section (1B) of Section 370 of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and companies under the same management as defined under Sub-section (1B) of Section 370 of the Companies Act, 1956.