

AHMEDNAGAR FORGINGS LIMITED



**22nd
Annual Report
1998-99**

BOARD OF DIRECTORS

U. V. Patel	–	Chairman & Managing Director
J. S. Mody	–	Joint Managing Director
R. L. Soni	–	Director
S. P. Mantri	–	Director
M. K. Patel	–	Director
H. V. Amin	–	Director
R. P. Gokhale	–	Nominee ICICI
J. S. Pal	–	Nominee SICOM

COMPANY SECRETARY

S. M. Mahajan

BANKERS

State Bank of India
Bank of Baroda

FINANCIAL INSTITUTIONS

SICOM Limited
ICICI Ltd.
The Sakura Bank Ltd.

AUDITORS

D. N. Shukla & Co.
Chartered Accountants
Mumbai - 400 023

SOLICITORS

Eastley Lam & Co.
133, Jehangir Building,
Mahatma Gandhi Road, Fort,
Mumbai - 400 023

REGISTERED OFFICE

AFL House,
347-A, Off. Dhole Patil Road,
Pune - 411 001

WORKS

- MIDC Area, Ahmednagar
- Chakan, Dist. Pune
- Asian Auto Parts, Ahmednagar
- Kuruli, Dist. Pune

AHMEDNAGAR FORGINGS LIMITED**22nd Annual Report 1998-99****NOTICE**

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF AHMEDNAGAR FORGINGS LIMITED WILL BE HELD AT THE INSTITUTE OF ENGINEERS, JANGALI MAHARAJ ROAD, SHIVAJINAGAR, PUNE ON MONDAY, THE 27TH DAY OF SEPTEMBER, 1999 AT 11.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 together with Profit and Loss Account for the year ended on that date, and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. Sushil. P. Mantri who retires by rotation, and is eligible for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of the forthcoming meeting until the conclusion of the Twenty Third Annual General Meeting and to fix their remuneration.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE MEETING.
2. The enclosed attendance slip should be brought by the Members / Proxies attending the Meeting and

handed over at the entrance of the Meeting Hall.

3. The Register of Members and Transfer Book of the Company will remain closed from, Wednesday the 15th day of September, 1999 to Monday the 27th day of September 1999, both days inclusive.
4. The Company has transferred the unclaimed dividend declared for the financial year ended on 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Members who have not yet claimed the same, may claim it directly from Registrar of Companies (Maharashtra), Pune Stock Exchange Premises, PMT Commercial Building, Deccan Gymkhana, Pune - 411 004.

All members who have either not received or have not encashed dividend warrants for the financial year 1995-96 and/or 1996-97 are requested to write to the Company for issuance of duplicate dividend warrants, mentioning relevant Registered Folio No(s) and year(s) for which the dividend warrant is not received / encashed.

5. The Members are requested to intimate to the Company changes, if any, in their addresses at an early date.

By Order of the Board

Place : Pune
Date : May 29, 1999

S. M. Mahajan
Company Secretary

(REGISTERED OFFICE : AFL House, 347-A, Off Dhole Patil Road, Pune - 411 001)

AHMEDNAGAR FORGINGS LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF
AHMEDNAGAR FORGINGS LIMITED

The Directors hereby present their Twenty Second Annual Report on the business operations of the Company and the financial accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

	1998-99 Rs. Lacs	1997-98 Rs. Lacs
Profit before Depreciation	346.02	292.23
Less: i) Depreciation	442.47	272.15
ii) Provision for Taxation	—	2.21
Net Profit/(Loss)	(96.45)	17.87
Add : Balance brought forward from previous year	61.98	44.11
Profit Available for Appropriation	<u>(34.47)</u>	<u>61.98</u>

APPROPRIATIONS

General Reserve	(40.00)	—
Balance carried forward	5.53	61.98
	<u>5.53</u>	<u>61.98</u>

2. DIVIDEND

Due to inadequacy of profit the Directors do not recommend any dividend for the year ended on March 31, 1999.

3. OPERATIONS

During the year, your Company produced **13699 M.Ts** of Steel Forgings against 12854 M.Ts in the previous year. The Company achieved a turnover of **Rs. 8698.77 lacs** against previous year's turnover of Rs. 7286.30 lacs showing an increase of 19.39% over that of last year.

During the year under review, the Company's sales of Steel Forgings in domestic market improved to **12276 M.Ts** as compared to 10279 M.Ts in the previous year showing improvement of 19.43% over the previous year and exports stood at **967 M.Ts** against 935 M.Ts in the previous year.

As reported earlier, the severe recessionary conditions in the market and especially in the automobile industry had affected the total sales,

turnover and profit of the Company for the last year. During the year the company could show an improvement over the last year's performance, but still the recessionary trend in the market continues. The company is taking all the necessary steps to reduce its production and operational costs as well as to reduce its expenditure. The Company's customer base is also being widened. Due to the continuous efforts of the management and co-operation of the staff and workers, the Directors are confident that the Company will meet its challenges successfully.

4. EXPANSION

As stated in the previous year's Directors' Report, the third press is already installed and commissioned at the Company's plant at Kuruli. The fourth press will be erected and commissioned in the near future.

5. FINANCE

During the year under review, the Company repaid to the Financial Institutions and Bank term loans amounting to Rs. 657.91 lacs. ICICI Limited sanctioned a Term Loan of Rs. 1,000 lacs to augment the long term working capital requirement of the Company.

As at 31st March, 1999 there were no outstanding deposits.

6. DIRECTORS

During the year Mr. Sushil P. Mantri, Executive Director resigned from the post of Executive Director. However he will continue to be on the Board of Directors of the Company. The directors put on record their sincere appreciation for the valuable contribution made by him during his tenure as Executive Director.

In accordance with the Articles of Association of the Company Mr. Sushil P. Mantri, retires by rotation at the conclusion of the Twenty Second Annual General Meeting of the Company and is eligible for reappointment.

7. Y2K COMPLIANCE

The Company has taken necessary steps to make its hardware and software Y2K Compliant. The cost towards Y2K Compliance will be marginal.

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8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions of Section 217(i) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is given in the Annexure A which forms an integral part of this report.

9. PERSONNEL

Particulars as per Section 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the Annexure B which forms part of this report.

The Industrial relations at all the plants of the Company remained cordial during the year.

10. AUDITORS

M/s D.N. Shukla & Co. retires as Auditors at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

11. APPRECIATION

The Directors wish to place on record their sincere appreciation for the positive co-operation received by the Company from the Financial Institutions, Banks, Customers, Suppliers, Vendors, Investors and Company's Employees at all levels.

For & on behalf of the Board

Place : Pune

Date : May 29, 1999

U. V. Patel

Chairman & Managing Director

ANNEXURE-A TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

I. CONSERVATION OF ENERGY

(a) Energy Conservation Measures taken :

- 1) The Company has installed 'Conserve Air', a System of controlling supply of compressed air to various equipments. This system was imported from USA costing around Rs. 28 lacs.
- 2) Lighting : The company conducted many experiments for saving energy consumption in lighting system.
- 3) Heat treatment Furnaces and Forging Furnaces :

The company is conducting various experiments to save fuel cost. The company does the periodical calibration of the furnaces and the leakages in the burners are checked and the appropriate measures were taken for stopping the leakages.

The Company has also taken various measures to reduce the wastage of oil and electric power such as, insulation of oil pipe line, checking and charging of

refractory lining of the furnace etc., which will help in reducing the per unit cost of production.

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

1) Insulation of hot oil pipeline from heating unit to burner.

2) Installation of Temperature Control System in Forging Furnaces.

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

Savings in the power and energy costs will result in reduction in unit cost of production.

- (d) Total energy consumption and consumption per unit of production as per Form A of the Annexure to the Rules.:

- (A) Power and Fuel Consumption :

	1998-99	1997-98
Electricity purchased :		
Purchased Units in lacs	106.39	98.83
Total Amount - Rs. in Lacs	471.41	394.74
Average Rate per Unit-Rupees	4.43	3.99
Furnace Oil / L. D. O.:		
Quantity - K. Liters	4577	5368
Total Cost - Rs. in Lacs	284.88	371.94
Average rate per ltr/Rs.	6.22	6.93

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(B) Consumption per Unit . of Production :

	1998-99	1997-98
Production - tonnes	14122	12854
Electricity - units / tonne	753	769
Furnace Oil - ltrs /tonne	324	418

II TECHNOLOGY ABSORPTION :

Research and Development :

R & D activities are continuously taken to reduce production losses and reduce energy consumption.

The Company made revenue expenditure of Rs. 2.70 lacs on Research and Development activities which is 0.03% of total turnover of the Company.

III FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) The Company is making special efforts to increase its export business & to develop new markets.

(b) Total foreign exchange used and earned :

	1998-99	1997-98
USED	124.76	422.28
EARNED	565.20	527.13

Rs. in lacs

For & on behalf of the Board

Place : Pune

Date : May 29, 1999

U. V. Patel

Chairman & Managing Director

ANNEXURE - B TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AS AMENDED, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

Sr No	Name	Age	Designation & Nature of Duties	Gross Remuneration	Qualification	Exp-erience	Date of Commencement of employment	Last employment held
1	2	3	4	5	6	7	8	9
1	Mr.U.V.Patel	58	Chairman & Managing Director	9,82,231	B.E. (Mech)	33	18/04/77	Pedco Industries
2	Mr.J.S.Mody	57	Joint Managing Director	8,65,339	B.E. (Mech)	32	16/12/77	Indian Industrial Distributor
3	Mr.Sushil P.Mantri*	36	Executive Director	5,21,456	B. Com.	17	16/09/96	Mantri Housing & Constructions, Ltd.

* For part of the Year

- Gross remuneration includes salary, allowances, commission, Company's contribution to P. F., Superannuation, reimbursement of Medical Expenses and perquisites evaluated in accordance with Income Tax Rules, 1962.
- The conditions of employment are contractual.
- Mr. U. V. Patel, Chairman & Managing Director is related to Mr. H. V. Amin, Director of the company.

For & on behalf of the Board

Place : Pune

Date : May 29, 1999

U. V. Patel

Chairman & Managing Director

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AUDITORS' REPORT

TO THE MEMBERS OF AHMEDNAGAR FORGINGS LTD.

We have audited the attached Balance Sheet of AHMEDNAGAR FORGINGS LIMITED, as at March 31, 1999 and the Profit & Loss Account of the Company for the year ended on that date 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 accounts as required by the Law have been kept by the Company so far as appears from our examination of the books;
3. The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of accounts;
4. In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with the other notes attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - a) in the case of the Balance Sheet of the state of the affairs of the Company as at March 31, 1999 and
 - b) in the case of the Profit and Loss Account of the Loss for the year ended on that date.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Company Law Board Under Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, we state that :
 1. The Company has maintained proper records showing full particulars including quantitative details and location of fixed assets. As explained to us, physical verification of fixed assets was conducted by the Management at the year end. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. No serious discrepancies were noticed in the course of such verification.
 2. None of the Fixed Assets have been revalued during the year.
 3. The stock of finished goods, stores, spare parts, raw material and components have been physically verified at regular intervals during the period and also at the year end by the management, except for stocks lying with third parties for which confirmations from the parties have been obtained. In our opinion the frequency of verification is reasonable.
 4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 5. The discrepancies noticed on such verification which were not significant between the physical stocks and the book records have been properly dealt with in the books of accounts.
 6. On the basis of our examination of stock records, we are of the opinion that the valuation of the stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
 7. The Company has not taken any loans, secured or unsecured from the companies, firms or other parties listed in the registers maintained under Section 301 and 370 (1-C) of the Companies Act, 1956.
 8. The Company has not granted any loans, secured or unsecured to the Companies, firms or other parties listed in the registers maintained under Section 301 and 370 (1-C) of the Companies Act, 1956.
 9. Employees and other parties to whom loans and advances in the nature of loans have been given by the Company are repaying the principle amount as stipulated and are also regular in payment of interest where applicable.
 10. In our opinion and according to the information and explanations given to us during the course of the audit, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchases of stores, raw material including components, plant and machinery, equipments and other similar assets and to the sale of goods.
 11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, material and service made in pursuance of contracts or arrangements entered in the register maintained U/s 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services at which transactions for similar goods or services have been made with other parties.
 12. As explained to us, the Company has a reasonable system for the determination of unserviceable or damaged stores and materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
 13. The Company has not accepted deposits from public and hence the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, are not applicable.
 14. In our opinion reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company does not have any by-products.
 15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 16. The Central Government has not prescribed maintenance of cost records under Section 209 (i) of the Companies Act, 1956.
 17. According to the records of the Company, Provident Fund dues have been regularly deposited during the year with the appropriate authorities. As explained to us the provisions of Employees' State Insurance Act, 1948 are not applicable to the Company.
 18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs duty, Excise duty, were outstanding as at the date of the Balance Sheet for a period of more than six months from the date they become payable.
 19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligation or in accordance with the generally accepted business practice.
 20. The Company is not a sick industrial company within the meaning of clause (o) of Sub Section (1) of Section - 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 21. As per the information and explanations given to us, there were no damaged items in the case of goods traded by the company during the Accounting Year.

For D. N. Shukla & Co.
Chartered Accountants

Mumbai
May 29, 1999

P. J. Mankad
Partner