

Life enhancement solutions for industrial applications



34th Annual Report 2008-09



Ador Fontech Limited





Ador Fontech Limited

The Board of Directors

Mrs. N Malkani Nagpal Chairman
Mr. H P Ledwani Managing Director
Mr. N Srinivasan
Mr. A T Malkani
Mr. Navroze Shiamak Marshall
Mr. Sanjeet Thadani

Company Secretary

Ms. Geetha D

Management Team

Mr. H P Ledwani
Mr. M J Kurian
Mr. Muneesh Narain
Mr. P Ramachandran
Mr. P Vishwanathan
Mr. Rajesh V Joshi
Mr. S V Puntambekar
Mr. Melville Ferns

Registered and Corporate Office

Belview, 7, Haudin Road, Bangalore 560 042.

Registrar and Share Transfer Agent

Alpha Systems Private Limited, No.30, Ramana Residency
Sampige Road, Malleswaram, Bangalore 560 003.

Auditors

Amarnath Kamath and Associates
Chartered Accountants
Carewel House, 6th Cross, Muniswamappa Layout, Opp. Kemp Fort
Off Airport Road, Bangalore 560 017.

Bankers

HDFC Bank Limited
The Bank of Nova Scotia

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Notice is hereby given that the 34th Annual General Meeting of the Members of the Company will be held at Hotel Ajantha, 22-A, Mahatma Gandhi Road, Bangalore 560 001 on Thursday, July 16, 2009 at 11.30 hours to transact the following business.

Ordinary Business

1. Adoption of Accounts

To receive, consider and adopt the audited Balance Sheet as at March 31, 2009 and the Profit and Loss account for the year ended on that date, together with the Report of the Directors and the Auditors thereon.

2. Declaration of Dividend

To declare dividend for the financial year ended March 31, 2009.

3. Re-appointment of Mrs. N Malkani Nagpal

To appoint a Director in place of Mrs. N Malkani Nagpal, who retires by rotation and being eligible, offers herself for re-appointment.

4. Appointment of Statutory Auditors

To appoint M/s. Amarnath Kamath and Associates, Chartered Accountants, as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, at such remuneration as may be determined by the Board of Directors in consultation with the Auditors.

Special Business

5. Appointment of Mr. Navroze Shiamak Marshall

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT Mr. Navroze Shiamak Marshall, who was appointed as Additional Director of the Company and who holds office up to the date of the Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956, and Article 123 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.

6. Appointment of Mr. Sanjeet Thadani

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT Mr. Sanjeet Thadani, who was appointed as Additional Director of the Company and who holds office up to the date of the Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956, and Article 123 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.

7. Appointment of Branch Auditors

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to Section 228 and other applicable provisions of the Companies Act, 1956, and amendments thereof, the accounts for the year ending March 31, 2010 of the manufacturing plants of the Company, be audited by the Company’s Auditors or such other person or persons, other than the Company’s Auditors and as are qualified for appointment as Auditors under Section 226 of the Companies Act, 1956, and that the Board of Directors be and is hereby authorised to decide and appoint such Branch/Unit Auditors in consultation with the Company’s Auditors and fix their remuneration and terms and conditions”.

Notes:

- a. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON BEHALF OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Proxy form in order to be valid must be lodged at the Registered office of the Company, not later than forty eight hours before the commencement of the meeting.

- b. The ‘Register of Members’ and ‘Share Transfer Books’ will remain closed from July 06, 2009 to July 16, 2009 (both days inclusive).
- c. Members are requested to notify immediately changes, if any, in their address/bank mandate to their respective Depository Participants (DPs) in respect of electronic share account and to the Registrar and Share Transfer Agent - Alpha Systems Private Limited - with all necessary details, in respect of physical share folios.
- d. Nomination facility is available as per the provisions of the Companies Act, 1956. Those who wish to avail themselves of this facility may send in their nomination forms (Form 2B) either to the Registrar or to the Company at its Registered Office.
- e. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of seven years from the date of declaration would be transferred to the ‘Investor Education and Protection Fund’. As such, Shareholders who have not encashed their dividend warrants are requested to write to the Company for claiming outstanding dividends, if any, in respect of the previous year(s).

Details of unclaimed dividends:

| Year | Amount (Rs.) |
|---------|--------------|
| 2001-02 | 1,86,381 |
| 2002-03 | 2,47,202 |
| 2003-04 | 2,20,497 |
| 2004-05 | 3,73,571 |
| 2005-06 | 5,03,288 |
| 2006-07 | 5,02,115 |
| 2007-08 | 5,63,975 |
| Total | 25,97,029 |

Notice

- f. To ensure prompt remittance of dividends, we recommend the Shareholders to utilise the ECS scheme of the Reserve Bank of India. Kindly send photocopy of a cancelled cheque along with a request letter to the Registrar and Share Transfer Agent (Alpha Systems Private Limited) or to the Depository Participant for shares held in physical and electronic form respectively.
- g. Members are requested to send all share transfer lodgements (physical mode) to the Registrar and Share Transfer Agent (Alpha Systems Private Limited).

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item no. 5

Mr. Navroze Shiamak Marshall was appointed as Additional Director by the Board of Directors on April 29, 2009. Further, the Company has received notice along with requisite deposit from a Member under Section 257 of the Companies Act, 1956, proposing the appointment of Mr. Navroze Shiamak Marshall as Director. Hence, the resolution is placed before the Shareholders for approval.

The Board recommends the resolution set out at item no. 5 for approval.

No Director of the Company is concerned or interested in the said resolution except Mr. Navroze Shiamak Marshall, as it pertains to his appointment.

Item no. 6

Mr. Sanjeet Thadani was appointed as Additional Director by the Board of Directors on April 29, 2009. Further, the Company has received notice along with requisite deposit from a Member under Section 257 of the Companies Act, 1956, proposing the appointment of Mr. Sanjeet Thadani as Director. Hence, the resolution is placed before the Shareholders for approval.

The Board recommends the resolution set out at item no. 6 for approval.

No Director of the Company is concerned or interested in the said resolution except Mr. Sanjeet Thadani, as it pertains to his appointment.

Item no. 7

The Company's manufacturing plants are situated at diverse locations. In view of the same, it is proposed to authorise the Board of Directors to appoint, in consultation with the Company's Auditors, such persons as are qualified for appointment as Auditors under Section 226 of the Companies Act, 1956, and amendments there of, to audit the accounts, for the year ending March 31, 2010 and to fix their remuneration.

The Board recommends the resolution set out at item no. 7 for approval.

No Director of the Company is concerned or interested in the said resolution.

Brief profile of the Directors

- (i) Mrs. N Malkani Nagpal

Educational qualification: MBA

Directorship in other Companies: J B Advani and Company Private Limited; Ador Welding Limited; Ador

Multiproducts Limited; Piem Hotels Limited and Ador Green Energy Private Limited.

Member of Board Committees: Shareholders/Investors' Grievance and Remuneration Committee member of Ador Welding Limited.

Work experience: J B Advani and Company Private Limited (2005-Present); Ador Technopak Limited (2002-05); Ador Finance Limited (1998-02); Ador Welding Limited (1995-97); JBA Printing Inks Private Limited (1993-95).

Specific area of expertise: Finance

Number of shares held in the Company: 3,470

- (ii) Mr. Navroze Shiamak Marshall

Educational qualification: MBA

Directorship in other Companies: J N Marshall Engineering Private Limited; Langford Estates Private Limited; Marshall Poultry Farm (India) Private Limited; S J Marshall Trading Company Private Limited; Powair Automation Equipments Private Limited; Jiji Marshall Trading Company Private Limited; J N Marshall Private Limited; Diamtools Private Limited; Desmet Ballestra India Private Limited and Simmonds Marshall Limited.

Work experience: Managing Director-Simmonds Marshall Limited (2002-Present); 'Application Development Engineer' in 'Honeywell' with specialisation in the development of new metal injection molding technology (1998-01).

Specific areas of expertise: Engineering, Marketing and Leadership.

Number of shares held in the Company: Nil

- (iii) Mr. Sanjeet Thadani

Educational qualification: MS (Electrical Engineering) from Santa Clara University, USA and BE (Electronics Engineering) from Bombay University, India.

Directorship in other Companies: CEO and Director of Business Development - Cell Technology Inc., USA - Biotech Company (2004-Present); CEO and President - IndUs IT Inc., USA - Outsourcing Company (2002-Present).

Work experience: Founding Investor and Marketing Liaison-People.com Consultants Inc. (1996-00); Technical Lead and Founding Member-Flashpoint Technology Inc. (1997-00); Imaging Engineer-Apple Computer Inc. (1996-97); Software Engineer-Compression Labs Inc. (1994-96); Student Intern-Hewlett Packard Labs Inc. (1993-94).

Specific area of expertise: Engineering

Number of shares held in the Company: 2,000

Disclosure in terms of Clause 49 (IV)(G)(ia) of the Listing Agreement

There are no inter-se relationships between the Board members.

By order of the Board
For **Ador Fontech Limited**

Mumbai
April 29, 2009

Geetha D
Company Secretary

To the Members,

We are delighted to present the Annual Report of the Company for the year ended March 31, 2009.

1. Financial Highlights

(Rs. in Lakhs)

| Details | 2008-09 | 2007-08 |
|------------------------------------|--------------|--------------|
| Turnover | 10702 | 10106 |
| Operating profit | 1,598 | 1,487 |
| Interest | - | - |
| Depreciation | 144 | 106 |
| Profit before tax | 1,454 | 1,381 |
| Provision for taxation | 512 | 499 |
| Net profit for the year | 942 | 882 |
| Taxation relating to earlier years | 24 | (10) |
| Profit b/f from the previous year | 408 | 141 |
| Amount available for appropriation | 1,374 | 1,013 |
| Appropriations | | |
| Transfer to General Reserve | 854 | 400 |
| Proposed Dividend | 175 | 175 |
| Distribution tax thereon | 30 | 30 |
| Balance carried to Balance Sheet | 315 | 408 |

2. Dividend

The Board of Directors are happy to recommend a dividend of fifty percent on the paid up share capital of the Company for the financial year ended March 31, 2009 (same as previous year).

3. Review of Business Operations

Your Company has strived to maintain its consistent track record of growth during the financial year 2008-09, in spite of the core sector industries to which the Company caters having witnessed slowdown, in terms of production and capacity utilisation. The Company's marketing and operational strategies coupled with a well balanced portfolio of product mix, has largely contributed to the turnover and profitability of the organisation. In particular, the foreign business contacts have enabled transfer of technical expertise in import and marketing of sophisticated machineries at competitive costs to the customers in India.

Going forward, with the general business syndrome reflecting a possible deferment and cautious approach towards capital expenditure, it is expected that repair and refurbishment segment, should thrive on providing cost effective and value added solutions. This would be to the advantage of not only the customers, but also the industrial sector, in terms of optimum conservation of scarce natural resources.

4. Directors' Responsibility Statement

In the preparation of the financial statements the Board of Directors of the Company has ensured that:

- a. The applicable accounting standards have been followed.

- b. The accounting policies are reasonable, prudent and are consistently followed to give a true and fair view of the state of affairs of the Company.
- c. Proper and sufficient care has been taken for the maintenance of adequate accounting records, for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities.
- d. The annual accounts have been prepared on an on-going concern basis.

5. Directors

Mr. Navroze Shiamak Marshall and Mr. Sanjeet Thadani were appointed as Additional Directors on April 29, 2009. The Company has received notice sponsoring their candidature for appointment as Directors by the Members. Further, Mrs. N Malkani Nagpal retires at the ensuing Annual General Meeting and being eligible seeks re-appointment. Their presence in the Board would add value collectively in terms of organisational development.

Mr. R A Mirchandani resigned from the Board on April 29, 2009. The Board records his services as Director during his tenure of office.

6. Corporate Governance

The Corporate Governance Report and Certificate obtained from the Auditors of the Company are attached to this report.

7. Auditors

M/s. Amarnath Kamath and Associates, the Statutory Auditors of the Company retire at the conclusion of the Annual General Meeting and being eligible offer themselves for re-appointment. The Branch Auditors will be appointed in consultation with the Statutory Auditors.

8. Fixed Deposits

The Company has not accepted fixed deposits and as such no amount was outstanding as on the date of the Balance Sheet.

9. ISO Certification

During the year 2008-09, the Company was in receipt of ISO 9001:2000 certificate from Det Norske Veritas (DNV). The certificate is valid from June 10, 2008 to June 10, 2011 and the scope covers manufacture and supply of welding consumables, equipment, reclamation, resurfacing and refurbishment services of metallic components.

10. Participation in Exhibitions and Awards

The Company has during the year successfully participated in the 'Naval Dockyard Technical Exhibition-2008' and 'Weld India Expo 2009', which together showcased the Company's proven capabilities.

11. Human Resource Management (HRM)

Manpower has been the greatest source of strength and asset to the organisation. It is believed that nurturing and leveraging talents is one of the vital areas for increasing productivity. In this direction, the Company has been

Directors' Report

advocating the concept of 'People Management Practices'. This involves development of core competence and talents inherent in the employees. The resultant factor facilitates growth of the employees and the organisation.

12. Employees

As has been in the past, the industrial relations with the employees of the Company continues to be harmonious, cordial and peaceful.

Further, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this report and accounts are being sent to the Shareholders of the Company excluding the statement of particulars of Employees under Section 217 (2A) of the Companies Act, 1956. Any Shareholder interested in obtaining a copy of the said statement may write to the Company at the Registered Office and the same will be sent by post.

13. Particulars of Disclosure

The information required under the Companies Act, 1956 and the amendments thereof is enclosed.

14. Corporate Social Responsibility (CSR)

The Company has donated to 'Charitable Trusts' which help in terms of education, medical aid as also relief to the weaker sections of the society, particularly destitute and orphans.

15. Acknowledgements

The Board of Directors thank the Shareholders, Authorised Dealers, Channel Partners, Overseas and Inland Business Associates, Bankers and the various Government agencies for their continued patronage and support.

Further, wish to place on record our appreciation to the contribution made by the employees at all levels. Consistent growth has been made possible by their hard work and dedication.

On behalf of the Board
For **Ador Fontech Limited**

Mumbai
April 29, 2009

N Malkani Nagpal
Chairman

Annexure to the Directors' Report

Under Section 217 (1) (E) of the Companies Act, 1956

Additional information in terms of notification no. 1029 dated 31.12.98 by the Department of Company affairs.

Conservation of Energy:

Not given as the Company is not covered under the list of specified industries. However, efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

Research and Development (R and D):

1. Specific areas in which R and D has been carried out: Efforts are being made to develop special purpose flux-cored wires and electrodes to further improve the product range.
2. Benefits derived as a result of the above R and D:
 - a. Conservation of basic raw materials coupled with low cost and longer life.
 - b. Improvement in product quality.
3. Future plan of action: To make further progress on areas enunciated in item nos. 1 and 2 above.
4. Expenditure on R and D
 - a. Capital : Nil
 - b. Recurring : As of now, it is being maintained as an ongoing part of production activities and a separate head of account is not maintained.
 - c. Total : Not applicable
 - d. Total R and D expenditure as a percentage of total turnover: Not applicable

Technology Absorption and Innovation:

1. Efforts in brief made towards technology absorption and innovation: Locally available raw materials are utilised to gain maximum advantage.
2. Benefits derived as a result of the above efforts:
 - a. Product improvement.
 - b. Reduced cost of final products.
 - c. Comparable quality and performance with products produced using imported materials.
3. Details of technology imported during the last five years reckoned from the beginning of the financial year:
 - a. Technology imported : Nil
 - b. Year of import : Not applicable
 - c. Has technology been fully absorbed : Not applicable
 - d. If not fully absorbed areas where this has not taken place. Give reasons for the same and explain future plan of action, if any : Not applicable
4. Foreign exchange earnings and outgoings: As reported in serial numbers 3, 4 and 6 "notes forming part of accounts" Schedule - P.

Good governance is an integral part of corporate management. It is a process of building positive relationships with various stakeholders and involves conducting business in a fair and transparent manner. It also implies that the management must be empowered to drive the enterprise forward without undue restraint and operate within the framework of the applicable laws.

The detailed report on Corporate Governance as per the guidelines prescribed by SEBI and incorporated in clause 49 of the Listing Agreement is as follows:

1. Company's philosophy on the Code of Corporate Governance

The Company is committed to a system of good corporate governance. It firmly believes and consistently practices good business principles by increasing transparency and accountability to its stakeholders, maximising shareholders' value and working towards a motivated work force with updated knowledge.

2. Board of Directors

2.1 Composition of the Board:

| Name of the Director | Category of Directorship |
|-------------------------|-------------------------------|
| Mrs. N Malkani Nagpal | Promoter |
| Mr. H P Ledwani | Executive |
| Mr. N Srinivasan | Non-Executive and Independent |
| Mr. A T Malkani | Promoter |
| Mr. R A Mirchandani** | Promoter |
| Mr. Navroze S Marshall* | Non-Executive and Independent |
| Mr. Sanjeet Thadani* | Non-Executive and Independent |

* Since April 29, 2009

** Till April 29, 2009

2.2 During the year 2008-09, four Board meetings were held on April 28, 2008; July 28, 2008; October 17, 2008 and January 30, 2009.

2.3 Attendance at the Board Meetings and last Annual General Meeting, Number of Directorships in other Companies and Memberships in Committees across various Companies:

| Name of the Director | Financial Year 2008-09 | | As on 31.03.09 Other Directorships | | |
|-------------------------|------------------------|---|------------------------------------|----------|---|
| | Attendance At | Number | Committee Positions | | |
| | Board Meetings | Annual General Meeting held on 24.06.08 | No. of Memberships | Chairman | |
| Mrs. N Malkani Nagpal | Four | Present | Five | Two | - |
| Mr. H P Ledwani | Four | Present | One | - | - |
| Mr. N Srinivasan | Four | Present | Seventeen | - | - |
| Mr. A T Malkani | Four | Present | Four | - | - |
| Mr. R A Mirchandani** | Three | Present | Four | One | - |
| Mr. Navroze S Marshall* | - | - | Ten | - | - |
| Mr. Sanjeet Thadani* | - | - | Two | - | - |

* Since April 29, 2009

** Till April 29, 2009

Directorship includes private limited companies and alternate Directorship.

3. Audit Committee

During the year 2008-09, four Audit Committee meetings were held on April 28, 2008; July 28, 2008; October 17, 2008 and January 30, 2009.

3.1 Broad terms of reference:

- To review the Company's financial reporting process and its financial statements.
- To review the efficacy of the internal control mechanism and monitor risk management policies adopted by the Company.
- To review reports furnished by the Internal and Statutory Auditors and ensure that suitable follow up action is taken.
- To examine accounting, taxation and disclosure aspects as stipulated under various legislations.
- Recommend appointment/re-appointment of Auditors and solicit professional guidance and support, wherever required.

3.2 Composition and attendance

The composition of the Audit Committee and attendance during 2008-09:

| Name of the Director | Designation | No. of meetings attended |
|-------------------------|-------------|--------------------------|
| Mrs. N Malkani Nagpal | Chairman | Four |
| Mr. H P Ledwani | Member | Four |
| Mr. A T Malkani** | Member | Four |
| Mr. Navroze S Marshall* | Member | - |
| Mr. Sanjeet Thadani* | Member | - |

Mr. N Srinivasan is a permanent invitee to the Audit Committee meetings.

* Since April 29, 2009

** Till April 29, 2009

4. Remuneration Committee

The Remuneration Committee is an ad hoc Committee. The compensation payable to the Executive/Non-Executive Directors of the Company is decided by the Board of Directors and subsequently approved by the Shareholders.

4.1 Remuneration to the Executive Director:

The remuneration of the Whole-time/Executive/Managing Director including annual increments is decided by the Board based on criteria such as industry benchmarks, the Company's performance and the track record of the Whole-time Director etc. They are subject to the approval of the Shareholders at the Annual General Meeting.

4.2 Remuneration to the Non-Executive Directors:

Sitting fees payable i.r.o attendance at the meetings:

| Details | Amount (Rs.) |
|---|--------------|
| Board | 8,000 |
| Audit Committee | 5,000 |
| Shareholders/Investors' Grievance Committee | 4,000 |

Report on Corporate Governance

They are also reimbursed expenses incurred towards travel/conveyance and accommodation in connection with the Board, Committee and Review meetings.

Details of sitting fees paid during 2008-09:

| Director | Amount (Rs.) |
|-----------------------|--------------|
| Mrs. N Malkani Nagpal | 68,000 |
| Mr. N Srinivasan | 52,000 |
| Mr. Deep A Lalvani | 13,000 |
| Mr. AT Malkani | 47,000 |
| Mr. RA Mirchandani | 24,000 |
| Total | 2,04,000 |

5. Shareholders/Investors' Grievance Committee

5.1 Functions of the Committee

The Shareholders/Investors' Grievance Committee of the Board looks in to the redressal of Investors' complaints like non-receipt of annual report, dividend payments etc. and matters related to share transfers/transmission, issue of duplicate share certificates, dematerialisation/re-materialisation of shares and other allied transactions. The Committee has delegated powers to the Executives of the Company, to facilitate ease in operation and quick response.

5.2 Composition of the Shareholders/Investors' Grievance Committee:

| Name of the Director | Designation |
|-----------------------|-------------|
| Mrs. N Malkani Nagpal | Chairman |
| Mr. H P Ledwani | Member |
| Mr. Sanjeet Thadani* | Member |

* Since April 29, 2009

5.3 Number of meetings and attendance

During the year 2008-09, four Shareholders/Investors' Grievance meetings were held on April 28, 2008; July 28, 2008; October 17, 2008 and January 30, 2009. Mrs. N Malkani Nagpal and Mr. H P Ledwani were present at the meetings.

5.4 Compliance Officer

The Board has designated Ms. Geetha D, Company Secretary as the Compliance Officer.

5.5 Transfer Committee meetings

Eleven transfer committee meetings were held during the year 2008-09.

5.6 Statement of Directors shareholding as on 31.03.09:

| Name of the Director | Shareholding (Nos.) |
|-------------------------|---------------------|
| Mrs. N Malkani Nagpal | 3,470 |
| Mr. H P Ledwani | 5,720 |
| Mr. N Srinivasan | 200 |
| Mr. AT Malkani | 48,039 |
| Mr. RA Mirchandani** | Nil |
| Mr. Navroze S Marshall* | Nil |
| Mr. Sanjeet Thadani* | 2,000 |

* Since April 29, 2009;

** Till April 29, 2009

5.7 Details of Shareholders' complaints received/replied and pending share transfers are given below:

The total number of complaints received and replied to the satisfaction of the shareholders during the year 2008-09 were fourteen. There were no outstanding complaints as on March 31, 2009.

There are no pending share transfers in physical as well as in demat category. All requests received up to March 31, 2009 have been processed.

6. General Body Meetings

6.1 Location and time, where the last three Annual General Meetings were held:

| Financial Year | Date | Location | Time (hrs.) |
|----------------|----------|-----------------------|-------------|
| 2007-08 | 24.06.08 | Hotel Ajantha, B'lore | 11.30 |
| 2006-07 | 20.07.07 | Hotel Ajantha, B'lore | 12.00 |
| 2005-06 | 26.06.06 | Hotel Ajantha, B'lore | 11.30 |

6.2 Dividend history: (Rs. lakhs)

| Financial year | Dividend percent | Dividend outflow | Dividend tax outflow | Total amount |
|----------------|------------------|------------------|----------------------|--------------|
| 2007-08 | Fifty | 175 | 30 | 205 |
| 2006-07 | Fifty | 175 | 30 | 205 |
| 2005-06 | Forty | 140 | 20 | 160 |
| 2004-05 | Thirty five | 123 | 17 | 140 |
| 2003-04 | Twenty five | 88 | 11 | 99 |
| 2002-03 | Twenty five | 88 | 11 | 99 |
| 2001-02 | Twenty two | 77 | - | 77 |

7. Disclosures

7.1 Materially significant related party transactions:

During the year 2008-09, there were no materially significant related party transactions with the Promoters, Directors or the Management, their subsidiaries or relatives etc. that had a potential conflict with the interest of the Company at large.

7.2 Details of non compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any Authority on any matter relating to the capital markets during the last three years:

The Company has complied with various rules and regulations prescribed by the Stock Exchange, Securities and Exchange Board of India and/or any other Statutory Authorities relating to the capital markets during the last three years. No penalty or strictures have been imposed by them on the Company.

7.3 Affirmation

To the best of our knowledge, the Company has complied with all mandatory requirements pertaining to Corporate Governance.

8. Prevention of Insider Trading

The Company has adopted measures for prevention of Insider Trading. The same prohibits purchase/sale of shares of the Company by Insiders while in possession of unpublished price sensitive information.

Report on Corporate Governance

9. Means of Communication

| Particulars | Details |
|--|---|
| Half-yearly/quarterly financial results sent to each Shareholders' residence | No |
| In which newspaper quarterly and half yearly results are normally published | English: Business Standard and Financial Express Kannada: Sanjay Vani and Suryodhaya |
| Any website, where results or official news are displayed | www.adorfon.com |
| Presentations made to institutional investors or to analysts | Yes, whenever required |
| Whether Management Discussion and Analysis Report is a part of the Annual Report | Yes |

10. General Shareholders' Information

Annual General Meeting:

| | |
|-------------------------|--|
| Date | : July 16, 2009 |
| Time | : 11.30 hours |
| Venue | : Hotel Ajantha 22-A, M G Road, Bangalore 560 001 |
| Equity shares listed at | : Bombay Stock Exchange Limited, Mumbai |
| Book closure dates | : July 6, 2009 to July 16, 2009 (both days inclusive) |
| Dividend payment dates | : July 17, 2009 onwards |
| ISIN | : INE853A01014 |
| Scrip code | : 530431 |

Details of corporate office:

Ador Fontech Limited
Belview, 7, Haudin Road, Bangalore 560 042
Tel:(080) 25596045, 25596073
Fax: (080) 25594601, 25597085
Email: investorservice@adorfon.com

Details of plants:

S-60 and 61, MIDC, Hingna Industrial Estate
Nagpur 440 016, Tel: (07104) 237260
Fax: (07104) 236823

No. 486, B-1, 14th Cross, 3rd Main, 4th Phase
Peenya Industrial Area, Bangalore 560 058
Tel: (080) 28365751, 65600154
Fax: (080) 28365752

A-288, II Stage, Peenya Industrial Estate
Bangalore 560 058
Tel: (080) 28360988, Fax: (080) 28362805

Share transfer agent:

Alpha Systems Private Limited
No.30, Ramana Residency, Sampige Road
Malleswaram, Bangalore 560 003
Tel: (080) 23460816-18, Fax : (080) 23460819

Share transfer system:

The transfer of shares in physical form is processed and completed by Alpha Systems Private Limited within the statutory stipulated period. In case where shares are held in electronic form, transfers are processed by NSDL/CDSL through the Depository Participants and Registrars.

Distribution of Shareholding as on March 31, 2009

| Nominal value (Rs.) | Shareholders | | Amount | |
|---------------------|--------------|---------|----------|---------|
| | Number | Percent | Rupees | Percent |
| Upto 5000 | 5455 | 90.21 | 8429170 | 24.08 |
| 5001 - 10000 | 299 | 4.94 | 2487940 | 7.11 |
| 10001 - 20000 | 135 | 2.23 | 2052980 | 5.87 |
| 20001 - 30000 | 49 | 0.81 | 1259210 | 3.60 |
| 30001 - 40000 | 17 | 0.28 | 599800 | 1.71 |
| 40001 - 50000 | 29 | 0.48 | 1394950 | 3.99 |
| 50001 - 100000 | 30 | 0.50 | 2042370 | 5.84 |
| 100001 and above | 33 | 0.55 | 16733580 | 47.80 |
| Total | 6047 | 100.00 | 35000000 | 100.00 |

Dematerialisation : Eighty two percent of the paid up of shares and share capital of the Company stands liquidity dematerialised as on March 31, 2009.

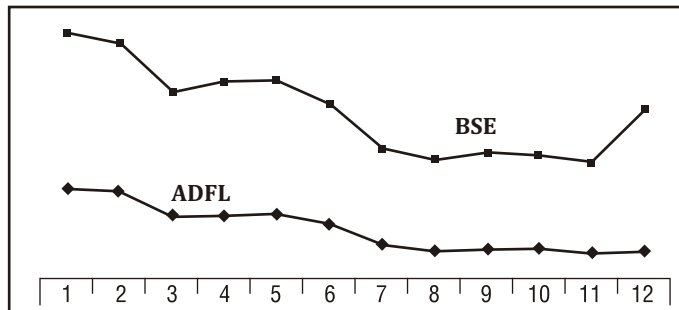
GDRs/ADRs/Convertible instruments : The Company has no outstanding GDRs/ADRs/Warrants or convertible instruments which are likely to have an impact on the Equity shares.

Stock Price Data: BSE, Mumbai

| Period | Open (Rs.) | High (Rs.) | Low (Rs.) | Close (Rs.) |
|----------------|------------|------------|-----------|-------------|
| April 2008 | 108.75 | 135.50 | 106.00 | 130.90 |
| May 2008 | 131.40 | 134.40 | 122.00 | 130.35 |
| June 2008 | 131.00 | 134.00 | 102.00 | 104.15 |
| July 2008 | 103.75 | 110.00 | 96.55 | 105.50 |
| August 2008 | 108.20 | 113.00 | 104.15 | 106.75 |
| September 2008 | 106.00 | 110.95 | 93.25 | 97.25 |
| October 2008 | 96.55 | 99.95 | 70.90 | 77.30 |
| November 2008 | 76.10 | 84.95 | 69.00 | 73.25 |
| December 2008 | 70.00 | 78.60 | 69.00 | 73.75 |
| January 2009 | 73.85 | 78.65 | 66.00 | 73.75 |
| February 2009 | 74.45 | 75.00 | 69.00 | 70.75 |
| March 2009 | 73.45 | 75.00 | 67.50 | 71.80 |

Report on Corporate Governance

**Share Price Movement:
BSE Sensex and the Company's Quotation**



Monthly closing price from April 2008 to March 2009

11. Shareholding Pattern as on March 31, 2009

| Category | No. of shares held | Percentage of Shareholding |
|--------------------------|--------------------|----------------------------|
| Promoters' Holding | | |
| Indian Promoters | 12,15,015 | 34.71 |
| Others | | |
| Private Corporate Bodies | 91,800 | 2.62 |
| Indian Public | 21,93,185 | 62.67 |
| Total | 35,00,000 | 100.00 |

Annual Certification by the Chief Executive Officer/Managing Director Pursuant to Clause 49 I (D) (ii) of the Listing Agreement

As the Chief Executive Officer/Managing Director of Ador Fontech Limited and as required pursuant to Clause 49 I (D) (ii) of the Listing Agreement, I hereby declare and certify that all the Board Members and Senior Management Personnel of Ador Fontech Limited have affirmed compliance with the Code of Conduct adopted by the Company for the financial year 2008-09.

For Ador Fontech Limited

Mumbai
April 29, 2009

H P Ledwani
Managing Director

Management Discussion and Analysis Report

Industry Structure and Development

There has been a significant shift in the outlook of industries, with a deflection in the growth rate of economies. The need to sustain weighs paramount and in this effort, productivity, scale of operations and lien management assumes great importance.

Further, repair welding, being ancillary to the core sector industries, it is deemed that requirements will continue to exist, although at a slower pace. With numerous players, both from the organised and unorganised sectors, the decisive factor would be cost-push than demand-pull, which will have to be leveraged on the strength of volumes.

Opportunities

Given the socio-economic-business scenario, it is essential to be vigilant to seek every opportunity and have the same converted in to an advantage. Areas of focus to include enhancement of market share, provision of focused solutions, new product introductions, thrust on existing preferred products and most importantly, leverage on brand values and strengths, to seek buoyancy in business operations.

Threats

The impact of general economic slow down, will have to be reckoned. Further, many countries look upon emerging

markets as preferred destinations. This enhances the already existing competition from the indigenous sector.

Risks and Concerns

Government has taken keen measures to keep the fulcrum of the economy moving at a healthy pace. Nonetheless, Organisations are becoming more vigilant to choose between low to moderate risks as business parameters. This would largely entail deferment of new business ventures, projects which though executable co-exists with a high risk factor etc.

Current Year Outlook

A balanced approach, would mark the outlook for the year 2009-10. It shall be guided by adoption of right strategies, maintenance of efficiency in all parameters of performance including thrust on cost reduction.

Human Resources Development

'Training and Development' of manpower would remain a predominant focus factor. This would be a two edged sword, catering to the current organisational requirement and also its future growth. There were 250 employees on the muster roll of the organisation as on March 31, 2009.

General

An overview of the financial performance is given in the Directors' Report. Further, adequate internal control systems are in place and is generally reviewed by the Audit Committee.

To the Shareholders of Ador Fontech Limited

We have audited the attached Balance Sheet of Ador Fontech Limited as at March 31, 2009 and also the Profit and Loss account and the Cash flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
2. In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches/units of the Company not visited by us. The Auditor's Reports of those branches/units have been forwarded to us and have been appropriately dealt with;
3. The Balance Sheet, Profit and Loss account and Cash flow statement dealt with by this report, are in agreement with the books of account and with the audited returns from the branches/units;
4. In our opinion and to the best of our information and according to explanations given to us, the Balance Sheet, Profit and Loss account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
5. On the basis of a review of the written representations received from the Directors of the Company as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, and
6. In our opinion and to the best of our information and according to the explanations given to us, the said

accounts read 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 in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
- b. in the case of the Profit and Loss account, of the profit for the year ended on that date and
- c. in the case of Cash flow statement, of the cash flows for the year ended on that date.

For **Amarnath Kamath and Associates**
Chartered Accountants

Bangalore
April 30, 2009

Amarnath Kamath
Partner [Membership No.13124]

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. A substantial portion of the fixed assets have been physically verified by the management during the year. According to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. We are informed that no material discrepancies were noticed on such verification.
- c. Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.
2. a. We are informed that inventories have been physically verified by the management during the year and also at the end of the year. In our opinion, the frequency of verification is reasonable.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
3. The Company has not taken/or granted any loans, secured or unsecured from/to Companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to

Auditors' Report

purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, no major weaknesses have been noticed in the internal control systems.

5. a. According to the information and explanations given to us, we are of the opinion that transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered.
 - b. Sub clause (b) is not applicable.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any of the products of the Company.
9. a. According to the records, information and explanations, provided to us, the Company is generally regular in depositing with appropriate authorities undisputed amounts including Provident fund, Investor education and protection fund, Employees' state insurance, Income tax, Sales tax, Wealth tax, Custom duty, Excise duty, Cess, Service tax and other Statutory dues applicable to it and no undisputed amounts payable were outstanding as on March 31, 2009 for a period of more than six months from the date they became payable.
 - b. On the basis of our examination of the documents and other records, the following pertains to a disputed liability that has not been fully paid to the concerned authority:

| Name of the Statute | Details | Amount Rs. | Period to which the amount relates | Forum where dispute/ objection raised is pending |
|---------------------|--|------------|------------------------------------|--|
| Excise Duty | Levy of excise duty on traded imported goods | 70,73,413 | 2002-06 | CESTAT, Mumbai |

10. The Company neither has accumulated losses at the end of the financial year nor has incurred cash losses during the year and in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank.
12. Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit/nidhi/mutual benefit fund/society and clause 4(xiii) of the Order is not applicable.

14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. On the basis of the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company had not availed term loans from banks and financial institutions.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **Amarnath Kamath and Associates**
Chartered Accountants

Bangalore
April 30, 2009

Amarnath Kamath
Partner [Membership No.13124]

Auditors' Certificate on Corporate Governance

To the Members of Ador Fontech Limited,

We have examined the compliance of conditions of Corporate Governance by Ador Fontech Limited for the year ended March 31, 2009 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the verification of procedures and implementation thereof, adopted by the Company. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

We further state that compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Amarnath Kamath and Associates**
Chartered Accountants

Bangalore
April 30, 2009

Amarnath Kamath
Partner [Membership No.13124]

Balance Sheet

| As at 31.03.08 Rs. | | Schedules | | As at 31.03.09 Rs. |
|------------------------------|---|-----------|---------------------|--------------------------|
| Sources of Funds: | | | | |
| Shareholders' funds: | | | | |
| 3,50,00,000 | Share capital | A | 3,50,00,000 | |
| 19,38,01,433 | Reserves and surplus | B | <u>26,98,79,840</u> | |
| 22,88,01,433 | | | | 30,48,79,840 |
| <u>22,88,01,433</u> | Total | | | <u>30,48,79,840</u> |
| Application of Funds: | | | | |
| Fixed assets: | | | | |
| 13,58,18,299 | Gross block | C | 15,43,81,409 | |
| 6,72,88,073 | Less: Depreciation | | <u>7,48,62,703</u> | |
| 6,85,30,226 | Net block | | | 7,95,18,706 |
| 2,54,600 | Investments | D | | 1,04,980 |
| 50,78,677 | Deferred tax asset (refer note no. 13) | | | 1,38,34,838 |
| Net current assets: | | | | |
| 32,72,67,381 | Current assets, loans and advances | E | 35,48,19,205 | |
| 17,23,29,451 | Less: Current liabilities and provisions | F | <u>14,33,97,889</u> | |
| 15,49,37,930 | | | | 21,14,21,316 |
| <u>22,88,01,433</u> | Total | | | <u>30,48,79,840</u> |
| | Notes on accounts | P | | |

Schedules A to F and schedule P form an integral part of the Balance Sheet

As per our report of even date attached
For **Amarnath Kamath and Associates**
Chartered Accountants

On behalf of the Board of Directors

N Malkani Nagpal
Chairman

H P Ledwani
Managing Director

Amarnath Kamath
Partner (Membership No. 13124)
Bangalore, April 30, 2009

Geetha D
Company Secretary
Mumbai, April 29, 2009

Profit and Loss Account

| Previous Year (Rs.) | | Schedules | Current Year (Rs.) |
|-----------------------|--|-----------|-----------------------|
| | Income: | | |
| 94,63,03,616 | Sales | G | 97,54,83,044 |
| 5,59,41,931 | Job work income | | 7,47,26,142 |
| 83,37,047 | Other income | H | 1,99,53,578 |
| 1,01,05,82,594 | Total | | 1,07,01,62,764 |
| | Expenditure: | | |
| 32,85,43,501 | Cost of goods traded | | 39,14,93,255 |
| 26,37,63,904 | Cost of materials consumed | I | 20,74,86,344 |
| 61,37,770 | Variation between opening and closing values of work-in-process and finished goods | J | 24,68,795 |
| 9,63,17,882 | Expenditure on personnel | K | 11,56,75,338 |
| 5,75,19,318 | Operational expenses | L | 7,09,33,138 |
| 6,12,66,554 | Administrative expenses | M | 7,19,01,894 |
| 4,69,06,165 | Selling expenses | N | 4,91,19,483 |
| 14,35,675 | Financial charges | O | 12,28,580 |
| 1,06,33,496 | Depreciation | | 1,44,43,974 |
| 87,25,24,265 | Total | | 92,47,50,801 |
| 13,80,58,329 | Profit before tax | | 14,54,11,963 |
| | Less: Provision for taxation: | | |
| 5,00,00,000 | Current tax | | 5,60,00,000 |
| (31,38,925) | Deferred tax | | (87,56,161) |
| 30,00,000 | Fringe benefit tax | | 40,00,000 |
| 4,98,61,075 | | | 5,12,43,839 |
| 8,81,97,254 | Net profit after tax | | 9,41,68,124 |
| (10,46,595) | Taxation relating to earlier years | | 23,84,408 |
| 62,084 | Prior period adjustments | | - |
| 1,40,72,336 | Balance brought forward from the previous year | | 4,08,10,954 |
| 10,12,85,079 | Amount available for appropriation | | 13,73,63,486 |
| | Appropriated as under: | | |
| 4,00,00,000 | Transfer to General Reserve | | 8,53,57,434 |
| 1,75,00,000 | Proposed Dividend | | 1,75,00,000 |
| 29,74,125 | Distribution tax thereon | | 29,74,125 |
| 4,08,10,954 | Balance carried to Balance Sheet | | 3,15,31,927 |
| 10,12,85,079 | Total | | 13,73,63,486 |
| 35,00,000 | Number of Equity Shares outstanding | | 35,00,000 |
| 10 | Nominal value of share | | 10 |
| 25.07 | Basic and diluted earnings per share | | 27.71 |
| | Notes on accounts | P | |

Schedules G to P form an integral part of the Profit and Loss account

As per our report of even date attached
For **Amarnath Kamath and Associates**
Chartered Accountants

On behalf of the Board of Directors

N Malkani Nagpal
Chairman

H P Ledwani
Managing Director

Amarnath Kamath
Partner (Membership No. 13124)
Bangalore, April 30, 2009

Geetha D
Company Secretary
Mumbai, April 29, 2009

| | | |
|--------------------------|---|--------------------------|
| As at 31.03.08 Rs. | Attached to and forming part of the Balance Sheet | As at 31.03.09 Rs. |
|--------------------------|---|--------------------------|

Schedule: A - Share Capital:

| | | |
|--------------------|---|--------------------|
| 5,00,00,000 | Authorised: 50,00,000 Equity shares of Rs 10 each | 5,00,00,000 |
| 3,50,00,000 | Issued, subscribed and paid up: 35,00,000 Equity shares of Rs 10 each | 3,50,00,000 |
| 3,50,00,000 | Total | 3,50,00,000 |

Schedule : B - Reserves and Surplus:

| | | |
|----------------------------|--|---------------------|
| 11,96,239 | Capital reserve account: As per last Balance Sheet | 11,96,239 |
| 1,71,51,674 | Share premium account: As per last Balance Sheet | 1,71,51,674 |
| 9,68,85,542 (22,42,976) | General reserve account: Balance brought forward | 13,46,42,566 |
| 4,00,00,000 | Less: Adjustments for employee benefits relating to past years as per AS 15 (revised) | - |
| 13,46,42,566 | Add: Transfer from Profit and Loss account | 8,53,57,434 |
| 4,08,10,954 | Profit and Loss account | 22,00,00,000 |
| 19,38,01,433 | Total | 3,15,31,927 |
| | | 26,98,79,840 |

Schedule: C - Fixed Assets:

| Particulars of assets (tangibles) | Gross Block | | | | Depreciation | | | | Net Block | |
|--------------------------------------|------------------------|---------------------------------|-------------------------------------|------------------------|--------------------|----------------------------------|--------------------|--------------------|--------------------|-------------------|
| | Cost as at 01.04.08 | Additions during the year | Sold/adjusted during the year | Cost as at 31.03.09 | As at 01.04.08 | Withdrawn on sales/ (adj.) | For the year | As at 31.03.09 | As at 31.03.09 | As at 31.03.08 |
| Freehold land | 76,48,625 | - | - | 76,48,625 | - | - | - | - | 76,48,625 | 76,48,625 |
| Leasehold land | 7,20,284 | - | - | 7,20,284 | 1,29,576 | - | 7,924 | 1,37,500 | 5,82,784 | 5,90,708 |
| Factory building | 1,80,19,049 | - | - | 1,80,19,049 | 87,68,950 | - | 9,25,010 | 96,93,960 | 83,25,089 | 92,50,099 |
| Office premises | 1,09,24,885 | - | - | 1,09,24,885 | 49,84,287 | - | 2,97,030 | 52,81,317 | 56,43,568 | 59,40,598 |
| Plant and machinery | 4,20,84,049 | 1,37,70,229 | - | 5,58,54,278 | 2,53,52,978 | - | 39,53,690 | 2,93,06,668 | 2,65,47,610 | 1,67,31,071 |
| Electrical installations | 16,03,815 | 3,86,830 | - | 19,90,645 | 13,89,336 | - | 37,058 | 14,26,394 | 5,64,251 | 2,14,479 |
| Computers | 1,15,50,223 | 31,08,566 | 35,26,997 | 1,11,31,792 | 63,83,901 | 29,72,422 | 26,44,974 | 60,56,453 | 50,75,339 | 51,66,322 |
| Office equipment | 47,70,553 | 6,35,829 | 9,25,485 | 44,80,897 | 25,52,237 | 4,83,469 | 3,14,259 | 23,83,027 | 20,97,870 | 22,18,316 |
| Furniture and fixtures | 62,67,400 | 10,25,430 | - | 72,92,830 | 48,78,928 | - | 3,28,589 | 52,07,517 | 20,85,313 | 13,88,472 |
| Vehicles | 3,22,29,416 | 90,10,413 | 49,21,705 | 3,63,18,124 | 1,28,47,880 | 34,13,453 | 59,35,440 | 1,53,69,867 | 2,09,48,257 | 1,93,81,536 |
| Total | 13,58,18,299 | 2,79,37,297 | (93,74,187) | 15,43,81,409 | 6,72,88,073 | (68,69,344) | 1,44,43,974 | 7,48,62,703 | 7,95,18,706 | |
| Previous Year | 12,24,39,845 | 2,11,93,506 | (78,15,052) | 13,58,18,299 | 6,17,93,937 | (51,39,360) | 1,06,33,496 | 6,72,88,073 | | 6,85,30,226 |

Schedules

| As at 31.03.08 Rs. | Attached to and forming part of the Balance Sheet | As at 31.03.09 Rs. |
|--|--|--------------------------|
| Schedule: D - Investments: | | |
| | a. Investments (quoted) in units of mutual fund: | |
| - | HDFC Cash Management Fund (10,464.919 units @Rs. 10.0315) | 1,04,980 |
| | b. Investments in trade securities: | |
| 2,54,600 | Unit Trust of India 6.75% Tax free US64 bonds (redeemed during the year) | - |
| 2,54,600 | Total | 1,04,980 |
| | Market value of quoted investments Rs. 1,04,980 (previous year Rs. 2,58,292) | |
| Schedule: E - Current Assets, Loans and Advances: | | |
| Current assets: | | |
| 5,697 | Interest accrued on investments | - |
| | Inventories: (Valued at lower of cost or realisable value) | |
| 1,92,84,563 | Raw materials | 1,93,42,128 |
| 10,96,293 | Work-in-process | 1,60,114 |
| 1,81,72,894 | Finished goods | 1,66,40,278 |
| 4,28,83,525 | Traded goods | 5,64,31,809 |
| 3,25,918 | Packing materials | 7,56,058 |
| 4,28,844 | Stores, spares and consumables | 13,15,505 |
| 8,21,92,037 | | 9,46,45,892 |
| Sundry debtors: | | |
| | (unsecured considered good) | |
| 19,86,222 | Debts outstanding for more than six months | 23,61,113 |
| 14,32,52,547 | Others | 10,60,95,235 |
| 14,52,38,769 | | 10,84,56,348 |
| Cash and bank balances: | | |
| | Balances with scheduled banks | |
| 3,84,89,911 | Current accounts | 2,99,48,963 |
| 2,92,79,215 | Fixed deposits and margin monies account (inclusive of accrued interest thereon) | 8,10,03,612 |
| 22,65,483 | Current accounts towards unclaimed dividends | 25,97,029 |
| 7,00,34,609 | | 11,35,49,604 |
| 81,057 | Cash on hand | 47,668 |
| 7,01,15,666 | | 11,35,97,272 |
| 29,75,52,169 | | 31,66,99,512 |
| Loans and advances: | | |
| | (unsecured considered good) | |
| 2,17,18,443 | Advances recoverable in cash or in kind or for value to be received | 2,37,50,632 |
| 14,23,343 | Deposits with Government departments | 12,31,434 |
| 65,73,426 | Other deposits | 1,31,37,627 |
| 2,97,15,212 | | 3,81,19,693 |
| 32,72,67,381 | Total | 35,48,19,205 |

| As at 31.03.08 Rs. | Attached to and forming part of the Balance Sheet | As at 31.03.09 Rs. |
|--------------------------|---|--------------------------|
|--------------------------|---|--------------------------|

Schedule: F - Current Liabilities and Provisions:

| As at 31.03.08 Rs. | Attached to and forming part of the Balance Sheet | As at 31.03.09 Rs. |
|--|---|--------------------------|
| Schedule: F - Current Liabilities and Provisions: | | |
| Current liabilities: | | |
| 5,79,46,072 | Creditors for materials | 2,01,47,099 |
| 2,80,02,451 | Creditors for expenses | 2,31,84,740 |
| 64,87,788 | Advances from customers | 43,70,009 |
| 1,68,93,604 | Security deposits | 1,81,77,570 |
| 22,65,483 | Unclaimed dividends | 25,97,029 |
| 1,15,71,299 | Statutory liabilities | 50,86,988 |
| 7,68,373 | Other liabilities | 24,52,172 |
| 12,39,35,070 | | 7,60,15,607 |
| Provisions: | | |
| 1,75,00,000 | Proposed dividend | 1,75,00,000 |
| 29,74,125 | Dividend distribution tax thereon | 29,74,125 |
| For taxation (net): | | |
| 8,00,00,000 | Provision for tax | 10,60,00,000 |
| 7,60,77,142 | Less: Advance tax payments/TDS | 9,77,68,162 |
| 39,22,858 | | 82,31,838 |
| For fringe benefit tax (net): | | |
| 98,00,000 | Provision for fringe benefit tax | 70,00,000 |
| 90,00,000 | Less: Advance fringe benefit tax paid | 73,73,788 |
| 8,00,000 | | (3,73,788) |
| 51,49,769 | Warranties | 1,37,75,556 |
| 1,80,47,629 | Employee benefits | 2,52,74,551 |
| 4,83,94,381 | | 6,73,82,282 |
| 17,23,29,451 | Total | 14,33,97,889 |

Schedules

| Previous Year (Rs.) | Attached to and forming part of the Profit and Loss Account | Current Year (Rs.) |
|--|---|-----------------------|
| Schedule: G - Sales: | | |
| 54,04,82,407 | Manufactured items | 49,96,39,491 |
| 7,79,60,392 | Less: Excise duty | 5,56,16,125 |
| 46,25,22,015 | | 44,40,23,366 |
| 48,37,81,601 | Traded goods | 53,14,59,678 |
| 94,63,03,616 | Total | 97,54,83,044 |
| Schedule: H - Other Income: | | |
| 53,18,821 | Commission | 1,57,07,036 |
| 17,186 | Interest on tax-free bonds | 2,896 |
| 12,35,764 | Interest (others) | 28,92,784 |
| 40,537 | Dividends | 4,979 |
| 607 | Profit on sale of investments | - |
| 3,92,365 | Sales tax refund | 3,31,495 |
| 13,31,767 | Others | 10,14,388 |
| 83,37,047 | Total | 1,99,53,578 |
| Schedule: I - Cost of Materials Consumed: | | |
| Raw materials: | | |
| 1,51,20,869 | Opening stock | 1,92,84,563 |
| 26,21,12,986 | Purchases | 20,35,37,464 |
| 27,72,33,855 | | 22,28,22,027 |
| 1,92,84,563 | Less: Closing stock | 1,93,42,128 |
| 25,79,49,292 | | 20,34,79,899 |
| Packing materials: | | |
| 8,64,694 | Opening stock | 3,25,918 |
| 52,75,836 | Purchases | 44,36,585 |
| 61,40,530 | | 47,62,503 |
| 3,25,918 | Less: Closing stock | 7,56,058 |
| 58,14,612 | | 40,06,445 |
| 26,37,63,904 | Total | 20,74,86,344 |
| Schedule: J - Variation Between Opening and Closing Values of Work-in-process and Finished Goods: | | |
| Work-in-process: | | |
| 2,93,616 | Opening value | 10,96,293 |
| 10,96,293 | Less: Closing value | 1,60,114 |
| (8,02,677) | | 9,36,179 |
| Finished goods: | | |
| 2,51,13,341 | Opening value | 1,81,72,894 |
| 1,81,72,894 | Less: Closing value | 1,66,40,278 |
| 69,40,447 | | 15,32,616 |
| 61,37,770 | Total | 24,68,795 |
| Schedule: K - Expenditure on Personnel: | | |
| 7,88,11,036 | Salaries and allowances | 9,49,31,479 |
| 95,74,705 | Contribution to provident, gratuity and other funds | 1,19,47,995 |
| 79,32,141 | Staff welfare expenses | 87,95,864 |
| 9,63,17,882 | Total | 11,56,75,338 |

| Previous Year (Rs.) | Attached to and forming part of the Profit and Loss Account | Current Year (Rs.) |
|---|---|-----------------------|
| Schedule: L - Operational Expenses: | | |
| 30,36,081 | Power and fuel | 30,22,693 |
| 59,299 | Water charges | 3,01,218 |
| 2,82,96,755 | Fabrication charges | 3,55,03,328 |
| 38,02,176 | Labour charges | 44,28,068 |
| 64,72,795 | Consumption of stores and spares | 91,12,726 |
| 1,26,872 | Excise duty | 17,97,139 |
| 27,16,295 | Repairs and maintenance | 21,28,424 |
| 50,00,000 | Product development charges | - |
| 3,09,643 | Technical consultancy and other charges | 9,89,511 |
| 7,24,312 | Security charges | 8,52,843 |
| 69,75,090 | Warranties | 1,27,97,188 |
| 5,75,19,318 | Total | 7,09,33,138 |
| Schedule: M - Administrative Expenses: | | |
| 67,53,280 | Rent, rates and taxes | 83,10,346 |
| 60,13,040 | Postage and telephones | 64,09,383 |
| 22,99,206 | Printing and stationery | 24,81,662 |
| 1,60,000 | Directors' sitting fees | 2,04,000 |
| 17,53,507 | Membership and subscriptions | 2,66,050 |
| 2,96,045 | Insurance | 4,38,816 |
| 2,82,67,775 | Travelling and conveyance | 3,67,12,686 |
| 46,82,619 | Vehicle maintenance | 39,80,108 |
| 39,38,707 | Repairs and maintenance | 42,12,178 |
| 7,71,511 | Electricity and water | 8,45,876 |
| 5,05,744 | Books and periodicals | 5,68,452 |
| 18,83,746 | Legal and professional charges | 22,78,737 |
| 10,49,644 | Training expenses | 16,68,777 |
| 5,58,708 | Payment to auditors | 6,52,500 |
| 5,10,201 | Donations | 10,02,101 |
| 5,45,521 | Loss on sale of assets | 4,39,545 |
| 1,00,000 | Wealth tax | 1,25,000 |
| 11,77,300 | Miscellaneous expenses | 13,05,677 |
| 6,12,66,554 | Total | 7,19,01,894 |
| Schedule: N - Selling Expenses: | | |
| 1,01,24,653 | Freight and octroi | 1,17,30,617 |
| 1,33,208 | Packing and forwarding | 2,07,822 |
| 9,97,291 | Transit insurance | 7,56,878 |
| 2,31,29,716 | Commission | 2,13,04,301 |
| 25,29,514 | Seminars and conferences | 66,16,780 |
| 95,502 | Advertisement | 78,350 |
| 19,36,779 | Sales promotion | 27,22,156 |
| 5,99,144 | Consultancy charges | 18,15,600 |
| 7,42,543 | Rates, taxes and other charges | 34,70,925 |
| 16,27,949 | General expenses | 2,23,034 |
| 44,01,298 | Royalty | 1,93,020 |
| 5,88,568 | Bad debts and irrecoverable advances written off (net) | - |
| 4,69,06,165 | Total | 4,91,19,483 |
| Schedule: O - Financial Charges: | | |
| 9,12,878 | Bank charges, commission/processing fees | 7,90,938 |
| 5,22,797 | Others | 4,37,642 |
| 14,35,675 | Total | 12,28,580 |

Schedules

Schedule P:

Attached to and forming part of the Accounts for 2008-09

Significant accounting policies adopted by the Company as part of its corporate policies

These accounts have been prepared under the historical cost basis of accounting and evaluated on a going concern basis with revenues recognised and expenses accounted for on their accrual.

The financial statements have been prepared in conformity with the generally accepted accounting principles and accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.

- a. Sale of manufactured items is net of excise duty and accounted for on despatch. Income from services is recognised on its completion and acceptance by the customers.
- b. Inventories are valued at lower of cost or net realisable value.
- c. Investments are valued at cost (inclusive of dividend reinvested).
- d. Fixed assets shown are valued at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses related to acquisition.
- e. Depreciation has been provided on fixed assets in accordance with the rates specified in Schedule XIV of the Companies Act, 1956, on written down value basis on all assets of the Company, except for leasehold land which is amortised over the period of the lease.
- f. Expenditure incurred in foreign currency has been recorded at the exchange rate current on the date when the relevant transaction(s) took place. Liabilities payable in foreign currency are restated at the year-end exchange rate(s). The gain or loss due to decrease/increase in rupee liability on account of fluctuations in the rate of exchange has been accounted in the Profit and Loss account.
- g. Employee benefits:
 - (i) Gratuity: The Company contributes for gratuity to its employees through Group Gratuity Fund Trust. The contributions have been computed on actuarial basis so as to cover the Company's liability.
 - (ii) Superannuation: The Company contributes through an Employees' Superannuation Fund Trust for future payment of retirement benefits to its employees. The contributions accruing during each year are charged to the Profit and Loss account.
 - (iii) Leave encashment liabilities are determined by actuarial valuation done at the end of the year and the current year charge is debited to the Profit and Loss account.
 - (iv) Contribution to the provident fund is charged to the Profit and Loss account.
 - (v) The Company contributes fifty percent of the premium on life insurance policies of its employees and the same is charged to the Profit and Loss account.
- h. Commission and incentives paid to employees as part of pay for performance has been categorised under 'selling expenditure'.
- i. Product development costs are charged as an expense in the year in which they are incurred.
- j. The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain any indication of impairment based on internal/external factors. An impairment loss is recognised based on estimation, if there would arise a significant variation, in the carrying amount of an asset over its estimated recoverable amount.
- k. Provision for deferred taxation is made using the applicable rate of taxation, for all timing differences which arise during the year and are reversed in subsequent periods.
- l. Provision for warranties for replacement of parts and rework of job works are based on past experience and are at a percentage of the sale value, as estimated by the Company's management.

Notes on Accounts

1. Quantitative information as required under paragraphs 3 and 4 of Part II of Schedule VI of the Companies Act, 1956
 - a. Capacity and production

| Class of goods | Unit | Licensed capacity | Installed capacity per single shift | Actual production | |
|------------------------------------|------|-------------------|-------------------------------------|-------------------|---------------|
| | | As at 31.03.09 | As at 31.03.09 | Current year | Previous year |
| Low heat (LH) input welding alloys | Tons | 800 | 500 | 358 | 342 |
| Flux cored arc welding consumables | Tons | 250 | 250 | 96 | 117 |
| Bare rods | Tons | 450 | 250 | 139 | 138 |

The installed capacity is the annual capacity and is computed based on the maximum utilisation of plant and machinery. Installed capacity is as certified by the management and relied upon by the Auditors.

Schedules

| Class of goods | Unit | Qty. | As at 31.03.09 Value (Rs.) | Qty. | As at 31.03.08 Value (Rs.) |
|---|------|----------|-------------------------------|----------|-------------------------------|
| b. Stock of finished goods and work-in-process | | | | | |
| (i) Finished goods: | | | | | |
| Welding electrodes | Kgs. | 29,682 | 1,24,90,314 | 18,046 | 1,43,57,259 |
| Filler wires | Kgs. | 5,266 | 16,93,251 | 5,277 | 28,83,681 |
| Flux cored wires | Kgs. | 4,991 | 14,57,267 | 3,388 | 8,31,722 |
| Others | Kgs. | | 9,99,446 | | 1,00,232 |
| | | | <u>1,66,40,278</u> | | <u>1,81,72,894</u> |
| (ii) Work-in-process | | | | | |
| | | | <u>1,60,114</u> | | <u>10,96,293</u> |
| c. Materials consumed | | | | | |
| (i) Raw materials: | | | | | |
| Wires | Kgs. | 1,34,844 | 5,88,42,982 | 1,35,965 | 5,11,36,568 |
| Metal strips and fluxes | Kgs. | 93,421 | 2,31,29,517 | 1,24,583 | 4,47,42,642 |
| Coils, rods and fluxes | Kgs. | 3,97,078 | 7,38,99,498 | 3,68,998 | 11,81,55,022 |
| Others | | | 4,76,07,902 | | 4,39,15,060 |
| | | | <u>20,34,79,899</u> | | <u>25,79,49,292</u> |
| (ii) Packing materials | | | | | |
| | | | <u>40,06,445</u> | | <u>58,14,612</u> |
| | | | <u>20,74,86,344</u> | | <u>26,37,63,904</u> |
| d. Sale of manufactured items (net of excise): | | | | | |
| (i) Electrodes | Kgs. | 3,45,358 | 27,97,31,351 | 3,53,890 | 31,18,93,765 |
| (ii) Filler wires | Kgs. | 1,37,302 | 7,41,33,780 | 1,37,194 | 7,71,56,607 |
| (iii) Flux cored wires | Kgs. | 74,662 | 2,93,75,873 | 1,16,567 | 4,24,71,218 |
| (iv) Others | | | 6,07,82,362 | | 3,10,00,425 |
| | | | <u>44,40,23,366</u> | | <u>46,25,22,015</u> |
| 2. Details of goods traded | | | | | |
| a. Opening stock: | | | | | |
| Welding consumables | | | 1,27,30,554 | | 1,48,12,512 |
| Equipment and refurbishment products | | | 3,01,52,971 | | 3,01,87,695 |
| | | | <u>4,28,83,525</u> | | <u>4,50,00,207</u> |
| b. Purchases: | | | | | |
| Welding consumables | | | 16,25,90,179 | | 13,57,77,474 |
| Equipment and refurbishment products | | | 24,24,51,360 | | 19,06,49,345 |
| | | | <u>40,50,41,539</u> | | <u>32,64,26,819</u> |
| c. Cost of goods traded: | | | | | |
| Welding consumables | | | 16,13,47,596 | | 13,78,59,432 |
| Equipment and refurbishment products | | | 23,01,45,659 | | 19,06,84,069 |
| | | | <u>39,14,93,255</u> | | <u>32,85,43,501</u> |
| d. Sales: | | | | | |
| Welding consumables | | | 21,00,32,887 | | 13,91,79,600 |
| Equipment and refurbishment products | | | 32,14,26,791 | | 34,46,02,001 |
| | | | <u>53,14,59,678</u> | | <u>48,37,81,601</u> |
| e. Closing stock: | | | | | |
| Welding consumables | | | 1,39,73,137 | | 1,27,30,554 |
| Equipment and refurbishment products | | | 4,24,58,672 | | 3,01,52,971 |
| | | | <u>5,64,31,809</u> | | <u>4,28,83,525</u> |

Schedules

| | Percent | Current year Value (Rs.) | Percent | Previous year Value (Rs.) |
|--|---------|-----------------------------|---------|------------------------------|
| 3. Expenditure in foreign currency: | | | | |
| a. Travelling expenses | | 34,19,588 | | 9,72,120 |
| b. Conferences | | 25,23,310 | | 15,39,763 |
| c. Training | | 10,70,269 | | 2,38,201 |
| 4. C.I.F value of imports: | | | | |
| a. Raw materials | | 2,02,19,943 | | 1,57,51,708 |
| b. Equipment, spares and others | | 9,36,46,658 | | 10,76,60,542 |
| c. Traded goods | | 10,52,12,725 | | 9,56,67,076 |
| 5. a. Value of imported and indigenous raw materials consumed and their percentage to total consumption: | | | | |
| (i) Imported | 7.48 | 1,52,26,574 | 4.15 | 1,07,16,668 |
| (ii) Indigenous | 92.52 | 18,82,53,325 | 95.85 | 24,72,32,624 |
| | 100.00 | 20,34,79,899 | 100.00 | 25,79,49,292 |
| b. Value of imported and indigenous stores, spares and consumables consumed and their percentage to total consumption: | | | | |
| (i) Imported | 2.20 | 2,00,247 | 2.95 | 1,90,708 |
| (ii) Indigenous | 97.80 | 89,12,479 | 97.05 | 62,82,087 |
| | 100.00 | 91,12,726 | 100.00 | 64,72,795 |
| 6. Earnings in foreign currency: | | | | |
| Commission and technical assistance fees | | 1,57,07,036 | | 53,18,821 |
| Exports (on FOB basis) | | - | | 2,40,935 |
| | | 1,57,07,036 | | 55,59,756 |
| 7. Segment reporting under Accounting Standard 17: | | | | |
| a. Primary business segments | | | | |
| - Revenue from products (manufacturing and trading activities) | | | | |
| - Revenue from job works and other income | | | | |

| Details | Current Year | | | Previous Year | | |
|--------------------------------|-------------------|------------------------------|-----------------|-------------------|------------------------------|-----------------|
| | Products (Rs.) | Services and Others (Rs.) | Total* (Rs.) | Products (Rs.) | Services and Others (Rs.) | Total* (Rs.) |
| Income | 97,54,83,044 | 9,46,79,720 | 1,07,01,62,764 | 94,63,03,616 | 6,42,78,978 | 1,01,05,82,594 |
| Segment results | 12,32,14,879 | 3,65,89,688 | 15,98,04,567 | 12,14,30,179 | 2,86,97,321 | 15,01,27,500 |
| Unallocated corporate expenses | - | - | 40,45,556 | - | - | 50,07,487 |
| Other depreciation | - | - | 1,03,47,048 | - | - | 70,61,684 |
| Profit before taxation | - | - | 14,54,11,963 | - | - | 13,80,58,329 |
| Current tax | - | - | 5,60,00,000 | - | - | 5,00,00,000 |
| Deferred tax | - | - | (87,56,161) | - | - | (31,38,925) |
| Fringe benefit tax | - | - | 40,00,000 | - | - | 30,00,000 |
| Net profit for the year | - | - | 9,41,68,124 | - | - | 8,81,97,254 |
| Segment assets | 42,29,99,165 | 1,13,38,746 | 43,43,37,911 | 37,81,22,329 | 1,76,75,278 | 39,57,97,607 |
| Segment liabilities | 13,90,24,705 | 43,73,184 | 14,33,97,889 | 16,56,56,262 | 66,73,189 | 17,23,29,451 |
| Capital employed | 28,39,74,460 | 69,65,562 | 29,09,40,022 | 21,24,66,067 | 1,10,02,089 | 22,34,68,156 |
| Capital expenditure | - | - | 2,79,37,297 | - | - | 2,11,93,506 |
| Depreciation for the year | - | - | 1,44,43,974* | - | - | 1,06,33,496* |

* Includes figures pertaining to the Head Office

b. Secondary business segments- Revenue by geographical regions

| Details | Current year (Rs.) | Previous year (Rs.) |
|----------------------|-----------------------|-----------------------|
| India | 1,05,44,55,728 | 1,00,50,22,838 |
| Outside India | 1,57,07,036 | 55,59,756 |
| Total revenue | 1,07,01,62,764 | 1,01,05,82,594 |

8. Details of provision for warranties

| Details | Amount (Rs.) |
|--|--------------------|
| Opening balance | 51,49,769 |
| Provision made during the current year | 1,27,97,188 |
| Less: Amount utilised | 41,71,401 |
| Balance | 1,37,75,556 |

9. Related party disclosure under Accounting Standard 18:

- a. Holding companies : Nil
- b. Subsidiary companies : Nil
- c. Associate companies : J B Advani and Company Private Limited (JBA)
Ador Welding Limited (AWL)
- d. Key management personnel : Mr. H P Ledwani
- e. Relatives of key management personnel
(where transactions have taken place) : Mrs. Sunila H Ledwani
- f. Nature of transactions during the year:

| Details | Current Year (Rs.) | | | | Previous Year (Rs.) | | | |
|--|--------------------|---------------------------------------|--------------------|-------------|---------------------|---------------------------------------|--------------------|--------------|
| | Directors | Relatives of key management personnel | Corporate entities | | Directors | Relatives of key management personnel | Corporate entities | |
| | | | JBA | AWL | | | JBA | AWL |
| Remuneration | 57,13,534 | - | - | - | 49,48,891 | - | - | - |
| Rent | 9,00,000 | 9,00,000 | - | 4,83,000 | 6,30,000 | 6,30,000 | - | 3,48,000 |
| Lease rental deposit | 10,00,000 | - | - | - | - | - | - | - |
| Purchase of traded goods and machineries | - | - | 38,82,569 | 4,67,71,520 | - | - | 70,14,483 | 12,56,49,124 |
| Sale of traded goods/Services | - | - | - | - | - | - | - | 28,27,710 |
| Product development charges | - | - | - | - | - | - | - | 50,00,000 |
| Purchase of fixed assets | - | - | - | 12,41,310 | - | - | - | - |
| Royalty | - | - | - | 1,93,020 | - | - | - | 44,01,298 |

An amount of Rs. 10,00,000/- (Rupees ten lakhs only) was paid to JBA Charitable Fund during the year 2008-09 which qualifies for deduction under Section 80 (G) of the Income Tax Act.

10. Directors' emoluments (excluding reimbursement of expenses at actuals):
a. Managing Director

| Details | Current Year (Rs.) | Previous Year (Rs.) |
|---|--------------------|---------------------|
| Salary and allowances | 30,00,000 | 22,75,000 |
| Contribution to provident fund | 3,60,000 | 2,52,000 |
| Performance incentive | 11,36,738 | 10,76,645 |
| Value of perquisites (evaluated as per Income tax rules, wherever applicable) | 12,16,796 | 13,45,246 |
| Total | 57,13,534 | 49,48,891 |

Note: Directors' remuneration excludes contribution to group retirement benefit schemes.

Schedules

b. Computation of net profit in accordance with Section 198 (1) of the Companies Act, 1956

| Details | Amount (Rs.) |
|--|--------------|
| Profit after tax | 9,41,68,124 |
| Add: Provision for taxation | 5,12,43,839 |
| Loss on sale of assets | 4,39,545 |
| Directors' remuneration | 57,13,534 |
| Net profit as per Section 198 (1) of the Companies Act, 1956 | 15,15,65,042 |
| Commission to Managing Director @0.75% | 11,36,738 |

c. Non-whole time Directors

| Details | Current year (Rs.) | Previous year (Rs.) |
|--------------|--------------------|---------------------|
| Sitting fees | 2,04,000 | 1,60,000 |

11. Disclosure for leases under Accounting Standard 19:

a. Financial Lease

The net carrying amount of assets acquired under financial lease: Nil

b. Operating Lease

The Company has entered in to cancellable operating lease with an option to renew in respect of certain godowns, offices and residential premises. The expenditure incurred thereon amounting to Rs. 57,22,864 (Previous year Rs. 49,48,814) has been charged to the Profit and Loss account.

12. Earnings per share

| Details | Year ended 31.03.09 (Rs.) | Year ended 31.03.08 (Rs.) |
|---|------------------------------|------------------------------|
| Profit for the year after tax | 9,41,68,124 | 8,81,97,254 |
| Add/(less): Prior period adjustments | - | 62,084 |
| Excess/(short): Provision for taxes in respect of earlier years (net) | 23,84,408 | (10,46,595) |
| Add/(less): (Surplus)/deficit on sale of assets (net of taxes) | 4,39,545 | 5,45,521 |
| Net profit for the year | 9,69,92,077 | 8,77,58,264 |
| Number of equity shares | 35,00,000 | 35,00,000 |
| Earnings per share of Rs. 10/- each | 27.71 | 25.07 |

The Company does not have any outstanding dilutive potential equity shares as at March 31, 2009. Consequently, the basic and diluted earnings per share of the Company remain the same.

13. Deferred tax

Deferred tax liability and assets are attributable to the following items:

| | As at 31.03.09 (Rs.) | As at 31.03.08 (Rs.) |
|-----------------------------------|----------------------|----------------------|
| a. Liability | | |
| Depreciation | 24,63,206 | 28,06,119 |
| b. Assets | | |
| Provision for retirement benefits | 1,24,36,268 | 61,34,389 |
| Provision for warranties | 38,61,776 | 17,50,407 |
| Total | 1,62,98,044 | 78,84,796 |
| Net deferred tax asset | 1,38,34,838 | 50,78,677 |

14. Amount transferred to the Investor education and protection fund during the year was Rs. 1,84,220.

15. a. Working capital facilities from banks are secured by a charge on fixed assets, book debts and hypothecation of the Company's stock, both present and future.

b. The charge on movable and immovable properties (both present and future) in favour of the Company's bankers also covers guarantees and letters of credit, if any, issued by them in the normal course of business.

16. Employee benefits

The Company has determined the liability for employee benefits as at March 31, 2009 in accordance with the Accounting Standard 15 (revised).

| a. Details of gratuity (funded) plan: | Amount (Rs.) |
|---|--------------|
| (i) Expenses recognised in the statement of the Profit and Loss account for the year ended 31.03.09 | |
| Current service cost | 7,18,778 |
| Interest on defined benefit obligation | 7,90,805 |
| Expected return on plan assets | (6,39,303) |
| Net actuarial losses/(gains) recognised during the year | 16,99,133 |
| Total amount included in the 'Employee benefit expenses' | 25,69,413 |
| (ii) Net Asset/(Liability) recognised in the Balance Sheet | |
| Present value of funded obligations | 1,13,13,468 |
| Fair value of the plan assets | (92,79,159) |
| Net liability | 20,34,309 |
| (iii) Change in the defined benefit obligation | |
| Opening defined benefit obligation | 92,79,159 |
| Current service cost | 7,18,778 |
| Interest cost | 7,90,805 |
| Actuarial losses/(gain) | 11,97,342 |
| Benefits paid | (6,72,616) |
| Closing defined benefit obligation | 1,13,13,468 |
| (iv) Change in the fair value of assets | |
| Opening fair value of plan assets | 86,94,203 |
| Expected return on plan assets | 6,39,303 |
| Actuarial gain/(losses) | (5,01,791) |
| Contributions by the employer | 11,20,060 |
| Benefits paid | (6,72,616) |
| Closing fair value of plan assets | 92,79,159 |

b. Defined benefit obligation of compensated absence amounts to Rs. 2,52,74,551 as on March 31, 2009.

c. Principal actuarial assumptions

| Details | Year ended 31.03.09 | Year ended 31.03.08 |
|--|---------------------|---------------------|
| Discount Rate (p.a) | 7.60% | 8.30% |
| Expected rate of return on assets (p.a.) | 7.50% | 7.50% |
| Salary escalation rate (p.a.) | 7.00% | 7.00% |
| Leaving service: 21-44 years | 2% | 2% |
| 45-57 years | 1% | 1% |

17. Purchase and sales/redemption of investments during the year

| Description | Acquisition | | Redemption | | Value as at 31.03.09 (Including dividend re-invested) | |
|----------------------------|-------------|--------------|------------|--------------|---|--------------|
| | Nos. | Amount (Rs.) | Nos. | Amount (Rs.) | Nos. | Amount (Rs.) |
| Unit Trust of India | | | | | | |
| 6.75% Tax free US 64 Bonds | - | - | 2,546 | 2,54,600 | - | - |
| HDFC Cash Management Fund | | | | | | |
| Treasury Advantage Plan | 9,968.599 | 1,00,000 | - | - | 10,464.919 | 1,04,980 |

Schedules

18. Payment to Auditors (including audit of branch/units):

| | Current year (Rs.) | Previous year (Rs.) |
|-------------------------------------|--------------------|---------------------|
| a. Audit fees | 3,12,500 | 3,03,090 |
| b. Tax audit | 1,80,000 | 1,55,618 |
| c. Certification and allied matters | 1,60,000 | 1,00,000 |
| Total | 6,52,500 | 5,58,708 |
| d. Service tax thereon | 59,225 | 64,890 |
| Amount paid including service tax | 7,11,725 | 6,23,598 |

| | As at 31.03.09 Rs. | As at 31.03.08 Rs. |
|-----------------------------|--------------------------|--------------------------|
| 19. Contingent liabilities: | | |

| | | |
|--|-------------|-------------|
| a. Outstanding guarantees | | |
| Bank guarantees (Including performance guarantees) | 1,70,12,032 | 1,26,42,490 |
| b. Claims against the Company not acknowledged as debt | | |
| Demand raised under excise duty | 70,73,413 | - |

No provision has been made in the Company's accounts in respect of the above demand raised by the Central Excise Department as regards levy of excise duty on traded goods. The Company has obtained legal opinion that the demand is not sustainable and has filed an appeal dated 19.11.08. An amount of Rs. 10,00,000 (Rupees ten lakhs only) has since been paid under protest on specific demand by the authorities and the same is in waiver of all other pre-deposit requirements. A stay order has been granted vide reference no. S/115/09/EB/C-II dated 26.03.09 recognising Cenvat credit and pending disposal of the appeal.

20. Micro, Small and Medium Enterprises Development Act, 2006:

The Company has not received any intimation from its vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006. Nonetheless, there are no amounts outstanding for a period beyond the stipulated period as specified under Micro, Small and Medium Enterprises Development Act, 2006.

21. Figures in brackets indicate negative values.

22. Figures of the previous year have been regrouped/recast wherever necessary, to conform to the current period's classification.

Signature to schedules A to P

As per our report of even date attached
For **Amarnath Kamath and Associates**
Chartered Accountants

On behalf of the Board of Directors

N Malkani Nagpal
Chairman

H P Ledwani
Managing Director

Amarnath Kamath
Partner (Membership No. 13124)
Bangalore, April 30, 2009

Geetha D
Company Secretary
Mumbai, April 29, 2009

Cash Flow Statement

Pursuant to clause 32 of the Listing Agreement with the Stock Exchange:

| | 2008-09 | Amount (Rs.) 2007-08 |
|--|----------------------|-------------------------|
| 1. Cash flow from operating activities: | | |
| Net profit before tax as per Profit and Loss account | 14,54,11,963 | 13,80,58,329 |
| Adjusted for: | | |
| - Depreciation | 1,44,43,974 | 1,06,33,496 |
| - (Profit)/Loss on sale of assets and investments | 4,39,545 | 5,44,914 |
| - Dividend/interest income | (29,00,659) | (12,93,487) |
| - Bad debts/advances provided written-off net of recovery/write back | - | 5,88,568 |
| | 1,19,82,860 | 1,04,73,491 |
| Operating profit before changes in working capital | 15,73,94,823 | 14,85,31,820 |
| Adjusted for: | | |
| - Trade and other receivables | 3,67,82,421 | (3,86,46,293) |
| - Inventories | (1,24,53,855) | 63,12,070 |
| - Trade payables | (4,26,16,684) | 2,01,04,024 |
| - Movement in loans and advances | (84,04,481) | (1,71,39,365) |
| - Movement in other current liabilities and provisions | 1,04,23,630 | 95,93,631 |
| Cash generated from operations | 14,11,25,854 | 12,87,55,887 |
| - Taxes paid | (5,43,53,383) | (5,00,78,254) |
| Net cash from operating activities | 8,67,72,471 | 7,86,77,633 |
| 2. Cash flow from investing activities: | | |
| Purchase of fixed assets | (2,79,37,297) | (2,11,93,506) |
| Sale of fixed assets | 20,65,298 | 21,30,171 |
| Purchase of investments | (1,00,000) | (1,00,26,805) |
| Sale of investments/redemption of bonds | 2,54,600 | 1,00,27,412 |
| Dividend/interest income | 29,00,659 | 12,93,487 |
| Net cash used in investing activities | (2,28,16,740) | (1,77,69,241) |
| 3. Cash flow from financing activities: | | |
| Secured loans | - | - |
| Dividends paid including tax | (2,04,74,125) | (2,04,74,125) |
| Interest paid | - | - |
| Net cash used in financing activities | (2,04,74,125) | (2,04,74,125) |
| Net increase in cash and cash equivalents (1+2+3) | 4,34,81,606 | 4,04,34,267 |
| Opening balance of cash and cash equivalents | 7,01,15,666 | 2,96,81,399 |
| Closing balance of cash and cash equivalents | 11,35,97,272 | 7,01,15,666 |

As per our report of even date attached

On behalf of the Board of Directors

For **Amarnath Kamath and Associates**
Chartered Accountants

N Malkani Nagpal
Chairman

H P Ledwani
Managing Director

Amarnath Kamath
Partner (Membership No. 13124)
Bangalore, April 30, 2009

Geetha D
Company Secretary
Mumbai, April 29, 2009

Balance Sheet Abstract and the Company's General Business Profile

I Registration details:

| | |
|----------------------|----------|
| - Registration no. | 20010 |
| - State code | 8 |
| - Balance Sheet date | 31.03.09 |

II Capital raised during the year:

| | |
|----------------------|---|
| - Public/fresh issue | - |
| - Rights issue | - |
| - Bonus issue | - |
| - Private placement | - |

Amount (Rs.)

III Position of mobilisation and deployment of funds:

| | |
|---------------------|--------------|
| - Total liabilities | 30,48,79,840 |
| - Total assets | 30,48,79,840 |

Sources of funds:

| | |
|------------------------|--------------|
| - Paid up capital | 3,50,00,000 |
| - Reserves and surplus | 26,98,79,840 |

Application of funds:

| | |
|----------------------|--------------|
| - Net fixed assets | 7,95,18,706 |
| - Investments | 1,04,980 |
| - Deferred tax (net) | 1,38,34,838 |
| - Net current asset | 21,14,21,316 |

IV Performance of the Company

| | |
|---------------------------|----------------|
| - Turnover/other income | 1,07,01,62,764 |
| - Total expenditure | 92,47,50,801 |
| - Profit before taxation | 14,54,11,963 |
| - Net profit for the year | 9,41,68,124 |
| - Net earnings per share | 27.71 |
| - Dividend rate | fifty percent |

V Generic names of principal products/services of the Company

| | |
|---------------------|--------------------------------------|
| Item code no. | : 83111000 |
| Product description | : Welding electrodes (low heat) |
| Item code no. | : 83112000 |
| Product description | : Flux cored arc welding consumables |

As per our report of even date attached

On behalf of the Board of Directors

For **Amarnath Kamath and Associates**
Chartered Accountants

N Malkani Nagpal
Chairman

H P Ledwani
Managing Director

Amarnath Kamath
Partner (Membership No. 13124)
Bangalore, April 30, 2009

Geetha D
Company Secretary
Mumbai, April 29, 2009

Ador Fontech Limited
Belview, 7, Haudin Road, Bangalore 560 042.

PROXY FORM

I/We of

being a Member/Members of the above named Company hereby appoint

of or failing him/her of
as my/our proxy to attend and vote for me/us on my/our behalf at the 34th Annual General Meeting of the Company, to be held on Thursday, July 16, 2009 at 11.30 hours at Hotel Ajantha, 22-A, M G Road, Bangalore 560 001 and at my adjournment thereof.

*I/We wish my/our above Proxy to vote in the manner as indicated in the box below:

| Resolutions | For | Against |
|---|-----|---------|
| Adoption of Annual Accounts and Reports | | |
| Declaration of Dividend | | |
| Re-appointment of Mrs. N Malkani Nagpal as Director | | |
| Appointment of Statutory Auditors | | |
| Appointment of Mr. Navroze Shiamak Marshall as Director | | |
| Appointment of Mr. Sanjeet Thadani as Director | | |
| Appointment of Branch Auditors | | |

Signed this day of 2009, Signature

Registered Folio no./Client ID Number of shares

- Notes: 1. The proxy form to be effective, should be deposited at the registered office of the Company at Belview, 7, Haudin Road, Bangalore 560 042 not less than forty eight hours before the commencement of the aforesaid meeting.
2. A proxy need not be a member of the Company.
- *3. This is only optional. Please mark "✓" in the appropriate column against the resolutions indicated in the box. If you leave the "For" or "Against" column blank against any or all the resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate. Should you so desire, you may also appoint the Chairman or the Company Secretary of the Company as your proxy, who shall carry out your mandate as indicated above in the event of a poll being demanded at the meeting.

Ador Fontech Limited
Belview, 7, Haudin Road, Bangalore 560 042.

ATTENDANCE SLIP

LF No. Number of shares

DP ID Client ID

I hereby record my presence at the 34th Annual General Meeting of the Company, on Thursday, July 16, 2009 at 11.30 hours at Hotel Ajantha, 22-A, M G Road, Bangalore 560 001.

Name of the Shareholder (in BLOCK letters)

Signature of the Shareholder

Name of the Proxy (in BLOCK letters)

Signature of the Proxy

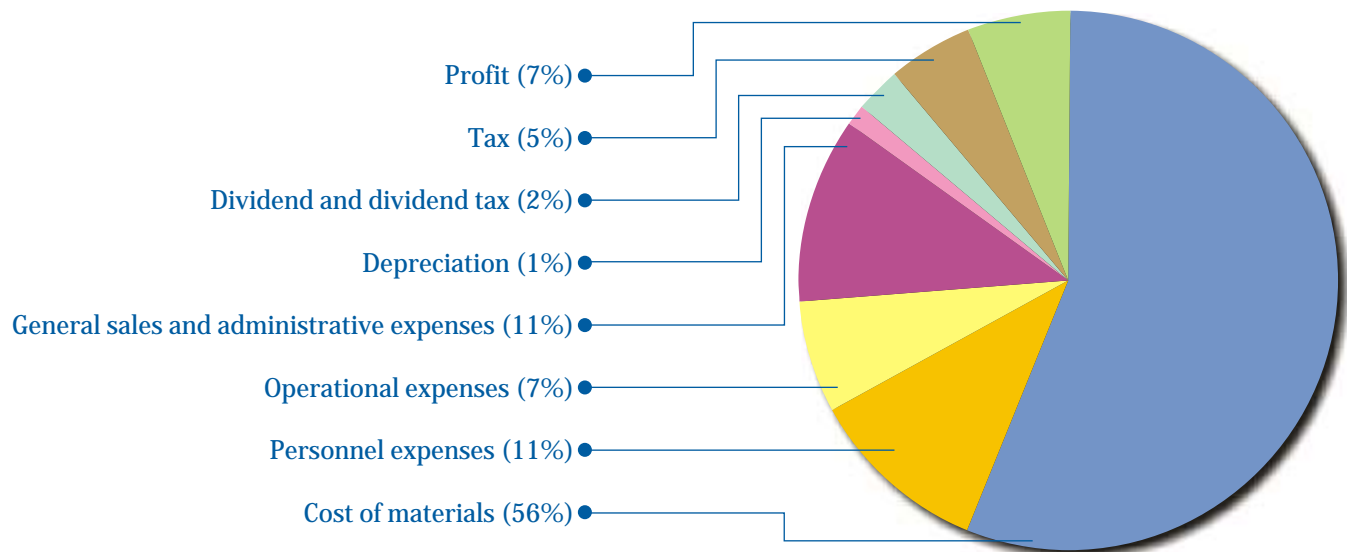
- Notes: 1. You are requested to sign and hand over this slip at the entrance of the meeting venue.
2. This attendance is valid only in case shares are held on the date of the meeting.

Five years at a glance

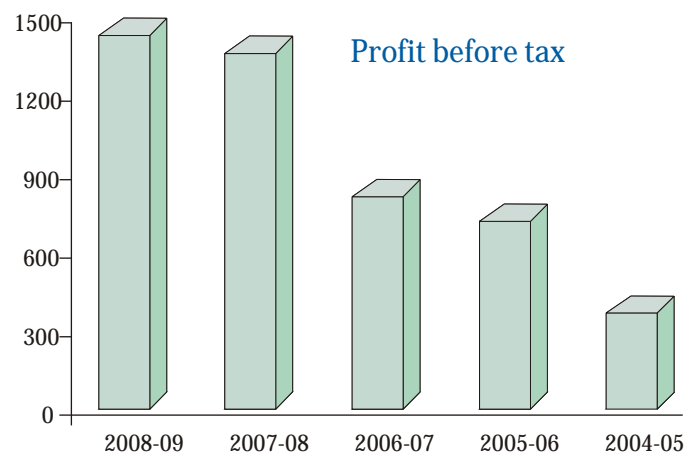
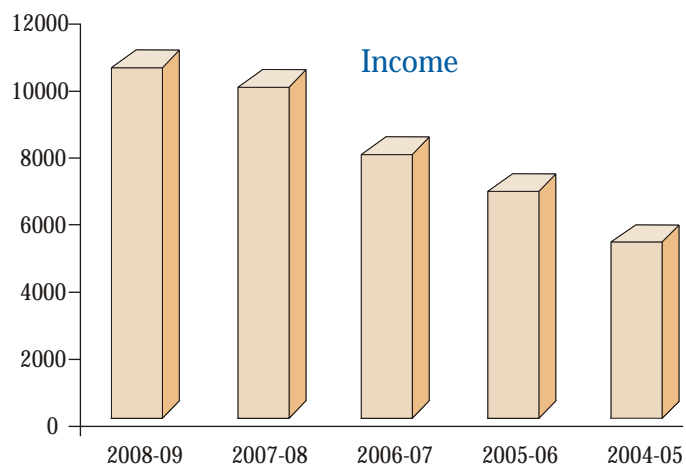
Amount (Rs. L)

| Particulars | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|----------------------|---------|---------|---------|---------|---------|
| Income | 10702 | 10106 | 8070 | 7001 | 5554 |
| Expenditure | 9248 | 8725 | 7235 | 6262 | 5166 |
| Profit before tax | 1454 | 1381 | 835 | 739 | 388 |
| Tax | 512 | 499 | 323 | 294 | 109 |
| Profit after tax | 942 | 882 | 512 | 445 | 279 |
| Share capital | 350 | 350 | 350 | 350 | 350 |
| Reserves and surplus | 2699 | 1938 | 1293 | 985 | 708 |

Distribution of Revenue



Growth Charts





Reclamation, Fusion
Surfacing & Spraying Solutions

Ador Fontech Limited

Belview 7 Haudin Road Bangalore 560 042

Tel: 080 25596045 25596073

Fax: 080 25597085 25594601

e-mail: customerservice@adorfon.com / investorservice@adorfon.com