



34TH

ANNUAL REPORT
2005-2006

Amforge Industries Limited



Amforge Industries Limited

Annual Report 2005-2006

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REGISTERED OFFICE

United Bank of India Building,
6th Floor, Sir P. M. Road,
Fort, Mumbai - 400 001.
Telefax : 022- 2282 8933
Tele : 022- 2287 1227
Email : amfcosec@mtnl.net.in

CORPORATE OFFICE

108-111, Raheja Chambers,
Free Press Journal Marg,
Nariman Point, Mumbai - 400 021.
Telephone : 022-6636 5962
Fax : 022-6636 5964

WORKS

32-D-2, M.I.D.C. Area
Chinchwad,
Pune - 411 019.
Maharashtra State.

34TH ANNUAL GENERAL MEETING

on
Friday, the 29th September, 2006
at 12.00 Noon at

Maharashtra Chamber of Commerce and Industry,
Babasaheb Dahanukar Sabhagriha,
Oricon House, 6th Floor, 12, K. Dubhash Road,
Fort, Mumbai - 400 001.

BOARD OF DIRECTORS

Yogiraj Makar - Chairman *Emeritus*
Puneet Makar - Chairman & Managing Director
Fali P. Mama - Director
Kishore Chakraborty - Nominee IIBI
Smt. Reshma Y. Makar
Bhushan Lal Gupta
Sunil K. Aggarwal
Vijay S. Choksi

AUDITORS

Bansal & Associates,
Chartered Accountants,
Mumbai.

SOLICITORS

Mulla & Mulla, Craigie Blunt & Caroe

REGISTRARS AND TRANSFER AGENTS

Sharex Dynamic (India) Private Limited
Unit-1, Luthra Industrial Premises,
Safed Pool, Andheri-Kurla Road,
Andheri (E), Mumbai - 400 072.
Telephone : 022-28515606 / 28515644
Fax : 022-28512885
E-mail : sharexindia@vsnl.com

As a measure of economy, copies of the Annual Report will not be distributed at the Meeting and, therefore, Members are requested to bring their copies of the Annual Report to the Meeting.

Amforce Industries Limited

NOTICE

NOTICE is hereby given that the THIRTY-FOURTH ANNUAL GENERAL MEETING of Amforce Industries Limited will be held on Friday, the 29th September, 2006 at 12.00 Noon at Maharashtra Chamber of Commerce and Industry, Babasaheb Dahanukar Sabhagriha, Oricon House, 6th Floor, 12, K. Dubhash Road, Fort, Mumbai-400 001 to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit & Loss Account of the Company for the year ended on that date, together with the reports of the Directors and the Auditors.
2. To appoint a Director in place of Shri. Yogiraj Makar, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Shri. Puneet Makar in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of a Director be and is hereby appointed a Director of the Company."

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT Mr. Puneet Makar be and is hereby re-appointed Chairman & Managing Director of the Company for a period of three years with effect from 1st October, 2006."

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 198, 269, 309, 310, 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the following remuneration be paid to Shri Puneet Makar:

1. Salary

Rs. 150,000/- per month

2. Commission

It shall not be more than 1% of net profits of the company.

3. Perquisites

Perquisites including allowances, if any, may be paid in such a form and to such an extent as may be decided by the Board from time to time so that the remuneration including perquisites shall not exceed 5% of net profits of the Company and in the year of absence of profits or inadequacy of profits, the value of these perquisites shall not exceed Rs. 75,000 p.m. or Rs.9.00 lacs per annum -

a) Housing

- i) The expenditure by the Company on hiring unfurnished accommodation subject to the ceiling of sixty per cent of the salary over and above ten per cent payable by Shri Puneet Makar
- ii) In case the accommodation owned by the Company is provided, Shri Puneet Makar shall pay to the Company ten per cent of his salary
- iii) In case no accommodation is provided by the Company, Shri Puneet Makar shall be entitled to House Rent Allowance subject to the ceiling laid down in Housing - i

Explanation:

The Expenditure incurred by the Company on gas, electricity water and furnishings will be evaluated as per the Income Tax Rules, 1962.

b) Medical Reimbursement

Expenses incurred for self and family subject to a ceiling of one month's salary in a year or five months' salary over a period of five years. In case of Medical expenses incurred abroad, on special treatment, the same may be paid /reimbursed in addition to the above subject to the provisions in the Act/Rules in this regard and as may be approved by the Board.

c) Leave Travel Concession

For self and family once in a year incurred in accordance with the rules of the Company.

Annual Report 2005-2006**d) Club Fees**

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

e) Personal Accident Insurance

Premium not to exceed Rs. 4,000/- per annum.

Explanation:

"Family" means the spouse, the dependent children and dependent parents.

4. Contribution to Provident Fund, etc.

Contribution to Provident Fund, Super Annuation Fund or Annuity Fund shall be as per the Rules of such Funds in force but, however, the amount so contributed will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

5. Gratuity

Gratuity payable shall not exceed half a month's salary for each completed year of service. The amount so contributed will not be included in the computation of ceiling on perquisites.

6. Encashment of leave at the end of the tenure.

7. Provision of car for use on Company's business and telephones at residence will not be considered as perquisites. Personal long distance calls on telephones and use of car for private purpose shall be billed by the Company to Shri Puneet Makar."

"RESOLVED FURTHER THAT the Board of Directors of the Company ("THE BOARD") be and is hereby authorised to vary Shri Puneet Makar's designation and also to alter, increase, or modify the terms and conditions of remuneration and or perquisites payable to him during the aforesaid period but so as not to exceed the maximum permissible limits specified in Schedule XIII to the Companies Act, 1956, for the time being and from time to time, in force."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits during Shri Puneet Makar's term of office, the remuneration mentioned above shall be payable as minimum remuneration subject to restrictions and conditions provided under Section II of Part II of Schedule XIII to the Act.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors to give effect to the aforesaid resolutions."

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED, pursuant to Regulation 119 of the Articles of Association of the Company, THAT the Company do call upon, and shall always deemed to have been called upon, Shri. Yogiraj Makar, Director of the Company to deliver technical advisory services in production techniques of forged articles from time to time and THAT be paid compensation not exceeding Rs.12.00 lacs (Rupees twelve lacs only) per annum there-against and that he shall also be provided with the following, in addition to the compensation herein-referred-above ;

- i) payment/reimbursement of telephone/fax expenses incurred for the purposes of the Company;
- ii) reimbursement of conveyance expenses/travelling expenses incurred for the purposes of the Company or provision of Company's car in lieu thereof;
- iii) reimbursement of medical expenses to Shri. Yogiraj Makar incurred by him for himself and his family in India or abroad during the period his technical advisory services are availed of by the Company."

"RESOLVED FURTHER THAT the said compensation be paid to Shri. Yogiraj Makar against his bills and reimbursement of expenses against production of relevant vouchers / bills, etc. and subject to deduction of tax at source, as may be applicable."

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED, pursuant to Regulation 119 of the Articles of Association of the Company, THAT the Company do call upon, and shall always deemed to have been called upon, Shri. Fali P. Mama, Director of the Company to deliver advisory services in the areas of materials management, general administration and plant level operations from time to time and THAT be paid compensation not exceeding Rs.6.00 lacs (Rupees Six lacs only) per annum there-against and that he shall also be provided with the following, in addition to the compensation herein referred above ;

- i) payment/reimbursement of telephone/fax expenses incurred for the purposes of the Company;
- ii) reimbursement of conveyance expenses/travelling expenses incurred for the purposes of the Company or provision of Company's car in lieu thereof;

Amforce Industries Limited

iii) reimbursement of medical expenses to Shri. Fali P. Mama incurred by him and his spouse for himself in India during the period his technical advisory services are availed of by the Company.

"RESOLVED FURTHER THAT the said compensation be paid to Shri. Fali P. Mama against his bills and reimbursement of expenses against production of relevant vouchers / bills, etc. and subject to deduction of tax at source, as may be applicable."

By Order of the Board of Directors

Registered Office:

United Bank of India Bldg.,
6th Floor, Sir P. M. Road,
Fort, Mumbai - 400 001.

Mumbai,

Dated : 28th July, 2006.

Puneet Makar

Chairman & Managing Director

NOTES :

- a) The Explanatory Statement setting out the material facts concerning the Special business mentioned under Item No. 3 of the Notice as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. A DULY COMPLETED PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- c) The Register of Members and the share transfer books of the Company will remain closed from Monday, the 18th September, 2006 to Friday, the 29th September, 2006 (both days inclusive).
- d) Members who desire any information as regards the Accounts are requested to write to the Company at least 10 days before the date of the Meeting so as to enable the Management to keep the information ready.
- e) Members, having the shares in physical form, are requested to notify immediately any change in their addresses to the Company's Registrars and Transfer Agents, Sharex- Dynamic (India) Pvt. Ltd., Unit-1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072. Telephone: 022-28515644, Fax: 022-2851 2885. Email - sharexindia@vsnl.com
- f) The Company in accordance with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, has transferred to General Revenue Account of Government, all dividends declared up to the dividend for the year 1993-94 and remaining unclaimed. Concerned shareholders can receive the unclaimed dividend from the Registrar of Companies, Maharashtra, at Hakoba Compound, 2nd Floor, Dattaram Lad Marg, Kalachowki, Chinchpokli (East), Mumbai - 400 033, upon preferring an application in the form prescribed under the said rules.
- g) The Company did not declare dividend since 1997.
- h) Members holding shares in identical order of names in more than one folio are requested to write to the Company's Registrar and Transfer Agents enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
- i) Members of erstwhile Tru Wheels Limited who have not yet surrendered their old certificate for exchange with the certificate of Amforce, consequent to amalgamation are requested to correspond with the Company's Registrars and Transfer Agents.
- j) In consideration of demerger of Chakan Plant into Mahindra Automotive Steels Ltd., the shareholders of the Company, as on 24.04.2006, were issued 1 No. 4% Non-cumulative Redeemable, Non-convertible Preference Share of Rs.31/- each and 1 Number Equity Share of Rs.10/- each against every equity share of the Company. Any shareholders who were holding equity shares of the Company on 24.04.2006 may correspondence, in relation of the preference and equity shares issued by Mahindra Automotive Steels Ltd, to the RTA - Karvy Computershare Pvt. Ltd., Avenue - 4, Street No.1, Banjara Hills, Hyderabad - 500 034. Telephone No. 040-23312454.
- k) Consequent on reduction in capital of the Company, the Company has allotted and dispatched / credited Equity Share of Rs.2/- each fully paid against each Equity Share of Rs.10/- each to the shareholders as of 24.04.2006. For any enquiry about the non-receipt of the said equity shares, the shareholders may correspond with our RTA - Sharex - Dynamic (India) Pvt. Ltd., Unit - 1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072. Telephone: 022-28515644, Fax: 022-28512885. Email- sharexindia@vsnl.com
- l) The old equity share certificates of Rs.10/- each fully paid-up are no more tradable and have no commercial value.
- m) The new ISIN of the Company's present Equity Shares of Rs.2/- each is INE991A01020.
- n) The deliveries of shares of the Company are compulsorily in dematerialized form.

*Annual Report 2005-2006***ANNEXURE TO THE NOTICE PURSUANT TO THE PROVISIONS OF
SECTION 173(2) OF THE COMPANIES ACT, 1956****EXPLANATORY STATEMENT:****ITEM NOS. 4 & 5 :**

Shri. Puneet Makar had been re-appointed for a term of 5 years from 1.10.2001 to 30.09.2006. He had been re-appointed as Joint Managing Director and was promoted to the position of Chairman & Managing Director with the resignation of Shri. Yogiraj Makar w.e.f. 01.04.2002 on the same salary what he was drawing as per the Special Resolution passed by the Shareholders in the 29th AGM on 20.11.2001 with provision for revision of the said salary. The remuneration of Shri. Puneet Makar was increased w.e.f. 01.04.2003 with the approval of the Central Government vide their letter No. 2/88/2003-CL.VII dtd.20.04.2005 from Rs.75,000 p.m. to Rs.1,50,000 p.m. upto 30.09.2006.

Notice in writing has been received from a Shareholder of the Company signifying his intention proposing Shri Puneet Makar as a candidate for the Office of Director. The Directors recommend appointment of Shri. Puneet Makar as a Director. The Directors of the Company recommend the re-appointment of Shri. Puneet Makar as a Director of the Company.

The term of office of Shri. Puneet Makar is due to expire on 30.09.2006. The term of office of Shri. Puneet Makar as a Chairman & Managing Director is extended for a further term of 3 years on the remuneration approved by the Remuneration Committee in its meeting held on 28.07.2006 by the Board of Directors on the same date.

For re-appointing Shri. Puneet Makar for a term of 3 years as a Chairman & Managing Director, he is required to be appointed as Director in the 34th Annual General Meeting.

The remuneration payable, as shown in the body of the Resolution, to Shri. Puneet Makar as a Chairman & Managing Director for a further period of 3 years is subject to approval of the Central Government and Special Resolution of the Shareholders in their meeting.

The Directors also recommend approval to the remuneration of Shri Puneet Makar stated in the body of the resolution.

Shri Puneet Makar (44), a Graduate in Business Administration from the U.S.A, has served the Company, holding several senior positions for over 17 years of which the last 4 years is as Chairman and Managing Director. With his leadership qualities and dynamism, he has substantially contributed to the corporate strategies and growth of the Company during this period. The Company has substantially reduced its debts by entering into one time settlement and debts restructuring with many of the lenders.

The above may be treated as an abstract under Section 302 of the Companies Act, 1956.

Shri. Puneet Makar himself, Shri. Yogiraj Makar and Smt. Reshma Y. Makar, directors of the Company, shall be deemed to be interested in the Resolution.

ITEM NO. 6 :

Shri. Yogiraj Makar is a non-executive director of the Company. Since he was experienced and having requisite skill and expertise, the Board had requested him to render certain services to the Company on certain fees/compensation w.e.f. 01.08.2002 duly revised from 01.10.2004.

As per requirement of the amended Clause 49 I (B) of the Listing Agreement with the Bombay Stock Exchange Limited, that has come into operation from 01.01.2006, the fees/compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in general meeting.

The fees/compensation being paid to Shri. Yogiraj Makar has been approved by the Remuneration Committee and Board in their respective meetings at appropriate time. The said requirement for rendering services and payment of fees/compensation is sought to be put before the shareholders in the ensuing annual general meeting in terms of Clause 49.

The details of Shri. Yogiraj Makar is given at the end of the notice since he is also seeking re-appointment.

The Board of Directors recommends passing of this resolution.

Shri. Yogiraj Makar himself, Shri. Puneet Makar and Smt. Reshma Y. Makar, directors of the Company, shall be deemed to be interested in the Resolution.

ITEM NO. 7 :

Shri. Fali P. Mama is a non-executive and independent director of the Company. Since he was experienced and having requisite skill and expertise, the Board had requested him to render certain services to the Company on certain fees/compensation w.e.f. 01.10.2003.

Amforge Industries Limited

As per requirement of the amended Clause 49-I (B) of the Listing Agreement with the Bombay Stock Exchange Limited, that has come into operation from 01.01.2006, the fees/compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in general meeting.

The fees / compensation being paid to Shri. Fali P. Mama has been approved by the Remuneration Committee and Board in their respective meetings at appropriate time. The said requirement for rendering services and payment of fees/compensation is sought to be put before the shareholders in the ensuing annual general meeting in terms of Clause 49.

Shri. Fali P. Mama is having tremendous experience and exposure in the areas of material management, general administration and plant level operations for over 40 years in the Indian automotive and engineering industries. The Company has been receiving his valued advice since the day he joined as Director of the Company. Since the Company is finding it very advantageous to receive his guidance in the above areas, the Board of Directors requested him to render such management advisory services, whenever required and fixed compensation towards the same payable to him w.e.f. 1.10.2003.

Shri. Fali P. Mama (70) is having degrees of B.Sc., LL.B. and has done diploma in Accountancy. He has excellent interpersonal skills, is a problem solver and effective negotiator and communicator.

He worked as General Manager (Materials) in TELCO for 32 years. During this period, he was responsible at corporate level for planning, negotiation and buying of components, raw materials and consumables both local and imported for all 3 plants of TELCO. Buying experience largely related to procurement of steel from European, Korean and Japanese Mills. Also other steel products like Forgings and Castings. Co-ordination and inter-action with the production plants vis-à-vis vehicle production schedule, material availability, quality acceptance and R&D for design and material specifications and modifications, etc.

After retiring from TELCO he joined Anand Group (Auto Components) in 1996 as a President. At present he is practising as a Management Consultant.

In view of above, the Board is also of the opinion that it is imperative, in the paramount interest of the Company, to avail of his advisory services whenever required. Shri. Fali P. Mama has also kindly consented to render such services and make available his rich experience and knowledge in automobile and engineering industry to Amforge from time to time, as and when required.

All the documents referred to in Item Nos. 4 to 7 are available for the inspection of the Members at the Registered Office of the Company during business hours on any working day between 10.30 a.m. and 1.00 p.m.

By Order of the Board of Directors

Registered Office:

United Bank of India Bldg.,
6th Floor, Sir P. M. Road,
Fort, Mumbai - 400 001.

Mumbai,

Dated : 28th July, 2006.

Puneet Makar
Chairman & Managing Director

DETAILS OF DIRECTORS BEING RE-APPOINTED AT THE ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 (IV)(G)(I) OF THE LISTING AGREEMENT).

Name of Director	Shri Puneet Y. Makar	Shri. Yogiraj Makar
Age	44 years	77 years
Qualification	MBA (USA)	B.Sc. (Metallurgy)
Date of Appointment	1.10.1994	21.04.1971
Expertise	Corporate Strategy, Financial Management. Day to day affairs of the Company.	Extensive experience in manufacturing of forgings and renowned figure in forging industry in India.
Other Directorships	None	None
Chairman/Member of the Committees.	-	Member - Audit Committee, Amforge Industries Ltd., Member - Remuneration Committee, Amforge Industries Ltd.
Shareholdings in the Company	18,30,802	95,306

Annual Report 2005-2006**STATEMENT CONTAINING INFORMATION REQUIRED TO BE GIVEN UNDER SCHEDULE -XIII TO THE COMPANIES ACT, 1956**

I. General Information													
1. Nature of Industry	Forgings of automobile articles												
2. Date or expected date of commence of commercial production	Not Applicable.												
3. In case of new companies, expected date of commence of activities as per project approved by financial institutions appearing in the prospects	Not Applicable												
4. Financial performance based on given indicators	Based on Audited Accounts for the year ended 31.03.2006: (Rs. In Lacs) Turnover 4173.40 Total Expenditure 4745.92 Net (Loss) before Tax (572.52)												
5. Export performance and net foreign exchange collaborations	Export Turnover Rs.209.39 Lacs Foreign exch. outgo Rs.16.13 Lacs Net Foreign Ex. Earning Rs.193.26 Lacs												
6. Foreign investments or collaborators, if any.	There is neither foreign investment nor there is any foreign collaboration												
II. Information about the appointee													
1. Background details	Shri. Puneet Makar (44) is the Chairman & Managing Director of the Company. He is an MBA (USA). He was appointed Director of the Company on 01.10.1994. He has been re-appointed by the Board of Directors for a further term of 3 years from 01.10.2006 to 30.09.2009.												
2. Past remuneration	Shri. Puneet Makar has been paid the following remuneration during his current tenure: <table> <thead> <tr> <th>Year</th><th>Amount (Rs.)</th></tr> </thead> <tbody> <tr> <td>2001-02</td><td>9,75,763</td></tr> <tr> <td>2002-03</td><td>11,82,911</td></tr> <tr> <td>2003-04</td><td>23,06,424</td></tr> <tr> <td>2004-05</td><td>24,89,841</td></tr> <tr> <td>2005-06</td><td>23,35,928</td></tr> </tbody> </table>	Year	Amount (Rs.)	2001-02	9,75,763	2002-03	11,82,911	2003-04	23,06,424	2004-05	24,89,841	2005-06	23,35,928
Year	Amount (Rs.)												
2001-02	9,75,763												
2002-03	11,82,911												
2003-04	23,06,424												
2004-05	24,89,841												
2005-06	23,35,928												
3. Recognition or awards	-												
4. Job profile and his suitability	Shri. Puneet Makar has served the Company, holding several senior positions for over 17 years of which the last 4 years is as Chairman and Managing Director. With his leadership qualities and dynamism, he has substantially contributed to the corporate strategies and growth of the Company during this period. The Company has substantially reduced its debts by entering into one time settlement and debts restructuring with many of the lenders.												
5. Remuneration proposed	The abstract containing details of remuneration proposed to be paid to the Managing Director under Section 302 of the Companies Act, 1956 is contained in the Special Resolution given in the Notice.												
6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin.)	The remuneration proposed is comparably lesser than the emoluments of Senior Managerial Personnel or captains of the forging industries/companies operating in India taking into consideration experience of Shri. Puneet Makar. In the current inning also, Shri. Puneet Makar opted for lesser salary because of accumulated losses caused by economy living in doldrums during 1997 to 2001. Now also, because of reduction in size, consequent upon demerger of Chakan Plant, he has been proposed remuneration lesser than comparably received by senior management personnel in other forging companies.												

Amforce Industries Limited

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| 7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | Shri. Puneet Makar does not have any pecuniary transactions with the company except by way of his contract of employment with the Company.
Shri. Puneet Y. Makar is related to Shri. Yogiraj Makar and Smt. Reshma Y. Makar, the Directors of the Company. |
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III. Other information

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| 1. Reasons of loss or inadequate profits | The cascading effect of general depreciation, and particularly in automobile industry, during 1997-98 to 2001-02, resulted in accumulated losses during these years. Thereafter, the large interest liability continued to mar the performance of the Company when its working was improving by reason of revival in the automobile industry. However, after having series of one time settlements with various lender, the Chakan plant which was doing well was demerged bringing down the turnover from Rs.24,900.85 lacs in 2004-05 to Rs.4173.40 lacs in 2005-06. |
| 2. Steps taken or proposed to be taken for improvement | It is expected that with improvement in the cash resources, the modernization of the Chinchwad Plant would be easier. This will improve performance of the Company. |
| 3. Expected increase in productivity and profits in measurable terms | Since the Company has only one plant at Chinchwad, Pune, focused efforts will be put to improve the working of the Chinchwad Plant. Except some minor debt, the Company has almost become debt-free. Surplus funds shall be utilized to modernize the Chinchwad Operations and also in marketable investments. Forging demand is increasing and the Company is constantly striving to operate at better margin levels. It is expected to bring the profits to positive level in the coming year. |

IV Disclosures

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| 1. The shareholders of the Company shall be informed of the remuneration package of the managerial person. | The remuneration package has already been given in the Special Resolution put before the shareholders vide notice of the 34th AGM being sent to them. |
| 2. The following disclosures shall be mentioned in the Board of Director's Report under the heading "Corporate Governance", if any, attached to the Annual Report:- | All the relevant information pertaining to the Managing Director and required to be disclosed in the Directors' Report under the heading "Corporate Governance" are attached to the Annual Report. |
| i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc. of all the directors; | --ditto-- |
| ii) Details of fixed component and performance linked incentives along with performance criteria; | --ditto-- |
| iii) Service contracts, notice period, severance fees; | --ditto--
There is no severance fees. |
| iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable. | There is no stock option scheme. |

Annual Report 2005-2006**DIRECTORS' REPORT**

TO THE MEMBERS

AMFORGE INDUSTRIES LTD.

Your Directors have pleasure in presenting their 34th Annual Report and audited statement of accounts for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

	(Rs. in Lacs)	
	2005-2006	2004-2005
Gross Revenue after stock adjustments	4173.40	24900.85
Gross Profit before Interest, Depreciation, Amortization & Tax	(370.36)	1403.06
Interest	(85.94)	(901.49)
Operating Profit/(Loss) before Depreciation & Amortization	(456.30)	501.57
Depreciation	(138.82)	(629.67)
Amortization	(18.71)	(19.09)
Operating Profit/(Loss) for the year	(613.83)	(147.19)
Employees Separation Cost written off	(274.04)	(169.02)
Old and Obsolete Dies written off	(171.67)	(20.69)
Other Extra Ordinary Gains (Net)	507.92	284.47
Profit/(Loss) for the year	(551.62)	(52.43)
Prior Period's adjustments (Net)	(20.90)	(35.61)
Net Profit/(Loss)	(572.52)	(88.04)
Provision for Current Tax(Wealth Tax)	(0.92)	(0.32)
Provision for Fringe Benefit Tax	(9.15)	-
Provision for Deferred Tax	198.55	(1195.62)
Profit/(Loss) after Tax	(384.04)	(1283.98)
Earlier years (Short) / excess provision for tax	-	(3.24)
Balance Profit/(Loss) brought forward from previous year	(899.31)	(3370.73)
Provision for Doubtful Debts & Advances	-	(43.34)
Balance carried to Balance Sheet	(1283.35)	(4701.29)
EPS (Rs.)	(3.86)	(0.90)

FINANCIALS

During the year under review, the Company's gross revenue is Rs.4,173.40 lacs (PY: Rs. 24,900.85 lacs). Gross Profit / (Loss) before interest, depreciation and tax amounted to (Rs.370.36 lacs) (PY: Rs. 1,403.06 lacs). Operating Cash Profit/(Loss) before depreciation & amortization is (Rs. 456.30 lacs) (PY: Rs. 501.57 lacs) The Net Loss came to Rs.572.52 lacs (PY: Rs. 88.04 lacs). The major contributory to Net Loss in the financial year, under review, were write-off of old / obsolete items of inventory by reason of major changes in customer requirements, changes in die designing, etc.

DIVIDEND

In view of the losses, current and accumulated, your Directors regret their inability to recommend dividend for the year 2005-2006.

FINANCE

The financial position of the Company remained satisfactory. There is need to increase capacity at Chinchwad in view of the increasing forgings demand requiring capital outlay.

DIRECTORS

Shri. Yogiraj Makar retires by rotation and being eligible offers himself for re-appointment, subject to retirement by rotation. Shri. Puneet Makar, Chairman & Managing Director of the Company had been appointed for the period of 5 years upto 30.09.2006. He would cease to be Managing Director from 01.10.2006. The Board of Directors has unanimously re-appointed him Managing Director for a further period of 3 years w.e.f. 01.10.2006 in its meeting held on 28.07.2006 and also decided to pay him remuneration on increased scale from that date. His re-appointment for 3 years and remuneration payable to him will be put before the ensuing AGM for approval of the Members of the Company. Needless to say, he would continue as Chairman & Managing Director of the Company.