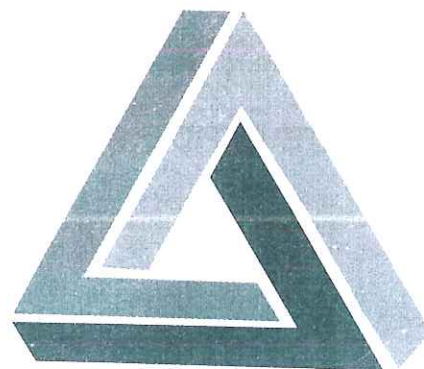


**28th
ANNUAL
REPORT
2004-2005**

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**AHMEDNAGAR
FORGINGS
LIMITED**

BOARD OF DIRECTORS

Mr. Arvind Dham - Chairman
Mr. A. K. Syal - Managing Director
Mr. D. S. Malik - Director
Mr. S. E. Krishnan - Director
Mr. B. Lugani - Director

COMPANY SECRETARY

Prabhjot Singh

BANKERS

Andhra Bank

AUDITORS

M/s Manoj Mohan &
Associates

**REGISTRAR &
TRANSFER AGENTS**

Beetal Financial & Computer
Services Pvt. Ltd.

Beetal House
3rd Floor, 99, Madangir,
Behind L.S.C., New Delhi-110062
Tel.: 011-29255230
Fax: 011-29252146
E-mail: beetal@rediffmail.com

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REGISTERED OFFICE

Gat No. 614
At Village : Kuruli
Tal.: Khed
Dist.: Pune - 410 501

CORPORATE OFFICE

The Great Eastern Plaza,
604, 6th Floor, 1996 A, Airport Road,
Near Gunjan Theatre, Yerwada,
Pune - 411 006.

WORKS

- MIDC Area, Ahmednagar
- Chakan, Dist. Pune
- Kuruli, Dist. Pune



Notice is hereby given that Twenty Eighth Annual General Meeting of the members of the Company will be held on Saturday, the 31st December, 2005 at Gate No. 614, Village Kuruli, Tal. Khed, Pune – 410 501 (Maharashtra) at 9.30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet of the company as on 30th June, 2005 and Profit and Loss Account for the year ended on that date together with Directors' and Auditor's Report thereon.
2. To appoint a director in place of Sh. Arvind Dham, who retires by rotation & being eligible offers himself for re-appointment.
2. To appoint Auditors of the Company to hold office from the conclusion of this 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 pursuant to the provision of Clause 49 of the Listing Agreement with the Stock Exchanges consent of the Company be and is hereby accorded for payment of Rs. 2000/- (Rupees two thousand only) or such other amount as may be approved by the Board of Directors subject to the ceiling prescribed under the Companies Act, 1956, or rules framed there under as amended from time to time, as sitting fees for each meeting of the Board of Directors and the Committee (s) thereof attended by the Directors of the Company. In addition to the remuneration above specified, the Directors shall also be entitled to be reimbursed all traveling and other expenses incurred by them in connection with their attending meetings of Directors or of Committees of Directors or which they may otherwise incur in the performance of their duties as Directors."

By order of the Board
For Ahmednagar Forgings Limited

Date: 10th August, 2005
Place : New Delhi

(A.K. Syal)
Managing Director

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.**
2. The proxy form duly completed, stamped and signed should reach the Company's office at least 48 hours before the time of the meeting.
3. All documents referred to in the notice are open for inspection at the Registered Office of the Company on all working days between 11.00 A.M. to 1.00 P.M.
4. The Register of Members and Share Transfer Book of the Company will remain closed from 27th December, 2005 to 31st December, 2005 (both days inclusive).
5. The members are requested to bring their copies of Annual Report to the Meeting, as the same will not be redistributed at the venue of Annual General Meeting.
6. The Members attending the General Meeting are requested to bring the enclosed attendance slip and deliver the same after filling in their folio number at the entrance of the meeting hall. Admission at the Annual General Meeting venue will be allowed only after verification of the signature in the attendance slip, Duplicate Attendance Slip will be issued at the Registered Office of the Company upto a day preceding the day of Annual General Meeting.
7. Members who hold shares in de-materialised form are requested to bring their client ID and DP-ID number for the purpose of identification and attendance at the meeting.
8. Consequent upon the introduction of section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in form No. 2B in duplicate (which will be made available on request) to the R&T Agents of the company.
9. **Electronic Clearing Services (ECS) facility**

With respect to payment of dividend, the Company provides ECS facility to all members, holding shares in electronic/physical forms. Members holding shares in the physical form who wish to avail ECS facility may furnish to the Company/Registrar



& Share Transfer Agents, their ECS mandate in the prescribed form, which is available elsewhere in the Annual Report or can be obtained from the Registrar & Share Transfer Agents.

INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING RE-APPOINTED

Name : Mr. Arvind Dham
Date of Birth : 15th March, 1961
Qualification : B. Arch
Profession : Industrialist
Expertise : Setting up of new projects.
Other Directorships : Amtek Auto Limited
Amtek India Limited
Benda Amtek Limited
Amtek Siccadi India Limited

Alliance Integrated Metaliks Limited
Amtek Castings India Limited
W.H.F. Precision Forgings Limited
Amtek Tekfor Automotive Limited

EXPLANATORY STATEMENT, PERSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 SETS OUT ALL THE MATERIAL FACTS RELATING TO THE BUSINESS MENTIONED AT ITEM NO. 5 OF THE ACCOMPANYING NOTICE DATED 10TH AUGUST, 2005.

ITEM NO. 5

The Securities and Exchange Board of India has issued a circular to all the Stock Exchange advising them to amend the Listing Agreement by inserting the revised Clause 49 relating to corporate governance requirements to be fulfilled by the Companies. One of the requirements stipulated under the revised Clause 49 is that all the fees/ Compensation payable to Directors shall be fixed by the Board of Directors and shall require previous approval of the members in General Meeting.

At present Company is paying to all the Directors of the Company excluding the Executive Director sitting fee of Rs. 2000/- for each of the meeting of the Board of Directors or the Committee (s) thereof attended by them.

In view of the revised clause 49 of the Listing Agreement, approval of members is requested for the payment of sitting fees to the Directors of the Company.

All of the Director except Mr. A. K. Syal are concerned/ interested in the resolution.

Your Directors recommend the resolution for your approval.

For Ahmednagar Forgings Ltd.

Place : New Delhi
Date : 10th August, 2005

(A.K. Syal)
Managing Director

Directors' Report

AHMEDNAGAR FORGINGS LIMITED



TO

THE MEMBERS,
AHMEDNAGAR FORGINGS LIMITED

Your Directors have pleasure in presenting the Twenty Eighth Annual Report and the Audited Accounts of the Company for the year ended 30th June, 2005.

FINANCIAL INFORMATION

(Rs. in Lacs)

PARTICULARS	Year ended 30th June, 2005	Year ended 30th June, 2004
Sales/ Income from operations	20,581.86	16,482.57
Less: Expenditures	17,169.27	14,524.26
Gross Profit	3,412.59	1,958.31
Less: Deprecation	417.55	417.64
Profit Before Tax	2,995.04	1,540.67
Less: Provisions for Taxation	251.99	120.94
Profit after Tax	2,743.05	1,419.73
Less: Provision for Deferred Tax	655.66	170.00
Profit after Deferred Tax	2,087.39	1,249.73
Add. Accumulated Profit	1,775.93	526.20
Balance available for appropriation	3,863.32	1,775.93
APPROPRIATIONS:		
Transfer to General Reserve	3,500.00	-
Surplus carried to Balance Sheet	363.32	1,775.93

DIVIDEND

In view of the proposed expansion of the company's manufacturing facilities, your directors have decided to plough back profits in the company's business. Accordingly, no dividend is recommended for the current year.

BONUS ISSUE

Subsequent to year ended 30th June, 2005, your Company has allotted 1,60,00,000 Equity Shares of Rs. 10/- each as Bonus Shares in the proportion of 2:1, i.e. 2 (Two) Bonus Equity Shares of Rs.10/- (Rs.Ten) each for every one existing fully paid Equity Share of Rs. 10/- (Rs. Ten) each, held by members as on the record date i.e. 24th September, 2005.

INCREASE IN AUTHORISED CAPITAL

Subsequent to year ended 30th June, 2005, Your Company has increased its Authorised Share Capital from Rs. 10 Crores to Rs. 25 Crores. Accordingly, the Authorised Capital of the Company is Rs. 25 Crores divided into 2,50,00,000 Equity Shares of Rs.10/- each.

PERFORMANCE

During the year under review, the company has recorded a turnover of Rs. 20581.86 lacs with a net profit after tax of Rs. 2,087.39 lacs. Cash profit has been recorded at Rs. 2,504.94 lacs. The reserve position of the Company has reached at a level of Rs. 6,781.63 lacs.

EXPANSION PLAN

Your company is unable to meet the growing demand for its products, products assemblies and modules from its existing and new customers both from domestic and international markets due to capacity constraints. Amtek Auto Limited, the holding company has recently acquired companies in the USA and UK as part of its strategy to shift its focus to an international footing. AFL is expected to receive orders worth Rs. 250 Crores from GWK Amtek Limited (an overseas subsidiary of Amtek Auto Limited) alone apart from other direct orders from overseas market. With a view to cater to the increased demand and take advantage of buoyant auto



component industry, the company proposes to enhance the production capacities with additional Steel Forgings of 30000 tpa and Machined Forgings of 10000 tpa with an estimated expansion cost of Rs.9,800 lacs. The expansion scheme is expected to be implemented by January, 2006.

DIRECTORS

Mr. Arvind Dham retires at the ensuing Annual General meeting and being eligible offers himself for re-appointment.

AUDITORS

M/s Manoj Mohan & Associates, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. They have confirmed their eligibility to act as auditors of the Company under Section 224(1B) of the Companies Act, 1956, if appointed at the ensuing Annual General Meeting.

FIXED DEPOSITS

During the period under review, the Company continued to accept deposits under section 58 - A of the Companies Act, 1956.

DE-MATERIALISATION OF SHARES

The Company's equity shares are available for de-materialization on both the depositories viz., NSDL & CDSL. Shareholders may be aware that SEBI has made trading in your company's shares mandatorily, in de-materialized form. As on 30th June, 2005, 33,14,470 equity shares representing 41.43% of your Company's Equity share capital have been de-materialised.

LISTING AT STOCK EXCHANGE

The shares of company are listed on Bombay Stock Exchange Ltd., and The National Stock Exchange of India Limited.

The company has paid the annual listing fee to the Stock exchanges for the year 2005 - 2006.

STATUTORY INFORMATION

- Particular of Employees under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 may be taken as Nil.
- Statutory details of Energy Conservation and Technology Absorption R & D activities and Foreign Exchange Earning and Outgo, as required under Section 217(1) (e) of the Companies Act, 1956 and rules prescribed there under i.e. the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 are given in the Annexure and form part of this Report (Please refer Annexure- I)
- Certificate received from the Auditors of the Company regarding Compliance of conditions of Corporate Governance, as required under clause 45 VIII of the Listing Agreement, is Annexed and forms part of this report. (Please refer Annexure - II).
- As required under clause 45VA of the listing Agreement, Management Discussion and Analysis Report is Annexed and forms part of this report (Please refer Annexure - III).

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000 with respect to Directors' Responsibility Statement, it is hereby confirmed :-

- That in the preparation of the annual accounts, the applicable accounting standards had been followed;
- That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period under review;
- That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- That the Directors had prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS

During the year under review, the relations between the Management and the workmen were highly cordial.

INVESTOR RELATIONS

Your Company always endeavors to keep the time of response to shareholders' requests/grievances at the minimum. Priority is accorded to address all the issues raised by the shareholders and provide them a satisfactory reply at the earliest possible time.



The shareholders' and investors' Grievances committee of the Board meets periodically and reviews the status of the redressal of investors' grievances. The shares of the company continue to be traded in Electronic Form and the De-materialisation arrangement exists with both the depositories, viz., National Securities Depository Limited and Central Depository Services (India) Limited. As on date, 33,14,470 Equity Shares representing 41.43% of equity share capital of the Company, have been dematerialized.

EMPLOYEE WELFARE

Your Company demonstrated that it is a caring organization by continuing to devise and implement several welfare measures for the employees and their families. Employee welfare programmes and schemes were implemented with utmost zeal and they were constantly reviewed and improvements were made wherever necessary.

ACKNOWLEDGEMENT

Your Directors wish to place on record the sincere and dedicated efforts of all the members of the company's team which has made it possible to achieve excellent growth. Your Directors also take this opportunity to offer their sincere thanks to the Financial Institutions, Banks and other Government Agencies, our valued customers and the investors for their continued support and assistance.

The Employees of your Company continued to display their unstinted devotion, co- operation and commitment in pursuit of excellence, Your directors take this opportunity to record their appreciation of the dedicated work and contribution made by every member of Amtek family enabling the company to realise its corporate objective.

Your directors also express their profound thanks to the shareholders for their faith and continued support to the endeavors of the company.

BY ORDER OF THE BOARD
For AHMEDNAGAR FORGINGS LIMITED

(ARVIND DHAM)
CHAIRMAN

Date : 10th August, 2005
Place : New Delhi





ANNEXURE TO THE DIRECTORS' REPORT 2004-05

ANNEXURE - I

A. INFORMATION REQUIRED UNDER SECTION 217(1(e)) OF THE COMPANIES ACT, 1956.

I. Research & Development (R & D)

- a) Specific area in which (R&D) Carried out by the Company : i) Product design & development.
ii) Process design & improvement for various products.
- b) Benefits derived as a result : i) Reduction in process time.
ii) Higher productivity.
iii) Consistent quality.
- c) Future plan of action in mfg. Process & operation. : To achieve better yield by way of cost reduction through higher level of automation.

II. Technology Absorption:

- a) Efforts in brief towards technology absorption : The Company is in the process of implementing technical changes & process designs.
- b) Benefits derived as a result of the above efforts e.g. product : i) Cost reduction to savings in raw material dies & moulds & power & fuel.
ii) Increased productivity & better quality.
- c) In case of imported technology (import during the last 6 years reckoned from beginning of the financial year) : NA

III. Foreign Exchange Earnings & Outgo:

Activities relating to exports; initiative taken to increase exports; development of new export markets for product and services and export plans.

The parent Company has strategically acquired units in UK, USA and Germany to increase its share of business in the international market.

(Rs. In Lacs)

Particulars	Current Year	Previous Year
Foreign Exchange earned	1324.00	769.23
Foreign Exchange Used	434.84	189.14

IV. CONSERVATION OF ENERGY:

	Current Year	Previous Year
A) Electricity Purchased :		
Purchased Units in Lacs	189.86	158.90
Total Amount - Rs. in Lacs	768.66	656.37
Average Rate Per Unit - Rs.	4.05	4.13
Furnace Oil / L. D.O.		
Quantity - K. Liters	6405	5865
Total Cost - Rs. in Lacs	1015.05	759.45
Average Rate Per Liter / Rs.	15.85	12.95
B) Consumption per unit of Production		
Production - Tonnes	20614	16973
Electricity - Units / Tonne	921	936
Furnace Oil - Ltrs / Tonne	311	346

Corporate Governance Report

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ahmednagar Forgings Limited has implemented and continuously strives to improve the Corporate Governance practices which attempt to meet stakeholders' expectations and Company's societal commitments through high standards of ethics, sound business decisions, prudent financial management practices, professionalism in decision making and conducting business and finally with strict compliance with regulatory guidelines on governance.

II. BOARD OF DIRECTORS

The Business of the Company is managed by the Board of Directors. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on a consistent basis. The Managing Director along with a team of professionals manages the day to day operations of the Company. The Non-Executive Directors are eminent professionals, drawn from amongst persons with experience in business, industry and finance. The Board of Directors has the ideal composition with more than half the Directors being non-executive Directors. Since the Company has an Non Executive Chairman, the Board's composition meets the stipulated requirement of at least one third of the Board comprising independent Directors who have no professional and/or business relationship with the Company.

A. Composition of Directorships

The constitution of the Board as on June 30, 2005:-

Non Executive Chairman
Mr. Arvind Dham, Chairman

Promoter Director	Executive Director	Non Executive Director	Non Executive and Independent Director
Mr. Arvind Dham	Mr. A. K. Syal	Mr. D. S. Malik	Mr. B. Lugani Mr. S. E. Krishnan

B. Pecuniary Relationship

There is no pecuniary relationship or transaction of the non-executive Directors vis-à-vis the Company.

C. Attendance Record of Board Meetings

During the year under review, Five Board meeting were held on 21.07.2004, 17.09.2004, 20.10.2004, 31.01.2005, 25.04.2005. The Board members are given appropriate documents and information in advance of each Board meeting.

The attendance record of all the Directors on the Board is as under:-

Director	No. of Board Meetings attended	Attendance at last AGM	Attendance at last EGM
Mr. Arvind Dham	5	NO	NO
Mr. D. S. Malik	4	YES	Yes
Mr. S.E. Krishnan	3	NO	NO
Mr. B. Lugani	3	YES	NO
Mr. A. K. Syal	5	YES	YES

D. Directors of the company having directorship in other Companies, Membership/Chairmanship in committees (as prescribed under Corporate Governance) across all Companies in which they are directors.

Name of Director	Category of Directorship	No. of other directorships Held in Other Public Companies*	No. of Membership in other companies committees **	Member	Chairman
Mr. Arvind Dham	Non Executive Chairman	—	8	—	—
Mr. A.K. Syal	Executive Managing Director	—	1	—	—



Mr. D.S. Malik	Non Executive	3	3	1
Mr. S.E. Krishnan	Independent & Non Executive	2	3	1
Mr. B. Lugani	Independent & Non Executive	2	4	1

Mr. Arvind Dham, Non Executive Chairman of the Company is Chairman and Managing Director of the Holding Company, Amtek Auto Limited and Mr. D.S. Mailk is Joint Managing Director and Mr. B. Lugani is director of Amtek Auto Limited.

* This excludes directorship held in Private Companies, Foreign Companies and Companies formed under section 25 of the Companies Act, 1956

** The Committee of Directors includes Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee of Directors only. This does not include Memberships/Chairmanship in committees of Private Limited companies.

III. BOARD PROCEDURES

The members of the Board have been provided with the requisite information in the listing agreement well before the Board Meeting and the same was dealt with appropriately.

All the Directors who are in various committees are within the permissible limit of the listing agreement and none of the Directors are disqualified for appointment as director under any of the provisions of the Companies Act, 1956.

IV. AUDIT COMMITTEE

The Board of the Company has constituted Audit Committee, comprising of three directors. Majority of the members of the committee are Independent & non-executive, Chairman is non-executive Independent director, the committee consists of viz. Mr. B. Lugani (Chairman), Mr. S.E. Krishnan and Mr. D.S. Malik. The constitution of the Audit Committee meets the requirement of section 292A of the Companies Act, 1956. The power and role of the audit committee is as per the guidelines set out in the listing agreement and as prescribed under section 292A of the Companies Act, 1956.

During the period, the committee met 6 times and the attendance of members at the meetings was as follows:

Name of Member	Status	No. of Meetings attended
Mr. B. Lugani	Chairman	6
Mr. S.E. Krishnan	Director	6
Mr. D.S. Malik	Director	6

V. REMUNERATION COMMITTEE

The Board has constituted a Remuneration Committee, comprising three non executive directors viz. Mr. D.S. Malik (Chairman), Mr. Arvind Dham and Mr. B. Lugani. The Chairman is non-executive Independent director. The committee has been constituted to review and approve the annual salaries, commission, service agreement and other employment conditions for the executive directors.

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

During the year under review only one meeting of the Remuneration Committee was held in which all the members were present.

(A) The details of the remuneration to the Executive Director provided as per accounts for the year ended June 30, 2005 are given below:-

Executive Director	Salary*	Commission	Total	Service Contract
A K Syal	11.33	-	11.33	5 years

Salary includes basic salary, perquisites and allowances, contribution to provident fund etc.