

PEGASUS CASTALLOY LIMITED

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PEGASUS CASTALLOY LTD.

[Signature]
Director

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TENTH
ANNUAL REPORT
1999 - 2000

PEGASUS CASTALLOY LIMITED**BOARD OF DIRECTORS**

Mr. Shailendrajit Rai	Chairman & Managing Director
Mr. Andre Cousteix	
Mr. Patrick Cousteix	
Ms. Marcelle Cousteix	
Mr. Roger Macrill	
Mr. V. Gandikota	
Mr. A. D. Harollikar	(Nominee of SICOM Ltd.)
Mr. S. C. Khanna	(Alternate to Mr. Patrick Cousteix)

BANKERS :

Bank of Maharashtra
Industrial Finance Branch, Pune

State Bank of India
Industrial Finance Branch, Pune

AUDITORS :

M/s Engineer & Mehta

REGISTERED OFFICE & WORKS :

Survey No. 1426
Village Shikrapur,
Taluka Shirur,
Dist. Pune - 412 208.
Maharashtra
Tel : (02137) 72597/ 72642/ 72644
Fax : (02137) 72643

SHARE TRANSFER AGENTS :

Swaran Data Systems Pvt. Ltd.
Unit No. 49,
Jamnadas Industrial Estate,
Phase II,
Dr. R. P. Road, Mulund (West),
Mumbai - 400 080.

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PEGASUS CASTALLOY LIMITED**NOTICE**

NOTICE is hereby given that the Tenth Annual General Meeting of the members of the Company will be held on Wednesday, the 27th September 2000, at Survey No. 1426 Village Shikrapur, Taluka Shirur, Dist. Pune, Maharashtra, at 1.30 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2000, Profit and Loss Account for the year ended on that date, together with the Reports of the Directors' and Auditors.
2. To appoint a Director in the place of Mr. Patrick Cousteix, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Mr. V. Gandikota, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution :
 "RESOLVED THAT in pursuance to the provisions of Section 269, 309 and 310 read with Section 198 and Schedule XIII of the Companies Act, 1956 consent of the Company be and is hereby accorded to the reappointment of and remuneration payable to Mr. S. Rai, as Managing Director of the Company with effect from 01/11/1999 as indicated below :

- 1) SALARY : Rs. 25,000/- per month (in the scale of Rs. 25,000/- - Rs. 5,000/- - Rs. 50,000/-).
- 2) PERQUISITES: Perquisites shall be restricted to an amount equal to the annual salary.
- 3) CATEGORY "A" :
 - i) Housing :
 - a) In case of unfurnished accommodation hired by the Company such expenditure not exceeding 60% of the salary over and above 10% payable by the Managing Director.
 - b) In case the Managing Director is provided accommodation owned by the Company, 10% of the salary of Managing Director shall be deducted by the Company.
 - c) In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling of 60% of the salary.
 - ii) Medical Reimbursement :
 Reimbursement of expenses incurred by the Managing Director for self & family subject to a ceiling of one month's salary in a year or three months salary in a block of three years.
 - iii) Leave Travel Concession :
 Leave Travel Concession for the Managing Director and his family, once in a year, incurred in accordance with the rules of the Company.
 - iv) Personal Accident Insurance :
 Personal Accident Insurance of an amount, the annual premium for which does not exceed Rs. 10,000/- per annum.
 - v) Club Fees :
 Fees of clubs subject to a maximum of two clubs.

CATEGORY "B" :

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these singly or put together are not taxable under the Income-Tax Act. Gratuity payable as per the rules of the Company applicable to Senior Executives.

- i) Leave : One month's leave with full pay and allowance, but not more than one month's leave for every eleventh months of service. However, leave accumulated but not availed of will be allowed to be encashed.
- ii) Benefits under loan and other schemes in accordance with the practice, rules & regulations in force from time to time.
- iii) Such other benefits as may be provided by the Company to other senior officers from time to time.

OTHER TERMS :

1. Managing Director shall be entitled to reimbursement of entertainment and all other expenses incurred in course of the Company's business.
2. Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof.

"RESOLVED FURTHER THAT in case of loss or inadequacy of profit in any financial year of the Company, the payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Schedule XIII of the Companies Act, 1956."

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6. To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956 the Company hereby accords its consent for keeping the Register of Members, Index of Members and copies of all Annual Returns prepared under Section 159 of the Act together with copies of Certificate and documents required to be annexed thereto under Section 161 of the Act or any one or more of them, at the office of the Company's Share Transfer Agents M/s. Swaran Data Systems Pvt. Ltd. at 122/123, Kashiram Jamnadas Building, 5, P.D'Mello Road, Masjid Bunder, Mumbai 400 009, instead of being kept at the Register Office of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS

Shailendrajit Rai

Chairman & Managing Director

Place: Shikrapur

Date: 26th June 2000.

Registered Office:

Survey No. 1426, Village Shikrapur, Taluka Shirur, Dist. Pune, Maharashtra.

NOTES:

1. A member entitled to attend and vote at the meeting, is entitled to appoint one or more proxy(ies) to attend and vote instead of himself and the proxy need not be a member of the Company.
2. Proxies in order to be effective, should be lodged with the Company at any time not less than fortyeight hours before the meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 25th September 2000 to 27th September 2000, (both days inclusive).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

The term of Mr. S. Rai, Managing Director of the Company expired on 30th October 1999. The Board of Directors in its meeting held on 27/10/1999 decided to reappointment Mr. S. Rai as Managing Director, for a further period of five years with effect from 01/11/1999 on such terms and conditions as approved by the Members of the Company.

Mr. S. Rai holds a degree in Economics from the University of Kent U.K. and is a Chartered Accountant from England, Wales. He is associated with the Company as one of the promoters of the Company and under his leadership the Company has successfully implemented the project of Aluminium Foundry and has made a remarkable progress within a period of five years.

Reappointment of Mr. S. Rai as Managing Director for a further period of five years would be in the interest of the Company and hence the Board of Directors recommend the resolution.

Mr. S. Rai may be deemed to be interested in the proposed resolution to the extent he may draw remuneration as the Managing Director. None of the other Directors is interested or in any way concerned in the resolution.

ITEM NO. 6

In accordance with the provisions of Section 163 of the Companies Act, 1956 the Company is required to maintain Register of Members, Index of Members, Annual Returns and such other documents at the Registered Office of the Company. These documents could be kept at the place other than the Registered Office of the Company with the consent of the Members of the Company. Since the Registered Office of the Company has shifted at Survey No. 1426, Village Shikrapur, Taluka Shirur, Dist. Pune, and the Company's Share Transfer Agents, M/s. Swaran Data Systems Pvt. Ltd. are located at 122/123, Kashiram Jamnadas Building, 5, P.D.Mello Road, Masjid Bunder, Mumbai 400 009, your Directors think it prudent to obtain consent of the members to keep the aforesaid registers and documents at the premises of Swaran Data Systems Pvt. Ltd., the Share Transfer Agents.

None of the other Directors is interested or in any way concerned in the proposed resolution.

ON BEHALF OF THE BOARD OF DIRECTORS

Shailendrajit Rai

Chairman & Managing Director

Place: Shikrapur

Date: 26th June 2000.

Registered Office:

Survey No. 1426, Village Shikrapur, Taluka Shirur, Dist. Pune, Maharashtra.

PEGASUS CASTALLOY LIMITED**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting to you the Tenth Annual Report and audited accounts for the year ended 31st March 2000.

FINANCIAL RESULTS

	For the year ended 31.03.2000 Rs. in lacs	For the year ended 31.03.1999 Rs. in lacs
Sales & Other Income	1900.86	1910.08
Operating Profit before Interest and Depreciation	335.70	284.31
Financial Expenses	105.22	96.69
Gross Profit	196.16	187.63
Less : Depreciation	81.84	71.76
Less : Preliminary Expenses	1.91	1.91
Profit Before Taxation	114.32	113.96
Provision for Taxation	13.20	11.96
Profit after Taxation	101.12	101.99
Dividend - Interim	30.00	0.00
Dividend - Final	0.00	30.00
Provision for Tax on Dividend	3.30	3.30
Prior Period Adjustment	0.00	12.85

DIVIDEND

The Directors had recommended an interim dividend of 10% on the Equity Shares which has already been paid. Considering the exigencies of funds to finance ongoing expansion activities, your Directors do not recommend final dividend. The total dividend for the year makes 10%.

PERFORMANCE

Turnover for the year under review was Rs. 1900.86 lakhs, which is marginally lower compared to previous year. However, the Company has recorded a pre-tax profit of Rs. 114.32 lakhs as against Rs. 113.96 lakhs for the previous year. The Company could sustain the profitability during the year due to its unabated efforts of reducing cost and better utilisation of the facilities. Price of Aluminium went up considerably during the year, affecting the cost of material.

Though the passenger car industry has shown a growth, it has also paved way for new entrants, resulting into cut-throat competition. However the customers of your company are market leaders. But as your company is supplying components only to a segment of models, the performance in this year has been sluggish.

The company has entered into technical collaboration with Enkei Corporation, Japan for manufacturing four stroke cylinder heads for two wheelers. The new products namely four stroke motor cycles & scooters of our customer have yet to achieve significant market penetration. Hence though the growth is in the offing, the sales volume has yet to increase. But your company's range of cylinder heads for four stroke two wheelers is a significant achievement and has high potential of growth.

CURRENT OUTLOOK

The automobile industry, inspite of being volatile, is on an encouraging trend. Our customers are launching new models with four stroke cylinder heads. Hence the Directors expect that the demand for this segment will yield better results in the current year.

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The company has added CNC machining capacity which is going to help the company to supply fully machined castings to its customers. In future the company is going to expand its machining capacity to meet the emerging requirement of customers to get machined castings. The company has already received orders from Maruti Udyog Ltd. for machined brackets for wagon R. The company is also expanding its product range to non automobile components. In this regard, company has received order from General Electric for machining of castings.

Y2K COMPLIANCE

The company did not face any difficulty on account of Y2K compliance. The Company has installed Baan system at a cost of Rs. 29.85 lakhs.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo required to be given pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rule, 1988 is annexed hereto and forms part of this report.

EMPLOYEES

Relations with all the employees remained satisfactory throughout the year. None of the employees of the Company was in receipt of remuneration exceeding Rs. 50,000/- per month or Rs. 6,00,000/- per annum. Hence, details as required under Section 217(2A) of the companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not given.

DIRECTORS

To comply with the requirements of the Articles of Association of the Company and the Companies Act, 1956, Mr. Patrick Cousteix and Mr. V. Gandikota would retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

LISTING OF SHARES

The Company's Equity Capital listed on the Bombay and Ahmedabad Stock Exchanges. The Company has paid Annual Listing fees upto the year 2000-2001.

AUDITORS' REPORT

Engineer & Mehta, Chartered Accountants, Auditors of the Company shall retire at the ensuing Annual General Meeting. Members are requested to appoint auditor and fix their remuneration.

AUDITORS' REPORT

In respect of observation made by the Auditors in their Report, your Directors wishes to state that the respective annexure and notes to accounts are self explanatory.

ACKNOWLEDGEMENT

Your Directors are grateful to the company's bankers and the financial institution for their continued co-operation and support. Your Directors place on record their appreciation of the contribution made by the employees at all levels, the shareholders, customers, suppliers for their support and confidence in the company.

ON BEHALF OF THE BOARD OF DIRECTORS

Place: Shikrapur
Date: 26th June 2000.

Shailendrajit Rai
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT DATED 26TH JUNE, 2000

Additional information as per section 217(1) (e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) rules, 1988.

1. CONSERVATION OF ENERGY :

A) ENERGY CONSERVATION / MODERNISATION MEASURES TAKEN :

1. Auto off timer device were installed in compressors, resulting in switch off of the machines during idle mode.
2. Drastically reduced the failure of heaters in core shop by changing the design of the same thereby increasing their dielectric strength.
3. Change in heaters from D type to U type in core has not only reduced the failure rate but has also increased a efficiency of the heaters due to 100% usage of the surface area, reduction in air gap between heater and heater plate.
4. Adaption of three core boxes into a single core box has resulted into optimum utilisation of energy.

PEGASUS CASTALLOY LIMITED**B. PROPOSALS**

Based on the observation of the Foundry & Project Engineering Units in co-operation with Total Preventive Maintenance Unit, further action is being taken for conservation of energy, namely installation of thyristor controlled temperature controllers for solution treatment furnaces, improving the design of core box mounting system, providing accumulator to power pack, etc.

C. TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaption and innovation.
 - The company has absorbed technology received.
2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
 - The company has started manufacturing four stroke cylinder head for two wheelers with new improved technology on machines developed with imported technology. This resulted into improved quality of castings and import substitution.
3. Technology imported:
 - Company has received technology from Enkei Corporation, Japan for manufacturing of four stroke cylinder heads for two wheelers.
4. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.
 - Technology has been fully absorbed.

D. FOREIGN EXCHANGE EARNING AND OUTGO

Total foreign exchange used during the year	Rs. 19.65 lakhs
Total foreign exchange earning during the year	Rs. Nil

FORM -A**A) POWER AND FUEL CONSUMPTION :****1. ELECTRICITY**

For the year
ended
31.03.2000

For the year
ended
31.03.1999

a)	Purchased quantity	Units	29,00,210	29,40,334
	Total Amount	Rs.	1,24,59,948	1,21,03,359
	Average rate per unit	Rs.	4.30	4.12
b)	Generated quantity	Units	48,620	59,530
	Total Amount	Rs.	3,20,360	2,81,794
	Average rate per unit	Rs.	6.58	4.73
2.	LDO/ FURNACE OIL			
	Quantity	Litre	3,95,350	4,03,100
	Total Amount	Rs.	27,25,200	20,26,961
	Average rate per litre	Rs.	6.89	5.03

B) CONSUMPTION PER UNIT OF PRODUCTION *

1.	Electricity	Units	9.80	10.99
2.	L.D.O./ Furnance Oil	Litre	1.31	1.51

* The Company is producing a variety of castings and the consumption of Electricity and Fuel for the same is not uniform. Hence allocation of energy per unit of production may not be relevant.