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with dedication.



**ENKEI CASTALLOY LTD.**

(Formerly known as Pegasus Castalloy Ltd.)

**ANNUAL  
REPORT  
2003-2004**

**ENKEI CASTALLOY LIMITED****BOARD OF DIRECTORS**

Mr. Shailendrajit Rai                      Chairman & Managing Director  
 Mr. Junichi Suzuki  
 Mr. Tetsuro Masui  
 Mr. Asis Ray  
 Mr. A. D. Harolikar  
 Mr. S. C. Khanna

**BANKERS :**

Bank of Maharashtra  
 Industrial Finance Branch, Pune

The Shamrao Vitthal Co-op Bank Ltd  
 Deccan Gymkhana Branch, Pune

**AUDITORS :**

M/s Engineer & Mehta

**REGISTERED OFFICE & WORKS :**

Survey No.1426  
 Village Shikrapur,  
 Taluka Shirur,  
 Dist. Pune - 412 208.  
 Maharashtra  
 Tel: (02137) 272597 / 272642 / 272644  
 Fax: (02137) 272643  
 E-mail : ecl@enkeicastalloy.co.in

**SHARE TRANSFER AGENTS :**

MONDKAR COMPUTERS PVT LTD  
 21, Shakil Niwas,  
 Mahakali Caves Road,  
 Andheri, (E) Mumbai.  
 Tel.: 022 - 2825 76 41 / 2836 97 04  
 E-mail : mcplrt@bom7.vsnl.net.in

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## NOTICE, NOTES

Notice is hereby given that the 14th Annual General Meeting of the company will be held on Wednesday, 29th September 2004 at 11.30 A.M. at Gat No. 1426, Village Shikrapur, Taluka Shirur, Dist. Pune, Maharashtra, to transact the following business -

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance sheet as at 31st March 2004, Profit and Loss Accounts for the year ended on that date, together with the Reports of the Directors and Auditor's.
2. To declare dividend.
3. To appoint a Director in the place of Mr. Junichi Suzuki, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint auditors and fix their remuneration.

### SPECIAL BUSINESS:

5. To pass with or without modification, the following resolution as an Ordinary Resolution.  
"Resolved that Mr. Asis Ray be and is hereby appointed as The Director of the Company, whose office shall be liable to retirement by rotation."

30th July 2004

REGISTERED OFFICE

Gat No. 1426, Village Shikrapur,  
Taluka Shirur,  
Dist. Pune 412 208 Maharashtra.

By Order of the Board of Directors

**Shailendrajit Rai**

**Chairman & Managing Director**

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. An explanatory statement as required under section 173 (2) of the Companies Act, 1956 is annexed hereto.
3. The instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
4. Members are requested to notify immediately change in their addresses, pin code numbers, e-mail addresses and telephone number(s), if any, to the Company at its Registered Office by quoting their folio numbers. In respect of shares held in electronics mode, the same should be communicated to the respective Depository Participant (DP).
5. Section 109A of the Companies Act, 1956, has extended nomination facility to individuals holding shares in the Company. Shareholders, in particular, those holding shares in single name, are requested to avail of the above facility by furnishing to the Company the particulars of their nomination. Members of the Company who have multiple accounts in identical names of joint accounts in the same order are requested to send all share Certificates to the Registrar and Share Transfer Agent (M/s. Mondkar Computers Pvt. Ltd.) or to the Registered Office of the Company for consolidation of all such shareholdings into one account to facilitate better service. The Register of Members and Share Transfer Book of the Company will remain closed from 25th September 2004 to 29th September 2004, both days inclusive.
6. If the dividend on shares as recommended by the Directors is passed at the meeting, payment of such dividend will be made on and after 11th October 2004 to those shareholders whose names are on the Company's Register of Members on 29th September 2004. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of such shares whose names will be provided by the respective depositories viz. National Securities Depository Ltd. and Central Depository Services Ltd.



## NOTICE & NOTES CONTD..

7. Shareholders desiring any information as regards to the accounts, are requested to write to the Company at an early date so as to enable the management to keep the information ready.

Place: Shikrapur, Pune  
Date : 30th July 2004.

**ON BEHALF OF THE BOARD OF DIRECTORS**  
**Shailendrajit Rai**  
**Chairman & Managing Director.**

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

Item No. 5

The Board of Directors in its meeting held on 30th April 2004 had appointed Mr. Asis Ray to fillup the casual vacancy caused by the withdrawal of the nomination of Mr. V. Gandikota.

Mr. V. Gandikota was liable to retire by rotation at the forthcoming Annual General Meeting. Hence, under the provisions of the Companies Act 1956, Mr. Asis Ray would be vacating the office in the ensuing Annual General Meeting.

The Company has received a notice from one of its members under section 257 of the Companies Act 1956 alongwith a refundable deposit of Rs. 500 signifying the intention of proposing the appointment of Mr. Asis Ray as Director.

Mr. Asis Ray is a Chemical Engineer from IIT and is having more than two decades of experience in managerial field. The Board of Directors is of the opinion that the association of Mr. Asis Ray as Director would be in the interest of the Company.

Mr. Asis Ray may be deemed to be interested in the proposed resolution to the extent of his appointment as Director. None of the other Directors is interested or concerned in the resolution.

Place: Shikrapur, Pune  
Date : 30th July 2004.

**ON BEHALF OF THE BOARD OF DIRECTORS**  
**Shailendrajit Rai**  
**Chairman & Managing Director.**

## APPOINTMENT/REAPPOINTMENT OF DIRECTORS

Information pursuant to Clause 49 of the Listing Agreement regarding appointment/reappointment of Directors.

Name of Director	Mr. Junichi Suzuki
Date of Birth	25/01/1948
Date of Appointment	29/10/2002
Special Expertise	Engineering & Management
Qualifications	Engineer
Director in other Companies incorporated in India	Nil
Chairman/Member of Committees of Companies	Nil
Name of Director	Mr. Asis Ray
Date of Birth	25/12/1952
Date of Appointment	30/04/2004
Special Expertise	Managerial
Qualifications	B.Tech (Hons) in Chemical Engg.
Director in other Companies incorporated in India	Nil.
Chairman/Member of Committee of Companies	Nil.



14<sup>th</sup> ANNUAL REPORT 2003-2004

## DIRECTOR'S REPORT

To the members,

Your Directors are pleased to present their 14<sup>th</sup> Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March 2004.

### FINANCIAL RESULTS

	For the year ended 31/03/2004 Rs. In lacs	For the year ended 31/03/2003 Rs. In lacs
Sales & Other Income	3515.09	2270.04
Operating profit before Financial Expenses and Depreciation	737.04	412.60
Financial Expenses	165.10	129.74
Profit before Depreciation and Tax	571.94	282.86
Less: Depreciation	235.44	142.46
Profit before Taxation	336.50	140.40
Provision for taxation	115.56	40.86
Profit after Taxation	220.94	99.54
Dividend – Final	50.00	40.00
Provision for Tax on Dividend	6.53	5.12

### DIVIDEND

Considering the major capital expenditures required for our expansion plans for the next two years, your Directors have decided to maintain the same rate of dividend as in the last year. Directors have recommended a dividend of 10%. The dividend, if declared, by the members in their Annual General Meeting will be free of tax in the hands of the members.

### MANAGEMENT DISCUSSION & ANALYSIS

The Company is a leading player in the Aluminium Casting Industry in India. The Company is manufacturing and machining critical engine parts. The Company has also commenced exports in the current fiscal year and has received orders for direct and indirect exports of various auto components.

### OPPORTUNITIES

The aluminium die casting industry has a tremendous potential of growth. Aluminium, being hailed as a replacement for steel due to its light weight, in an energy conscious world, is increasingly being chosen for its aesthetic appeal. Your Company is mainly catering to automotive sector. The buoyancy in automotive industry provides ample opportunity to your Company to grow and the Company is fully geared-up to take maximum advantage of the opportunities offered.



## DIRECTOR'S REPORT

The Company's modern plant for manufacturing and machining Intake Manifolds for the premier models of Maruti Udyog Ltd. commenced the commercial production in November 2003. This product is well received by the customer.

Exports to the European and US automotive market have begun. Our products have been well received. There is a huge potential to develop this market and your company is taking every step to ensure that maximum potential is realized.

The Company is in the process of setting up a plant for the manufacture of Alloy wheels for two and four wheelers. The technology for this project is being provided by Enkei Corporation, Japan.

### THREATS

The Company is dependent on the growth of automobile industry viz. motor cycle and passenger cars.

The major threat is continuous pressure for price reduction by the customers.

The price of basic raw material, viz. aluminium is highly volatile.

### INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company has a proper and adequate system of internal controls to ensure that all assets are safe guarded and protected against loss from unauthorized use or disposition. The internal control systems are supplemented by regular internal audits. The Company has independent internal auditors who carry out continuous audit in various areas of the Company's operation. The reports of the internal auditors are placed before the Audit Committee, which reviews the internal audit report and makes the recommendations, issues guidelines and procedures for further improvements. The internal audit functions inter-alia include evaluation of all financial and major operating system controls.

### PERFORMANCE

The total income for the financial year 2003-2004 amounted to Rs.3515.09 lakhs compared to Rs.2270.04 lakhs in the previous year, showing an increase of 55%. During the year, the Company also exported its products worth Rs.60.22 lakhs to USA. The Company recorded a pre-tax profit of Rs.336.50 lakhs as against Rs.140.40 lakhs in the last year. This shows an improved Earning Per Share (EPS) of Rs.4.42 as against Rs.1.99 in the last year.

During the year under review the Company commenced the manufacturing of Intake Manifolds for the premier models of Maruti Udyog Ltd. and your Directors are pleased to report that the products were well accepted by the Customer.

### HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company is providing intensive training to all the employees at all levels for improving competence and enhancing safety and social values.

The relations between management and employees were cordial throughout the year. Both management and the employees of your Company are committed to achieve the corporate objective.

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended, regarding employees is given in Annexure B to the Directors' Report.

### CAUTIONARY NOTE

The statements made in this report may contain certain forward looking statements within the meaning of the applicable securities, laws and regulations. Actual reports could differ from those expressed or implied. The important factor that could make a difference to the Company's operations include raw-material availability and prices, demands and change in government regulations, tax regimes, economic development and other incidental factors.



## DIRECTOR'S REPORT

### CORPORATE GOVERNANCE

Your Company is fully committed to the philosophy of conducting its business with due compliance of laws, rules and regulations.

The Company has complied in all material respects with the features of corporate governance as specified in the Listing Agreement. A Report on Corporate Governance along with a Certificate of compliance from the statutory auditors is annexed.

### DIRECTORS

The Board of Directors in its meeting held on 30<sup>th</sup> April 2004 had appointed Mr. Asis Ray in place of Mr. V. Gandikota. To comply with the requirement of the Companies Act, 1956 and Articles of Association, Mr. Asis Ray and Mr. Junichi Suzuki shall retire by rotation at the forthcoming Annual General Meeting. Being eligible, they offer themselves for reappointment.

### AUDITORS

Engineers & Mehta, Chartered Accountants, Auditors of the Company will retire at the ensuing Annual General Meeting. They are eligible for reappointment. Members are requested to appoint Auditors and fix their remuneration.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that : in the preparation of the annual accounts, the applicable accounting standards had been followed; 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 of the Company for that year. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; the Directors had prepared the annual accounts on a going concern basis.

### CONSERVATION OF ENERGY

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in annexure, which forms part of this Report.

### ACKNOWLEDGEMENT

Your Directors take this opportunity to express their appreciation for the co-operation and assistance received from its bankers and foreign collaborators. Your Directors also wish to place on record their deep sense of appreciation for the devoted services of the employees of the Company and confidence reposed in the management of the shareholders.

For and on behalf of the Board.

S. RAI  
CHAIRMAN & MANAGING DIRECTOR.

Place: Shikrapur, Pune  
Date: 30<sup>th</sup> July 2004.



## ANNEXURES TO DIRECTOR REPORT Dated 30th JULY 2004

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. In power distribution, Rectifiers have been added and the Power Factor has been continuously maintained at 99.9%, thereby achieving Energy conservation.
2. Thermal efficiency of electrical furnaces has been improved by redesigning the insulation to bring down the skin temperature of the same to optimum levels, thereby conserving energy.
3. In the new projects and production facilities, Melting-cum-Holding Furnaces of the global contemporary and proven technology have been installed, thereby reducing fuel consumption for melting by over 10%.
4. Continuous improvement projects taken up by the Cross Functional Teams to reduce power consumption per Kg of casting in Aging Furnace for crank cases and total cycle time for solutionising furnaces for selected cylinder head fully implemented, thereby conserving energy.

#### B) PROPOSALS

Based on the observation Cross Functional Teams & Project Engineering Units in co-operation with Total Preventive Maintenance unit, further action is being taken for conservation of energy in various activities.

#### C) TECHNOLOGY ABSORPTION, ADOPTION 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 been manufacturing four stroke cylinder head for two wheelers with new improved technology on machines developed with imported technology. This has resulted into improved quality of castings and import substitution.**
3. Technology imported:  
**The company has imported technology from Hekikai Koki Co Ltd, Japan for manufacturing Intake Manifolds for Maruti Udyog Ltd.**
4. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.  
**The company has started manufacturing Intake Manifolds for the premier models of MUL with the Technology imported.**

#### D. FOREIGN EXCHANGE EARNING AND OUTGO

Total Foreign Exchange used during the Year	RS. : 248.84 Lakhs
Total Foreign Exchange earning during the Year	RS. : 39.11 Lakhs



14<sup>th</sup> ANNUAL REPORT 2003-2004

## ANNEXURES TO DIRECTOR REPORT Dated 30th JULY 2004

FORM- A			
<b>A) POWER AND FUEL CONSUMPTION:</b>			
<b>1. ELECTRICITY</b>		<b>For the year ended 31.03.2004</b>	<b>For the year ended 31.03.2003</b>
a) Purchased Quantity	Units	6909430	4947900
Total Amount	RS.	26284337	19938680
Average rate Per Unit	RS.	3.80	4.02
b) Generated Quantity	Units	145439	108330
Total Amount	RS.	2423080	2308465
Average rate per unit	RS.	16.66	21.30
<b>2. LDO/FURNACE OIL</b>			
Quantity	Litre	750817	646170
Total Amount	RS.	9369520	6558625
Average rate per unit	RS.	12.47	10.14
<b>B) CONSUMPTION PER UNIT OF PRODUCTION*</b>			
1. Electricity	Units	4.88	4.76
2. L.D.O/Furnance Oil	Litre	0.53	0.62
* 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.			

**ANNEXURE B**

Statement pursuant to Section 217 (2A) of The Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming part of the Directors' Report for the year ended 31st March 2004

Sl No	Name Gross Rs	Remuneration	Designation	Qualification	Date of commencement of Employment	Total Experience (Years)	Age in Years	Last Employment
1	Mr. <u>K.K.Iha</u>	40,50,512	CEO	B.Sc.(Eng)	15-06-1994	19	42	Engineer, Maruti Udyog Ltd

**Notes**

- Gross remuneration includes perquisites and arrears of salary of Rs 26,16,722 for previous years.
- In addition to the above remuneration, the employee is entitled to gratuity as per company rules.



## CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below :

### 1. MANDATORY REQUIREMENT

#### 1. Company's Philosophy on Code of Governance

The basic philosophy of corporate governance in the Company is to achieve business excellence, comply with laws and regulations and dedicate itself for increasing long term shareholder value. Your Company is committed to transparency in all its dealings and places high emphasis on business ethics.

#### 2. Board of Directors

As on 31st March 2004 the strength of the Board of Directors was five comprising of a Chairman-cum-Managing Director, and four other Non Executive Directors including one Alternate Director.

During the financial year under review, four Board Meetings were held on 30/04/2003, 30/07/2003, 31/10/2003 and 31/01/2004.

Attendance of each Director at the Board Meetings and last Annual General Meeting and the number of Companies and Committees other than Pvt. Ltd. Companies where he is Director/Member (as on 31st March 2004), is as under:

Name of the Director	No. of Board meetings Attended	Attendance at the last AGM	No. of Directorship held(*)	No. of Committee Membership
Mr. S. Rai	4	Yes	10	Nil
Mr. Junichi Suzuki	Nil	No		1
Mr. Tetsuro Masui	Nil	No		Nil
Mr. A. D. Harolikar	4	Yes	2	1
Mr. Asis Ray (appointed on 30/04/2004)	Nil	No	Nil	Nil
Mr. S.C. Khanna	4	Yes	Nil	1
Mr. V. Gandikota (Resigned w.e.f. 16/02/2004)	2	No	Nil	Nil

Particulars of Directors retiring by rotation and seeking reappointment are given below:

Name of Director	Mr. Junichi Suzuki
Date of Birth	25/01/1948
Date of Appointment	29/10/2002
Special Expertise	Engineering & Management
Qualifications	Engineer
Directors in other Companies incorporated in India	Nil
Chairman/Member of Committee of companies	One.