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**ENKEI CASTALLOY LTD.**  
(Formerly known as Pegasus Castalloy Ltd.)

15<sup>th</sup>  
**ANNUAL  
REPORT  
2004-2005**

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

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

**BANKERS :**

Bank of Maharashtra  
 Industrial Finance Branch, Pune  
 ING Vysya Bank Ltd.  
 F. C. Road, Pune  
 Mizuho Corporate Bank Ltd.  
 Kotak Mahindra Bank Ltd.  
 Pune  
 The Shamrao Vitthal Co-op Bank Ltd  
 Deccan Gymkhana Branch, Pune

**AUDITORS :**

M/s Engineer & Mehta

**REGISTERED OFFICE & WORKS :**

Gat 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 15<sup>th</sup> Annual General Meeting of the Members of Enkei Castalloy Ltd. will be held on Friday, the 30th September 2005 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 31<sup>st</sup> March 2005, Profit and Loss Accounts for the year ended on that date, together with the Reports of the Director and Auditor.
2. To declare dividend.
3. To appoint a Director in place of Mr. A. D. Harollikar, 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(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. Vinay Panjabi be and is hereby appointed as the Director of the Company, whose office shall be liable to retirement by rotation."

6. To pass with or without modification(s), the following resolution as Special Resolution -

"RESOLVED THAT in pursuance to the provisions of Section 269, 309 and 310 read with Section 198 and Schedule XII 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 for a period of five years with effect from 01/11/2004 as indicated below:

1. Salary : Rs.1,00,000/- per month.
2. Commission : 0.5% of the net profits of the Company in a particular financial year in addition to salary, perquisites and allowances payable.
3. Perquisites & Allowances:
  - a) In addition to the salary and commission payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance and house maintenance allowance, in lieu thereof; together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for himself and his family, club fees, and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors and the Managing Director. All such perquisites and allowances will be subject to a maximum of an amount equal to the annual salary.
  - b) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.  
Provision for use of the Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the ceiling.
  - c) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act,

**NOTICE & NOTES CONTD..**

Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

- d) Leave: One month's leave with full pay and allowance, but not more than one month's leave for every eleven months of service. However, leave accumulated but not availed of will be allowed to be encashed.
- e) Benefits under loan and other schemes in accordance with the practice, rules & regulations in force from time to time.
- f) Such other benefits as may be provided by the Company to other senior officers from time to time.
- g) Managing Director shall be entitled to reimbursement of entertainment and all other expenses incurred in course of the Company's business.
- h) 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."

Place: Shikrapur  
Date : 03/08/2005

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

Registered Office:  
Gat No. 1426, Village Shikrapur, Taluka Shirur, Dist. Pune, Maharashtra.

**NOTES :**

1. A Member Entitled to attend and vote is entitled to appoint one or more proxy (IES) to attend and vote instead of himself/herself and the proxy need not be a member of the company.
2. 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.
3. An explanatory statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
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 electronic 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 28<sup>th</sup> September 2005 to 30<sup>th</sup> September 2005, 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 11<sup>th</sup> October 2005 to those shareholders whose names are on the Company's Register of Members on 30<sup>th</sup> September 2005. In respect of shares held in electronic form, the dividend will be payable to the





## NOTICE & NOTES CONTD..

beneficial owners of such shares whose names will be provided by the respective depositories viz. National Securities Depository Ltd and Central Depository Services Ltd.

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

Place: Shikrapur, Pune  
Date : 03/08/2005

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

Registered Office:

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

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

### ITEM NO. 5:

The Board of Directors in its meeting held on 30/04/2005 had appointed Mr. Vinay Panjabi as an Additional Director of the Company. Pursuant to Section 260 of the Companies Act 1956, Mr. Vinay Panjabi will be vacating the office at the forthcoming Annual General Meeting. The Company has received a notice from one of its members in pursuance to Section 257 of the Companies Act 1956 along with refundable deposit, signifying the intention of proposing the appointment of Mr. Vinay Panjabi as Director.

Mr. Vinay Panjabi is a Chartered Accountant and is having wide experience in the field of taxation, Finance and Investment banking. Your Directors are of the opinion that the association of Mr. Panjabi with the Company as Director will be in the interest of the Company.

Mr. Vinay Panjabi may be deemed to be interested in his appointment as Director. None of the other Directors is interested or concerned in the proposed appointment.

### ITEM NO. 6:

The term of Mr. S. Rai, Managing Director of the Company expired on 30<sup>th</sup> October 2004. The Board of Directors in its meeting held on 30/10/2004 decided to reappoint Mr. S. Rai as Managing Director, for a further period of five years with effect from 01/11/2004 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. Under his leadership the Company has made a remarkable progress both in sales and profitability.

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 recommended 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.

Place: Shikrapur, Pune  
Date : 03/08/2005

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

Registered Office:

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



## DIRECTOR'S REPORT

To the members,

Your Directors are pleased to present their 15<sup>th</sup> Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March 2005.

### FINANCIAL RESULTS

|   | For the year ended<br>31/03/2005<br>Rs. In lacs | For the year ended<br>31/03/2004<br>Rs. In lacs |
|---|---|---|
| Sales & Other Income  | 7564.28   | 3515.09   |
| Operating profit before Financial Expenses<br>Depreciation and Preliminary Expenses | 1616.76   | 737.04  |
| Financial expenses  | 401.17  | 165.10  |
| Profit before Depreciation & Tax  | 1215.59   | 571.94  |
| Less: Depreciation, Amortisation &<br>Prior period adjustment                       | 340.15  | 235.44  |
| Profit before Taxation  | 875.44  | 336.50  |
| Provision for Taxation  | 285.16  | 115.56  |
| Profit after Taxation   | 590.28  | 220.94  |
| Dividend – Final  | 62.50   | 50.00   |
| Provision for Tax on Dividend   | 8.77  | 6.53  |

### Dividend

Though the company has planned aggressive investment for keeping pace with the growing market demand, your Directors, in recognition of shareholders' expectations and as a token thereof, have recommended a Dividend of 12.50% for the year. 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 in the field of manufacture of Aluminum Alloy Castings, mainly catering to Automobile Industry. The Company is offering comprehensive range of castings, primarily engine parts required for two and four wheelers. With most of the economic indicators of the Company recording aggressive growth during the current year and in view of robust growth of Automobile Industry, your company has consolidated its position as a major auto ancillary in its field. The company has also commenced production of Alloy wheels for two and four wheelers, thereby exploring a market of huge potential of growth.

### REVIEW OF OPERATIONS

In the year 2004-2005, the business of the Company has scaled a new peak. The total income for the year 2004-05 amounted to Rs 7564.28 lacs as against Rs 3515.09 for the preceding year, recording a healthy increase of 115%. Exports increased from Rs 39.11 lacs in the year 2003-04 to Rs 509.52 lacs in the year 2004-05. The Company recorded pre-tax profit of Rs. 875.44 lacs as against Rs. 336.50 lacs in the last year, a remarkable increase of 160 %. In spite

## DIRECTOR'S REPORT

of rising Aluminum prices, with the strict control over other manufacturing and administrative expenses, operations have been monitored effectively. This has resulted in an increased earning per share (EPS) of Rs 11.81 for the year compared to Rs 4.42 in the earlier year.

Directors are glad to inform that the company commenced manufacturing of Aluminium Alloy Wheel in the month of March 2005. After various stringent tests the wheels are placed in the market.

### Opportunities / Outlook for the Company:

The overall growth of Indian Economy and prevailing buoyancy in automobile sector will auger well for the Company's business. The demand for Castings will keep the pace of growth with that in auto sector. Enthused with the increase in demand, the Company is expanding the capacity for manufacture of Cylinder Heads and Intake Manifold at its existing plant in Shikrapur, Pune. The Company is also setting up a green field project for manufacture of Cylinder Heads at Gurgaon, Haryana, to cater its customers based in Northern Region. The Company has also commenced manufacturing of Aluminum Alloy Wheels for both two and four wheelers in March 2005. The Company does not foresee any difficulty in marketing of wheels, since Enkei Corporation, Japan the foreign collaborators are one of the market leaders across the globe.

### Threats and Concerns the Management perceive:

- The Company is dependent on auto industry. The Indian Auto Industry has seen a three year growth run and it may set into consolidation phase.
- The price of Aluminum, the basic raw material is highly volatile and is the cause of concern.
- Continuous pressure for price reduction from customers is constant cause of concern.

### Internal Control System :

The Company has an adequate system of internal controls commensurate with its size and nature of business to ensure adequate protection of the Company's resources, efficiency of operations, check on cost structure and compliance with legal obligation and the Company's policies and procedures.

The Company has appointed independent Internal Auditors, M/s Phoenix Consulting Group, who conduct audit of each segment of operations. The Reports of the Internal Auditors are placed before the Audit Committee, and its recommendations are implemented to further improve the efficiency.

### 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 effect of training has resulted in high morale and motivation. We expect to continue the customized development program of employees during the year as well.

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. As on 31 st March 2005 the Company had 700 employees.

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 content 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, demand and change in government regulations, tax regimes, economic development and other incidental factors.



## DIRECTOR'S REPORT

### Corporate Governance:

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 and form part of this Report.

### Conservation of Energy:

Information as required under Section 217 (1)(s) 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.

### Directors' Responsibility Statement:

Pursuant to the requirement under section 217 (2AA) of the Companies Act 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- I. in the preparation of the accounts for the financial year ended March 31, 2005 the applicable Accounting Standards have been followed along with proper explanation relating to material denature,
- II. That the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2005 and of the profit and of the Company for the year ended on that date.
- III. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the Provisions of the Companies Act 1956 for safeguarding the needs of the Company and for preventing and detecting fraud and other irregularities.
- IV. That the Directors have prepared the accounts for the financial year ended March 31, 2005 on a "going concern" basis.

### Directors:

The Board of Directors in its meeting held on 27/04/2005 has appointed Mr. Vinay Panjabi as Additional Director. Pursuant to Section 260 of the Companies Act 1956, Mr. Vinay Panjabi will be vacating the office at the forthcoming Annual General Meeting. The Company has received Notices from some of its members signifying their intention to propose the appointment of Mr. Vinay Panjabi as Director.

To comply with the requirement of the Articles of Association and the Companies Act 1956. Mr. A. D. Harollikar and Mr. Vinay Panjabi will retire by rotation at the ensuing Annual General Meeting and being eligible will offer themselves for reappointment.

### Auditors:

Engineer & 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.

### Acknowledgement:

The Directors take this opportunity to express their appreciation co-operation and assistance received from the overseas partners and all the Term Lending and working capital bankers, without the support of whom the company may have not accomplished the results. Your Directors also place on record their deep sense of appreciation for the devoted services of the employees and confidence reposed in the management by the shareholders.

Place : Shikrapur, Pune  
Date: 03/08/2005

For and on behalf of the Board.  
Shailendrajit Rai  
CHAIRMAN & MANAGING DIRECTOR





## ANNEXURES TO DIRECTOR REPORT Dated 3rd August 2005

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. Numerous Kaizen projects on energy conservation implemented by the module heads have increased the yield of output of melting from oil fired furnaces from 180 Kg in 90 minutes to 180 Kg in 55 minutes
2. Redesigning and modifications in Heating elements in electrical Melting-cum-Holding furnaces to increase the efficiency of melting has resulted in conserving energy by over 5%.
3. Introduction of auto starter for back up power has eliminated heat loss during power shut down.
4. Introduction of PID control drives for smooth and requisite current draw has resulted in energy conservation of 7-12% on individual furnaces.
5. In spite of increase in usage of power by over 40% owing to increased production and introduction of new equipments, Power factor has been continuously maintained at 99.9%, thereby achieving Energy Conservation.

#### 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. Compressor banking is being undertaken to reduce the running of individual compressors.

#### 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. : 104.47 Lakhs |
| Total Foreign Exchange earning during the Year | RS. : 509.52 Lakhs |

## ANNEXURES TO DIRECTOR REPORT Dated 3rd August 2005

| FORM- A  |       |                                  |                                  |
|--|-------|----------------------------------|----------------------------------|
| A) POWER AND FUEL CONSUMPTION:   |       |                                  |                                  |
| 1. ELECTRICITY   |       | For the year ended<br>31.03.2005 | For the year ended<br>31.03.2004 |
| a) Purchased Quantity  | Units | 9977090                          | 6909430                          |
| Total Amount   | RS.   | 35508850                         | 26284337                         |
| Average rate Per Unit  | RS.   | 3.56                             | 3.80                             |
| b) Generated Quantity  | Units | 430272                           | 145439                           |
| Total Amount   | RS.   | 6252642                          | 2423080                          |
| Average rate per unit  | RS.   | 14.53                            | 16.66                            |
| 2. LDO/FURNACE OIL   |       |                                  |                                  |
| Quantity   | Litre | 1380070                          | 750817                           |
| Total Amount   | RS.   | 21534150                         | 9369520                          |
| Average rate per unit  | RS.   | 15.60                            | 12.48                            |
| B) CONSUMPTION PER UNIT OF PRODUCTION*   |       |                                  |                                  |
| 1. Electricity   | Units | 4.45                             | 4.88                             |
| 2. L.D.O/Furnance Oil  | Litre | 0.62                             | 0.53                             |
| * 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 2005

| Sl No | Name<br>Gross<br>Rs | Remuneration | Designation | Qualification | Date of<br>commencement<br>of Employment | Total<br>Experience<br>(Years) | Age<br>in<br>Years | Last<br>Employment               |
|-------|---------------------|--------------|-------------|---------------|--|--------------------------------|--------------------|----------------------------------|
| 1     | Mr. K. K. Jha       | 2946367      | CEO         | B.Sc.(Eng)    | 15-06-1994                               | 20                             | 43                 | Engineer,<br>Maruti Udyog<br>Ltd |

## Notes

1. In addition to the above remuneration, the employee is entitled to gratuity as per company rules.