

16TH

ANNUAL REPORT

2005 - 2006



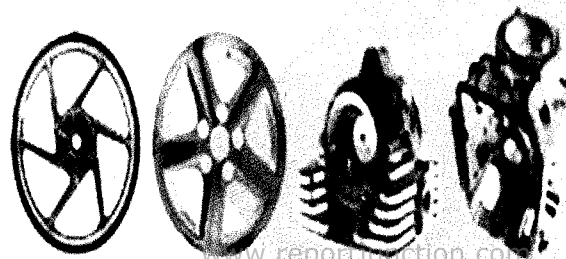
ENKEI

CASTALLOY LTD.

Casting the Future with Dedication...

ISO/TS 16949 Company

MAKE INNOVATION



ENKEI CASTALLOY LIMITED**BOARD OF DIRECTORS**

Mr. S. Rai	Managing Director
Mr. Junichi Suzuki	
Mr. Tetsuro Masui	
Mr. Asis Ray	
Mr. A. D. Harolikar	
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
State Bank of India	IFB Branch Pune
Export Import Bank of India,	Shankarsheth Road, Pune

AUDITORS :

M/s Engineer & Mehta

REGISTERED OFFICE & WORKS :**a) Regd. Office & Works :**

Gat No.1426,
Village Shikrapur, Taluka Shirur,
Dist. Pune - 412 208.Maharashtra
Tel: (02137) 677100
Fax : (02137) 677130
E-mail : ecl@enkeicastalloy.co.in

b) Works

57-58Km Stone, Delhi Jaipur NH-8,
Industrial Area, Village Binola, Haryana

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

Contents

	Page No. / (S)
o Notice & Notes	1 & 2
o Directors' Report	3 to 6
o Annexure to Director Report	7 to 9
o Corporate Governance Report	10 to 17
o Auditor's Report	18 & 19
o Annexure to The Auditor's Report	19 & 21
o Balance Sheet.....	22
o Profit & Loss Account	23
o Cash Flow	24
o Schedules	25 to 29
o Notes to Accounts	30 to 38
o Balance Sheet Abstract	39
o Proxy Form	40

NOTICE, NOTES

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of the Enkei Castalloy Limited will be held at 11.30 A.M. on Saturday, the 30th day of September, 2006, at Gat No. 1426, Shikrapur, Taluka Shirur, District Pune-412208, Maharashtra, to transact the following business :

- 1) To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2006.
- 2) To consider and declare dividend
- 3) To appoint a Director in place of Mr. A. D. Harolikar, who retires by rotation, but being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. Tetsuro Masui, who retires by rotation, but being eligible offers himself for reappointment.
- 5) To appoint Statutory Auditors and fix their remuneration.

For & On Behalf of the Board of Directors



**Sd/
(S. Rai)**

Managing Director

Place : Shikrapur

Date : August 21, 2006

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

NOTES

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY 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 file duly completed, stamped and signed proxy form and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

NOTICE, NOTES CONTD.

- 3) The Share Transfer Register and Register of Members will remain closed from 27th to 30th September, 2006 (both days inclusive).
- 4) If the dividend on shares as recommended by the Directors is declared at the annual general meeting, payment of such dividend will be made on and after 5th October, 2006 to those shareholders, whose names are on the Company's Register of Members on 30th September, 2006. In respect of shares held in electronic form, the dividend will be payable to beneficial owners of such shares, whose names are provided by the respective depositories viz. National Securities Depository Ltd. and Central Depository Services Ltd.
- 5) As required under Clause 49 of the Listing Agreement, profile of Directors being re-appointed is given in Corporate Governance report.
- 6) Members are requested to promptly notify any change in their address to the Company's Share Transfer Agents, M/s. Mondkar Computers Private Limited, 21, Shakil Niwas, Opp. Satya Saibaba Temple, Mahakali Caves Road, Aandheri (East), Mumbai 400 093, in respect of shares held in physical form and to their respective Depository Participants in respect of shares held in Electronic form.
- 7) Members desiring to ask any information as regards accounts or operation of the Company are requested to send their queries in writing at least seven days in advance of the date of the meeting so as to enable the management to keep the information ready

For & On Behalf of the Board of Directors

**Sd/
(S. Rai)**

Managing Director

Place : Shikrapur

Date : August 21, 2006

DIRECTOR'S REPORT

To,
The Members,

Your Directors are pleased to present the Sixteenth Annual Report together with the audited statements of accounts for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

(Rs. in Millions)

Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005
Gross Sales	1439.22	756.43
Net Sales	1223.92	653.60
Profit before Depreciation, Interest & Tax	223.50	161.68
Less: Depreciation & Prior Period adjustments	58.42	34.02
Less: Interest	49.97	40.12
Profit before Tax	116.44	87.54
Provision for Tax	41.03	28.52
Profit after Tax	75.41	59.24
Add: Balance brought forward	97.59	46.98
Net Profit available for appropriation	173.00	106.22

APPROPRIATIONS

General Reserves	2.00	1.50
Proposed Dividend	6.88	6.25
Corporate Dividend Tax	0.96	0.88
Balance Carried Forward	163.16	97.59

DIVIDEND

Inspite of remarkable increase in profit and desire of the Directors to reward the Shareholders with maximum return, considering the on going expansion of manufacturing capacities involving large capital expenditure programme of the Company, the Board of Directors proposes to maintain the dividend and accordingly, have recommended a dividend of 12.50% (Rs.1.25 per share of Rs.10/- each) for the financial year 2005-06.

There will be no tax deduction at source on dividend payment and the Company will pay dividend distribution tax on the dividend along with surcharge thereon and education cess. The dividend received at shareholders end will be free of tax. The total outgo on this score shall be Rs. 7.84 millions.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) Industry Structure and Development :

The Company is manufacturing aluminium alloy die castings, by Gravity and Low Pressure techniques, mainly catering to automobile industry. The Company is offering comprehensive range of castings with precision machining used as engine parts to various Auto OEM's. The Company is also manufacturing aluminium alloy wheels, required for two and four wheelers.

The automotive industry in India is one of the fastest growing automotive industry in the world. The industry grew by 30% in term volume in 2004 as against global growth of 6% (source OICA). In 2005-06 the vehicle production grew by 10% over previous year, whereas the compounded average growth of past five years is

DIRECTOR'S REPORT CONTD.

20%. The auto ancillary industry has grown at much faster pace than the Automotive Industry. The added advantage being the international auto giants looking the India as the main hub for their OEM requirements. The Indian auto ancillary has the added advantage of low cost of production and better quality compared to emerging markets like China.

Your Company enjoys technical support from Enkei Corporation, Japan, who is the world's largest OEM supplier.

(b) Review of Operations:

Your Company operates into only one business segment viz. manufacturing of aluminium alloy castings mainly used in auto industry.

Your Company has recorded yet another year of impressive performance with highest ever top and bottom lines. During the year under review, sales turnover amounted to an all time high of Rs. 1439.22 million as against Rs. 751.95 million last year, a jump of 91.40%. Pre-tax profit was also higher at Rs. 116.44 million as against Rs. 87.54 million in previous year. Cash profit after Tax of Rs. 132.49 million shows a very healthy growth of about 38.10% on year to year basis. Earning per share (EPS) for the year was Rs.15.08 compared to Rs. 11.81 in the earlier year.

The Company recorded an export turnover of Rs.141.91 million for the year under review compared to an export of Rs. 50.95 million in last year.

(c) Opportunities / Outlook for the Company

Buoyant economy, higher industrial growth, emphasis on infrastructure developments, etc. are expected to bring momentum in the demand for two and four wheeler automobiles. Also, international auto giants are looking India as the main hub for supply of their OEM requirements. This will result in continued strong demand for your Company's products. Your Company is well poised to take maximum advantage of growth opportunity being thrown open by the auto industry and has planned a total capital expenditure of Rs.1000 million in the coming year. This envisages increasing the production capacity of its existing plant at Shikrapur, Dist. Pune, commencing second phase of operation at Gurgaon, Haryana, and setting up a new plant at Panthnagar, Uttaranachal.

Your Directors are glad to report that the production of aluminium alloy wheels, which began last year, has been stabilized. The wheels produced are of international quality. The Company is supplying aluminium alloy wheels to Honda Sael Cars India Ltd for their Honda Accord, Honda Civic Models and Bajaj Auto Ltd for their Pulser Model. The Company is also negotiating with other two/four wheeler manufacturers for the supply of aluminium alloy wheels.

The first phase of the Company's new plant at Gurgaon, Haryana, for manufacturing aluminium alloy castings commenced production in the month July 2006. Second phase will be operational in the month November 2006.

Your Directors are pleased to report that enthused with the up surging demand, the management has decided to set up one more plant at the total cost of Rs.100 million for manufacturing aluminium castings at Panthnagar, Uttaranachal. Necessary site has been finalized and statutory approvals are being obtained.

(d) Threats, Risks and Concern the Management perceives:

- The rise in crude prices and increase in bank rates may slow down the demand for automobiles;
- Competition from China may affect the profit margin;
- The price of aluminium, the basic raw-material is highly volatile and is the cause of concern.



DIRECTOR'S REPORT CONTD.

The company is dependent on auto industry. The Indian auto industry has seen a growth run for past four years and may set into consolidate phase.

(e) 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 the legal obligations and the Company's policies and procedure.

The Company's Internal Auditors, M/s. Phoenix Consulting Group, conducts on continuous basis audit of each segment of operations. The Report of the Internal Auditors are placed before the Audit Committee, and its recommendations are implemented to further improve the efficiency.

(f) Human Resource Development

The Company is giving utmost importance to human resource development. In this direction, the Company is providing intensive training to employees of all levels for improving competence, production, enhancing safety and social values. Achieving the high morale and motivation is the ultimate goal of each training programme. The management expects to continue the customized development programme of employees during the current year also.

The management of the Company enjoys cordial relations with its employees at all levels. The Board of Directors wish to place on record its highest appreciation for the contribution made by all the employees in achieving the excellent growth during the year.

(g) Cautionary Statement

The Management Discussion and Analysis Report is a forwarding look Statement based on the Company's projections, estimates and perceptions. These statements reflect the Company's current views with respect to the future events and are subject to risk and uncertainties. Actual results may vary materially from those projected here.

PREFERENTIAL ISSUE

As approved by the members in their Extra-Ordinary General Meeting held on 21st June, 2006, 5,00,000 Equity Shares of Rs.10/- each were allotted to Prudential ICICI Trust Ltd.- Prudential ICICI Fusion Fund and Minivet Limited of Mauritius, at a premium of Rs. 390/- per equity share. The listing application for listing of shares is filed with The Bombay Stock Exchange Ltd. and listing approval is awaited.

DIRECTOR'S RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to information and explanations provided to them, your Directors make the following statement, pursuant to Section 217(2AA) of the Companies Act, 1956 that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departure have been made from the same;
2. appropriate accounting policies have been selected and applied them consistently and judgments and estimates that are reasonable and prudent made 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;
3. proper and sufficient care has been taken for maintenance of adequate accounting records in accord ance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a "going concern" basis.

DIRECTOR'S REPORT CONTD.

DIRECTORS

To comply with the requirement of the Companies Act, 1956 Mr. A. D. Harollikar and Mr. Tetsuro Masui, Directors, shall retire by rotation and being eligible and offer themselves for reappointment. As required, the details concerning the Directors seeking re-appointment are included in the Corporate Governance Report.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with The Bombay Stock Exchange Ltd., a separate section on Corporate Governance together with certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this report.

CONSERVATION OF ENERGY, ETC.

Information pertaining to conservation of energy, technology absorption and foreign exchange earning and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956 confirming compliance is set out in the Annexure forming part of this report.

EMPLOYEES

Information as required in pursuance of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is annexed and forms part of this report.

AUDITORS

Members are requested to appoint Auditors for the current financial year. Engineers & Mehta, Chartered Accountants, Auditors of the Company, shall retire at the forthcoming Annual General Meeting and being eligible, offers themselves for reappointment.

ACKNOWLEDGEMENT

Your Directors are thankful to all who contributed and assisted to achieve these excellent results. They wish to place on record their appreciation for assistance and co-operation received from Enkei Corporation, Japan, the technical collaborators, Banks, Customers, suppliers and the shareholders.

On behalf of the Board of Directors

(S. Rai)
Managing Director

(A. D. Harollikar)
Director

Place: Shikrapur, Pune
Date : August 21, 2006

ANNEXURE TO DIRECTOR'S REPORT

ANNEXURE 'A'

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY

The various steps taken for energy conservation during the year were :

- Installation of capacitor banks to improve power factor
- Installation of automatic voltage regulators
- Utilization of natural light for factory lighting during day time

Details of energy consumption: **FORM 'A'**

A) POWER AND FUEL CONSUMPTION :

1. ELECTRICITY		For the year ended 31.03.2006	For the year ended 31.03.2005
a) Purchased Quantity	Units	16267800	9977090
Total Amount	Rs.	61107129	35508850
Average rate per Unit	Rs.	3.76	3.56
b) Generated Quantity	Units	733149	430272
Total Amount	Rs.	13729720	6252642
Average rate per Unit	Rs.	18.72	14.53
2. LDO/FURNACE OIL			
Quantity	Litre	1980580	1380070
Total Amount	Rs.	35792310	21534150
Average rate per Unit	Rs.	18.07	15.60
B) CONSUMPTION PER UNIT OF PRODUCTION			
1. Electricity	Units	5.09	4.45
2. LD / furnace oil	Litre	0.59	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 TO DIRECTOR'S REPORT CONTD.

B. TECHNOLOGY ABSORPTION

FORM 'B'

Form for disclosure of particulars with respect to

RESEARCH AND DEVELOPMENT

Specific area in which R & D carried out by the Company :

The Company is continuously working for enhancing research and development capabilities. The innovation team of the Company is continuously working for improvement in the process of gravity and low pressure die castings.

Benefit derived as a result of above R & D

This has resulted in improved quality of castings and winning new orders from existing as well as new customers.

Future plan of actions

The Company proposes to further strengthen its innovation team and develop the best technology across the globe for gravity and low pressure die castings.

Expenditure on R&D for the year ended 31st March, 2006

The details are not given since the expenditure on R&D is negligible to total revenue of the Company.

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

The Company has successfully absorbed technology obtained from the foreign collaborators for manufacture of aluminum die castings.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Total foreign exchange earned : Rs. 54.45 million

Total foreign exchange used : Rs. 116.81 million

Detailed information on foreign exchange earning and outgo is also furnished in the notes to accounts.

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, 2006

Sr. No.	Name	Remuneration Gross Rs. million	Designation	Qualification	Date of Employment	Total Experience Yrs.	Age in Yrs.	Particulars of Last employment	Last Designation
1*	Mr. Rajeev Sikand	0.87	Group CEO	MBA	03-12-2005	24 yrs	46 yrs	Motherson Sumi Systems Ltd	Head- International Business
2*	Mr. K K Jha	3.17	CEO	B.Sc. (Engg)	15-06-1994	21 yrs	44 yrs	Maruti Udyog Ltd	Engineer