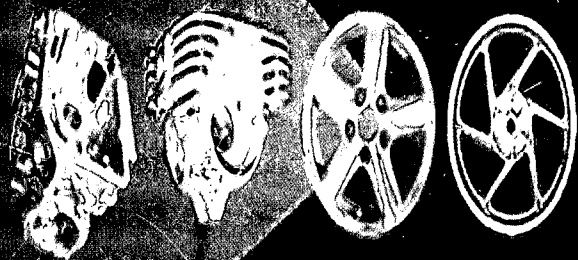
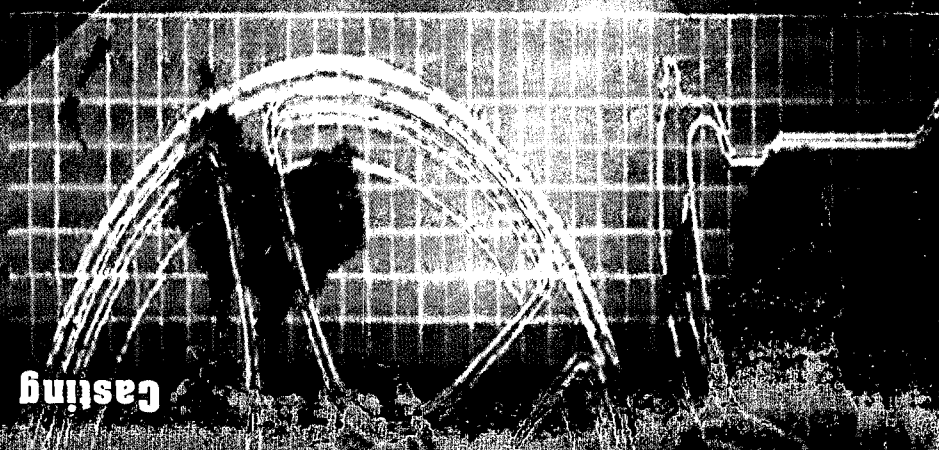


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ISO/TS 16949 Company

CASTALLOY LTD.

ENKEI



**17TH
ANNUAL
REPORT
2006 - 2007**



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.	Mumbai
Kotak Mahindra Bank Ltd.	Pune
State Bank of India	IFB Branch Pune
Export Import Bank of India,	Shankarsheth Road, Pune
Axis Bank Ltd.	J. M. 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

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Message from MD



Mr. Shailendrajit Rai
Managing Director

AIM TO BE THE BEST

- ◎ The market is wide open and the potential is huge. The key to success lies in our ability to deliver quality products on time, every time. "Almost" right is not good enough.
- ◎ At the same time, increasing levels of domestic and international competition will constantly challenge us. Continuous improvement in our operations and processes has to become a way of life.
- ◎ Do things the right way - the best way. If the process is right - the result will be achieved.
- ◎ Above all else - Customer Focus and Customer Satisfaction has to be our daily mantra. These are not just words. Our every action must reflect this tenet. Failure or delays in meeting our commitment to a customer, is simply not an option.
- ◎ Work with passion - Enjoy what you do - Have pride in what you do.

OUR MANAGEMENT TEAM

Wheel Division



Bottom Row (L to R) Mr. O. Agnihotri, Mr. R. Prashar, Mr. S. Ohol, Mr. U. Ravikanth, Mr. Rajeev Sikand - Group CEO, Mr. V. Phadnis, Mr. Matsuzaki, Mr. S. V. Babu, Mr. Amol Karandikar,

Top Row (L to R) Mr. Kudo, Mr. K. Kuroda, Mr. S. Nagthane, Mr. Sadaishi, Mr. T. Endo - Wheel Business Head, Mr. Sano, Mr. S. Manvi, Mr. V. Gupta

Foundry Division



Bottom Row (L to R) Mr. S. Kamath, Mr. O. Agnihotri, Mr. Deepak Mahajan, Mr. Rajeev Sikand - Group CEO, Mr. R. K. Mehra, Mr. V. Phadnis, Mr. Bagli, Mr. R. Sangalika

Top Row (L to R) Mr. Matsuzaki, Mr. Deokamble, Mr. Bhosure, Mr. Shrikant Dole, Mr. V. Gupta, Mr. R. Jagannathan, Mr. A. H. Patil, Mr. S. Anandan



ENKEI

CASTALLOY LTD.

NOTICE, NOTES

NOTICE is hereby given that the Seventeenth Annual General Meeting of the members of Enkei Castalloy Limited will be held at 12.30 p.m. on Saturday 29th September, 2007 at Gat No. 1426, Shikrapur, Taluka Shirur, District Pune 412208, Maharashtra, to transact the following business :

ORDINARY BUSINESS

- 1) To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account for the year ended on 31st March, 2007.
- 2) To consider and declare dividend.
- 3) To appoint a Director in place of Mr. Junichi Suzuki, who retires by rotation, but being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Mr. Vinay Panjabi, who retires by rotation, but being eligible offers himself for reappointment.
- 5) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- 6) To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"In supersession to the resolution passed by the members of the Company in their Extra-Ordinary General Meeting held on 21st June, 2006, it is RESOLVED THAT the consent of the Company be and is hereby accorded pursuant to Section 293(1)(d) and other applicable provisions if any, of the Companies Act, 1956 to the Board of Directors of the Company to borrow from time to time any sum or sum(s) of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves i.e. to say reserves not set apart for any specific purpose; provided that the total amount of moneys borrowed by the Company shall not at any time exceed the limit of Rs.500.00 crores (Rupees five hundred crores only)."

For & On Behalf of the Board of Directors

Place: Shikrapur
Date: 30th July, 2007

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

Sd/
(S. Rai)
 Managing Director

NOTES CONTD.

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 PROXY OR PROX(IES) SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An explanatory statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
3. The Share Transfer Register and Register of Members will be kept closed from 25th September, 2007 to 29th September, 2007 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed/unpaid dividend over a period of 7 years have to be transferred by the Company to the Investors Education & Protection Fund constituted by the Central Government under Section 205(A) and 205(D) of the Companies Act, 1956.

Following are the details of dividend paid by the Company and their respective due dates of transfer to such Fund of the Central Government, which remains unpaid :

Date of Declaration of dividend	Divided for the year	Due date of transfer to the Government
27th September, 2000	1999-2000	25th October, 2007
28th September, 2001	2000-2001	26th October, 2008
30th September, 2002	2001-2002	28th October, 2009
29th September, 2003	2002-2003	27th October, 2010
29th September, 2004	2003-2004	27th October, 2011
30th September, 2005	2004-2005	28th October, 2012
30th September, 2006	2005-2006	28th October, 2013

It may be noted that no claim of the shareholders will be entertained for the unclaimed dividends which have been transferred to the credit of the Investor Education & Protection Fund of the Central Government under the provisions of Section 205(B) of the Companies Act, 1956.

In view of the above, the shareholders are advised to send all the unencashed dividend warrants to the Company's Share Transfer Agents for revalidation and encash them before the due date for transfer to the Investor Education & Protection Fund.

5. As required under Clause 49 of the Listing Agreement, profile of Directors being re-appointed is mentioned in Corporate Governance Report.
6. Members desiring any information as regards accounts or operations 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

For & on Behalf of the Board of Directors

Place: Shikrapur
Date: 30th July, 2007

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

Sd/
(S. Rai)
 Managing Director

NOTES CONTD.

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

Members in their Extra-Ordinary General Meeting held on 15th July, 2004 had authorized the Board of Directors to borrow funds from time to time not exceeding in aggregate Rs. 50.00 crores. This limit was further enhanced to Rs. 100.00 crores and then to Rs. 200.00 crores by the members in their Extra-Ordinary General Meetings held on 29th October, 2005 and 21st June, 2006 respectively.

As the members are aware, the Company has completed expansion of existing capacity to manufacture aluminium alloy castings and may further add the new capacities. This will require additional funds, which will be raised through borrowing from various sources including banks and financial institutions. This may result in the total borrowing exceeding the existing permissible limit of Rs. 200.00 crores. In accordance with the provisions of Section 293(1)(d) of the Companies Act, 1956 for borrowing exceeding the aggregate of the paid up capital and free reserves, members approval by ordinary resolutions is required. The Board of Directors, therefore, recommends the resolution as stated in Item No. 6 of the notice convening the meeting.

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

For & on behalf of the Board of Directors

(S. RAI)
Managing Director

Place: Shikrapur
Date: July 30, 2007

DIRECTOR'S REPORT

To,
The Members,

Your Directors are pleased to present their Seventeenth Annual Report together with the audited statements of accounts for the year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

(Rs. In Millions)

Particulars	For the year ended March 31, 2007	For the year ended March 31, 2006
Gross Sale	2692.30	1439.22
Net Sales	2296.88	1223.92
Profit before Depreciation, Interest & Tax	322.63	223.50
Less: Depreciation & Prior Period adjustments	105.61	58.42
Less: Interest	77.27	49.97
Profit before Tax	139.75	116.44
Provision for Tax	21.69	41.03
Profit after Tax	118.06	75.41
Add: Balance brought forward	163.16	97.59
Net Profit Available for appropriation	281.22	173.00
APPROPRIATIONS		
General Reserves	2.00	2.00
Proposed Dividend	6.88	6.88
Corporate Dividend Tax	1.16	0.96
Balance Carried Forward	271.18	163.16

DIVIDEND

Though your Directors are very much concerned for assuring maximum return to the Shareholders by way of dividend, considering the requirement of funds, your Directors have recommended a dividend of 12.5%, for the financial year 2006-07.

The dividend if declared, will be free of tax in the hands of Shareholders. The Company is required to pay dividend distribution tax on the dividend along with surcharge thereon and education cess. The total outgo on this score shall be Rs. 8.04 million.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) Industry Structure and Development :

The economy boom in both manufacturing and service industry continued in the year under review. The robust growth of Indian economy has further fueled the automotive industry. This growth is recorded in adverse atmosphere of high fuel price and increased interest rate. The vehicle prices have also gone-up except in case of small segment cars, which had an advantage of reduced excise duty of 16% in place of 24%. The projected CAGR for 2005-2014 is 17%(Source ACMA).

The cumulative growth of the Passenger Vehicles segment during April 2006 - March 2007 was 20.70 percent. Passenger Cars grew by 22.01 percent, Utility Vehicles by 13.21 percent and Multi Purpose Vehicles by 25.20 Percent in FY 2006-07. The Commercial Vehicles segment grew by 33.28 percent. Growth of Medium & Heavy Commercial Vehicles was 32.84 percent and Light Commercial Vehicles recorded a growth of 33.93 percent.

DIRECTOR'S REPORT CONTD.

Three Wheelers sales grew by 12.22 percent with sales of Goods Carriers increasing by 13.52 percent and Passenger Carriers by 11.33 percent during April 2006- March 2007 compared to the corresponding period last year.

The Two Wheeler market grew by 11.42 percent during April 2006- March 2007 over the same period last year. Motorcycles grew by 12.79 percent, Scooters grew by 3.48 percent and Mopeds registered a growth of 6.95 percent. The Indian auto ancillary has the added advantage of low cost of production and better quality compared to other emerging markets like China.

An ACMA-McKinsey study indicates a growing outsourcing opportunity for the Indian auto-components sector. Driven by the strong technological capability, Indian auto-component Companies could gain a 10-12% share of the addressable skill-intensive parts market (machined gears and machined exhaust manifolds) and 5-7% share of the potential labour - intensive parts market where it competes equally with other low-cost countries. India is likely to attain 3-4% share of the US \$ 700 billion potential market by 2015, translating into a US \$ 20-25 billion opportunity by 2015, a 30% CAGR over the next 10 years from US\$ 1.4 billion in 2005 (McKinsey estimates).

Your Company, which mainly caters to upper segment of cars and two wheelers, had another year of impressive growth. The Company is manufacturing aluminum alloy die-castings viz. Cylinder heads, intake manifolds and wheels for two and four wheelers.

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 aluminum 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. 2692.30 million as against 1439.22 million last year, a jump of 87%. Pre tax Profit was also higher at Rs. 139.76 million as against 116.44 million in previous year. Cash profit after tax of Rs. 223.67 million shows a very healthy growth of about 69% on year to year basis. Earning Per Share (EPS) for the year was Rs. 11.06, compared to Rs. 7.54 in the earlier year.

The Company recorded an export turnover of Rs. 365.04 million for the year under review compared to an export turnover of Rs. 141.91 million in the last year. The Company exported to U.S.A / Europe. Efforts are being made to penetrate in European markets.

(c) Opportunities / Outlook for the Company:

India is being turned into a hub for small car manufacturing. All the major car manufacturers has announced capacity expansion and are continuously introducing new models. Many new international giants are in process of setting up their manufacturing facilities in India. Government's focus on developing roads and other infrastructure facilities provide ample growth opportunities. Robust growth of economy backed by strong performance of all key industrial sector shall result in increased purchasing power of masses. This will also mitigate the adverse effect of price increase. In recent years we have seen increasing number of global players entering Indian market by way of Joint ventures, collaborations or wholly owned subsidiaries. Sudden interest of major global players has made Indian auto industry very competitive as India provides twin benefit of ready market and low cost manufacturing base for them.

Car stock per 1000 population is expected to increase at a CAGR of 9.14% during the forecasted period from FY 2007 to FY2010. New passenger car registration is expected to grow at a CAGR of 11.41% during the forecasted period.

DIRECTOR'S REPORT CONTD.

Keeping all these factors into consideration, the management of the Company expects a very good volume growth in passenger cars segments in coming years. This will result in increased demand for the Company's castings.

During the year under review, the Company completed the expansion of intake mani fold and cylinder heads. The Company do not foresee any difficulty in marketing its increased capacity.

The cheap imports from China of aluminium wheel is cause of concern for management. Though the quality of the wheel is well accepted by the customers, the cheap import from China is adversely effecting the demand and profit margin. However, as the cheap imports will not sustain for long time, management is of the view that this is a temporary phenomenon.

(d) Expansion and Capital Expenditure:

Your Directors are pleased to report that the Company has completed the expansion of intake and YN 4 manifold manufacturing facilities. The Production of cylinder heads at Gurgaon, Haryana, is stabilized. The necessary steps are initiated to set up a new unit for manufacturing cylinder heads at Pantnagar, U.P.

In aggregate, the capital expenditure of Rs. 925.19 million was incurred during the financial year. The entire expansion was funded from funds raised from preferential issue of equity shares, term loans and internal accruals.

(e) Threats, Risks and Concern of the Management:

- The rise in crude prices and increase in bank interest rates may slow down the demand for automobiles;
- Increased competition from China particularly in wheel segment may affect the profit margin, market share and volume;
- The price of aluminium, the main raw-material is highly volatile;
- Any slackness in implementation of infrastructure projects may slow down the demand for automobiles.

(f) 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 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.

(g) 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.

(h) 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 future events and are subject to risk and uncertainties. Actual results may vary from those projected here.