



35TH

ANNUAL REPORT
2006-2007

Amforge Industries Limited



Amforge Industries Limited

Annual Report 2006-2007

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REGISTERED OFFICE United Bank of India Building, 6th Floor, Sir P. M. Road, Fort, Mumbai - 400 001. Telefax : 022- 2282 8933 Tele : 022- 2287 1227 Email : amfcosec@mtnl.net.in	AUDITORS Bansal & Associates, Chartered Accountants, Rajendra Chambers, Nanabhai Lane, Fort, Mumbai - 400 001.
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CORPORATE OFFICE 108-111, Raheja Chambers, Free Press Journal Marg, Nariman Point, Mumbai - 400 021. Telephone : 022-6636 5962 Fax : 022-6636 5964	SOLICITORS Mulla & Mulla, Craigie Blunt & Caroe Mulla House, 51, M. G. Road, Fort, Mumbai - 400 023.
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WORKS 32-D-2, M.I.D.C. Area Chinchwad, Pune - 411 019. Maharashtra State. Telephone : 020-6611 3464 / 65 Fax : 020-6611 3597 Email : amforge@vsnl.net	REGISTRAR AND TRANSFER AGENTS Sharex Dynamic (India) Private Limited Unit-1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072. Telephone : 022-28515606 / 28515644 Fax : 022-28512885 E-mail : sharexindia@vsnl.com
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35TH ANNUAL GENERAL MEETING on Thursday, the 27th September, 2007 at 2.30 p.m. at Maharashtra Chamber of Commerce and Industry, Babasaheb Dahanukar Sabhagriha, Oricon House, 6th Floor, 12, K. Dubhash Road, Fort, Mumbai - 400 001.
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As a measure of economy, copies of the Annual Report will not be distributed at the Meeting and, therefore, Members are requested to bring their copies of the Annual Report to the Meeting.

NOTICE

NOTICE is hereby given that the 35th ANNUAL GENERAL MEETING of **Amforge Industries Limited** will be held on Thursday, the 27th September, 2007 at 2.30 p.m at Maharashtra Chamber of Commerce and Industry, Babasaheb Dahanukar Sabhagriha, Oricon House, 6th Floor, 12, K.Dubhash Road, Fort, Mumbai - 400 001 to transact the following items of business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and Profit & Loss Account of the Company for the year ended on that date, together with the reports of the Directors and the Auditors.
2. To appoint a Director in place of Shri. Fali P. Mama, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED, pursuant to Regulation 119 of the Articles of Association of the Company and subject to approval of the Shareholders in their General Meeting by way of Special Resolution under Clause-49 of the Listing Agreement, THAT Shri Puneet Makar, Director of the Company, be and is hereby called upon to deliver advisory services in the areas of Company Management with special stress on global marketing from time to time and be paid compensation not exceeding Rs.6.00 lacs (Rupees Six Lacs only) per annum thereagainst with effect from 1st January, 2007 and that he shall also be provided with the following, in addition to the compensation herein referred above:

- i) Payments / reimbursement of telephone / fax expenses incurred for the purposes of the Company;
- ii) Payments / reimbursement of conveyance expenses / travelling expenses incurred for the purposes of the Company or provision of Company's car in lieu thereof;
- iii) Payments / reimbursement of foreign travelling expenses incurred for the purposes of the Company;
- iv) Payments / reimbursement of medical expenses to Shri. Puneet Makar incurred by him for himself in India or outside India during the period his advisory services are availed of the Company.

"RESOLVED FURTHER THAT the said compensation be paid to Shri Puneet Makar against his bills and reimbursement of expenses against production of relevant vouchers / bills, etc. and subject to deduction of tax at source, as may be applicable."

5. To consider and, if thought fit to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT the Non-compete Agreement dated 25th January, 2007 between Mahindra Forgings Limited wherein the Company agreed not to manufacture heavy forged articles for four wheelers for a period of 7 years against the consideration of Rs.2.00 Crores (Rupees Two Crores only) be and is hereby ratified."

By Order of the Board of Directors
Puneet Makar
Chairman

Registered Office:

United Bank of India Bldg.,
6th Floor, Sir P. M. Road,
Fort, Mumbai - 400 001.

Mumbai,

Dated : 31st July, 2007.

NOTES :

- a) The Explanatory Statement setting out the material facts concerning the Special business mentioned under Item Nos. 4 & 5 of the Notice as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. A DULY COMPLETED PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

- c) The Register of Members and the share transfer books of the Company will remain closed from Monday, the 17th September, 2007 to Thursday, the 27th September, 2007 (both days inclusive).
- d) Members who desire any information as regards the Accounts are requested to write to the Company at least 10 days before the date of the Meeting so as to enable the Management to keep the information ready.
- e) Members, having the shares in physical form, are requested to notify immediately any change in their addresses to the Company's Registrar and Transfer Agents, Sharex Dynamic (India) Pvt. Ltd., Unit-1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072. Telephone: 022-28515644, 28515606 Fax: 022-28512885. Email - sharexindia@vsnl.com
- f) The Company in accordance with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, has transferred all dividends declared up to the dividend for the year 1993-94 to General Revenue Account of Government. Concerned shareholders can receive the unclaimed dividend from the Registrar of Companies, Maharashtra, at Hakoba Compound, 2nd Floor, Dattaram Lad Marg, Kalachowki, Chinchpokli (East), Mumbai - 400 033, upon preferring an application in the form prescribed under the said rules.
- g) No dividend has been declared by the Company since 1997.
- h) Members holding shares in identical order of names in more than one folio are requested to write to the Company's Registrar and Transfer Agents enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
- i) Members of erstwhile Tru Wheels Limited who have not yet surrendered their old certificate for exchange with the certificate of Amforge, consequent to amalgamation are requested to correspond with the Company's Registrar and Transfer Agents.
- j) In consideration of demerger of Chakan plant into Mahindra Automotive Steels Pvt. Ltd., (now known as Mahindra Forgings Limited) the shareholders of the Company, as on 24.04.2006, were issued 1 No. 4% Non-cumulative Redeemable, Non-convertible Preference Share of Rs.31/- each (since redeemed) and 1 Number Equity Share of Rs.10/- each against every equity share of the Company. Any shareholders who were holding equity shares of the Company on 24.04.2006 may correspond, in relation of the preference and equity shares issued by Mahindra Forgings Limited, to their RTA - Karvy Computershare Pvt. Ltd., Avenue-4, Street No.1, Banjara Hills, Hyderabad - 500 034. Telephone No. 040-23312454.
- k) Consequent on reduction in capital of the Company, the Company has allotted and dispatched / credited Equity Share of Rs.2/- each fully paid against each Equity Share of Rs.10/- each to the shareholders as of 24.04.2006. For any enquiry about the non-receipt of the said equity shares, may correspond with our RTA, Sharex Dynamic (India) Pvt. Ltd., Unit - 1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072. Telephone: 022-28515644, Fax: 022-28512885. Email- sharexindia@vsnl.com.
- l) The old equity share certificates of Rs.10/- each fully paid-up are no more tradable and have no commercial value.
- m) The new ISIN of the Company's present Equity Shares of Rs.2/- each is INE991A01020.
- n) The deliveries of shares of the Company are compulsorily in dematerialized form.

ANNEXURE TO THE NOTICE PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956

EXPLANATORY STATEMENT:

ITEM NO. 4 :

Shri. Puneet Makar resigned from the Managing Directorship of the Company w.e.f. 16.11.2006. He is having tremendous experience and exposure in all the areas of Company Management with special reference to global marketing for over 18 years in the Indian Forging Industry. The Company still requires his valued advice, since the Company is finding it very advantageous to receive his guidance in the above areas, it is felt imperative to request him to render such management advisory services, whenever required and to compensate him for the same.

Shri. Puneet Makar (45), a Graduate in Business Administration from the U.S.A, has served the Company, holding several senior positions for over 18 years of which the last 5 years is as Chairman and Managing Director. With his leadership qualities and dynamism, he has substantially contributed to the corporate strategies and growth of the Company during this period. The Company has substantially reduced its debts by entering into one time settlement and debts restructuring with many of the lenders. It has also increased its export substantially.

In view of above, it is imperative, in the paramount interest of the Company, to avail of his advisory services whenever required. Shri. Puneet Makar has also kindly consented to render such services and make available his rich experience and knowledge in forging business to the Company from time to time, as and when required, on terms and conditions mutually agreed upon.

Annual Report 2006-2007

The said compensation paid to Shri. Puneet Makar is to be approved by the Shareholders of the Company in their ensuing Annual General Meeting as per requirement of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited.

Shri. Puneet Makar himself, Shri. Yogiraj Makar and Smt. Reshma Y. Makar, Directors of the Company, shall be deemed to be interested in the Resolution.

ITEM NO. 5:

The Shareholders must be aware that pursuant to the Composite Scheme of Arrangement between Amforge Industries Limited (Amforge) and Mahindra Automotive Steels Pvt. Limited (MASPL) now known as Mahindra Forgings Limited (MFL), the Chakan plant was demerged from Amforge and merged with MASPL. Till date Amforge was having two plants at Chakan and Chinchwad. The Chakan plant produces the forged articles all of which are suitable for four wheelers and each forged article bears specified weight. The Chinchwad plant is producing the forged articles all of which are mainly suitable for two wheelers only and each forged articles bears specified weight.

Since MFL took over business of Chakan plant, MFL requested Amforge, not to compete with them in the manufacture of forged articles similar to the ones produced at Chakan plant. They also gave proposal to enter into a Non-Compete Agreement for these forged articles in consideration of which MFL shall pay Rs.2- Crores (Rupees Two Crores only) to Amforge.

Since Amforge has demerged its Chakan plant and is not in a position to do the business of producing similar forged articles and whereas it is in business of manufacturing forged articles mainly for two wheelers at Chinchwad and whereas there is no intention to restart heavier forging business in near future and whereas the Company will be benefited in receiving such non-compete fees, the Directors approved and the Company entered into the Non-Compete Agreement dated 25.01.2007. The Non-compete Agreement shall be valid for 7 years. Moreover, the promoters of the Company have also entered into non-compete agreement with MFL on the similar lines against which the Promoters would be getting Rs.3 crores from MFL.

As a matter of Corporate Governance, the said Non-compete Agreement is sought to be ratified by the Shareholders of the Company.

The Non-compete Agreements referred above are available for inspection between 10.00 a.m. and 1.00 p.m. on all working days upto 26.09.2007.

None of the Directors except S/Shri. Yogiraj Makar, Puneet Makar and Smt. Reshma Y. Makar deemed to be interested to the extent of non-compete fees receivable by Shri. Puneet Makar as a promoter.

Registered Office:

United Bank of India Bldg.,
6th Floor, Sir P. M. Road,
Fort, Mumbai - 400 001.

Mumbai,

Dated : 31st July, 2007.

By Order of the Board of Directors
Puneet Makar
Chairman

DETAILS OF DIRECTOR BEING APPOINTED AT THE ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 (VI) A OF THE LISTING AGREEMENT).

Name of Director	Shri. Fali P. Mama
Age	71 years
Qualification	B.Sc., LL.B.
Date of Appointment	1.10.2003
Expertise	Practising as a Management Consultant and is expert in purchase, commercial and operational areas.
Other Directorships	Mahindra Forgings Limited Salil Investments Pvt. Ltd.
Chairman/Member	Member - Audit Committee Remuneration Committee Share Transfer & Shareholders' / Investors' Committee (Amforge Industries Limited) Member - Audit Committee Share Transfer & Shareholders' / Investors' Committee (Mahindra Forgings Limited)

DIRECTORS' REPORT

TO THE MEMBERS
AMFORGE INDUSTRIES LTD.

Your Directors have pleasure in presenting their 35th Annual Report and audited statement of accounts for the year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

	<i>(Rs. in Lacs)</i>	
	2006-2007	2005-2006
Gross Revenue after stock adjustments	5979.46	4173.40
Gross Profit before Interest, Depreciation, Amortization & Tax	390.08	(370.36)
Interest	(39.62)	(85.94)
Operating Profit (Loss) before Depreciation & Amortization	350.46	(456.30)
Depreciation	(99.08)	(138.82)
Amortization	(58.70)	(18.71)
Operating Profit/(Loss) for the year	192.67	(613.83)
Employees Separation Cost written off	(691.07)	(274.04)
Old and Obsolete Dies written off	(199.01)	(171.67)
Other Extra Ordinary Gains (Net)	(322.38)	507.92
Profit/(Loss) for the year	(1019.78)	(551.62)
Prior Period's adjustments (Net)	(4.92)	(20.90)
Net Profit/(Loss)	(1024.70)	(572.52)
Provision for Current Tax(Wealth Tax)	(0.70)	(0.92)
Provision for Fringe Benefit Tax	(19.15)	(9.15)
Provision for Deferred Tax	10.55	198.55
Profit/(Loss) after Tax	(1034.00)	(384.04)
Earlier years (Short) / excess provision for tax	(33.85)	—
Balance Profit/(Loss) brought forward from previous year	(1283.35)	(899.31)
Provision for Doubtful Debts & Advances	40.60	—
Balance carried to Balance Sheet	(2391.80)	(1283.35)
EPS (Rs.)	(7.48)	(3.86)

FINANCIALS

During the year under review, the Company's gross revenue is Rs.5979.46 lacs [Previous Year: Rs. 4173.40 lacs]. Gross Profit / (Loss) before interest, depreciation and tax amounted to Rs. 390.08 lacs [Previous Year (Rs.370.36) lacs]. Operating Cash Profit / (Loss) before depreciation and amortization is Rs. 350.46 lacs [Previous Year (Rs.456.30) lacs]. The Net Loss came to Rs.1024.70 lacs [Previous Year Rs. 572.52 lacs]. The major contributories to Net Loss in the financial year under review, were write-off of old / obsolete items of inventory by reasons of major changes in customer requirements, changes in die design, etc.

DIVIDEND

In view of the losses, current and accumulated, your Directors regret their inability to recommend dividend for the year 2006-2007.

FINANCE

The financial position of the Company remained satisfactory. There is need to increase capacity at Chinchwad in view of the increasing forgings demand.

DIRECTORS

Shri. Fali P. Mama, who retires by rotation and being eligible, offers himself for re-appointment, subject to retirement by rotation.

Shri. Puneet Makar resigned from the Managing Directorship of the Company on 16th November, 2006. However, he would continue as a Director as well as Chairman of the Company.

The nomination of Shri. Kishor Chakraborty was withdrawn by Industrial Investment Bank of India Limited w.e.f. 15th June, 2007 on full satisfaction of their debt.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :-

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii. The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2007 and of the loss of the Company for the year ended 31st March, 2007.
- iii. 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 assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors have prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Bansal & Associates, Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. They have furnished a certificate that their reappointment, if made, will be within the limit prescribed under Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

The Directors give the following comments on

Para 4(e) of the Auditors' Report:

The Directors, other than the Nominee Director and the Directors appointed by the Company after the date of cessation of default had acquired disqualification by reason of default in redemption of debentures privately placed with the UTI Asset Management Co. Pvt. Ltd. for more than one year in the year 2002-2003 by virtue of section 274(1)(g) of the Companies Act, 1956.

The Company redeemed all the aforesaid debentures, in full, in the year 2004-05.

Para 4(f) of the Auditors' Report:

During the year your company has changed its accounting policy to write off Miscellaneous Expenditure fully instead of over a period of five years. Note No. 20 given in Schedule - 21 is self explanatory. Due to this change, the loss for the current year is higher by Rs. 484.94 Lacs.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

The information required in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure-1 forming part of this Report.

MANAGEMENT DISCUSSION AND ANALYSES

As per the requirement of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Management Discussion and Analyses of the events, which have taken place and the conditions, prevailed during the period under review, are elucidated in Annexure-2 to this Report.

CORPORATE GOVERNANCE

A report on Corporate Governance as per the requirement of Clause 49 of the Listing Agreement is annexed to this Report as Annexure - 3.

PARTICULARS OF EMPLOYEES

None of the employees of the company is covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

ACKNOWLEDGMENT

Your Directors wish to place on record their sincere thanks to the valued customers, suppliers, banks, and financial institutions for their support, co-operation and guidance. Your Directors also wish to thank the employees and executives at all levels for their contribution. Your Directors are equally thankful to the management of Mahindra Forgings Limited for extending their full co-operation in accomplishing demerger procedure till logical conclusion.

Place : Mumbai,
Dated : 31st July, 2007.

For and on behalf of the Board of Directors
Puneet Maker
Chairman

ANNEXURE - 1 TO THE DIRECTORS' REPORT

Particulars Required Under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

- (i) Savings in Energy Consumption by improving and maintaining power factor to optimum level.
- (ii) Rationalization of compressed air flow system.
- (iii) Installation of temperature sensing system on induction heaters to reduce drop outs.
- (iv) Providing recuperators on oil fired furnaces.
- (v) Using bio-friendly cleaning/recyclable agents/chemicals.
- (vi) Providing solar power generators for emergency lamp charging, as also for all lights inside the plant premises.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

It is an ongoing process to upgrade the existing equipments from time to time in line with the new developing technologies.

Impact of the measures taken / to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Not ascertainable.

c) Total energy consumption and energy consumption per unit of production as per Form - A of the Annexure to the Rules in respect of Industries specified in the schedule thereto:

Total Energy Consumption for the year ended 31.03.2007

a. Power & Fuel Consumption		Current Year	Previous Year
1	<i>Electricity - Purchased</i> (KWH in Lacs)	58	59
	Total Amount (Rs. in Lacs)	323.26	260.82
	Average Rate per Unit	Rs. 5.61	Rs. 4.43
2	<i>Furnace Oil</i>		
	Quantity (Kilo Litres)	492	534
	Total Amount (Rs. in Lacs)	87.82	84.93
	Average Rate per Litre	Rs. 17.85	Rs. 15.92
3	<i>Light Diesel Oil</i>		
	Quantity (Kilo Litres)	611	546
	Total Amount (Rs. in Lacs)	174.51	142.18
	Average Rate per Litre	Rs. 28.56	Rs. 26.06
4	<i>Compressed Natural Gas*</i>		
	Quantity (Cu. Mtrs.)	—	—
	Total Amount (Rs. in Lacs)	—	—
	Average Rate per Cu. Mtr.	—	—
	(* the Company was utilizing CNG at Bhandup Division which has since been closed)		
b. Consumption per unit of Production			
	Production (Tons)	5,308	4,525
	<i>Fuel Used</i>		
	Electricity	1085	1301
	Furnace Oil	93	118
	Light Diesel Oil	115	121
	Compressed Natural Gas	—	—
	Expenditure on R & D	—	—

B. TECHNOLOGY ABSORPTION

I. Research & Development:

Improved CAD-CAM of the existing Unigraphic Software
Added an additional high speed die manufacturing CNC Vertical machining Centre (HAAS Make).
Redesigned the existing heating furnaces to bring down fuel consumption.
Successful implementation of ISO/TS 16946 Quality System Certified by UL.
Implementation of New ERP system for effective output and reduction in waste.

II. Benefits derived as a result of the above efforts:

Reduction in lead time in development of new and complex products by increasing yield and die life.
Enjoys "Preferred Vendor" status at major OEMs.

III. Future plans of action:

Planning to add new Forging Press Line and 2 Ton Hammer
Adding another High Speed Vertical Machining Center for die manufacturing.
Better product mix to optimize output and minimize production cost.

IV. Most of the R & D work is carried out in-house.

V. Technology absorption, adoption and innovation:

Not applicable.

VI. Foreign Exchange Earnings and Outgo:

FOB Value of Exports Rs. 259.42 Lacs (PY Rs. 209.39 Lacs)

Foreign Exchange outgo Rs. 75.87 Lacs (PY Rs. 16.13 Lacs)

Place : Mumbai,
Dated : 31st July, 2007.

For and on behalf of the Board of Directors
Puneet Maker
Chairman

ANNEXURE - 2 TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSES

Operations:

The Company has already sold majority assets of its closed operations and accounted for the gains / (losses) at the time when such transactions were completed. All the liabilities towards Employee Separation Cost have been fully paid off. Surplus funds have been deployed in liquid / marketable investments. The Company has plans to modernize and enhance the operating capacity at its Chinchwad Unit in a phased manner.

Company's Chinchwad Unit is having a comprehensive Forge Shop with Presses and Hammers together with all balancing equipment. This Unit, with its optimum resource pool of technically qualified manpower, is located in Forging Capital (Pune) of India with all logistical and infrastructure facilities in place and continuously exceeding Customers' expectation by serving complete range of small segment forgings to almost all major OEMs, directly or indirectly and it enjoys "Preferred Vendor" status at all major OEMs. Quality Accreditations like ISO/ts 16949:2002 and ISO 9001:2000 are in place and the unit has recently also received TS 14001.

The Management Discussion and Analyses are done on the above background:

Market Outlook:

Year 2006-2007, apart from being a significant year for the Indian forging industry, was activity-packed for your Company, it tested and brought out the best from your Company's human resources. With the Chinchwad plant recording its best ever in-house production tonnage of 5308, an increase of 17% over 2005-2006, with the ever increasing sourcing being undertaken by global OEMs and the increasing entry of auto Multinationals into India. The long term future of the Forging Industry looks bright, despite the recent demand aberrations being faced by the industry, on account of temporary slowing down of the commercial vehicle sector due to high interest costs. Suffice to say that your Company has been able to withstand these temporary pressures due to its diversified customer base and the cost saving measures undertaken during the year.

With stricter implementation of overload restrictions and regulations, one expects future growth in demand of commercial vehicles to be sustained, translating into corresponding growth in the Company's forging business. Also, certain large OEMs are in the process of shifting from cast components to forged. This opens up new supply possibilities for your Company.

Research & Development:

Continuous yield improvement, die life improvement, SMED, and the reduction in EIGHT BIG SINS (WASTES) with the safe design of products and tools is an ongoing process at Amforge. New Softwares for FEA, material flow analysis, critical temperature and risk zone analysis are being installed to make optimum use in R & D during designing of dies and toolings.

Product Development:

Lead-time for product development cycle has been improved from earlier 3 weeks to one week for shafts, gears and will undergo a further big change. For critical items like Con-Rods, intricate shapes, the cycle time has been reduced from four weeks to two weeks. For the first time, through rate has improved by 22-25% and targets are in place for the current year to reach 60%. Micro alloy steel components are also being taken for development. Application of polymers has resulted in improvement in Heat Treatment Cycle.

The manufacturing team during the actual planning cycle ensures that minimum errors occur during the whole cycle of product development and we are happy to say that in the past two years not a single customer has asked for a SECOND SAMPLE before going in for mass production. Even the pilot batches are a die run rather than few hundred pieces. The marketing function is completely geared up and all the work force is fully charged-up.

Industry Scenario:

Amforge focus in total productivity management and delivering just in time, a range of products and energy saving by combination of good ideas along with continuous hard work, have resulted in positive results.

e-bidding, visits by customers for exploring potential suppliers is a common scene today. Cars, LCVs, agricultural equipments, mining, oil rigs, marine industry to name any field, all have substantial forgings' requirements. This need is rising up with the market growth and forging industries will see a horizon of never-ending growth.

Internal Control Systems and their Adequacy

Independent firm of Chartered Accountants has been appointed to carry out internal audit functions to ensure adherence to various policies and procedures already introduced and followed in the Company. This is also ensuring compliances with various statutory requirements. The internal control systems have been reviewed by the Audit Committee.

Discussion on Financial Performance:

During the year under review, the Company's gross revenue remained at Rs.5979.46 Lacs. The major contributories to Net Loss were write-off of old / obsolete items of inventory by reasons of major changes in customer requirements, changes in die designing, closure of plants etc. Except some minor debt, the Company has almost become debt free. Surplus funds shall be utilized to modernize the Chinchwad Operations and also in marketable and high yielding investments. Forging demand is increasing and the Company is constantly striving to operate at better margin levels and lower credit period.

Human Resources:

The Company maintains its people as the greatest source of strength. It maintains happy and cordial relations with its workers, union and officers. Amforge needs skilled labour to develop and produce technically advanced products. It is a well known fact with the booming Indian Economy, developing and attracting skilled human resources is not an easy task. Therefore, one of the biggest challenges is hiring and retention of skilled manpower. Amforge recognizes this fact and continuously upgrades the skills of its human resource base.