

38TH ANNUAL REPORT

2004-2005

BCL

BCL FORGINGS LIMITED

AN ISO/ TS 16949 : 2002 Company

AQSR





BCL Forgings Limited

Board of Directors

Mr. C D Dhongde – Managing Director
 Mr. D C Mehta
 Mr. Surendra B Chandorkar
 Mr. Jagdish Prasad

Auditors :

M. A. Parikh & Company
 Chartered Accountants

Bankers :

Bank of Baroda, Mumbai & Nasik
 Canara Bank Mumbai & Nasik

Solicitors:

Bachubhai Munim & Company

Registered Office :

Bombay Footwear Building
 Deonar Village Road,
 Opp N. K. G. S. B. Bank
 Deonar, Mumbai – 400 088

Factory :

67 M.I.D.C. Industrial Estate
 Satpur,
 Nasik 422 007

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BCL FORGINGS LIMITED

FINANCIAL SUMMARY

	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Capital Accounts (Rs. In '000)					
Shareholders Fund	1453,63	345,18	362,31	379,36	396,52
Borrowings	1472,06	329,82	377,04	411,15	388,86
Gross Block	1122,36	1075,55	1064,23	1060,63	1060,63
Net Block	319,85	312,66	340,25	375,59	415,77
Net Current Assets	947,37	(150,98)	(217,50)	(162,79)	(75,28)
Revenue Accounts (Rs. In '000)					
Sales & Other income*	3358,26	2070,63	1669,95	490,91	2325,17
Gross Profit / (Loss)	593,71	213,72	(40,35)	(38,96)	99,11
before Interest &					
Depreciation					
Interest	121,97	88,64	78,77	70,84	149,10
Depreciation	22,52	21,78	21,89	23,01	24,46
Profit / (Loss) Before tax	449,22	103,30	(113,08)	(132,81)	(74,45)
Profit / (Loss) After tax	446,52	103,30	(38,89)	(88,88)	(74,45)
and other adjustments					
Selected Indicators					
Net worth per share (Rs.)	78.59	18.66	19.58	20.51	21.43
Earning per share (Rs.)	24.14	5.58	(2.10)	(4.81)	(4.02)
Profit/(Loss) Before Tax	13.38	4.99	(2.54)	(28.72)	(3.20)
to sales (%)					
Debit Equity Ratio	0.99	0.95	1.04	1.08	0.98
Current Ratio	2.65	(0.82)	(0.70)	(0.78)	(0.89)
Total No of employees	250	194	167	188	230

* Includes Excise duty and Sales Tax

BCL FORGINGS LIMITED

NOTICE

Notice is hereby given that the Annual General Meeting of the Members of BCL Forgings Limited will be held on Wednesday 28th September, 2005 at 3.30 p.m. at Sunville Deluxe Pavallion, 9, Dr. Annie Besant Road, Worli, Mumbai 400018 to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date and the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. D.C. Mehta who retires by rotation, and is eligible for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The proxy form in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Wed. 21st September 2005 to Wed. 28th September 2005 (both days inclusive).
4. Shareholders are requested to send all correspondence in respect of the shares held by them in physical form to the Company's Share Transfer Agents viz. Satellite Corporate Services Pvt. Ltd. A-60/1223, Azad Nagar, Veera Desai Road, Andheri (West), Mumbai – 400 053.
5. A member desirous of getting any information on the accounts or operations of the Company or any shares-related matter is requested to forward his/her queries to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.

Registered Office:

Bombay Footwear Building
Deonar Village Road,
Opp: N.K.G.S.B. Bank-
Deonar, Mumbai -400088.

By order of the Board

Chandrashekar Dhongde
Managing Director

June 15, 2005

BCL FORGINGS LIMITED**DIRECTORS' REPORT****To All the Members:**

Your Directors have pleasure in presenting the Annual Report and the Audited Accounts for the year ended 31st March 2005.

Financial Results:

	(Rs. in Lakhs)	
	Year ended 31.03.2005	Year ended 31.03.2004
Sales and Other Income	3358.26	2070.63
Profit before Depreciation, Interest & Tax	593.71	213.72
Depreciation	22.52	21.78
Interest	121.97	88.64
Deferred Tax Liability	2.70	----
Profit for the year	446.52	103.30
Profit/ (Loss) brought forward from previous year	(513.27)	(616.57)
Profit (Loss) after Tax transferred to Balance sheet	(66.75)	(513.27)

The year under review:

The year under review has seen a top line growth of 62.18 % and an increase in the tonnage produced of 29 %. In addition to a significant increase in the operating profit from Rs 103.30 lacs in 2003-04 to Rs 278.03 lacs in 2004-2005, We were able to get substantial write-backs on account of one-time settlements arrived at with our bankers and some suppliers. The total profit for the year was therefore Rs 446.52 lacs.

We are particularly proud of this performance since we were able to accomplish this despite our continuing "Sick Industry" status. (The Company was declared sick in December 1998.) During the last couple of years, there has been a dramatic revival in the performance of the Company. This is attributable both to the efforts made by your management to correct the structural imbalances in the Company and also to the general upturn in the automotive sector. The outlook is therefore very promising and we are hopeful that we will soon be able to apply to the BIFR for deregistration.

We are very proud to be a part of the sea change that is occurring in the engineering industry in India today. The engineering industry in India has finally come of age – and the world has realized that Indian companies can be counted on as preferred suppliers of high quality precision products. We no longer have to rely on the vagaries of the domestic market and can confidently regard the world as our marketplace.

So as to be able to capitalize on the opportunities before us, your Company took certain bold initiatives during the year under review. It was recognized that large sums would be required to emerge from sickness and simultaneously scale up operations. Your Company accordingly undertook the exercise of mobilizing resources through a preferential issue of share and warrants. You were kind enough to approve the terms of the issue at the Extraordinary General meeting held recently. The allotment of these instruments is currently underway. The shares of your Company are now both listed and traded on the BSE. Your Company has filed its applications with the depositories to admit its scrip – whereupon you would be requested to dematerialise your shareholding.

The funds raised through this mobilization have been deployed to pay creditors and to undertake a doubling of our production capacity. The expansion programme has already been finalized and implementation will commence in the second quarter of the current financial year. We hope that the entire expansion programme will be completed within 12 months of commencement.

We enter the new financial year with a healthy order book and the full confidence that we will be able to participate fully in the expected growth in the automobile and tractor industries in India. We count every auto and tractor major in our list of customers and do not hesitate to claim that we have served them to their entire satisfaction in our long and very happy association with them.

We for our part have striven to improve on our established record for reliability and consistency. We are QS 9000 certified and have been recommended for the award of TS 16949 certification. We have also been selected to participate in a programme sponsored by UNIDO and ACMA, which assists companies in undertaking a systemic and cultural refurbishment.

As in any business, there are certain issues that are of concern to management. In our case these are the recent instability in the prices of steel, the relentless increase in the cost of fuel and erratic power supply. While there is no foolproof defence against these predators, the management has taken steps to try and minimize their damaging impact.

The management is extremely grateful for the faith reposed in it by all the Members even in its most difficult times – and is very confident that it will be able to reward all the stakeholders by improving the financial condition of the Company and by achieving rapid growth in its operations.

Increase in Authorised Share Capital & Preferential Issue:

The Authorised Share capital of the Company has been increased from Rs. 10.00 Crores to Rs. 30.00 Crores divided into 1,80,00,000 Equity shares of Rs. 10/- each and 40,00,000 Preference share of Rs. 30/- each at an Extra Ordinary General Meeting of the Company held on March 19, 2005.

Necessary resolutions were also passed at the aforesaid meeting for further issue of securities to the promoters of the Company as also to other potential investors to meet the requirements of funds. Applications for the same have been received. The allotment of securities is now underway.

Fixed Deposits:

The fixed deposits outstanding as on March 31, 2005 amounts to Rs 90.43 Lakhs including outstanding interest of Rs. 40.43. Lakhs. The above deposits have matured and claimed but not paid by the Company.

Particulars under Section 217(1)(e) of the Companies Act, 1956:

The information as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 pertaining to energy conservation, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

Directors:

Mr. D.C. Mehta, Director of the company would retire by rotation at the ensuing Annual General Meeting of the company and is eligible for re-appointment.

Listing:

The shares of the Company are listed on The Stock Exchanges, Mumbai, Ahmedabad, Delhi and Calcutta and the necessary Listing Fees for the Year 2005-06 have been paid.

Your Directors are pleased to inform you that the Bombay Stock Exchange has revoked the suspension in the trading of securities of the Company. The Company has also applied to National Securities & Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for admission of its securities in dematerialised form.

De-listing of Shares:

The Company has passed the necessary resolutions for the voluntary de-listing of shares from the Stock Exchanges of Ahmedabad, Delhi and Calcutta. Further necessary steps have been taken in the matter.

Particulars of Employees:

The Company does not have any employee whose particulars are required to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Compliance Certificate:

A Compliance Certificate from a secretary in whole-time practice under section 383A of the Companies Act, 1956 in respect of the financial year ended on March 31, 2005 is attached hereto.

Directors' Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm the following:

- I. In the preparation of the annual accounts, the applicable accounting standards have been followed;
- II. Such accounting policies have been selected, which have been applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company in the Balance Sheet as at the end of the financial year and of the Profit and Loss Account for that period;
- III. 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 have been taken;
- IV. The Annual Accounts have been prepared on a going concern basis.

Director's response to Auditor's observation

I. As regards point no. 6, in the Annexure to Auditor's Report, it should be noted that the matured deposit due for repayment to the extent of Rs. 50.00 Lacs does not belong to a member of the general Public.

II. As regards the point no. 7 mentioned in the Annexure to the Auditor's Report, it can be noted that the Company will restart the internal audit system from the year 2005-06.

III. As regards the point no. 2 (b) & 2(f) as per the Auditor's Report the Company would like to clarify as follows:

The liability of gratuity as well as Leave Encashment arises only at the time of an employee leaving the organisation either on account of resignation or retirement or death. As such this amount will not become due on any single day since no mass exodus is anticipated.

The Company has paid all legal dues of leaving employees during the current year and there is no liability on date of legal dues to any employee who has left the services of the Company.

Further, the Company has started making provisions against the total actuarial liability of gratuity. An amount of Rs. 3.85 Lacs has been deposited with LIC as on 31.03.2005 and we will be depositing another Rs. 20.00 Lacs during the year 2005-06.

Employees leaving during the current year will be settled in full without depleting the reserve lying with LIC.

In other words the Company is confident of meeting the entire liability of gratuity as well as Leave Encashment as and when it actually arises in future.

Auditors:

The reference made by the Auditors in their report and notes to Accounts are self-explanatory and require no further explanation.

M/s. M.A. Parikh & Co, Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting, and are eligible for re-appointment.

Industrial Relations:

We have finally put behind us the industrial strife and strained labour relations that plagued us for so many years. We have signed two successive agreements with our workmen. The latest agreement was signed w.e.f. April 1, 2005 and is effective for four years. We now look forward to meeting the challenges of the future as a team.

Acknowledgements:

The Board wishes to thank their customers, suppliers, Shareholders and the Bankers of the Company for their support and co-operation.

Mumbai

For and on behalf of the Board

June 15, 2005

Managing Director

Director

BCL Forgings Limited

ANNEXURE TO DIRECTOR'S REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Company (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Director's Report for the year ended 31st March 2005.

a) Energy conservation Measures	By closely monitoring the power factor, the Company has established the same as 1 throughout the year, thereby optimizing power utilization. Also the design of furnaces and burners has been changed, which coupled with better loading and un-loading mechanism has resulted in reduced fuel consumption.
b) Additional investment and proposal if any. Is being implemented for reduction of consumption of energy.	The Company has made certain investments in designing and fabricating new furnaces for its production equipment. There is also a proposal to change the remaining furnaces in the Forge Shop as per new energy efficient designs. There are also plans to change the design of ISO thermal annealing as well as hardening and tempering furnaces in the Heat treatment plant in order to reduce the consumption of heating oil.
c) Impact of measures at (a) and (b) above for reduction of energy consumption and the consequent impact on the cost of production	These measures have resulted in reduced consumption of fuel and also saving in power cost.

B) Power and Fuel Consumption at Nasik Factory for the manufacture of Forgings.

	2004-2005	2003-4
1. Electricity		
a. Purchase Units (Kwh)	2380140	1912880
Total Amount	8350723	7609744
Rs. Per Unit	3.50	3.98
b. Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil		
a. Quantity (K. Ltrs)	1602264	1171216
Total Amount (Rs.)	17464483	13212241
Average Rate	10.90	11.28
4. Light Diesel Oil (LDO)		
a. Quantity (K. Ltrs)	182165	132529
Total Amount (Rs.)	3959528	2330235
Average Rate	21.74	17.58

C. Consumption per unit of production

Production (Tonnage)		Electricity (in Rs. Per Ton)		Furnace Oil (in Rs. Per Ton)		L D O (in Rs. Per Ton)	
2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
4868	3777	1715.45	2014.75	3587.60	3498.07	813.37	616.95

D. Technical Absorption:

There was no technology import during the year under review.

E. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earning : Rs. NIL

Foreign Exchange Outgo : Rs. NIL

For and on behalf of Board of Directors

Managing Director

Director

Place : Mumbai

