

39TH ANNUAL REPORT

2005 - 2006



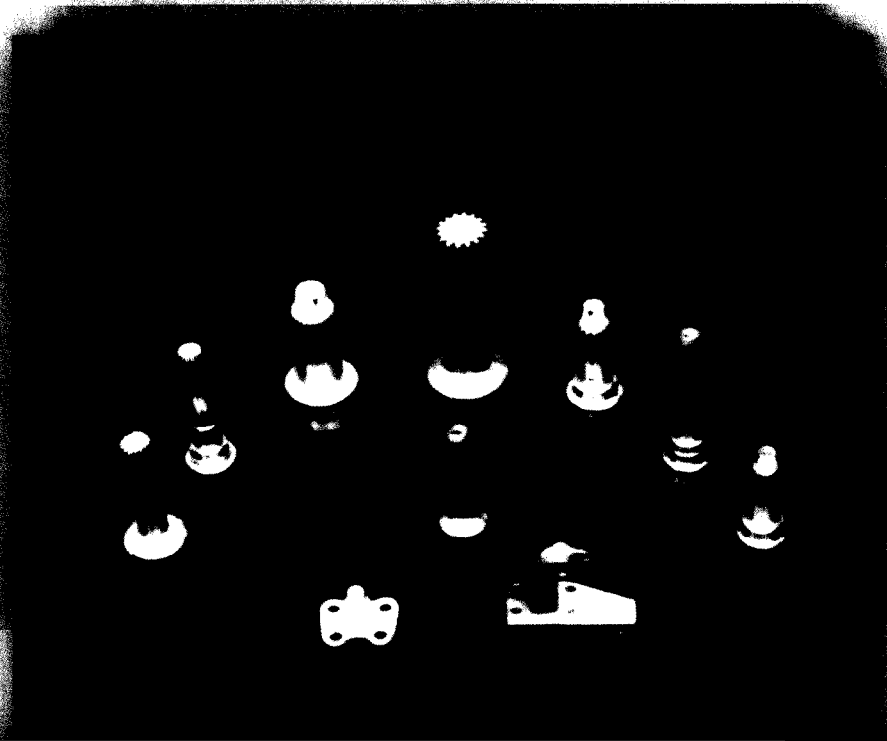
BCL FORGINGS LIMITED

AN ISO/ TS 16949 : 2002 Company

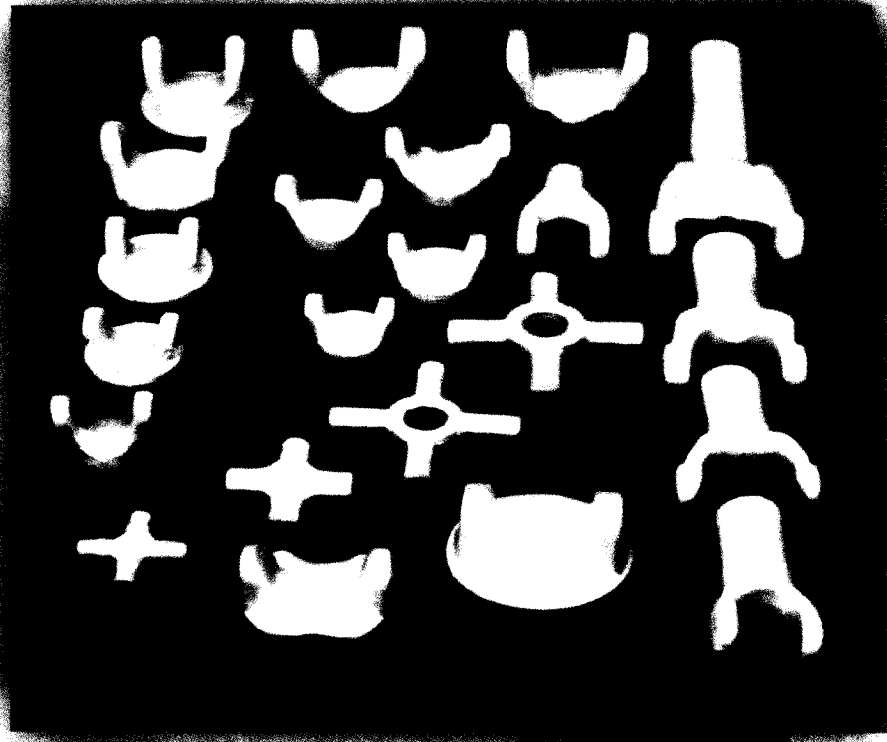


BCL

BRIDGE CLOSURE



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BCL Forgings Limited

Board Of Directors :

Mr. C.D.Dhongde - Managing Director
Mr.D.C.Mehta
Mr. Surendra B Chandorkar

Auditors :

M.A.Parikh & Company
Chartered Accountants

Bankers :

State Bank Of India
Indl. Finance Branch
Worli, Mumbai - 400018

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Solicitors :

Bachubhai Munim & Company

Registered Office :

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

Factory :

67, M.I.D.C. Industrial Estate
Satpur, Nasik - 422007

BCL FORGINGS LIMITED.

FINANCIAL SUMMARY

	2005 - 06 (15 Months)	2004 - 05	2003 - 04	2002 - 03	2001 - 02
Capital Accounts (Rs. In' 000)					
Shareholders Fund	2429,75	1453,63	345,18	362,31	379,36
Borrowings	2101,63	1472,06	329,82	377,04	411,15
Gross Block	1292,81	1122,36	1075,55	1064,23	1060,63
Net Block	423,54	319,85	312,66	340,25	375,59
Net Current Assets	3063,28	947,37	(150,98)	(217,50)	(162,79)
Revenue Accounts (Rs. In' 000)					
Sales & Other Income *	6029,47	3358,26	2070,63	1669,95	490,91
Gross Profit / (Loss)	390,31	593,71	213,72	(40,35)	(38,96)
(before Interest & Depreciation)					
Interest	199,91	121,97	88,64	78,77	70,84
Depreciation	45,39	22,52	21,78	21,89	23,01
Profit / (Loss) before tax	145,01	449,22	103,30	(113,08)	(132,81)
Profit / (Loss) after tax	63.11	446,52	103,30	(38,89)	(88,88)
and other adjustments					
Selected Indicators					
Net worth per share (Rs.)	131.36	78.59	18.66	19.58	20.51
Earning per share (Rs.)	3.41	24.14	5.58	(2.10)	(4.81)
Profit/(Loss)before tax to	2.41	13.38	4.99	(2.54)	(28.72)
Sales %					
Debt / Equity Ratio	1.16	0.99	0.95	1.04	1.08
Current Ratio	3.80	2.65	(0.82)	(0.70)	(0.78)
Total No. of employees	340	250	194	167	188

* Includes Excise Duty and Sales Tax

BCL FORGINGS LIMITED

NOTICE

Notice is hereby given that the 39th Annual General Meeting of the Members of BCL Forgings Limited will be held on Friday, December 29, 2006 at 3.00 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 30th June, 2006 and the Profit and Loss Account for the period ended on that date and the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. Surendra Chandorkar, 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 Wednesday, December 27, 2006 to Friday, December 29, 2006 (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, B- 302, Sony Apartment, Opp. ST Jude High School, Off. Andheri Kurla Road, Jarimari, Sakinaka, Mumbai 400 072.
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

December 3, 2006

BCL FORGINGS LIMITED

DIRECTORS' REPORT

To All The Members

Your Directors have pleasure in presenting Annual Report and the Audited Accounts for the period ended 30.06.2006. The Company had changed its financial year to close on June 30th 2006.

Financial Results

	(Rs. In Lacs)	
	Period ended 30.06.2006	Year ended 31.03.2005
Sales & other Income	6029.47	3358.26
Profit before Depreciation, Interest & Tax	390.31	593.71
Depreciation	45.39	22.52
Interest	199.91	121.97
Deferred Tax Liability	81.90	2.70
Profit for the year	63.11	446.52
Profit/(Loss) brought forward from previous year	(66.75)	(513.27)
Profit(Loss) after Tax transferred to Balance Sheet	(3.64)	(66.75)

OPERATIONS:

During the 15 months period ending June 30th 2006, the Company increased its turn over to Rs. 6029.47n Lacs

During the last couple of years there has been a continuous improvement in the performance of the Company. This has been possible due to continuance of good demand pattern for your Company's products.

During the year your Company had taken up an ambitious expansion programme for more than doubling the present installed capacity of forgings. Along with the production Equipments, the other Balancing Equipments such as Band Saw Cutting Machines, Cranes for material movement, air compressors, transformers etc. also have been considered in this expansion programme. A completely new state of the art fully computerised heat treatment facilities of 1.5 ton per hour capacity is one of the major aspects of this expansion programme. During the last year approx. 50% of the expansion activities have been completed and the balance 50% of the expansion programme will be executed before March, 2007. As such your Company will start manufacturing out of these new facilities from April, 2007 onwards.

During the period the Company has entered into agreement for manufacture and supply of S G Iron (Ductile iron) castings and machined auto components with Business Combine Limited. This has resulted into the Company now being able to cater to wide variety of clients for their requirements of Forgings, S G Iron castings in raw as well as machined condition.

Your Company has received coveted TS 16949 certification from AQSR for both forgings as well as castings. The Company's on going programme in partnership with UNIDO has progressed extremely well and it has now reached a stage where your Company is confident of becoming globally competitive. During the period Company had to face the major obstacles like extra ordinary increase in the cost of fuel due to hardening of International Crude prices and also the cost increases on other inputs due to cascading effects of oil cost increase. In spite of such huge cost increases the Management had taken various steps in the areas of cost reductions in each and every activity and had therefore minimised the damaging impact of this cost increase.

Future Prospects

The demand pattern for the Company's products has been extremely bullish and the same is likely to be continued in future as well. 7 to 8% GDP growth per annum envisaged for next 3 to 4 years is definitely going to help in boosting the demand pattern in the domestic circuit. On and above this India has an added advantage of lesser labour cost vis-à-vis the countries in the developed world which has resulted in getting India a status of global hub for sourcing the auto components. There have been extremely encouraging export enquiries and your Company is hopeful to start direct exports to many countries in Europe and America in near future. After the completion of expansion programme and also scaling up of the operations of SG Iron castings, your Company is now poised to take a huge leap forward so as to encash on the booming auto component business.

Preferential Issues

As you are aware, our Company had proposed preferential issue of cumulative convertible preference shares, convertible warrants and equity shares. The Company is taking all the necessary steps towards completing every formality for the above instruments. The above issue has substantially augmented the long term resources of our Company.

Fixed Deposit

The Company has repaid the "Fixed Deposits" as were held by it within the meaning of Section 58(A) of the Companies Act, 1956 and rules made there under during the year. There are no "Fixed Deposits" held by the Company which are outstanding as on 30th June 2006 as defined under the said provisions of the Companies Act, 1956.

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. Surendra Chandorkar, Director of the Company would retire by rotation at the ensuing AGM of the Company and is eligible for the re-appointment. In the mean time Mr. Jagdish Prasad resigned as director of the Company. The Board of Directors place on record its appreciation for the valuable guidance provided by him during his tenure as Director.

Listing

The shares of the Company are listed on Bombay Stock Exchange Ltd., Delhi Stock Exchange Ltd. And Calcutta Stock Exchange Ltd. The Company has paid the necessary listing fees for the year 2006-07 to the Bombay Stock Exchange Ltd. The Company's applications for delisting are pending with the Stock Exchanges Delhi and Calcutta. The shares of the Company have been delisted from Ahmedabad Stock Exchange with effect from January 02, 2006.

With the Company's continuous efforts, the shares of the Company are now available in dematerialised form with National Securities & Depository limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and ISIN allotted to the Company is INE528H01017.

Company is in process of implementing the corporate governance as required under the listing agreement of stock exchanges.

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.

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 period and of the Profit or loss 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 observations.

- 1) As regards point No. 2(b) and 2(d) as per the Auditor's report the Company would like to clarify that the non-provision of Gratuity Liability and estimated leave encashment is due to the fact that the same are being met by the Company as and when the liability to pay arises. However, the Company is taking steps to gradually fund the gratuity liability so that the same can be met therefrom.
- 2) As regards point 2(f) as per the Auditor's reports it can be noted that the un-provided liabilities in respect of professional tax and ESIC dues were on account of certain representations made with the authorities / disputes pending for settlement. However the same have since been resolved and therefore are being provided / paid.
- 3) As regards point No. 7 to the annexure to Auditor's report, it can be noted that the Company is taking necessary steps to implement the internal audit system in the current year.

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

The overall Industrial Relations in the Company have been cordial. Your Company has received full cooperation and support of its personnel. Your Directors thank them and expect the same support from them in the years to come.

Acknowledgements:

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

For and on behalf of the Board

Mumbai

December 03, 2006

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 30th June, 2006

A) Energy conservation

a) Energy Conservation Measures	By proper use of Capacitors as well as close monitoring, the Company has been able to maintain the power factor as unity through out the year, thereby optimizing the power utilisation. Also by adopting various design changes in the furnaces the Company has achieved reduction in fuel consumption.
b) Additional Investment and proposal being implemented for reduction in consumption of energy	The Company has made investments in the installation of new recuperators. The furnace lining material has been changed having better quality and efficiency. Substantial investment are being made to new Heat Treatment Plant which will reduce the fuel consumption to a great extent.
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

	2005 - 06 (15 Months)	2004 - 05
1 Electricity		
a Purchase Units (Kwh)	3194470	2380140
Total Amount Rs.	11961710	8350723
Rs. Per Unit	3.74	3.50
b Own Generation	Nil	Nil
2 Coal	Nil	Nil
3 Furnace Oil		
a Purchase Qty. (K. Ltrs.)	2287982	1602264
Total Amount Rs.	35786762	17464483
Rs. Per Unit	15.64	10.90
4 Light Diesel Oil (LDO)		
a Purchase Qty. (K. Ltrs.)	204140	182165
Total Amount Rs.	5171191	3959528
Rs. Per Unit	25.33	21.74

C) Consumption per unit of production

Production Tonnage (Tonnage)		Electricity (In Rs. Per Ton)		Furnace Oil (In Rs. Per Ton)		L D O (In Rs. Per Ton)	
2005 - 06	2004 - 05	2005 - 06	2004 - 05	2005 - 06	2004 - 05	2005 - 06	2004 - 05
(15 Months)		(15 Months)		(15 Months)		(15 Months)	
6777	4868	1765.05	1715.45	5280.62	3587.60	763.05	813.37

D) There was no technology import during the period under review.

E) Foreign Exchange Earnings and Outgo

Foreign Exchange Earnings	Nil
Foreign Exchange Outgo	Nil

Report

For and behalf of Board of Directors

Managing Director**Director**

Place : Mumbai