

25th
Annual Report
2006-07



BHAGWATI
AUTOCAST LIMITED

BHAGWATI AUTOCAST LIMITED



Silver Jubilee Year **25th Annual Report** **2006-2007**

Board of Directors	:	Dr P N Bhagwati	Chairman & Managing Director
		Ms Reena P Bhagwati	Jt Managing Director
		Mrs M P Bhagwati	} Directors
		Mr M N Shah	
		Mr B L Dalal	
Remuneration Committee	:	Mrs M P Bhagwati	Chair Person
		Mr M N Shah	} Members
		Mr B L Dalal	
Auditors	:	M/s K D Parekh & Co.	
		Chartered Accountants Ahmedabad	
Bankers	:	Bank of Baroda	
		Ashram Road Ahmedabad	
Registered Office & Works	:	Survey No 816,	
		Village Rajoda, Near Bavla, Dist. Ahmedabad 382 220	
Share Registrars	:	M/s M C S Limited	
		101, Shatdal Complex	
		Opp. BATA Showroom, Ashram Road,	
		Ahmedabad	
		Tele No. 079 30070671	Fax No. 079 30070678

BHAGWATI AUTOCAST LIMITED**Financial Highlights**

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	99-2000	1998-99	1997-98	1996-97
Particulars											
Fixed Assets (Gross)	1,368.84	1,267.32	1,120.69	1,101.30	986.80	896.44	868.71	859.62	681.48	670.95	642.36
Fixed Assets (Net)	627.15	593.37	492.68	504.31	441.31	458.95	481.14	510.18	371.85	398.02	416.43
Net Current Assets	577.37	389.89	(90.04)	(101.39)	(19.02)	180.71	188.21	213.52	198.44	237.84	260.75
Misc Exps/Deferred Revenue Exps.	17.01	22.45	10.71	14.27	0.00	0.72	1.44	2.17	2.90	3.62	4.34
Profit & Loss Account	0.00	0.00	166.34	246.36	169.28	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS (NET)	1,221.53	1,005.71	579.69	663.55	591.57	640.38	670.79	725.87	573.19	639.48	681.52
Borrowings	309.41	308.50	208.89	270.06	201.35	178.97	231.37	197.87	120.99	215.07	270.66
Equity Share Capital	288.07	288.07	160.04	160.04	160.04	160.04	160.04	160.04	160.04	160.04	160.04
Reserves & Surplus	560.06	325.03	121.72	142.77	142.77	208.59	279.38	367.96	292.16	264.37	250.82
Deferred Tax	63.99	84.11	89.04	90.68	87.41	92.78	0.00	0.00	0.00	0.00	0.00
TOTAL CAPITAL EMPLOYED	1,221.53	1,005.71	579.69	663.55	591.57	640.38	670.79	725.87	573.19	639.48	681.52
DEBT EQUITY RATIO	0.17:1	0.20:1	0.82:1	0.89:1	0.66:1	0.48:1	0.53:1	0.37:1	0.27:1	0.51:1	0.67:1
Sales & Other Income	5,994.64	4,383.29	3,921.64	2,443.08	1,187.46	2,160.71	2,009.38	2,567.54	2,157.70	1,962.57	1,839.47
Excise Duty & Cess	814.25	584.53	530.93	310.11	165.47	253.06	274.33	364.70	291.38	253.02	232.18
Sales Tax	229.97	166.49	151.33	90.14	48.13	76.89	0.00	0.00	0.00	0.00	0.00
Materials	3,108.11	2,141.46	2,080.82	1,226.75	539.54	897.09	870.91	1,069.10	924.92	882.47	879.45
Labour Cost	593.42	435.94	351.06	304.66	263.02	309.80	335.70	328.73	293.79	272.56	243.97
Power	695.27	528.57	493.30	378.01	239.68	414.30	433.17	452.35	385.52	348.75	307.32
Operation & Other Exps	107.15	75.86	68.42	47.91	44.51	56.71	63.43	79.35	62.01	45.76	38.69
Lease Rent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest	92.00	135.19	127.88	98.94	73.48	84.23	73.64	64.59	81.22	95.78	88.54
GROSS PROFIT	354.47	315.25	117.90	(13.44)	(186.37)	68.63	(41.80)	208.72	118.86	64.23	49.32
Depreciation	72.40	58.51	56.84	54.29	46.90	54.82	46.79	43.14	41.20	33.31	30.16
Investment All. Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PROFIT BEFORE TAX	282.07	256.74	61.06	(67.73)	(233.27)	13.81	(88.59)	165.58	77.66	30.92	19.16
Provision For Taxation	47.04	15.14	(1.64)	3.27	2.80	4.93	0.00	62.17	25.00	2.29	2.72
PROFIT AFTER TAX	235.03	241.60	62.70	(71.00)	(236.07)	8.88	(88.59)	103.41	52.66	28.63	16.44
Prior period adjustments	0.00	(0.01)	(3.74)	(6.08)	0.98	0.00	0.00	0.27	0.00	0.00	7.71
Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.41	12.80	12.80
Corporate Tax on Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.93	2.46	1.28	1.28
Retained Earnings	235.03	241.59	58.96	(77.08)	(235.09)	8.88	(88.59)	76.34	27.79	14.55	10.07
Earning per Eq. Share Rs.	14.69	15.10	3.92	(4.44)	(14.75)	0.55	(5.54)	6.46	3.29	1.79	1.03
Dividend per Eq. Share %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.00	14.00	8.00	8.00
Net Worth	831.12	590.65	104.71	42.18	133.53	367.91	437.98	525.83	449.30	420.79	406.52
Book value per Eq. Share Rs	51.93	36.91	6.54	2.64	8.34	22.99	27.37	32.86	28.07	26.29	25.40



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NOTICE

NOTICE is hereby given that the **TWENTY FIFTH ANNUAL GENERAL MEETING** of the members of **BHAGWATI AUTOCAST LIMITED** will be held at the Registered Office of the Company at Survey No. 816, Village Rajoda, Near Bavla, Dist Ahmedabad - 382 220 on Saturday, the 29th September, 2007 at 11.00 AM to transact the following business.

ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2007 and Balance Sheet as at the same date and consider the Directors' Report and Auditor's Report thereon.
2. To appoint Director in place of Mr. M. N. Shah, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Director in place of Ms. Reena P. Bhagwati, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:-

5. **To consider and if thought fit, to pass with or without modifications the following Resolution as a "Special Resolution".**

SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Section 314 (1B) of the Companies Act, 1956 and "Directors Relatives (Holding Office or Place of Profit) Rules 2003" and as approved by the Remuneration Committee and the Board of Directors the Company in General Meeting hereby accords consent by way of Special Resolution to the appointment of Bhagwati Human Capital Management Services Private Limited, as HRD Consultant of the Company on payment of Rs.50,000/- p.m.(all inclusive) as professional fees w.e.f. 1st October, 2007 for a period of 3 (Three years) i.e. up to 30th September, 2010."

"RESOLVED FURTHER THAT the Board shall have the authority to modify, alter and or vary the terms and conditions of the appointment & remuneration within the above limits of professional fees".

6. **To consider and if thought fit to pass with or without modifications the following Resolution as Ordinary Resolution:-**

ORDINARY RESOLUTION:-

"RESOLVED THAT the members hereby do take note of the termination of the existing arrangement between Ms. Reena P. Bhagwati as regards her appointment as Joint Managing Director of the Company, which is due to expire on 31st March, 2008 and further note is taken that the said termination is effected by mutual consent to be made effective from 30/09/2007 to bring into effect a fresh arrangement providing fresh terms & conditions."

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 & 309 of the Companies Act, read with Schedule XIII thereof and in supersession of the Resolution passed by members in the Annual General Meeting of the Company held on 30/9/2005, the consent of the members be and is hereby accorded to the fresh appointment of Ms. Reena P. Bhagwati as Joint

Managing Director of the Company with effect from 1/10/2007 for a period of 3 years, ending 30/09/2010."

"RESOLVED FURTHER THAT a note is taken that the terms and conditions including remuneration payable as contained in the draft agreement of appointment of Ms. Reena P. Bhagwati, Jt. Managing Director, has been approved by the Remuneration Committee and the Board of directors in their respective meetings held on 11/7/2007 & 25/7/2007."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to execute the agreement with the Joint Managing Director and to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable and to settle any question or doubt that may arise in relation thereto and the Board shall have absolute power to make any modifications in the terms & conditions and to give effect to the foregoing Resolution."

"RESOLVED FURTHER THAT Ms. Reena P. Bhagwati, Jt. Managing Director, be reimbursed actual travelling, boarding & lodging expenses incurred by her in connection with the Company's business."

"RESOLVED FURTHER THAT the draft Agreement of Appointment of Miss. Reena P. Bhagwati as Joint Managing Director incorporating the terms of remuneration submitted to this meeting and initialed by the Chairman for the purpose of identification be and is hereby approved and that the Board of Directors of the company be and is hereby authorized to carry out all necessary incidental or ancillary acts in respect of the above mentioned managerial remuneration payable to Miss. Reena P. Bhagwati as Joint Managing Director of the company"

NOTES :

1. A member entitled to attend and vote is entitled to appoint one or more Proxies to attend and vote instead of himself/herself and that a Proxy need not be a member of the company.
2. The Proxy in order to be effective must be received by the Company not less than 48 hours before the commencement of Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 15th September, 2007 to Saturday, the 29th September, 2007 (both days inclusive).
4. Members are requested to notify the change in their address immediately.
5. The Members having multiple ledger folios in the same order of names are requested to approach Share Department for consolidating their entire holding in one folio for mutual convenience.
6. Members who have either not received or have not encashed their Dividend Warrants for the financial year 1999-2000 are requested to write to the share department at the aforesaid address mentioning the relevant folio number or the depository account number for issuance of duplicate/revalidated dividend warrants.
7. In terms of the provisions of section 205 A of the Companies Act, 1956 dividends not encashed or claimed within 7 years from the date of its transfer to the unpaid dividend account will be transferred to the Investor Education and Protection Fund established by the Central Government.

BHAGWATI AUTOCAST LIMITED

8. Accordingly, unclaimed dividend in respect of financial year 1999-2000 is due for transfer to the said Fund in November 2007. In terms of the provisions of Section 205 C of the Companies Act, 1956, no claim shall lie against the Company or the said Fund after the said transfer.
9. Members desiring any information as regards the accounts are requested to write to the Company at the earliest, so as to enable the Board of Directors to keep the information ready.
10. In terms of provisions of section 109A of the Companies Act, 1956, nomination facility available to individual shareholders. The shareholders who are desirous of availing this facility may kindly write to Company's share transfer agent, M/s. MCS Ltd., 101, Shatdal Complex, Opp. Beta Show Room, Ashram Road, Ahmedabad - 380 009.
11. A Draft Copies each of the agreement as regards terms of the appointment & payment of remuneration payable to Ms. Reena P. Bhagwati as Joint Managing Director of the Company and as Professional Consultant of M/s. Bhagwati Human Management Consultants Pvt. Ltd., are open for inspection on any working day during business hours.
12. Members who hold shares in dematerialised form are requested to bring their depository account number for identification.
13. Members are requested to bring their copies of the annual report to the meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 5:

As provided in Section 314 1 (B) of the Companies Act, 1956 read with "Directors Relatives (Holding Office or Place of Profit) Rules 2003", it is necessary to obtain prior consent of the members by way of Special resolution for holding Office or place of profit by persons who are covered by the above rules for carrying monthly remuneration up to Rs.50,000/-

Remuneration Committee, and the Board of Directors of the Company have appointed M/s. Bhagwati Human Capital Management Services Pvt Limited (BHCMS) with effect from 1/10/2007 as Human Resource Development (HRD) Consultant to the Company, for a period of 3 years. A relative of a Director is the Managing Director of the said Company.

M/s. BHCMS is promoted and founded by Ms. Anal P. Bhagwati. She is MBA in HRD from USA & is also Managing Director of the said Company. The company is providing HR Services to other big Corporates of India. It has been decided to appoint the Company as HRD Consultant to set up systems for HRD Management as well as to improve the Human Resource Management of the Company.

Your Company after passing Special Resolution will obtain services from BHCMS and pay Consultation fees. The same is not to exceed Rs.50,000/- per month.

The Board of Directors consider the proposal to appoint M/s. Bhagwati Human Capital Services Pvt. Ltd. as HRD Consultant on a professional fees as above as in the interest of the company and recommend the resolution being passed as a Special resolution.

ITEM NO. 6:

Item No.6 of the Notice relates to the appointment of Ms. Reena P. Bhagwati as Joint Managing Director of the Company. The original tenure of appointment of Ms. Reena P. Bhagwati as Joint Managing Director was from 29/1/2005 to 31/3/2008, which was approved by the Shareholders in the General Meeting held on 30/09/2005. In supersession of the said Resolution relating to appointment, it is hereby decided to appoint her afresh with effect from 1/10/2007 for a period of 3 years i.e. up to 30/09/2010.

As provided in Part II, Section II A, She can be paid a remuneration not exceeding Rs.1,25,000/- per month. Accordingly, it has been proposed to pay her such remuneration not exceeding Rs.1,25,000/- as the Board of Directors may decide in consultation with her. An approval of the Shareholders is now being obtained to pay her the remuneration as above and the Board of Directors is authorized to fix, modify or alter the amount of Remuneration within the above overall limit.

The terms and conditions of appointment of Ms. Reena P. Bhagwati as Joint Managing Director of the Company are as under.

REMUNERATION:

- a) **Salary**
Rs.50,000/- per month or as may be decided by the Board within an overall limit of Rs. 1,25,000/- per month.
- b) **Gratuity:**
As per the rules not exceeding half a month's salary for each completed year of service, and shall not be included in the computation of ceiling on perquisites.
- c) **Leave Encashment:**
The Joint Managing Director shall be entitled to fully paid leave as per the Company's Rules. Encashment of Leave is permitted at the end of the tenure, which shall not be included in the computation of the ceiling on perquisites specified above.
- d) **Other Benefits:**
Such other benefits, amenities and facilities as per the company's rules.

The terms and conditions of the remuneration of the Joint Managing Director, may be varied, altered, increased, enhanced or widened from time to time by the Remuneration Committee and the Board as it may in its discretion deem fit within the above overall limits and subject to limits laid down in Sch. XIII & Sections 198 & 309 and all other applicable provisions of the Companies Act, 1956 and Rules framed there under.

Memorandum of Interest:

Ms. Reena P. Bhagwati is interested in the above resolution to the extent that the remuneration is going to be received by her.

Dr. Pravin N. Bhagwati & Mrs., Mandakini P. Bhagwati are concerned or interested in the above resolution as being relatives of Ms. Reena P. Bhagwati, none of the other Directors is concerned or interested in the above resolution.

Abstract u/s 302.

The above Explanatory Statement may also be treated as an abstract to be circulated to members u/s. 302 of the Companies Act, 1956.

By Order of the Board of Directors

Place: Ahmedabad
Date: 25/07/2007

Dr P. N. Bhagwati
Chairman

25th Annual Report 2006-2007**DIRECTORS' REPORT**

To
The Members

Your Directors have pleasure in placing before you **TWENTY FIFTH ANNUAL REPORT** and audited Accounts for the year ended **31st March 2007**.

1. FINANCIAL RESULTS:	For the year Ended 31-03-2007 (Rs.)	For the year Ended 31-03-2006 (Rs.)
Profit before Interest,		
Depreciation and Taxation	44,646,388	45,044,449
Less: Interest & Finance Charges	9,199,622	13,518,524
Profit before		
Depreciation & Taxation	35,446,766	31,525,925
Less: Depreciation	7,240,218	5,851,481
Profit before Tax	28,206,548	25,674,444
Less: Provision for Income Tax	6,715,000	2,007,580
Add: Provision for Deferred Tax	2,011,651	493,153
Profit After Tax	23,503,199	24,160,017
Less: Prior Year Adjustments	0	1,141
Add : (Deficit)/Surplus of Last Year Brought forward	(7,110,025)	(31,268,901)
Balance of Profit Carried to Balance Sheet	16,393,174	(7,110,025)

02. DIVIDEND:

To conserve the profit and maintain adequate reserves & surplus for the future contingency your directors decided, not to declare dividend for the year.

03. OPERATIONS:

During the year under review, your Company has performed well in terms of capacity utilisation and sales revenue. Your Company achieved total gross sales of Rs. 5976.45 lacs as compared to earlier years gross sales of Rs. 4353.79 lacs.

Company's Hand Moulding division is working well and new products / customers are added during the year. We are focusing more on production of this division and trying to reach to the satisfactory level of production. However, increased cost of materials, labour and plant renovation expenses, company's profitability has affected as compared to earlier years.

Your company has decided to focus on high value castings more and more and therefore during the year, we are planning to strengthen our hand moulding division further to increase productivity.

04. DIRECTORS:

Mr. M N Shah and Ms R P Bhagwati, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

05. AUDITORS:

M/s. K. D. Parekh & Co. the retiring Auditors has expressed his inability to continue as Auditors. The Board of Directors puts on record, the appreciation for the support and co-operation extended by them to the Company during their associations as Auditors of the Company.

M/s. Milin J. Jani & Co. Chartered Accountants, Ahmedabad has given consent to act as Auditors of the Company if appointed, you are requested to appoint him as Auditors for the current year to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

06. FIXED DEPOSITS:

There are no unclaimed / unpaid deposits as on 31/03/2007.

07. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Additional Information on Conservation of energy, Technology Absorption, Foreign Exchange earnings and outgo, as required to be disclosed in terms of 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 is annexed hereto and forms part of this report.

08. PARTICULARS OF EMPLOYEES:

There is no employee who is in receipt of a remuneration in excess of limits specified u/s. 217 (2A) read with Companies (Particulars of Employees) Rules, 1975.

09. DIRECTORS RESPONSIBILITY STATEMENT:

As required u/s 217(2AA) of the Companies Act, 1956 the Directors confirm:

- That in the preparation of the annual accounts, the applicable Accounting Standards have been followed and that no material departures have been made from the same;
- That they have 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 Profit of the Company for the accounting year ended on that date;
- That they 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;
- That they have prepared the annual accounts on a going concern basis.

10. GENERAL :**1. Insurance :**

The assets of the company including Plant and Machineries, Factory Building, Stocks, Stores, Vehicles etc. have been adequately insured.

2. Industrial Relations :

During the year under review the industrial relations were cordial.

3. Acknowledgement :

Your Directors wish to place on record their deep sense of appreciation of the continued co-operation and support extended by Bank of Baroda and IDBI, from time to time.

The Directors also wish to place on record their appreciation of the devoted services of the Workers, Staff and Executives of the Company, who have contributed to the efficient management of the Company.

**For and on behalf of the
Board of Directors
Dr. P. N. Bhagwati
Chairman**

Place : Ahmedabad
Date : 25/07/2007

BHAGWATI AUTOCAST LIMITED**ANNEXURE TO DIRECTORS' REPORT**

Information as per 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 and forming part of the Directors' Report for the year ended 31st March 2007.

A. CONSERVATION OF ENERGY :**a) Measures Taken :**

The Company has been taking various measures for conservation of energy for last few years. During the year, the Company has taken following additional measures: -

- [1] Additional L.T. Capacitors are installed to improve power factor to 0.985 to 0.998
- [2] Contract demand with GEB has been reduced from 2400 KVA to 2200 KVA and maximum demand is controlled through maximum demand controller.
- [3] Transformer Tap reduced from 3 to 2 to prevent extra power consumption during off load hours due to high voltage.
- [4] Compressed air leakage is plugged to reduce losses due to air leakage.
- [5] 7 Nos. A.C. drives are introduced for induction motors to optimise power consumption.
- [6] Increasing size of cables for plant distribution system reduces Cable losses.
- [7] Plant operation is optimised by preventing third shift operation as far as possible.
- [8] Extensive energy audit conducted by independent expert agency.
- [9] Awareness brought to switch off lights, fans & Machinery during idle running period.
- [10] Energy meters are provided in Air Compressors, Sand Plant, and Core shooters to monitor and control power consumption.

FURTHER STEPS TO BE IMPLEMENTED

- [1] APFC is planned to install to achieve power factor near to unity. This will help in getting maximum benefit for power factor rebate in GEB Bills.
- [2] Energy efficient motors to be used where power intensive equipment are installed.
- [3] Muffle furnace to be lined with ceramic fiber insulation.
- [4] Automatic thermostat controllers are to be provided to reduce consumption of furnace auxiliaries.

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

- [1] Induction motors between 10 to 20 HP will be replaced in pleased manner.
- [2] Distribution transformer insulation will be replaced during reconditioning of transformer, which will bring down losses to optimum 6% to 3%.

c) Impact of the measures taken at (a) & (b) above for reduction of energy consumption :

Satisfactory impact of measures taken as above has been observed during the current year inspite of low output however, further improvement may be possible when we reach to higher output.

Total energy consumption and energy consumption per unit of production as per Form A of the ANNEXURE in respect of industries specified in the Schedule thereto.

FORM - A

		2006-07	2005-06
[A] Particulars			
Power & Fuels consumption :			
1. Electricity			
[a] Purchased			
- Units	13358920	10714780	
- Total Amount [Rs. Lacs]	695.27	528.57	
- Rate / Unit [Rs.]	5.20	4.93	
[b] Own-Generation			
[i] Through Diesel Generator			
- Units	4728	3212	
- Units per liter of diesel oil	1.50	1.95	
- Cost per unit [Rs.]	21.73	14.91	
[ii] Through Steam Turbine Generator			
- Units	Nil	Nil	
- Units per liter of Fuel Oil/Gas	Nil	Nil	
- Cost per Unit [Rs.]	Nil	Nil	
2. Coal	Nil	Nil	
3. Furnace Oil	Nil	Nil	
4. Others / Internal Generation	Nil	Nil	
[B] Consumption per unit of Production		Electricity perMT of Castings	Electricity per MT of Castings
[i] C I Castings	1138	1209	
[ii] S G I Castings	1300	1397	

FORM : B**B. A. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT (R & D) : TECHNOLOGY ABSORPTION :**

During the year under review, The Company has introduced and increased the use of certain new technologies with a view to improve the quality of the products.

Cold Box Process :

The Cold Box technology was introduced to have better utilities resulting in low power consumption, better out-put and greater dimensional consistency. All new cores for new castings under development were made with this process and many of the shell cores were converted into Cold Box.

A second fully automated machine with higher out-puts and higher core weight capacity was commissioned resulting in over all improvement in the core quality and reduction in core cost and saving of power.

RESEARCH & DEVELOPMENT :

- [i] Specific areas in which R & D are carried out by the Company: -
 - [a] Improvement in production process and waste control being continuously carried out by the company.
 - [b] Total Quality Management is being introduced with more involvement resulting in improvement in work culture.
 - [c] Upgradation of computerisation in various Monitoring systems and introduction of Board Information System (BIS) to monitor and evaluate the overall performance. Analysis of Rejection and Monitoring of Energy Consumption.
- [ii] Benefits derived as a result of above R & D : -

The quality of the product manufactured by the Company has further improved and the rejections both internal and after machining have been reduced.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

There is no export of Castings during the year under review.

	2006-07	2005-06
	[Rs]	[Rs]
Total Foreign Exchange used	137,527	31,412
Total Foreign Exchange earned	Nil	Nil

For and on behalf of the
Board of Directors

Dr. P N Bhagwati
Chairman

Place : Ahmedabad
Date : 25/07/2007



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AUDITORS' REPORT

To,
The Members,
BHAGWATI AUTOCAST LIMITED

1. We have audited the attached balance sheet of **BHAGWATI AUTOCAST LIMITED** as at 31st March 2007 and also the profit and loss account and the cash flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (referred to as "the Act") we enclose in the Annexure, a statement on the matters specified in the paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :-
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. The Balance Sheet, Profit & Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - iii. In our opinion, the Balance Sheet, Profit & Loss account and Cash Flow statement dealt with by this report complies with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act.
 - iv. Based on the representations made by all the directors of the Company and according to the information and explanations as made available and taken on record by Board of Directors. We report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of section 274 (1) of the Act.
 - v. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with note No. 05 regarding non payment of Gratuity contribution of Rs. 31.26 lacs and Superannuation contribution of Rs. 9.99 lacs and note no. 8 & 9 regarding central excise & sales tax set off respectively and other notes thereon give the information required by the Act, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007.
- b) in the case of the Profit and Loss Account of the Profit of the Company for the year ended on that date and.
- c) In the case of the Cash Flow statement of the cash flows for the year on that date.

Place : Ahmedabad
Date : 25/07/2007

For **K D Parekh & Co.**
Chartered Accountants

K D Parekh
Proprietor
Membership No. 12615

ANNEXURE TO AUDITORS' REPORT

Re: Bhagwati Autocast Limited

Referred to in paragraph 3 of our report of even date

- i.) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The Fixed Assets have been physically verified by the Management during the year ended 31.03.2007 in a phased periodical manner, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on verification.
- c) During the year, the Company has not disposed of major part of the fixed assets.
- ii.) a) The inventory (except stock lying with the third parties for which confirmation received from them) have been physically verified by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The company is maintaining proper records of inventory. No material discrepancies were noticed on verification of stocks as compared to book records.
- iii.) a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently, requirement of clauses (iii.b), (iii.c), (iii.d), of paragraph 4 of the order are not applicable.
- b) The Company has taken loans/deposits from companies, firms or other parties listed in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs. 64,50,000/- and the year-end Balance of loans taken from such parties was Rs. 64,50,000/-.

BHAGWATI AUTOCAST LIMITED

- c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions are not prima-facie prejudicial to the interest of the company.
- d) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interests.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of Inventory, fixed assets and with regard to sale of goods. Further on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, We have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v) a) According to the information and the explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Act, have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts, arrangements entered in the register maintained under Section 301 of the Act, and exceeding the value of Rs. 5.00 (Five) Lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58-A and 58-AA of the Companies (Acceptance of Deposits) Rules 1975 with regard to the deposits accepted from the public. According to information and explanations given to us no order under the aforesaid sections has been passed by the Company Law Board on the Company.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) We have been informed by the management that the maintenance of cost records has not been prescribed by the Central Government under Section 209(1) (d) of the Act, for the products of the Company.
- ix) a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess were in arrears.
- x) The Company does not have accumulated loss at the end of the year and the Company has not incurred cash loss during the current & preceeding year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the order are not applicable.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause (xiv) of paragraph 4 of the order are not applicable.
- xv) In our opinion and according to the information and explanations given to us the Company has not given any guarantee for loans taken by others from banks/financial institutions. Therefore, The provisions of clause (xv) of paragraph 4 of the order are not applicable.
- xvi) In our opinion, the term loans obtained have been applied for the purpose for which they were taken.
- xvii) According to the information and explanations given to us, on an overall basis, funds raised on short term basis have not, prima facie, been used during the year for long-term investments.
- xviii) According to the information and explanations given to us the Company had not issued any Secured Debentures during the year.
- xix) According to the detailed fundflow statement furnished to us, the Company has utilised the funds raised by way of Rights Issue, as elaborately mentioned in note no. 13 of Schedule 18 to the Financial Statement.

Place : Ahmedabad.
Date : 25/07/2007

For **K D Parekh & Co.**
Chartered Accountants

K D Parekh
Proprietor
Membership No. 12615