

ANNUAL REPORT 2004-05

Contents

Board of Directors	1
Five Year Review	2
Report of the Directors	3
Annexure A - Disclosures	5
Annexure B - Directors' Responsibility Statement	6
Annexure C - Report on Corporate Governance	7
Annexure D - Auditors' Certificate on Corporate Governance	13
Annexure E - Management Discussion and Analysis Report	14
Report of the Auditors	15
Balance Sheet	18
Profit and Loss Account	19
Cash Flow Statement	20
Schedules to the Balance Sheet	21
Schedules to the Profit and Loss Account	25
Notes to the Accounts	27
Balance Sheet Abstract and Company's General Business Profile	32
Particulars of Employees	33

Board of Directors

R.J. Shahaney
Chairman

D.J. Balaji Rao

M. Bianchi (upto 24.01.2005)

P.K. Choksey (upto 30.07.2004)

F.J. Colon Martinez (Alternate: G. Sagone)
(from 25.01.2005)

D.G. Hinduja (Alternate : Y.M. Kale)

Pravin N Ghatalia (from 26.10.2004)

H. Klingele (Alternate : A. Spare)

S. Ragothaman

F. Sahami

R. Seshasayee

V. Mahadevan, Managing Director

N. Kothandapani

State Bank of India
Standard Chartered Bank
Bank of America
Union Bank of India
ICICI Bank Limited

Company Secretary

Bankers

Auditors

Fraser & Ross
Chartered Accountants

Registered Office & Works

Ennore, Chennai - 600 057

Five Year Review

Rs.Lakhs

	2000-01	2001-02	2002-03	2003-04	2004-05
Income and Dividend					
Sales /Operating Income	13147	12448	13162	18508	22268
Other Income	32	18	17	35	256
Total Income	13179	12466	13179	18543	22524
Operating Profit	903	917	-683	1445	2315
Profit/Loss(-) Before Tax	110	123	-1668	423	1419
Profit/Loss(-) After Tax	110	95	-1656	418	1308
Dividend including Tax					
Retained Earnings	110	95	-1656	418	1308
Assets Employed					
Net Fixed Assets @	4175	4115	4220	4448	4277
Net Current Assets	1949	2734	1493	1832	3280
Other Assets/Expenditure Not written off	334	159	867	642	433
Total	6458	7008	6580	6922	7990
Financed by					
Net worth @	3420	3475	1779	3031	4176
Borrowed Funds	3038	3521	4801	3891	3814
Deferred Tax liability		12			
Total	6458	7008	6580	6922	7990
General					
Sales Units-Tonnes	33031	29248	29548	37048	39863
Earnings per share - Rs.	1.62	1.40	-26.60	3.61	17.06
Dividend per share - Rs.					
Book value per share - Rs.	28.28	29.09	4.12	7.82	24.68
@ Includes addition on Revaluation of Fixed Assets	926	886	846	679	516

Report of the Directors

To the Members

The Directors are pleased to present the Fortyfifth Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2005.

Financial Results

	Rs.Lakhs 2004-05	Rs.Lakhs 2003-04
Profit/(Loss)	1419.47	423.32
Less: Provision for Taxation	111.00	5.00
Profit/(Loss) after tax	1308.47	418.32
Balance brought forward from previous year	(2257.83)	(2676.15)
Deficit () in Profit and Loss Account carried over	(949.36)	(2257.83)

Dividend

The Company is not in a position to declare any dividend in view of the continuing accumulated losses.

Operations

Demand for castings in all segments was higher during the year resulting in increased volumes and turnover. Sales volume of the Company, during the year at 39863 MT compared to 37048 MT in the previous year registered a growth of 7.6%. Turnover was higher at Rs 22267 lakhs compared to Rs 18508 lakhs in FY 2004 resulting in an increase of 20.3%. Gross production during the year was up by 9.6% to 43985 MT compared to 40138 MT in previous year .

It is expected that, demand for castings will continue to be good in the current year in view of the continued buoyancy in the automobile and tractor segments.

Efforts are in hand to expand customer base, provide higher value addition to customers, further enhance quality of castings and to explore export markets. Steps are also continuing to improve cost effectiveness and achieve higher operational efficiency in order to further improve margins.

Technology Upgradation/Modernisation

Your Company is alive to the technological upgradation continuously taking place in the automobile industry driven by intense competition as well as on account of environmental conservations sought by Governments and society, and the concomitant upgradation demanded in the quality of castings. Your Company is continuously upgrading its manufacturing techniques and technology to meet these growing

demands and has undertaken several measures, so as to meet the requirements of closer tolerances, better finish and reduced rejections in customers' plants.

Potential Sickness

The Company has come out of its potential sickness as on March 31, 2005 in view of profitability in 2004-05 and consequent improvement in net worth resulting in accumulated losses being less than 50% of net worth.

Research & Development

The main thrust in R & D continues to be in the introduction of new techniques in the production process for improvements in quality of castings and the usage of alternative cost effective materials. A separate Report on Technology Absorption and Energy Conservation is attached at Annexure "A".

Directors' Responsibility Statement

The applicable accounting standards have been followed in the preparation of Annual Accounts along with proper explanation relating to material variations. Further, consistent accounting policies have been applied and the judgements and estimates are reasonable and prudent and give a true and fair view of the state of affairs of the company as at the end of the financial year 2004-05 and the profit of the company for the above period. Adequate accounting records have been maintained as required under the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. Further the Annual Accounts have been prepared on a going concern basis. A separate statement is enclosed at Annexure "B".

Corporate Governance

Your Board has complied with the requirements of the Code of Corporate Governance like formation of Audit Committee, Investors/Shareholders Grievance Committee, Remuneration Committee and Disclosures, etc. A detailed Report on Corporate Governance is attached at Annexure "C".

The certificate of the Statutory Auditors regarding the Company's Compliance with the conditions of Corporate Governance is attached at Annexure "D".

A Management Discussion and Analysis Report is attached at Annexure "E".

Fixed Deposits

The amount of deposits held by the Company as at March 31, 2005 was Rs 51.14 lakhs. The Company is regularly repaying deposits on due dates and deposits are not being renewed from December 2002. Twenty one (21) matured deposits amounting to Rs 2.64 lakhs remained unclaimed as on March 31, 2005.

The Company is regularly transferring debenture redemption instalments and interest thereon, deposits and interest due thereon lying unclaimed for more than 7 years from the due date to the Investor Education and Protection Fund.

Expansion/Revamping of existing foundry/New acquisition

The Company plans to set up a new foundry near Chennai with a capacity of 50000 tons of grey iron castings. The existing foundry is also being revamped with both these projects entailing an expenditure of about Rs.165 crores. Further, the Ductron Castings Unit of Ashok Leyland Ltd at Hyderabad has been acquired by the Company at a cost of Rs.62 crores. The Company has planned to partially mobilize resources by issue of 95,05,860 equity shares Rs.10/- each at a premium of Rs.50/- aggregating to Rs.57.04 crores on Rights basis. The Company shall fund the balance requirement through internal accruals/ term loans from banks/financial institutions. Necessary approvals of shareholders have been received for issue of rights shares and for enhancement in borrowing limits for term loans.

Report of the Directors

Personnel

Relationship between the Management and the Employees continues to be satisfactory.

Directors

Mr Marco Bianchi, Director has resigned from the Board effective January 25, 2005 and Mr F J Colon Martinez has been appointed as Director in the resultant casual vacancy.

Mr P N Ghatalia was appointed as an Additional Director in the Board meeting held on October 26, 2004 and will be laying down his office at this Annual General meeting. Mr Ghatalia is seeking appointment as an Independent Director of the Company and the necessary resolution is placed before the members for approval.

M/s H Klingele, D G Hinduja and S Ragothaman retire by rotation in this

meeting under Article 106 of the Articles of Association of the Company and are eligible for reappointment. The necessary resolutions are being placed before the members for approval.

Auditors

Messrs Fraser and Ross, Chartered Accountants, the retiring Auditors, are eligible for reappointment.

In view of acquisition of the Ductron Castings Unit at Hyderabad, and the proposed expansion plans, there will be substantial increase in the size of operations of the Company, and hence the Audit Committee and the Board have considered it desirable to have two firms of Chartered Accountants to work as Joint Statutory Auditors of the Company.

Based on the recommendations of the Audit Committee and subject to the approval of shareholders in the Annual General meeting, the Board has

proposed the appointment of M/s S R Batliboi & Associates, Chartered Accountants as Auditor to work jointly with M/s Fraser & Ross, Chartered Accountants.

The Company has received confirmation that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Acknowledgement

The Directors wish to acknowledge and place on record their appreciation of the valuable advice and support received from LRLIH Ltd., UK and from Ashok Leyland Limited.

The Directors wish to express their gratitude to the Government of India, the Government of Tamil Nadu and Tamil Nadu Electricity Board. They also thank the Financial Institutions, Company's Bankers, Shareholders, Customers, Suppliers, Depositors and all the employees for their continued support.



On behalf of the Board

Chennai
April 28, 2005

R J Shahaney
Chairman

Annexure A to the Directors' Report

Disclosures

A) CONSERVATION OF ENERGY

The Company continues its efforts to optimise energy utilisation through energy auditing, better energy management and close monitoring of manufacturing processes particularly the operation of furnaces. Thus over the past three years there has been a saving of 15% in energy consumption and the objective is to gain further savings. Targets for energy consumption have been set for all major processes and the results are being closely monitored. Some of the processes that are energy intensive are being replaced by others that consume less energy. The Company has installed more efficient induction furnaces in place of arc furnaces, and is using more power from wind mills.

In core making process the hot core box process has been converted into cold box process which has better yield and savings in energy cost.

B) TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. Specific areas in which R & D is carried out by the Company:
 - Solid modelling CAD/CAM system, to enable concurrent engineering to be carried out for design and manufacture of patterns and core boxes also with computer simulation to ensure correct finishing of castings.

- The Company has standardized the core making process to cold box and shell for yield improvement by optimizing the gating and running system which is carried out in computer simulation.

- Alternate material for furnace lining is being tried to reduce energy and material cost.

2. Benefits derived as a result of the above R & D:

- Improved dimensional accuracy, higher quality and better surface finish of castings.

3. Future Plan of Action:

- Unidirectional flow with low cost automation of fettling and core making.
- Energy efficient sand mixing system.
- Better material handling system to reduce unnecessary operations.

4. Expenditure on R & D:

- | | |
|--|-------|
| a) Capital | : Nil |
| b) Recurring | : Nil |
| c) Total | : Nil |
| d) R & D expenditure as a percentage of total turnover | : Nil |

Technology Absorption, Adaptation and Innovation:

1. Efforts in brief, made towards technology absorption, adaptation and innovation:

Constant review of current developments and future trends in foundry technology in order to phase out old technologies, absorb new technologies, and induct new materials and processes.

2. Benefits derived as a result of above efforts:

The Company has been able to keep abreast of the technologies current in the foundry industry, and be in a position to manufacture castings to more stringent quality requirements.

3. (a) Technology imported:

- Nil -

(b) Has technology been fully absorbed, if not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action:

- Nil -

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

There have been no earnings in foreign exchange. Information on outgo of foreign exchange is given in Schedules 3.2.14 to 3.2.15 of notes to the Accounts.

On behalf of the Board

Chennai
April 28, 2005

R J Shahaney
Chairman

Annexure B to the Directors' Report

Directors' Responsibility Statement as per section 217 (2AA) of the Companies Act 1956

Responsibility in relation to financial statements

The financial statements have been prepared in conformity, in all material respects, with the generally accepted accounting principles in India and the accounting standards prescribed by ICAI, in a consistent manner and supported by reasonable and prudent judgements and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on March 31, 2005 and of the results of operations for the year ended March 31, 2005.

The financial statements have been audited by M/s Fraser & Ross, Statutory Auditors in accordance with generally accepted auditing standards, which include an assessment of the systems of internal controls and tests of transactions to the extent considered necessary by them to support their opinion.

Going Concern

In the opinion of the Directors, the Company will be in a position to carry on its existing foundry business and accordingly it is considered appropriate to prepare the financial statements on the basis of a going concern.

Maintenance of Accounting Records and Internal control

The Company has taken proper and sufficient care for the maintenance of adequate accounting records as required by the Statute.

Directors have overall responsibility for the Company's internal control system, which is designed to provide a reasonable assurance for safeguarding of assets, reliability of financial records and for preventing and detecting fraud and other irregularities.

The system of internal control is monitored by internal audit function,

which encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control and quality of performance in carrying out assigned responsibilities. Internal Audit Department interacts with all levels of management and the Statutory Auditors, and reports significant issues to the Audit Committee of the Board.

Audit Committee supervises financial reporting process through review of accounting and reporting practices, financial and accounting controls and financial statements. Audit Committee also periodically interacts with Internal and Statutory Auditors to ensure quality and veracity of Company's accounts.

Internal Auditors, Audit Committee and Statutory Auditors have full and free access to all the information and records as considered necessary to carry out their responsibilities. All the issues raised by them have been suitably acted upon and followed up.

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Annexure C to the Directors' Report

Report on Corporate Governance (Forming part of the Annual Report 2004-2005)

1. Philosophy on Code of Corporate Governance

The Company is fully conscious of its responsibility to shareholders, Government and public at large and considers the Code of Corporate Governance as a system to ensure transparency in all its activities and always believes in enhancement of its service to all its stakeholders.

2. Board of Directors :

a. The Board of Directors is headed by a non-executive Chairman and consists of the following directors as on March 31, 2005:

i) Non Executive Directors

- | | | |
|---------------------------------------|---|--|
| a) Promoter Group | : | Mr F J Colon Martinez (Alternate: Mr G Sagone)
Mr D G Hinduja (Alternate :Mr Y M Kale)
Mr H Klingele (Alternate : Mr A Spare)
Mr F Sahami |
| b) Connected with Associate Companies | : | Mr R J Shahaney (Chairman)
Mr R Seshasayee |
| c) Independent | : | Mr S Ragothaman
Mr D J Balaji Rao
Mr P N Ghatalia |
| d) Managing Director | : | Mr V Mahadevan |

b. Attendance at Board Meetings and last AGM, and details of memberships of Directors in other Boards and Board Committees

Details of Board Meetings held during 2004-2005 :

Date of Meeting	Board Strength	No. of Directors Present
June 11, 2004	10	9
July 30, 2004	10	9
October 26, 2004	10	9
January 25, 2005	10	9
February 12, 2005	10	5
March 5, 2005	10	6

The time gap between any two meetings did not exceed 4 months.

The last Annual General Meeting was held on July 30, 2004.

Name of Director	No. of Board Meetings attended	Whether attended last AGM	Membership as on 31 03 2005	
			Other Boards Excl. EFL	Other Board Committes Excl. EFL
Mr R J Shahaney	6	Yes	4	2 of which 1 as Chairman
Mr P K Choksey (upto 30/7/2004)	2	Yes	4	6 of which 3 as Chairman
Mr D J Balaji Rao	6	Yes	6	10 of which 5 as Chairman
Mr D G Hinduja	4	Yes	4	1
MR F J Colon Martinez (from 25/1/2005)	-	N.A.	1	-
Mr P N Ghatalia (from 26/10/2004)	4	N.A.	6	10
Mr H Klingele	4	Yes	1	-
Mr M Bianchi *	-	No	1	-

Annexure C to the Directors' Report

Name of Director	No. of Board Meetings attended	Whether attended last AGM	Membership as on 31.03.2005	
			Other Boards Excl. EFL	Other Board Committes Excl. EFL
Mr S Ragothaman	6	Yes	4	5 of which 1 as Chairman
Mr F Sahami	4	Yes	2	4 of which 1 as Chairman
Mr R Seshasayee	5	Yes	6	1
Mr V Mahadevan	6	Yes	-	-
Alternate Directors				
Mr Y M Kale	3	No	3	3 of which 2 as Chairman
Mr G Sagone	6	Yes	2	-
Mr A Spare	4	Yes	-	-

Note 1 : Excludes Foreign Companies, Private Limited Companies

Note 2 : Only Remuneration Committee, Audit Committee, and Shareholders/Investors Grievance Committee are reckoned for this purpose.

* Ceased to be a Director effective 25/1/2005.

3. Audit Committee

- The composition and Terms of Reference of the Audit Committee conform to the requirements of both Section 292A of the Companies Act 1956, and Clause 49 of the Listing Agreements with Stock Exchanges.
- The composition of the Audit Committee is as follows :

Chairman : Mr D J Balaji Rao

Members : Mr F Sahami
Mr S Ragothaman
Mr P N Ghatalia (from 25/01/2005)

- Meetings and attendance during the year 2004-2005:

Date of Meeting	Committee Strength	No. of Directors Present
June 11, 2004	3	3
July 28, 2004	3	3
October 25, 2004	3	3
January 24, 2005	3	3
February 12, 2005	4	3

Mr N Kothandapani, Company Secretary is the Secretary to the Committee. He also heads the Internal Audit function and has attended all the meetings of the Committee.

Mr V Mahadevan, Managing Director, Mr A V Deodhar, Executive Director (upto 25/10/2004) and Mr V Krishnamoorthy, Deputy General Manager – Finance attended the meetings of the Committee as invitees.

The Statutory Auditors of the Company are invited to join the Audit Committee Meetings. The Audit Committee discussed with the Statutory Auditors the Limited Review report, the Annual Audit Plan, the Internal Audit Observations, Adherence to Accounting Standards and other related matters.

4. Remuneration Committee

The Remuneration Committee was reconstituted on 26/10/2004, and consists of the following members:

Mr S Ragothman Chairman
Mr R J Shahaney Member
Mr D G Hinduja Member