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KALYANI FORGE LIMITED



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HIGHLIGHTS

(Rupees in Lakhs)

PARTICULARS	**2004–05**	2003–04	2002–03	2001–02	2000–01
TURNOVER	**15,084.64**	11,780.65	8,127.32	5,886.29	5,555.84
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX	**2,091.30**	**1,955.25**	1,256.22	898.77	825.80
INTEREST	**29.50**	25.61	117.10	181.59	196.23
DEPRECIATION	**478.54**	**455.19**	**436.88**	412.88	379.67
PROFIT BEFORE TAX	**1,583.26**	**1,474.45**	702.24	304.30	249.90
PROVISION FOR TAX	**553.98**	**448.98**	225.50	92.82	19.11
PROFIT FOR THE YEAR	**1,029.28**	1,025.47	476.74	211.48	230.79
DIVIDEND – %	**20**	20	15	12	12
AMOUNT	**72.76**	72.76	54.57	43.66	43.66
GROSS BLOCK	**7,324.61**	5,842.82	5,345.33	5,288.02	5,067.19
NET BLOCK	**3,785.88**	2,778.51	2,700.65	2,960.77	2,725.51
NET WORTH	**4,493.72**	3,548.03	2,594.81	2,161.80	2,451.18
BOOK VALUE PER SHARE (Rs.)	**123.52**	97.52	71.30	59.42	67.38
EARNINGS PER SHARE (Rs.)	**28.28**	28.18	13.09	5.92	6.08

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KALYANI FORGE LIMITED

BOARD OF DIRECTORS

NEELKANTH A. KALYANI
(Chairman)

MRS. R. G. KALYANI
(Managing Director)

G. N. KALYANI

D.C. AGASHE

ANIL REGE

UMESH R. LAHOTI

BANKERS :
State Bank of India
Bank of Maharashtra
Citi Bank
HDFC Bank

SOLICITORS & ADVOCATES :
Kanga & Company
Mumbai.

AUDITORS :
Dalal and Shah
Chartered Accountants,
Mumbai.

REGISTERED OFFICE :
Shangrila Gardens,
'C' Wing, 1st Floor,
Opp. Bund Garden,
Pune – 411 001.
Website : www.kalyaniforge.com

WORKS :
Koregaon Bhima,
Taluka : Sirur,
District : Pune 412 207.

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KALYANI FORGE LIMITED

Regd.Office : Shangrila Gardens, 1st floor,
'C' Wing, Opposite Bund Garden, Pune 411001.

NOTICE

NOTICE is hereby given that the Twenty sixth Annual General Meeting of the members of KALYANI FORGE LIMITED, will be held at Poona Club Ltd., 6, Bund Garden Road, Pune 411 001 on Wednesday, the 21st day of September, 2005 at 10:30 A.M. (I.S.T.) to transact the following business:

ORDINARY 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 31st March, 2005 and the Reports of the Directors and of the Auditors.

2) To declare dividend on Equity Shares.

3) To appoint a Director in place of Mr. ANIL D. REGE, who retires by rotation, but being eligible, offers himself for re–appointment.

4) To appoint a Director in place of Mr. G. N. KALYANI, who retires by rotation, but being eligible, offers himself for re–appointment.

5) To consider and if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT THE COMPANY'S RETIRING AUDITORS, M/S. DALAL & SHAH, CHARTERED ACCOUNTANTS, MUMBAI, BE AND THEY ARE HEREBY RE–APPOINTED AS AUDITORS OF THE COMPANY TO HOLD OFFICE FROM THE CONCLUSION OF THIS MEETING UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY AND THAT THE BOARD OF DIRECTORS BE AND IS HEREBY AUTHORISED TO FIX THEIR REMUNERATION".

SPECIAL BUSINESS :

6) To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT PURSUANT TO THE PROVISIONS OF SECTION 198, 269, 309 AND OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956 AND SUBJECT TO SUCH APPROVALS, AS MAY BE REQUIRED IN THAT BEHALF, APPROVAL OF THE MEMBERS BE AND IS HEREBY GIVEN TO THE APPOINTMENT OF MRS. ROHINI GAURISHANKAR KALYANI AS MANAGING DIRECTOR OF THE COMPANY FOR A PERIOD OF FIVE YEARS FROM 29 TH JANUARY, 2005 TO 28 TH JANUARY, 2010 ON THE FOLLOWING TERMS OF REMUNERATION WITHIN THE LIMITS OF SCHEDULE XIII OF THE COMPANIES ACT, 1956 RELATING TO MANAGERIAL REMUNERATION."

(I) **SALARY** : Rs. 95,000/– (Rupees Ninety Five Thousand only) per month.

(II) **COMMISION** : Commission not exceeding 5% of the net profits of the company in a particular year, computed according to Section 349 of the Companies Act, 1956, which put together with salary and perquisites shall be subject to the overall ceiling laid down in sections 198, 309 and schedule XIII of the Companies Act, 1956.

(III) **PERQUISITES** : Perquisites – As classified in three categories, namely A, B and C below.

PERQUISITES
CATEGORY 'A'

(1) RESIDENTIAL ACCOMMODATION :–

(A) The expenditure by the company on hiring furnished accommodation for the Managing Director will be subject to ceiling of 40% of the salary.

(B) The Company will provide rent–free furnished accommodation.

(C) In case no accommodation is provided by the company, the Managing Director shall be entitled to House Rent Allowance subject to the ceiling laid down in Residential Accommodation (A).

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(2) MEDICAL REIMBURSEMENT :–

Expenses incurred for the Managing Director and the family subject to a ceiling of 15 days Salary in a year or 45 days Salary over a period of three years.

(3) ANNUAL LEAVE TRAVEL CONCESSION :–

For the Managing Director and her family once in a year incurred in accordance with the rules of the Company, subject to the limit of one month salary in a year or 90 days salary over a period of three years.

EXPLANATION : For the purpose of Category 'A' "family" means the spouse, the dependent children and dependent parents of the Managing Director.

(4) CLUB FEES :–

Fees of clubs up to Rs. 25,000 per annum, subject to a maximum of two clubs which will not include admission and life membership fees.

CATEGORY 'B'

(a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961.

(b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

(c) Encashment of leave at the end of the tenure.

CATEGORY 'C'

Provision of a car with driver for use of Company's business and telephone at residence. This will not be considered as the perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the company to the Managing Director.

MINIMUM REMUNERATION :–

In the event of loss or inadequacy of profits in any financial year during the currency of the tenure of Managing Director, the Company shall pay her minimum Remuneration by way of salary and perquisites subject to the overall ceiling laid down under Section 198 and Schedule XIII of the Companies Act, 1956. For the purpose of computation of minimum remuneration, the following shall not be included:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
2. Gratuity at the rate not exceeding half a months salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

SITTING FEES :–

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or committee thereof.

"FURTHER RESOLVED THAT THE BOARD OF DIRECTORS OF THE COMPANY BE AND IS HEREBY AUTHORISED AND EMPOWERED TO MAKE SUCH IMPROVEMENTS IN THE TERMS OF REMUNERATION TO MRS. ROHINI GAURISHANKAR KALYANI AS MAY BE PERMISSIBLE UNDER AND BY ANY AMENDMENT OF SCHEDULE XIII TO THE COMPANIES ACT, 1956 OR BY WAY OF ANY GOVERNMENT GUIDELINES OR INSTRUCTIONS. THE INTENTION BEING THAT NO FURTHER APPROVAL OF THE COMPANY WILL BE REQUIRED SO LONG AS REMUNERATION OF THE MANAGING DIRECTOR IS NOT IN EXCESS OF THE MAXIMUM PERMISSIBLE UNDER RELEVANT LAW, RULES, REGULATIONS, GUIDELINES OR INSTRUCTIONS AS MAY BE PROMULGATED OR ISSUED AFTER THE DATE OF THIS MEETING."

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7) To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION.

"RESLOVED THAT IN SUPERSESSION OF THE RESOLUTION PASSED AT ANNUAL GENERAL MEETING HELD ON 07TH SEPTEMBER, 1990 AND PURSUANT TO THE PROVISIONS OF SECTION 293(I)(d) AND OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956, THE CONSENT OF THE COMPANY BE AND IS HEREBY ACCORDED TO THE BOARD OF DIRECTORS OF THE COMPANY TO BORROW AMOUNTS NOT EXCEEDING RS. 100 CRORES (RS. HUNDRED CRORES ONLY), FROM TIME TO TIME, AS IT MAY CONSIDER FIT, ON SUCH TERMS AND CONDITIONS AS THE BOARD MAY DEEM FIT. NOTWITHSTANDINTG THAT THE MONIES TO BE BORROWED BY THE COMPANY (APART FROM TEMPORARY LOANS OBTAINED FROM THE COMPANY'S BANKERS IN THE ORDINARY COURSE OF BUSINESS) WILL EXCEED THE AGGREGATE OF THE PAID UP SHARE CAPITAL OF THE COMPANY AND IT'S FREE RESERVES, THAT IS TO SAY, RESERVES NOT SET APART FOR ANY SPECIFIC PURPOSE".

By Order of the Board of Directors
for KALYANI FORGE LTD.,

G. M. NADKARNI
Company Secretary

Place : Pune
Date : 27th June, 2005

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NOTES:

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of special business is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

3. The Register of Members and the share transfer books of the Company will remain closed from Wednesday, the 14th day of September, 2005 to Wednesday, the 21st day of September, 2005, both days inclusive.

4. Dividend, if declared, will be paid to those shareholders, whose names appear on the Company's Register of Members/Register of Beneficial Owners as on 21st September, 2005. The payment will be made on or after 5th October, 2005.

5. In order to provide better service to the shareholders, the Company has introduced Electronic Clearing Service (ECS) for payments of dividend. Shareholders desirous of availing ECS facility may provide the required information to our Registrar and Transfer Agents. The ECS mandate forms are being despatched separately.

6. Pursuant to Section 205A(5) of the Companies Act, 1956 as amended and Section 205C of the Companies Act, 1956 the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investors Education and Protection Fund established by the Central Government and no payment shall be made in respect of any such claims by the Fund.

   Members who have not encashed dividend for the previous years are requested to immediately forward the same for revalidation to Secretarial Department at factory address of the Company.

7. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, ECS, mandates, nominations, power of attorney, change of address/name, etc. to their depository participant only and not to the Company's Registrars and Transfer Agents. Changes intimated to the depository participants will then be automatically reflected in the Company's records which will help the Company and its Registrars and Transfer Agents to provide efficient and better service to the Members.

8. The shares of the Company are mandated by the Securities and Exchange Board of India for trading in dematerialised form by all investors. Those shareholders who have not dematerialised the shares are advised to dematerialise their holding.

9. Members holding shares in physical form are requested to intimate any change in their address, bank details, etc. to our Registrar and Transfer Agents namely :

   MCS LIMITED
   116/118, Akshay Complex, Off. Dhole Patil Road
   Near Ganesh Mandir, Pune – 411 001.
   Tel./Fax – 020 26129597
   E-mail : mcspune@vsnl.net

10. Documents referred to in any of the items of the Notice are available for inspection at the factory address of the Company on any working day upto the 21st day of September, 2005 during business hours of the Company.

By Order of the Board of Directors
for KALYANI FORGE LTD.,

Place : Pune
Date : 27th June, 2005.

G. M. NADKARNI
Company Secretary

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ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956.

The following explanatory statement sets out, as required by section 173 of the Companies Act, 1956, the material facts relating to item Nos. 6 to 7 mentioned in the accompanying Notice dated 27th June,2005.

Item No. 6 :

During the last few years the business of the company has been growing very fast and in the years to come due to the substantial expansion in the Capacity, the business is further growing. The Board of Directors have therefore decided to elevate Mrs. R. G. Kalyani as the Managing Director of the Company with effect from 29th January, 2005 for a further period of five years upto 28th January, 2010. The company has entered into the necessary Agreement with Managing Director dated 29th January, 2005 and terms of Remuneration is as per the limits set under Sections 198, 309 and Schedule XIII to the Companies Act, 1956 and subject to the approval of shareholders in the General Meeting. The Extract of the terms of appointment under Section 302(7) of Companies Act, 1956 is already sent to the Members vide letter dated 14th February, 2005.

Item No. 7 :

Pursuant to the provisions of clause (d) of section 293 of the Companies Act, 1956, the Board of Directors can not borrow more than the aggregate amount of the Paid Up Capital of the company and its Free Reserves at any one time except with the consent of Shareholders of the company in a General Meeting. At the Annual General Meeting of the Company held on 07th September, 1990, consent of the Shareholders had been obtained for the Directors to borrow upto a maximum amount of Rs. 10 crores (Rs. Ten Crores Only) over and above the aggregate of the paid up Capital and free Reserves of the Company, that is to say, the Reserves not set apart for any specific purpose (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business). The Expansion programme of the Company is in progress and it is expected that ceiling fixed by the Shareholders of the Company for borrowings, will be exceeded in future and therefore your Directors place before you the proposal to increase the maximum borrowing limit to Rs.100 crores (Rs. Hundred Crores Only). Irrespective of the fact that such amounts together with amounts already borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) exceed the aggregate of the Paid Up Capital and free Reserves of the Company as on that date, that is to say, the Reserves not set apart for any specific purpose. None of the Directors of your Company is interested either directly or indirectly, in the said proposal and recommend your approval thereof in the interest of the Company.

By Order of the Board of Directors
for KALYANI FORGE LTD.,

G. M. NADKARNI
Company Secretary

Place : Pune
Date : 27th June, 2005

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DIRECTORS' REPORT

To,
The Members,

The Directors present their TWENTYSIXTH Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 31st March, 2005.

1. FINANCIAL RESULTS :

		(Rs. in lakhs)
	2004–2005	2003–2004
Total Income	**15,084**	11,780
Gross Profit before depreciation	**2,061**	1,930
Profit after depreciation	**1,583**	1,474
Profit for the year	**1,029**	1,025
Add : Balance of Profit from previous year	**2,135**	1,272
Profit available for appropriation	**3,164**	2,297
Less : Transfer to General Reserve	**80**	80
Less : Proposed Dividend on Equity Capital	**73**	73
Less : Tax on above Dividend	**10**	9
Surplus retained in Profit & Loss A/c	**3,001**	2,135

2. DIVIDEND :

Your Directors recommend payment of dividend for the year ended on 31.03.2005 at the rate of Rs. 2.00 per equity share of Rs.10/– each.

3. OPERATIONS :

Your Directors are pleased to report that the Company has achieved a turnover of **Rs. 15,084** lakhs as against last year's turnover of **Rs. 11,780** lakhs which shows an increase of **28%** over the previous year. Exports of the Company during the year has decreased to **Rs. 661** lakhs from **Rs. 901** lakhs last year. The net profit after tax for the year has gone up marginally to **Rs. 1,029** lakhs, as against **Rs. 1,025** lakhs last year.

4. DIRECTORS :

Mr. Anil D. Rege and Mr. G. N. Kalyani, Directors, are retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re–appointment.

5. AUDITORS :

The Auditors of the Company M/s. Dalal & Shah, Chartered Accountants, Mumbai retire at the ensuing Annual General Meeting. You are requested to reappoint Auditors for the current year to hold office from the conclusion of this Annual General Meeting until the conclusion of the following Annual General Meeting.

6. PARTICULARS OF EMPLOYEES :

Information in accordance with sub–section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure I to the Directors' Report.

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7. **DISCLOSURE REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The additional information required under the Provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of particulars in report of the Board of Directors) Rules, 1988 and forming part of the report is given, in Annexure II attached hereto.

8. **DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

(i) That in the preparation of the accounts for the financial year ended 31st March 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures.

(ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and a fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the year under review.

(iii) That 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) That the Directors have prepared the accounts for the financial year ended 31st March 2005, on a "going concern" basis.

9. **INDUSTRIAL RELATIONS :**

The relations with staff and workmen continue to be cordial.

10. **ACKNOWLEDGEMENTS :**

The Directors wish to convey their appreciation to all the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's good performance. The Directors would also like to thank the employee unions, shareholders, customers, suppliers, bankers, and all the other business associates for the continuous support given by them to the Company and their confidence reposed in its management.

For and on behalf of the Board of Directors

Place : PUNE
Dated : 27th June, 2005.

NEELKANTH A. KALYANI
Chairman

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