



KALYANI



KALYANI FORGE LIMITED

27th Annual Report

2005—2006

HIGHLIGHTS

(Rupees in Lakhs)					
PARTICULARS	2005-06	2004-05	2003-04	2002-03	2001-02
TURNOVER	17,265.60	15,084.64	11,780.65	8,127.32	5,886.29
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX	2,299.17	2,091.30	1,955.25	1,256.22	898.77
INTEREST	101.88	29.50	25.61	117.10	181.59
DEPRECIATION	570.51	478.54	455.19	436.88	412.88
PROFIT BEFORE TAX	1,626.78	1,583.26	1,474.45	702.24	304.30
PROVISION FOR TAX	592.65	553.98	448.98	225.50	92.82
PROFIT FOR THE YEAR	1,034.13	1,029.28	1,025.47	476.74	211.48
DIVIDEND (%)	22	20	20	15	12
AMOUNT	80.04	72.76	72.76	54.57	43.66
GROSS BLOCK	8,587.94	7,324.61	5,842.82	5,345.33	5,288.02
NET BLOCK	4,489.95	3,785.88	2,778.51	2,700.65	2,960.77
NET WORTH	5,434.00	4,493.72	3,548.03	2,594.81	2,161.80
BOOK VALUE PER SHARE (Rs.)	149.37	123.52	97.52	71.30	59.42
EARNINGS PER SHARE (Rs.)	28.35	28.28	28.18	13.09	5.92



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 :

1. Koregaon Bhima,
Tal. : Sirur,
District : Pune 412 207.
2. Precision Autocomp Division
Gat No. 914/1 & 2, Sanaswadi
Tal. : Sirur,
District : Pune 412 208.

**KALYANI FORGE LIMITED**

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

NOTICE

NOTICE is hereby given that the Twenty seventh 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 Tuesday, the 12th day of September, 2006 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, 2006 and the Profit and Loss Account for the year ended on 31st March, 2006 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. Umesh R. Lahoti, who retires by rotation, but being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. D. C. Agashe, who retires by rotation, but being eligible, offers himself for re-appointment.
- 5) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT THE COMPANY'S RETIRING AUDITORS, M/S. DALAL & SHAH, CHARTERED ACCOUNTANTS, MUMBAI, BE AND 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 FOR THE SAID PERIOD"

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as SPECIAL RESOLUTION:

"RESOLVED THAT PURSUANT TO SECTION 309 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 1956, IF ANY, AND SUBJECT TO SUCH PERMISSIONS, CONSENTS AND APPROVALS, AS MAY BE REQUIRED, APPROVAL OF THE MEMBERS BE AND IS HEREBY ACCORDED TO THE PAYMENT AND DISTRIBUTION, FOR FIVE FINANCIAL YEARS COMMENCING FROM APRIL, 01, 2006, OF A COMMISSION NOT EXCEEDING 1 % (ONE PERCENT) OF THE NET PROFITS OF THE COMPANY CALCULATED IN ACCORDANCE WITH THE PROVISIONS OF SECTIONS 198, 349 & 351 OF THE COMPANIES ACT, 1956, AMONGST THE NON-EXECUTIVE DIRECTORS OF THE COMPANY OR ANY ONE OR MORE OF THEM IN SUCH PROPORTION AND IN SUCH MANNER AND IN ALL RESPECTS AS MAY BE DECIDED BY THE BOARD OF DIRECTORS OF THE COMPANY FROM TIME TO TIME AND SUCH PAYMENT SHALL BE MADE IN RESPECT OF THE PROFITS OF THE COMPANY FOR EACH FINANCIAL YEAR, PROVIDED THAT FOR THE PURPOSE OF CALCULATING THE COMMISSION PAYABLE FOR ANY PART OF THE FINANCIAL YEAR OF THE COMPANY, SUCH PROFITS SHALL BE DEEMED TO HAVE ACCRUED OR ARISEN AT AN EVEN RATE THROUGHOUT THE YEAR AND SHALL BE PRO-RATED FOR EACH DIRECTOR HAVING REGARD TO THE PERIOD DURING WHICH HE HAS SERVED AS A DIRECTOR DURING THE RELEVANT FINANCIAL YEAR."

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

R. RAMKUMAR
Company Secretary & DGM - Accounts

Place : Pune
Date : 30th June, 2006



TWENTYSEVENTH ANNUAL REPORT

NOTES :-

1. 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 ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. Members who hold shares in dematerialized form are requested to bring their CLIENT ID AND DP ID numbers for easy identification of attendance at the Meeting.
4. Members holding shares in dematerialized form are requested to intimate any change in their address/ name, bank details, ECS Mandates, nominations, power of attorney, etc. to their respective DPs only.
5. Members holding shares in physical form are to intimate any change in address, bank details, etc. to the Company's Registrar and Transfer Agents, namely :

MCS LIMITED

116/118, Akshay Complex, Off. Dhole Patil Road

Near Ganesh Mandir, Pune- 411 001.

Tel./Fax – 9520 26129597

E-mail : mcspune@vsnl.net

6. Equity Shareholders who have not dematerialized are advised to dematerialized their shareholding, to avoid inconvenience in future and to reap benefits of de-materialisation.
7. In order to provide better service to the Shareholders, the Company has introduced, in the year 2005, Electronic Clearing Service (ECS) for payments of dividend. Shareholders desirous of availing ECS facility may provide the required informations to our Registrar and Transfer Agents.
8. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 1st day of September, 2006, to Tuesday, the 12th day of September, 2006 (both days inclusive).
9. Dividend, If declared, will be paid to those shareholders, whose names appear in the Company's Register of Members/ Register of Beneficial Owners as on 12th day of September, 2006.
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 12th day of September, 2006, during business hours of the Company.
11. Those Members who have not encashed/received their Dividend Warrants for the previous years may approach the Secretarial Department at the factory address of the Company for obtaining payment of such outdated warrants.
12. Dividends which remain unclaimed/unencashed for a period of 7 years will be transferred by the Company to Investor Education & Protection Fund (IEPF) constituted by the Central Government under Section 205A and 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim by the shareholders shall lie for the unclaimed dividend transferred to IEPF.

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

R. RAMKUMAR
Company Secretary & DGM - Accounts

Place : Pune

Date : 30th June, 2006

ANNEXURE TO THE NOTICE:

Explanatory Statement as required by Section 173 of the Companies act, 1956:

Item No.6:

Section 309(4) of the Companies Act, 1956, allows payment of commission upto aggregate of 1 % of the net profits of the Company to all the Non-Executive Directors of the Company put together, if the Company has a Managing or Whole-time Director. For this purpose, a Special Resolution approved by the members of the Company is a pre-requisite.

The members of the Company in their Annual General Meeting held on 29th September, 2001, had approved payment of remuneration to Non Executive Directors by way of commission, till the Financial year ended on 31.03.2006. The proposed Special Resolution under Item no.6 is to consider the payment of such remuneration by way of commission to Non-Executive Directors for further period of five years commencing from 01.04.2006.

All the Non-Executive Directors may be regarded as interested in the resolution.

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

R. RAMKUMAR
Company Secretary & DGM - Accounts

Place : Pune

Date : 30th June, 2006

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TWENTYSEVENTH ANNUAL REPORT

DIRECTORS' REPORT

To
The Members,

The Directors present their 27th Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS :

	<u>2005-2006</u>	(Rs. in lakhs) <u>2004-2005</u>
Total Income	17,266	15,084
Gross Profit before depreciation	2,197	2,061
Profit after depreciation	1,627	1,583
Profit for the year	1,034	1,029
Less : Prior Period Adjustments	3	—
Add : Balance of Profit from previous year	3,001	2,135
Profit available for appropriation	4,032	3,164
Less : Transfer to General Reserve	125	80
Less : Proposed Dividend on Equity Capital	80	73
Less : Tax on above Dividend	11	10
Surplus retained in Profit & Loss A/c	3,816	3,001

2. DIVIDEND :

Your Directors recommend payment of dividend for the year ended on 31.03.2006 at the rate of Rs. 2.20 per equity share of Rs.10/- each.

3. OPERATIONS :

Your Directors are pleased to report that the Company has achieved a turnover of **Rs.17,266** lakhs as against last year's turnover of **Rs.15,084** lakhs which shows an increase of **14%** over the previous year. Exports of the Company during the year has increased to **Rs.1148** lakhs from **Rs. 661** lakhs last year. The net profit after tax for the year has gone up marginally to **Rs.1,034** lakhs as against **Rs 1,029** lakhs last year.

The Company has embarked on an expansion programme which is on the verge of completion. Your Directors are happy to report that Commercial Production is expected to commence soon.

4. DIRECTORS:

Mr. Umesh R. Lahoti and Mr. D. C. Agashe, Directors, retire 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.

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 2006, 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 safe guarding 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 2006, on a "going concern" basis.

9. INDUSTRIAL RELATIONS:

The relations with staff and workmen continue to be cordial.

10. APPRECIATION:

Your Directors wish to place on record their appreciation for the support and assistance rendered by the Bankers namely, State Bank of India, Bank of Maharashtra and Citibank and also the co-operation received from Central and State Governments. Directors also express their appreciation for the good performance, to Mrs. R.G. Kalyani, Managing Director and all employees of the Company for the devoted services rendered by them.

For and on behalf of the Board of Directors

Place : PUNE
Date : 30th June, 2006.

NEELKANTH A. KALYANI
Chairman



TWENTYSEVENTH ANNUAL REPORT

ANNEXURE – I TO THE DIRECTORS' REPORT

Information required as per sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the Financial Year ended 31st March, 2006.

Name of the employee, Qualification, Designation & Nature of duties.	(Age) Experience.	Gross Remuneration, Date of commencement of employment.	Particulars of last employment held, Designation, Organisation & Period.
Mrs. R. G. Kalyani B.Sc., Diploma in Financial Management. Managing Director	(42) 12 years	Rs. 85,50,445 29.01.2000	Director Dandakaranya Investment & Trading Private Limited 3 years.

NOTES :

1. Designation denotes the nature of duties also.
2. Gross remuneration includes Salary, Company's contribution to Provident Fund and Superannuation Fund, Gratuity Fund, Allowances, Perquisites, Privilege Leave entitlement, Commission, etc.
3. The nature of employment is contractual.
4. Dr. N. A. Kalyani and Mrs. R. G. Kalyani are related to each other.



For and on behalf of
the Board of Directors

Place : PUNE
Date : 30th June, 2006.

NEELKANTH A. KALYANI
CHAIRMAN



KALYANI

KALYANI FORGE LIMITED

ANNEXURE – II TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act 1956, read with 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, 2006.

A) CONSERVATION OF ENERGY :**a) Energy conservation measures taken :**

Preventive measures to reduce the consumption per unit of production have been taken.

b) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the schedule thereto :

1) Power and Fuel Consumption	Current Year	Previous Year
i) Electricity		
a) Purchased		
Units (KWH)	21,128,710	18,914,400
Total Amount (Rs.)	84,069,620	68,612,643
Rate/Unit (Rs.)	3.86	3.63
b) Own Generation		
i) Through Diesel Generator (KWH)	21,570	—
ii) Through Steam Turbine/Generator	—	—
ii) Coal	—	—
iii) Fuel Oil		
Qty (K.L.)	1,304	1,082.63
Total Amount (Rs.)	30,953,000	19,352,752
Avg. Rate /K.L.(Rs.)	23.737	17.876
2) Consumption Per Unit of Production		
Product : High Quality Close Tolerance Die Forgings		
Unit : M.T.	12,493	11,945
Electricity (KWH)	1,691	1,583
Fuel Oil (K.L./Ton)	0.105	0.090
Coal	NIL	NIL

B) TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form-B of the Annexure to the Rules.

Research & Development (R&D) :**A. Specific areas in which R&D carried out by the Company :**

- In house R & D activities in the areas of Warm & Cold Forging culminated in development of Bevel & Satellite Gears through Combination Forging for three wheelers. Manufacture of these components through combination forging is the first ever development in the country. Traditionally these components are made through Gleason Route.
- Simulation techniques are being used for yield improvement & defect prediction in hot forging areas.
- In house R & D activities for die life enhancement are in place.
- Substantial value addition through machining of forgings is being done. The Company has developed precision machined con rods for exports.
- Universal Joints (CROSS) developed through modern designed die sets through cold forging.
- Import substitute Lug Gears & Kidney Gears developed for two wheeler market.
- Fracture Split con rods developed through sustained efforts & research in micro alloyed steel and its forging.