



KALYANI

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KALYANI FORGE LIMITED

28th Annual Report

2006—2007



HIGHLIGHTS

(Rupees in Lakhs)

PARTICULARS	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
TURNOVER	21,007.30	17,260.43	15,084.64	11,780.65	8,127.32	5,886.29
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX	2,588.07	2,299.17	2,091.30	1,955.25	1,256.22	898.77
INTEREST	186.25	101.88	29.50	25.61	117.10	181.59
DEPRECIATION	720.86	570.51	478.54	455.19	436.88	412.88
PROFIT BEFORE TAX	1,680.96	1,626.78	1,583.26	1,474.45	702.24	304.30
PROVISION FOR TAX	576.10	592.65	553.98	448.98	225.50	92.82
PROFIT FOR THE YEAR	1,104.85	1,034.13	1,029.28	1,025.47	476.74	211.48
DIVIDEND (%)	22	22	20	20	15	12
DIVIDEND AMOUNT	80.04	80.04	72.76	72.76	54.57	43.66
GROSS BLOCK	11,168.75	8,587.94	7,324.61	5,842.82	5,345.33	5,288.02
NET BLOCK	6,349.90	4,489.95	3,785.88	2,778.51	2,700.65	2,960.77
NET WORTH	6,442.94	5,434.00	4,493.72	3,548.03	2,594.81	2,161.80
BOOK VALUE PER SHARE (Rs.)	177.10	149.37	123.52	97.52	71.30	59.42
EARNINGS PER SHARE (Rs.)	30.31	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

C. H. NANIWADEKAR

UMESH R. LAHOTI

BANKERS :

State Bank of India,
Bank of Maharashtra,
Citi Bank NA,
HDFC Bank.

SOLICITORS & ADVOCATES :

Karnik & Karnik
Advocates,
Pune.

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-Eighth 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 Saturday, the 22nd day of September, 2007 at 11.30. 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, 2007 and the Profit & Loss Account for the year ended on 31st March, 2007 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. G. N. Kalyani, who retires by rotation, but being eligible, offers himself for re-appointment.
- 4) 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 Managing Director be and is hereby authorised to fix their remuneration for the said period."

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. C. H. Naniwadekar, who was appointed as an Additional Director on the 6th October, 2006, and who holds office under Section 260 of the Companies Act, 1956, up to the date of conclusion of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director, under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESLOVED THAT in supersession of the resolution passed at Annual General Meeting held on 21st September, 2005, and pursuant to the provisions of Section 293(1)(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. 200 crores (Rupees Two Hundred crores only), from time to time, as it may consider fit, on such terms and conditions as the Board may deem fit, notwithstanding that the monies to be borrowed by the Company (apart from temporary loans obtained from the Company's banks in the ordinary course of business) will exceed the aggregate of the Paid up Share Capital of the Company and its 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.,

Place : Pune
Date : 29th June, 2007

R. RAMKUMAR
Company Secretary & DGM – Accounts



TWENTYEIGHTH 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 :

INTIME SPECTRUM REGISTRY LIMITED

Block No.202, Second Floor,
Akshay Complex, Off. Dhole Patil Road
Near Ganesh Mandir, Pune- 411 001.
Tel./Fax – 9520 2605 3503
E-mail : pune@intimespectrum.com

6. Equity Shareholders who have not dematerialized are advised to dematerialize 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 information to our Registrar and Transfer Agents.
8. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 1st day of September, 2007, to Saturday, the 22nd day of September, 2007 (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 22nd day of September, 2007.
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 22nd day of September, 2007, 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 Sections 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.,

Place : Pune
Date : 29th June, 2007

R. RAMKUMAR
Company Secretary & DGM – Accounts



KALYANI

KALYANI FORGE LIMITED

ANNEXURE TO THE NOTICE:

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

Item No.5:

Mr. C. H. Naniwadekar was appointed as an Additional Director on 6th October, 2006, by the Board of Directors of the Company. According to provisions of Section 260 of the Companies Act, 1956, he holds office as Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, notice has been received from a member signifying his intention to propose his appointment as a Director.

Mr. Chandrasekhar H. Naniwadekar, 50 years, is a Practicing Chartered Accountant, and has been in practice for the last 20 years. After passing his Chartered Accountancy examination, he started his career as Manager Finance Department with Cummins Diesel Sales and Services (I) Limited, and soon became Chief of Finance of the Company. In 1987, he started his own independent consultancy firm. He has vast experience in the fields of Audit, Finance and Company Law. He is an expert on Taxation Matters. Besides being a Director on the Board of Kalyani Forge Limited, he is also advisor to reputed groups and Companies, and Director of various Companies.

He does not hold any equity share in the Company.

Except Mr. C. H. Naniwadekar, no other Director may be deemed concerned or interested in the resolution. The Board recommends adoption of the Resolution.

Item No.6:

Pursuant to the provisions of Clause (d) of Sub-section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot 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 the Shareholders of the Company in a General Meeting. At the Annual General Meeting of the Company held on 21st day of September, 2005, consent of the Shareholders had been obtained for the Directors to borrow up to a maximum amount of Rs.100 crores(Rupees One Hundred Crores only)

Over the last few Financial Years, the Company is in the process of investing in Fixed Assets for expansion programme and also in its newly formed Precision Autocomp Division and that borrowing is one of the sources for such investments. Moreover, the Working Capital utilization has also been increasing with increase in Turnover. It is expected that the ceiling fixed by the Shareholders of the Company for borrowing will be exceeded in the near future. Your Directors thus place before you the proposal to increase the maximum borrowing limit to Rs.200 crores (Rupees Two Hundred Crores only), irrespective of the fact that such amounts to be borrowed together with the amounts already borrowed by the Company (apart from temporary loans obtained from the Banks 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.

None of the Directors of your Company may be deemed concerned or 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.,

Place : Pune
Date : 29th June, 2007

R. RAMKUMAR
Company Secretary & DGM – Accounts



TWENTYEIGHTH ANNUAL REPORT

DIRECTORS' REPORT

For the year ended 31st March, 2007

To
The Members,

The Directors present their 28th Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS :

	(Rs. in lakhs)	
	<u>2006-2007</u>	<u>2005-2006</u>
Total Income	21,007	17,260
Gross Profit before depreciation	2,402	2,197
Profit after depreciation	1,681	1,627
Profit for the year	1,105	1,034
Less : Prior Period Adjustments	2	3
Add : Balance of Profit from previous year	3,816	3,001
Profit available for appropriation	4,919	4,032
Less : Transfer to General Reserve	125	125
Less : Proposed Dividend on Equity Capital	80	80
Less : Tax on above Dividend	14	11
Surplus retained in Profit & Loss A/c	4,700	3,816

2. DIVIDEND :

Your Directors recommend payment of dividend for the year ended on 31.03.2007 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.21,007** lakhs as against last year's turnover of **Rs.17,260** lakhs which shows an increase of 21.7 % over the previous year. Exports of the Company during the year has more than doubled from **Rs. 1,148** lakhs last year to **Rs.2,505** lakhs during the current year. Your Company has earned good amount of Foreign Exchange due to this. The net profit after tax for the year has gone up marginally to **Rs.1,105** lakhs from **Rs 1,034** lakhs last year.

The Company's expansion programme in both Machine Shop as well as Forge Shop of the Company's Precision Autocomp Division at Sanaswadi has since been completed and your Directors are happy to report that Commercial Production has commenced.

4 DIRECTORS:

Mr. Anil Rege, a Director of your Company since 26.03.1996, expired on 12.08.2006. Your Directors place on record the contribution made by Mr.Anil Rege

Mr. G. N. Kalyani, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

Mr. C. H. Naniwadekar was appointed as an Additional Director on 6th October, 2006, by the Board of Directors of your Company. According to provisions of Section 260 of the Companies Act, 1956, he holds



office as Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, notice has been received from a member signifying his intention to propose the appointment of Mr.C. H. Naniwadekar, as a Director. Resolution proposing his appointment as Director forms part of agenda of ensuing Annual General Meeting and your Directors recommend its adoption.

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 the 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, 2007, 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 Financial 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, 2007, 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 NA and also the co-operation received from Central and State Governments. Your 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 : 29th June, 2007.

NEELKANTH A. KALYANI
Chairman



TWENTYEIGHTH 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, 2007 :

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	(43) 13 years	Rs. 86,83,594 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 Encashment, Commission, etc.
3. The nature of employment is contractual.
4. Mrs. R. G. Kalyani is related to both Mr. G. N. Kalyani, Director, and Dr. N. A. Kalyani, Chairman.

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For and on behalf of
the Board of Directors

Place : Pune
Date : 29th June, 2007.

NEELKANTH A. KALYANI
CHAIRMAN

**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 the Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 2007.

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)	25,582,750	21,128,710
Total amount (Rs.)	120,532,022	84,069,620
Rate/Unit (Rs.)	4.71	3.86
b) Own Generation		
i) Through Diesel Generator (KWH)	236,320	21,570
ii) Through Steam Turbine/Generator	—	—
ii) Coal	—	—
iii) Fuel Oil		
Qty (K.L.)	1,547	1,304
Total amount (Rs.)	42,966,132	30,953,000
Avg. Rate /K.L.(Rs.)	27.769	23.737
2) Consumption Per Unit of Production		
Product : High Quality Close Tolerance Die Forgings		
Unit : M.T.	16,389	12,493
Electricity (KWH)	1,561	1,691
Fuel Oil (K.L./Ton)	0.0944	0.105
Coal	NIL	NIL

B) TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form–B of the Annexure to the Rules :

A Specific areas in which R&D was carried out by the Company :**Hot Forging Division :**

- Cassette type toolings were introduced
- Cold calibration process was established for outer races.
- Flash-less design of Dies was introduced successfully for many parts.
- Lot of new designs involving combining Rod & Cap in one Die were undertaken.
- Die-life enhancement projects and Yield Improvement projects by simulation techniques were taken for development and completed.

Metal Farming Division:

- Many Die-life enhancement projects were taken for development and completed.
- Design and Development of various types of Tulips was well-established.

Precision Autocomp Division :

- Fracture-split technology was fully well-established.
- Design and manufacture of shifter – forks was established.