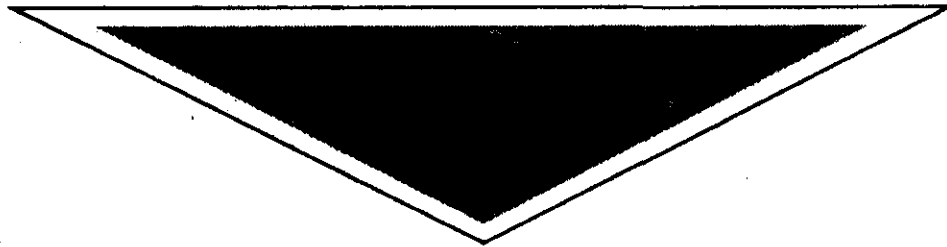
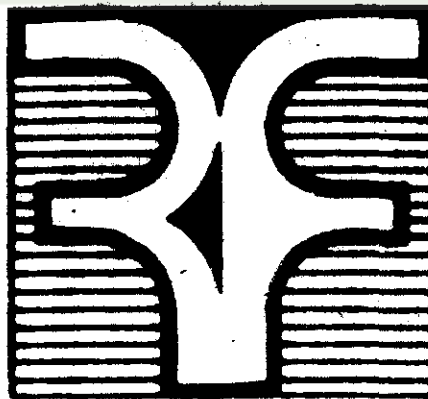

ANNUAL REPORT



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RAJKUMAR FORGE LIMITED

BOARD OF DIRECTORS : N. K. Prasad Chairman
P. B. Kore
N. Ramkrishna
N. D. Prabhu
A. R. Page
R. S. Kothavale Managing Director

AUDITORS : M/s Bapat & Company
Chartered Accountants
Pune.

BANKERS : Bank of Baroda

REGISTERED OFFICE : 18, Shivaji Housing Society Ltd.,
Off Senapati Bapat Road,
Pune - 411 016.

WORKS : Gat No. 357, Kharabwadi,
Chakan-Talegaon Road,
Chakan - 410 501, Taluka - Khed,
Dist - Pune.

NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the members of Rajkumar Forge Limited will be held at Poona Club, 6, Boat Club Road, Pune-411 001, on Tuesday, 7th day, of September, 1999 at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at March 31, 1999, and Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri N.D. Prabhu, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. N. Ramakrishna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

To consider and if thought fit, to pass with or without modifications, the following resolution :

"RESOLVED that pursuant to Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956. The Company, subject to approval of Lead Financial Institution, The Industrial Finance Corporation of India, hereby accords its approval to the re-appointment of and remuneration payable to Shri. R. S. Kothavale as Managing Director of the company for the period of five years commencing from July 1, 1999 on the terms and conditions set out in the agreement dated June 30, 1999.

FURTHER RESOLVED that the said agreement dated June 30, 1999 is approved with liberty to the Directors to alter and/or vary the terms and conditions of re-appointment of the Managing Director as they, in their discretion subject to approval by the Industrial Finance Corporation of India, deem fit within the limits specified in Schedule XIII to the Companies Act, 1956 or any amendment made hereafter in that regard."

NOTES:

- a) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and a proxy need not be a member of the Company. Proxy, in order to be effective, must be deposited with the Registered Office of the Company not later than Forty-eight hours before the commencement of the Meeting.
- b) The Register of Members and Share Transfer Books of the Company will remain closed from September 5, 1999 to September 7, 1999 both days inclusive.
- c) Members are requested to intimate to the Company changes, if any, in their addresses.
- d) The documents and/or letters referred to in the Resolutions and in the Explanatory Statements annexed hereto are open for inspection by the Members at the Shares Department of the Company, on all working days between 2.00 P.M. and 4 P.M. upto the date of Annual General Meeting.

By the Order of the Board
RAJKUMAR FORGE LIMITED

Pune
JULY 31, 1999

R.S. KOTHAVALA
MANAGING DIRECTOR

RAJKUMAR FORGE LIMITED

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EXPLANATORY STATEMENTS UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**Special Business item 1.**

Shri. R S Kothavale is a promoter director of your company. He has been serving as a Managing Director of the company since inception. His second term expired on 30th June, 1999.

Board has formally approved the re-appointment of Shri. R S Kothavale as Managing Director for a further period of five years w.e.f. July 1, 1999 at its meeting held on July 31, 1999 subject to approval by the members and the Lead Term Lending Institution, Industrial Finance Corporation of India.

Board is of the opinion that re-appointment of Shri. R. S. Kothavale as Managing Director is in the best interests of the company and therefore, recommend the passing of the resolution at item no. 1 of Special Business of the Notice.

The remuneration, which Shri. R. S. Kothavale is entitled to subject to the approval of Shareholders and lead term lending institution, is as follows :

A. SALARY

Rs. 25,000/- per month.

B. PERQUISITES

(a) Following perquisites will be allowed in addition to salary, restricted to an amount of

Rs. 1,80,000/- p.a.

i. HOUSING

The company will provide unfurnished accommodation. Where the accommodation is hired by the Company, expenditure incurred for the hiring of such accommodation shall not exceed 50% of the salary payable. The expenditure incurred by the Company on gas, electricity, water & furnishings will be valued as per the Income Tax Rules, subject to a ceiling of 10% of the salary.

ii. MEDICAL REIMBURSEMENT

Expenditure actually incurred for self & family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

iii. LEAVE TRAVEL CONCESSION

For self and family once in a year for any destination in India.

iv. CLUB FEES

Fees subject to a maximum of two clubs. This will not include admission and life membership fees.

v. PERSONAL ACCIDENT INSURANCE

Premium not to exceed Rs. 4000/- per annum.

Explanation : For the purpose of items (ii) & (iii) above 'family' means the spouse, the dependent children and dependent parents.

(b) Other Benefits :

- i) Contribution to Provident Fund, Super Annuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- ii) Gratuity at a rate not exceeding half month's salary for each completed year of service.
- iii) Encasement of leave at the end of the tenure.
- iv) Provisions of car for use on Company's business and telephone at the residence. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

Item No. b (i) to (iv) will not be included in computation of the ceiling on perquisites.

(c) Minimum Remuneration

The above remuneration shall be paid as minimum remuneration even in case of no profit or inadequacy of profit.

The terms and conditions of the said appointment and / or agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit so as not to exceed the limits specified in schedule XIII to the Companies Act, 1956, or any amendments made hereinafter in that regard.

None of the Directors except Shri. R. S. Kothavale is interested or concerned in this resolution.

The aforesaid may be treated as an abstract of the terms of Shri. R. S. Kothavale's appointment as Managing Director pursuant to section 302 of the Companies Act, 1956.

DIRECTORS' REPORT

To,

The Members,

Your Directors present their Ninth Annual Report for the year ended March, 31, 1999.

FINANCIAL RESULTS:

	Year ended 31.03.1999 (Rs.in lacs)	Year ended 31.03.1998 (Rs.in lacs)
Profit/(Loss) for the year before Interest,		
Finance charges & Depreciation	185.16	211.63
Less:		
Interest, Finance charges for the year	305.66	268.77
Depreciation	65.34	63.60
Profit/(Loss) for the year:	<u>(185.84)</u>	<u>(120.74)</u>

DIVIDEND:

In view of the loss for the year, the Directors do not recommend dividend.

OPERATIONS:

During 1998-99, the Production of Forgings was 2,214 MTs (previous year 1,828 MTs) and Sales and Other Income was Rs.1,118.53 lacs (previous year Rs.1,147.32 lacs). Despite increase in the level of utilization, total volume of sales (in value terms) has remained the same as compared to the previous year because realisation Per Ton sharply fell.

The slowdown of economic growth continued during the year under consideration. This adversely affected the demand as well as placed strains on price levels. Hence, operational losses have increased.

OUTLOOK FOR CURRENT YEAR:

Recession in the industry continues to prevail. The Company is deploying its resources in the best possible way to increase business volumes coupled with higher price realizations during the current year. Your company is also making efforts to change product-mix so as to increase contribution and thus increase profitability.

DIRECTORS:

As per the provisions of the Companies Act, 1956, and Articles of Association of the Company, Shri. N. D. Prabhu and Shri. N. Ramkrishna Directors, retire by rotation at this Meeting and being eligible, offer themselves for re-appointment.

During the year, Shri. B. R. Taneja resigned from the Board of the company. The Directors place on record their gratitude for his advice and participation while on the Board of the your company.

AUDITORS:

M/s Bapat & Company, Chartered Accountants, Pune, retire and are eligible for reappointment.

YEAR 2000(Y2K):

Your company's all systems and equipments are fully Y2000-ready and have achieved the desired status of Y2K readiness as on April 1, 1999.

PERSONNEL:

None of the employees of the Company fall within the ambit of the limit prescribed under Section 217(2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, 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 (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming a part of the Report, is given in Annexure A, to this Report.

GRATITUDE:

The Directors wish to record their deep gratitude to the Government Authorities, Financial Institutions and Banks for their continued support and co-operation.

For and on behalf of the Board

Pune,
JULY 31, 1999

N. K. PRASAD
Chairman

RAJKUMAR FORGE LIMITED

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ANNEXURE TO THE DIRECTORS' REPORT**ANNEXURE - A**

Information required under 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.

A. Conservation of Energy :**a. Energy conservation measures :**

- i. The Company has installed a 1600 Tonnes Press Complex with integrated manipulator and ingot truck, rotary table, equipped with computer control for fully automatic/ semiautomatic operations. This is a very high speed press with computer programming capabilities which results into optimum productivity and hence reduction in energy costs.
- ii. From the beginning, the Company has introduced the latest energy conservation measures.
- iii. In addition to substituting use of Furnace Oil in place of Light Diesel Oil, Company has taken conscious energy conservation measures during the year.

b. Impact of measures under (a) above:

Company has operated on optimal costs.

c. 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:

	1998-99	1997-98
Power and Fuel Consumption :		
1. Electricity Purchases		
Units (in KWH)	1,088,973	729,279
Total Cost (Rs.)	5,475,336	3,758,586
Rate/Unit (Rs.)	5.03	5.15
2. Fuel Oil		
Quantity (K.L.)	1,610,320	1,056,000
Total Cost (Rs.)	11,015,717	7,922,958
Rate/K.Ltr.(Rs.)	6,841	7,503

Consumption Per Unit of production:

1. Steel Forgings Production (MTs)	2,214	1,828
Electricity (Unit-KWH)	492	399
Fuel oil (Ltrs.)	727	578

B. Technology Absorption:**Research & Development (R&D)****1. Specific areas in which R & D activity is being carried out by the Company:**

Development of new products
Improvement of product quality
Process Improvement
Cost effectiveness

2. Benefits derived as a result of the above R & D:
Company is confident of improving the yield and product quality as well as being cost effective.**3. Future plan of action :**

The Company's efforts will continue in the areas of development of new and critical forgings and improvement in quality.

The Company already possesses the necessary technology for manufacture of forgings.

C. Foreign Exchange Earnings and Outgo:

	1998-99	1997-98
Foreign Exchange inflow :		
FOB value of Exports (Rs.Lacs)	11.27	23.31