



STEELCAST LIMITED

35TH ANNUAL REPORT 2005-06

STEELCAST LIMITED

| | | |
|-----------------------|------------------------|---------------------|
| BOARD OF DIRECTORS | Shri V. B. Buch | |
| | Shri R. V. Gandhi | |
| | Shri R. V. Shah | |
| | Shri A. R. Shah | |
| | Shri M. F. Tamboli | (Chairman) |
| | Shri T. Kumar | (Vice Chairman) |
| | Shri Chetan M. Tamboli | (Managing Director) |

BANKERS Bank of India

AUDITORS Sanghavi & Company
Chartered Accountants

REGISTERED OFFICE & WORKS Ruvapari Road,
Bhavnagar, Gujarat, India 364 005.
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Fax : (91) (278) 242 0589 / 251 9831
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E-mail : info@steelcast.net
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COMPANY ID NO. L27310GJ1972PLC000203

ISIN INE124E01012

SCRIP CODE AT BSE 513517

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STEELCAST LIMITED
Ruvapari Road, Bhavnagar 364 005.

Notice is hereby given that the Thirtyfifth Annual General Meeting of the Company will be held on July 14, 2006, at Hotel Nilambaug Palace, Bhavnagar, at 1600 Hrs, to transact the following business:

Ordinary Business:

1. To consider and adopt the Balance Sheet as at March 31, 2006 and Profit & Loss Account for the year ended on that date and the report of the Board of Directors and Auditors thereon.
2. To declare dividend for the Financial Year 2005-06.
3. To appoint a Director in place of Shri C M Tamboli, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri V B Buch, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Sanghavi & Co., Chartered Accountants, Bhavnagar as Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

Special Business:

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

"RESOLVED THAT pursuant to section 198, 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act, 1956, as amended, the Company hereby accords its approval to the reappointment of Shri C M Tamboli as Managing Director, for a further period of five years with effect from September 1, 2006, with the terms of remuneration and also with the other terms and conditions, more particularly described in the agreement to be entered into between the Company and Shri C M Tamboli, with liberty to the Board to alter the same, so long as the alterations are in conformity with the provisions of Schedule XIII to the Companies Act, 1956.

"RESOLVED FURTHER THAT Shri M F Tamboli and Shri T Kumar, Directors of the Company be and are hereby authorized severally to execute and sign the Agreement, including any supplementary agreements as may be required at a future date, on behalf of the Company with Shri C M Tamboli and the common seal of the Company be affixed on the said agreement in the presence of any one of the above named Directors."

Registered Office:
 Ruvapari Road,
 Bhavnagar.
 Gujarat 364 005.
 Date: 16.5.2006

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(Chetan M Tamboli)
 MANAGING DIRECTOR

Notes:

1. A member entitled to attend and vote at the above meeting is also entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. To ensure correct identity of the members for the smooth conduct of the General Meeting, each Member and Proxy Holder attending the meeting is expected to bring with him/her an appropriate ID document like a Driving licence, Passport, Voter ID Card etc.
3. Register of Members shall remain closed from 7.7.2006 to 14.7.2006 (both days inclusive).

4. Dividend on equity shares of the Company, as declared by the Company, will be paid to those shareholders whose names stand registered on the Company's Register of Members as Beneficiary Owners as at close of 6.7.2006 as per the list provided by National Securities Depository Ltd (NSDL) and Central Depositories Services Ltd (CDSL) in respect of the shares held in electronic form and as Members in the Register of Members of the Company after giving effect to valid transfers in physical form lodged with the Company **before 6.7.2006**.
5. The explanatory statement pursuant to section 173 of the Companies Act, 1956, relating to Special Business at item No. 6 and 7 of the Notice is annexed hereto.
6. Members are requested to notify change of address, if any.
7. Members desiring any information pursuant to an item on the Agenda are requested to write in advance so as to reach to the Company at least 48 hours before the date of the meeting so as to enable the Management to keep the information available at the meeting.

EXPLANATORY STATEMENT

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the Special Business/Special Resolution mentioned in the accompanying Notice and should be taken as forming part of the Notice.

Item No. 6:

Ordinary Resolutions as mentioned in item No. 6 relate to reappointment of Shri C M Tamboli as a Whole Time Director of the Company, with the present designation of Managing Director, for a further period of five years with effect from September 1, 2006 according to the provisions of Schedule XIII to the Companies Act, 1956, as amended.

Shri C M Tamboli has been associated with the Company as a Whole Time Director from 1.9.1991. Before becoming Whole Time Director he held various positions in the Company from time to time. His last appointment was as Joint Managing Director in pursuance of the provisions of Schedule XIII to the Companies Act, 1956, as amended, from September 1, 2001 for a period of five years and the shareholders had approved the said appointment on 27.8.2001. During the currency of the said appointment, the Board of Directors of the Company promoted him to the post of Managing Director with effect from 18.6.2003 and the said promotion was approved by the shareholders on 22.9.2003.

In view of the nature of duties being discharged by Shri C M Tamboli and upon the powers vested by the shareholders, the Board of Directors at its meeting held on 23.4.2006, reappointed him as Managing Director for a further period of five years with effect from 1.9.2006 subject to approval of shareholders at the ensuing Annual General Meeting. His present term is expiring on 31.8.2006.

Considering his rich and wide experience as well as long term association with the Company and taking into account his valuable contribution to the growth of the Company, it is desirable to reappoint Shri C M Tamboli as Managing Director for a further period of five years from September 1, 2006, in pursuance of the provisions of Schedule XIII to the Companies Act, 1956, as amended, subject to approval of shareholders.

The appointment is made subject to the terms and conditions contained in the draft agreement duly initialed by the Chairman for the purpose of identification and available for inspection at the Registered Office of the Company on any working day between 1400 and 1700 Hrs.

The approval of the shareholders to the above appointment and remuneration being required by law, the matter is being placed for your consideration.

The Board of Directors recommends the resolution for your approval. Except Shri C M Tamboli and Shri M F Tamboli, none of the Directors is concerned or interested in the above resolution.

The explanatory statement is and should be treated as an abstract under section 302 of the Companies Act, 1956, as amended.

Registered Office:
Ruvapari Road,
Bhavnagar.
Gujarat 364 005.
Date: 16.5.2006.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(Chetan M. Tamboli)
MANAGING DIRECTOR

DIRECTORS' REPORT

To: Members

Your Directors have pleasure in presenting the Thirtyfifth Annual Report and Audited Statement of Accounts of the Company for the period ended March 31, 2006.

1. FINANCIAL RESULTS: The following are the working results:

(Rupees in Million)

| Particulars | 2005-06 | 2004-05 |
|--|---------------|---------------|
| Sales | 759.99 | 516.60 |
| Other Income | 2.14 | 1.63 |
| Total income | 762.13 | 518.23 |
| Profit Before Depreciation & Tax (PBDT) | 141.26 | 60.42 |
| Less: Depreciation | 9.90 | 6.08 |
| Profit Before Taxation (PBT) | 131.36 | 54.34 |
| Less: Taxation (Including FBT & Deferred Tax) | 43.92 | 21.06 |
| Profit After Taxation (PAT) | 87.44 | 33.28 |
| Add: Balance brought forward from last year | 3.50 | 0.60 |
| Less: Prior Period Adjustments | 0.35 | (1.85) |
| Amount Available for Appropriation | 90.59 | 32.03 |
| Appropriations: | | |
| (a) Proposed Dividend including Interim Dividend | 12.96 | 6.48 |
| (b) Corporate Dividend Distribution Tax | 1.82 | 0.91 |
| (c) General Reserve | 68.31 | 21.14 |
| Balance to be carried forward | 7.5 | 3.50 |
| Total | 90.59 | 32.03 |

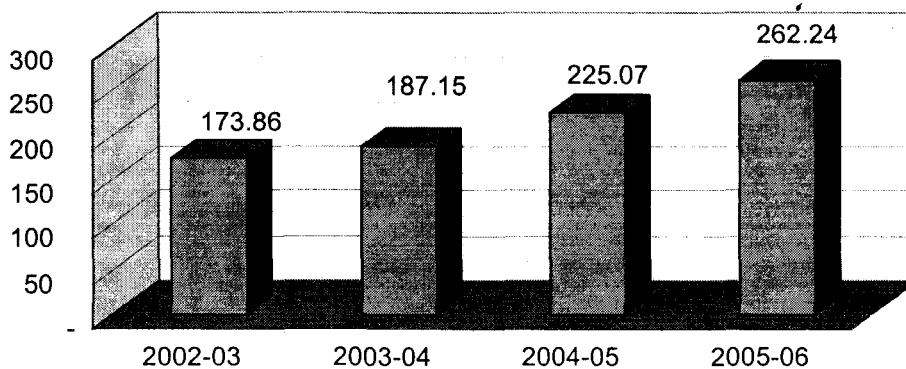
2. SALIENT FEATURES OF COMPANY'S WORKING DURING THE YEAR:

- Rise in income over 47% and rise in Profit Before Tax over 141% compared to previous year.
- Timely steps initiated by the management to augment production capacity with focus on market development for both domestic sales and exports have enabled the Company to take advantage of sustained buoyancy in the market of steel castings. Continuous attention to energy conservation, improved product mix and efforts put in by the management and employees towards cost reduction have also significantly contributed to improved performance.
- To have a greater access to market, the Company has developed many intricate items as required by customers. Product Development and Process Improvement continue.

3. GRAPHICAL ANALYSIS OF COMPANY'S PERFORMANCE:

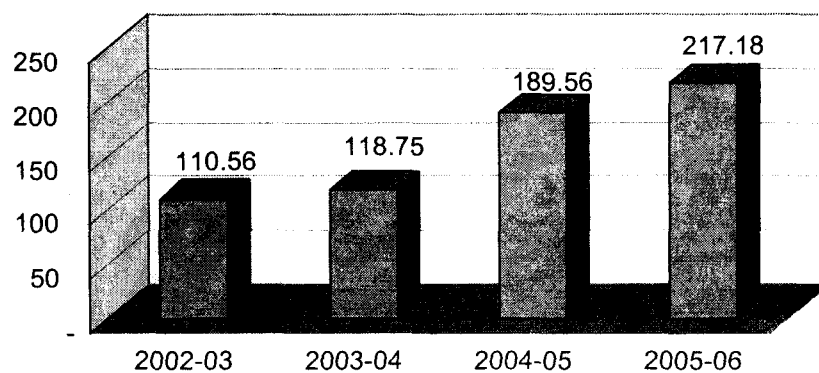
Gross Fixed Assets

(Rs. in Million)



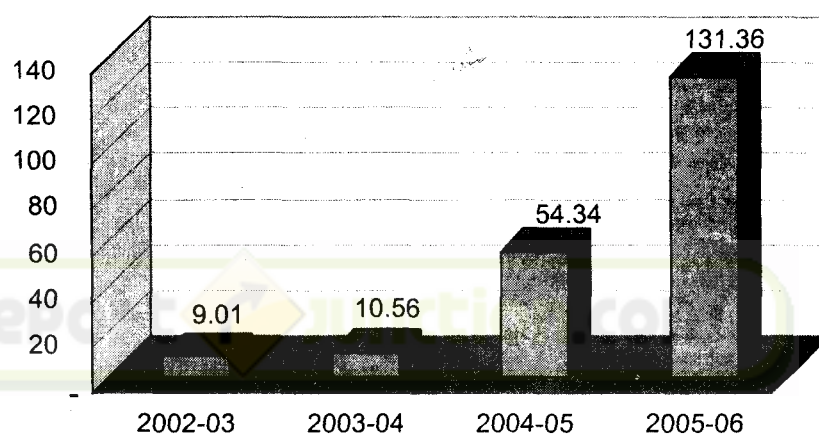
Export Earnings (FOB)

(Rs. in Million)

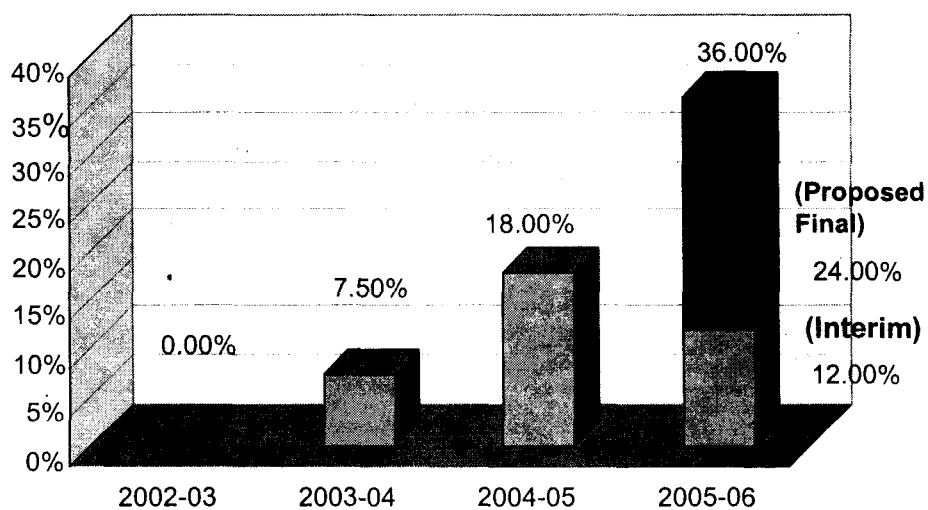


Profit Before Tax (PBT)

(Rs. in Million)



Dividend on Equity Shares



4. DIVIDEND:

Your Directors recommend payment of final dividend on Equity Capital @ 24% for the year ended March 31, 2006 subject to approval of shareholders at the ensuing Annual General Meeting. Together with the interim dividend already paid @ 12%, the total dividend for the year comes to 36%.

5. EXPORTS:

The focus on exports continues and the share of exports in the total sales is about 30%, amounting to Rs. 220 Million, which is an all time high.

6. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO:

Details relating to above aspects as required by (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are annexed hereto and form part of this report.

7. DISCLOSURE CONCERNING EMPLOYEES:

As required under the provisions of Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of employees are set out in the annexure included in this report.

8. QUALITY:

High quality standards are maintained in all areas and review of the same is also made constantly in view of the rapid changes that are taking place in the global markets.

9. INSURANCE:

All the properties and insurable assets of the Company, including Building, Plant & Machinery, Stocks etc., wherever necessary and to the extent required, have been adequately covered.

10. DELISTING:

As a part of Company's cost reduction and simplification measures, the Company had made application for voluntary delisting to Saurashtra Kutch Stock Exchange Ltd and Delhi Stock Exchange Association Ltd. Both the exchanges accepted the application and consequently, the Company is now listed only on Bombay Stock Exchange Limited (BSE).

11. DIRECTORS:

Shri C M Tamboli and Shri V B Buch retire by rotation and, being eligible, offer themselves for re-election.

12. PERSONNEL

The industrial relations during the year have been cordial and we expect to continue the same in future also.

13. AUDITORS' REPORT:

The Notes contained in the Auditors' Report being self-explanatory do not require additional comment.

14. CORPORATE GOVERNANCE:

Pursuant to the clause 49 of the Listing Agreements with the Stock Exchanges, a report on Corporate Governance as well as a Management Discussion and Analysis Report of the Company is enclosed and forms a part of this Report.

15. CODE OF CONDUCT:

As required by clause 49 of the listing agreement, the Board of Directors have evolved a Code of Conduct for each member of the Board and members of the Senior Management Team. The Code is available on the website of the Company. Affirmation of compliance with the said Code by the Chief Executive Officer is available elsewhere in this report.

16. CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER:

Pursuant to the provisions of the Clause 49 of the listing agreement, the Company is required to appoint Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Accordingly, the Board has appointed Shri C M Tamboli, Managing Director and Shri S K Purohit, Manager (Finance) as CEO and CFO respectively. CEO and CFO certification is available elsewhere in this report.

17. DIRECTORS' RESPONSIBILITY STATEMENT:

It is hereby confirmed that:

- a. in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year under review;
- c. 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;
- d. the directors have prepared the annual accounts for the year ended 31st March, 2006 on a going concern basis.

18. SEGMENT REPORTING:

The Company is engaged in the Casting business only and therefore there is only one reportable segment in accordance with the Accounting Standard on Segment Reporting, AS-17.

19. AUDITORS:

The Auditors, M/s. Sanghavi & Co., Chartered Accountants, Bhavnagar, retire and being eligible, offer themselves for reappointment. The members are requested to pass the necessary resolution in this regard.

20. APPRECIATION:

The Directors thank the Bankers, Financial Institutions and concerned Departments of the Government for their co-operation, and also record their appreciation for the efforts put in by the employees.

Registered Office:
Ruvapari Road,
Bhavnagar.
Gujarat 364 005.

Date: 16.5.2006

BY ORDER OF THE BOARD OF DIRECTORS

(M F Tamboli)
CHAIRMAN

ANNEXURE I TO DIRECTORS' REPORT:

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) Conservation of Energy:**(a) Energy Conservation measures implemented in the recent past:**

- i) Discontinuation of use of LPG in Heat-treatment Furnaces.
- ii) Changing the electricals of Thyristered Control System in different equipments.
- iii) Replacing the use of LDO by Furnace Oil.

(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:

- i) Energy efficient screw type compressor.
- ii) Upgradation of 4 nos. of existing Heat Treatment Furnaces.
- iii) Energy efficient 450 KW Induction Furnace.
- iv) Energy efficient Continuous Mixer. (Total Investment: Rs. 16,100,000/-)

(c) Impact of measures at (a) and (b):

- (i) For (a) above: Rs. 1,069,000/-
- (ii) For (b) above: Rs. 4,000,000/-

(B) Technology absorption:**Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company
Pre-heating of Steel Melting Scrap.
2. Benefits derived as a result of the above R & D.
R & D work is in progress. Likely benefits would be Rs 3,600,000 per year.
3. Future plan of action
 - a) Reclamation of silicate bonded used sand.
 - b) Improving properties of existing Co2 sand.
4. Expenditure on R & D:
 - (a) Capital: 4,234,868/-
 - (b) Recurring: Rs. 1,090,000/-
 - (c) Total: Rs. 5,324,868/-
 - (d) Total R & D expenditure as a percentage of total turnover: 0.71%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
The Company has in place well developed programmes of:
 - a) Continuous Improvement Plan (CIP)
 - b) Product Development
 - c) Process Development
 - d) Materials Development
 Through vigorous employee participation, developing new technology, adapting new technology and creative innovations are continuously happening.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.
Savings of over Rs. 11 million have been achieved during 2005-06.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:
- Technology imported: No
 - Year of import: Not applicable
 - Has technology been fully absorbed?: Not applicable
 - If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action: Not applicable

(C) Foreign exchange earnings and outgo:

- Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans;
 - Extensive visits to existing & new customers in U.S.A., Germany, Spain, Japan etc.
 - Sample development started in advance for items having high potentials.
 - Located few more agents and representatives abroad for promoting our products.
 - A new web site with extensive information on our products being launched.
 - In-house Machine Shop with latest CNC Machine installed for effecting faster deliveries at reduced cost.
 - In 2005-06, we made an export turnover in excess of Rs. 220 Million and in 2006-07 we expect to do significantly better.
 - We expect many more new products from existing & new customers.
- Total foreign exchange used and earned.

The Company has made direct export and earned foreign exchange of Rs 220,837,578/- (Previous year Rs 193,926,348/-). Company has spent Rs 7,585,345/- (Previous year Rs 65,556,683/-) on import of inputs and Rs 6,033,200/- ((Previous year Rs 5,585,258/- on payment of commission, Traveling and Membership etc.

ANNEXURE II TO DIRECTORS' REPORT:

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31.3.2006.

| Name of the Employee | Designation/ Nature of duties | Remuneration (Rupees) | Qualification | Experience (Years) | Date of commencement of employment | Age (Years) | Particulars of last employment/ Employer, last post and period for which post held |
|-----------------------|----------------------------------|--------------------------|---|-----------------------|---------------------------------------|----------------|--|
| 1. Mr. T Kumar | Vice Chairman | 2,889,481 | B. Tech (Hons) M.E. (Foundry Engg.) | 43 | 3.6.1968 | 66 | Methods Engineer in Electorsteel Castings Ltd., Kolkata from 1963 to 1968. |
| 2. Mr. C M Tamboli | Managing Director | 3,361,265 | M.B.A. (Finance) | 23 | 10.8.1983 | 47 | — |