

Report  junction.com

34th

**ANNUAL
REPORT
2005-2006**



Welcast Steels Limited



WELCAST STEELS LIMITED

BOARD OF DIRECTORS

Mr. Vinod Narain - Chairman
Mr. D.P. Dhanuka
Mr. R.P. Agarwal
Mr. Bhadresh K. Shah
Mr. Pradip R. Shah

AUDITORS

M/s. Dagliya & Co.
Chartered Accountants
L Block
Unity Building Annexe,
J.C. Road,
Bangalore - 560 002

BANKERS

Canara Bank,
Bangalore.
State Bank of India
Bangalore

REGISTERED OFFICE & FACTORY

Plot No. 15, Phase - 1
Peenya Industrial Area,
Bangalore - 560 058

SHARE TRANSFER AGENT

Bigshare Services P. Ltd.,
E-2/3, Ansa Industrial Estate
Sakivihar Road, Saki-Naka
Andheri (E) MUMBAI- 400 072.



WELCAST STEELS LIMITED

34TH ANNUAL GENERAL MEETING

Date	29th Sept. 2006
Day	Friday
Time	4.00 P.M.
Place	"THE GRAND ASHOK" Kumara Krupa High Grounds Bangalore - 560 001
Book Closure (Dates)	16th to 29th September 2006 (Both days inclusive)

SL. NO.	CONTENTS	PAGE NO.
1	Notice	3
2	Directors' Report	4-5
3	Annexures to Directors' Report	6-10
4	Auditors' Report	11-13
5	Balance Sheet	14
6	Profit & Loss Account	15
7	Schedules to the Accounts	16-29
8	Cash Flow Statement	30
9	Attendance Slip/Proxy form	31



NOTICE

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of Welcast Steels Limited will be held at "THE GRAND ASHOK" Kumara Krupa, High Grounds, Bangalore - 560 001 at 16.00hrs on Friday, the 29th Day of September 2006 to transact the following business:

- (1) To receive, consider and adopt the Directors' Report, Audited Balance Sheet of the Company and Profit and Loss Account for the year ended on 31st March 2006 together with the report of the Auditors thereon.
- (2) To declare dividend.
- (3) To appoint a Director in place of Mr. Vinod Narain, who retires by rotation and who, being eligible, offers himself for reappointment.
- (4) To appoint a Director in place of Mr. R.P. Agarwal, who retires by rotation and who, being eligible, offers himself for reappointment.
- (5) To appoint auditors in place of retiring auditors and to fix their remuneration. M/S Dagliya & Co. the retiring Auditors who being eligible, offer themselves for reappointment.

Place : Bangalore
Date : 05.06.2006

By order of the Board of Directors

VINOD NARAIN
Chairman

NOTES

- A) EVERY MEMBER WHO IS ENTITLED TO ATTEND AND VOTE MAY APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- B) THE REGISTER OF MEMBERS AND THE SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 16.09.2006 TO 29.09.2006 (BOTH DAYS INCLUSIVE).



DIRECTORS' REPORT

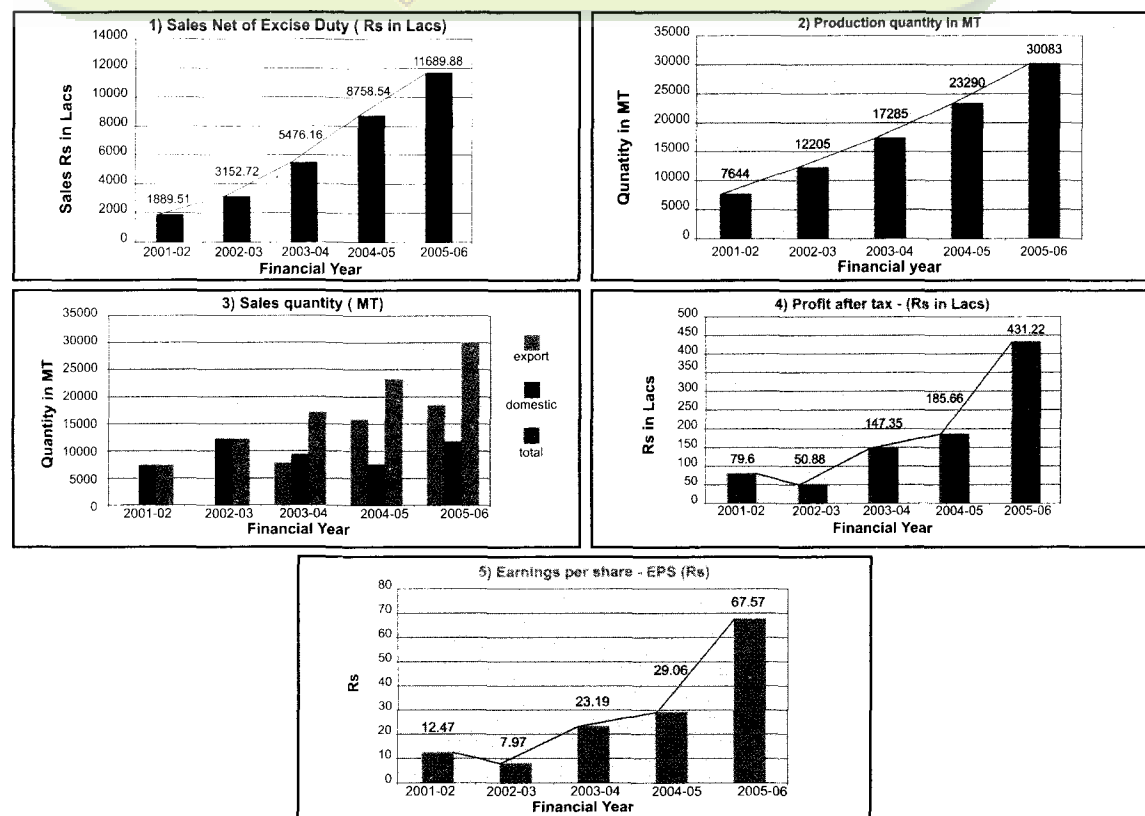
Your Directors present the Thirty Fourth Annual Report together with Audited Accounts of the Company for the year end 31st March 2006.

FINANCIAL RESULTS

Particulars	2005-06 Rs. in Lacs	2004-05 Rs. in Lacs
Gross Income	12,881.81	9,267.34
Less: Excise duty	1,191.93	508.79
Net Income	11,689.88	8,758.55
Profit before Interest and Depreciation	1,103.80	627.57
Less: Interest	122.12	116.75
Profit before Depreciation	981.68	510.82
Depreciation for the year	304.29	219.44
(Net of withdrawal from revaluation reserve)		
Profit after Interest and Depreciation	677.39	291.38
Provision for tax:		
Current taxation for the year	270.00	119.00
Deferred taxation for the year	(28.53)	(13.28)
Fringe Benefit Tax for the year	4.70	-
Profit for the year	431.22	185.66
Add Taxation adjustments of earlier year	-	(0.23)
Total	431.22	185.43
Balance profit for earlier years	738.93	566.88
Profit available for appropriation	1,170.15	752.31
Transfer to General Reserve	11.00	4.65
Dividend on equity shares	12.76	7.66
Tax on proposed dividend	1.79	1.07
Balance to be carried forward a sum of	1,144.60	738.93

PERFORMANCE HIGHLIGHTS

Your Company has shown all-round improvement in production, sales, turnover, exports and EPS. In order to demonstrate the comparative performance, the charts are being given hereunder :





DIRECTORS' REPORT (Contd..)

1. PRODUCTION

The production during the year under review was 30,083 tons of Grinding Media as compared to 23,290 tons in the previous year, recording an appreciable increase of about 29%. Your Company has maintained its commitment for sustained growth and further improvement is expected in the current year.

2. EXPANSION

The expansion plan of increasing the manufacturing capacity to 42,000 tons p.a., as reported in the previous year, has been completed well as per schedule in the third quarter of the year under review. The full benefit of this would be reflected in the performance of current year.

3. DIVIDEND

Your Directors are pleased to recommend a dividend of 20% (Rs.2.0 per share).

4. SALES & PROSPECTS

The stringent quality standards set up by your company for its products are yielding dividends. The sales continue to increase having touched 30,149 tons in the year under review as against 23,308 tons in the previous year, registering an increase of 29%. In terms of sales revenue, the increase is higher at 33%, being Rs.11689.88 lacs in the year under review as against Rs.8758.55 lacs in the previous year. These figures are likely to improve further in the current year.

5. EXPORTS

Export sales have increased to 18,421 tons in the year under review as against 15,794 tons in the previous year. Global competition continues to be tough but demand for your Company's products is encouraging. Your company is confident of pushing export sales further.

6. FINANCE

The liquidity position of the company remained satisfactory. Canara Bank and State Bank of India extended their full co-operation to the company.

7. SCIENTIFIC RESEARCH

The R & D section of the company has been strengthened further to meet the growing expectations from our clients and to maintain cost and quality edge in the market. More stress is being laid on in-house training of executives to update their knowledge and competency for research in improving product standards.

8. EMPLOYEE RELATIONS

The relationship with the employees remains cordial. The existing three years wage agreement with the Employees Union ended on 31st December, 2005. The negotiations for a fresh agreement are in progress and an amicable settlement is likely to be reached soon.

DIRECTORS

Messrs Vinod Narain and R.P. Agarwal retire by rotation and are eligible for re-appointment.

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 judgments and estimates that were 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 or loss 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;



ANNEXURE-I TO DIRECTORS' REPORT

- iv) That the directors have prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

GENERAL

- Information required under section 217(2-A) of the Companies Act of 1956: -
Number of employees employed by the Company during the financial year under review drawing a remuneration in aggregate of not less than Rs. Twenty Four Lakhs per annum or Rs. Two Lakhs per month—NIL
- Particulars as required under listing agreement Clause 49 is furnished as Annexure-I to this report and form a part thereof.
- Certificate from a Company Secretary under proviso to section 383A of the Companies Act is attached as Annexure II to this report.
- The relevant notes on the accounts and accounting policy contained elsewhere in this Annual Report are self-explanatory with regard to the observations of the Auditors.

Place : Bangalore

For and on behalf of the Board of Directors

Date : 5.06.2006

VINOD NARAIN

Chairman

ANNEXURE – I

Particulars as per the Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Director's Report for the year ended 31.03.2006.

I. CONSERVATION OF ENERGY

Significant measures were taken to reduce energy consumption at all levels. Power consumption per unit of production has been brought down by implementing strict controls to conserve energy.

1. POWER AND FUEL CONSUMPTION

Electricity

	2005-06	2004-05
i) Units Purchased	1,90,61,640	2,47,65,660
Total amount	9,02,74,287	11,47,73,839
Rate / Unit (Rs.)	4.74	4.63
ii) Units Generated	1,90,45,424	54,82,036
Unit generated/Litre of		
Diesel, HFO	3.61	3.75
Cost/Unit (Rs.)	5.17	4.23
2. CONSUMPTION PER UNIT (metric ton) OF PRODUCTION (PRODUCT : GRINDING MEDIA)		
Electricity Units	1,258	1,293

II. RESEARCH AND DEVELOPMENT

1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY

- New methodology for mould manufacturing
- Alternate Fuels for heat treatment
- Utilisation of waste materials

2. BENEFITS DERIVED

- Increase in productivity and improvement in quality
- Savings in cost
- Improvement in environment and cost savings

3. FUTURE PLAN OF ACTION

- Mechanization of manual processes
- Waste reduction



ANNEXURE-I TO DIRECTORS' REPORT (Contd..)

III. TECHNOLOGY ABSORPTION AND INNOVATION

1. EFFORTS MADE

- a) Special heat treatment process introduced.
- b) Power Saving devices introduced.

2. BENEFITS

- a) Special quality Grinding Media manufactured.
- b) Savings in power cost.

3. PARTICULARS OF TECHNOLOGY IMPORTED DURING THE LAST 5 YEARS - NIL

4. EXPENDITURE ON R&D Rs. In Lakhs

a) Capital	NIL
b) Revenue	3.14
Total	3.14
Total R&D Expenditure as a percentage of total turnover (%)	0.03

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO

Rs.in Lakhs

1. EARNINGS

Foreign exchange earned. 3,339.92

2. OUTGO

- | | |
|---|--------|
| a) CIF Value of Imports | 137.02 |
| b) Expenditure in Foreign Currency on -
Dividend Payment | 0.72 |

V. PARTICULARS IN COMPLIANCE WITH THE LISTING AGREEMENT:

CLAUSE 49

- a) The security of the Company is not suspended from trading in any stock exchanges wherever it is listed.

- b) Name and address of the stock exchange where the securities are listed:

Bangalore Stock Exchange Ltd.,
Stock Exchange Towers,
No.51, 1st Cross, J C Road
Bangalore - 560 027

The Stock Exchange-Mumbai,
Phiroze Jeejeebhai Towers,
25th Floor, Dalal Street,
Mumbai - 400 001

ISIN – INE 380G01015

Central Depository Services (India) Limited.
Phiroze Jeejeebhai Towers, 28th Floor,
Dalal Street, Mumbai - 400 001

ISIN – INE 380G01015

National Security Depository Ltd.
Trade World, Kamala Mills Compound
Senapathi Bapat Marg,
Lower Parel, Mumbai-400 013

The Company has paid the listing fees for the financial year 2006-2007 to all the Stock exchanges wherever its securities are listed.



ANNEXURE-II TO DIRECTORS' REPORT

SECRETRIAL COMPLIANCE CERTIFICATE

To,

The Members

WELCAST STEELS LIMITED

I have examined the registers, records, books and papers of WELCAST STEELS LIMITED as required to be maintained under the Companies Act, 1956, (the act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2006. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company is a Public Limited Company.
4. The Board of Directors duly met four times on 29.06.2005, 29.07.2005, 12.10.2005, and 23.01.2006 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The company closed its Register of Members from 16.09.2005 to 30.09.2005 and necessary compliance of section 154 of the Act has been made.
6. The Annual General Meeting for the financial year ended on 31.03.2005 was held on 29.09.2005 after giving due notice to the members of the company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. According to the information and explanations given to me, the company has not advanced loans to its directors and/or persons or firms or companies referred in the section 295 of the Act.
8. The Company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.
9. The Company has made necessary entries in the register maintained under section 301 of the Act.
10. According to the information and explanations given to me, no appointment has been made necessitating the company to obtain necessary approvals from the Board of Directors, members and previous approval of the Central Government pursuant to Section 314 of the Act wherever applicable.
11. The Board of Directors has approved / ratified the issue of duplicate share certificates.
12. The Company has:
 - i) Delivered all the certificates on lodgment thereof for transfer / transmission or any other purpose in accordance with the provisions of the act;
 - ii) Deposited the amount of dividend declared in a separate bank account on 3.10.2005 which is within five days from the date of declaration of such dividend.
 - iii) paid / posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed / unpaid dividend has remained in the Unpaid Dividend Account of the Company with Canara Bank, IFB Branch, Bangalore.
 - iv) Duly complied with the requirements of section 217 of the act.
 - v) Transferred the amounts in unpaid dividend account, for the financial year 1997-98 which have remained unclaimed or unpaid to Investor Education and Protection Fund on 03.10.2005. There are no pending application money due for refund, matured deposit, matured debentures and the interest accrued thereon which are remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.



ANNEXURE-II TO DIRECTORS' REPORT (Contd..)

13. The Board of Directors of the Company is duly constituted and the appointment of Directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made.
14. There was no requirement of appointing of a Managing Director / Whole-time-Director / Manager under the provisions of section 269 read with Schedule XIII to the Act and approval of the Central Government.
15. According to the information and explanations given to me, the company has not appointed any sole-selling agent.
16. The Company has no requirement necessitating to obtain approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act during the year under scrutiny.
17. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the Rules made there under.
18. The Company has not issued shares / debentures / other securities during the financial year.
19. The Company has not bought back shares during the financial year ending 31.03.2006.
20. The Company has no redeemable preference shares / debentures due for redemption during the year under scrutiny.
21. There were no transactions necessitating the company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
22. According to the information and explanations given to me, the Company has not accepted any deposits from the public during the year under review.
23. The amount borrowed by the Company from financial institutions, banks and others during the financial year ending 31.03.2006 are within the borrowing limits of the company.
24. According to the information and explanations given to me, the company has not made loans and investments, or given guarantees or provided securities to other bodies corporate.
25. The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
26. The Company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
29. The Company has not altered any of its Articles of Association during the financial year under scrutiny.
30. According to the information and explanations given to me, no prosecution was Initiated against or show cause notices received by the company for alleged Offences under the Act and also the fines and penalties or any other punishment Imposed.
31. According to the information and explanations given to me, the company has not received security deposit from its employees during the year under certification.
32. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

Place : Bangalore
Date : 05.06.2006

Signature:
(R.C. VENKATESH RAO)
Name of Company Secretary
C. P. No.: 2733