



35TH

ANNUAL REPORT

2006-2007

Amforge Industries Limited



Amforge Industries Limited Annual Report 2006-2007

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BOARD OF DIRECTORS	
Puneet Makar	- Chairman
Yogiraj Makar	- Director
Fali P. Mama	- Director
Smt. Reshma Y. Makar	
Bhushan Lal Gupta	
Sunil K. Aggarwal	
Vijay S. Choksi	
Kishore Chakraborty	- Nominee IIBI

REGISTERED OFFICE	
United Bank of India Building, 6th Floor, Sir P. M. Road, Fort, Mumbai - 400 001. Telefax : 022- 2282 8933 Tele : 022- 2287 1227 Email : amfcosec@mtnl.net.in	
CORPORATE OFFICE	
108-111, Raheja Chambers, Free Press Journal Marg, Nariman Point, Mumbai - 400 021. Telephone : 022-6636 5962 Fax : 022-6636 5964	
WORKS	
32-D-2, M.I.D.C. Area Chinchwad, Pune - 411 019. Maharashtra State. Telephone : 020-6611 3464 / 65 Fax : 020-6611 3597 Email : amforge@vsnl.net	

AUDITORS	
Bansal & Associates, Chartered Accountants, Rajendra Chambers, Nanabhai Lane, Fort, Mumbai - 400 001.	

SOLICITORS	
Mulla & Mulla, Craigie Blunt & Caroe Mulla House, 51, M. G. Road, Fort, Mumbai - 400 023.	

35TH ANNUAL GENERAL MEETING	
on Thursday, the 27th September, 2007 at 2.30 p.m. at Maharashtra Chamber of Commerce and Industry, Babasaheb Dahanukar Sabhagriha, Oricon House, 6th Floor, 12, K. Dubhash Road, Fort, Mumbai - 400 001.	

REGISTRAR AND TRANSFER AGENTS	
Sharex Dynamic (India) Private Limited Unit-1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072. Telephone : 022-28515606 / 28515644 Fax : 022-28512885 E-mail : sharexindia@vsnl.com	

As a measure of economy, copies of the Annual Report will not be distributed at the Meeting and, therefore, Members are requested to bring their copies of the Annual Report to the Meeting.

NOTICE

NOTICE is hereby given that the 35th ANNUAL GENERAL MEETING of **Amforge Industries Limited** will be held on Thursday, the 27th September, 2007 at 2.30 p.m at Maharashtra Chamber of Commerce and Industry, Babasaheb Dahanukar Sabhagriha, Oricon House, 6th Floor, 12, K.Dubhash Road, Fort, Mumbai - 400 001 to transact the following items of business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and Profit & Loss Account of the Company for the year ended on that date, together with the reports of the Directors and the Auditors.
2. To appoint a Director in place of Shri. Fali P. Mama, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED, pursuant to Regulation 119 of the Articles of Association of the Company and subject to approval of the Shareholders in their General Meeting by way of Special Resolution under Clause-49 of the Listing Agreement, THAT Shri Puneet Makar, Director of the Company, be and is hereby called upon to deliver advisory services in the areas of Company Management with special stress on global marketing from time to time and be paid compensation not exceeding Rs.6.00 lacs (Rupees Six Lacs only) per annum thereagainst with effect from 1st January, 2007 and that he shall also be provided with the following, in addition to the compensation herein referred above:

- i) Payments / reimbursement of telephone / fax expenses incurred for the purposes of the Company;
- ii) Payments / reimbursement of conveyance expenses / travelling expenses incurred for the purposes of the Company or provision of Company's car in lieu thereof;
- iii) Payments / reimbursement of foreign travelling expenses incurred for the purposes of the Company;
- iv) Payments / reimbursement of medical expenses to Shri. Puneet Makar incurred by him for himself in India or outside India during the period his advisory services are availed of the Company.

"RESOLVED FURTHER THAT the said compensation be paid to Shri Puneet Makar against his bills and reimbursement of expenses against production of relevant vouchers / bills, etc. and subject to deduction of tax at source, as may be applicable."

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

"RESOLVED THAT the Non-compete Agreement dated 25th January, 2007 between Mahindra Forgings Limited wherein the Company agreed not to manufacture heavy forged articles for four wheelers for a period of 7 years against the consideration of Rs.2.00 Crores (Rupees Two Crores only) be and is hereby ratified."

By Order of the Board of Directors
Puneet Makar
Chairman

Registered Office:

United Bank of India Bldg.,
6th Floor, Sir P. M. Road,
Fort, Mumbai - 400 001.

Mumbai,

Dated : 31st July, 2007.

NOTES :

- a) The Explanatory Statement setting out the material facts concerning the Special business mentioned under Item Nos. 4 & 5 of the Notice as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
- b) 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. A DULY COMPLETED PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

- c) The Register of Members and the share transfer books of the Company will remain closed from Monday, the 17th September, 2007 to Thursday, the 27th September, 2007 (both days inclusive).
- d) Members who desire any information as regards the Accounts are requested to write to the Company at least 10 days before the date of the Meeting so as to enable the Management to keep the information ready.
- e) Members, having the shares in physical form, are requested to notify immediately any change in their addresses to the Company's Registrar and Transfer Agents, Sharex Dynamic (India) Pvt. Ltd., Unit-1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072. Telephone: 022-28515644, 28515606 Fax: 022-28512885. Email - sharexindia@vsnl.com
- f) The Company in accordance with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, has transferred all dividends declared up to the dividend for the year 1993-94 to General Revenue Account of Government. Concerned shareholders can receive the unclaimed dividend from the Registrar of Companies, Maharashtra, at Hakoba Compound, 2nd Floor, Dattaram Lad Marg, Kalachowki, Chinchpokli (East), Mumbai - 400 033, upon preferring an application in the form prescribed under the said rules.
- g) No dividend has been declared by the Company since 1997.
- h) Members holding shares in identical order of names in more than one folio are requested to write to the Company's Registrar and Transfer Agents enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
- i) Members of erstwhile Tru Wheels Limited who have not yet surrendered their old certificate for exchange with the certificate of Amforge, consequent to amalgamation are requested to correspond with the Company's Registrar and Transfer Agents.
- j) In consideration of demerger of Chakan plant into Mahindra Automotive Steels Pvt. Ltd., (now known as Mahindra Forgings Limited) the shareholders of the Company, as on 24.04.2006, were issued 1 No. 4% Non-cumulative Redeemable, Non-convertible Preference Share of Rs.31/- each (since redeemed) and 1 Number Equity Share of Rs.10/- each against every equity share of the Company. Any shareholders who were holding equity shares of the Company on 24.04.2006 may correspond, in relation of the preference and equity shares issued by Mahindra Forgings Limited, to their RTA - Karvy Computershare Pvt. Ltd., Avenue-4, Street No.1, Banjara Hills, Hyderabad - 500 034. Telephone No. 040-23312454.
- k) Consequent on reduction in capital of the Company, the Company has allotted and dispatched / credited Equity Share of Rs.2/- each fully paid against each Equity Share of Rs.10/- each to the shareholders as of 24.04.2006. For any enquiry about the non-receipt of the said equity shares, may correspond with our RTA, Sharex Dynamic (India) Pvt. Ltd., Unit - 1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072. Telephone: 022-28515644, Fax: 022-28512885. Email- sharexindia@vsnl.com.
- l) The old equity share certificates of Rs.10/- each fully paid-up are no more tradable and have no commercial value.
- m) The new ISIN of the Company's present Equity Shares of Rs.2/- each is INE991A01020.
- n) The deliveries of shares of the Company are compulsorily in dematerialized form.

**ANNEXURE TO THE NOTICE PURSUANT TO THE PROVISIONS OF
SECTION 173(2) OF THE COMPANIES ACT, 1956**

EXPLANATORY STATEMENT:

ITEM NO. 4 :

Shri. Puneet Makar resigned from the Managing Directorship of the Company w.e.f. 16.11.2006. He is having tremendous experience and exposure in all the areas of Company Management with special reference to global marketing for over 18 years in the Indian Forging Industry. The Company still requires his valued advice, since the Company is finding it very advantageous to receive his guidance in the above areas, it is felt imperative to request him to render such management advisory services, whenever required and to compensate him for the same.

Shri. Puneet Makar (45), a Graduate in Business Administration from the U.S.A, has served the Company, holding several senior positions for over 18 years of which the last 5 years is as Chairman and Managing Director. With his leadership qualities and dynamism, he has substantially contributed to the corporate strategies and growth of the Company during this period. The Company has substantially reduced its debts by entering into one time settlement and debts restructuring with many of the lenders. It has also increased its export substantially.

In view of above, it is imperative, in the paramount interest of the Company, to avail of his advisory services whenever required. Shri. Puneet Makar has also kindly consented to render such services and make available his rich experience and knowledge in forging business to the Company from time to time, as and when required, on terms and conditions mutually agreed upon.

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The said compensation paid to Shri. Puneet Makar is to be approved by the Shareholders of the Company in their ensuing Annual General Meeting as per requirement of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited.

Shri. Puneet Makar himself, Shri. Yogiraj Makar and Smt. Reshma Y. Makar, Directors of the Company, shall be deemed to be interested in the Resolution.

ITEM NO. 5:

The Shareholders must be aware that pursuant to the Composite Scheme of Arrangement between Amforge Industries Limited (Amforge) and Mahindra Automotive Steels Pvt. Limited (MASPL) now known as Mahindra Forgings Limited (MFL), the Chakan plant was demerged from Amforge and merged with MASPL. Till date Amforge was having two plants at Chakan and Chinchwad. The Chakan plant produces the forged articles all of which are suitable for four wheelers and each forged article bears specified weight. The Chinchwad plant is producing the forged articles all of which are mainly suitable for two wheelers only and each forged articles bears specified weight.

Since MFL took over business of Chakan plant, MFL requested Amforge, not to compete with them in the manufacture of forged articles similar to the ones produced at Chakan plant. They also gave proposal to enter into a Non-Compete Agreement for these forged articles in consideration of which MFL shall pay Rs.2- Crores (Rupees Two Crores only) to Amforge.

Since Amforge has demerged its Chakan plant and is not in a position to do the business of producing similar forged articles and whereas it is in business of manufacturing forged articles mainly for two wheelers at Chinchwad and whereas there is no intention to restart heavier forging business in near future and whereas the Company will be benefited in receiving such non-compete fees, the Directors approved and the Company entered into the Non-Compete Agreement dated 25.01.2007. The Non-compete Agreement shall be valid for 7 years. Moreover, the promoters of the Company have also entered into non-compete agreement with MFL on the similar lines against which the Promoters would be getting Rs.3 crores from MFL.

As a matter of Corporate Governance, the said Non-compete Agreement is sought to be ratified by the Shareholders of the Company.

The Non-compete Agreements referred above are available for inspection between 10.00 a.m. and 1.00 p.m. on all working days upto 26.09.2007.

None of the Directors except S/Shri. Yogiraj Makar, Puneet Makar and Smt. Reshma Y. Makar deemed to be interested to the extent of non-compete fees receivable by Shri. Puneet Makar as a promoter.

By Order of the Board of Directors

Puneet Makar
Chairman

Registered Office:

United Bank of India Bldg.,
6th Floor, Sir P. M. Road,
Fort, Mumbai - 400 001.

Mumbai,

Dated : 31st July, 2007.

DETAILS OF DIRECTOR BEING APPOINTED AT THE ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 (VI) A OF THE LISTING AGREEMENT).

Name of Director	Shri. Fali P. Mama
Age	71 years
Qualification	B.Sc., LL.B.
Date of Appointment	1.10.2003
Expertise	Practising as a Management Consultant and is expert in purchase, commercial and operational areas.
Other Directorships	Mahindra Forgings Limited Salil Investments Pvt. Ltd.
Chairman/Member	Member - Audit Committee Remuneration Committee Share Transfer & Shareholders' / Investors' Committee (Amforge Industries Limited) Member - Audit Committee Share Transfer & Shareholders' / Investors' Committee (Mahindra Forgings Limited)

DIRECTORS' REPORT

TO THE MEMBERS
AMFORGE INDUSTRIES LTD.

Your Directors have pleasure in presenting their 35th Annual Report and audited statement of accounts for the year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

	<i>(Rs. in Lacs)</i>	
	<u>2006-2007</u>	<u>2005-2006</u>
Gross Revenue after stock adjustments	5979.46	4173.40
Gross Profit before Interest, Depreciation, Amortization & Tax	390.08	(370.36)
Interest	(39.62)	(85.94)
Operating Profit (Loss) before Depreciation & Amortization	350.46	(456.30)
Depreciation	(99.08)	(138.82)
Amortization	(58.70)	(18.71)
Operating Profit/(Loss) for the year	192.67	(613.83)
Employees Separation Cost written off	(691.07)	(274.04)
Old and Obsolete Dies written off	(199.01)	(171.67)
Other Extra Ordinary Gains (Net)	(322.38)	507.92
Profit/(Loss) for the year	(1019.78)	(551.62)
Prior Period's adjustments (Net)	(4.92)	(20.90)
Net Profit/(Loss)	(1024.70)	(572.52)
Provision for Current Tax(Wealth Tax)	(0.70)	(0.92)
Provision for Fringe Benefit Tax	(19.15)	(9.15)
Provision for Deferred Tax	10.55	198.55
Profit/(Loss) after Tax	(1034.00)	(384.04)
Earlier years (Short) / excess provision for tax	(33.85)	-
Balance Profit/(Loss) brought forward from previous year	(1283.35)	(899.31)
Provision for Doubtful Debts & Advances	40.60	-
Balance carried to Balance Sheet	(2391.80)	(1283.35)
EPS (Rs.)	(7.48)	(3.86)

FINANCIALS

During the year under review, the Company's gross revenue is Rs.5979.46 lacs [Previous Year: Rs. 4173.40 lacs]. Gross Profit / (Loss) before interest, depreciation and tax amounted to Rs. 390.08 lacs [Previous Year (Rs.370.36) lacs]. Operating Cash Profit / (Loss) before depreciation and amortization is Rs. 350.46 lacs [Previous Year (Rs.456.30) lacs]. The Net Loss came to Rs.1024.70 lacs [Previous Year Rs. 572.52 lacs]. The major contributories to Net Loss in the financial year under review, were write-off of old / obsolete items of inventory by reasons of major changes in customer requirements, changes in die design, etc.

DIVIDEND

In view of the losses, current and accumulated, your Directors regret their inability to recommend dividend for the year 2006-2007.

FINANCE

The financial position of the Company remained satisfactory. There is need to increase capacity at Chinchwad in view of the increasing forgings demand.

DIRECTORS

Shri. Fali P. Mama, who retires by rotation and being eligible, offers himself for re-appointment, subject to retirement by rotation.

Shri. Puneet Makar resigned from the Managing Directorship of the Company on 16th November, 2006. However, he would continue as a Director as well as Chairman of the Company.

The nomination of Shri. Kishor Chakraborty was withdrawn by Industrial Investment Bank of India Limited w.e.f. 15th June, 2007 on full satisfaction of their debt.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :-

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii. The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2007 and of the loss of the Company for the year ended 31st March, 2007.
- iii. 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. The Directors have prepared the annual accounts on a going concern basis.

AUDITORS

M/s. Bansal & Associates, Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. They have furnished a certificate that their reappointment, if made, will be within the limit prescribed under Section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

The Directors give the following comments on

Para 4(e) of the Auditors' Report:

The Directors, other than the Nominee Director and the Directors appointed by the Company after the date of cessation of default had acquired disqualification by reason of default in redemption of debentures privately placed with the UTI Asset Management Co. Pvt. Ltd. for more than one year in the year 2002-2003 by virtue of section 274(1)(g) of the Companies Act, 1956.

The Company redeemed all the aforesaid debentures, in full, in the year 2004-05.

Para 4(f) of the Auditors' Report:

During the year your company has changed its accounting policy to write off Miscellaneous Expenditure fully instead of over a period of five years. Note No. 20 given in Schedule - 21 is self explanatory. Due to this change, the loss for the current year is higher by Rs. 484.94 Lacs.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

The information required in terms 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 is given in the Annexure-1 forming part of this Report.

MANAGEMENT DISCUSSION AND ANALYSES

As per the requirement of Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Management Discussion and Analyses of the events, which have taken place and the conditions, prevailed during the period under review, are elucidated in Annexure-2 to this Report.

CORPORATE GOVERNANCE

A report on Corporate Governance as per the requirement of Clause 49 of the Listing Agreement is annexed to this Report as Annexure - 3.

PARTICULARS OF EMPLOYEES

None of the employees of the company is covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

ACKNOWLEDGMENT

Your Directors wish to place on record their sincere thanks to the valued customers, suppliers, banks, and financial institutions for their support, co-operation and guidance. Your Directors also wish to thank the employees and executives at all levels for their contribution. Your Directors are equally thankful to the management of Mahindra Forgings Limited for extending their full co-operation in accomplishing demerger procedure till logical conclusion.

Place : Mumbai,
Dated : 31st July, 2007.

For and on behalf of the Board of Directors
Puneet Maker
Chairman

ANNEXURE - 1 TO THE DIRECTORS' REPORT

Particulars Required Under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

- (i) Savings in Energy Consumption by improving and maintaining power factor to optimum level.
- (ii) Rationalization of compressed air flow system.
- (iii) Installation of temperature sensing system on induction heaters to reduce drop outs.
- (iv) Providing recuperators on oil fired furnaces.
- (v) Using bio-friendly cleaning/recyclable agents/chemicals.
- (vi) Providing solar power generators for emergency lamp charging, as also for all lights inside the plant premises.

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

It is an ongoing process to upgrade the existing equipments from time to time in line with the new developing technologies.

Impact of the measures taken / to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Not ascertainable.

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:

Total Energy Consumption for the year ended 31.03.2007

a. Power & Fuel Consumption	Current Year	Previous Year
1 <i>Electricity - Purchased</i> (KWH in Lacs)	58	59
Total Amount (Rs. in Lacs)	323.26	260.82
Average Rate per Unit	Rs. 5.61	Rs. 4.43
2 <i>Furnace Oil</i>		
Quantity (Kilo Litres)	492	534
Total Amount (Rs. in Lacs)	87.82	84.93
Average Rate per Litre	Rs. 17.85	Rs. 15.92
3 <i>Light Diesel Oil</i>		
Quantity (Kilo Litres)	611	546
Total Amount (Rs. in Lacs)	174.51	142.18
Average Rate per Litre	Rs. 28.56	Rs. 26.06
4 <i>Compressed Natural Gas*</i>		
Quantity (Cu. Mtrs.)	-	-
Total Amount (Rs. in Lacs)	-	-
Average Rate per Cu. Mtr.	-	-
(* the Company was utilizing CNG at Bhandup Division which has since been closed)		
b. Consumption per unit of Production		
Production (Tons)	5,308	4,525
<i>Fuel Used</i>	<i>Units</i>	
Electricity	KWH/Ton	1301
Furnace Oil	Lit/Ton	118
Light Diesel Oil	Lit./Ton	121
Compressed Natural Gas	Cu. Mtr./Ton	-
Expenditure on R & D	-	-

B. TECHNOLOGY ABSORPTION

I. Research & Development:

Improved CAD-CAM of the existing Unigraphic Software
Added an additional high speed die manufacturing CNC Vertical machining Centre (HAAS Make).
Redesigned the existing heating furnaces to bring down fuel consumption.
Successful implementation of ISO/TS 16946 Quality System Certified by UL.
Implementation of New ERP system for effective output and reduction in waste.

II. Benefits derived as a result of the above efforts:

Reduction in lead time in development of new and complex products by increasing yield and die life.
Enjoys "Preferred Vendor" status at major OEMs.

III. Future plans of action:

Planning to add new Forging Press Line and 2 Ton Hammer
Adding another High Speed Vertical Machining Center for die manufacturing.
Better product mix to optimize output and minimize production cost.

IV. Most of the R & D work is carried out in-house.

V. Technology absorption, adoption and innovation:

Not applicable.

VI. Foreign Exchange Earnings and Outgo:

FOB Value of Exports Rs. 259.42 Lacs (PY Rs. 209.39 Lacs)
Foreign Exchange outgo Rs. 75.87 Lacs (PY Rs. 16.13 Lacs)

For and on behalf of the Board of Directors

Place : Mumbai,
Dated : 31st July, 2007.

Puneet Maker
Chairman

ANNEXURE - 2 TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSES

Operations:

The Company has already sold majority assets of its closed operations and accounted for the gains / (losses) at the time when such transactions were completed. All the liabilities towards Employee Separation Cost have been fully paid off. Surplus funds have been deployed in liquid / marketable investments. The Company has plans to modernize and enhance the operating capacity at its Chinchwad Unit in a phased manner.

Company's Chinchwad Unit is having a comprehensive Forge Shop with Presses and Hammers together with all balancing equipment. This Unit, with its optimum resource pool of technically qualified manpower, is located in Forging Capital (Pune) of India with all logistical and infrastructure facilities in place and continuously exceeding Customers' expectation by serving complete range of small segment forgings to almost all major OEMs, directly or indirectly and it enjoys "Preferred Vendor" status at all major OEMs. Quality Accreditations like ISO/ts 16949:2002 and ISO 9001:2000 are in place and the unit has recently also received TS 14001.

The Management Discussion and Analyses are done on the above background:

Market Outlook:

Year 2006-2007, apart from being a significant year for the Indian forging industry, was activity-packed for your Company, it tested and brought out the best from your Company's human resources. With the Chinchwad plant recording its best ever in-house production tonnage of 5308, an increase of 17% over 2005-2006, with the ever increasing sourcing being undertaken by global OEMs and the increasing entry of auto Multinationals into India. The long term future of the Forging Industry looks bright, despite the recent demand aberrations being faced by the industry, on account of temporary slowing down of the commercial vehicle sector due to high interest costs. Suffice to say that your Company has been able to withstand these temporary pressures due to its diversified customer base and the cost saving measures undertaken during the year.

With stricter implementation of overload restrictions and regulations, one expects future growth in demand of commercial vehicles to be sustained, translating into corresponding growth in the Company's forging business. Also, certain large OEMs are in the process of shifting from cast components to forged. This opens up new supply possibilities for your Company.

Research & Development:

Continuous yield improvement, die life improvement, SMED, and the reduction in EIGHT BIG SINS (WASTES) with the safe design of products and tools is an ongoing process at Amforge. New Softwares for FEA, material flow analysis, critical temperature and risk zone analysis are being installed to make optimum use in R & D during designing of dies and toolings.

Product Development:

Lead-time for product development cycle has been improved from earlier 3 weeks to one week for shafts, gears and will undergo a further big change. For critical items like Con-Rods, intricate shapes, the cycle time has been reduced from four weeks to two weeks. For the first time, through rate has improved by 22-25% and targets are in place for the current year to reach 60%. Micro alloy steel components are also being taken for development. Application of polymers has resulted in improvement in Heat Treatment Cycle.

The manufacturing team during the actual planning cycle ensures that minimum errors occur during the whole cycle of product development and we are happy to say that in the past two years not a single customer has asked for a SECOND SAMPLE before going in for mass production. Even the pilot batches are a die run rather than few hundred pieces. The marketing function is completely geared up and all the work force is fully charged-up.

Industry Scenario:

Amforge focus in total productivity management and delivering just in time, a range of products and energy saving by combination of good ideas along with continuous hard work, have resulted in positive results.

e-bidding, visits by customers for exploring potential suppliers is a common scene today. Cars, LCVs, agricultural equipments, mining, oil rigs, marine industry to name any field, all have substantial forgings' requirements. This need is rising up with the market growth and forging industries will see a horizon of never-ending growth.

Internal Control Systems and their Adequacy

Independent firm of Chartered Accountants has been appointed to carry out internal audit functions to ensure adherence to various policies and procedures already introduced and followed in the Company. This is also ensuring compliances with various statutory requirements. The internal control systems have been reviewed by the Audit Committee.

Discussion on Financial Performance:

During the year under review, the Company's gross revenue remained at Rs.5979.46 Lacs. The major contributories to Net Loss were write-off of old / obsolete items of inventory by reasons of major changes in customer requirements, changes in die designing, closure of plants etc. Except some minor debt, the Company has almost become debt free. Surplus funds shall be utilized to modernize the Chinchwad Operations and also in marketable and high yielding investments. Forging demand is increasing and the Company is constantly striving to operate at better margin levels and lower credit period.

Human Resources:

The Company maintains its people as the greatest source of strength. It maintains happy and cordial relations with its workers, union and officers. Amforge needs skilled labour to develop and produce technically advanced products. It is a well known fact with the booming Indian Economy, developing and attracting skilled human resources is not an easy task. Therefore, one of the biggest challenges is hiring and retention of skilled manpower. Amforge recognizes this fact and continuously upgrades the skills of its human resource base.

ANNEXURE - 3 TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company practices Corporate Governance as a continuous exercise. It has faith in the philosophy of Corporate Governance.

I. BOARD OF DIRECTORS

During the year 2006-07, the composition of the Board of Directors was such that it complied with the requirements of Independent and Non-Executive Directors. The strength of the Independent Directors is more than 50% in the composition of the Board, with Executive Chairman upto 16-11-2006 and continued to be so even with non-Executive Chairman. The Non-Executive Directors are more than 50% in composition up to 16-11-2006 and was 100% after that date. Now, the Company is a Board managed Company with no Executive Director on the Board.

The Directors of the Company are not holding the Directorships more than the ceiling prescribed nor are the members of committee on more than 10 committees and Chairman of more than 5 committees in across all the companies where they are directors.

Composition and Category of Directors

Sr. No.	Category	Name of Director	Remarks
1	Promoter & Executive (upto 16-11-2006) Promoter & Non-Executive (from 17-11-2006)	Shri. Puneet Makar	Chairman & Managing Director Chairman
2	Promoter & Non-Executive	Shri. Yogiraj Makar	Director
3.	Promoter & Non-Executive Director	Smt. Reshma Makar	Directress
4.	Non-Independent & Non-Executive Director	Shri. Fali P. Mama	Director
5.	Nominee Director [IIBI-Lender] (upto 15-6-2007)	Shri. K. Chakraborty	Director
6.	Independent & Non-Executive Director	Shri. Sunil Aggarwal	Director
7.	Independent & Non-Executive Director	Shri. B. L. Gupta	Director
8.	Independent & Non-Executive Director	Shri. Vijay S. Choksi	Director

The attendance of the Directors at the Meeting of Board of Directors (BoD) held during the Financial Year 2006-2007 and the last Annual General Meeting (AGM) held on 29h September 2006 is as follows:

Sr. No.	Date of Board of Directors Meeting	No. of Directors Present
1	05-04 2006	8
2	30-06- 2006	6
3	28-07- 2006	7
4	31-10-.2006	7
5	25-01- 2007	6
6	29-09-2006 (AGM)	6

There is no gap of more than four months between two consecutive Board meetings.

Name of the Director	No. of Board Meetings attended	Attendance at the AGM
Shri. Puneet Makar	5	Present
Shri. Yogiraj Makar	5	Present
Shri. Fali P. Mama	5	Present
Shri. K. Chakraborty	1	–
Shri. B. L. Gupta	5	Present
Shri. Sunil K. Aggarwal	4	Present
Shri. Vijay S. Choksi	4	–
Smt. Reshma Makar	5	Present

Number of Directorships of other Companies and Membership of Board Committees

Name of Director	No. of BoDs of other Companies	No. of Membership of Board Committees	No. of Chairmanship of BoDs/Committees
Shri. Yogiraj Makar	–	2	–
Shri. Puneet Makar	–	1	–
Shri. Fali P. Mama	2	2	–
Shri. K. Chakraborty	–	2	–
Shri. B. L. Gupta	2	–	3
Shri. Vijay S. Choksi	7	2	–
Shri. Sunil K. Aggarwal	–	1	–
Smt. Reshma Makar	2	–	–

None of the Executive or Non-Executive Directors holds any Equity Shares in the Company except Shri. Puneet Makar (Promoter-Non-Executive) holding 1830802 Equity Shares, Shri. Yogiraj Makar (Promoter-Non-Executive) holding 95306 Equity Shares, Shri. Fali P. Mama (Non-Independent-Non-Executive) holding 2200 Equity Shares and Smt. Reshma Makar (Promoter-Non-Executive) holding 51096 Equity Shares.

COMMITTEES OF BOARD OF DIRECTORS
II. Audit Committee

Pursuant to Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has an Audit Committee of the Board of Directors.

The Audit Committee was as under :

1. Shri. Bhushan Lal Gupta
2. Shri. Sunil K. Aggarwal and
3. Shri. Fali P. Mama

The Audit Committee has been entrusted with the blend of functions and responsibilities as are given in Clause 49 of the Listing Agreement and as stated under Section 292A of the Companies Act, 1956. The terms of reference include overseeing financial reporting process, internal control system, reviewing the accounting policies and practices and financial statements audited by the statutory auditors as also to review financial and risk management policies.

The record of attendance of the Audit Committee during the Financial Year 2006-2007 is as under:

NAME OF THE DIRECTOR	DATE OF THE MEETINGS			
	30-06-2006	28-07-2006	31-10-2006	25-01-2007
Shri K. Chakraborty	–	–	–	–
Shri. Fali P. Mama	Present	Present	Present	Present
Shri. Yogiraj Makar	Present	Present	Present	Present
Shri Bhushan Lal Gupta	Present	Present	Present	Present
Shri Vijay S. Choksi (Upto 30-12-2006)	Present	Present	Present	–
Shri. Sunil K. Aggarwal (From 4-1-2007)	–	–	–	Present

III. Remuneration Committee

The Remuneration Committee was as under:

1. Shri. B. L. Gupta
2. Shri. Fali P. Mama
3. Shri. Yogiraj Makar and
4. Shri. K. Chakraborty

Details of remuneration paid to the Executive Director for the Financial Year 2006-2007

Name of Director	Designation	Salary (Rs.)	Perks (Rs.)	Total (Rs.)
Shri. Puneet Makar	Chairman & Managing Director (upto 30-09-2006)	9,72,000	3,30,895	13,02,895

Details of the sitting and other fees paid to the Non-Executive Directors for the Financial Year 2006-2007:

Name of the Director	Total Sitting fees paid for attending Board / Committee Meetings (Rs.)	Professional Fees (Rs.)
Shri. Yogiraj Makar	-	12,00,000.00
Shri Fali P. Mama	-	6,00,000.00
Shri. K. Chakraborty	3,000.00	-
Shri. B. L. Gupta	52,500.00	-
Shri. Vijay S. Choksi	37,500.00	-
Shri. Sunil K. Aggarwal	10,500.00	-
Smt. Reshma Makar	12,000.00	-
Shri. Puneet Makar (From 01-01-2007)	-	1,50,000.00

There were two meetings of the Remuneration Committee that took place during the year.

The scope and functions of the Remuneration Committee covers the requirement of the Corporate Governance and Schedule XIII to and any other provisions of the Companies Act, 1956.

IV. Shareholders / Investors Grievance Committee (SIGC)

The Shareholders / Investors Grievance Committee was as under :

1. Shri. B. L. Gupta - Chairman
2. Shri. Sunil K. Aggarwal and
3. Shri. Puneet Makar

The Compliance Officer was Shri. Puneet Makar.

The terms of reference are redressing of shareholders and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. to improve the efficiency in investor's service, the Executive Share Transfer Committee has been formed. The submissions of the Executive Share Transfer Committee are taken into account by the Shareholders / Investors' Grievance Committee when it meets from time to time.

The Complaints received and redressed during the period from 1-4-2006 to 31-03-2007 are tabled below:

Nature of Complaint	Complaints Received from 01-04-2006 to 31-03-2007						Total	Redressed	Not Redressed	Reason(s) for non redressal
	SEBI	Stock Exchange	ROC	Dept. of Company Affairs	Consumer Forum	Investors				
Non receipt of Shares / Deb sent for transfer	1	-	-	-	-	-	1	1	-	-
Non receipt of Dividend	-	2	-	-	-	7	9	9	-	-
General	-	-	-	-	-	44	44	44	-	-
Name Deletion/Correction	-	-	-	-	-	39	39	39	-	-
Nomination Form	-	-	-	-	-	-	-	-	-	-
Redemption of Debenture	-	-	-	-	-	-	-	-	-	-
Purchase Contract	-	-	-	-	-	-	-	-	-	-
Non Receipt of Debenture Interest						1	1	1	-	-
Non-receipt of ZFCD Shares or against Tru Wheels Share Certificates	-	2	-	-	-	14	16	16	-	-
Loss of Shares / Deb.	4	-	-	-	-	22	26	26	-	-
Conversion of Warrants	-	-	-	-	-	-	-	-	-	-
Transfer of Shares / Deb.	1	-	-	-	-	5	6	6	-	-
Transmission of Shares / Debentures	-	-	-	-	-	14	14	14	-	-
Non receipt of S/c against Allotment Letter	2	-	-	-	-	-	2	2	-	-
Non receipt of Letter of Offer for rights	2	-	-	-	-	-	2	2	-	-
Signature Mismatch	-	-	-	-	-	3	3	3	-	-
Non-receipt S/c after consolidation	-	-	-	-	-	-	-	-	-	-
Non-receipt of S/c after conversion	-	-	-	-	-	-	-	-	-	-
Non receipt of transmitted S/c	-	-	-	-	-	-	-	-	-	-
Stop Transfer	-	-	-	-	-	4	4	4	-	-
Non receipt of Dup. Cert. against duly executed Indemnity Bond	-	-	-	-	-	-	-	-	-	-
Non-receipt of New S/c		-	-	-	-	176	176	176	-	-
TOTAL	10	4	-	-	-	329	343	343	-	-

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V. Related Party Transactions

(Rs.Lacs)

Name of the Parties / Person	Opening Balance 01.04.2006	ICD Transactions		Closing Balance 31.03.2007	Max. Amt. outstanding during the year	Other Transactions			
		Recd.	Repaid			Payment of Interest	Payment of Rent	Payment of Salary/Fees	Payment of Equity at Premium
Nainesh Inv & Trdg Co. Pvt. Ltd	8.00	-	-	8.00	8.00	0.96	-	-	-
Devidass P. Ltd. (payable)	2.00	-	2.00	-	2.00	-	-	-	-
Devidass P. Ltd. (Receivable Deposits)	25.00	25.00	-	-	25.00	-	-	-	-
Viniyog Inv. & Tradg. Co. Pvt. Ltd.	-	-	-	-	-	-	-	3.50	-
Makar Estates	-	-	-	-	-	-	1.20	-	-
Sub Total	35.00	25.00	2.00	8.00	35.00	0.96	1.20	3.50	-
Key Management Personnel									
Yogiraj Makar	-	-	-	-	-	-	24.00	12.00	-
Puneet Makar	-	-	-	-	-	-	2.25	13.03	-
Puneet Makar (Professional fee From 1.1.2007)	-	-	-	-	-	-	-	1.50	-
Reshma Makar	-	-	-	-	-	-	2.25	-	-
Fali Mama	-	-	-	-	-	-	-	6.00	-
Sub Total	-	-	-	-	-	-	28.50	32.53	-
Total	35.00	25.00	2.00	8.00	35.00	0.96	29.70	36.03	-

VI. The General Body Meetings held in the last three years.

Sr. NO.	DATE OF EVENT	DAY & TIME	LOCATION	REMARKS
1.	30-09-2004	Thursday 11.30 a.m	Ashoka Hall, Arcadia, NCPA, Nariman Point, Mumbai - 400 021.	32nd AGM
2.	24-03-2005	Thursday 11.00 a.m	Maharashtra Chamber of Commerce & Industry, Kasliwal Board Room of Chambers, Oricon House, 6th Floor, Fort, Mumbai - 400 001	Extra Ordinary General Meeting Special Resolution was passed.
3.	30-09-2005	Friday 12.00 Noon	Maharashtra Chamber of Commerce & Industry, Babasaheb Dahanukar Sabhagriha, Oricon House, 6th Floor, Fort, Mumbai - 400 001.	33rd AGM.
4.	08-02-2006	Wednesday 12.00 Noon	-do-	Court Convened Meeting of Equity Shareholders Special Resolution was passed.
5.	29-09-2006	Friday 12.00 Noon	-do-	34th AGM

VII. DISCLOSURES

Means of Communication

The Company has been publishing quarterly results in the English Newspaper (Free Press Journal) and in Marathi Newspaper (Navshakti) being published from Mumbai.

The Company has been up-loading its quarterly financial results and shareholding pattern on SEBI website www.sebi.gov.in. This information can be viewed on the said site under Electronic Data Information Filing and Retrieval (EDIFAR) system. Similarly, the entire Annual Reports of the Company for the year 2004-2005, 2005-2006 and 2006-07 have been uploaded. Moreover, the events required to be intimated to the Stock Exchanges, those are reproduced by media in their own way and carried in their respective newspapers, web-site, etc., which are available to the general public for their consumption.

The Company has its own website www.amforgeindia.com which will be operational anytime now and would resume uploading its financial results every quarter including its presentation, if any, made to analysts.

The "Management Discussions & Analyses" is part of this Report and is appearing separately as Annexure 1.

VIII. CODE FOR PREVENTION OF INSIDER TRADING PRACTICES

The Company has formulated, adopted and implemented Code of Conduct for prevention of insider trading in the shares of the Company pursuant to provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992. This Code is applicable to senior management and certain other employees, directors, etc. while in possession of unpublished price sensitive information in relation to the Company.

IX. CODE OF CONDUCT

A Code of Conduct has been prescribed for all senior management personnel and directors to ensure adherence to a high ethical professional conduct by them in the discharge of their duties. The Senior Management Personnel have given annual confirmation of adherence to the Code of Conduct.

X. GENERAL SHAREHOLDER INFORMATION

i. 35th Annual General Meeting -

Day : Thursday

Date : 27th September, 2007

Time : 2.30 p.m.

Venue : Maharashtra Chamber of Commerce & Industry, Babasaheb Dahanukar Sabhagriha, Oricon House, Fort, Mumbai - 400 001.

ii. Financial Calendar

- Results for 1st quarter ended 30th June, 2007 : On or before 31st July, 2007
- Results for 2nd quarter ended 30th September, 2007 : On or before 31st October, 2007
- Results for 3rd quarter ended 31st December, 2007 : On or before 31st January, 2008
- Results for the Financial Year ended 31st March, 2008 (Unaudited) **(OR)** : On or before 30th April, 2008.
- Audited Results for the Financial Year ended 31st March, 2008 : On or before 30th June, 2008

iii. Date of Book Closure : From 17-09-2007 to 27-9-2007 (including both dates)

iv. Dividend Payment Date : Not applicable

v. Listing on Stock Exchanges : Bombay Stock Exchange Limited.
Annual Listing fees for the year 2007-08 has been paid.

Stock Code : 513117

Demat ISIN Number : INE991A01020
in NSDL / CDSL

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vi. Market Price Data during 2006-2007:

MONTH	SHARE PRICE		BSE SENSEX
	High	Low	
April - 2006	298.00	262.25	12042.56
May - 2006*	–	–	10398.61
June - 2006	145.30	14.50	10609.25
July - 2006	19.80	8.00	10743.88
August - 2006	11.20	8.50	11699.05
September - 2006	21.80	7.65	12454.42
October - 2006	21.40	13.50	12961.90
November - 2006	18.20	13.65	13696.31
December - 2006	16.50	13.60	13786.91
January - 2007	17.15	14.40	14090.92
February - 2007	16.00	11.50	12938.09
March - 2007	16.25	11.08	13072.10

* Due to demerger of Chakan plant, the scrip was not tradable on the BSE.

The nominal value of Equity Shares has since been reduced to Rs.2/- each from Rs.10/- each, on reduction of capital.

vii. Registrar and Transfer Agents :

Sharex Dynamic (India) Private Limited
Unit 1, Luthra Industrial Premises, Safed Pool, Andheri-Kurla Road, Andheri (E), Mumbai - 400 072.
Tel : 022-28515606 / 022-28515644, Fax : 022-28512885. E-mail : sharexindia@vsnl.com

viii. Share Transfer System

The entire share transfer system is handled by the Registrar and Transfer Agent (RTA) of the Company at the address given above. The RTA is equipped with all required infrastructure required for share transfer - physical and demat.

The transfers received are processed by the Registrar and Transfer Agents and approved by the Share Transfer Committee. The Committee meets twice a month and the transfer is normally effected and dispatched within the time limit prescribed under the Listing Agreement.

ix. Distribution of Shareholding as of 31st March, 2007

Distribution of Shares	No. of Shareholders	Percentage to Total No. of Shareholders	No. of Shares held	Percentage to Total Shares
Up to 100	16376	76.97	561268	3.79
101 to 200	1811	8.51	299798	2.02
201 to 500	1599	7.52	594398	4.01
501 to 1000	725	3.41	636396	4.29
1001 to 5000	593	2.79	1451614	9.79
5001 to 10000	70	0.33	529688	3.57
10001 to 100000	94	0.44	2765190	18.66
100001 & above	9	0.04	7981854	53.86
Total	21277	100.00	14820206	100.00

x. Shareholding Pattern as of 31st March, 2007

Category of Shareholders	No. of Shares Held	Percentage of Holding
Indian Promoters	1926108	12.996
Directors & Relatives	5845975	39.446
Financial Institutions & Banks	27945	0.189
Mutual Funds & UTI	29804	0.201
FII's	100000	0.675
NRIs / OCBs	244022	1.647
Domestic Companies	1309723	8.837
Public	5309451	35.826
Clearing Members	27178	0.183
Total	14820206	100.00

xi. Dematerialization of Shares and Liquidity as of 31st March, 2007

The delivery of Amforge shares are required to be made in dematerialized form, in trade. The extent of dematerialization of shares of Amforge and its liquidity are as under:

Shares	Physical Form		Dematerialized Form		Total
Number	638299		14181907		14820206
%age to Total	4.307		95.693		100
	Promoters	Public	Promoters	Public	
Number	83667	554632	7688416	6493491	14820206
% to Form	11.50	88.50	54.56	45.44	–
% Form to Total	0.56	3.74	51.88	43.82	100

xii. Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion Date and likely impact on equity.

There are no outstanding DGRs / ADRs / Warrants or any convertible instruments in the Company.

xiii. Plant Locations:

- 32-D-2, M.I.D.C. Area, Chinchwad,
Pune - 411 019, Maharashtra State.

xiv. Address for Correspondence :

- For Shareholders – **Sharex Dynamic (India) Private Limited**
Unit-1, Luthra Industrial Premises, Safed Pool,
Andheri-Kurla Road, Andheri (E), Mumbai - 400 072.
Telephone : 022-28515606 / 28515644
Fax : 022-28512885
E-mail : sharexindia@vsnl.com

- For Others – **Registered Office:**
United Bank of India Building, 6th Floor,
Sir P. M. Road, Fort, Mumbai - 400 001.
Telefax : 022- 2282 8933
Tele : 022- 2287 1227
Email : amfcosec@mtnl.net.in

Corporate Office:
108-111, Raheja Chambers, Free Press Journal Marg,
Nariman Point, Mumbai - 400 021.
Telephone : 022-6636 5962
Fax : 022-6636 5964

Place : Mumbai,
Dated : 31st July, 2007.

For and On Behalf of the Board of Directors
Puneet Maker
Chairman

**CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE
AS PER CLAUSE 49 OF THE LISTING AGREEMENT**

To the Shareholders of **Amforge Industries Limited**,

I have examined the compliance of conditions of Corporate Governance by M/s. Amforge Industries Limited ("the Company"), for the year ended on 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement (s).

I state that no investor grievance is pending for a period exceeding one month against the Company as per records maintained by the Shareholders / Investors' Grievances Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Mumbai,
Dated : 30th July, 2007.

Vikram P. Gandhi
Practising Company Secretary
CP No.651

CERTIFICATE BY CEO / CFO

Pursuant to the provisions of the Clause 49 of the Listing Agreement with the Bombay Exchange Limited, it is hereby certified that for the first half of the Financial Year 2006-2007:

1. I/We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief, these statements;
 - i) do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best our knowledge and belief, no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct.
3. I/We accept responsibility for establishing and maintaining internal controls for financial reporting and that I/We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I/We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I/We are aware and the steps I/We have taken or propose to take, to rectify these deficiencies.
4. I/We have indicated to the Auditors and the Audit Committee:
 - i) significant changes in the internal control over financial reporting during the year.
 - ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud, if any, of which I/We have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

For balance part of the financial year, the above certification is also equally applicable since the same CFO has been retained as Adviser to the Company.

Place : Mumbai,
Dated : 29th June, 2007.

Sanjiv Joshi
CFO

Puneet Maker
Chairman

AUDITORS' REPORT

To the members of
Amforge Industries Limited

1. We have audited the attached Balance Sheet of AMFORGE INDUSTRIES LIMITED as at 31st March, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and amended by (Amendment) Order, 2004 issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit;
 - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the Directors as on 31st March, 2007, and taken on record by the Board of Directors, we report that the Directors other than the Nominee Directors and **the Directors who did not remain Director for one year from the due date are disqualified from being appointed as Director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;**
 - (f) In our opinion and to the best of our information and according to the explanations given to us, **subject to change in the basis of accounting in respect of Voluntary Retirement Scheme and Miscellaneous Expenditure as disclosed in the Note 20 of Schedule 21 of the financial statements**, the said accounts read together with the notes thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - (ii) in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Bansal & Associates**
Chartered Accountants
S. K. Bansal
Partner
Membership No. - 12288

Mumbai, 29th June, 2007.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. In respect of its fixed asset:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) As explained to us, the fixed assets have been physically verified by the management at regular intervals in accordance with a phased programme of verification adopted by the Company, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification however the same have been adjusted in the books of account.
 - (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. In respect of its inventories:
 - (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals except for inventories lying with outside parties, which have, however, been confirmed by them.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on such physical verification however the same have been properly dealt with in the books of account.
3. According to the information and explanations given to us, in respect of loans, secured or unsecured, granted or taken by the Company to / from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956;
 - (a) The Company has not granted any loans to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
 - (b) The Company has taken inter corporate deposits in the nature of unsecured loans aggregating to Rs. 10 Lacs from one company parties covered in the Register maintained under section 301 of the Companies Act, 1956.
 - (c) The rate of interest and other terms and conditions on which loans have been taken by the Company are not *prima facie*, prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are reasonable internal control system which needs to be further strengthen commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.
5. In respect of transactions entered in the Register maintained under section 301 of the Companies Act, 1956:
 - (a) In our opinion and to the best of our knowledge and belief and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are *prima facie* reasonable having regards to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58 A, 58 AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposits accepted from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed accounts and records maintained by the Company pursuant to rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, in respect of the Company's products to which the said rules are made applicable, and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have however, not made a detailed examination of the records, with a view to determine whether they are accurate.

9. In respect of statutory dues:

- (a) According to the records of the Company, it has been regular in depositing undisputed statutory dues including provident fund, employees state insurance, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues except fringe benefit tax of Rs. 9.60 lacs with the appropriate authorities during the year.

According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid dues were outstanding as at 31st March, 2007 for a period of more than six months from the date of becoming payable, except Fringe Benefit Tax of Rs. 4.04 Lacs.

- (b) The disputed statutory dues aggregating to Rs. 473.60 Lacs that have not been deposited on account of matters pending before appropriate authorities are as under:

No.	Name of Statute	Nature of Dues	Forum where dispute is pending	Amount (Rs. in Lacs)
1.	Central Excise Act, 1944	Excise Duty	CESTAT, Mumbai Asst. / Addl. / Jt. Commissioner of Central Excise	282.89 70.03
2.	Customs Act	Customs Duty	CESTAT, Mumbai	120.68
			TOTAL	473.60

10. The Company has accumulated losses as at the end of the financial year and the Company has incurred cash losses during the current and the immediately preceding financial year.
11. Based on our audit procedure and on the basis of the information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks. The Company does not have any borrowings by way of debentures.
12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the Company.
14. The Company is not dealing in securities. However, in respect of its investments the Company has maintained proper records of the transactions and contracts as well as timely entries have been made therein. These investments have been held by the Company in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. On the basis of the records examined by us, we have to state that, the Company has, *prima facie*, applied the term loan for the purpose for which it was obtained.
17. According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall examination of the financial statements of the Company, we are of the opinion that, funds raised on short term basis have *prima facie* not been used during the year for long term investment.
18. The Company has not made any preferential allotment of shares during the year.
19. No debentures have been issued by the Company during the year.
20. The Company has not raised any money by way of public issue during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported by the Company during the year.

For **Bansal & Associates**
Chartered Accountants

S. K. Bansal
Partner

Mumbai, 29th June, 2007.

Membership No. - 12288

Annual Report 2006-2007

BALANCE SHEET AS AT 31ST MARCH, 2007

		<i>(Rs. In Lacs)</i>	
		As at 31st March, 2007	As at 31st March, 2006
SCHEDULE			
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	296.40	296.40
Reserves & Surplus	2	3,759.08	4,867.53
		<u>4,055.48</u>	<u>5,163.93</u>
Loan Funds			
Secured Loans	3	102.49	902.00
Unsecured Loans	4	848.35	130.73
		<u>950.84</u>	<u>1,032.73</u>
		<u>5,006.32</u>	<u>6,196.66</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	2,602.27	3,798.11
Less : Depreciation		1,297.42	1,985.38
Net Block		1,304.84	1,812.73
Add : Capital Work in Progress		17.54	8.31
		<u>1,322.38</u>	<u>1,821.04</u>
Investments	7	469.80	702.99
Current Assets, Loans & Advances			
Current Assets	8	2,531.05	3,206.19
Loans and Advances	9	1,673.66	1,237.05
		<u>4,204.71</u>	<u>4,443.24</u>
Less : Current Liabilities & Provisions	5	1,379.48	1,864.21
Net Current Assets		<u>2,825.22</u>	<u>2,579.03</u>
Deferred Tax Assets (Net) (Refer Note No. 20)		388.92	378.37
Miscellaneous Expenditure (To the extent not written off or adjusted)	10	-	715.23
		<u>5,006.32</u>	<u>6,196.66</u>
Notes Forming Part of The Accounts	21		

As per our Report of even date

For **Bansal & Associates**

Chartered Accountants

S. K. Bansal

Partner

Membership No. - 12288

Mumbai, 29th June, 2007.

On Behalf of the Board of Directors

Puneet Makar – Chairman

Yogiraj Makar – Director

Fali P. Mama – Director

Sunil Aggarwal – Director

B. L. Gupta – Director

Mumbai, 29th June, 2007.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	SCHEDULE	(Rs. In Lacs)	
		For the year ended 31st March, 2007	For the year ended 31st March, 2006
INCOME			
Operational Income	11	5,642.26	4,665.21
Accretion/(Decretion) to Stocks	12	(33.10)	(572.98)
Other Income	13	370.30	81.17
		<u>5,979.46</u>	<u>4,173.40</u>
EXPENDITURE			
Raw Material and Components Consumed	14	3,240.84	2,504.85
Payments to and Provisions for Employees	15	515.56	353.56
Manufacturing Expenses	16	1,443.47	1,436.91
Administrative, Selling and Other Expenses	17	389.51	248.44
		<u>5,589.38</u>	<u>4,543.76</u>
PROFIT BEFORE INTEREST AND DEPRECIATION		390.08	(370.36)
Interest	18	39.62	85.94
PROFIT BEFORE DEPRECIATION AND AMORTISATION		350.46	(456.30)
Depreciation	6	99.08	138.82
Amortisation	19	58.70	18.71
NET PROFIT/(LOSS)		192.67	(613.83)
Less: Voluntary Retirement Scheme Expenses Written Off		691.06	274.04
Old & Obsolete Dies Written Off		199.01	171.67
Add : Other Extra Ordinary Gains / (Loss) (Net)		(322.38)	507.92
PROFIT / (LOSS) FOR THE YEAR		(1,019.78)	(551.62)
Excess Provision Written Back			
Prior Years' Adjustments (Net)	20	(4.92)	(20.90)
NET PROFIT / (LOSS) BEFORE TAX		(1,024.70)	(572.52)
Provision for Tax - Current Tax (Wealth Tax)		0.70	-
- Fringe Benefit Tax		19.15	10.07
- Deferred Tax (Refer Note No. 18)		10.55	198.55
PROFIT/(LOSS) AFTER TAX		(1,034.00)	(384.04)
Earlier years (short)/excess provision for Tax		(33.85)	-
Profit/(Loss) brought forward from previous year		(1,283.35)	(899.31)
Provision for Doubtful Debts & Advances		40.60	-
BALANCE CARRIED TO BALANCE SHEET		(2,391.80)	(1,283.35)
Basic / Diluted Earning Per Share +/- (Rs.) (Refer Note No. 24)		(7.48)	(3.86)
Notes Forming Part of The Accounts	21		

As per our Report of even date

For **Bansal & Associates**

Chartered Accountants

S. K. Bansal

Partner

Membership No. - 12288

Mumbai, 29th June, 2007.

On Behalf of the Board of Directors

Puneet Makar – Chairman

Yogiraj Makar – Director

Fali P. Mama – Director

Sunil Aggarwal – Director

B. L. Gupta – Director

Mumbai, 29th June, 2007.

Annual Report 2006-2007

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2007

		<i>(Rs. In Lacs)</i>	
		As at 31st March, 2007	As at 31st March, 2006
SCHEDULE-1			
SHARE CAPITAL			
AUTHORISED			
9,87,50,000	Equity Shares of Rs. 2 each	1,975.00	1,975.00
25,000	15% Redeemable Cumulative Pref. Shares of Rs.100 each	25.00	25.00
		2,000.00	2,000.00
ISSUED, SUBSCRIBED AND PAID-UP			
1,48,20,206	(1,48,20,206) Equity Shares of Rs 2 each fully paid up (out of the above, 30,00,000 Equity Shares have been issued as Bonus Shares by capitalisation of General Reserve, 24,68,370 Equity Shares have been issued to the shareholders of amalgamating Companies for consideration other than cash, and 2,80,000 Equity Shares have been allotted at par to one of the Financial Institutions on their exercising conversion option)	296.40	296.40
		296.40	296.40
SCHEDULE-2			
RESERVES AND SURPLUS			
CAPITAL RESERVE			
As per last Balance Sheet		16.26	16.26
CAPITAL REDEMPTION RESERVE			
As per last Balance Sheet		15.10	15.10
SECURITIES PREMIUM ACCOUNT			
As per last Balance Sheet		1,831.95	1,831.95
CAPITAL REORGANISATION RESERVE			
As per last Balance Sheet		-	-
<i>Add</i> : Created on Demerger of Chakan Plant		-	3,801.98
<i>Less</i> : Brought Forward Losses Adjusted		-	(3,801.98)
		-	-
GENERAL RESERVE			
As per last Balance Sheet		4,287.57	4,287.57
<i>Less</i> : Balance in Profit and Loss Account		2,391.80	1,283.35
		1,895.77	3,004.22
		3,759.08	4,867.53

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2007

		<i>(Rs. In Lacs)</i>	
		As at 31st March, 2007	As at 31st March, 2006
SCHEDULE-3			
SECURED LOANS			
DEBENTURES			
10,56,925	14% Secured Redeemable Non Convertible Debentures Part B of face value of Rs 65 each fully paid up	-	211.97
	Less: Calls in arrears	-	0.63
	(Due within one year Rs. Nil {Rs. 211.34 lacs})	-	211.34
		-	211.34
OTHER BORROWINGS			
	Working Capital Loans from Banks	-	611.28
	Other Loans	102.49	79.38
	(Due within one year Rs. 22.71 lacs {Rs.31.11 lacs})	102.49	690.66
		102.49	902.00

Note: For details of nature of security, etc., refer Note No. 2 of Schedule 21

SCHEDULE-4
UNSECURED LOANS

	Interest Free Sales Tax Loan (Due within one year Rs. 2.96 lacs {Rs. 2.96 lacs})	5.93	8.90
	From Bank & Financial Institution {Due within one year Rs. NIL - (Rs.-Nil)}	111.83	111.83
	From Companies	730.59	10.00
		848.35	130.73

SCHEDULE-5
CURRENT LIABILITIES & PROVISIONS
CURRENT LIABILITIES

	Sundry Creditors	1,078.85	879.80
	Advances from Customers	14.08	135.49
	Deposits	-	0.07
	Other Liabilities	224.03	780.82
		1,316.95	1,796.18

PROVISIONS:

	Gratuity	50.05	51.98
	Leave Encashment	12.48	16.05
		62.53	68.03
		1,379.48	1,864.21

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2007

SCHEDULE-6 : FIXED ASSETS

(Rs. In Lacs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	During the year		As at 31.03.2007	Upto 31.03.2006	For the Year	Deduction/ Adjustments	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
		Additions/ Adjustments	Deduction/ Adjustments							
Freehold Land	17.80	–	17.80	–	–	–	–	–	–	17.80
Leasehold Land	13.46	–	–	13.46	6.40	0.80	–	7.20	6.26	7.06
Buildings	926.34	0.41	318.99	607.76	206.38	14.46	142.47	78.37	529.39	719.96
Plant & Machinery and Electrical Installations*	2,194.11	60.41	818.81	1,435.71	1,557.30	45.41	525.95	1,076.76	358.95	636.81
Furniture Fixtures and Office Equipment	332.49	6.93	33.19	306.23	62.59	18.70	24.42	56.87	249.36	269.90
Vehicles **	313.91	80.67	155.48	239.10	152.71	19.71	94.20	78.22	160.88	161.20
Grand Total	3,798.11	148.42	1,344.27	2,602.26	1,985.38	99.08	787.04	1,297.42	1,304.84	1,812.73
Previous Year	10,050.55	797.89	7,050.33	3,798.11	5,447.87	138.82	3,601.31	1,985.38	1,812.73	4,602.68

- Notes:** 1) *Building include Rs. 0.05 Lacs being cost of shares in Co-operative Housing Societies.
2) ** Includes Rs. 196.47 Lacs (157.83) Lacs purchased on Loan against Hypothecation of Vehicles.

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2007

		(Rs. In Lacs)		
		As at 31st March, 2007	As at 31st March, 2006	
SCHEDULE-7				
INVESTMENTS Non-Trade				
Long Term (Quoted) (At Cost)				
Equity Shares (Fully paid up)				
800	(800)	Shares of Rs.10/- each in Firth (India) Steel Co. Ltd.	0.12	0.12
0	(400)	Shares of Rs.10/- each in Eicher Motors Ltd.	-	0.32
11250	(Nil)	Shares of Rs.2/- each fully paid in EIH Ltd.	9.13	-
23500	(Nil)	Shares of Rs.10/- each fully paid up in MTNL	44.46	-
5000	(Nil)	Shares of Rs.10/- each fully paid up in Reliance Petroleum Ltd.	3.77	-
			57.48	0.44
Current (Unquoted) (Fully paid up)				
In Units of Mutual Fund				
NIL	(3805969.092)	Units of Rs.10/- each of Templeton Floating Rate Income Fund-Short Term Growth	-	474.55
Nil	(1084062.546)	Units of Rs.10/- each of DSP Merrill Lynch Floating Rate Fund-Regular Plan-Growth	-	125.00
Nil	(22131.38)	Units of Rs.10/- each of HDFC Liquid Fund - Growth	-	3.00
1000000	(1000000)	Units of Rs.10/- each of Reliance Equity Fund - Growth	100.00	100.00
5,20,978.847	(Nil)	Units of Rs.10/- each of JM Arbitrage Advantage Fund	52.12	-
5,00,000	(NIL)	Units of Rs.10/- each of Prudential ICICI FMP Series - 35	50.00	-
20,00,000	(NIL)	Units of Rs.10/- each of Tata Fixed Horizon Fund - Series - 9 - Scheme A	200.00	-
Debentures (Unquoted)				
10,00,000	(NIL)	Unsecured Non Convertible Debentures of Rs.102/- each of Edelweiss Securities Pvt. Ltd. - 18 Months Nifty Linked Debentures	10.20	-
			412.32	702.55
			469.80	702.99
1. Aggregate of quoted investments - Cost			57.48	0.44
- Market Value			48.63	1.22
2. Aggregate cost of unquoted investments			412.32	702.55
Movements of Investments during the year:				
		Units Purchased/Redeemed	Purchase Value	Redeemed Value
DSP Merrill Lynch Mutual Fund		1,084,063	-	127.19
DSW Money Plus Fund		402,701	40.00	40.00
HDFC Cash Management Fund - Savings Plan		2,711,414	285.00	285.00
HDFC Cash Management Fund - Savings Plus Plan		349,510.22	35.00	35.00
HDFC Liquid Fund		22,131	-	3.13
Std. Chartered Liquidity Manager Fund		51,366	5.10	5.14
Templeton Floating Rate Income Fund		5,954,483	275.00	759.26
Templeton Treasury Management Fund		13,260	200.00	200.54
		10,588,928	840.10	1,455.26

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SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2007

	<i>(Rs. In Lacs)</i>	
	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE-8		
CURRENT ASSETS		
INVENTORIES (as certified by a Director)		
Raw Materials & Components (including in transit) (at cost)	226.10	134.04
Work in Progress (at estimated cost)	97.21	191.44
Finished Goods (lower of cost or net realisable value)	274.18	213.05
Stores and Spares (at cost)	63.34	150.16
Die Room Inventory:		
- Die Steel Blocks (at cost)	31.11	30.31
- Dies (at cost, less amortisation/write offs)	100.73	369.80
	<u>792.66</u>	<u>1,088.80</u>
SUNDRY DEBTORS (Unsecured)		
Over six months		
- Considered Good	247.43	749.15
- Considered Doubtful	67.83	27.23
	<u>315.26</u>	<u>776.38</u>
Other Debts		
- Considered Good	899.48	649.07
	<u>1,214.74</u>	<u>1,425.45</u>
Less : Provision for Doubtful Debts	67.83	27.23
	<u>1,146.91</u>	<u>1,398.22</u>
CASH AND BANK BALANCES		
Cash on hand	25.40	22.65
Balance with Scheduled Banks		
- In Current Account	181.46	177.07
- In Fixed Deposit Account	375.00	517.94
- In Margin Money Deposit Account	9.62	1.51
	<u>591.48</u>	<u>719.17</u>
	<u>2,531.05</u>	<u>3,206.19</u>
SCHEDULE-9		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Due from Employees	12.70	14.43
Advances recoverable in cash or in kind or for value to be received	439.52	474.54
Interest Accrued on Investments	21.71	0.38
Inter Corporate Deposits	1,041.35	583.44
Balances with Central Excise Department	34.31	48.18
Deposits	58.66	96.87
Advance payment against taxes (Net)	65.41	19.21
	<u>1,673.66</u>	<u>1,237.05</u>
SCHEDULE-10		
MISCELLANEOUS EXPENDITURE		
Preliminary Expenses		
Opening Balance	27.17	16.31
Add : Addition During the year	31.53	29.57
Less : Amortised During the year	58.70	18.71
Closing Balance	-	27.17
Deferred Revenue Expenditure		
Opening Balance	688.06	436.94
Add : Addition During the year	3.00	525.16
Less : Written off During the year	691.06	274.04
Closing Balance	-	688.06
	-	715.23

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2007

	(Rs. In Lacs)	
	For the year ended 31st March, 2007	For the year ended 31st March, 2006
SCHEDULE-11		
OPERATIONAL INCOME		
Domestic Sales	4,784.06	3,903.99
Export Sales	265.54	216.52
Export Incentives	7.97	7.13
Job Work	58.52	69.62
Scrap Sales	381.05	393.87
Sales Tax Set off	145.11	74.08
	<u>5,642.26</u>	<u>4,665.21</u>
SCHEDULE-12		
ACCRETION/(DECRETION) TO STOCKS		
OPENING STOCK - Work in Progress	191.44	159.74
- Finished Goods	213.05	817.73
	<u>404.49</u>	<u>977.47</u>
CLOSING STOCK - Work in Progress	97.21	191.44
- Finished Goods	274.18	213.05
	<u>371.39</u>	<u>404.49</u>
	<u>(33.10)</u>	<u>(572.98)</u>
SCHEDULE-13		
OTHER INCOME		
Dividend Received	10.19	0.02
Interest on Investment (Gross) (T.D.S. Rs. 38.96 Lacs [Rs. 8.73 Lacs])	176.27	43.56
Profit on Sale of Investments - Long Term	1.16	11.13
Profit on Sale of Investments - Short Term (Net)	17.39	-
Miscellaneous Sale	10.59	8.43
Miscellaneous Income (Refer Note No.22)	154.71	18.03
	<u>370.30</u>	<u>81.17</u>
SCHEDULE-14		
RAW MATERIALS & COMPONENTS CONSUMED		
Opening Stock	134.04	225.12
Add: Purchases	3,332.90	2,413.77
	<u>3,466.94</u>	<u>2,638.89</u>
Less: Closing Stock (Including in Transit)	226.10	134.04
	<u>3,240.84</u>	<u>2,504.85</u>
SCHEDULE-15		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages, Bonus etc.	447.66	343.65
Contribution to Provident and other Funds	44.29	44.36
Workers & Staff Welfare Expenses	23.61	(34.45)
	<u>515.56</u>	<u>353.56</u>
SCHEDULE-16		
MANUFACTURING EXPENSES		
Sub Contract Work	260.36	266.67
Power, Fuel and Oil	636.36	526.65
Dies Consumed / Amortized	92.19	137.23
Stores and Tools Consumed	88.22	165.52
Excise Duty	317.65	275.26
Lease Rentals	0.79	0.29
Machinery Repairs	43.45	61.58
Building Repairs	4.46	3.71
	<u>1,443.47</u>	<u>1,436.91</u>

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SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH 2007

	<i>(Rs. In Lacs)</i>	
	For the year ended 31st March, 2007	For the year ended 31st March, 2006
SCHEDULE-17		
ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Rent, Rates & Taxes	44.00	28.34
Insurance	6.98	9.41
Commission on Sales	-	0.14
Freight and Packing	77.47	76.33
General Repairs	14.75	13.30
Printing & Stationery	14.81	12.74
Professional Fees	79.90	73.74
Telephone Expenses	9.34	11.11
Travelling & Conveyance	66.35	82.39
Cash Discounts	-	2.98
Exchange Rate Fluctuation (Net)	-	4.37
Other Expenses	75.90	(66.41)
	<u>389.51</u>	<u>248.44</u>
 SCHEDULE-18		
INTEREST		
Debentures	5.18	29.52
Others	34.44	56.42
	<u>39.62</u>	<u>85.94</u>
 SCHEDULE-19		
AMORTISATION		
Preliminary Expenses	58.70	18.71
	<u>58.70</u>	<u>18.71</u>
 SCHEDULE-20		
PRIOR YEAR ADJUSTMENTS		
Others (Net)	(4.92)	(20.90)
	<u>(4.92)</u>	<u>(20.90)</u>

SCHEDULE-21**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007****1. Significant Accounting Policies :***(i) Method of Accounting*

The financial statements are prepared under the historical cost convention as a going concern and on accrual basis, except for claims receivable/payable, which are accounted if there are no significant uncertainties.

(ii) Fixed Assets and Depreciation

Fixed assets are stated at cost. The Company capitalizes all costs relating to acquisition and installation of fixed assets. Depreciation on the fixed assets is charged on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

Free hold land is stated at cost. Cost of leasehold land is amortized over the period of lease.

(iii) Investments

Long term investments are stated at cost. Provision is made for diminution in the value of long term investment if such diminution is perceived as permanent in nature.

Current Investments are stated at lower of cost or market value, to the Company.

(iv) Inventories

Raw Material & Components, Stores and Spares, Die Steel Blocks are valued at cost. Cost is reckoned on "FIFO" basis.

Work in Progress is valued at estimated cost.

Finished Goods are valued at lower of cost or net realizable value.

Dies are valued at cost, less amortization / write offs based on expected life and usage till the year end.

(v) Foreign Currency Transactions

Foreign currency current assets and liabilities outstanding at the year-end are restated at the year-end rates. Loss or gain arising on such re-statement is recognized in the Profit and Loss Account.

Exchange difference arising on translation of foreign currency loans availed for acquisition of fixed assets is adjusted in the carrying amount of the respective fixed assets and in respect of others, such exchange difference is recognized as income or expense in the period in which they arise. In respect of transactions covered by forward contracts, the difference between the contract rate and the spot rate on the date of transaction is charged to the Profit and Loss Account over the period of the contract.

(vi) Miscellaneous Expenditure

(a) Preliminary expenses are written off over a period of ten years.

(b) Revenue expenditure of significant and enduring nature, benefit of which is likely to accrue beyond one accounting year, such as Deferred Revenue Expenditure etc. is amortized over the period of the benefit. The amount paid to employees under Voluntary Retirement Scheme (VRS) is written off over a period of five years.

(vii) Sales

Sales are inclusive of excise duty but exclude sales tax.

Domestic sales are accounted on the basis of dispatch from the factories. Export sales are accounted on the basis of the date of Bills of Lading.

(viii) Export Benefits

In respect of exports, where duty paid/indigenous material has been used in anticipation of receipt of duty free material subsequently imported under the Advance License Scheme, the excess cost of duty paid/indigenous material over the cost of duty free material is credited to Profit and Loss Account in the year of exports; and is charged to revenue when such duty free material is consumed.

In respect of exports made under Duty Entitlement Pass Book Scheme, the eligible benefits at notified rates are credited to the Profit & Loss Account in the year of export; and charged to revenue when these benefits are utilized for imports or are sold.

(ix) Retirement Benefits

(a) Gratuity and Leave Encashment:

Liability for gratuity and leave encashment is actuarially valued at the year end and accounted on accrual basis.

Liability for gratuity is funded with an approved gratuity fund.

(b) Superannuation:

Contributions, in respect of superannuation scheme, the contributions to the fund are charged off to Profit and Loss account on accrual basis.

(x) Taxation

Provision for Income Tax comprises of current tax and deferred tax charge or release. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being difference between taxable and accounting income / expenditure that originate in one period and are capable of reversal in one or more subsequent period(s). The management is of the opinion that sufficient future taxable income will be available against which, such deferred tax assets will be realized.

2. Borrowings & Securities

- (i) 14% Secured Redeemable Non-Convertible portion (Part B) Debentures of original face value of Rs. 65/- each (Series IV). After three annual redemption of Rs. 15/- each, balance face Value of Rs. 20/- each are secured by a second and subservient mortgage and charge on the Company's movable & immovable properties situated at Chhatral in the State of Gujarat, subject to subsequent and subservient charge created in favour of the Company's bankers for the working capital facilities extended to the Company. The Debentures were further secured by a *pari passu* first charge and mortgage on Company's immovable properties situated in Chinchwad (M I D C lease properties) in the State of Maharashtra and also by a charge on moveable properties, save and except stocks and book debts. The fourth and final redemption amount of Rs. 20/- each in respect of Public Debentures were due and redeemed in full on 13th August, 2006, vide Special Resolution passed in the meeting of Debenture holders held on 25th July, 2003. Since the issue of Debentures, the Company has bought back 209150 Debentures at par value of Rs.65/- per Debenture. All the charges against such Debentures have been released.
- (ii) The working capital facilities from a Bank was secured on first *pari passu* charge basis against joint hypothecation of Company's entire stocks of Raw Material, Work-in-Process, Finished Goods, Spares, Stores, Packing Material, Book Debts and Other Current Assets and Second *Pari Passu* Charge on Fixed Assets and personally guaranteed by some of the Directors. Last year the Bank had filed a suit against the Company to recover its dues from the Company. Subsequently, as per the Composite Scheme of Arrangements (Demerger), the Company along with Demerged Company namely Mahindra Forgings Ltd. (MFL) formerly known as Mahindra Automotive Steels Pvt. Ltd. (MASPL) has already settled the dues during the year. The bank has released all the relevant securities / guarantees and also issued No Due Certificate to this effect.
- (iii) Other Loans include Vehicle / Machinery Loans, which are secured by exclusive hypothecation of such Asset. Machinery Loan is additionally secured by personal guarantee of one of the Directors.
- (iv) In terms of Scheme of Demerger, Mahindra Forgings Ltd. (MFL) (Formerly known as Mahindra Automotive Steels Pvt. Ltd.) has agreed to Guarantee to discharge Debt of Rs. 834.50 lacs of the remaining business as of the appointed date i.e. 1st April, 2005 and also agreed to guarantee payment of interest on the above said debts from the appointed date. Pursuant to this, MFL has discharged a debt of Rs. 722.67 lacs during the year.
3. Income-tax assessments have been completed upto Assessment Year 2004-05 (A.Y. 2003-04). No further demands have been raised / envisaged.

(Rs. in Lacs)

4. Contingent Liabilities not provided for	As at 31st March, 2007	As at 31st March, 2006
(i) Bank Guarantees outstanding in favour of the Government and other parties	9.44	1.04
(ii) Towards Excise Duty demands against which the Company has preferred appeal	352.92	346.35
(iii) Towards Custom Duty demands against which the Company has preferred appeal	120.68	120.68
(iv) Claims against the Company not acknowledged as debts	96.73	110.73
(iv) Others	Nil	19.12

5. Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 4.24 lacs (Rs.419.50 lacs).
6. Advances recoverable in cash or in kind include Rs. 151.66 lacs (Rs.151.66 lacs) towards expenses incurred/payments to a consultants' firm for performance improvement program at one of the Company's plants. Since in view of management, the consultants have not achieved and delivered the mutually agreed upon projected results, the Company has filed a suit for recovery of the amounts paid/expenses incurred along with compensation for damages. The Company has also deposited Rs. 73.12 lacs with the Hon'ble Bombay High Court.
7. Sales / Job-work Income and Purchases / Sub-contract expenses Excludes Rs. Nil (Rs. 382.79 lacs) towards Inter-Unit transfer of goods.

8. Payments to and provisions for employees/Professional Fees include remuneration to Chairman and Managing / Whole Time / Non executive Director	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
(i) Salary	9.00	18.00
(ii) Technical / Professional Fees	* 19.50	18.00
(iii) Perquisites	3.31	3.91
(iv) Contribution to Provident / Superannuation / Gratuity Fund	0.72	1.44
TOTAL	32.53	41.35

* Subject to approval at ensuing General Meeting.

9. Other Expenses includes	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
(i) Donations	0.48	0.50
(ii) Directors' Sitting Fees	1.16	1.74
10. Auditors' Remuneration		
(i) Audit Fees	1.50	1.50
(ii) Tax Audit Fees	0.50	0.50
(iii) Certifications/Limited Review Reports	0.35	0.66
(iv) Reimbursement of expenses	0.25	0.25
(v) Service Tax & Education Cess	0.31	0.31
TOTAL	2.91	3.22

11. Capacities and Production	Unit	Licensed Capacity	Installed Capacity (3 shifts basis)	Production
Forging	M.T.	– (–)	7,200 (7,200)	5,886 (4,525)
Heat Treatment	M.T.	– (–)	– (–)	4 (51)
Connecting Rod	Nos.	N.A. (N.A.)	4,20,000 (4,20,000)	Nil (2,59,982)

(i) Installed Capacity being a technical matter, is as certified by a Director and relied upon by the Auditors.

(ii) Heat Treatment facilities are utilized mainly for Internal processing / captive consumption.

12. Turnover, Opening and Closing Stocks		(Value in Rs. Lacs)					
	Unit	Turnover		Opening Stock		Closing Stock	
		Qty	Value	Qty	Value	Qty	Value
Forging	M.T.	6,157 (5,665)	5,049.26 (3,656.46)	487 (1,471)	213.05 (1,478.82)	216 (487)	274.18 (213.05)
Heat Treatment	M.T.	4 (51)	0.34 (1.49)	– (–)	– (–)	– (–)	– (–)
Connecting Rod	Nos.	– (2,59,982)	– (462.56)	– (–)	– (–)	– (–)	– (–)
TOTAL			*5,049.60 (4,120.51)		213.05 (1,478.82)		274.18 (213.05)

* Excludes Rs. Nil lacs (Rs. 382.79 lacs) towards inter unit transfers.

13. Raw Materials & Components Consumed	M.T.	Rs. in Lacs
Steel	8,711 (6799)	3,240.84 (2504.85)
Total		3,240.84 (2504.85)

* Excludes Rs. Nil (Rs. 382.79 Lacs), being Inter-unit transfers.

14. Value of Raw Material and Components Consumed	Raw Material (Steel)	
	Rs. in Lacs	%
Indigenous	3,240.84 (2,504.85)	100 (100)

Annual Report 2006-2007

15. Value of Imports (C.I.F.)	(Rs. in Lacs)
Capital Goods	65.61 (16.13)
16. Earnings in Foreign Exchange	
Exports (F.O.B. Value)	259.42 (209.39)
17. Expenditure in Foreign Currency	
Foreign Travel	10.26 (13.06)

18. In terms of Accounting Standard - 22, issued by the Institute of Chartered Accountants of India, (Accounting for Taxes on Income). For the current year, Deferred Tax Assets of Rs. 10.55 Lacs (Deferred Tax Asset of Rs.198.55 lacs) has been recognized in the Accounts as the management is of the opinion that the Company will be able to utilize the balance Deferred Tax Asset against future taxable income as per the applicable current Income Tax Laws.

The major components of the Deferred Tax Assets as on 31st March, 2007 based on the tax effects of the timing differences, are as follows :

	Current Year	(Rs. in Lacs) Previous Year
a. Timing Difference of Depreciation between Taxation & Books of Accounts	(199.95)	(447.92)
b. Unabsorbed Depreciation	359.57	311.53
c. Carried Forward Business Losses	179.67	454.18
d. Others	49.63	60.58
Total	388.92	378.37

19. In terms of Accounting Standard - 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India, The Company has operated in only one segment i.e. Forgings.

20. During the year Company has changed its accounting policy in writing off Miscellaneous Expenditure in respect of the following :

- (a) Hitherto, the Company was writing off Deferred Revenue Expenses (Voluntary Retirement Scheme expenses (VRS)) over a period of five years in accordance with the provisions of the Income Tax Act. During the year the Company has decided to write off the full amount of VRS expenses. The Company has incurred expenditure on VRS to the employees during the year to the extent of Rs. 3.00 Lacs (Rs. 525.17 Lacs). The Company has written off VRS expenditure of Rs. 691.06 lacs, including Rs. 440.98 lacs of additional expenses during the current year (Rs. 274.04 Lacs).
- (b) The Company has decided to amortise fully the entire balance of Preliminary / Deferred Revenue Expenses, which were hitherto, amortised over a period of five years. The additional amount of Rs. 43.96 lacs after current year's charge of Rs. 14.74 lacs has been amortised during the year.

In view of above, the loss for the current year is higher by Rs. 484.94 lac.

21. (a) Other Extra Ordinary Gains / (Loss) have arisen on disposal of certain assets of the closed unit / division of the Company and include Rs. 482.24 lacs as bad debts written off during the year.
- (b) The Company sold its factory land situated at Khopoli. It also disposed off its other remaining assets at Bhandup and Faridabad and Profit / (Loss) accounted for accordingly.
- (c) During the year, certain debts amounting to Rs. 9.69 lacs, which are legally disputed, have been written off as a prudent measure. The amounts recovered, if any, will be treated as income of the year in which they will be received.

22. During the year, the Company has signed a Non - Compete Agreement with Mahindra Forgings Ltd. to receive Non Compete Fees of Rs. 200 lacs, of which Rs. 100 lacs have been received during the year and the same has been included in the Other Income & pending approval at ensuing general meeting. The balance amount of Rs. 100 lacs shall accrue and become receivable only after fulfillment of certain conditions as per the agreement. The same will be accounted for as and when received by the Company.

23. Related Party Disclosures as required by Accounting Standard - 18 issued by the Institute of Chartered Accountants of India, are given below :

A. Relationships :

- | | |
|--|---|
| a) Associates / Group Companies / Firm | (i) Nainesh Investment & Trading Co. Pvt. Ltd. |
| | (ii) Viniyog Investment & Trading Co. Pvt. Ltd. |
| | (iii) Devidass Private Ltd. |
| | (iv) Makar Estates |
| b) Key Management Personnel | (i) Mr. Yogiraj Makar |
| | (ii) Mr. Puneet Makar |
| | (iii) Mr. Fali P. Mama |
| | (iv) Mrs. Reshma Makar |

B. The following transactions were carried out with the related parties:

	Current Year (Rs. In Lacs)	Previous Year (Rs. In Lacs)
(i) Payment of Remuneration / Fees	32.53	41.35
(ii) Payment of Interest	0.96	10.52
(iii) Payment of Rent	29.70	12.20
(iv) Inter Corporate Deposit Borrowed	-	243.00
(v) Inter Corporate Deposit Redeemed	2.00	472.00

24. Calculation of Basic & Diluted Earning Per Share as per Accounting Standard - 20 (Earning Per Share) issued by the Institute of Chartered Accountants of India :

	As at 31.03.2007	As at 31.03.2006
Net Profit (Loss) (Rs. in Lacs)	(1,108.45)	(572.52)
Weighted Average number of Equity Shares outstanding during the year (Nos.)	1,48,20,206	1,48,20,206
Nominal Value per Share (Rs.)	2	2
Basic & Diluted Earning per Share +/- (Rs.)	(7.48)	(3.86)

25. In the absence of information from suppliers as to their status, the Company does not possess a list of small scale suppliers. It is therefore not possible to determine the amount due and interest (if any) thereon as required by "The Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993".

26. Balances of Sundry Debtors and Creditors are subject to confirmation.

27. The Company has been taking adequate steps to appoint a Company Secretary since the vacation of the post from April, 2006.

28. Figures for the previous year have been regrouped and rearranged wherever necessary.

SIGNATURES TO SCHEDULES 1 TO 21

As per our Report of even date
For **Bansal & Associates**
Chartered Accountants
S. K. Bansal
Partner
Membership No. - 12288

Mumbai, 29th June, 2007.

On Behalf of the Board of Directors
Puneet Makar – Chairman
Yogiraj Makar – Director
Fali P. Mama – Director
Sunil Aggarwal – Director
B. L. Gupta – Director

Mumbai, 29th June, 2007.

INFORMATION PURSUANT TO PART - IV OF THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">9</td></tr> </table>			1	5	1	1	9	State Code	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">1</td></tr> </table>	1	1
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Balance Sheet Date	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">7</td></tr> </table>	3	1	0	3	0	7					
3	1	0	3	0	7							
	Date Month Year											

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue						
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N	I	L					
N	I	L					
Bonus Issue	Private Placement						
<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">N</td><td style="width: 20px; height: 20px; text-align: center;">I</td><td style="width: 20px; height: 20px; text-align: center;">L</td></tr> </table>	N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">N</td><td style="width: 20px; height: 20px; text-align: center;">I</td><td style="width: 20px; height: 20px; text-align: center;">L</td></tr> </table>	N	I	L
N	I	L					
N	I	L					

III. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">6</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">2</td></tr> </table>		5	0	0	6	3	2	Total Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">6</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">2</td></tr> </table>		5	0	0	6	3	2
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	5	0	0	6	3	2											
Sources of Funds																	
Paid-up Capital	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">9</td><td style="width: 20px; height: 20px; text-align: center;">6</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">0</td></tr> </table>		2	9	6	4	0	Reserves & Surplus	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">9</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">8</td></tr> </table>		3	7	5	9	0	8	
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	3	7	5	9	0	8											
Share Application Money	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">N</td><td style="width: 20px; height: 20px; text-align: center;">I</td><td style="width: 20px; height: 20px; text-align: center;">L</td></tr> </table>				N	I	L	Unsecured Loans	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">8</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">8</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">5</td></tr> </table>		8	4	8	3	5		
			N	I	L												
	8	4	8	3	5												
Secured Loans	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">9</td></tr> </table>		1	0	2	4	9										
	1	0	2	4	9												
Application of Funds																	
Net Fixed Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">8</td></tr> </table>		1	3	2	2	3	8	Investments	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">6</td><td style="width: 20px; height: 20px; text-align: center;">9</td><td style="width: 20px; height: 20px; text-align: center;">8</td><td style="width: 20px; height: 20px; text-align: center;">0</td></tr> </table>		4	6	9	8	0	
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Net Current Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">8</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">2</td></tr> </table>		2	8	2	5	2	2	Deferred Tax Asset	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">8</td><td style="width: 20px; height: 20px; text-align: center;">8</td><td style="width: 20px; height: 20px; text-align: center;">9</td><td style="width: 20px; height: 20px; text-align: center;">2</td></tr> </table>		3	8	8	9	2	
	2	8	2	5	2	2											
	3	8	8	9	2												
Misc. Expenditure	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">N</td><td style="width: 20px; height: 20px; text-align: center;">I</td><td style="width: 20px; height: 20px; text-align: center;">L</td></tr> </table>				N	I	L	Accumulated Loss	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">N</td><td style="width: 20px; height: 20px; text-align: center;">I</td><td style="width: 20px; height: 20px; text-align: center;">L</td></tr> </table>				N	I	L		
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IV. Performance of the Company (Amount in Rs. Thousands)

Turnover (Gross Revenue)	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">5</td><td style="width: 20px; height: 20px; text-align: center;">9</td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">9</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">6</td></tr> </table>		5	9	7	9	4	6	Total Expenditure	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">6</td></tr> </table>		7	0	0	4	1	6		
	5	9	7	9	4	6													
	7	0	0	4	1	6													
Profit / (Loss) before Tax	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">(</td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">)</td></tr> </table>	(1	0	2	4	7	0)	Profit / (Loss) after Tax	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px; text-align: center;">(</td><td style="width: 20px; height: 20px; text-align: center;">1</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">0</td><td style="width: 20px; height: 20px; text-align: center;">)</td></tr> </table>	(1	0	3	4	0	0)
(1	0	2	4	7	0)												
(1	0	3	4	0	0)												
Earning per Share in Rs.	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">(</td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">.</td><td style="width: 20px; height: 20px; text-align: center;">4</td><td style="width: 20px; height: 20px; text-align: center;">8</td><td style="width: 20px; height: 20px; text-align: center;">)</td></tr> </table>		(7	.	4	8)	Dividend Rate (%)	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">N</td><td style="width: 20px; height: 20px; text-align: center;">I</td><td style="width: 20px; height: 20px; text-align: center;">L</td></tr> </table>				N	I	L			
	(7	.	4	8)													
			N	I	L														

V. Generic Name of the Principal Products/Services of the Company

Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">7</td><td style="width: 20px; height: 20px; text-align: center;">3</td><td style="width: 20px; height: 20px; text-align: center;">2</td><td style="width: 20px; height: 20px; text-align: center;">6</td><td style="width: 20px; height: 20px; text-align: center;">9</td><td style="width: 20px; height: 20px; text-align: center;">0</td></tr> </table>					7	3	2	6	9	0
				7	3	2	6	9	0		
Product Description	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px; text-align: center;">F</td><td style="width: 20px; height: 20px; text-align: center;">O</td><td style="width: 20px; height: 20px; text-align: center;">R</td><td style="width: 20px; height: 20px; text-align: center;">G</td><td style="width: 20px; height: 20px; text-align: center;">I</td><td style="width: 20px; height: 20px; text-align: center;">N</td><td style="width: 20px; height: 20px; text-align: center;">G</td><td style="width: 20px; height: 20px; text-align: center;">S</td></tr> </table>			F	O	R	G	I	N	G	S
		F	O	R	G	I	N	G	S		

For and on behalf of the Board of Directors

Puneet Makar

Chairman

Mumbai, 29th June, 2007.

CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2007

	(Rs. in Lacs)	
	For the Year ended 31st March, 2007	For the Year ended 31st March, 2006
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	192.67	(613.83)
Adjustments for :		
Depreciation	99.08	138.82
VRS Expenditure W/off	(691.06)	292.75
Amortisation	58.70	-
Interest on Borrowings	39.62	85.94
Interest / Dividends Received (Net)	(147.50)	(34.85)
Net Profit on Sale of Assets, Extraordinary Items etc. (Net)	(322.38)	(507.92)
Profit on sale of Investments	(18.55)	(11.13)
Earlier years Expenditure	(4.92)	(20.90)
Bad Debts & Others Write offs / Provisions	-	(171.67)
Provision for Wealth Tax/Fringe Benefit Tax	(43.15)	10.07
	(1,030.16)	(218.89)
Operating Profit Before Working Capital Changes	(837.49)	(832.72)
Adjustments for :		
Trade and Other Receivables *	(139.10)	778.02
Inventories *	296.14	(1,767.28)
Trade and Other Payables *	(484.73)	411.69
	(327.69)	(577.57)
Cash Generated from Operations	(1,165.17)	(1,410.29)
Direct Taxes / TDS	(80.05)	6.23
Interest on Borrowings	(39.62)	(85.94)
	(119.67)	(79.71)
Net Cash Generated in Operating Activities (A)	(1,284.84)	(1,490.00)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(157.65)	(981.01)
Purchase of Investments	(369.68)	(702.55)
Sale of Fixed Assets *	(1,031.98)	5,603.98
Sale of Investments	621.42	(170.08)
Interest / Dividends Received (Net)	147.50	34.85
Misc. / Deferred Revenue Exp. incurred / w/off	(34.53)	(554.74)
Net Cash from Investment Activity (B)	1,239.03	3,230.45
CASH FLOW FROM FINANCING ACTIVITIES		
Change in Borrowings - Secured Loans *	(799.51)	(12.12)
Change in Borrowings - Unsecured Loans *	717.62	(2,926.96)
Cash from Financing Activity (C)	(81.89)	(2,939.08)
Net Increase / (Decrease) in Cash and Cash Equivalent (A+B+C)	(127.69)	(1,198.63)
Cash or Cash Equivalent as on 1st April, 2006 (Opening Balance)	719.17	1,917.80
Cash or Cash Equivalent as on 31st March 2007 (Closing Balance)	591.48	719.17
Net Increase / (Decrease) in Cash and Cash Equivalent	(127.69)	(1,198.63)

* Previous year figures Includes amounts transferred to Mahindra Automotive Steels Pvt. Ltd. (MASPL) under Scheme of Demerger.

For and on Behalf of the Board of Directors
Puneet Makar
Chairman

Mumbai, 29th June, 2007.

AUDITORS' CERTIFICATE

We have verified the above Cash Flow Statement of **Amforge Industries Limited** derived from the Audited Financial Statements for the year ended March 31, 2007 and found the same to be drawn in accordance with the requirement of Clause 32 of the listing Agreements with Stock Exchanges.

For **Bansal & Associates**
Chartered Accountants

S. K. Bansal
Partner

Mumbai, 29th June, 2007.

Membership No. - 12288



AMFORGE INDUSTRIES LIMITED

Regd. Office : United Bank of India Bldg., 6th Floor, Sir P. M. Road, Fort, Mumbai - 400 001.

ATTENDANCE SLIP

To be handed over at the entrance of the venue.

D.P. Id

Folio No.

Client Id

Name and Address of the Shareholder:

No. of Share(s) held:

I hereby record my presence at the **35th ANNUAL GENERAL MEETING** of the Company at Maharashtra Chamber of Commerce and Industry, Babasaheb Dahanukar Sabhagriha, Oricon House, 6th Floor, 12, K. Dubhash Road, Fort, Mumbai - 400 001 on Thursday, the 27th September, 2007 at 2.30 p.m.

Signature of the Shareholder or Proxy
(To be signed at the time of handing over this slip)

----- (CUT ALONG) -----



AMFORGE INDUSTRIES LIMITED

Regd. Office : United Bank of India Bldg., 6th Floor, Sir P. M. Road, Fort, Mumbai - 400 001.

PROXY FORM

D.P. Id

Folio No.

Client Id

I/We of
..... being a member/members of Amforge Industries Limited
hereby appoint of
..... or failing him
of
or failing him of
..... as my/our proxy to attend and vote for me/us on
my/our behalf at the 35th Annual General Meeting to be held on Thursday, the 27th September, 2007 at 2.30
p.m. or any adjournment thereof.

Please affix
Re. 1.00
Revenue
Stamp here

Signed this day of 2007.

The Companies Act, 1956 lays down that an instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.

BOOK - POST

To,

If undelivered, please return to :

Amforge Industries Limited

United Bank of India Bldg.,
6th Floor, Sir P. M. Road,
Fort, Mumbai - 400 001.

SDP Mumbai. Telefax: 022-24126570