

Annual Report 2005-2006

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Board of Directors

R J Shahaney
Chairman

D G Hinduja (Alternate : Y M Kale)
Vice Chairman

D J Balaji Rao

F J Colon Martinez (Alternate: G Sagone)

Pravin N Ghatalia

H Klingele (upto 30/1/2006)

S Ragothaman

F Sahami

R Seshasayee

Stephen Young (from 25/07/2005)

Anders Spare (from 30/1/2006)

V Mahadevan, Managing Director

Company Secretary

N Kothandapani

Bankers

State Bank of India
Standard Chartered Bank
Bank of America
Union Bank of India
ICICI Bank Limited
State Bank of Travancore
IDBI Bank Limited

Auditors

Fraser & Ross
Chartered Accountants

S R Batliboi & Associates
Chartered Accountants

Registered Office

Ennore, Chennai 600 057

Works

Ennore, Chennai 600 057
Ductron Castings Unit, Uppal, Hyderabad 500 039



Rs.Lakhs

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
Income and Dividend					
Sales/Operating Income (Note 1)	32952	22268	18508	13162	12448
Other Income	602	256	35	17	18
Total Income	33554	22524	18543	13179	12466
Operating Profit	3621	2315	1445	-683	917
Profit/Loss(-) Before Tax	2241	1419	423	-1668	123
Profit/Loss(-) After Tax	1396	1308	418	-1656	95
Dividend including Tax (Note 2)	348	-	-	-	-
Assets Employed					
Net Fixed Assets @	10930	4277	4448	4220	4115
Net Current Assets	6968	3280	1832	1493	2734
Other Assets/Expenditure Not written off	226	433	642	867	159
Total	18124	7990	6922	6580	7008
Financed by					
Net worth @	10847	4176	3031	1779	3475
Borrowed Funds	6662	3814	3891	4801	3521
Deferred Tax Liability	615	-	-	-	12
Total	18124	7990	6922	6580	7008
General					
Sales Units - Tonnes	62442	39863	37048	29548	29248
Earnings per share - Rs	8.67	9.99	3.61	-26.6	1.4
Book value per share - Rs	51.23	24.68	7.82	4.12	29.09
@ includes addition on Revaluation of Fixed Assets	437	516	679	846	886

Note:

1. The figures for 2005-06 include the operating results of Ductron Castings Unit, Hyderabad and hence not comparable with that of 2004-05.
2. Preference Dividend for the years 1998-99, 1999-00 and 2000-01 declared in 2005-06 to Cumulative Redeemable Preference Shareholders



Your Directors are pleased to present the Fortysixth Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2006.

Financial Results	Rs. Lakhs	Rs. Lakhs
	2005-06	2004-05
Profit/(Loss)	2241.31	1419.47
less: Provision for Taxation	845.00	111.00
Profit/(Loss) after tax	1396.31	1308.47
Balance brought forward from previous year	(949.37)	(2257.83)
Surplus/Deficit (-) in Profit and Loss A/c	446.94	-
less: Arrears of cumulative Preference Dividend	305.34	-
less: Dividend Distribution Tax	42.83	-
Balance in profit & loss account carried over	98.77	(949.37)

Business Operations:

Results for FY 2005-06 include those of Ductron Castings Unit (DCU) which was taken over by your Company from 1st April '05.

Your Company experienced significant growth during the year under review—total income at Rs.33554 lakhs compared with Rs.22524 lakhs during the previous year. Profit Before Tax increased to Rs.2241 lakhs from Rs.1419 lakhs.

You will be pleased that your Company has wiped off the entire accumulated losses.

Dividend

The Company has to pay arrears of cumulative preference dividend prior to payment of any equity dividend. The Company has partially paid arrears of cumulative preference dividend for the years 1998-99, 1999-00 and 2000-01 amounting to Rs.305.34 lakhs. Arrears of cumulative preference dividend are still due for the years 2001-02 to 2005-06 aggregating to Rs 773 lakhs.

The Company is therefore not in a position to declare any equity dividend.

Operations (Ennore Unit and DCU, Hyderabad)

Demand for castings for all automotive segments was higher during the year resulting in increased volumes and turnover. Sales volume of the Company, during the year increased to 62442 tonnes compared

to 39863 tonnes in the previous year. Gross production during the year increased to 66460 tonnes compared to 43985 tonnes in 2004-2005.

Demand for castings continues to be good in view of the buoyancy witnessed in the automobile and tractor segments.

Efforts are on to expand the customer base, provide value addition to customers, enhance quality of castings and to also explore export markets. Meanwhile steps are being taken to improve cost effectiveness and achieve higher operational efficiency so as to further improve margins.

Technology Upgradation/Modernisation

Your Company is alive to the technological upgradation continuously taking place in the global foundry industry driven by intense competition as well as on account of environmental improvements sought by Governments and society, and the concomitant upgradation demanded in the quality of castings. Your Company is continuously upgrading its manufacturing techniques and technology to meet these growing demands and has undertaken several measures, to meet requirements of closer tolerances, better finish and reduced rejections by customers.

Research & Development

The main thrust in R & D continues to be in the introduction of new techniques in the production process for improvement in quality of castings and the usage of alternative cost effective materials. A separate Report on Technology Absorption

and Energy Conservation is attached at Annexure "A".

Directors' Responsibility Statement

The applicable accounting standards have been followed in the preparation of Annual Accounts along with proper explanations relating to material variations. Further, consistent accounting policies have been applied and the judgements and estimates are reasonable and prudent and give a true and fair view of the state of affairs of the company as at the end of the financial year 2005-06 and the profit of the company for the above period. Adequate accounting records have been maintained as required under the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. Further the Annual Accounts have been prepared on a going concern basis. A separate statement is enclosed at Annexure "B".

Corporate Governance

Your Board has complied with the requirements of the Code of Corporate Governance including formation of Audit Committee, Investors'/Shareholders' Grievance Committee, Remuneration Committee and Disclosures, etc. A detailed Report on Corporate Governance is attached at Annexure "C".

The certificate of the Statutory Auditors regarding the Company's Compliance with the conditions of Corporate Governance is attached at Annexure "D".

A Management Discussion and Analysis Report is attached at Annexure "E".



Fixed Deposits

The amount matured and unclaimed in respect of deposits held by the Company as at March 31, 2006 was Rs.1.92 lakhs.

The Company is regularly transferring debenture redemption instalments and interest thereon, fixed deposits and interest due thereon lying unclaimed for more than 7 years from the due date to the Investor Education and Protection Fund.

Expansion/Revamping of existing foundry/New acquisition

The Company is in the process of setting up a new foundry near Chennai with a capacity of 50000 tons of grey iron castings. Land has been purchased in SIPCOT Industrial area near Sriperumbudur, Kancheepuram District of Tamil Nadu. Detailed technical/commercial bids have been received and evaluated in this connection for the project and orders are under placement. The new foundry is expected to commence operations in July 2007. The existing foundry is also being revamped - both these projects will entail an expenditure of about Rs.190 crores. The Ductron Castings Unit of Ashok Leyland Ltd at Hyderabad was acquired at a cost of Rs 65 crores. The Company partially mobilized the required resources by issue of 95,04,110 Right equity shares Rs.10/- each at

a premium of Rs.50/- each aggregating to Rs.57.02 crores.

Personnel

Relationship between the Management and the Employees continues to be satisfactory. The new wage agreement with the EFL Employees Union has been entered into in April 2006.

Directors

Mr H Klingele, Director resigned from the Board effective January 30, 2006 after serving on the Board for more than 18 years. The board wishes to place on record its deep appreciation of the advice, guidance and support provided by Mr Klingele during his tenure on the Board.

Mr Anders Spare has been appointed as a Director in the resultant casual vacancy.

Mr Stephen Young was appointed as an Additional Director in the Board meeting held on July 25, 2005 and will be laying down his office at this Annual General Meeting. The proposal to appoint Mr Stephen Young is before you for your consideration and is recommended by the Board.

M/s R J Shahaney, F Sahami and D J Balaji Rao retire by rotation in this meeting under

Article 106 of the Articles of Association of the Company and are eligible for reappointment. The necessary resolutions are being placed before the members for approval.

Auditors

Messrs Fraser and Ross and S R Batliboi & Associates, Chartered Accountants, the retiring Auditors, are eligible for reappointment.

The Company has received confirmation that their appointment will be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Acknowledgement

The Directors wish to acknowledge and place on record their appreciation of the valuable advice and support received from LRLIH Ltd., UK and from Ashok Leyland Limited.

The Directors wish to express their gratitude to the Government of India, the Government of Tamil Nadu and Tamil Nadu Electricity Board. They also thank the Financial Institutions, Company's Bankers, Shareholders, Customers, Suppliers, Depositors and all the employees for their continued support.

On behalf of the Board

Chennai
April 28, 2006

R J Shahaney
Chairman



Disclosures

A) CONSERVATION OF ENERGY

The Company continues its efforts to optimise energy utilisation through energy auditing, better energy management and close monitoring of manufacturing processes particularly the operation of furnaces. Thus over the past three years there has been a considerable saving in energy consumption and the objective is to gain further savings. Targets for energy consumption have been set for all major processes and the results are being closely monitored. Some of the processes that are energy intensive are being replaced by others that consume less energy. The Company has installed induction furnaces in place of arc furnaces, which are less energy efficient. The Company is using more power from wind mills and gas based turbine, resulting savings in power cost.

In core making process, the hot (core) box process has been converted into cold box process which has better yield and savings in energy cost.

B) TECHNOLOGY ABSORPTION Research & Development (R & D)

1. Specific areas in which R & D is carried out by the Company:
 - Along with CAD/CAM computer simulation for solidification, study is made for every new casting development for automotive application

Chennai
April 28, 2006

2. Benefits derived as a result of the above R & D:

- Improved dimensional accuracy, higher quality and better surface finish of castings.

3. Future Plan of Action:

- Unidirectional flow with low cost automatic single flow system
- Energy efficient sand mixing system.

4. Expenditure on R & D:

- | | |
|--|-----------------|
| a) Capital | : Nil |
| b) Recurring | : Rs.1.47 lakhs |
| c) Total | : Rs.1.47 lakhs |
| d) Total R & D expenditure as a percentage of total turnover | : — |

Technology Absorption, Adaptation and Innovation:

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
 - New automatic sand mixer under implementation in the Main Land foundry.

- ? New material has been introduced for Channel furnace lining to reduce energy requirements for Hot metal holding.

2. Benefits derived as a result of above efforts:

- ? The Company has been able to keep abreast of the technologies current in the foundry industry, and be in a position to manufacture castings to the expectation of customers.

3. a) Technology imported:

- Nil -

- (b) Has technology been fully absorbed, if not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action:

Available technology has been fully absorbed.

c) Foreign Exchange Earnings and Outgo:

Details of earnings and outgo of foreign exchange are given in Schedules forming part of notes to the Accounts. The Company continues to strive to improve the export earnings.

On behalf of the Board

R J SHAHANEY
Chairman



Directors' Responsibility Statement as per section 217 (2AA) of the Companies Act 1956

Responsibility in relation to financial statements

The financial statements have been prepared in conformity, in all material respects, with the generally accepted accounting principles in India and the accounting standards prescribed by ICAI, in a consistent manner and supported by reasonable and prudent judgements and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on March 31, 2006 and of the results of operations for the year ended March 31, 2006.

The financial statements have been audited by M/s Fraser & Ross and M/s S R Batliboi & Associates, Statutory Auditors in accordance with generally accepted auditing standards, which include an assessment of the systems of internal controls and tests of transactions to the extent considered necessary by them to support their opinion.

Going Concern

In the opinion of the Directors, the Company will be in a position to carry on its existing foundry business and accordingly it is considered appropriate to prepare the financial statements on the basis of going concern.

Maintenance of Accounting Records and Internal control

The Company has taken proper and sufficient care for the maintenance of adequate accounting records as required by the Statute.

Directors have overall responsibility for the Company's internal control system, which is designed to provide a reasonable assurance for safeguarding of assets, reliability of financial records and for preventing and detecting fraud and other irregularities.

The system of internal control is monitored by internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness

of the system of internal control and quality of performance in carrying out assigned responsibilities. Internal Audit Department interacts with all levels of management and the Statutory Auditors, and reports significant issues to the Audit Committee of the Board.

Audit Committee supervises financial reporting process through review of accounting and reporting practices, financial and accounting controls and financial statements. Audit Committee also periodically interacts with Internal and Statutory Auditors to ensure quality and veracity of Company's accounts.

Internal Auditors, Audit Committee and Statutory Auditors have full and free access to all the information and records as considered necessary to carry out their responsibilities. All the issues raised by them have been suitably acted upon and followed up.



Report on Corporate Governance

(Forming part of the Annual Report 2005-2006)

1. Philosophy on Code of Corporate Governance

The Company is fully conscious of its responsibility to shareholders, Government and public at large and considers the Code of Corporate Governance as a system to ensure transparency in all its activities and always believes in enhancement of its service to all its stakeholders.

2. Board of Directors :

a. The Board of Directors is headed by a non-executive Chairman and consists of the following Directors as on March 31, 2006:

i) Non Executive Directors

- a) Promoter Group : Mr F J Colon Martinez (Alternate: Mr G Sagone)
Mr D G Hinduja (Vice Chairman) {Alternate :Mr Y M Kale}
Mr A Spare (From 30/1/2006)
Mr F Sahami
- b) Connected with Associate Companies : Mr R Seshasayee
Mr R J Shahaney (Chairman)
- c) Independent : Mr D J Balaji Rao
Mr P N Ghatalia
Mr S Ragothaman
Mr Stephen Young (From 25/7/2005)

ii) Executive Director

- Managing Director : Mr V Mahadevan

b. Attendance at Board Meetings and last AGM, and details of memberships of Directors in other Boards and Board Committees.

Details of Board Meetings held during 2005-2006 :

Date of Meeting	Board Strength	No. of Directors Present
April 28, 2005	10	10
July 25, 2005	11	11
October 21, 2005	11	11
January 30, 2006	11	10
March 29, 2006	11	7

The time gap between any two meetings did not exceed 4 months.

The last Annual General Meeting was held on July 25, 2005.



Annexure C to the Directors' Report

Name of Director	No. of Board Mtgs attended	Whether attended last AGM	Membership as on 31 03 2006	
			Other Boards (Note.1) Excl. EFL	Other Board Committes(Note.2) Excl. EFL
Mr R J Shahaney	5	Yes	4	1 as Chairman
Mr D J Balaji Rao	5	Yes	7	9 of which 3 as Chairman
MR F J Colon Martinez	1	No	1	-
Mr P N Ghatalia	5	Yes	7	7 of which 3 as Chairman
Mr D G Hinduja	4	Yes	4	-
Mr Y M Kale	-	No	3	2 as Chairman
Mr H Klingele *	4	Yes	1	-
Mr S Ragothaman	4	Yes	6	5 of which 3 as Chairman
Mr G Sagone	4	Yes	2	-
Mr F Sahami	4	No	2	2
Mr R Seshasayee	5	Yes	6	1
Mr A Spare (From 30/01/06)	-	No	1	-
Mr Stephen Young (From 25/7/05)	3	No	1	-
Mr V Mahadevan	5	Yes	-	-

Note 1 : Excludes Foreign Companies, Private Limited Companies and Alternate Directorships.
Note 2 : Only Audit Committee and Shareholders/Investors Grievance Committee are reckoned for this purpose.
* Ceased to be a Director effective 30/1/2006.

3. Audit Committee

a) The Composition and Terms of Reference of the Audit Committee conform to the requirements of both Section 292A of the Companies Act 1956, and Clause 49 of the Listing Agreements with Stock Exchanges.

b) The composition of the Audit Committee is as follows :

Chairman	:	Mr D J Balaji Rao
Members	:	Mr P N Ghatalia Mr S Ragothaman Mr F Sahami

c) Meetings and attendance during the year 2005-2006:

Date of Meeting	Committee Strength	No. of Directors Present
April 27, 2005	4	4
May 20, 2005	4	2
July 25, 2005	4	4
October 21, 2005	4	4
January 30, 2006	4	3



Annexure C to the Directors' Report

Mr N Kothandapani, Company Secretary is the Secretary to the Committee. He headed the Internal Audit function upto 31/01/06 and has attended all the meetings of the Committee.

Mr V Krishnamoorthy, General Manager - Internal Audit is the Head of Internal Audit from 01/02/2006.

Mr V Mahadevan, Managing Director, Mr V Sankar, Chief Financial Officer (from 31/01/06) and Mr V Krishnamoorthy, Deputy General Manager Finance (till 31/01/06) attended the meetings of the Committee as invitees.

The Statutory Auditors of the Company are invited to join the Audit Committee Meetings. The Audit Committee discussed with the Statutory Auditors the Limited Review report, the Annual Audit Plan, the Internal Audit Observations, adherence to Accounting Standards and other related matters.

4. Remuneration Committee

The Remuneration Committee consists of the following members:

Mr S Ragothaman	Chairman
Mr D G Hinduja	Member
Mr R J Shahaney	Member

The Committee met on April 27, 2005; all the members were present.

The managerial remuneration payable to the Managing Director is decided by the Remuneration Committee and details of his managerial remuneration are as given below:

SALARY	Rs. 48.00 lakhs (from 1.04.2005 to 31.03.2006)
PERQUISITES* *	Rs. 17.53 lakhs

** Certain perquisites are valued as per Income-tax Rules. In addition to the above, employee is entitled to gratuity as per rules of the Company.

The managerial remuneration payable to Mr V Mahadevan, Managing Director was approved by the Ministry of Company Affairs, New Delhi vide Letter No.1/244/05 dated 27th September, 2005

Details of sitting fees paid to Directors for 2005-06 are given below:

Name of the Director	Sitting Fees (Rs.)
Mr R J Shahaney	75,000/-
Mr D J Balaji Rao	50,000/-
Mr P N Ghatalia	55,000/-
Mr D G Hinduja	35,000/-
Mr H Klingele	30,000/-
Mr S Ragothaman	80,000/-
Mr F Sahami	40,000/-
Mr R Seshasayee	70,000/-
Mr G Sagone (Alternate to Mr F J Colon Martinez)	20,000/-
Mr F J Colon Martinez	5,000/-
Mr Stephen Young	15,000/-



5. Shareholders'/Investors' Grievance Committee

The Committee consists of the following members :

Mr R J Shahaney	Chairman
Mr S Ragothaman	Member
Mr R Seshasayee	Member
Mr V Mahadevan	Member

Mr N Kothandapani, Company Secretary is the Secretary to the Committee.

The Committee approves the share transfers, transpositions, transmissions and issue of duplicate share certificates.

Further the Committee reviewed the handling of various correspondence from Shareholders/Investors, Stock Exchanges, Department of Company Affairs and SEBI totalling to 360 letters during 2005-2006. The letters were satisfactorily responded to without delay.

During 2005-06, the Committee met five times. All the members were present..

6. General Body Meetings :

Details of location and time of holding the last three AGMs

Year	Location	Date and Timing
43 rd AGM	Rani Seethai Hall, 603, Anna Salai Chennai 600 006	September 24, 2003 -10.00 a.m.
44 th AGM	Rani Seethai Hall, 603, Anna Salai Chennai 600 006	July 30, 2004 -10.30 a.m.
45 th AGM	Narada Gana Sabha, 314, T T K Road, Chennai 600 018	July 25, 2005 -10.00 a.m.

The Chairman of the Audit Committee was present at the above Annual General meetings.

Some Special Resolutions were approved at the above Meetings. There has been no use of Postal Ballot so far.



7. Disclosures

In the preparation of financial statements, generally accepted accounting principles and policies were followed. Mandatory Accounting Standards announced by the Institute of Chartered Accountants of India were followed in the preparation of financial statements.

There have been no materially significant related party transactions with the Company's Promoters, Directors, the Management, the Subsidiaries or relatives which may have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No.3.13 of Schedule 3 to the accounts in the Annual Report.

There have been no instances of non-compliance by the Company on any matters related to the capital markets nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.

I. RISK MANAGEMENT

The Company as part of the Corporate Governance requirements, places before the Board of Directors regularly the various Risk Management measures adopted by it and also the improvements carried out in this area. The Risk Management as carried out by the Company is briefly mentioned below:

1. Plant / Project related risks

The Company has obtained the clearances from the Tamil Nadu Pollution Control Board for Air and Water for its existing factory at Ennore. Similarly for its Hyderabad operations, the clearances have been obtained from Andhra Pradesh Pollution Control Board. All suggestions from the Pollution Control Board are implemented.

In respect of its new project coming up, near Chennai, the Company has already applied for necessary clearances from Tamil Nadu Pollution Control Board and also from concerned authorities of the Government of India and these are expected shortly.

2. Market related risks

Competition from other manufacturers is the main risk apart from high dependence on a few customers. The Company is changing its product mix to meet the requirements of customers with more accent on Quality aspects to retain its market share. The Company wants to keep its pricing competitive by resorting to cost reduction measures by using alternative low cost materials and also sourcing power and scrap from cheaper sources. Further it outsources some of its operations like fettling and machining to ensure customer loyalty by timely deliveries.

3. Property/Earning related Risks

The Company has insured its assets (buildings, plant & machinery) at reinstatement value with the insurers covering Risks of Fire, Earth Quake and Floods. With regard to Loss of Profits and Standing charges resulting in interruption of production due to insured perils, necessary insurance cover has been taken.

4. Employee related Risks

Company has recognised welfare schemes for employees like Employees Deposit Linked Insurance, Gratuity Linked Insurance and Pension/Superannuation schemes apart from Provident fund/ESI schemes.

5. Insurance policies for Employee Welfare

Group Personal Accident Insurance, Workmen Compensation and Group Mediclaim Insurance covers are available to the employees.

The Company is planning to take Directors and Officers Liability policy separately.

Legal liability claims from customers for defect in products and claim for compensation for accidents sustained by outsiders in the factory are covered under the Product Liability and Public Liability policies of the Company.

II. Issue of Rights shares to augment funds for expansion

The Company made a Rights Issue of 95,05,860 equity shares of Rs. 10/- each at a premium of Rs. 50/- per share aggregating to Rs. 57.04 crores in July/August 2005, of which 95,04,110 equity shares (excluding 1750 shares kept in abeyance) were allotted by the Rights Issue Committee of the Board of Directors on September 9, 2005. The equity shares issued on Rights basis were listed in the Bombay and Madras Stock Exchanges in September 2005. The above Rights issue has improved the net worth and also will enable the Company to go in for term loans/foreign currency loans from banks at competitive rates.

Particulars	Amount (Rs.Lakhs)
Towards purchase of	
- DCU Unit	2500.00
- plant and machinery	631.66
- land at Sriperumbudur	797.51
Paid towards working capital demand loan	1844.30
TOTAL	5773.47*

* includes interest earned on short term investment aggregating to Rs. 71 lakhs



Annexure C to the Directors' Report

8. Means of Communication :

The Quarterly results are published in one English National Newspaper (Business Line) and in one local Tamil Newspaper (Makkal Kural) within 48 hours and the dates are as given below:

Quarter (2005-06)	Published date
First (June)	26/07/2005
Second (Sep)	22/10/2005
Third (Dec)	31/01/2006
Fourth (March)	Will be published on 29/04/06

The results are faxed immediately to the listed Stock Exchanges and sent by speed post also. Results and details of Investor/Analysts/Broker meetings are also displayed on the Website - www.ennorefoundries.in

A Management Discussion and Analysis Report is being presented as part of the Directors' Report.

9. General Shareholder Information :

- a) 46th Annual General Meeting ~~July 19, 2006~~ (Since changed to August 1, 2006)
- b) Financial Calendar :
- | | | |
|--|---------------------------|-----------------------------------|
| Annual General Meeting | July 19, 2006 | (Since changed to August 1, 2006) |
| Unaudited Results for Quarter ending June 30, 2006 | Last week of July 2006 | |
| Unaudited Results for Quarter/ Half year ending September 30, 2006 | Last week of October 2006 | |
| Unaudited Results for Quarter ending December 31, 2006 | Last week of January 2007 | |
| Audited Results for the year ending March 31, 2007 | Before end of May 2007 | |
- c) Book closure Date ~~July 11, 2006 to July 19, 2006~~ (Since Changed to July 19, 2006 to August 1, 2006)
[Both days inclusive]
- d) Listing of Equity shares
Bombay and Madras
Stock Exchanges
- Listing fees have been paid up-to-date to the above Stock Exchanges.
- e) Demat of Shares : Trading Symbol
- | | | |
|-------------------------------------|---|---|
| a) Bombay Stock Exchange | : | ENNORE FOUND/ENNORE FO |
| b) Scrip code | : | 505 982 |
| c) Demat ISIN No in NSDL & CDSL | : | EQUITY SHARES INE291F01016 |
| d) Stock Market Data | : | The Equity shares have been traded only at
Bombay Stock Exchange |
| e) Shares are traded in "S" segment | : | INDONEXT platform effective 08/01/2005 |



Annexure C to the Directors' Report

f) The highest and the lowest quoted share prices are indicated below:

Stock Market Data		Bombay Stock Exchange			
Month		Share Price		Sensex	
		High(Rs.)	Low(Rs.)	High	Low
April	2005	336.00	240.00	6649.42	6118.42
May	2005	400.00	290.00	6772.74	6140.97
June	2005	445.00	154.25	7228.21	6647.36
July	2005	205.00	160.00	7708.59	7123.11
August	2005	251.00	168.30	7921.39	7537.50
September	2005	230.00	145.00	8722.17	7818.90
October	2005	175.00	120.00	8821.84	7656.15
November	2005	166.50	131.00	9033.99	7891.23
December	2005	159.95	140.75	9442.98	8769.56
January	2006	176.45	143.70	9945.19	9158.44
February	2006	149.90	113.50	10422.65	9713.51
March	2006	160.75	108.00	11356.95	10344.26

g) Registrar and Transfer Agents :

All share registry work in respect of both physical and demat segments are handled by a single common agency M/s Integrated Enterprises (I) Ltd., II floor, "Kences Towers" 1, Ramakrishna Street, North Usman Road, T Nagar, Chennai 600 017 as the Registrar and Transfer Agent (R&TA) of the Company for all aspects of Investor servicing relating to shares.

h) Share Transfer System : The authority relating to transfer, transmission and transposition of shares has been delegated by the Board to the Shareholders' /Investors' Grievance Committee consisting of the following members :

Mr R J Shahaney	Chairman
Mr S Ragothaman	Member
Mr R Seshasayee	Member
Mr V Mahadevan	Member

Mr V Mahadevan, Managing Director was authorised to approve all routine transfer, transmission and transposition of the shares.

i) (a) Shares are transferred within 30 days. Demat requests are confirmed within 15 days for those who opt for electronic holdings and credit is given to them. In respect of others who have not opted for dematerialisation, share certificates are despatched by Registered Post by the R&TA.

(b) Distribution of Shareholding as on March 31, 2006:

No. of Shares	Share Holders		No. of Shares	
	Number	%	Number	%
Upto 50	2905	34.00	81653	0.50
51 -100	1999	23.40	164968	1.01
101 - 200	1593	18.64	246381	1.51
201 - 500	1314	15.38	431521	2.65
501 - 1000	395	4.62	295060	1.81
1001 - 2000	184	2.15	267369	1.64
2001 - 5000	103	1.21	323967	1.99
5001 -10000	21	0.24	157255	0.97
10001 & above	30	0.36	14325836	87.92
Total	8544	100.00	16294010	100.00



Annexure C to the Directors' Report

(c) The Pattern of shareholding as on March 31, 2006 is given below:

Shares held by	No. of shares as on 31 03 2006	Percentage of Shareholding
Promoter's Holding LRLIH Limited, UK	9629496	59.10
Associate Company Ashok Leyland Limited	3424449	21.02
Sub Total (1)	13053945	80.12
Non-Promoter's Holding/Institutional Investors		
a. Mutual Funds and UTI	26286	0.16
b. Banks, Financial Institutions, Insurance Companies, (Central/State Govt. Institutions/Non government institutions)	456775	2.80
c. Foreign Institutional Investors	3000	0.02
Sub Total (2)	486061	2.98
Others		
a. Private Corporate Bodies	405359	2.49
b. Indian Public	2298294	14.10
c. NRIs/OCBs	28799	0.18
d. Directors & Relatives **	1479	0.01
e. Other than specified above - Clearing Member	20073	0.12
Sub Total (3)	2754004	16.90
Grand Total (1+2+3)	16294010	100.00

** Shares held by Mr R J Shahaney 384
Shares held by Mr D J Balaji Rao 183

j) Plant location : Ennore, Chennai 600 057, Tamil Nadu
Ductron Castings Unit, I.D.A., UPPAL, Hyderabad - 500 039, Andhra Pradesh

k) Address for correspondence : M/s Integrated Enterprises (I) Ltd II Floor, "Kences Towers" , No.1,
for matters relating to Ramakrishna Street, North Usman Road, T Nagar, Chennai 600 017
shares and Annual Reports

Telephone : 044-28140801 - 03
Fax : 044-28142479
E-Mail : sureshbabu@iepindia.com

For Fixed deposits : Company Secretary
Ennore Foundries Limited, Ennore, Chennai 600 057

Telephone : 044 - 2575 2103
Telephone : 044 - 2575 2004 (Direct)
Fax : 044 - 2575 0390
E-Mail : nkp@ennorefoundries.com

Non-mandatory requirements :

1. Non-Executive Chairman : The Company does not bear any expenses of the non-Executive Chairman
2. Remuneration Committee : Constituted and functioning.
3. Shareholders' rights : The Company publishes the quarterly financial results in newspapers. If any shareholder wants a copy, the same is mailed without delay.
4. Postal Ballot : The Company has had no occasion to use the Postal Ballot so far.



10. CEO /CFO certification

CERTIFICATE

To:

April 28, 2006

The Board of Directors
Ennore Foundries Limited

Dear Sirs

- a) We hereby certify that we have reviewed the financial statements and the cash flow statement for the year ended March 31, 2006 and that to the best of our knowledge and belief:
- i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
 - ii) These statements together present true and fair view of the Company's affairs and are in compliance with existing accounting standards applicable laws and regulations
- b) These are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control system of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) 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 the 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 of which we have become aware and the involvement therein if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.
- e) As required by Clause 49 (1D) of the listing agreement, it is hereby affirmed that all the Board members and Senior Management personnel have complied with the Code of Conduct of the Company. It is also confirmed that the Code of Conduct has already been posted on the Website of the Company.

V MAHADEVAN
Chief Executive Officer

V SANKAR
Chief Financial Officer



CERTIFICATE TO THE MEMBERS OF ENNORE FOUNDRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Ennore Foundries Limited, for the year ended 31st March 2006, as stipulated in clause 49 of the listing agreement of the said company with the stock exchange(s).

The compliance of the conditions of the corporate governance is the responsibility of the management. Our 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 our opinion and to the best of our information and according to the explanation given to us,

We certify that the company has complied with the conditions of the Corporate Governance as stipulated in the abovementioned listing agreement.

We 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.

For and on behalf of

Fraser & Ross
Chartered Accountants

Geetha Suryanarayanan
Partner
Membership No-29519

S R Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No:205839

Place: Chennai

Date: April 28, 2006



Management Discussion and Analysis Report

1. Industry Overview

As per published reports of SIAM, India based automotive components manufacturing has the potential to grow 500% from its current level to revenues of US \$ 33-40 bn by 2015, including US \$ 20-25 bn through exports.

Likely trends influencing the industry

There are exciting and challenging opportunities over the next decade for India based automotive component manufacture.

In the global automotive industry sourcing of automotive components from low cost countries (LCCs) is likely to accelerate because of both the increasing cost pressures on OEMs in developed countries, such as those in North America and Western Europe and emergence of skilled, cost competitive suppliers in LCCs such as China, Brazil, India and Thailand.

As far as India based players are concerned, they already have a foundation of strong engineering skills and an emerging culture of cost competitiveness that will help them effectively target parts of this opportunity.

2. Foundry industry in India & Outlook

The estimated capacity in India is around 7 million tonnes and the current production levels are around 5 million tones. India, at its current levels, occupies the 6th place under the category of 'largest producers of castings'.

With the sustained growth in the economy at 8 to 10% coupled with the government spending on infrastructure, the domestic auto industry (significant revenues of the company are derived from this industry) is expected to grow at a level of 10 to 15%, your Company will directly benefit from the growth projected in the auto industry.

However, the growing competitive intensity within India and growth in domestic demand will make it difficult for Indian players to address the complete opportunity. Moreover competitive intensity for India based players is likely to increase because of trade barriers (e.g. through free trade agreements FTAs) and continuing structural disadvantages in certain cost heads (e.g. higher power tariff than other countries, indirect taxes that are not fully offset in exports).

3. Business Review

Iron Foundry

Gross production was 64411 tonnes compared to 41857 tonnes in the previous year.

Sales for the year 2005-06 were 60510 tonnes against 37821 tonnes in the previous year.

Aluminium foundry

Gross production was 2049 tonnes compared with 2128 tonnes in the previous year.

Sales remained at 1932 tonnes compared with 2042 tonnes in the previous year.

Technical Up-gradation

Low cost Automation is followed for improvements.

Acquisition of Ductron Castings Unit at Hyderabad

During the year, the Company acquired the Ductron Castings Unit located at Hyderabad from Ashok Leyland Limited on a going concern basis. The financial statements also include the operating results of this unit.

Human resources

Competency building is an ideal engine for growth. It aids and enhances customer satisfaction, while creating more opportunities for us. EFL has a wide range of competencies, all of which can be integrated to the best advantage. Competency building has also resulted in a comprehensive knowledge repository, one which contains varied technical and business data, which reinforces our ability to deliver high quality products.

4. Management of Risks

Business risk includes cyclical nature of demand for commercial vehicles and tractors due to economic slow down, customers' high expectation for better value and more intense competition.

The Company expects business risk in terms of stiff competition from the existing castings suppliers in terms of quality and selling price. Some of our competitors are equipped to offer machined castings. Efforts are in place to reduce power and material costs, so as to remain competitive.

The Company has drawn plans to increase capacity and obtain export orders to compensate for any slackness in domestic demand.

Internal control system and their adequacy

The philosophy of the Company with regard to internal control systems and their adequacy has been formulation of effective systems and their strict implementation to ensure that assets and interests of the Company are safe guarded, checks and balances are in place to determine the accuracy and reliability of accounting data. The systems are aimed at promotion of operational efficiencies with emphasis on adherence to policies. Efficiency, effectiveness, accuracy and reliability are the key drivers. Also dual control, segregation of duties, a system of validation, approval and authorization, physical safeguards and access restrictions all these items are given high importance.

The Company has an exclusive Internal Audit Division and their functions are briefed below:

To ensure

- i) systems are designed and implemented with adequate internal controls commensurate with the size and operations.
- ii) transactions are executed in accordance with the Company's policies and procedures

iii) assets are safeguarded and deployed as per Company's policies and authorisations

iv) adequacy of internal controls in all existing policies and procedures of the Company.

5. Financial Performance

1) Revenues:

The turnover for the year 2005-06 was Rs 32952 lakhs compared to Rs.22267 lakhs in the previous year.

2) Costs:

During the year, the material cost to sales ratio went up to 49.% compared to 46.8% in the previous year.

Power and fuel expenses are at 15.63% of sales revenue compared to 17.28% in the previous year.

3) Resources:

During the year the Company incurred capital expenditure of Rs 2236lakhs compared to Rs.556 lakhs in the previous year.

Net current assets are at Rs 6968 lakhs compared Rs.3280 lakhs for the previous year.

Issue of Rights shares to augment funds for expansion

The Company made an issue of 95,04,110 Rights equity shares of Rs.10/- each at a premium of Rs.50/- per share aggregating to Rs.57.02 crores in July/August 2005 and the issue was fully subscribed. The equity shares issued on Rights basis were listed in the Bombay and Madras Stock Exchanges in September 2005. This Rights issue has improved the net worth and also will enable the Company to borrow funds from banks at competitive rates.

6. Status of the Project

New Iron foundry

The Company has embarked upon a major expansion by setting up a new foundry at a greenfield site near Chennai with a capacity of 50,000 tonnes of Grey Iron castings.

The total capital outlay which was initially envisaged at Rs.120 crores is now projected to be Rs.144 crores. The increase in the project cost is mainly due to the steep increase in input costs and also major structural changes effected for accommodating a possible future capacity increase. The delay in the execution of the project is mainly due to delay in various formalities involved including obtaining of environmental clearance which is expected soon. The project is targeted to commence production in July 2007.

7. Outlook

Outlook for the year is good. The Company is taking effective steps to expand customer base including export markets and to increase production and sales volumes during the year.



1. We have audited the attached Balance Sheet of Ennore Foundries Limited as at March 31, 2006 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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) 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:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. 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.
- v. On the basis of the written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 March 31, 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Fraser & Ross
Chartered Accountants

per pro Geetha Suryanarayanan
Partner
Membership No:29519

Chennai
April 28, 2006

For S R Batliboi & Associates
Chartered Accountants

per pro Mahendra Jain
Partner
Membership No: 205839



Annexure referred to in paragraph 3 of our report of even date to the Members of Ennore Foundries Limited for the year ended March 31, 2006

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system 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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 during the year.

(vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

(b) According to the information and explanations given to us, no

undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, income-tax, customs duty, wealth-tax, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of amount	Amount (Rs. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise duty including penalty	45.08	1998-99	Central Excise Gold Customs Appellate Tribunal
Employees State Insurance Act	ESI dues	33.48	1998-99	High Court, Chennai

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.



- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, though surplus funds which were not required for immediate utilization have been temporarily invested in liquid investments payable on demand. These surplus funds have been ultimately utilized for the stated purpose.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures.
- (xx) We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

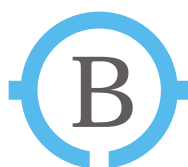
For Fraser & Ross
Chartered Accountants

per pro Geetha Suryanarayanan
Partner
Membership No:29519

Chennai
April 28, 2006

For S R Batliboi & Associates
Chartered Accountants

per pro Mahendra Jain
Partner
Membership No: 205839



Balance Sheet as at March 31, 2006

	Schedules	As at March 31, 2006		As at March 31, 2005	
		Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
Sources of Funds					
Shareholders' Funds					
Share Capital	1.1	4129.40		3178.99	
Reserves and Surplus	1.2	<u>6718.12</u>	10847.52	<u>1946.50</u>	
				5125.49	
Loan Funds					
Secured Loans	1.3	6661.52		3765.34	
Unsecured Loans	1.4	-	6661.52	<u>48.50</u>	3,813.84
Deferred Tax Liability (net)	1.5		<u>615.00</u>		-
Total			<u>18124.04</u>		<u>8939.33</u>
Application of Funds					
Fixed Assets					
Gross Block	1.6	17339.18		11372.04	
Less: Depreciation		<u>7953.52</u>		<u>7132.08</u>	
Net Block		9385.66		4239.96	
Capital Work-in-progress		<u>1543.00</u>	10928.66	<u>36.10</u>	4276.06
			1.00		1.00
Investments					
Current Assets, Loans and Advances					
Inventories	1.8	3570.05		2518.18	
Sundry Debtors	1.9	6458.77		2744.31	
Cash and Bank Balances	1.10	76.46		48.62	
Loans and Advances	1.11	2142.39		1358.20	
Other Current Assets	1.12	505.05		28.04	
		<u>12752.72</u>		<u>6697.35</u>	
Less: Current Liabilities and Provisions					
Current Liabilities					
Current Liabilities	1.13	5309.59		3386.66	
Provisions	1.14	<u>475.09</u>		30.97	
		<u>5784.68</u>		<u>3417.63</u>	
Net Current Assets			6968.04		3279.72
Miscellaneous Expenditure to the extent not written off or adjusted					
Compensation paid under Voluntary Retirement Scheme	1.15		226.34		433.18
Profit and Loss Account			-		949.37
Total			<u>18124.04</u>		<u>8939.33</u>
Notes to Accounts					

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For Fraser & Ross
Chartered Accountants

For S.R. Batliboi & Associates
Chartered Accountants

On behalf of the Board

Geetha Suryanarayanan
Partner
Membership No:29519

Mahendra Jain
Partner
Membership No.205839

R J Shahaney
Chairman

V Mahadevan
Managing Director

N Kothandapani
Company Secretary

V Sankar
Chief Financial Officer

Chennai
April 28, 2006



Profit and loss account for the year ended March 31, 2006

	Schedules	For the year ended March 31, 2006		For the year ended March 31, 2005	
		Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
Income					
Gross Sales Less Returns		38305.82		25927.79	
Less: Excise duty		<u>5505.60</u>		<u>3848.55</u>	
Net Sales Less Returns	2.1	32800.22		22079.24	
Conversion charges	2.2	151.51		188.48	
Other Income	2.3	<u>602.49</u>		<u>256.43</u>	
			33554.22		22524.15
Expenditure					
Materials	2.4	16078.83		10544.95	
Decrease / (Increase) in inventories	2.5	173.11		(132.32)	
Power and Fuel		5150.94		3849.82	
Expenses	2.6	<u>8530.67</u>		<u>5946.59</u>	
			29933.55		20209.04
			<u>3620.67</u>		<u>2315.12</u>
Less:					
Finance charges (Net)	2.7	432.30		352.96	
Depreciation / amortisation		<u>947.06</u>		<u>542.69</u>	
			1379.36		895.65
Profit before Tax			2241.31		1419.47
Provision for Current Tax		189.00		111.00	
Less: Minimum Alternate Tax entitlement credit		<u>9.00</u>	180.00	-	111.00
Deferred Tax			615.00		-
Fringe benefit tax			50.00		-
Total Tax Expense			<u>845.00</u>		<u>111.00</u>
Profit after tax			1396.31		1308.47
Less: Debit Balance brought forward from last year			(949.37)		(2257.83)
Profit available for Appropriation :			<u>446.94</u>		<u>(949.37)</u>
Appropriations					
Preference dividend			305.34		-
Tax on preference dividend			42.83		-
Surplus carried to Balance Sheet			<u>98.77</u>		<u>(949.37)</u>
Basic and diluted earnings per share of face value					
Rs.10/- each (Previous year Rs.10/- each)					
(Refer Note 3.20) (In Rs.)					
			8.67		9.99
Notes to Accounts 3					
The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.					

As per our report of even date

For Fraser & Ross
Chartered Accountants

Geetha Suryanarayanan
Partner
Membership No:29519

Chennai
April 28, 2006

For S R Batliboi & Associates
Chartered Accountants

Mahendra Jain
Partner
Membership No.205839

On behalf of the Board

R J Shahaney
Chairman

N Kothandapani
Company Secretary

V Mahadevan
Managing Director

V Sankar
Chief Financial Officer



Cash Flow Statement for the year ended March 31, 2006

	Year ended March 31, 2006		Year ended March 31, 2005	
	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before tax		2241.31		1419.47
Adjusted for				
Depreciation / Amortisation	947.06		542.69	
Finance charges (Net)	432.30		352.96	
Profit(-)/Loss on disposal of Fixed Assets	4.73		(84.07)	
Payments under VRS absorbed	212.89		232.92	
Provision no longer required	<u>(181.60)</u>	1415.38	<u>-</u>	1044.50
Operating profit before working capital changes		3656.69		2463.97
Changes in				
Trade and other receivables	(3084.17)		(1096.91)	
Inventories	194.86		(450.39)	
Trade Payables	<u>1122.17</u>	(1767.14)	<u>215.98</u>	(1331.32)
Cash generated from operations		1889.55		1132.65
Direct taxes paid - net of refunds		(232.70)		(55.88)
Compensation paid under VRS		(6.06)		(25.57)
Net cash from operating activities		<u>1650.80</u>		<u>1051.20</u>
B. CASH FLOW FROM INVESTING ACTIVITIES				
Interest received		120.57		3.99
Purchase of fixed assets		(3639.13)		(687.36)
Acquisition of DCU (consideration discharged fully by means of cash)		(6200.00)		-
Sale of fixed assets		16.82		115.29
Net Cash used in investing activities		<u>(9701.74)</u>		<u>(568.08)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Rights Issue of Equity shares		5702.47		-
Proceeds from long term borrowings		4485.30		1500.00
Repayment of long term borrowings		(1637.62)		(1576.69)
Finance charges		(569.10)		(390.68)
Net cash used in financing activities		<u>7981.05</u>		<u>(467.37)</u>
Net change in cash and cash equivalents (excluding Cash and Cash equivalents acquired at the time of purchase of Ductron Castings Unit)		(69.89)		15.75
Add: Cash and Cash equivalents acquired at the time of purchase of Ductron Castings Unit		97.73		-
Net change in cash and cash equivalents		27.84		15.75
Cash and Cash Equivalents - Opening Balance		48.62		32.88
Cash and Cash Equivalents - Closing Balance		<u>76.46</u>		<u>48.62</u>

Components of cash and cash equivalents Refer Schedule 1.10

As per our report of even date

For Fraser & Ross
Chartered Accountants

For S.R.Batliloi & Associates
Chartered Accountants

On behalf of the Board

Geetha Suryanarayanan
Partner
Membership No:29519

Mahendra Jain
Partner
Membership No.205839

R J Shahaney
Chairman

V Mahadevan
Managing Director

N Kothandapani
Company Secretary

V Sankar
Chief Financial Officer

Chennai
April 28, 2006



Schedules to the Balance Sheet

	As at March 31, 2006	As at March 31, 2005
	Rs. Lakhs	Rs. Lakhs
1.1 Share Capital		
Authorised		
30000000 equity shares of Rs.10/- each (Previous Year 30000000 Equity shares of Rs.10/- each)	3000.00	3000.00
4500000 Preference shares of Rs.100/- each (Previous Year 4500000 Preference shares of Rs.100/- each)	4500.00	4500.00
	<u>7500.00</u>	<u>7500.00</u>
Issued		
16406417 (Previous year 6900557) equity shares of Rs.10/- each fully paid (Refer Note (a) below)	1640.64	690.06
1500000 (Previous year 1500000) 6 % Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Refer Note (b) below)	1500.00	1500.00
1000000 (Previous year 1000000) 6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Refer Note (c) below)	1000.00	1000.00
	<u>4140.64</u>	<u>3190.06</u>
Subscribed and paid up		
16294010 (Previous year 6789900)equity shares of Rs.10/- each fully paid (Refer Note (a) below)	1629.40	678.99
1500000 (Previous year 1500000) 6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Refer Note (b) below)	1500.00	1500.00
1000000 (Previous year 1000000) 6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Refer Note (c) below)	1000.00	1000.00
	<u>4129.40</u>	<u>3178.99</u>
Notes:		
a) Of the above		
i. 358857 (Previous year 358857)equity shares were allotted pursuant to a contract for consideration other than cash.		
ii. 9629496 (Previous year 4012290) equity shares are held by the holding Company, LRLIH Limited, UK.		
iii. 2142476 (Previous year 2142476) equity shares were allotted as fully paid up Bonus Shares by capitalisation of General Reserve, Share Premium and Capital Reserve.		
iv) 9504110 (Previous year - Nil) equity shares were subscribed on Rights basis in 2005-06 at a premium of Rs.50/- per share. (Refer Note 3.3 of Schedule 3).		
b) 1500000 (Previous year 1500000) 6% Redeemable non-convertible cumulative preference shares of Rs. 100/- each issued to Ashok Leyland Limited on 19th March 1999 are redeemable at par during the period April 2011 to April 2013.		
c) 1000000 (Previous year 1000,000) 6% Redeemable non-convertible cumulative preference shares of Rs. 100/- each issued to Ashok Leyland Limited on 12th November 2003 are redeemable at par during the period April 2008 to April 2010.		
1.2 Reserves and Surplus		
Fixed assets revaluation reserve		
As per last Balance Sheet	516.08	678.86
Less: Incremental depreciation for the year on revaluation	<u>79.21</u>	<u>162.78</u>
	436.87	516.08
Securities Premium	5318.19	566.13
General Reserve	864.29	864.29
Profit and Loss a/c	98.77	-
	<u>6718.12</u>	<u>1946.50</u>



Schedules to the Balance Sheet

	As at March 31, 2006 Rs. Lakhs	As at March 31, 2005 Rs. Lakhs
1.3 Secured Loans		
Term Loans		
From Banks	5,043.00	980.62
Other loans from Banks:		
Working capital loan	165.00	2,555.00
Cash credit	1,453.52	229.72
	<u>6,661.52</u>	<u>3,765.34</u>
Repayable within 12 months - Term Loans	352.93	422.88
The term loan of Rs.126.65 Lakhs (Previous year Rs.213.25 Lakhs) from Union Bank of India is secured by a charge on the specific assets acquired out of the loan		
The term loans of Rs. Nil Lakhs (Previous year Rs.50 Lakhs) from State Bank of India and Rs.431.05 Lakhs (Previous year Rs.717.37 Lakhs) from Standard Chartered Bank are secured by plant and machinery and other immovable assets both present and future together with buildings and structures situated at Kathivakkam on paripassu first charge.		
The term loan of Rs.3,885.30 Lakhs (Previous year Rs. Nil) from IDBI Bank Secured by Paripassu first charge on the movable fixed Assets of the company.		
The term Loan of Rs. 600 Lakhs (Previous Year Rs. Nil) from M/s State Bank of Travancore is secured by hypothecation of Fixed Assets and movable properties by way of Paripassu First charge along with other term loan lenders.		
The Working capital loan and Cash credit from Bankers are secured by a first charge on current assets and a paripassu second charge on the fixed assets of the company.		
1.4 Unsecured Loans		
Fixed Deposits	-	48.50
	<u>-</u>	<u>48.50</u>
Maturing within 12 months	-	48.50
1.5 Deferred Tax Liability (net)		
Differences in depreciation in block of fixed assets as per tax books and financial books.	640.00	-
Provision for bad debts	(16.00)	-
Effect of expenditure debited to profit and loss account in the current year but allowable for tax purposes in following years	(9.00)	-
	<u>615.00</u>	<u>- *</u>

*Net deferred tax asset on account of unabsorbed business losses / depreciation has not been recognised as a prudent policy in earlier years. During the year unabsorbed losses / depreciation have been fully absorbed.

1.6 Fixed Assets

Rs. Lakhs

Description	Cost					Depreciation / Amortisation					Net Block as at March 31, 2006	Net Block as at March 31, 2005
	As at April 1, 2005	Additions #	Additions	Deductions	As at March 31, 2006	As at April 1, 2005	For the year		Deductions	As at March 31, 2006		
							on cost	incremental				
TANGIBLE ASSETS												
Freehold Land @	152.06	1486.48	189.30	-	1827.84	-	-	-	-	-	1827.84	152.06
Leasehold Land	-	-	637.50	-	637.50	-	2.66	-	-	2.66	634.84	-
Buildings @	1694.45	333.93	25.33	-	2053.71	932.83	55.79	70.30	-	1058.92	994.79	761.62
Plant and Machinery @	6696.84	1230.56	1142.52	181.33	8888.59	4515.04	542.25	7.43	179.32	4885.40	4003.19	2181.80
Service Installations @	980.22	98.21	2.32	-	1080.75	701.40	49.26	1.48	-	752.14	328.61	278.82
Electrical Installations @	746.74	-	12.87	42.61	717.00	452.09	29.06	-	27.17	453.98	263.02	294.65
Patterns and Dies	600.12	5.51	87.52	-	693.15	223.92	69.63	-	-	293.55	399.60	376.20
Fixtures **	162.28	4.76	44.95	0.54	211.45	96.85	9.53	-	0.36	106.02	105.43	65.43
Office Furniture	41.70	18.19	17.34	0.13	77.10	24.89	9.75	-	0.01	34.63	42.47	16.81
Office Machinery	224.41	10.74	36.88	-	272.03	149.05	19.74	-	-	168.79	103.24	75.36
Motor Vehicles **	73.22	7.94	39.12	6.75	113.53	36.01	11.07	-	2.95	44.13	69.40	37.21
INTANGIBLE ASSETS												
Technical Know How	-	618.96	-	-	618.96	-	123.79	-	-	123.79	495.17	-
Goodwill	-	147.57	-	-	147.57	-	29.51	-	-	29.51	118.06	-
	11372.04	3962.85	2235.65	231.36	17339.18	7132.08	952.04	79.21	209.81	7953.52	9385.66	4239.96
Capital Work-In-Progress at Cost ***											1543.00	36.10
											10,928.66	4,276.06
Previous year figures	11397.14	-	556.38	581.48	11,372.04	6,976.87	542.69	162.78	550.26	7,132.08	4,276.06	-

Assets acquired at the time of purchase of Ductron Castings Unit. (Also refer Note 3.2 of Schedule 3)

@ includes upward revaluation made on 31st March 1992.

** Includes Assets on Hire Purchase Rs. 28.74 Lakhs (Previous Year Rs.28.74 Lakhs).

*** Refer Note 3.9 of Schedule 3

\$ Depreciation on assets capitalised relating to greenfield project, amounting to Rs.4.98 Lakhs is debited to Capital Work In Progress Account.



Schedules to the Balance Sheet

	As at March 31, 2006 Rs. Lakhs	As at March 31, 2005 Rs. Lakhs
1.7 Investments - Non-Trade - Unquoted Long Term		
10000 shares of Rs.10/- each in OPG Energy (P) Ltd	1.00	1.00
	<u>1.00</u>	<u>1.00</u>
1.8 Inventories		
Raw Materials	653.29	457.89
Work-in-progress	2022.22	1460.84
Finished Goods	48.57	64.32
Bought out materials	36.08	-
Stores and Spare parts	788.00	497.89
Materials-in-transit	21.89	37.24
	<u>3570.05</u>	<u>2518.18</u>
1.9 Sundry Debtors (Unsecured)		
Over six months:		
Considered good	358.05	71.76
Considered doubtful	<u>48.64</u>	<u>40.68</u>
	406.69	112.44
Less: Provision for doubtful debts *	<u>48.64</u>	<u>40.68</u>
	358.05	71.76
Other debts - Considered good	6100.72	2672.55
	<u>6458.77</u>	<u>2744.31</u>
Sundry debtors with a Company under the same management towards sale of goods	3366.00	1199.29
* Includes Rs.7.96 Lakhs taken over at the time of acquisition of Ductron Castings Unit . Also refer note 3.2 to Schedule 3		
1.10 Cash and Bank Balances		
Cash in hand	2.18	0.96
Balance with Scheduled banks		
Current accounts	74.28	46.66
Fixed deposit accounts	-	1.00
	<u>76.46</u>	<u>48.62</u>



Schedules to the Balance Sheet

	As at March 31, 2006 Rs. Lakhs	As at March 31, 2005 Rs. Lakhs
1.11 Loans and Advances (Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received *	1231.49	730.12
Interest accrued on deposits	33.21	22.01
Advance payments of tax (net of provisions)	26.31	23.61
Balance with central excise	0.19	0.19
Deposits @	851.19	582.27
	<u>2142.39</u>	<u>1358.20</u>
* Includes capital advances	151.60	195.95
@ Deposit with a Company under the same management towards purchase of goods	155.00	155.00
Maximum amount outstanding during the year	155.00	155.00
1.12 Other Current Assets		
Insurance Claims recoverable	505.05	28.04
	<u>505.05</u>	<u>28.04</u>
1.13 Current Liabilities		
Sundry Creditors	3938.37	2131.18
SSI units (Refer Note 3.12 to Schedule 3)	-	-
Other Liabilities	1368.16	1246.67
Unclaimed Fixed Deposits *	1.92	2.64
Unclaimed Dividend *	-	-
Interest accrued, but not due on loans	1.14	6.17
	<u>5309.59</u>	<u>3386.66</u>
* There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as on March 31, 2006.		
1.14 Provisions		
Preference dividend including tax	348.17	-
Leave encashment	58.65	30.97
Exgratia	43.60	-
Gratuity	24.67	-
	<u>475.09</u>	<u>30.97</u>
1.15 Miscellaneous Expenditure to the extent not written off or adjusted :		
Compensation paid under Voluntary Retirement Scheme :		
As per last Balance Sheet	433.18	640.53
Add: Payment made during the year	6.06	25.57
Less: Amortized during the year	212.90	232.92
	<u>226.34</u>	<u>433.18</u>



Schedules to the Profit And Loss Account

	For the year ended March 31, 2006		For the year ended March 31, 2005	
		Rs. Lakhs		Rs. Lakhs
2.1 Sales less Returns	Tonnes		Tonnes	
Ferrous Castings	60510	29504.65	37821	19,329.02
Non-ferrous Castings	1695	2944.62	1748	2,667.60
Miscellaneous Order Jobs (Quantification not feasible)		350.95		82.62
		<u>32800.22</u>		<u>22079.24</u>
2.2 Conversion charges				
Non-ferrous castings	237	151.51	294.00	188.48
2.3 Other Income				
Profit/(Loss) on disposal of assets		-		84.07
Export Incentives		4.06		-
Provision no longer required written back		181.60		-
Insurance claim on loss of profit (Refer Note 3.5 to Schedule 3)		224.00		27.00
Miscellaneous Income		192.83		145.36
		<u>602.49</u>		<u>256.43</u>
2.4 Materials				
i. Raw materials consumed:				
Opening Stock *		740.74		270.95
Add: Purchases		11368.47		8259.88
		<u>12109.21</u>		<u>8530.83</u>
Less: Closing stock		<u>653.29</u>		<u>457.89</u>
		11455.92		8,072.94
ii. Stores and spares consumed		3931.03		2,472.01
iii) Bought out materials		691.88		-
		<u>16078.83</u>		<u>10544.95</u>
* Includes Rs.282.85 Lakhs taken over at the time of acquisition of Ductron Castings Unit . Also refer note 3.2 to Schedule 3				
2.5 Decrease / (Increase) in inventories:				
Opening:				
Work-in-progress *	2179.58		1341.26	
Finished Goods	64.32		51.58	
	<u>2243.90</u>		<u>1392.84</u>	
Closing:				
Work-in-progress	2022.22		1460.84	
Finished goods	48.57		64.32	
	<u>2070.79</u>		<u>1525.16</u>	
		<u>173.11</u>		<u>(132.32)</u>

* Includes Rs.718.74 Lakhs taken over at the time of acquisition of Ductron Castings Unit. Also refer note 3.2 to Schedule 3



Schedules to the Profit And Loss Account

	For the year ended March 31, 2006		For the year ended March 31, 2005	
	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs	Rs. Lakhs
2.6 Expenses				
Salaries, Wages and Bonus		4645.81		3306.60
Contribution to Provident, Gratuity, Superannuation and other Funds		670.27		617.65
Compensation under voluntary retirement scheme		212.89		232.92
Welfare expenses *		667.04		536.84
Rent		36.05		15.95
Rates and taxes		132.29		103.22
Repairs and maintenance of plant and machinery **		635.35		524.40
Repairs and maintenance of buildings ***		73.61		57.16
Insurance		58.90		42.63
Directors' fees		4.75		3.05
Audit fees and expenses				
- Audit fees	6.00		2.50	
- Tax audit	0.25		0.25	
- Taxation	0.45		-	
- Certifying statements to Government and others	1.56		1.45	
- Out of pocket expenses	<u>0.35</u>		<u>0.30</u>	
		8.61		4.50
Share Issue expenses		20.72		20.11
Other Expenses		1364.38		481.56
		<u>8530.67</u>		<u>5946.59</u>
* Includes Stores consumed		5.20		4.16
** Includes Stores consumed		601.91		475.66
*** Includes Stores consumed		24.32		11.48
2.7 Finance charges (Net)				
(i) Interest on Fixed Loans				
To Banks		351.52		144.36
To Others		1.12		11.62
(ii) Other Interest				
To Banks #		101.33		171.30
To Others *		(21.67)		25.68
		<u>432.30</u>		<u>352.96</u>
# Net of interest received on Deposits with Banks		93.01		-
* Net of interest received from Customers/Others		38.76		17.01



3.1 Background of the Company

Ennore Foundries Limited was incorporated in the year 1959 and commenced commercial production in the year 1961. The Company is a part of the Hinduja group of companies and is listed in the Mumbai and Chennai stock exchanges.

The Company is engaged in the business of manufacture of Grey iron and aluminum gravity die-castings for automobiles, compressors, industrial engines, power generators, tractors as well as for defence and marine applications.

3.2 Acquisition of Ductron Castings Unit ('DCU')

Pursuant to a business transfer agreement, the Company has acquired DCU from Ashok Leyland Limited with effect from April 1, 2005 on a going concern basis for consideration of Rs.6200 Lakhs. The DCU unit is engaged in the business of manufacture of ductile castings with a total capacity of 24,000 tonnes. The Board of directors of the Company approved the acquisition in their meeting held on March 5, 2005.

In accordance with the business transfer agreement the assets, liabilities, rights and obligations of DCU have been transferred to the Company from April 1, 2005.

The total consideration payable to Ashok Leyland Limited has been fully settled as at March 31, 2006.

3.3 Rights issue

The Rights issue of 95,05,860 equity shares of Rs. 10/- each at a premium of Rs.50/- per share aggregating to Rs. 5703.52 Lakhs, opened on July 11, 2005 and closed on August 9, 2005. 95,04,110 equity shares (excluding 1750 shares kept in abeyance) were allotted by the Rights Issue Committee of the Board of Directors on September 9, 2005 to the shareholders in dematerialized and physical form, in accordance with the basis of allotment approved by the Stock Exchange, Mumbai. The Right shares allotted were listed in the Mumbai and Chennai Stock Exchanges and trading commenced from September 23, 2005 and September 27, 2005 respectively.

The details of the utilization of the proceeds from the rights issue is as follows:

Particulars	Rs Lakhs
Towards purchase of DCU unit	2500.00
Purchase of plant and machinery	631.66
Purchase of land at Sriperumbudur	797.51
Paid towards working capital demand loan	1844.30
Total	5773.47*

* includes interest earned on short term investment aggregating to Rs. 71 Lakhs.

3.4 Greenfield Project

The Company is in the process of setting up a new grey iron casting foundry near Chennai with a total capacity of 50,000 tonnes called the Greenfield project at a total cost of approximately Rs 12,000 Lakhs. The project is being financed out of the proceeds from the rights issue, internal accruals and other term loans from banks and financial institutions.

During the year, the Company has acquired land of about 40 acres for the purpose of construction of the plant from State Industrial Promotion Corporation of TamilNadu (SIPCOT) at a total cost of Rs.881.09 Lakhs and has commenced development work on the land which is expected to be completed by June 2006. The Company has also placed orders for the purchase of major plant and machinery for the project.

The cost of project has been accounted for in accordance with the Guidance Note on Expenditure during Construction Period issued by the Institute of Chartered Accountants of India, to the extent applicable, and other relevant pronouncements. Capital work in progress as at March 31, 2006 includes Rs 1142.64 Lakhs towards acquisition of fixed assets and other direct expenses incurred in connection with the setting up of the project.

3.5 Fire Accident at Ennore Unit

A fire accident that took place on January 6, 2006 in Shoot Squeeze ('SS') Line at Ennore unit resulted in the damage of certain assets. Consequently, the production at the SS line in Ennore Unit was stopped temporarily. The insurance claim lodged by the Company for the damage to the assets and for the loss of profit has been admitted. The claim for loss of profit has been disclosed as other income in the profit and loss account. The claim for the damage to the assets has been set off against the cost incurred for replacing those assets.

3.6 Significant Accounting Policies

3.6.1 Basis of Preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of fixed assets which have been revalued and are carried at their revalued values. The Accounting policies applied by the Company are consistent with those used in previous year.



3.6.2 Fixed Assets and depreciation

Fixed assets are stated at cost or revalued amount less accumulated depreciation and impairment losses if any. Net increase in fixed assets on account of revaluation is credited to the Revaluation Reserve Account.

Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided using the straight-line method based on useful economic life as estimated by the management or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher. Individual assets costing Rs 5,000 or less are depreciated in full in the year of purchase. After impairment if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

The incremental depreciation on account of enhancement in the value of major fixed assets on revaluation is charged against Fixed Assets Revaluation Reserve.

Assets acquired under Hire Purchase agreements are capitalized and finance charges thereon are expensed over the period of agreements.

Lease hold land is amortised over the period of 20 years.

Intangibles

Goodwill and technical knowhow fees are amortized using the straight-line method over a period of five years.

3.6.3 Inventory

Raw materials, stores and spares are valued at lower of cost and net realizable value. Cost is determined on monthly moving weighted average basis. Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes material, labour and appropriate allocated overheads based on normal operating capacity. Cost of finished goods includes excise duty.

3.6.4 Borrowing costs

Borrowing costs that are directly attributable to the cost of acquisition, construction, or production of a qualifying asset is capitalized as part of that asset, other borrowing costs are recognized as an expense in the period in which they are incurred.

3.6.5 Retirement and other employee benefits.

Liability in respect of Gratuity to employees determined by LIC on the basis of actuarial valuation as at the balance sheet date is funded with LIC and the contribution thereof charged to the Profit and Loss account.

Liability in respect of leave encashment benefit is provided for on the basis of actuarial valuation as on the balance sheet date

Contributions to Provident fund, Employee pension fund, Superannuation fund and cost of other benefits are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

3.6.6 Revenue recognition

Revenue including income on miscellaneous order jobs is recognised when the significant risks and rewards of ownership of goods have been passed to the buyer, which generally coincide with the dispatch of goods. Revenue comprises amounts invoiced for goods sold including excise duty but net of sales returns. Revenues are reported exclusive of sales tax.

Revision in prices subsequent to sale is recognised when accepted by the customers.

Other Income

Insurance claims are recognised when the amount thereof can be measured reliably and ultimate collection is reasonably certain.

3.6.7 Voluntary Retirement Scheme

The Compensation paid towards Voluntary Retirement Scheme is amortized in the accounts over a period of five years.

3.6.8 Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably / virtually certain that future taxable income will be available against which such deferred tax assets can be realized.



3.6.9 Foreign Currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise. Exchange differences arising in respect of fixed assets acquired from outside India are capitalized as a part of fixed asset.

3.6.10 Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for bonus element in a rights issue to existing shareholders.

The Company has not issued any potential equity shares, and accordingly, the basic earnings per share and diluted earnings per share are the same.

3.6.11 Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3.6.12 Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

3.6.13 Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income attributable to the project is deducted from the total of the indirect expenditure.

3.7 Provision for provident fund on leave encashment

Consequent to the decision of the High Court of Mumbai and the notification issued by the EPFO vide its Circular No. Co-ord/3(4)2002clarification/2882 that requires that provident fund needs to be deducted for all leave encashment payments on and after 1-10-1994, the Company has reviewed the orders passed by the various authorities and performed a detailed and a comprehensive internal assessment. EPFO also issued circular no. C3/CNI/encashment of leave/Exem/Regl/2005 dt December 13, 2005.

Based on such assessment, the Company has decided not to provide for the liability for provident fund on leave encashment for periods prior to May 1, 2005 as there have not been any demands raised by the PF authorities as yet. In respect of the period subsequent to May 1, 2005, the Company has provided for same. The Company will review the matter in greater detail on an ongoing basis.

3.8 Tax deducted at source from conversion charges is Rs. 4.72 Lakhs (Previous year Rs. 6.41 Lakhs), interest income earned is Rs. 26.20 Lakhs (Previous Year Rs. 1.39 Lakhs) and tax collected at source on scrap purchased by the Company is Nil (Previous year Rs. 3.72 Lakhs).



3.9 As discussed in note 3.4 above, the details of expenditure incurred during construction period are as follows:

Expenditure during the Construction Period

Particulars	As at 1 st April 2005	Incurred during the year 2005-06	As at 31 st March 2006
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
Salaries and wages	0.83	35.08	35.91
Rent		10.76	10.76
Professional and consultancy charges (Including tax paid on the same)	13.52	76.33	89.85
Travelling and Conveyance	5.02	2.57	7.59
Loan Processing fees and commitment charges	-	81.60	81.60
Advance for capital items	-	634.61	634.61
Deposit paid to SIPCOT	-	182.02	182.02
Capital cost for water connection	-	66.08	66.08
Depreciation on assets capitalised	-	4.98	4.98
Others	0.08	29.16	29.24
Total	19.45	1123.19	1142.64

	2005-06 Rs. Lakhs	2004-05 Rs. Lakhs
3.10 Estimated amount of contracts remaining to be executed on capital account and not provided for :	<u>3379.33</u>	<u>269.34</u>

3.11 Contingent Liabilities

a) Civil suit filed by a supplier claiming overdue interest/court fee disputed by the Company :	5.02	5.02
b) Surcharge on self generation of power :	25.46	16.92
c) Arrears of Dividend on Cumulative redeemable Preference Shares (exclusive of Dividend tax, If any payable at the time of declaration) :	773.01	928.35
d) Details of statutory dues due to appropriate authorities on account of dispute.		

Name of Statute	Nature of Dues	2005-06 Rs Lakhs	2004-05 Rs Lakhs	Dispute pending with
Central Excise Act	Excise duty including penalty (Deposit made Rs. 16.10 lakhs)	61.18	61.18	Central Excise Gold Customs Appellate Tribunal
Employees State Insurance Act	ESI dues (Deposit made Rs.20 lakhs)	53.48	53.48	High Court, Chennai
Total		114.66	114.66	

e) The Tamil Nadu Government has issued notification levying additional charge on High Tension Industries, having Arc furnaces at 25% of the power consumption effective from 1st December 2001 till 15th March 2003. Though the Company has not received any demand in this regard, the notification has been challenged by the Company before the High Court of Madras. The High Court has granted interim stay.

Subsequently, TNERC passed an order imposing 15 % Arc furnace additional charge effective from March 16, 2003. The Company also filed an affidavit stating that it has installed in 1999 harmonic filters to contain the harmonic levels. The Madras High Court after hearing the case on October 8, 2003 directed TNEB to verify the installation of harmonic filters by the Company and report back the status. Though the verification is done, TNEB has not filed the report in the High Court and the case is yet to come up for hearing. The Management believes that the final impact of which is not ascertainable pending the receipt of report from TNEB.

In the opinion of the management, no provision is considered necessary for the disputes mentioned above on the grounds that there are reasonable chances of successful outcome of appeals.



3.12 There are no dues to SSI units as identified by the management for more than 30 days as on March 31, 2006 and as on March 31, 2005

3.13 Related Party disclosure

a) List of parties where control exists

Holding Company	:	LRLIH Limited, United Kingdom MACHEN IVECO HOLDING S.A (Holding Company of LRLIH Limited, United Kingdom)
Fellow Subsidiary	:	Ashok Leyland Limited
Key Management Personnel	:	Mr V Mahadevan, Managing Director.

b) Transactions/balance with related parties

Particulars	Relationship	2005-06	2004-05
		Rs Lakhs	Rs Lakhs
Sales of goods	Fellow Subsidiary	21342	14750
Purchases of materials	Fellow Subsidiary	1519	809
Dividend on preference share	Fellow Subsidiary	305	-
Finance (Equity contribution in cash)	Fellow Subsidiary	1199	-
Finance (Equity contribution in cash)	Holding Company	3370	-
Purchase consideration of DCU unit	Fellow Subsidiary	6200	-
Net amount due from Fellow Subsidiary		2852	799

Remuneration paid to managing director is disclosed elsewhere in the notes to accounts

3.14 The Company's business is confined to only castings. Accordingly, the Company operates in a single primary segment. Further, the Company markets its products primarily in the domestic markets. Hence there are no reportable geographical segments.

3.15 Raw Materials Consumed

Particulars	2005-06		2004-05	
	Tonnes	Rs Lakhs	Tonnes	Rs Lakhs
Pig Iron	2607	423.90	3180	559.05
Steel Scrap	46520	6928.21	28654	4301.66
Iron Scrap	9093	829.13	7250	431.79
Carboriser	1936	389.12	1197	181.90
Ferro Alloys	1865	933.73	1158	665.78
Aluminium Alloy	2122	1690.93	1905	1721.90
Others *	-	260.90	-	210.86
Total		<u>11455.92</u>		<u>8072.94</u>

* It is not practicable to furnish quantitative information in view of large number of items which differ in size and nature, each being less than 10 % of the total.

3.16 Consumption of Raw Materials, Stores & Spares and Bought out materials

	2005-06		2004-05	
	% of total Consumption	Rs Lakhs	% of total Consumption	Rs Lakhs
Imported	1.48	247.52	1.91	210.50
Indigenous	98.52	16462.74	98.09	10825.75
Total		16710.26		11036.25



3.17 Finished Goods

	2005-06		2004-05	
	Tonnes	Rs Lakhs	Tonnes	Rs Lakhs
a) Opening Stock				
Ferrous Castings	123	60.00	89	43.00
Non-Ferrous Castings	3	4.32	5	8.58
b) Closing Stock				
Ferrous Castings	92	43.00	123	60.00
Non-Ferrous Castings	3	5.87	3	4.32

3.18 Capacity and Production

	2005-06		2004-05	
	Installed Capacity Tonnes	Production Tonnes	Installed Capacity Tonnes	Production Tonnes
Ferrous and Non-Ferrous Castings*	75000	62411	51000	39895
*Includes Production on conversion basis	-	237	-	294

Note:

The figures shown is balancing figures, ascertained on the basis of opening stock, sales (net of returns) and closing stock and, therefore, include adjustment of excess and shortages ascertained on physical count.

3.19 Value of Imports (excluding through canalised agencies calculated on CIF basis)

Particulars	2005-06	2004-05
	Rs Lakhs	Rs Lakhs
Raw Materials	220.81	142.42
Components and Spare parts	24.99	13.55
Capital Goods	274.36	54.42

3.20 Earning Per Share

Particulars	March 31, 2006 Rs Lakhs	March 31, 2005 Rs Lakhs
Net profit as per the profit and loss account	1396.31	1308.47
Less: Dividend attributable to preference shareholders (Including Tax)	171.00	169.60
Net profit as per the profit and loss account after preference dividend	<u>1225.31</u>	<u>1138.87</u>
Number of equity shares of Rs 10 each outstanding at the beginning of the year	6789900	6789900
Add: number of shares issued pursuant to the rights issue on September 9, 2005	9504110	-
Total number of equity shares of Rs 10 each at the end of the year	16294010	6789900
Weighted average number of equity shares of Rs 10 each at the end of the year for calculation of basic and diluted earnings per share*	14135037	11399444
Basic and diluted earnings per share	8.67	9.99

* The weighted average number of equity shares for the current and the previous year includes adjustments required due to the rights issue of shares made on September 9, 2005.



3.21 Expenditure in Foreign Currencies (on accrual basis)

Particulars	2005-06	2004-05
	Rs Lakhs	Rs Lakhs
Travelling*	10.93	10.97
Consultant Fee*	46.13	2.55
Agency Commission	9.24	-

*Included in Schedule 2.6 ('other expenses')

3.22 Earnings in foreign currency (on accrual basis)

Particulars	2005-06	2004-05
	Rs Lakhs	Rs Lakhs
Export - FOB Value	574.65	-

3.23 Information regarding Managerial remuneration

Particulars	2005-06	2004-05
	Rs Lakhs	Rs Lakhs
Salary	48.00	20.40
Perquisites	17.53	9.81
Total	65.53	30.21

The above sum is in excess of the limits prescribed by the Companies Act, 1956. The Company had applied to the Central government under sections 269, 198(4), 309(3) and 637AA of Companies Act, 1956 for approval of such excess remuneration and the approval has been received vide letter dated on September 27, 2005.

As the future liability of gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amounts pertaining to the managing director is not ascertainable and is therefore not included above.

3.24 The figures of the current year include those relating to DCU, Guindy unit and Greenfield Project. Accordingly, the figures of the previous year are strictly not comparable with those of the current year.

3.25 Figures for the previous year have been regrouped wherever necessary to conform to the classification for the year.

For Fraser & Ross
Chartered Accountants

For S R Batliboi & Associates
Chartered Accountants

On behalf of the Board

Geetha Suryanarayanan
Partner
Membership No.29519

Mahendra Jain
Partner
Membership No.205839

R J Shahaney
Chairman

V Mahadevan
Managing Director

N Kothandapani
Company Secretary

V Sankar
Chief Financial Officer

April 28, 2006
Chennai



Information as per Sec.217 (2A) (b) (ii) read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2006

Sl.No.	Name	Age	Designation/ Nature of Duties	Remuneration Rupees	Qualifi- cation	Total Experience (Years)	Date of Commencement of Employment	Last Employment held
1	V Mahadevan	57	Managing Director	65,52,571	B.E.	36	5/9/03 as Chief Executive, 1/10/03 as Managing Director	Special Director- Manufacturing, Ashok Leyland Limited

Notes:

1. Gross remuneration shown above is subject to tax and comprises Salary, Allowances, Medical Benefits, Leave Travel Assistance as applicable in accordance with the Company's rules, Company contribution to Provident Fund and Superannuation Fund and Perquisites evaluation as per Income Tax rules. In addition to the above, the employee is entitled to Gratuity.
2. Appointment is on contractual basis