

14TH ANNUAL REPORT



2005-06

ADITYA FORGE LIMITED

BOARD OF DIRECTORS

SHRI NITIN R. PAREKH	Chairman & Managing Director
SHRI PANKAJ R. PAREKH	Director
SHRI MAHESH NANDANI	Director
SHRI SUBHASH DALAL	Director
SHRI VISHNUBHAI PATEL	Director

AUDITORS

M/S K J SHAH & CO.
Chartered Accountants
1st Floor, Satsang Apartment,
Kothi – Salatwada Road
BARODA – 390 001.

REGISTERED OFFICE

412 TO 415, G.I.D.C.,
RAMANGAMDI, POR – 391 243,
DIST. BARODA.

FACTORY

412 TO 415, G.I.D.C.,
RAMANGAMDI, POR – 391 243,
DIST. BARODA.

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NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of members of **ADITYA FORGE LIMITED** will be held at Registered Office of the Company at 415, GIDC, Ramangamdi, NH 8, POR, Dist Vadodara on Saturday the 30th September, 2006 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2006 and the Profit and Loss Account for the period ended on that date and the report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Nitin Parekh who retires by rotation and is eligible for re-appointment.
3. To reappoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

“ RESOLVED THAT Mr. Mahesh Nandani who was appointed as an Additional Director pursuant to Clause 134 of the Articles of Association and Section 260 of the Companies Act, 1956, to hold office upto the ensuing Annual General Meeting, and in respect of whom requisite notice u/s 257 of the Companies Act, has been received, be and is, hereby appointed as a Director liable to retire by rotation.”

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

“ RESOLVED THAT Mr. Subhash Dalal who was appointed as an Additional Director pursuant to Clause 134 of the Articles of Association and Section 260 of the Companies Act, 1956, to hold office upto the ensuing Annual General Meeting, and in respect of whom requisite notice u/s 257 of the Companies Act, has been received, be and is, hereby appointed as a Director liable to retire by rotation.”

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

“ RESOLVED THAT Mr. Vishnu Patel who was appointed as an Additional Director pursuant to Clause 134 of the Articles of Association and Section 260 of the Companies Act, 1956, to hold office upto the ensuing Annual General Meeting, and in respect of whom requisite notice u/s 257 of the Companies Act, has been received, be and is, hereby appointed as a Director liable to retire by rotation.”

FOR AND ON BEHALF OF THE BOARD

Place : Vadodara
Date : 8th August, 2006

NITIN PAREKH
MANAGING DIRECTOR

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/ herself and the proxy need not to be a member.
2. Proxies, in order to be effective, should be duly stamped, completely signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
3. The register of members of the Company will remain closed on 30th September, 2006.
4. Members desirous of getting any information about the accounts and operations of the company are requested to send their queries at the Registered Office well in advance so that the same may reach the office at least seven days before the date of meeting to enable the management to keep the information required readily available at the meeting.
5. Members holding shares in identical order of names in more than one folio are requested to write to the company to consolidate their holding in one folio.
6. Members are requested to notify change in address, if any immediately to the Company at its registered office quoting their folio number.
7. Explanatory Statement in respect of resolution appearing in item no. 4 to 6 of the notice is annexed herewith pursuant to Section 173(2) of the Companies Act, 1956.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956, TO THE ACCOMPANYING NOTICE DATED 8TH AUGUST, 2006.**

Item No. 4 to 6

Mr. Mahesh Nandani is a Businessman. He has rich experience in the field of Publicity and Marketing and has held various responsible positions. Mr. Subhash Dalal is attached to various Companies and has rich experience in the field of Investment, Financial Services and Trading and holds various responsible positions few companies. Mr. Vishnu Patel has rich experience in the field of Share and Commodity Trading and holds various responsible positions in couple of companies.

Mr. Mahesh Nandani, Mr. Subhash Dalal and Mr. Vishnu Patel were appointed as an Additional Director of the company w.e.f. 30th December, 2005 to hold the office upto the ensuing Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956 and Clause 134 of the Articles of Association of the Company.

Requisite notice under Section 257 of the Companies Act, 1956 has been received by the company in respect of aforesaid Directors.

Your Directors seek your approval by way of Ordinary Resolution as set out in item no. 4,5 & 6 of the accompanying Notice.

No Director, except aforesaid Directors who shall be deemed to be interested or concerned in respective resolution relating to their appointment.

For and On behalf of the Board

Place : Vadodara
Date : 8th August, 2006

Nitin Parekh
Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Fourteenth Annual Report together with the Audited Statement of Accounts for the financial year ended on 31st March 2006.

a. FINANCIAL AND WORKING RESULTS :

Particulars	2005-06 Rs.	2004-05 Rs.
Total Income	73324791	43008784
Gross Profit/(Loss) before Depreciation	2796465	5180239
(Less) : Depreciation	3551290	2910520
Profit/(Loss) Before taxation	(754825)	2269719
(Less) : Provision and Adjustments for Taxation	536903	Nil
Net Profit/(Loss) for the year	(1291728)	2269719
Add: Debit Balance brought forward	(48543179)	(50182898)
Balance carried to Balance Sheet	(49834906)	(48543179)

b. YEAR IN RETROSPECT:

Suspension of operations by Madhavpura Mercantile Co.Op. Bank Ltd, our banker, has badly affected financial health of the Company. In order to combat with the situation, your Company exclusively concentrated on job work. However during the year under report, an effort was made to increase the production activity. Accordingly, an effort was made to enter the market as Manufacturer / Producer of Stainless Steel and Carbon Steel flanges.

Your company had been approved term Loan and Working Capital Facilities by aforesaid Bank. Due to their financial failure in the year 1999-2000, they did not release the working capital matching with your company's requirement based on expanded / installed capacity. Never the less, the said bank in a futile effort to recover the entire sum financed and to save itself from the financial embargo created by its Directors, filed suits against your company and its directors, including base less criminal cases. The very fact that your company has been involved in manufacturing activity and had commissioned the project as per plans presented to bank.

Your directors are pleased to inform that despite all these adversities, your company has made progress in last couple of years.

In the last report, you were informed that, reference has been made to the Board for Industrial and Financial Reconstruction (BIFR) for registration of the Company as a sick Company in view of total erosion of net worth, BIFR has registered our reference with File No. 347/2003. Please be informed now that the BIFR has declared the company a sick company under SICA on 25.05.2006. Your company shall now approach with a rehabilitation programme, with definite plan for the revival of the company.

Despite of heavy odds, during the year under review, the sales and other income have gone up to 7,12,52, 741/- from Rs.4,02,55,798/- for the previous year reflecting a rise by 76.99%. However due to price volatility for the raw material and consumables like oil, resulted in Profit before depreciation at Rs. 27,96,465/- as against profit of Rs. 51,80,238 in the previous year.

Your Directors have been taking several measures to arrest this downturn and improve performance and profitability. This initiative is primarily in the areas of quality, product development and cost reduction. These measures are expected to further improve the operations of the company and /strengthen its competitiveness.

c. DEPOSITS :

The Company has not accepted any deposit within the meaning of the companies (Acceptance of Deposits) Rules, 1975.

d. DIVIDEND

In view of accumulated losses, your Directors do not recommend of Dividend.

e. PARTICULAR OF EMPLOYEES :

There was no employee drawing remuneration of Rs.24,00,000 p.a. or Rs.2,00,000 p.m. for part of the year or more and hence no particulars have been furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information on conservation of energy, technology absorption, foreign exchange earning and outgo as required to be disclosed in terms of Section-217(1)(E) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is set out in Annexure A And forms part of this report.

DIRECTOR'S RESPONSIBILITY STATEMENT

1. Your Directors have followed the applicable Accounting Standards along-with proper explanation relating to material departures, if any, while preparing the annual accounts.
2. Your Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of financial year and of the profit of the Company for the period.
3. Your Directors have taken proper and sufficient care for the maintenance of adequate Accounting Records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. Your Directors have prepared the Annual Accounts on a going concern basis.

f. AUDITORS REPORT

Observation made by the auditors in their report annexed to the Balance Sheet, are self-explanatory and hence, no comment is offered.

g. AUDITORS

M/s. K. J. Shah & Co., Chartered Accountants, Statutory Auditors who hold office up to the conclusion of ensuing Annual General Meeting. You are requested to reappoint them as Auditors and fix their remuneration, as they are eligible for reappointment.

h. DIRECTOR

Shree Mahesh Nandani, Shree Subhash Dalal and Shree Vishnu Patel have been inducted as Independent Directors and thereby the statutory requirement has been met with. Smt. Rekha N Parekh, has resigned as Director. Shri Nitin R. Parekh retires by rotation and being eligible offers himself for reelection. You are requested to reappoint him.

i. ACKNOWLEDGEMENT

The Board of Directors is pleased to place on record their sense of gratitude for the continued support by , Share Holders, banks and other associates.

By Order of Board
ADITYA FORGE LIMITED

Place : BARODA
Date : 18.08.2006

NITIN R. PAREKH
Chairman

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217 (i) (E) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH 2005.

CONSERVATION OF ENERGY

The Company continued its efforts to save energy and reduce cost at every stage of production in consultation with technical experts engaged from time to time. Details for power and fuel consumption as required under Sec-217 (i) (e) of the Companies Act 1956, are as follows:

PARTICULARS	AS AT 31.3. 2006	AS AT 31.3.2005
I) Electricity Purchased		
Quantity: Units	420132	191652
Cost : Rupees	2096082	2598437
Rate per Unit: Rupees	4.99	13.56
II) Furnace Oil Purchases		
Quantity: LTR	338775	365175
Cost : Rupees	4528845	4521302
Rate per LTR: Rupees	13.36	12.38

TECHNICAL ABSORPTION: N/A

FOREIGN EXCHANGE EARNINGS & OUT GO:

The Company has neither earned nor incurred loss in form of foreign exchange.

RESEARCH & DEVELOPMENT (R & D)

No expenditure is incurred on R & D.

By Order of Board
ADITYA FORGE LIMITED

Place : BARODA
Date : 18.08.2006

NITIN R. PAREKH
Chairman

CORPORATE GOVERNANCE REPORT

I COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company has always been committed to the principles of good governance. The Company believes that all its operations and actions must serve the underlying objective of enhancing overall shareholder value over a sustained period of time to protect the interest of all the shareholders.

II BOARD OF DIRECTORS

Composition of the Board:

Total Strength of the Board of Directors of the Company is 5 comprising of Two Executive (both of them being non-independent Promoter Directors) and Three Independent Directors. As assured in the last report, the company has been able to induct independent director despite the fact that the Company has been declared sick by BIFR under SICA in June 2006. IDBI has been appointed as Operating Agency under SICA and the rehabilitation package is being worked out.

Composition of Board of Directors as on 31-3-2006.

Name of Directors	Category	No. of Board Meeting Attended	Attendance at last AGM held on 30-09-05	No of Directorship in other Companies		No. of Committee Membership in other companies	
				Company	Meetings	Company	Meeting
Nitin R Parekh	Managing Director – Promoter	6	Yes	2	0	0	0
Pankaj R Parekh	Director – Promoter	6	Yes	2	1	0	0
Smt. Rekhaben Parekh *	Director – Promoter	6	Yes				
Mahesh Nanadani	Independent Director	3	Yes	2	0	0	0
Subhash Dalal	Independent Director	3	Yes			0	0
Vishnu Patel	Independent Director	3	Yes			0	0

* Since Resigned w.e.f. 01/04/2006

III AUDIT COMMITTEE

The Company has been now able to constitute Audit Committee. Committee comprises of Shree Subhashbhai Dalal - Independent Director as Chairman of the Committee, Vishnubhai Patel, the other Independent Director as member and Mr. Nitin Parekh, CMD of the Company as Member and regular meetings are being conducted.

IV REMUNERATION COMMITTEE

The Committee comprises of all independent non-executive directors with Shree Vishnubhai Patel as Chairman and Shree Subhash Dalal and Shree Mahesh Nandani as other members The remuneration committee of the Company aims at rewarding performance, based on systematic and periodical review of achievements. The remuneration policy is in consonance with the prevailing industrial practices and laws. During the year, one meeting of the Committee was held and was attended by all members.

Remuneration paid to the Executive Directors

Particulars	Nitin R Parekh
Category	Managing Director
Salary & Perquisites	4,50,000/-

Remuneration paid to the Non-Executive Directors

Neither sitting fee nor any other compensation is paid to non-executive directors.

III AUDIT COMMITTEE

Composition as at 31st March 2006: The Audit Committee has been constituted with an objective of monitoring and maintaining the standard of financial accuracy, adequate transparency and full disclosures of facts and opinion of various share holders. During the year, the committee met four times i.e. on 15th April 2005 15th July 2005, 15th October 2005, and 15th January 2006.

Name of the Member	No of Meetings Attended
Mr. Subhash Dalal – Chairman	2
Mr. Vishnu Patel – Member	2
Mr. Nitin Parekh – Member	4

Mr. Subhash Dalal, Chairman of the Audit Committee attended the last AGM to Answer Share Holders queries. All the members of the audit committee are having financial and accounting knowledge. Terms of reference is to deal with all the matters as contemplated in section 292 A of the Companies Act 1956 read with clause No 49 of the listing agreement and any other matter as may be referred by the Board of Directors from time to time.

V SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Share Holder's / Investor's Grievances Committee constituted by the Board of Directors is comprised of Shree Mahesh Nandani, Independent Director as Chairman and Shree Pankaj Parekh as well as Shree Nitin Parekh as members. The committee supervises the mechanism of Investor Grievance redressal and ensures cordial investor relations. The Company has appointed Mr. R Selvaraj as compliance Officer.

VI GENERAL BODY MEETINGS

The last three Annual General Meetings (AGMs) of the Company were held as detailed below:

Financial Year ended	Date	Venue	Time	Types of the resolutions passed
31-3-2003	30-9-2003	--- do -- -	11.00 am	Ordinary- 3 Special - 2
31-3-2004	30-9-2004	--- do -- -	11.00 am	Ordinary- 3 Special - 1
31-3-2005	30-9-2005	--- do -- -	11.00 am	Ordinary- 3 Special - 1

Process of the Annual General Meeting

All special resolutions moved at the AGMs were passed unanimously on a show of hands by the shareholders present at the meeting. No matter was required to be passed by postal ballots as prescribed under the Provisions of Section 192 A of the Companies Act 1956. The Company advocates and follows a very transparent system of management and encourages shareholders' participation in the Annual General Meeting. The Company ensures that the Notice of the AGM, along with the Annual Report of the Company is dispatched to the shareholders in advance to enable them to participate in the meeting.

VII DISCLOSURES

Details of non – compliance by the company, penalties, strictures, imposed on the company by the Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets during last three years.

There were no penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any other authority on any matter related to capital markets, during the last three years.

VIII MEANS OF COMMUNICATION

The Company generally publishes its quarterly, half yearly and annual results, one in English other one Gujarati. Management Discussion & Analysis also forms part of this Annual Report, which is being dispatched to the shareholders of the Company.

IX GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

The Fourteenth Annual General Meeting of the Company is scheduled to be held on:

Date & Time	:	30th September, 2006 at 11-00 A. M.
Venue	:	415, GIDC Ramangamdi, POR Dist Vadodara
Book Closure Date	:	30 th September 2006
Dividend	:	NIL

Financial Calendar for 2006-07

Next Financial Year of the Company	01/04/2006 to 31/03/2007
Financial Reporting for the quarter ending	Proposed Dates
- June 2006	
- September 2006	
- December 2006	January 31, 2007
- March 2007	April 30, 2007
- Audited Yearly Results	Mid August 2007
Listing on Stock Exchanges	- The Vadodara Stock Exchange Ltd. (The Regional Stock Exchange) - The Bombay Stock Exchange Ltd, Mumbai

Listing on Stock Exchange and the Stock Code Allotted

The Company's Equity Shares are presently listed at following Stock Exchanges:

1. The Vadodara Stock Exchange Ltd. (Regional Stock Exchanges):
2. The Bombay Stock Exchange Ltd Mumbai

ISIN No.:

The application of the company has been considered by NSDL and CDSL for allotting ISIN Number. The ISN Number allotted to company is INE281H01013

Market Price Data

Month	High	Low	Month	High	Low
April 2005	7.58	6.15	October 2005	20.00	12.00
May 2005	9.50	4.75	November 2005	18.00	9.00
June 2005	10.15	7.00	December 2005	15.00	8.50
July 2005	8.00	5.48	January 2006	14.75	9.00
August 2005	15.94	7.97	February 2006	17.00	10.25
September 2005	29.65	16.70	March 2006	18.50	11.10

Registered and Share Transfer Agent (RTA)

The Company has appointed M/s Pinnacle Share Registry Pvt. Ltd., Ashoka Mill Compound, Naroda Road, Ahmedabad as their RTA

Share Transfer System

Share transfers in prescribed form can be lodged with the RTA at the address given and published in this report and on the Company's website www.adityaforge.com. The transfers are normally processed by the Registrar and Transfer Agent within 30 days from the date of receipt, if the documents are complete in all respect. Shares transfers under objection are returned within two weeks.

The Transfer Committee meets regularly normally twice in a month to approve all the transfer proposals. All requests for dematerialisation of shares are processed by RTA after the application for ISIN has been approved by the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).

Distribution of Share Holding as on 31st March, 2006.

Holdings Amount (Rs.)	Shareholders		Shares	
	Number	% to total	Number	% to Total
Upto 5,000	4654	98.77	2279100	52.90
5001 to 10,000	27	0.57	198200	4.60
10001 and above	31	0.66	1831300	42.50
Total	4712	100.00	4308600	100.00

Shareholding Pattern as on 31st March, 2006.

Category	No. of Shares Held	% of Shares Holding
Promoters	1651700	38.33
a. Mutual Funds & UTI	0	0
b. Banks, FI's Insurance Companies	0	0
Foreign Institutional Investors	0	0
Private Corporate Bodies	578343	13.42
NRI's / OCB's (other than Promoter Group)	30300	0.70
Indian Public	2048257	47.55
Total	4308600	100.00%

- Number, of GDR outstanding as at 31st March, 2005 : NIL
- Plant Location of the Company & Address for Communication : 415, GIDC
RAMANGAMDI – POR
PIN 391243
Dist Vadodara-Gujarat

X COMPLIANCE

As stipulated by Listing Agreement with the Stock Exchanges, the Company has obtained the certificate regarding compliance of Corporate Governanc from M/s. D. Pathak & Associates, Practicing Company Secretaries, which appears as a part of the Annual Report of Company.

Management Discussion and Analysis.**1. Business Analysis:**

Your Company is engaged in manufacturing of Forged Items from Stainless Steel and Carbon Steel. The Forged Flanges have been the prime sales item followed by forged bars.

2. Industry Structure and Development:

Looking to the world scenario, per capita consumption of steel in India is much less than in developed as well developing countries of the world. The Indian steel sector has seen an average growth of 7 % during past, which is matching with the GDP Growth of the country. With the expectation of same level of growth in our country, there appears to be great potential for increase in per capita consumption of steel in India. Further, the need for flanges has also witnessed steep rise in the recent past with the development of the petroleum industry and the movement of liquid gold through pipelines.

3. Opportunities, Threats, Risks & Concerns:

The pace of growth and development that has taken place in the recent past has helped the company to have better business opportunities. The resilient Indian economy promises a sustained higher growth for our buoyant industry with increased opportunities. In view of the proposed major expansion plans of public sector units comprising of oil & Gas, petrochemicals, power, fertilizers etc. the Company foresees many more opportunities for its sales growth. It is registered as an approved vendor with leading certifying agencies and making efforts for orders on its own capacity.

The Company has to formulate system and procedures to have all controls including financial so as to have more effectiveness. Major threats to the Company are downturn in private sector industrialisation growth, competitive bidding, low margins, and limited suppliers of basic raw material which may adversely affect the production cycle. However, the Company is gearing up to steer through the new challenges.

4. Risk Management :-

With the stricter cost control and design of growth plan within the constraints would help the company to combat risk and ensure steady growth.

5. Internal Control & their Adequacy:

The Company has internal control system and procedures commensurate with the size of the Company. The Company is still endeavoring to improve and strengthen its system of internal controls.

6. Statutory Compliances:-

After obtaining confirmation from the various departments of the Company in respect of compliance with all the statutory requirements, a declaration regarding compliance of the provisions of various statutes is made by the Managing Director at each Board Meeting and derivatives, if any, are brought to the notice of Directors with reasons and remedial measures taken to comply the same. The compliance officer ensures compliance of the SEBI Regulations and provisions of Listing Agreement.

7. Quality :-

With the opening up of economy, Indian Industry is exposed to fierce global competition where quality reckons the most. The company has taken adequate steps for ensuring quality control and upgradation.

8. Financial and Operational Performance:

Financial and Operational Performance have been elaborated in Paragraph 1 & 2 of Director's Report in the Annual Report.

9. Human Resource & Industrial Relations:

The Company firmly believes that good Human Resource are the key to growth and success and recognises training as an integral part of Employee Development. Industrial Relations continued to be cordial through out the year.

10. Cautionary Statement:

Statements in the Management Discussion and Analysis describing the Company's position and expectations may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed or implied. Important that may make a difference to the Company's operations include among others are economic conditions affecting demand/supply and price conditions in the market in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

CERTIFICATE OF CORPORATE GOVERNANCE

To,
The Members,
Aditya Forge Limited,

We have examined all relevant records of Aditya Forge Limited as made available to us for the purpose of certifying compliance under clause 49 of the Listing Agreement of the said company with Stock Exchanges in India for the financial year ended 31st March 2006

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof. This certificate is neither an assurance as to the future viability of the company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

On the basis of our examinations of the records produced and the explanations and information furnished to us, the company has generally complied with all the mandatory conditions of the said clause of the listing agreement clause 49

We state that in respect of investor grievances received during the year ended 31st March 2006, no investor grievances are pending against the company for a period exceeding one month as per the records maintained by the company.

For D Pathak & Associates,
Practising Company Secretaries

Dated: 8th August 2006
Place: Vadodara

DEVESH A PATHAK
Proprietor
FCS 4559

AUDITORS' REPORT

The Members
ADITYA FORGE LIMITED

We have audited the attached Balance Sheet of ADITYA FORGE LIMITED as at March 31, 2006, the Profit & Loss Account and 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.

We have 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. Further 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.

We report as follows:

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together "the Order") issued by the Central Government of India in terms of Sec.227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, and as per the information and explanations given to us we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order, to the extent applicable to company.
2. Further to our comments in the Annexure referred to in the paragraph 1 above and subject to Note No 1 in Schedule No 20 we state that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by the Law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet and the Profit and Loss Account and Cash flow Statement dealt with by this report are in agreement with the books of accounts.
 - d) In our opinion, the Balance Sheet and the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standard referred to in sub – section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on 31 March 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March,2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act,1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting policies and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a True and Fair view in conformity with the accounting principles generally accepted in India.
- 2) In case of the Balance Sheet of the state of affairs of the Company as at March 31, 2006.
- 3) In case of Profit & Loss Account of the Loss for the year ended on that date and
- 4) In cash of Cash Flow Statement of the Cash Flow for the year ended on that date.

For **K. J. SHAH & Co.**
Chartered Accountants

Place : Vadodara
Date : 8th August, 2006

(**Kamlesh J Shah**)
Proprietor
Membership No.42390

ANNEXURE TO THE AUDITORS' REPORT

(Annexure referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situations of Fixed Assets. Such records are kept under updating at Head Office.
- (b) All major assets have been physically verified by the management periodically which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. We are informed that no material discrepancies were noticed on such verification.
- (c) In our opinion and according to information and explanation given to us a substantial part of fixed assets has not been disposed off by the company during the year.
2. (a) Inventory has been physically verified during the year by the management at reasonable intervals. In our opinion frequency of verification is reasonable.
- (b) Procedures of physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has taken unsecured loan from Companies, firms or other parties covered in the register maintained u/sec 301 of the Companies act, 1956. In our opinion the terms of loans, prima facie, are not prejudicial to the interest of the Company.
- (b) The Loans granted by the Company to parties, Firms or Companies listed in the register maintained u/s 301 of the Companies act 1956 or to companies under the same management as defined u/s 370(1-B) of the Companies Act 1956, are not prejudicial to the interest of the Company. The Loans are granted interest free and repayment of the principal amount is not specified hence no reporting is made regarding interest thereon and overdue amount.

4. In our opinion, and according to the information and explanation given to us during the course of audit, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. Further, on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. (a) Based upon the audit procedures applied by us and according to the information and explanations given to us we are of the opinion that the transactions in which directors are interested as contemplated u/sec.297 and sec.299 Of the Companies Act,1956 and which were required to be entered into the register maintained under section 301 of the Act, have been so entered.
- (b) According to the information and explanations given to us, transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market price at the relevant time.

In our opinion and according to the information and explanations given to us, Company has complied with the provisions of Sections 58A and 58AA or any other relevant provision of the Act and the rules framed there under. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.

We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules prescribed by the Central Government for the maintenance of cost records under clause (d) of sub section (1) of section 209 of the Companies Act, and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of these such books and records with a view to determine whether they are complete.

According to the records of the Company, undisputed statutory dues of Provident Fund, investor education and protection fund, Income-tax, Service tax, Sales-tax, Custom Duty, Excise duty, Cess and other statutory dues applicable to it have not been generally regularly deposited with the appropriate authorities during the year. The extent of arrears of such outstanding statutory dues as at 31st March 2006 for a period more than six months from the date they become payable are as under :

- A) T.D.S amounting to Rs.1.15 Lacs for various the Asst. Year.
B) T.C.S amounting to Rs. 0.20 Lacs for current year.

10. There are accumulated losses of Rs. 498.34 lacs of the Company at the end of the financial year. There are no cash losses in the financial year and in the immediately preceding financial year.
11. The management has neither paid nor provided for interest on Term Loan and Cash Credit Facilities of Madhavpura Mercantile Co. Operative Bank Ltd.

We have been informed by the management that, there existing bankers namely Madhavpura Mercantile Co. Operative Bank Ltd. Is facing sever financial crisis and it is not functioning since March, 2001 and these bankers are seeking assistance of fellow co-operative banks, State Government & Central Government. Further the company has filed legal suit of Rs. 12.16 Crores against the said Bank.

Except above the Company has not defaulted in repayment of dues to any bank or Financial Institutions.

12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company does not fall within the category of Chit fund/ Nidhi/Mutual Benefit fund/ Society and hence the related reporting requirements are not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. The Company has not given any guarantee for loans taken by others from financial institutions and/or banks.
16. The Company has raised Term Loan during the year and in our opinion and according to the information and explanations given to us, on an overall basis the term loans have been applied for the purposes for which they were obtained.
17. (a) According to the information and explanations given to us, and on the basis of an overall examination of the balance sheet of the company, the funds raised on short-term basis have not been applied for long-term investments.
- (b) Long term funds have been partly applied for financing core working capital in consonance with the principles of sound financial Management.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to companies and parties covered in the register maintained under section 301 of The Companies Act, 1956
19. According to the information and explanations given to us, during the year of audit report the Company has not issued debentures.
20. The Company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed and reported during the year, nor have we been informed of such case by the management.

For K.J.SHAH & Co.
Chartered Accountants

Place : Vadodara
Date : 8TH August 2006

(Kamlesh J Shah)
Proprietor
Membership No.42390

BALANCE SHEET AS AT 31/03/2006

	Schedule	March 31,2006 (Rupees)	March 31,2005 (Rupees)
SOURCE OF FUND			
A) SHARE HOLDERS FUND			
(a) Share Capital	1	43,086,000	43,073,200
(b) Reserves & Surplus	2	-	-
		43,086,000	43,073,200
B) LOANS	3		
(a) Secured Loans		64,919,145	65,002,656
(b) Unsecured Loans		3,599,433	2,699,433
		68,518,578	67,702,089
C) DEFERRED TAX LIABILITY (NET)		69,663	-
GRAND TOTAL (A + B + C)		111,674,240	110,775,289
APPLICATION OF FUNDS			
A) FIXED ASSETS	4		
a) Gross Block		86,194,535	82,019,417
Less : Depreciation		26,587,795	23,094,287
Net Block		59,606,740	58,925,130
b) Capital Work in Progress		453,237	810,224
c) Advance against capital Items.		545,000	338,544
		60,604,977	60,073,898
B) INVESTMENTS	5	1,656,600	1,656,600
C) CURRENT ASSETS - LOANS & ADVANCES			
a) Inventories	6	5,065,036	2,992,986
b) Sundry Debtors	7	9,290,452	4,465,341
c) Cash & Bank Balances	8	409,004	214,208
d) Loans & Advances	9	3,415,336	3,836,308
		18,179,828	11,508,842
Less : CURRENT LIABILITIES & PROVISIONS			
D) NET CURRENT ASSETS / (LIABILITIES)	10	19,514,907	11,987,271
		(1,335,079)	(478,429)
E) MISC EXPENDITURE	11	912,836	980,041
(To the extent not written off/adj)			
F) PROFIT & LOSS ACCOUNT		49,834,906	48,543,180
TOTAL		111,674,241	110,775,289

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

SCHEDULE 1 TO 20 REFERRED TO ABOVE FORM 20

AN INTEGRAL PART OF THE ACCOUNTS

AS PER OUR ATTACHED REPORT OF EVEN DATE
For K J SHAH Co.
Chartered Accountants

FOR & ON BEHALF OF BOARD
For Aditya Forge Limited

(KAMLESH J SHAH)
PROPRIETOR MEMBERSHIP NO 42390
Place : Baroda
Date : 8th August 2006

NITIN R. PAREKH **PANKAJ R PAREKH**
Chairman & Managing Director Director

Place : Baroda
Date : 8th August 2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2006

	Schedule	March 31,2006 (Rupees)	March 31,2005 (Rupees)
INCOME			
SALES	12	70,337,150	39,920,711
OTHER INCOME	13	915,591	335,087
INCREASE / (DECREASE) IN STOCK	14	2,072,050	2,752,986
		73,324,791	43,008,784
EXPENDITURE			
Raw Material, Stores & Spares consumed	15	57,937,420	22,091,273
Manufacturing Expenses	16	7,807,488	10,677,140
Administrative Expenses	17	3,822,066	4,095,803
Selling & Distribution Expenses	18	710,738	421,388
		70,277,712	37,285,605
Profit/(Loss) before financial Charges			
Depreciation & Taxation		3,047,079	5,723,180
Financial Charges	19	139,068	346,853
Prior Period Expenses		111,546	228,488
Prior Period Interest Reversal		-	32,400
Depreciation		3,551,290	2,910,520
Profit / (Loss) for the year		(754,824)	2,269,718
Less : Provision For Income Tax		-	-
Less : Deferred Tax Liability		69,663	-
Less : Provision For Fringe Benefit Tax		115,315	-
Net Profit After Tax		(939,802)	2,269,718
Less : Current Year MAT Deposit		-	-
Amount Available For Appropriation		(939,802)	2,269,718
Debit Balance B/F from last year		(48,543,180)	(50,812,898)
Less : Tax Adjustments For Prior Year		351,925	-
Less : Dividend Paid/Payable		-	-
Less : Corporate Dividend Tax.		-	-
Balance carried to Balance Sheet		(49,834,906)	(48,543,180)
Earning Per Share			
- Basic		-0.22	0.53
- Dilluted		-0.22	0.53

Accounting Policies and notes on accounts Schedule 1 to 20 on account referred to above form An integral part of accounts.

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AS PER OUR ATTACHED REPORT OF EVEN DATE

FOR & ON BEHALF OF BOARD

For **K J SHAH Co.****Aditya Forge Ltd.**

Chartered Accountants

(KAMLESH J SHAH)**NITIN R. PAREKH PANKAJ R PAREKH**

PROPRIETOR MEMBERSHIP NO 42390

Chairman & Managing Director

Director

Place : Baroda

Place : Baroda

Date : 8th August 2006

Date : 8th August 2006

SCHEDULES FORMING PART OF BALANCE SHEET

	March 31,2006 (Rupees)	March 31,2005 (Rupees)
SCHEDULE - 1 SHARE CAPITAL		
Authorized		
60,00,000 Equity Shares of Rs.10/- Each	60,000,000	60,000,000
Issued		
46,00,000 Equity Shares of Rs.10/- Each	46,000,000	46,000,000
43,08,600 Subscribed paid up :	43,086,000	43,086,000
43,08,600 Equity Shares of Rs.10/- each fully paid up	43,086,000	43,060,400
2560 Add : Party paid up	-	25,600
	43,086,000	43,086,000
Less : calls money due	-	12,800
	43,086,000	43,073,200
SCHEDULE - 2 RESERVES & SURPLUS		
General Reserve		
As per last balance Sheet	-	-
Add : Set a side during the year	-	-
	-	-
Profit & Loss Account as per last Balance Sheet	-	-
Add : Deficit	-	-
	-	-
Capital Reserve	-	-
Subsidy received during the year	-	-
	-	-
SCHEDULE - 3 LOANS		
a)Secured Loans		
Cash Credit Account	22,185,334	22,185,334
(Against Hypo. Of stock & book Debts.)		
Term Loan Account	41,949,002	41,949,002
(Against Hypo. Of Plant & Machinery)		
Madhavpura Mercantile co op Bank Ltd.		
(secured Against equitable Mortgage of land & building and hypothecation of Plant & Machinery and other Fixed Assets)		
HDFC (Vehicle Fin.)	411,339	146,215
ICICI Bank (Vehicle Fin.)	344,232	621,735
Baroda City Co-Op Bank (Equipment & Vehicles Fin.)		
Maruti Countrywide (Vehicle Fin.)	29,238	100,370
	64,919,145	65,002,656
b)Un-Secured Loans		
Loans from Directors	3,599,433	2,699,433
	3,599,433	2,699,433

ADITYA FORGE LTD.

SCHEDULE FORMING PART OF THE BALANCE SHEET

SCHEDULE 4 : FIXED ASSETS

SR NO.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS ON 01.04.2005	Addition During the year	Deduction During the year	Gross Block as on 31.03.2006	Depreciation up to 31.03.2005	Depreciation Adjusted	Depreciation for the year	Depreciation up to 31.03.2006	As on 31.03.2006	As on 31.03.2005
		1	2	3	(1+2+3)	5	6	7	(5+6+7)	9	10
1	LEASE HOLD LAND	3,090,144	-	-	3,090,144	-	-	-	-	3,090,144	3,090,144
2	BUILDING	22,575,446	93,988	-	22,669,444	7,103,190	-	755,836	7,859,026	14,810,418	15,472,256
3	FURNITURE & FIXTURE	458,485	73,078	-	531,563	267,287	-	32,289	299,576	231,987	191,198
4	PLANT & MACHINERY	40,447,004	3,696,564	-	44,143,568	10,859,793	-	1,966,534	12,826,327	31,317,241	29,587,211
5	ELECTRICAL INSTALLATION	4,618,064	43,848	-	4,661,912	2,103,786	-	221,106	2,324,892	2,337,020	2,514,278
6	VEHICLES	1,815,940	386,333	416,517	1,785,756	244,742	57,782	160,713	347,673	1,438,083	1,571,198
7	DIES & JIGS	6,945,766	93,626	-	7,039,392	1,027,547	-	332,748	1,360,295	5,679,097	5,918,219
8	OFFICE EQUIPMENTS	1,069,382	78,595	-	1,147,977	556,778	-	71,268	628,046	519,931	512,604
9	LABORATORY EQUIPMENT	123,958	80,018	-	203,976	55,936	-	7,679	63,615	140,361	68,022
10	COMPUTERS	875,228	45,575	-	920,803	875,228	-	3,117	878,345	42,458	-
	TOTAL	82,019,417	4,591,635	416,517	86,194,535	23,094,287	57,782	3,551,290	26,587,795	59,606,740	58,925,130
	PREVIOUS YEAR	65,674,607	16,344,810	-	82,019,417	20,183,767	-	2,910,520	23,094,287	58,925,131	45,490,840

SCHEDULES FORMING PART OF BALANCE SHEET

	March 31,2006				March 31,2005			
	(Rupees)				(Rupees)			
SCHEDULE - 5 INVESTMENT	No of	Book	Market	Total	No of	Book	Market	Total
	Shares	Value	Value	Investment	Shares	Value	Value	Value
Investment								
Madhavpura Mercantile Co-Op Bank Ltd	16250	100	-	1625000	16250	100	-	1625000
								(Unquoted)
Baroda City Co Op Bank Ltd	660	10	-	6600	660	10	-	6600
								(Unquoted)
Gujarat State Financial Crpn. (Partly Paid)	2300	20	-	25000	2300	20	-	25000
								(Unquoted)
				1,656,600				1,656,600
SCHEDULE - 6 : INVENTORIES								
(As Taken, Valued and certified by the management of cost)								
Raw Material				-				-
Stock in Process				1,987,500				2,560,922
Stock of Consumables				486,530				-
Finished Goods				2,591,006				432,064
(At cost of Market value whichever is less)								
				5,065,036				2,992,986
SCHEDULE - 7: SUNDRY DEBTORS								
More than Six Month								1,625,300
- Considered Good				1,029,541				
- Not Considered Good				1,644,443				
Others (Considered Good)				6,616,469				2,840,040
				9,290,452				4,465,341
SCHEDULE - 8: CASH & BANK BALANCES								
Cash on Hand				32,526				45,683
Bank Balances with Schedule Bank				376,478				168,525
				409,004				214,208
SCHEDULE - 9: LOANS & ADVANCES								
Advances recoverable in cash or Kind or for value to be received				610,764				147,580
Sundry Deposit				650,262				638,358
Advances to other				325,000				416,055
Advances with excise dept.				551,966				692,480
Advances to employees				108,161				182,350
Tax deducted at Source				972,123				1,580,719
Prepaid Exp.				38,264				-
Sales Tax Receivable				158,796				178,766
				3,415,336				3,836,308

SCHEDULES FORMING PART OF BALANCE SHEET

	March 31,2006 (Rupees)	March 31,2005 (Rupees)
SCHEDULE - 10: CURRENT LIABILITIES & PROVISIONS		
Sundry Creditors		
Of Which for Goods supplied by SSI Units	-	-
For goods supplied by others	10,746,535	2,479,924
For Expenses	1,378,974	2,322,619
For Capital Goods	1,516,414	352,302
Advances from Customers	2,689,296	2,362,853
Statutory Liabilities	1,361,664	2,303,654
Outstanding Liabilities for expenses	1,706,708	2,165,919
Duties & Taxation	115,315	-
	<u>19,514,907</u>	<u>11,987,271</u>
SCHEDULE - 11: MISC. EXPENDITURE		
(to the extent not written off/adjusted)		
Share Issue Expenses	807,572	942,167
Preliminary Expenses	32,464	37,874
Deferred Revenue Expenses	72,800	-
	<u>912,836</u>	<u>980,041</u>

SCHEDULES FORMING PART OF PROFIT & LOSS

(Amt in Rupees)

	March 31,2006	March 31,2005
SCHEDULE - 12: SALES		
Indigenous Sales	11,853,624	6,268,963
Merchant Export Sales	40,972,970	3,095,915
Labour Charges Received	17,510,556	30,555,833
	<u>70,337,150</u>	<u>39,920,711</u>
SCHEDULE - 13: OTHER INCOME		
Provision no longer required	106,707	-
Interest on GEB Deposit	25,663	-
sundry balance written off	718,293	-
Other Income (Inclusive of Prior period)	64,928	284,188
Interest on Excise duty	-	50,899
	<u>915,591</u>	<u>335,087</u>
SCHEDULE - 14: INCREASE / (DECREASE) IN STOCK		
OPENING STOCK		
Goods under process	2,560,922	-
Finished Goods	432,064	240,000
	<u>2,992,986</u>	<u>240,000</u>
Less : CLOSING STOCK		
Stock in Process	1,987,500	2,560,922
Stock of Consumables	486,530	-
Finished Goods	2,591,006	432,064
	<u>5,065,036</u>	<u>2,992,986</u>
	<u>2,072,050</u>	<u>2,752,986</u>

SCHEDULES FORMING PART OF PROFIT & LOSS**(Amt in Rupees)**

	March 31,2006	March 31,2005
SCHEDULE - 15: RAW MATERIAL & COMPONENTS		
Opening Stock	-	379,942
Add: Purchase (Including Purchased of traded Goods & consumables)	57,937,420	21,711,331
	<u>57,937,420</u>	<u>22,091,273</u>
Less : Closing Stock	-	-
	57,937,420	22,091,273
SCHEDULE - 16: MANUFACTURING EXPENSES		
ELECTRICITY CHARGES	2,096,082	2,598,739
FACTORY EXPENSES	91,620	39,371
FREIGHT & OCTROI INWARD	521,557	245,938
HEAT TREATMENT CHARGES	258,774	15,313
LABOUR CHARGES PAID	197,443	784,079
LABOUR WELFARE EXPS.	-	10,610
LOADING - UNLOADING EXP.	77,281	146,067
REPAIRS & MAINTENANCE TO P & M	943,878	1,036,372
TESTING CHARGES	57,865	55,214
WAGES	3,562,988	5,745,437
	<u>7,807,488</u>	<u>10,677,140</u>
SCHEDULE - 18: SELLING & DIST. EXPENSES		
ADVERTISEMENT EXPENSE	40,664	2,477
PACKING & FORWARDING CHARGES	339,528	123,034
DISCOUNTS	7,106	12,615
LATE DELIVERY CHARGES		
FREIGHT & OCTROI OUTWARD	211,955	50,722
SALES PROMOTION	98,100	
INSPECTION CHARGES	13,385	19,200
SUNDRY BALANCE W/O	-	30,806
MARKETING EXPENSES	-	182,535
	<u>710,738</u>	<u>421,388</u>
SCHEDULE - 19: FINANCIAL CHARGES		
BANK CHARGES & COMMISSION	28,004	6,951
INTEREST OTHERS	47,281	59,503
INTEREST EQI.FIN BRD CITI)	-	73,288
INTEREST ON CAR FINANCE	59,288	83,307
INTEREST AND PENALTY		
INT.ON SALES TAX - 2002-03 & 2003-04	-	70,597
PENALTY ON SALES TAX (2002-03 & 2003-04)	4,495	53,207
	<u>139,068</u>	<u>346,853</u>

SCHEDULES FORMING PART OF PROFIT & LOSS**(Amt in Rupees)**

	March 31,2006	March 31,2005
SCHEDULE - 17: ADMINISTRATIVE EXPENSES		
MISCELLANEOUS EXPENSES W/OFF	140,005	140,005
AUDITOR'S REMUNERATION	56,120	50,000
BOOKS & PERIODICALS	-	742
CONVEYANCE EXPENSES	14,346	35,278
DEMATERIALISATION EXP.	10,380	
DIRECTOR'S REMUNERATION	570,000	840,000
DONATION	11,499	1,001
DEFERRED REVENUE EXP. W/OFF	18,255	-
EXCISE DUTY CLAIM DIFFERENCE	-	9,495
FESTIVAL PAYMENT	-	11,542
FILLING FEES	8,696	-
FACTORY LICENCE FEES	-	13,940
GARDEN EXPENSES	47,125	47,371
INSURANCE	24,187	39,166
INTERNET CHARGES	-	1,898
ISO 9001-2002 PROJECT	-	45,893
LEGAL EXPENSES	5,450	5,000
LISTING FEES	17,500	10,000
LOSS ON SALES OF ASSETS	113,491	
MEDICAL EXPENSE	76,552	11,581
MEMBERSHIP & SUBSCRIPTION	48,918	53,693
MIS. EXPENSES	13,856	35,150
OFFICE EXPENSES	102,021	46,386
POSTAGE TELEPHONES & TELEGRAM EXP.	249,697	284,446
POLLUTION FEES	-	65,000
PERQUISITE TO DIRECTOR	-	86,205
PRINTING & STATIONERY	47,604	31,510
PROFESSIONAL CHARGES	45,775	138,990
PROFESSIONAL TAX (COMPANY)	1,000	1,000
PROVIDENT FUND DAMAGES & INTEREST	-	17,487
REPAIRS & MAINTENANCE	431,246	212,450
ROUND OFF	-	(15)
SALES TAX PAID AS PER A.O	-	113,305
SECURITY EXPENSES	223,769	149,097
TRAVELING EXPENSES	592,350	556,106
VEHICLE EXPENSES	490,754	359,263
WATER CHARGES	36,825	29,300
Employees Cost		
SALARY	392,904	470,587
BONUS	-	72,285
EDUCATION ALLOWANCE	-	1,200
HOUSE RENT ALLOWANCE	-	22,900
EMPLOYERS' CONT. TO PROVIDENT FUND	31,742	51,165
INSURANCE FOR EMPLOYEES	-	35,382
	3,822,066	4,095,803

SIGNIFICANT ACCOUNTING POLICES & NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006.

SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING:

The Company maintains its accounts on accrual basis. Accounting policies not referred to specifically otherwise, are consistent with generally accepted accounting policies. However certain escalation and other claims which are not ascertainable / acknowledged by customers are not taken into Account.

2. FIXED ASSETS:

Fixed assets are stated at cost of acquisition and subsequent improvement thereto including taxes, duties, freight and other incidental expenses related to acquisition and Installations. Revenue expenses incurred at project site prior to commencement of commercial production are being capitalised as a part of cost of assets.

3. DEPRECIATION ON FIXED ASSETS:

Depreciation on fixed assets is provided on straight-line basis at rates, which are in conformity with the schedule XIV of the Companies Act, 1956, except depreciation on computers which is provided for the residual value which is less than depreciation worked out. Depreciation is provided on all additions on pro-rate basis. Depreciation is not provided on assets, which are not ready to be put to use. Leasehold land has not been amortised.

4. EXPENDITURE DURING CONSTRUCTION:

The Company account for expenditure during construction period as per the "Guidance note on treatment of expenditure during construction period" – issued by Institute of Chartered Accountants of India. Expenditure directly related to particular fixed assets are capitalised to those fixed Assets. All indirect expenses incurred up to the date of commencement of commercial production have been allocated to various fixed assets on the basis of investments made.

5. INVENTORIES.

Stock-in-Trade Comprising of Raw Material and Component, Semi-Finished goods and finished goods are stated of cost (arrived at on the first-in-first out method with the inclusion of appropriate manufacturing overheads where applicable) or net realisable value whichever is less.

6. MODVAT /CENVAT

The refund of excise in the form of modvat/cenvat credit available on inputs of Materials as per Excise Laws is deducted from the landed cost of the materials and accordingly closing stock of input materials are valued net of Cenvat / Modvat Credit.

7. PRELIMINARY & SHARE ISSUE EXPENSES

The captioned expenses have been written off to the extent of 1/10th every year.

8. FOREIGN EXCHANGE TRANSACTIONS:

During the year under audit no foreign exchange transactions are reported except Foreign Tour of Directors which has no relevance on Foreign Exchange Fluctuations.

NOTES ON BALANCE SHEET:

1.

- We have been informed by the management that, there existing bankers namely Madhavpura Mercantile Co. Operative Bank Ltd. Is facing sever financial crisis and it is not functioning since March, 2001 and these bankers are seeking assistance of fellow co-operative banks, State Government & Central Government. Due to non availability of foreign L.C. facilities and additional working capital finance, the company has incurred huge amount of loss on account of communicates of Export Sales & Profit thereon.

- The management has not provided for interest since 1999-2000.

- The Madhavpura Mercantile Co. Op. Bank Ltd's petition for recovery of dues and other cases against from the company is pending. Further The company has disputed the amount outstanding and has already filed a suit of Rs.12,16,19,322/- out standing and a counter claim against the bank has been filled.

2. The accounts have been prepared on "Going concern concept" Since the company do not have intention to suspend the operational activities.

3. Taxes on Income: Current Tax is not provided in view of losses for the current year and carry-forward losses/ unabsorbed depreciation available for set off. In view of current years accounting losses MAT as per Sec. 115 JB of the Income Tax Act., 1961 has not been provided.

Deferred Tax is recognised subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period Deferred Tax Assets are not recognised on Unabsorbed Depreciation and carry forward losses unless there is virtually certainty that sufficient future tasable income will be available against which such deferred tax assets can be reslised.

4. The company has only one business segments i.e. forging. Hence segment reporting as defined in accounting standard 17 is not applicable.

5. **Earning per share during the year:** The securities and exchange Board of India (SEBI) has amended clause 41 of the listing agreement by virtue of which accounting standard – 20" earning per share " issued by The Institute of Chartered Accountants of India has become mandatory. In view of this the company has adopted the same and following disclosures are given below: -

Calculation Of EPS	2005-06	2004-05
Profit After Tax	(939,802)	2,269,718
Weighted Average No Of Shares	4,308,600	4,307,320
Basic Earnings Per Share	-0.22	0.53
Diluted Earnings Per Share	-0.22	0.53

6. According to the Information and explanation given to us by the Management and based on records provided to us, the company, since applicable, had approached for status of Sick Industry under SIC (SP) Act 1985 as well as for revival plan, Case No. 347/2003. BIFR Bench 1 has issued order on 2nd June 2006 accepting the Company as sick industry in terms of the section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 . The Bench has appointed IDBI as the Operating Agency with a direction to submit there observations by considering cut-off date as 30th September 2006.

	Current Year Rs.	Previous Year Rs.
7. Contingent liabilities provided in Respect of outstanding Bank Guarantee	NIL	NIL
Contingent liabilities provided in Respect of outstanding letter of credit.	NIL	NIL
8. In the opinion of the Board of Directors the Current Assets, loans and advances are approximately of the value stated it realised in the ordinary course of business. Investments in shares of GSFC are no more realisable at the value as stated looking to its present market value. According to the provisions for all known liabilities are adequate and not in excess of amount reasonably necessary.		
9. As explained by Management of the Company, there are no dues remaining unpaid on 31st March 2006 to any supplier who is small scale or ancillary industrial undertaking.		
10. Reference is invited for non-compliance of companies (Appointment and Qualification of Secretary) Rules 1988.		

As explained to us by the management, even though the sincere endeavours are made by the management to appoint company secretary, they could not get qualified and competent company secretary with the moderate salary range. However the attempt to appoint Secretary is under process Meanwhile, the professional services of practicing company secretary is availed as and when need arises on regular basis.

11. Sundry Debtors includes amount due from companies in which directors are interested Rs. 54.61Lacs [P.Y. Rs. 11.20 Lacs]
 12. The purchase cost of fixed assets has been considered net of Modvate credit/excise, incentives available on such purchases.
 13. The purchase cost of Raw Material has been considered net of Modvate/Excise incentives available on inputs.
 14. AUDITOR'S REMUNERATIONS INCLUDES :

	Rs.	Previous Yr (Rs.)
1. Audit Fees.	33672/-	30000/-
2. Tax Audit.	11224/-	10000/-
3. Taxation & other matters	11224/-	10000/-
	<u>56120/-</u>	<u>50000/-</u>

15. MANAGERIAL REMUNERATION PAYABLE TO THE MANAGING DIRECTOR INCLUDES :

	Rs.	Previous Yr (Rs.)
1. Salary.	570000/-	840000/-
2. Perquisites.	Nil	86205/-

16. Share issue expenses and preliminary expenses of Rs. 1,40,005/- (1/10th) have been amortised during the Year. (P. Y. Rs. 140005/-)
 17. Deferred Revenue Expenses : Deposit Amount Lying with Sterling Holidays Resorts for availing services at concessional rate and on priority basis while on business tour was paid before 6 years. Since the same is no more refundable and since offered services are still available management has decided to write off the same on deferred basis over a period of 5 years from current year.
 18. Related party disclosure as identified by the Management in accordance with the Accounting Standard – 18 issued by The Institute of Chartered Accountants of India and effective from April 1st 2001.

Name of related parties with whom transaction have been made.	Description of the relationship with the party.	Nature of Transaction	Amount 2005-06 (Rs.)	Amt o/s as on 31. 03. 2006 (Rs.)
Mr. Nitin R. Parekh (Chairman)	Key Management Person	Director Remuneration	450000	55,186
Mrs. Rekha N.Parekh	Director (Retired)	Director Remuneration	120000	18290
Nitin Profiles Pvt Ltd	Director is a Director	A. Sales (Op Balance) B .Advance	Nil 5000	322922
Sun Precision cast Pvt. Ltd.	Director is a Director	Sales	91391	91391
Aitya Exim Pvt. Ltd	Son of MD is Director	Sales	49154591	5461257

19. QUANTITATIVE AND OTHER INFORMATION DURING THE YEAR.
(AS CERTIFIED BY THE MANAGEMENT AND ACCEPTED BY THE AUDITORS BEING A TECHNICAL MATTER).

i) Licensed Capacity	N.A.
ii) Installed Capacity	8000 Tones.
iii) Actual Production	359 Tones

SALES DURING THE PERIOD FROM 01.04.2005 TO 31.03.2006

S. NO.	Description	Qty .	Value	Qty	Value
				Rs.	PREVIOUS YR Rs.
01	Pipe Fittings, Forging & Flanges Inclusive of Scrap & Billets	29972 Nos. 359002.50 Kgs	5,28,26,594	14654 Nos. 75170Kgs.	93,64,878/-
	Total Sales		5,28,26,594		93,64,878/-

QUANTITY & VALUE OF OPENING AND CLOSING STOCK OF FINISHED GOODS

PARTICULARS STOCK	OPENING STOCK		RECEIPT		SALES		CLOSING	
	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE
	Nos	Rs. In Lacs	Nos.	Rs. In Lacs	Nos.	Rs. In Lacs	Nos.	Rs. In Lacs
S S FLANGES	-	-	12449	439.38	12332	422.95	117	16.43
C S FLANGES	2512	1.92	17218	67.78	17640	60.22	2090	9.48
PIPE FITTINGS	4	2.40					4	2.40
FORGINGS	-	-						
TOTAL	2516	4.32	29667	507.16	29972	483.17	2211	28.31

DETAILS OF RAW MATERIAL CONSUMED

Sr. PARTICULARS	OPENING STOCK		PURCHASES		CLOSING STOCK		CONSUMPTION	
	QTY TONS	VALUE RS.	QTY TONS	VALUE RS.	QTY TONS	VALUE RS.	QTY TONS	VALUE RS.
MANUFACTURING								
1. BILLETS (SS)	-	-	24.850	2630810	-	-	24.850	2630810
2. BARS (SS)	-	-	78.319	9003482	-	-	78.319	9003482
3. BARS (MS)	-	-	67.105	1449435	-	-	67.105	1449435
4. BLOOMS	-	-	20.755	688080	-	-	20.755	688080
5. INGOTS (AS)	-	-	176.310	8400568	-	-	176.310	8400568
6. INGOTS (SS)	-	-	152.497	19483490	-	-	152.497	19483490
7. SCRAP	-	-	84.568	4129350	-	-	84.568	4129350
8. SQUARES	-	-	66.745	1265754	-	-	66.745	1265754
9. BILLET [AS]	-	-	115.926	2765237	-	-	115.926	2765237
10. BARS (AS)	-	-	2.932	168992	-	-	2.932	168992
TOTAT	-	-	790.007	49985198	-	-	790.007	49985198

VALUE OF IMPORTED & INDIGENOUS RAW MATERIALS COMPONENTS CONSUMED

Manufacturing Goods	Current Year		Previous Year	
	Rs. (In Lacs)	%	Rs. (in Lacs)	%
(i) Imported	--	--	-	-
(ii) Indigenous	499.85	100.00	119.13	100.00
Total	499.85	100.00	119.13	100.00
Traded	-	-	-	-
(i) Imported	-	-	-	-
(ii) Indigenous	-	-	-	-

20. FOREIGN CURRENCY TRANSACTIONS.	2005-2006	2004 -2005
	Rs in lacs	Rs. In Lacs
(i) Earning in Foreign exchange F.O.B. Value of Export	NIL	NIL
(ii) Expenditure in Foreign exchange C.I.F. Value of Imports (Raw Material)	NIL	NIL

21. All debit & credit balances are subject to confirmations and reconciliation.

22. The Income-tax Self Assessments have been completed up to the Asst Year 2005-06. The Company has preferred an appeal against order of ACIT, for the Assessment Year 2002-03. During the year under review the company has not made provision for income tax on account of carried forward losses.

23. There will be liability on account of excise duty to the tune of Rs. 4.22 Lacs on account of finished goods lying within company's premises.

24. The company has not made any provision during the year for Employees Benefit

25. There were no employees whether employed for full or part the year in receipt of remuneration which in aggregate exceeded to Rs.2,00,000/- per month or Rs.24,00,000/- per annum.

Previous year figures have been regrouped wherever necessary to make them comparable with the current year's figures.

AS PER OUR ATTACHED REPORT OF EVEN DATE

FOR & ON BEHALF OF BOARD

For K J SHAH & Co.
Chartered Accountants

For Aditya Forge Ltd.

(KAMLESH J SHAH)
PROPRIETOR
Membership No 42390

NITIN R PAREKH
Managing Director

PANKAJ R. PAREKH
Director

PLACE : BARODA
DATE : 18.08.2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1)	Registration Details Registration No.	04-17196	State Code	04
	Balance Sheet Date	Date	Month	Year
ii)	Capital raised during the year (Amount)	31	03	2006
	Public Issue	Right Issue		
	Nil	Nil		
	Bonus Issue	Private Placement		
	Nil	Nil		
iii)	Position of Mobilisation and Deployment of Funds (Amount In Rs. Thousands)			
	Total Liabilities	Total Assets		
	111674	111674		
	Sources of Funds			
	Paid-up Capital	Deferred Tax Liability	Reserves & Surplus	
	43086	69	NIL	
	Secure Loans		Unsecured Loans	
	64919	3599		
	Application of Funds			
	Net Fixed Asset	Investments		
	60604	1656		
	Net Current Assets/(Liabilities)			
	(1335)	Misc. Expenditure		
		50746		
iv)	Performance of Company (Amount in Rs. Thousand)			
	Turnover	Total Expenditure		
	70337	70277		
	Profit/Loss before Tax	Profit/Loss after Tax		
	(754)	(939)		
	Earning per share in Rs.	Dividend rate %		
	-0.20	Nil		
v)	Generic Names of three principal Products/Services of Company			
	Item Code No. (ITC Code)	7307.00		
	Product Description	TUBE OF PIPE FITTINGS		
	Item Code No.(ITC Code)	7326.90		
	Product Description	FORGED FITTINGS		

ADITYA FORGE LTD

Regd. Office: 415 G.I.D.C. Ramangamdi Por – 391243 N. H. 8, Dist. Baroda.

PLEASE COMPLETE THE ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL JOINT SHAREHOLDERS MAY OBTAIN ADDITIONAL SLIP ON REQUEST.

Name & Address of the Share Holder (IN BLOCK LETTER)

 No. of Share Held : _____ Redg. Folio No. _____ I hereby record my presence at the 14th Annual General Meeting of the Company held on Friday, the 30th September, 2006 at 415,G.I.D.C., Ramangamdi, Por – 391243, N. H. 8, Dist. Baroda, the Registered Office of the Company.

Signature of the Shareholder / Proxy

-(TEAR HERE)-----**PROXY****ADITYA FORGE LTD**

Regd. Office: 415 G.I.D.C. Ramangamdi Por – 391243 N. H. 8, Dist. Baroda.

Regd. Folio No. _____

I/We _____ being a member/members of _____
 _____ Aditya Forge Ltd, hereby appoint _____ of _____ as my/our proxy to vote for me/us at 14th Annual General Meeting of the Company to be held on 30.09.2006 at the Registered Office of the Company and at any adjournment thereof.

Signed _____ Day of _____ 2005 the said.

AFFIX 1/- Re. REVENUE STAMP

Note: This instrument of Proxy, duly completed, must be deposited at the Registered Office of the Company at Baroda, not less than 48 hours before the time for holding the meeting. The proxy need not be a member of the Company.

BOOK POST

To,

If undelivered please return to:

ADITYA FORGE LTD
415, G.I.D.C.,
RAMANGAMDI, POR - 391 243,
DIST.BARODA