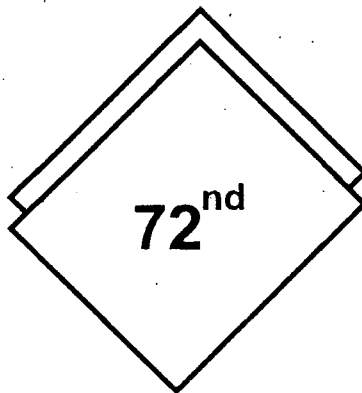




# ***EL FORGE LIMITED***



**ANNUAL REPORT**

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**2007 - 2008**

## **EL FORGE LIMITED**

Sri. S.Venkataraman, Chairman Emeritus

### **BOARD OF DIRECTORS**

Sri.V.Srikanth, Chairman

Sri.V.Ramachandran

Sri.P.L.Reddy

Sri.K.J.Ramaswamy

Sri Balraj Vasudevan

Sri.K.V.Ramachandran, Vice Chairman & Managing Director

Sri.N.Balakrishnan, Deputy Managing Director

Sri.Samuel Joseph Jebaraj-Nominee of Export Import Bank of India.

### **COMPANY SECRETARY**

Smt.R.Sowmithri

### **AUDITORS**

P. Rajagopalan & Co.

Chartered Accountants

### **BANKERS, FINANCIAL INSTITUTIONS AND FACTORS**

STATE BANK OF INDIA, Industrial Finance Branch, Chennai 600 002

UNION BANK OF INDIA, Industrial Finance Branch, Chennai 600 034

AXIS BANK LTD. 82, Dr.Radhakrishnan Salai, Mylapore, Chennai 600 004

ABN AMRO BANK LTD, Haddows Road, Chennai 600 006

KOTAK MAHINDRA BANK LTD., Capitale, 555 Anna Salai, Teynampet, Chennai 600 018

EXPORT IMPORT BANK OF INDIA, Rajaji Salai, Chennai 600 001

SBI FACTORS & COMMERCIAL SERVICES PVT. LTD., 84, Rajaji Salai, Chennai 600 001

### **SHARE TRANSFER AGENTS**

M/s.INTEGRATED ENTERPRISES (INDIA) Ltd.

No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai 17.

### **REGISTERED OFFICE**

338, Ambujammal Street (Off T.T.K.Road), Alwarpet, Chennai 600 018

Phone: (044) 42207800 Fax: (044) 42014708

E-mail:elforge2@elforge.com

### **· FACTORIES**

1A, Sriperumbudur High Road (via) Singaperumal Koil

Appur Village, Kattangulathur Onrium, Kancheepuram Dist 603 204

Ph (044) 47112500, Fax (044) 42014708

Denkanikotta Road, P.B.No.11, Hosur 635109

Ph: (04344) 222486, Fax :04344-222841

B-67, SIPCOT Industrial Complex, Gummidipoondi 601201.Ph: 27922845

### **SUBSIDIARY**

Shakespeare Forgings Ltd.

Macarthur Road, Cradley Heath, West Midlands B64 5NX, United Kingdom.

## **EL FORGE LIMITED**

### **NOTICE OF THE ANNUAL GENERAL MEETING**

NOTICE is hereby given that 72nd Annual General Meeting of EL FORGE LIMITED will be held at Narada Gana Sabha Trust Mini Hall, 314, T.T.K.Road, Alwarpet, Chennai 600018 on Thursday the 25<sup>th</sup> September, 2008 at 3.30 pm to transact the following business :

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2008, the Auditors Report and the Directors Report thereon.
2. To Declare Dividend
3. To appoint a Director in place of Mr.V.Ramachandran, who retires by rotation and being eligible offers himself for re-election.
4. To Appoint a Director in place of Mr.K.J.Ramaswamy,, who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors of the Company and authorise the Board to fix their remuneration.

"Resolved that M/s.P.Rajagopalan & Co, Chartered Accountants, No.32, 2<sup>nd</sup> Cross Street, West CIT Nagar, Chennai 600 035 be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General meeting until the conclusion of the-next Annual General Meeting of the Company.

"Resolved Further that the power to determine the remuneration of Auditors be and is hereby delegated to the Board of Directors".

#### **SPECIAL BUSINESS**

6. Appointment of Mr.Samuel Joseph Jebaraj as an Additional Director

To Consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution

"Resolved that Mr.Samuel Joseph Jebaraj, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 27<sup>th</sup> June, 2008 and who holds office upto date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing his candidature for the Office of Director of the Company, be and is hereby appointed as a Director of the Company as a Nominee of Export Import Bank of India".

**EL FORGE LIMITED**

7. Appointment Mr.K.R.Srihari as Manager (Commercial)

To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

"Resolved that, pursuant to the provisions of sub-section (1B) of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby accorded for the appointment of Mr.K.R.Srihari, son of Mr.K.V.Ramachandran, Vice Chairman & Managing Director, as Manager (Commercial) on a monthly remuneration of Rs.20,000/- per month and other applicable benefits as per Company rules effective from 14.07.2008.

"Resolved Further that the consent of the Company be and is hereby given to the Board which term shall include committee of the Board to effect such modifications in the designations or remuneration or the scale or any other perquisites payable to Mr.K.R.Srihari as may be agreed to by the Board and Mr.K.R.Srihari and approved by Central Government if applicable".

By Order of the Board

Place : Chennai  
Date : 31.07.2008

R.SOWMITHRI  
COMPANY SECRETARY

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 and a proxy so appointed need not be a member of the Company.**
2. The instrument appointing Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out all material facts in respect of item 6 of the notice is attached.
4. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
5. The Register of Members will be closed from 16.09.2008 to 25.09.2008 both days inclusive.
6. As a result of the amendments introduced in Sections 205A to 205C of the Companies Act, 1956, unclaimed dividend for a period of 7 years has been transferred by the company to "Investor Education and Protection Fund" of Central Government.

## **EL FORGE LIMITED**

7. Members are requested to communicate the change of address, if any, quoting their respective folios to the Share Transfer Agents of the Company.
8. A new provision for nomination has been introduced in the Companies Act, 1956. This enables shareholders to nominate persons who shall become entitled to the Shares upon the death of such holders.

The nomination has to be made in the form prescribed without any cost to the shareholders. Shareholders interested, are requested to contact the "Shares Department" El Forge Limited, No.338, Ambujammal Street, Off.T.T.K.Road, Alwarpet, Chennai 600 018.

9. Members, who are holding shares in identical order of names in more than one account, are requested to intimate to the Share Transfer Agents the ledger folio of such accounts together with the share certificates to enable the Company to consolidate all the holdings into one account. The share certificates will be returned to the members after making necessary endorsement in due course.

Demat Details– The Company's shares have been dematerialised with Central Depository Services Limited and National Securities Depository Ltd. The ISIN No. of the Company is INE 158F01017.

10. The dividend declared during 2004-05, 2005-06 and 2006-07 unclaimed as of date is in the unpaid dividend account. The shareholders who have not encashed their warrants may lodge the claim along with the warrant to the share department of the Company.
11. Website – Quarterly information on results and other developments are posted on the Company's Website : <http://www.elforge.com>
12. Re-appointment of Directors

At the ensuing Annual General Meeting Shri. V.Ramachandran, and Shri.K.J.Ramaswamy, retire by rotation and being eligible offer themselves for re-appointment.

Additional Director (Nominee of Export Import Bank of India) /

Mr.Samuel Joseph Jebaraj, General Manager, Export Import Bank of India has been inducted as Director w.e.f 27-06-2008.

**EL FORGE LIMITED**

Name	Mr.V.Ramachandran	Mr.K.J.Ramaswamy	Mr.Samuel Joseph Jebaraj
Age	60 Years	60 Years	40 Years
Qualification	B.E	B.Sc	BE (Hons.), MBA
Experience	Professional exposure of 3 decades in the Auto Component Industry	4 Decades in Shipping and Customs House Agent	16 Years of Experience in project & trade finance. Presently in-charge of Corporate Banking in Exim Bank's Head Office in Mumbai. Previously was in-charge of Exim Bank's Offices in London, Milan & Hyderabad.
Other Directorships	VST Tillers Tractors Ltd The Vellore Electric Corporation Limited	Siddship Pvt Ltd D.A.Logistics & Farming Pvt Ltd	Nil
Committee Membership	Audit Committee Remuneration Committee	Audit Committee Remuneration Committee Shareholders Grievance Committee	Audit Committee
Shareholding	112688 shares	5000 shares.	Nil

The information pertaining to the Directors are provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange(s).

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.  
Item No.6**

The Company has borrowed from Export Import Bank of India and as part of the terms, Export Import Bank of India has nominated its General Manager Mr.Samuel Joseph Jebaraj to be Nominee Director on our Board. Accordingly he was inducted on Board. In accordance with the provision of Section 260 of the Companies Act, 1956 any Additional Director appointed during the year retires at immediately following Annual General Meeting and has to be re-appointed if eligible and offer himself for re-appointment. Also a notice from a member proposing his name has been received along with requisite deposit under Section 257 has been received and hence the resolution is proposed for your approval.

None of the Directors other than Mr. Samuel Joseph Jebaraj are interested in the resolution. Your Directors recommend the resolution for approval of the members.

## **EL FORGE LIMITED**

### **Item No.7**

Mr.K.R.Srihari, who has been selected by your Board of Directors to hold the position of Manager (Commercial) of the Company at a salary in the grade of Rs.20,000/- is the son of Mr.K.V.Ramachandran, who is the Vice Chairman & Managing Director on the Board of your Company. Sub-section (1B) of Section 314 of the Companies Act, 1956, provides that no relative, etc. of a Director should either hold or continue to hold any office or place of profit in the Company except with the consent of the Company by a Special Resolution at the General Meeting immediately following such appointments.

Mr.K.R.Srihari, has qualified himself with a Master Degree from Australian National University at Carberra in International Business.

Your Directors are confident that his inclusion in the Senior Management will help the Company's growth in the future.

A draft of an agreement entered into with Mr.K.R.Srihari has been kept for the inspection of the members between 11 am to 2 pm during the working days of the Company.

Apart from salary, as mentioned above, provision has been made in the said service agreement for the usual allowance and perquisites available to other senior officers of the Company such as benefit of HRA, Company Car, Leave Travel Allowance and Medical benefits payable to Mr.K.R.Srihari and he also will be entitled to the benefits of the Company's superannuation funds, retirement gratuity and provident fund. The Board has reserved its authority to grant increment in salary to Mr.K.R.Srihari at its sole discretion.

None of the Directors, except Mr.K.V.Ramachandran, is directly or indirectly interested in the aforesaid resolution, and the Board recommends your acceptance thereof in the interest of the Company.

Your Directors recommend the resolution for approval of the members.

By Order of the Board

Place : Chennai  
Date : 31.07.2008

R.SOWMITHRI  
COMPANY SECRETARY

## EL FORGE LIMITED

### REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the 72<sup>nd</sup> Annual Report along with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2008.

	Year ended 31.03.2008	Year ended 31.03.2007
	(RS.IN LAKHS)	
Sales & Other Income (Gross)	12267.09	11681.93
Profit/(Loss) before Depreciation	1195.98	1079.87
Profit/(Loss) after Depreciation	817.25	818.97
Net Profit/(Loss) after tax	705.25	709.61
Balance in Profit & Loss account	155.78	172.12

#### Dividend

The Board subject to approval of members at the ensuing Annual General Meeting recommend a dividend of Rs.1.40 per share (i.e.14%). The total dividend will absorb Rs.120.81 lakhs excluding Rs.20.53 lakhs tax on Dividend.

#### Year in Retrospect

The year that went by was landmark year in the history of the Company. The new Plant started production and gained the accreditation of prestigious customers. The Company's new initiatives in technical upgradation, procurement of raw material and combating the dollar movement on export realization, helped to retain margins in an increasing cost scenario.

The turnover of the Company was Rs.105.56 Crores during the year under report and a net profit of Rs.705.25 lakhs compared to Rs.100.23 Crores of turnover and net profit of Rs.709.61 lakhs during the immediately preceding year.

The start up of operations at the new factory was delayed due to non availability of power connection, which affected the estimated high production and turnover during the year leading to a marginal growth. However, the operations are stabilizing at the new Plant and we expect a growth of 25% to 30% during the year 2008-09.

#### Future Outlook

The year under review witnessed a multitude of phenomenon with reference to Industrial production and costs across the globe. Rising steel prices, weakening of the dollar across most global currencies to name a few, were witnessed during the year under report..

The new facility, which has been built to global standards has been audited and approved by Major Tier I European manufacturers. This has ensured a better order book position and we are confident that there will be a surge in orders in the years to come. There is also major thrust



## **EL FORGE LIMITED**

amongst overseas OEMs to spend significant percentage of their purchase in lower cost countries. This will also fetch good orders for your company in the years to come.

All these augur well for the future of your company and we see significant growth in the years to come.

### **Conversion of Equity Warrants**

The Promoters were offered 3,00,000 equity warrants at Rs.132/- per warrant to be converted into equivalent number of equity shares out of the above.. The promoters exercised their right only on 1,00,000 warrants. The margin money paid on 2,00,000 warrants amounting to Rs.26,40,000 was forfeited.

### **Research & Development**

R&D in El Forge is a continuous process. All efforts in product design and process development are directed at Customer's satisfaction, competitiveness, quality and responsiveness. This includes focus on material wastage reduction by improvement in technology and equipment with major emphasis at the Tool Room for value engineered die design and manufacture. Simultaneous efforts are made at the shop floor to improve manufacturing efficiency to sustain the development efforts.

### **Industrial Relations**

Employees at all levels have contributed to the performance of your Company. Your directors place on record the co-operation of employees during the year under report.

### **Fixed Deposits**

The Company has as on 31<sup>st</sup> March, 2008 deposits amounting to Rs.63.44 lakhs. The provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposit Rules) 1975 have been complied with in respect of the acceptance of deposits and all deposits that have matured and claimed during the year were paid on the due dates.

### **Statement pursuant to Section 217(2A) of the Companies Act, 1956**

None of the employees come within the purview of Section 217(2A) of the Companies Act, 1956.

### **Information as per Section 217(1)(e) of the Companies Act, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988**

In terms of the above rules, your Board is pleased to give the particulars of the Conservation of energy, Technology absorption and the Foreign Exchange earnings and outgo as prescribed therein, in the Annexure which forms part of the Directors Report.

## **EL FORGE LIMITED**

### **Listing of Shares**

Your Company's share are listed on the following Stock Exchanges namely,

1. Madras Stock Exchange Limited
2. Bombay Stock Exchange Limited
3. Ahmedabad Stock Exchange Limited

### **Corporate Governance**

Your Directors are pleased to report that your Company is fully compliant as on March 31, 2008 with the SEBI Guidelines on Corporate Governance as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange.

A detailed report on this subject forms part of this report.

### **Directors**

Mr.V.Ramachandran and Mr.K.J.Ramaswamy, directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-election. Export Import Bank of India (Exim Bank) had nominated its General Manager Mr.Samuel Joseph Jebaraj on to our Board and he was inducted into our Company as a director with effect from 27.06.2008.

### **Directors Responsibility Statement under Section 217(2AA) of the Companies Act, 1956**

The Directors state that

- a) In the preparation of Annual Accounts the applicable accounting standards had been followed.
- b) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2008 and of the Profit or Loss of the Company for that period.
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The Directors had prepared the Annual accounts on a going concern basis.

## **EL FORGE LIMITED**

### **Auditors**

M/s P.Rajagopalan & Co.,Chartered Accountants, Chennai, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The declaration under Section 224(1-B) of the Companies Act, 1956 has been received from them to this effect.

### **Acknowledgements**

The Company places on record the unstinted co-operation of the Bankers, State Bank of India, Axis Bank Limited, Bank of Baroda, Union Bank of India, ABN Amro Bank, SBI Factors & Commercial Services (P) Ltd, Industrial Development Bank of India, Export Import Bank of India and Kotak Mahindra Bank Ltd. We also thank all our Customers, Suppliers and others connected with the business for their co-operation. We sincerely thank the shareholders for their unstinted support.

By Order of the Board

Place : Chennai  
Date : 31.07.2008

V. SRIKANTH  
CHAIRMAN

**EL FORGE LIMITED**

**ANNEXURE TO DIRECTORS' REPORT**

Information in accordance with the 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, 2008.**

**CONSERVATION OF ENERGY**

- |   |   |
|---|---|
| 1. Energy Conservation measures taken   | Furnace oil and Power consumption are closely monitored to conserve energy. |
| 2. Additional Investments and proposals if any, being implemented for reduction of consumption of energy                                    | —   |
| 3. Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent impact on the cost of production of goods | —   |

**FORM A**

(See Rule 2)

**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

	2007-08	2006-07
<b>A. POWER AND FUEL CONSUMPTION</b>		
<b>1. ELECTRICITY</b>		
a. Purchased		
Units	8620335	8619696
Total Amount (Rs.)	44253421	45538686
Rate / Unit (Rs.)	5.13	5.14
b. Own Generation		
Units	270599	150493
Units / Ltr. of Diesel Oil	2.46	2.05
Cost Per Unit (Rs.)	11.60	21.57
<b>2. FURNACE OIL &amp; L.D.OIL</b>		
Quantity (in Ltrs.)	2247793	2469867
Total Amount (Rs.)	46538541	43837759
Average Rate (Rs.)	20.70	15.23
<b>3. GAS FOR HEAT TREATMENT</b>		
Quantity (in Kgs.)	58554	---
Total Amount (Rs.)	2798863	---
Average Rate (Rs.)	47.80	---
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Product – Steel Forgings      Standards		
Unit / MT. of Made Steel Forgings (if any)		
a. Electricity (Units)	688	625
b. Furnace Oil/L.D. Oil (Ltrs.)	169	179
c. Gas (Kgs.)	53	---

Note: No standards are available for comparison.

**EL FORGE LIMITED**

**FORM B**

**(See Rule 2)**

**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO  
TECHNOLOGY ABSORPTION**

**RESEARCH AND DEVELOPMENT (R&D)**

- |   |   |
|---|---|
| 1. Specific areas in which R&D carried out by the Company   | Research & Development is an ongoing process to improve the quality of end products                           |
| 2. Benefits derived as a result of the above R&D  | 1) Developing new forgings, to meet specific requirements.<br>2) Reduction in cost and improvement in quality |
| 3. Future plan of action  | Continued improvement in quality and productivity.  |
| 4. Expenditure on R & D<br>(a) Capital<br>(b) Recurring<br>(c) Total<br>(d) Total R&D expenditure as percentage of total turnover | Expenditure on R & D is not directly incurred during the period and hence not ascertainable                   |

**TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION**

- |   |   |
|---|---|
| 1. Efforts in brief, made towards technology absorption, adoption and innovation  | Continuous interaction with Technology Experts to improve quality, die-life, etc. |
| 2. Benefits derived as a result of the above efforts e.g. production improvement, cost reduction, product development, import substitution etc. | Reduction in Rejections and improvement in yield.                                 |

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

- |  |   |
|--|---|
| 1. Activities relating to Exports  | Every attempt is made to quote for all Export enquiries. New markets are being explored.  |
| 2. Initiatives taken to increase exports and development of new export markets for products and services and export plans. | 1. The company Executives are sent abroad to meet end use customers and agents to ensure customer's satisfaction.<br>2. Present and prospective buyers are being invited to see our production and inspection facilities.<br>3. Quality systems are constantly being upgraded to meet international requirements. |
| 3. Total Foreign Exchange<br>(a) Used (Rs.)<br>(b) Earned (Rs.)  | 75103571<br>219746782   |

## **EL FORGE LIMITED**

### **Management Discussion and Analysis**

#### **Overview**

The year under review saw many tumultuous events. Oil prices crossed \$100 per barrel, Steel prices increased by 50%, the Stock market went to an all time high and then fell precipitously, the dollar fell to an all time low against the Rupee, to sight a few instances. Coming to our Company, power was connected to the new factory in January 2008 and production started since. Full exploitation of resources could not be done of the Plant last year due to this delay in receiving the Power Connection.

Consequently the turnover achieved was Rs.126 Crores (consolidated) and Rs.106 Crores (standalone) However exports were at Rs.24 Crores being 23% of the total sales.

#### **Opportunities & Threats**

Opportunities are seen in the form of relocation in the sourcing of forgings from Europe to India and with the state of the art manufacturing facility which has been established last year ,there is every opportunity to increase your Company's presence in these markets.

The steep increase in Steel Prices could affect the auto mobile industry reducing the demand for forgings in the domestic market.

A recession in America could impact on the exports to the US.

#### **Risk Management**

To combat any recession in the US, your Company is developing the market in Europe through its subsidiary M/s.Shakespeare Forgings Ltd. This European strategy allays two risks viz. (1) the lowering of demand in the US consequent upon recession and (2) fluctuation in US Dollar against the Indian Rupee.

#### **Commodity Price Risk**

The increase in the price of steel coupled with shortage of material is causing concern. However the Company continues to get corresponding price increases from Customers though this exercise is exposed to time lag.

#### **Foreign Exchange Risk**

The Company is exposed to foreign exchange risks on account of its increasing exports. Your Company has formulated a hedging strategy for foreign currency exposures.

## **EL FORGE LIMITED**

### **Internal control systems and their adequacy**

The Company has an internal control system that is geared towards achieving efficiency in operations, optimum utilisation of resources, effective monitoring and compliance with all applicable laws and regulations.

The Company has in place a proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and stated properly and applicable statutes and Corporate policies are duly complied with.

### **Human Resources**

El Forge has always been a people driven Company and its employees remain its most valuable asset. Our employees have always extended full cooperation and support in good as well as difficult times, and have unstintingly helped to deliver on all our commitments.

The Human Resources practices at your Company empowers the employees through greater knowledge, opportunity, responsibility, accountability and reward. Emphasis is laid on identifying & nurturing talent. Continuous improvement techniques are followed for betterment of the skills in the organisation by implementing TQM & other training programs and there exists an excellent system of assessment of the employees based on the principles and practices of Balanced Score Card.. There are 750 employees on the rolls of the Company.

### **Outlook**

We believe that global opportunities for Companies like us will accrue due to the cost of manufacture being prohibitive in the West. While we are aware of the risks, we are confident of improving the performance through appropriately planned expansion and marketing programmes. We propose to continue developing capacities and capabilities to cater to the global supply chain, which may include setting up facilities in some of the potential countries where we do not have a presence today.

### **Cautionary Statement**

The information and opinion expressed in this Report may contain certain forward-looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. The management shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. Prior written permission of the Company may be obtained for furnishing this information to any person.

**EL FORGE LIMITED**  
**CORPORATE GOVERNANCE REPORT**

The Board of Directors of the Company lays great emphasis on the broad principles of Corporate Governance. Given below is the report on Corporate Governance.

**1. Company's Philosophy on Code of Governance**

El Forge was founded in 1934 as a Public Limited Company and has been governed on the principle of "Trusteeship". The philosophy of "Trusteeship" as the core value and basis of management, when translated into action is exhibited as 'transparency', 'responsibility' and 'integrity' and behaviour conforming to ethical practices.

This principle inheres through the organization and every employee pledges to abide by them, in order to ensure that highest standards are maintained in the conduct of the organization in its interaction with its stake holders, society and Government.

**2. Composition of Board**

The Board of Directors has a mix of Executive and Non Executive Directors. The Board comprises of two whole time Directors—the Vice Chairman & Managing Director and Dy.Managing Director. Six Directors are Non-Executive Directors. Accordingly, the composition of the Board is in conformity with the listing agreement.

All the Non Executive Directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

The Composition of the Board and other relevant details relating to Directors are given below :

Name of Director	Category	Number of other Director-ships	Number of Memberships of other Board Committees	No. of other Board Committees of which the Director is a chair person.
V.Srikanth	Non Executive	4	2	--
K.V.Ramachandran	Executive	2	3	--
P.L.Reddy	Non-Executive and Independent	--	3	2
V.Ramachandran	Non-Executive	3	2	--
K.J.Ramaswamy	Non-Executive and Independent	2	2	1
Balraj Vasudevan	Non-Executive and Independent	3	2	--
N.Balakrishnan	Executive	--	--	--
Samuel Joseph Jebaraj	Non-Executive Independent, Nominee	--	1	--



## **EL FORGE LIMITED**

### **Details of Board Meetings and attendance of each Director at Board Meetings and last Annual General Meeting**

During the year 2007-2008, 9 Board Meetings were held on 30th May, 2007, 28th June 2007, 30<sup>th</sup> July, 2007, 27<sup>th</sup> Sep, 2007, 29<sup>th</sup> Oct, 2007, 7<sup>th</sup> Nov, 2007, 13<sup>th</sup> Dec, 2007, 30<sup>th</sup> Jan, 2008 and 29<sup>th</sup> March, 2008. The last Annual General Meeting of the Company was held on 27<sup>th</sup> September, 2007.

Name of the Director	No. of Board Meetings		Attendance at Last AGM
	Held	Attended	
Mr.V.Srikanth	9	9	Present
Mr.K.V.Ramachandran	9	9	Present
Mr.P.L.Reddy	9	9	Present
Mr.V.Ramachandran	9	7	Present
Mr.K.J.Ramaswamy	9	5	Present
Mr.Balraj Vasudevan	9	2	Present
Mr.N.Balakrishnan	9	9	Present

### **3. Audit Committee**

The Audit Committee was constituted in March 2002. The powers and the role of the Audit Committee are in accordance with Clause 49 II (C) and (D) of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee include:

- a) To review financial statements and pre-publication announcements before submission to the Board.
- b) To ensure compliance of internal control systems and action taken on internal audit reports.
- c) To appraise the Board on the impact of accounting policies, accounting standards and legislation.
- d) To hold periodical discussions with statutory auditors and internal auditors on the scope and consent of the audit.
- e) To review the Company's financial and risk management policies.
- f) To make recommendations to the Board on matters relating to the financial management of the Company including Audit Report.

During the financial year 2007-2008, four Audit Committee Meetings were held on 28th June 2007, 30<sup>th</sup> July 2007, 29th October 2007 and 30<sup>th</sup> January, 2008.

## EL FORGE LIMITED

The Composition of the Audit Committee and details of meetings attended by Directors are given below :

Name of the Directors	Category	Number of Meeting attended during 2007-08	
		Held	Attended
Mr.P.L.Reddy, Chairman of the Committee	Independent Director	4	4
Mr.V.Ramachandran Member	Non Executive Director	4	4
Mr.K.J.Ramaswamy Member	Independent Director	4	3
Mr.Balraj Vasudevan	Independent Director	4	2

#### 4. Remuneration of Directors

A remuneration Committee was constituted on 12.06.2004. The broad terms of reference of the Remuneration Committee are as follows:

- a) Review the remuneration of the Vice Chairman & Managing Director and Deputy Managing Director after considering the Company's performance.
- b) Review and recommend payment of commission to the Chairman, Vice Chairman & Managing Director and Deputy Managing Director.
- c) Recommend to the Board, the remuneration including Salary, Perquisites and Commission to be paid to the Company's Vice Chairman & Managing Director and Deputy Managing Director.
- d) Finalise the perquisites package of the Vice Chairman & Managing Director and Deputy Managing Director with the overall ceiling fixed by the Board.

#### Composition of the Remuneration Committee and the details of the meetings attended.

Name of the Directors	Category	Number of meeting attended during 2007-08	
		Held	Attended
Mr.P.L.Reddy Chairman of the Committee	Independent Director	There was no necessity for the Remuneration Committee meeting during the year as there have not any induction / review of managerial executives, who were directors..	
Mr.V.Ramachandran Member	Non Executive Director		
Mr.K.J.Ramaswamy Member	Independent Director		
Mr.Balraj Vasudevan Member	Independent Director		

## EL FORGE LIMITED

### Details of Remuneration paid to Board of Directors

Non-whole time Directors		Executive Directors				
Name	Sitting Fees (Rs.)	Name	Salary (Rs.)	Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr.V.Srikanth	34000	Mr.V.Srikanth	--	--	1751146	1751146
Mr.P.L.Reddy	34000	Mr.K.V.Ramachandran	1260000	920001	1751146	3931147
Mr.V.Ramachandran	34000	Mr.N.Balakrishnan	1432500	527049	875574	2835123
Mr.K.J.Ramaswamy	19500	--	--	--	--	--
Mr.Balraj Vasudevan	11000	--	--	--	--	--

### Service Contracts, Severance Fees and Notice Period

Period of Contract of : 5 Years from 1.4.2004  
 Vice Chairman & :  
 Managing Director :

Period of Contract of : 5 Years from 31.08.2006  
 Dy.Managing Director:

### 5. Shareholders Committee

The Committee consists of Mr.V.Srikanth, Mr.P.L.Reddy & Mr.K.J.Ramaswamy, Directors. Mr.P.L.Reddy, heads this committee. The Committee meets at frequent intervals to consider, inter alia share transfers, shareholders' complaints etc.

During the Financial Year 2007-08 Five Shareholders / Investors Grievance Committee Meetings were held on 28th June 2007, 30<sup>th</sup> July 2007, 27th September 2007, 29th October, 2007 and 30<sup>th</sup> January, 2008.

The Composition of the Investors Grievance Committee and details of the meetings attended by the Directors are given below:

Name of Members	Category	No.of Meetings attended During the year 2007-2008
Mr.V.Srikanth	Non Executive Director	4
Mr.P.L.Reddy	Non Executive & Independent Director	4
Mr.K.J.Ramaswamy	Non Executive & Independent Director	3

Mrs.R.Sowmithri, the Company Secretary is the Compliance Officer and Chief Financial Officer.

## EL FORGE LIMITED

Shareholders' complaints are attended immediately on receipt, to the satisfaction of the Shareholders.

### 6. General Body Meetings.

Location and time where last three Annual General Meetings were held are given below:

Financial Year	Location of the meeting	Date	Time
2004-2005	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Sep 16, 2005	10.15 a.m
2005-2006	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Aug 31, 2006	10.30 am
2006-2007	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Sep 27, 2007	10.05 am

No Special Resolution was required to be passed through postal ballot at any of the above General Meetings last year. This year the Company has not proposed any Special Resolutions requiring Postal Ballot.

### 7. Subsidiary Companies

The accounts of Shakespeare Forgings Ltd, the wholly owned subsidiary are placed before the Board of Directors of the Company and the attention of the Directors is drawn to all significant transactions and arrangements entered into by the Subsidiary Company.

### 8. Disclosures

#### Details of related party transactions :

There are no materially significant related party transactions which may have potential conflict with the interests of the Company at large during the year under report.

#### Pecuniary relationship or transactions of the Non-executive Directors

There is no material transaction with any Non-Executive as well as Independent Directors of the Company that requires separate disclosure.

#### Details on the use of proceeds from Public Issues, rights issues, Preferential Issues etc.

During the year one lakh equity warrants were converted into one lakh equity shares. Payments received on conversion was spent on the project.

## **EL FORGE LIMITED**

The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.

The Managing Director (CEO) and the Company Secretary also CFO have certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO / CFO certification for the financial year ended 31<sup>st</sup> March, 2008.

### Details of Information on appointment of new / re-appointment of Directors

A brief resume, nature of expertise in specific financial areas, names of companies in which the person already holds directorship and membership of committees of the Board and the shareholding in the Company forms part of the Notice of General Meeting, annexed to this Annual Report

Details of Non-compliance, penalties, strictness imposed on the Company by Stock Exchange or SEBI or any Statutory Authority or any matter related to Capital markets during the last three years.: None.

### **9. Secretarial Audit**

As required under Section 55A of SEBI (Depositories and Participants) Regulations, 1996, Secretarial Audit was carried out by a qualified practicing Company Secretary on a quarterly basis, to reconcile the total admitted capital with both the depositories and the total issued and listed capital. The total number of shares in physical form and the total number of dematerialized shares held with the depositories were in agreement with the total issued, paid up and listed capital.

### **10. Means of communication**

The quarterly, half-yearly and full year results are published in Malai Murasu and Financial Express and Business Standard, Mumbai.

The quarterly results are posted on the Web site : <http://www.elforge.com>

### **11. Management Discussion and Analysis Report**

Forms part of the annual report

### **12. General Shareholders information**

#### **1) Annual General Meeting**

Date and Time	:	25/09/2008 at 3.30 pm
Venue	:	Narada Gana Sabha Trust Mini Hall, 314, T.T.K.Road, Alwarpet, Chennai 600018

## **EL FORGE LIMITED**

### **2) Financial Calendar**

The Company follows April – March as its financial year. The results for every quarter beginning from April is declared in the month following the quarter except for the last quarter, for which the audited results are declared in June as permitted under the listing agreement.

### **3) Date of Book Closure**

The Directors decided to close the Register of Members on 16/09/2008 to 25/09/2008 both days inclusive.

### **4) Dividend Payment Date**

The dividend be paid on or after 25<sup>th</sup> September, 2008 to those Shareholders whose names appear on the Register of Members as on 25<sup>th</sup> September, 2008.

### **5) Listing on Stock Exchanges**

The Company's shares are listed on the following three Stock Exchanges in India.

Madras Stock Exchange Ltd  
"Exchange Building"  
2<sup>nd</sup> Line Beach  
Chennai 600 001

Bombay Stock Exchange Ltd  
Phiroze Jee Jee Bhoy Towers  
Dalal Street  
Mumbai 400 001

Ahmedabad Stock Exchange Ltd  
Kamadenu Complex  
Opp.Sahjanand College  
Panjarapole, Ahmedabad 380 015

### **6) Stock Code**

Bombay Stock Exchange Limited  
Ahmedabad Stock Exchange Limited

Code No.531144  
Code No.15750

## EL FORGE LIMITED

### 7) Market Price Data

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Stock Exchanges, Mumbai during the financial year 2007-08 are as under:

Month	Quotations At Mumbai Stock Exchange	
	High (Rs.)	Low (Rs.)
April 2007	68.70	60.00
May 2007	69.00	62.70
June 2007	73.00	62.50
July 2007	67.00	59.05
August 2007	61.40	59.30
September 2007	81.00	68.20
October 2007	85.85	56.50
November 2007	59.95	58.60
December 2007	94.00	88.50
January 2008	108.90	55.65
Feb 2008	60.00	58.50
March 2008	42.80	36.50

### 8) Registrars and Share Transfer Agents

M/s.Integrated Enterprises (India) Ltd, "Kences Towers", No.1, Ramakrishna Street T.Nagar, Chennai 600 017, Phone : 044 – 28140801, Fax : 044 – 28143378  
Demat ISIN No. INE 158F01017

### 9) Share Transfer System

Applications for transfer of shares held in Physical form are received at the Registrars and Share Transfer Agents of the Company. The Power to approve transfer of shares has been delegated by the Board to the Share Transfer Committee.

Physical shares received for dematerialisation are processed and completed within a period of 15 days from date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the Shareholders. For those who opt for dematerialisation of shares, shares are dematerialised and electronic credit given through the registrars.

**EL FORGE LIMITED**

**10) Investor Services**

**Complaint received during the year**

Nature of the Compliants	For the Year 2007-08	
	Received	Cleared
Relating to Transfer, Transmissions, Dividend, Demat and Remat and Change of Address etc.	21	21

**11) Distribution of Shareholdings as on 31<sup>st</sup> March, 2008.**

Sl.No	Category	No.of Holders	% of Holders	No.of Shares	% of Shares
1.	Upto 500	8331	89.47	1020322	11.82
2.	501 to 1000	497	5.34	390833	4.53
3.	1001 to 2000	217	2.33	324142	3.76
4.	2001 to 3000	68	0.73	169141	1.96
5.	3001 - 4000	40	0.43	142745	1.65
6.	4001 - 5000	43	0.46	204104	2.36
7.	5001 - 10000	57	0.61	411946	4.78
8.	10001 and above	60	0.63	5966291	69.14
	<b>*** Total ***</b>	<b>9313</b>	<b>100.00</b>	<b>8629524</b>	<b>100.00</b>

**12) Pattern of Shareholding as on 31.03.2008**

Sl.No.	Category	No.of Shares	% of Shareholding
1.	Promoters	2967339	34.39
2.	Corporate Bodies	1339522	15.52
3.	Mutual Funds	1605	0.02
4.	Bank's	990	0.01
5.	Overseas Corporate Bodies	849000	9.84
6.	NRI's/Foreign Nationals	50329	0.58
7.	Public	3420739	39.64
	<b>Total</b>	<b>8629524</b>	<b>100.00</b>

**13) Dematerialisation of shares and liquidity**

About 89% of the shares have been dematerialised as on March 31, 2008. The Equity shares of the Company are permitted to be traded in dematerialised form.

Demat ISIN No allotted to the Company is INE 158F01017



## **EL FORGE LIMITED**

### **14) Address for Correspondence :**

Plant location :- Given in the first page of Annual Report

To The Company	To the Registrar & Transfer Agent - for Shares Transfers / Transmissions etc.
Mrs.R.Sowmithri Compliance Officer 338, Ambujammal Street Alwarpet, Chennai 600 018 Ph No. 42207800 Fax No.42014708 Email : edf@elforge.com	Mr.K.Suresh Babu General Manager Integrated Enterprises (India) Ltd Kences Towers 1, Ramakrishna Street T.Nagar, Chennai 600 017 Ph : 28140801 / 28140802

### **15) Insider Trading**

Pursuant to the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a code of conduct for prevention of insider trading and required disclosure practices.

### **16) Compliance with Non-mandatory Requirements**

The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement.

- i) The Board : No specific tenure has been specified for the Non Executive Directors Mr.P.L.Reddy, Mr.K.J.Ramaswamy, Mr.Balraj Vasudevan and Mr.V.Ramachandran.
- ii) Remuneration Committee : Details are given under the heading Remuneration Committee.
- iii) Shareholder Rights - The financial results are also put up on the Company's website.
- iv) Audit Qualification : During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.
- v) Mechanism for evaluation of non-executive Board Members –The performance evaluation of non-executive members is done by the Board annually based on criteria of attendance and contributions at Board Committee meetings as also role played / contributions other than at meetings.

***EL FORGE LIMITED***

Declaration by the Managing Director under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct.

In accordance with Clause 49 sub-clause 1(D) of the Listing Agreement with Stock Exchanges, I hereby confirm that all the Directors of the Company have affirmed compliance to their respective codes of conduct as applicable to them for the financial year ended March 31, 2008.

Place : Chennai  
Date : 31.07.2008

**K.V.RAMACHANDRAN**  
**VICE CHAIRMAN &**  
**MANAGING DIRECTOR**

## **EL FORGE LIMITED**

### **AUDITORS REPORT ON CORPORATE GOVERNANCE**

To  
The Members  
M/s.El Forge Limited

We have examined the compliance of conditions of Corporate Governance by M/s.El Forge Limited, for the year ended 31<sup>st</sup> March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited review to procedures and implementations thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance as stipulated in the said Clause. 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 explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that while the Shareholders/Investor Grievance Committee has not maintained records to show the investor grievances pending for a period of one month against the Company, the Registrars of the Company have maintained the records of Investor Grievances and certified that as at 31<sup>st</sup> March, 2008, there were no Investor Grievances remaining unattended / pending for more than 30 days.

We further state that such compliance 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.

For P.RAJAGOPALAN & Co.,  
CHARTERED ACCOUNTANTS

R. VENKATESH (MNo. 28368)  
PARTNER

Place : Chennai  
Date : 31.07.2008

**EL FORGE LIMITED**

The Board of Directors  
El Forge Limited  
84, Thiruneermalai Road  
Chromepet  
Chennai 600 044

**CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
OF THE COMPANY**

We hereby certify that for the financial year ended 31<sup>st</sup> March, 2008 on the basis of the review of the financial statements and the cash flow statements and the best of our knowledge and belief.

1. These statements do not contain any materially untrue statement or omit to state a material fact or contain statement that might be misleading.

These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards applicable laws and regulations.

These are to the best of our knowledge and belief, no transactions entered into by the Company during the year 2006-07 which are fraudulent, illegal or violative of the Company's Code of Conduct.

We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of the internal control systems of the Company

2. We further certify that
  - a) There has been no significant charges in internal control over financial reporting during the year.
  - b) There have been no significant changes in accounting policies during the year.
  - c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Chennai

K.V.RAMACHANDRAN

R.SOWMITHRI

Date : 31/07/2008

VICE CHAIRMAN &  
MANAGING DIRECTOR

COMPANY SECRETARY

**EL FORGE LIMITED**

**REPORT OF THE AUDITORS TO THE MEMBERS OF EL FORGE LIMITED**

1. We have audited the attached Balance Sheet of EL Forge Limited as at March 31, 2008, the Profit and Loss Account for the year ended on that date 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 (referred to as "the Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and the basis of the such verification of books and records of the company, as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. 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;
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
  - e. On the basis of written representations received from the directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956; and

**EL FORGE LIMITED**

- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with schedules 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:
- i) In the case of the Balance Sheet, of the state of the Company's affairs as at 31<sup>st</sup> March, 2008 and
  - ii) In the case of the Profit and Loss Account, of the profit of the company 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.

PLACE: CHENNAI  
DATE: 27.06.2008

FOR P RAJAGOPALAN & CO  
CHARTERED ACCOUNTANTS  
R. VENKATESH (MNo. 28368)  
PARTNER

## EL FORGE LIMITED

### ANNEXURE TO AUDITORS' REPORT

(Referred in paragraph 03 of our report of even date)

To  
The Members of EL Forge Limited

#### 01. Fixed Assets: -

- (01) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (02) As explained to us, all the fixed assets have been physically verified by the management at once in a year, which in our opinion is reasonable, having regard to the size of the company and the nature of the fixed assets; material discrepancies were not noticed on such physical verification;
- (03) In our opinion, substantial part of fixed assets have not been disposed off during the year, and the going concern status of the company is not affected;

#### 02. Inventories: -

- (01) As explained to us, the management of the company has conducted physical verification of inventories at reasonable intervals.
- (02) In our opinion and based on the information and explanations given to us, 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;
- (03) The company has maintained proper records of inventories; and as explained to us, material discrepancies were not noticed on such physical verification;

#### 03. Loan, either granted or taken, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956:-

##### (01) Loans Granted

(a) The company has not granted any loan, secured/ unsecured to parties covered in the register maintained under Section 301 of the Companies Act 1956.

(b) Accordingly, the remaining part of the clause of the Order, namely (01) whether the rate of interest and other terms and conditions of the loan are, *prima facie*, prejudicial to the interest of the company; (02) whether receipt of principal and interest are regular; and (03) whether reasonable steps have been taken by the company, if the overdue amount is more than Rupees one Lakh, is not applicable to the company, for the year under report;

##### (02) Loans taken

(a) The company has taken unsecured loans (Fixed Deposit Accepted) from companies/ firms/ other parties covered in the register maintained under Section 301 of the Companies Act 1956. The details of number of the parties and amount

## **EL FORGE LIMITED**

involved, in respect of the aforesaid loan as at end of the financial year under report, are 7 and Rs. 2667000/= respectively.

- (b) In our opinion, the rate of interest and other terms and conditions of the loan are, *prima facie*, not prejudicial to the interest of the company; and
- (c) In our opinion, payment of principal and interest are regular.

### **04. Internal Control: -**

In our opinion and according to the information and explanation 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 service. Further, on the basis of examination of the books and records, in accordance with auditing standards the generally accepted in India, and according to the information and explanation given to us, we have neither come across nor we have been informed of any instance of major weaknesses in internal control system; hence the question of continuing failure to correct major weakness does not arise.

### **05. Specified Parties Transactions: -**

As per the examination of the books of account and other records, in accordance with the generally accepted auditing standards, in India, and on the basis of the information and explanations given to us, contracts or arrangements referred to Section 301 of the Companies Act, 1956, have not been entered into by the company, during the year under report; accordingly, the remaining part of the clause of the Order, namely, whether such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, is not applicable to the company for the year under report.

### **06. Public Deposits: -**

In our opinion and according to the information and explanation given to us the company has complied the directives issued by the Reserve Bank of India, the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, with regard to the acceptance of deposits from the public. As explained to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve bank of India or any other Court or any other Tribunal on Company in respect of the aforesaid deposits.

### **07. Internal Audit System: -**

In our opinion, the Internal Audit carried out by a firm of chartered accountants, is commensurate with its size and nature of its business of the company.

### **08. Cost Records: -**

As explained to us, the Central Government has not prescribed any records under Section 209(1)(d) of the Companies Act, 1956 for the products of the company; accordingly the remaining part of the clause of the Order, namely, "whether the records prescribed under aforesaid section are made and maintained" is not applicable to the company for the year under report.



**EL FORGE LIMITED**

**09. Statutory Dues: -**

- (01) As per the records examined by us, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues, as applicable, with the appropriate authorities. As per the records examined by us, there were no statutory dues outstanding, as at the last day of the financial year under report, for a period of more than six months from the date they became payable. Accordingly, indicating the extent of arrears does not arise;
- (02) As at the end of the financial year under report, no undisputed amount of income tax/ sales tax/ wealth tax/ service Tax/ custom duty/ excise duty/ cess, was due as at the end of the financial year under report. The amount involved and the forum where the disputed amount is given below.

Sl.No	Nature of the Statute	Nature of the dues	Amount (Rs. in Lacs)	Period to which the Amount relates	Forum where dispute is pending
1	ESI	ESI Contribution	2.86	Year -2001	Employees Insurance court, Chennai
2	Income Tax	Income Tax Demand	66.02	Assesment Year 2004-05	CIT Appeals Chennai
3	The Central Excise Act 1944.	Service Excise Demand	31.09	2003 to 2006	Commissioner Appeals of Central Excise & Service Tax, Chennai
4	The Central Excise Act 1944	Excise Demand	2.46	2002 to 2006	Assistant Commissioner of Central Excise Chromepet Division Chennai IV Commissionnerate
5	The Central Excise Act 1944	Excise Demand	1.39	2006	Commissioner Appeals of Central Excise & Service Tax, Chennai
6	The Central Excise Act 1944	Excise Demand	7.66	2002 to 2007	Customs, Excise and Service Tax Appellate Tribunal

## **EL FORGE LIMITED**

### **10. Net worth: -**

The company's has no accumulated loss at the end of the financial year under report. The company has not incurred any cash losses during the financial year under report and in the immediately preceding the financial year.

### **11. Default in certain dues: -**

Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions banks.

### **12. Adequacy of Certain Loan Documents: -**

The Clause, relating to adequacy of documents and records required to be maintained in cases where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and the deficiencies, if any, in this regard, is not applicable to the company for the year under report, since company has not any granted loans and advances on the basis of such securities.

### **13. Special Statutes**

In our opinion, the company has not engaged in the activities relating to chit fund or nidhi/ mutual benefit fund/ societies, accordingly the clause requiring the matters, namely, (01) the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet, (02) Compliance with the prudential norms on income recognition and provisioning against sub-standard/ default/ loss assets, (03) adequacy of procedures for appraisal of credit proposals/ requests, assessment of credit needs and repayment capacity of the borrowers, and (04) the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the borrower and would be conducive to recovery of the loan amount, is not applicable to company for the year under report.

### **14. Dealing in securities**

As per the records of the company, the company was not dealing/ trading in shares, securities, debentures and other investments. Accordingly, reporting the maintenance of proper records of the transactions and contracts and timely entries therein and holding of the shares, securities, debentures and other securities, in its own name except to the extent of the exemption, if any, granted under section 49 of the Companies Act, 1956, does not arise.

### **15. Guarantee Given**

The company has given a guarantee for loans taken by its subsidiary company from a foreign bank and a corporate guarantee to a bank, in respect of loan given to a company. In our opinion, the terms and conditions thereof are not prejudicial to the interest of the company.

## **EL FORGE LIMITED**

### **16. Term Loan Applications**

As explained to us, the company has obtained new term loans during the year under report; and it has been further explained that the term loans were applied for the purpose for which the loans were obtained.

### **17. Application of short and long term funds**

According to the information and explanation given to us, and an overall examination of the Balance Sheet of the company as at the end of the financial year under report, in our opinion, the company has not applied short-term fund towards long-term application.

### **18. Preferential Allotment**

The Company has made preferential allotment of shares while exercising option of conversion 1,00,000/- (out of 3,00,000/- equity warrant Option given) Equity share warrant into equity shares, during the year under report, to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956; in our opinion the rate at which shares issued and the terms of issue are not prejudicial to the interest of the company.

### **19. Securities in respect of debentures issued**

The company has not issued any debentures during the financial year under report and accordingly, the question, "Whether securities have been created in respect of debentures issued" does not arise.

### **20. Public Issue**

The company has not raised any money by way of public issue during the year. Hence, the question, "Whether the management has disclosed on the end use of money raised by public issues and the same has been verified" does not arise.

### **21. Fraud**

Based on the examination of the books of account and on the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year under report; and remaining part of the clause relating to "the nature and the amount involved is to be indicated" is not applicable to the company for the year under report.

PLACE: CHENNAI  
DATE: 27.06.2008

FOR P RAJAGOPALAN & CO  
CHARTERED ACCOUNTANTS  
R. VENKATESH (MNo. 28368)  
PARTNER

**EL FORGE LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2008**

(Rs. in thousands)

	SCH No.	AS AT		AS AT	
		31st MARCH 2008	31st MARCH 2007	31st MARCH 2008	31st MARCH 2007
		Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS:</b>					
1. Share Holders' Funds:					
a. Share Capital	1	86295		85295	
b. Equity Share warrant		---		3960	
c. Reserves and Surplus	2	<u>392482</u>		<u>331733</u>	
			478777		420988
2. Loan Funds:					
a. Secured Loans	3	884839		610789	
b. Unsecured Loans	4	77526		40549	
c. Liability for Deferred Payment	5	<u>3318</u>		<u>4273</u>	
			965683		655611
<b>TOTAL</b>			<u>1444460</u>		<u>1076599</u>
<b>II APPLICATION OF FUNDS:</b>					
1. Fixed Assets	7				
Gross Block		1069377		768067	
Less: Depreciation		<u>182338</u>		<u>154131</u>	
Net Block			887039		613936
2. Investments	8		47105		39303
3. Current Assets Loans and Advances	9				
a. Inventories		489137		403317	
b. Sundry Debtors		302321		219046	
c. Cash & Bank Balances		21175		15445	
d. Loans and Advances		<u>167127</u>		<u>88245</u>	
		979760		726053	
Less: Current Liabilities and Provisions	6	<u>485600</u>		<u>326874</u>	
Net Current Assets			494160		399179
4. Misc. Expenditure (to the extent not written off or adjusted)	10		16156		24181
<b>TOTAL</b>			<u>1444460</u>		<u>1076599</u>
Notes on Accounts	17				

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

**EL FORGE LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008**

(Rs. in thousands)

	SC H No.	31ST MARCH 2008	31ST MARCH 2007
		Rs.	Rs.
<b>INCOME</b>			
Gross Turnover		1226709	1168193
Less: Excise duty & Sales tax		171159	165904
Net Turnover	11	1055550	1002289
Other Income	12	5494	15440
Stock Differential	13	80777	40371
		1141821	1058100
<b>EXPENDITURE</b>			
Raw materials consumed	14	559894	538785
Manufacturing, Administration, and Selling and other expenses	15	390973	349694
Interest and Bank charges	16	71356	61634
Depreciation		37873	26090
		1060096	976203
Profit before Tax		81725	81897
Less: Provision for Taxation		9300	9200
Less: Provision for fringe benefit tax		1900	1736
Profit after Tax		70525	70961
Less: Miscellaneous expenses written off		8025	7324
Less: Provision for Deferred Sales Tax Liability		---	2948
Net Profit		62500	60689
Balance Profit brought forward from Pervious year		17212	15494
Balance Profit available for appropriation		79712	76183
Appropriations:			
Proposed Dividend		12081	11941
Tax on Dividend		2053	2029
General Reserve		50000	45000
Balance profit Carried to Balance sheet		15578	17212
		79712	76182
No. of shares Rs.10/- each		8629524	8529524
Earnings per share – Basic		8.24	8.59
– Diluted		8.24	8.59

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## EL FORGE LIMITED

### SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

	(Rs. in thousands)			
	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 1</b>				
<b>SHARE CAPITAL:</b>				
Authorised: 1100,00,00 Equity shares of Rs.10/- each		110000		110000
3,00,000 Redeemable Preference Shares of Rs.100/ each		30000		30000
<b>TOTAL</b>		<u>140000</u>		<u>140000</u>
Issued, Subscribed and Paid up:				
8629524 (Previous Year – 8529524) Equity shares of Rs.10/-each				
Of the above equity shares:				
a) 12,99,800 shares were allotted as fully paid-up by way of Bonus shares by capitalisation of General Reserve, Share Premium and acquisition compensation.		86295		85295
b) 18,90,000 equity shares were allotted as fully paid-up pursuant to Amalgamation of Chendur Forge Exports Limited with the Company.				
c) 7,00,000 equity shares were allotted as fully paid-up pursuant to Conversion of FCD				
d) 12,65,329 equity shares were allotted out of which 50329 equity shares have been allotted for consideration other than cash. This shares were allotted to foreign nationals as part consideration of acquisition of the shares of SFL Limited UK				
<b>TOTAL</b>		<u>86295</u>		<u>85295</u>

## EL FORGE LIMITED

### SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

(Rs. in thousands)

	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 2</b>				
<b>RESERVES AND SURPLUS:</b>				
1. General Reserve				
As per Last Balance Sheet	70300		25300	
Add: Transfer during the year	<u>50000</u>		<u>45000</u>	
		120300		70300
2. Capital Reserve:				
As per last Balance Sheet		21585		21585
3. Revaluation of Fixed Assets Reserve:	455		2345	
As per last Balance Sheet				
Add/Less (-): Adjustments	202		-1790	
Less: Depreciation transferred during the year (Vide Note No.6 sch.17)	<u>19</u>		<u>100</u>	
		638		455
4. Share Premium (As per last Balance Sheet)	222181		82995	
Add: Premium on share issue during the year	<u>12200</u>		<u>139186</u>	
		234381		222181
5. Other Reserves:				
As per Last Balance Sheet	---		179	
Less: Transferred to Profit & Loss Account (Deferred Revenue Grants Subsidy from SIPCOT)	<u>0</u>		<u>179</u>	
		0		0
6. Surplus in Profit & Loss A/c. (As per Annexed Accounts)		<u>15578</u>		<u>17212</u>
<b>TOTAL</b>		<u>392482</u>		<u>331733</u>

## EL FORGE LIMITED

### SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

(Rs. in thousands)

	AS AT 31st MARCH 2008	AS AT 31st MARCH 2007
SCHEDULE – 3	Rs.	Rs.
SECURED LOANS:		
1. Cash Credit with Banks	298282	232742
2. Bills Discounted with Banks	102348	70498
3. Term Loans		
a) Export Import bank of India	143663	11238
b) Industrial Development Bank Of India	0	8200
c) Axis Bank	173084	208120
d) State Bank of India-IFB	166498	76000
4. Deferred Sales Tax Loan	964	3991
<b>TOTAL</b>	<b>884839</b>	<b>610789</b>

1. The Cash Credit including packing Credit Accounts are secured by hypothecation of Raw-Materials, Stores & Spares, Finished Goods and Book Debts that are not factored and also secured by a pari passu second charge on immovable properties. In addition, secured by Personal Guarantee of Chairman and Vice Chairman & Managing Director of the provided.
2. Deferred Sales Tax Loan is secured by a second charge on Fixed Assets at Gummudipoondi plant.
3. Terms Loans from Banks:  
The term Loans from Axis Bank, State Bank of India & Exports and Import Bank of India are secured by a pari-passu first charge are all movable fixed assets of the company excluding those movable fixed assets exclusively charged to ABN Amro Bank Ltd. All immovable Properties of the Company other than New Land at Hosur and portion of land at Appur and Pari passu second charge on the company's entire stock of raw materials, stores and spares; finished goods and book debts that are not factored.
4. The Company has obtained SBLC facility from ABN Amro Bank NV for \$100000 and this is secured by exclusive charge on specific machinery the cost of which is Rs. 1.22 Crores.



## EL FORGE LIMITED

### SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

(Rs. in thousands)

	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 4</b>				
<b>UNSECURED LOANS:</b>				
<b>A. Fixed Deposits</b>				
Shareholders	1832		1825	
Directors	800		800	
Others	3712		3646	
		6344		6271
<b>B. Others</b>		46700		21500
<b>C. Short Term Loan - Kotak Mahindra Bank Ltd</b>		24482		12778
<b>TOTAL</b>		77526		40549
<b>SCHEDULE – 5</b>				
<b>LIABILITY FOR DEFERRED PAYMENT:</b>				
For Assets purchased under Hire Purchase Agreements (Secured by specified Assets and on personal Guarantee of Chairman and Vice-Chairman & Managing Director)		3318		4273
<b>TOTAL</b>		3318		4273
<b>SCHEDULE – 6</b>				
<b>CURRENT LIABILITIES AND PROVISIONS:</b>				
<b>(A) Current Liabilities:</b>				
Sundry Creditors		334041		166552
Unclaimed Dividends		1099		679
Bill Discounting		120636		134737
<b>(B) Provisions:</b>				
Provisions for Taxation		15690		10936
Provision for Proposed Dividend		12081		11941
Provision for Dividend Tax		2053		2029
<b>TOTAL</b>		485600		326874

SCHEDULE - 7 FIXED ASSETS

SCHEDULE OF FIXED ASSETS ATTACHED TO AND FORMING PART OF BALANCE SHEET AS ON 31.03.2008

(Rs. in thousands)

NAME OF THE ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	AS ON 1.04.2007 Rs.	ADDITIONS Rs.	DEDUCTIONS Rs.	AS ON 31.03.2008 Rs.	AS ON 1.04.2007 Rs.	DEDUCTIONS Rs.	FOR THE YEAR Rs.	As at 31.03.2008 Rs.	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.	
LAND	17839	22544	—	40383	—	—	—	—	40383	17839	
LEASEHOLD LAND	687	—	—	687	—	—	—	—	687	687	
BOREWELL	173	1431	—	1604	107	—	22	129	1475	66	
BUILDINGS	12690	198239	—	210929	6875	—	3431	10306	200626	5815	
PLANT & MACHINERY	306396	320838	11070	616164	128748	8591	28042	148199	467966	177648	
ELECTRICAL INSTALLATION	9899	89548	—	99447	6096	—	2876	8972	90475	3803	
TYPEWRITER & OFFICE APPLIANCES	2384	196	220	2360	815	172	115	758	1602	1569	
COMPUTER	12131	8285	—	20416	5941	—	1414	7355	13061	6190	
FURNITURE & FIXTURES	5765	18260	713	23312	2298	598	898	2598	20714	3467	
AIR CONDITION EQUIPMENT	843	4679	—	5522	126	—	165	291	5231	717	
LABORATORY EQUIPMENT	2107	6480	90	8497	949	75	128	1002	7495	1158	
MOTOR VEHICLES	8454	593	193	8854	1848	183	760	2425	6429	6606	
FIXED TOOLS	918	—	119	799	328	66	41	303	496	590	
<b>GRAND TOTAL</b>	<b>380286</b>	<b>671094</b>	<b>12405</b>	<b>1038974</b>	<b>154131</b>	<b>9685</b>	<b>37892</b>	<b>182338</b>	<b>856636</b>	<b>226156</b>	
CAPITAL WORK-IN-PROGRESS	387781	30403	387781	30403	—	—	—	—	30403	387781	
<b>GRAND TOTAL</b>	<b>768067</b>	<b>701497</b>	<b>400186</b>	<b>1069377</b>	<b>154131</b>	<b>9685</b>	<b>37892</b>	<b>182338</b>	<b>887039</b>	<b>613936</b>	
This includes the value in respect of Assets revalued	5320	203	—	5522	4865	—	19	4885	638	454	

## EL FORGE LIMITED

### SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

(Rs. in thousands)

	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 7</b>				
<b>FIXED ASSETS:</b>				
As per Schedule Attached		887039		613936
<b>TOTAL</b>		887039		613936
<b>SCHEDULE – 8</b>				
<b>INVESTMENTS</b>				
<b>QUOTED, fully paid-up (At Cost)</b>				
436 Nos. of Equity Shares of Rs.10/- each in M/s.IndusInd Bank Ltd. (Market value Rs. 34313/-)				
		1		1
<b>UNQUOTED, fully paid up (At Cost)</b>				
27684 Nos.of Equity Shares of Rs.10/- each in M/s. The Vellore Electric Corporation Ltd.				
		1221		1221
23600 Nos.of Equity Shares of Rs.100/- each in M/s. Chendur Forgings Ltd.				
		6608		6608
150000 Nos.of Equity Shares of Rs.10/- each in Sai Regency power corporation Ltd.,				
		1893		1893
150000 Nos. (Previous year 50000 Nos.) of Equity Shares (Face Value GBP 1) of Shakesphere Forgings Ltd. - U.K.				
		37382		29580
<b>TOTAL</b>		47105		39303
<b>SCHEUDLE – 9</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>				
<b>A. INVENTORIES:</b>				
(As certified by the Management)				
Stores and Spares (includes stock of flash)				
	32198		22655	
Loose Tools	2249		1289	
Raw-Materials (incl. Dies & Tools)	220794		224358	
Finished goods	232217		153530	
Work-in-progress	1679		1485	
		489137		403317
<b>B. SUNDRY DEBTORS:</b>				
Unsecured (Considered good)				
a. Exceeding six months	38535		5305	
b. Others	263786		213741	
		302321		219046

## EL FORGE LIMITED

### SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2008

(Rs. in thousands)

SCHEDULE – 9 (Cont'd.)	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>C. CASH AND BANK BALANCES:</b>				
Cash on Hand	2109		1890	
Balance with Scheduled Banks:				
a. Current Accounts	6194		295	
b. Deposit Accounts (including margins)	7529		8342	
c. Unclaimed Dividend Accounts	1104		679	
Balance with Other Bank				
a. In Deposit Account	4239		4239	
		21175		15445
<b>D. LOANS AND ADVANCES:</b>				
Unsecured (Considered good)				
a. Advances for Purchase	97964		56888	
b. Advance payment of Income Tax	1724		7110	
c. Advances to Employees	2022		2028	
d. Balance with Central Excise	46459		8018	
e. Tax deducted at Source	929		818	
f. Deposits	14619		10167	
g. Other Advances	194		179	
h. Prepaid Expenses	3216		3037	
		167127		88245
<b>TOTAL</b>		979760		726053
<b>SCHEDULE – 10</b>				
Miscellaneous Expenditure: (to the extent not written off or adjusted)				
Deferred revenue expenditure		16156		24181
<b>TOTAL</b>		16156		24181

## EL FORGE LIMITED

### SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs. in thousands)

	2007-2008		2006-2007	
SCHEDULE – 11	Rs.	Rs.	Rs.	Rs.
<b>SALES, OTHER RECEIPTS, ETC.</b>				
Sale of Forgings		956029		920809
Job Receipts (TDS Rs.584596/- Previous year TDS Rs.547335)		25656		27594
Sale of Flash		73865		53886
<b>TOTAL</b>		1055550		1002289
 <b>SCHEDULE – 12</b>				
<b>OTHER INCOME:</b>				
Miscellaneous Receipts		2640		179
Dividend Income		35		34
Profit on Sale of assets		2819		15227
<b>TOTAL</b>		5494		15440
 <b>SCHEDULE – 13</b>				
<b>STOCK DIFFERENTIAL: INCREASE / (DECREASE)</b>				
<b>VALUE OF CLOSING STOCK COMPRISING:</b>				
Finished Goods	232217		153530	
Work-in-Progress	1679		1485	
Flash Stock	3021		1125	
		236917		156140
 <b>VALUE OF OPENING STOCK COMPRISING</b>				
Finished Goods	153530		111898	
Work-in-Progress	1485		1464	
Flash Stock	1125		2407	
		156140		115769
<b>INCREASE / DECREASE (-)</b>		80777		40371

## EL FORGE LIMITED

### SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs. in thousands)

	2007-2008	2006-2007
<b>SCHEDULE – 14</b>	Rs.	Rs.
<b>RAW MATERIALS CONSUMED:</b>		
Opening Stock	224358	198903
Add: Purchases	556330	564240
	780688	763143
Less: Closing Stock	220794	224358
<b>TOTAL</b>	559894	538785
<b>SCHEDULE – 15</b>		
<b>MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES:</b>		
Stores and spares consumed	23728	26665
Tools Consumed	1200	1968
Job Charges	54774	55503
Salaries, Wages and Bonus	69425	58213
Company's Contribution to Provident and Other Funds	10645	8337
Staff Welfare Expenses	28141	17181
Power and Fuel	96734	92622
Repairs and Maintenance: Buildings	2126	2691
Plant & Machinery	21851	17764
Others	7861	8397
Freight Inward	3407	3457
Factory Expenses	4721	3977
Rent Account	2637	3107
Rates and Taxes	883	1274
Printing and Stationery	2199	2078
Postage, Telephones & Telex	2914	2923
Travelling & Conveyances	9946	9370
Insurance	3844	2790
Legal Charges	54	76
Remuneration to Auditors: For Audit	125	125
Others	0	81
Directors' Sitting Fees	133	147
Packing & Forwarding	26891	16771
Advertisement & Publicity	244	359
Commission and Discount on sales	2364	3576
Donation	160	49
General Charges	13014	9715
Loss on sale of Fixed Assets	0	478
Exchange Rate Fluctuation	952	0
<b>TOTAL</b>	390973	349694

**EL FORGE LIMITED**

**SCHEDULES TO PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2008**

(Rs. in thousands)

	2007-2008	2006-2007
SCHEDULE – 16	Rs.	Rs.
<b>INTEREST AND BANK CHARGES:</b>		
Interest on Fixed Loans	7895	9028
Interest on Overdrafts and Other Loans	57952	46349
Bank Charges	5509	6257
<b>TOTAL</b>	<b>71356</b>	<b>61634</b>

## **EL FORGE LIMITED**

### **SCHEDULE - 17**

#### **NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008**

##### **1. ACCOUNTING POLICIES**

- i. Financial statements are prepared on historical cost and on accrual basis.
- ii. Fixed Assets are stated at their original cost (Except those assets which have been revalued) including taxes, duties, freight and other incidental expenses related to acquisition and installation. In case where MODVAT/CENVAT Credit has been availed, Excise element is excluded from original cost.  
Depreciation on fixed assets is calculated on straight-line basis on historical cost, commensurate with Section 205 read with Schedule XIV of the Companies Act, 1956. (Double shift rates for Plant & Machinery). The depreciation on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV of the Companies Act, 1956, and the same has been debited to Revaluation of Fixed Assets Reserve Account. Freehold land is not depreciated.
- iii. Raw Material, Stores and Spares and work in progresses are valued at cost. Finished Goods are valued at cost or Net realisable value, whichever is lower as per Accounting Standard (AS2) issued by the Institute of Chartered Accountants of India.
- iv. Investments are stated at Cost. Earnings from Investments has been taken into account as accrued or on declaration or receipt basis, wherever appropriate and the tax deducted at source thereon is treated as advance tax.
- v. Normal Retirement Benefits as per contract of employment are provided in the books of account and payments are made to the Trustees of the Company's respective Funds on the basis of accrued liability, where appropriate.
- vi. Research and Development: a) Revenue expenditure is charged to Profit & Loss Account of the year during which it is incurred, (b) Capital expenditure is shown as addition to fixed assets or where Capital assets have been taken on lease, the lease rentals will be amortised from profits over the useful economic life of the asset.
- vii. Miscellaneous Expenditure: Miscellaneous Expenditure incurred is amortised from profits over the expected period of future benefit.
- viii. All transactions in foreign currency are entered in the books of accounts at the rates prevailing on the date of transaction.
- ix. Deferred Tax Assets / Liability shall be recognized, as required by Accounting Standard (AS-22), issued by Institute of Chartered Accountants of India. However deferred Tax Assets shall be recognized only where there is a virtual certainty supported by convincing evidence.
- x. Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under the Income Tax Act 1961.
- xi. Use of Estimates:  
The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities



## **EL FORGE LIMITED**

at the date of the financial statements. Actual results could differ from those estimates. Any revisions to financial estimates are recognised prospectively in the financial statements when revised

xii Revenue Recognition:

Income is accounted on accrual basis.

2. The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme. The amounts provided by the Company and accumulated in the Fund is sufficient to cover the liability.

3. Details of Managerial Remuneration

	(Rs. in thousands)	
	For the year ended 31.03.2008	For the year ended 31.03.2007
1. Salary	2693	2491
2. Contribution to Provident Fund and other funds	311	305
3. Perquisites	1136	1360
4. Commission (For 3 Directors)	4378	3432
<b>TOTAL</b>	<b>8518</b>	<b>7588</b>

COMPUTATION OF NET PROFIT UNDER SECTION 198/349 OF THE COMPANIES ACT, 1956

	For the year ended 31.03.2008	For the year ended 31.03.2007
Net profit as per profit & Loss account	81726	81898
Add: Managerial Remuneration	8518	7588
Directors Sitting fees	133	147
Loss on sale of assets	0	478
	<b>90377</b>	<b>90110</b>
Less: Profit on sale of assets	2819	15227
Net Profit Under Section 198	37558	74883
Commission thereon 2% for each of two directors and 1% for another director	<b>4378</b>	<b>3432</b>

4. RELATED PARTY DISCLOSURES

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India are given below:

a) Key Management Personnel

Mr. V.Srikanth, Chairman

Mr.K.V. Ramachandran, Vice Chairman & Managing Director.

Mr. N. Balakrishnan Deputy Managing Director.

Relative of Managerial Personal

Mr. S.Venkatraman

Mrs. Chitra Venkatraman

Relative(\* \*)

F/o Mr. V.Srikanth

M/o.Mr.V.Srikanth

## EL FORGE LIMITED

(\*\*) Relative of Key Management Personnel with whom the Company had transactions during the year.

Subsidiary:

Shakespeare Forgings Ltd

- b) The following transactions were carried with related parties in the ordinary course of business.

	(Rs. in thousands)	
	Year ended 31.03.2008	Year ended 31.03.2007
i) Remuneration to Key Management Personnel	(As in Note No.4)	
ii) FD interest paid	228	100
iii) Shakespeare Forgings Ltd		
a) Sales	76026	16566
b) Purchases	40902	4260

### 5. DEPRECIATION

- a) Depreciation for the year on all assets of the company has been calculated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 (Double shift rates for Plant & Machinery), on historical book cost and has been charged to Profit & Loss Account.
- b) The depreciation amounting to Rs.19 thousands (Previous year Rs.100 thousands) on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV of the Companies Act, 1956 and the same has been debited to Revaluation of Fixed Assets Reserve Account.

### 6. SUNDRY DEBTORS, CREDITORS, LOANS AND ADVANCES

The Company has sent letters for Confirmation of Balance as on 31.03.2008, but only some of the parties have responded. In the opinion of the management the current assets and Loans and Advances will be recovered in full, in the normal course of business.

### 7. MISCELLANEOUS EXPENDITURE

The total deferred expenses written off during the year amounts to Rs.8025 thousands (Previous year Rs.7324 thousands) proportionate to the benefit yielded from the opening balance. Balance Amount to be amortised from profit over a period of ten years.

8. The company has not provided for decline in the market value of investment made in the shares of Companies as the management is of the opinion that the decline in long term investment is only temporary in nature

### 9. Hire Purchase

Out of the total liability Rs. 3318 thousands (Previous year Rs.4272 thousands), towards fixed assets purchased under HP, the amount due within one year amount to Rs.1561 thousands (Previous year Rs.1287 thousands)

## EL FORGE LIMITED

### 10. CONTINGENT LIABILITIES

(Rs. in thousands)  
AS AT 31.03.2008 AS AT 31.03.2007

	Rs.	Rs
a) Claims not accepted by the Company: E.S.I. under appeal	286	79
b) Guarantees given by Bank (on our behalf)	310	310
c) Guaranty given by bank (Foreign Bank) for subsidiary Company Shakespeare forgings	12662	12662
d) Demands raised by SIPCOT for the Leasehold Land at Gumudipondi not accepted by the Company. A writ appeal is pending in Madras High Court.	1301	1301
e) Sales Bill Factoring with SBI FACTORS & COMMERCIAL SERVICES PVT. LTD. This facility is secured by a charge on receivables factored	113192	80522
f) Estimated amount of contracts remaining to be executed on capital account and not provided for	90000	82212
g) Demand from Income Tax under appeal	6602	--
h) Demand from Central Excise and Service Tax under appeal	4260	--
i) Guarantee given to a bank for a company	65000	--

### 11. LICENSED / INSTALLED ANNUAL CAPACITIES AND PRODUCTION

1. Licensed Capacity: Not Applicable
  2. Installed Capacity: Most of the Plant & Machinery being common for different types of forgings manufactured by the Company and Installed Capacity being dependent on product mix, which in turn is decided by the actual demand for various forgings from time to time, and also on availing of sub-contracting facilities. It is not feasible for the Company to indicate the exact installed capacity.
  3. Production 13310 MT      13784 MT
12. Excise duty on closing stock of finished goods has been provided in the accounts and corresponding increase in closing stock valuation has been given effect to.

### 13. OPENING / CLOSING STOCK AND SALE OF FINISHED GOODS

	For 2007-08		For 2006-07	
	MT	Rs.	MT	Rs.
1. Opening Stock of Fixed Goods	2053	153530	1538	111898
2. Sale of Forgings	12355	981685	13269	948403
3. Closing stock of finished goods (Stock and Sales quantities are as certified by the Management)	3008	232217	2053	153530

### 14. RAW MATERIALS CONSUMED

Description of Raw Materials:

Forging Quality Steel

Consumption

(Does not include Job Work Materials)

### 15. VALUE OF RAW MATERIALS, SPARE PARTS & COMPONENTS CONSUMED

	Rs.	%	Rs.	%
- Imported	52528	8.37%	13797	2.44%
- Indigenous	575217	91.63%	551652	97.56%
<b>TOTAL</b>	<b>627745</b>	<b>100.00%</b>	<b>565449</b>	<b>100.00%</b>

## EL FORGE LIMITED

	(Rs. In thousands)	
	Rs.	Rs.
16. Expenditure in Foreign Currency during the Financial year:		
1. Travelling Expenses	1311	598
2. Commission on Export sales	2359	3576
3. Subscription books and periodicals	31	33
4. Consultancy Fee	3375	Nil
17. Value of imports of goods on C.I.F. basis		
Spares	2275	0
Machinery	15499	41364
Raw Material	50253	10048
18. Earnings in Foreign Currency on Exports of Goods calculated on FOB basis	219747	181076
19. Employee Benefits (Guarantees Funds)		
01. Changes in the Present value of the obligation (PVO)		
1. PVO at the beginning of the Year	2853	
2. Interest Cost	224	
3. Current Service Cost	338	
4. Post Service Cost – Non vested benefits	0	
5. Post Service Cost – Vested benefits	0	
6. Benefits Paid	-591	
7. Actuarial Loss/ (Gain) on Obligation – Balancing Figure	-344	
8. PVO at the End of the Year	2481	
02. Changes in the Fair Value of Plan Assets (FVPA)		
1. FVPA at the beginning of the Year	2481	
2. Expected Return on Plan Assets	223	
3. Contributions	100	
4. Benefits Paid	-591	
5. Actuarial (Loss) /Gain on Plan Assets – Balancing Figure	280	
6. FVPA at the End of the Year	2493	
03. Actual Return of the Plan Assets		
1. Expected Return on Plan Assets	223	
2. Actuarial (Loss) /Gain on Plan Assets	280	
3. Actual Return	503	
04. Actuarial (Loss) / Gain Recognised		
1. Actuarial Loss/ (Gain) for the year on Obligation	344	
2. Actuarial Loss/ (Gain) for the year on Plan Assets	280	
3. Total Loss/ (Gain) for the year	-623	
4. Actuarial Loss/ (Gain) Recognised in the year	623	
05. Amount Recognised in the Balance Sheet & Related Analysis		
1. Present Value of the Obligation	2481	
2. Fair Value of Plan Assets	2493	
3. Differences	-12	
4. Unrecognised Transactional Liability	0	
5. Unrecognised Past Service Cost – Non Vested Benefits	0	
6. Negative Amount Recognised, as per Paragraph 55	-12	
06. Expenses Recognised in the Profit & Loss Account		
1. Current Service Cost	338	
2. Interest Cost	224	

## EL FORGE LIMITED

3. Expected Return on Plan Assets	-223
4. Net Actuarial Loss /(Gain) recognised in the year	-623
5. Expenses Recognised in the Profit & Loss A/c in the year	-284
07. Movement of Liability Recognised in the Balance Sheet	
1. Opening Net Liability	372
2. Expenses as above	-284
3. Contribution Paid	-100
4. Negative Amount Recognised, as per Paragraph 55	-12
5. PV of Available future refunds & reduction in future contributions	0
6. Assets Recognised in the Balance Sheet, as per Paragraph 59	0
08. Amount for the Current Period	
1. Present Value of Obligation	2481
2. Plan Assets	2493
3. Surplus / (Deficit)	-12
4. Experience Adjustment on Plan Assets	280
09. Major categories of Plan Assets (as a percentage to Total Assets)	
1. Funds Managed by – Life Insurance Corporation of India	100
2. Total	100
10. Principal Actuarial assumptions used as at the Balance Sheet Date	
1. Discount Rate in percentage	8
2. Expected Return on Plan Assets in percentage	9
3. Average Future Working Life (in Years)	15
4. Expected Average increase in service cost in percentage	4
20. The Company has not received any memorandum (as required to be filed by the Suppliers with the notified authority under the Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as micro, small or medium enterprises. Consequently the amount paid/ payable to these parties during the year is nil.	
21. Interest is shown net of interest receipts - Rs.2945 thousands (Previous year Rs.361 thousands) TDS on interest receipts - Rs.534 thousands (Previous year Rs.81 thousands)	
22. No allocation of salaries, wages and bonus has been made to other expenses accounts.	
23. a. Previous year's figures have been regrouped wherever necessary to conform to current year classification / grouping.	
b. All the figures have been rounded off to the nearest rupees thousands.	

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## EL FORGE LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2008

(Rs. in thousands)

	2007-08	2006-07
<b>A. OPERATING ACTIVITIES</b>	Rs.	Rs.
Net Profit / (Loss) before tax	81727	81898
Adjustments for		
Depreciation	37873	26090
Interest Charged	71355	61634
Other Income	(2640)	(179)
Profit/(Loss) on sale of Assets-Net	(2819)	(14749)
Dividend received	(35)	(34)
Operating Profit before Working Capital Changes	185461	154660
Adjustments for:		
Trade and other receivables	(162156)	(48542)
Inventories	(85821)	(69980)
Trade payables	158724	78628
Miscellaneous Expenses /		
Deferred Revenue Expenditure	0	(2207)
Increase in Bank Borrowings	97389	63844
Cash generated from Operations	205857	176403
Interest Paid	(74300)	(61995)
Direct taxes paid	(11200)	(10936)
Equity dividend proposed & tax thereon	(14135)	(13971)
Provision for Deferred sales Tax Liability	0	(2948)
Net Cash Flow from Operating activities	93962	86553
<b>B. INVESTING ACTIVITIES</b>		
(including capital work in progress)	(311065)	(303233)
Sale Proceeds of fixed assets	5735	26425
Interest received	2945	361
Dividend received	35	34
Investment in shares	(7802)	(14624)
Net Cash used in Investing activities	(310152)	(291037)

## EL FORGE LIMITED

### CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH, 2008 (Contd..)

(Rs. in thousands)

	2007-08	2006-07
	Rs.	Rs.
<b>C. FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings		
- Term Loans	232980	78863
- Increase in Liability for Deferred Loan - HP	0	101
- Increase in Equity	1000	12653
- Increase in Share Premium	12200	139186
- Increase in Equity share warrant	0	3960
- Increase in Unsecured Loans	36904	0
Decrease in Equity Share warrant	(3960)	0
Decrease in Unsecured Loans	0	19000
Conversion Advance for Capital to equity	0	(46500)
FD Received	73	1408
Repayments:		
- Term Loans	(53293)	0
Deferred Sale Tax Loan	(3027)	(116)
Decrease in Liability for Deferred Loan - HP	(955)	0
Net Cash flow from financing activities	<u>221922</u>	<u>208555</u>
Net Increase / (Decrease) in Cash and Cash Equivalent	5732	4071
Cash and Cash Equivalent as at 31.03.07	15444	11373
Cash and Cash Equivalent as at 31.03.08	21176	15444

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## **EL FORGE LIMITED**

### **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (PART IV – TO SCHEDULE VI)**

I.	Registration Details			
	Registration No.669		State Code: 18	
	Balance Sheet Date: 31/03/2008			
II.	Capital raised during the year (Amount in Rs. thousands)			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	1000
			Advance for Equity war	0
III.	Position of Mobilisation and Deployment of Funds (Amounts in Rs. thousands)			
	Total Liabilities:	1444460	Total Assets	1444460
	Source of Funds			
	Paid up Capital	86295	Reserves & Surplus	392482
	Secured Loans	884839	Unsecured Loans	80844
	Application of Funds			
	Net Fixed Assets	887039	Investments	47105
	Net Current Assets	494160	Misc. Expenditure	16156
	Accumulated Losses	NIL		
IV.	Performance of Company (Amounts in Rs. thousands)			
	Turnover	1061044	Total Expenditure	979318
	Profit/(Loss)			
	Profit before tax	81726	Profit after tax	70526
	Earnings per share in Rs.	8.24	Dividend Rate	14.00%
	Generic Names of Three Principal Products / Services of Company (as per monetary terms)			
V.	Items Code No. (ITC Code)	7326.19		
	Product Description	ROUGH STEEL FORGINGS		
	Item Code No. (ITC Code)	:	—	
	Product Description	:	—	
	Item Code No. (ITC Code)	:	—	
	Product Description	:	—	



## EL FORGE LIMITED

### STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

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1.	Name of Subsidiary	Shakespeare Forgings Ltd
2.	Financial Year of Subsidiary Companies ended on	31.03.2008
3. a)	No. of Shares held by El Forge Limited (Holding Co.) with the nominees in the subsidiary at the end of the financial year of the subsidiary	150000 Ordinary Shares of 1 GBP each
b)	Extent of interest of Holding Company at the end of the financial year of subsidiary	100%
4.	The Net aggregate amount of the Subsidiary's Profit(Losses) so far as it concerns the Company and not dealt with in the Holding Company's accounts	
i)	For the financial year ended 31st March, 2008 (Rs.in 000)	(12744.00)
ii)	For the previous financial years since it become a subsidiary	Not Applicable
5.	The net aggregate amount of the Profit/(losses) of Subsidiary which has been dealt with in the accounts of the Holding Company	
i)	For the financial year ended 31st March, 2008	NIL
ii)	For the previous financial years since it become subsidiary	Not Applicable
6.	Material changes between the end of the financial year of the subsidiary and the Holding Company's financial year	Not Applicable

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Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN  
K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## **EL FORGE LIMITED**

### **DETAILS OF SUBSIDIARY COMPANIES PURSUANT TO SECTION 212(8) OF THE COMPANIES ACT, 1956.**

Shakespeare Forgings Ltd

31.03.2008

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Sl.No.	Particulars	(Rs.in thousands)
1.	Capital	11660
2.	Reserves	15279
3.	Total Assets	231950
4.	Total Liabilities	231950
5.	Details of Investments	Nil
6.	Turnover (net)	350616
7.	Profit/(Loss) before Taxation	(10659)
8.	Provision for Taxation	2085
9.	Profit/(Loss) after Taxation	(12744)
10.	Proposed Dividend	Nil

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Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN  
K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## **EL FORGE LIMITED**

### **Auditors' report to the Board of Directors of El Forge Limited on the consolidated financial statements El forge Limited and its subsidiary**

01. We have examined the attached Consolidated Balance Sheet of El Forge Limited (the Company) and its subsidiary (subsidiary) as at March 31, 2008, and the Consolidated Profit and Loss Account for the year then ended.
02. 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 conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework generally accepted in India, and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.
03. We have not audited the financial statements of the subsidiary, whose financial reflect total the Company's share of assets of Rs. 26938851/= as at March 31, 2008, and Gross Revenue for the Year ended on that date Rs. 350616325/= for the Year ended on that date. These financial statements and other audited information has been audited by other auditors and whose report has been furnished to us, and our opinion is solely based on the report of the other auditors.
04. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.
05. On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the company and its subsidiary, we are of the opinion that:
  - (01) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its subsidiary as at March 31, 2008;
  - (02) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the year then ended; and
  - (03) the Consolidated Cash Flow statement gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the year then ended;

PLACE: CHENNAI  
DATE: 27.06.2008

FOR P RAJAGOPALAN & CO  
CHARTERED ACCOUNTANTS  
R. VENKATESH (MNo: 28368)  
PARTNER

**EL FORGE LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2008**

(Rs. in thousands)

	SC No.	AS AT		AS AT	
		31st MARCH 2008	31st MARCH 2007	31st MARCH 2008	31st MARCH 2007
		Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS:</b>					
1. Share Holders' Funds:					
a. Share Capital	1	86295		85295	
b. Equity Warrant		0		3960	
c. Reserves and Surplus	2	407762		357398	
			494057		446653
2. Loan Funds:					
a. Secured Loans	3	912591		610789	
b. Unsecured Loans	4	77526		40549	
c. Liability for Deferred Payment	5	17366		4273	
			1007483		655611
<b>TOTAL</b>			<u>1501540</u>		<u>1102264</u>
<b>II APPLICATION OF FUNDS:</b>					
1. Fixed Assets	7				
Gross Block		1187714		883527	
Less: Depreciation		204145		171186	
Net Block			983569		712341
Goodwill			20258		27211
2. Investments	8		9723		9723
3. Current Assets Loans and Advances	9				
a. Inventories		535735		468253	
b. Sundry Debtors		262575		249497	
c. Cash & Bank Balances		21187		15496	
d. Loans and Advances		167127		88244	
		986624		821490	
Less: Current Liabilities and Provisions	6	547286		492682	
Net Current Assets			439338		328808
4. Misc. Expenditure (to the extent not written off or adjusted)	10		48652		24181
<b>TOTAL</b>			<u>1501540</u>		<u>1102264</u>
Notes on Accounts	17				

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## EL FORGE LIMITED

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008 (Rs. in thousands)

	SC No.	31ST MARCH 2008	31ST MARCH 2007
		Rs.	Rs.
<b>INCOME</b>			
Gross Turnover		1470532	1580565
Less: Excise duty & Sales tax		216064	165904
Net Turnover	11	1254468	1414661
Other Income	12	40265	15441
Stock Differential	13	90576	47894
		1385309	1477996
<b>EXPENDITURE</b>			
Raw Materials Consumed	14	630045	715589
Manufacturing, Administration, and Selling and other expenses	15	553086	571853
Interest and Bank charges	16	80823	70882
Depreciation		50288	29261
		1314242	1387585
Profit before Tax		71067	90411
Less: Provision for Taxation		11385	10858
Less: Provision for fringe benefit tax		1900	1736
Profit after Tax		57782	77817
		57782	77817
Less: Miscellaneous expenses written off		8025	7324
Less: Provision for Deferred Sales Tax Liability		0	2948
Net Profit		49757	67545
Balance Profit brought forward		27267	18692
Transfer from Revaluation Reserve		11667	0
Balance Profit available for appropriation		88691	86237
<b>Appropriations:</b>			
Proposed Dividend		12081	11941
Tax on Dividend		2053	2029
General Reserve		50000	45000
Balance profit Carried to Balance sheet		24557	27267
		88691	86237
No. of shares Rs.10/- each		8629524	8529524
Earning per share – Basic		6.70	9.42
– Diluted		6.70	9.42

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants:  
R. VENKATESH

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## EL FORGE LIMITED

### SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31.03.2008

(Rs. in thousands)

	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 1</b>				
<b>SHARE CAPITAL:</b>				
Authorised: 1100,00,000 Equity shares of Rs.10/- each		11000		11000
3,00,000 Redeemable Preference Shares of Rs.100/ each		30000		30000
<b>TOTAL</b>		<u>41000</u>		<u>41000</u>
Issued, Subscribed and Paid up:				
8629524 (Previous Year 8529524) Equity shares of Rs.10/-each				
Of the above equity shares:				
a) 12,99,800 shares were allotted as fully paid-up by way of bonus shares by capitalisation of General Reserve, Share Premium and acquisition compensation.		86295		85295
b) 18,90,000 equity shares were allotted as fully paid-up pursuant to Amalgamation of Chendur Forge Exports Limited with the Company.				
c) 7,00,000 equity shares were allotted as fully paid-up pursuant to Conversion of fully Convertible Debentures.				
d) 12,65,329 equity shares were allotted out of which 50329 equity shares have been allotted for consideration other than cash. This shares were allotted to foreign nationals as part consideration of acquisition of the shares of SFL Limited UK				
<b>TOTAL</b>		<u>86295</u>		<u>85295</u>

## EL FORGE LIMITED

### SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31.03.2008

(Rs. in thousands)

	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 2</b>				
<b>RESERVES AND SURPLUS:</b>				
1. General Reserve				
As per last Balance Sheet	70300		25300	
Add: Transfer during the year	<u>50000</u>		<u>45000</u>	
		120300		70300
2. Capital Reserve:				
As per last Balance Sheet		21586		21586
3. Revaluation of Fixed Assets Reserve:				
As per last Balance Sheet	16064		2026	
Add: Additions	2561		18493	
Less: Withdrawals	11668		4355	
Less: Depreciation transferred during the year (Vide Note No.5 sch.17)	<u>19</u>		<u>100</u>	
		6938		16064
4. Share Premium (As per last Balance Sheet)	222181		82995	
Add: On Equity share/FCD Conversion	<u>12200</u>		<u>139186</u>	
		234381		222181
5. Other Reserves:				
As per Last Balance Sheet	---		179	
Less: Transferred to Profit & Loss Account (Deferred Revenue Grants Subsidy from SIPCOT)	<u>---</u>	---	<u>179</u>	---
6. Surplus in Profit & Loss A/c. (As per Annexed Accounts)		<u>24557</u>		<u>27267</u>
<b>TOTAL</b>		<u><b>407762</b></u>		<u><b>357398</b></u>

## EL FORGE LIMITED

### SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31.03.2008

(Rs. in thousands)

	AS AT 31st MARCH 2008	AS AT 31st MARCH 2007
SCHEDULE – 3	Rs.	Rs.
<b>SECURED LOANS:</b>		
1. Overdraft with Banks	326034	232741
2. Bills Discounted with Banks	102348	70499
3. Term Loans		
a) Export & Import Bank of India	143663	11238
b) Industrial Development Bank Of India	---	8200
c) UTI Bank	173084	208120
d) State Bank of India-IFB	166498	76000
4. Deferred Sales Tax Loan	964	3991
<b>TOTAL</b>	<b>912591</b>	<b>610789</b>

1. The Cash Credit including Packing Credit Accounts are secured by on hypothecation of Raw-Materials, Stores & Spares, Finished Goods and Books Debts that are not factored and also secured by a pari passu second charge on immovable properties. In addition, secured by Personal Guarantee of Chairman and Vice Chairman & Managing Director of the provided.
2. Deferred Sales Tax Loan is secured by a second charge on Fixed Assets at Gummidipoondi plant.
3. Term Loans from Axis Bank, State Bank of India & Export and Import Bank of India are secured by a pari passu first charge are all movable fixed assets of the company excluding those movable fixed assets exclusively charged to ABN Amro Bank Ltd. All immovable Properties of the company other that New Land at Hosur and portion of land at Appur and Pari passu second charge on the company's entire stock of raw materials, stores and spares, finished goods and book debts that are not factored.
4. The Company has obtained SBLC facility from ABN Amro Bank NV for \$100000 and this is secured by exclusive charge on specific machinery the cost of which is Rs. 1.22 Crores.



## EL FORGE LIMITED

### SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31.03.2008

(Rs. in thousands)

	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 4</b>				
<b>UNSECURED LOANS:</b>				
<b>A. Fixed Deposits</b>				
Shareholders	1814		1825	
Directors	700		800	
Others	<u>3830</u>		<u>3646</u>	
		6344		6271
<b>B. Others</b>		46700		21500
<b>C. Short Term Loan - Kotak Mahindra Bank Ltd</b>		<u>24482</u>		<u>12778</u>
<b>TOTAL</b>		<u><u>77526</u></u>		<u><u>40549</u></u>
<b>SCHEDULE – 5</b>				
<b>LIABILITY FOR DEFERRED PAYMENT:</b>				
For Assets purchased under Hire Purchase Agreements (Secured by specified Assets and on personal Guarantee of Chairman and Vice Chairman & Managing Director)		<u>17366</u>		<u>4273</u>
<b>TOTAL</b>		<u><u>17366</u></u>		<u><u>4273</u></u>
<b>SCHEDULE – 6</b>				
<b>CURRENT LIABILITIES AND PROVISIONS:</b>				
<b>(A) Current Liabilities:</b>				
Sundry Creditors		391629		330215
Unclaimed Dividends		1099		679
Bill Discounting A/c.		120636		134736
<b>(B) Provision:</b>				
Provision for Taxation		19788		13082
Provision for Proposed Dividend		11941		11941
Provision for Dividend Tax		<u>2193</u>		<u>2029</u>
<b>TOTAL</b>		<u><u>547286</u></u>		<u><u>492682</u></u>

SCHEDULE - 7 FIXED ASSETS

CONSOLIDATED SCHEDULE OF FIXED ASSETS ATTACHED TO AND FORMING PART OF BALANCE SHEET AS ON 31.03.2008

(Rs. In thousands)

NAME OF THE ASSET	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	AS ON 1.04.2007 Rs.	ADDITIONS Rs.	DEDUCTIONS Rs.	AS ON 31.03.2008 Rs.	AS ON 1.04.2007 Rs.	DEDUCTIONS Rs.	FOR THE YEAR Rs.	As at 31.03.2008 Rs.	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
LAND	40600	24903	—	65503	—	—	—	—	65503	40600
LEASEHOLD LAND	687	—	—	687	—	—	—	—	687	687
BOREWELL	173	1431	—	1604	107	—	22	129	1474	66
BUILDINGS	12690	198239	—	210929	6875	—	3431	10306	200625	5815
PLANT & MACHINERY	390305	327909	35073	683140	145037	16236	39623	168423	514717	245268
ELECTRICAL INSTALLATION	9899	89548	—	99447	6096	—	2876	8972	90475	3803
TYPEWRITER & OFFICE APPLIANCES	2384	196	220	2360	815	172	115	758	1602	1569
COMPUTER	12131	8285	—	20416	5941	—	1414	7355	13061	6190
FURNITURE & FIXTURES	14554	18360	787	32128	3085	617	1732	4180	27948	11491
AIR CONDITION EQUIPMENT	843	4679	—	5522	126	—	165	291	5231	717
LABORATORY EQUIPMENT	2107	6480	90	8497	949	75	128	1002	7495	1158
MOTOR VEHICLES	8454	593	193	8854	1848	183	760	2425	6429	6606
FIXED TOOLS	918	17425	119	18224	328	66	41	303	17921	590
<b>GRAND TOTAL</b>	<b>495746</b>	<b>698049</b>	<b>36482</b>	<b>1157310</b>	<b>171186</b>	<b>17349</b>	<b>50308</b>	<b>204145</b>	<b>953166</b>	<b>324560</b>
CAPITAL WORK-IN-PROGRESS	387781	30403	387781	30403	—	—	—	—	30403	387781
<b>GRAND TOTAL</b>	<b>883527</b>	<b>728452</b>	<b>424263</b>	<b>1187714</b>	<b>171186</b>	<b>17349</b>	<b>50308</b>	<b>204145</b>	<b>983569</b>	<b>712341</b>
This includes the value in respect of Assets revalued	5320	203	—	5522	4865	—	19	4885	638	454

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EL FORGE LIMITED

## EL FORGE LIMITED

### SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31.03.2008

(Rs. in thousands)

	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 7</b>				
<b>FIXED ASSETS:</b>				
As per Schedule Attached		983569		712341
<b>TOTAL</b>		<b>983569</b>		<b>712341</b>
<b>SCHEDULE – 8</b>				
<b>INVESTMENTS</b>				
QUOTED, fully paid-up (At Cost)				
436 Nos. of Equity Shares of Rs.10/- each in M/s.Indusind Bank Ltd. (Market value Rs.38313)				
		1		1
UNQUOTED, fully paid up (At Cost)				
27684 Nos.of Equity Shares of Rs.10/- each in M/s. The Vellore Electric Corporation Ltd.				
		1221		1221
23600 Nos.of Equity Shares of Rs.100/- each in M/s. Chendur Forgings Ltd.				
		6608		6608
150000 Nos. of Equity Shares of Rs. 10/- each in Sai Regency power corporation Ltd.,				
		1893		1893
<b>TOTAL</b>		<b>9723</b>		<b>9723</b>
<b>SCHEDULE – 9</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>				
<b>A. INVENTORIES:</b>				
(As certified by the Management)				
Stores and Spares (includes stock of flash)				
	32198		22655	
Loose Tools				
	2249		26253	
Raw-Materials (incl. Dies & Tools)				
	225395		232132	
Finished goods				
	232217		153530	
Work-in-progress				
	43676		33683	
		535735		468253
<b>B. SUNDRY DEBTORS:</b>				
Unsecured (considered good)				
a. Exceeding six months				
	38535		5305	
b. Others				
	224040		244192	
		262575		249497

## EL FORGE LIMITED

### SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31.03.2008

(Rs. in thousands)

	AS AT 31st MARCH 2008		AS AT 31st MARCH 2007	
SCHEDULE – 9 (Cont'd.,)	Rs.	Rs.	Rs.	Rs.
<b>C. CASH AND BANK BALANCES:</b>				
Cash on Hand	2121		1942	
Balance with Scheduled Banks:				
a. Current Accounts	6194		294	
b. Deposit Accounts (including margins)	7529		8342	
c. Unclaimed Dividend Accounts	1104		679	
Balance with Other Banks:				
In Deposit Account	4239		4239	
		21187		15496
<b>D. LOANS AND ADVANCES:</b>				
Unsecured (Considered good)				
a. Advances for Purchase	97964		56888	
b. Advance payment of Income Tax	1724		7110	
c. Advances to Employees	2022		2028	
d. Balance with Central Excise	46459		8018	
e. Tax deducted at Source	929		818	
f. Deposits	14619		10167	
g. Other Advances	194		179	
h. Prepaid Expenses	3216		3036	
		167127		88244
<b>TOTAL</b>		<b>986624</b>		<b>821490</b>
<b>SCHEDULE – 10</b>				
Miscellaneous Expenditure: (to the extent not written off or adjusted)				
Deferred revenue expenditure		16156		24181
Project Expenses		32496		---
<b>TOTAL</b>		<b>48652</b>		<b>24181</b>

## EL FORGE LIMITED

### SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs. in thousands)

	2007-2008		2006-2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 11</b>				
<b>SALES, OTHER RECEIPTS, ETC.</b>				
Sale of Forgings		1154948		1333181
Job Receipts (TDS Rs.547335 / Previous year TDS Rs. 303004)		25656		27594
Sale of Flash		73865		53886
<b>TOTAL</b>		<b>1254468</b>		<b>1414662</b>
 <b>SCHEDULE – 12</b>				
<b>OTHER INCOME:</b>				
Miscellaneous Receipts		16893		179
Dividend Income		35		35
Profit on sale of assets		23337		15227
<b>TOTAL</b>		<b>40265</b>		<b>15441</b>
 <b>SCHEDULE – 13</b>				
<b>STOCK DIFFERENTIAL:</b>				
<b>INCREASE / (DECREASE)</b>				
<b>VALUE OF CLOSING STOCK COMPRISING:</b>				
Finished Goods	232217		153530	
Work-in-Progress	43676		33683	
Flash Stock	3021		1125	
		<u>278914</u>		<u>188338</u>
 <b>VALUE OF OPENING STOCK COMPRISING</b>				
Finished Goods	153530		111898	
Work-in-Progress	33683		26139	
Flash Stock	1125		2407	
		<u>188338</u>		<u>140444</u>
<b>INCREASE / DECREASE (-)</b>		<b>90576</b>		<b>47894</b>

## EL FORGE LIMITED

### SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rs. in thousands)

	2007-2008	2006-2007
SCHEDULE – 14	Rs.	Rs.
<b>RAW MATERIALS CONSUMED:</b>		
Opening Stock	232132	212425
Add: Purchases	623308	735296
	855440	947721
Less: Closing Stock	225395	232132
<b>TOTAL</b>	<b>630045</b>	<b>715589</b>
<b>SCHEDULE – 15</b>		
<b>MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES:</b>		
Stores and spares consumed	32782	41971
Tools Consumed	1200	1968
Job Charges	64205	73637
Salaries, wages and Bonus	154357	171433
Company's Contribution to Provident and Other Funds	10645	8337
Staff Welfare Expenses	29473	19156
Power and Fuel	110105	121797
Repairs and Maintenance:		
Buildings	2126	2691
Plant & Machinery	27238	25888
Others	9106	10644
Freight Inward	12834	11211
Factory Expenses	5305	4693
Rent Account	7545	12603
Rates and Taxes	3407	4668
Printing and Stationery	2933	2502
Postage, Telephones and Telex	3836	3862
Travelling and Conveyance	11974	9861
Insurance	17296	10905
Legal Charges	54	76
Remuneration to Auditors: For Audit	481	551
For Other Services	---	56
Director's Sitting Fees	133	147
Packing and Forwarding	27468	17518
Advertisement and Publicity	244	359
Commission and Discount on Sales	2364	3576
Donation	160	264
General Charges	14863	11001
Loss on Sale of Fixed Assets	---	478
Exchange Rate Fluctuations	952	---
<b>TOTAL</b>	<b>553086</b>	<b>571853</b>

**EL FORGE LIMITED**

**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2008**

(Rs. in thousands)

	2007-2008	2006-2007
SCHEDULE – 16	Rs.	Rs.
INTEREST AND BANK CHARGES:		
Interest on Fixed Loans	16627	17482
Interest on Overdrafts and Other Loans	57952	46349
Bank Charges	6244	7051
<b>TOTAL</b>	<b>80823</b>	<b>70882</b>

## **EL FORGE LIMITED**

Schedules forming an integral part of Consolidated Annual Accounts for the Year ended 31-03-2008

### **SCHEDULE - 17**

#### **1. SIGNIFICANT ACCOUNTING POLICIES**

01. Financial statements are prepared on Historical Cost and on Accrual basis.
02. Fixed Assets are stated at their original cost (Except those assets which have been revalued) including taxes, duties, freight and other incidental expenses related to acquisition and installation. In case where MODVAT/CENVAT Credit has been availed, Excise element excluded from Original Cost.
03. Depreciation on fixed assets is calculated on straight-line basis on historical cost, commensurate with Section 205 read with Schedule XIV of the Companies Act, 1956. (Double shift rates for Plant & Machinery). The depreciation on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV of the Companies Act, 1956, and the same has been debited to Revaluation of Fixed Assets Reserve Account. Freehold land is not depreciated.
04. Raw Material, Stores and Spares and Work-in-Progress are valued at cost. Finished Goods are valued at cost or net realisable value, whichever is lower as per Accounting Standard (AS2) issued by the Institute of Chartered Accountants of India.
05. Investments are stated at Cost. Earnings from Investments has been taken into account as accrued or on declaration or receipt basis, wherever appropriate and the tax deducted at source thereon is treated as advance tax.
06. Normal Retirement Benefits as per contract of employment are provided in the books of account and payments are made to the Trustees of the Company's respective Funds on the basis of accrued liability, where appropriate.
07. Research and Development: a) Revenue expenditure is charged to Profit & Loss Account of the year during which it is incurred, (b) Capital expenditure is shown as addition to fixed assets or where Capital assets have been taken on lease, the lease rentals will be amortised from profits over the useful economic life of the asset.
08. Miscellaneous Expenditure: Miscellaneous Expenditure incurred is amortized from profits over the expected period of future benefit.
09. All transactions in foreign currency are entered in the books of accounts at the rates prevailing on the date of transaction.
10. Deferred Tax Assets / Liability shall be recognized, as required by Accounting Standard (AS-22), issued by Institute of Chartered Accountants of India. However deferred Tax Assets shall be recognized only where there is a virtual certainty supported by convincing evidence.
11. Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under the Income Tax Act 1961.
12. The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme The amounts provided by the Company and accumulated in the Fund is sufficient to cover the liability.
13. Revenue Recognition: Income is accounted on accrual basis.



## EL FORGE LIMITED

### Notes on Accounts

#### 01. Principles of Consolidation:

The Consolidated financial statements relate to El Forge Limited (the Company or Parent Company), its wholly subsidiary (there is no Joint Venture companies and Associate Companies). The consolidated financial statements have been prepared on the following basis:

- (01) The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line-by-line basis by adding together the book values of like items of assets liabilities, income and expenses, after eliminating the intra-group balances, intra-group transactions and unrealized profits or losses in accordance with Accounting Standard (AS-21) on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- (02) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements. The excess/shortfall of cost of Investments in the subsidiary, over the net assets at the time of acquisition of shares in the subsidiary, is recognized in the financial statements of the Parent Company as goodwill/capital reserve respectively
- (03) The Subsidiary company considered consolidated financial statements is:

S.No.	Name of the Company	Country	2007-08	2006-07
01	Shakespeare Forgings Ltd	United Kingdom	100%	100%

In the aforesaid paragraph,

- (a) "Country" means the name of the country in which the subsidiary company has been incorporated; and
- (b) "Interest" means the proportion of the Ownership Interest of the Company in the Subsidiary.

#### 02. Details of Managerial Remuneration:

(Rs. in thousands)

	For the year ended 31.03.2008	For the year ended 31.03.2007
1. Salary	14728	14126
2. Contribution to Provident Fund and other funds	310	305
3. Perquisites	1136	1360
4. Commission (For 3 Directors)	4378	3432
<b>TOTAL</b>	<b>20552</b>	<b>19223</b>

## EL FORGE LIMITED

### 03. Related party disclosures:

Related party disclosures as required under accounting standard on "Related Party Disclosures issued by the Institute of Chartered Accountants of India are given below;

(01) Subsidiary

(a) Shakespeare Forgings Limited

(02) Key Management personnel

(a) Mr. V. Srikanth, Chairman

(b) Mr. K.V. Ramachandran, Vice Chairman & Managing Director

(03) Relatives of Key Management personnel

Name of the Person

Relative(\*\*)

Mr. S. Venkatraman

Father of V Srikanth

Mrs. Chitra Venkatraman

Mother of V. Srikanth

(\*\*) Relatives of Key Management Personnel with whom the Company had transactions during the year.

(04) The Following transactions were carried with related parties in the ordinary course business.

Particulars	(Rs. in thousands)	
	Year ended 31.03.2008	Year ended 31.03.2007
i) Remuneration to Key Management Personnel	(As in Note No.2)	
ii) FD interest paid	228	100
iii) Shakespeare Forgings Ltd		
a) Sales	76025	16566
b) Purchases	40902	4260

### 04. Depreciation:

- (01) Depreciation for the year on all assets of the company has been calculated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 (Double shift rates for Plant & Machinery), on historical book cost and has been charged to Profit & Loss Account.
- (02) The depreciation amounting to Rs.19 thousands (Previous year Rs.100 thousands) on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV of the Companies Act, 1956 and the same has been debited to Revaluation of Fixed Assets Reserve Account.
- (03) Depreciation charged to Profit & Loss account excludes Rs. 19 thousands, relating to revaluation reserve adjustments.

### 05. Sundry Debtors, Creditors, Loans and Advances:

The Company has sent letters for Confirmation of Balance as on 31.03.2008, but only some of the parties have responded. In the opinion of the management the current assets and Loans and Advances will be recovered in full, in the normal course of business.

## EL FORGE LIMITED

**06. Miscellaneous Expenditure:**

The total deferred expenses written off during the year amounts to Rs. 8025 thousands (Previous year Rs. 7324 thousands) proportionate to the benefit yielded from the opening balance. Balance Amount will be amortised from profit over a period of Ten Years.

**07. Segment Reporting:**

The Company has only one business segment of manufacture and sale of steel forgings.

**08. Use of Estimates:**

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any revisions to financial estimates are recognized prospectively in the financial statements when revised.

**09. Hire Purchase:**

Out of the total liability Rs. 3318 thousands (Previous Year Rs. 4273 thousands), towards fixed assets purchased under HP, the amount due within One Year Amount to Rs. 1562 thousands (Previous Year Rs. 1287 thousands).

**10. Earnings Per Share:**

Earning per share Basis Rs. 6.70 and diluted Rs. 6.70 (Face Value Rs. 10/=) during the year.

**11. CONTINGENT LIABILITIES**

	(Rs. in thousands)	
	AS AT	AS AT
	31.03.2008	31.03.2007
a) Claims not accepted by the Company:	Rs.	Rs
E.S.I. under appeal	286	79
b) Guarantees given by Bank (on our behalf)	310	310
c) Guaranty given by bank (Foreign Bank) for subsidiary Company Shakespeare forging	12662	12662
d) Demands raised by SIPCOT for the Leasehold Land at Gummudipondi not accepted by the Company. A writ appeal is pending in Madras High Court.	1301	1301
e) Sales Bill Factoring with SBI FACTORS & COMMERCIAL SERVICES PVT. LTD. This facility is secured by a charge on receivables factored	113192	80522
f) Estimated amount of contracts remaining to be executed on capital account and not provided for	90000	82212
g) Demand from Income Tax under appeal	6602	---
h) Demand from Central Excise and Service Tax under appeal	4260	---
i) Guarantee given to a bank for a company	65000	---

**Project Cost (Miscellaneous Expenditure)**

12. The Company has incurred costs in respect of relocation and project cost following their takeover by El Forge, a company registered in India. In the opinion of the directors these

## **EL FORGE LIMITED**

cost if written off to the profit and loss account would not show a true and fair view of the state of the company's affairs. Therefore in contradiction to FRS 10 goodwill and intangible assets these costs have been capitalized. These costs have been incurred due to relocation of the company's trading activities following a scaling down of their manufacturing activity and development costs incurred with the relocation of certain of the manufacturing activities to India. In the opinion of the directors these costs will generate cost saving in the future.

These costs will be written off over a period of 5 to 10 years respectively. An Impairment review will be undertaken on an annual basis to ensure; in the opinion of the directors their carry values are reasonable.

13. Previous year's figures have been regrouped wherever necessary to conform to current year Classification / grouping.
14. All the figures have been rounded off to the nearest thousands.

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As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## EL FORGE LIMITED

### CONSOLIDATED FUND FLOW STATEMENT FOR THE YEAR ENDED 31-03-2008

(Rs. in thousands)

Particulars	For the Year 2007-2008		For the Year 2006-2007	
	Rs.	Rs.	Rs.	Rs.
<b>01. Cash Flow from Operations:</b>				
1) Net Profit before Tax		71067		90413
2) Adjustment for				
a) Depreciation	50288		29262	
b) Interest Expenses	80823		71243	
c) Other Income	-16892		-179	
d) Sales of Fixed Assets	-30066		-14749	
e) Interest Income	---		-361	
f) Dividend Received	-35		-35	
g) Sales of Investments	---		---	
h) Revaluation Reserve	2542		---	
		86659		85181
3) Operating Profit before working Capital Changes		157726		175594
4) Adjustment for Increase / Decrease in				
a) Trade & Other Receivables	-91960		-67020	
b) Inventories	-67481		-83026	
c) Sundry Creditors	54601		159908	
d) Miscellaneous Expenses / Deferred Rev. Exp	-32496		-2208	
		-137336		7654
5) Cash Generation from Operation		20391		183248
6) Less the Following				
a) Tax Paid / Provided	-13285		-12595	
b) Misc. Receipts	16892		---	
c) Deferred Sales Tax Liability	---		-2948	
		3607		-15543
7) Net Cash from Operating Activities		23998		167705
<b>02. Cash Flow from Investing Activities:</b>				
1) Purchase or Sale of Fixed Assets				
a) Purchase of Fixed Assets, Including CWIP	-321516		-347813	
b) Sale Process of Fixed Assets	30066		26425	
2) Interest Received	---		361	
3) Dividend Received	35		35	

## EL FORGE LIMITED

4) Purchase or Sale of Investments		
a) Purchase	---	-393
b) Sales	---	---
5) Purchase or Sale of Goodwill		---
a) Additions	---	-27211
b) Deletion	6953	---
6) Net Cash Flow from Investing Activities	-284462	-348596
03. Cash Flow from Financing Activities:		
1) From Term Loan / Deferral Loan		
a) Obtained	215026	97851
2) From Capital		
a) Additions	9240	110707
3) From Unsecured Loan		
a) Obtained	---	---
b) Re-Paid	---	---
4) From Short (Bank Borrowings)	136846	63844
5) Interest Paid	-80823	-71243
6) Dividend and Tax Thereon	-14135	-13971
7) Minority Interest	---	-7002
8) Net Cash Flow from Investing Activities	266156	180186
04. Net Increase / Decrease in Cash & Cash Equivalent (04=01+02+03)	5692	-705
05. Cash & Cash Equivalent – Opening Balance	15496	16201
06. Cash & Cash Equivalent – Closing Balance	21188	15496
07. Net Increase / Decrease in Balances	5692	-705

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 27.06.2008

R.SOWMITHRI  
COMPANY SECRETARY

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR