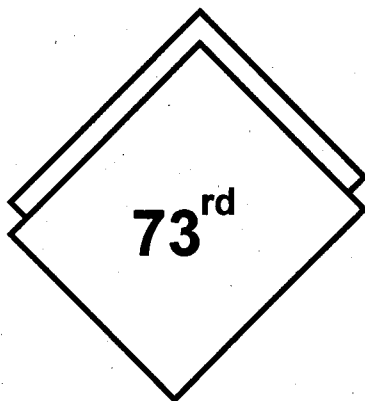




# ***EL FORGE LIMITED***



## **ANNUAL REPORT**

---

**2008 - 2009**

**(ABRIDGED)**

## **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.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

INDUSIND BANK LTD., G.N. Chetty Street, T.Nagar, Chennai 600 017

INDUSTRIAL DEVELOPMENT BANK OF INDIA., 115, Annasalai, Chennai 600 015

### **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:elforgeho@elforge.com

### **FACTORIES**

1A, Sriperumbudur High Road (via) Singaperumal Koil

Appur Village, Kattangulathur Onrium, Kancheepuram Dist., PIN 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 73rd 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 17<sup>th</sup> September, 2009 at 10.30 am to transact the following business :

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2009, the Auditors Report and the Directors Report thereon.
2. To Appoint a Director in place of Mr. P.L.Reddy, who retires by rotation and being eligible offers himself for re-election.
3. To Appoint a Director in place of Mr. Balraj Vasudevan, who retires by rotation and being eligible offers himself for re-election.
4. 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**

5. To consider and if thought fit, to pass with or without modification the following resolution as on Ordinary Resolution

"Resolved that pursuant to the provisions of Sections 198, 269 and 309, and other applicable provisions if any of the Companies Act, 1956 and subject to the approvals as may be necessary approval of the members be and is hereby given to the appoint Mr.V.Srikanth as Executive Chairman of the Company for a period of five years from 1.7.2009 on the following terms of remuneration in terms of schedule XIII of the Companies Act, 1956 relating to Managerial Remuneration.

"Resolved Further that above remuneration allowed to the Executive Chairman shall be subject to such limits for the remuneration as laid down by the Government in schedule XIII of the Companies Act, 1956 and / or such changes/variations/substitutions as may be made therein from time to time.

## EL FORGE LIMITED

"Resolved Further that notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the Executive Chairman, the Company has no profits or its profits are inadequate, the Company will pay the remuneration by way of salary and perquisites not exceeding the limits indicated in the Explanatory Statement.

"Resolved Further that the scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956 and/or the rules and regulations made there under and/or such guidelines as may be announced by the Central Government from time to time".

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

"Resolved that pursuant to the provisions of Sections 198, 269 and 309, and other applicable provisions if any of the Companies Act, 1956 and subject to the approvals as may be necessary approval of members be and is hereby given to the re-appoint Mr.K.V.Ramachandran as Vice Chairman & Managing Director of the Company for a period of five years from 1.4.2009 with retrospective effect on the following terms of remuneration in terms of schedule XIII of the Companies Act, 1956 relating to Managerial Remuneration.

"Resolved Further that above remuneration allowed to the Vice Chairman & Managing Director shall be subject to such limits for the remuneration as laid down by the Government in schedule XIII of the Companies Act, 1956 and / or such changes/variations/substitutions as may be made therein from time to time.

"Resolved Further that notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the Vice Chairman & Managing Director, the Company has no profits or its profits are inadequate, the Company will pay the remuneration by way of salary and perquisites not exceeding the limits indicated in the Explanatory Statement.

"Resolved Further that the scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956 and/or the rules and regulations made there under and/or such guidelines as may be announced by the Central Government from time to time".

By Order of the Board

Place : Chennai  
Date : 29.06.2009

R.SOWMITHRI  
COMPANY SECRETARY

## EL FORGE LIMITED

### 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. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
4. The Register of Members will be closed from 7<sup>th</sup> September, 2009 to 17<sup>th</sup> September 2009 both days inclusive.
5. 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.
6. Members are requested to communicate the change of address, if any, quoting their respective folios to the Share Transfer Agents of the Company.
7. As per the provision for nomination in the Companies Act, 1956. Shareholders may 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.

8. 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.

9. The dividend declared during 2004-05, 2005-06, 2006-07 and 2007-08 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.

**EL FORGE LIMITED**

10. Website – Quarterly information on results and other developments are posted on the Company's Website: <http://www.elforge.com>
11. Appointment / Re-appointment of Directors  
Pursuant to Clause 49 of the Listing Agreement with Stock Exchange following information are furnished about the Directors proposed to be appointed / re-appointed vide Items No.2, 3 & 5 of the notice dated 29.06.2009.

Name	Mr.V.Srikanth	Mr.K.V.Ramachandran	Mr.P.L.Reddy	Mr.Balraj Vasudevan
Age	55	53	82	48 Years
Qualification	ACA, MBA (University of Newyork)	MBA (XLRI)	Engineer	B.A
Experience	1. Fellow of Institution of Chartered Accountant 2. Has been involved in Forging Business for over 29 Years. 3. He was the President of the All India Forging Association. 4. He led the Indian Forging Delegation to the Forging Congress held in China in the year 1999.	Has been associated with the Forgings Industry for over 27 years.	1. Fellow of Institution of Engineer 2. Did financial control Course in Indian Institute of Management, Kolkatta 3. Executive Development course in Admnistrative staff College, Hyderabad.	Has been associated with the Auto Industry for over 2 decades and has held important positions in various companies
Other Directorships	The Vellore Electric Corporation Ltd. Wesco Engineers Ltd Pary Agro Industries Ltd.	Wesco Engineers Ltd Coromandel Steels Ltd	Nil	Autopumps & Bearings Co.P Ltd Regaalia Realty Limited TVS-CJC Ltd Banyan
Committee Membership	Shareholders Grievance Committee	--	Audit Committee Remuneration Committee Shareholders Grievance Committee	Audit Committee Remuneration Committee Shareholders Grievance Committee
Shareholding	123420 shares	17573 shares	1000 Shares	Nil

## **EL FORGE LIMITED**

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.5**

Mr.V.Srikanth has been the non executive chairman from 1.9.2006 onwards. With the change in the Industrial scenario and the need for greater managerial guidance in view of the need to strategise the operation in a difficult environment, the board feels it necessary to co opt Mr.V.Srikanth as Executive Chairman with effect from 1.7.2009 on the terms and conditions set below.

#### **Salary**

A Salary of Rs.1,02,500/- (Rupees One lakh two thousand five hundred only) per month in the grade of Rs.102500-7500-132500. and a special allowance of Rs.15000/- (Rupees fifteen thousand only) per month.

#### **Commission**

Commission based on Net Profits of the Company in a particular year, which put together with Salary and perquisites shall be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956 shall be paid.

#### **Perquisites**

Perquisites are classified into three categories "A, B and C as follows :

#### **Category A**

This will comprise Residential Accommodation, House Rent Allowance, Leave Travel Concession, Medical Reimbursement, Fees of Clubs and Personal Accident Insurance. These may be provided as under:

##### **Residence**

Residential accommodation or in lieu thereof House Rent Allowance at 60% of salary per month

Gas, Electricity and Water shall be valued as per the Income Tax Rules 1962. This shall however be subject to a ceiling of 10% of the Salary.

##### **Medical Reimbursement**

Expenses incurred by self and family subject to a ceiling of one month's salary in one year or three months salary over a period of three years including premium for medical insurance.

##### **Leave Travel Concession**

For Executive Chairman and his family in accordance with the Rules of the Company once in a year.

#### **Explanation**

For the purpose of category A, Family means the Spouse, the dependent children and dependent parents of the Executive Chairman.

## **EL FORGE LIMITED**

### **Club Fees**

Fees to Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.

### **Personal Accident Insurance**

Premium not to exceed Rs.5000/- per annum.

### **Hard and Soft Furnishing**

Reimbursement upto Rs.30,000/- per annum towards hard furnishing. Reimbursement upto Rs.20,000/- per annum towards soft furnishing.

### **Category B**

- Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- Gratuity in accordance with the rules of the Company as applicable to Senior Executives of the Company but not exceeding one-half months salary for each completed year of service.
- Encashment of Leave at the end of the tenure.
- Retirement and other benefits as per rules of the Company.

### **Category C**

- Provisions of Car for use on Company's Business and Telephone at Residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Chairman.
- Notwithstanding anything herein, where in any financial year during the currency of the tenure of the Executive Chairman, the Company has no profits or its profits are inadequate. The Company will pay him Remuneration by way of Salary and perquisites specified above.

Mr.V.Srikanth is interested in the resolution as it concerns his appointment. Mr.V.Ramachandran is indirectly concerned or interested in the resolution as he is the brother of Mr.V.Srikanth.

The above may be regarded as an 'Abstract of the Terms of Appointment and Memorandum of Interest' under Section 302 of the Companies Act, 1956.

### **Item No.6**

Mr.K.V.Ramachandran was re-appointed as the Vice Chairman & Managing Director of the Company with effect from 1.4.2009. Taking into account the significant contribution made by Mr.K.V.Ramachandran and in order to continue to avail of the benefits of his vast experience and expertise the Board of Directors pursuant to the resolution adopted on 29<sup>th</sup> June, 2009 reappointed Mr.K.V.Ramachandran, as Vice Chairman & Managing Director for a period 5 years from 1.4.2009 to 31.03.2014.



## **EL FORGE LIMITED**

### **Salary**

A Salary of Rs.97,500/- (Rupees Ninety Seven thousand five hundred only) per month in the grade of Rs.97500-7500-127500 and a special allowance of Rs.15000/- (Rupees fifteen thousand only) per month.

### **Commission**

Commission based on Net Profits of the Company in a particular year as decided by the Board, which put together with Salary and perquisites shall be subject to the overall ceilings laid down in Sections 198 and 309 of the Companies Act, 1956 shall be paid.

### **Perquisites**

Perquisites are classified into three categories "A, B and C as follows:

#### **Category A**

This will comprise Residential Accommodation, House Rent Allowance, Leave Travel Concession, Medical Reimbursement, Fees of Clubs and Personal Accident Insurance. These may be provided as under :

##### **Residence**

Residential accommodation or in lieu thereof House Rent Allowance at 60% of salary per month.

Gas, Electricity and Water shall be valued as per the Income Tax Rules 1962. This shall however be subject to a ceiling of 10% of the Salary

##### **Medical Reimbursement**

Expenses incurred by self and family subject to a ceiling of one month's salary in one year or three months salary over a period of three years including premium for medical insurance.

##### **Leave Travel Concession**

For Vice Chairman & Managing Director and his family in accordance with the Rules of the Company once in a year.

### **Explanation**

For the purpose of category A, Family means the Spouse, the dependent children and dependent parents of the Vice Chairman & Managing Director.

### **Club Fees**

Fees to Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.

### **Personal Accident Insurance**

Premium not to exceed Rs.5000/- per annum.

### **Hard and Soft Furnishing**

Reimbursement upto Rs.30,000/- per annum towards hard furnishing. Reimbursement upto Rs.20,000/- per annum towards soft furnishing.

**EL FORGE LIMITED**

**Category B**

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity in accordance with the rules of the Company as applicable to Senior Executives of the Company but not exceeding one-half months salary for each completed year of service.

Encashment of Leave at the end of the tenure.

Retirement and other benefits as per rules of the Company.

**Category C**

Provisions of Car for use on Company's Business and Telephone at Residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Vice Chairman & Managing Director

Notwithstanding anything herein, where in any financial year during the currency of the tenure of the Vice Chairman & Managing Director the Company has no profits or its profits are inadequate. The Company will pay him Remuneration by way of Salary and perquisites specified above.

Mr.K.V.Ramachandran is interested in the resolution as it concerns his appointment.

The above may be regarded as an 'Abstract of the Terms of Appointment and Memorandum of Interest' under Section 302 of the Companies Act, 1956.

By Order of the Board

Place : Chennai  
Date : 29.06.2009

R.SOWMITHRI  
COMPANY SECRETARY

## EL FORGE LIMITED

### REPORT OF THE DIRECTORS

The Directors present the 73<sup>rd</sup> Annual Report along with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2009.

	Year ended 31.03.2009	Year ended 31.03.2008
	(RS. IN LAKHS)	
Sales & Other Income (Gross)	9862.88	12267.09
Profit/(Loss) before Depreciation	(1220.28)	1195.98
Profit/(Loss) after Depreciation	(1790.38)	817.25
Net Profit/(Loss) after tax	(1805.39)	705.25
Balance in Profit & Loss account	(1649.60)	155.78

#### Year in Retrospect

The financial tsunami experienced from November 2008 has easily been the most hard hitting after the great depression of 1929. Though the causes of the two may be totally different, the symptoms of both had a lot of similarity. Banks and Financial Institutions in Europe and North America were the hit the worst, leading to Finance led global market compression. This in turn affected most sectors of all globally aligned economies.

We, in India, also experienced this downward spiral, and specifically your Company saw drop in sales from November by almost 60% to 70%.

The trend was however disquieting as the first 6 months saw a demand push and your Company had recorded a sales of Rs.64.98 crores which fell steeply to Rs.18.77 crores in the 3<sup>rd</sup> quarter and Rs.13.06 crores in the last quarter.

The over all reduction in sales was consequently 20% over the previous year. Both Exports and the Domestic market fell sharply and it was very difficult to combat the falling sales in the year 2009-10.

We were hit in more than one ways, as, we had invested in a New Plant whose capacity could not be utilized due to severe power cuts and operating time constraints. We were also forced to incur extra costs to keep the basic order book satisfied as we could get the necessary power only at odd and staggered times during the day. This power crisis was complemented by the severe global recession resulting in an extremely hostile environment.

In order to weather this crisis, we approached our bankers for a deep restructuring of our debts under the Corporate Debt Restructuring Scheme (CDR). This was completed in June of this year and a highly proactive restructuring scheme has been approved by our bankers, which, we are confident will give us the necessary financial flexibility to overcome the present situation.

## **EL FORGE LIMITED**

There are signs of improvement in the economy with most of the Heavy Vehicles majors having exhausted their piled up inventory in raw materials and finished goods which had happened due to the precipitous fall in November last year.

Given the pick up, albeit slow, of the economy and the fillip given by the deep restructuring, we are confident that we can turn around in the operations next year and get back into a growth mode for the years to come.

### **Subsidiary Company**

Shakespeare Forgings Ltd's operations in UK has been affected by the global meltdown and volumes during the period from Nov 2008 to March 2009 was nearly negligible at less than 10% of the usual monthly volumes.

Your Company has applied to the Company Law Board under Section 212(8) of the Companies Act, 1956 seeking exemption from attaching a copy of the Balance Sheet, Profit and Loss Account Report of the Board of Directors and the Report of the Auditors of the subsidiary company along with the financial statements of your company. These documents can be requested for by any member, investor of the company. Further, in line with the Listing Agreement and in accordance with the Accounting Standard 21 (AS 21), Consolidated Financial Statements, prepared by the Company include financial information of its subsidiary.

### **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, 2009 deposits amounting to Rs.56.13 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.

## **EL FORGE LIMITED**

### **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.

#### **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, 2009 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**

The Deputy Managing Director Mr.N.Balakrishnan resigned on 30.09.2008. Mr.P.L.Reddy and Mr.Balraj Vasudevan, directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-election. In accordance with the provisions of the Companies Act the appointment of Executive Chairman and Re-appointment of Vice Chairman & Managing Director made during the year is placed for members approval.

#### **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, 2009 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, Union Bank of India, ABN Amro Bank, Indusind Bank Ltd, 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 : 29.06.2009

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, 2009.

**CONSERVATION OF ENERGY**

- |   |   |
|---|---|
| 1. Energy Conservation measures taken   | Furnace oil gas 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**

	2008-09	2007-08
<b>A. POWER AND FUEL CONSUMPTION</b>		
<b>1. ELECTRICITY</b>		
a. Purchased		
Units	7098234	8620335
Total Amount (Rs.)	45475044	44253421
Rate / Unit (Rs.)	6.41	5.13
b. Own Generation		
Units	365777	270599
Units / Ltr. of Diesel Oil	2.77	2.46
Cost Per Unit (Rs.)	13.99	11.60
<b>2. FURNACE OIL &amp; L.D.OIL</b>		
Quantity (in Ltrs.)	1522486	2247793
Total Amount (Rs.)	38043815	46538541
Average Rate (Rs.)	24.99	20.70
<b>3. GAS FOR HEAT TREATMENT</b>		
Quantity (in Kgs.)	146288	58554
Total Amount (Rs.)	7806116	2798863
Average Rate (Rs.)	53.36	48
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Product – Steel Forgings          Standards		
Unit / MT. of Made Steel Forgings (if any)		
a. Electricity (Units)	862	668
b. Furnace Oil/L.D. Oil (Ltrs.)	185	169
c. Gas (Kgs.)	63	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                                   |   |
| (a) Capital   |   |
| (b) Recurring   | Expenditure on R & D is not directly incurred   |
| (c) Total   |   |
| (d) Total R&D expenditure as percentage of total turnover | 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  |   |
| (a) Used (Rs.)   | 129914133   |
| (b) Earned (Rs.)   | 211390318   |



**EL FORGE LIMITED**  
**Management Discussion and Analysis**

**Overview**

The year 2008-09 was a turbulent year for the entire world, and global business. The first half of the year was on a fast track with growth in our economy at 6.5% to 7% characterized by the bourses which were on a bull run, high commodity prices, high growth in auto sector etc. However there was a complete reversal of the situation in the second half from October, 2008. There was a global meltdown, freeze in global manufacturing and global depression. This scenario has affected our economy and our business and growth. Off take in the auto sector shrunk by more than 50% steel prices have declined and Foreign Institutional Investor's investment in India has significantly reduced.

All the Governments in countries around the globe are taking steps to gear up their economy and nurse the business organizations in their country.

For the first time from start of Auto in North America, the global Auto Major G.M. filed for bankruptcy. The utilized capacity of the auto manufacturing has fallen to 70% of previously produced capacity.

Major and highly profitable auto makers like Toyota have shelved all capital expenditure projects world wide, and have recorded a loss for the first time in 50 years.

Significantly, the Heavy Vehicles market in America and Europe have fallen steeply, leading to a major compression in manufacturing, and in all the related sectors that supply into Auto.

Steel, that witnessed a phenomenal buoyancy and which was becoming dearer by the month for over the past 3 years witnessed a slump with all the major global steel mills declaring shut downs.

In India there was an initial slow down in steel production which subsequently got reversed although not completely. However, the prices of all steel products and especially of rolled products have dropped significantly. This is also because of the slow down in the building construction industry and auto industry.

There is now a marginal improvement in the heavy vehicles sector and improvement in demand for the car segment and motor cycle segment.

Due to a total stock absorption over the past 8 months, the markets have livened up again in the various sectors and there seems to be a small growth taking place in the manufacturing in India.

Europe and North America have yet to show any sustained improvement in most of their auto markets though there are certain flares, if they may be called, in demand sustainability of which needs to be seen buy us.

## **EL FORGE LIMITED**

### **Opportunities & Threats**

This recession has opened a new dimension in management. Verily the environment that presented itself as an opportunity later became a threat. The overheating of the economy, which sent industry to fanatic heights in output, expansions turned bearish and presented a very grim future driving all manufacturing industries to despair. There was a negative industrial growth and a negative wholesale price inflation in India.

The economy presented itself very differently, with production indices falling substantially, imports and exports dropping by 30 / 40 % and the interest rates only being cosmetically adjusted. Oil price fell precipitously, but all these factors had no impact on our real interest rate in India.

Hence the opportunity which actually turned out to be a threat had to be handled carefully. It was observed by us that if we strategise appropriately we would be in a better position to grow despite the market hostility.

In order to combat the situation we had to embark upon (a) reduction of costs (b) new product development (c) realign manufacture to meet available opportunity (d) Restructure debts and also explore the derivatives in each of these heads.

This invasive, lateral thinking by us, is a combative strategy which will help us in the future and help us overcome the threats and find opportunities wherever possible.

### **Risk Management**

The current economic environment has exposed us to dimensions of risk not hitherto encountered or envisaged. The markets falling, Auto Majors which hitherto were seemingly invincible declaring bankruptcy, Tier 1 suppliers folding operations, major banks going bust, Oil rising to dizzy heights and falling even more precipitously, Steel industry increasing prices 2 folds in 4 years and then suddenly suspending manufacturing due to lack of demand, exchange rates dropping in favour of rupee by 20%, American customers having to increase prices or supply being stopped due to unviability, and, subsequently shooting over the previous high (period before the gain of 20%) making a loss due to exchange cover, the list is endless.

All these have taught us that risk management is : very low debt, zero inventory, (raw material & finished goods), immediate realisation of debtors, highest quality manufactured at lowest cost, entry into each product at the beginning of its life cycle, lateral thinking and application engineering, risk mitigation by cross industry application, energy management and daily review of all these facets with periodic scan of the economy.

This strategy we feel will reduce our vulnerability to the market hostilities and help us have a sustained growth in the future.

### **Commodity Price Risk**

While commodity prices have suffered during the last few months of 2008-09, the risk of price escalation in Crude Oil persists.

## **EL FORGE LIMITED**

### **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.

### **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 550 employees on the rolls of the Company.

### **Outlook**

We believe that global opportunities for Companies like us will accrue due to the closure of most manufacturing units in the West. While we are aware of the risks, we are confident of improving the performance through appropriate marketing programmes. We propose to continue to cater to the global supply chain.

### **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 behavior 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 comprised of whole time Directors—the Vice Chairman & Managing Director and Deputy Managing Director, who resigned during the year.. Six Directors are Non-Executive Directors. Accordingly, the composition of the Board is in conformity with the listing agreement. The Chairman has been co-opted as a Wholetime Director with effect from 1.7.2009.

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

Details of Composition of the Board of Directors, Directors' Attendance Records and Directorships

**EL FORGE LIMITED**

Name of Director	Category	Attendance Particulars			No. of Other Directorships and Committee Memberships/Chairmanships in other Indian Public Companies		
		Number of Board Meetings			Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended	Last AGM			
Mr.V.Srikanth	Non Executive	7	7	Yes	4	2	-
Mr.K.V.Ramachandran	Executive	7	7	Yes	2	3	--
Mr.P.L.Reddy	Non-Executive & Independent	7	7	Yes	--	3	2
Mr.V.Ramachandran	Non-Executive & Independent	7	5	Yes	3	2	--
Mr.K.J.Ramaswamy	Non-Executive & Independent	7	5	Yes	2	2	1
Mr.Balraj Vasudevan	Non-Executive & Independent	7	5	Yes	3	2	--
Mr.Samuel Joseph Jebaraj	Non Executive Nominee	7	4	Yes	--	--	--

**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 2008-2009, four Audit Committee Meetings were held on 27th June 2008, 31st July 2008, 31st October 2008 and 30<sup>th</sup> January, 2009.

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

## EL FORGE LIMITED

Name of the Directors	Category		Number of Meeting attended during 2008-09
		Held	
Mr.P.L.Reddy, Chairman of the Committee	Independent Director	4	Present
Mr.V.Ramachandran, Member	Non Executive Director	4	Present
Mr.K.J.Ramaswamy, Member	Independent Director	4	Present
Mr.Balraj Vasudevan, Member	Independent Director	4	Present

#### 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 Executive Chairman and Vice Chairman & 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 Wholetime Directors of the Company.

#### 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	31000	Mr.K.V.Ramachandran	1293750	919386	---	2213136
Mr.P.L.Reddy	31000	Mr.N.Balakrishnan	742500	260100	---	1002600
Mr.V.Ramachandran	19500					
Mr.K.J.Ramaswamy	31000					
Mr.Balraj Vasudevan	19500					
Mr.Samuel Joseph Jebaraj	12000					
	144000		2036250	1179486	--	3215736

#### Service Contracts, Severance Fees and Notice Period

Period of Contract of Vice Chairman & Managing Director: 5 Years from 1.4.2009

Period of Contract of Executive Chairman : 5 Years from 1.7.2009

#### 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.

## EL FORGE LIMITED

During the Financial Year 2008-09 Five Shareholders / Investors Grievance Committee Meetings were held on 27th June 2008, 31<sup>th</sup> July 2008, 25th September 2008, 31th October. 2008 and 30<sup>th</sup> January, 2009.

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 2008-2009
Mr.V.Srikanth	Non Executive Director	4
Mr.P.L.Reddy	Non Executive & Independent Director	4
Mr.K.J.Ramaswamy	Non Executive & Independent Director	4

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

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
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
2007-2008	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Sep 25, 2008	03.30 pm

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. UK, 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.

## **EL FORGE LIMITED**

### 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.

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, 2009.

### 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>



## **EL FORGE LIMITED**

**11. Management Discussion and Analysis Report**  
Forms part of the annual report

**12. General Shareholders information**

**1) Annual General Meeting**

Date and Time : 17/09/2009 at 10.30 am  
Venue : Narada Gana Sabha Trust Mini Hall,  
314, T.T.K.Road,Alwarpet,  
Chennai 600018

**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 07/09/2009 to 17/09/2009 both days inclusive.

**4) 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

**5) Stock Code**

Bombay Stock Exchange Limited                      Code No.531144  
Ahmedabad Stock Exchange Limited                Code No.15750

## EL FORGE LIMITED

### 6) 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 2008-09 are as under:

Month	Quotations At Mumbai Stock Exchange	
	High (Rs.)	Low (Rs.)
April 2008	46.90	44.35
May 2008	63.00	45.25
June 2008	36.05	33.25
July 2008	32.00	30.85
August 2008	40.70	37.15
September 2008	45.00	29.25
October 2008	18.00	15.00
November 2008	23.25	13.05
December 2008	18.80	13.05
January 2009	20.10	12.60
Feb 2009	13.40	12.50
March 2009	14.59	13.19

### 7) 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

### 8) 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**

**9) Investor Services**

**Complaint received during the year**

Nature of the Compliants	For the Year 2008-09	
	Received	Cleared
Relating to Transfer, Transmissions, Dividend, Demat and Remat and Change of Address etc.	57	57

**10) Distribution of Shareholdings as on 31<sup>st</sup> March, 2009.**

Sl.No	Category	No.of Holders	% of Holders	No.of Shares	% of Shares
1.	Upto 500	8355	88.93	1031547	11.95
2.	501 to 1000	522	5.55	405967	4.70
3.	1001 to 2000	229	2.44	345166	4.00
4.	2001 to 3000	89	0.95	223542	2.59
5.	3001 - 4000	47	0.50	168640	1.95
6.	4001 - 5000	47	0.50	221095	2.56
7.	5001 - 10000	45	0.48	331305	3.84
8.	10001 and above	61	0.65	5902262	68.40
<b>*** Total ***</b>		<b>9395</b>	<b>100.00</b>	<b>8629524</b>	<b>100.00</b>

**11) Pattern of Shareholding as on 31.03.2009**

Sl. No.	Category	No.of Shares	% of Shareholding
1.	Promoters	2965099	34.36
2.	Corporate Bodies	1146563	13.29
3.	Mutual Funds	1605	0.02
4.	Bank's	945	0.01
5.	Overseas Corporate Bodies	844000	9.78
6.	NRI's/Foreign Nationals	50329	0.58
7.	Public	3620983	40.96
	<b>Total</b>	<b>8629524</b>	<b>100.00</b>

**12) Dematerialisation of shares and liquidity**

About 89% of the shares have been dematerialised as on March 31, 2009. 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**

### **13) 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 E-mail: corpseiv@iepindia.com

### **14) 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.

### **15) 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, 2009.

Place : Chennai  
Date : 29.06.2009

**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, 2009 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, 2009, 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

Place : Chennai  
Date : 29.06.2009

R. VENKATESH (MNo. 28368)  
PARTNER

**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, 2009 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 2008-09 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 changes in internal control over financial reporting during the year.
  - b) There have been no significant changes in accounting policies during the year, except that reported in the financial statement.
  - 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  
Date : 29.06.2009

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

**R.SOWMITHRI**  
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, 2009, 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. The Company has changed the classification of dies from Current assets to Fixed assets as at 31.03.2009. However, the Company has continued to value the same as per the consistent method as at 31.03.2009 and then changed the classification. Had, the Company continue to follow the earlier method of classification, the Current assets would be more by Rs. 22.16 crores and the Fixed assets would be less by the same amounts. It has no impact on the operation results, for the year under report.
5. Further to our comments in the Annexure referred to above, we report that:  
Subject to our observation made in the aforesaid paragraph and,
  - 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;



**EL FORGE LIMITED**

- 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, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956; and
- 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, 2009 and
  - ii) In the case of the Profit and Loss Account, of the Loss 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: 29.06.2009

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 involved, in respect of the aforesaid loan as at end of the financial year under report, are 7 and Rs. 2950000/= 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

## **EL FORGE LIMITED**

(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; except the Fixed deposits which have already been dealt with paragraph 03 above. 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 compiled 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.

### **09. Statutory Dues: -**

(01) As per the records examined by us, the company is not regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance,

**EL FORGE LIMITED**

Income-tax etc. with the appropriate authorities. As per the records examined by us, an amount of Rs. 1.47 crore has been outstanding towards statutory dues, 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.

(02) As at the end of the financial year under report, disputed amount of income tax/ sales tax/ wealth tax/ service Tax/ custom duty/ excise duty/ cess, is given below:

(03)

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	Assement Year 2004-05	CIT Appeals Chennai
3	The Central Excise Act 1944	Service Excise Demand	31.09	2002 - 03 to 2005 - 06	Commissioner Appeals of Central Excise & Service Tax, Chennai
4	The Central Excise Act 1944	Excise Demand	4.80	2001 - 02 to 2006 -07	Assistant Commissioner of Central Excise Chromepet Division Chennai IV Commissionnerate
5	The Central Excise Act 1944	Excise Demand	1.39	2005 - 06	Commissioner Appeals of Central Excise & Service Tax, Chennai
6	The Central Excise Act 1944	Excise Demand	7.66	2001- 02 to 2006 - 07	Customs, Excise and Service Tax Apellate Tribunal
7	The Service Tax Act 1944	Service Tax Demand	0.54	2005 - 06 to 2007- 08	Assistance Commissioner of Service Tax Hosur Divn
8	The Central Excise Act 1944	Excise / Interest Demand	6.22	2005 -06 to 2008 - 09	Assistance Commissioner of Central Excise Chennai III

10. Net worth: -

The company's has accumulated loss amounting to Rs.16.49 Crores at the end of the financial year under report. The company has incurred cash losses during the financial year under report and no cash losses has incurred 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

## **EL FORGE LIMITED**

institutions and banks, taking into account the Corporate Debt Restructuring Scheme, under which the dues amounting to Rs.5.22 Crores are regularized.

### **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 granted any 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 also in respect of loan taken by a domestic company from its banker. In our opinion, the terms and conditions thereof are not prejudicial to the interest of the company.

### **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 not made any preferential allotment of shares during the year under report.

**EL FORGE LIMITED**

**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: 29.06.2009

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

**EL FORGE LIMITED**

**AUDITORS' REPORT ON ABRIDGED ACCOUNTS**

To  
The Members of  
**EL FORGE LIMITED**

We have examined the attached abridged Balance Sheet of **EL FORGE LIMITED** ("The Company"), as at March 31, 2009 and also the abridged Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, together with the Significant Accounting Policies and Notes thereon. These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rule and Forms, 1956 and are based on the audited accounts of the Company for the year ended March 31, 2009 prepared in accordance with the provisions of section 211 of the Companies Act, 1956 and covered by our report of even date to the members of the company, which is attached hereto.

PLACE: CHENNAI  
DATE: 29.06.2009

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

**EL FORGE LIMITED**

**ABRIDGED BALANCE SHEET AS AT 31st MARCH 2009**

**(Statement containing salient features of Balance Sheet as per Sec. 219(1)(b)(iv)  
of the Companies Act, 1956)**

(Rs. in Thousands)

	AS AT		AS AT	
	31st MARCH 2009		31st MARCH 2008	
	Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS:</b>				
1. Share Holders' Funds:				
a. Share Capital	86295		86295	
b. Equity Share Advance	6500		—	
c. Reserves and Surplus	376885		392482	
		469680		478777
2. Loan Funds:				
a. Secured Loans	1109548		884839	
b. Unsecured Loan	50687		77526	
c. Liability for Deferred Payment	2679		3318	
		1162914		965683
<b>TOTAL</b>		<b>1632594</b>		<b>1444460</b>
<b>II. APPLICATION OF FUNDS:</b>				
1. Fixed Assets				
Gross Block	1477224		1069377	
Less: Depreciation	220251		182338	
		1256973		887039
2. Investments		47105		47105
3. Current Assets, Loans & Advances				
a. Inventories	266749		489137	
b. Sundry Debtors	240037		302321	
c. Cash and Bank Balances	7175		21175	
d. Loans and Advances	52542		167127	
	566503		979760	
Less: Current Liabilities and Provisions	436222		485600	
Net Current Assets		130281		494160
4. Miscellaneous Expenditure (to the extent not written off or adjusted)		33275		16156
Balance of Loss as per Profit & Loss Account		164960		—
<b>TOTAL</b>		<b>1632594</b>		<b>1444460</b>

Refer Notes forming part of Abridged Accounts

Compiled from the Audited Accounts of the  
Company referred in our Report dated June 29, 2009

For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 29.06.2009

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR



## EL FORGE LIMITED

ABRIDGED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009  
(Statement containing salient features of Profit and Loss Account as per Sec. 219(1)(b)(iv)  
of the Companies Act, 1956)

	(Rs. in Thousands)			
	31ST MARCH 2009		31ST MARCH 2008	
	Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>				
Gross Turnover	976285		1226709	
Less: Excise duty & Sales tax	107502		171159	
Net Turnover	868783		1055550	
Other Income	10003		5494	
Stock Differential	810		80777	
		879596		1141821
<b>EXPENDITURE</b>				
Raw materials consumed	491862		559894	
Manufacturing Administration, Selling & Other Expenses	352024		390973	
Interest and Bank Charges	157738		71356	
Depreciation	57010		37873	
Notes on Accounts		1058634		1060096
Profit / Loss(-) before Tax		-179038		81725
Provision for Taxation		---		9300
Provision for fringe benefit tax		1500		1900
Profit / Loss(-) after Tax		-180538		70525
Miscellaneous expenses written off		---		8025
Net Profit / Loss(-)		-180538		62500
Balance profit brought forward from previous year		15578		17212
Balance Profit / Loss(-)		-164960		79712
<b>Appropriations:</b>				
Proposed Dividend		---		12081
Tax on Dividend		---		2053
General Reserve		---		50000
Balance Profit/Loss(-) Carried to Balance sheet		-164960		15578
		-164960		79712
No. of shares Rs.10/- each		8629524		8629524
Earning per share – Basic		0.00		8.24
– Diluted		0.00		8.24

Compiled from the Audited Accounts of the  
Company referred in our Report dated June 29th, 2009

For P. RAJAGOPALAN & CO.

Chartered Accountants

R. VENKATESH

MNo: 28368

PARTNER

Place: Chennai

Date: 29.06.2009

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## **EL FORGE LIMITED**

### **Notes to Abridged Balance Sheet as at March 2009 and Abridged Profit and Loss Account for the year ended on that date:**

#### **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. Wherever 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 31.03.2009	For the year ended 31.03.2008
1. Salary	2036	2693
2. Contribution to Provident Fund and other funds	242	311
3. Perquisites	937	1136
4. Commission (For 3 Directors)	---	4378
<b>Total</b>	<b>3216</b>	<b>8518</b>

\*Due to the Loss during the year under report, No commission is eligible

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

	For the year ended 31.03.2009	For the year ended 31.03.2008
Net profit as per profit & Loss account	(179038)	81726
Add: Managerial Remuneration	---	8518
Directors Sitting fees	---	133
Loss on sale of assets	---	---
	---	<b>90377</b>
Less: Profit on sale of assets	---	2819
Net Profit Under Section 198	---	87558
Commission thereon 2% for each of two directors and 1% for another director	---	<b>4378</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.Srikantn

## 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 31.03.2009	Year ended 31.03.2007
i) Remuneration to Key Management Personnel		(As in Note No.4)
ii) FD Interest paid	337	228
iii) Shakespeare Forgings Ltd		
a) Sales	115463	76026
b) Purchases	---	40902

### 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.19 Thousands) on account of 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 Reserve Account.

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

The Company has sent letters for Confirmation of Balance as on 31.03.2009, 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

Due to the Loss during the year the Company has not written off any deferred revenue expenses during the year. (Previous Year Rs. 8025 Thousands was written off). Balance Amount to be amortised from Profit over a period of Ten Years. A Sum of Rs. 17119 Thousands to closure compensation payable to Thoraipakkam Unit incurred during the year and accumulated.

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. 2678 Thousands (Previous year Rs. 3318 Thousands), towards fixed assets purchased under HP, the amount due within one year amount to Rs.1396 Thousands (Previous year Rs.1561 Thousands)

## EL FORGE LIMITED

### 10. CONTINGENT LIABILITIES

(Rs. in Thousands)

	AS AT 31.03.2009 Rs.	AS AT 31.03.2008 Rs.
a) Claims not accepted by the Company: E.S.I. under appeal	286	286
b) Guarantees given by Bank (on our behalf)	---	310
c) Guaranty given by bank (Foreign Bank) for subsidiary	18363	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	92538	113192
f) Estimated amount of contracts remaining to be executed on capital account and not provided for	10000	90000
g) Demand from Income Tax under appeal	6602	6602
h) Demand from Central Excise and Service Tax under appeal	5170	4260
i) Guarantee given to a bank for a company against the loan taken by a company	65000	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 8143 MT                      13310 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 2008-09		For 2007-08	
	MT	Rs.	MT	Rs.
1. Opening Stock of Fixed Goods	3008	232217	2053	153530
2. Sale of Forgings	8567	799402	12355	981685
3. Closing stock of finished goods (Stock and Sales quantities are as certified by the Management)	2584	234556	3008	232217

### 14. RAW MATERIALS CONSUMED

Description of Raw Materials:

Forging Quality Steel

Consumption

(Does not include Job Work Materials)

	10366	491862	15970	559894
--	-------	--------	-------	--------

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

	For 2008-09		For 2007-08	
	Rs.	%	Rs.	%
- Imported	124303	24.83%	52528	9.13%
- Indigenous	376260	75.17%	522742	90.87%
<b>TOTAL</b>	<b>500562</b>	<b>100.00%</b>	<b>575270</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	157	1311
2. Commission on Export sales	1409	2359
3. Subscription books and periodicals	6	31
4. Consultancy Fee	2758	3375
5. Others	42	---
17. Value of imports of goods on C.I.F. Basis		
Spares	905	2275
Machinery	1239	15499
Raw Material	123398	50253
18. Earnings in Foreign Currency on Exports of Goods calculated on FOB basis	211390	219747
19. Change in Classification:		
a. The Company has been Classifying the Dies under the head Current assets, Since the same is consumed over a period of time during the course of production.		
b. The above method of writing off of Dies depends upon production tonnage every year. In the Year of lower production, the amount of write off becomes less. In order to maintain uniformity in die write off, It will be more appropriate to change the amortization method which is not dependent upon production. Accordiliy it has been decided to change the classification of Dies from Current Assets to Fixed Assets.		
c. The Valuation of dies for the year under report is same as that of earlier years, Hence, there is no impact on the operation results. The value as at 31.03.2009 as been taken and the same as been adopt for change in the classification.		
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.584 Thousands (Previous year Rs.2945 Thousands) TDS on interest receipts - Rs.72 Thousands (Previous year Rs.534 Thousands).		
22. 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 Thousands.		

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

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 29.06.2009

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## EL FORGE LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009

(Rs. in Thousands)

	2008-09	2007-08
<b>A. OPERATING ACTIVITIES</b>	<b>Rs.</b>	<b>Rs.</b>
Net Profit / (Loss) before tax	(179039)	81727
Adjustments for		
Depreciation	57010	37873
Interest Charged	157738	713.55
Other Income	(550)	(2640)
(Profit) / Loss on sale of Assets-Net	(7263)	(2819)
Dividend received	(035)	(035)
 Operating Profit before Working Capital Changes	 <b>27861</b>	 <b>185461</b>
Adjustments for:		
Trade and other receivables	176866	(162156)
Inventories	222388	(85821)
Trade payables	(49378)	158724
Miscellaneous Expenses / Deferred Revenue Expenditure	(17119)	---
Increase in Bank Borrowings	42406	109649
Cash generated from Operations	403024	205857
Interest Paid	(158323)	(74300)
Direct taxes paid	(1500)	(11200)
Equity dividend proposed & tax thereon	---	(14135)
Provision for Deferred sales Tax Liability	---	---
 Net Cash Flow from Operating activities	 <u>243201</u>	 <u>106222</u>
<b>B. INVESTING ACTIVITIES</b>		
Purchase of Fixed assets (including capital work in progress)	(437008)	(311065)
Sale Proceeds of fixed assets	17857	5735
Interest received	585	2945
Dividend received	035	035
Investment in shares	---	---
 Net Cash used in Investing activities	 <u>(418531)</u>	 <u>(310152)</u>

## EL FORGE LIMITED

### CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH, 2009 (Contd..)

(Rs. in Thousands)

	2008-09	2007-08
C. FINANCING ACTIVITIES	Rs.	Rs.
Proceeds from Long Term Borrowings		
- Term Loans	183271	232980
- Increase in Liability for Deferred Loan - HP	---	---
- Increase in Equity	---	1000
- Increase in Share Premium	---	12200
- Increase in Equity share warrant	6500	---
- Increase in Unsecured Loans	---	24644
Loan against Bank Deposits	---	(3960)
Decrease in Equity Share warrant		
Decrease in Unsecured Loans	(26108)	---
Conversion of NCD Placed by IDBI to Term 1	---	---
Conversion Advance for Capital to equity	---	---
FD Paid	731	073
Repayments:		
- Term Loans	---	(53293)
Deferred Sale Tax Loan	(964)	(3027)
Decrease in Liability for Deferred Loan - HP	(640)	(955)
Net Cash flow from financing activities	<b>161328</b>	<b>209662</b>
Net Increase / (Decrease) in Cash and Cash Equivalent	14002	5732
Cash and Cash Equivalent as at 31.03.08	21176	15444
Cash and Cash Equivalent as at 31.03.09	7174	21176

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: 29.06.2009

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: 31/03/2009			
II.	Capital raised during the year (Amount in Rs. thousands)			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	
			Advance for Equity	6500
III.	Position of Mobilisation and Deployment of Funds (Amounts in Rs. thousands)			
	Total Liabilities:	1632594	Total Assets	1632594
	Source of Funds			
	Paid up Capital	86295	Reserves & Surplus	376885
	Secured Loans	1109548	Unsecured Loans	53366
	Application of Funds			
	Net Fixed Assets	1256973	Investments	47105
	Net Current Assets	130281	Misc. Expenditure	33275
	Accumulated Losses	164960		
IV.	Performance of Company (Amounts in Rs. thousands)			
	Turnover	878786	Total Expenditure	1057824
	Profit / (Loss)			
	Profit /(Loss) before tax	(179038)	Profit /(Loss) after tax	(180538)
	Earnings per share in Rs.	NIL	Dividend Rate	NIL
	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**

---

1.	Name of Subsidiary	Shakespeare Forgings Ltd
2.	Financial Year of Subsidiary Companies ended on	31.03.2009
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, 2009 (Rs.in 000)	(10031)
	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, 2009	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

---

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

Place: Chennai  
Date: 29.06.2009

R.SOWMITHRI  
E.D. (FINANCE) & SECRETARY

# **EL FORGE LIMITED**

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

Shakespeare Forgings Ltd

31.03.2009

---

Sl.No.	Particulars	(Rs.in thousands)
1.	Capital	11660
2.	Reserves	5248
3.	Total Assets	176318
4.	Total Liabilities	176318
5.	Details of Investments	Nil
6.	Turnover (net)	335785
7.	Profit/(Loss) before Taxation	(13770)
8.	Provision for Taxation	(3739)
9.	Profit/(Loss) after Taxation	(10031)
10.	Proposed Dividend	Nil

---

Place: Chennai  
Date: 29.06.2009

R.SOWMITHRI  
E.D. (FINANCE) & 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, 2009, the Consolidated Profit and Loss Account for the year then ended and the consolidated cash flow statement for the year ended as that date.
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. 17.63 crore as at March 31, 2009, and Gross Revenue for the Year ended on that date Rs. 33.57 crore 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, 2009;
  - (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: 29.06.2009

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

## **EL FORGE LIMITED**

### **AUDITORS' REPORT ON CONSOLIDATED ABRIDGED ACCOUNTS**

To

The Board of Directors  
**EL FORGE LIMITED**

We have examined the attached abridged consolidated Balance Sheet of **EL FORGE LIMITED** ("the Company"), and its subsidiary (together referred as "Group") as at March 31, 2009 and also the abridged Consolidated Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, together with Notes thereon. These abridged consolidated financial statements have been prepared, to the extent possible, by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rule and Forms. 1956.

These abridged consolidated abridged Financial Statements are based on the consolidated financial statements of the group for the year ended March 31, 2009 prepared on the basis of separate financial statements of the constituents of the group (i.e, subsidiary) in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and covered by our report of even date to the Board of Directors of the company, which is attached hereto.

Place: Chennai  
Date: 29.06.2009

For P Rajagopalan & Co  
Chartered Accountants  
R. VENKATESH (MNo.28368)

**EL FORGE LIMITED**

**ABRIDGED CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009**

(Statement containing salient features of Balance Sheet as per Sec. 219(1)(b)(iv) of the Companies Act, 1956)

(Rs. in Thousands)

	AS AT		AS AT	
	31st MARCH 2009		31st MARCH 2008	
	Rs.	Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS:</b>				
1. Share Holders' Funds:				
a. Share Capital	86295		86295	
b. Equity Warrant Advance	6500		---	
c. Reserve and Surplus	382246		407762	
		<u>475041</u>		<u>494057</u>
2. Loan Funds:				
a. Secured Loans	1145335		912591	
b. Unsecured Loan	50687		77526	
c. Liability for deferred Payment	12627	1208649	17366	1007483
<b>TOTAL</b>		<u><b>1683690</b></u>		<u><b>1501540</b></u>
<b>II. APPLICATION OF FUNDS:</b>				
1. Fixed Assets				
Gross Block	1603246		1187714	
Less: Depreciation	241384		204145	
<b>Net Block</b>		<u>1361862</u>		<u>983569</u>
Goodwill		10553		20258
2. Investments		9723		9723
3. Current Assets, Loans & Advances				
a. Inventories	290091		535735	
b. Sundry Debtors	146912		262575	
c. Cash and Bank Balances	7179		21187	
d. Loans and Advances	52542		167127	
		<u>496724</u>		<u>986624</u>
Less: Current Liabilities and Provisions	428067		547286	
Net Current Assets		68657		439338
4. Miscellaneous Expenditure (to the extent not written off or adjusted)				
		67823		48652
Balance of Loss as per Profit & Loss A/c.		165072		---
<b>TOTAL</b>		<u><b>1683690</b></u>		<u><b>1501540</b></u>

Refer Notes forming part of Abridged Accounts

Compiled from the Audited Accounts of the Company referred in our Report dated June 29th, 2009  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 29.06.2009

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

## EL FORGE LIMITED

**ABRIDGED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009**  
(Statement containing salient features of Profit and Loss Account as per Sec. 219(1)(b)(iv) of the Companies Act, 1956)

	(Rs. in Thousands)			
	31ST MARCH 2009		31ST MARCH 2008	
	Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>				
Gross Turnover	1234717		1470532	
Less: Excise duty & Sales tax	145613		216064	
Net Turnover	1089106		1254468	
Other Income	10003		40265	
Stock Differential	-20491		90576	
		1078618		1385309
<b>EXPENDITURE</b>				
Raw materials consumed	559347		630045	
Manufacturing, Administration, Selling and Other Expenses	479574		553086	
Interest and Bank Charges	166911		80823	
Depreciation (Notes on Accounts)	65495		50288	
		1271427		1314242
Profit / Loss (-) before Tax		-192809		71067
Less: Provision for Taxation		---		11385
Add: Provision No longer required		3739		---
Less: Provision for fringe benefit Tax		1500		1900
Profit / Loss(-) after Tax		-190570		57782
Less: Miscellaneous expenses written off		---		8025
Net Profit / Loss(-)		-190570		49757
Balance profit brought forward		24557		27267
Transfer from Revaluation Reserve		941		11667
Balance Profit available for appropriation		-165072		88691
<b>Appropriations:</b>				
Proposed Dividend		---		12081
Tax on Dividend		---		2053
General Reserve		---		50000
Balance profit Carried to Balance sheet		-165072		24557
		-165072		88691
No. of shares Rs.10/- each		8629524		8629524
Earning per share – Basic		0.00		6.70
– Diluted		0.00		6.70

Compiled from the Audited Accounts of the  
Company referred in our Report dated June 29th, 2009  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
R. VENKATESH  
MNo: 28368  
PARTNER  
Place: Chennai  
Date: 29.06.2009

R.SOWMITHRI  
COMPANY SECRETARY

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

## **EL FORGE LIMITED**

### **Notes to Abridged Consolidated Balance Sheet at March 2009 and Abridged Consolidated Profit and Loss account for the Year ended on that date:**

#### **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. Wherever 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 Book 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 reliable 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	2008-09	2007-08
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:

	For the year ended 31.03.2009	(Rs. in Thousands) For the year ended 31.03.2008
1. Salary	12425	14728
2. Contribution to Provident Fund and other funds	242	310
3. Perquisites	937	1136
4. Commission (For 3 Directors)	---	4378
<b>TOTAL</b>	<b>13604</b>	<b>20552</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 31.03.2009	Year ended 31.03.2008
i) Remuneration to Key Management Personnel	(As in Note No.2)	
ii) FD interest paid	338	228
iii) Shakespeare Forgings Ltd		
a) Sales	115462	76025
b) Purchases	---	40902

### 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 31.03.2009, 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:**

Due to the Loss during the year the company has not written off any deferred revenue expense during the year (Previous year Rs. 8025 Thousands was written off), balance amount to be amortised from profit over a period of ten years. A sum of Rs. 17119 Thousands to closure compensation payable to Thorapakkam unit incurred during the year and accumulated.

**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. 2678 Thousands (Previous Year Rs. 3318 Thousands), towards fixed assets purchased under HP, the amount due within One Year Amount to Rs. 1396 Thousands (Previous Year Rs. 1562 Thousands).

**10. Earnings Per Share:**

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

**11. CONTINGENT LIABILITIES**

	(Rs. in Thousands)	
	AS AT	AS AT
	31.03.2009	31.03.2008
	Rs.	Rs.
a) Claims not accepted by the Company: E.S.I. under appeal	286	286
b) Guarantees given by Bank (on our behalf)	---	310
c) Guaranty given by bank (Foreign Bank) for subsidiary Company Shakespeare forging	1301	1301
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.	92538	113192
e) Sales Bill Factoring with SBI FACTORS & COMMERCIAL SERVICES PVT. LTD. This facility is secured by a charge on receivables factored	10000	90000
f) Estimated amount of contracts remaining to be executed on capital account and not provided for	18363	12662
g) Demand from Income Tax under appeal	6602	6602
h) Demand from Central Excise and Service Tax under appeal	5170	4260
i) Guarantee given to a bank against the loan taken by a company	65000	65000

## **EL FORGE LIMITED**

### **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 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 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.

---

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

MNo: 28368  
PARTNER  
Place: Chennai  
Date: 29.06.2009

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 31-03-2009

(Rs. in thousands)

Particulars	For the Year 2008-2009		For the Year 2007-2008	
	Rs.	Rs.	Rs.	Rs.
<b>01. Cash Flow from Operations:</b>				
1) Net Profit before Tax		-192808		71067
2) Adjustment for				
a) Depreciation	65495		50288	
b) Interest Expenses	167496		80823	
c) Other Income	-550		-16892	
d) Sales of Fixed Assets	-7263		-30066	
e) Interest Income	-585		---	
f) Dividend Received	-35		-35	
g) Sales of Investments	---		---	
h) Revaluation Reserve	961		2542	
		225519		86659
3) Operating Profit before working Capital Changes		32711		157726
4) Adjustment for Increase / Decrease in				
a) Trade & Other Receivables	230248		-91960	
b) Inventories	245643		-67481	
c) Sundry Creditors	-119220		54601	
d) Miscellaneous Expenses / Deferred Rev. Exp	-19171		-32496	
		337500		-137336
5) Cash Generation from Operation		370212		20391
6) Less the Following				
a) Tax Paid / Provided	2239		-13285	
b) Extraordinary Items	---		---	
c) Misc. Receipts	550		16892	
c) Deferred Sales Tax Liability	---		---	
		2789		3607
7) Net Cash from Operating Activities		373001		23998
<b>02. Cash Flow from Investing Activities:</b>				
1) Purchase or Sale of Fixed Assets				
a) Purchase of Fixed Assets, Including CWIP		-456681		-321516
b) Sale Process of Fixed Assets		19175		30066
2) Interest Received	585		---	
3) Dividend Received	35		35	

## EL FORGE LIMITED

4) Purchase or Sale of Investments		
a) Purchase	---	---
b) Sales	---	---
5) Purchase or Sale of Goodwill		---
a) Additions	---	---
b) Deletion	9705	6953
6) Net Cash Flow from Investing Activities	-427182	-284462
03. Cash Flow from Financing Activities:		
1) From Term Loan / Deferral Loan		
a) Obtained	162836	215026
b) Re-Paid	---	---
2) From Capital		
a) Additions	6500	9240
b) Withdrawn	---	---
3) From Unsecured Loan		
a) Obtained	---	---
b) Re-Paid	---	---
4) From Short (Bank Borrowings)	38330	136846
5) Interest Paid	-167496	-80823
6) Dividend and Tax Thereon	---	-14135
7) Minority Interest	---	---
8) Net Cash Flow from Investing Activities	40171	266156
04. Net Increase / Decrease in Cash & Cash Equivalent	-14010	5692
05. Cash & Cash Equivalent – Opening Balance	21188	15496
06. Cash & Cash Equivalent – Closing Balance	7178	21188
07. Net Increase / Decrease in Balances	-14010	5692

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: 29.06.2009

R.SOWMITHRI  
COMPANY SECRETARY

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

# EL FORGE LIMITED

## ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

To

El Forge Limited  
338, Ambujammal Street  
Alwarpet, Chennai 600 018

Dear Sir,

### FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill in the information in CAPITAL LETTERS in ENGLISH ONLY (Please Tick ✓ wherever is applicable)

For Status held in physical form

Master Folio No.										
------------------	--	--	--	--	--	--	--	--	--	--

For Share held in electronic form

DP ID										
-------	--	--	--	--	--	--	--	--	--	--

Client ID										
-----------	--	--	--	--	--	--	--	--	--	--

Name of the Font Holder

Bank Name

Branch Name

Branch Code										
-------------	--	--	--	--	--	--	--	--	--	--

(9 Digits Code number appearing on the MICR Band of the Cheque supplied by Bank). Please attach a xerox copy of a cheque or a blank cheque of your Bank duly cancelled for ensuring accuracy of the blank name, branch name and code number.

Account Type	Savings		Current		Cash Credit	
--------------	---------	--	---------	--	-------------	--

A/c.No.(As appearing in the cheque book)									
--	--	--	--	--	--	--	--	--	--

Effective date of this Mandate									
--------------------------------	--	--	--	--	--	--	--	--	--

I hereby, declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompletenses or incorrectness of information supplied as above, Integrated Enterprises (India) Ltd., will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI / El Forge Limited.

I further undertake to inform the Company any change in my Bank branch and account number.

Dated \_\_\_\_\_

Signature of First Holder

Note: On dematerialisation of existing physical shares, for which you have availed ECS facility, the above form needs to be re-submitted.

**EL FORGE LIMITED**

Regd. Office: No.338, Ambujammal Street, Alwarpet, Chennai 600 018. Ph: 42207800

**ATTENDANCE SLIP**

To be handed over at the entrance of the meeting hall.

FOLIO NO.:

NAME & ADDRESS

NO. OF SHARES:

ANNUAL GENERAL MEETING  
OF THE SHAREHOLDERS  
ON 17.09.2009 AT 10.30 A.M. AT  
THE NARADA GANA SABHA MINI HALL,  
314, T.T.K. ROAD, CHENNAI 600 018.

I certify that I am a registered Shareholder of the Company.

I hereby record my presence at the above Extraordinary General Meeting of the Company.

A member/proxy wishing to attend the meeting must complete this attendance slip and hand it over at the entrance of the meeting hall.

Name of the Proxy (if any) in BLOCK LETTERS	Signature of the Member/Proxy
---	-------------------------------

**EL FORGE LIMITED**

Regd. Office: No.338, Ambujammal Street, Alwarpet, Chennai 600 018. Ph: 42207800

**ATTENDANCE SLIP**

FOLIO NO.:

NO. OF SHARES:

**PROXY FORM**

I/We ..... of .....  
Being a member / members of ELFORGE LIMITED, hereby appoint  
..... of .....

or failing him ..... of .....  
as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of  
the Shareholders of the company to be held on 17.09.2009 at 10.30 A.M. at the Narada Gana  
Sabha Mini Hall, 314, T.T.K. Road, Chennai 600 018 and at any adjournment thereof.

Signed

Affix  
Revenue  
Stamp

Note:

Any 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 need not be a member of the Company. This form duly completed should be deposited at the Corporate Office of the Company not less than 48 hours before the commencement of the meeting.



**EL FORGE LIMITED**

**BOOK POST**

**TO**

If undelivered, please return to:

**INTEGRATED ENTERPRISES INDIA LTD.**

**UNIT: ELFORGE LTD.**

**2nd Floor, "Kences Towers"**

**No. 1, Ramakrishna Street, Off: North Usman Road,**

**T.Nagar, Chennai – 600 017**