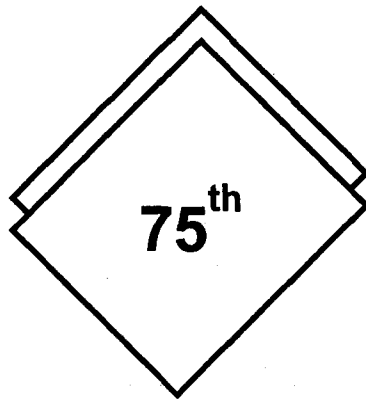




***EL FORGE LIMITED***



**ANNUAL REPORT**

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**2010 - 2011**

**BOARD OF DIRECTORS**

Sri.V.Srikanth, Executive Chairman  
Sri.V.Ramachandran  
Sri.P.L.Reddy  
Sri.K.J.Ramaswamy  
Sri Balraj Vasudevan  
Sri.K.V.Ramachandran, Vice Chairman & Managing Director  
Sri.K. Ajit Kumar - 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  
INDUSTRIAL DEVELOPMENT BANK OF INDIA., 115, Annasalai, Chennai 600 015  
ROYAL BANK OF SCOTLAND, 1, Harrington Road, Chennai 600 031  
KOTAK MAHINDRA BANK LTD., Capitale, 555 Anna Salai, Teynampet, Chennai 600 018  
EXPORT IMPORT BANK OF INDIA, Rajaji Salai, Chennai 600 001  
SBI GLOBAL FACTORS LTD., 634, Anna Salai, Chennai 600 035  
INDUSIND BANK LTD., G.N. Chetty Road, T.Nagar, Chennai 600 017

**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) 4711 2523

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

## NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 75<sup>th</sup> 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 Wednesday the 30<sup>th</sup> November, 2011 at 10.30 am to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the 15 months period ended 30<sup>th</sup> June, 2011, 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. Authority to issue shares

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

“Resolved that pursuant to the provisions of section 81(1A) and other applicable provisions if any, of the Companies Act, 1956, and in accordance with Memorandum and Articles of Association of the Company and in accordance with listing agreement entered into by the Company with Madras, Bombay and Ahemedabad Stock Exchanges, where the shares of the Company are listed and subject to approval of Securities and Exchange Board of India (hereinafter referred to SEBI) and further subject to such approvals, consents, permissions or sanctions of appropriate authorities and also of financial institutions, banks as may be necessary and subject to such terms, conditions and modification(s) as may be prescribed in granting such approvals, permissions and/or sanctions and agreed to by the Board of Directors (the Board) of the Company, consent, authority and approvals of the Company be and is hereby accorded to the Board to issue and allot from time to time in one or more tranches Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) carrying a dividend coupon of 6% and to the redeemed in 3 equal annual installments on 01.04.2016, 01.04.2017 and 01.04.2018 with rights or conditions as may be decided by the Board with regard to the Redeemable Preference Shares and / or such other Securities convertible into equity shares at the option of Company / holder or to the holders thereof and/or securities linked to shares or bond or otherwise (hereinafter collectively referred to as Securities) by way of preferential allotment, public issue or such other mode to the Company's bankers under Corporate Debt Restructuring (CDR) Scheme as may be deemed appropriate by the Board either in rupee or in such share capital of the Company for an aggregate face value of not exceeding Rs.11.93 Crores (Rupees Eleven crores

ninety three lakhs) upon such terms and conditions as may be determined by the Board or a Committee thereof”

“Resolved Further that the Board or a Committee thereof be and is hereby authorised to approve and agree and accept such modification(s) to the terms and conditions of the Equity shares / Redeemable Preference Shares or such other securities proposed to be issued, as may be suggested by the Company’s bankers under CDR Scheme and to do all such acts, deeds, matters and things and to take all such steps as may be necessary and expedient and to settle any matter that may arise in connection therewith”.

#### 6. **Increase in Authorised Capital**

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

“Resolved that the existing Clause 5 relating to Share Capital in the Memorandum of Association of the Company be altered by the following in place of the existing Clause :

The Share Capital of the Company is Rs.39,00,00,000/- (Rupees Thirty nine crores only) divided into

- (a) 2,60,00,000 equity shares of Rs.10/- each (Rupees ten only)
- (b) 13,00,000 Redeemable Preference Shares of Rs.100/- each (Rupees hundred only)

with power to increase or reduce the capital and to divide the share for the time being into several classes and attach thereto respectively such Preferential, qualified or special rights and privileges as may be determined in accordance with the provisions of the Companies Act, 1956, and any amendments made thereto to the Act.

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

“Resolved that the existing Article 2A of the Articles of Association of the Company be and is hereby deleted and the following be substituted therefor.

2A The Share Capital of the Company is Rs.39 00,00,000/- (Rupees Thirty nine crores only) divided into

- a) 2,60,00,000 (Two Crore Sixty lakhs) equity shares of Rs.10/- each (Rupees ten only)
- b) 13,00,000 (Thirteen lakhs) Redeemable Preference Shares of Rs.100/- each (Rupees hundred only)

#### 8. **Amendment to Object Clause**

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

“Resolved that new Object Clause inserted after Clause (II) of the Memorandum of Association of the Company

“(jj) To carry on the business of developers, builders, consultants, real estate agents, contractors, decorators and architects”

## 9. Commencement of new business

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

“Resolved that pursuant to the provision of Section 149(2A) and other applicable provisions if any, of the Companies Act, 1956, approval be and is hereby accorded to the Board of Directors of the Company, as they may deem fit from time to time, for commencement of business proposed as Clause (jj) for Property Development Activity stated in the object clause of the Memorandum of Association of the Company”.

“Resolved Further that the Board of Directors of the Company be and are hereby authorised to do such acts, deeds, matter and things as may be considered necessary or expedite to give effect of the resolution”.

**By Order of the Board**

**Place : Chennai**  
**Date : 27.10.2011**

**R.SOWMITHRI**  
**COMPANY SECRETARY**

Notes :

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy so appointed need not be a member of the Company.**
2. The instrument appointing Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
4. The Register of Members will be closed from 24<sup>th</sup> November, 2011 to 30<sup>th</sup> November, 2011 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" EI 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.
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 of the notice dated 27-10-2011.

Name	Mr.P.L.Reddy	Mr.Balraj Vasudevan
Age	84 Years	51 Years
Qualification	Engineer	B.Sc
Experience	Fellow of Institution of Engineer. Did Financial Control Course in Indian Institute of Management. Executive Development Course in Administrative Staff College, Hyderabad.	Has been associated with the Auto Industry for over 2 decades and has held important positions in various companies.
Other Directorships	Nil	Autopumps & Bearings Co P Ltd Regaalia Realty Limited TVS-CJC Ltd Banyan Viswire AVM Charities
Committee Membership	Audit Committee Remuneration Committee	Audit Committee Remuneration Committee Shareholders Grievance Committee
Shareholding	8100	Nil

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

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

### **Item No.5**

The Company had entered into a CDR arrangements with the banks namely State Bank of India, Union Bank of India, Axis Bank Ltd, IDBI Bank Ltd and Export Import Bank of India. As per the scheme the interest on the Term Loans from 1.1.2009 to 31.03.2011 were accumulated in the Funded Interest Term Loan (FITL) account which was to be issued as Optionally Convertible Cumulative Redeemable

Preference Shares (OCCRPS) to the banks. The Interest accumulated in FITL in the specified Banks is as follows :

Sl.No.	Name of the Bank	Amount outstanding (Rs.)	Percentage
1.	State Bank of India	54593077.00	46.00
2.	Axis Bank Ltd	29888840.00	25.00
3.	Union Bank of India	10820216.00	9.00
4.	IDBI Bank Ltd	2965029.00	2.00
5.	Export Import Bank of India	20981646.00	18.00
	<b>Total</b>	<b>119248808.00</b>	<b>100.00</b>

As per the terms of sanctions received from Financial Institutions / banks for restructuring of debts under the approval of the Corporate Debt Restructuring Cell, (CDR), the Company has to issue and allot Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) to the lending Financial Institutions / banks for the interest accrued on the term loans for the period from 1.1.2009 to 31<sup>st</sup> March, 2011. As per the provisions of Section 81 of the Companies Act, 1956, approval of the existing shareholders is required for issuance of shares to persons other than the shareholders.

The Board of Directors of your Company recommend this resolution for your approval

None of the Directors is in any way concerned or interested in the above resolution.

#### **Item No.6 & 7**

The present authorised capital of the Company is Rs.29 Crores consisting of 2,60,00,000 equity shares of Rs.10 each and 3,00,000 Redeemable Preference Shares of Rs.100/- each. To enable the Company to issue OCCRPS as per Item No.5 of the notice, it is proposed to increase the Authorised Capital from the present Rs.29 Crores to Rs.39 Crores by the creation of 10,00,000 (Ten lakhs) Redeemable Preference Shares of Rs.100/- each aggregating to Rs.10 Crores (Ten Crores). The increase in Authorised Capital of the Company requires consequential amendments to the Capital Clauses of Memorandum and Articles of Association of the Company.

The proposal requires the approval of the Shareholders.

The Board of Directors of your Company recommend this resolution for your approval

None of the Directors of your Company is interested in this resolution.

#### **Item No. 8 & 9**

The Company is exploring the possibility of Property Development Activities as the Company has surplus land. If the property is developed and sold the company would earn more than out of simple sale of land. Hence the addition of this activity is proposed to object clause, so that if beneficial opportunity is seen, then the Company could go ahead with the activity of property development.

The proposal requires the approval of the Shareholders.

The Board of Directors of your Company recommend this resolution for your approval

None of the Directors of your Company is interested in this resolution.

**Place : Chennai**  
**Date : 27.10.2011**

**By Order of the Board**  
  
**R.SOWMITHRI**  
**COMPANY SECRETARY**



## REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the 75<sup>th</sup> Annual Report along with the Audited Accounts of the Company for the 15 months period ended 30<sup>th</sup> June, 2011 .

	15 months period ended 30.06.2011	Year ended 31.03.2010
	(RS.IN LAKHS)	
Gross Sales	11216.38	7411.23
Other Income	352.64	963.54
Profit/(Loss) before Depreciation	(59.19)	424.93
Profit/(Loss) after Depreciation	(977.65)	(269.22)
Net Profit/(Loss) after tax	(977.65)	(274.65)

### Year in Retrospect

The period under review was witnessed by a marginal increase of around Rs.9 Crores in Sales (adjusted for 12 months) over the previous year. Though the order book of the company was very healthy, we were unable to capitalize due to paucity of working capital. To augment the working capital, we proposed the Rights Issue in July 2010 which concluded only in the month of August 2011, depriving the previous year the much needed working capital facility. The Company has made a net loss of Rs.978 lakhs during the 15 months period ended 30.06.2011. The Company is taking all steps to improve the performance levels and earn profits in the coming year.

As reported in the earlier years, your Company has been approved by all the major multinational auto majors. This has resulted in generation of new enquiries, which have resulted in orders and development of components for start of regular production in the coming year. Given the order book and approvals it is expected that the ensuing year would be rewarding

We propose to shift the Hosur facility from its present location, which has become a residential area, to an industrial location 20 kms away in a village called Soolagiri.

### Subsidiary Company

Shakespeare Forgings Ltd achieved a turnover of Rs 1858.12 Crores for the 15 months period ended 30.06.2011 and incurred a loss of Rs.21.76 lakhs for the said period. Improvement in the market condition in United Kingdom is seen during the year and Shakespeare Forgings Limited is expected to earn profits in 2011-12.

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 EI 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 30<sup>th</sup> June, deposits amounting to Rs.1.36 Crores. The provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposit Rules) 1975 have been complied with in respect of the acceptance of deposits and all deposits that have matured and claimed during the year were paid on the due dates.

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

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

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

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

### **Listing of Shares**

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

1. Madras Stock Exchange Limited (As per MSE / NSE agreement, your Company's shares are allowed for trading in NSE Platform).
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 June 30, 2011 with the SEBI Guidelines on Corporate Governance as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange.

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

### **Directors**

Mr.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. Mr.K.Ajith Kumar has been appointed as a Nominee Director in place of Mr.Samuel Joseph Jebaraj by Export Import Bank of India with effect from 30.08.2011.

### **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 30<sup>th</sup> June, 2011 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.

**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 Corporate Debt Restructure (CDR), IDBI Mumbai and Bankers, State Bank of India, Axis Bank Limited, Union Bank of India, IDBI Bank Ltd, Royal Bank of Scotland (RBS), Export Import Bank of India, Indusind Bank Ltd, Kotak Mahindra Bank Ltd and SBI Global Factors 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 : 27.10.2011**

**V.SRIKANTH**  
**EXECUTIVE CHAIRMAN**

**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 30<sup>th</sup> June, 2011.**

**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**

	<b>2010-11 (15 Months)</b>	<b>2009-10 (12 Months)</b>
<b>A. POWER AND FUEL CONSUMPTION</b>		
1. ELECTRICITY		
a. Purchased		
Units	8782186	6370010
Total Amount (Rs.)	58219507	33726468
Rate / Unit (Rs.)	6.63	5.29
b. Own Generation		
Through Diesel Generator:		
Units	280080	203658
Units / Ltr. of Diesel Oil	2.70	2.78
Cost Per Unit (Rs.)	15.54	15.68
2. FURNACE OIL & L.D.OIL		
Quantity (in Ltrs.)	1355025	920005
Total Amount (Rs.)	35044539	18960955
Average Rate (Rs.)	25.87	20.61
3. GAS FOR HEAT TREATMENT		
Quantity (in Kgs.)	234740	109017
Total Amount (Rs.)	10676170	3826088
Average Rate (Rs.)	45.48	35.09
<b>B.CONSUMPTION PER UNIT OF PRODUCTION</b>		
Product - Steel Forgings	Standards	
Unit / MT. of Made Steel Forgings	(if any)	
a. Electricity (Units)	992	1020
b. Furnace Oil/L.D. Oil (Ltrs.)	246	217
c. Gas (Kgs.)	59	52

Note: No standards are available for comparison.

**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   |
| (c) Total   | not directly incurred during the period and   |
| (d) Total R&D expenditure as percentage of total turnover | 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.)   | 1353311   |
| (b) Earned (Rs.)   | 250578857   |

## Management Discussion and Analysis

### Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and the Generally Accepted Accounting Principles (GAAP) in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements as well as for the various estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the period.

### Opportunities & Threats

Major global auto manufacturers have set up the shop in India and particularly in Chennai. Their presence provides us with huge opportunities for business. The proximity provides comfort for both as we could participate in their programs from the time of development of their requirements. The business in European market and US are also showing signs of growth which provides an opportunity to the Company.

The steel prices which are continuously increasing, the closure of Iron ore mines in Karnataka and rising fuel and power costs are a threat to fluctuating supply situation.

### Risk Management

The economic slow down in the USA Europe affect the exports of the Company. The volatile currency situation also affects the sales realization and loan outstanding position. The increasing domestic demand helps safeguard the operating volumes. It is anticipated that the Euro Zone's, Currency Strategy will stabilise the European demand. The currency management tools provide us the methods for handling the fluctuation in Dollar / Euro / GBP receivables and payables.

To manage risks, we focus on achieving 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

The increasing prices of steel and oil is a continuous feature. Material price is made a pass through with Customers. The other increases in cost managed by effective cost control measures and taken up with the Customers at appropriate time.

### 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 529 employees on the rolls of the Company.

### **Outlook**

We believe that global opportunities for Companies like us will accrue due to the cost of manufacture being prohibitive in the West. While we are aware of the risks, we are confident of improving the performance through appropriate marketing programmes. We propose to continue developing capacities and capabilities 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.

## 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 is comprised of whole time Directors– Executive Chairman and Vice Chairman & Managing Director,. Five Directors are Non-Executive Directors. Accordingly, the composition of the Board is in conformity with the listing agreement.

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

Details of Composition of the Board of Directors, Directors' Attendance Records and Directorships are given below:

Name of the 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	Executive	10	10	Yes	3	2	-
Mr.K.V.Ramachandran	Executive	10	10	Yes	2	3	--
Mr.P.L.Reddy	Non-Executive & Independent	10	9	Yes	--	3	2
Mr.V.Ramachandran	Non-Executive & Independent	10	6	Yes	3	2	--
Mr.K.J.Ramaswamy	Non-Executive & Independent	10	8	Yes	5	2	1
Mr.Balraj Vasudevan	Non-Executive & Independent	10	5	Yes	6	2	--
Mr.Samuel Joseph Jebaraj	Non Executive Nominee	10	1	No	--	--	--

### 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 2010-2011, four Audit Committee Meetings were held on 26th May 2010, 9<sup>th</sup> August, 2010, 11<sup>th</sup> November, 2010, 14<sup>th</sup> February, 2011 and 12<sup>th</sup> May, 2011.

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

Name of the Directors	Category	Number of Meeting attended during 2010-11	
		Heid	Attended
Mr.P.L.Reddy, Chairman of the Committee	independent Director	5	5
Mr.V.Ramachandran Member	Non Executive Director	5	3
Mr.K.J.Ramaswamy Member	independent Director	5	4
Mr.Bairaj Vasudevan	independent Director	5	2

#### 4. **Remuneration of Directors**

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

- a) Review the remuneration of the 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 Wholtime Directors of the Company.

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

Name of the Directors	Category	Number of meeting attended during 2010-11	
		Heid	Attended
Mr.P.L.Reddy Chairman of the Committee	independent Director	1	1
Mr.V.Ramachandran Member	Non Executive Director	1	1
Mr.K.J.Ramaswamy Member	independent Director	1	--
Mr.Bairaj Vasudevan Member	independent Director	1	--

## Details of Remuneration paid to Board of Directors

Non-whole time Directors					
Name	Sitting Fees (Rs.)	Name	Salary (Rs.)	Perquisites (Rs.)	Total (Rs.)
Mr.P.L.Reddy	39500	Mr.V.Srikanth	1852500	1479431	3331931
Mr.V.Ramachandran	25500	Mr.K.V.Ramachandran	1822500	1511079	2333579
Mr.K.J.Ramaswamy	34000				
Mr.Balraj Vasudevan	20000				
Mr.Samuel Josep Jebaraj	5500				
<b>Total</b>	<b>124500</b>		<b>3675000</b>	<b>2990510</b>	<b>6665510</b>

### Service Contracts, Severance Fees and Notice Period

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

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.

During the Financial Year 2010-11 Seven Shareholders / Investors Grievance Committee Meetings were held on 26<sup>th</sup> May, 2010, 15<sup>th</sup> July 2010, 19<sup>th</sup> August, 2010, 11<sup>th</sup> November, 2010, 8<sup>th</sup> December, 2010, 14<sup>th</sup> February, 2011 and 18<sup>th</sup> March, 2011.

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 2010-2011
Mr.V.Srikanth	Executive Director	7
Mr.P.L.Reddy	Non Executive & Independent Director	7
Mr.K.J.Ramaswamy	Non Executive & Independent Director	6

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

Shareholders' complaints are attended, immediately, on receipt of complaint, 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
2007-2008	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Sep 25, 2008	03.30 pm
2008-2009	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600018	Sep 17, 2009	10.30 am
2009-2010	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Aug 19, 2010	10.30 am

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

7. **Subsidiary Companies**

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

8. **Disclosures**

Details of related party transactions :

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

Pecuniary relationship or transactions of the Non-executive Directors

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

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

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 15 months period ended 30<sup>th</sup> June 2011.

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

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

Details of Non-compliance, penalties, strictness imposed on the Company by Stock Exchange or SEBI or any Statutory Authority or any matter related to Capital markets during the last three years.

None.

9. **Secretarial Audit**

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

10. **Means of communication**

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

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

11. **Management Discussion and Analysis Report**

– Forms part of the annual report

12. **General Shareholders information**

a) **Annual General Meeting**

Date and Time : 30<sup>th</sup> November, 2011 at 10.30 AM  
Venue : Narada Gana Sabha Trust Mini Hall  
No.314, T.T.K.Road, Alwarpet,  
Chennai-600004

b) **Financial Calendar**

The Company has extended 3 months of the Financial year from April'10 – June'11 as its financial year. The results for every quarter beginning from April is declared within 45 days from the end of the quarter the audited results were declared in August as permitted under the listing agreement.

c) **Date of Book Closure**

The Directors decided to close the Register of Members on 24<sup>th</sup> November, 2011 to 30<sup>th</sup> November, 2011 both days inclusive.

d) **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

(As per agreement between Madras Stock Exchange (MSE) & National Stock Exchange (NSE), your Company's shares are allowed to be traded in NSE Platform)

Bombay Stock Exchange Ltd

Phiroze Jee Jee Bhoy Towers

Dalai Street

Mumbai 400 001

Ahmedabad Stock Exchange Ltd

Kamadenu Complex

Opp.Sahjanand College

Panjarapole, Ahmedabad 380 015

e). **Stock Code**

Bombay Stock Exchange Limited

Code No.531144

Ahmedabad Stock Exchange Limited

Code No. 15750

**f) 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 2009-10 are as under:

Month	Quotations at Bombay Stock Exchange (BSE)		Quotations at National Stock Exchange (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2010	25.05	22.90	25.20	22.55
May 2010	24.50	23.70	24.60	23.85
June 2010	26.95	25.90	26.65	26.15
July 2010	27.40	26.55	27.45	26.55
August 2010	28.55	22.70	27.75	22.70
September 2010	28.50	24.05	24.95	24.20
October 2010	25.00	24.35	25.00	24.55
November 2010	28.75	20.65	25.10	23.50
December 2010	23.95	22.65	23.90	22.60
January 2011	23.45	18.10	17.50	14.50
February 2011	16.95	14.05	14.60	13.90
March 2011	15.50	10.25	15.70	13.20
April 2011	14.94	14.50	15.00	14.35
May 2011	12.50	11.36	11.50	11.30
June 2011	14.00	10.00	13.85	13.05

**g) 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

**h) 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.

**i Investor Services**

**Complaint received during the year**

Nature of the Complaints	For the Year 2010-11	
	Received	Cleared
Relating to Transfer, Transmissions, Dividend, Demat and Remat and Change of Address etc.	23	23

j) **Distribution of Shareholdings as on 30<sup>th</sup> June, 2011**

Sl.No	Category	No.of Holders	% of Holders	No.of Shares	% of Shares
1.	Upto 500	9010	86.28	1147685	13.30
2.	501 to 1000	724	6.95	592530	6.87
3.	1001 to 2000	324	3.10	493345	5.73
4.	2001 to 3000	1.20	1.15	312106	3.62
5.	3001 - 4000	65	0.62	230926	2.68
6.	4001 - 5000	57	0.55	268501	3.11
7.	5001 - 10000	68	0.65	516024	5.98
8.	10001 and above	75	0.72	5067407	58.72
*** Total ***		<b>10443</b>	<b>100.00</b>	<b>8629524</b>	<b>100.00</b>

k) **Pattern of Shareholding as on 30<sup>th</sup> June .2011**

Sl.No.	Category	No.of Shares	% of Shareholding
1.	Promoters	2965099	34.36
2.	Corporate Bodies	851474	9.87
3.	Mutual Funds	1605	0.02
4.	Bank's	990	0.01
6.	NRI's/Foreign Nationals	50329	0.58
7.	Public	4760027	55.16
Total		<b>8629524</b>	<b>100.00</b>

l), **Dematerialisation of shares and liquidity**

About 89% of the shares have been dematerialised as on June 30, 2011. The Equity shares of the Company are permitted to be traded in dematerialised form.

Demat ISIN No allotted to the Company is INE 158F01017

**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 : <a href="mailto:edf@elforge.com">edf@elforge.com</a>	Mr.K.Suresh Babu General Manager Integrated Enterprises (India) Ltd Kences Towers, 1, Ramakrishna Street T.Nagar, Chennai 600 017 Ph : 28140801 / 28140802 Email : <a href="mailto:corpserv@iepindia.com">corpserv@iepindia.com</a>

**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 period 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.

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 15 month period ended 30<sup>th</sup> June 2011

**Place : Chennai**  
**Date : 27/10/2011**

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

## 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 fifteen months period ended 30<sup>th</sup> June 2011 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 30<sup>th</sup> 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 : 27/10/2011

R.VENKATESH  
PARTNER  
(M.No.28368)



The Board of Directors  
El Forge Limited  
338, Ambujammal Street  
Alwarpet  
Chennai 600 018

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

We hereby certify that for the period ended 30<sup>th</sup> June 2011 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 2010-11 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

5. 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.
- 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 : 27/10/2011

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

**R.SOWMITHRI**  
COMPANY  
SECRETARY

## 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 June 30, 2011, the Profit and Loss Account for the Period ended on that date and the Cash Flow Statement for the Period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (referred to as "the Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and the basis of the such verification of books and records of the company, as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books;
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
  - e. On the basis of written representations received from the directors, as on June 30, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2011 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 30<sup>th</sup> June, 2011.
    - ii) In the case of the Profit and Loss Account, of the Loss of the company for the Period ended on that date; and

- iii) In the case of cash flow statement, of the cash flows for the Period ended on that date.

For P. RAJAGOPALAN & CO  
Chartered Accountants  
Regn No. of the Firm: 003408S

PLACE: CHENNAI  
DATE : 30.08.2011

R. VENKATESH  
Partner  
(M.No. 28368)

**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; and
- (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 Period 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 6 and Rs. 3674000/= respectively.
- (b) In our opinion, the rate of interest and other terms and conditions of the loan are, *prima facie*, not prejudicial to the interest of the company; and
- (c) In our opinion, payment of principal and interest are regular.

04. Internal Control: -

In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and service. Further, on the basis of examination of the books and records, in accordance with auditing standards the generally accepted in India, and according to the information and explanation given to us, we have neither come across nor we have been informed of any instance of major weaknesses in internal control system; hence the question of continuing failure to correct major weakness does not arise.

05. Specified Parties Transactions: -

As per the examination of the books of account and other records, in accordance with the generally accepted auditing standards, in India, and on the basis of the information and explanations given to us, contracts or arrangements referred to Section 301 of the Companies Act, 1956, have not been entered into by the company, during the year under report; 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 Period 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 Period 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, Income-tax etc. with the appropriate authorities. As per the records examined by us, an amount of Rs. 1731451/- has been outstanding towards statutory dues, as at the last day of the financial Period under report, for a period of more than six months from the date they became payable.

(02) The Details of disputed amount of Income Tax / Sales Tax / Wealth Tax / Service Tax / Custom duty / Excise Duty / Cess, are given below:

SI.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	2.08	Year -2001	Employees Insurance court, Chennai
2	Income Tax	Income Tax Demand	0.03	Assessment Period 2004-05	CIT Appeals Chennai
3	Income Tax	Income Tax Demand	75.57	Assessment Period 2007-08	CIT Appeals Chennai
4	The Service Tax	Service Excise Demand	27.11	2002-03 to 2009-10	Commissioner Appeals of Central Excise & Service Tax, Chennai
5	The Central Excise	Excise Demand	1.47	2003-04 to 2006-07	Commissioner of Central Excise Chennai IV Commissiomnerate

6	The Central Excise	Excise Demand	2.30	2003-04 to 2005-06	Commissioner Appeals of Central Excise & Service Tax, Chennai
7	The Central Excise	Excise Demand	5.01	2001-02 to 2005-06	Customs, Excise & Service Tax Appellate Tribunal
8	The Service Tax	Service Tax Demand	0.77	2007-08 to 2008-09	Assistance Commissioner of Service Tax Hosur Divn.
9	The Central Excise	Excise / Interest Demand	6.22	2005-06 to 2008-09	Assistance Commissioner of Central Excise Chennai III
10	The Central Excise	Excise Demand	0.07	2009-10	Assistance Commissioner of Central Excise Hosur
11	The Central Excise	Excise Demand	1.30	2009-10	Assistance Commissioner of Central Excise Tambaram II

10. Net worth: -

The company has accumulated loss amounting to Rs.169887232/- at the end of the financial year under report. The company has incurred cash losses during the financial year under report and not incurred cash loss in the immediately preceding the financial year.

11. Default in certain dues: -

Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions banks, taking into account the fact that the company has gone for Corporate Debts restructure with its Banks/Institutions.

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 Period 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 Period 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 not obtained new term loans (excluding funded interest term loans on account of corporate debts restructure) during the Period under report; and it has been further explained that the term loans (taken in earlier Periods) 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 Period 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.

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 Period 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 Period under report.

For P. RAJAGOPALAN & Co  
Chartered Accountants  
Regn No. of the Firm: 003408S

PLACE: CHENNAI  
DATE : 30.08.2011

R. VENKATESH  
Partner  
(MNo. 28368)

BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2011

(Rs. in Thousands)

	SCH No.	AS AT 30 <sup>th</sup> JUNE 2011 Rs.	AS AT 31 <sup>st</sup> MARCH 2010 Rs.
<b>I. SOURCES OF FUNDS:</b>			
1. Share Holders' Funds:			
a. Share Capital	1	86295	86295
b. Equity Share Advance account		50000	15000
c. Reserves and Surplus	2	<u>255683</u>	<u>376866</u>
			391978
2. Loan Funds:			
a. Secured Loans	3	1425631	1432280
b. Unsecured Loans	4	27424	19430
c. Liability for Deferred Payment	5	<u>733</u>	<u>1767</u>
			<u>1453788</u>
			<u>1453477</u>
		<u>1845766</u>	<u>1931638</u>
<b>TOTAL</b>			
<b>II APPLICATION OF FUNDS:</b>			
1. Fixed Assets	7		
Gross Block		1563577	1477997
Less: Depreciation		<u>375651</u>	<u>287266</u>
Net Block			1187926
2. Investments	8		47105
3. Current Assets, Loans and Advances	9		
a. Inventories		171627	247281
b. Sundry Debtors		255154	267654
c. Cash & Bank Balances		18553	19682
d. Loans and Advances		<u>269705</u>	<u>212851</u>
		715039	747468
Less: Current Liabilities and Provisions	6	<u>309575</u>	<u>279366</u>
Net Current Assets			405464
4. Misc. Expenditure (to the extent not written off or adjusted)	10		35381
Balance in Profit & Loss Account			169890
			192425
		<u>1845766</u>	<u>1931638</u>
Notes on Accounts	17		

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
Reg No. of the Firm: 003408S

R. VENKATESH  
PARTNER (M.No: 28368)

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR

Place: Chennai  
Date: 30.08.2011



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

	SCH No.	30 <sup>th</sup> JUNE 2011 (15 Months)	31 <sup>st</sup> MARCH 2010 (12 Months)
		Rs.	Rs.
<b>INCOME</b>			
Gross Turnover		1121638	741123
Less: Excise Duty & Sales tax		79588	40843
Net Turnover	11	1042050	700280
Other Income	12	35264	96354
Change-In-Stock	13	(75676)	(33489)
		1001638	763145
<b>EXPENDITURE</b>			
Raw Materials Consumed	14	497042	339543
Manufacturing, Administration, Selling and Other Expenses	15	431680	309068
Interest and Bank Charges	16	78835	72041
Depreciation (Notes on Accounts)	17	91846	69415
		1099403	790067
Profit/Loss (-) before Tax		(97765)	(26922)
Less: Provision for Taxation		-	-
Less: Prior year Fringe Benefit Tax		-	543
Profit/Loss (-) after Tax		(97765)	(27465)
Balance Profit brought forward from Previous year		(192425)	(164960)
Balance Profit / Loss (-)		(290190)	(192425)
Less: Transfer from General Reserve Balance		120300	-
Balance Profit/Loss (-) Carried to Balance Sheet		(169890)	(192425)
No. of Shares Rs.10 each		<b>8629524</b>	<b>8629524</b>
Earnings Per Share - Basic		-	-
- Diluted		-	-

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
Reg No. of the Firm: 003408S

R. VENKATESH  
PARTNER (M.No: 28368)

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR Place:

Chennai

Date: 30.08.2011

**SCHEDULES TO BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

SCHEDULE – 1	AS AT 30 <sup>th</sup> JUNE 2011 Rs.	AS AT 31 <sup>st</sup> MARCH 2010 Rs.
<b>SHARE CAPITAL:</b>		
Authorised: 2,60,00,000 (1,00,00,000) Equity shares of Rs.10/- each	260000	100000
3,00,000 Redeemable Preference Shares of Rs.100/- each	30000	30000
<b>TOTAL</b>	<b>290000</b>	<b>130000</b>
Issued, Subscribed and Paid up: 8629524 Equity shares of Rs.10/- each	86295	86295
Of the above equity shares:		
a) 12,99,800 shares were allotted as fully paid-up by way of Bonus shares by capitalisation of General Reserve, Share Premium and acquisition compensation.		
b) 18,90,000 equity shares were allotted as fully paid-up pursuant to Amalgamation of Chendur Forge Exports Limited with the Company.		
c) 7,00,000 equity shares were allotted as fully paid-up pursuant to Conversion of FCD		
d) 12,65,329 equity shares were allotted out of which 50329 equity shares have been allotted for consideration other than cash. These shares were allotted to foreign nationals as part consideration of acquisition of the of the shares of SFL Limited UK		
<b>TOTAL</b>	<b>86295</b>	<b>86295</b>

**SCHEDULES TO BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

SCHEDULE - 2	AS AT		AS AT	
	30 <sup>th</sup> JUNE 2011	30 <sup>th</sup> JUNE 2011	31 <sup>st</sup> MARCH 2010	31 <sup>st</sup> MARCH 2010
	Rs.	Rs.	Rs.	Rs.
<b>RESERVES AND SURPLUS:</b>				
1. General Reserve				
As per Last Balance Sheet	120300		120300	
Less: Transfer from P&L Account	<u>120300</u>		<u>                    </u>	120300
		-		
2. Capital Reserve:				
As per last Balance Sheet		21585		21585
3. Revaluation of Fixed Assets Reserve:	600		619	
As per last Balance Sheet				
Less: Withdrawals	864		-	
Less: Depreciation transferred during the year	<u>19</u>		<u>19</u>	
		-283		600
4. Share Premium				
As per Last Balance Sheet	<u>234381</u>		<u>234381</u>	
		234381		234381
		<u>255683</u>		<u>376866</u>
<b>TOTAL</b>				

**SCHEDULES TO BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

SCHEDULE - 3	AS AT 30 <sup>th</sup> JUNE 2011	AS AT 31 <sup>st</sup> MARCH 2010
	Rs.	Rs.
<b>SECURED LOANS:</b>		
1. Cash Credit with Banks	256083	267961
2. Bills Discounted with Banks	16656	27324
3. Buyers Credit liability with bank	-	14706
4. Term Loans		
a) Export Import Bank of India	151101	152620
b) Indusind Bank	62500	83500
c) Union Bank of India	102700	102700
d) Axis Bank	228809	228852
e) State Bank of India-IFB	456933	456892
f) Industrial Development Bank of India	31600	31822
5. Funded Interest Term Loan-(OCCRPS)	119249	65903
<b>TOTAL</b>	<b><u>1425631</u></b>	<b><u>1432280</u></b>

- 1) The Cash Credit Including Packing Credit accounts are secured by a paripasu first charge on current assets by hypothecation of Raw-Materials, Stores & Spares, Finished Goods and Book Debts that are not factored and also secured by a pari passu second charge on immovable & movable properties and in addition, Guaranteed by the Executive Chairman and Vice Chairman & Managing Director of the Company.
- 2) Terms Loans from Banks:-  
The Term Loans from Axis Bank, State Bank of India, Export and Import Bank of India, Union Bank of India and Industrial Development Bank of India are secured by a pari passu first charge on:
  - a) All movable fixed assets of the company excluding those movable fixed assets exclusively charged to The Royal Bank of Scotland N.V
  - b) All immovable Properties of the Company other than Land at sulagiri.
  - c) Pari Passu second charge on the company's entire stock of raw materials, stores and spares, finished goods and book debts that are not factored.
- 3) The Term Loan from Indus Ind Bank is secured by an exclusive charge on the Land at sulagiri.
- 4) The Company has obtained SBLC facility from Royal Bank of Scotland N.V for GBP 250000 (included in Cash Credit / Buyers Credit Liability) and this is secured by exclusive charge on specific machinery the original cost of which is Rs.1.63 Crores.

**SCHEDULES TO BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2011**

**(Rs. in Thousands)**

	<b>AS AT</b>		<b>AS AT</b>	
	<b>30<sup>th</sup> JUNE 2011</b>		<b>31<sup>st</sup> MARCH 2010</b>	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE - 4</b>				
UNSECURED LOANS:				
A. Fixed Deposits				
Shareholders	3331		1952	
Directors	2626		1100	
Others	7664		3841	
		13621		6893
B. Others		10500		7500
C. Kotak Mahindra Bank Ltd		3303		5037
<b>TOTAL</b>		<b>27424</b>		<b>19430</b>
<b>SCHEDULE - 5</b>				
LIABILITY FOR DEFERRED PAYMENT:				
For Assets purchased under Hire Purchase Agreements (Secured by specified Assets and on personal Guarantee of Executive Chairman & Managing Director)				
		733		1767
<b>TOTAL</b>		<b>733</b>		<b>1767</b>
<b>SCHEDULE - 6</b>				
CURRENT LIABILITIES AND PROVISIONS:				
(A) Current Liabilities:				
Sundry Creditors		266060		231871
Unclaimed Dividends		1467		1469
Bills Discounting		41280		43561
(B) Provisions:				
Provisions for Taxation		768		2465
<b>TOTAL</b>		<b>309575</b>		<b>279366</b>
<b>SCHEDULE-7</b>				
FIXED ASSETS:				
As per detail sheet attached		1187926		1190731
<b>TOTAL</b>		<b>1187926</b>		<b>1190731</b>

**SCHEDULES TO BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

SCHEDULE - 8	AS AT		AS AT	
	30 <sup>th</sup> JUNE 2011		31 <sup>st</sup> MARCH 2010	
	Rs.	Rs.	Rs.	Rs.
<b>INVESTMENTS</b>				
QUOTED, fully paid-up (At Cost)				
436 Nos. of Equity Shares of Rs.10/- each in M/s.IndusInd Bank Ltd. (Market value Rs. 118)		1		1
UNQUOTED, fully paid up (At Cost)				
27684 Nos.of Equity Shares of Rs.10/- each in M/s. The Vellore Electric Corporation Ltd.		1221		1221
23600 Nos.of Equity Shares of Rs.100/- each in M/s. Chendur Forgings Ltd.		6608		6608
150000 Nos.of Equity Shares of Rs.10/- each in Sai Regency power corporation Ltd.,		1893		1893
150000 Nos. of Equity Shares (Face Value GBP 1) of Shakesphere Forgings Ltd. - U.K.		37382		37382
<b>TOTAL</b>		<b>47105</b>		<b>47105</b>
<b>SCHEUDLE - 9</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>				
<b>A. INVENTORIES:</b>				
(As certified by the Management)				
Stores and Spares (includes stock of flash)	16378		18376	
Loose Tools	1263		1193	
Raw-Materials	26500		24994	
Finished goods	125833		201131	
Work-in-progress	1653		1587	
		171627		247281
<b>B. SUNDRY DEBTORS:</b>				
Unsecured (Considered good)				
a. Exceeding six months	56267		37060	
b. Others	198887		230594	
		255154		267654

SCHEDULES TO BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2011

(Rs. in Thousands)

SCHEDULE - 9 (Cont'd.,)	AS AT		AS AT	
	30 <sup>th</sup> JUNE 2011		31 <sup>st</sup> MARCH 2010	
	Rs.	Rs.	Rs.	Rs.
C. CASH AND BANK BALANCES:				
Cash on Hand	137		117	
Balance with Scheduled Banks:				
a. Current Accounts	5852		3240	
b. Deposit Accounts (including margins)	11097		6656	
c. Unclaimed Dividend Accounts	1467		1469	
d. Cheques on Hand	---		8200	
		18553		19682
D. LOANS AND ADVANCES:				
Unsecured (Considered good)				
a. Advance payment of Income Tax	1568		---	
b. Advances to Employees	3152		2550	
c. Balance with Central Excise	18951		26694	
d. Tax deducted at Source	580		1334	
e. Advances for Purchase	6645		4425	
f. Deposits	6690		6180	
g. Other Advances	4186		3989	
h. Prepaid Expenses	3005		4384	
i. Receivables from Statutory Authorities	29551		32156	
j. Deferred Interest	119249		55011	
k. Advance to Subsidiary	76128		76128	
		269705		212851
<b>TOTAL</b>		<b>715039</b>		<b>747468</b>
<b>SCHEDULE - 10</b>				
Miscellaneous Expenditure:				
(to the extent not written off or adjusted)				
Deferred revenue expenditure		35381		33275
<b>TOTAL</b>		<b>35381</b>		<b>33275</b>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

SCHEDULE - 11	2010-11 (15 Months)		2009-10 (12 Months)	
	Rs.	Rs.	Rs.	Rs.
SALES, OTHER RECEIPTS, ETC.				
Sale of Forgings		950422		642495
Job Receipts		17412		16989
Sale of Flash		74216		40796
<b>TOTAL</b>		<b>1042050</b>		<b>700280</b>
SCHEDULE -12				
OTHER INCOME:				
Dividend Income		70		1
Profit on Sale of Fixed Assets		35194		96353
<b>TOTAL</b>		<b>35264</b>		<b>96354</b>
SCHEDULE -13				
CHANGE-IN-STOCK				
Value of closing stock comprising of:				
Finished Goods	125833		201131	
Work-in-Progress	1653		1587	
Flash Stock	1076		1520	
			<u>128562</u>	<u>204238</u>
Value of opening stock comprising of:				
Finished Goods	201131		234556	
Work-in-Progress	1587		1731	
Flash Stock	1520		1440	
			<u>204238</u>	<u>237727</u>
<b>CHANGE-IN-STOCK</b>		<b>-75676</b>		<b>-33489</b>



**SCHEDULES TO PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

	2010-11 (15 Months)	2009-10 (12 Months)
	Rs.	Rs.
<b>SCHEDULE - 14</b>		
RAW MATERIALS CONSUMED:		
Opening Stock	24994	12739
Add: Purchases	498548	351798
	523542	364537
Less: Closing Stock	26500	24994
<b>TOTAL</b>	<b>497042</b>	<b>339543</b>
<b>SCHEDULE - 15</b>		
MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES:		
Stores and spares consumed	31320	23992
Tools Consumed	795	271
Job Charges	43418	24099
Salaries, Wages and Bonus	80975	58105
Company's Contribution to Provident and Other Funds	8168	10042
Staff Welfare Expenses	42794	27259
Power and Fuel	108294	59708
Repairs and Maintenance: Buildings	188	334
Plant & Machinery	21480	17573
Others	6685	5167
Freight Inward	2285	1842
Factory Expenses	4310	3401
Rent Account	3402	2360
Rates and Taxes	1975	1413
Printing and Stationery	1564	1041
Postage, Telephones & Telex	989	974
Travelling & Conveyances	8795	6785
Insurance	2186	2044
Legal Charges	112	168
Remuneration to Auditors: For Audit	131	100
Others & Tax Audit	25	25
Directors' Sitting Fees	125	90
Packing & Forwarding	51724	46590
Advertisement & Publicity	266	372
Selling Expenses	347	5132
Donation	16	11
General Charges	6965	8602
Exchange Rate Fluctuation	2346	1568
<b>TOTAL</b>	<b>431680</b>	<b>309068</b>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

<b>SCHEDULE - 16</b>	<b>2010-11 (15 Months)</b>	<b>2009-10 (12 Months)</b>
	Rs.	Rs.
INTEREST AND BANK CHARGES:		
Interest on Fixed Loans	21161	3560
Interest on Overdrafts and Other Loans	51344	59852
Bank Charges	6330	8629
<b>TOTAL</b>	<b><u>78835</u></b>	<b><u>72041</u></b>

## **SCHEDULE - 17**

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2011

### **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 progress are valued at cost. Finished Goods are valued at cost or Net realisable value, whichever is lower as per Accounting Standard (AS2) prescribed under section 211(3c) of the Companies Act, 1956 & rules made there under.
  - 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), prescribed under section 211(3c) of the Companies Act, 1956 & rules made there under. However deferred Tax Assets shall be recognised only where there is a virtual certainty supported by convincing evidence.
  - x. 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 recognised prospectively in the financial statements when revised
  - xi. 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.



**8. CDR (Rs. In Thousands)**

The Company has made Corporate Debt Restructure (CDR) arrangements with Company's Bankers/Financial Institutions, during the year 2009-10. The CDR scheme takes retrospective effect from 01-01-2009. Among other benefits, The Company enjoys concessional rate of interest, in terms of the CDR Schemes. Under the CDR Scheme, the interest on Term Loans is also funded; hence it does not involve any outflow of resources. Under the terms of the CDR Scheme, the interest on Term Loans will be treated as optionally convertible cumulative preference capital. In view of the above, the management is of the opinion that interest is not an expense for the year under report. Accordingly, interest amounting to Rs. 119249/- (Previous Year Rs.65903/-) has not been charged; but treated as deferred Interest, grouped under Loans & Advances. The Management is of the opinion to write off the deferred interest proportionately to amount converted, from the financial year during which the options is exercised by the Lenders.

9. 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.

**10. Hire Purchase: (Rs. In Thousands)**

Out of the total liability Rs.733/- (Previous Year Rs.1767/-), towards fixed assets purchased under HP, the amount due within One Year Amount to Rs.553/- (Previous Year Rs.1125/-).

**11. Contingent Liabilities**

	(Rs. in Thousands)	
	AS AT 30.06.2011	AS AT 31.03.2010
	Rs.	Rs.
a) Claims not accepted by the Company: E.S.I. under appeal	208	286
b) Guarantee given by Bank (Foreign Bank) for subsidiary company	18363	18363
c) Demands raised by SIPCOT for the Leasehold land at Gummidipundi not accepted by the company. A writ appeal is pending before Honorable Madras High Court.	1301	1301
d) Sales Bill Factoring with SBI GLOBAL FACTORS LTD. This facility is secured by a charge on receivables factored	6896	7248
e) Estimated amount of contracts remaining to be executed on capital account and not provided for	10000	10000
f) Demand from Income Tax under appeal	7560	6602
g) Demand from Central Excise and Service Tax under appeal	4424	7285
h) Guarantee given to a bank against the loan taken by a company	65000	65000

**12. Licensed / Installed Capacity**

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

**9131 MT**

**6252 MT**

13. 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.

	For 2010-11 (15 Months)		(Rs. In Thousands) For 2009-10 (12 Months)	
	MT	Rs.	MT	Rs.
14. Opening / Closing Stock and Sale of Finished Goods				
1. Opening Stock of Fixed Goods	2347	201131	2584	234556
2. Sale of Forgings	10037	967835	6489	659484
3. Closing stock of Finished Goods	1441	125833	2347	201131
(Stock and Sales quantities are as certified by the Management)				
15. RAW MATERIALS CONSUMED				
Description of Raw Materials:				
Forging Quality Steel Consumption				
(Does not include Job Work Materials)	11993	497042	7906	339543
16. Value of Raw Materials, Spare Parts & Components Consumed				(Rs. In Thousands)
	Rs.	%	Rs.	%
- Imported	1135	0.22%	738	0.21%
- Indigenous	511266	99.78%	351009	99.79%
<b>TOTAL</b>	<b>512401</b>	<b>100.00%</b>	<b>351747</b>	<b>100.00%</b>

	For 2010-11 (15 Months)		(Rs. In Thousands) For 2009-10 (12 Months)	
	Rs.	%	Rs.	%
17. Expenditure in Foreign Currency during the Financial year:				
1. Travelling Expenses			22	156
2. Subscription books and periodicals			38	41
3. Others			159	307
18. Value of Imports of goods on C.I.F. Basis				
Spares			1135	738
Machinery			---	---
Raw Material			---	---
19. Earnings in Foreign Currency on Exports of Goods calculated on FOB basis			<b>250579</b>	<b>247772</b>

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 (Rs. In Thousands)

Interest is shown net of Interest receipts - Rs.924/- (Previous Year Rs.503/-) TDS on interest receipts - Rs.47/- (Previous Year Rs.89/-).

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.

23. Current Year figures comprise a period of 15 (Fifteen) Months as against the previous year comprising of 12 (Twelve) Months. Hence, the result of the Current Year may not be comparable with that of the Previous Year.

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
Reg No. of the Firm: 003408S  
R. VENKATESH

PARTNER  
M.No.28368  
Place: Chennai  
Date: 30.08.2011

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2011**(Rs. in Thousands)**

	<b>2010-11</b>		<b>2009-10</b>	
	<b>(15 Months)</b>		<b>(12 Months)</b>	
	Rs.	Rs.	Rs.	Rs.
<b>1. Cash Flow From Operations</b>				
		(97764)		(26921)
Adjustments for				
a. Depreciation	91845		69414	
b. Interest Expenses	79759		72545	
c. Other Income	---		---	
d. Profit on sale of Fixed Assets	(35194)		(96353)	
e. Interest Income	(924)		(503)	
f. Dividend Received	(70)		(1)	
g. Sales of Investments	---		---	
h. Revaluation Reserve	(863)		---	
		134554		45102
Operating Profit before Working Capital Changes		<b>36790</b>		<b>18181</b>
Adjustments for Increase / Decrease In:				
Trade and other Receivables	(44353)		(187927)	
Inventories	75653		19467	
Sundry Creditors	30209		(156856)	
Miscellaneous Expenses /			---	
Deferred Revenue Expenditure	(2106)		---	
Increase in Bank Borrowings	---	<b>59403</b>	---	<b>(325316)</b>
Cash Generated from Operations		96193		(307135)
Less the Following				
Tax Paid/Provided	---		(543)	
Extraordinary Items	---		---	
Misc. Receipts	---		---	
Deferred sales Tax Liability	---		---	
				(543)
Net Cash from Operating Activities		96193		(307678)
<b>2. CASH FLOW FROM INVESTING</b>				
<b>ACTIVITIES</b>				
1) Purchase of Sale of Fixed assets				
a. Purchase of Fixed Assets, Including	(91069)		(8252)	
CWIP				
b. Sale Proceeds of Fixed Assets	37203		101413	
2) Interest received	924		503	
3) Dividend received	70		1	
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 <sup>th</sup> JUNE 2011 (Rs. in Thousands)				
		<b>2010-11 (15 Months)</b>		<b>2009-10 (12 Months)</b>
4) Purchase or Sale of Investments				
a. Purchase	---		---	
b. Sales	---		---	
5) Purchase or Sale of Goodwill				
a. Additions	---		---	
b. Deletion	---		---	
6) Net Cash Flow from Investing Activities		(52872)		93665

**3. CASH FLOW FROM FINANCING  
ACTIVITIES**

1) From Term Loan/Deferral Loan			
a. Obtained	39294		430944
b. Re-Paid	---		---
2) From Capital			
a. Additions	35000		8500
b. Withdrawn	---		---
3) From Unsecured Loans			
a. Obtained	---		---
b. Re-Paid	---		---
4) From Short (Bank Borrowings)	(38985)		(140380)
5) Interest Paid	(79759)		(72544)
6) Dividend & Tax Thereon	---		---
7) Minority Interest	---		---
8) Net Cash Flow from Investing Activities		(44450)	226520
4. Net Increase / Decrease in Cash & Cash Equivalent (04=01+02+03)		(1129)	12507
5. Cash & Cash Equivalent – Opening Balancee		19682	7174
6. Cash & Cash Equivalent – Closing Balancee		18553	19682
7. Net Increase / Deerease in Balancees		(1129)	12507

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
Reg No. of the Firm: 003408S  
R. VENKATESH  
PARTNER (M.No: 28368)  
Place: Chennai  
Date: 30.08.2011

R.SOWMITHRI  
COMPANY SECRETARY

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



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: 30/06/2011			
II.	Capital raised during the year (Amount in Rs. thousands)			
	Public Issue	NIL	Rights Issue	NIL
	Bonus Issue	NIL	Private Placement	
			Equity share Advance	50000
III.	Position of Mobilisation and Deployment of Funds (Amounts in Rs. thousands)			
	Total Liabilities:	1845765	Total Assets	1845765
	Source of Funds			
	Paid up Capital	86295	Reserves & Surplus	255683
	Secured Loans	1425631	Unsecured Loans	28156
	Application of Funds			
	Net Fixed Assets	1187925	Investments	47106
	Net Current Assets	405466	Misc. Expenditure	35381
	Accumulated Losses	169887		
IV.	Performance of Company (Amounts in Rs. thousands)			
	Turnover	1077315	Total Expenditure/ Change in Stock	1175078
	Profit / (Loss)	(97763)	Profit /(Loss)	(97763)
	before tax		after tax	
	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			

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

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1.	Name of Subsidiary	Shakespeare Forgings Ltd
2.	Financial Year of Subsidiary Companies ended on	30.06.2011
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 30th June, 2011 (Rs.in 000)	(2175)
	ii) For the previous financial years since it become a subsidiary	(13516)
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 30th June, 2011	NiL
	ii) For the previous financial years since it become subsidiary	NiL
6.	Material changes between the end of the financial year of the subsidiary and the Holding Company's financial year	
		Not Applicable

Place: Chennai  
Date: 30.08.2011

R. SOWMiTHRi  
COMPANY SECRETARY

on behalf of the Board  
V. SRiKANTH  
EXECUTiVE CHAiRMAN  
K.V.RAMACHANDRAN  
VICE CHAiRMAN AND  
MANAGING DIRECTOR

**DETAILS OF SUBSIDIARY COMPANIES PURSUANT TO  
SECTION 212(8) OF THE COMPANIES ACT, 1956.  
Shakespeare Forgings Ltd, UK 30.06.2011**

Sl.No.	Particulars	Rs.in Thousands
1.	Capital	11660
2.	Reserves	5854
3.	Total Assets	89513
4.	Total Liabilities	89513
5.	Details of Investments	Nil
6.	Turnover (net)	257740
7.	Profit/(Loss) before Taxation	(2175)
8.	Provision for Taxation	Nil
9.	Profit/(Loss) after Taxation	(2175)
10.	Proposed Dividend	Nil

Place: Chennai  
Date: 30.08.2011

R. SOWMITHRI  
COMPANY SECRETARY

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

**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 June 30, 2011, the Consolidated Profit and Loss Account for the Period then ended and the consolidated Cash Flow Statement for the Period 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. 3.38/- Crores as at June 30, 2011, and Gross Revenue for the Period ended on that date Rs. 25.77/- Crores for the Period 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 June 30, 2011;
  - (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 Period 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 Period then ended;

For P RAJAGOPALAN & CO  
CHARTERED ACCOUNTANTS  
Regn No. of the Firm: 003408S

PLACE: CHENNAI  
DATE: 30.08.2011

R. VENKATESH (MNo. 28368)  
PARTNER

**CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 2011 (Rs. in Thousands)**

	SC No.	AS AT 30th JUNE 2011	AS AT 31st MARCH 2010
		Rs.	Rs.
<b>I. SOURCES OF FUNDS:</b>			
<b>1. Share Holders' Funds:</b>			
a. Share Capital	1	86295	86295
b. Equity Share Advance		50000	15000
c. Reserves and Surplus	2	273856	381343
		<u>410151</u>	<u>482638</u>
<b>2. Loan Funds:</b>			
a. Secured Loans	3	1479179	1511084
b. Unsecured Loans	4	27424	19430
c. Liability for Deferred Payment	5	2832	7723
		<u>1509435</u>	<u>1538237</u>
<b>TOTAL</b>		<u>1919586</u>	<u>2020875</u>
<b>II APPLICATION OF FUNDS:</b>			
<b>1. Fixed Assets</b>	7		
Gross Block		1713174	1603905
Less: Depreciation		<u>412466</u>	<u>315054</u>
Net Block		1300708	1288851
Goodwill		9371	4602
<b>2. Investments</b>	8	9723	9723
<b>3. Current Assets Loans and Advances</b>	9		
a. Inventories		198952	261714
b. Sundry Debtors		242032	267654
c. Cash & Bank Balances		18630	19787
d. Loans and Advances		<u>193577</u>	<u>136723</u>
		653191	685878
Less: Current Liabilities and Provisions	6	<u>308959</u>	<u>242634</u>
Net Current Assets		344232	443243
<b>4. Misc. Expenditure (to the extent not written off or adjusted)</b>	10	73343	69286
<b>5. Balance in Profit &amp; Loss Account</b>		182209	205170
<b>TOTAL</b>		<u>1919586</u>	<u>2020875</u>
Notes on Accounts	17		

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
Reg No. of the Firm: 003408S  
R. VENKATESH  
PARTNER  
M.No.28368  
Place: Chennai  
Date: 30.08.2011

R.SOWMITHRI  
COMPANY SECRETARY

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30th JUNE 2011  
(Rs. in Thousands)

	SC No	30th JUNE 2011 (15 Months)	31st MARCH 2010 (12 Months)
		Rs.	Rs.
<b>INCOME</b>			
Gross Turnover		1350209	938471
Less: Excise duty & Sales tax		122346	57286
Net Turnover	11	1227863	881185
Other Income	12	35264	96354
Change-In-Stock	13	(66094)	(41721)
		1197033	935818
<b>EXPENDITURE</b>			
Raw Materials Consumed	14	558791	414113
Manufacturing, Administration, and Selling & Other expenses	15	550317	409481
Interest and Bank Charges	16	86992	79651
Depreciation (Notes on Accounts)	17	100872	76612
		1296972	979857
Profit / Loss(-) before Tax & Prior Period Adjustments		(99939)	(44039)
Less: Prior Period Adjustments		---	3601
Profit/Loss (-) Before Tax		(99939)	(44038)
Add: Provision No Longer Required		---	---
Less: Provision for Fringe Benefit Tax		---	543
Profit / Loss(-) after Tax		(99939)	(40981)
Balance Profit / Loss (-) brought forward		(205170)	(165072)
Transfer from Revaluation Reserve		2600	883
Balance Profit / Loss (-)		(302509)	(205170)
Less: Transfer from General Reserve Balance		120300	---
Balance Profit/Loss(-) Carried to Balance Sheet		(182209)	(205170)
No. of shares Rs.10/- each		8629524	8629524
Earning per share – Basic		---	---
– Diluted		---	---

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
Reg No. of the Firm: 003408S  
R. VENKATESH  
PARTNER  
M.No.28368  
Place: Chennai  
Date: 30.08.2011

R.SOWMITHRI  
COMPANY SECRETARY

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

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30.06.2011

(Rs. in Thousands)

SCHEDULE – 1	AS AT 30 <sup>th</sup> JUNE 2011		AS AT 31 <sup>st</sup> MARCH 2010	
	Rs.	Rs.	Rs.	Rs.
SHARE CAPITAL:				
Authorised: 2,60,00,000 (1,00,00,000) Equity shares of Rs.10/- each		260000		100000
3,00,000 Redeemable Preference Shares of Rs.100/- each		30000		30000
<b>TOTAL</b>		290000		130000
Issued, Subscribed and Paid up: 8629524 Equity shares of Rs.10/-each		86295		86295
Of the above equity shares:				
a) 12,99,800 shares were allotted as fully paid-up by way of Bonus shares by way of bonus shares by capitalisation of General Reserve, Share Premium and acquisition compensation.				
b) 18,90,000 equity shares were allotted as fully paid-up pursuant to Amalgamation of Chendur Forge Exports Limited with the Company.				
c) 7,00,000 equity shares were allotted as fully paid-up pursuant to Conversion of Fully Convertible Debentures (FCD).				
d) 12,65,329 equity shares were allotted out of which 50329 equity shares have been allotted for consideration other than cash. This shares were allotted to foreign nationals as part consideration of acquisition of the shares of SFL Limited UK				
<b>TOTAL</b>		86295		86295

**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30.06.2011**

(Rs. in Thousands)

	AS AT 30 <sup>th</sup> JUNE 2011		AS AT 31 <sup>st</sup> MARCH 2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 2</b>				
RESERVES AND SURPLUS:				
1. General Reserve				
As per Last Balance Sheet	120300		120300	
Add: Transfer during the year	<u>120300</u>		<u>---</u>	
		---		120300
2. Capital Reserve: As per Last Balance Sheet	<u>21585</u>		<u>21585</u>	
		21585		21585
3. Revaluation of Fixed Assets Reserve:				
As per last Balance Sheet	5077		5979	
Add: Additions	15432		-	
Less: Withdrawals	2600		883	
Less: Depreciation transferred during the year	<u>19</u>		<u>19</u>	
		17890		5077
4. Share Premium (As per last Balance Sheet)	<u>234381</u>		<u>234381</u>	
		234381		234381
<b>TOTAL</b>		<u><b>273856</b></u>		<u><b>381343</b></u>



**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30.06.2011**

(Rs. in Thousands)

	AS AT 30 <sup>th</sup> JUNE 2011	AS AT 31 <sup>st</sup> MARCH 2010
	Rs.	Rs.
<b>SCHEDULE – 3</b>		
SECURED LOANS:		
1. Cash Credits with Banks	309631	346765
2. Bills Discounted with Banks	16656	27324
3. Buyers Credit Liability with Bank	---	14706
4. Term Loans		
a) Export & Import Bank of India	151101	152620
b) Indusind Bank	62500	83500
c) Union Bank of India	102700	102700
d) Axis Bank	228809	228852
e) State Bank of India-IFB	456933	456892
f) Industrial Development Bank of India	31600	31822
5. Funded Interest Term Loan-OCCRPS	119249	65903
<b>TOTAL</b>	<b>1479179</b>	<b>1511084</b>

- 5) The Cash Credit Including Paeking Credit accounts are secured by a paripasu first charge on current assets by hypothecation of Raw-Materials, Stores & Spares, Finished Goods and Book Debts that are not factored and also secured by a pari passu second charge on immovable & movable properties and in addition, Guaranteed by the Executive Chairman and Vice Chairman & Managing Director of the Company.
- 6) Terms Loans from Banks:-  
The Term Loans from Axis Bank, State Bank of India, Export and Import Bank of India, Union Bank of India and Industrial Development Bank of India are secured by a pari passu first charge on:
- a) All movable fixed assets of the company excluding those movable fixed assets exclusively charged to The Royal Bank of Scotland N.V
- b) All immovable Properties of the Company other than Land at sulagiri.
- e) Pari Passu second charge on the company's entire stock of raw materials, stores and spares, finished goods and book debts that are not factored.
- 7) The Term Loan from Indus Ind Bank is secured by an exclusive charge on the Land at sulagiri.
- 8) The Company has obtained SBLC facility from Royal Bank of Scotland N.V for GBP 250000 (included in Cash Credit / Buyers Credit Liability) and this is secured by exclusive charge on specific machinery the original cost of which is Rs.1.63 Crores.

9) **SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30.06.2011**

(Rs. in Thousands)

	AS AT		AS AT	
	30 <sup>th</sup> JUNE 2011		31 <sup>st</sup> MARCH 2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 4</b>				
UNSECURED LOANS:				
A. Fixed Deposits				
Shareholders	3331		1952	
Directors	2626		1100	
Others	7664		3841	
		13621		6893
B. Others		10500		7500
C. Short Term Loan - Kotak Mahindra Bank Ltd		3303		5037
<b>TOTAL</b>		<b>27424</b>		<b>19430</b>
<b>SCHEDULE – 5</b>				
LIABILITY FOR DEFERRED PAYMENT:				
For Assets purchased under Hire Purchase Agreements (Secured by specified Assets and on personal Guarantee of Chairman and Vice Chairman & Managing Director)				
		2832		7723
<b>TOTAL</b>		<b>2832</b>		<b>7723</b>
<b>SCHEDULE – 6</b>				
CURRENT LIABILITIES AND PROVISIONS:				
(A) Current Liabilities:				
Sundry Creditors		265444		195139
Unclaimed Dividends		1467		1469
Bills Discounting A/c.		41280		43561
(B) Provision:				
Provision for Taxation		768		2465
<b>TOTAL</b>		<b>308959</b>		<b>242634</b>
<b>SCHEDULE – 7</b>				
FIXED ASSETS:				
As per Schedule Attached		1300709		1288851
<b>TOTAL</b>		<b>1300709</b>		<b>1288851</b>

**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30.06.2011**

(Rs. in Thousands)

	AS AT		AS AT	
	30 <sup>th</sup> JUNE 2011		31 <sup>st</sup> MARCH 2010	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 8</b>				
INVESTMENTS				
QUOTED, fully paid-up (At Cost)				
436 Nos. of Equity Shares of Rs.10/- each in				
M/s.Indusind Bank Ltd. (Market value Rs.118)				
			1	1
UNQUOTED, fully paid up (At Cost)				
27684 Nos.of Equity Shares of Rs.10/- each in M/s.				
The Vellore Electric Corporation Ltd.				
		1221		1221
23600 Nos.of Equity Shares of Rs.100/- each in				
M/s. Chendur Forgings Ltd.				
		6608		6608
150000 Nos. of Equity Shares of Rs. 10/- each in				
Sai Regency power corporation Ltd.,				
		1893		1893
<b>TOTAL</b>		<b>9723</b>		<b>9723</b>

**SCHEUDLE – 9**

CURRENT ASSETS, LOANS AND ADVANCES:

A. INVENTORIES:

(As certified by the Management)

Stores and Spares

(includes stock of flash)

16377

18376

Loose Tools

1263

1193

Raw-Materials

31780

26963

Finished goods

125833

201131

Work-in-progress

23699

14051

198952

261714

B. SUNDRY DEBTORS:

Unsecured (Considered good)

a. Exceeding six months

56267

37060

b. Others

185765

230594

242032

267654

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31.03.2010

(Rs. in Thousands)

SCHEDULE – 9 (Cont'd.)	AS AT		AS AT	
	30 <sup>th</sup> JUNE 2011		31 <sup>st</sup> MARCH 2010	
	Rs.	Rs.	Rs.	Rs.
<b>C. CASH AND BANK BALANCES:</b>				
Cash on Hand	214		222	
Balance with Scheduled Banks:				
a. Current Accounts	5852		3240	
b. Deposit Accounts (including margins)	11097		6656	
c. Unclaimed Dividend Accounts	1467		1469	
d. Cheques on Hand	---		8200	
		18630		19787
<b>D. LOANS AND ADVANCES:</b>				
Unsecured (Considered good)				
a. Advance payment of Income Tax	1568		---	
b. Advances to Employees	3152		2550	
c. Balance with Central Excise	18951		26694	
d. Tax deducted at Source	580		1334	
e. Advances for Purchase	6645		4425	
f. Deposits	6690		6180	
g. Other Advances	4186		3989	
h. Prepaid Expenses	3005		4384	
i. Receivables from Statutory Authorities	29551		32156	
j. Deferred Interest	119249		55011	
		193577		136723
<b>TOTAL</b>		<b>653191</b>		<b>685878</b>
<b>SCHEDULE – 10</b>				
Miscellaneous Expenditure: (to the extent not written off or adjusted)				
Deferred revenue expenditure		35381		33275
Project Expenses		37962		36011
<b>TOTAL</b>		<b>73343</b>		<b>69286</b>

**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR  
THE PERIOD ENDED 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

	2010-2011 (15 Months)		2009-2010 (12 Months)	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE – 11</b>				
SALES, OTHER RECEIPTS, ETC.				
Sale of Forgings		1136234		823400
Job Receipts		17412		16989
Sale of Flash		74216		40796
<b>TOTAL</b>		<b>1227862</b>		<b>881185</b>
<b>SCHEDULE – 12</b>				
OTHER INCOME:				
Dividend Income		70		1
Profit on sale of assets		35194		96353
<b>TOTAL</b>		<b>35264</b>		<b>96354</b>
<b>SCHEDULE – 13</b>				
CHANGE -IN-STOCK				
VALUE OF CLOSING STOCK COMPRISING:				
Finished Goods	125833		201131	
Work-in-Progress	23699		14051	
Flash Stock	1076		1520	
		150608		216702
VALUE OF OPENING STOCK COMPRISING				
Finished Goods	201131		234556	
Work-in-Progress	14051		22427	
Flash Stock	1520		1440	
		216702		258423
<b>TOTAL</b>		<b>-66094</b>		<b>-41721</b>

**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

SCHEDULE – 14	2010-2011 (15 Months) Rs.	2009-2010 (12 Months) Rs.
RAW MATERIALS CONSUMED:		
Opening Stock	26963	15385
Add: Purchases	563608	425691
	<u>590571</u>	<u>441076</u>
Less: Closing Stock	31780	26963
<b>TOTAL</b>	<b><u>558791</u></b>	<b><u>414113</u></b>
SCHEDULE – 15		
MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES:		
Stores and spares consumed	41666	33058
Tools Consumed	795	271
Job Charges	54867	34655
Salaries, wages and Bonus	128089	99823
Company's Contribution to Provident and Other Funds	8168	10042
Staff Welfare Expenses	44020	32030
Power and Fuel	122149	68327
Repairs and Maintenance:		
Buildings	188	334
Plant & Machinery	23605	19306
Others	8431	7326
Freight Inward	9571	6700
Factory Expenses	5627	4380
Rent Account	5816	3856
Rates and Taxes	5211	3689
Printing and Stationery	2563	2651
Postage, Telephones and Telex	1864	1578
Travelling and Conveyance	9131	6939
Insurance	10984	8899
Legal Charges	112	168
Remuneration to Auditors: For Audit	556	405
For Other Service	25	25
Director's Sitting Fees	125	90
Packing and Forwarding	52080	46589
Advertisement and Publicity	266	372
Selling Expenses	347	5132
Donation	16	11
General Charges	11699	10311
Loss on Sale of Fixed Assets	---	946
Exchange Rate Differences	2346	1568
<b>TOTAL</b>	<b><u>550317</u></b>	<b><u>409481</u></b>

**SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2011**

(Rs. in Thousands)

	2010-2011 (15 Months)	2009-2010 (12 Months)
SCHEDULE – 16	Rs.	Rs.
INTEREST AND BANK CHARGES:		
Interest on Fixed Loans	27746	9550
Interest on Overdrafts and Other Loans	51344	59852
Bank Charges	7902	10249
<b>TOTAL</b>	<b>86992</b>	<b>79651</b>

**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 realisable value, whichever is lower as per Accounting Standard (AS2) prescribed under section 211(3c) of the Companies Act, 1956 & rules made there under.
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 Period 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 amortized from profits over the useful economic life of the leased 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) prescribed under section 211(3c) of the Companies Act, 1956 & rules made there under. However deferred Tax Assets shall be recognized only where there is a virtual certainty supported by convincing evidence.
11. 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.
12. Revenue Recognition: income is accounted on accrual basis.



## 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, as specified under section 211(3c) of the Companies Act, 1956, and rules made there under (Companies (Accounting Standards) Rules, 2006).
- (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	2010-11	2009-10
01	Shakespeare Forgings Ltd	United Kingdom	100%	100%

In the aforesaid paragraph,

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

### 02. Details of Managerial Remuneration:

(Rs. in Thousands)

	For 2010-11 (15 Months)	For 2009-10 (12 Months)
1. Salary	14382	11624
2. Contribution to Provident Fund and other funds	522	351
3. Perquisites	2468	1648
<b>TOTAL</b>	<b>17372</b>	<b>13623</b>

### 03. Related party disclosures:

Related party disclosures as required under accounting standard on "Related Party Disclosures prescribed under section 211(3c) of the Companies Act, 1956 & Rules made there under;.

(01) Subsidiary

(a) Shakespeare Forgings Limited

(02) Key Management personnel

(a) Mr. V. Srikanth, Executive Chairman

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

(03) Relatives of Key Management personnel

**Name of the Person**

**Relative(\*\*)**

Mrs. Chitra Venkatraman

Mother of Mr. V. Srikanth

Mr. K. R. Sri Hari

Son of Mr. K.V.Ramachandran

(\*\*) 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)	
	Period Ended 30.06.2011	Year Ended 31.03.2010
i) Remuneration to Key Management Personnel	(As in Note No.2)	
ii) FD interest paid	519	279
Salary Paid	773	503
Shakespeare Forgings Ltd		
a) Sales	71927	42408
b) Purchases	---	430

04. Depreciation:

(01) Depreciation for the Period on all Fixed 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 Period Rs.19 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 30.06.2011, 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.

06. Miscellaneous Expenditure:

Due to the Loss during the Period the company has not written off any deferred revenue expenditure during the Period (Previous Period Rs. Nil) and same is to be amortised from profit over the expected period of Future benefit.

The Company has incurred sum of Rs.2106 Thousands towards right issue Expenses during the year, the right issue is yet to be finalized, the quantum of amount to be written off may be decided accordingly.

07. The Company has made Corporate Debt Restructure (CDR) arrangements with Company's Banks/Financial Institutions, during the Year 2009-10. The CDR scheme takes retrospective effect from 01-01-2009. Among other benefits, the Company enjoys concessional rate of interest, in terms of the CDR Schemes. Under the CDR Scheme, the interest on Term Loans is also funded; hence it does not involve any outflow of resources. Under the terms of the CDR Scheme, interest on term loans will be treated as optionally convertible cumulative preference capital. In view of the above, the management is of the opinion that interest is not an expense for the Period under report. Accordingly, interest amounting to Rs.119249 Thousands (Previous Year Rs.65903 Thousands) has not been charged; but treated as

- deferred Interest, grouped under Loans & Advances. The Management is of the opinion to write off the deferred interest proportionately to amount converted, from the financial Period during which the options are exercised by the Lenders.
08. Segment Reporting:  
The Company has only one business segment (Primary Segment) of manufacture and sale of steel forgings.
09. 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.
10. Hire Purchase: (Rs. In Thousands)  
Out of the total liability Rs. 2832 (Previous Period Rs.7722), towards fixed assets purchased under HP, the amount due within One Year Amount to Rs. 2653 (Previous Year Rs. 1125).
11. Earnings Per Share:  
Earning per share Basis Rs. Nil and diluted Rs. Nil (Face Value Rs. 10/=) during the Period.

## 12. CONTINGENT LIABILITIES

	(Rs. in Thousands)	
	AS AT 30.06.2011	AS AT 31.03.2010
	Rs.	Rs.
a) Claims not accepted by the Company: E.S.I. under appeal	208	286
b) Guaranty given by Bank for subsidiary company Shakespeare Forging Ltd.	18363	18363
c) Demands raised by SIPCOT for the Leasehold land at Gummidipundi not accepted by the company. A writ appeal is pending before Madras High Court.	1301	1301
d) Sales Bill Factoring with SBI Global Factors Ltd. This facility is secured by a charge on receivables factored	6896	7248
e) Estimated amount of contracts remaining to be executed on capital account and not provided for	10000	10000
f) Demand from Income Tax under appeal	7560	6602
g) Demand from Central Excise and Service Tax under appeal	4424	7285
h) Guarantee given to a bank against the loan taken by a company	65000	65000

### **Project Cost (Miscellaneous Expenditure)**

12. The Subsidiary 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 (Issued by accounting standard Board, UK) goodwill and intangible assets these costs have been capitalized. These costs have been incurred due to relocation of the company's trading activities following a scaling down of their manufacturing activity and development costs incurred with the relocation of certain of the manufacturing activities to India. In the opinion of the directors these costs will generate cost saving in the future.  
These costs will be written off over a period of 5 and 10 Periods 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.

15. Current Year figures comprise of period of 15 (Fifteen) Months as against the previous year period of 12 (Twelve) Months. Hence, the result of the current year may not be comparable with that of the previous year.

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As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
Reg No. of the Firm: 003408S  
R. VENKATESH  
PARTNER  
M.No. 28368  
Place: Chennai  
Date: 30.08.2011

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

**CONSOLIDATED FUND FLOW STATEMENT FOR THE YEAR ENDED 30-06-2011**

(Rs. in Thousands)

Particulars	For the Year 2010-2011 (15 Months)		For the Year 2009-2010 (12 Months)	
	Rs.	Rs.	Rs.	Rs.
<b>01. Cash Flow from Operations:</b>				
1) Net Profit before Tax		(99939)		(40436)
2) Adjustment for				
a) Depreciation	100872		76612	
b) Interest Expenses	86992		80153	
c) Other Income	---		---	
d) Sales of Fixed Assets	(35194)		(95407)	
e) Interest Income	---		(503)	
f) Dividend Received	(70)		(1)	
g) Sales of Investments	---		---	
h) Revaluation Reserve	15434		---	
		168034		60854
3) Operating Profit before working Capital Changes		68095		20418
4) Adjustment for Increase / Decrease in				
a) Trade & Other Receivables	(31233)		(204925)	
b) Inventories	62759		28378	
c) Sundry Creditors	66326		(185432)	
d) Miscellaneous Expenses / Deferred Rev. Exp	(4056)		(1463)	
		93796		(363442)
5) Cash Generation from Operation		161891		(343025)
6) Less the Following				
a) Tax Paid / Provided	---		(543)	
b) Extraordinary Items	---		---	
c) Misc. Receipts	---		---	
d) Deferred Sales Tax Liability	---		---	
		---		(543)
7) Net Cash from Operating Activities		161891		(343568)
<b>02. Cash Flow from Investing Activities:</b>				
1) Purchase or Sale of Fixed Assets				
a) Purchase of Fixed Assets, Including CWIP	(115056)		(9837)	
b) Sale Process of Fixed Assets	37503		101625	
2) Interest Received	---		503	
3) Dividend Received	70		1	
4) Purchase or Sale of Investments				
a) Purchase	---		---	
b) Sales	---		---	

**CONSOLIDATED FUND FLOW STATEMENT FOR THE YEAR ENDED 30-06-2011** (Rs. in Thousands)

	<b>For the Year 2010-2011</b>	<b>For the Year 2009-2010</b>
	<b>(15 Months)</b>	<b>(12 Months)</b>
4) Purchase or Sale of Investments		
a) Purchase	---	---
b) Sales	---	---
5) Purchase or Sale of Goodwill		---
a) Additions	(4768)	---
b) Deletion	---	5950
6) Net Cash Flow from Investing Activities	(82251)	98241
<b>03. Cash Flow from Financing Activities:</b>		
1) From Term Loan / Deferral Loan		
a) Obtained	35438	426951
b) Re-Paid	---	---
2) From Capital		
a) Additions	35000	8500
b) Withdrawn	---	---
3) From Unsecured Loan		
a) Obtained	---	---
b) Re-Paid	---	---
4) From Short (Bank Borrowings)	(64242)	(97362)
5) Interest Paid	(86992)	(80153)
6) Dividend and Tax Thereon	---	---
7) Minority Interest	---	---
8) Net Cash Flow from Investing Activities	(80796)	257936
<b>04. Net Increase / Decrease in Cash &amp; Cash Equivalent</b> <b>(04=01+02+03)</b>	<b>(1157)</b>	<b>12609</b>
<b>05. Cash &amp; Cash Equivalent – Opening Balance</b>	<b>19787</b>	<b>7178</b>
<b>06. Cash &amp; Cash Equivalent – Closing Balance</b>	<b>18630</b>	<b>19787</b>
<b>07. Net Increase / Decrease in Balances</b>	<b>(1157)</b>	<b>12609</b>

As per our annexed report  
For P. RAJAGOPALAN & CO.  
Chartered Accountants  
Reg No. of the Firm: 003408S  
R. VENKATESH

PARTNER  
MNo: 28368

Place: Chennai  
Date: 30.08.2011

R.SOWMITHRI  
COMPANY SECRETARY

on behalf of the Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN  
VICE CHAIRMAN AND  
MANAGING DIRECTOR

**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 30.11.2011 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 Annual 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 30-11-2011 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**